



## Global Leadership Forecast 2018

# 25 Research Insights to Fuel Your People Strategy

## Australia & New Zealand



# Actionable Intelligence for Leadership Imperatives

*Global Leadership Forecast 2018*—a three-way collaboration with Development Dimensions International (DDI), The Conference Board, and EY—is the eighth Forecast since DDI began the stream of research in 1999. It's also one of the most expansive leadership research projects ever conducted. This report summarises dozens of practical, evidence-based recommendations for critical business issues. These range from digital transformation to gender and generational diversity to the roles of purpose and culture in building an effective, sustainable leadership strategy for a digital age.

This research integrates data from 25,812 leaders and 2,547 HR professionals across 2,488 organisations across the globe. Not only are these perspectives numerous, but they are also diverse and highly representative of the business context facing global enterprises. The research, which spans more than 1,000 C-level executives and 10,000 high-potential employees, includes 54 countries and 26 major industry sectors. Our full set of leader demographics is depicted below.



## GLF Insights for Australia/NZ

As part of the larger *Global Leadership Forecast 2018* study, this report highlights findings on the current state of leadership and leadership practices in Australia/NZ. Based on survey responses from 868 leaders and 89 HR professionals, these results provide actionable insights specifically for Australia/NZ's leadership context and business market.

Throughout this report, findings are presented for both Australia/NZ as well as the global sample of leaders. Where the global results are presented, they will be accompanied by the global icon [🌐] to indicate findings are based on the global sample of leaders or HR professionals. Unless accompanied by the global icon or otherwise noted, findings throughout this report can assumed to be specific to Australia/NZ.

This report focuses on insights specific to the Australia/NZ region. The global report can also be used as a comparative benchmark for Australia/NZ-specific findings presented in this report. We are confident these results will provide new insights for Australia/NZ's leadership practices and hope the report will stimulate your own ideas about how to enhance your organisation's leadership capabilities.

### Australia/New Zealand Leader Demographics



# A Research-Driven Road Map for Leadership Acceleration

Australia/NZ insights from the *Global Leadership Forecast 2018* centre on 25 findings (listed in the Table of Contents on the facing page) about the state, context, and future of leadership. The findings are clustered into six categories:

1. **Leaders at the Core**—leadership and talent are top agenda items for CEOs, and the readiness gaps continue to be significant.
2. **Digital & Data**—how digital and data-rich business contexts accelerate the need to build the right capabilities to thrive.
3. **Growth & Potential**—proven practices for aggressively developing leader talent and bench through a robust learning and growth engine.
4. **Leader Diversity**—understanding and advancing gender and generational diversity in leaders to achieve the diversity dividend.
5. **Cultural Drivers**—the powerful forces that can propel—or if lacking, will cripple—rapid, disruptive change.
6. **The HR Opportunity**—how HR can elevate and extend its influence on business outcomes to deliver on this strategic agenda.

Each of the 25 findings shares a common format: We describe the context for the business issue, visualise the key data, describe the key leadership implications, and provide specific guidance for converting research evidence to recommended actions of two types:



First, **“Where to Start,”** practical steps that organisations can take now to build, reinforce, or remedy their foundation for evidence-based leadership practices and systems, drawing on notable outcomes from the research. Typically, these are actions that many—but far from most—organisations have in place, but that are often overlooked as key building blocks on which more advanced elements of leadership strategy rely. That is, though they're often common sense, they're rarely common practice.



Second, **“How to Excel + Differentiate.”** The research's wide-reaching scope includes hundreds of organisations that are prototypes for rapid advancement toward one or more challenging leadership and business objectives: digital transformation, gender diversity, high-potential management, people analytics, and instilling a sense of purpose, among many others. This section of each finding shows how organisations can draw on proven, high-impact leadership practices to gain a sustained competitive advantage by harnessing their leaders' potential at all levels and from all backgrounds.



After the 25 findings, which are designed to be modular and self-contained so that they can be used individually, we close *Global Leadership Forecast 2018* with two integrative summaries:

- First, an integrated view of six leadership megatrends—core, overarching themes that we found emerging again and again across the findings—that collectively chart a course for the trajectory of leadership and serve as broad guiding principles for leadership-directed action.
- Second, a leadership practices scoreboard showing the “in-place” frequency of 34 leadership practices in Australia/NZ and the links from each to three critical outcomes: Leadership Program Quality (in the eyes of the leaders/learners who are the “customers” for these programs), Leadership Bench Strength (supply of ready-now leaders to fill critical roles over the next three years), and Financial Outcomes (an externally gathered composite of operating margin, EBITDA, revenue growth, and return on equity).



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# For CEOs, It's Still About Developing Leaders

## Strategy Is Nothing Without Effective Leaders to Execute

More than 1,000 C-level executives, worldwide, identified the issues they expect to command their attention in the coming year. Of the 28 challenges from which they could choose, their biggest concerns weren't headline-worthy global issues like political instability, climate change, terrorism, or a global recession. Rather, the top challenges vying for leaders' action focused on their own leaders. Developing "Next Gen" leaders and failure to attract/retain top talent were rated in the top five by 64 percent and 60 percent of global respondents, respectively. In Australia/NZ, developing "Next Gen" leaders and failure to attract/regain top talent were rated as key challenges by 53 percent and 79 percent, respectively. Leaders clearly indicated that top talent and effective leaders will be needed to address the myriad current challenges and to position their organisation for future success. The global Top 10 Challenges are shown below along with the percent of global and Australia/NZ executives that rated each challenge in their top five.



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These findings are consistent with The Conference Board's 2017 *CEO Challenge*\* study, which asks the same question of global CEOs each year. In 2016 and 2017, these two challenges placed among the top five choices globally. Senior leaders are acutely aware of the importance of focusing on strengthening human—and, specifically, leadership—capital.

Of those Australia/NZ leaders surveyed in *Global Leadership Forecast 2018*, only 42 percent believe their organisation's leadership development program to be of high or very high quality, with 26 percent rating "leadership assessment" and 24 percent rating "leadership performance management programs" to be of high or very high quality. Average program quality translates into moderate confidence in leadership effectiveness. When asked to consider their own effectiveness in the critical leadership skill of identifying and developing future talent, 53 percent of respondents rated themselves highly effective or very highly effective, which leaves 47 percent of leaders (those who are only moderately effective, or even less skilled) to shape the next generation. And with 57 percent never having been mentored, how do we expect that they'll know how to mentor others?

## HR Paints a Bleak Picture

In Australia/NZ, identifying and developing future talent was ranked as the number 1 skill leaders will need in the next three years. A significant gap exists between the criticality of this leadership skill and leaders' own assessment of their ability to successfully master it. The net result would be a weakened leadership cadre. Only 31 percent of Australia/NZ HR professionals rated their organisation's bench strength—the supply to fill critical leadership positions over the next three years—at any level of strength (slightly strong, strong, or very strong) and, on average, only 47 percent of positions could be filled by an internal candidate immediately. Thirty-nine percent believe their succession management system and processes to be of low or very low effectiveness.

In terms of quality, HR professionals' assessments of their organisation's leadership development program were lower than the leaders'. Responses do not signal a bright future:

- Thirty-one percent have a weak or nonexistent relationship between annual strategic plans and their own plans to grow leadership talent.
- Fifty-four percent do not have well-integrated and strategically aligned leadership development programs or processes.
- Ninety-one percent see their leadership career planning/pathing systems as only moderately effective or worse.
- Seventy-nine percent do not believe their leaders have high-quality, effective development plans.
- Forty-eight percent do not use information from assessments and simulations to make leadership hiring and promotion decisions.
- Thirty-one percent do not have a program to develop high potentials, and 39 percent of those that do don't measure the effectiveness of the programs.
- Ninety-three percent do not exercise negative consequences when leaders fail to develop leaders on their team.
- Fifty-one percent do not know the up-to-date status of leadership talent capability across the organisation.

\* Mitchell, C., Ray, R.L., & van Ark, B. (2017, January), *The Conference Board CEO Challenge® 2017: Leading Through Risk, Disruption and Transformation*, New York, The Conference Board, <https://www.conference-board.org>



### WHERE TO START

- **With all stakeholders, begin with a candid assessment** of all leadership development programs and processes at all leader levels.
- **Create a plan to integrate all efforts** with the twin goals of supporting leaders' success now and building a solid pipeline of successful future leaders against the profile your organisation will need.
- **Create or update a leadership capability model** that is embraced by senior leadership and aligned with the organisation's strategic goals.
- **Ensure that leaders have the skills** to identify and develop top talent.
- **Review and enhance other talent management systems** to support the creation of a strong cadre of leaders.



### HOW TO EXCEL + DIFFERENTIATE

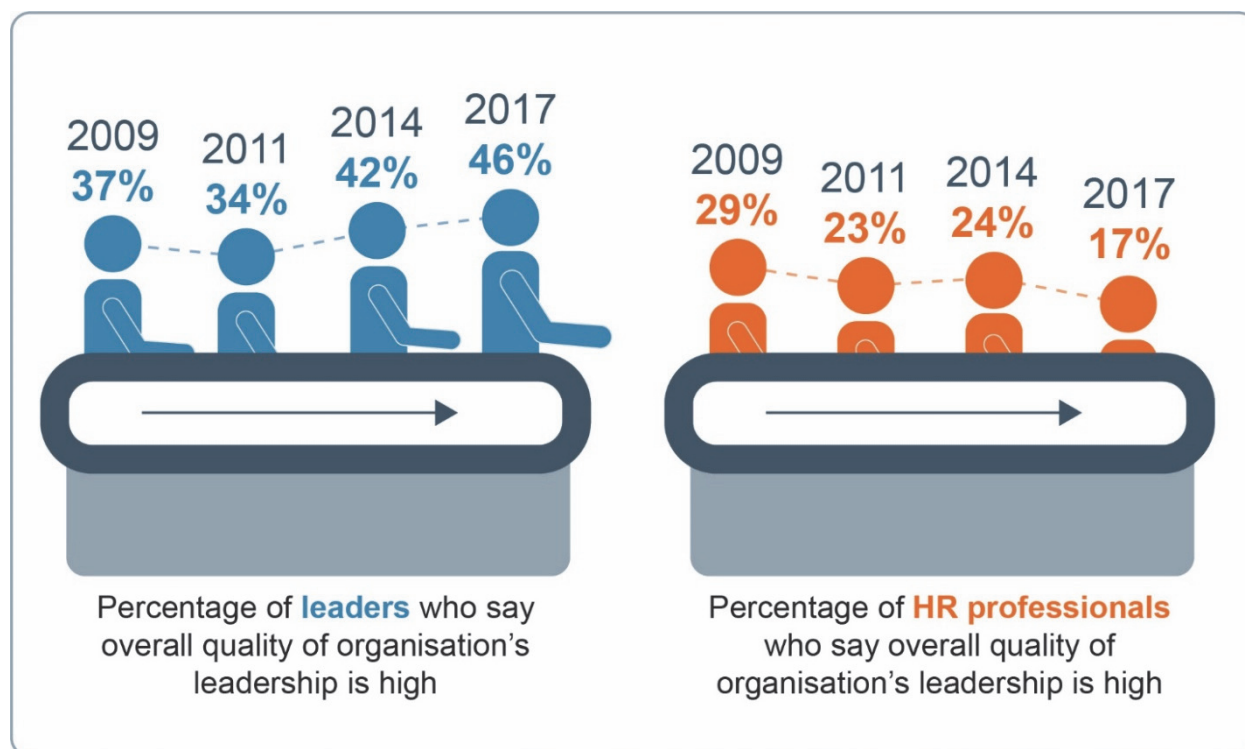
- **Systematically monitor progress and gather data** to determine the business impact leadership development processes have on advancing the organisation's strategic goals.
- **Articulate the impact** in terms of the organisation's ability to execute the strategy and create a plan to address deficiencies.
- **Deepen the strength and quality** of your leadership bench.
- **Partner with business leaders and the C-Suite** to design, deliver, and assess the effectiveness of all leadership-related actions. Enlist these individuals as coaches, mentors, and champions.
- **Adapt performance management processes to hold leaders accountable** for successfully developing their teams, particularly emerging leaders.

# Leader Capability Stalled Globally, but what about Australia / NZ?

## Who's got it right, leaders or HR?

“Everything is different from today on.” So, supposedly, said Austrian composer Joseph Haydn after hearing Beethoven’s Symphony Number 3, the Eroica, more than two centuries ago. While many who first heard it were shocked, it changed the very essence of classical music and went on to be one of the world’s most beloved symphonies. The quote aptly reflects today’s leadership landscape. Never in the nearly 20 years we’ve been collecting data for the *Global Leadership Forecast* have we seen the array of forces that are disrupting the essence of great leadership. “Competitive pressure to innovate and shake up established markets is too powerful for companies and the people who lead them to ignore.”\* And, never has the quality of our leaders to guide us into uncertain futures been more critical.

### > Australia/NZ Leadership Quality: Who's got it right, leaders or HR?



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## Leaders Ready for Today? And What About Tomorrow?

We've followed perceptions of leadership capability over the years that indicate organisations' progress in building stronger leadership capability. Are they improving? Despite billions spent on leadership development annually, the answer globally, yet again, is no! But, in Australia/NZ, this may not be quite as true as we have witnessed more rapid improvement over the past 3 GLF studies according to leaders.

As shown in the figure at left, the improvement in leadership quality, as rated by 868 Australian/NZ leaders, is occurring at a faster pace than observed globally. The percentage of leaders providing high ratings of leadership quality (in the excellent/very

good categories) has risen from 34 percent in 2011 to 46 percent in 2018, a 35 percent overall improvement. However, when HR evaluates the quality of their organisation's leaders, the number has declined from 23 to 17 percent (a 26 percent overall decline). The net effect is a 2.6x greater divide between leader and HR professional perspectives on the quality of leadership between 2011 and 2018. The question is why?

Overall quality varies widely by country, industry, and level. Leaders, for example, rated senior leadership quality considerably higher than the quality of those in first-level positions (53 versus 35 percent). While first-level leaders are less experienced in a leadership role, they're likely to have the most profound impact on their teams' engagement and productivity.

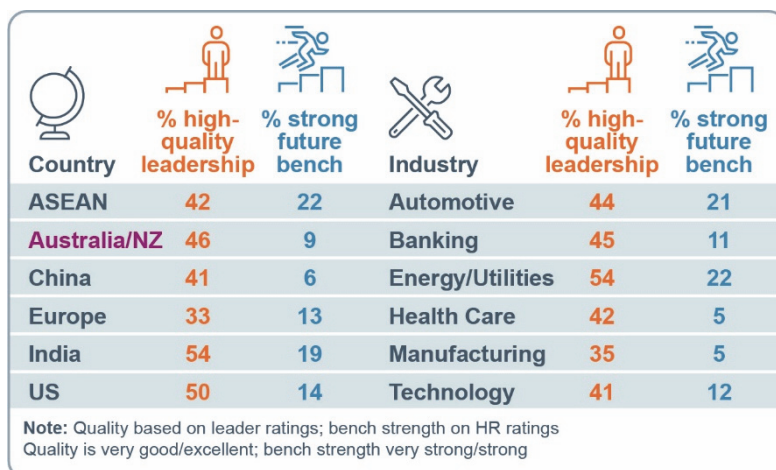
We also took a forward view by asking HR to rate the strength of their current pipeline to meet their business needs over the next three years. The results are equally discouraging. 17 percent of Australian/NZ HR professionals considered their future bench to be very strong/strong in *Global Leadership Forecast 2014*, however, that number has dropped back to ratings from *Global Leadership Forecast 2011* to 9 percent in this survey. A full 69 percent of HR respondents rate their future leadership bench as slightly weak or worse. Again, these ratings vary considerably by industry.

The figure above lists some key countries/regions and industries in terms of leadership quality and the accompanying rating of future bench strength. One thing is very clear: The current quality of leadership earned higher marks than bench strength three years out. Given the seismic disruption in almost every industry, keeping ahead of the leader quality and quantity supply chain will be a considerable challenge.

Shortage of current quality and projected future bench strength can hinder your organisation's ability to fill critical positions with ready-now internal leaders. On average, Australia/NZ respondents feel they can fill only 47 percent of their critical roles with strong internal leaders, leaving them to search outside for often-costlier, higher-risk external candidates.

At the end of the day, we need to ask ourselves if these numbers have any real impact. It turns out that companies in the top third of financial performers are twice as likely to have high-quality leaders than those in the bottom third. This is a difference that can easily translate into millions of dollars for any single company.

\* Hoque, F. (2015, November), 5 Habits of Truly Disruptive Leaders, *Fast Company*. <https://www.fastcompany.com/3052725/5-habits-of-truly-disruptive-leaders>



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### WHERE TO START

- **Analyse the strengths and gaps in your leadership bench** against your business goals. This will enable you to better target your limited resources while having the greatest impact on your business.
- **Keep your eye on disruptions to your business** and how they affect your success profiles. The requirements for leadership excellence are changing constantly.
- **Become a champion at using predictive analytics** to improve the quality of hiring and promotion decisions.



### HOW TO EXCEL + DIFFERENTIATE

- **Consider a more systematic approach to developing a long-term leadership strategy** connected to your business plan.
- **Integration of talent systems is key.** For example, superior development will not compensate for poor hiring systems.
- **A majority of organisations still do a poor job of measuring the impact of their leadership development efforts.** Improvements will never come unless you know what a worthwhile investment is and is not!

# Leadership Strategy

## The Forgotten Foundation of Business Planning

### Only 9 Percent of Australia/NZ CEOs Have the Leadership Talent to Execute Their Strategy

The data in *Global Leadership Forecast 2018* shows that organisations with effective leadership talent outperform their peers. Yet very few organisations manage this high-value asset in an integrated, cohesive way. Even after spending more than \$50 billion annually\* on developing their leaders, many companies still don't have the bench strength to meet their future business goals. And despite the spending, investments are often fragmented and see a lack of returns. Leadership models and development programs abound; few tie to business goals. Worse yet, there's scant evidence that they actually work. What's needed is a coherent, integrated leadership strategy. A well-crafted blueprint ensures that companies have the right talent, at the right cost, and with the right capabilities to deliver today and into the future. Yet, we found only 25 percent of HR professionals in Australia/NZ feel their organisations have an effective leadership strategy. Companies that do have such strategies in place report better returns on their investment in talent. They consistently feature deeper leader bench strength and stronger leaders at all levels.



#### > Preparedness to Meet Key Business Challenges with an Effective and Ineffective Leadership Strategy



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## What Differentiates Organisations with Effective Leadership Strategies?

The advantages of having a leadership strategy in place are enormous, beginning with leader preparedness to meet business challenges. The graphic at the far left shows the leader-readiness advantages of an effective leadership strategy.

## So, What's in an Effective Leadership Strategy?

Senior line managers define “leadership strategy” as having a supply of capable leaders to meet both their short- and (ever-changing) long-term business needs. A sound leadership strategy consists of the four elements defined below. We looked at the effectiveness ratings for each element, comparing organisations across the globe having a leadership strategy in place to those that do not.

- **Defines the competencies required for success.** We see a much higher level of effectiveness of this basic practice in organisations with a leadership strategy versus those with no strategy (82 percent versus 49 percent).
- **Models supply and demand as part of the strategic planning process.** Organisations with an effective leadership strategy are 4.3 times more likely to adeptly forecast future leadership demand than those without.
- **Ensures that all core leadership processes align and are consistently reinforcing the appropriate skills/capabilities/mindsets.** All major talent systems are more effective in organisations with stronger leadership strategies. For example, when there is a leadership strategy in place, 70 percent of organisations report having effective development programs in place versus 27 percent in those organisations with no strategy. The same magnitude of difference applies to succession management (51 percent versus 15 percent). These systems comprise the foundation for delivering a steady flow of leaders through the pipeline.
- **Measures the impact of leadership spending on performance and potential.** Companies with effective leadership strategies are 4 times more likely to gather business-impact measures on their talent initiatives.

## What Are the Performance Benefits?

We found that an investment in formulating and executing an effective leadership strategy can have a significant impact in several other areas:

- Working with the business to articulate a leadership strategy **improves HR's strategic impact.** Organisations with a leadership strategy are 2 times more likely to rate their HR teams as strategic advisors.
- Of organisations with effective strategies, 56 percent have overall **high leadership quality** versus 20 percent with less-effective strategies.
- **Future bench strength**, a critical lead outcome measure, is much stronger with an effective strategy (32 percent versus a dismal 5 percent).
- Stronger ability to **fill critical open positions** with internal candidates (56 percent versus 38 percent). The cost of even a few senior positions remaining open far exceeds the investment required to put a sound strategy in place.

## Should HR Be Involved in Strategic Planning?

Leadership strategy should never stand alone from an organisation's strategic plans, yet only 17 percent of Australia/NZ HR professionals are involved in strategic planning from its inception. This diminishes the role they can, and should, play in connecting the business to required leadership capability.

\* Kellerman, B. (2012), *The End of Leadership*, New York, HarperCollins.



### WHERE TO START

- **Translate your strategic plans into leadership and talent implications.** Assess risks and areas where poor leadership capability will impede execution.
- **Focus on execution.** Like any other strategy, leadership strategy often fails more due to lack of execution than integrity. Make sure to align all components of successful execution: rewards, metrics, resources, and skills.
- **Look carefully at deploying initiatives across the enterprise.** Ensure the most efficient and effective deployment of your limited resources.



### HOW TO EXCEL + DIFFERENTIATE

- **Use robust predictive analytics to pinpoint the likely gaps in your leadership supply chain.** This will help you focus your efforts.
- **Orchestrate all components of your leadership strategy.** They do not stand alone. Forecasting demand is worthless without accompanying initiatives to close the gaps.
- **Prove the return on your leadership investment.** Unlike every other function, HR typically fails to seriously evaluate (and thus justify) the impact of their spend on organisational performance.

