



Breaking the Wasteful
Leadership Development
Spiral



Stop Throwing Good Money After Bad ~

Breaking the wasteful leadership development spiral

Do you find yourself spending thousands on leadership programs designed to fulfill your employees' expectations, rather than bring strategy to fruition? In collaboration with its UK Affiliate, Square Peg International, The Berkeley Consulting Group has been taking a fresh perspective on the topic of investing in leaders and aligning them to strategic intent. Based on our research, global thought leadership forum, and input from our client review meetings we are exploring the consequences of leadership development investment being divorced from strategy. Utilizing the image of a spiral to outline five key stages where value can be eroded, we identify what is required to correct the erosion of investment in leadership, and start to challenge the paradigm of aligning leadership to strategy. The intent of this work is to challenge organizations to stop throwing good money after bad in their race to develop leadership talent.



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eadership development that builds value.

So why is more research on leadership development relevant now? The issue has been around for ages but with the baby-boomers about to retire, increasingly onerous demands on corporate leaders and a whole industry focused on it, the problem of how to ensure leadership quality as efficiently as possible remains a priority for many. Our focus is on preparing individuals to lead organizations and not on the development of technical leadership skills.

We believe that in this context people are needlessly looking for ever more complex solutions to the issue. The aim of this article is to cut through that complexity and to provide a frank, simple but, we believe, powerful foundation for leadership development that builds rather than erodes organizational value.

Our Hypothesis - The Wasteful Leadership Development Spiral

Our work on this theme is based on a three-pronged hypothesis:

1. Firstly, a number of self-perpetuating factors can combine to make leadership development investment a wasteful spiral of activity – our research confirms the nature and extent of some of these factors.
2. However, the downward spiral can be broken – our findings suggest some ways to make that happen.
3. Finally, it is possible for the investment of resources in leadership development to positively drive value. We identify the means to create a virtual circle.

Our Research

International

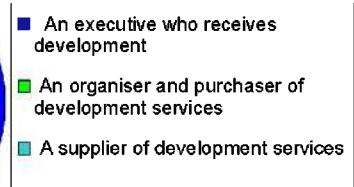
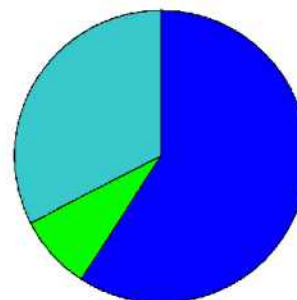
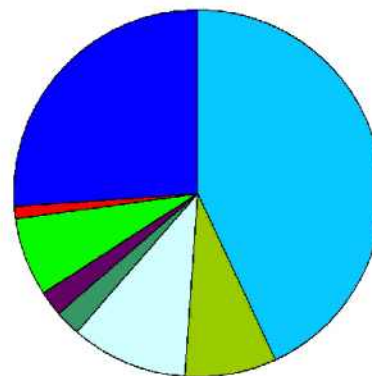
Participants in our online survey represent all five continents but importantly over a quarter described themselves as 'global multinational'. These are the growing ranks of executives who lead cross-border teams on their Blackberries from airport lounges.

Front Line Insight

The majority (60%) of our survey respondents were executives who have received leadership development, representing real insight into what is valued in the workplace, how current leadership development practice is perceived and what could be done better.

Industry Dynamics

Given the diversity of stakeholders in leadership quality, participants also included both the organizational gatekeepers and purchasers of leadership development services and the suppliers of those services – allowing us to examine and challenge some of the dynamics at work in the industry.



Hypothesis:

Self-perpetuating factors can combine to make leadership development investment a wasteful spiral of activity when...

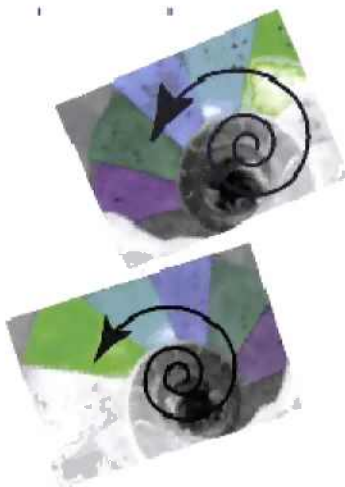
Wasteful Step 1 — Leadership development becomes divorced from strategy.

Our research confirmed that strategy challenges are frequently not informing leadership development activity and causing investment to be misdirected. One example of this misalignment: about a third of our respondents felt that 'poor co-ordination across diverse functions, geographies and businesses' was the greatest threat to their business, yet more than half did not see leadership development addressing this critical issue.

There are many possible causes for a weak link to strategy:

Unclear or inadequately communicated strategy

Earlier Square Peg and Berkeley research highlighted the huge communication and understanding gap that continues to surround strategy in organisations.¹



Organizers and purchasers do not understand the strategy

If the team responsible does not know what the strategy means in terms of the skills and behaviours required for success, then its hands are tied when it comes to building or commissioning something suitable.

