

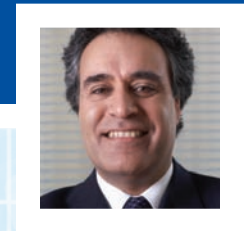
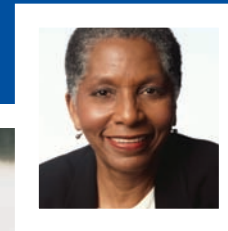
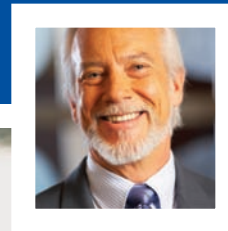


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2011/2012 Trends in Executive Development: A Benchmark Report



EXECUTIVE SUMMARY

Snapshot: Leading organizations weigh in on the trends, growth and evolution of executive development in today's ever-changing corporate environment.

We believe that one of the best learning resources for professionals in executive development is the knowledge and experience of their peers. This in-depth research on the trends in executive development is designed to uncover best practices, emerging needs, top priorities and new approaches. By disseminating this information broadly, we hope to help those in the field advance together and stay abreast of critical trends in executive development.

Content & Background

The 2011/2012 Executive Development Trends Research Report ("the Report") is the product of a collaborative partnership between Executive Development Associates Inc (EDA) and Pearson's TalentLens group ("The Research Partners"). EDA has conducted executive development trends surveys in the United States, and more recently on a global basis, for the past twenty five (25) years. EDA's research is designed to heighten awareness of the critical trends in executive development and to contribute to ongoing efforts to advance the state of the industry.

Pearson's TalentLens group has sponsored research, as part of their assessment business, for over 85 years. Pearson is committed to supporting research that increases the field's knowledge of key talent assessment and management issues.

The information included in this report comes from a variety of sources, including our extensive biennial survey, interviews with leading organizations, and briefings with faculty and external providers of custom executive development solutions. The analysis and interpretation of survey responses guided by EDA's Advisory Board, which is comprised of leading industry experts. The review process itself involved:

- Reviewing raw data to identify the most significant responses (by percentage) for each question.
- Analyzing and comparing the responses to inter-related questions (either within or across survey sections).
- Analyzing and comparing responses to the same or substantially similar questions across surveys (i.e., across time).
- Evaluating the findings in the context of today's business environment and international executive development research.

Eighty one organizations participated in the study, a slightly greater number than our previous trends.

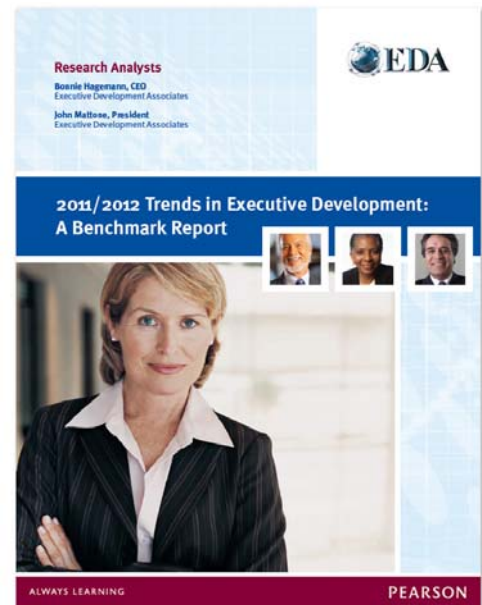


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Respondents worked in large national and multinational corporations with substantial business operations in the United States (79% had headquarters based in the U.S.). Survey respondents included:

- Chief Learning Officers.
- Senior Vice Presidents of Human Resources.
- Heads of Executive and Leadership Development.

The majority of the organizations were public (53.9%), followed by private (35.5%) and government and non-profit (10.5%).

We are including the following demographics in order to paint a picture of the organization’s participating in the study, the distribution of industries, number of employees within an organization, and annual corporate revenue is graphically presented.