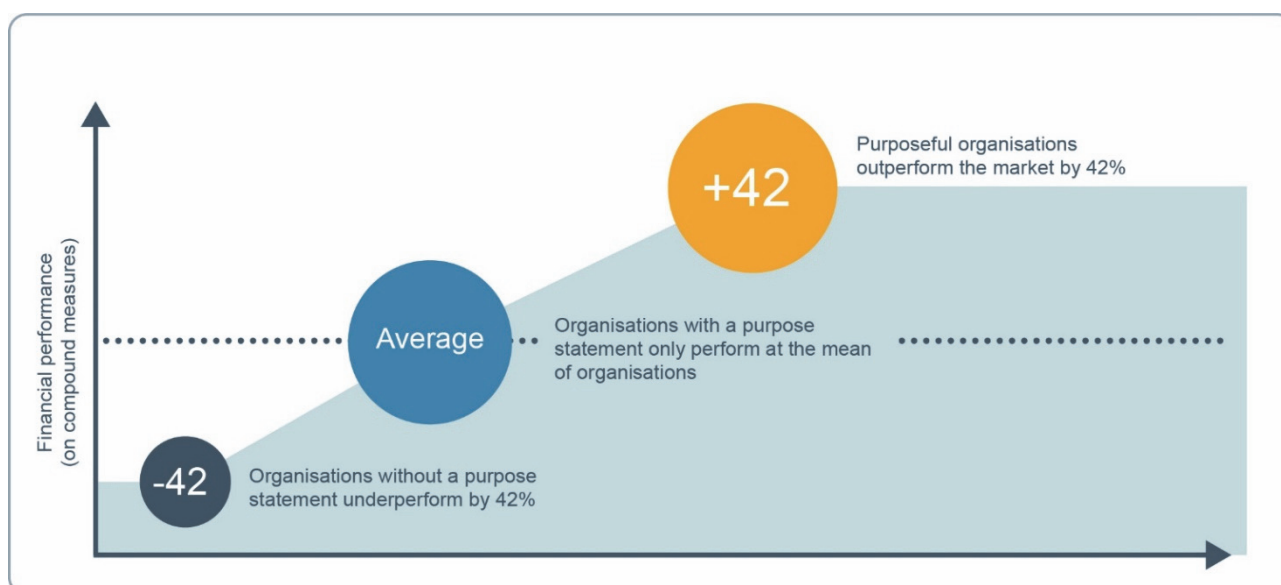
# Purpose-Driven Leadership

## Inspiring and Leading in a Complex Environment

*Purpose* is an aspirational reason for being that inspires and provides a call to action for an organisation, its partners, stakeholders, and society as a whole. EY Beacon Institute research\* has consistently shown that *purpose* enables organisations to perform well in times of volatility. The research joins a growing body of evidence demonstrating that a strong and active purpose raises employee engagement and acts as a unifier, makes customers more loyal and committed to working with you, and helps to frame effective decision making in an environment of uncertainty. *Global Leadership Forecast 2018* finds that getting purpose right builds organisational resilience and, crucially, improves long-term financial performance as seen in the figure below. We found that the real benefits come when leaders walk the walk by behaving in a manner that exemplifies their organisation's purpose.



### > Impact of Purpose on Financial Performance



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## Why Make Purpose Your Guide?

Of 1,500 global C-Suite executives surveyed, 84 percent say their business operates in an increasingly disrupted environment. In this world, purpose is a North Star—a fixed point to help navigate through change and uncertainty.

To understand the impact of purpose, we identified three types of organisations:

- Those without a purpose.
- Those with a purpose statement.
- Purposeful organisations where leaders bring the stated purpose to life through behaviours.

We found clear evidence that companies in this third category are earning a significant performance premium.

## Why Isn't Just Having a Purpose Statement Enough?

Companies with only a purpose statement realise considerable performance improvements across many outcome measures. However, we discovered that *purposeful* organisations (those with active leadership support) get even stronger financial performance in the short and long term—and are better equipped to deal with the fast-changing, competitive environment.

## More Benefits of Being a Purposeful Organisation

The advantages to being purposeful are many:

- **Engagement.** Purpose is a key driver of employee engagement. In previous research\*, 96 percent of leaders said that purpose is important to their job satisfaction. In *Global Leadership Forecast 2018*, we found that having a purpose statement not only has a positive effect on engagement overall, but 25 percent more leaders worldwide get meaning from work and energy levels are 60 percent higher.
- This effect is amplified in purposeful organisations, where engagement levels are 12 percent higher and employees' intent to stay is 14 percent higher.
- **Culture.** Companies with a purpose statement boast a stronger culture of collectiveness than those without, and the effect is 35 percent greater in purposeful organisations, which also report 27 percent greater levels of psychological safety. The culture is savvy but not fearful; optimistic without being naïve. Radical candor thrives, and people across the enterprise can robustly tackle pressing issues.
- **Agility.** Having employee and stakeholder buy-in enables a purposeful organisation to respond more quickly and effectively when opportunities arise or danger threatens (50 percent higher than non-purposeful organisations).
- **Resilience.** Purposeful companies enjoy higher levels of trust and loyalty, making them more resilient when the going gets tough. They're also better able to retain customers, employees, and shareholders during the often-painful transition periods that comprise the new 21st century normal.
- **Vision.** Serving all stakeholders and aspiring to improve society enables a broader vision—a bigger game to play—making organisations more likely to spot unexpected opportunities and new risks.
- **Learning environment.** While many companies understand that having a stated purpose is important, they struggle to weave it into day-to-day business. We found that purposeful organisations build leaders' skills in inspiring, adapting, and team leadership. They do this by focusing on experiences, coaching, and mentoring. Leaders learn from leaders, and they coach and develop their people.

\* EY Beacon Institute. (2017), *How Can Purpose Reveal a Path Through Disruption?*, London.



### WHERE TO START

- **Articulate a clear purpose for your organisation.** Focus on answering the *why* questions. We all know what our organisations *do*. Purpose is about asking *why* we exist in the first place, what our employees and stakeholders care about, and what resonates with customers.
- **Use purpose as a lens for everything you do.** Let purpose guide the solutions you offer, how you treat your customers, and how you engage your workforce.
- **Communicate success stories to all constituents.** Stories perpetuate purpose. Each time people repeat them, purpose entwines more closely with day-to-day business.



### HOW TO EXCEL + DIFFERENTIATE

- **Integrate purpose into the company's DNA.** Reinforce purpose through the day-to-day customer and employee experience. Treat purpose as a commitment to stakeholders and publicly update on its progress.
- **Focus on leaders.** Help them develop their own "why." Work with all leaders to articulate their own purpose as it relates to the overarching purpose for the business. Then, help them do the same for their teams and employees.
- **Develop key skills.** Purpose-driven leaders form teams, inspire, and motivate in a fast-changing world. They develop psychological safety and agility.

# Digital-Era Leadership

## Ready or Not, Digital Competence Is Already Differentiating Winners from Losers

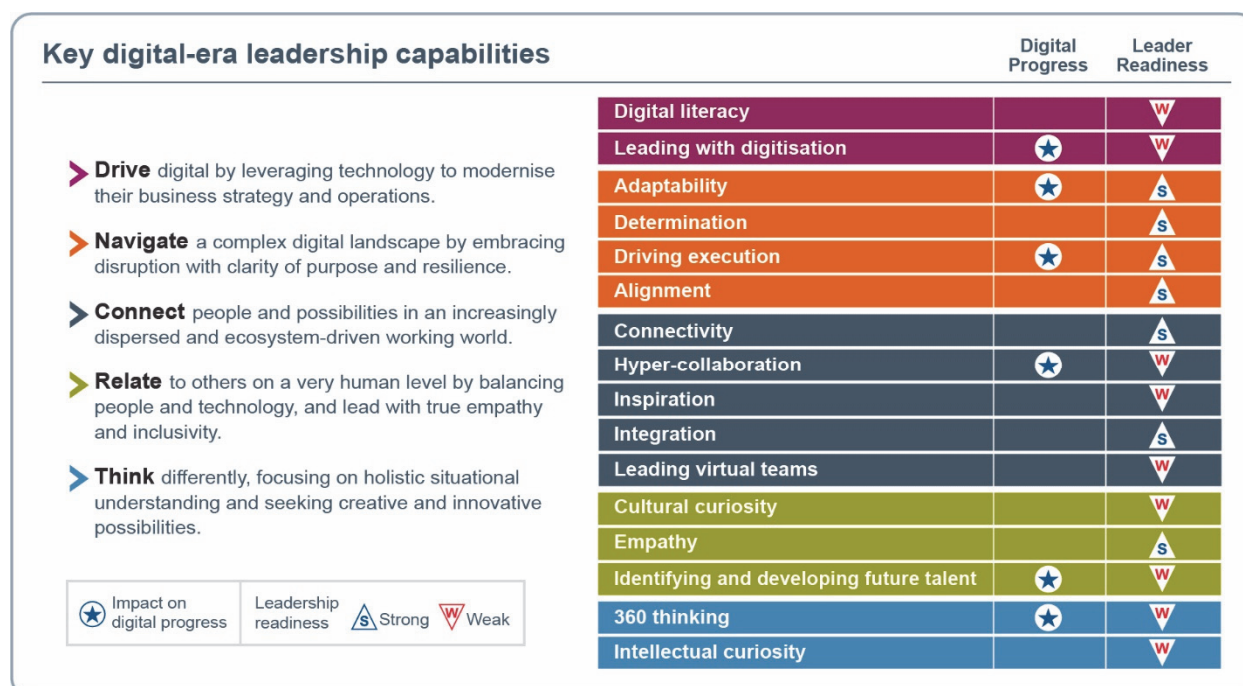
The work world continues its metamorphosis as organisations increasingly leverage technology to modernise their business strategies. As the pace of change intensifies, many companies just cannot compete; 50 percent of the 2006 Fortune 500 companies no longer exist. Competition rains in from every direction. Looking ahead, technologies such as robotics and artificial intelligence (AI) are projected to affect two billion jobs over the next decade.\* These trends represent both a threat and an opportunity. Organisations with digitally savvy leaders, the pioneers, are outperforming those organisations with less digitally capable leaders, the laggards. As our work world becomes increasingly digital, that performance gap will only grow.

### How Digital-Ready Are Leaders?

*Global Leadership Forecast 2018* shows digital-era leaders focus their attention across five clusters made up of 16 competencies (see figure below). Averaging across all competencies, only 8 percent of leaders in Australia/NZ considered themselves effective in all five areas.

The right column of the figure shows leaders' ratings of their own effectiveness. They've reported relative strengths in traditional leadership skills. However, the differentiators (digital capabilities and seeking out opportunities across complex ecosystems) are where leaders have gaps.

#### > Traditional Leadership Competencies vs. a New Set of Critical Knowledge, Skills, and Abilities



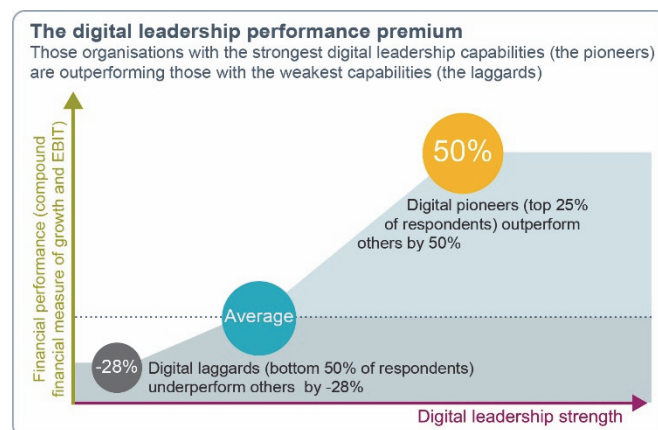
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## Where Should You Focus?

Not every competency has the same impact on an organisation's digital performance. The middle column of the figure at left shows the six competencies that were found to have the greatest impact on performance. Of these six most critical skills, leaders are relatively strong in two areas, weaker in four.



- **Lead with digitisation.** Organisations need leaders who understand the impact digital tech can have on their businesses. They sense what is and isn't possible and, more important, sense what *will be* possible. They look to standardise and automate processes to generate new insights they can leverage for differentiated capabilities. This is a relatively weak area for leaders.
- **Adaptability is a must.** Digital leaders must be able to adapt to constant change or fall behind. They need to be learning every day, not getting caught up in "traditions." This is a relative leadership strength.
- **Execution.** It's one thing to anticipate change. But it takes another set of skills altogether to turn new ideas into reality. This also is a strength.
- **Hyper-collaboration** is about working relentlessly to break down silos. It's getting people working together to solve customers' and the organisation's issues. This is a weak area for leaders in Australia/NZ.
- **Identify and develop new talent.** Leaders need to spot and rapidly bring on board the digitally savvy talent of tomorrow. This is also a weak area for leaders in Australia/NZ.
- **A 360 view.** Leaders must be able to spot patterns and bring thinking together from multiple perspectives. This is a real weakness.



## What Does This Mean for Performance and Potential?

Across the global sample, we found that the *pioneers*, digitally savvy leaders, are more prepared than the *laggards* to meet emerging business challenges. Most notably, they're better at anticipating and responding to the competitive environment, navigating through complexity, and using data and analytics to guide their decision making.

In the figure above, we also demonstrated a significant relationship between global leaders' digital readiness and their organisation's financial performance. Looking to the near future, every organisation will need to embrace new technologies if they are to flourish. And, those with the most capable digital-ready leaders will continue to stay ahead of the curve. The ability to identify and develop new talent and proactively work across silos are areas that will restrict digital growth. In another section titled "Accelerating the Digital Journey," we focus on how to ramp up organisational and leadership digital capability.

\* Frey, T. (2012, February), 2 Billion Jobs to Disappear by 2030, <http://www.futuristspeaker.com/business-trends/2-billion-jobs-to-disappear-by-2030/>



### WHERE TO START

- **Start by identifying critical leadership roles** and assess readiness of your talent to embrace and pioneer digital transformation.
- **Rethink your competency framework** to include emergent knowledge and skills to focus leader development. Many companies going through unprecedented change have not reexamined their competency models.
- **Develop digital accelerator leadership-immersion programs.** This is an excellent approach to building both technical know-how and leadership capability.
- **Move beyond simply "doing digital"** via discrete technology implementations to "being digital," an embedded leadership mindset and way of working.



### HOW TO EXCEL + DIFFERENTIATE

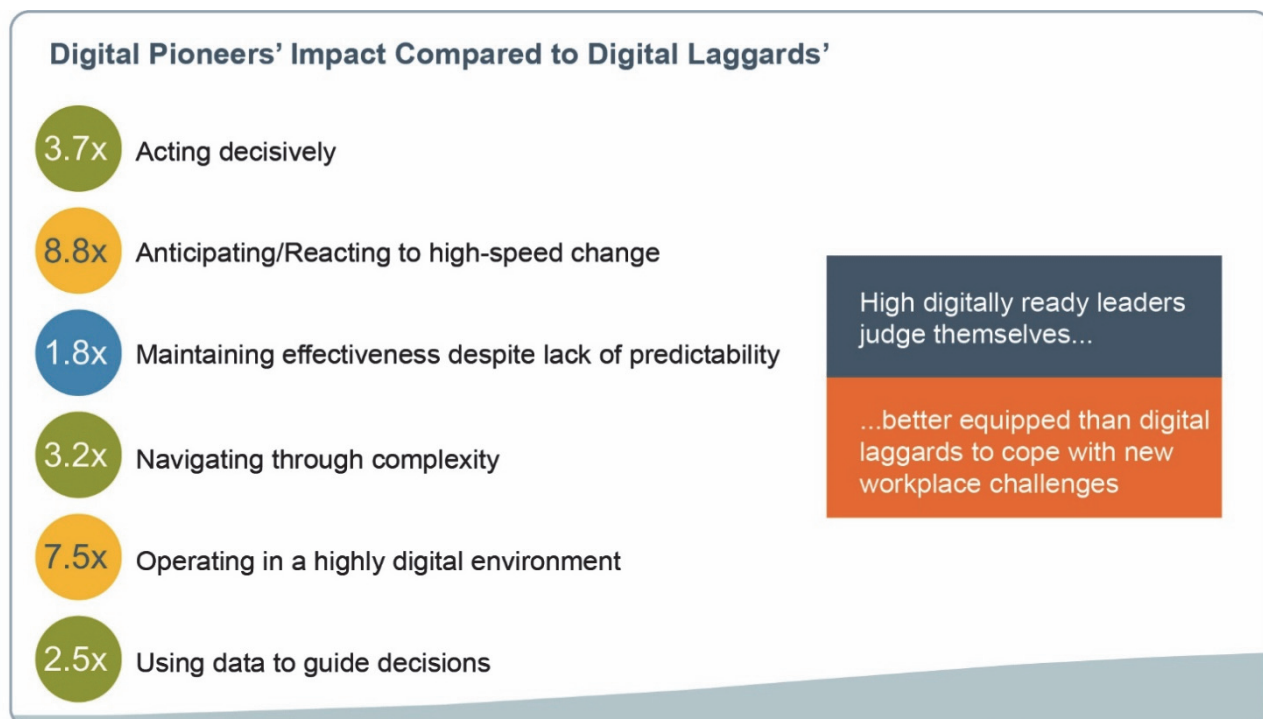
- **Some of your current leadership bench will be unable to acquire a new mindset.** They may need to be replaced with more digitally capable leaders.
- **Lead for the future of the organisation.** Nurture and develop leaders as much as those running the legacy business. New leaders will not only require a technical mindset, but also the imagination and vision of how technology can enable their organisation's competitive position.
- **Foster a digital ecosystem** for leaders to thrive. This includes new approaches to learning, rewards, use of space, and elimination of hierarchies. Place great digitally ready leaders in a traditional culture, and they will surely fail.

# Accelerating the Digital Journey

## Changing Old Leadership Mindsets and Ways of Working

In our section, “Digital-Era Leadership,” we put forth a new model of leadership and demonstrated that leaders who are more digitally capable exert a positive impact on their organisation’s performance. We also showed that this new-era digital leadership requires a full and complex range of skills, including interpersonal, analytic, and technical. To thrive in this new era, most organisations will need to build new skills and capabilities; they’ll also need to overcome old mindsets and ways of working. This won’t be achieved by the delivery of formal training and learning alone. The workplace must become the learning environment. To assure this transition, everyone in the organisation will need to be learning every day.

### > Meeting New Workplace Challenges



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## How Do Organisations Accelerate Their Digital Journey?

We explored dozens of organisational operating environments that elevate the bar from simply “doing digital” to truly “being digital.” Three emerge as critical:

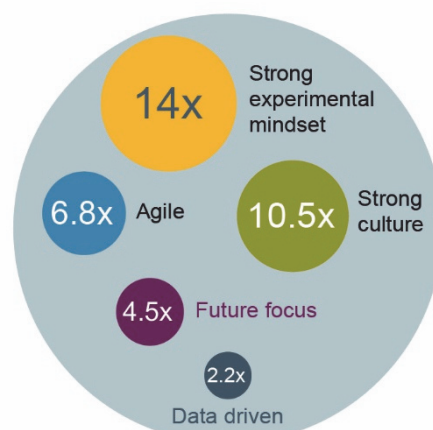
- **New learning cultures.** Building digital-era leadership capability requires a workplace where everyone learns every day. There’s a heavy emphasis on experiential development. Highly capable digital-ready leaders, the pioneers, actively manage their own growth and development. Compared to their peers who aren’t as skilled, digitally-ready leaders in Australia/NZ are more likely (86 versus 75 percent) to take on stretch assignments to build new skills. They’re also more likely to provide input to grow the business (57 versus 51 percent) and seek it from others to grow themselves (91 versus 78 percent).

Getting the culture right delivers more able, confident leaders. The figure at left shows the differences in leaders’ confidence to face these challenges. Pioneers (digitally adept leaders) are significantly more confident than the digital laggards in handling every challenge. They are 7.5 times more confident operating in a digital environment, and 8.8 times more likely to anticipate and react to change.

- **New working environment.** Today’s high-performing operating environments are purpose-driven and team-based, with shallower hierarchies. They enable workforce mobility and deliver a consumer-grade technology experience to internal workers, aligning modern performance and rewards practices to the right behaviours.
- Developing the right environment drives engagement, productivity, and learning. Digital-ready leaders in Australia/NZ are more likely to respond that they are “definitely engaged” at work (68 versus 61 percent). They’re also more likely to see their organisation as embracing or even rewarding failure in pursuit of innovation (24 versus 15 percent). Additionally, 80 percent of digital-ready leaders feel a strong sense of accountability for effectively leading their people, compared to 73 percent for leaders who are not ready.
- **New role of HR.** Building digital organisations requires a reset of talent and leadership infrastructures. The HR function must transform to become nimbler, data-driven, tech-savvy, and tied to the evolving business needs.
- Yet, HR is one of the least effective functions. In Australia/NZ, only 6 percent of HR professionals report being very prepared to operate in a digital environment. This is quite ironic: How can digitally-challenged HR leaders take the point on modernising the way talent will need to be developed, engaged, and deployed in the future?

Analysis of the global data reveals a considerable payoff for accelerated digital transformation. The figure above examines five elements essential to operating in a highly digital workplace. Digitally mature organisations (those farther along in their digital transformation) have stronger overall cultures than their less-mature counterparts—by a factor of 10.5. As we mentioned above, they’re more likely to encourage and reward experimentation and far more focused on future possibilities, not past constraints. And, they’re nearly seven times more likely to lead with agility. Finally, data-driven decisions are used more heavily.

### Impact for Organisations in a High State of Digital Maturity



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### WHERE TO START

- **Examine every aspect of your talent management system.** Make sure it's building capable, future-ready digital leaders.
- **Ensure that you're reinforcing a culture where people continuously grow and learn.** The workplace, not the classroom, has become the primary learning environment.
- **Invest resources** to build HR leaders' skills in using digital technologies and predictive analytics. As they become more adept, they'll embrace the new way of working.



### HOW TO EXCEL + DIFFERENTIATE

- **Measure and work on your organisation's learning culture.**
- **Take an integrated approach to building a future workplace.** Use rewards, workforce mobility, technology experiences and leverage physical space and structure to drive collaboration and innovation.
- **Stop talking and start transforming.** You need to stand shoulder-to-shoulder, starting with HR as custodians of your organisation's assets.

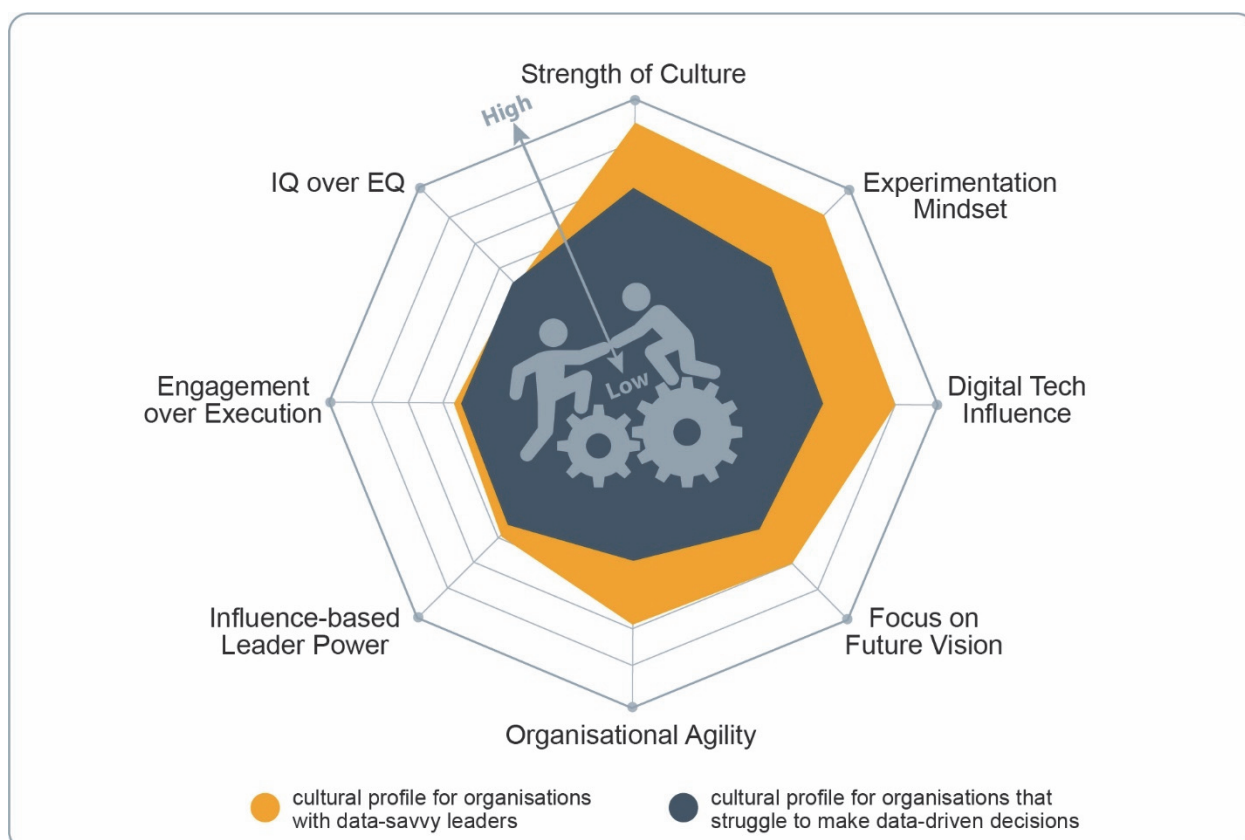
# Leading with Data-Driven Decisions

## The Culture and Skills Driving Higher Returns on Data

Nearly seven years after the first “Big Data” articles appeared in major business publications, many organisations struggle to counter Big Data’s substantial costs with newly unlocked value. A 2017 study\* found that fewer than half of senior Fortune 1000 decision makers see measurable returns from Big Data. In *Global Leadership Forecast 2018*, across the global sample of data, companies whose leaders are well prepared to use data to guide decisions are 8.7 times more likely to have closely integrated talent and business strategies, 7.4 times more likely to have a strong bench of future leaders, and 2.1 times more likely to have grown aggressively over the past three years, compared to organisations whose leaders are ill-prepared for a data-rich business context. But these are the outcomes, not the drivers. What is the leadership context—the culture and skills—that makes these returns not only possible, but probable?



