



# EFMD Special Interest Group

## Leadership Development 2.0.

### Guide



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EFMD

# **Leadership Development 2.0**

## **A guide to the next level**

Report on the EFMD Leadership Development 2.0

Special Interest Group

Mario Vaupel, August 2013

## Table of Contents

<b>Executive Summary .....</b>	<b>4</b>
<b>A Guide? .....</b>	<b>6</b>
<b>What is it all about? .....</b>	<b>6</b>
▪ <b>Relevance, challenges and mission .....</b>	<b>8</b>
Guiding Questions.....	8
Reflection Points .....	8
Relevance: .....	8
Challenges: .....	9
Mission: .....	9
▪ <b>Strategic agenda.....</b>	<b>11</b>
Guiding Questions.....	11
Reflection Points .....	11
Strategy orientation:.....	11
Knowledge of Market, Trends and Strategy:.....	12
Mindsets, Competencies, Skills: .....	13
▪ <b>Organizational Architecture .....</b>	<b>14</b>
Guiding Questions.....	14
Reflection Points .....	15
Organizational solution:.....	15
Processes:.....	16
Reporting Level: .....	17
▪ <b>Cross-functional work.....</b>	<b>17</b>
Reflection Points .....	18
Collaboration with top executives:.....	18
Integration of HR functions: .....	19
External Networks: .....	21
▪ <b>Development Approach.....</b>	<b>22</b>
Guiding Questions.....	22
Reflection Points .....	22
Individual & organizational perspectives: .....	22
▪ <b>Methods .....</b>	<b>26</b>
Guiding Questions.....	26
Reflection Points .....	26
Innovative Designs:.....	26
Methods follow learning objectives:.....	28
Learning technology:.....	29
▪ <b>Roles of Learners .....</b>	<b>32</b>
Guiding Questions.....	32
Reflection Points .....	32
New learning roles: .....	32
Learning objectives:.....	36
Feedback:.....	36
▪ <b>Roles of developers.....</b>	<b>37</b>
Guiding Questions.....	37
Reflection Points .....	37

Roles of LD people:.....	37
Combination of ID and OD roles:.....	38
Development System for LD experts:.....	40
▪ <b>Vendor Management</b> .....	<b>40</b>
Guiding Questions.....	40
Reflection Points .....	41
Knowledge of vendor market:.....	41
Customizing:.....	42
Technical expertise:.....	43
▪ <b>Business Impact</b> .....	<b>44</b>
Guiding Questions.....	44
Reflection Points .....	44
Impact of activities:.....	44
Legitimation of investments:.....	46
Business impact and individual development: .....	47
<b>Literature</b> .....	<b>53</b>

## Executive Summary

The LD 2.0 guide summarizes a two year learning journey of the Special Interest Group LD 2.0 of EFMD. Interviews with the corporate members of the Special Interest Group, workshops, a survey and a meta study formed the building blocks for some insights into how to improve the work currently being done in LD. The insights address ten levers that could help to change the game:

1. To close the gap between relevance, challenges and what has so far been achieved with LD, a mission which focuses LD work on strategy implementation is needed.
2. The mission of translating strategic challenges into LD practices has to be made concrete by a strategic LD agenda that considers the corporate strategies and market challenges with a direct impact on leadership.
3. LD 2.0 cannot fulfil its mission and strategic work as an isolated function. The cross-functional work, especially with other HR functions, is crucial for increasing the performance of LD.
4. After the reflection on the strategic and cross-functional challenges, the guide discusses the essential questions how the integration of ID and OD should be addressed and what could and should be developed. These discussions lead to the insight that less myth (e.g. everything can be developed by LD) and more focus and structured development could be a path to LD 2.0.
5. Rethinking the organizational architecture could be a necessary step for classical LD departments to achieve their strategic ambitions. The proposed appearance of these organizational and process architectures for an effective LD function have changed significantly over the last decade. The solutions regarding how to configure an LD function are more variable and the processes to some extent more professionalized than a decade ago.
6. With regard to the methodologies, there is a great deal of pressure to improve effectiveness. New formulae (e.g. 70/20/10) and creative solutions with technological content are being developed.
7. Not only the methodologies but also the roles of learners will be more action based. In future, learning leaders will be co-creators or self-managed learners.
8. Most of the challenges and new ambitions of LD 2.0 have to be met by the developers. They have to get rid of old rules and take over the roles of skilled experts in leadership, performance and succession questions. Additionally, they have to play the role of technically-skilled facilitators.

9. All these challenges cannot be tackled only with internal resources. Specialized vendors who meet specific requirements and expectations regarding customization have to bring in their expertise. To know who can deliver which specific development performance requires differentiated market knowledge and professionalized selection procedures.
10. The business impact of LD 2.0 is the ultimate question. The current measurement landscape of LD is mixed and varied. To move the impact measurement of LD toward 2.0 means measuring the success of the development of the right leadership activities.

The guide raises some basic questions regarding these ten levers and offers some reflection and insights into how to manage the transformation toward the LD 2.0 level.

## A Guide?

In the middle of discussions about the challenges and future of LD, the Special Interest Group LD 2.0 of EFMD<sup>1</sup> raised the question: How can we make the output of our dialogs accessible and usable for the LD community? We decided to present our discourses in a reflective and practical form – a guide. The guide divides each topic into two parts. The first part offers some **Guiding Questions** you could ask to steer your thinking about LD toward 2.0. The second part will support this (re-)thinking with some **Reflection Points** which comprise reflected experiences, future-ready standards, data, figures etc. The data base in particular has been updated with input from the LD 2.0 survey of 2013. Results of this survey have been compared with and validated by a meta-study. Additionally, we have developed an “LD 2.0-Matrix” that shows the way from the “starting level” to the “benchmark level” for the main performance levers.

Although this first guide marks the end of the official work of the Special Interest Group LD 2.0, the members of the group are determined to continue with the incremental revolution of the leadership development landscape. You are kindly invited to join our *Future of Leadership Development Network (FLDN)* and contribute to the next LD 2.0 guide of the year 2014.<sup>2</sup>

## What is it all about?

The Special Interest Group LD 2.0 (SIG) of EFMD considered some basic aspects to improve the orientation in the complex landscape of leadership development. Some aspects of these discussions are also important for the readers of this guide.

1. The key terms in the field of leadership development – as is the case in the field of learning and development in general – are not clearly defined. The terms “leadership development”, “management development”, “executive development” and “talent development” could serve as examples for these basic orientation problems.<sup>3</sup> Sometimes they are used for specific topics or target groups; sometimes they are used as umbrella terms for all development activities in this area. To achieve a common understanding for work on the topic of LD 2.0, the SIG members have decided to use “leadership development” as the general term, which takes into account the increasing relevance of leadership competencies evident in recent years. With this use of the “leadership” term, the SIG have not ignored the relevance of the development of management capabilities and talent questions. In fact, management questions have been discussed as complementary to leadership practices and the development of leadership talents as an important specification and part of talent development.
2. When defining the performance level of LD 2.0, the SIG had to decide what should be done differently in leadership development. As we discussed this question, we

realised that it is quite hard to avoid the “details and buzzwords traps” which lurk around each corner of this discussion. For instance, the questions of diverse learning groups or cross hierarchical learning experiences are important, but not more important than a few dozen other topics when speaking about LD. New buzzwords for learning experiences and LD topics are ubiquitous, but too often without innovative substance. It became evident that the key when speaking about LD 2.0 is neither to rename the basic functions of LD, nor introduce new ones; it is about understanding and defining what we should change and how to raise the performance of LD to another level. To manage this challenge, the SIG decided to focus on the following 10 levers, which are strong enough to move the needle toward an effective LD 2.0 approach:

- **Relevance, challenges, and mission** –reflect the suitable place for the LD topic on the management agenda and, in this context, what LD 2.0 stands for;
  - **Strategic agenda**– answers why and how market challenges and corporate strategy should be a working platform for LD 2.0;
  - **Cross-functional work**– looks at which organizational and structural interdependencies and processes should be managed, and how;
  - **Development approach**– addresses basically what could and should be developed;
  - **Organizational architectures** – reflects on the organisational solutions for LD units, core processes and the reporting level;
  - **Methods**– reflects on the necessary innovation in the learning / development approaches, processes and techniques;
  - **Roles of learners** – defines the necessary “proactive role” of leaders in their own development processes;
  - **Roles of developers**– answers who has which responsibilities and who should have which competencies to develop whom in modern organizations;
  - **Vendor management**– reflects the new roles of suppliers on the LD 2.0 level;
  - **Business impact**– addresses the output question for LD 2.0<sup>4</sup>
3. LD 2.0 is – using Henry Mintzberg’s terms to categorize management – less of a science, a lot of craft and some arts. Accordingly, the advice of this guide is based on broad experiences of the SIG members, some visionary views and accompanying research. Based on this combination, we were able to map the LD 2.0 guide for some better orientation in the field of future-ready LD.



## ▪ Relevance, challenges and mission

To define the framework conditions for your journey toward LD 2.0, you could start with some basic questions for your organization about the **relevance, challenges, and mission** of LD in the years to come? The work on these questions should lead you to clear market-oriented and strategy-driven LD 2.0 positions for your organization:

### Guiding Questions

- Is there sufficient readiness to develop leadership skills in your company ?
- Do you invest enough resources to clarify the mission and objectives, design the architecture and define effective methods for your LD activities?
- If not, what are you going to do in your organization in order to build up a consistent idea of what LD stands for and what the contribution should be?

### Reflection Points

#### **Relevance:**

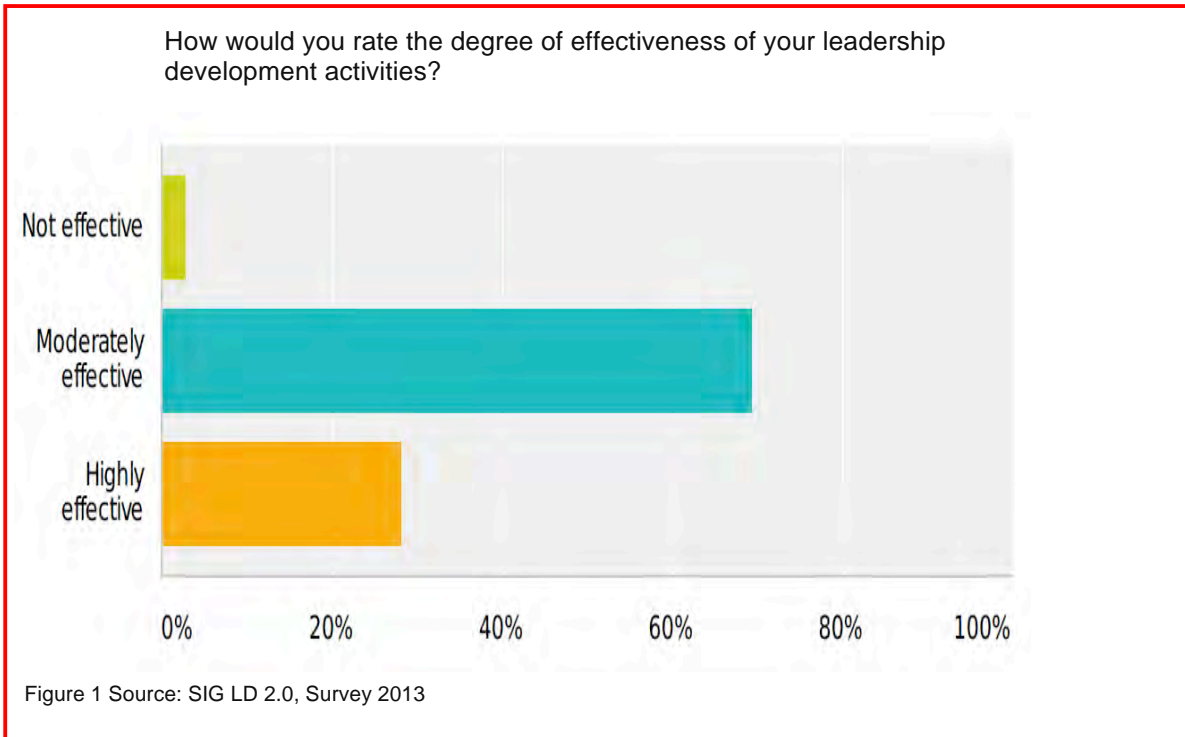
The development of leaders / managers will play a key role in corporate performance in the future. This can be derived from the basic insight that modern societies are societies of organizations and the viability of organizations depends on effective leadership. As is typical for other professions – e.g. for lawyers and medical doctors – competencies and skills for effective leadership can and have to be learned.<sup>5</sup>

Additionally, the turbulences caused by the historical transformation from the industrial to the knowledge society will also change the structures and mechanisms of markets and organizations rapidly. Leaders have to adapt to the new practices in time, or they cannot function well in the changing environment. This transformational dynamic will also continuously raise the bar for effective leadership development.

