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Why leadership-development programs fail

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Sidestepping four common mistakes can help companies develop stronger and more capable leaders, save time and money, and boost morale.

For years, organizations have lavished time and money on improving the capabilities of managers and on nurturing new leaders. US companies alone spend almost $14 billion annually on leadership development.[1] Colleges and universities offer hundreds of degree courses on leadership, and the cost of customized leadership-development offerings from a top business school can reach $150,000 a person.

Moreover, when upward of 500 executives were asked to rank their top three human-capital priorities, leadership development was included as both a current and a future priority. Almost two-thirds of the respondents identified leadership development as their number-one concern.[2] Only 7 percent of senior managers polled by a UK business school think that their companies develop global leaders effectively,[3] and around 30 percent of US companies admit that they have failed to exploit their international business opportunities fully because they lack enough leaders with the right capabilities.[4]

We've talked with hundreds of chief executives about the struggle, observing both successful initiatives and ones that run into the sand. In the process, we've identified four of the most common mistakes. Here we explain some tips to overcome them. Together, they suggest ways for companies to get more from their leadership-development efforts—and ultimately their leaders—as these organizations face challenges ranging from the next demanding phase of globalization to disruptive technological change and continued macroeconomic uncertainty.

1. Overlooking context

Context is a critical component of successful leadership. A brilliant leader in one situation does not necessarily perform well in another. Academic studies have shown this, and our experience bears it out. The CEO of a large European services business we know had an outstanding record when markets were growing quickly, but he failed to provide clear direction or to impose financial discipline on the group's business units during the most recent economic downturn. Instead, he continued to encourage innovation and new thinking—hallmarks of the culture that had previously brought success—until he was finally replaced for underperformance.

Too many training initiatives we come across rest on the assumption that one size fits all and that the same group of skills or style of leadership is appropriate regardless of strategy, organizational culture, or CEO mandate.

In the earliest stages of planning a leadership initiative, companies should ask themselves a simple question: what, precisely, is this program for? If the answer is to support an acquisition-led growth strategy, for example, the company will probably need leaders brimming with ideas and capable of devising winning strategies for new or newly expanded business units. If the answer is to grow by capturing organic opportunities, the company will probably want people at the top who are good at nurturing internal talent.

Focusing on context inevitably means equipping leaders with a small number of competencies (two to three) that will make a significant difference to performance. Instead, what we often find is a long list of leadership standards, a complex web of dozens of competencies, and corporate-values statements. Each is usually summarized in a seemingly easy-to-remember way (such as the three Rs), and each on its own terms makes sense. In practice, however, what managers and employees often see is an "alphabet soup" of recommendations. We have found that when a company cuts through the noise to identify a small number of leadership capabilities essential for success in its business—such as high-quality decision making or stronger coaching skills—it achieves far better outcomes.

In the case of a European retail bank that was anxious to improve its sales performance, the skill that mattered most (but was in shortest supply) was the ability to persuade and motivate peers without the formal authority of

direct line management. This art of influencing others outside formal reporting lines runs counter to the rigid structures of many organizations. In this company, it was critical for the sales managers to persuade the IT department to change systems and working approaches that were burdening the sales organization's managers, whose time was desperately needed to introduce important sales-acceleration measures. When managers were able to focus on changing the systems and working approaches, the bank's productivity rose by 15 percent.

Context is as important for groups and individuals as it is for organizations as a whole: the best programs explicitly tailor a "from–to" path for each participant. An Asian engineering and construction company, for example, was anticipating the need for a new cadre of skilled managers to run complex multiyear projects of $1 billion or more. To meet this challenge, it established a leadership factory to train 1,000 new leaders within three years.