### > The Cultural Factors that Make Data-Savvy Organisations Unique



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## Traits of a Data-Driven Enterprise

We identified the five cultural factors (shown in the graphic at left) in which data-savvy organisations most exceed organisations where leaders struggle with data:

1. **Strength of company culture.** Data-savvy companies build the shared mental models vital for cultural strength by actively measuring and reacting to customer and employee viewpoints.
2. **Experimentation mindset.** Data provides the confidence to launch and gauge the success of experiments and to objectively learn from failures.
3. **Digital technology influence.** Technology is a prime source for new volumes and varieties of data; digital advancement parallels being data-savvy.
4. **Focus on future vision.** Data informs trajectories and trends via prescriptive and predictive analytics.
5. **Organisational agility.** Agile organisations are fueled by rapid data acquisition and action.



Yet, the need to be data-driven isn't limited to a particular style of leadership: whether EQ or IQ is more important, whether leaders have an execution or an engagement focus, or whether leaders derive power from personal versus position-based influence.

## The Skills of Data-Savvy Leaders

In addition to rating their preparedness to use data in making decisions, leaders also rated their confidence in 16 skills. The figure above orders skills based on their link with data-savvy (a longer bar equals a stronger link). The statistics presented to the left of each skill represent the percentage of leaders who rated themselves effective in Australia/NZ.

Not surprisingly, leading with digitisation (using technology to manage the workforce) heads the list. Also, in the top five are leading virtual teams and digital literacy (personal technology expertise). To underscore the fact that being data-savvy isn't only about being digital, two management skills also made the top five: driving execution and integration (combining information from multiple sources). This confirmation of the importance of managerial capabilities parallels 2017 research from MIT Sloan\*\*.

Notably, the bottom-three skills—empathy, connectivity, and collaboration—aren't recognised enough for the role they can play in using data not just adeptly, but fairly and in partnership with others. A tighter connection of interpersonal skills to data-driven decisions may be a path for organisations to improve their low success rates extracting value from big data.

\* Bean, R. (2017), How Companies Say They're Using Big Data, *Harvard Business Review*.

\*\* Bughin, J., & Hazan, E. (2017), Five management strategies for getting the most from AI, *MIT Sloan Management Review*.

### WHERE TO START

- **Use data to create a common culture.** Strong cultures aren't formed by accident; they're fostered carefully and monitored by aggressively using data to understand how employees and customers view the company and then reacting accordingly.
- **Build digital skills.** Digital acumen at both a personal level (understanding new technologies oneself) and a leadership level (using technologies to lead others in different, more-effective ways) is key for successful data-driven decisions.
- **But don't neglect the execution element.** Leaders who excel at using data effectively also integrate it from multiple sources and know how to convert the data's strategic insights into operational plans.



### HOW TO EXCEL + DIFFERENTIATE

- **Don't overlook empathy, connectivity, and collaboration.** Few leaders see the connection between interpersonal skills and ability to use data effectively for business decisions. This is a prime opportunity to strengthen awareness of these links and to factor in the human implications of data.
- **Implement Agile project management techniques.** Agile methodologies provide the cadence, mindset, and opportunity to flow high volumes, varieties, and velocities of data into actionable use.
- **Prepare for AI.** Efficient and ethical artificial intelligence applications, already in the strategic plans for many organisations, will require a critical mass of leaders whose skills span digital, management, and interpersonal domains.

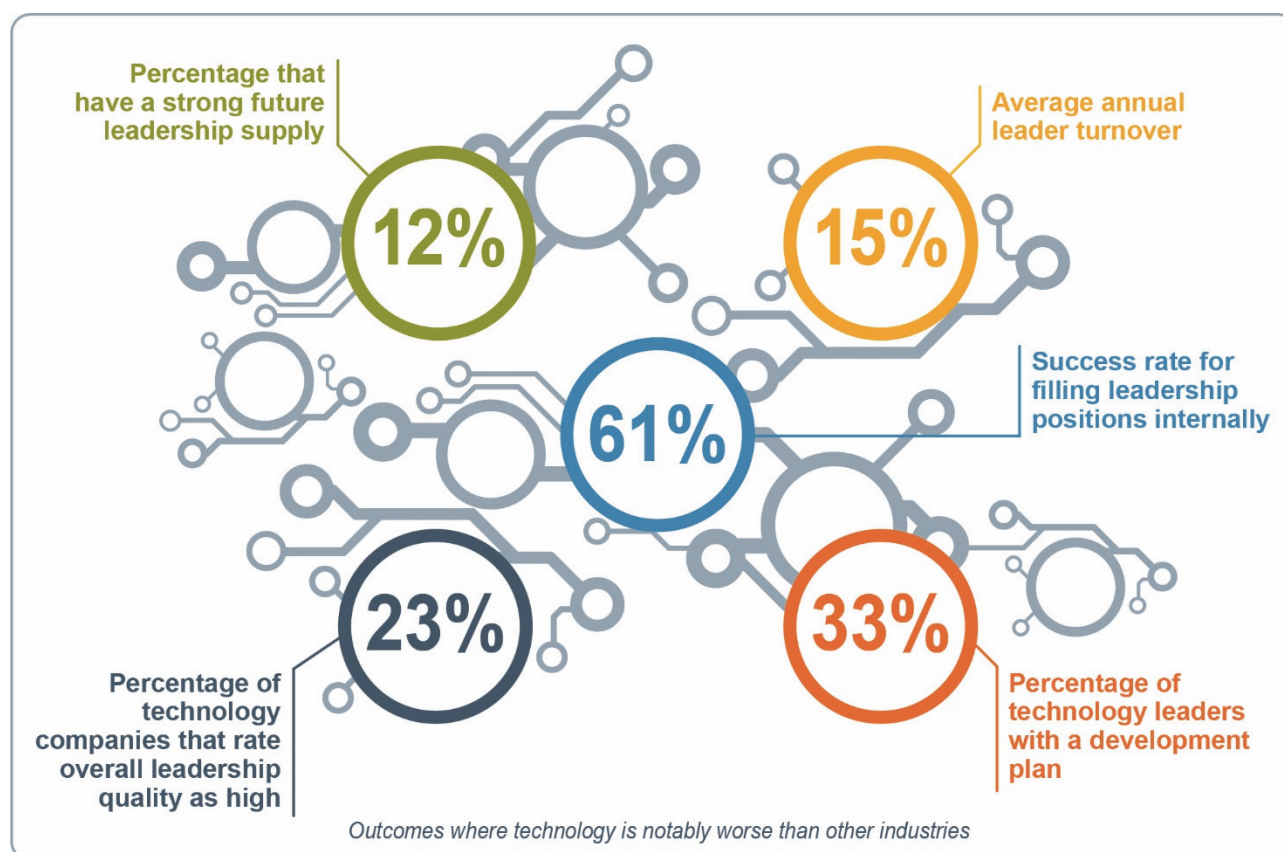
# Why Technology Leaders Are Failing

## The High Cost of Low-Chance Development

Technology companies are known for being leading-edge and driving innovative ways to meet customer demands. This venture can overtake—and overshadow—their focus on growing internal customers. As a result, technology organisations face unique leadership challenges, including lower engagement and retention, fueled by an accelerating competition for talent. Among the more than 2,400 organisations participating in *Global Leadership Forecast 2018*, tech companies across the globe reported the lowest success rates for their leaders (61 percent). This means that about two of every five technology leadership assignments are considered failures, a rate that is 20 percent higher than that of other industries. What's causing such a high failure rate? According to global data gathered from 1,086 technology leaders and 107 HR professionals, tech companies are falling behind in four key development practices that not only drive higher success rates, but also affect other leader outcomes, including higher engagement and retention.



### > How Technology Industry Leadership Is Falling Behind Other Industries



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## Four Practices that Leave Technology Behind

### 1. Unclear Career Management

Globally, only 64 percent of leaders in technology said they understand their career path within their organisation—14 percent fewer than those in other industries. This is a critical area for improvement, given that establishing clear career paths not only boosts leaders' success rates, but also consistently drives their engagement and retention. In technology organisations the potential upside is great, as tech leaders show 17 percent lower engagement and are twice as likely to turn over as leaders in other industries.

### 2. No Plan for Development

In addition to lacking a clear career path, only one-third of tech leaders surveyed worldwide have an up-to-date development plan—32 percent fewer than other industries. Having a current plan in place guides leaders to track and measure their development progress. It also makes them accountable for their own development. Without this guidance and accountability, development is left to chance.

### 3. Development Is Too DIY

In tech organisations, leadership development is more DIY and out of alignment with what leaders want in other industries. The three types of learning sought most by technology leaders around the world—external coaching (74 percent), formal development (60 percent), and short-term developmental assignments (50 percent)—are provided least often by their companies in comparison to those in other industries. Instead, tech companies reported a higher reliance on internal coaching and self-study, which only 34 percent of leaders said they wanted.

### 4. Development Is Out of Discussion

Worldwide, 32 percent more tech leaders reported that they never meet with their manager to have performance discussions. For those who did meet, the discussions focused more on current performance than development. In fact, tech leaders spent the least time talking about personal development in their performance discussions overall—on average, 23 percent less than leaders in other industries.

According to technology HR professionals, they also are more likely to have eliminated performance ratings. Nearly twice as many technology companies than other industries (31 versus 17 percent) reported that they've stopped using performance management ratings. This might be leading them to abandon valuable development discussions altogether, to the detriment of overall quality. Tech leaders rated their performance management programs significantly lower than other industries, with only 27 percent of leaders identifying their performance management program as high quality. That figure contrasts to 36 percent of leaders in other industries across the globe.

## Lower Investment, Higher Risk

In addition to lagging in these four practices, technology organisations are investing far less time and money on leadership development. On average, tech companies worldwide spend 15 percent less on first-level leadership development than organisations in other industries. Spending is more equal for senior-level and high-potential leadership development, though it still runs 6 percent behind other industries. Even more critical than the gap in dollars spent is the shortage of hours invested in developing leaders. On average, technology leaders spend only 25 hours in structured development each year, 10 percent less than leaders in other industries.



#### WHERE TO START

- **Step up your focus on development.** Communicate more frequently about it and seek feedback on your efforts. Once leaders start thinking and talking about it, the frequency of development discussions will increase.
- **Diagnose individual and group development needs.** Assess leaders to identify their development needs, then centre plans on improving in those areas. Leverage aggregate data to determine the greatest group gaps that can inform future leader selection and promotion.
- **Redefine the business of development plans.** Given that development targets are business goals, hold leaders accountable for meeting them. Require leaders to complete and act on their development.



#### HOW TO EXCEL + DIFFERENTIATE

- **Invest in more blended learning.** Establish an online library that supports what leaders are learning via more traditional, structured coaching and development initiatives. Providing a mix of methods enables a broader basis of development. Leverage, but don't limit leaders to, on-demand external learning content.
- **Drive retention with clearer paths to advancement.** Ensure that leaders have a clear understanding of how they'll grow to increase their development focus and retention. Leaders who aren't sure about their advancement path will be more likely to seek career growth elsewhere.

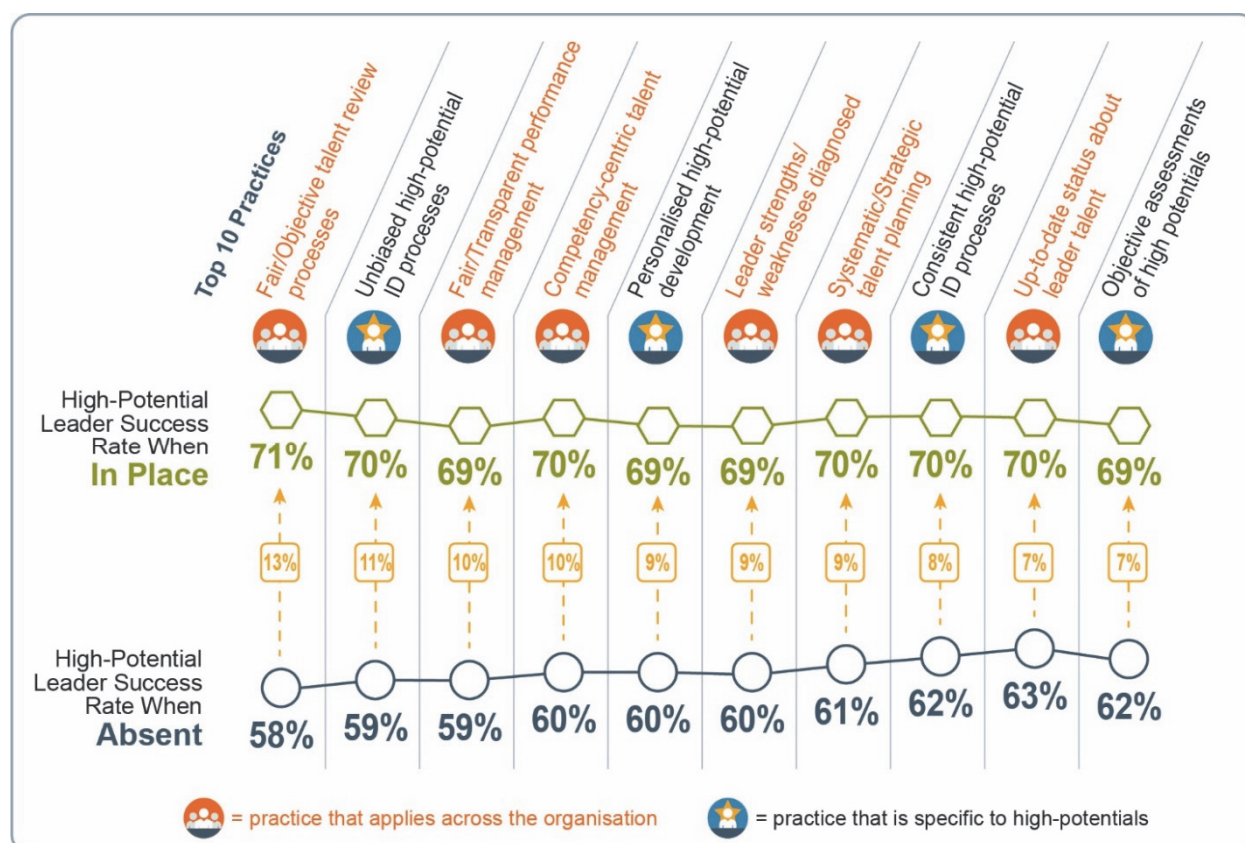
# Rethinking Leadership Potential

## Why Broader Is Better

Identifying and preparing future leaders is a quintessential “top of the house” issue. Our research drew on responses from nearly 1,000 senior-level leaders across the globe to identify the issues demanding their greatest attention for the coming year. Their top two concerns are deeply integrated with proactive talent strategy and high-potential management: developing “Next Gen” leaders and failure to attract/retain top talent. To provide context, senior leaders chose these issues more than twice as often as slowing economic growth in emerging markets, labor relations, and global recession. This intense focus also cascades into cost and time investments: On average, companies worldwide spend about AUD \$5,100 and 39 hours per high-potential leader, per year for development activities. For organisations with 1,000 high-potential leaders, this translates to an annual investment of more than \$5 million and 4,800 person-days. In Australia/NZ, companies spend an average of \$5,800 and 30 hours per high-potential leader – translating into an annual investment of \$580,000 and 375 person-days for every 100 high-potential leaders. Clearly, the stakes are high for a data-driven evaluation of high-potential programs’ effectiveness.



### > Top 10 Practices for Boosting High-Potential Leader Success Rates



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## Mixed Results on Potential's Progress

It's important to start by recognising the signs of positive movement for high-potential programs between 2014 and now: In Australia/NZ high-potential success rates are down from 66 to 63 percent, but high-potential programs are more gender-diverse, a boost from 25 to 35 percent women. The next layer of data, however, reveals problem signs for potential efforts. Despite 70 percent of organisations having high-potential programs, 67 percent rated them as less than highly effective. Outcome links are also unraveling: Globally, relationships between high-potential programs and leadership outcomes are 19 percent weaker now than in 2014.

And perhaps most alarming, looking at the most important reason these programs exist—to address CEOs' top concern by building a strong pipeline of future-ready leaders—progress is nonexistent at best and retreating at worst. Currently only 9 percent of organisations in Australia/NZ feel they have a strong bench (almost half the 17 percent reported in 2014), and now 47 percent of critical roles can be filled rapidly by internal candidates (up from 42 percent).

## The Perils of a Top-Down, Top-Only View

To gauge why few organisations succeed in cultivating potential, we looked at one of the first decisions made when creating a high-potential program: how deeply to extend it. Nearly half of Australia/NZ organisations (47 percent) limit their potential focus to senior-most levels. Even more troubling, this percentage has barely changed from 2014 (41 percent) and reflects a costly misstep.

Globally, organisations that opt to extend their development of high-potential talent below senior levels are 4.2 times more likely to outperform those that don't on a financial composite of revenue growth, operating margin, EBITDA, and return on equity.

## Can Bigger Pools Drive Better Outcomes?

The conventional wisdom that high-potential efforts need to be restricted to an exclusive few simply isn't supported by the research. Australia/NZ companies designate 26 percent of their leaders as high potential, little change from the 27 percent in 2014, and larger pools tend to be more effective. Yet, just stocking the pool with more leaders isn't the key to success. Use of analytics, peer and mentor-driven coaching, long-term developmental assignments, and personalised learning propel organisations to outperform companies with a narrowly constrained view of potential. Larger pool sizes alone aren't the answer; rather, a full reshaping of a company's orientation toward potential is required.

## Best Practices Aren't Just About the Pool

Turning to the practices themselves, the graphic at left shows the top 10 practices linked to higher success rates for high potentials around the world. Most companies don't use them all; in fact, just 18 percent of companies, worldwide, use all, and over a third use half or fewer. Note that not even half of the practices driving success are specific to high potentials. Instead, they deal with core themes of development, diagnosis, and objectivity for all, representing an inclusive, systematic view of potential.

## Driving Returns on Potential Investments

As noted earlier, high-potential programs and individuals require outsized investments. When pairing these financial figures with an average success rate of 63 percent for high-potential leaders in Australia/NZ, it translates to wasted expense (for the 37 percent not successful) of about AUD \$2.2 million and 1,388 person-days. By employing proven practices, organisations can dramatically boost return on their investment in potential.



### WHERE TO START

- **Broaden the potential pool.** It's neither sufficient nor financially responsible to limit the high-potential view to the organisation's top level.
- **Target diversity, not just numbers.** When companies expand their view of potential, they increase gender diversity for leaders at all levels.
- **Don't invite more without building objectivity.** Bigger pools are more likely to be data-driven, boosting inclusivity along with head counts.
- **Create a culture of coaching.** Companies with more successful pools use peer coaching and external mentors heavily.
- **Use scalable tools for deeper diagnosis.** It's rare that the same tools used with a senior leader-only view will be appropriate for a full-pipeline talent review; introduce new tools accordingly.



### HOW TO EXCEL + DIFFERENTIATE

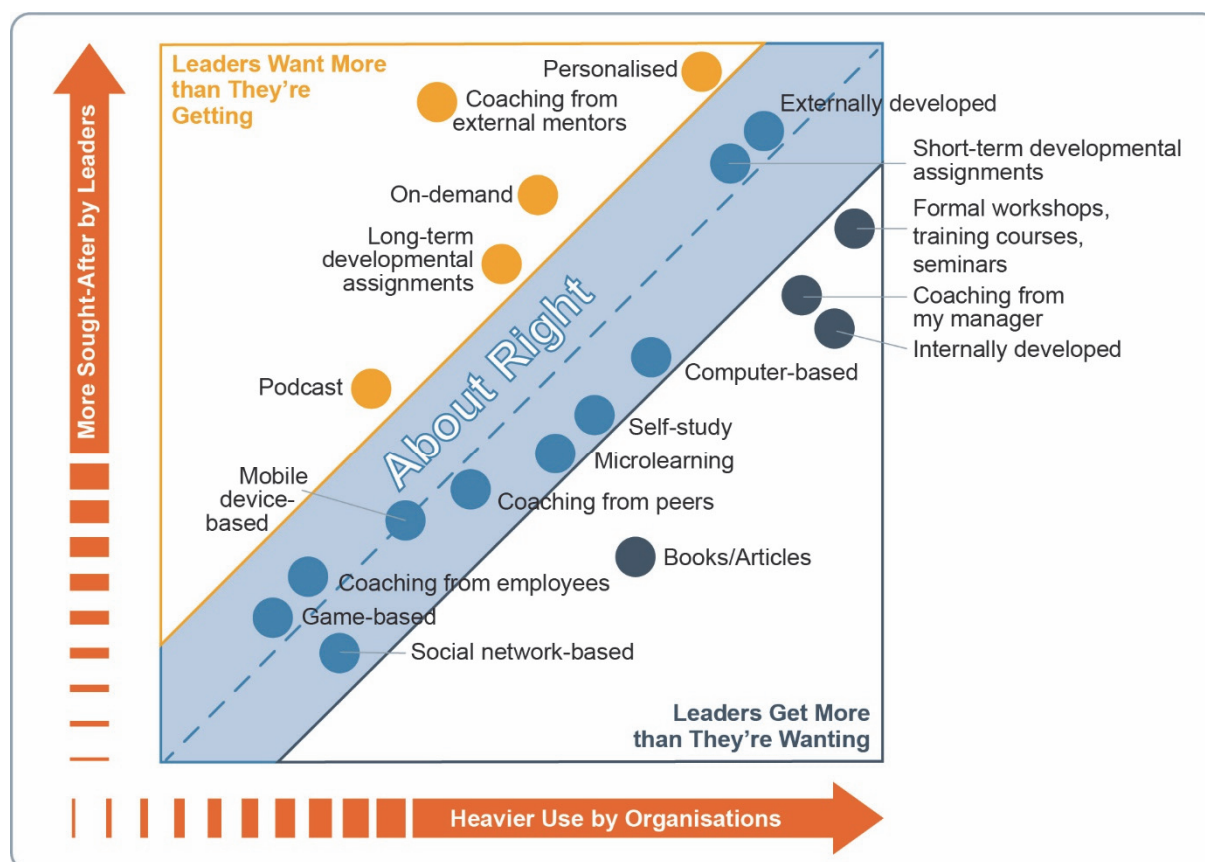
- **Hours over money.** Hours spent on high-potential development has a 68 percent stronger relationship to leadership and business outcomes than money spent, including a significant link to the financial composite that doesn't exist for money spent.
- **Prioritise immersive, personalised learning.** Formal learning that incorporates personalisation to the high-potential learner and well-planned developmental assignments increases success rates.
- **Strengthen your analytics backbone.** High-potential success rates rise with benchmarking, forecasting, results metrics, and data visualisation in place.
- **Track return on the potential investment.** High-impact practices can yield high returns, but only when integrated, sustained, and monitored.