Figure 1.1. Respondent Organizations: Industry

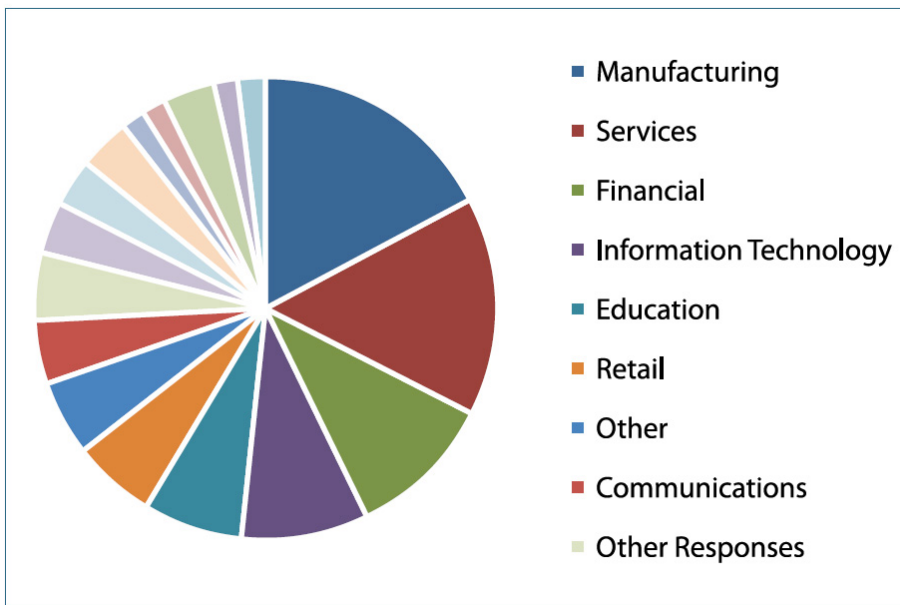


Figure 1.2. Respondent Organizations: Number of Employees

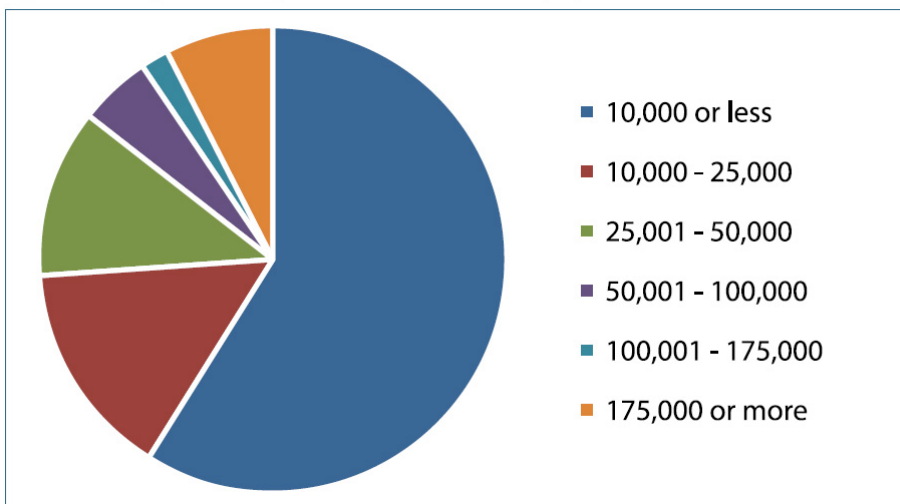
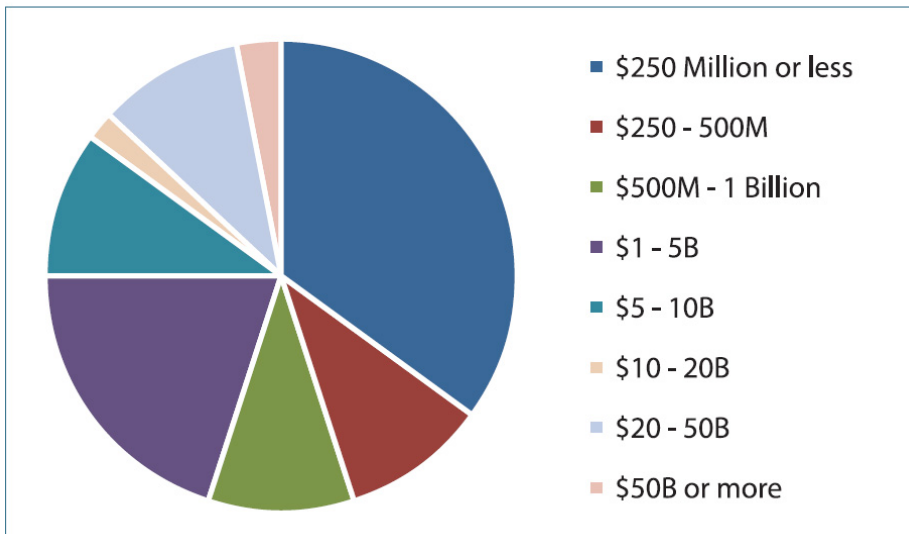


