

DEVELOPING SUCCESSFUL GLOBAL LEADERS

Tomorrow's leaders will need to be more adaptable to culture differences, geographic distance, and non-hierarchical organizational structures, according to a recent survey by *Training*, AMA, and i4cp.

Everyone seems to agree the world desperately needs strong leaders who can manage a global workforce and all the inherent challenges that go with it. That's a big part of the *raison d'être* for global leadership development programs. But are today's organizations fully utilizing these programs to develop global leaders, and, if so, are they effective?

Training magazine, in collaboration with the American Management Association (AMA) and The Institute for Corporate Productivity (i4cp), recently conducted the *Developing Successful Global Leaders Study* to find out. AMA and i4cp first conducted a survey on this subject in 2010; *Training* magazine subscribers participated in this second study, which asked for additional information in order to capture the current status of global leadership development programs and track ongoing progress with existing programs.

About This Survey

Global leadership development is defined in this study as: activities that help leaders develop a set of competencies that are critical to the business success of organizations competing in a global marketplace. A global leadership program/curriculum tends to focus on competencies specifically for global leaders as opposed to leaders operating in a single country and dealing with a single national market.

The survey participants for this study came from three sources: subscribers of *Training* magazine, the American Management Association (AMA) and its global affiliates, and i4cp's global survey panel. The number of active participants in this study was 538, a portion of the total 1,757 total respondent population that indicated their companies, in fact, had a global leadership development program in place. In some cases, this number was narrowed further to 439 participants to capture organizations that both have a global leadership development program and represent companies that operate either multinationally or globally.

While this study focuses on global leaders and their development, it also emphasizes the links between these programs and overall organizational performance. Performance has been measured using an index referred to as the Market Performance Index (MPI). This index combines responses to questions related to four key areas of business success: revenue growth, market share, profitability, and customer focus.

Some key highlights of this year's study:

- The percentage of companies that reported having developed a global leadership development program remained almost the same as in 2010, about 31 percent. Additionally, the competencies identified as critical components of these programs have remained constant.
- There is a clear gap between the importance of certain key competencies and the degree to which executives have mastered them—particularly concerning managing change, exhibiting agility, and developing global strategies.
- High-performing multinational and global companies are providing global leadership development opportunities to a broader segment of their management team.
- The demand for outside vendors and content experts is increasing.

• Business leaders agree that a combination of “soft” cross-cultural competencies, along with “hard skills” in supply chain management and virtual technology, should be the focus of global leadership development in the coming decade.

Key Findings

1. Most companies have yet to implement a global leadership program, and higher-performing companies continue to be far more likely to have launched them. Compared with 31.1 percent in 2010, just under a third (30.6 percent) of all responding companies in 2011 reported having developed some form of global leadership development program. Some 58 percent of high-performing companies already have introduced some form of global leadership development program, while just 34 percent of low-performers have such a program.

2. High-performing companies spend a larger percentage of their total learning budgets on global leadership development programs. More than 10 percent of high-performers spend at least a quarter of their annual learning budgets on global leadership development. This compares to fewer than 5 percent of low-performing companies that allocate 25 percent or more of their learning budgets to these programs. And nearly two-thirds (62 percent) of low-performing companies indicated that they earmark 10 percent or less of their learning budgets to developing global leaders.

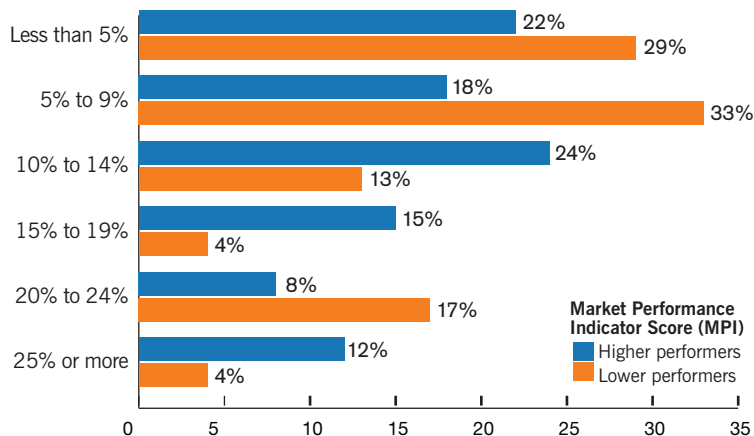
3. High-performing multinational and global companies go beyond “high potentials” to include a broader segment of their workforces in their global leadership development programs. High-performing companies are more than twice as likely as low-performing companies (17.2 percent compared to 7.7 percent) to include in their programs any manager who expresses interest in global leadership development. Additionally, 15 percent of high-performing companies include any employee, regardless of whether they are a manager or not, as long as they have an interest in developing their global leadership skills. This compares to none of low-performing companies.

