Examining the ROI of Traditional vs. Nontraditional Executive Development

As leaders of an organization, c-suite executives exist to "support the organization, to grow its assets by enabling it to produce value."[13] Facing such high expectations, the concept of Executive Development was created to support the ways these senior leaders can increase their knowledge and skill sets for the benefit of the organization, and ensure the rest of the organization is fully equipped to work as efficiently as possible. Building awareness and competencies among senior leaders translates to greater problem-solving skills, more adept conflict resolution, improved communication, and an increased aptitude to effectively lead.[14] And while there is a consensus that such initiatives are critically important, organizations and leaders struggle to determine how to properly achieve these goals, or define an ideal model to do so.

Traditionally, Executive Development activities focused on improving individual areas of expertise relevant to the needs of a leader in a particular business unit or function. Topically-based courses on specific skills, seminars, and classroom training are all traditional methods used to address these singular development needs. And while these methods still serve a purpose in a larger talent development strategy, individually-focused traditional techniques have notable limitations. Organizations continue to rely on such means of development, but we define them as traditional because they are the longstanding approach to leadership development. These types of activities are largely external in nature because they occur outside of day-to-day business operations and issues.

Traditional development measures remain valuable in building specific business acumen, but the organizational environment for success today hinges on the ability to effectively work with others. Henry Hardin, the CEO of SCI Companies and PlatformOne, agrees on this shift. "Some companies have a 50-year old perspective on Executive Development that is broken. Most of the things keeping companies from being great are deficiencies in the leadership, so it is our responsibility as leaders to address those obstacles. Traditional executive programs are about developing the individual, but not the organization." Companies are constantly experiencing changes that test the fabric of their networks and communications, such as mergers and acquisitions, external new hires, reorganizations, adoption and implementation of new processes and programs, and remote employees. Each of these issues influences when and how communication and messaging is delivered, affects ownership of key initiatives, and often foments more conflicts and problems that need solving. One researcher concluded, "True leadership development

Nontraditional Development measures include the following:

- *Executive Coaching*
- *Mentoring*
- *Peer-group Meetings with Non-Competing Business Leaders*
- *Regular Cross-functional Team Meetings*
- *Rotational Assignments*
- *Custom-designed Development Plans*
- *Internal Peer Group Meetings*
- *Internal Leadership Meetings Facilitated by an Outside Agency*

13 *McKnight, R. (2009). Top team alignment: The epicenter of strategy execution. OD Practitioner (41) 2, 30-36.*

14 *Bates, S. (2006). How leaders communicate big ideas to drive business results. Employment Relations Today (1), 13–19.*

Traditional Development Organizations (TDOs)

Organizations that focus on traditional methods of executive development like seminars, retreats, classroom training, and degree programs, etc.,

Hybrid Development Organizations (HDOs)

Organizations that rely on a hybrid approach to Executive Development, and annually or more often use four or more nontraditional development methods like peer group meetings, rotational assignments, and executive coaching in conjunction with traditional methods of Executive Development.

takes place under conditions of real stress—'the experience within the experience,' […] The very best programs place emerging leaders in 'live fire' roles where new capabilities can—or, more accurately, must—be acquired."[15] Executive Development has evolved from its origination as purely external measures of learning and training to a more collaborative, nontraditional model of development that emphasizes innovation, peer communication, problem-solving skills, and the active exchange of knowledge and ideas.

Learning and leadership development practitioners stress that in today's uncertain business environment with leadership requirements and competencies that often fluctuate, there must be a renewed focus on how Executive Development can be most effective at building the skills and techniques that leaders require. In addition, there is a more consistent effort focused on determining the ROI of Executive Development methods. While it is accepted that Executive Development is a valuable investment for business leaders and the organizations they manage, there is limited information about how such activities translate to bottom-line performance and success. This lack of knowledge is often cited as a crucial barrier to standardizing and formally implementing an Executive Development program, so it must be addressed in order to help change the state of Executive Development. "Executive development should be a standardized process in any company, and there is a significant difference in the organizations that implement them consistently," Steven Stripe, a Senior Vice President of Finance at Equifax, said. "It's not effective to do things infrequently because routines and behaviors are not established with occasional practice. Programs that are repeated, offered to dozens of executives, and tailored and customized to the organization make a significant impact. Individuals who are part of that kind of executive development better understand one another's approach, strategy, and tactics. A few years from now, they will work better together as senior executives. When you start this process early, your leaders can build the foundation to be cooperative rather than competitive with each other."

Establishing a New Model: TDOs versus HDOs

Further analysis on the types of Executive Development methods used by organizations revealed distinct differences in our data. When we sought to determine what methods of Executive Development are most valuable in achieving business results, we found that organizations that largely rely on traditional means of development do not experience the same level of positive outcomes and success as those organizations that use a combination of traditional methods and multiple nontraditional methods of Executive Development. **Traditional Development Organizations (TDOs)** describe organizations that focus on traditional methods of executive development

15 Martin, J. & Schmidt, C. (2010, May). How to keep your top talent. Harvard Business Review (1), 54–61.
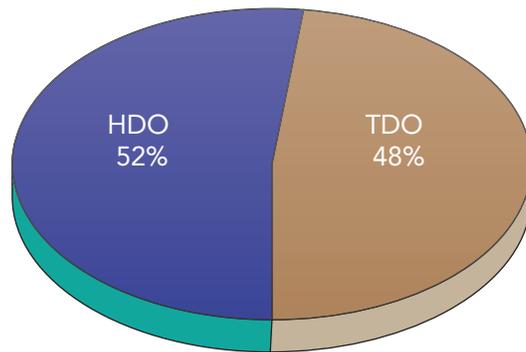
Fig. 1: For this research, 52% of respondents are identified as Hybrid Development Organizations (HDOs) and 48% are identified as Traditional Development Organizations (TDOs).

like seminars, classroom training, and leadership retreats, while **Hybrid Development Organizations (HDOs)** describe organizations that rely on a diversified approach to Executive Development by frequently (annually or more often) using a minimum of four nontraditional development methods in conjunction with other traditional methods of Executive Development. For this research, 52% of respondents are identified as Hybrid Development Organizations, and 48% are identified as Traditional Development Organizations (Fig. 1).

While most organizations use both traditional and nontraditional methods of development, our research sought to identify the approach to Executive Development that is most positively correlated with the success of five key business measures: *Execution*, *Alignment*, *Collaboration*, *Retention*, and *Succession*. These business measures were selected because they represent critical skills and goals within business today, and provide a perspective into whether and how Executive Development plays a role in organizational success.

In the following sections of the report, we will more closely examine the differences between the two data segment groups of this research—TDOs and HDOs—to see how they compare in their experiences around the five ROI measures of *Execution*, *Alignment*, *Collaboration*, *Retention*, and *Succession*.

Key Survey Findings: Differentiating HDOs from TDOs

Execution
Execution is a widely used term in organizations that includes several components, but as a whole, it is the responsibility of the senior leadership

"Top executives are the only members of an organization that have the ability to drive resources, alignment and collaboration across the units of the business. They're the only ones who can call a meeting with everyone, the only ones who can model desired behaviors, the only ones who can say 'hire these people, not those.' The behaviors and words they model have a disproportionate amount of influence on the rest of the organization. That's an awesome responsibility – and an extremely valuable opportunity to support execution of the strategy."

