34% of executives say a lack of adequate leadership is among the major impediments to achieving workforce goals.

42% of executives say their companies’ growth plans are slowed by lack of access to the right leadership.

The Leadership Cliff

Strong leadership is essential to business performance, and all the more so when companies must navigate the complexities of globalization, increased diversity, and the changing nature of work. Yet employees and executives agree that corporate leaders are not up to the tasks at hand.

Our global study of more than 5,500 executives and employees across 27 countries shows that leadership is falling short in many ways. Worse, enterprises are doing a poor job developing leadership talent and also are giving short shrift to succession planning, so these issues are unlikely to be resolved anytime soon.

More than one-third of the executives we surveyed say that a lack of adequate leadership impedes efforts to build the workforce needed to meet their objectives. Yet only half of these executives say their companies have well-defined processes and tools for developing talent, and even fewer (44%) say they plan for career advancement in a given role when hiring. Just 38% seek out candidates with the “soft” skills leaders need, such as empathy and decision-making capabilities. (Worth noting: over half of the executives surveyed are in the HR function.)

Building strong leadership requires a focused effort that combines talent development, accountability, and an emphasis on fostering employee loyalty. It also demands consistency and self-awareness. “Solid leadership skills and capabilities need to be trained like a muscle,” says Franziska Stadelmann, head of people and organizational development at Switzerland’s Bank Vontobel. “Leaders need to constantly review and reflect on their own leadership work, be self-critical, and learn from feedback.”

The leadership vacuum

Leaders are underachieving by many measures, and two-thirds of executives believe these shortcomings are negatively affecting business performance. Barely half of executives say their companies possess the skills to effectively manage talent, and only 44% have faith that their leaders are capable of driving and effectively managing change. Ominously, just over one-third say their firms are prepared to lead a diverse workforce and have the ability to drive global growth.

Employees share these negative perceptions, with just 44% saying their leaders can guide their companies to success. Barely half say their managers provide strong leadership, and fewer see them mastering such staples of the modern workplace as supporting a healthy work environment and being flexible about time off or working location.

“Leadership skills need to be trained like a muscle. Leaders need to constantly review and reflect on their own leadership work and learn from feedback.”

Franziska Stadelmann, head of people and organizational development, Bank Vontobel
The leadership gap reaches across geographies and industries. In each region of the globe, as well as in the different sectors surveyed (financial services, retail, healthcare, professional services, and consumer goods), about one-third of executives feel the leadership gap is preventing them from establishing the workforces they need. In Japan, for instance, long-standing traditions may hinder efforts to cultivate the leadership needed for an increasingly global economy. “What Japan ought to do is to step up her game and adopt global standards and policies rather than keeping her insular mindset,” says Jun Kabigting, managing director of Tokyo-based human resources consultancy HR Central.

Meanwhile, in the aerospace industry, companies are still trying to bridge a leadership gap caused by the widespread gutting of middle management in the 1990s. “Because the middle is quite thin, we’re putting our talented, younger people through intensive training so that they can fill more senior roles,” says Jo-Ann Ball, vice president of human resources for Canada’s Magellan Aerospace. “This saves us from having to recruit experienced people and allows us to plan for five or six or seven years out.”

Jo-Ann Ball, vice president of human resources, Magellan Aerospace

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**How well does your manager deliver on the following expectations?**

“*Well*” and “*Very well*” responses

<table>
<thead>
<tr>
<th>Expectation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>53%</td>
</tr>
<tr>
<td>Regular performance reviews</td>
<td>49%</td>
</tr>
<tr>
<td>Flexibility on time off</td>
<td>44%</td>
</tr>
<tr>
<td>Regular informal feedback on my performance</td>
<td>43%</td>
</tr>
<tr>
<td>Flexibility on working location</td>
<td>43%</td>
</tr>
<tr>
<td>Acknowledging superior performance</td>
<td>42%</td>
</tr>
<tr>
<td>Mentoring</td>
<td>41%</td>
</tr>
<tr>
<td>Supporting a healthy working environment</td>
<td>39%</td>
</tr>
<tr>
<td>Availability/approachability</td>
<td>38%</td>
</tr>
<tr>
<td>Sponsoring me for training &amp; development programs</td>
<td>35%</td>
</tr>
<tr>
<td>Well-defined career path</td>
<td>30%</td>
</tr>
</tbody>
</table>
Where will new leaders come from?

Examples like Magellan are far from the norm, however. Many companies are feeding the leadership gap by not focusing enough on cultivation of leadership talent, a dangerous mistake in a fast-changing world that calls for diverse, well-rounded, motivational leaders.

Just half of executives say their companies have well-defined processes and tools for developing talent, a powerful indicator of how uninspired many approaches to this critical topic have been. About the same number believe their companies are committed to recruiting a diverse leadership team and that their leaders possess the skills to inspire and empower employees. The result of this lack of preparation: a solid 42% of executives believe their companies’ growth plans are slowed by the lack of access to the right leadership.

Employees take an even dimmer view of leadership development efforts. Fewer than one-third say their managers are doing a good job of providing them with a well-defined career path, and only slightly more say their managers do enough to sponsor them for training and development programs. A mere 40% say their employers make it easy for them to collaborate, and even fewer agree that the companies they work for are committed to diversity.