In addition, more than one-third of high-performing companies include C-suite executives (34 percent), while fewer than a quarter (23 percent) of low-performing companies include their senior executives in their global leadership development programs.

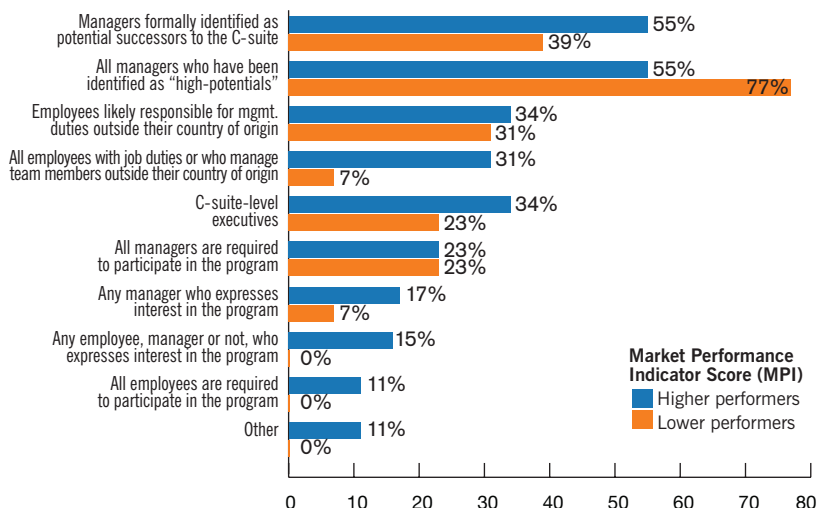
4. High-performing companies are more likely to customize their global leadership development programs to local geographies or countries. Forty percent of all high-performing companies reported that they customize their global leadership development programs by region or country to a “high” or “very high” extent. This compares to just 25 percent of low-performing companies. Only 17 percent of high-performing companies make no customizations for geographic regions or countries, compared to 29 percent of low-performing companies.

5. Global leadership development programs rely on a variety of strategic and values-based sources from which to derive content, but strategic workforce planning gap analyses may represent a key advantage for high-performers. More than two-thirds of respondents indicated that they use both the expressed values of the corporation (70 percent) and competencies derived from the company’s long-term business strategies (69 percent) to make decisions about the content of

Approximately what percentage of your organization’s training/learning budget does your global leadership development program represent?



What groups of employees is your organization’s global leadership development program designed to target?*



*Results are filtered to reflect global and multinational companies.

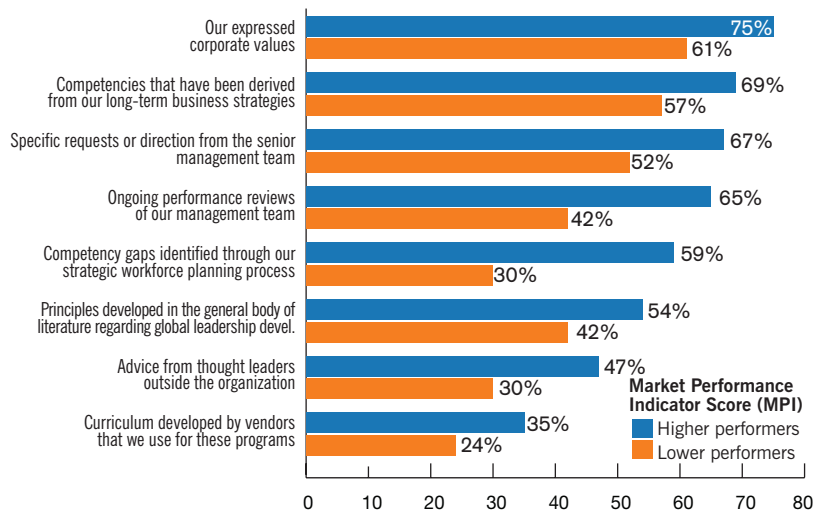
their global leadership development programs. More than half of companies (62 percent) reported that they develop content based on specific requests from the executive management team, as well as ongoing performance reviews of the prospective participants in the program (54 percent). Some 59 percent of high-performing companies use strategic workforce planning analyses as a source of information for creating curriculum, while only 30 percent of low-performing companies do so.