Ulrich Nettesheim, Founder of N Leadership; Lecturer at Haas School of Business, UC Berkeley

team. We were interested in examining how effective leaders are at: collectively establishing a strategic direction, altering strategy and making decisions in a timely and constructive way, relying on assessments to ensure follow-through, and driving optimal financial performance to achieve desired results. Together, these components make up the measure of business execution that we analyzed among our survey respondents.

In business, execution must begin with a discussion around organizational strategy—who defines it and how it is established, how it changes over time, and perhaps most importantly, who is responsible for implementation of it. In this climate of constant business change, clearly defining, collaboratively agreeing on, and following through on strategic initiatives is increasingly valuable. A study by Kaplan and Norton found that the typical senior executive team spent only 12 hours a year developing organizational strategy, but the highest-performing teams focused on spending more time together to understand how that strategy could be best implemented.[16] Business strategy should be the guiding principle of any organization, which underscores why it is imperative that leaders are able to work collaboratively to determine and employ that strategy. One researcher wrote, "Great leaders understand that their responsibility is not only to formulate a vision, but also to guide its implementation. They drive achievement of optimal results from their strategic plans."[17]

Figure 2:

How much do you agree that executives at your company feel like they have ownership of the strategic direction of the company?

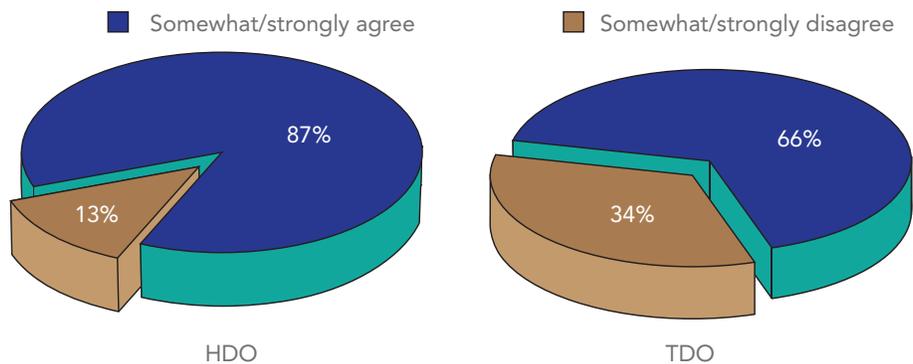|	
■ Somewhat/strongly agree	■ Somewhat/strongly disagree

HDO   TDO

Fig. 2 illustrates that 21% more HDO respondents agree that executives in their organizations feel a sense of ownership in determining the strategic direction of the company, in comparison to TDO respondents.

16 McKnight, R. (2009). Top team alignment: The epicenter of strategy execution. OD Practitioner (41) 2, 30–36.

17 Waymack, P. (2008, March). Lessons learned from extraordinary leaders. Healthcare Financial Management (1), 92–93.

Indeed, our research demonstrated that HDOs are better positioned than TDOs to establish and influence an organization's strategic direction. Executives in HDOs have a sense of ownership when determining the strategic direction of the business and executing on that strategy (Fig. 2). And, likely as a result of the peer-based nontraditional development activities they use, HDO respondents are nearly **20% more likely** to agree that their executive
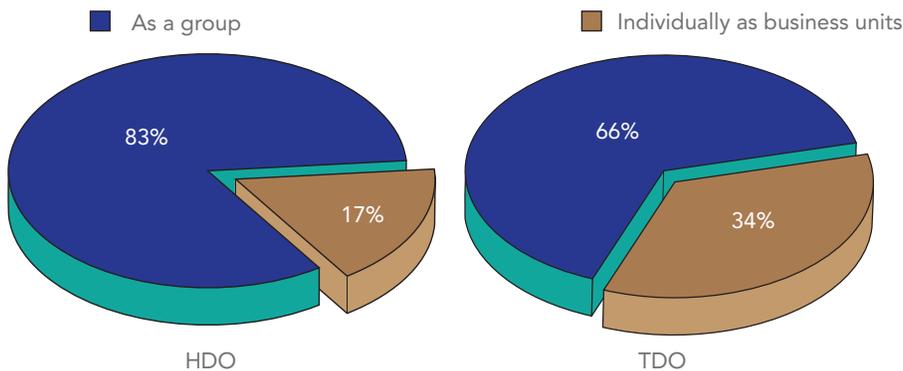
Fig.3 shows that TDOs are twice as likely (17% vs. 34%) to agree that their executive teams determine the strategic direction of the company individually as business units, rather than cooperatively as a group.

Figure 3:

How does the executive team determine the strategic direction of your company?

team consistently and collaboratively works together to determine the business strategy, than those executives in TDOs (Fig. 3). Jackie Greaner, the North America practice leader for Talent Management and Organizational Alignment at Towers Watson, commented that since 2011, "There is also an increased emphasis on developing leaders with critical competencies of results orientation, strategic visioning, and change leadership."[18] Our research demonstrated that leaders in HDOs are better able to develop and execute on the guiding organizational business strategy in a collective way.

Cooperatively creating an organizational strategy and direction among the senior team is critical, but so is the capacity to alter that strategy if and when circumstances require it. "No strategy is static, so a top team at work modifies the strategy with some regularity to reflect marketplace needs, changes, and opportunities," one article stated. "Team-driven strategy execution involves tracking progress in each dimension of the strategy map, assessing market intelligence, and making decisions collaboratively to take advantage of shifting opportunities."[19] This ability to change the direction of the organization or edit the guiding strategy is a skill that continues to grow in importance across organizations. Strategic direction is often subject to external factors and leaders must make decisions quickly, or risk failure. As such, the speed of implementation is often the differentiating factor for businesses, so the ability to shift the focus of strategy and execution is a critical attribute great leaders have.

Our research demonstrated HDO leaders are able **19% more likely** to agree that they are able to effectively increase the speed of decision-making in comparison to TDOs, and are **20% more able** to effectively course-correct when situations call for it (Fig. 4). This finding suggests that the coordinated

"Executives have to be supported in a collaborative, interdependent environment that is nontraditional. You cannot develop people in a vacuum."

Henry Hardin, CEO,
SCI Companies and
PlatformOne

18 Brotherton, P. (2011, January). Improving economy boosts talent management efforts. Training & Development (1), 16–17.

