Our Current Leadership Development Challenge and Opportunity

In the face of continued global uncertainty and change, we're expecting more and more from our leaders. That's not only because they have an outsized impact on key indicators like revenue, growth, retention, engagement and productivity. It's also because we rely on them to help us navigate our unpredictable world, and grow. Today's top leaders excel at managing ambiguity, instilling trust, and helping others reach their full potential. They are skilled at building, sustaining and strengthening relationships.

As our expectations of leaders have expanded, so, too, must the way we develop those leaders. **How are top performing organizations meeting this challenge, and what can we learn from their example?** That is the question a new Harvard Business Review Analytic Services report, sponsored by Torch, sets out to answer. It explores how leadership development is evolving as a whole, and distills best practices from organizations that are achieving desired results from their programs.

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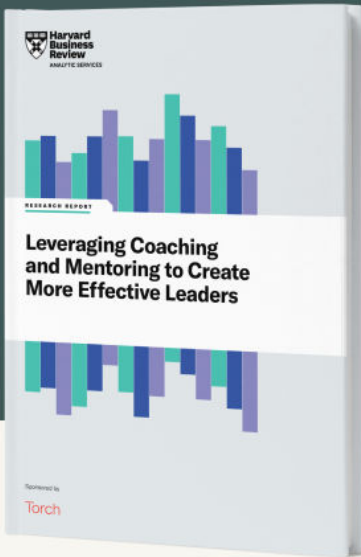
In this executive summary, we'll walk you through the top takeaways from the research, including how you can start to put it into action.

The research divides respondents – 665 organizational leaders from across industries and around the world – into three categories: leaders, followers and laggards. This categorization is based on whether or not respondents reported that their leadership development program is delivering against desired results.

FIGURE 1

Overall, how well has your organization's leadership development delivered against desired results?

Source: *Harvard Business Review Analytic Services survey, August 2022*

Later on, we'll dive deeper into what leaders are doing to help them achieve the results they want. But first, let's explore the broader trends across the field of respondents.

How Leadership Development is Evolving

Leadership development is changing in four key ways to meet the demands of today's workplaces. It is:

✓ **Becoming more personalized.** The vast majority of respondents (86%) agree that personalized leadership development, such as coaching and mentoring, is required in our changing work environment. Though leadership skills training is still the most commonly used leadership development tool (80%of respondents), it is rated as less effective than personalized and relationship-based options: 35% rate skills training as extremely or very effective versus 60% for coaching.

✓ **Redefining essential leadership skills.** New workforce and strategic imperatives have changed the leadership style organizations need. In the face of global crises and workers who are often motivated as much by workplace values and commitment to diversity, equity and inclusion (DEI) as compensation, many organizations are moving from authoritative leadership styles towards trust-based ones. Today, we see an increasing focus on developing relational skills (traditionally known as soft skills), such as the ability to motivate teams and communicate empathetically.

✓ **More inclusive.** In the past, leadership development opportunities were primarily offered to senior executives or "high-potential" leaders. Today, 64% of respondents strongly agreed that it's important to provide leadership development more broadly across their organizations. Roughly half of organizations are working to increase the equity and inclusiveness of their mentoring and coaching programs.

✓ **Attracting more investment from the business.** All respondents intend to increase their use of leadership development initiatives over the next couple of years, with the greatest planned increases in leadership skills training (61%), mentoring (55%) and leadership coaching (50%).

While these are trends observed across all respondents, the research pays special attention to the practices of leadership development Leaders – the 26% of respondents who reported the strongest performance of their leadership development programs against desired results.

What else separates the leaders from the pack?

Compared with their peers, the followers and the laggards, leaders report far more benefits from their leadership development investments. The top benefit is better collaboration/teamwork, reported by 69% of leaders, followed by increased employee engagement (60%), better performance from teams, and greater emotional intelligence (59% each).

One especially notable benefit: **Leaders report increased revenue as an outcome of their leadership development efforts**; 35% of leaders, versus 12% of followers and 7% of laggards, report this benefit.

Why are these leading organizations seeing better returns? They engage in six powerful best practices.

They are more likely to:

1. Align leadership development with business objectives. Though two-thirds of respondents agree that their leadership development strategy is important to their overall business strategy, leaders are more likely (52%) to say that their leadership development strategy is very aligned with their business strategy, compared to 26% of followers and just 9% of laggards.