# Meeting the Needs of the Modern Learner

## Technology Gains Its Footing, but It's a Slippery Slope

The scope and variety of learning methods continue a rapid advance at a pace that is only likely to accelerate as pressure mounts to adjust and revitalise learning in academic institutions and graduates flow into the workforce. Fueled by demand from incoming “digital natives” and funded by tuition increases, educational institutions are often at the leading edge of learning transformation. In the workplace it's daunting to respond to these pressures and decide among the vast range of learning methods and approaches. HR professionals face particularly difficult choices about synchronising complementary modalities, how to appropriately blend technology-centric and high-touch (formal training, coaching) learning, and how to apply learning back in the workplace. Although organisations want to meet the needs of all modern learners, the choices and tradeoffs are complex and becoming even more so. In this research, we took stock of the leadership learning landscape, factoring in company usage and leader preferences to recommend an evidence-based path forward for learning design.

### > How Much Leaders Want—and Are Getting—19 Learning Methods for Developing Australia/NZ Leaders



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## Meeting Modern Learners' Needs

To understand where learning needs to go, we started with the needs of learners themselves. We saw high consistency across generations. The three features Australia/NZ learners prefer most include (in this order):

1. Personalised learning experiences.
2. Coaching from external mentors.
3. Externally-developed content.

While this is what learners want, what they actually get can be far different. In the graphic at left, we juxtaposed learner preferences with company use for 19 learning types and methods, to yield three categories:

**Leaders Want More than They're Getting** (5 types)—This category includes coaching from external mentors, long-term developmental assignments, personalised, on-demand, and Podcast. It spotlights leaders' thirst for external perspectives on their challenges—many of which aren't unique to their own company—as well as immersive development and personalised “anytime, anywhere” learning.

**Leaders Get More than They're Wanting** (4)—Methods include formal workshops/ training courses/ seminars, coaching from the current manager, books/articles, and internally developed learning. Surprisingly, many leaders would prefer a bit less manager coaching, perhaps because many managers aren't very good at it. Leaders also have reservations about “on-the-job learning” morphing into “on-your-own” learning through books/articles. This category also reflects the limitations of internally developed content, which might not fully capture the external business context.

**About Right** (10)—Coaching from peer leaders, coaching leaders receive from their employees, short-term developmental assignments, self-study, microlearning, game-based, externally developed, computer-based, social network-based, and mobile device-based. These learning approaches are roughly in line for what leaders want and what their companies are offering. This category includes two rarely used technologies: game- and social network-based learning. Leaders might not have seen these methods enough yet to gauge their value.

## Technology Alone Isn't Enough...

Despite its immense attention and expense, our data shows that technology-driven learning isn't having a notable impact on leadership or business outcomes when contrasted against learning that is predominately driven by other means coaching, facilitated development, on-the-job experiences). Nor is it surpassing high-touch methods such as formal learning and development assignments.

## ...But Adds Value When It's Need-Matched

Technology's role becomes clearer, however, when viewed as an accelerator of learning impact. Globally, the link between learning programs and leader quality is 46 percent stronger when technology is used heavily. It also improves back-to-the-job application, raising it from 55 percent with minimal technology use to 63 percent with extensive use.

The future of technology in learning will be driven by companies using it to address the unmet needs of the modern learner identified in the “Leaders Want More than They're Getting” cluster. It's not about implementing technology for its own sake, particularly not to enable the self-study forms of learning that many leaders shun. When technology is designed and implemented to match a need, it generates value for on-demand, personalised, and mobile learning, and to connect leaders with external mentors. Technology works best when giving “always on” learners the tools and access they need to constantly seek opportunities to grow themselves and others.

### WHERE TO START

- **Pursue learning personalisation.** This was by far the dominant feature defining what leaders want most. Technology's potential here is immense to bring personalisation to large-scale learning. This includes new techniques such as machine learning and natural language processing to rapidly distill information into personalised recommendations.
- **Restore the value of manager coaching.** Leaders' opinions of manager coaching—comparing needs with wants—are decidedly neutral, but don't have to be. Reinforce managers' coaching skills to push this form of learning back to a “want more” state.
- **Understand the learning problems technology will solve.** Don't invest further in learning technology until you're certain you understand the problems it will solve and needs it will meet. This is the key to stronger technology impact and ROI.



### HOW TO EXCEL + DIFFERENTIATE

- **Shift away from self-service.** Technology driven or not, learners want much less self-study learning. Make learner enablement about on-demand rather than assignment and tailored to a leader's own development plan rather than generic.
- **Experiment with game-based learning.** Though few companies are putting these approaches in place, they are more sought-after by Millennial leaders than other generations.
- **Extend learning beyond the classroom.** Learning reinforced through prompts and practice—often, but not only, through technology tools—better “sticks” once the leader is back on the job.
- **Appoint a Learning Experience Manager.** Only 37 percent of companies have this role in place, but those that do are 5.5 times more likely to have highly effective leadership development systems.



# Making the Most of High-Potential Talent

## Avoiding a Mismatch Between What They Want and Get

Globally, organisations spend more money developing high potentials than any other group of leaders, including the senior team. High-potential leaders also spend more hours per year in formal leadership training than any other leadership group. In Australia/NZ, companies annually spend an average of AUD \$5,100 and 30 hours per high-potential leader. Given the money and time expended, how can organisations ensure that they're reaping benefits of cultivating these would-be high performers?

Knowing what high-potential leaders want from their development experiences can shape a company's strategy and lead to positive outcomes. High-potential respondents to our survey were clear: They're looking for tailored development. From a list of 10 development types (see figure below), four of their top five preferences are types of learning that are tailored to their own needs. Coaching from external mentors tops the list, and short-term and long-term development assignments and coaching from current managers are also in the top five. High-potential leaders also desire formal workshops and training courses, the type of learning that's provided most frequently by organisations.

### > Mismatch Between Leadership Development Offerings and What High-Potential Leaders Desire in Australia/NZ



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## Identifying High Potentials

Many organisations are caught in the same dilemma: how to identify high potentials, how to develop them as leaders, and when to promote them. The benefits to having them are obvious, but how can organisations maximise their contribution and keep them engaged?

Simply identifying high potentials within the organisation is correlated with positive business results. Companies that know who their high potentials are have greater bench strength, and leaders who have been notified of their high-potential status are more engaged and more likely to commit energy to growth and development opportunities. In Australia/NZ, turnover is also lower among high potentials (9 percent per year) than the general leadership population (14 percent).

Many organisations are seeing this benefit. About 70 percent of Australian/NZ companies we surveyed identify high potentials, and of those organisations, almost 47 percent inform them of their special status. While HR professionals mostly agree that their identification methods are unbiased (67 percent), their evaluation methods are sound (66 percent), and that their program is targeted to specific needs of this group (78 percent), about 30 percent of respondents disagree with each of these statements (see figure above). Even more worrisome, a full 24 percent of respondents note that their organisation's process for identifying high potentials is inconsistent. Also of concern, is the low-level of accountability for managers in supporting high-potential leaders (42 percent).



## Are High Potentials Getting the Learning They Want Most?

In some cases, high potentials get the desired learning, but not often enough. In Australia/NZ long-term developmental assignments rank as the number 4 most-desired learning method, and 54 percent of them have completed at least one international assignment. About half (54 percent) have had a formal mentor. That said, 46 percent of leaders not identified as high potential also have had a formal mentor, and 46 percent of those individuals have completed an international assignment.

Considering this small difference, not much more is being done for high potentials, who strongly desire such experiences. Additionally, though coaching from external mentors ranks number 1 on list of desired developmental experiences for high potentials, it ranks number 8 in terms of what companies actually provide. Using books and articles is a commonly provided developmental activity, but it ranks low on the list of the types of learning high potentials want at number 8. Organisations can provide more targeted learning opportunities for high potentials by increasing coaching and developmental assignments for them.

Among several key activities to identify and manage high potential, most HR professionals agree that their organisation evaluates high-potential performance but measuring effectiveness of programming is a weakness (see figure above).

### WHERE TO START

- **Consistently identify high potentials.** You can do this via clear evaluation criteria around competencies and expectations.
- **Evaluate high potentials' success.** Measure the success of high-potential development programs to ensure that offerings satisfy these leaders' learning needs and preferences.
- **Evaluate selection and promotion processes for bias and consistency.** This was an area of perceived weakness by HR leaders in our study. If it's a concern in your organisation, work with leaders to ensure that consistent, quantitative measures of leader success are applied across the organisation.
- **Leaders have a significant impact on the ROI of high potential programs. Clarify their role in supporting high potentials.**



### HOW TO EXCEL + DIFFERENTIATE

- **Give high potentials the tailored learning experiences they crave.** This means external coaching, short-term and special projects, or rotational-placement programs. Some experiences can be provided at low cost.
- **Provide simulations of major events or decisions.** These experiences allow leaders to practice reacting to realistic scenarios. Networking events to expose high potentials to senior leaders and mentoring programs can have significant impact as well. Designing these experiences may require greater creativity and thoughtfulness than typical development programs, but they can lead to greater returns.

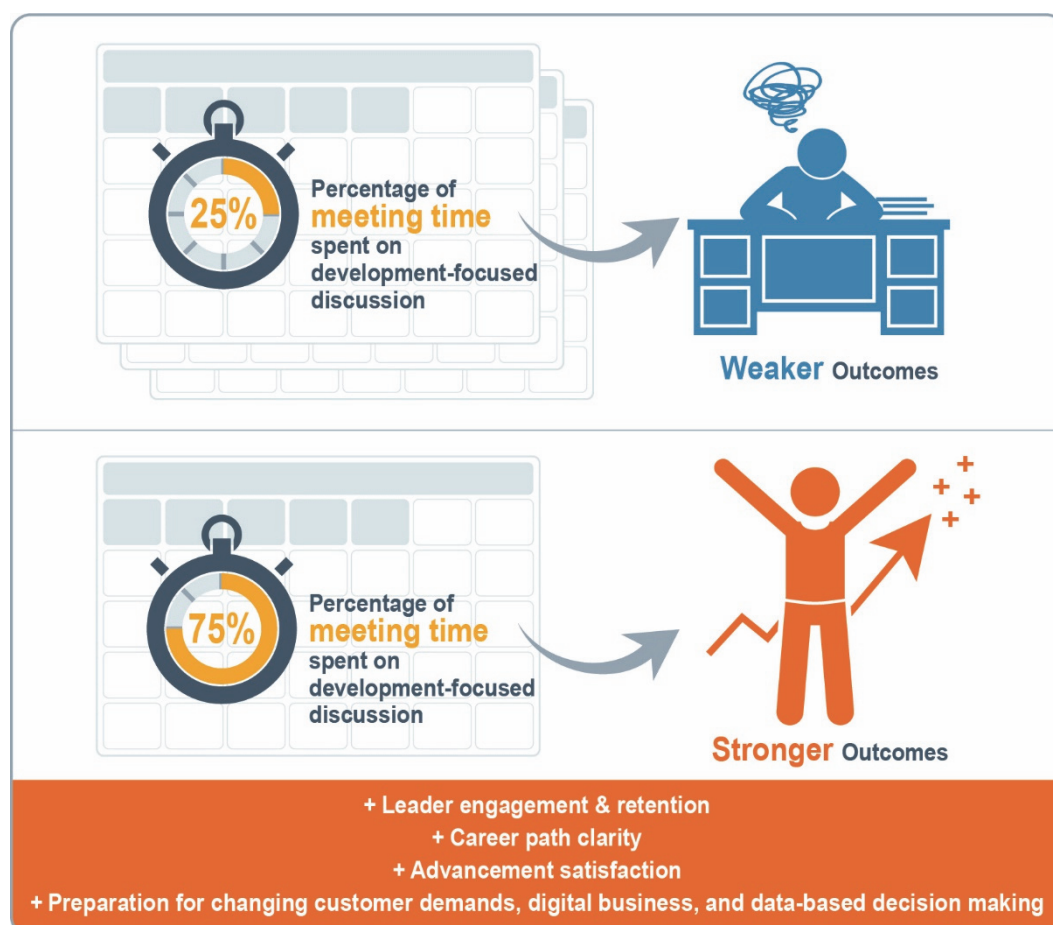
# Performance Management

## Are Ratings Overrated for Growing Leaders?

Several years into the “performance management revolution,”\* debate continues on how best to approach the core, yet deceptively nuanced, managerial activity of holding performance discussions with employees. Many organisations have overhauled (in some cases, multiple times) their approaches to these conversations, oscillating across a matrix of how often (frequency of performance management meetings and revisions) and how development-centric (proportion of discussion time devoted to personal development versus administrative oversight). While a trend is gradually taking shape toward performance management that is more frequent, less formal, and centered around future growth, research is limited about which approaches work best. Our research addresses these topics with a global sample pairing organisational practices with leaders who are both engaging and participating in (with their own managers) performance management discussions.



### > Advantages of Development-Focused Performance Management



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## Top Three Performance Management Practices

We started with a foundational question: What practices produce better performance management? Globally, we found in those that tend to drive effectiveness:

1. Performance management is fair and transparent at all levels (31 percent increase in effectiveness).
2. Performance management discussions focus heavily on development planning (25 percent increase).
3. Performance management discussions occur continually, rather than yearly (24 percent increase).

The global data shows that performance management works best when fair, focused on development, and frequent. While these findings might not be surprising, it's notable that only 29 percent of Australia/NZ companies consistently have all three practices in place with their leaders. That is, just because it's logical doesn't mean it's being done.

Stepping outside the core performance management program, we looked at how this system relates to the broader context of aligning and reinforcing leader performance. Worldwide, high-caliber performance management occurs simultaneously with several other practices: leaders exhibit and receive feedback on key skills, leaders regularly review development plans, and the organisation has up-to-date knowledge of leadership talent capability (essential for analytics and workforce planning).

## What's the Impact of Dropping Ratings?

One of the most controversial, discussed (though rarely researched), and disruptive trends in performance management is the elimination of ratings. We found that 20 percent of companies worldwide and 26 percent of Australia/NZ companies have done so. This shift was particularly common in rapidly changing markets: China and India, and the professional services and technology industries. Is this a sign of progressive action or of a retreat from solid practice?

When ratings are eliminated, the impact on performance management effectiveness is relatively slight—just a 7 percent boost was observed across the globe. However, it was linked to a sizeable increase in leader quality and bench strength as well as two forms of gender diversity. Companies that drop ratings have more women leaders as high potentials and at senior levels. Removing ratings appears to reduce diversity-limiting bias.

## Double-Down on Development

After finding that both development focus and discussion frequency were driving factors of performance management effectiveness, we dug deeper to gauge which matters most. For organisations advising their leaders, what should they recommend?

What leaders talk about matters far more than how often, shown in the graphic at left. Engagement levels for those whose performance is being managed surge when at least 75 percent of the discussion centres on development (only 4 percent of Australia/NZ leaders get this currently). The primacy of focus over frequency is so strong that it's better to have a 75 percent focused-development conversation once a year than a 25 percent development conversation weekly. While this certainly isn't recommended—frequency is important for many other reasons given the pace and agility of business—it shows development's dominance.

The benefits of a development focus for performance management are no less powerful for leaders and organisations. For leaders, it's strongly linked to career path clarity, satisfaction with advancement, and strongly counteracts turnover intentions. For organisations, it's linked to higher leader preparation to face business challenges of customer change, digital business, and using data to guide decisions.

\* Capelli, P., & Tavis, A. (2016, October), The Performance Management Revolution, *Harvard Business Review*.



### WHERE TO START

- **Establish process fairness and transparency.** Clearly communicate the factors used in ratings, updating as needed when expectations change.
- **Centre the discussion agenda on development.** Though it's rarely possible to focus solely on development, prioritise it highest (ideally, 75+ percent) to maximise outcomes.
- **Target a quarterly cadence.** More frequent in-depth performance management discussions are linked to higher engagement; however, these advantages decrease beyond every three months.
- **Gauge satisfaction with career pathing and advancement.** The more often managers meet with and revise leaders' performance plans, the more positively they view career progression.



### HOW TO EXCEL + DIFFERENTIATE

- **Eliminate ratings only after recognising the effects and planning to fill the information gap.** Dropping ratings is linked to higher leader quality, bench strength, and gender diversity. Companies that take this step keep emphasis on talent status and often repurpose to development the time once spent discussing ratings.
- **Match the frequency of performance discussions to the pace of business.** When discussions are held more often, companies experiment more, are more agile, and have better adopted digital technologies.
- **Coach managers to drive engagement through development discussions.** Solid (and often-reinforced) manager skills are vital to repeatedly plan and conduct personalised, growth-focused discussions.

# Want to Be a Leader?

## Get an Early Start

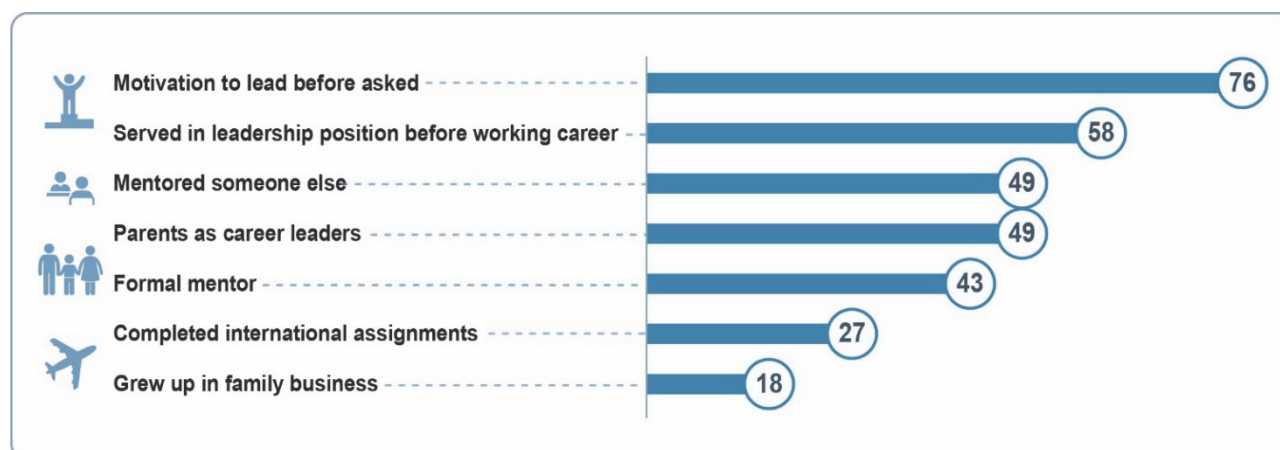
“From the experiences of the past, we learn instructive lessons for the future.” So said John Quincy Adams, the sixth U.S. president, during his inaugural address. For the past few decades, we’ve talked about the degree to which experiences shape leadership behaviour. In *Global Leadership Forecast 2014|2015*, we showed the specific types of job experiences that shape leadership behaviour. Experiences that impact a leader’s career can occur well before a promotion to leadership or before that person enters the workforce. This finding examines earlier life experiences, an area not previously addressed in our research.

### The Earlier, the Better

The figure below shows the frequency of seven experiences and motivations from leaders. An early motivation to lead plays a significant role in a person’s decision to pursue a leadership position. Slightly more than 76 percent of Australia/NZ leaders surveyed had leadership ambitions early in their life or working careers. Two additional early life experiences may especially influence the motivation to lead:

- Parents as working leader role models. 49 percent of leaders had parents who held leadership jobs, similar to global findings at 44 percent.
- An elected or early volunteer leadership position. Nearly 58 percent of leaders held such a position (for example, club president or sports team captain) long before they entered the workforce, similar to global findings at 64 percent.

#### > Percentage of Australia/NZ Leaders Who Had Experience and Motivation



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These findings are supported by a recently completed study with The Conference Board, DDI, and RW2 Enterprises on Millennial leaders\* that involved interviewing leaders at all levels in several Fortune 500 companies about experiences that shaped them. One leader cited her parents' role in providing lessons in how people should be treated and noted how this helped mold her character. Another respondent recalled a leadership position in school government.

Parents as leaders seem to have a stronger influence on their children becoming leaders than does having a formal mentor. That said, mentorship nonetheless continues to provide considerable value to developing leaders. The lower percentage (18 percent in Australia/NZ) of involvement in family-run business might well trace to lack of opportunity rather than the value of the experience itself.

Finally, international assignments can occur anytime during a leader's work life. Just over 27 percent of leaders in Australia/NZ completed at least one international assignment. This is a surprising gap given the rising number of multinationals.

Globally, there was a small gender difference for two of the early experience values. Female leaders were more likely than male leaders to have had parents in a leadership role. Males, on the other hand, had more of an opportunity to serve in a pre-career leadership role. Perhaps gender role modeling becomes more critical for females in a male-dominated leadership work environment. And, opportunities to lead may be less available to females before they enter the workforce.

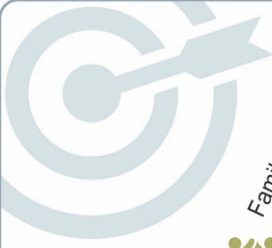
## Does It Make a Difference?

The figure above shows the global links between previous experiences, motivations, and outcome variables, with a check mark indicating a positive relationship. We looked at leadership engagement and retention, leadership self-confidence (a leader's perception of his or her own abilities versus those of peers), number of promotions, and designation as a high-potential individual. Both leadership self-confidence and high-potential status have strong relationships.

We also asked all leaders if they felt prepared to deal with nine challenges associated with working in a complex working environment. Examples of survey items included operating in a digital environment, anticipating/reacting to speed of change, and acting decisively without clear direction. While not universal across all items, leaders across the globe are better prepared to perform in today's complex work environment when they've had some of the pre-career experiences.

\* Ray, R.L., Sinar, E., Wellins, R., Wright, E., Popiela, A., Ye, A., & Paese, M. (2017, January), *Divergent Views/Common Ground: The Leadership Perspectives of C-Suite Executives and Millennial Leaders*, New York, The Conference Board.