19 McKnight, R. (2009). Top team alignment: The epicenter of strategy execution. OD Practitioner (41) 2, 30–36.
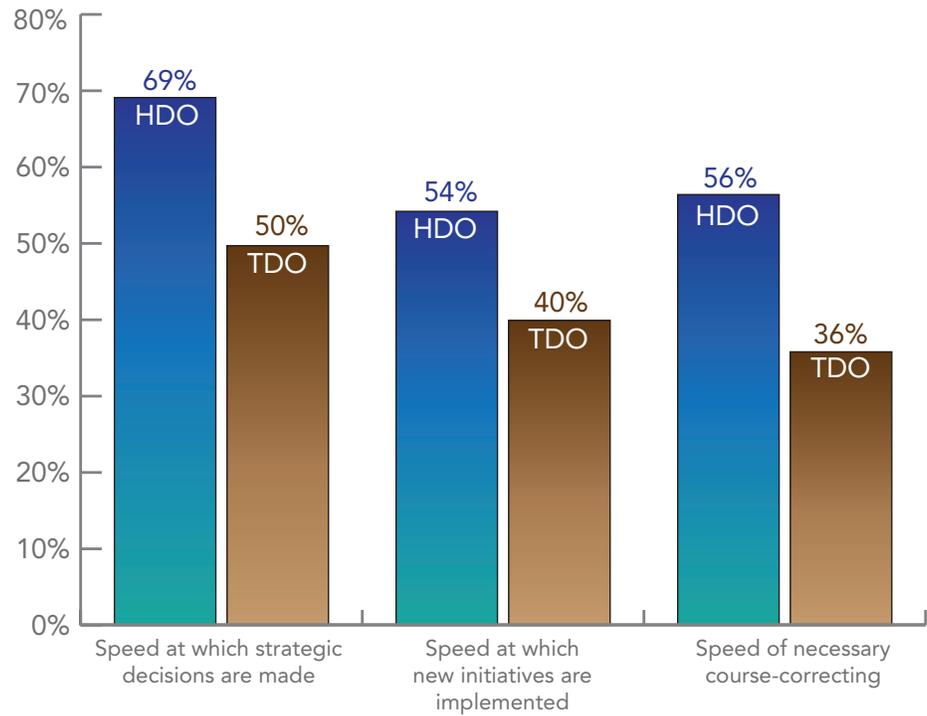
Fig.4 demonstrates that, across the board, HDOs are more effective at making quick strategic decisions, implementing new initiatives, and are able to rapidly course-correct strategy when a situation calls for it.

nature of nontraditional development methods gives leaders the skills they need to collectively shift the priorities of the organization as a whole if and when a situation arises.

While it is clear that HDOs have more collaborative discussions around business strategy and a greater ability to course-correct, it is also worth noting that HDOs heavily rely on assessment measures to hold leaders accountable for strategy execution. Certainly, TDO respondents report using the same performance measures of KPIs, regular project meetings, and focused alignment between goals and initiatives (Fig. 5). However, HDO respondents are **6–22% more likely** to use these accountability measures across the board, suggesting that they have a better understanding of how leaders can be held more accountable to execute on strategy. One article stressed the importance of this measure. "Overall leadership success is clearly dependent on behavior skills because senior leadership success is more strategic-oriented than operational. The truth is that the so-called soft skills of behavior are really the hard skills that create the measure of influence in leadership success."[20]

Perhaps the most important goal of execution is financial performance, and as one practitioner noted, this result is directly affected by senior leaders.

20 Frisina, M.E. & Frisina, R.W. (2011). Correcting Your Leadership "Zero": Aligning your behavior with your mission, vision, and values. Employment Relations Today (1), 27–33.
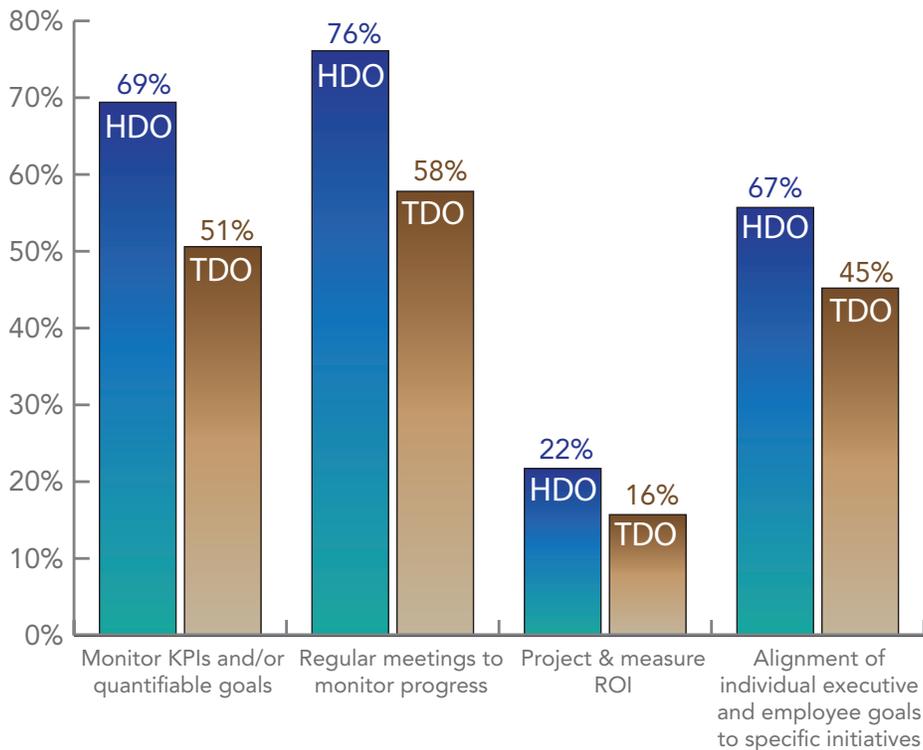
Fig. 5 illustrates the ways organizations ensure that strategic initiatives are implemented. Notably, HDOs report using all of the assessment measures more frequently than TDOs.

"When all organization design elements are in place and carefully aligned with strategy—structure and roles, business and people processes, leadership and employee engagement—an organization will create a set of customer experiences that, in turn, will lead to desired financial results."[21] Our data underscored that finding, though the financial differences among HDOs and TDOs were not very significant. Revenue growth and net profit are slightly higher for those organizations that use a hybrid approach to Executive Development, and most notably, **4% more HDOs** report having a **growth rate of 10% or higher** in the last fiscal year (Fig. 6). It would seem that Executive Development methods alone do not account for increased financial gains, but they play an important role in achieving that end by laying the groundwork for a collective and coordinated model of leadership.

Alignment

"No impediment is more corrosive to an organization's success than a lack of alignment at the top."[22] As this researcher noted, establishing and supporting alignment among the executive team of an organization is critical to achieving success. Executing effectively on strategy, as outlined above, hinges on senior leaders having a clear and concise understanding of that direction and

"It helps leaders to think of their organization as a system – where key interdependent factors (like structure, culture, people and work) shape what the organization's capabilities are going to be. When you think about the lever of leadership development, it inherently supports how the components that drive organization performance come together. If leadership development becomes separated from leading the business, becomes a separate department, or takes place outside of the execution of the strategy, you have greatly diminished the potential business impact."

Ulrich Nettesheim,
Founder of N
Leadership; Lecturer
at Haas School of
Business, UC Berkeley

21 McKnight, R. (2009). Top team alignment: The epicenter of strategy execution. OD Practitioner (41) 2, 30–36.

22 McKnight, R. (2009). Top team alignment: The epicenter of strategy execution. OD Practitioner (41) 2, 30–36.

Figure 6

Please describe the growth rate
of your organization's revenue
in the last fiscal year.