2. Customize to their organization's needs. Leaders don't rely on out-of-the-box programs, but rather seek to tailor their investments to the unique culture, objectives and ethos of their workplace. 41% of leaders say their leadership development is very customized to their organizations, with 23% of followers and 13% of laggards saying the same.

3. Invest in relationship-based initiatives. Leaders are more likely to leverage coaching and mentorship, and to cite those programs as their most effective ones. Organizations that see coaching and mentoring as key parts of their leadership development are especially likely to experience benefits from those programs. 80% of those who view coaching as key strongly agree that they experience better collaboration/teamwork, for example, and 70% of those who cite mentoring as critical agree.

4. Measure results. From reviewing 360 assessments of organizational leaders to rates of promotions, leading organizations are more likely to use multiple metrics when evaluating the results of their leadership development programs. They're also more likely to measure impact in the first place, and seem to be more focused on outcome metrics beyond employee participation or satisfaction.

5. Ensure consistency. 48% of leaders agree they have organizational controls in place to make sure their programs are delivered and managed consistently, compared to 27% of followers and 15% of laggards. One way some ensure consistency is by working with a third party organization to help design, manage and measure programs.

6. Build with an inclusive lens. Though DEI and leadership development are often separate programs run by different people for many organizations, leading organizations are more likely to connect them by designing inclusive leadership development strategies. They're more likely to offer development opportunities to people across levels, to use a broader range of methods to identify potential participants, to integrate diversity and inclusion into their initiatives, and to increase programmatic access for high-potential and underrepresented groups.

How to Address Leadership Development Challenges

All respondents, including the leaders group, reported facing a big challenge: their leadership development programs are under-resourced, and they struggle to secure adequate funding for the initiatives they know are effective. The followers and laggards reported another big challenge: a lack of a leadership development strategy.

These challenges raise a question: How can all organizations create strategies and programs that better demonstrate the impact to drive continued investment?

The research suggests four key strategies.

1. **Create consistency to help measure effectiveness.** Few organizations have put controls in place to make sure their programs are consistently executed, centrally coordinated, and measured across the organization. This lack of consistency makes it harder to measure ROI and ultimately secure more funding.

2. **Expand and systematize ROI measurement.** Though leading organizations are more likely to measure the success of their programs and use a wider array of metrics to assess them, all categories of respondents are still rarely measuring organizational-level ROI metrics – meaning measurements of overall outcomes of programs on KPIs like retention, promotions and engagement, rather than measurements like overall participation. This has consequences: respondents say a big reason why they can't get adequate budget is due to the dearth of ROI measurements.

3. **Build a leadership development strategy – and align it to your organizational strategy.** This is a key tactic that is predominantly used by leading organizations today, but that all organizations can embrace as a tool to more easily demonstrate program value in line with strategic objectives.

4. **Make leadership development more inclusive for greater organizational impact.** The research illuminates a gap between respondents' intentions and actions when it comes to making leadership development more inclusive. Half of respondents say they are working to make leadership development at their organization more inclusive, and almost half feel that they are excluding people who might benefit the most from coaching and mentoring. At the same time, only a quarter of organizations offer development opportunities to employees that are not flagged as "high-potential."

How Do I Build an Inclusive People Development Strategy?

We've developed a framework for how to develop an inclusive people development strategy to help guide you.
You can access it here.

Conclusion

Organizations today are facing pressures that are redefining what skills leaders need to thrive at work. Leading organizations are facing them head-on, using them as an opportunity to adapt leadership development programs to meet their new needs and reap business rewards.

Though strategies diverge based on context, these leading organizations share the same tactics: they're more likely to invest in relationship-based initiatives like coaching and

mentoring, more likely to align their leadership development strategy to business objectives, to customize programming to their organization's needs, control for consistency, measure results, and integrate diversity, equity and inclusion.

If that sounds like a lot, take note: many of these organizations don't do this work alone. They get support to help them to realize the full potential of their investments – and their leaders.

Torch, a Partner in Leadership Development

Leading organizations turn to Torch to not only deliver high-quality coaching and mentoring but as a strategic partner in shaping their program goals, structuring programs to be able to measure outcomes, and mapping key metrics.

We'd love the opportunity to partner with you.

Torch

Torch is the People Development Platform that unlocks the potential of people, teams, and organizations.

By combining coaching and mentoring, Torch helps you design, manage, and measure programs that drive the success of your people—and your organization.

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