Figure 1.3. Respondent Organizations: Revenue in U.S. Dollars



A sampling of the companies include, but are not limited to, the following:

- Emirates Telecommunications Corporation
- Selective Insurance
- Taconic
- Lam Research Corporation
- ItPlanit
- Tata Cummins Limited
- The Motorists Insurance Group
- MSGB
- Macy's Inc
- TD Ameritrade
- Integra LifeSciences
- Booz Allen Hamilton
- Residential Credit Solutions
- Honeywell
- Nouveon
- Moog
- Navy Federal Credit Union
- Unum
- The McGraw-Hill Companies
- Cabela's
- St Luke's Hospital & Health Network
- Ferreyros
- WellPoint
- UPS
- Maple Leaf Foods
- Gr Michaudville
- ATK Aerospace Systems
- Trinity Industries
- Saudi Aramco
- Wyndham
- Tompkins
- FedEx Express
- CAS
- VF Corporation
- Home Depot
- Harris Corporation
- Express Services
- OGE
- Agilent Technologies
- MSGB
- Telecom NZ LTD
- UBS
- Entergy
- McDonald's
- Welch Allyn

Definitions

For the purpose of this report, executives/leaders are defined as anyone who falls into one or more of the following three groups:

- 1. Members of the Board**
The Chairman of the Board, Board Members, the Chief Executive Officer, the Chief Operating Officer, the President and others filling C-Suite positions for the overall enterprise. All elected officers.
- 2. Corporate/Organization Vice Presidents (including functional heads)**
Heads of/Presidents of groups, divisions, business units, or profit centers and their direct reports. All people included in your executive compensation program.
- 3. High Potential Managers/Leaders**
A person who has been formally identified as having the potential to fill an executive level position in the future.
- 4. Development** includes any activity that is aimed at broadening or building executives' knowledge, skill and experience and enhancing their capabilities.

Snapshot

As you read through this research, you will learn what some of the best companies in the world are doing to develop their current and future executives. You will learn from peers who design and deliver executive development inside of their organizations, and you will hear what industry experts have to say about the 2011/2012 trends. And, you will also be able to benchmark your own organization against best practices.

With the longevity of this research, we are able to show the changes over the years and provide additional insight into the overall design, delivery, costs and results when companies spend time and effort developing their executives. Ultimately you will be able to use this information to positively impact your organization.

With the impact of the economy and much global upheaval, we wondered how the last two years had impacted executive development. The struggles showed up early in the research process, as one company who usually participates in our research said that due to the economic changes and financial cutbacks, they simply had nothing to report and hoped that they would have more next time.

Another person from a Global 1000 company said that due to cutbacks, their development team was smaller than two years ago and expected to do twice as much work with smaller and smaller budgets; therefore, they could not even spare the 30 minutes to complete the report.