HDO	Flat or Negative Growth **36%**	1% –10% Growth **49%**	10%+ Growth **15%**
TDO	Flat or Negative Growth **43%**	1% – 10% Growth **46%**	10%+ Growth **11%**

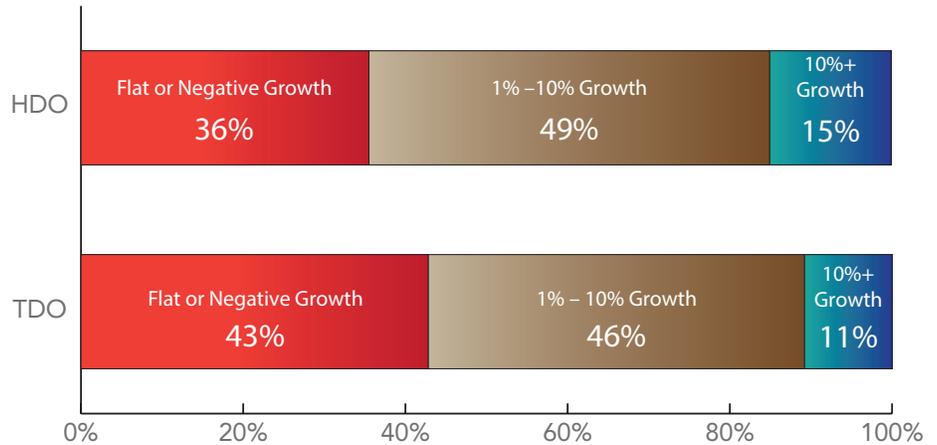0%   20%   40%   60%   80%   100%

Fig. 6 demonstrates that a greater number of HDO respondents report experiencing a revenue growth rate in the previous fiscal year of 10% or more, in comparison to TDO respondents.

Alignment *refers to how different units with competing strategic interests de-conflict; if the executive team agrees on the strategic direction of the company; and if the executive team regularly reviews and adjusts the strategic plan and top organizational priorities when necessary, while maximizing synergy, resources, and processes.*

those goals. And yet, organizations grapple with ways to build open lines of communication and foster the exchange of ideas and information among executives. In addition to individual business units and leaders that have competing interests, external factors like market swings, acquisitions and reorganizations also contribute to a volatile environment that can constantly challenge alignment. A recent report in *Employment Relations* elaborates on this struggle. "The speed of change and the chaos of the current market environment can cause a misalignment of mission, vision, and values. In the midst of this chaos, behaviors become misaligned as well."[23]

As the heart of business has shifted to a more synergistic model of group decision-making at the senior level, it is important to determine how Executive Development can address this challenge of alignment. Leaders must establish a clear line of sight across an organization because ambiguity about organizational goals and strategies easily leads to misinterpretation of ideas, processes, and behaviors—often costing a company time, resources, and financial success.[24] It is the collective strength and knowledge of leaders that set the example for the lower echelons of a company, so achieving and sustaining alignment at the executive level is vital.

In support of this, our data demonstrated that nearly **30% more respondents** in HDOs agree that their executives share information, work together, and have a similar vision for the company than their TDO counterparts (Fig. 7). This is likely a direct result of the nontraditional development techniques they use, which are well-grounded in peer conversation and the cooperative exchange of ideas. Participating in such activities is an experiential opportunity for leaders to embrace the concept of working well together, and when translated into

23 Frisina, M.E. & Frisina, R.W. (2011). Correcting Your Leadership "Zero": Aligning your behavior with your mission, vision, and values. Employment Relations Today (1), 27–33.

24 McKnight, R. (2009). Top team alignment: The epicenter of strategy execution. OD Practitioner (41) 2, 30–36.

running a business, these HDO leaders notably practice more behaviors that support organizational alignment (Fig. 8). Among those behavioral differences is that HDOs respondents are **15% more likely** to agree their leaders have a clear and vested interest in the success of the organization, and they are **25% more likely** to agree that those leaders support one another in their individual decisions, in comparison to TDOs. Perhaps unsurprisingly, TDO leaders practice these behaviors less frequently and lack the support of other executives, which can compromise other efforts to function more cohesively as a team.

Collaboration

The line of sight organizational alignment provides is fundamental to establishing a more coordinated working style, or collaboration, inside a business. A large body of research supports the positive influence that collaboration can have on business productivity and an organization's market performance. In addition to actively making work more cooperative instead

"Business is all about momentum. You cannot underestimate the cost of having just one person on the leadership team being out of step because of that. A leader who is misaligned undermines the momentum of the organization."

Henry Hardin, CEO,
SCI Companies and
PlatformOne

Figure 7

Please describe how your organization's approach to Executive Development affects the alignment between executives and overall business strategy. (% somewhat/strongly agree)
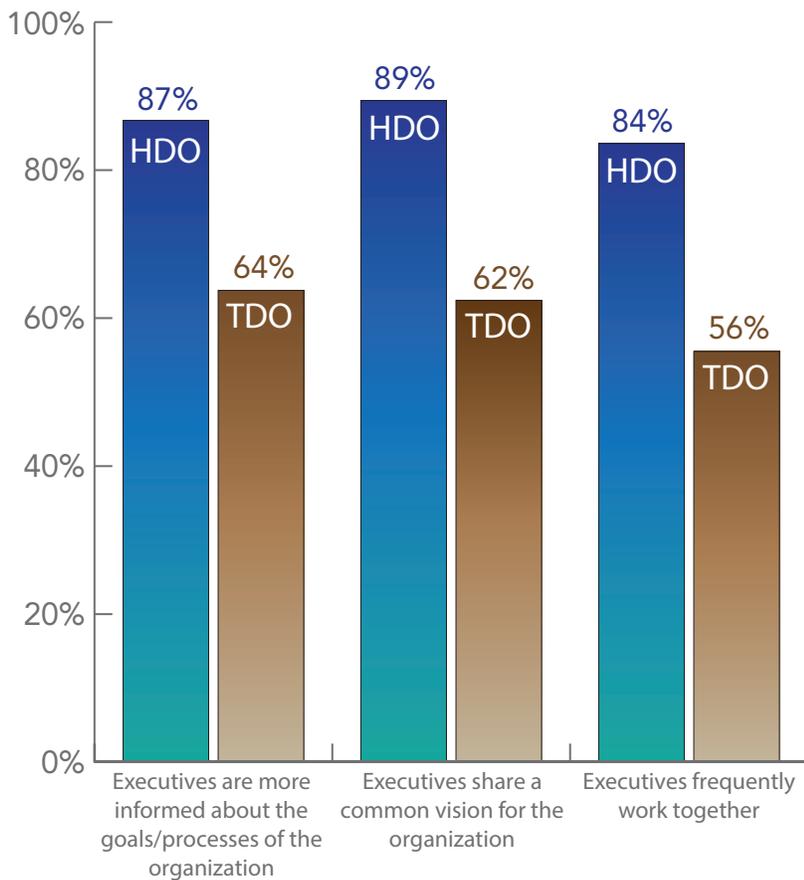