Against this background, it is evident that the development of leaders will play an important role in HR portfolios in the foreseeable future, as it has done in the last few years. This position is supported, e.g. by the currently most-cited global HR-study „Creating People Advantage“, which has been conducted yearly since 2007 by BCG and WFPMA. The study shows that the HR-topics “Managing Talent“ and “Improving Leadership Development“ have had the highest relevance for each of the last five years.<sup>6</sup>

**Challenges:**

Although the relevance of management development has been widely recognized, it remains challenging to implement high performance LD practices. Taking into account that billions have been invested in the last years to achieve a better leadership performance, the objectives of LD activities are too often unclear, architectures and methods are not in accordance with insights from experience, and – looking at the results – research shows that the overall performance of leadership development is not convincing (cf. Figure 1).<sup>7</sup>



“The overriding theme of what I’ve been hearing from clients recently is that they’re a bit stunned – shocked, actually – that the leadership-development programs they’d had in place were not able to meet the needs of their business as we’ve gone through these tremendously disruptive economic changes over the past few years.”

Bill Pelster,  
in: Center for Creative Leadership. Future Trends in Leadership Development, 10

**Mission:**

Bearing in mind this critical tension between relevance, challenges and what has been achieved, we suggest that a clear mission of LD 2.0 should be defined. Although this is a step that each talent development unit has to accomplish for itself, there has been a consensus about a more generic mission that could guide your work:

**“LD 2.0 has to be a catalyst for the translation of long term corporate strategy into leadership and, by that, into corporate and people capabilities. By doing this – developing individual and shaping collective leadership – LD 2.0 will deliver a significant contribution to achieving corporate performance targets and objectives.”**

## ▪ Strategic agenda

The generic mission of LD 2.0 to translate the long term corporate strategy of the organization into leadership performance has to be broken down into a strategic agenda to guide the development measures. This agenda must deliver clear answers about how the “leadership development engine” will catalyse the market developments and strategic objectives of your organization into the required leadership performance. As is the case for the mission of LD 2.0, the strategic agenda ultimately has to be defined for each organization individually. Nevertheless, some basic questions could guide the definition process; and, additionally, some general reflection points can help to work out the strategic agenda for each organization:

### Guiding Questions

- Do LD people in your organization have a clear idea about the most important market challenges and how corporate strategy will address these challenges?
- Do LD people in your organization have sufficient knowledge about sustainable trends in society, economy and technology which will change the patterns of leadership?
- Do you know which mindsets, competencies and skills are most relevant for implementing the corporate strategy and responding to changing leadership requirements?

### Reflection Points

#### **Strategy orientation:**

Leadership development units are quite often trapped in an ongoing paradox: Their primary commitment is to support the corporate strategy with their development activities; but, at the same time, they derive their development topics from perspectives which are only loosely connected to corporate strategy (e.g. leadership basics, “hot topics”, management fads, currently discussed leadership requirements / competencies, generic development systems). The arguments behind these different approaches to defining the LD agenda are, for instance: basic leadership skills will increase the leadership performance in general; development of currently discussed competencies addresses the most important leadership requirements identified by research, benchmarks, etc.; reflection on “hot topics” builds the awareness of and competencies for the management of new challenges. These arguments are all more or less correct, but the link to the corporate strategy is typically not as strong as it could be. What can be done to manage this confusion behind the definition of the strategic agenda of LD 2.0 more effectively? LD experts should – ideally in strong

collaboration with the strategic department – deduce the strategic agenda of LD from two perspectives: the market and trends perspective on the one hand, and the corporate strategy perspective on the other hand.

**Knowledge of Market, Trends and Strategy:**

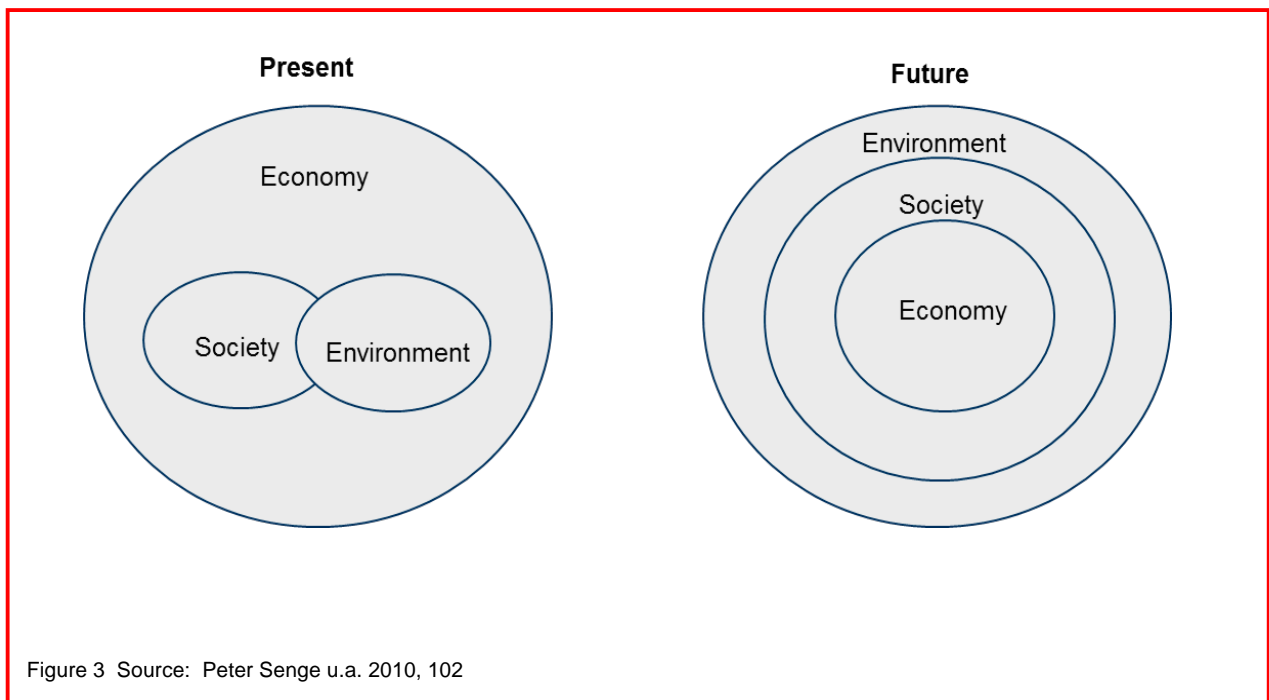
According to these strategic perspectives of LD, experts have to reflect in detail on two “views” which should determine the strategic agenda of LD 2.0 in each organization. These are the market challenges (outside-in-view) and the corporate strategy (inside-out-view). The market challenges (outside-in) consist of two bundles of determinators: on the one hand, trends in society, economy and technology which have an impact on leadership; on the other hand, market developments that are crucial for the corporate business. The business strategies (inside-out) typically try to give effective answers to the market developments in order to manage corporate competitiveness. It is a critical issue and, at the same time, an opportunity for LD that corporate strategies mostly do not address the trends in society and economy which change the world of leadership.

The first LD 2.0 survey asked two questions to learn which trends in society, economy and technology have an impact on leadership, and in which areas leaders have to perform to cope with the relevant trends. The survey participants’ answers to these two questions give some ideas about which topics should be on the strategic agenda 2014 (cf. Fig. 2).



Figure 2 Source: SIG LD 2.0, Survey 2013

A further aspect was given high priority during the SIG working process. The group members raised the impacts of critical developments in society and the economy from different perspectives: ecological challenges, social challenges (e.g. income disparities, demographics, trust in management), financial crises. Leadership has to anticipate these developments and give answers, not only with regard to how their companies can survive in this changing world, but also how they can contribute to mitigating or solving the problems. The paradigm that the economy, as the driving force for wealth, is legitimised to exploit the resources of society and environment without restriction, is under pressure. In the emerging paradigm, the economy is more an embedded part of environment and society (cf. Figure 3).<sup>8</sup> LD 2.0 should reflect this paradigm shift and integrate questions of sustainability and ethics into the development portfolio. A new mindset of responsibility could be a key part of the new paradigm. It would be the foundation for the “compliance” questions, a future-ready stakeholder view and a balanced engagement for the triple bottom line (economic, ecological, social) success.



**Mindsets, Competencies, Skills:**

Taking these two “views”, the market challenges and the corporate strategy, into account, LD 2.0 has to enable strategically effective and future-ready leadership by:

- the development of mindsets, competencies and practices for performance in strategy execution in order to uphold corporate competitiveness and
- developing mindsets, competencies and practices in accordance with sustainable trends in society and economy with an impact on leadership.

By working consistently with these two “views”, LD can move from the role of facilitator of executive meetings to a substantial contributor of strategic work. In contrast, development activities for leadership competencies and skills which are driven by buzzwords, management fads or rapidly changing competency models are misleading from a perspective of resource allocation. To avoid these common traps, LD 2.0 could use a three step logic to design the strategic development agenda:

1. Derive a consistent mid-term and long-term development concept (mindsets, competencies, practices, measures) from corporate strategy or explicitly named (by the board or strategy department) market challenges.
2. Derive a consistent mid-term and long-term development concept – as part of the corporate strategy driven concept – which helps leaders to adapt to sustainable trends in society and economy which impact on leadership.
3. Prepare a paper / presentation about your strategic development agenda that communicates your contribution to the corporate strategy.

#### ▪ **Organizational Architecture**

The architecture of LD 2.0 deals with three aspects: the organizational solution (team, department, academy as a “profit center” etc.), the processes, and the reporting level. Although current organizational research does not support the idea of the perfect organizational solution<sup>9</sup>, the insight from research and practice of LD is sufficient to raise some key questions and reflection points:

#### **Guiding Questions**

- Does the organizational solution of your LD unit support the accomplishment of the LD 2.0 mission?
- Do you use established procedures (e.g. for assessment of performance and potentials, for succession processes) to ensure the impact and efficiency of LD 2.0 work?
- Does the reporting level of your LD function or the access to the top management support the strategic alignment of your work?

## Reflection Points

### Organizational solution:

Since the 1990s, it has been a part of the increasing expectations regarding the strategic contribution of LD that CEOs and HR board members ask for new organizational solutions for leadership development. As a consequence, the classic way of offering leadership trainings as part of the corporate training catalogue is more or less obsolete. Instead, the idea of using LD for strategy development and implementation, talent development and succession work has significantly extended the relevance of LD, as well as its organizational requirements. Against the background of these new requirements, the different talent and leadership activities were therefore often separated from training departments and organized in new organizational solutions. Starting in Europe in the 1990s, Corporate Universities or Academies were often introduced as a new way to run LD work in a different organizational setting with new ambitions. Current trends generate two additional organizational solutions for LD: “Top Executives Service Units” which have an additional responsibility – beside compensation & benefits – for development and succession questions; and “Talent Management Units” which should offer comprehensive solutions for capacity development on different management / expert levels.

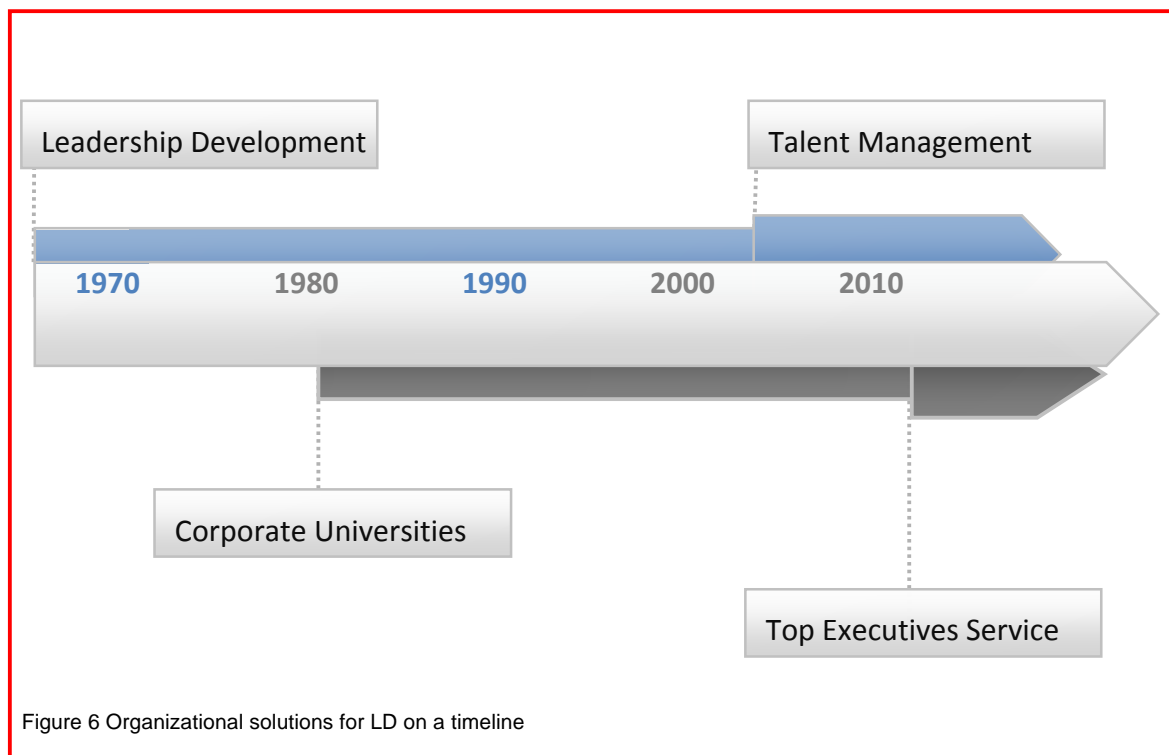


Figure 6 Organizational solutions for LD on a timeline

How do you ascertain what is the most effective solution for your organization? To define



the right solutions for your organizational environment you should ask the following questions:

- Which organizational solution do we need from strategic, cultural and operational perspectives to achieve our LD objectives?
- Which internal and external capacities do we need to do the LD 2.0 work with benchmark quality?
- Which HR functions should be integrated to deliver the intended impact of the LD activities?

