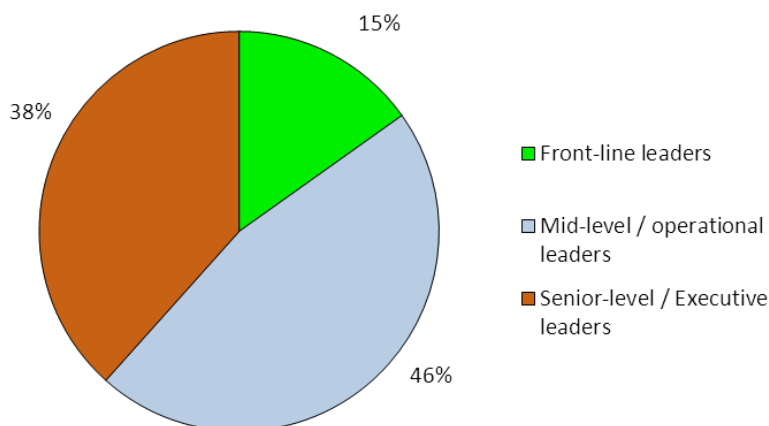March 2013

Accelerating Leadership Development

Respondents to Aberdeen's *Human Capital Management Trends 2013* study indicate that the ability to identify gaps between current workforce skills and anticipated future business demand is the most important strategy to enable organizational success in the coming year (cited by 47% of respondents). But the current level of readiness, indicated by respondents, is just two thirds of the leaders required by the business in the coming three to five years will be available. To overcome this, organizations are looking to speed up the process of developing future leaders, and help close the gap between workforce supply and business demand. This Brief based on data collected from 117 organizations in November and December 2012 looks at the critical strategies organizations put in place to improve their readiness by accelerating leadership development.

The Looming Leadership Shortage

The lack of availability of key skills in the marketplace has been a driver for both talent acquisition and learning and development initiatives for some time. Not only are critical functional skills increasingly difficult to come by in industries like healthcare, engineering, and technology, individuals with the knowledge and experience to take the reins as the next generation of organizational leaders remain in short supply across all industries. The organizations surveyed for this study indicate they are only capable of delivering 67%, or two thirds, of the leaders that their businesses will require in the coming three to five years, and that the shortages are most acute in the mid-level and senior leadership ranks (Figure 1).

Figure 1: Level with the Biggest Leadership Gaps

- 15% Front-line leaders
- 46% Mid-level / operational leaders
- 38% Senior-level / Executive leaders

Source: Aberdeen Group, March 2013

Research Brief

Aberdeen's Research Briefs provide a detailed exploration of a key finding from a primary research study, including key performance indicators, Best-in-Class insight, and vendor insight.

Fast Facts

√ On average, organizations indicate they are capable of delivering **67%** of the leaders the business will require in the next 3 to 5 years. Aberdeen defines this as the level of leadership readiness.

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Developing an individual to the point where they are capable of taking on the mid-level or senior leadership role takes time — on average, organizations indicate it takes 29 months to develop a high potential mid-level manager into a "ready now" senior leader — so organizations need to act now if they have any hope of making up the anticipated shortfall. Fortunately, those organizations who achieve above-average readiness (defined as those who feel they're capable of delivering 70% or greater of the organization's anticipated leaders required in the next three to five years) implement three common strategies to achieve this uncommon level of readiness:

- Identify high potential talent, and dedicate programs to developing it

- Make leadership development the business imperative

- Combine formal development programs and on-the-job stretch assignments to accelerate leadership development

Identifying High Potential Talent

Successful organizations know the key to ensuring a steady stream of leadership talent is to provide differentiated opportunities to individuals who demonstrate the greatest potential for future organizational impact. Best-in-Class organizations in the 2013 *Human Capital Management Trends* study (see sidebar) were more than twice as likely to have a process in place to identify high potential talent as all other organizations (60% vs. 29%). Most organizations acknowledged that identifying high potential talent is important, but struggle with how to actually do so. It is far easier to evaluate past performance than predict an individual's potential for future performance. Table 1 below highlights some of the information sources Best-in-Class organizations rely on to help them identify their high potential talent pool.

