



KORN FERRY

Succession Matters

Impactful leadership development and accelerated readiness.

Part three of the Succession Matters series.

About the study.

A global survey was commissioned by Korn Ferry and conducted by Hanover Research during August and September 2014. The survey covered 54 countries globally and companies ranging in size from 500 to 50,000+ employees.

It generated more than 1,000 responses from business leaders at the following levels:

- C-suite (41%)
- VP/SVP/EVP (42%)
- Director (11%)
- Other (6%)

Introduction.

For development to be truly effective, leaders must be ready and fully equipped to shape, activate, and drive the strategy, culture, and mission of their organization.

Yet, according to the findings of our global study, there simply aren't enough individuals who are "ready now" to step into senior leadership roles.

So why the disconnect? Our key findings reveal that:

- **Development is not as effective as it should be.**
Less than one-third of business leaders (32%) felt that their organization is successfully developing and cultivating "ready now" leaders.
- **There is a lack of "ready now" candidates.**
Half of respondents said that their organization does not have a solid pipeline of leadership candidates with the necessary critical business experiences.
- **Organizations are overly dependent on external hires.**
Nearly one in two organizations rely on external hires, with 43% of C-suite positions filled from the outside.

Ensuring that leaders have the required experiences that will enable them to succeed is fundamental to the development process, so that they can effectively manage the very real challenges that their business will face.

Having looked at effective succession management planning and the accurate identification of talent in our first two reports, we now look at what organizations need to do to close the readiness gaps through targeted development.



RJ Heckman

Vice Chairman,
Leadership and Talent Consulting

May 2015

Development does not equal readiness.

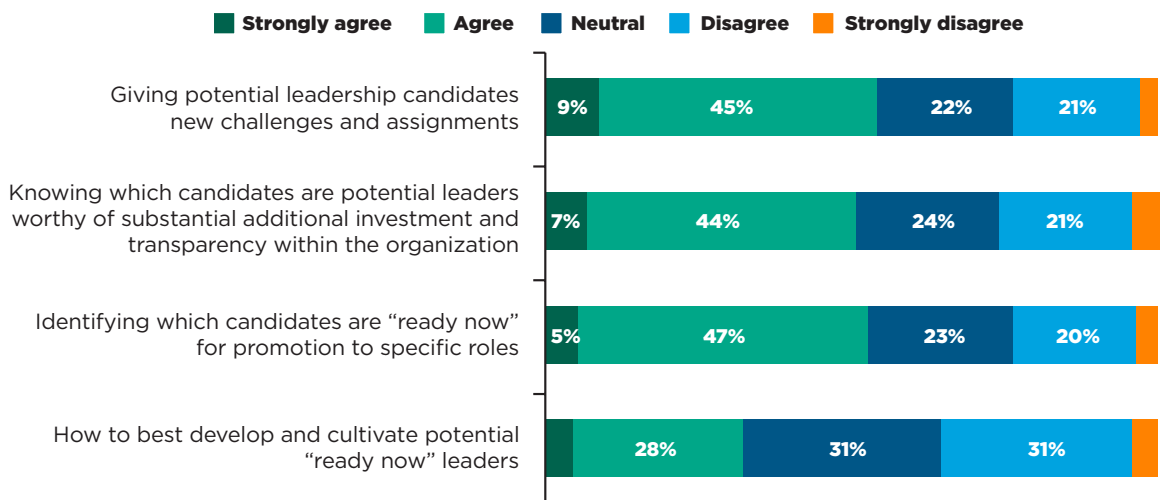
Why is there such a shortage of strong leadership talent within organizational ranks?

It’s not enough to develop generic leaders and expect them to take on the specific challenges of a strategic direction—development needs to be inextricably linked to business goals and strategy.

“Leaders need to be developed within the context of the business strategy, so that they can address real challenges and opportunities,” says **Jim Peters**, Senior Partner and Global Lead for Succession Management at Korn Ferry. “Organizations are not planning for this effectively—they are not starting succession deep enough down in the leadership pipeline. This is hugely detrimental.”