In spite of the many challenges leadership and executive development professionals face, innovations and exciting projects are rolling forward like the snowball gathering mass and momentum at the top of the hill. You may wonder why this work is picking up in spite of a lingering recession. Well, demographic shifts



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alone are forcing corporations, governments, non-profits and educational institutions to evaluate their leadership players as well as the strength and depth of their bench. Statistics tell us that Baby Boomers are retiring at a rate of one every eight seconds. In addition, EDA works with companies who already have as many as 60% of their workforce eligible for retirement within the next 3 years.

Furthermore, technology continues to progress at warp speed and the skills senior leaders needed in the past are no longer enough. While great leadership fundamentals remain the same, there is increased pressure to understand the global marketplace, technology advances, develop the leaders of the future and to be able to make complex decisions at the speed of light while simultaneously considering both the macro and the micro level impact on the people and the organization. Executives today are up against some wicked problem, and they are expected to make sound judgments.

Thus, the need to develop corporate executives and high potential leaders has reached an all-time high. In fact, with the 2011 research, we see that the transitions are multi-layered. The overall way we do work is shifting in many ways, the way we develop our leaders is shifting, the demographics are shifting and the necessary leadership style is shifting. As we analyzed the results of the survey, we realized that there is a real and difficult shift as the Baby Boomers, who are still at the helm, struggle to shift their own style from command and control to one of learning, inquiry and inspirational leadership. Many are also still struggling with the concept of transparent leadership and perhaps the most difficult responsibility of all is handing over the reins of the organization to the next generation. This issue is much bigger than just having trouble “letting go.” The bigger issue is that the majority of next generation leaders are just not ready.

We have a few theories about why these up-and-comers are not ready. It could be that the Boomers are hoarding the “suite” seats. It could be that the next generation leaders are Gen Xers, and they are behaving too independently to adequately prepare. It could be that organizations as a whole had their heads in the sand concerning the mass Baby Boomer exodus and just didn’t prepare. Regardless of why, it does seem to be a concern across the organizations that were surveyed that the next generation leaders do not have the seasoning or the skills necessary to lead.

Major Findings

The need to increase bench strength (i.e., succession planning). This was the key finding in our 2009 study. Again, in our 2011 study, our respondents cited the importance of being proactive in accelerating the development of both high potentials and emerging leaders. Survey participants emphasized the need for clear succession plans, and a well-developed bench in light of the high percentage of executives who plan to retire in the next five to ten years. Unfortunately, in our 2011 study, we see a dis-connect between what respondents are citing as critical and their executing on those same imperatives (more on this when we share our recommendations).

Similar to our 2009 study, senior executive judgments, performance reviews, talent review meetings and “perception” were again the most commonly cited rating strategies used for determining who the high potential and emerging leaders are. **What’s different, in our 2011 study, however, are respondents’ admitting the need to use more objective assessments in combination with perception-based assessments in order to calibrate performance, potential to assume other key roles, and readiness to assume those roles.** The irony of this is that despite the overwhelming evidence in support of the use of more rigor and



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objectivity especially when estimating potential and readiness, most organizations continue to over-emphasize subjectivity and the use of current performance measures--which often have very little to do with predicting likely future performance in more challenging and difficult roles.

Understandably, organizations continue to deploy different developmental approaches based on level. **For top executives and vice presidents we continue to see the use of executive coaching as the number one development strategy.** Coaching is highly targeted, individual and personal and highly regarded by executives at these levels. The use of custom-designed programs provided by external vendors and internal staff continue to be popular methods for developing executives. **For vice president's and high potentials, we continue to see the use of developmental job assignments and internal custom programs as popular methods for development, followed by mentoring and coaching.**

