

What's Next?

The 2007 Changing Nature of Leadership Survey

By André Martin





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Executive Summary

The Future Poses Many Challenges to the Evolving Nature of Leadership

Following a successful launch of the groundbreaking Changing Nature of Leadership (CNL) research in 2003, the Center for Creative Leadership (CCL®) commissioned a second study on the current field of leadership. The goal of the study was to examine any shifts in thinking over the past four years and to collect data on emerging trends important to current and future leaders.

The data was compiled in April 2007 by surveying 1,131 people online. All of the respondents were either past participants of CCL programs or members of our online community, myCCL. Results indicate that respondents still believe the definition of leadership has changed over the past five years (76%), and the challenges they face are increasingly complex (91%). This study sheds light on the why and how behind these findings.

Highlights

Complex Challenges Resist Solutions and Drive the Need for New Approaches

More than 40% of respondents noted that their organizations have faced a complex challenge for two years or more, which shows the challenges either resist solutions or morph into new challenges. Further, these challenges affect organizations by forcing leaders to create more innovative solutions and work more collaboratively.

Talent and Talent Development Is a Top Priority

When asked to describe the primary challenge their organization faces, respondents placed talent acquisition/ talent development at the top (17%). Additionally, 65% of respondents believe there will be a talent crisis in the next five years.

To Be Effective in the Future, Leaders Will Need to Develop New Skills

Leaders have a clear view of what skills will be needed to provide effective leadership in the future. The survey shows that future leadership skills will focus on a number of key characteristics, the foremost being collaboration (49%). In addition, leadership change, building effective teams, and influence without authority ranked high in terms of leadership skills needed for the future.

Collaboration Will Be Important in Sustaining High Performance

Not only was collaboration considered the top skill leaders must develop for the future, only 30% of respondents believed their leaders are skilled collaborators. Further, when we surveyed a smaller sample of senior leaders, 97% said that collaboration was essential to success.

Rewarding Leaders in the Future Will Require a New Approach

When asked to compare their current reward systems with one that would be optimal, some important shifts occurred. First, most organizations currently reward their employees based almost entirely on making the numbers (33%) and individual performance (24%). While these two metrics for reward remained at the top of the optimal scenario, developing others, collaboration, and innovation rose significantly.

Background

The CNL research project began in the fall of 2003 and explored trends in leadership development, business, and society. Using an Internet survey to collect data from a wide variety of global leaders, the 2007 analysis focuses on four main areas:

Complex Organizational Challenges

Analyzes the types of challenges facing today's organizations to better understand their impact on leadership and work processes.

Future Leadership Approaches

Gains perspectives from leaders on the approaches that will be essential for success in the next five years.

10 Trends

Focuses on the trends that affect leadership and how organizations are reacting to these trends.

Reward and Recognition

Examines current methods of reward/recognition employed in organizations.

Who Participated?

The 1,131 global leaders who participated in this survey were either alumni from the Center for Creative Leadership or members of the Center’s online community, myCCL. The average participant was an American male in senior-level or upper middle-level management.

Gender

The gender breakdown of respondents is fairly balanced, with males representing 56% and females representing 44%.

Table 1

| Gender | Percentage |
|--------|------------|
| Male | 56% |
| Female | 44% |

Age

The sample represented a well-distributed age range with the concentration of respondents falling between the ages of 46 and 55.

Table 2

| Gender | Percentage |
|--------|------------|
| 26–30 | 3% |
| 31–35 | 8% |
| 36–40 | 12% |
| 41–45 | 16% |
| 46–50 | 21% |
| 51–55 | 20% |
| 56–60 | 15% |
| 61+ | 6% |

Organizational Level

Respondents represented a variety of organizational levels. The majority of respondents (24%) were upper-middle managers, while the executive level was the second highest at 22%.

Table 3

| Organizational Level | Percentage |
|---------------------------------------|------------|
| Upper-Middle Management | 24% |
| Executive | 22% |
| Middle Management | 18% |
| Top Management | 17% |
| Professional (Individual Contributor) | 14% |
| First Line Manager | 5% |

Organizational Size

The highest percentage of respondents worked within organizations that are either relatively small with 100 to 999 employees (27%) or fairly large with more than 10,000 employees (24%).

Table 4

| Organizational Size | Percentage |
|---------------------|------------|
| 1-9 | 7% |
| 10-99 | 16% |
| 100-999 | 27% |
| 1000-4999 | 18% |
| 5000-9999 | 8% |
| 10,000+ | 24% |

Who Participated? (con't)

Organizational Performance

To examine the differences between organizational performance and leadership beliefs, we asked respondents to report how their performance compares to their competitors. The majority of respondents believed their organizations either perform at parity (48%) or outperform competitors (42%).