Some companies are working hard to fill the gaps. Aadesh Goyal, global head of human resources for India’s Tata Communications, says the telecommunications giant has made a point of supporting its leadership trainees to ensure it does not fall behind. “In developing future leaders, we’re seeking to make them multi-faceted, multi-functional and multi-country,” says Mr. Goyal. “We give them the cross-functional training and experience, so they are prepared for the roles that come up in the future. And as we know more about our future needs, this information will go into shaping what they do and how we train them.”

What employee attributes do you think are most important to your employer?
Select top three.

- The ability to learn and be trained quickly: 33%
- Loyalty and long-term commitment to the company: 31%
- Job performance and results: 31%
- High level of education and/or institutional training: 31%
- Substantial experience in the field: 28%
- Diverse backgrounds: 23%
- Interest in the wider business and its goals: 22%
- Self-directed learning: 22%
- Willingness to let others lead: 21%
- Leadership ability: 19%
- Ability to deal with ambiguity: 14%
- Problem-solving skills: 11%
- Creativity: 9%
- Willingness to take reasonable risks: 5%
Yet most employees do not see a path into leadership ranks. Only one in five says that management values leadership ability in employees. Specific leadership qualities also are undervalued: just one in nine employees (11%) feel that managers consider problem-solving skills to be important, while an anemic 5% believe that management values the willingness to take reasonable risks. Loyalty is another area of concern, with less than one-third of workers saying their employers consider loyalty or long-term commitment to be an important attribute. This is ironic since 35% of executives say a lack of employee longevity and loyalty is impeding efforts to establish a workforce that can meet future business objectives—ranking it above all other obstacles.

Executives, meanwhile, continue to drag their feet in addressing the future. Nearly two-thirds say they do not plan for succession and continuity in key roles. The inability of most companies to obtain actionable data about the business also hurts. Well over one-third of executives say that getting insights into leadership turnover and cost would help them in achieving business objectives, and nearly as many (35%) say that such insight into the strength of leadership pipeline would help, too.

Succession planning

Executives say …

- They tend to fill senior roles from within the organization: 43%
- Long-term loyalty and retention is an important part of talent strategy: 41%
- They plan for succession and continuity in key roles: 37%

Latin America vs. Asia Pacific: A study in contrasts

Approaches to developing leaders vary among companies, industries, and regions, but our research shows a particularly striking contrast between Latin America and Asia Pacific. Put simply, Latin American companies are much more focused on training and developing future leaders. For instance, Latin American executives are nearly twice as likely as their Asia Pacific counterparts (70% vs. 36%) to consider workforce development a key differentiator. They are also far more likely (57%) than Asia Pacific executives (33%) to say that their companies plan for expected career development and time in a given role.

Employer feedback in each region also reflects this philosophical chasm. Latin American workers are the most likely of any region to say their managers deliver regular performance reviews (56%), provide regular informal feedback (61%), or sponsor them for training and development programs (50%). Asia Pacific employees, meanwhile, are least likely to say any of these things: just 39% say they get regular performance reviews, 38% say they get regular informal feedback, and only 23% claim they get sponsored for training and development programs.

Despite their more aggressive efforts—and a potential explanation for them—Latin America executives are much more likely (53%) than their Asia Pacific peers (43%) to say that problems with skills and talent are affecting business performance. And Latin American employees are far more likely than their Asia Pacific counterparts to be frustrated with manager quality (21% vs. 4%) or leave their job due to a lack of learning and development opportunities (28% vs. 2%), indicating that workers in Latin American have been conditioned to expect much more training and development than those in Asia Pacific.
CASE STUDY: Arla Foods finds global leadership talent elusive

Leadership challenges come in many forms, and Denmark’s Arla Foods faces one of the most common today: globalization. As the Swedish-Danish dairy cooperative has steadily expanded its presence around the planet, the need for leadership with the ability to span cultures is outstripping its ability to acquire it.

Lori Sawyer Jenson, head of HR functional excellence and transformation, says the company needs leaders who are from the places Arla does business, or who have worked in enough international locations that they can adapt to different markets, languages, and customs. “That’s the profile we’re struggling a bit to find,” says Jenson. “It’s less about, say, a finance role or a production role and more about where we can find these global citizens.”

Arla has a couple of initiatives aimed at addressing this problem. Its Future 15 and Supply Chain Graduate programs bring in candidates from leading international business schools around the world, and expose them to the business with an eye toward future employment. Says Ms. Jenson, “We see this as essential to developing the talent that can lead the business forward in an increasingly global environment.”

Workforce 2020: The Leadership Cliff

While many mature enterprises struggle with leadership succession, some younger rivals are realizing its critical nature as a potential differentiator. Accuracy, a French financial consultancy founded in 2004 by former Arthur Andersen employees, sees succession planning as a growing competitive priority. “It’s an important area for us to address,” says Erik van Duijvenvoorde, a partner who joined the firm in 2010. “We need to get partners in place who feel that they really do own this business, and we’ll need them to take it forward with the same dynamism of the founders. That is a big challenge.”

Conclusion

Never before has the need for enterprise leadership been greater. The increasingly global business landscape and changing nature of work are placing additional pressures on companies to develop leaders who can bring a host of skills to the table. Yet our research shows clearly that leadership is not what it should be, and that efforts to identify and develop future leaders are far from adequate.

It is imperative that companies devote the required resources to address the leadership gaps that threaten to derail their business plans. By developing the talent and skills they need, companies can position themselves to thrive around the 2020 workforce.

Erik van Duijvenvoorde, partner, Accuracy

To learn more details about this study, please visit us at www.successfactors.com/workforce2020