So, what's changed? The singular most significant change in our 2011 report is that *Critical Thinking* has supplanted *Leadership* as the number one topic anticipated for the next two to three years. This is significant since *Leadership* has been number one in our Trends in Executive Development Report for 25 years. *Leadership* is now number two, followed by strategy (which has consistently appeared since 2000), and “leading the next generation”, which is new to the list. Our respondents consistently identified critical thinking as a key foundation skill for executing effective decisions, problem solving, creative thinking and strategic thinking. Clearly, both the pace and complexity of business and the rate of change require executives to have heightened ability in recognizing assumptions, evaluating arguments, and drawing clear and valid conclusions—certainly more so than in years past. Jim Bolt, EDA founder and current CEO of the FrED Forum, emphasized the following evaluation: “The most striking result for the 2011 EDA Trends Survey is, I believe for the first time, *Leadership* is not seen as the #1 topic that will be included in executive development efforts over the next few years. In past surveys *Leadership* has not only been the top ranked topic but has been considerably higher rated than anything else. Yet, this year, and for the first time, capabilities related to critical and strategic thinking are rated first”.

Finally, we are continuing to see positive change in the way executive development is measured and evaluated. One reason for this is the almost universal acceptance of the Kirkpatrick Model as a methodology for evaluating the impact of executive development programs. While progress has been made, there are still discrepancies that exist between positive intent and execution.

Final Thoughts

We would like to make a few final recommendations based on the feedback from the 2011 Trends Survey:

- **Diagnose.** Use this report as your starting point to start diagnosing the strengths and needs of your executive development processes, tools and programs. of the next step after an initial comparison is to truly benchmark your companies programs and processes against those of others and calibrate your effectiveness.
- **Benchmark and Create Action Plan:** *Once an initial Benchmark is established, develop a formal plan to increase overall effectiveness of your executive development processes and programs.*
- **Senior Leadership.** Your senior executive team is critical to success—therefore, we recommend working sessions with this team to review survey results and discuss how your organization compares and contrasts with the key findings and best practices highlighted in this report.



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- **Connectedness.** Align your executive development systems, strategy, plan, processes and tools with a concrete view of your organization’s future—including an understanding of current and anticipated market and business conditions, as well as the resulting business strategy, structure, role and leadership competencies required to drive success in your organization—now, and into the future.
- **Calibrate and Re-Calibrate.** Based on the leadership competencies required for success, passionately assess and calibrate your leader’s and future leader’s *capability* (“can do”), *commitment* (“will do”), and *connectedness/alignment* (“must do”) using well-constructed and valid performance reviews, 360-Degree assessments, and objective assessments to generate a more accurate view of performance, potential and readiness indicators.
- **Leverage.** Create targeted and specific Individual Development Plans (IDP’s) that enable leaders and future leaders to sustain their key strengths and capabilities but also address their development opportunities using 70-20-10.
- **Succession Management.** Adhere to the components listed above. Succession review meetings should be a powerful way for your organization to deploy executive talent (and future executive talent), however, there needs to be more open and honest discussion about candidates based on more *objective* performance, potential and readiness information.
- **Mindset.** The best predictor of Future Sustained Superior Performance (FSSP) *is not* past performance. If this represents the predominant mindset in your organization—we would predict a less than desirable future for your organization. Your mindset needs to be that FSSP is the result of a leaders current performance plus *integrating* objective and perception-based assessment results plus *leveraging* these results into specific and targeted IDP’s. Marshall Goldsmith has written and talked about this concept for years: “What Got You Here—Won’t Get You There”.
- **Critical Thinking.** Leaders and future leaders need to “raise the bar” in this area which our survey respondents identified as the number one leadership topic anticipated in the next 2-3 years.
- **Generational Differences.** Leaders and future leaders need to become more equipped to understand and work with different generations.
- **Accountability and Measurement.** Create accountability by tying executive development to the core leadership competencies and to executives’ annual performance measures. Also, establish and implement individual and business metrics that you can correlate with your executive development efforts and outcomes and be passionate about reporting on these metrics quarterly.

Access the Full Report at
www.ExecutiveDevelopment.com



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