Executive Outlook

Leadership development: CEOs’ strategic powerhouse

Effective leadership development is a CEO’s most underutilized tool to advance the execution of an ambitious strategic agenda.

www.kornferryinstitute.com
The moment a CEO starts a job, the clock starts ticking. With S&P 500 CEOs seeing an average tenure of nine years (Schloetzer et al. 2015), senior leaders must hit the ground running—formulating and executing transformational strategies and, ultimately, creating a better organization. Korn Ferry research has identified the alignment of business and talent strategies as a critical task for directors, CEOs, and chief human resources officers (Orr et al. 2014). And some of the notable strengths of the top 20% of CEOs, based on Korn Ferry’s comprehensive leadership performance simulation, include developing strategies and driving growth (Burnison 2015). But even these outliers among CEO talent don’t do it alone. Success requires the hard work of leaders at all levels, who must make countless decisions and behave in ways that support the strategic direction and overarching purpose of the organization.

Unfortunately, many organizations lack the leadership capabilities they need. In a recent survey by Korn Ferry with almost 7,500 respondents, more than 80% of whom said they were at the C-suite or director level or above, 62% have examined their organization’s leadership capabilities and see gaps that need filling. Further, only 17% of survey respondents said they were confident they have the talent needed to deliver on strategic priorities.

Developing leaders from within the organization is a priority for driving change. As Korn Ferry has found through its work with clients across all industries, leadership development can and should be a powerful tool at the CEO’s disposal to advance strategic growth and change. CEOs have relatively few strategic levers to drive real strategic change. The predictable levers include compensation, budgeting, process improvement, increased measurement and accountability, new technologies, reorganization, and revitalized communications. That should make leadership development even more alluring. But to be effective, leadership development needs to be more than aligned with the business strategy—it needs to be part of the strategy.
Effective leadership development is a CEO’s most underutilized tool to advance the execution of an ambitious strategic agenda. The Korn Ferry survey revealed that nearly 40% of respondents said they don’t regularly review leadership needs against their business strategy. This is clearly a missed opportunity.

Organizations invest heavily in leadership development, even as they know it must change. US companies have been estimated to spend about $14 billion a year on leadership development training (Hedges 2014). Overall corporate training expenditures, which are considerably larger, have been growing by 10% to 15% per year as the economy recovers (Bersin 2014). Given the size of this resource commitment, leadership development should be expected to contribute to performance improvement and deep competitive advantage. In some instances, however, leadership development proves less than effective—even to the point of having a weak or negative return on investment (ROI). In the Korn Ferry survey, more than half of the executives rated the ROI of their leadership development efforts as “fair to very poor.”

This paper will show that, more than ever, focused leadership development programs are needed to help drive an organization’s strategic agenda. By developing current and future leaders, these programs can promote and create culture change to support a more purpose-driven, sustainable, and socially conscious organization that commits to people so its talent can execute the business strategy and achieve desired results. With effective leadership development programs, CEOs can build high-performing organizations as their legacy.
LEADERSHIP DEVELOPMENT: A DIFFERENCE FOR DISTINCTION

Talent to drive the strategic agenda.

Many organizations commit massive amounts of resources to create new business strategies they hope will take them from where they are to where they want to be. The result is often a very convincing slide deck stipulating the “what” and “why” of the new strategy. Some strategies are replete with technical details, financial projections, forecasts of future market share, a roadmap for product and service development, and so forth. But, as Korn Ferry’s experience with clients has shown, many organizations have a blind spot on the human side of things. At best they have a headcount or workforce projection, but few have a development plan for their people, let alone a leadership strategy.

Recognizing the strategic importance of leadership and leadership development places a higher priority on the talent pipeline. As the Korn Ferry survey showed, less than 20% of respondents were confident they have the leaders they need to deliver on strategic priorities. A lack of talent to fulfill mission-critical roles (as and when needed) can put a business at risk competitively, and may force external recruitment for crucial skill sets that could be developed internally. All organizations must retain their relevance to individual customers and broad markets, and they cannot do so unless they also keep pace with societal change. This means that organizations must work even harder to develop many more leaders who are female and who are from underrepresented communities and points of view. These individuals must be valued and welcomed into leadership development programs, especially with the full support of top executives. Further, participants in leadership development programs must learn how to change existing cultures to be as inclusive as possible. They need to see the advantages of broadening points of view to benefit their organizations, clients, and communities. Further, as they participate with colleagues, all the future leaders in development programs need to see that they all have roles in including others and ensuring that the broadest points of view benefit their organizations.

Learn more.
Leadership development is the tangible manifestation of the organization's point of view on leadership. How at all levels it invests in, supports, and sponsors the strategic development of leaders is a direct reflection of how aggressively it is working to close its own strategy-execution gap.

Leadership development can drive organizational change and progress:

- It can and should drive the organization’s strategy and advance the corporate agenda.
- It can and should help build a strong and differentiated bench and talent pipeline—the leaders who will execute the strategy of both today and the future.
- It can be used to promote and create culture change that is aligned to the strategy.
- It can help promote a more purpose-focused, sustainable, and socially conscious organization.

However, even committed and well-intentioned organizations sometimes fall short—because they fail to see that leadership development needs to be part of the strategy—not just aligned with the strategy.
Leadership development falls short all too often because it lacks relevance. The key to making it more effective is rooting it more deeply in the real world to produce real outcomes. To illustrate, we turn to Korn Ferry’s Four Pillars of Leadership Development: context, whole person, development as a journey, and purpose.