## Early Experiences and Motivations with the Greatest Impact



	Family Business	Parents as Leaders	Early Motivation to Lead	Pre-work Leadership Roles
<b>Outcome</b>				
Engagement and retention			✓	✓
Self-leadership confidence	✓	✓	✓	✓
Number of promotions	✓			
Part of high-potential program	✓	✓	✓	✓

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## WHERE TO START

- **Consider previous experiences** as you make leadership selection and placement decisions.
- **Motivation to lead is essential** and often a reason many new leaders are happy to return to a role as individual contributor. Instruments and interview methods exist that accurately assess motivation to lead.



## HOW TO EXCEL + DIFFERENTIATE

- **Seek opportunities to place employees in informal leadership experiences** before they apply for or are asked to fill a formal leadership role.
- **Explore the use of biodata** to get a better read on an individual's probability of success as a leader. Artificial intelligence (AI) soon will play a larger role in examining prework and work variables in predicting leadership success.
- **Like marketing, IT, or any other profession, think of leadership as a profession.** Never underestimate the impact and influence you can have on your children or the younger generation in encouraging them to consider leadership roles inside and outside the work place.

# The Rise of the Digital Natives

## Are Millennials Ready to Lead?

Millennials are digital natives. They grew up in a digital environment and seem to embrace technology in all aspects of their lives. Although we often take for granted that this generation will lead us in digitisation, are Millennials really up to the challenge? Perhaps not as much as we would hope. When comparing preparedness to meet nine critical business challenges (such as navigating through complexity, chaos, and confusion; and acting decisively without always having clear direction), Millennials—the generation born between 1982 and 2000—generally agree with their Baby Boomer and Generation X counterparts about the challenges for which they feel most and least prepared, as shown in the figure below. However, Millennials in Australia and NZ seem slightly more prepared to anticipate and react to change, compared to Generation X and Baby Boomer colleagues, but less prepared to act decisively in ambiguous situations, perhaps due to their experience in the workplace.

### > As a Leader, How Prepared Are You to Meet the Following Business Challenges for Your Organisation?

*Ranking of how prepared Australia/New Zealand leaders are to meet nine challenges*

CHALLENGE	MILLENNIALS	GENERATION X	BABY BOOMERS
Anticipating and reacting to the nature and speed of change	1	3	4
Maintaining effectiveness despite constant surprises and a lack of predictability	2	2	2
Acting decisively without always having clear direction and certainty	3	1	1
Navigating through complexity, chaos, and confusion	4	4	3
Understanding and acting on changing customer needs and perspectives	5	5	5
Using data to guide business decisions	5	7	7
Responding to competitive environment faced by the organisation	7	6	6
Operating within a highly digital business environment	8	8	8
Capturing organisational knowledge before it's lost	9	9	9

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## Are Millennials Ready to Lead with Digitisation?

Millennials feel similarly prepared to operate within a highly digital business environment as Baby Boomers and Gen Xers, but all generations could use more development in this area. In fact, all generations in Australia and NZ rated it second from the bottom. Given that Millennials grew up with technology, we might think that these digital skills would be second nature. However, it seems that they need additional preparation and training to really excel at leading in the digital space.

Conversely, Millennials in Australia and NZ rated themselves as more effective at digital literacy than members of Gen X and Baby Boomers did (see graphic at right). Millennials are less confident in their effectiveness at leading with digitisation but were still more effective than their elder counterparts. However, Millennials rated themselves less effective than the other generations at leading virtual teams, perhaps because they often lack overall experience in leading teams. So whilst Millennials feel confident in their overall digital understanding, translating this into their role as digital leaders is where some more development and support may be required.

Again, although Millennials rated themselves as more effective than their older counterparts at some digital skills, these skills were rated low across all generations. Organisations will need to step up to prepare leaders to keep pace with rapidly evolving technology advancements. They would be wise to arrange additional training or to revamp hiring and collaboration strategies to flow digital experts into more functions.

## Differences Due to Generation or Life Stage?

In 2017, The Conference Board and DDI collaborated on the research report *Divergent Views/Common Ground: The Leadership Perspectives of C-Suite Executives and Millennial Leaders*.<sup>\*</sup> In that report, we found that much of the difference we often attribute to generation is more closely related to career or life stage. Millennial preferences are not largely different from those of previous generations at similar points in their careers.

We found this to be true in *Global Leadership Forecast 2018* as well. As leaders climb the management ladder, they rate their effectiveness at mastering leadership skills higher. Higher-level leaders, regardless of generation, are more effective at connecting ideas, driving execution, and aligning toward common objectives. But there are some generational differences as well. Millennial leaders across the globe:

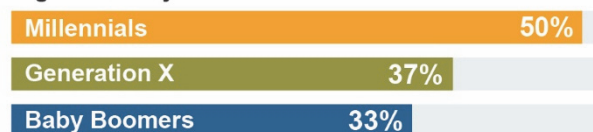
- Rate their intellectual curiosity higher than other generations.
- Are more likely to seek feedback and input from colleagues and mentors.
- Are more likely to want “stretch” assignments.

<sup>\*</sup> Ray, R.L., et al.(2017, January), *Divergent Views/Common Ground: The Leadership Perspectives of C-Suite Executives and Millennial Leaders*, New York, The Conference Board.

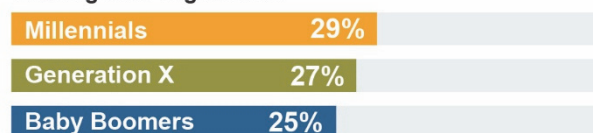
### Leader Assessment of Effectiveness at Three Digital-Leadership Skills

Percentage of Highly Effective Leaders

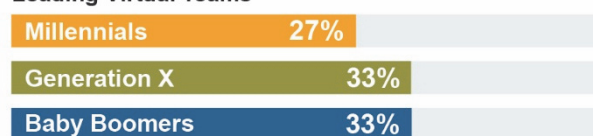
#### Digital Literacy



#### Leading With Digitisation



#### Leading Virtual Teams



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### WHERE TO START

- **Build programs that leverage Millennial strengths.** Millennial strength in digitisation and comfort with using data to guide business decisions can enhance digital skills across the organisation.
- **Take advantage of Millennials' digital ability.** One way to do this is through reverse mentoring programs. Millennials can share digital literacy and social media savvy, while more experienced employees can share their organisational knowledge to ensure that it's not lost.



### HOW TO EXCEL + DIFFERENTIATE

- **Define your company's current digital capabilities.** Consider the digital skills leaders of all generations will need to move the organisation forward. Then, articulate your digital strategy to the organisation so that leaders can improve their own skills as needed.
- **Ensure that your leaders are equipped to lead with digitisation.** Create a task force of Millennials to involve them as part of the strategy development. If additional expertise is needed, evaluate options for building or acquiring it.

# Generation X-Change

## Don't Underestimate the Powerful Influence of Gen X Leaders

As companies grapple with how to transform and innovate better and faster, the population of leaders guiding these decisions is changing dramatically. Most popular discussions about the next generational shift has centered on the mass of Baby Boomers retiring or the eager ascension of Millennials into leadership. Often overlooked is the next generation to leadership, Generation X, which is leading the way in a time of great change with technology advancement, how jobs are automated and created, and how businesses are designed and transformed. Born between 1965 and 1981 and with an average of 20 years' experience in the workplace, members of "Gen X" are primed to take on nearly every important leadership role in organisations. In Australia/NZ, they already hold 51 percent of leadership roles and will continue to grow into more senior positions. Yet, little is commonly known about what defines the Gen X leadership experience and style. It's time for that to change.



### > Four Key Findings on How Global Generation X Leaders Stand Out



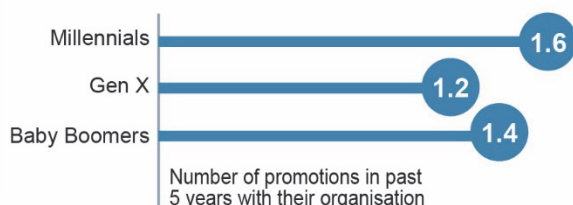
**7** Direct reports on average  
(2 more than Millennials,  
1 fewer than Baby Boomers)



**54%** of Generation X leaders  
are digitally savvy, on  
pace with Millennials (56%)



Generation X leaders are  
slowest to advance



Want more external coaching  
than coaching from their own manager



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## The Early Technology Adopters

Although Millennials are most recognised for having grown up with technology, Gen Xers were early technology adopters and gamers who use social media more habitually than any other generation\*. This has translated to their leadership skill set. According to global data from 25,000 leaders, ratings from Generation X show they are just as confident in their digital leadership capability as Millennials, with slightly more than half of Gen X and Millennial leaders rating themselves as highly or very highly effective (54 percent and 56 percent, respectively). This Gen X digital savvy is balanced by strength in more conventional leadership skills such as driving execution and building talent, which are areas in which Millennials rated themselves lower than both Baby Boomer and Gen X leaders.

## Slower to Ascend, But Loyal

Perhaps part of the reason that Generation X has flown under the radar in the rise to leadership is that it happened slowly. Baby Boomers occupied higher-level leadership roles longer in their careers and held off for later retirement. Meanwhile, Millennials surged into the workforce eagerly, and although this younger generation has often been unfairly labeled as impatient and promotion-needy, perceptions have an impact.

Gen X may have become the “middle child” in career advancement, as leaders from this generation have the slowest promotion rate (see figure at left). Compared to leaders from the other generations, Gen X leaders across the globe received, on average, just 1.2 promotions in the last five years with their company, versus an average of 1.6 for Millennials and 1.4 for Baby Boomers. Interestingly, even though Gen X leaders aren’t advancing as quickly as they would like, they’re less likely than Millennials to change companies or leave in the near future. Only 37 percent of Gen X leaders reported that they expect to change companies to progress their leadership careers, compared to 42 percent of Millennials.

## Driving Growth Through External Learning

Although most Gen X leaders aren’t looking outside for a new job, they are seeking more external development and coaching than any other generation. In fact, leaders from this generational cohort are much more likely than either Millennial or Baby Boomer leaders to prefer external coaching over internal coaching. Most notably, 67 percent of Gen X leaders, worldwide, said they would like more external coaching, compared to only 47 percent who said they want more coaching from their managers—a 20 percent difference.

Gen Xers across the globe also reported that they want more externally developed (57 percent) than internally developed (46 percent) material to support their leadership development, whereas about equal numbers of Millennials (54 percent and 54 percent, respectively) and Baby Boomers (49 percent and 50 percent, respectively) reported wanting more of both types of material. This is a strong indication that not only do Gen Xers see new opportunity in outside learning, but also that organisations that can successfully employ more external learning may be able to extend their capabilities into new areas and lines of business with this next generation of leaders.

\* 2016 Nielsen Social Media Report, <http://www.nielsen.com/content/dam/corporate/us/en/reports-downloads/2017-reports/2016-nielsen-social-media-report.pdf>



### WHERE TO START

- **Build tech capability with the right tools.** Gen X leaders have a unique perspective on how to work with, develop, and leverage new technologies. Provide them, and all leaders, with the tools and support needed to leverage technology for greater business impact.
- **Provide leaders with more external guidance.** Encourage looking outside the organisation for coaching and development guidance, especially as leaders face new and more complex business challenges for which they may not have internal mentors.
- **Don’t promote generational stereotypes.** Avoid catering programs to any single generation or group so that you don’t alienate others. Seek cross-generational feedback to improve outcomes for everyone.



### HOW TO EXCEL + DIFFERENTIATE

- **Encourage leaders to challenge the status quo.** Gen Xers are taking the lead at a time when change is regular and desirable. Provide them the freedom and encouragement to try out new approaches and challenge old ones to encourage innovation and growth.
- **Leverage technology to support traditional development.** The large majority of leaders, regardless of generation, said they want more traditional learning. Technology can be a powerful enabler of that development. Gen X and Millennial leaders will especially benefit from additional technology-based development tools they can access and control on their own when needed.



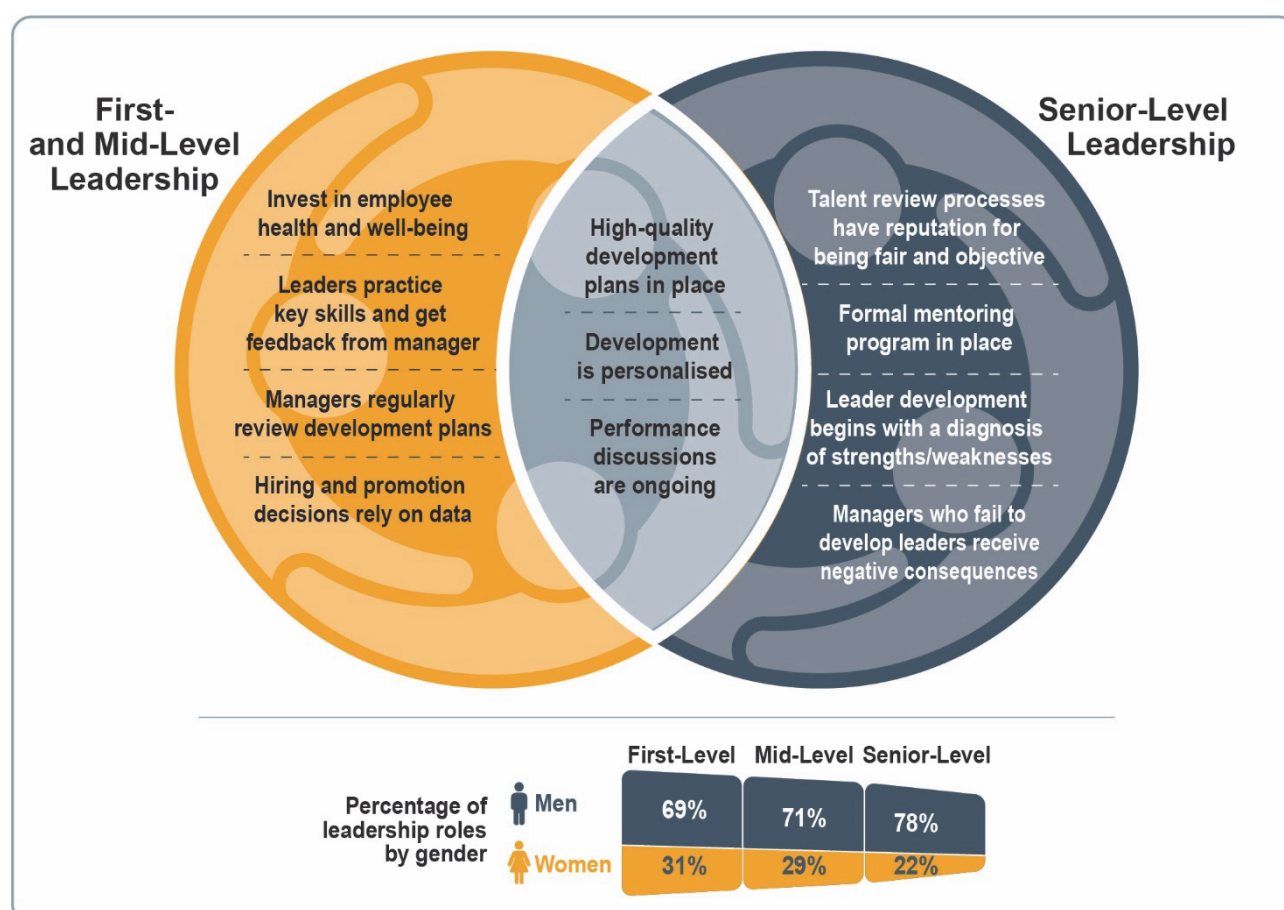
# Diversity Leaders

## How Top Organisations Are Growing Strong with Women in Leadership

Worldwide forecasts call for women to effect significant, increased economic and financial impact in the next decade, both as consumers and investors. Organisations have much to gain by engaging and leveraging female perspectives within their workforces, and there's plenty of room to grow as women still comprise a minority within leadership circles. According to demographic data gleaned from more than 2,400 organisations around the globe, women currently inhabit less than one-third (29 percent) of all leadership roles, with the large majority being in first-level management positions. In Australia/NZ, it is slightly less of a minority, with 37 percent of leadership roles currently occupied by women. Our global research reveals that companies that have reached an above-average level of gender diversity overall (at least 30 percent) and at the senior-level (more than 20 percent), outperform diversity laggards in key leadership and business outcomes. What can we learn from these diversity leaders, and what are they doing differently? The graphic below depicts key practices that enable a stronger pipeline of women at each leadership level.



### > Practices that Support Having a Stronger Representation of Women by Leadership Level



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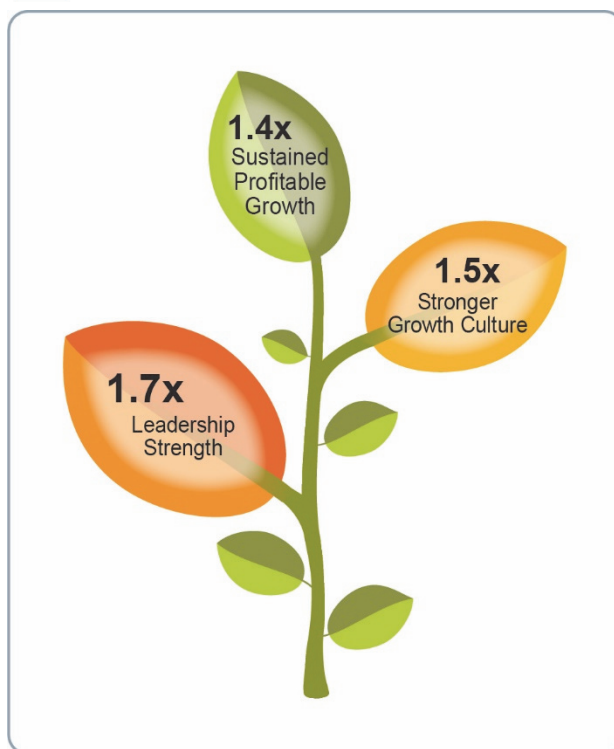
## Don't Single Out Women, Or Anyone

Worldwide, our research shows that companies achieving a stronger balance of gender diversity sustain an advantage beyond the numbers. Their leadership strategy relies not on meeting any single demographic target alone, but in integrating diverse perspectives into people, product, and business decision making companywide. Beyond succeeding with diversity-enabling practices identified in the graphic (global data), they stand out in two key ways:

- **Inclusion is embedded within their culture.** Leaders from more gender-diverse companies indicated that maintaining multiple and diverse perspectives is critical to achieving success. They were twice as likely as their low-diversity counterparts to report that their leaders work together to create new solutions and opportunities, and that multiple perspectives determine success. They also reported a higher level of collaboration across organisational boundaries. Leaders from more gender-diverse organisations were 1.5 times more likely to work across organisational boundaries and create synergies in their efforts.
- **Their leaders operate with different mindsets, not skill sets.** On average, leaders from more diverse organisations weren't particularly more skilled in any single leadership area. Rather, they were more likely to demonstrate a strong focus on personal development. This development mindset is enabled by organisational practices that emphasise high-quality development planning and more regular conversations on personal development.



### > Impact of Greater Gender Diversity



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## Succeed with an Inclusive Approach

This collaborative, integrated approach to growing leadership diversity translates to beneficial people and business outcomes (see graphic at right). Diversity-leading organisations, worldwide, were rated by their leaders as:

- Having higher-quality leadership.
- Being faster-growing and more agile than their more homogenous counterparts.
- More likely to experiment and embrace failure in pursuit of different and innovative approaches.

Their successes also translated to an impact on the bottom line. Organisations with greater gender-diversity were 1.4 times more likely to have sustained, profitable growth.



### WHERE TO START

- **Seek the best recruiting sources.** Continuously evaluate the different channels leveraged for recruitment and seek new ones. You can't grow diversity if you're not creating new ways of getting new perspectives into the building.
- **Hire and promote for diversity.** Leverage valid, reliable data on employee capabilities and personalities to guide hiring and promotion decisions.
- **Seek out and encourage under-leveraged talent.** Encourage leaders to seek different perspectives for new projects and reward teams that harness inclusion of multiple perspectives to generate new ideas and solutions.



### HOW TO EXCEL + DIFFERENTIATE

- **Reframe diversity goals.** Not all diversity is easy—or possible—to measure. It's important to consider and value the potential impact of any different backgrounds and experiences that leaders can bring.
- **Encourage knowledge-sharing through mentorship.** Provide new and early leaders with mentors from outside their own functional areas to encourage learning and exchange of diverse ideas.
- **Continue to grow diversity.** Provide high-performing women with stretch assignments to continue building their skills and cross-functional knowledge.

# Build a Coaching Culture

## Want to Be a Better Leader? Ask a Peer or Employee

Many organisations are fostering a coaching culture to reap benefits beyond senior-leadership levels. They've expanded their focus to developing leaders at all levels and integrating coaching behaviours and expectations into everyday conversations and formal talent management processes. In such a culture, learning can come from a variety of sources: peers, managers, employees, and external coaches. When everyone in the company can be a coach, everyone benefits. Leaders often underestimate what they can learn from their peers and employees on their teams. *Global Leadership Forecast 2018* challenges notions of where learning can and should come from. For example, when organisations use peer and employee coaching, leaders are more likely to feel strongly engaged and accountable to the company and their team than when there is no coaching.

### > When Everyone in the Company Can Be a Coach, Everyone Benefits



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## Promoting Shared Leadership

Coaching by managers, employees, peers, or external mentors promotes in leaders a stronger sense of shared leadership. This includes working with others across silos, collaborating to enhance organisational effectiveness, acting as custodians of company purpose, and supporting critical activities that align with that purpose.

A coaching culture emphasises the skills of seeking and listening versus telling someone what to do. When asked for their input, peers and employees feel free to challenge and provoke thinking or offer solutions that might not have been considered. Given the chaotic and fast-changing business environment, having leaders at all levels of the organisation (not just those at the very top) coaching each other can provide greater agility to solve problems across the enterprise. A coaching culture creates space for these conversations and daily coaching moments between leaders and teams, as well as between colleagues and peers.

A point of disconnect found in the study highlights that while Australia/NZ leaders—including high potentials—want more coaching from external mentors (ranked number 1 on a list of 10 learning types), organisations aren't providing this method of learning (ranked at number 8 of 10). This is an area of opportunity that companies can leverage to support engagement and retention.

## What Is the Value of Coaching to Organisations?

Measuring and proving the benefit of coaching are not simple tasks, as it can be difficult to isolate its effects from other activities. The Conference Board's recent study, *Global Executive Coaching Survey 2016\**, finds that organisations tend to evaluate coaching efforts with different approaches. Some of these include formal and informal conversations with key stakeholders, monitoring coaching deliverables, assessment of satisfaction by those who were coached, and assessment of behavioural change by managers.

While demonstrating the impact of coaching on business performance remains a challenge, *Global Leadership Forecast 2018* finds specific areas of leadership impact that organisations will find valuable. Global data reveals organisations that use coaching:

- By direct managers and external mentors show greater leadership bench strength, promote more leaders from within, and are more likely to have a pipeline of talent to fill roles immediately.
- In any form (from external coaches, managers, peers, or employees) cultivate leaders who have a greater understanding of their future leadership career paths and greater satisfaction with their advancement.
- With an external mentor experience lower leader turnover (more so than with coaching from managers).