Fig. 7 shows that executives in HDOs work together, are more informed about the goals and/or processes of the organization, and share a common vision more than executives in TDOs.
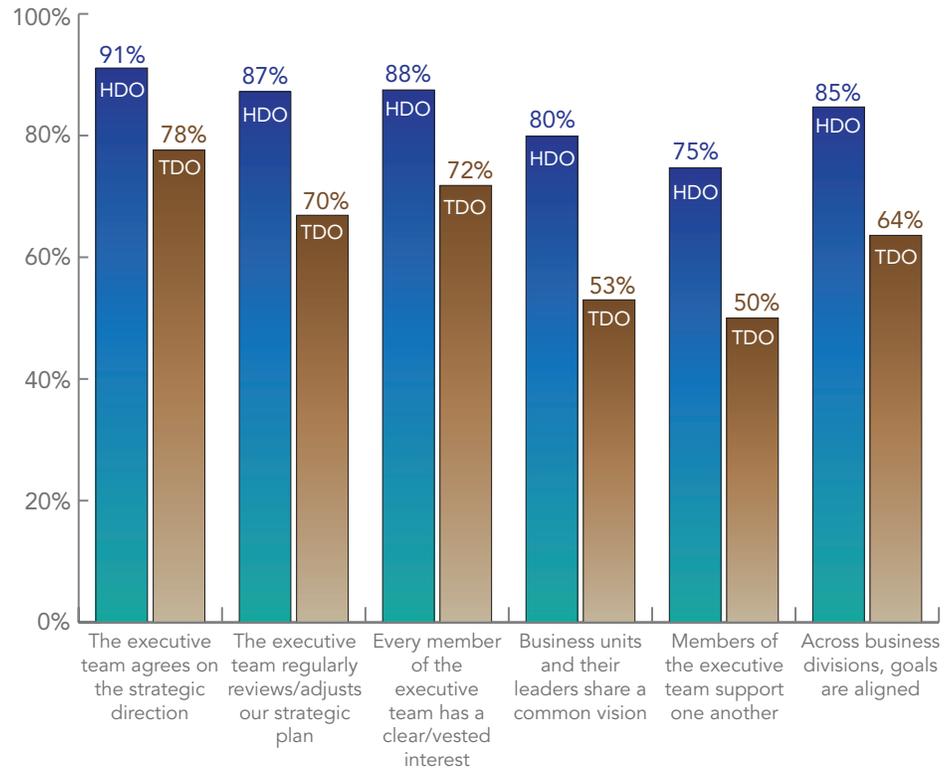
Fig. 8 looks at specific behaviors that drive alignment in an organization. For each one listed, a larger number of HDO respondents agree that these behaviors are exercised frequently in their organizations, in comparison to TDOs.

of competitive, collaboration is tied to increasing levels of trust across an organization and between leaders and employees.[25] Katie Rials, the Director of Human Capital Development at SCI Companies and PlatformOne, explained how increased collaboration across her organization's executive team has benefitted the organization as a whole. "The cohesive nature of business operations is successful in that the more the different divisions are aligned in their needs and priorities, the more collaborative they are from a marketing perspective and sales perspective, and the better they are positioned and able to support each other. As an HR support mechanism, conducting team initiatives and aligning team priorities when the priorities and goals all mirror each other is a much simpler, clearer process."

Building and reinforcing a culture of collaboration is a challenge all organizations face, but one that executives must lead. One article noted that, "through influential leadership, [the organization that can] create a collaborative culture will become the industry model for achieving performance excellence."[26] Similar to alignment, the practice of getting executive buy-in and

25 Atkins, A. & Wiete, A.K. (2012, June). Building Trust in Business 2012: How Top Companies Leverage Trust, Leadership, and Collaboration, Human Capital Institute (1), 1–34.

26 Frisina, M.E. & Frisina, R.W. (2011). Correcting Your Leadership "Zero": Aligning your behavior with your mission, vision, and values. Employment Relations Today (1), 27–33.

As a whole, employees are informed about how their contributions align with the overall business strategy — HDO 76%, TDO 49%

Business decisions are made collaboratively by groups of leaders — HDO 71%, TDO 47%

As a whole, employees respect the direction & decisions made by executives — HDO 79%, TDO 57%

The organization culture is strong and business units are aligned — HDO 70%, TDO 47%

Collaboration is part of our company culture — HDO 73%, TDO 59%

Group/team conversation take place outside of meetings — HDO 91%, TDO 78%

My company has an open dialogue and common language — HDO 73%, TDO 49%

My company has operational/functional silos that hinder productivity — HDO 71%, TDO 80%

Business units fully support decisions made by other business units — HDO 52%, TDO 39%

Senior leaders are comfortable having difficult conversations — HDO 55%, TDO 35%

Figure 9:

To what extent do you agree with the following as related to your organization? (% somewhat/strongly agree)
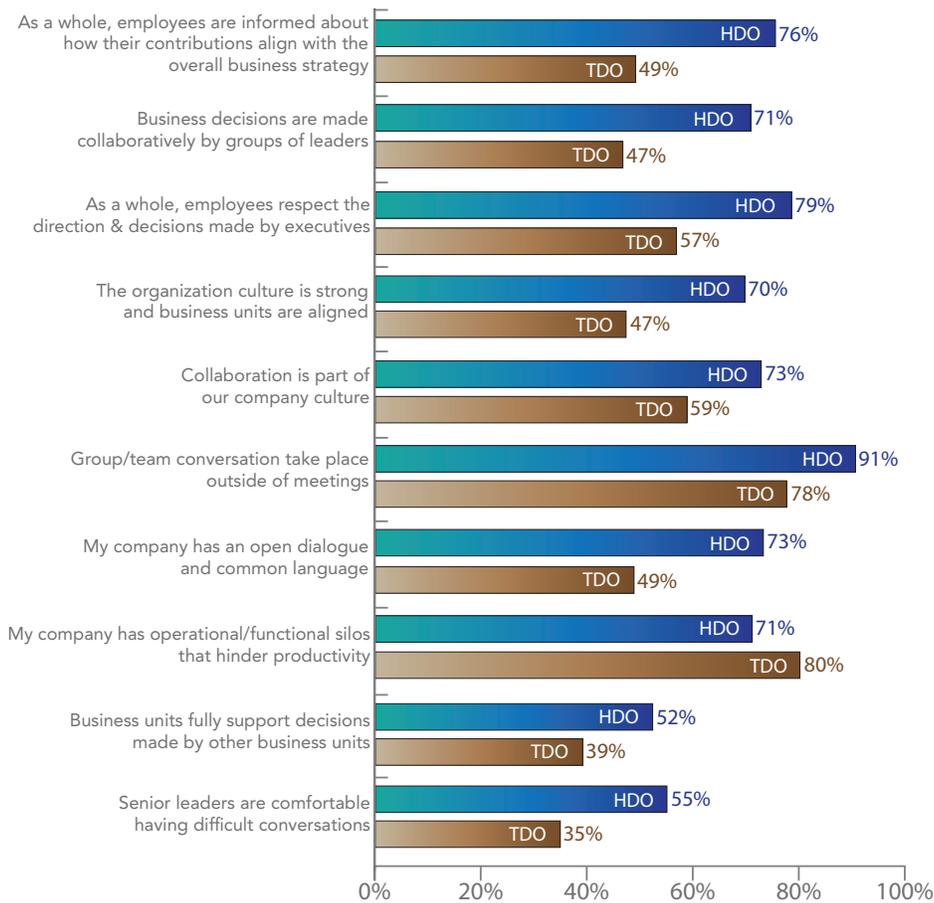
Fig. 9 demonstrates that, as behaviors relate to collaboration in an organization, HDOs report exercising those behaviors more often than TDOs. In addition, TDO respondents report having more operational and/or functional silos that limit business productivity.