Table 1: Most Valuable in Identifying High Potentials

	Best-in-Class	All Others
Critical thinking / cognitive ability assessments	4.14	3.69
Customer or client feedback	3.84	3.70
Multi-rater / 360-degree assessments	3.82	3.71
Hiring manager or supervisor feedback	3.71	3.63
Skill-based assessments	3.69	3.36
Scenario-based assessments	3.54	3.30
Behavioral / personality type assessments	3.52	3.40

Source: Aberdeen Group, January 2013

High potential programs are essential to accelerating leadership development, but too often a process for identifying this high potential

talent is lacking. Best-in-Class organizations are more likely to use formal tests and assessments to identify high potential talent. The biggest gap by far is in the value Best-in-Class organizations place on critical thinking and cognitive ability assessments. Critical thinking is essential at all levels of leadership, and can also be indicative of an individual's ability to continue to learn and grow as they develop through the leadership ranks. The two areas with the next biggest gaps are skill-based and scenario-based assessments. These are both important indicators to identify high potential talent, because skill level is important, but how this skill is applied is equally as important. Using scenarios to help understand how an individual would react and respond in changing conditions can give companies a window into how they will handle future leadership challenges. Top-performing companies take a multifaceted approach to identify high potential talent.

Once high potential talent has been identified however, there's one critical differentiator that helps organizations ensure that they are capable of delivering the leaders the business will require in the next three to five years ("above average readiness" — see sidebar) — dedicating specific programs to the development of these individuals (Figure 2).

Figure 2: Dedicated Leadership Development Programs
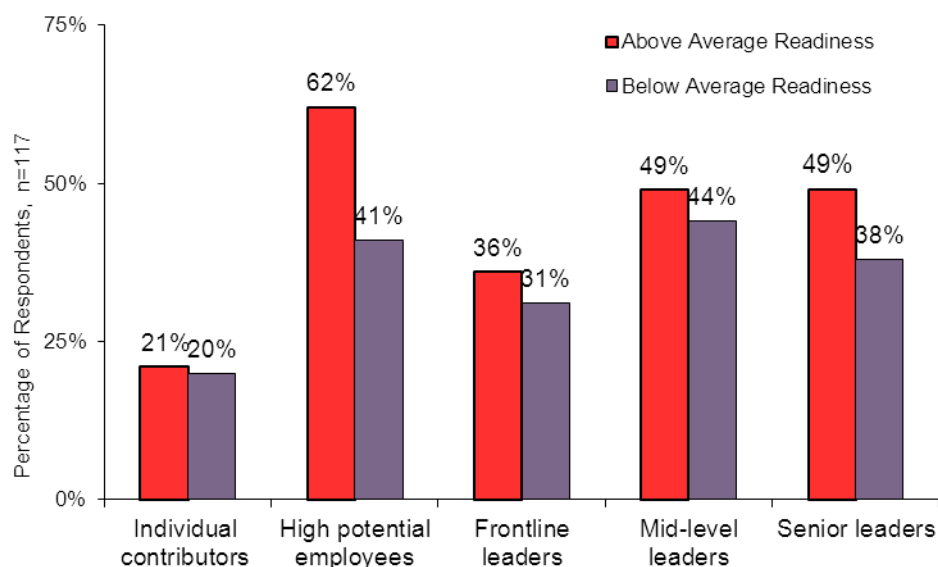
Source: Aberdeen Group, March 2013

Organizations achieving above-average levels of readiness are more likely to have dedicated leadership development programs for all levels of the organization. But, they are 51% (62% vs. 41%) more likely to differentiate their investment in their high potential talent pool. This level of investment has the desired results, given the fact organizations in the above-average readiness group indicate they will build to deliver 83% of the business's required leadership talent in the coming three to five years, as compared to just 40% that will be delivered by organizations with below average

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readiness. Organizations investing now in developing a future leadership pipeline for the organization will have a clear competitive advantage in the years to come.

Making Development a Business Imperative

Organizations that are in a better position to deliver the leaders their business will require focus not just on having a dedicated process for developing these leaders, they also focus on involving the business in process. Ensuring future readiness requires leadership development be in lockstep with the needs of the business, and there's no better way to do this than to involve current business leaders in the development of the next generation. While Figure 3 shows ownership of leadership development still most frequently falls within HR, organizations with above-average readiness are more than twice as likely to indicate the line of business owns leadership development for the front-line.