The answers to these questions will guide you to smaller or larger organizational solutions with more or less autonomy and with specific alignments with other HR and corporate functions.

**Processes:**

Process solutions have been of increasing importance for the professionalization of LD in the last few years. The reasons for this trend are the increasing expectations regarding the strategic contribution of LD described above. These contributions cannot be generated by isolated training programs. Instead, a process architecture which aligns different functions is necessary. (cf. Figure 7).<sup>10</sup> For instance, if you are looking for a more professionalized screening of your leadership talents, you need to install screening processes as regular procedures (e.g. departmental screenings).

Hence, the challenge for your LD 2.0 unit would be to ask consistently, not only for innovative program designs, but also for effective process architectures to accomplish the assessment, development and succession requirements for your function.

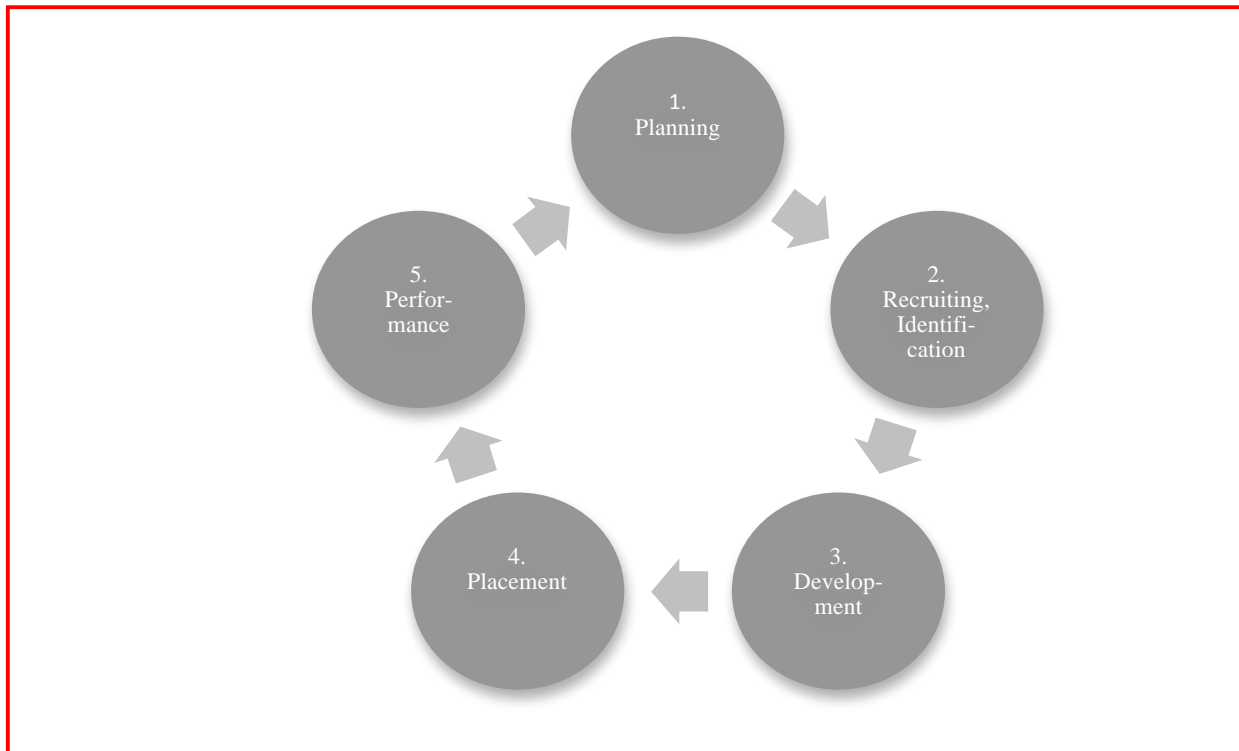


Figure 7 Integrated Process of Leadership Development

### Reporting Level:

It is a widespread opinion in research and practice that LD should have direct access to the board. Does this mean that people in charge of managing LD 2.0 should have a direct dotted line to the HR board member or CEO? Indeed, this is also one of the most frequently communicated ideal solutions, but it is not often the case in current organizations. Instead, most LD units are part of HR or special units (Academies, Training Centers with or without profit responsibility) with a dotted line to the head of HR or comparable functions. This common organizational embedding does not have to have a critical impact on the strategic alignment of LD 2.0 activities. For the success of LD 2.0, the “dotted-line question” is less important than access being given to leaders in your organization who are responsible for personnel and business decisions. This is only partly equivalent to the necessity of direct access to board members. If this access is not backed by the reporting level, you need an open, development oriented culture to manage LD 2.0 successfully in cooperation with the business leaders.

### ▪ Cross-functional work

The efficiency and effectiveness of LD – as is the case with all other corporate units – largely depends on cross-functional work. Effective management of the functional

interdependencies of leadership development requires sufficient understanding of the organizational and procedural prerequisites for high performance of LD 2.0. You should ask some basic questions regarding the management of these functional interdependencies:

### Guiding Questions

- How do you manage collaboration with the board and organizational units to diagnose and develop leadership mindsets, competencies and practices for strategy implementation / business development and adaptability to social, economic and technological trends?
- Which HR functions have to be integrated to deliver comprehensive and effective LD solutions for your organization (e.g. Workforce Planning, Talent Pipeline, Performance Management Systems)?
- How do you integrate sufficiently customized external resources (suppliers, network partners) with high quality standards in your LD value chain?

### Reflection Points

#### **Collaboration with top executives:**

The first cross-functional challenge, the collaboration with the board and business units, determines the embedding of LD in strategy implementation / business development. Depending on what a company (unit) aims to achieve and change over the next 2-5 years (e.g. change core business activities, change to more customer orientation, address lifecycle challenges, increase the engagement of employees, internationalize), LD 2.0 should be at the table to suggest development concepts for leaders that help to deliver the specific performance desired. This requires managers of LD 2.0 to realize the importance of regular dialog with board members and heads of corporate units about the leadership mindsets, competencies and practices needed to perform in strategy implementation. In contrast, without the alignment of leadership (development) and corporate strategy / business development, two questions that are critical for the success of strategy implementation and LD remain open: Who should develop up-to-date capabilities for translating corporate strategy into practice? What should be the strategic relevance of leadership (development) for the business?

“Beyond a focus on Customer Impact, the analysis shows that the leadership competencies needed to achieve breakout growth depend on a company’s strategy. Indeed, there is no standard skill set for success.”

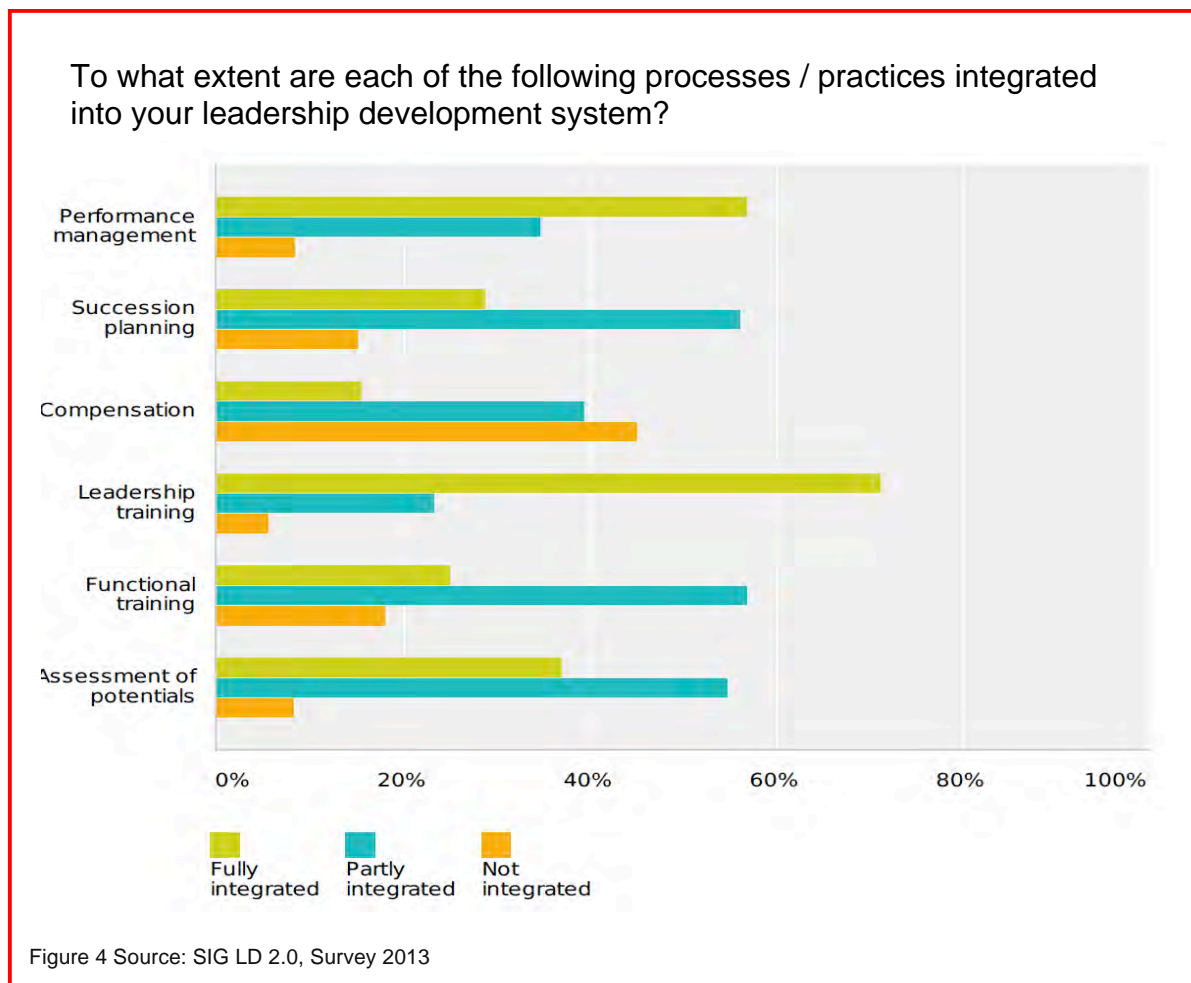
EgonZehnder International and McKinsey & Company, 2011

**Integration of HR functions:**

The second aspect, the integration of HR functions to deliver effective LD solutions, strongly determines the performance of LD 2.0 measure. Specifically, it makes the difference between isolated leadership trainings with a limited impact and more comprehensive development solutions with an higher impact. For instance, with the emergence of a more intensive discussion about talent pipeline and talent management since the turn of the millennium, we know substantially more about which HR functions should be linked to improve the work on leadership capacity. The studies from the “New Talent Management Network”, an association of more than 1000 companies interested in Talent Development, have revealed that a specific combination of HR(D) functions significantly improves the effectiveness of all these functions. A combination of

- “Leadership / Management Training”,
- “Succession Planning / Talent Review” and
- “360-degree Assessment”

seems to be most effective for LD 2.0.<sup>11</sup> Taking these research results as a yardstick for an effective development of leadership talents, the LD 2.0 survey then reveals some room for improvement. The combination of “Leadership training” and “Performance management / assessment of potentials” seem to be quite established, but “Succession planning” as the crucial delivery-function of LD is often only partly integrated (cf. Figure 4). From this critical result of the survey, you should draw the conclusion for your management of LD that this predetermined breaking point in the value chain of LD – insufficiently integrated succession planning – has to be avoided if you want to achieve the LD 2.0 level.