The strategy itself might be shifting in response to external factors

One organization we know for instance has been acquired, had production shut down, borne the brunt of new legislation, been a pawn in a political debate and embarked on the acquisition trail, all within a relatively short three year period. Strategy has had to shift so frequently to keep up, that its no wonder HR are left puzzling what skill sets may be required from future leaders.

No strategy or strategic paralysis

Another organization we know has been part of a very lengthy takeover battle, in and out of the European competition authorities for well over a year now. In a situation like that there is a danger of a strategy vacuum and rabbit-in-the-headlights paralysis throughout the organization.

While there is a need to align leadership development activity with strategy the link is not always linear or simple.



¹Beyond Lip Service. Square Peg 2004.



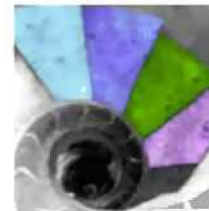
Wasteful Step 2 — Leadership development becomes distorted by entitlement-demand.

In an environment where the link to strategy is weak or unclear, leadership development may be blown off course either by entitlement demand from individuals or by supplier push. If there is no clear direction guiding the effort then the organization will have no criteria by which to measure the appropriateness of potential activities. In these circumstances industry fads and individual whims may too easily prevail.

Entitlement Demand

Whilst our survey found that organizations are clearly perceived to drive the leadership development effort, each group of respondents (including suppliers and purchasers) tended to overstate their own influence.

As far as individuals are concerned, it is future aspirations and prospects that make them seek development opportunities. The danger here lies in misalignment between the aspirations of the individual and the needs of the business. Key individuals can start to call the shots – for example, holding the organization to ransom for funding for personal development agendas.



Supplier Push

When supplier push prevails, a powerful industry (recent estimates put it at a \$6 billion business in the US alone) can wield inappropriate influence over what is provided. Our findings suggest one example around the concept of qualification inflation. Only 3% of the executives believe individuals are motivated by gaining a leadership development qualification. Three times as many purchasers believe qualifications are a prime motivator — 10% — and that figure rises to a full 15% among the suppliers. There is a kind of Chinese Whispers game going on, where even with the best of intentions suppliers and purchasers form a skewed view of demand. Though the numbers here are relatively low, that skewed perception is already starting to distort supply and contributing to the wasteful spiral.

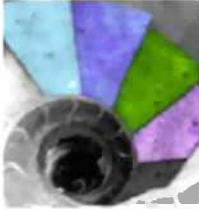
What is the result? If it is too hard to link to strategy, leadership development can be distorted and HR can get caught between individuals requesting the course they fancy and suppliers pushing the intervention they have built.

One senior executive we know told us about a program he had been dragooned onto 'to set a good example' and 'create demand for the program'. This course targets attendance by some 50 delegates over a twelve month period – an estimated annual cost of some ¼ million dollars – without even considering the opportunity costs of attendance. No doubt the course material was of excellent quality, but the appetite and need for it had not been tested – a clear case of leadership development getting blown off course.



Wasteful Step 3 — Leadership development becomes short term and intervention-heavy.

Our research uncovered another disconnect in the timescales required for successful leadership development. Executive respondents tend to think about leadership development as a long-term activity; for them its objectives should be attracting and retaining talent and succession planning. However, for suppliers and purchasers the focus is very much on the short term; they tend to believe leadership development's objective is primarily to meet critical needs now. We also found that nearly two thirds of all the leadership development activity going on today is based in the classroom (including simulations).



This highlights a fundamental misunderstanding of the nature of leadership. Unlike some, we do believe that leadership can be taught – it is a set of practices and behaviours that can be acquired over time. However, they take time to build and become authentic so a quick-hit course will never be enough. Developing leaders need to be given opportunities to practice without the protection of the classroom – otherwise, they will never become the true, seasoned leaders they aspire to be. Falling into this trap can be compared to trying to train gladiators without letting them pick up their swords and fight.

Another factor driving the tendency towards an intervention-heavy approach in the real world is budgets. In fact, half of all our respondents cited lack of budget as the major reason for *not* offering leadership development. Where budget does exist, of course, shorter courses that are quicker and easier to plan and implement more easily attract finance. Which brings us on to Step 4.

Wasteful Step 4 — Leadership development is inappropriately evaluated.

The short term focus of many programs is reflected in the measurement trends we uncovered. 75% of measurement takes place only in the six months following an event. In addition there is an over-reliance on participant evaluation: in 54% of cases the most frequent means of evaluating a program was participant feedback immediately on completion. Of course feedback forms can be useful, but by their nature they are subjective, and used as a sole evaluation method, they will provide an inappropriately shallow measure of success. In this context it is not surprising that bottom line impact hardly got a look-in, only 5% of respondents mentioned it. That's because measuring bottom line impact is tough.

Even assuming you are clear about what your time horizon is, when you are talking about intangibles how do you put a value on the expected benefit to the organization over time – let alone start to discount it back to give a net present value? Faced with that kind of challenge a third of organizations will simply give up on developing their leaders if they believe it is too hard to measure the impact of their activity. At this stage of the downward spiral the focus can all too easily shift from measuring the value to the organization to the cost of a program's inputs.