***Collaboration** refers to the role of cooperation in the company culture; if group or team discussions occur outside of scheduled meetings; if the organization has operational or functional silos that can be addressed; if there is open dialogue and common language within the organization; if business units support the decisions of other business units; and if senior leaders in the company are comfortable having difficult conversations, resolving conflict and putting the most difficult issues on the table.*

practicing collaborative behaviors is easier said than done, but achieving it is an effective way to obtain consistent support and effort from every level of an organization. Indeed, our research data illustrated that HDO respondents are **22–27% more likely** to agree that their organizations are better at achieving alignment by supporting collaborative leadership decisions and benefit from increased respect from the workforce as a whole (Fig. 9). This is critical as it demonstrates that HDOs have effectively built a culture of trust among leaders and their employees, which has been tied to higher performance, financial gains, and increased engagement.[27]

A key element of collaboration is uninhibited dialogue among colleagues, the understanding of the value produced by conflict (and conflict resolution), and the idea that every person within an organization has something meaningful to contribute. Leaders set this kind of tone, and among HDOs, leaders report

27 Atkins, A. & Wiete, A.K. (2012, June). Building Trust in Business 2012: How Top Companies Leverage Trust, Leadership, and Collaboration, Human Capital Institute (1), 1–34.
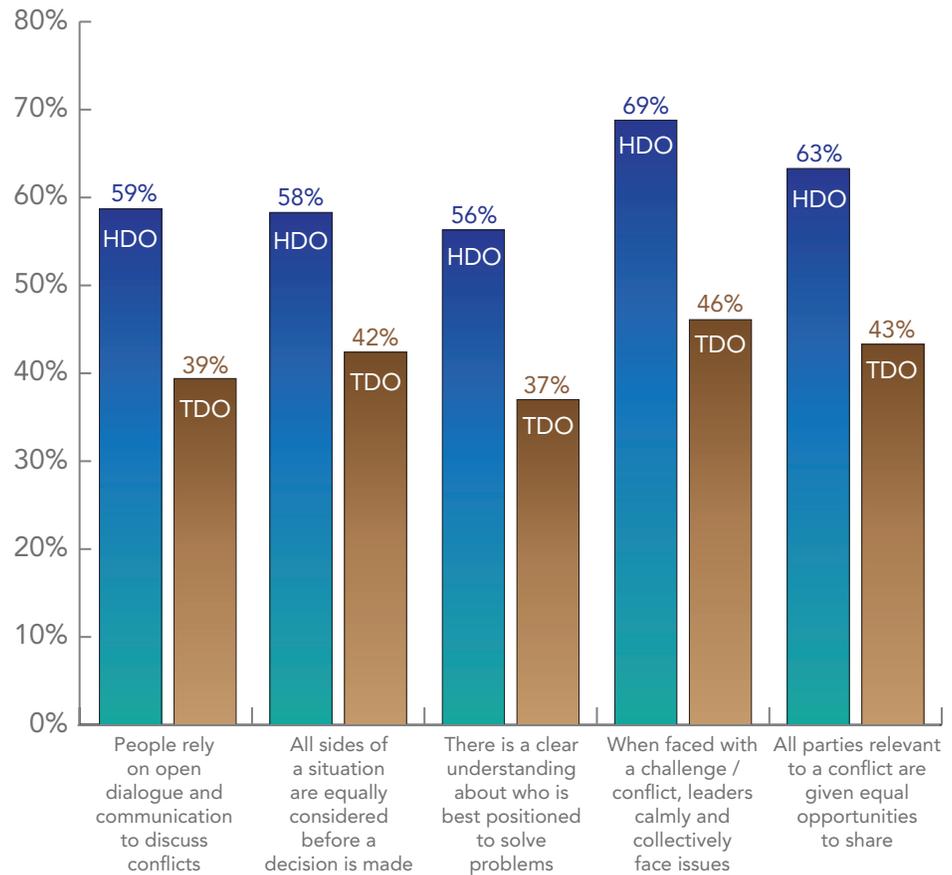
Fig. 10 illustrates that HDO respondents report that their leaders are 16 -23% more effective than TDOs at exercising conflict management/resolution behaviors.

> "When a team has great communication, even if the members of it don't agree on certain points, there is an understood respect for those perspectives. Teams that communicate well don't create organizational friction because of internal conflict. Instead, they will leverage strong communication and use their ability to overcome conflict to the organization's advantage."
>
> Henry Hardin, CEO,
> SCI Companies and
> PlatformOne

exercising such behaviors more than their TDO counterparts (Fig. 9). HDO respondents also report having nearly **10% fewer** operational or functional silos that hinder productivity and a collaborative culture, and say their leaders are **20% more likely** to be comfortable having difficult conversations required to appropriately manage conflict.

Real collaboration is about a virtually limitless exchange of ideas, which will inevitably lead to conflict among employees and leaders. While a tenet of working collaboratively is mutual respect for ideas and colleagues, leaders who can effectively manage this kind of conflict are invaluable. "The wise CEO sees an aligned [and collaborative] senior team as the epicenter of strategy execution, but also knows that true teamwork comes at the price of serenity—at least at first—because getting there often requires work through conflict," one practitioner said. "This does not mean knock-down, drag-out fights, but a vigorous exchange of ideas among intelligent, assertive people about the purpose of the team and how it will operate followed by decision-making that

resolves the debates. Taking a team down this tumultuous path and staying with it can lead to handsome rewards."[28]

We found that HDO respondents that are **22% more likely** (43% vs. 65%) to report their leaders are somewhat or very effective at conflict resolution than TDO respondents. When we surveyed the ways in which conflict resolution is actionably supported, for every behavior listed, HDO leaders were seen as more effective than their TDO counterparts (Fig. 10). Most notably, HDO respondents are **23% more likely** to calmly and collectively face an issue of conflict, and simultaneously consider all sides of an argument equally before reaching an agreement. As conflict is a necessary part of brainstorming and knowledge transfer, ensuring that leaders have the skills to effectively handle such situations is a primary requirement of Executive Development,[29] which HDOs appear to be more capable of achieving.

Retention

As a whole, successful implementation of *Execution*, *Alignment*, and *Collaboration* directly lends itself to increased retention of key performers. Ulrich Nettesheim, co-founder of N Leadership and a lecturer at UC Berkeley's Haas School of Business summed this up succinctly when he said, "Organizations that have exceptional leadership development offerings likely have increased retention. If you are getting the best development and potential in reaching your goals as a leader in the business, you're probably going to stick around longer."

While there is general consensus across the industry that retention is important, it is a business measure that continues to fall off the priority list for executives. One researcher elaborated on this perspective. "There is a great deal of cynicism from senior leadership of organizations who resist investing the time and money into leadership development programs [but] the consequences of failing to create influential leaders in your organization can be disastrous […] High performing and extremely talented people do not quit their jobs—they quit their leaders. Influential leaders are essential in every organization for hiring exceptional talent, retaining exceptional talent, and releasing that talent throughout the organization to produce high levels of performance excellence."