Clear structure and processes should complement the combination of specific LD practices to show how these functions work together to increase the performance of LD. In the chapter about “Architecture” the Figure 7 about the “Integrated Process of Leadership Development” shows the process structure that could be used to drive LD as a professionalized cross-functional process.

Considering the two insights – the necessity to align leadership development with other HR functions and to design efficient structure and processes – will guide you to an integrated leadership development value chain.

An additional aspect you should consider for your cross-functional LD work is the increasingly relevant HR topic of strategic workforce planning. Strategic workforce planning is a framework for workforce planning and workforce development. It will very probably play a significant role in a future-proof understanding of the tasks of LD 2.0. In comparison to current LD, this approach works with an extended scope for the planning stage. The intention, however, is the same as for current LD: loss and requirements of knowledge are projected and strategically planned in order to support strategic business development. Theoretically, the conclusion seems to be evident: quantitative and qualitative planning of

LD 2.0 has to be fully integrated into the strategic workforce planning. In practice, this integration will seldom be possible in the next few years. Strategic workforce planning is not yet established in most companies.<sup>12</sup>

„Among low-performing companies, only 15 percent of respondents carried out succession planning for middle managers and senior executives. High-performing companies performed this activity 1.6 times more often than low-performing ones. As a result, leadership pipelines at these organizations are more developed. Still, the actual rates of adoption for these activities are remarkably low even among the high-performing companies.” (BCG 2012, 21).

Furthermore, it is still unclear whether and how it will also become a practice for midsize companies. On the other hand, the first concepts, tools, and examples are impressive. People who are responsible for LD 2.0 should be involved – as far as possible – in this new development, and use the practices of strategic workforce planning. This helps you to define and understand the target groups of leadership development more specifically for the coming years. Additionally, it gives you a clear picture of which leadership competencies are necessary and could be lacking in the near future.

#### **External Networks:**

The third aspect of the cross-functional work of LD 2.0, the effective use of external networks / resources (suppliers, network partners), is as important for leadership development as the purchase of raw material for the production of goods. Quite often, the necessary knowledge and competencies – for leadership, management and other functions – to respond to market and organizational challenges are not or only partly available in LD or in the leaders themselves (leaders as teachers). New knowledge and competencies exist more often outside the organization. The knowledge has to be found, bought and handled to make it productive for the internal leadership performance. Hence, as is the case in any production unit using external resources, LD 2.0 has to ask which leadership knowledge, competencies, practices are already sufficiently developed in the company to achieve strategic objectives and which have to be acquired from outside. For this function, LD should install a professionalized infrastructure of suppliers and an efficient supply chain.

What the LD function will buy from outside also depends on the definition of development roles of the internal staff. In the language of supply chain management, LD 2.0 has to decide about the real net output ratio and allocate the resources accordingly. This specific question will be discussed in the sections “Roles of developers” and “Vendor management”.

## ▪ Development Approach

If it is the mission of LD 2.0 to catalyze long term corporate strategy into leadership and therefore into corporate and people capabilities, you have to consider the development approach with which this can be achieved. This means that the development approach delivers a basic orientation of “what” could and should be developed (individuals, organization, strategic and operational practices) and also “how”, in order to achieve the overarching strategic objectives.

### Guiding Questions

- How do you integrate the individual and organizational perspective into your LD activities to connect individual development with strategic development of the organization and avoid the transfer problem of isolated leadership trainings?
- Do you use a well founded approach to decide *what could be* developed and what has to be selected in order to focus LD 2.0 activities on mindsets, competencies and practices that can really be nurtured or changed in developing journeys?
- Do you work with well founded processes to define *what should be* developed to achieve the strategic objectives of your organization?

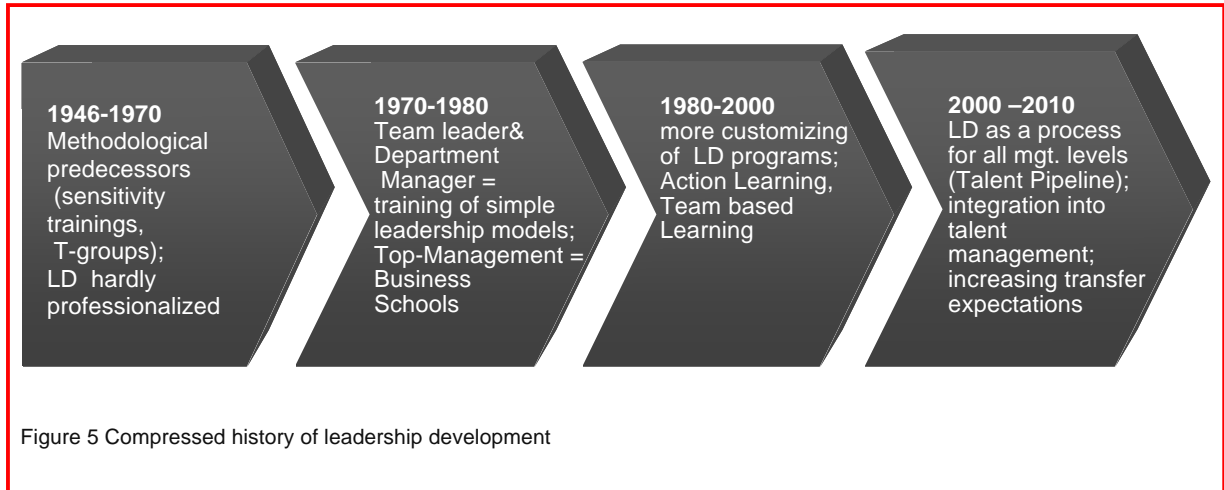
### Reflection Points

#### **Individual & organizational perspectives:**

Looking at the story of LD approaches<sup>13</sup> and trends<sup>14</sup> in the last 25 years, we see a moderate move from individual development to the insight that a more “organizational *plus* individual” approach would be necessary to make LD productive for the organization. Although research and internationally acclaimed management authors have discussed the necessity of linking leadership and organizational development over at least the last four decades<sup>15</sup>, mainstream leadership development has focused on the development of individual traits, knowledge, competencies and practices. As a compressed story of leadership development reveals, there are two drivers for this ongoing individual perspective (cf. Figure 4):

- firstly, leadership development methodologies have been primarily determined by the perspective of individual psychology and, partly, a social psychology perspective introduced by Kurt Lewin and his colleagues at the very beginning of the LD story;

- secondly, leadership development has been strongly influenced by the business school model of teaching, which is also individualized and more or less disconnected from the real organizational context of leaders.



However, the established individual development perspective is under pressure from organizational transfer expectations / requirements: LD should deliver strategically consistent and organizationally necessary competencies and practices which are not always in accordance with individual development ideas.<sup>16</sup> For LD experts it is crucial to understand this background to the increasing output or transfer expectations placed upon LD. The surge of these expectations is driven by the increasing need for specific competencies and practices for leadership in a complex and very dynamic environment. These requirements of organizations can only partly be answered by the training of communicative competencies and practices.

Although the main drivers for the individual and less organizational LD perspective are still in place, the LD 2.0 survey documents a significant trend toward strengthening the organizational perspective. According to this, the current top five foci of LD are:

- Develop ability to inspire, motivate staff and communicate a vision;
- Increase ability to manage change;
- Increase self-awareness of leaders;
- Engage and retain individuals with high potential;
- Improve general bench strength / pipeline for leadership positions.

Only the focus of “Increasing the self-awareness of leaders” can be interpreted as a classical individual development approach. The other foci combine individual development with organizational objectives. It is, furthermore, not common that LD professionals think the other way around: from organizational interventions to individual development.



Nevertheless, considering the classic “context problem”<sup>1</sup> of all individual development activities, LD 2.0 has to establish the organizational perspective as a guiding approach for the development of leaders.

“In fact, the endless discussion of what leadership is and is not, could perhaps, be simplified if we recognized that the unique and essential function of leadership is the manipulation of culture.”

Schein 1985, 317

If you are going to integrate the individual and organizational perspective in LD, some approaches can help:

1. Following the classic work of Edgar H. Schein and translating it to the LD 2.0 agenda, leaders should be educated to work with the most important mechanisms to **influence organizational culture**, which are:
  - the use of the organization’s design and structure for strategic objectives;
  - the use of organizational systems and procedures;
  - the design of physical space, facades, and buildings;
  - stories, legends, myths, and parables about the important events and people;
  - formal statements of organizational philosophy, creeds, and charters.<sup>17</sup>
2. Taking into account the long traditions of – now well founded – **lifecycle approaches**, leaders should be educated to know which strategic and operational interventions are suitable in the different development phases of their companies.<sup>18</sup>
3. Considering current insights from change management research, leaders should be educated how to **design their organization’s** strategies, structures, reward systems, communication processes, and HR management practices **to encourage organizations to continuously change**.<sup>19</sup>

These approaches have the potential to change the agenda of LD 2.0 from being primarily individual focused to a more effective combination of individual skills for organizational leadership. Your challenge is to ascertain which of these approaches best meets the strategic development challenges in your organization.

**What could be developed:** Regarding the questions of which leadership mindsets, competencies and practices could be developed, the pendulum has swung in the last decades from the “nothing myth” (everything is inborn) to the “everything myth” (everything can be developed). Although both myths are rarely explicit positions, they are

implicit in the areas of personnel decisions and development ambitions and designs. Moreover, the myths reflect the story of “leadership research”: after a few thousand years of discussions about the most relevant leadership traits (inborn), without a final conclusion, we have now spent the past few decades discussing leadership competencies in a very similar mode, with endless and often changing versions of leadership competency profiles.

Critical reflection on this extensive search for the key traits or competencies of effective leadership led the SIG to a clear conclusion: leadership personality (integrity, energy, intelligence etc.) matters, and should be applied to the selection of leaders; operational and strategic practices (competencies, skills) can and have to be developed in order to attain professional leadership performance.

“Effectiveness, in other words, is a habit; that is, a complex of practices. And practices can always be learned.” (Drucker 1996, 21)

**What should be developed:** The ocean of leadership competencies and skills seems to be endless. When you look at trends or established and emerging leadership topics that should be considered, you run a great risk of choosing the wrong competencies as a response to these challenges. To get solid ground under your feet in this “competency ocean”, you could refer back to the mission and strategic agenda. You deduce what should be developed, on the one hand from business strategy, and on the other hand from societal and economic trends with an impact on leadership. This helps to reduce the complexity of defining relevant competencies and practices. Furthermore, we should consider that the common approach of focusing on the “people challenge” is not sufficient if you want to deduce the necessary competencies to develop leadership performance. Beyond the artificial split of leadership and management, leaders have to develop adequate competencies in at least seven areas to deliver a good individual and organizational performance. The reason why we should take this extended view into account can be learned from practice and research. For instance, people expect that leaders take care of the basic “work place configuration” regarding technology, organisation, processes, budget etc. Without a good leadership / management performance in these areas, inspiration, motivation and alignment of activities are not sustainable.<sup>20</sup> The seven strongly linked development areas you should consider in leadership development approaches are:

- People
- Finance
- Technology
- Processes
- Organization
- Strategy
- Societal and economic changes

The consideration of the seven development areas will help to systematize what should be developed from the strategic perspective (strategic LD agenda) and operational perspective (sufficient capabilities to lead / manage people, finance, technology, processes, organization).

#### ▪ **Methods**

One of the most important fields in leadership development, methodologies, shows an increasing dynamic in recent years. The main reason for the changing landscape of methodology is the decreasing acceptance and low effectivity of established training and development methods. Thinking about effective methodologies for LD 2.0, you should ask some critical questions and reflect on innovative answers.

#### **Guiding Questions**

- Do you use innovative designs to increase the impact of LD?
- Do you use different methods to achieve different learning objectives (change mindsets, develop competencies, nurture capabilities and skills)?
- How do you use new technologies for your development activities?

