

Driving Performance:
Why **Leadership**
Development Matters
in **Difficult** Times



www.ccl.org

Numerous in-depth studies have reached the same conclusion: Organizations that invest in leadership development perform better than those that don't.

Challenging times magnify that truth even more.

A recent report on leadership training by the independent research firm Bersin & Associates put it this way: "The message is clear - leadership development matters. It is hard to find a company which has survived many economic cycles that does not have a [sophisticated] leadership development strategy in place. While it may take many years to develop and refine, the results clearly pay off."

Investments made during challenging times can yield the greatest returns, said Steven Meredith, global knowledge director at the consulting firm Talent Intelligence: "Our research and insights, from advising Global Fortune 500-level companies, indicates **it is more important than ever for organizations to invest in their leadership during recessionary periods so that the business not only survives but emerges stronger than the competition.**"

A follow-up report by Bersin in October 2008 reinforced this point. During an economic downturn, the report said, "not all training drives the same level of strategic value. What companies need most vigorously today is ... talent-driven learning programs," particularly leadership development.

“Today, the management team is better at handling difficult questions about people and their development. They’ve increased their productivity goals and created a more open environment.”

Mary Beth Farrell - EVP, Service Delivery - AXA Equitable
On CCL's organizational impact at AXA



Studies show investments in leadership development:

- 1 Improve bottom-line financial performance
- 2 Attract and retain talent
- 3 Drive a performance culture
- 4 Increase organizational agility

1 Improve financial performance

A 2007 study in *Harvard Business Review* by Laurie Bassie and Daniel McMurrer showed a strong link between leadership skills and the bottom line. The study examined the stock prices of 11 publicly-traded financial services firms. **Companies with high scores for their investments in human capital delivered stock market returns that were five times higher than that of companies with less emphasis on human capital.**

Bassie and McMurrer also cited a separate study of 750 large, public firms. The bottom line: organizations with the best human capital practices provide returns to shareholders that are three times greater than those of companies with weak human capital practices.

Leadership development made a tremendous impact on the bottom line of the U.S. Postal Service, which engaged CCL over several years to ramp up its leadership effectiveness. The results: \$8.8 billion in cumulative cost savings. The elimination of debt. Record productivity. Record customer-satisfaction ratings.

2 Attract and retain the best talent

Bersin & Associates found that companies with strategic approaches to leadership development are:

84% more effective at increasing the quality of their leadership pipeline

73% more effective at improving overall employee retention

67% more effective at increasing the engagement, retention and teamwork of leaders

Research by Bersin & Associates shows that providing leadership development for internal staff is more effective than hiring externally. Why? Internal candidates already know the organization and how to navigate it. It is also often difficult and expensive to recruit outside leaders to fill key positions.

Financial powerhouse AXA Equitable saw strong leadership - the kind that wins the hearts and minds of employees - as the key to breakthrough performance. With CCL as its partner, it launched an ambitious initiative to help several hundred company executives lead through change. Several years later, AXA executives have raised productivity goals, improved communication with employees and strengthened their leadership pipeline, positioning AXA for sustained success in a rapidly changing industry.

3 Drive a performance culture

As Bersin & Associates states: "It is important to remember that leadership development is not just about developing leaders - it is about creating a culture of performance. There is a relationship between good management and employee commitment. Great leaders attract, hire and inspire great people. A mediocre manager will never attract or retain high-performing employees. **Leadership development creates a magnet for high-performers and fosters a high-performance organization.** This is why the organizations that are 'built to last' have strong histories of leadership development."

Law firms have long operated on the belief that being a good lawyer simply involves subject matter expertise and giving good advice. Leadership is often a neglected part of the equation - and firms can lose direction and, even more significantly, their top talent as a result. Baker & McKenzie, the world's largest law firm, wanted to break that pattern. It partnered with CCL to build a strong leadership culture and to bolster efforts to recruit and retain associates. The program has become so popular there's now a waiting list to take part - and Baker is developing the pool of effective leaders needed to secure a competitive edge.

4 Increase organizational agility

When facing changes in the business environment, 86 percent of companies with strategic leadership development programs are able to respond rapidly, compared with just 52 percent of companies with less mature leadership programs, according to Bersin & Associates.



John Butler - EVP of Administration & Chief Human Resources Officer, Textron

Companies also reap greater flexibility from their investments in training. "During a downturn, your company may be likely to ask people to change jobs, take lower pay or, perhaps, change their entire careers. **Talent-learning programs facilitate such workforce flexibility.** Even more importantly, given today's aging workforce, these are the programs that rebuild your company's leadership pipeline," Bersin says.

A strong emphasis on leadership development played a key role in Textron's transformation from a sprawling, decentralized corporation into a highly focused enterprise. The Fortune 500 company, whose brands include Cessna Aircraft and E-Z-GO golf carts, credits CCL for its enhanced ability to tackle change. Five years ago, the company promoted only 6 percent of its top 175 executives from within its businesses. Today, that rate runs at 74 percent. When Bell Helicopter, of the company's nine businesses, won a big contract and needed more support, Textron moved executives among its own businesses with ease - creating a more nimble and productive company.

“Bell [Helicopter] had to have the resources. We saw the call to action and quickly moved talent into Bell from the other organizations...We would not have had those experiences five years ago.”

John Butler - EVP of Administration & Chief Human Resources Officer
Textron
On CCL's impact in organizational agility



One Leadership Place

PO Box 26300 Greensboro, NC 27438-6300

p: +1 336 545 2810 • f: +1 336 282 3284

e-mail: info@ccl.org

© 2008 Center for Creative Leadership. All rights reserved.