Fewer than one in three respondents said they have confidence in their company’s system of talent management practices when it comes to developing and cultivating potential “ready now” leaders.

Please indicate how strongly you agree or disagree with the following: “I have confidence in my company’s system of talent management practices when it comes to...”



Leadership development experiences need to be...

DIVERSE

INTENSE

VARIED

ADVERSE

No substitute for experience.

Only 54% of respondents felt that their organization was providing potential leadership candidates new challenges and assignments. However, these very vital experiences of developing successful leaders must be intentional and gained over time.

As **David Wagner**, Senior Partner at Korn Ferry, puts it, “Each organization needs to define which experiences are critical for success in a role/level, and senior leadership often needs to create those development experiences and opportunities for their leaders—these need to be Diverse, Intense, Varied, and Adverse (DIVA). Examples include dealing with turnaround and start-up situations and crosscultural and international experience.”

Oftentimes, leaders spend a good part of their careers participating in standard development programs that aren’t customized to their specific needs, which significantly hinders the fulfillment of their true potential being reached.

“This is preventable and with careful planning much earlier on in a person’s career, organizations can ensure that leaders gain the experiences that truly matter for future success at advanced levels,” stresses **Stu Crandell**, Senior Vice President of Global Offerings at Korn Ferry and the Korn Ferry Institute.

Before development decisions can be made, it’s important to accurately identify and differentiate your talent so that effective development plans can be created and implemented. This requires a culture that values the ability of all employees to grow.

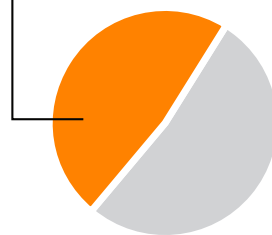
Building a strong talent pipeline.

“A development program can be world-class, but if your leaders lack the right competencies, experiences, traits, and drivers, you will not produce the leaders you need,” states **Noah Rabinowitz**, Senior Partner at Korn Ferry.

Which of the following best describes your current mix of inside promotions versus outside hires in order to fill leadership positions at your company?

ALMOST
50%

of C-suite talent is found externally—higher than for all other leadership levels.



Organizations that don’t start development early enough can find themselves without the talent they need when the time comes and then are forced to look outside for talent. Almost 50% said their organization is more likely to hire externally, with the C-suite level most dependent on external hires.

“There’s no one right answer and the mix of how much you want to ‘build’ talent from within or ‘buy’ talent from the outside depends on your business strategy,” underlines Crandell. “For example, if you’re in a startup or turnaround situation, you’re probably going to need to bring more talent in from the outside. A good rule of thumb is that you want two-thirds ‘build’ versus one-third ‘buy,’ yet what we often see is the reverse.”

Closing the readiness gap.

Organizations that invest heavily in development also find that they still aren't able to promote from within—assessing readiness is often a missing piece of the process.

“Not having the right leaders in place tells you that proper planning has not been implemented. If you don't have accurate high-potential identification and strategic leadership development programs starting deep in the pipeline, your leaders won't be ready when you need them,” affirms **Lisa Niesen**, Senior Product Manager at Korn Ferry.

How can an organization determine readiness? After a period of development, you can assess leaders to see how they will perform against the challenges of a more advanced role. Typically, these assessments are live simulations, which create the unique pressurized environment and decision-making scenarios that the leader will face on the job.