\* Lui Abel, A., Ray, R.L., & Nair, S. (September 2016), *Global Executive Coaching Survey 2016*, New York, The Conference Board, <https://www.conference-board.org>



### WHERE TO START

- **Initiate and build a coaching culture by embedding coaching elements** into talent management processes (training programs, performance management processes, development plans).
- **Develop leaders at all levels to be coaches.** Enhance senior leader communication around the value of coaching and create incentives and rewards to reinforce coaching behaviours.
- **Coaching often can be included in leadership cohort programs** as a strong complement to other learning activities.
- **By including (and rewarding) coaching behaviours in performance expectations**, every leader at any level can demonstrate the skills with peers, managers, and teams.



### HOW TO EXCEL + DIFFERENTIATE

- **Enhance your coaching culture by designing personal and customised coaching solutions.** These can be targeted types of coaching (development-focused, transition, career, on-boarding, team or group, and inclusion coaching).
- **Use analytics to measure and communicate the impact of coaching.** This can be a game-changer.
- **Many organisations use internal coaches** (formal executive coaches who are also employees) whose understanding of corporate dynamics and cultural norms allows them to guide leaders in navigating change and integrate teams to boost performance. Internal coaching can scale efforts in building a coaching culture and supporting a larger pool of leaders lower in the hierarchy.



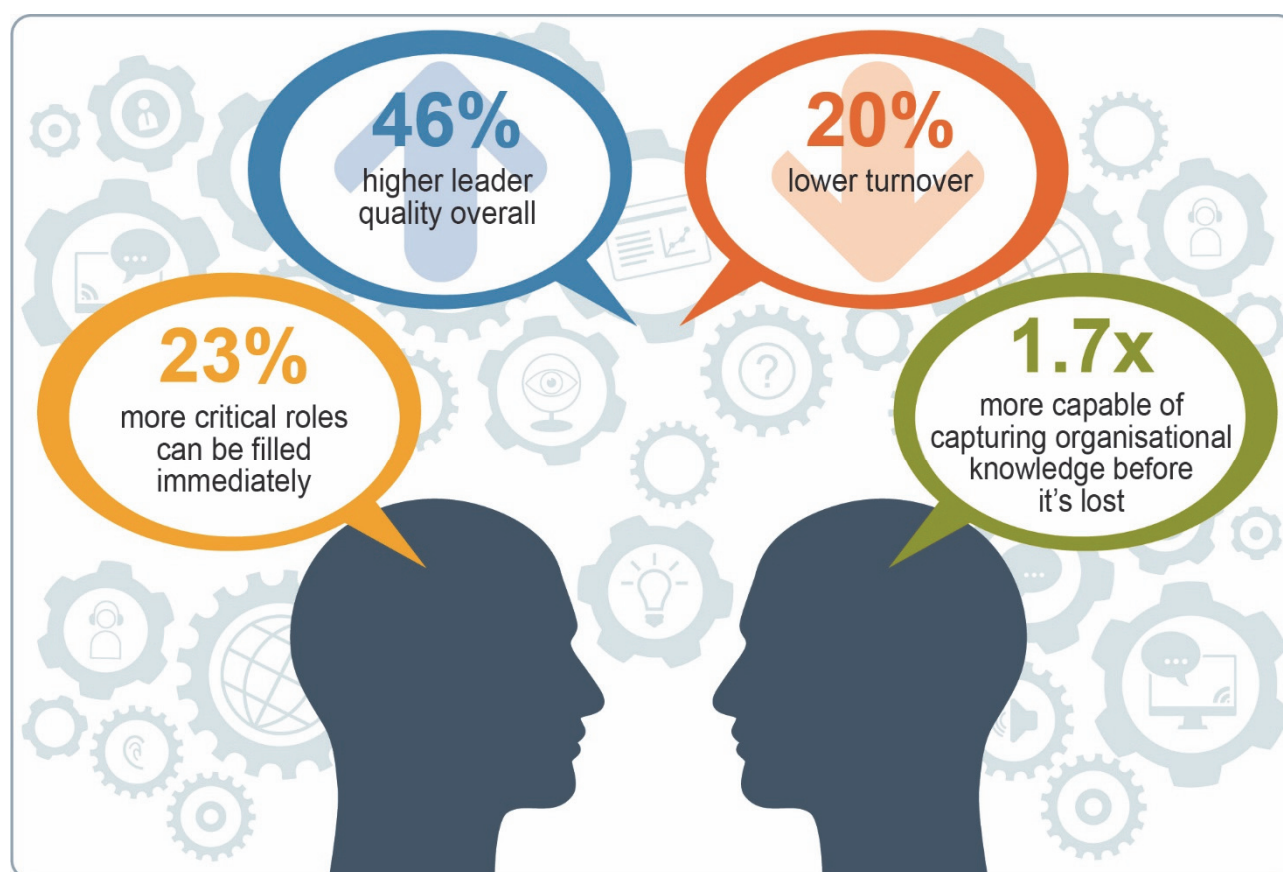
# Mentoring for Impact

## How to Maximise a Critical Leadership Experience

For many reasons, mentoring is one of new leaders' most sought-after development experiences. Not only does it enable them to gain broader, deeper perspective and knowledge of their business, but it also allows leaders to network and connect with people outside their immediate functional groups. And its benefits extend beyond the individual being mentored. Organisations that operationalise mentoring gain connections between new leaders and mentors, keep practical experience and wisdom in house, and break down silos between functional groups. Yet, despite the potential impact, just over one-third of organisations in Australia/NZ (39 percent) have a formal mentoring program for their leaders. What distinguishes the successful organisations, and what is the impact of engaging more leaders in formal mentoring relationships? The graphic below depicts some of the benefits and sheds light on why more organisations and leaders should engage in mentoring.



### > Organisational Benefits of Having a Formal Mentoring Culture



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## Seven Findings on the State of Mentoring

We explored the state of mentoring across the full set of 2,488 organisations that participated in *Global Leadership Forecast 2018*. We found that few factors differentiate the organisations that offer formal mentoring beyond the benefits they and their leaders are receiving (see graphic at left). Here are the top seven findings about mentoring from leaders and organisations in Australia and NZ:

1. **Most leaders have had no mentor.** Only 43 percent of the leaders in Australia/NZ have had a formal mentor.
2. **Fewer early leaders have access to mentors.** The majority (65 percent) of first-level leaders in Australia/NZ have not had a formal mentor. This represents a wasted opportunity, given the proven payoff.
3. **More Gen Xers in Australia and NZ have had mentors.** Whilst globally, Millennials have enjoyed the most mentoring opportunities, locally, about half (47 percent) of Gen X have had a formal mentor, as compared to only 39 percent of Millennials and 35 percent of Baby Boomer leaders.
4. **Mentoring is gender neutral to a point.** Just as many men and women have had mentors (41 percent and 47 percent, respectively) and have mentored others (50 percent and 47 percent, respectively). Among leaders in higher-level and senior-executive roles across the globe, more women have had mentors than men, indicating that this is a critical experience for women to advance their careers.
5. **Not all senior leaders are mentoring.** Although over half (59 percent) of senior leaders have had mentors, a large portion are not passing on their experience or knowledge to junior members in their organisations. Approximately one-third (32 percent) of senior leaders reported they have not formally mentored anyone.
6. **Few organisations offer formal mentoring for their leaders.** Only about one in three organisations (39 percent) provide formal mentoring.
7. **More financially successful organisations offer mentoring.** Globally, 54 percent of organisations in the top third for financial performance have formalised mentoring programs, compared to only 33 percent of organisations in the bottom third.

## Broader Knowledge Networks

When designed to cross organisational boundaries, mentoring programs can facilitate an exchange of knowledge and experience that informs younger employees. These programs also put mentors in touch with other parts of the organisation, elevating knowledge transfer between disparate sections. In fact, organisations that encourage mentoring are already benefitting more widely from these guided interactions. Across the more than 25,000 leaders in our global study, those from organisations with formal mentoring programs were 1.7 times more likely to feel well prepared for capturing organisational knowledge before it's lost than were leaders from organisations without formal mentoring.

### WHERE TO START

- **Encourage formal and informal mentoring.** Although formal mentoring programs should establish and foster guided connections and interactions between junior and senior leaders, it's also valuable to encourage leaders and non-leaders to seek informal mentorships, especially in the reverse with senior leaders seeking out their junior colleagues to gain new perspectives.
- **Develop mentoring contracts.** Mentoring is a valuable investment of a leader's time to share knowledge and experience. Provide mentors and their charges with examples of how to clearly communicate expectations for the mentoring relationship, and also set guidelines in advance for the mentorship.



### HOW TO EXCEL + DIFFERENTIATE

- **Build mentoring networks.** Organisations can go only so far in connecting and establishing mentorships. Foster peer learning by establishing mentoring networks, so that when there isn't formal guidance on a specific question or need, leaders can seek the help and support of others throughout the organisation.
- **Make mentoring a retention strategy.** Leverage mentoring connections to foster retention. Be purposeful about matching mentors to junior leaders who are at greater risk of turnover.

# Collective Leadership

## Leading for Value Across Organisational Boundaries

In the 21st century, operating environments and models will become increasingly complex across new geographies and product/service lines with shorter half-lives than in the past. Navigating this complexity will require leaders to work together more seamlessly across boundaries within and—with greater frequency these days—outside (for example with partners and alliances) the organisation. Collaboration is fast becoming a premium capability. In *Global Leadership Forecast 2018* we've identified what organisations with strong collective leadership have in common. Their leaders work together effectively, create value horizontally, form multidisciplinary teams, and constantly bring diverse perspectives together to work on their toughest issues. These organisations display strong—even turbocharged—confidence in their ability to conquer many of the challenges facing the business world today. Of course, collective leadership is not always appropriate; there are times when more directive leadership is required.

### > Leader Capability to Meet Business Challenges in High Versus Low Collective Leadership Organisations



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## What Is the Impact of Collective Leadership?

Organisations with strong collective leadership (see figure at left) make better-informed decisions. They use data to guide their decision making, and they excel at bringing in multiple perspectives from across the organisation. Particularly in Australia and NZ, collective leadership organisations are also more confident in capturing the knowledge an organisation holds, needed in times of turnover or change. They also respond to the competitive environment and act on customer needs.

## Is Collective Leadership Always the Answer?

In Australia and NZ, collective leadership organisations are found to have less of an advantage in terms of anticipating and reacting to change, acting decisively, maintaining effectiveness despite constant surprises and effectively navigating complexity, chaos, or ambiguity.

When the environment demands decisive action, companies may need to shift from collective to directive leadership. This requires adaptive leaders who can read the situation and use authority when required.

## Collective Leadership Organisations Develop Stronger, More Engaged Leaders

Finding the right leaders and building bench strength poses an increasingly daunting challenge in today's business world. Asked what keeps them awake at night, CEOs frequently tell us: "Do I have the leaders I need to deliver our strategy?"

In Australia/NZ, collective leadership is equated with:

- More than four times higher likelihood of a strong leader bench (17 percent versus 4 percent).
- Essentially eliminating the rate of leaders at high risk of leaving (0 percent versus 28 percent).
- A superior rate of "definitely engaged" leaders (90 percent versus 62 percent).

The global data shows that constant learning is in the DNA of collective leadership organisations. Leaders give more feedback to each other, as well as seek it more often. There's a culture of learning that cuts across boundaries as leaders work together toward a common cause: to develop each other as they go.

This translates to engagement and commitment. Leaders bring more energy and find a greater sense of purpose in their roles (twice the levels of other organisations). They're part of a wider team, which raises their engagement and reduces their desire to leave by 10 percent versus organisations that don't have collective leadership.

## So, What Underpins Collective Leadership?

**Collective leadership cultures are safe.** Across the globe, people in collective leadership cultures feel safer to bring up tough issues—by more than twice the levels within the other organisations. Psychological safety is a main feature of people's ability to work collectively and collaboratively. People are unafraid to admit a mistake, ask a question, or offer a new idea, confident that they won't be embarrassed or punished.

**Development becomes a team sport.** Leaders in collective leadership organisations face challenging conversations and get more opportunities to provide feedback to senior leaders. They are more likely to prioritise creating chances for development and advancement for all.

**Experiential practices support collective leadership.** Our global data reveals organisations that score high in collective leadership use experiential learning to develop leaders. They're three times more likely to adopt coaching/mentoring for their leaders and five times more likely to use stretch assignments to build critical skills and to reinforce the culture.



### WHERE TO START

- **Create leadership teams that cut across boundaries** and become models of collective leadership. Give them real challenges to get the experience of working collectively.
- **Build skills that enable leaders to work collectively.** Work on game-changers like hyper-collaboration, inspiring others, and leading in a virtual world.
- **Make your leaders aware of what it takes to establish a safe environment.** Do they welcome divergent views? Do they understand that getting it wrong is an opportunity to learn?
- **Accelerate team performance** by helping members understand styles, leveraging differences to their advantage.



### HOW TO EXCEL + DIFFERENTIATE

- **Map out the leadership capabilities** required to manage the complexity that can undermine the benefits from collaborative leadership/culture.
- **Build teaming capability at scale.** Support the effective design and development of teams across the organisation.
- **Deepen empathy for the enterprise.** Can all of your leaders "stand in the shoes" of their peers? Do they understand the importance of making decisions that go beyond the interest of their function?
- **Give leaders skin in the collective game.** Reinforce, recognise, and reward collective leadership behaviours through formal and informal incentives.
- **Create a purpose-driven organisation** where all leaders and their teams drive towards common goals.

# It's Time for Teams in Leadership

## The Power of a Shared Leader Perspective

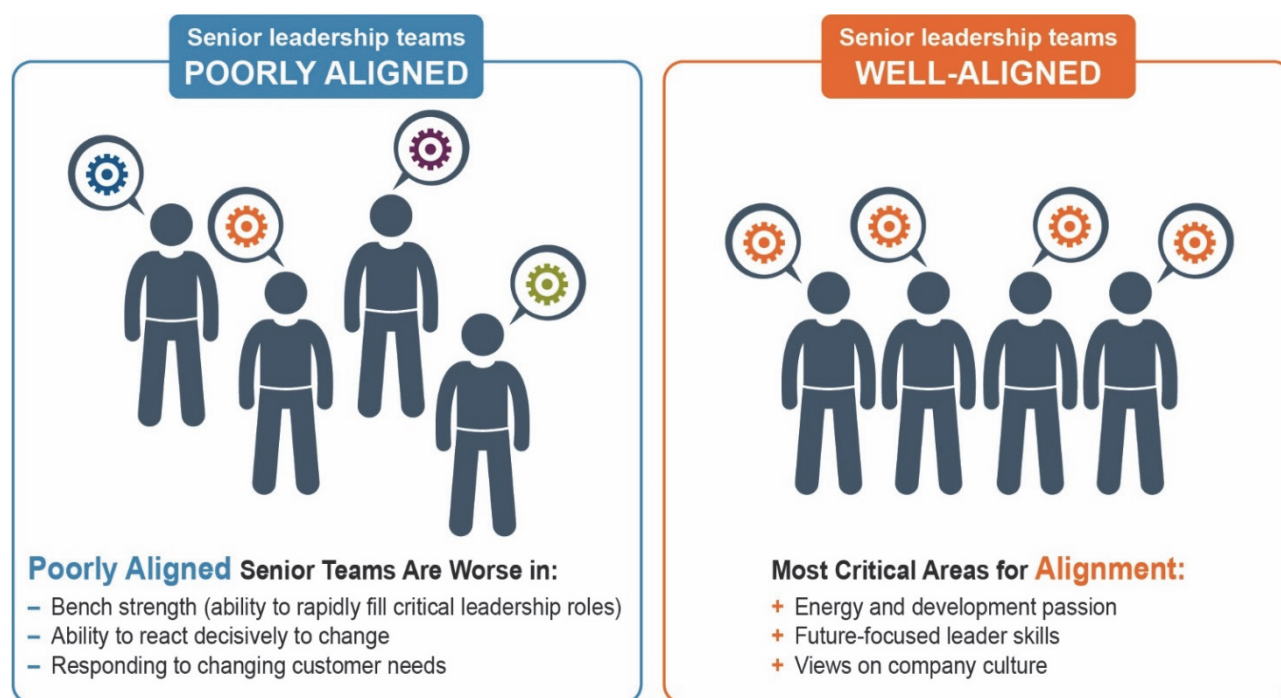
Mounting pressures—complexity of work such that no one person has all the knowledge needed to solve problems, trends toward multidisciplinary work groups, and the rise of agile project management approaches—are renewing attention on the unique and critical value of team-based work. Our research shows that these expectations aren't limited to individual contributors but are also shaping the future of leadership. Based on global data from more than 2,500 HR professionals, three of the top six skills viewed as most critical within three years are closely associated with team effectiveness:

- “360-degree thinking” to act on input coming from multiple sources and perspectives.
- “Hyper-collaboration” requiring leaders to work cooperatively with others.
- “Leading virtual and remote teams.”

Collectively, these forces raise the stakes for leaders' willingness to work as a team, and for companies to respond in kind by enabling a culture of shared leadership.



### > How Senior Leadership Teams Are Stronger with a Shared Perspective



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## True Leadership Teams: Still a Rarity

For many organisations, shared leadership is an aspiration, not yet a reality. In Australia/NZ only about a third (36 percent) of leaders feel either that they and their peers are engaged in mutual influence and shared sense-making, and 44 percent of leaders truly collaborate to enhance the company's effectiveness.

Other signs of cooperative leadership are much weaker. For example, only 4 percent of Australia/NZ companies extensively employ coaching from peer leaders as a learning method. Overall, many companies show questionable readiness to adopt and take advantage of a team concept for their leaders.

## The Risks of Top-Level Misalignment

It's important to understand the consequences of a talent approach that doesn't build commonality across leadership teams and that fails to see leaders as a group needing to be unified by common mindsets and mental models guiding their decisions. At the senior-most company ranks, these risks are particularly severe: They can lead to entire business units drifting away from a core strategy and senior leaders who cascade a discrepant set of operating and leadership principles through their entire reporting structure.

In this research, we looked across data from multiple members of more than 60 senior leadership teams across the globe (C-Suite and executive VP-level leaders within the same company) to gauge the impact on leadership and business outcomes of leaders with widely varying responses. We found three areas where a lack of senior team calibration—as shown by more variation across leader responses—was most damaging:

- **Energy and development passion:** Vigor and energy on the job; looking for opportunities every day to develop employees. Organisations suffer when senior leaders differ in their willingness to continually push themselves and others to grow.
- **Future-focused leader skills:** Identifying and developing future talent, leading through digitisation (that is, leveraging technology to manage the workforce more effectively). Companies where senior leaders are inconsistent in such skills see worse talent and business outcomes.
- **Views on company culture:** Degree to which the organisation is sluggish or agile, whether the company focuses more on current challenges or future vision. When senior leaders aren't well-grounded on where the company stands now (or where it needs to head) on these key cultural factors, positive outcomes are much rarer.

Globally, organisations with well-calibrated senior leadership teams have higher bench strength (ability to immediately and confidently fill critical leadership roles). They have leaders who react more decisively to change and are better able to act on shifting customer needs and perspectives. These effects of a shared leadership mindset are shown in the graphic at left.

## Alignment Isn't Constant Agreement

This research isn't about seeking full agreement and a lack of healthy debate among leadership teams. Some forms of tension certainly can be functional\*. However, a lack of senior leader alignment on key cornerstones of passion, talent growth, and cultural readiness for the future notably weakens a company's ability to build a robust leadership pipeline and to respond adeptly and with agility to market and customer challenges.

\* Leonard, O., Wiita, N., & Milane, C. (2017, September 18), The Best Senior Teams Thrive on Disagreement, *Harvard Business Review*.



### WHERE TO START

- **Build shared mental models about leadership.** Create and socialise shared frameworks for roles and expectations.
- **Hire and promote for team profiles.** Seek valid, reliable data about leader personalities and skills to guide decisions about team composition.
- **Experiment with agile methodologies.** Agile project management, once solely used for technology organisations, deeply incorporates and can build momentum for team-based approaches.
- **Address misalignment in critical facets early.** Don't let misalignment in passion, skills, and culture fester until they appear in their most damaging form at senior levels.
- **Target unifying purpose through team chartering.** Arm leaders with techniques to ground new teams in a common vision.



### HOW TO EXCEL + DIFFERENTIATE

- **Don't confuse alignment with agreement.** Differences in perspective are valuable; differences in fundamental views of oneself or key business challenges are much more destructive for talent and agility outcomes.
- **Use objective diagnostics to discern and act on team-level patterns and dynamics.** Go beyond standard org chart or "heat map" views for dynamic, interactive views of how leaders will work together as a team.
- **Develop leaders in cohorts.** Cohort-based development builds commonality in how leaders approach their roles as employee growth champions and advocates, and in their skills to identify talent and leverage technology to manage the workforce, providing a safe forum for open discussion of the company's culture.



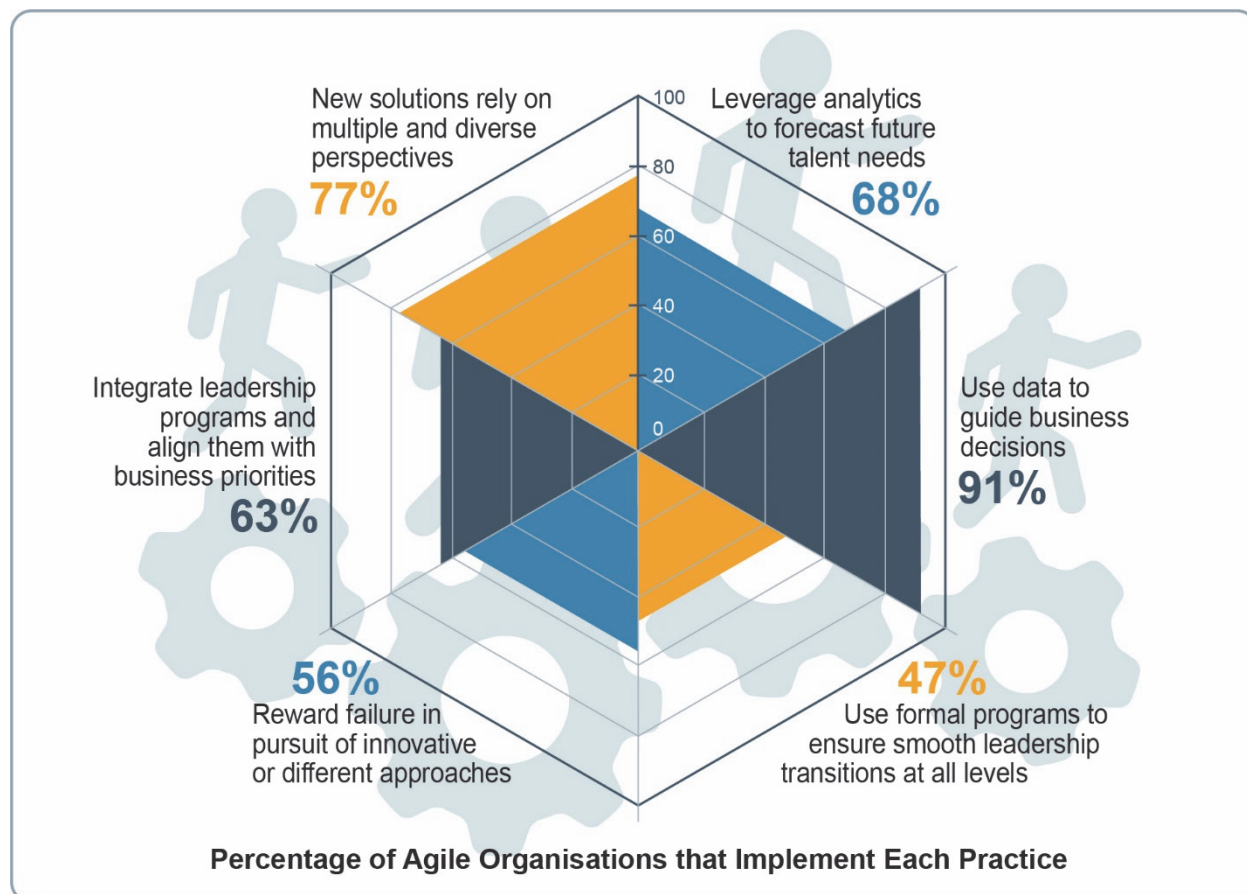
# Adjusted for Disruption

## Top Drivers of Organisational Success Through Complexity and Change

Exponential technology and market change are motivating organisations and their leaders to continually rethink, redesign, refocus, and readjust. Within this complex environment, what might have made businesses successful in the past can't necessarily be counted on for the future. As a result, more organisations are looking to optimise their capability to sense customer and market needs, shift stakeholder mindsets, and adjust their activities. Our global research indicates that organisations rated as more agile by their leaders differentiate themselves in key leadership practices that drive more informed, frequent adjustments. Paired with leader capability to sense and act on needed changes, these companies are better prepared to anticipate trends, respond to competitive forces, and adjust to changing customer needs.