#### **Reflection Points**

##### **Innovative Designs:**

Mannanz – the former Danish Leadership Institute – published a study about “Innovation in Leadership Development” in 2010. Jorgen Thorsell, who presented the results, spoke of a

“cry for innovation”.<sup>21</sup> The reason for this “cry” lies in a paradox: on the one hand, those responsible for LD declare classroom training to be the least effective; and on the other hand, they still use this method most often. As usual, there are strong reasons for such contradictions. Firstly, LD experts routinely ask what the specific content of a leadership classroom training should be, instead of asking first what the right method for this development intervention would be. Secondly, the infrastructure and facilitators (seminar rooms, planned budgets, installed technology, vendors and internal trainers) support the established classroom setting. Thirdly, the internal clients expect – guided by what they know and feel secure with – different forms of classroom activities; they still react with scepticism to alternative development designs. Finally, most learners’ habits are still socialized in the passive or reactive classroom mode. These four reasons explain why the “cry” is hard to hear. Nevertheless, despite these restraining forces, there is a consistent trend that classical workshops / seminars are under pressure to become more effective, or are being replaced, due to the rise of methodological alternatives like action learning or simulations. For instance, whilst using coaching as a development method for leaders was more the exception in the 1990s, this is now the second most-used method. “Learning by doing”, which – depending on the version – is listed in empirical studies under different categories, plays the largest role in the change of the methodological landscape (beside new forms of elearning). Additionally, the changes in the landscape are used to integrate new learning methods in so called “Learning Journeys” (usually well structured individual and collective learning processes over 1-2 years).

The insistence on class room learning, as well as the changes towards coaching and action learning, can be found consistently in current studies.<sup>22</sup> The LD 2.0 survey also delivers the same diagnosis. The six “often used” methods in organization’s leadership development are, according to the LD 2.0 survey (cf. SIG LD 2.0, Survey 2013):

- Classroom-based learning
- Coaching
- On-the-job training
- Action learning
- Feedback systems
- Self study / virtual learning

All other methods are more rarely used.

Another clear indication of the dissatisfaction with the established LD methods is the growing popularity of the simple 70/20/10 formula, devised by Michael M. Lombardo and Robert W. Eichinger from the Center for Creative Leadership. This idea of facilitating a

development mixture of 70% workplace learning, 20% learning by professional interaction and 10% formal learning sounds brilliant, especially from a cost and time perspective. In fact, the formula suggests a new direction but requires additional innovation. If you want to facilitate 70% of real vertical development for your leaders at the workplace, this requires:

- new views of the workplace processes,
- analyzing and changing workplace practices and
- developing new ideas of how to perform at the workplace.

How to design these learning steps with 70/20/10 or another formula remains unclear. It is, however, clear that we have to design different forms of Learning Journeys to ensure a higher impact of LD.

**Methods follow learning objectives:**

The design of learning journeys instead of one-off seminars provides an answer to the question of how to design better learning processes. This design paves the way for the questions about the right mix of methods, as different development challenges during the learning journeys require a variety of methods. Systematic answers to the question of the right method for specific development challenges have been established from the “Improving Performance” movement<sup>23</sup>. In line with the principle that the selection of methods has to follow the development challenge, not the other way around, this movement developed classifications to define the right interventions. Following the “Improving Performance” approach, you could use an intervention matrix that provides an orientation to help decide which methods are most effective for which development challenges.

This intervention matrix and comparable tools can support the professionalization of LD. They can help you to know which development interventions could be appropriate. However, the selection of isolated interventions is not in line with the above mentioned learning journeys and is not sufficient to change the mindsets and behavior of leaders. Without deeper insights into the link between methods and development effects, learning objectives can not be achieved. This reflection point addresses the necessity of a profound understanding of how you can change mindsets, develop competencies and nurture capabilities and skills.

How can you manage this methodological challenge on the way to LD 2.0? It would be quite effective to use the capacity of your leadership development team and your vendors to close the gap between well-founded insight from different disciplines (mindset research, neurosciences, cognitive sciences and learning studies) and the program design. With some benchmark knowledge in the main areas of LD, this challenge can be mastered. For instance,

looking at the ambition to change leadership mindsets, Robert Keagan and Lisa Lahey developed a process for changing attitudes on the basis of 20 years of well founded research. This is the quality dimension needed to choose and design the right interventions for LD 2.0.

**Learning technology:**

Learning technology will be a strong change driver for LD in the years to come. The early Computer Based Trainings (CBTs) appeared on the market in the 1990s, and the Web Based Trainings (WBTs) that followed were based too strongly on classical learning designs, meaning that they more or less failed to involve leaders in using these solutions for their own development. With the emergence of social media in the first decade of the new millennium, the involvement of leaders in the world of technological based learning will change. Firstly, it will change as Generation Y take over leadership positions between now and 2025. This generation has a significantly stronger affinity to new learning technologies. Secondly, the new generation of learning media are more attractive and embedded in (working) life. Hence, part of future workplace learning for leaders will be technology based.<sup>24</sup> These changes will not take place in 2025. It is already a reality that leaders use information services, social media platforms (e.g. LinkedIn, Xing), video channels and other multi-media resources for a just in time or “just in the evening” update of their knowledge and mindsets. To take the lead in this fundamental change of LD landscape, you should ask consistently for the consequences of your established and planned development measures. Three implications of new learning technologies are especially interesting for your LD 2.0 strategy:

- using interactive multimedia and social media solutions as part of the design of learning journeys;
- using new media for cognitive prework, as opposed to face-to-face meetings for reflection and application questions;
- extending the quantitative and international reach of your LD activities and, thereby, integrating individual and cultural LD.

How learning technology can be used in an advanced mix for LD 2.0 can be learned from a best practice case of the Talent Development unit of Credit Suisse AG. They use a new approach, “Learning Communities”, to drive innovation in program design:

## Case 1 from Credit Suisse AG

### Reaching My Potential

#### Framework / approach

Since 2011, **Learning Communities** are also part of the range of available learning methods

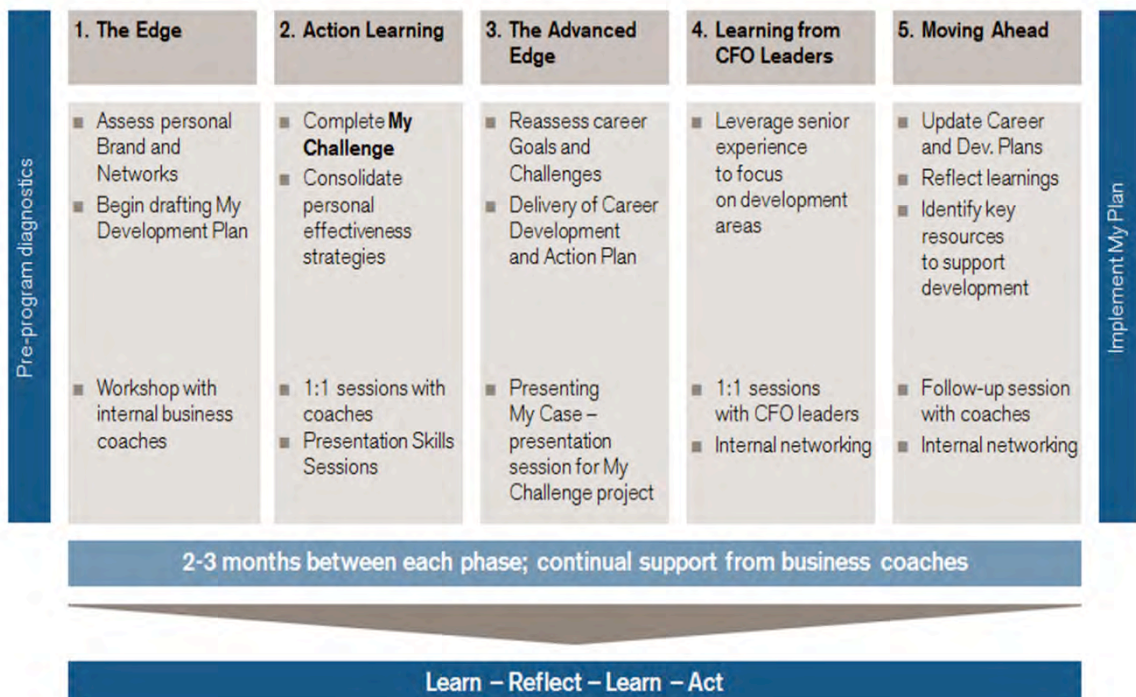
#### Approach:

- Learning Community is a personal learning platform for a specific topic
- It combines formal and informal learning (model 70:20:10)
- It connects people with a shared interest in a specific topic
- It challenges discussions and dialogs by connecting them to learning

#### Program:

Reaching My Potential is a nine-month training/mentoring program for 150 female Senior VPs aimed at realizing career potential. The program will:

- Strengthen critical skills for success through class/group work
- Develop a Personal Development Plan
- Create an implementation oriented approach to career development via action learning and learning activities with senior leaders
- Create a structured mentoring/business coaching support network throughout the whole program
- Provide the opportunity to expand networks with peers and management
- Participation in internal/external networking events
- Build strong links with other participants



**Benefits:**

- Multiplication of the target audience and the number of learners is possible through community based approach
- Further learning channel for today's and tomorrow's learning concepts
- Connecting learners, subject matter experts, learning experts and other interest groups
- Sharing and maintaining know-how, best practices, etc. throughout the organization

**Learning Community: *"The participation of the followers is essential for the success"***

- The Learning Community has been created to support the Reaching My Potential program and the network between the current and the former participants
- Open for all employees who are interested in this specific topic
- All upcoming classroom trainings and events are published there – so the platform acts as a single-point-of-contact for the participants and the facilitators
- Appropriate web-based training is listed on the Learning Community
- Interesting links, articles and videos are posted there
- Training materials are uploaded after the classroom training
- Interviews with Senior Managers are published regularly
- All "followers" receive an email about the latest activities once a day

**Lessons learned**

- The participants are pleased, because they find all information at one place
- Launching Learning Communities requires Community Managers and Subject Matter Experts with high involvement and high flexibility to adapt new learning concepts and tools
- Learning Communities need consistent communication and marketing efforts. Community managers also need to be marketers
- Initially, participants need to be "forced" to visit the Learning Community. Therefore, the Learning Community should be the only communication channel
- It is challenging to engage participants and other interested parties in discussions or exchange of experiences – the Community Manager plays an important role in keeping the community active
- Informal learning happens through discussions and through shared ideas on the platform – a measurement of the informal learning effect has not yet been developed, nor is it a requirement for the time being – anecdotal feedback is positive



## ▪ Roles of Learners

The roles of leaders as learners are not basically developed in their working life, but earlier, during their time in school and at university. Typically, these learning experiences were not especially action driven but more receptive; less team oriented and more individualized; with limited use of learning media; and more directed by others than self-paced. Looking at these learning habits, we should ask some basic questions and reflect on a few circumstances if we intend to foster new roles for leaders as learners.

## Guiding Questions

- How do you nurture a learning culture with a high degree of self-responsibility, where leaders play a role as teachers and as co-creators of their learning process?
- How do you manage the learning objectives for individual leaders and leadership teams who are involved in development measures?
- How do you manage feedback about the development processes and achievements of learning targets?

## Reflection Points

### **New learning roles:**

The changes in the leadership development landscape described above also changed our ideas about how leaders could and should learn and which roles they should play in these learning processes. Breaking with the traditional teacher-student roles of business schools and the classical trainer-participant roles, there has been a continuous search since the 1970s for a more active, more experience based, more interactive / involving and more business-driven way for leadership learning.

How important are the following success factors for increasing the performance of LD?

**Roles of learners ranked with 66.67 % as very important!**

Figure 8 Source: SIG LD 2.0, Survey 2013

A comprehensive answer with benchmark quality was developed in the 1980s when Dave Ulrich taught at Crotonville, GE's management development institute. Ulrich discussed the "Work-Out" concept with GE's CEO Jack Welch and with Jim Baughman, Head of Crotonville. This problem-solving technique and action program is, on the one hand, also a learning process for leaders about how to "challenge and stretch people, mobilize resources, make rapid decisions, encourage innovation, drive for speed, challenge assumptions, insist on results".<sup>25</sup> The "Work-Out" approach is, on the other hand, a benchmark for redefining leaders' roles as learners, because it integrates leadership development in real business improvement and does not try to do things the other way around, by integrating practical activities in the learning process (cf. 70/20/10 role above).

It is challenging to achieve this level of comprehensive redefinition of leaders' roles as learners. And every LD practitioner can learn from the Work-Out approach how leaders can play different active roles as teachers, facilitators, motivators and coaches. There is no doubt that, for LD 2.0, the formula for leaders' roles in learning processes has to be redefined: leaders have to play an active role as developers for people, themselves and the business.

As part of your LD 2.0 concept, you should introduce leaders to their new active roles. If you diagnose that your organizational culture is unlikely to support this new learning mindset for leaders, it would also be helpful to change some HR tools. In collaboration with your responsible board members and HR functions, you should integrate this idea of "leaders as developers" into your Management by Objectives (MbO), your performance assessments and your compensation and benefits. These will be strong signals for managers to change their mindsets with regard to their learning roles.

