

EXECUTIVE SUMMARY

Leadership Development Factbook: Executive Summary

A Surge in Leadership Development Spending

With the economy improving and corporate restructuring behind them, executives are looking to the future. Most large organizations have their sights set on global expansion, highlighting the need for new leadership skills in global acumen, agility and innovative thinking. But with a worldwide shortage of leadership talent, executives are not relying on the external job market to solve their talent challenges; instead, they are rethinking their strategies for developing leaders in-house.

The result is a new approach to leadership development reaching far beyond the traditional boundaries. Companies are investing more resources in developing leaders than they have in years with a 14-percent surge in spending.

In 2012, U.S. companies increased their spending on leadership development by 14 percent.

These funds are invested in creating more comprehensive solutions, hiring additional leadership development staff, and acquiring tools for identifying and developing future talent. Based on this uptick in spending, we estimate that U.S. companies will spend \$13.6 billion on leadership development in 2012.

The following are key findings from this research, which are explored in more detail throughout our report¹.

Mature Companies Invest More – Not surprisingly, companies with mature leadership development programs invest much more than their less mature peers. In fact, companies at the highest level of maturity, with strategic leadership development initiatives, spend an average of 30 percent to 60 percent more per participant than the least mature companies. These investments pay off in stronger leadership capabilities – resulting in better business results, and improvements in employee retention, engagement and productivity.²

Greater Investment in All Leader Levels – While companies have traditionally invested heavily in senior leaders, organizations are now committed to developing leaders on every rung of the corporate ladder. Today, senior leaders consume 22 percent of the leadership development budget – a lower proportion than in prior years, as more money is being directed down the leadership chain.

Senior-level leaders still command the highest per-person investment at just more than \$6,000 – but this is not the only group receiving funding. (See Figure 1.) Companies are also investing in first- and midlevel leaders, with spending averaging roughly \$1,700 to \$2,700 per participant, respectively. Another big area for investment is high potentials³, as discussed next.

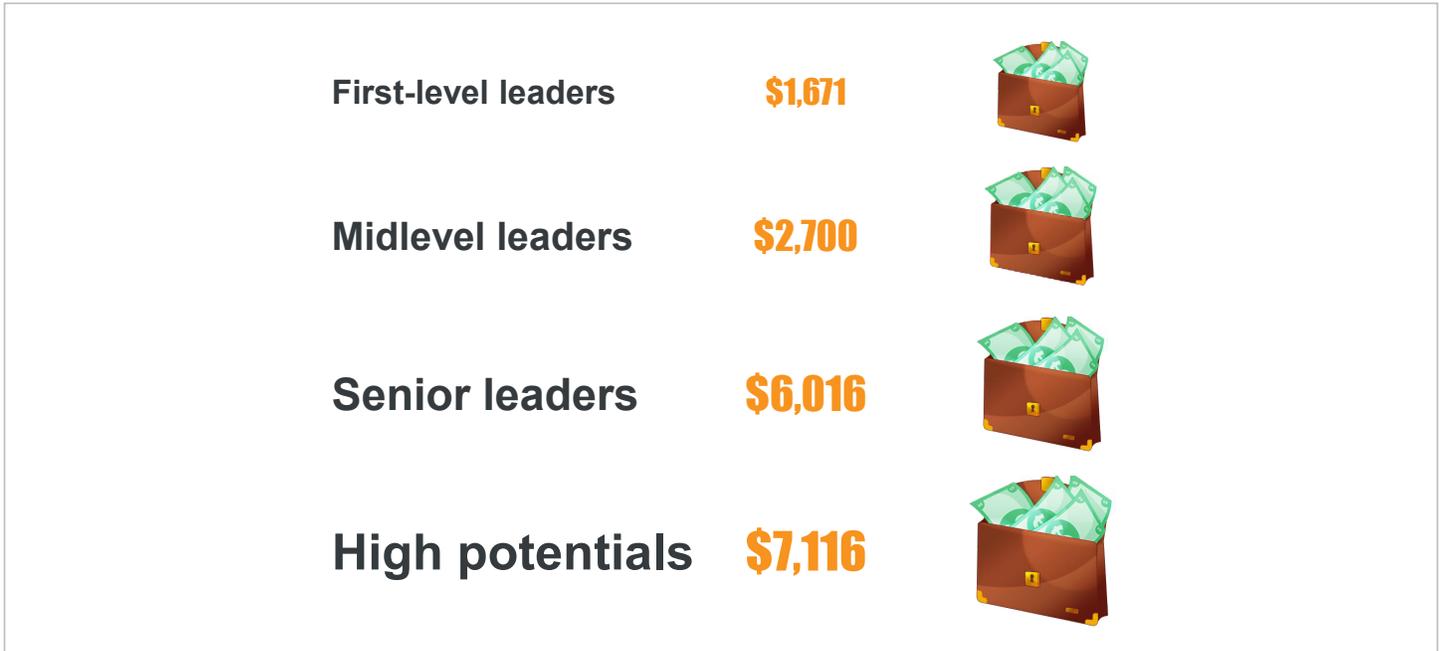
Disproportionate Spend on High Potentials – High-potential leaders are the centerpiece of many organizations' talent initiatives. They are critical to ensuring that businesses meet their goals now and for years to come. More executives (like those at Dow Chemical and PNC Financial) are realizing just how important this group is to corporate competitiveness. These organizations are investing heavily, spending approximately \$7,100 per high-potential leader on development initiatives.

¹ For more information, *Leadership Development Factbook 2012: Benchmarks and Trends in U.S. Leadership Development*, Bersin & Associates / Karen O'Leonard and Laci Loew, July, 2012. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/ldfactbook.

² For more information, *High-Impact Leadership Development*, Bersin & Associates / Laci Loew and Stacia Sherman Garr, October 2011. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/hild.

³ A "high-potential employee" is an employee who has been identified as having the potential, ability and aspiration for successive leadership positions within the company. Often, these employees are provided with focused development as part of a succession plan and are referred to as "HiPos."

Figure 1: Leadership Development Spending per Participant – U.S. Total 2012



Source: Bersin & Associates, 2012.

Moving toward 70-20-10⁴ – The most sophisticated companies follow a 70-20-10 development model for all leader levels. Although most U.S. companies are far from achieving this blend of delivery, more are moving toward this model. We see an increasing commitment from companies (like Merck and Marriott) to replace low-value, event-driven programs with a few iconic solutions that integrate personal development with the business.

The Important Role of Assessments – Assessments are an important component of leadership development. The most mature companies leverage assessments extensively to identify talent for leadership roles. Assessments can also provide leaders with feedback on their strengths and skills gaps – which can then serve as fodder for creating targeted development opportunities. The most successful senior leaders are those who know themselves very well, play to their strengths and create high-performing teams capable of compensating for their weaknesses.

Advancing Your Leadership Development Initiatives

Most senior executives understand that an organization’s future success lies in the bench strength⁵ of its leaders.

This benchmarking study is just one resource of many to help you evaluate and improve your leadership development initiatives. Other resources include our Leadership Development Framework, Maturity Model, tools and our *High-impact Leadership Development* research highlighting best practices in developing leaders at all levels. These resources are designed to help organizations build their leadership capabilities to succeed in today’s global marketplace.



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⁴ In a “70-20-10 model,” 70 percent of learning about a job is through practice and on-the-job experiences; 20 percent is through other people by exposure to coaching, feedback, networks and expertise; and, 10 percent is through formal education-based learning interventions.

⁵ “Bench strength” refers to the capabilities and readiness of potential successors to move into key professional and leadership positions.