The company identified three important leadership transitions. The first took experts at tendering (then reactive and focused on meeting budget targets) and sought to turn them into business builders who proactively hunted out customers and thought more strategically about markets. The second took project executors who spent the bulk of their time on site dealing with day-to-day problems and turned them into project directors who could manage relationships with governments, joint-venture partners, and important customers. The third targeted support-function managers who narrowly focused on operational details and costs, and set out to transform them into leaders with a broader range of skills to identify—and deliver—more significant contributions to the business.

2. Decoupling reflection from real work

When it comes to planning the program's curriculum, companies face a delicate balancing act. On the one hand, there is value in off-site programs (many in university-like settings) that offer participants time to step back and escape the pressing demands of a day job. On the other hand, even after very basic training sessions, adults typically retain just 10 percent of what they hear in classroom lectures, versus nearly two-thirds when they learn by doing. Furthermore, burgeoning leaders, no matter how talented, often struggle to transfer even their most powerful off-site experiences into changed behavior on the front line.

The answer sounds straightforward: tie leadership development to real on-the-job projects that have a business impact and improve learning. But it's not easy to create opportunities that simultaneously address high-priority needs—say, accelerating a new-product launch, turning around a sales region, negotiating an external partnership, or developing a new digital-marketing strategy—*and* provide personal-development opportunities for the participants.

A medical-device company got this balance badly wrong when one of its employees, a participant in a leadership-

development program, devoted long hours over several months to what he considered "real" work: creating a device to assist elderly people during a medical emergency. When he presented his assessment to the board, he was told that a full-time team had been working on exactly this challenge and that the directors would never consider a solution that was a by-product of a leadership-development program. Given the demotivating effect of this message, the employee soon left the company.

By contrast, one large international engineering and construction player built a multiyear leadership program that not only accelerated the personal-development paths of 300 midlevel leaders but also ensured that projects were delivered on time and on budget. Each participant chose a separate project: one business-unit leader, for instance, committed his team to developing new orders with a key client and to working on a new contract that would span more than one of the group's business lines. These projects were linked to specified changes in individual behavior—for instance, overcoming inhibitions in dealing with senior clients or providing better coaching for subordinates. By the end of the program, the business-unit head was in advanced negotiations on three new opportunities involving two of the group's business lines. Feedback demonstrated that he was now behaving like a group representative rather than someone defending the narrow interest of his own business unit.

The ability to push training participants to reflect, while also giving them real work experiences to apply new approaches and hone their skills, is a valuable combination in emerging markets. There, the gap between urgent "must do" projects and the availability of capable leaders presents an enormous challenge. In such environments, companies should strive to make every major business project a leadership-development opportunity as well, and to integrate leadership-development components into the projects themselves.

3. Underestimating mind-sets

Becoming a more effective leader often requires changing behavior. But although most companies recognize that this also means adjusting underlying mind-sets, too often these organizations are reluctant to address the root causes of why leaders act the way they do. Doing so can be uncomfortable for participants, program trainers, mentors, and bosses—but if there isn't a significant degree of discomfort, the chances are that the behavior won't change. Just as a coach would view an athlete's muscle pain as a proper response to training, leaders who are stretching themselves should also feel some discomfort as they struggle to reach new levels of leadership performance.

Identifying some of the deepest, "below the surface" thoughts, feelings, assumptions, and beliefs is usually a precondition of behavioral change—one too often shirked in development programs. Promoting the virtues of delegation and empowerment, for example, is fine in theory, but successful adoption is unlikely if the program participants have a clear "controlling" mind-set (*I can't lose my grip on the*

business; I'm personally accountable and only I should make the decisions). It's true that some personality traits (such as extroversion or introversion) are difficult to shift, but people *can* change the way they see the world and their values.

Take the professional-services business that wanted senior leaders to initiate more provocative and meaningful discussions with the firm's senior clients. Once the trainers looked below the surface, they discovered that these leaders, though highly successful in their fields, were instinctively uncomfortable and lacking in confidence when conversations moved beyond their narrow functional expertise. As soon as the leaders realized this, and went deeper to understand why, they were able to commit themselves to concrete steps that helped push them to change.