New pathways can also be introduced with creative solutions: an innovative case showing how the roles of learners can be changed has been developed by the leadership development experts of Volvo Group. Based on a methodology called Self-Managed-Learning (SML), Volvo use the following program in their Leadership Pipeline:

## ***Case 2 from Volvo Group:***

### ***The Exploration for Emerging Leaders***

#### **Leader Development in the Pipeline, Volvo Group**

##### **Framework / approach**

Self-development is a strategic leadership competence for all leadership levels at Volvo Group. In times of rapid change and exciting opportunities, you need to be your own boss when managing your career and personal development. This demands a clear understanding of yourself and your strengths.

##### **Target Group**

The program is designed to help participants prepare for stepping up to a leadership role. It allows emerging leaders to discover their strengths, their values and their development needs and to combine these into a personalized learning contract. It then provides support as they fulfill this contract. The process uses the relevant competencies as its foundation.

The program encourages participants to investigate their own drives and interests in terms of their career path and helps them learn how to manage their own learning and development to maximize their performance as emerging leaders.

##### **Method**

The program uses a methodology called Self-Managed Learning (SML). This is a challenging approach in which participants identify their own learning goals, decide how to achieve their learning and suggest how their learning should be evaluated.

The learning set helps its members set their goals and decide how to achieve them, and offers support and challenge to ensure that each person achieves their personal maximum results. Between set meetings, participants work on their learning goals through a variety of activities which they choose themselves. Participants then discuss their progress with the learning set in their next meeting.

When participants follow an SML program they consider:

- WHY they want to learn, including organizational expectations and personal aspirations
- WHAT they want and need to learn and how this relates to the organization's future direction
- HOW they want to learn, using their current strengths as a learner but also using the opportunity to extend their learning capability

...and the special role of “set adviser”:

The set adviser is there to facilitate the meeting and to help participants learn. It is important to recognize that the set adviser is **not** there to offer teaching on specific issues of learning content.

The set adviser’s role is to do whatever no-one else is doing. For example, if the set offers only support, the set adviser will challenge. If there is an important issue in the set that no one is raising, the set adviser will raise it. He or she will also encourage the other set members to do likewise (e.g. to raise their level of challenge). The set adviser will also “mark the learning” of both individuals and the group. This means helping people to crystallize in their minds exactly what they have learned from an experience and how this might change their approach in future.

A final important role is to observe and comment on group dynamics where this is hindering learning or where it will offer useful insights for participants. Whilst the set adviser will ensure the set keeps to the basic procedure of set meetings, the set should take joint responsibility for issues such as time keeping – e.g. ensuring that air time slots do not run over etc.

### **Benefits**

A major advantage of SML is that the design mirrors the way things are achieved inside organizations. In particular:

- Setting goals and targets
- Working with limited resources
- Working with others to achieve results
- Assessing and evaluating results and the learning which comes from them

The close fit between SML design and what happens inside organizations significantly reduces problems of learning transfer into the workplace. The goals are real and the learning is right where it’s needed.

The benefits to the individual extend well beyond new knowledge and skills. Participants regularly report that they have become more confident, more aware, more able to manage their own learning and therefore better equipped to respond to and manage change. Such benefits also accrue to the organization, which can develop a more flexible and responsive workforce.

**Learning objectives:**

When you are rethinking the roles of learners, it is not convincing to speak about isolated, cognitive learning objectives. These learning objectives would be in accordance with the classical business school curriculum and draw the learning of leaders back into the student mode. This would mean that leaders learn some new facts and concepts and struggle with the transfer to their leadership practices – if, indeed, they manage this transfer at all. LD 2.0 aims for more practical, relevant and integrated learning objectives. Considering the 70/20/10 rule of thumb discussed above, or Henry Mintzberg’s triangle of effective management consisting of art, craft and science, learning objectives should go beyond the cognitive dimension. Learning objectives for leaders should follow the paradigm of “experienced reflection”<sup>26</sup>. Following the new learning roles, you should decide in co-creation with the learning leaders which leadership craft, art or science should be reflected (e.g. on the basis of “real business cases”), which objectives of this learning journey can be pursued on the job (workplace learning), which are more suited to dialogue and feedback processes with peers, and which can be trained in formal learning processes. As the learning professional, you should suggest some learning designs or settings, e.g. following the 70/20/10 rule or art-craft-science-triangle, but the strategic and operational learning objectives and the final development design to achieve these objectives should be a co-creation by leaders and learning experts. The two aspects - the more practical, relevant and integrated learning objectives and the co-creation of these objectives - differentiate LD 2.0 from its predecessor.

**Feedback:**

Can leaders learn without continuous feedback about their activities? No. Is it an established standard of LD processes that leaders get feedback about their performance and development progress in the most relevant areas? Partly.<sup>27</sup> Unfortunately, this combination does not bring about consistent learning for leaders. LD 2.0 needs a shift in focus regarding these questions. Before investing substantial resources in the difficult measurement of leadership development efficiency and effectivity, you should focus on optimizing the feedback processes during the learning journeys. If you do it the other way around – which is, unfortunately, still common – your measurement activities will only indicate that you have to optimize your development designs.

If you want to combine measurement with feedback, you should implement pre-post measurement of leadership performance. Leaders have an impact on strategy, people, finance, organization, processes, technology and so forth with their leadership activities, and we know a lot about the effectivity of leadership activities in these relevant areas. For instance, we know that inconsistent and intransparent communication by leaders in change processes has a negative impact on trust and commitment (people dimension). To manage structured feedback for leaders regarding this and other management activities, you can

measure the performance of leaders before and after the learning journeys. On this basis, you can ensure an effective learning process for leaders. Doing this will also change the role of leaders as learners. If a leader knows that they will receive feedback about their performance in different areas of management, they will keep themselves on track to improve their leadership activities. The conclusion for LD 2.0 is that you should definitely install a performance feedback system as part of your learning journeys for leaders.

### ▪ Roles of developers

The roles of LD people have changed a lot in the last decades and will continue to change in the coming years. A few decades ago it was quite simple: candidates for upper management levels were sent to well-known business schools; lower level leaders were offered standard training. The acceptance and frequency of these solution patterns are shrinking. Today, younger leaders look for diverse development opportunities inside and outside the companies. Established leaders ask for different collective and individual developmental advice and support, practical reflection, exchange, best and next practice and validated leadership concepts. Once again, you should ask some key questions to instigate reflection about the developer roles in your organization:

### Guiding Questions

- What are the roles and competencies LD 2.0 people should perform in the coming years in your organization?
- What roles should be played by your LD 2.0 experts to integrate individual and organizational leadership development?
- Do you need a specific development system for LD people to be up to date with their mindsets, competencies and skills?

### Reflection Points

#### **Roles of LD people:**

With LD 2.0 in mind, some old internal LD role models are obsolete:

- Firstly, the internal LD expert for one or two leadership topics (e.g. management by objectives or communication skills). These specific (development) competencies can be outsourced to specialized vendors with more benchmark experience.

- Secondly, the internal LD designer of leadership programs who is inexperienced in leadership roles and challenges. Although this profile can still be found, it has never made sense. LD (2.0) program design requires deep insights into the practice of leadership and how leaders learn as well as the personality to be able to speak with leaders about ideas regarding learning design and their current and medium-term challenges.
- Thirdly, the over-specialized process facilitator, who transforms each leadership development challenge into an exercise about one psychological technique. This approach is rarely effective, as methods should follow the leadership challenge – not the other way around.

Leaving behind these ineffective roles frees up resources for LD 2.0. The LD 2.0 expert is a skilled development expert with special expertise in leadership, performance and succession questions. He should be able to:

- design learning journeys in dialogue with leaders at all levels;
- facilitate various events and processes;
- advise leaders how to develop themselves and other people to improve business performance;
- be the competent and accepted partner for succession planning;
- integrate cultural and organizational solutions to improve leadership performance;
- play the role of the “technically-skilled facilitator”.

The role of the technical-skilled facilitator does not mean the in-class management of the laptop-projector configuration for Powerpoint presentations. It is all about the use of new technologies for multimedia supported learning processes (e.g. for simulations as a development technique), and, furthermore, the use of social media and new communications technology for virtual leadership. These basic roles and competencies are essential for the new LD 2.0 business partner. You should be careful and consistent in implementing these new roles and competencies because the expectations of the LD customers are high with regard to these issues.

#### **Combination of ID and OD roles:**

In our reflections on key issues of the LD 2.0 development approach, we discussed the necessity of integrating the individual and organizational perspective. Well-founded approaches which could support this integration were briefly described. What could be the specific role of LD 2.0 experts in closing the gap between individual and organizational development? Basically, they can perform in two roles to do this:

- working as an LD designer, the experts should use the approaches described above (or others) to start by asking which mindsets, competencies and practices are required to lead in specific lifecycle phases of the organization or to master specific cultural challenges. They can also ask which additional topics have to be redesigned (e.g. information systems, decision processes, reward systems, performance systems) to make the success of individual LD measures more probable;
- furthermore, working as a facilitator for implementation or as a performance coach, the expert should not only see the individual leaders as his clients. He should always see the “real embedding” of the leaders he wants to support. This means that he should ask consistently how development progress can be used and implemented in leaders’ areas of responsibility. Taking this role, LD experts will then be asked to explain how and with whom the individual development insights can be implemented. The first answer should always be the same: with the leaders themselves. The second answer should be the involvement of top executives in development processes. They can be strong facilitators for the learning process and the contextualization of learning. From the LD 2.0 survey we know that top executives are often ready to support the learning processes (cf. Figure 9).

Additionally, the LD expert or external vendors can facilitate the implementation of leadership improvements in the area of responsibility. Nevertheless, you should take care – also in dealing with the combination of ID and OD – that you always keep the leaders in the driving seat as co-creators and implementers.

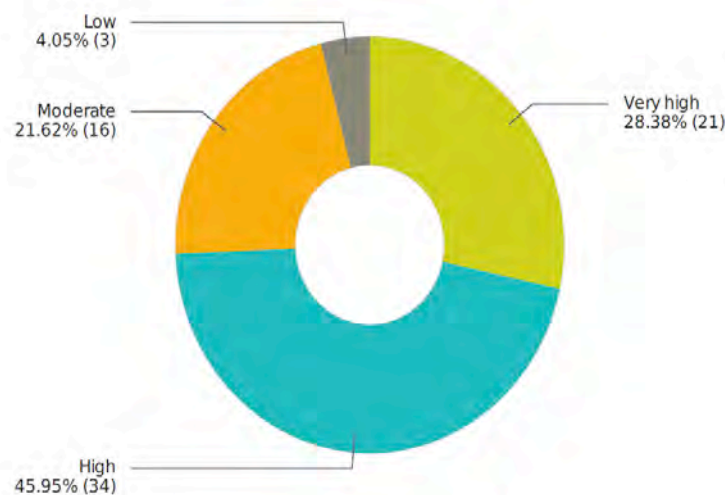


Figure 9 Source: SIG LD 2.0, Survey 2013



### **Development System for LD experts:**

The roles described for LD 2.0 experts are ambitious. Indeed, they have to be ambitious, in order to meet the expectations of the LD clients (board, business leaders, HR) which have grown significantly during recent years.

Looking at these increasing ambitions and expectations, it is not enough to explain to LD experts which new roles they should assume. Nor is it enough to explain to them how they should fulfill these roles. We have to do a great deal to develop the developers. So far, it has often been one of the unquestioned assumptions that LD experts are, by definition, qualified to cover old and new LD roles. Considering the development challenges described, this is not realistic. LD 2.0 experts need extensive qualification to perform the new roles. This qualification level can not be achieved by occasionally attending selected seminars or conferences. You should design your own system to develop LD 2.0 experts. One way to accomplish this development task could be the design of learning journeys for the LD experts to achieve continuous improvement in their roles. Another way could be a professional qualification matrix to systematically gain the necessary competencies. Considering the continually changing and increasing challenges LD experts have to face, this development system should be an established part of your LD 2.0 system.

### ▪ **Vendor Management**

The expectations placed on developers are high, and still increasing. Looking at the “natural ambition” of leadership development, these growing expectations cannot be covered entirely by internal staff. Specific development measures, for instance in finance, international business, customer or people management, combined with development skills, require special competencies in these fields. To meet the expectations and requirements, the professional support of external vendors is often necessary. The effective management of your vendors will play a significant role in determining the success of your LD 2.0 work. The questions and reflection points below can help you to avoid typical traps in this part of your LD value chain.

### **Guiding Questions**

- Does your LD team have differentiated knowledge about the vendor market?
- Do you have explicit and clear standards regarding the customization that you expect from vendors?
- How do you manage the technical expertise of your vendors?

## Reflection Points

### Knowledge of vendor market:

An important lever to improve current leadership development is a competent use of external development capacities. A competent use of leadership development vendors assumes a differentiated knowledge of this market. This means knowing which vendor:

- works with which understanding of leadership development;
- focuses typically on which target groups;
- uses which learning and development architectures and;
- applies which methods.