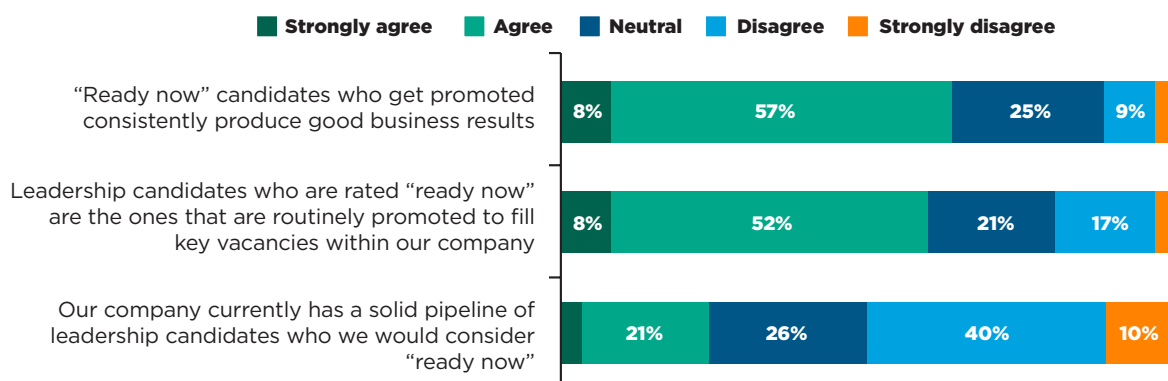
“Simulated assessments clearly show a leader's current state of readiness and provide a real taste of what a role will demand of him or her,” explains Crandell. “When you know the development gaps that still need to be filled, you can target development, often through coaching, to specifically close those gaps within a set timeframe.”

Close the gap between potential and ready-to-promote.

Korn Ferry's Assessment of Leadership Readiness provides a rich, personalized development experience, culminating in targeted development plans for each leader. This simulation-based approach exposes individuals to the business scenarios that have the greatest impact on an organization's performance.

By accurately measuring what it takes to succeed and providing powerful feedback on how to develop, organizations are fully equipped to make the right succession decisions.

Please indicate how strongly you agree or disagree with the following statements.



The motivation to succeed.

No amount of job experience can fully prepare emerging and existing CEOs, C-suite, and senior executives for the highest levels of leadership, even with the motivation to advance into these mission-critical roles. Leading effectively at this level requires a step-change across all aspects of leadership.

Korn Ferry's **Chief Executive Institute and Executive to Leader Institute**[®] programs are designed to provide transformative development experiences that enable C-suite and senior executives to achieve superior levels of high impact and sustainable performance.

Both programs focus on three key areas of leadership expertise:

- **Personal leadership**
- **Interpersonal leadership**
- **Enterprise leadership**

One area that's often overlooked is a leader's motivation to develop. Wrongful assumptions can be made about the individual's desire to progress into a senior executive role. "It can be too risky for an executive to openly admit they don't want to reach the top," says **Dave Heine**, Executive Vice President, Board and CEO Services at Korn Ferry. "Yet they continue to demonstrate all the right leadership qualities the organization is looking for in their senior leaders."

Of the 79 external and internal CEO candidates interviewed by Korn Ferry between 2010 and 2014, around two-thirds (69%) said they wanted to become CEO. "Today's CEO role carries with it significant uncertainty, pressure, and relatively high risk," continues Heine. "So it's not surprising that almost a third of these leaders destined for the very top are either ambivalent or flat out don't want the role."

Unless succession management takes a whole-person approach, as specified in **The Korn Ferry Four Dimensions of Leadership and Talent** and **The Korn Ferry Assessment of Leadership Potential**, organizations run the risk of investing in people who don't have the desire or motivation to advance into those mission-critical roles.

The individual's ability to fit into the company culture is a big part of this. "This is one of the most critical factors that impacts leadership success and why the majority of promotions fail," says **Chuck Feltz**, Senior Partner and President of Global Products Group at Korn Ferry.

The shifting tide of development.

Today, organizations need adaptable, relevant development solutions that are anchored in the strategy, mission, culture, and purpose of the organization.

They need to take a whole-person approach and see development through the dual lens of both the leader and the organization's needs. Equal weight needs to be put on personal, team, and organizational development, prompting progress and momentum at every level.

"In addition, future leaders need immersion experiences in diverse contexts with people very different from them," says **Andrés Tapia**, Global Solutions Leader, Workforce Performance, Inclusion and Diversity at Korn Ferry. "Talent demographics and markets are shifting so dramatically that those who have not had first-hand experiences with diversity will be at a major disadvantage."