6. The demand for outside vendors or other content experts for the creation and implementation of global leadership development programs is increasing, but they are being used for the same purposes as before. In 2010, 65 percent of respondents indicated that they use some form of vendor or outside content expert in the creation and execution of their global

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To what extent is the content of your organization's leadership development program primarily driven by the following?

Percent of respondents indicating "High" or "Very high extent"



To what extent are members of your senior management team involved in the following aspects of your global leadership development program?

Percent of respondents indicating "High" or "Very high extent"

| Executive Involvement | 2010 | 2011 | MPI Corr. |
|---|------|------|-----------|
| Establishing business results needed from the program | 53% | 59% | .20* |
| Communicating about the program | 51% | 55% | .14* |
| Program implementation | 41% | 40% | .19* |
| Program creation | 43% | 35% | .20* |
| Serving as instructors | 26% | 32% | .14* |
| Creation of evaluation metrics | 24% | 28% | .22* |

*Results are filtered to reflect global and multinational companies only

To what extent are the following competencies included in your global leadership development program? To what extent do you feel that your management team has successfully mastered these competencies?

Percent of respondents indicating "High" or "Very high extent"

| Competency | Competency % | Included % | Mastered Gap % | MPI Corr |
|---|--------------|------------|----------------|----------|
| Change management | 69.5% | 38.6% | 30.9% | 0.14* |
| Managerial agility | 56.7% | 33.2% | 23.5% | 0.17* |
| Strategy development | 64.4% | 42.3% | 22.1% | 0.15* |
| Ability to influence and build coalitions | 57.4% | 38.3% | 19.1% | 0.20* |
| Critical thinking and problem solving | 67.8% | 49.0% | 18.8% | 0.17* |
| Managing innovation | 51.0% | 34.2% | 16.8% | 0.21* |
| Leading cross-cultural teams | 55.7% | 39.3% | 16.4% | 0.16* |
| Strategy execution | 57.0% | 42.3% | 14.7% | 0.13* |
| Creativity | 45.6% | 32.9% | 12.7% | 0.17* |
| Emotional intelligence | 41.3% | 29.5% | 11.8% | 0.15* |

*Statistically significant correlation to the Market Performance Index (MPI).

leadership development programs. Since then, that demand has increased to 74 percent. The dominant reasons for using outside vendors are to leverage a vendor's content expertise (84 percent) and their ability to execute training programs well (84 percent). There is also a small but notable increase in companies' desire for their vendors to have representation in multiple geographic regions (39 percent in 2011, compared to 30 percent in 2010).

7. Increasingly, executives are becoming directly involved in global leadership development programs, and their involvement is significantly related to overall business performance. The percentage of respondents who indicated that executives serve as instructors for their program increased from 26 percent in 2010 to 32 percent in 2011. There was also a small increase in the percentage of companies that use executives in creating evaluation metrics for the program.

8. Existing global leadership development programs are working—and improving—and high-performing companies are aggressively looking for ways to make them even better. In 2011, 47 percent of companies with global development programs indicated that they are "highly successful" or "largely successful" in achieving their business and learning goals, compared with 42 percent in 2010. Additionally, the percentage of companies indicating that they aspire to make significant improvements totaled 46 percent, a slight drop from 2010.

Fifty-two percent of high-performing companies believe their programs are effective, while only 32 percent of low-performing companies report the same. Even though they have a higher success rate—and lower failure rate—36 percent of high-performing companies are continuing to examine ways to improve their programs, while only 29 percent of low-performing companies are planning improvements.

9. The competencies necessary for global leaders have remained consistent, but companies report gaps in pivotal areas. Change management and critical thinking and problem-solving were Nos. 1 and 2 on the five most key competencies list in 2011 (same competencies but reversed order for 2010). Strategy development was added as a competency choice for 2011, and it came in at No. 3, replacing

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To what extent does your organization use the following metrics to evaluate the success of your global leadership development program?