With this market knowledge, you can purchase the development performance which best meets your development objectives.

This effective selection of vendors requires an overview of the supplier market. To gain this overview of the leadership development market, it is helpful to differentiate between three basic segments: management education, management training and management development (cf. Figure 10). The actors in these three segments can be distinguished according to the basic criteria set out above. Considering these criteria, you can distinguish between management education on the one hand and management training and management development on the other hand.

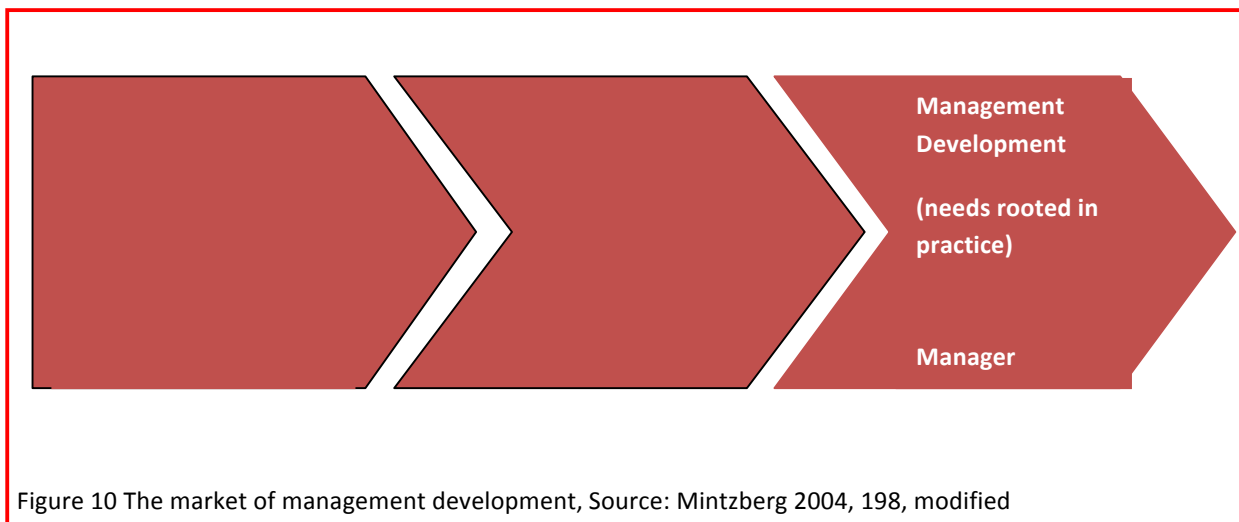


Figure 10 The market of management development, Source: Mintzberg 2004, 198, modified

The management education market is dominated by business schools (BS). For LD experts it is quite important to realize that the business school market is a large market in the

educational sector with 8000 to 10,000 schools and between 26 and 30 million students and, as such, it has its own rules.<sup>28</sup>

Traditionally, the BSs work with the degree program framework which comprises undergraduate, master and doctoral studies. Over the last decades – especially since the 1990s – BSs have extended their market and have offered new formats for other target groups under the label “executive education”. This trend has a huge impact on the leadership development market and the vendor management of LD units. To work with it sufficiently critically, you should always conduct a review of what BSs offer. You will often find variations of classical BS formats and teaching. Nevertheless, BSs are increasingly offering more innovative formats, which are interesting in combination with their core competencies of well-founded concepts and technical knowledge.

Looking at the basic criteria, BSs still mostly:

- teach leadership as cognitive lessons,
- focus on younger students but have a strong interest in extending their target groups,
- use classical modular curriculum structures and
- apply a teaching method with some case work and group discussions / team work.

Beside BSs which dominate business education and enter executive education, a broad range of vendors (trainers, consultants, e-learning providers, media companies, specialists, speaker bureaus etc.) can be used for innovative LD 2.0 measures. Each market analysis of a specific leadership development topic reveals a very heterogenous supply structure.

Looking at the structure of this market, the conclusion for your LD 2.0 management is clear: the basic criteria described have to be detailed in accordance with your own development understanding, your target groups, your development architectures and methods. In this context, it is also important to involve your co-creators, the leaders themselves, to learn about their experiences and expectations regarding the vendor question.

### **Customizing:**

One of the biggest threats for LD programs is the mismatch of content and methodological expectations of LD experts and “participants” on the one hand and what is really delivered by vendors , on the other hand. The correspondence between supply and expectations can partly be managed by the knowledge of the vendor market described above. However, identifying the right vendors is necessary but not sufficient. To get what you want, you also need a clear and competent dialogue with your vendors about your basic expectations regarding

- design;
- people;
- delivery;
- objectives and
- costs.

You should keep in mind that there can be a partial conflict of interests. Most vendors reduce their margins and lose money if they customize “too much”. At the same time you lose effectivity and money if they customize “too little”. What can you do to solve this contradiction?

- Firstly, define your basic expectations regarding the five points before you approach a vendor. Ask him how he will cover these expectations.
- Then, following the maxim of high quality for development work, make an agreement that the design will be the first test of mutual understanding and – in the worst case – the “stop loss” stage.
- Furthermore, be clear about the people and the methods for implementation. The (sometimes annoying) practice of suppliers of acquiring business with (the names of) their best people and deliver with their “second team” should be anticipated and prevented. A detailed discussion about the development methods is also crucial if you want to achieve your objectives.
- Finally, achievement of objectives and costs should be consistently measured.

Following this procedure for the management of customization against the background of a competent market management, you can move the impact of your measures to the LD 2.0 level.

### **Technical expertise:**

The relevance of the technical expertise of LD vendors has become a critical success factor for innovative and effective designs and implementation of LD measures. This means considerably more than optimizing e-learning support for development programs. Instead of classical e-learning expertise, vendors need competencies in social network solutions, internet based information and technically supported simulations for the next generation of technical support of LD 2.0 measures. Whereas the acceptance of classical e-learning programs has been limited in LD, these new ways of technical development support have a high acceptance. The main reason for the higher acceptance of the new technical solutions is that they are not based on the classical school learning paradigm. This new technical support of LD helps to:

- use and improve the everyday practice of internet information management for leadership challenges;
- use and improve the everyday practice of social exchange communities for leadership challenges and
- use multimedia to simulate complex leadership processes (decision making, change or communication processes).

An efficient formula to select your future-ready vendors could be a brief question: how proactively does the vendor integrate the new development technologies into their learning journey designs?

### ▪ **Business Impact**

Business impact is *the* ultimate objective of LD 2.0; the strategic alignment of LD and the management of the other aspects discussed above serves the purpose of achieving the business impact. However, the question of how you should ultimately assess the business impact of your activities in the LD 2.0 framework has not yet been sufficiently answered.

### Guiding Questions

- How do you ultimately measure the business impact of LD activities?
- How do you legitimize investments in LD activities regarding the assumed business impact?
- What is the relation of intended business impact and the individual development objectives of LD 2.0?

### Reflection Points

#### **Impact of activities:**

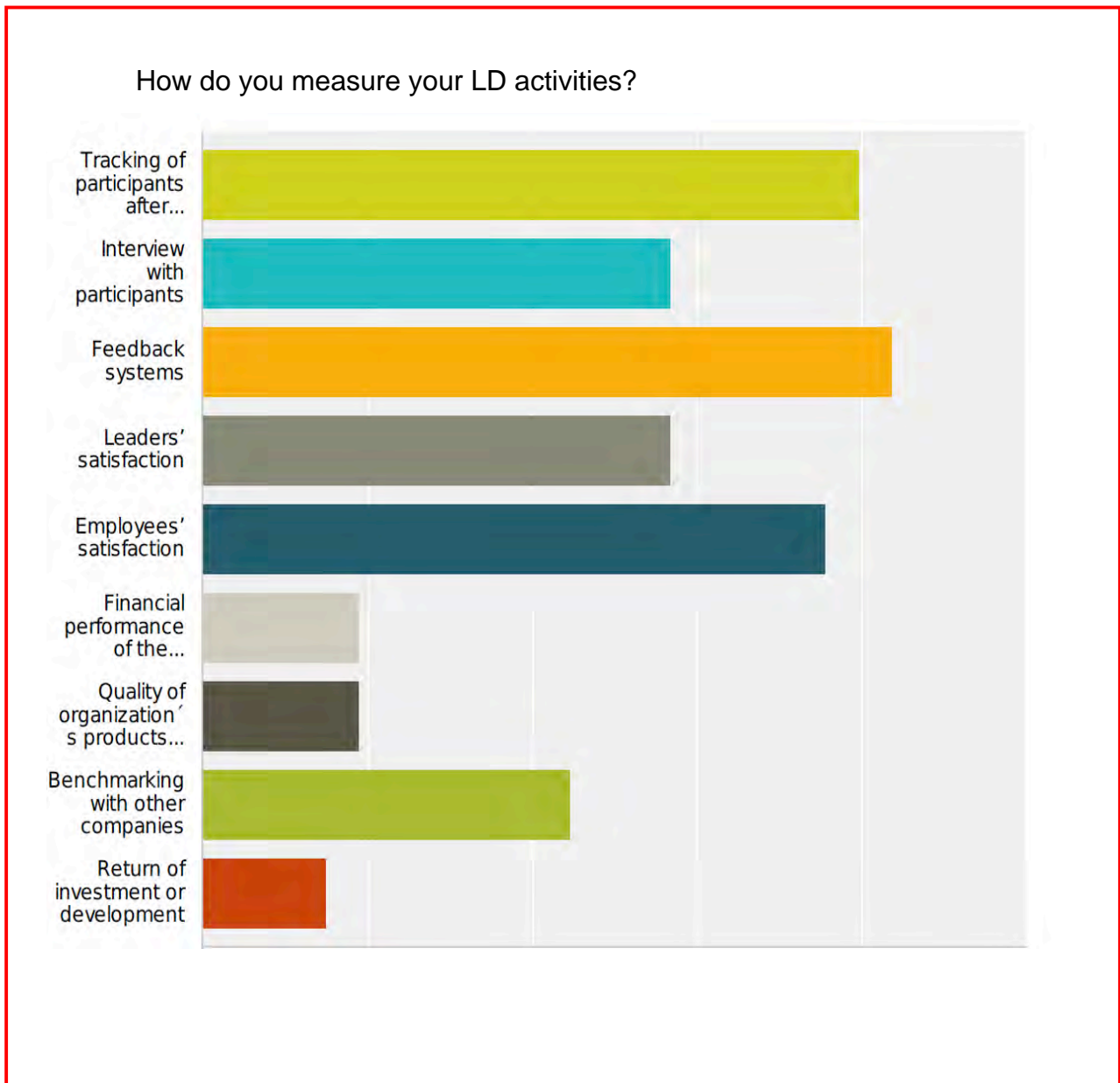
The possibility of measuring the direct impact of leadership development on leadership effectivity is problematic and limited for two main reasons. Firstly, it is not normally the case that the development of generic leadership competencies, leadership personalities or corporate values determine a predictable and measurable performance in practice. Secondly, the impact of leadership activities on business performance is mostly indirect. They have an impact on:

- strategy,
- people,
- processes,
- organization,
- finance and
- technology.

Whether the leadership impact of these “mediators” generates positive business results could ultimately be assessed by corporate (financial) indicators. Unfortunately, these “late

indicators” of business success or failure typically come too late – and the interdependencies are mostly too complex – to use them for an adjustment of leadership development.

Considering these interdependencies, the ambition of calculating an ROI for development measures is difficult to achieve. The results of the LD 2.0 survey – like the results of other surveys – show respectively that the approaches to measuring the impact of LD are heterogenous and, for the most part, not real impact measurements (cf. Figure 11).



Nevertheless, you can develop and measure performance drivers in the form of the improvement of leadership activities. Measuring the improvement of these activities, how can you know whether you are measuring the right things? Determining which leadership

practices or activities are right is a question of research, benchmarks, practice and judgement. This means that before you can measure, you should establish and decide what you want to measure and which activities are expected. You are then in a position to measure the degree of effectiveness with which leaders do the right things, both before and after your development programs.

Additionally, the tools and procedures for measuring leadership activities should be chosen carefully, because most tools on the market measure a lot of psychological factors but not (the right) leadership activities. This is crucial, because the only way to argue that your leadership development activities really generate business impact is if you can prove that they are successfully developing the right leadership activities. If they develop and show the right or effective activities, then you can conclude that they represent the right mindsets – not the other way around.

### **Legitimation of investments:**

The investments in LD are significantly higher than in other human resource development activities. This is possible because, at the moment, decision makers typically believe that high investments in LD are economically rational. This position is supported by research results<sup>29</sup>. On the other hand, HR experts and leaders are quite critical about the effectivity of current LD.<sup>30</sup> Considering feedback from surveys about leadership development, we can draw the conclusion that the working environment for LD is still “generous”, although the supporters are not really convinced by the current LD work. How should you deal with this situation?