**Context is critical.**

To accelerate leadership development and close critical gaps, real context and practical application are essential. An organization’s leaders should grow into future challenges by being exposed to current and impending obstacles, problems, and opportunities. These real experiences accelerate development in conjunction with formal structured learning programs and are far more effective than hypotheticals or semi-relevant case studies. Leaders developed in context produce real outcomes and solve real problems as they grow and develop. This approach also aligns with the experiences of most senior leaders. When asked what shaped them, most executives cite real-world, on-the-job experiences.

**Develop the whole person.**

For an organization to change, individual leaders need to change and grow. Simply stated, the organization gets better as each individual also gets better. By putting the individual at the center of organizational learning—while acknowledging their individuality and unique experiences, motivators, values, vitality, and traits—organizations increase the chances of realizing value-added changes from leadership development in support of strategic direction.

Korn Ferry promotes a whole-person approach by tapping prior experiences and the lessons gained from them, which are instrumental to readiness for new challenges and roles. Experiences are considered one of four dimensions of leadership, along with traits (personality characteristics that exert a strong influence on behavior), competencies (leadership skills that matter most for success), and drivers (the preferences, values, and motivations that influence a person’s career) (Crandell et al. 2014).

---

**Learn more.**

More information on this pillar may be accessed in the Korn Ferry publication, “Strategy Activation: Develop your leaders in context.”


More information on this pillar may be accessed in the Korn Ferry publication, “Strategy Activation: Who leaders need to be and what they need to do.”

http://info.kornferry.com/rs/korn_ferry/images/LD%20Series%202_Who%20leaders%20need%20to%20be_FINAL.pdf
Development is a journey.

Leadership development is not an event. Rather, it is a process that occurs over time with a pace and intensity that match the scope and ambition of the business strategy and desired change. Leaders should never stop or postpone development. Leaders should have a clear and coherent, multi-level development plan that puts them on a personal journey of growth.

Creating learning journeys requires a new approach to the program design, using the current context of the organization as a starting point. In this way, leadership development becomes more effective in activating the organization’s strategy at all levels.

Service promotes purpose.

To create a sustainable impact, leaders need to embrace a purpose beyond themselves. A sense of purpose motivates leaders to create, serve, build, and improve in the service of a broader and longer-term goal. To unleash the potential within, an organization must help its people experience the power of service. One way to make leadership development more purposeful is to embed broader meaning into the leadership journey.

Learn more.

More information on this pillar may be accessed in the Korn Ferry report—Strategy Activation: “Planning a leadership development journey.”


More information on this pillar may be accessed in the Korn Ferry report—Strategy Activation: “The power of service and purpose.”

http://infokf.kornferry.com/rs/korn_ferry/images/The%20power%20of%20Service%20and%20purpose.pdf
As Korn Ferry’s survey indicates, dissatisfaction can run high with leadership development programs as they currently exist. Why does leadership development fail to deliver the expected benefits? Why does it fail to deliver on its promise? There is no single or simple answer to this difficult question. Based on our work with clients over the years (and listening to their past experiences to better meet their needs), we have identified these key root-cause reasons:

- Lack of alignment between the leadership development strategy and the business strategy.
- Disconnected and sometimes contradictory programs at different levels of the organization.
- Visible behaviors at the top that do not reflect messaging and priorities conveyed to levels deeper in the organization.
- Programs that benefit either the individual or the organization, but not both.
- A theoretical approach to leadership development that does not bring the concepts into practical reality.
- Outdated delivery models that don’t put the learner at the center of the process.
- Neglect of cultural aspects in an organization that allow leadership to thrive.
- Lack of qualitative and quantitative analyses to document impact and outcomes.
- Prevailing and overriding assumptions that time spent in leadership development is “time offline.”
- Lack of strong governance models to guide effective and strategic investment in leadership development.

Overcoming these potential pitfalls requires a deliberate and focused approach to drive measurable and meaningful organization change and help narrow the strategy execution gap.
Conclusion

Leadership development can and should be one of the most powerful strategic tools in the CEO’s arsenal. With measurement lacking and adding to skepticism about the programs’ impact and ROI, leadership development too often has been considered a cost, not an investment. The solution is to devise and implement leadership development that is tailored to the organization and the talent needs of its current and future leaders. Leadership development then becomes an organizational priority because it is embedded in business strategies, in recognition that it is not enough to know what must be done—but who is needed to accomplish it.
References


Contributors

Noah Rabinowitz
Senior Partner and Leadership Development Solution Lead

Wendy O’Connell
Managing Principal

David Dotlich
President, Pivot Leadership, a Korn Ferry company

Bruce Jackson
Principal Consultant

Kevin Cashman
Senior Partner

Pushp Deep Gupta
Senior Partner

Michael Van Impe
Senior Partner

Dési Kimmins
Principal Consultant
About Korn Ferry
Korn Ferry is the preeminent authority on leadership and talent. For nearly half a century, clients have trusted us to recruit world-class leaders. Today, we are their partner in designing organizational strategy and developing their people to achieve unimaginable success. For more information, visit www.kornferry.com.

About The Korn Ferry Institute
The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books, and a quarterly magazine, Briefings, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth, and success.