Percent of respondents indicating “High” or “Very high extent”*

| Evaluation Metric | Overall | High Perf. | Low Perf. | MPI Corr |
|--|---------|------------|-----------|----------|
| Participants’ satisfaction ratings | 58.50% | 67.50% | 42.90% | |
| Observable changes in specific behaviors | 53.70% | 65.00% | 28.60% | |
| Formal performance reviews of participants | 52.80% | 60.00% | 57.10% | |
| Customer satisfaction scores | 51.20% | 57.50% | 42.90% | |
| Business performance (e.g., sales, productivity, etc.) | 51.20% | 52.50% | 71.40% | |
| Knowledge achieved through post-training assessment | 48.90% | 60.00% | 28.60% | .18** |

*Results are filtered to reflect global and multinational companies only

** Significantly correlated to market performance

Future Competency

| | % Important | % Mastered | Gap % | MPI Corr |
|--|-------------|------------|-------|----------|
| Collaborating with peers from multiple cultures | 71.9% | 38.4% | 33.5% | 0.23* |
| Managing innovation in a multicultural setting | 60.1% | 27.1% | 33.0% | 0.15 |
| Cross-cultural employee engagement | 63.1% | 32.5% | 30.6% | 0.20* |
| Managing in a matrixed organizational structure | 60.1% | 31.0% | 29.1% | 0.11 |
| Managing virtual teams | 63.5% | 36.5% | 27.0% | 0.21* |
| Multi-country supply chain management | 53.7% | 28.1% | 25.6% | 0.12 |
| Mastery of latest advances in virtual technology | 53.7% | 30.0% | 23.7% | 0.12 |
| Applying ethical standards in multiple cultures | 58.6% | 37.9% | 20.7% | 0.22* |
| Familiarity with local labor/workplace laws | 50.7% | 35.5% | 15.2% | 0.12 |
| Data analysis | 51.7% | 39.4% | 12.3% | 0.12 |

* Significantly correlated to market performance

building and leading cross-cultural teams from 2010. But just because they are deemed important doesn’t mean managers are mastering them. For example, 69.5 percent included change management in their leadership programs, but only 38.6 percent say their management successfully mastered it. Likewise, 67.8 percent included critical thinking and problem-solving, but only 49 percent said they mastered it.

10. High-performing companies place a higher premium on multilingual skills than do low-performing companies. Nearly twice as many respondents from high-performing organizations reported that selection for a global assignment is one of the criteria for selecting managers in global roles. However, language skills are not a deciding factor in these assignments. More than 28 percent of high-performing companies look for language skills as a competency of global leaders, while this applies to only 17 percent of low-performing companies. Additionally, high-performing companies are more likely to provide language training to high-potential employees (18 percent compared to 13 percent), advise high-potential employees to obtain language

skills (14 percent compared to 8 percent), and to exclusively hire managers who already have competency in more than one language (10 percent compared to 8 percent).

11. There is a clear difference between the evaluation methods used by high- and low-performing companies. More than half of the companies participating in this study use some combination of five key evaluation metrics to determine the overall success of their global leadership development programs. These represent both traditional evaluation measures (e.g., participants’ satisfaction ratings) and more strategic business-focused measures (e.g., sales and productivity). Interestingly, high-performing multinational and global companies use traditional measures far more frequently than their low-performing counterparts. For example, two-thirds of high-performing companies use participants’ satisfaction ratings, while low-performing companies use them less than half the time. Conversely, more than 70 percent of low-performing companies use business outcomes such as sales or productivity, while barely half of high-performing companies use these measures.

One possible explanation: High-performing companies may recognize that methods of capturing and standardizing business performance outcomes measures are still in their early stages of development.

12. Cultural issues will dominate the new competencies that will be required for global leaders over the next 10 years. More than 50 percent of respondents identified 10 key competencies they thought should be added to their respective global leadership development curricula. Not surprisingly, multicultural skills and the skills associated with managing in a global workplace emerged at the top of the list. Additionally, skills associated with working collaboratively, remotely, and using the latest virtual technology were cited as important skills, but not at the top of the list. Finally, two “hard skills”—managing multi-country supply chains and data analysis—also made the list.

Respondents also were asked whether they felt their management teams already had mastered these skills sufficiently. The gap between the two reveals key areas of opportunity. In particular, collaborating, innovating, and engaging employees across cultures appear to be key learning opportunities for the future. Generally, respondents agree that global leaders of the next decade will need to be more highly adaptable to culture differences, geographic distance, and non-hierarchical organizational structures. 