Firstly, there is some plausibility that effective leadership development corresponds with the quality of leadership in organizations (cf. Figure 12). This and comparable research results could be used for active communication with board members and in the context of program design.

Furthermore, you should establish practical solutions for measuring the efficiency and effectivity of your work. The ambition of calculating the ROI (Return On Investment) for development measures is usually too complex and questionable. The alternative is to use an ROD (Return On Development) which calculates a simple ratio of objective achievement to costs. Bearing in mind that your development activities should define precisely what you want to achieve (objectives for development of leadership practices / activities), the ratio to expenses could be generated without too much additional effort. For this approach you need the assessment of leaders and other stakeholders (e.g. superiors) about the achievement of development objectives and, additionally, need to place this in relation to the costs of the development measure. The result is a clear indicator for the efficiency and effectiveness of your LD activities. This process can help you to adjust your LD activities and improve your work (involvement) and communication with decision makers. On the basis of this cost-effectiveness indicator, LD can practise a dialog about whether development

objectives and / or investments should be reconsidered. Through this process, the discussion about what should be developed and with which budget will become a more collaborative way to improve LD activities. The legitimization will be transformed into a joint decision about what LD should do next to improve the development impact.

### Effectiveness of Leadership Development affects Leadership Quality

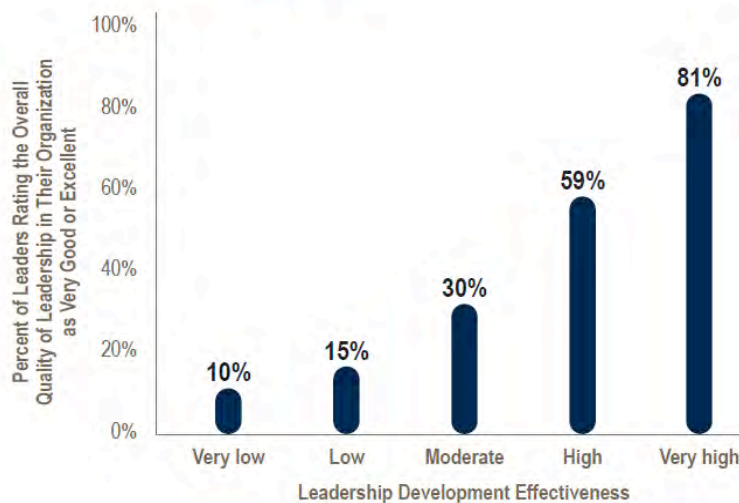


Figure 12 Source: DDI, Global Leadership Forecast 2011, 14

### Business impact and individual development:

The expectations placed on leadership development by leaders and organizations are not always the same. Individual leaders look for individual growth (e.g. increasing self-awareness as a leader), organizational representatives want to see increased organizational efficiency and effectiveness. Is this an irresolvable contradiction?

Starting with the position formulated above, that the ultimate objective of LD 2.0 is business impact, it seems to be difficult to integrate the development ambitions of individual leaders. To face this challenge, LD experts should ask consistently which specific individual growth challenges should be addressed to support business objectives. The individual development should be well integrated with the organizational perspectives. From this perspective it may well be that the development objectives of the organization are not always completely in accordance with the development expectations of individual leaders. The priority of LD 2.0 is clear: measures should always be in alignment with the strategic business objectives.



LD 2.0 Guiding topics	Starting Level	Action steps to improve	Benchmark Level
Mission	General idea to improve leadership performance	<ul style="list-style-type: none"> <li>• Invest time to clarify mission and objectives of LD</li> <li>• Develop a consistent idea of what LD will contribute to corporate performance and achievement of objectives</li> </ul>	Catalyst for translation of corporate strategy into leadership and, by that, into people and corporate capabilities
Strategic Agenda	Development measures are determined by “hot topics”, currently discussed requirements / competencies or “modern” development approaches	<ul style="list-style-type: none"> <li>• Understand most important market challenges and corporate strategy</li> <li>• Ascertain sustainable trends in society, economy and technology with impact on leadership; consider triple bottom line-challenge for LD</li> <li>• Define mindsets, competencies and practices most relevant regarding strategy and trends</li> <li>• Develop a consistent mid-term and long-term development concept</li> </ul>	Development of mindsets, competencies, practices is determined by corporate strategy and sustainable trends with impact on leadership; particular attention is paid to triple bottom line-challenge (economic, social, ecological)

LD 2.0 Guiding topics	Starting Level	Action steps to improve	Benchmark Level
Cross-functional work	<p>Collaboration with the board and other units as well as with HR and external suppliers from case to case</p>	<ul style="list-style-type: none"> <li>• Establish dialog with board and business leaders</li> <li>• Establish integrated concepts and processes with HR functions for leadership training, succession planning, talent review and 360-degree assessment</li> <li>• Integrate sufficiently customized external resources</li> </ul>	<p>Established collaboration and processes with board, business units, HR and suppliers to deliver strategic and comprehensive solutions; use of strategic workforce planning</p>
Development Approach	<p>Mostly individualized approach; vague positions on what could and should be developed</p>	<ul style="list-style-type: none"> <li>• Reflect and define how – with which approaches – to integrate individual and organizational LD</li> <li>• Work with well founded approach regarding what could be developed (distinguish between selection of personality dimensions and development of competencies and practices)</li> <li>• Deduce what should be developed from business strategy and relevant trends; consider the seven development areas to deliver a comprehensive development approach</li> </ul>	<p>Integrated individual and organizational development activities; use of a well founded approach regarding what could and should be developed</p>

LD 2.0 Guiding topics	Starting Level	Action steps to improve	Benchmark Level
Architecture	<p>Organizational solution supports leadership development measures; procedures should be established; access to top management partly given</p>	<ul style="list-style-type: none"> <li>• Design an organizational solution which enables LD to achieve the mission</li> <li>• Establish procedures which align different functions to ensure the impact and efficiency of LD</li> <li>• Optimize the regular dialog with the top management</li> </ul>	<p>Organizational solutions support accomplishment of LD mission; established procedures ensure efficiency; access to top management supports strategic alignment</p>
Method	<p>Ambition to use more effective methods and learning technologies</p>	<ul style="list-style-type: none"> <li>• Define a intervention matrix to apply most effective methods according to development challenges</li> <li>• Establish learning journeys instead of isolated interventions</li> <li>• Develop a strategy for the use of learning, communication and working technologies</li> </ul>	<p>Intervention Matrix defines which methods are most effective for specific interventions; learning journeys are common; new learning and communication and working technologies are used</p>

LD 2.0 Guiding topics	Starting Level	Action steps to improve	Benchmark Level
Roles of learners	<p>Passive attitude (nominated, developed, entertained) and not satisfied with learning transfer</p>	<ul style="list-style-type: none"> <li>• Define learners roles which comprise the co-responsibilities for learning objectives and the learning process</li> <li>• Define learning targets for each development measure</li> <li>• Introduce transfer dialogs about the individual learning progress</li> </ul>	<p>Leader owns development (self-paced, self-responsible); has clear development targets for planned development measures; takes care of learning transfer / application of new knowledge</p>
Roles of developers	<p>Trainers and program designers work on a professional level</p>	<ul style="list-style-type: none"> <li>• Build a team of developers with diverse capabilities to work in different development roles; LD experts should be able to integrate ID and OD perspective; implement a development system for LD experts</li> <li>• Start an initiative to involve “leaders as teachers” for your organization</li> <li>• Look for new ways to foster social learning architectures</li> </ul>	<p>Developers take different roles depending on development challenges (consulting, coaching, facilitation, social worker etc.); concept “leaders as teachers” is introduced; solutions for combination of ID and OD and creating social learning architectures are in place</p>

LD 2.0 Guiding topics	Starting Level	Action steps to improve	Benchmark Level
Vendor management	Standard Programs; supply only	<ul style="list-style-type: none"> <li>• Ensure a differentiated knowledge of vendor market in LD unit</li> <li>• Define clear expectations for customized delivery</li> <li>• Expect up-to-date knowledge and practices</li> <li>• Ask for transfer oriented design, facilitators and use of technology</li> </ul>	Professional knowledge of vendor market in LD unit; customized programs; business driven; embedded in organiz.; up-to-date knowledge / practices, effective designs and transfer-oriented facilitators and technologies
Business Impact	Approaches to measuring impact are heterogenous and – mostly – not real impact measurements	<ul style="list-style-type: none"> <li>• Define leadership activities / practices your organization want to improve</li> <li>• Measure the degree of effectiveness regarding the defined leadership activities before and after your learning journeys</li> <li>• Measure the improvements of leadership activities not only in one area but in the areas of strategy, people, processes, organization, finance and technology.</li> <li>• Involve learners and other stakeholders in the measurement process</li> </ul>	Consistent approach to measure the improvement of leadership activities in main areas of organizations

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<sup>1</sup> The “Special Interest Group LD 2.0” was initiated by EFMD and Prof. Mario Vaupel with the intention of reflecting on and defining some orientation of how to improve the practice of leadership development. A core team of X members (XYZ) and associated members (XYZ) discussed the topics of this guide in interviews and workshops over two years.

<sup>2</sup> The team will continue the work on the topic of LD 2.0. The work will be facilitated by Prof. Mario Vaupel (Institute of Executive Capabilities (IEC)) in association with EFMD. The name of the peer network will be **FLDN** (Future of Leadership Development Network).

<sup>3</sup> Cf. Heifrick & Struggles 2012, 3

<sup>4</sup> The selection of these topics are in line with the results from the LD 2.0 survey. Responses to the question “How important are the following success factors for increasing the performance of LD?” showed a high ranking of the topics “Strategic agenda”, “Business impact”, and “Roles of Learners” followed by “Development approach”, “Roles of Developers”, “Cross-functional work”, and “Methods”. The other three topics were also seen as important.

<sup>5</sup> Cf. Drucker 1993, Vii

<sup>6</sup> BCG 2012, 7

<sup>7</sup> The LD 2.0 survey revealed that LD is assessed as „moderately effective” by 69.33 % of the responses. These results are in accordance with e.g. DDI, Global Leadership Forecast 2011, 14-15 and Cf. Mannaz 2010, Center for Creative Leadership 2011,

<sup>8</sup> Cf. Senge 2010

<sup>9</sup> Cf. Drucker 2001, 9-17

<sup>10</sup> The research of New Talent Management Networks also shows that there is a positive correlation between process integration and effectiveness of Talent Management and LD.

<sup>11</sup> For process integration and effectivity of talent management, cf. New Talent Management Network. 2010, 7.

<sup>12</sup> cf. BCG. Creating People Advantage, 16

<sup>13</sup> Conger published „A Typology of Formal Leadership Development Approaches“ of the last 30 years. Cf. Conger. Leadership Development Interventions 2010, 709-738

<sup>14</sup> Ulrich et al. notes – with a reference to the current studies of the Center for Effective Organization (CEO) – the trend from “Hero Leadership to Collective Leadership”. Cf. Ulrich et al. The State of the HR Profession 2012

<sup>15</sup> Schein 1985; Adizes 1999; Lawler 2006

<sup>16</sup> ASTD 2009, 25 and 27

<sup>17</sup> Cf. Schein 1985, 237

<sup>18</sup> Adizes 1999, 15-19

<sup>19</sup> Lawler & Worley 2006

<sup>20</sup> Buckingham & Coffman 2001



<sup>21</sup> Between 2008 and 2009, Mannaz, in partnership with the Institute of Executive Development, spoke with 111 Corporate Executives, Heads of Human Resources and Learning and Organisational Development about Innovation in Leadership and published the results in a White Paper (cf. Mannaz. 2010, Innovation in Leadership Development)

<sup>22</sup> ASTD 2009, 37; DDI 2011, 24; Petrie 2011, 10

<sup>23</sup> Cf. Fuller & Farrington 1999 and Langdon & Whiteside & McKenna 1999

<sup>24</sup> Cf. Bass 2008, 1159

<sup>25</sup> Cf. Ulrich et. 221

<sup>26</sup> Under the title “Managers Not MBAs”, Henry Mintzberg discusses the necessary changes in management development. Cf. Mintzberg 2004

<sup>27</sup> The LD 2.0 survey shows that feedback systems are partly used as a development method and often used to measure the success of LD activities (cf. LD 2.0 Survey)

<sup>28</sup> Cf. Global Foundation for Management Education (gfme)

<sup>29</sup> J. Boatman & R. S. Wellins 2011, 10

<sup>30</sup> J. Boatman & R. S. Wellins 2011, 15; Petrie, N. 2011, 10; New Talent Management Network.2010, 7



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