Despite the logic and conventional wisdom, our research did not uncover any key differences regarding retention among HDOs and TDOs. Also somewhat surprisingly, the biggest groups of leaders in both HDOs and TDOs have held positions in the organization for ten or more years. This finding supports the desire to promote from within, which has long been cited a best practice

> *"Imagine the executive team as a group of sled dogs. When the dogs are all moving in the same direction and at the same speed, you're making progress, gaining ground and momentum. But if and when they start pulling in opposite directions, things quickly become disruptive and ineffective. This is why communication that is highly collaborative is so critical among senior leadership. There is a lot of frictional static that is created as a result of not working as a unit. If you don't have that challenge, you are in a much better position to execute."*
>
> Henry Hardin, CEO, SCI Companies and PlatformOne

28 McKnight, R. (2009). Top team alignment: The epicenter of strategy execution. OD Practitioner (41) 2, 30–36.

29 Martin, J. & Schmidt, C. (2010, May). How to keep your top talent. Harvard Business Review (1), 54–61.

to support organizational culture and easier leadership transitions. It would seem that executives may not have as strong an effect on employee retention as other business measures, and this could be an area that warrants further research. As organizations continue to undergo enormous and frequent change and the economy recovers, it is estimated that many high potentials will leave organizations that they do not feel are invested in their success—and those exits translate to a loss of tacit knowledge and specific skills.[30] Organizations and their executives would be wise to monitor this situation and understand more thoroughly what factors influence the retention of key performers and high potentials.

Figure 11

Which of the following best describes your organization's approach to Executive Development?

■ My organization has a structured, ongoing development program

■ Development is less structured, and executives participate in training as needed

■ Executives do not participate in any type of development programs
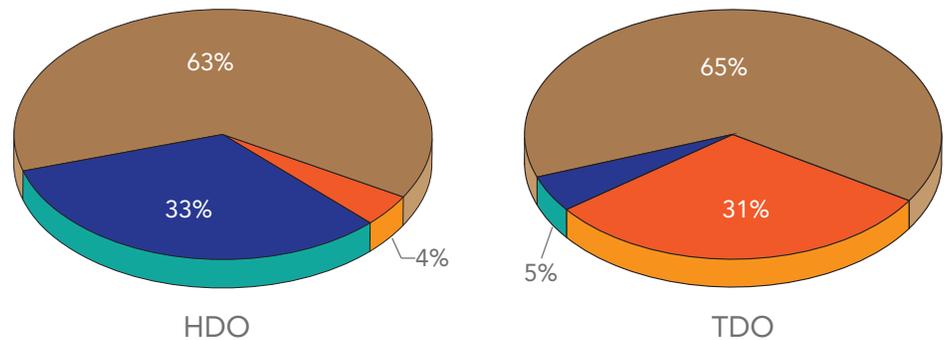
HDO

TDO

Fig. 11 shows that 33% of HDOs agree that the organization operates a structured, ongoing development program for executives, in comparison to only 5% of TDOs. Moreover, nearly a third of TDOs (31%) report that their leaders do not participate in any executive development.

Succession

In the past few years, the issue of leadership transitions has made headlines across the globe, and the support for a comprehensive succession plan has grown exponentially. Tim Cook of Apple, Marissa Mayer of Yahoo, and Virginia Rometty of IBM are all hallmark examples of leadership transitions—and all demonstrate the enormous task to effectively identify and onboard a new organizational executive. Successful transitions in any role require time to adjust and assimilate into a new culture, but the stakes are that much higher for leaders who are expected to model behavior as they simultaneously figure out the nuances of a new position and organization. Leadership transition failures are costly both in terms of finances and in the loss of morale and negative

30 Martin, J. & Schmidt, C. (2010, May). How to keep your top talent. Harvard Business Review (1), 54-61.

publicity that often accompany such gaffes.[31] For this reason and many others, experts have frequently touted the benefits of in-house promotions and succession plans to bulk up critical bench strength and ensure that the future of the organization beyond the next quarter or the next year is on the radar of current leaders.

For better or for worse, succession and succession planning has changed in light of the new, more collaborative model of business, and the advent of a knowledge economy. A recent *Training + Development* article explained how the practice should be treated now. "The old way of thinking about succession planning as separate from leadership development and performance support will hinder a company's ability […] A better way to think about succession planning incorporates knowledge management, leadership development, and performance support synergistically to identify, develop, and transition employees to their new leadership roles."[32] Indeed, the way succession is defined now makes it a much more collective and discussion-based process.

In the broadest sense, a detailed understanding of what Executive Development methods are most influential critically informs the succession planning activities and results that HDOs experience. Our research first

Succession refers to determining if the company has ready replacements for key positions; measuring bench strength or the hiring/promotions from within; determining how succession planning informs the company strategy and how emerging and key talent plays into that strategy; and asking how the organization develops leaders from within to maintain continuity and smooth leadership transitions.

Figure 12

How much do you agree with your organization's approach to Succession Planning? (% somewhat/strongly agree)
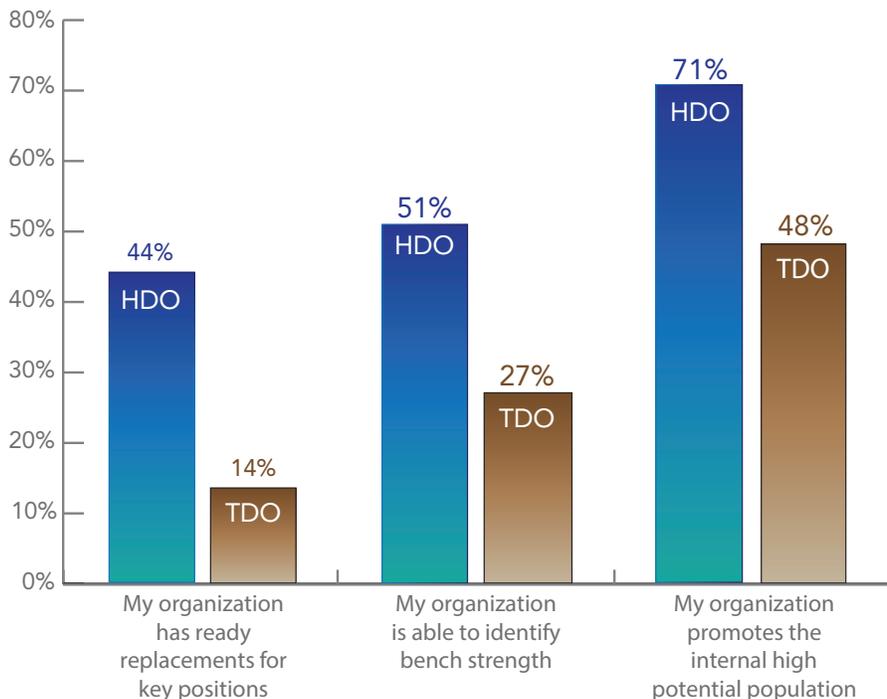
Fig 12 illustrates that HDOs report having a much stronger approach to succession planning than TDOs. HDOs have ready replacements available for key positions, the ability to identify bench strength, and rely on internally promoting high potential employees more than TDOs.

31 Kleinsorge, R. (2010, April). Expanding the role of succession planning. Training & Development (1), 66-69.

32 Kleinsorge, R. (2010, April). Expanding the role of succession planning. Training & Development (1), 66-69.

demonstrated that HDOs are **nearly eight times more likely** (5% vs. 33%) to rely on a more formal and structured program to develop executives than their TDO counterparts (Fig. 11). This suggests that, in terms of leadership development—which is a critical tool for building leadership bench strength—HDOs more frequently rely on a formal development program that is consistently executed.