Table 5

| Organizational Performance (Self-Report) | Percentage |
|--|------------|
| Outperformed Competitors | 42% |
| Performed at Parity | 48% |
| Performed Below Competitors | 11% |

World Region

Given CCL's North American roots, it is not surprising that the majority of our respondents were from North America (78%). Asia/Asia Pacific is the second most identified region (10%), followed by Europe (7%).

Table 6

| World Region | Percentage |
|-----------------------|------------|
| North America | 78% |
| Asia/Asia Pacific | 10% |
| Europe | 7% |
| Central/Latin America | 2% |
| Africa | 2% |
| Other | 1% |

Section I—The Rise of Complex Challenges

This section explores the types of challenges leaders face, the length of time the challenges are faced, and the impact these challenges have on organizations. The purpose of this section is to better understand the types of leadership challenges that currently exist and could arise in the future.

Organizational Challenges

Respondents were asked to consider a primary challenge their organization currently faces. Challenges related to talent and development were at the top, followed by challenges related to market dynamics/customer needs and strategy/culture.

An interesting note to this data is that five of the top six challenges were internal to the organization. These challenges focused on positioning the business for future growth/prosperity through a variety of means from talent acquisition to reengineering. Given the complexity of the business landscape, the focus on talent as a primary challenge mirrors the recent literature on succession planning, the arrival of Generation Y, and the looming exodus of the Baby Boomer generation.

Table 7

| Challenge Category | Percentage |
|--|------------|
| Talent Acquisition/Talent Development | 17% |
| Changes in Market Dynamics/Customer Need | 16% |
| Change in Strategy/Culture | 11% |
| Restructuring | 9% |
| Drive for Innovation | 9% |
| Reengineering Processes | 8% |
| Boundary Spanning Activities/M&A | 8% |
| Downsizing/Cost Cutting | 7% |
| Senior Leadership Issues | 6% |
| Globalization/Expansion | 5% |
| Responding to Shifting Competition Bases | 5% |

Length of Time Challenges Are Faced

We asked respondents to assess how long the challenge had been faced by their organization. As shown below, 43% of these challenges have been faced two years or more, and 28% of these challenges have been faced one to two years. This data demonstrates the complexity of these

challenges and questions whether organizations currently have the skills and abilities to solve these challenges effectively. As speed becomes an even greater contributor of success, organizations will need to look towards leaders to drive transformation and solve challenges more quickly.

Table 8

| Length of Time Challenges Are Faced | Percentage |
|-------------------------------------|------------|
| 2 Years or More | 43% |
| 1 to 2 Years | 28% |
| 6 Months to 1 Year | 18% |
| 3 to 6 Months | 7% |
| Less than 3 Months | 3% |

Impact of Organizational Challenges

Given the rise in action learning and on-the-job development as a method for organizational and leadership development, we asked respondents to what extent challenges have positively affected their organization and the way employees work together. Results indicate that while there is some learning taking place, there is still much education to be acquired from these challenges.

Based on the data presented in Table 9, complex challenges require employees to create innovative solutions (53%) and work collaboratively (50%). However, these challenges are not necessarily helping organizations to increase their speed of response (42%) or make more effective decisions (43%). Are organizations attempting to solve these challenges with traditional solutions, only to find that they must master other skills such as collaboration and innovation?

Table 9

| Impact of Challenge | Percentage |
|----------------------------------|------------|
| Creating Innovative Solutions | 53% |
| Working More Collaboratively | 50% |
| Improving Work Processes | 49% |
| Improving Coworker Relationships | 45% |
| Breaking Down Functional Silos | 44% |
| Making More Effective Decisions | 43% |
| Increasing the Speed of Response | 42% |

With the exception of creating innovative solutions, the percent agreement across this section did not reach above 50%. Organizations seem to be experiencing a gap in what they learn from challenges and the way they respond to them. How can organizations and their leaders learn from their experiences and apply their knowledge across the system?

Section II—Future Leadership Skills

This section asked respondents to indicate the leadership skills that will be most important in becoming an effective future leader. The list is a combination of traditional leadership skills and those being examined within CCL as potential anchors for new developmental programs and processes. Additionally, we asked participants to assess organizational approaches to leadership that will be essential to their organization’s success in the next five years.

Individual Leadership Skills

Respondents were asked to indicate the three skills they will need to be an effective leader in the future. The indicated percentage represents the total number of the respondents who chose that skill in their top three. The data in Table 10 reveals that collaboration (49%), change leadership (38%), building effective teams (33%), and influence without authority (33%) are at the top. The skills that ranked at the bottom—those deemed less important for the future—are ethical decision-making (8%), credibility (9%), and straightforwardness and composure (10%). The results signify a belief that future leadership skills need to emphasize building teams and relationships, collaboration, and change management.

