

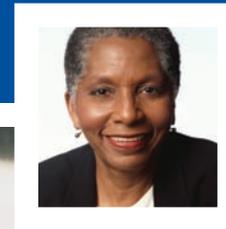


Research Analysts

Bonnie Hagemann, CEO
Executive Development Associates

John Mattone, President
Executive Development Associates

2011/2012 Trends in Executive Development: A Benchmark Report



CEO BRIEF

Snapshot: In this briefing, you will learn what some of the best companies in the world are doing to develop their current and future executives. And, you will also be able to benchmark your own organization against best practices.

In spite of the many challenges corporate leaders and executive development professional's face, innovations and exciting projects are rolling forward in executive development. You may wonder why this work is picking up in spite of a lingering recession. One answer is that the demographic shifts are forcing corporations, governments, non-profits and educational institutions to evaluate their leadership players as well as the strength and depth of their bench. Statistics tell us that Baby Boomers are retiring at a rate of one every eight seconds. In addition, EDA works with companies who already have as many as 60% of their workforce eligible for retirement within the next 3 years.

Furthermore, technology continues to progress at warp speed and the skills senior leaders needed in the past are no longer enough. While great leadership fundamentals remain the same, there is increased pressure to understand the global marketplace, technology advances, develop the leaders of the future and to be able to make complex decisions at the speed of light while simultaneously considering both the macro and the micro level impact on the people and the organization. Executives today are up against some wicked problem, and they are expected to make sound judgments.

Thus, the need to develop corporate executives and high potential leaders has reached an all-time high. In fact, with the 2011 research, we see that the transitions are multi-layered. The overall way we do work is shifting in many ways, the way we develop our leaders is shifting, the demographics are shifting and the necessary leadership style is shifting. As we analyzed the results of the survey, we realized that there is a real and difficult shift as the Baby Boomers, who are still at the helm, struggle to shift their own style from command and control to one of learning, inquiry and inspirational leadership. Many are also still struggling with the concept of transparent leadership and perhaps the most difficult responsibility of all is handing over the reins of the organization to the next generation. This issue is much bigger than just having trouble "letting go." The bigger issue is that the majority of next generation leaders are just not ready. Organizations that were surveyed overwhelmingly agreed that the next generation leaders do not have the seasoning or the skills necessary to lead.

A sampling of the companies included in the survey:

- Emirates Telecommunications Corporation
- Macy's Inc
- TD Ameritrade
- Honeywell
- Navy Federal Credit Union
- Unum
- The McGraw-Hill Companies
- Cabela's
- WellPoint
- UPS
- ATK Aerospace Systems
- Trinity Industries
- Saudi Aramco
- Wyndham
- Tompkins
- VF Corporation
- Home Depot
- **Harris Corporation**
- Express Services
- OGE
- Agilent Technologies
- UBS
- Entergy
- McDonald's
- Welch Allyn



Major Findings

The need to increase bench strength (i.e., succession planning). This was the key finding in our 2009 study. Again, in our 2011 study, our respondents cited the importance of being proactive in accelerating the development of both high potentials and emerging leaders. Survey participants emphasized the need for clear succession plans and a well-developed bench in light of the high percentage of executives who plan to retire in the next five to ten years. Unfortunately, in our 2011 study, we see a dis-connect between what respondents are citing as critical and their executing on those same imperatives. The need is there but their internal efforts do not match the need.

Similar to our 2009 study, senior executive judgments, performance reviews, talent review meetings and “perception” were again the most commonly cited rating strategies used for determining who the high potential and emerging leaders are. **What’s different, in our 2011 study, however, are respondents’ admitting the need to use more objective assessments in combination with perception-based assessments in order to calibrate performance, potential to assume other key roles, and readiness to assume those roles.** The irony of this is that despite the overwhelming evidence in support of the use of more rigor and objectivity especially when estimating potential and readiness, most organizations continue to over-emphasize subjectivity and the use of current performance measures--which often have very little to do with predicting likely future performance in more challenging and difficult roles.