Figure 3: Ownership of Front-line Leadership Development
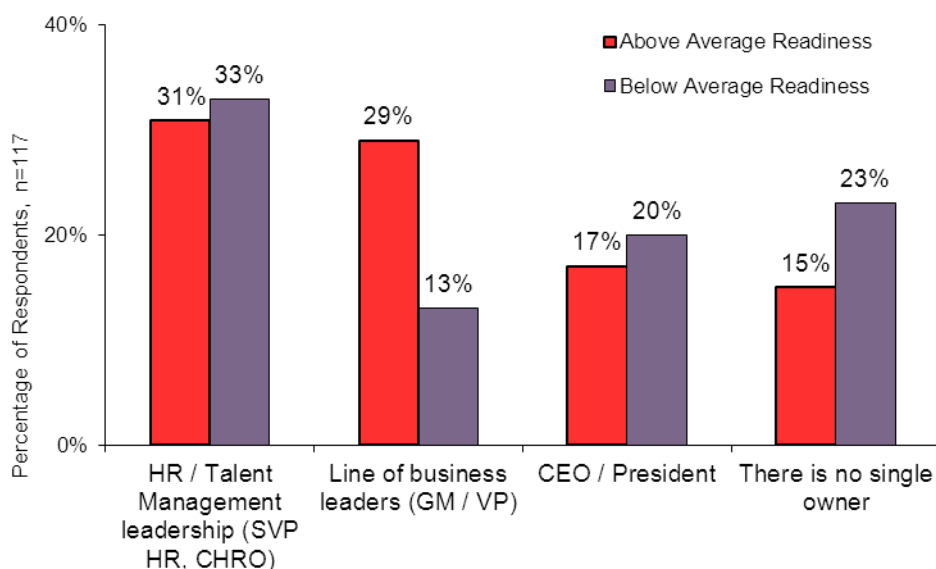
Source: Aberdeen Group, March 2013

From the first stages of development in a leader's career, organizations that involve the business are more likely to have a stronger leadership pipeline. Ownership and accountability are built into how they think about leadership development. This is also reflected in how leadership development is measured. Currently, 46% of organizations with above average readiness measure existing leaders on their contribution to the development of other leaders, as compared to just 33% of organizations with below average readiness. These organizations have developed a culture and a mindset where the development of a strong leadership pipeline is the responsibility of everyone in the organization, not just something that HR must do in a vacuum. The most common way this accountability is measured is by

Fast Facts

√ **46%** of organizations with above average readiness measure existing leaders on their contribution to the development of other leaders, as compared to just **33%** of organizations with below average readiness.

manager participation in formal leadership development programs, coaching, and / or mentoring.

Combining Formal and Informal

Once high potential talent has been identified, and the organization is invested in developing these leaders, the question becomes exactly which methods will help create the best leaders in the shortest amount of time. Those organizations indicating the highest levels of readiness use a mix of formal programs and on-the-job coaching, mentoring, and stretch assignments (Table 2).

Table 2: Most Valuable to Accelerating Leadership Development

	Above Average Readiness	Below Average Readiness
Stretch assignments beyond typical duties	3.76	3.53
Formal leadership development programs	3.72	3.56
On the job or informal coaching	3.59	3.30
Coaching or mentoring from internal sources	3.59	3.34

Source: Aberdeen Group, January 2013

In recent years, many organizations have flattened their hierarchy, which has reduced opportunities for managers to learn critical leadership skills as they progress through their career. Today many organizations use projects and temporary stretch assignments to help expose individuals to leadership situations before they are promoted full-time into a new leadership role. To make the most of these assignments, organizations also need to support these individuals through their stretch assignments with both formal and informal coaching and mentoring.

Organizations can no longer afford to put someone into a leadership role and wait to see if they sink or swim. They must create opportunities for leaders to grow and prove themselves, while also mitigating risk for the organization as a whole. On average, organizations indicate it takes 18 months to develop an individual contributor into a frontline leader, and 29 months to develop a high potential mid-level manager into a "ready now" senior leader. Unless organizations build a sense of urgency around the leadership shortages they face, and take steps to accelerate leadership development, they may find themselves unable to bridge the gap. Finding a balance between formal and informal development opportunities, and involving the business in the creation and execution of stretch assignments will be critical for organizations hoping to close leadership pipeline gaps.

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Key Insights

Organizations struggle every day with the challenge of finding individuals with the right skills and capabilities to lead their organizations into the future. Developing an organizational competency in the ability to identify and develop future leaders will create real competitive differentiation for organizations in today's marketplace. Organizations that hope to achieve better than average levels of leadership readiness must keep in mind the three key priority areas identified in this research:

- Identify high potential talent, and dedicate programs to developing it
- Make leadership development the business imperative
- Combine formal development programs and on-the-job stretch assignments to accelerate leadership development

Creating the organizational mindset and programs to execute on a strategy to develop future leaders will help insulate your organization against looming leadership shortages.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research	
Human Capital Management Trends 2013: It's a Brave New World; January 2013	*Learning and Performance: Developing for Business Results*; October 2012
	Assessments 2012: Predicting Productivity and Performance; June 2012
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