### > Organisational Practices that Drive Organisational Agility—and Better Shift-Making



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## Sense, Act, Shift, Repeat

Organisational agility requires understanding and anticipation of how the market environment will change, so that its leaders can maneuver successfully and rapidly. Our research shows that more-agile organisations have leaders who are better positioned to meet this challenge. Globally, their leaders are 3.2 times more prepared to anticipate and react to the nature and speed of change, and 1.2 times more capable of responding to the competitive environment.

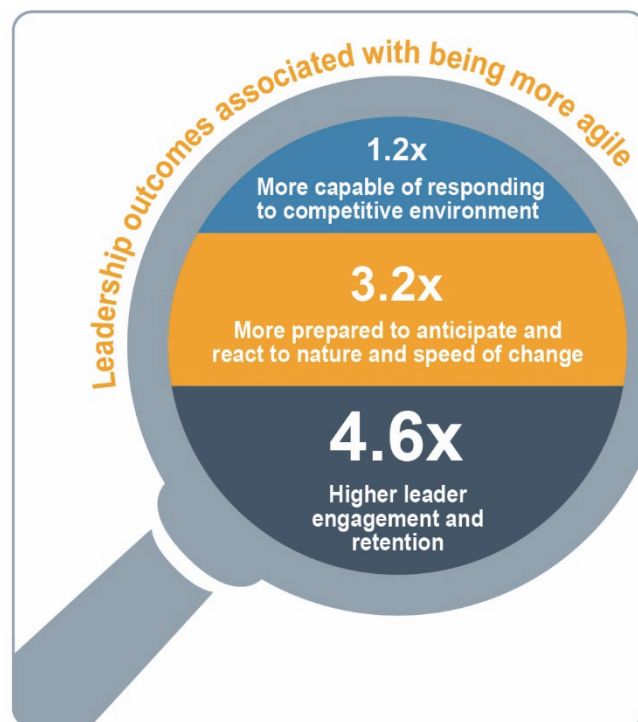
These organisations enable practices that improve their leaders' capability to sense and respond to change (see figure at left). Specifically, they excel in three areas:

- **Informing decisions through data and analytics.** More agile organisations in Australia/NZ leverage data and analytics to fuel their sensing capability, with 81 percent of their leaders indicating that they're prepared to use data to guide business decisions. This contrasts to only 63 percent at low-agility organisations. They were also 2.8 times more likely to leverage data to make strategic talent decisions.
- **Integrating multiple and diverse perspectives to drive successful change efforts.** Australia/NZ leaders in more-agile organisations are 3.1 times more likely than their low-agility counterparts to collaborate and rely on diverse perspectives to create new solutions and opportunities, and 2.8 times more likely to use multiple perspectives to gauge success.
- **Encouraging rapid development of new and improved capabilities.** Twice as many leaders at more-agile organisations in Australia/NZ indicated that failure is embraced or rewarded in pursuit of innovative or different approaches (27 versus 7 percent, respectively).

## Adjusted for Continuous Leader Improvement

You can't consistently anticipate how to succeed with your customers without understanding their needs and growing with them. Our research on over 2,400 organisations across the globe found that those that excel in their focus on external customers—who are more agile and more likely to sense, act, and shift around those needs—have been just as effective with their internal customers. As shown in the figure above, their efforts pay off in leadership outcomes that will help ensure continued success as they readjust efforts.

### > The Impact of Organisational Focus on Internal Customers



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### WHERE TO START

- **Drive first for speed.** Encourage leaders to seek rapid deployment and feedback for new prototypes so that they gather the information needed to quickly make decisions and adjust.
- **Identify data blind spots.** Inventory data sources and determine if there are gaps in the information needed to sense for and make decisions.
- **Create cross-functional, shared goals.** Set common goals across different parts of your organisation to encourage interdepartmental cooperation and collaboration. This will help identify and remove information silos and barriers that can impede change efforts.

### HOW TO EXCEL + DIFFERENTIATE

- **Think big, act small.** Rapid deployment of new and improved capabilities requires quick communication and decision making, which can be enabled by a smaller group. Organisations that ranked highest in agility were smaller in size and less likely to have grown in complexity due to mergers and acquisitions.
- **Aim to “adjust,” not “adapt.”** Organisations that are more successful have adopted a mindset of tinkering and adjusting. Adapting generally implies change that happens over time, whereas adjusting can be instantaneous.

# No Engaged Workforce Without Engaged Leaders

## To Raise Leader Engagement, We Need to Raise Up Leaders

The direct link between engagement and bottom-line results is clear to the leaders we surveyed. When asked how they will drive better business performance, Australia/NZ respondents said they would focus on enhancing organisational talent (73 percent), building a high-performance culture (83 percent), and engaging employees (79 percent). In aggregate, 94 percent of leaders told us they are engaged, and 91 percent want to stay on with their organisation to make an impact. These findings are encouraging, as leaders continue to wield the greatest single impact on workplace engagement. But the findings, summarised in the figure below, also reveal important areas where they need support—particularly in career development, a key driver of employee engagement. The fact that 51 percent of leaders believe they will need to move on to advance their career is a wake-up call.

### > Organisational Practices that Drive Organisational Agility—and Better Shift-Making in Australia/NZ



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HR professionals in Australia/NZ indicated that only 46 percent of the leadership development programs they supervised were connected to business priorities. Only 21 percent of HR leaders report that their leaders have high-quality, effective development plans, while only 54 percent report that their leaders have regular reviews of that plan with their manager and only 43 percent deliver sequenced leadership development programs – versus independent events. No wonder many are unclear about their leadership path and feel they must leave the organisation if they are to advance! In Australia/NZ, intent to leave has increased for 26 percent of respondents, but decreased for 18 percent, with 56 percent unchanged. Millennial leaders are slightly more inclined to leave than leaders in other generations (31 percent compared to 27 percent for Generation X and 23 percent for Baby Boomers). HR responses revealed that attrition for high potentials was lower (9 percent) than that for all leaders (14 percent).

## To Raise Employee Engagement Levels, HR Needs to Step Up

HR needs to do a better job of supporting these leaders because disengagement is infectious. And a toxic culture can take years to rebuild. Engagement—and in turn, retention—doesn't happen by accident. It takes concerted organisational effort, a motivated leader, and employees who take responsibility for their own engagement. Globally, there is a link between collaborative cultures and higher retention.

Leaders at all levels need support. A full 57 percent of leaders in Australia/NZ have never had a mentor (though 49 percent mentor others) and, perhaps more disturbing in a global work world, 73 percent of Australia/NZ leaders have never had an international assignment.

Here's good news: When rating their effectiveness in using inspiration (motivating increased employee energy and effort) and empathy (deepening relationships with others by perceiving and acting on their emotions), most leaders said they were at least moderately effective in using both skills (92 percent and 93 percent, respectively), which are hallmarks of an engaging leader. Critically, they want to lead—68 percent see it as a leader's role as custodian of the organisation's purpose to a great or very great extent. About three-quarters (67 percent) of these leaders support critical activities aligned with purpose. Well over half (60 percent) of the Australia/NZ companies have articulated vision, mission, and purpose statements; conversely, only 54 percent have an employee value proposition. Here, leaders can play a crucial role in making the connection between the job an employee does and the organisation's vision, mission, and purpose—a significant engagement driver.

The findings in this study corroborate engagement-related research at The Conference Board\*. The 12 behaviours mastered by highly engaging leaders include:

### Provides a strong sense of meaning and direction by:

1. Developing a compelling vision of what people can accomplish.
2. Communicating in a way that brings people along.
3. Setting a clear strategic direction for direct reports.

### Brings out collective brilliance by:

4. Building trust and acting with integrity.
5. Challenging the status quo and inspiring creativity.
6. Fostering a culture of collaboration.

### Builds a high-performance environment by:

7. Setting high standards.
8. Creating a sense of urgency.
9. Empowering employees.

### Unlocks employees' full potential by:

10. Building relationships one person at a time.
11. Providing clear and consistent rewards/recognition.
12. Driving development and growth.

\* Ray, R.L., Hyland, P., Pressman, A., Dye, D.A., & Kaplan, J. (2016, February), *DNA of Engagement: How Organisations Build and Sustain Highly Engaging Leaders*, New York, The Conference Board, <https://www.conference-board.org>



## WHERE TO START

- **Build engaging leaders.** Forge a robust leadership development program that will develop, retain, and empower leaders at all levels.
- **Ensure that the basics are in place:** job descriptions, behavioural anchors, custom development plans, on-demand and formal training programs, experiential learning opportunities, and continuous feedback.
- **Align strategic projects with leadership development efforts** to ensure that leaders are exposed early on to real-world challenges.
- **Communicate the path for leaders as well as the skills to master along the way.** Set up a mentoring program and teach managers how to coach so that their now-enhanced engagement is contagious.



## HOW TO EXCEL + DIFFERENTIATE

- **Build an engaging culture.** Start with the senior-most executive leaders becoming champions for change. Like everything else, the tone starts at the top.
- **Embed messages about the business case for engagement into all communications.** Monitor progress and celebrate successful milestones.
- **Leverage your engaged leaders by asking them to mentor** other leaders, participate in development initiatives, and coach their peers.
- **Reward and celebrate your highly engaging leaders;** they are the factory for your leadership cadre.

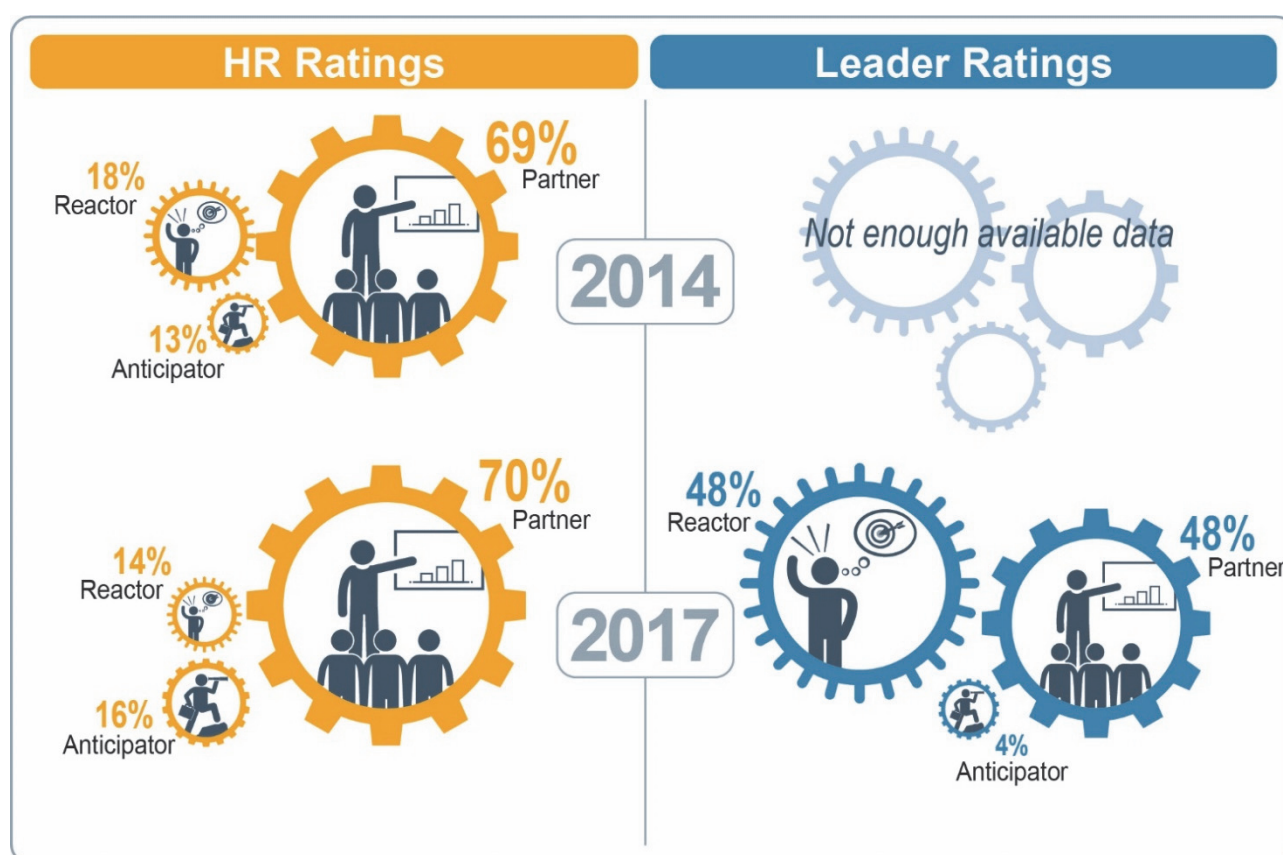


# HR's New Role

## Are They Up to the Challenge?

In *Global Leadership Forecast 2014|2015*, we put forth the concept of a new role for HR, moving from the overused term of “partner” to “anticipator.” Only a small number of HR professionals, worldwide, considered themselves Anticipators. Even fewer leaders thought their HR colleagues fell into this category. Not more than six months after the release of the Forecast, *Harvard Business Review* devoted an entire issue to the role of HR. The provocative title of the lead article? “Why We Love to Hate HR and What HR Can Do About It.”\* The opening salvo of this piece summarises the state of HR: *Recent complaints about the HR function have touched a nerve in a large, sympathetic audience. The most vocal critics say that HR managers focus too much on “administrivia” and lack vision and strategic insight.* Let’s take a deeper dive into HR’s changing and evidence-based actions to build their competence and credibility.

### > Shifting Perceptions of HR's Role over the Past Three Years in Australia/NZ



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## HR Professionals: A New Role

We defined three categories for HR professionals:

- **Reactor:** Sets and ensures compliance with policies; responds to business needs; installs basic initiatives to manage talent.
- **Partner:** Works toward mutual goals with line managers; shares information with the business about talent issue gaps; provides HR solutions.
- **Anticipator:** Uses analytics to forecast talent needs; provides insights and solutions to ensure high-quality supply of talent; links talent planning to business planning.

Every HR professional must perform some tasks in each role. However, while over the past decade HR professionals have focused on their function's operating models, policies, and systems, they now must refocus on how to manage talent strategically. HR must make the transition to the Anticipator's role, and that hasn't happened. In fact, as the graphic at left shows, the HR function has regressed since 2014 as viewed by business leaders.

Fewer than one in six Australia/NZ HR professionals (16 percent) consider themselves Anticipators, almost the same percentage that consider themselves to be Reactors (14 percent). And again, business leaders are less likely to place HR professionals in the Anticipator role. In both 2014 and 2018, Australia/NZ business leaders were 3.4 times as likely as HR professionals to use the Reactor label.

## Making a Difference

So how can HR professionals make progress?








Based on data from over 2,400 organisations across the globe, we looked for talent practices that differentiate the three categories of HR professionals. While dozens of practices set Reactors apart from Anticipators and Partners combined, we wanted to focus on those practices that statistically separate Partners from Anticipators. These are shown in the figure above.

Too often there's a weak link between strategic and HR planning. In fact, only 28 percent of global HR respondents feel that this connection is tight and starts early in the planning process. Throughout *Global Leadership Forecast 2018*, we've highlighted the importance of predictive analytics, which are the Anticipator's lifeblood. And, for the first time, the technology is in place to better advance analytics. Analytics are essential to maximising your investments toward improving leadership quality and supply.

\* Capelli, P. (2015, July), Why We Love to Hate HR and What HR Can Do About It, *Harvard Business Review*, [www.hbr.org/2015/07/why-we-love-to-hate-hr-and-what-hr-can-do-about-it](http://www.hbr.org/2015/07/why-we-love-to-hate-hr-and-what-hr-can-do-about-it)



## > Eight Practices that Anticipators Do More Effectively Than Partners

Practices	Number of Times More Effective
 Link talent planning to strategic planning	2.0x
 Invest more development dollars per leader	1.5x
 Use an array of data and predictive analytics	1.7x
 Take a multi-level pipeline approach	1.4x
 High-potential programs	1.5x
 Use robust assessment data to make hiring/promotion decisions	1.5x
 Global mobility	2.0x
 External mentorship	1.8x

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## WHERE TO START

- **Take a step back and gauge.** Which of the three roles best reflects HR in your organisation? Don't forget to seek input from line managers.
- **Move toward the Anticipator role** by improving HR capability in the eight evidence-based practices described in the figure.
- **Ensure that HR is well represented** in your company's strategic planning process.
- **Step up to greater accountability** by providing business leaders with the support and tools they need to bolster engagement, employees' sense of purpose, and growth.



## HOW TO EXCEL + DIFFERENTIATE

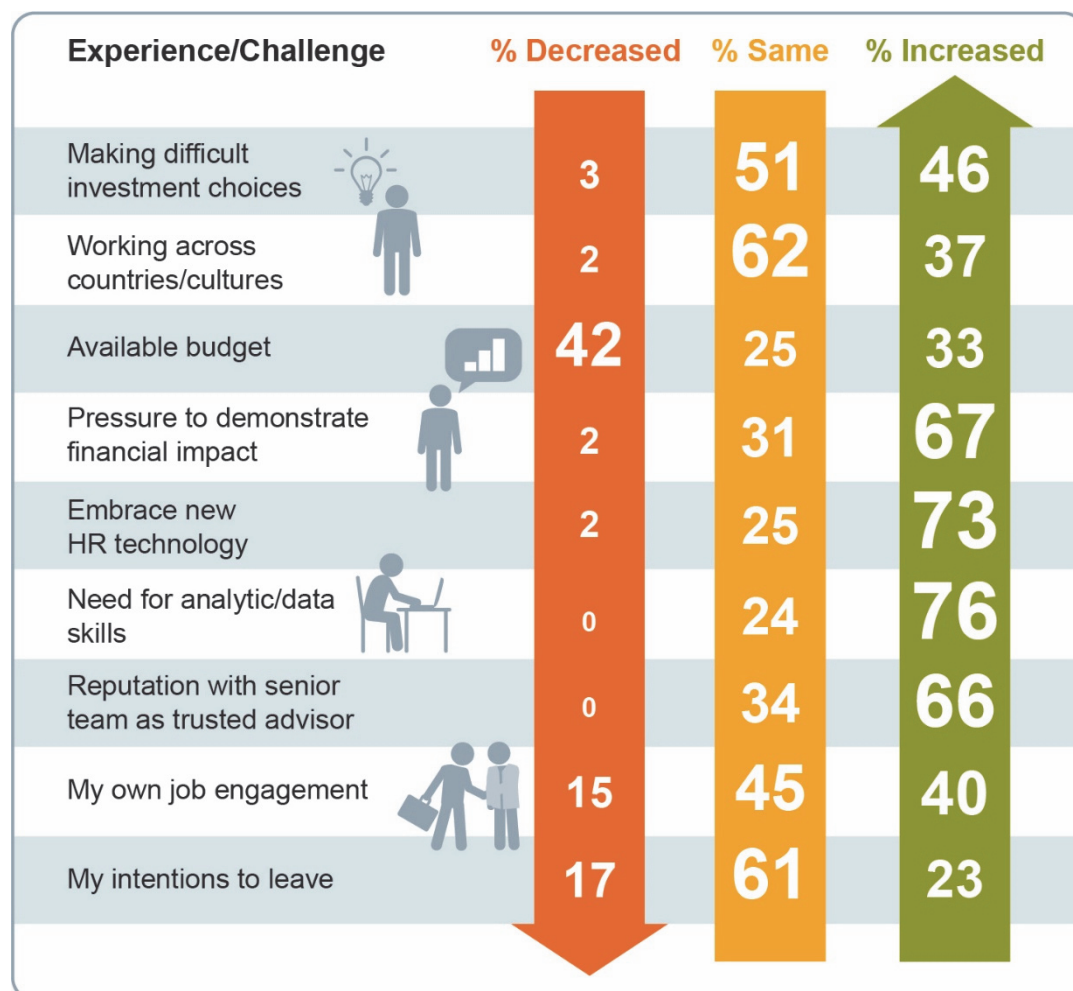
- **Ensure that you're building stronger predictive analytic team capability.**
- **Consider more rotation** of respected line leaders within and out of the HR function.
- **Step up to greater accountability.** HR's role is to create business value through talent. They own this imperative.
- **Deploy smart HR technologies** to enable leadership effectiveness while freeing up HR professionals' time to concentrate on the more value-added tasks their businesses require.

# HR Under Pressure

## Falling Behind in the Race to Transform

The future of work is not tomorrow. It is now, and the implications for our workforces are profound. New career paths, evolving organisational structures and business models, analytics, and digital disruption are trends every HR professional faces. Never has the role of HR leadership been more important in making this transformation happen. Business leaders no longer need to be convinced how important talent is. In a recent article, “The CEO’s Guide to Competing Through HR,”\* the authors conclude that HR needs to *step out of its traditional silo and embrace a strategic role, using talent to drive value rather than just responding passively to the needs of the business*. While HR leadership should be in an enviable position, in reality it’s losing the race. Their organisations are changing faster than they are, putting them even farther behind. We’ve devoted two findings to HR leadership. The section “HR’s New Role: Are They Up to the Challenge?” identifies the evidence-based practices that drive better HR performance. Here, we address the changes HR leaders are experiencing and how prepared they are to meet key workplace challenges relative to leaders in other roles.