Table 10

| Future Leadership Skill | Percentage |
|--|------------|
| Collaboration (working across boundaries effectively) | 49% |
| Change Leadership | 38% |
| Building Effective Teams | 33% |
| Influence Without Authority | 33% |
| Driving Innovation | 29% |
| Coaching | 26% |
| Building and Mending Relationships | 25% |
| Adaptability | 25% |
| Paying Attention (seeing things from different angles) | 24% |
| Coinquiry (learning from others through questions) | 17% |
| Resourcefulness | 17% |
| Leveraging Differences | 16% |
| Global Awareness | 15% |
| Decisiveness | 13% |
| Doing Whatever It Takes (finding any way to get results) | 13% |
| Straightforwardness & Composure | 10% |
| Credibility | 9% |
| Ethical Decision-Making | 8% |
| Other | 5% |

Section II (con't)

Some interesting trends appear when we examine future skills by gender, age, world region, and organizational level. Some highlights include:

- When comparing males to females, males are seeking more development in building effective teams, coaching, and building and mending relationships. Meanwhile, females cite greater developmental needs in collaboration, leveraging differences, and coinquiry.
- Leaders in the 36 to 40 age range believe they need to develop better skills to influence those who do not report directly to them (influence without authority), while those in the 50 to 60 age range are focused on increasing adaptability.

- Data differs depending on region. While European leaders chose influence without authority as the skill they most need to develop, collaboration topped the list for both North America and Asia/Asia Pacific. Interestingly, Asia/Asia Pacific showed a greater need for innovation compared to other regions.
- Those at the professional level cite the greatest need to develop the skill of influence without authority, while first-level managers and top management have the highest need for building effective teams. Upper-middle managers and executives see leading change as more important than other leadership groups.

Future Organizational Leadership Approaches

Respondents were asked to examine their organization's approach to leadership five years in the future across 11 paired continuums. The rating scale provided in Table 11 shows the paired continuums based on current leadership literature, insights from CCL faculty, and pilot groups of

practicing leaders. The purpose of the continuums was to compare individual approaches to leadership (i.e., leadership as a position) to more collective approaches (i.e., leadership as a process). Half of the pairs were reversed to reduce rater bias.