A major European industrial company, meanwhile, initially met strong resistance after launching an initiative to delegate and decentralize responsibility for capital expenditures and resource allocation to the plant level. Once the issues were put on the table, it became clear that the business-unit leaders were genuinely concerned that the new policy would add to the already severe pressures they faced, that they did not trust their subordinates, and that they resented the idea of relinquishing control. Only when they were convinced that the new approach would actually save time and serve as a great learning opportunity for more junior managers—and when more open-minded colleagues and mentors helped challenge the "heroic" leadership model—did the original barriers start to come down and decentralization start to be implemented.

Another company decided that difficult market conditions required its senior sales managers to get smarter about how they identified, valued, and negotiated potential deals. However, sending them on a routine finance course failed to prompt the necessary changes. The sales managers continued to enter into suboptimal and even uneconomic transactions because they had a deeply held mind-set that the only thing that mattered in their industry was market share, that revenue targets had to be met, and that failing to meet those targets would result in their losing face. This mind-set shifted only when the company set up a "control tower" for reflecting on the most critical deals, when peers who got the new message became involved in the coaching, and when the CEO offered direct feedback to participants (including personal calls to sales managers) applauding the new behavior.

4. Failing to measure results

We frequently find that companies pay lip service to the importance of developing leadership skills but have no evidence to quantify the value of their investment. When businesses fail to track and measure changes in leadership performance over time, they increase the odds that improvement initiatives won't be taken seriously.

Too often, any evaluation of leadership development begins and ends with participant feedback; the danger here is that trainers learn to game the system and deliver a syllabus that is more pleasing than challenging to participants. Yet targets *can* be set and their achievement

monitored. Just as in any business-performance program, once that assessment is complete, leaders can learn from successes and failures over time and make the necessary adjustments.

One approach is to assess the extent of behavioral change, perhaps through a 360 degree–feedback exercise at the beginning of a program and followed by another one after 6 to 12 months. Leaders can also use such tools to demonstrate their own commitment to real change for themselves and the organization. One CEO we know commissioned his own 360 degree–feedback exercise and published the results (good and bad) for all to see on the company intranet, along with a personal commitment to improve.

Another approach is to monitor participants' career development after the training. How many were appointed to more senior roles one to two years after the program? How many senior people in the organization went through leadership training? How many left the company? By analyzing recent promotions at a global bank, for example, senior managers showed that candidates who had been through a leadership-development program were more successful than those who had not.

Finally, try to monitor the business impact, especially when training is tied to breakthrough projects. Metrics might include cost savings and the number of new-store openings for a retail business, for example, or sales of new products if the program focused on the skills to build a new-product strategy. American Express quantifies the success of some of its leadership programs by comparing the average productivity of participants' teams prior to and after a training program, yielding a simple measure of increased productivity. Similarly, a nonprofit we know recently sought to identify the revenue increase attributable to its leadership program by comparing one group that had received training with another that hadn't.

Companies can avoid the most common mistakes in leadership development and increase the odds of success by matching specific leadership skills and traits to the context at hand; embedding leadership development in real work; fearlessly investigating the mind-sets that underpin behavior; and monitoring the impact so as to make improvements over time. ○

[1] Laci Loew and Karen O'Leonard, *Leadership Development Factbook 2012: Benchmarks and Trends in U.S. Leadership Development*, Bersin by Deloitte, July 2012, bersin.com.

[2] See *The State of Human Capital 2012—False Summit: Why the Human Capital Function Still Has Far to Go*, a joint report from The Conference Board and McKinsey, October 2012, mckinsey.com.

[3] Matthew Gitsham et al., *Developing the Global Leader of Tomorrow*, Ashridge Business School, July 2009, ashridge.org.uk.

[4] Pankaj Ghemawat, "Developing global leaders," *McKinsey Quarterly*, June 2012, mckinsey.com.

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