

WHITE PAPER

Driving Performance
How Leadership Development Powers
Sustained Success





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Conclusion Drawn by Independent, In-depth Studies

Organizations that invest in leadership development perform better than those that don't.

Complex times like these, defined by constant uncertainty and great opportunity, magnify this truth even more.

A report by research firm Bersin & Associates states it plainly:

“Leadership development is not just about developing leaders—it is about creating a culture of accountability and performance . . . Leadership development creates a magnet for high performers and fosters a high-performance organization. That is why organizations that are ‘built to last’ have strong histories of leadership development.”

The Conference Board’s groundbreaking report on “The Business Value of Leadership Development” arrived at a strikingly similar view:

“One of the most influential internal engines to drive change is a leadership development program that sets out to nurture management talent that is entrepreneurial, enterprise-wide, and globally recruited.”

Studies show investments in leadership development:

- 1. IMPROVE BOTTOM-LINE FINANCIAL PERFORMANCE**
- 2. ATTRACT AND RETAIN TALENT**
- 3. CREATE ORGANIZATIONAL ALIGNMENT**
- 4. INCREASE ORGANIZATIONAL AGILITY**

1. Improve Bottom-line Financial Performance

HR analytics expert McBassi & Company launched a series of investment portfolios to track correlations between companies' stock prices and their levels of investment in training, including leadership development. Their conclusion in a 2010 report:

“Superior human capital management is an extremely powerful predictor of an organization’s ability to outperform its competition.”

The report reinforced a previous *Harvard Business Review* study by McBassi’s principals. That study found that companies with high scores for their investments in human capital delivered stock market returns that were five times higher than those of companies with less emphasis on human capital.

McBassi reports that:

“Human capital management is fast emerging as an essential core competence (possibly the essential core competence) for organizations.”

Many of CCL’s clients have discovered precisely why.

Investments in leadership development have bolstered the bottom line of global pharmaceutical company Boehringer Ingelheim. A leadership training program conducted in partnership with CCL inspired numerous leaders at the company to reduce costs and drive new lines of revenues. One leader implemented an improvement program that led to a one-year savings of nearly \$2 million. Another led a project team that reduced its costs by 80%. A third leader spearheaded a turnaround initiative that resulted in a \$2 million to \$3 million improvement in performance.

Cape Fear Valley Health, one of the largest hospital systems in North Carolina, teamed with CCL on a multi-year, comprehensive leadership development program to promote cross-functional collaboration and innovation. The impact:

The health system’s bottom line has improved each year since the launch of the program. Patient satisfaction scores are up significantly, while turnover among employees is down.

2. Attract and Retain Talent

As Bersin & Associates states in its 2011 report on “High-Impact Leadership Development”: “Great leaders attract, hire, and inspire great people. A mediocre manager will never attract or retain high-performing employees.” And watching talented people walk out the door causes tremendous headaches and expense for organizations, from advertising, recruitment, and relocation costs to time spent training new employees. “Developing, coaching, and promoting people internally is significantly less expensive than the costs typically required to hire someone externally,” Bersin says. “Some studies indicate that 50% of new hires at the executive level last only six to nine months.”

In tandem with CCL, KONE, a global leader in the elevator and escalator industry, transformed its organizational culture into one powered by strategy, collaboration, and overall excellence. Since embarking on this leadership initiative, its employee engagement has reached world-class levels.

At Boehringer Ingelheim, alumni of the company’s leadership development program indicate greater satisfaction than other colleagues with their opportunities to advance and the overall company environment. “It is clear the program has had a positive impact on our retention of valued employees,” said Sissy McKee, the company’s leadership program director.

Meanwhile, Bersin’s research shows that companies investing strategically in leadership development to deal with gaps in their talent pipelines generate:

60% improved growth

66% stronger bench strength

62% improvement in employee retention



“It is clear the program has had a positive impact on our retention of valued employees.”

—Sissy McKee, Boehringer Ingelheim,
Leadership Program Director

3. Create Organizational Alignment

The Conference Board’s study on “The Business Value of Leadership Development” reviewed best practices at some of the world’s best-known and most influential organizations, including Bayer, BP, Colgate-Palmolive, and Astra Zeneca. Its conclusion:

“Leadership development has enormous power in both shaping and changing the culture and strategy of business. It gives senior management powerful leverage to align executive behavior with business values and objectives in the quest for superior financial performance in global markets.”

In uncertain times, organizations can no longer afford development for development’s sake. They need a leadership strategy that closely connects with the business strategy—and equips employees with the leadership skills needed to implement it.

Leading financial services provider Barclaycard found itself facing regulatory changes and competitive pressures in a volatile global economy. The company had previously offered leadership development programs that were segmented within business units. In a changing business climate, it saw the need for a better coordinated, more comprehensive approach to leadership development.



“We needed a leadership strategy that was connected to the larger vision and business strategy,” said James Prior, Barclaycard’s head of leadership.

“We needed leaders across the business to have a full and shared perspective on our direction and our challenges. At the same time, we had to strengthen key leadership capabilities so our people could implement the strategy, cope in uncertain times, and flex to meet changing conditions and needs.”

The company partnered with CCL on Barclaycard Academy and moved toward a consistent leadership model that bolstered overall strategy and execution.

4. Increase Organizational Agility

When facing an unpredictable business environment, 86% of companies with strategic leadership development programs are able to respond rapidly, compared to just 52% of companies with less mature leadership programs, according to Bersin & Associates. A key reason why: Sophisticated leadership development programs develop a deeper, richer pipeline of talent. Historically, organizations made leadership development available only to senior executives and high potentials. Today, that trend is rapidly changing as organizations seek greater agility by unlocking the full potential of their talent pools.

CCL teamed with global insurance leader Aviva to create a more agile organization. The 300-year-old company wanted to move away from a system that had provided leadership development for just a small percentage of employees. “What is the cost to the organization of implying that the majority of the workforce is not considered talent?”

“Organizations over-invest in a few individuals, rather than investing in the organization as a whole,” said Arvinder Dhesi, the firm’s former talent management director who is now a director at HR consulting firm Towers Watson. Aviva began placing bets on a bigger portion of its employees, allowing a larger group of leaders to emerge and forging a more nimble organization. Several years later, even amid a global recession, it remains one of the world’s largest insurance companies.

Summary: Driving Performance

Independent studies confirm that leadership development is one of the most pressing issues facing organizations globally today—and represents a great chance for them to seize competitive advantage in their industries. As the report “High-Impact Leadership Development for the 21st Century” states, “Most senior executives understand that the future success of organizations lies in the bench strength of its leaders and in the developmental opportunities that are afforded to them. Building leader talent and bench strength are clearly a new corporate imperative.” The sooner organizations fully embrace this reality, the sooner they will reap the rewards.



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The Center for Creative Leadership (CCL®) is a top-ranked, global provider of leadership development. By leveraging the power of leadership to drive results that matter most to clients, CCL transforms individual leaders, teams, organizations and society. Our array of cutting-edge solutions is steeped in extensive research and experience gained from working with hundreds of thousands of leaders at all levels. Ranked among the world's Top 5 providers of executive education by the *Financial Times* and in the Top 10 by *Bloomberg BusinessWeek*, CCL has offices in Greensboro, NC; Colorado Springs, CO; San Diego, CA; Brussels, Belgium; Moscow, Russia; Addis Ababa, Ethiopia; Johannesburg, South Africa; Singapore; Gurgaon, India; and Shanghai, China.

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