Table 11

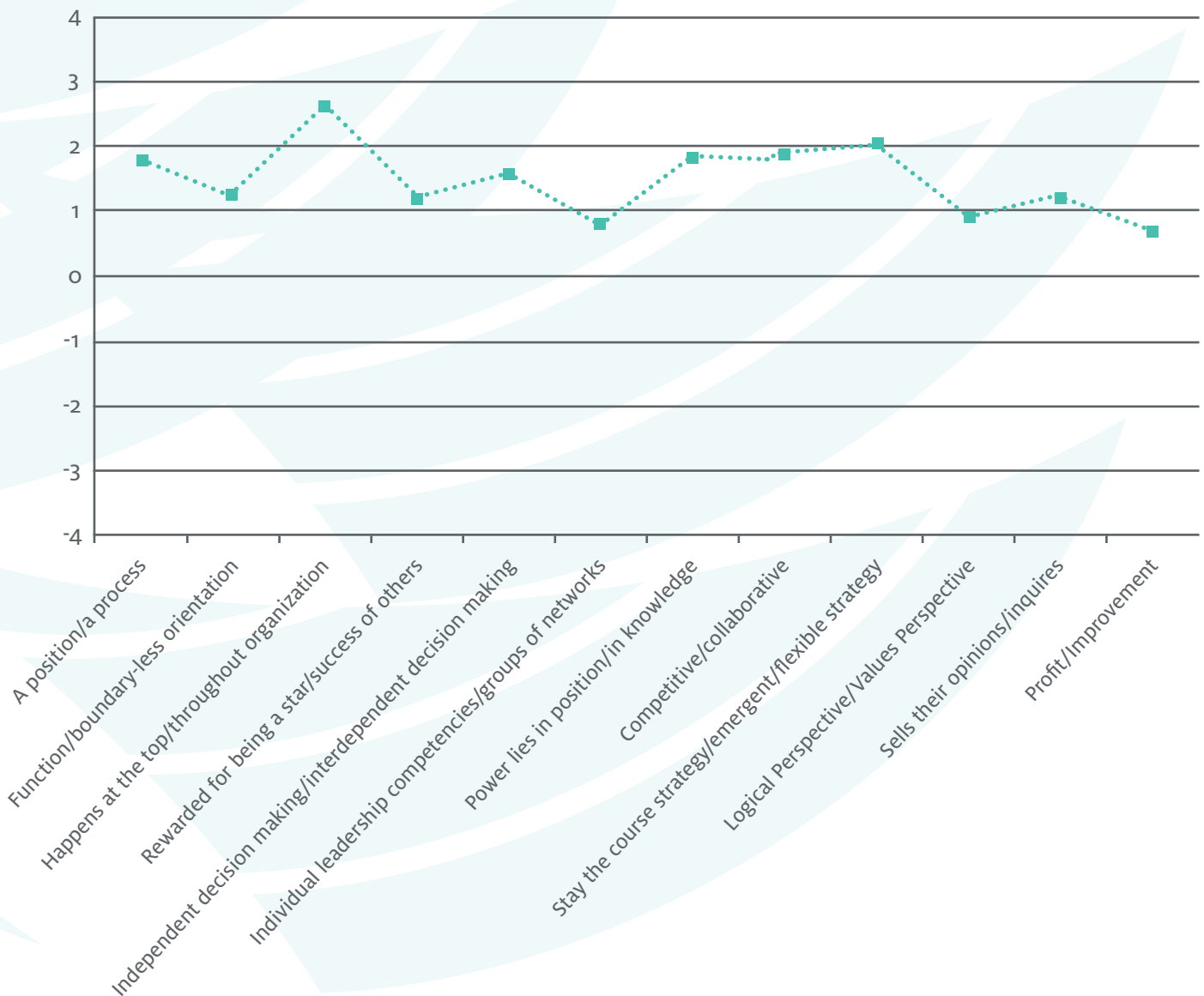
| Traditional | Scale | Collaborative |
|------------------------------------|-----------------------|--------------------------------|
| A Position | 5 4 3 2 1 0 1 2 3 4 5 | A Process |
| Functional | 5 4 3 2 1 0 1 2 3 4 5 | Boundary-less orientation |
| Happens at the top | 5 4 3 2 1 0 1 2 3 4 5 | Throughout the organization |
| Rewarded for being a star | 5 4 3 2 1 0 1 2 3 4 5 | Success of others |
| Independent decision making | 5 4 3 2 1 0 1 2 3 4 5 | Interdependent decision making |
| Individual leadership competencies | 5 4 3 2 1 0 1 2 3 4 5 | Develop via groups & networks |
| Position power | 5 4 3 2 1 0 1 2 3 4 5 | Power lies in knowledge |
| Competitive | 5 4 3 2 1 0 1 2 3 4 5 | Collaborative |
| Stay the course strategy | 5 4 3 2 1 0 1 2 3 4 5 | Emergent/flexible strategy |
| Logical perspective | 5 4 3 2 1 0 1 2 3 4 5 | Values perspective |
| Sells their opinions | 5 4 3 2 1 0 1 2 3 4 5 | Inquires for buy-in |
| Profit | 5 4 3 2 1 0 1 2 3 4 5 | Improvement |

As shown in Figure 1, there is a general trend toward more collective or collaborative forms of leadership, with a pronounced need to view leadership as a process that happens throughout the organization. Additionally, approaches that favor power in knowledge, collaboration, and emergent strategy will be needed in the future.

Future Organizational Approaches to leadership (Five Years in Future)

Leadership Continuum Data (Overall)

