

Firms Give Their Leadership Programs Low Marks

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While many organizations have formal processes to attract, develop and retain leaders, few believe these efforts are resulting in effective leadership programs, according to a new survey from Hewitt Associates, the outsourcing and consulting firm.

Hewitt surveyed CEOs and HR executives with 240 major U.S.-based, multi-national companies, and found that while 77 percent (185 companies) of these organizations have formal processes and programs to develop leaders, only 32 percent (59 companies) believe their organizations are effective in achieving that objective. Approximately 181 companies or 75% either have no program or are not satisfied with their existing leadership development program!

"Although companies may have programs in place to attract, develop, assess and reward leadership talent, it's the integration and execution of these programs that make the most difference," said Hewitt's Marc Effron. "The top companies for leaders differentiate themselves by the breadth of their leadership practices and how well these programs are implemented and integrated with each other."

The Hewitt study shows that 68 percent of the organizations surveyed have a defined set of qualities they look for when hiring leadership talent. But only 43 percent of these companies consistently or often use these criteria when hiring leadership from outside the organization, and 86 percent use them when hiring from within for a leadership position.

"Attracting leadership talent is the critical first step in an executive life cycle," said Effron. "Obviously, companies want to make sure they not only hire quality leaders, but the best leaders for their particular organization. Companies need to take the time to define the leadership competencies required to meet an organization's business strategy. It's then important that each candidate is assessed using these competencies to ensure the highest degree of success. In fact, Hewitt found that companies with these defined competencies have a higher return on sales than those without."

Companies use range of tactics

When asked how their organizations develop high-potential leaders, 67 percent of the survey respondents said internal training, 53 percent mentioned cross-functional experiences and 51 percent cited external training. The most popular techniques for middle management include internal training (68 percent), external training (44 percent) and cross-functional experiences (32 percent).

Meanwhile, companies are using a variety of methods to assess leadership behavior and ability. For example, 80 percent rely on evaluations from managers, 58 percent use peer or 360-degree feedback and 40 percent have self-assessment programs. As for the success of these programs in determining an appropriate leader for a position, 63 percent indicate

Leadership Soft Skill Competency Identification and Assessment; 360° Feedback; Behavioral Coaching; Communication Strategies; Team Development

they are very effective or effective, 30 percent say they are somewhat effective and 7 percent believe their assessment techniques are slightly or not at all effective.

Additionally, the Hewitt study reveals that most of the organizations (87 percent) are clearly linking leaders' pay to their individual performance. Specifically, these companies are connecting base pay (79 percent), annual incentives (77 percent) and long-term incentives (64 percent) to executive performance.

However, only 55 percent of survey respondents say that there is a significant or noticeable pay differential between high and average performers in the same type of leadership role, while 33 percent indicate there is a moderate pay difference and 12 percent say that pay differs slightly or not at all.

"Pay and opportunity are the two biggest factors in motivating and retaining quality leadership," said Efron. "It's important that the leaders who are key to the success of a company realize that, and are there to guide the company for years to come, while the executives a notch or two below them understand that there's room for improvement."

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