### > How Australia/NZ HR Leaders’ Jobs and Attitudes Have Changed over the Past Three Years



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## HR in the Pressure Cooker

For Australia/NZ, 89 HR professionals completed the HR-specific version of *Global Leadership Forecast 2018*, along with 868 leaders who responded to the leader version. Additionally, five percent of the leader population were in HR, giving us another rich source of data.

We started by asking HR professionals how their jobs and attitudes have changed over the past three years (see figure at left).

HR professionals reported a considerable increase for every experience or challenge. In fact, only one item was rated relatively low: intention to leave current job. Most notable, by far, is the impact of digital disruption on the HR role in the form of an increased need to up their game in applying both HR technology (73 percent) and analytic skills (76 percent). Pressure to demonstrate financial impact, also requiring keen analytic skills, was on the rise at 67 percent. Near the top of increases was the need to become a trusted senior advisor with 66 percent reporting increased pressures. As we saw in the section “HR’s New Role,” perceiving a need to change is far different than making one. For HR professionals, 23 percent are thinking more about leaving their organisation. However, on a more positive note, 40 percent felt more engaged.

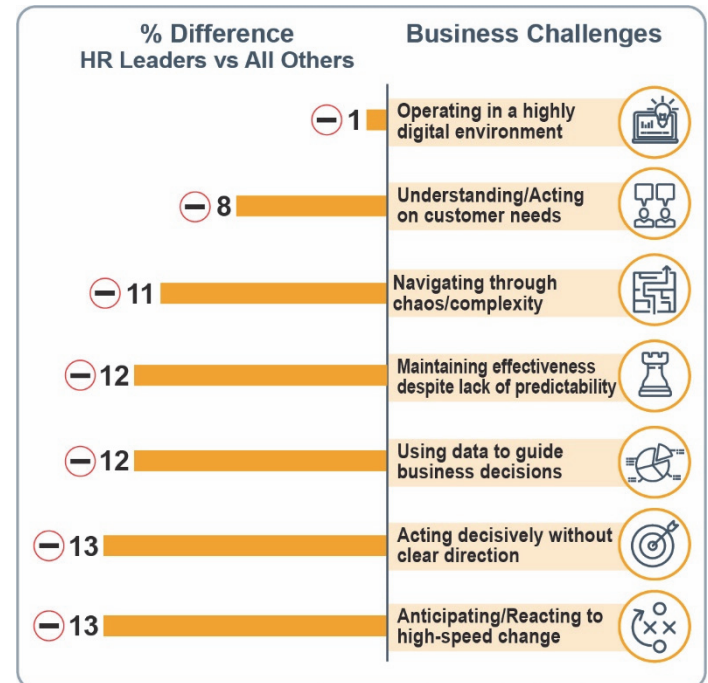
The graphic above is based on the global sample of HR leaders’ responses to the leader survey. They were asked to rate how well prepared they felt for each of seven items characterising the ever-changing work environment (volatility, uncertainty, complexity, and ambiguity). The number depicted in the graphic represents the difference between the “very effective” responses of leaders who are in an HR role versus all other leaders. In every case, HR leaders felt less prepared than their peers in other leadership roles. These responses are concerning. The work world is experiencing considerable upheaval, yet only one in five HR leaders, on average, felt very prepared to handle the challenges on the graphic.

Worse yet, the biggest differences are in their perceived effectiveness to operate in a digital environment and use analytics, despite the increased pressure they’re feeling to do so. For example, more than 37 percent of leaders worldwide felt very prepared for a digital workplace. Not an impressive number. By comparison, only 16 percent of HR leaders felt the same way.

Consider this: The digital age will exert a more profound impact on our workforce in about one-tenth of the time of any other massive economic shift. Yet, those HR leaders who should be taking charge to prepare tomorrow’s leaders are farther behind than those they’ll need to support.

\* Bafars, F., Ellsworth, D., & Gandhi, N. (2017, July), *The CEO’s Guide to Competing Through HR*, *McKinsey Quarterly*.

## > HR Leaders Versus Other Leaders on Key Challenges



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### WHERE TO START

- **Focus on building capability in business acumen, advanced analytics, and new HR technologies.** Elsewhere in this report, you’ll see that the areas where HR leaders are feeling pressured correspond to areas where their performance is perceived to be lacking.
- **We suspect that HR leaders may be under-investing in their own learning** as they strive to meet the growing learning needs of leaders in other functions. In reality, HR should be first in line for increased resources and in a continual learning mode.



### HOW TO EXCEL + DIFFERENTIATE

- **As “owners” of leadership development, one of HR’s chief roles is to prepare leaders for digital transformation.** Yet, HR leaders are less prepared than leaders in other functions. Building HR’s digital leadership skills is essential not only to develop others, but also to manage impending radical changes in HR technologies.
- HR professionals often label themselves as the enablers of talent development, while line managers are the real owners. **HR leaders need to take primary ownership for ensuring that their organisations have the talent** in place to meet current and future business challenges.

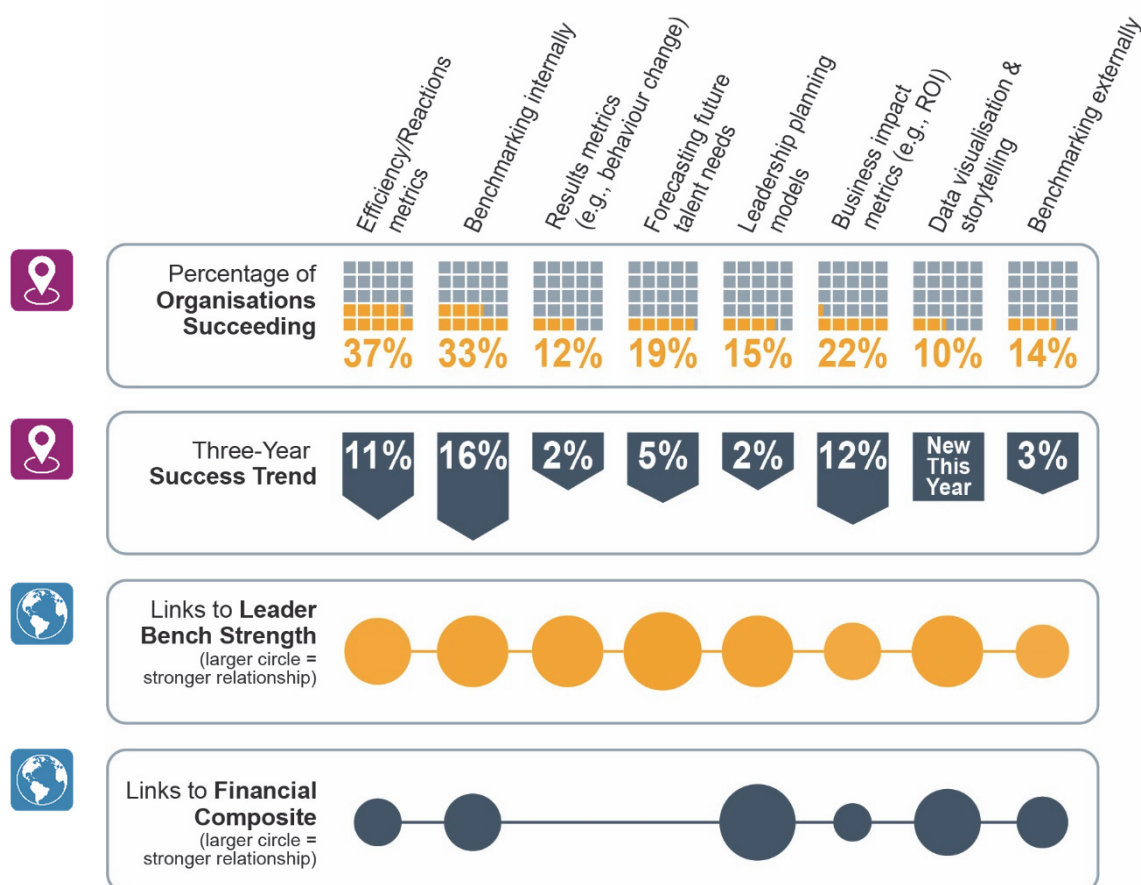
# People Analytics

## Reversal of Fortunes

Pressure on the HR function to adopt and excel in people analytics—defined as “the systematic identification and qualification of the people drivers of business outcomes, with the purpose of making better decisions”<sup>\*</sup>—has been intense for several years. Analytics are viewed as a prime route to greater strategic influence, and the thirst for deeper analytics know-how has spawned a five-fold spike in interest over the past five years. Hundreds of articles have been written in HR publications, dozens of conferences dedicated, and entire academic programs in HR analytics offered at universities such as Cornell, Texas A&M, and New York University. With this steady drumbeat of exhortation and energy, surely HR has grown its proficiency in analytics methods since *Global Leadership Forecast 2014|2015*, right? This current Forecast took a detailed view of analytics progress and practices across more than 2,500 global organisations to ask: What’s the status? What’s emerging? and What works to drive HR—and the enterprise—forward?

The figure below presents the state of people analytics practices. The top two rows [📍] present the percent of Australia/NZ organisations succeeding in each analytics practice along with the associated three-year success trend. The bottom two rows [🌐] show the impact of each analytics practice in terms of an organisation’s leader bench strength and financial performance based on the global data set of over 2,400 companies.

### > People Analytics Practices: Success, Trends, and Impact



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## A Stunning Regression

Instead of an expected increase in analytics effectiveness, we found that success rates declined over the past three years for every type of analytics we compared (shown in the figure at left). Though companies attempted analytics more often than in 2014, these efforts were more likely to fail than to succeed.

These struggles were common for more traditional types of analytics (internal benchmarking and gathering efficiency, reactions, or results metrics). On average, only 28 percent of Australia/NZ companies were succeeding in these. The picture is even more bleak for emerging forms of analytics, such as creating growth-centric leadership planning models, using “what if” scenarios to forecast future talent needs, and data visualisation and storytelling to compel the audience. On average, only 15 percent of Australia/NZ organisations succeed here.

To put these declines in context, it’s important to gauge whether this is a true backward step in effectiveness or a higher standard for success. Our data shows that it’s likely a case of the analytics bar rising faster than HR can leap over it. Despite low success rates, 76 percent of HR professionals in Australia/NZ reported an increase in their analytics skills and data-driven decision making. Yet, this clearly isn’t enough to keep pace.

## Highest-Impact Analytics Practices

Though success rates are similar across analytics types, distinctions between them become clearer when linking to leadership and business outcomes. By doing so, we can show which forms of effective analytics outperform the others. The graphic at left shows the link between various types of analytics and two critical outcomes: bench strength (the ability to rapidly fill critical roles with qualified internal candidates) and a financial composite of revenue growth, operating margin, EBITDA, and return on equity.

Every type of analytics showed a notable link with one or both outcomes, led by benchmarking internally, creating leadership-planning models, and using data visualisation/storytelling techniques. On average, companies excelling in these analytics were 6.5 times more likely to have high bench strength and 3.1 times more likely to outperform peers financially.

## It’s Not Just About the Numbers

It’s easy to make the mistake that analytics are just about the numbers. But analytics also drive and exemplify objectivity and fairness. Companies strong in people analytics have more gender diversity in leadership (especially high-potential pools), a stronger culture of promotion from within, and higher leader success rates.

The bottom line: More analytical practices are more diverse practices, and they reinforce strong “grow your own” cultures. When analytics are in place, so are objective decision-making tools, systematic processes, and a bias-free, up-to-date status of talent.

## Analytics as Accelerator

Analytics accelerate HR professionals deploying them: Across the globe, those succeeding with advanced analytics are 6.3 times more likely to have new advancement opportunities and are 3.6 times more likely to have a stronger reputation with senior business leaders.

And analytics accelerate talent practices, making good ones even better. Companies that create leadership planning models, gather results metrics, and are adept at data visualisation and storytelling see a higher return on their talent investments than those that neglect or struggle with these practices.

\* van den Heuvel, S., & Bondarouk, T. (2017), The Rise (and Fall?) of HR Analytics: A Study Into the Future Application, Value, Structure, and System Support, *Journal of Organisational Effectiveness*, 4, 157–178.



### WHERE TO START

- **Confirm business questions.** Analytics that fail to start with business (not just HR) questions will be challenging to execute and, often, wholly unpersuasive to stakeholders.
- **Get your data house in order.** Spend time planning your data foundation to avoid misinformed or impossible analytics.
- **Align effort toward highest-impact methods.** Internal benchmarking, leadership planning, and visualisation/storytelling had the strongest outcome links in our research.
- **Staff for data savvy.** Analytics is a team sport; develop and hire not just for abilities in data science, but also business acumen, visualisation, and ethics.
- **Adopt proven methods** such as key driver analysis, text analytics, survival analysis, decision trees, and scenario planning.



### HOW TO EXCEL + DIFFERENTIATE







- **Build skills in visualisation and storytelling.** These are powerful ways to communicate data; such messages are more memorable and persuasive than numbers or text.
- **Recognise analytics as change management.** Numbers mean nothing if they don’t drive action; pair analytics with interactive data views to build engagement about a practical path forward.
- **Map talent scenarios to business strategies.** Sophisticated, high-impact workforce planning matches talent needs to growth projections, ensuring that talent is where it’s needed and when.
- **Build internal and external networks.** Seek partnerships with data-minded individuals across functions, local interest groups, and internal analytics centers of excellence.



## Leadership Megatrends and Payoffs

The research summarised in this report shows the powerful and pervasive—yet rarely fulfilled—impact of leadership practices on organisations striving to meet their business challenges, now and in the future. We’ve delved into over two dozen findings focused on how these enterprise-level objectives are achieved. Each finding includes precise, practical recommendations for learning from top-performing companies and for listening to and maximising the potential of leaders themselves. Now, it’s time to take a step back: first, to see the overarching trends emerging from the research as consistent guiding principles flowing broadly into all aspects of leader talent management; and second, for an integrated look at the links between practices and payoffs as fuel for assembling a comprehensive leadership strategy.

## Six Leadership Megatrends from *Global Leadership Forecast 2018*

-  **Digital Reshapes the Workforce:** Across nearly every facet of the research, we saw the influence of digital readiness. Digitally advanced organisations and leaders are already outperforming their less technologically savvy peers, who risk being left behind, permanently.
-  **Data’s Power Extends Beyond the Numbers:** We expected to see data as an increasingly valuable commodity for people and business decisions. But we didn’t anticipate the heavy influence data and analytics have on business’ human side: inclusivity, agility, and fairness.
-  **Culture Looms Crucial:** Leadership strategies will fail without solid cultural cornerstones—clearly grasped and enlivened purpose, peer coaching, experimentation, psychological safety, and fully incorporated, diverse gender and generational views.
-  **DIY Is DOA:** Leaders who stand (and learn) alone—not given access to or eschewing coaching from peers and mentors, and failing to adopt a collective, shared, and team-centric view of leadership—may survive in the workplace, but they surely won’t thrive.
-  **The Potential Pool Swells to a Lake:** Organisations taking a broad view of potential—expanding their reach to activate and accelerate leadership talent—prove more financially successful, feature stronger top leaders, and employ more women at every leader level.
-  **HR Navigates a Challenging Road Ahead:** HR’s reputation as an Anticipator has taken a hit along with its declining rates of analytics success. Also, HR’s own digital readiness is lacking. If this isn’t addressed soon, HR’s ability to drive digital advancement will be crippled.

## Leadership Practices Scoreboard

Across 2,400+ organisations, which practices have the strongest payoffs for leadership and financial performance? The table on the facing page shows 34 leadership practices across four categories. The percentage of organisations using the practice is indicated along with the impact that each practice had on three outcomes from the research:

**Program Quality** (aggregate leader-rated quality of assessment, development, and performance management programs); **Bench Strength** (supply of capable leaders for critical leadership roles within the next three years); and the organisation’s **Financial Performance** (composite of operating margin, EBITDA, revenue growth, and return on equity).

### Key

No circle = nominal impact    = moderate impact    = strong impact

# Leadership Practices Scoreboard



Links to Outcomes Based on Global Data Set



Percentage of Australia/NZ Organisations Using Each Practice



10% ≥ global rating



-10% ≤ global rating



## Leadership Practice

### Talent Management

Leadership development programs begin with a diagnosis of leader strengths/weaknesses.	●	●	54%
Leadership competencies serve as the foundation for multiple leadership talent management systems.	●	●	64%
Talent review processes have a reputation for being fair and objective.		●	62%
Competencies required for success in key leadership positions are clearly defined.		●	58%
Information from assessments and simulations is used to guide leader development plans.		●	51%
Information from assessments and simulations is used to make leadership hiring and promotion decisions.		●	52%
Individual leadership initiatives, programs, and processes are well integrated and aligned to key business priorities.	●	●	46%
Systematic processes (e.g., strategic talent planning) are used to identify the quantity and quality of leadership required to drive future business success.		●	62% +
We know the up-to-date status of our leadership talent capability across the organisation.		●	49%
We use a formal process for identifying employees who could become global/multinational leaders.		●	29%
We use formal programs to ensure smooth leadership transitions at all levels.	●	●	25% -
Formal mentoring programs are available for leaders.		●	39%

### Performance Management

We have a fair and transparent performance management system at all levels.		●	75%
Performance management discussions occur ongoing rather than just once a year.	○	●	75% +
Performance management discussions include a heavy focus on personal development planning.	○	●	42%
Ratings have been eliminated from our performance management process.		●	26%

### Development

Leaders practice and receive feedback on key skills with their managers.	○	●	62%
Leaders are offered a library or learning system from which they can choose on-demand courses.		●	51%
Leaders receive development personalised specifically for them rather than as part of a cohort.	●	●	56%
Leaders regularly review their development plan with their managers.		●	54%
Leadership development modules are positioned with leaders as a planned sequence rather than as independent events.		●	43%
We have a dedicated learning experience manager (someone who designs and sequences personalised, engaging learning for leaders).	●	●	39%
Our leaders have high-quality, effective development plans.	●	●	21% -
Managers who fail to develop their leaders receive negative consequences as a result.	○	●	7% -

### High Potential

High-potential leaders' performance in developmental assignments is carefully evaluated.		●	63% -
Developmental activity for high-potential leaders is targeted toward their specific development needs.	●	○	78%
Our process for identifying high potentials is unbiased and nonpolitical.	●	●	67%
We collect objective assessment data on high potentials' capabilities, potential, and readiness.		●	66%
Managers are held accountable for supporting high-potential leaders.	○	●	42% -
The process for identifying high potentials is consistent across the organisation.		●	76% +
We have a mentoring/coaching program specifically for high-potential leaders.		●	64%
High-potential leaders are told and aware of their special status.		○	47% -
We measure the effectiveness of programs for developing high-potential leaders.		●	61%
The identities of leaders labeled as high-potential are well-known within the organisation.	○	○	15% -

# Appendix: Demographics

## Organisation Characteristics

Industry	
Automotive & Transport	7%
Energy & Resources	11%
Finance & Insurance	14%
Health Care	2%
Manufacturing	5%
Pharmaceuticals	2%
Professional Services	4%
Retail	7%
Technology	9%
Other	39%

Business Classification	
Public	48%
Private	22%
Not-for-Profit	17%
Government	13%

Number of Employees	
1-100	3%
101-500	15%
501-1,000	7%
1,001-5,000	31%
5,001-10,000	9%
10,001-20,000	15%
20,001-50,000	10%
50,001 or more	10%

Presence in Global Market	
National (operations located within one country)	59%
Multinational (operations distributed across multiple countries and global regions)	41%

Approximate Annual Revenue	
< \$5 million	3%
\$5 million to < \$25 million	8%
\$25 million to < \$100 million	20%
\$100 million to < \$500 million	17%
\$500 million to < \$1 billion	6%
\$1 billion to < \$5 billion	21%
\$5 billion or more	25%

## Leader Characteristics

Leader Level	
First-level leader	38%
Mid-level leader	36%
Higher-level leader	21%
Senior-level leader	5%

Age	
25 or younger	1%
26-35	20%
36-45	36%
46-55	32%
56-60	8%
Over 60	3%

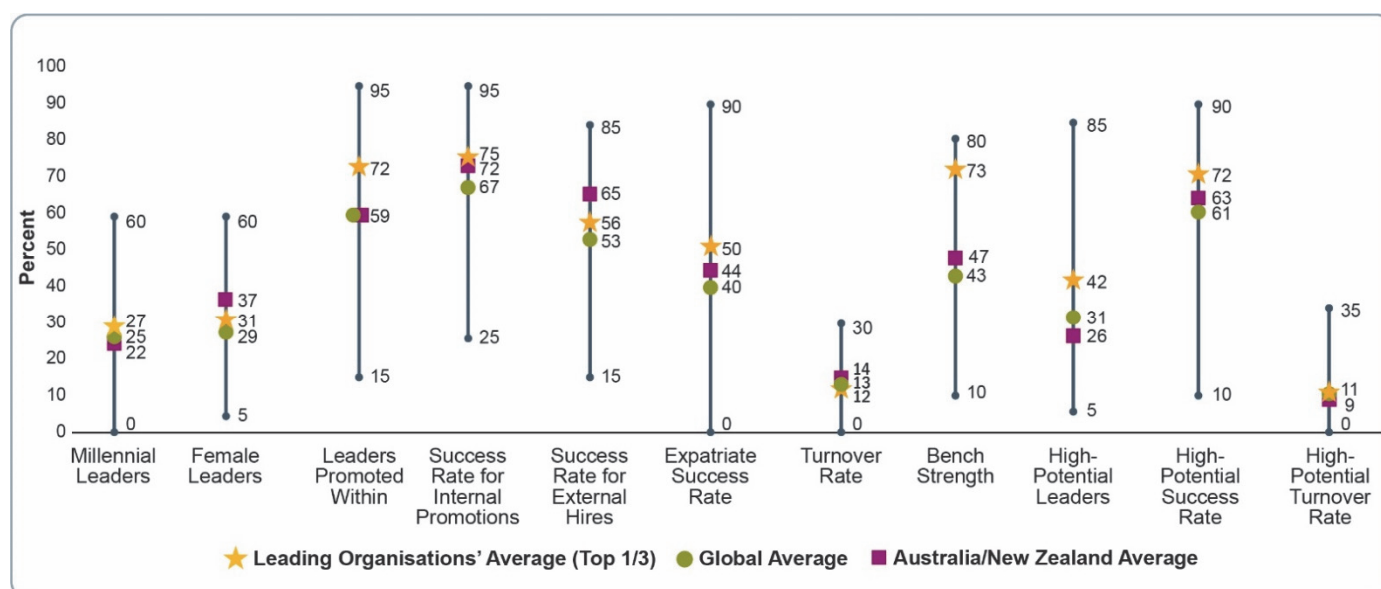
Gender	
Male	56%
Female	44%

High-Potential Status	
Yes	47%
No	53%

Generation	
Millennial	16%
Generation X	63%
Baby Boomer	21%

## HR Benchmarks

We asked HR participants to provide general information about the makeup and turnover and success rates of their leaders. The figure below provides median benchmarks from organisations across the globe. The bars represent the general range of responses received from HR respondents (between the 10th and 90th percentiles); the green dots indicate the average of all organisations; and the yellow stars indicate how leading organisations (represented by those with the highest leader quality and bench strength) responded on average.



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## About the Region Authors



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