

EXECUTIVE DEVELOPMENT

STRATEGIC AND TACTICAL APPROACHES



EXECUTIVE SUMMARY

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The ASTD–Booz Allen Hamilton Strategic and Tactical Approaches to Executive Development Study (“the study”) aimed to differentiate the elements in corporate approaches to executive development. The study found executive development to be generally idiosyncratic, using a combination of formal and informal learning approaches, and therefore difficult to summarize and measure. There is a considerable gap in the literature for best practices methods and research summaries, especially in the area of specific activities and success factors related to executive development programs. A handful of experts argue that executive development promotes a variety of benefits for organizations. For example, Edward Verlander (1988) claims that a program that encourages executives and high-potential employees to take personal responsibility for their own learning can create a community of “knowledge” workers who are more flexible, creative, and adaptable than “traditional” executives. However, studies directly investigating these links are scarce.

Executive development was defined by the research team as “an ongoing systematic process that assesses, develops, and enhances one’s ability to carry out *top-level roles* in the organization.” The researchers intended for this working definition to be clearly distinct from leadership development, which was defined as “an ongoing systematic process that cultivates the learner’s capacity to lead people *at all levels of management*.” Executive development refers only to the efforts of those high-potential individuals chosen to carry out the uppermost positions in the organizational hierarchy. The primary focus of the study was an investigation of the development of these top-level employees and not the general development of leaders and managers at lower levels.

In particular, the study was designed to assess how organizations currently handle the major components of executive development. The study mixed qualitative and quantitative analysis with a 31-item online survey with data from 397 workforce learning and performance professionals and 18 follow-up interviews with executives. Both phases of the data collection were completed in the spring of 2008.

KEY COMPONENTS OF THE STUDY

Executive development has been around for decades, and the objectives of executive development programs have not changed dramatically since their inception (Moulton & Fickel, 1993). However, the identification and clarification of organizations’ executive learning practices are rarely addressed in research publications, journals, or other informational outlets. Thus, this study is one of the first to explore the following key components:

- who is involved
- how employees are selected
- what content is included in a program
- amount spent on programs
- lessons learned from established executive development programs.

ORGANIZATIONS WITH ACTIVE EXECUTIVE DEVELOPMENT PROGRAMS

Despite the theoretical support for organizational commitment to executive development, only 38 percent of the organizations that participated in the study have active executive development programs. An additional 23 percent have a program that is activated as necessary. More than one-third of the organizations surveyed (34 percent) do not have an active program at all.

The executive development “playground” is dominated by “the big kids”—large organizations with substantial revenues. Without sufficient funds allocated to executive learning, it is difficult to provide employees with the learning opportunities necessary to cultivate skills for running a successful organization. Consequently, organizations with an active approach to executive development tend to have large workforces and hefty annual incomes. In fact, nearly half of the companies who reported having an active executive development program have annual revenues in the largest bracket, \$3 billion or more. Organizations in the study that fell into the smallest income segment were much less likely to report having an active executive program.

Clearly, as revenue increases, so does the likelihood of having an executive development program. More than half of the organizations with active executive development programs spend more than \$7,000 per employee on executive development each year.

Analyses revealed a pattern of two distinct approaches to active executive development programs: *heavy* and *light*. Organizations with heavy programs tend to operate at a global or multinational level, have large revenue, and report better-than-average organizational performance. Compared to other active programs, the heavy type of program

- spends more on each participant in learning
- includes a higher percentage of the workforce in executive development
- relies more on outsourcing for executive development.

Organizations with light programs tend to have national operations, as well as less revenue, and poorer organizational performance than organizations with heavy programs. The light type of program is characterized by

- relatively low spending
- low percentage of the workforce in executive development
- more internal resources for their initiatives than external.

COSTS OF EXECUTIVE DEVELOPMENT

Executive development practices tend to incur high costs because of the high-level nature of the initiative, considering such factors as the learning content, the qualifications of the instructors, and so forth. ASTD conservatively estimates that U.S. organizations spent approximately \$2.8 billion on executive development in 2007. Although this estimate is likely low (the most conservative approach was used at each step), it still represents a sizeable investment for potentially less than one percent of the overall U.S. workforce.

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Survey results revealed that the average amount spent on each employee participating in executive development programs was \$12,370. This average is significantly higher (1,021 percent) than the overall average learning expenditure of \$1,103 that was reported in the *2008 State of the Industry Report* (ASTD, 2008). Again, the difference between the costs for executive development and other types of learning programs is not surprising given the intensive demands of cultivating new executives and the high-level personnel required for the efforts. Among different industries, manufacturers spend the most on executive development at an average of \$22,164 per learner. For all respondents, outsourcing accounted for the largest portion of executive development expenditure at 48 percent.

OBJECTIVES FOR EXECUTIVE DEVELOPMENT

Organizations have recognized that continuous executive development plays an integral part in building competitive advantages for employees and the organizations alike (Vicere, 1996). The broad goal of executive development programs is to promote the long-term success of the organization, but there are several particular reasons for implementing executive development programs. The most frequently endorsed organizational objective was the *ability to engage and retain individuals with high-potential*, cited by 79 percent of respondents to a high or very high degree. Other important organizational objectives included the *ability to improve general bench or pipeline strength for executive level positions* (74 percent) and *succession planning* (65 percent).