As a result of having an ongoing, structured Executive Development program, HDOs have already laid the groundwork for an effective succession plan. In keeping with that, HDO respondents are more than **three times more likely** (14% vs. 44%) to agree that their organizations have ready replacements for key positions than their TDO counterparts (Fig. 12). These hybrid development organizations also report that they are better able to identify the bench strength necessary to support their business, and are more than **20% more likely** to use their internal high potential population to do so.

Figure 13

In terms of succession planning, how frequently does your organization employ the following tactics? (% occasionally/frequently)
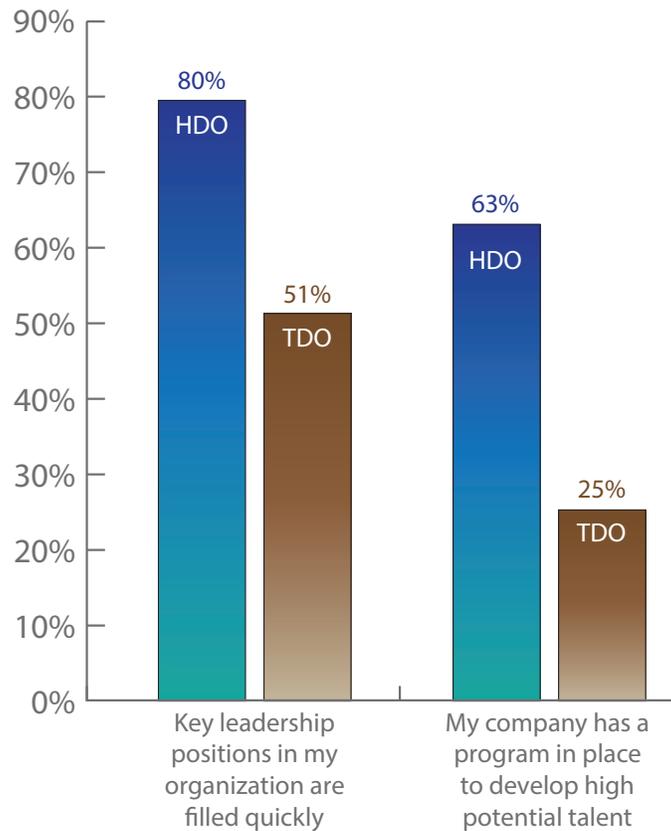
Fig. 13 demonstrates that HDOs are more than twice as likely (25% vs. 63%) to have a program already in place to develop up and coming leaders. Moreover, TDOs report externally sourcing for senior leadership positions more often than HDOs.
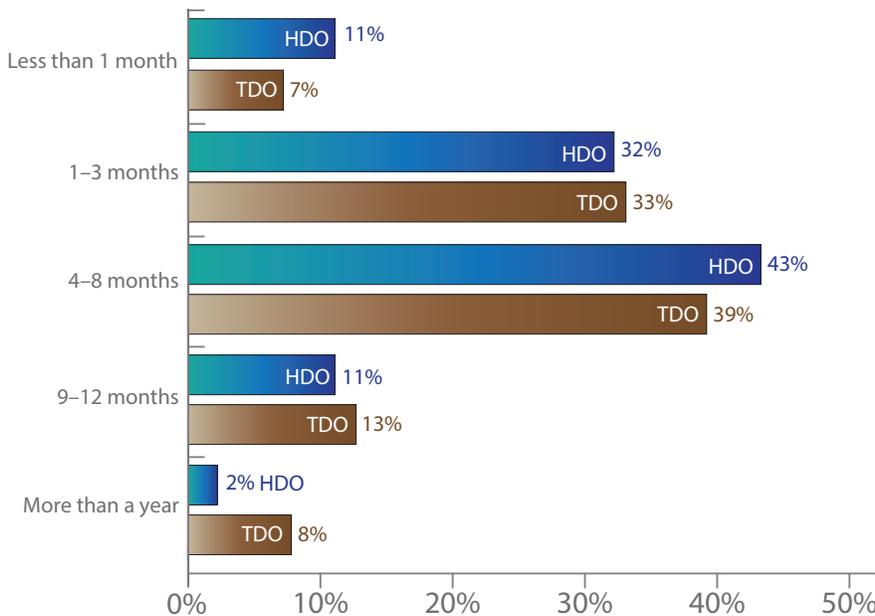
Fig. 14 shows that 4% more HDO respondents report filling open leadership positions in their organizations in less than a month, and TDOs are four times more likely (2% vs. 8%) to take more than a year to fill an open executive position.

It is worth noting that while limited bench strength is not a predictor of leadership transition failure, the obstacles become much greater when organizations are obligated to source externally for a new leadership team member. Tacit knowledge about group norms, communication styles, and company culture must be learned by a new individual entering the organization, in addition to the responsibilities of their new role, and bringing someone in from the outside can hinder how current high potentials perceive the opportunities available to them. As Alan Malinkchak, CLO of ManTech International Corporation explains, "Organizations that have a clear talent management strategy to grow talent internally versus hiring from the outside will have a greater effect on succession planning through the development and performance of their employees. A performance management program that gives priority to succession planning and developing people will go a long way toward helping managers find the time to support the development of their direct reports."[33]

Based on this knowledge, it is not surprising that HDOs are more likely than TDOs to have programs in place to develop high potential talent and rely on that population to fill vacant leadership roles. In fact, HDO respondents are more than **twice as likely** (25% vs. 63%) to report having a structured program to educate and grow upcoming talent in the organization (Fig. 13).

"If we can uncover the information about what it takes to be a leader in this organization and what competencies are required, and layer that on the existing leadership team and validate everyone who is at the table, it creates a line of sight into what we need from leadership to be successful. And having that knowledge increases the speed and effectiveness of decisions, and prioritizes the development of other people in the organization and strengthening our leadership pipeline."

Katie Rials, Director of Human Capital Development, SCI Companies and PlatformOne

33 Brown, P. (2010, April). Having their backs: Improving managers' skills in developing others. *Training & Development (1)*, 60–64.

"Occasionally, it is smart to hire an executive from outside the organization. But if a company is being run well, it's better to have rotational success from within. If you have the right combination of internal development and sharing, you don't miss a beat when you transition to a new leader. You don't have to wait for people to get up to speed. If your business doesn't need new blood/ideas from outside the disruption that's caused by someone coming from the outside is not a good disruption to have."

Steven Stripe, Senior Vice President of Finance, Equifax, US Consumer Division

These companies have done the required work to identify what leadership competencies they most value, and have created programs to train their high potential population on those competencies. By contrast, TDO survey respondents report filling senior leadership positions with external hires more frequently than their HDO counterparts.

Relevant to the challenge of leadership vacancies in organizations is the speed at which they are filled. While both HDOs and TDOs are comparable in this regard, HDOs are **nearly twice as likely** to fill an open executive position in **less than one month** as their TDO counterparts (Fig. 14). By contrast, TDO respondents are **four times more likely** to take **more than a year** to fill an open executive position. HDOs are able to fill open executive positions much more quickly, and are by extension able to more promptly resolve the issues that arise from vacant leadership roles.

As a whole, these data demonstrate that HDOs are better equipped to successfully manage an internal succession plan for the future leadership team of the organization. Not only do HDOs boast a bigger population of ready replacements, but they also report having programs in place to continue to build and support that critical bench strength.