Understandably, organizations continue to deploy different developmental approaches based on level. **For top executives and vice presidents we continue to see the use of executive coaching as the number one development strategy.** Coaching is highly targeted, individual and personal and highly regarded by executives at these levels. The use of custom-designed programs provided by external vendors and internal staff continue to be popular methods for developing executives. **For vice president’s and high potentials, we continue to see the use of developmental job assignments and internal custom programs as popular methods for development, followed by mentoring and coaching.**

So, what’s changed? The singular most significant change in our 2011 report is that *Critical Thinking* has supplanted *Leadership* as the number one topic anticipated for the next two to three years. This is significant since *Leadership* has been number one in our Trends in Executive Development Report for 25 years. *Leadership* is now number two, followed by strategy (which has consistently appeared since 2000), and “leading the next generation”, which is new to the list. Our respondents consistently identified critical thinking as a key foundation skill for executing effective decisions, problem solving, creative thinking and strategic thinking. Clearly, both the pace and complexity of business and the rate of change require executives to have heightened ability in recognizing assumptions, evaluating arguments, and drawing clear and valid conclusions—certainly more so than in years past. Jim Bolt, EDA founder and current CEO of the FrED Forum, emphasized the following evaluation: “The most striking result for the 2011 EDA Trends Survey is, I believe for the first time, *Leadership* is not seen as the #1 topic that will be included in executive development efforts over the next few years. In past surveys *Leadership* has not only been the top ranked topic but has been considerably higher rated than anything else. Yet, this year, and for the first time, capabilities related to critical and strategic thinking are rated first”.



Future of Executive Development

When we look to the future of executive development, it is clear that focusing on the next generation of leaders will be the top priority. The hot topics that will be emphasized are displayed in Table 4 below:

Table 4. Top 5 Hot Topics in Executive Development in the Next 2-3 Years

	2011	2009	2004	2000
1.	Critical thinking (creative thinking, strategic thinking, problem solving and decision-making) (34.6%)			
2.	Leadership (creating vision, enrolling and empowering others) (28.2%)	1	1	1
3.	Strategy execution (20.5%)	3	4	2
4.	Leading the “next generation” of talent (16.7%)			
5a.	Leading/managing change (15.4%)	4	2	3
5b.	Talent management (15.4%)	5		
5c.	Drive for results (15.4%)			
	Business acumen	2	5	
	Managing human performance		3	5
	Strategy formulation			4

When we dig a little deeper and ask participants to tell us what the next generation of leadership talent (the ones who are most likely to fill executive level positions in the next three to five years) are lacking, not surprisingly, we found similarities between the “hot topics” and “development gaps”. The top five competencies most lacking in the next generation of leaders is shown in Table 5 below:

Table 5. Top 5 Competencies Most Lacking in the Next Generation of Leaders

	2011	2009
1.	Critical thinking (42.3%)	
2.	Ability to create a vision and engage others (30.8%)	3
3a.	Cooperates and collaborates with other parts of the business to 1) optimize the operations of our business, and 2) to leverage our collective capabilities in the marketplace to identify and serve customers/clients better than competition (24.4%)	
3b.	Leading change (24.4%)	2
4.	Leadership (23.1%)	
5.	Understands the total enterprise, how the different parts work together to leverage their collective capabilities to serve customers/clients better than the competition (21.8%)	5
	Strategic thinking	1
	Ability to inspire	4



In Summary

The Need to Increase Bench Strength. This finding was also the number one priority in our 2009 study. In order to increase bench strength, organizations need to be proactive in ***accelerating the development of high-potentials and emerging leaders.*** Given the rapid environmental changes organizations face and the large number of people entering retirement age, accelerating the development of the high potential and emerging leader talent pools is vital. As the number of key positions eventually becomes greater than the number of “ready now” candidates who are available, the task of offering accelerated development becomes even more critical as a means to attracting and retaining talent. Organizations that fail to offer such opportunities will lose talent—in numbers and quality-- as people will gravitate toward organizations that offer such opportunities. In addition, this research has highlighted the need for organizations to address those competencies listed in Table 2 above. It will be imperative for the success of executive development to incorporate learning methods and content around *critical thinking, leading change, creating a vision and engaging others,* and other topics at the top of the list.

How to Obtain This Research

The full industry report is available for purchase at www.ExecutiveDevelopment.com . We will be presenting highlights of this research at webinars and other events throughout the coming year. If you are interested in benchmarking your organization against the best practices developed in this industry study, please contact us. Our *Rapid Cycle DiagnosticSM* and *Advisory Council* services will provide your organization with the data, recommendations, and strategic insights to determine the best course of action to maximize the efficiency and effectiveness of your executive development strategy.

For more information, please contact Executive Development Associates at (866) EXEC DEV.



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