The markers of successful development:

- **Sound, reliable data**—your decisions will only be as strong as your data.
- **Design in context**—make development relevant to business strategy, culture, and mission.
- **Develop the whole person**—build leadership characteristics linked to cultural fit and develop context-based competencies.
- **Development as a journey**—treat development as an ongoing learning experience that matches strategic goals.
- **Leadership as a service**—contributing to the greater good enables people to experience the power and impact of true leadership.
- **Common language**—everyone should know that talent is owned by the business. A common language encourages effective decision-making and talent sharing across the organization.
- **Cross-functional development**—both individuals and the organization benefit when talent is accessible and developed across the enterprise.
- **Assess for readiness**—use coaching to deepen learning, close development gaps, and strengthen accountability.

Conclusion.

“Developing leaders is a strategic priority for any changing organization. It’s hard work and needs to be comprehensive. To do this, leader development should put context at the heart of the solution, develop the whole person, treat it as a journey, and provide leaders the opportunity to serve others.”

Noah Rabinowitz

For individuals to be truly ready, they must be able to drive strategy, culture, purpose, and mission.

The development that leaders undergo, whether in the form of individual coaching or simulated assessments, needs to be inextricably tied to business strategy and within the context of the real challenges that they will face at the next level.

As Rabinowitz explains, “Effective development is a journey and leadership readiness shouldn’t be assumed—both require the right level of intensity and focus to be fully realized. Development programs need to be aligned to the business context for development to be applicable on the job and have any tangible impact for the individual and organization.”

High-potential leaders of the future need to be caught early, so that they have time to receive the type of tailored and targeted development they need. Leaders need to acquire all-important skills to prepare them for career-defining challenges that lie ahead.

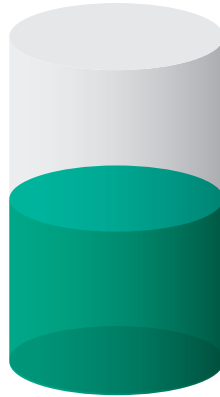
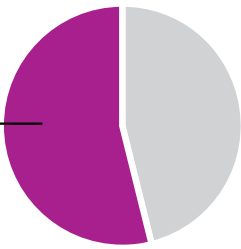
Without the necessary business experiences to address the readiness gaps, these talented individuals will struggle to reach their full potential and are at risk of derailment.

And organizations will be confronted with counting the cost of these failed promotions.

Succession Matters

ONLY **54%**

are confident their company will give potential leadership candidates new challenges and assignments.



1 in 2

organizations do not have a solid pipeline of "ready now" candidates.



Less than 1/3 of business leaders felt that their organization was doing a good enough job of developing and cultivating "ready now" leaders.

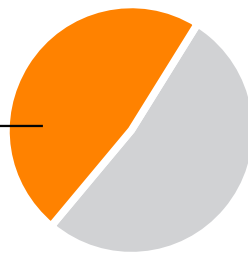
32%

Nearly 1/3 of leaders on the path to becoming a CEO do not want the top job.



ALMOST **50%**

of C-suite talent is found externally—higher than for all other leadership levels.



Leadership development experiences need to be...

DIVERSE

INTENSE

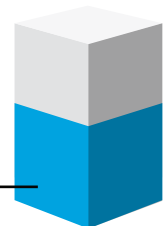
VARIED

ADVERSE

“Leaders need to be developed within the context of the business strategy, so that they can address real challenges and opportunities.”

Jim Peters, Senior Partner and Global Lead for Succession Management at Korn Ferry

ONLY **52%**



are confident that they have identified "ready now" candidates for promotion into specific roles.

About Korn Ferry

At Korn Ferry, we design, build, attract, and ignite talent. Since our inception, clients have trusted us to help recruit world-class leadership. Today, we are a single source for leadership and talent consulting services to empower businesses and leaders to reach their goals. Our solutions range from executive recruitment and leadership development programs, to enterprise learning, succession planning and recruitment process outsourcing (RPO).

About The Korn Ferry Institute

The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books and a quarterly magazine, Briefings, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth and success.

If you'd like to find out more, please visit Korn Ferry at www.kornferry.com or www.kornferryinstitute.com for articles, research and insights.

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