On the individual level, the most frequently endorsed objective was *developing leadership competencies* at 79 percent. *Increasing self-awareness as a leader* was endorsed to a high or very high degree by 76 percent, and *developing strategic thinking skills* ranked third at 72 percent. The identification of these key objectives by responding organizations reveals that expectations for executive development participants involve obtaining skills and perspectives needed to maintain their roles as top-level leaders.

EXECUTIVE DEVELOPMENT PRACTICES

Identifying the right employees to take part in executive development programs can be a difficult task for organizations, but it is a critical step when building or maintaining a program. The most frequently cited screening methods to select potential participants for executive development programs are

- identification by managers
- job performance reviews
- inclusion in succession planning.

Each of these methods was utilized to a high or very high degree by more than half of the survey respondents.

According to the executives who took part in the follow-up interview, a key to success in executive development programs is consistent application of the methods used to identify talent for executive training. Fewer than one in ten organizations grant eligibility to all employees to take part in executive development, and roughly one-third restrict participation to employees from the vice president level and up.

Traditional delivery methods for executive learning are still utilized frequently in today's organizations; however, they are usually accompanied by modern elements. *Classroom-based learning* is utilized by 65 percent of respondents to a high or very high degree, while *experiential learning* is employed to a high or very high degree by 53 percent. Other important delivery methods for executive learning include *coaching* (61 percent), *action learning* (56 percent), and *360-degree feedback* (54 percent). In 2007, the average number of executive development-related training hours that were made available to employees was 256. On the individual level, the average participant consumed 45 hours of content related to executive development from formal programs annually. Additionally, the average figure for informal hours spent per year on executive development was 42 hours for each participant.

The majority of respondents (71 percent) reported either high or very high support from the C-level suite for their executive development efforts. Several interview participants stressed the importance of securing buy-in from upper management as a critical factor for a successful program. Most of the responding organizations have highly or very highly centralized executive development programs. Centralization was also viewed as beneficial by interview participants.

OUTCOMES AND LESSONS LEARNED

To determine success, the most frequently used methods include *tracking participants after completion*, *follow-up interviews*, *feedback from current executives*, and *as-*

assessment of overall employee satisfaction. Each of these measurement tools was utilized to a high or very high extent by more than half of the responding organizations. The majority of respondents reported at least some success in their executive development efforts. Nearly half (45 percent) rated their success with executive development to a moderate degree, while 39 percent reported success to a high or very high extent. Only 16 percent reported a low degree of success.

In particular, the organizational objectives that received the highest ratings of success were *improving general bench strength for executive-level positions* (60 percent reporting success to a high or very high extent), *engaging and retaining individuals with high potential* (58 percent), and *succession planning for specific positions* (52 percent). Individualized objectives for executive development were also assessed for success. *Increasing self-awareness as a leader* received the highest rating with 82 percent of respondents reporting success to a high or very high degree. Roughly two-thirds of respondents reported high or very high success for their participants in *developing leadership competencies*, *increasing understanding of the business model and strategy*, and *developing a better understanding of all aspects of the enterprise*.

Executive development requires a significant commitment from an organization in a variety of domains: funds, alignment with corporate strategy, considerable staff time, and even ongoing support from top leaders. It is therefore not surprising that executive development tends to be the domain of the “big kids on the block.” Large, multinational organizations with financial strength and sufficient infrastructure are more likely to have a more regimented approach to executive education than smaller organizations with a narrow operational focus.

Executive development efforts are not necessarily the easiest initiatives to implement and administer, but most of the participating organizations claimed that the programs

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provided some value. Some of the key components for success included strategic alignment with organizational goals, strong buy-in support from the CEO and other top leaders, and a realistic focus among participants and stakeholders. Challenging some of the most talented people in an organization to reach their full potential on a continued basis will require extensive effort from many key personnel. Many organizations have reported that all of the work does in fact lead to a variety of benefits for an engaged leadership and workforce.

The *ASTD–Booz Allen Hamilton Strategic and Tactical Approaches to Executive Development Study* fills in the gaps left by the lack of previously published research on executive development. In this groundbreaking study, ASTD and Booz Allen Hamilton lay out detailed demographics and best practices on executive development based on comprehensive research and documentation of more than 350 top organizations.

| ABOUT THE CONTRIBUTING ORGANIZATIONS |

THE AMERICAN SOCIETY FOR TRAINING & DEVELOPMENT

ASTD (American Society for Training & Development) is the world's largest association dedicated to workplace learning and performance professionals. ASTD's members come from more than 100 countries and connect locally in more than 130 U.S. chapters and with more than 30 international partners. Members work in thousands of organizations of all sizes, in government, as independent consultants, and suppliers.

ASTD started in 1943. In recent years, ASTD has widened the profession's focus to link learning and performance to individual and organizational results, and is a sought-after voice on critical public policy issues. For more information, visit www.astd.org.

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- Annual State of the Industry Report
- Learning's Role in Employee Engagement
- Learning's Role in Globally Dispersed Workforces
- Tapping the Potential of Informal Learning
- Talent Management: Practices and Opportunities
- Executive Development: Strategic and Tactical Approaches
- The State of Sales Training

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