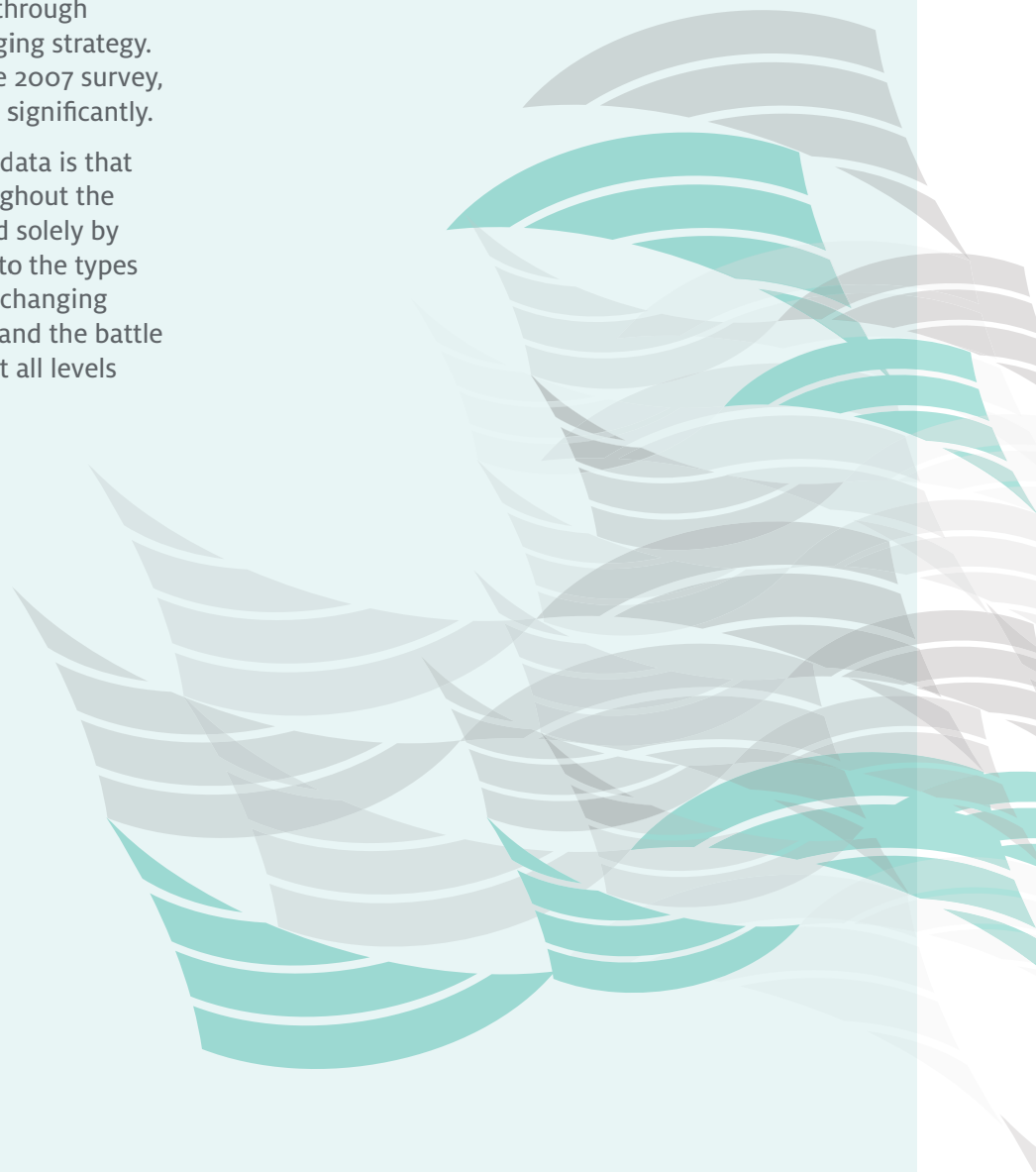
Figure 1



Section II (con't)

While several of the categories differ slightly, we were able to make some general comparisons to the data collected in 2003 and 2007. In 2003, respondents viewed the optimal future leadership approach as a process that happens throughout the organization through interdependent decision-making and emerging strategy. These qualities are still important but in the 2007 survey, collaboration and power in knowledge rose significantly.

One of the most interesting aspects of this data is that leadership seems to be pushed down throughout the organization as opposed to being controlled solely by senior members. This may be due partially to the types of challenges facing organizations, such as changing market dynamics, unique customer needs, and the battle for talent, which require decision-making at all levels of the organization.



Section III–10 Trends

A team of CCL researchers used CNL findings to create 10 Trends, a research study exploring a number of trends affecting business and leadership. Through the Leadership at the Peak (LAP) Program, an executive level development program at CCL, the team sought to gain additional perspective from senior leaders to understand their obstacles and their potential impact on leading organizations. In the hopes of drawing some comparisons between senior executives and the larger population of leadership in this sample, we incorporated a number of these trends. It should be noted that these trends do not exactly match the 10 Trends study. Where the items were similar, we were able to compare data. For additional information on these trends, please see the research report titled *10 Trends—A Study of Senior Executives' Views on the Future* at www.ccl.org.

The percent favorable represents respondents who answered the item with a 4 (agree) or 5 (strongly agree).

Section III (con't)

Table 12

| Trend Statements | % Favorable | % Favorable Senior Executives |
|---|-------------|-------------------------------|
| The challenges my organization faces are more complex than five years ago. | 91% | 91% |
| My organization is top in class in innovation. | 30% | 50% |
| In my organization, virtual leadership (leading across multiple locations) requires a different skill set than face-to-face leadership. | 87% | 92% |
| In my organization, leaders are highly skilled in collaboration. | 30% | 47% |
| The definition of effective leadership has changed in the last five years. | 76% | n/a |
| In my organization, senior leaders are able to be authentic (do their job without compromising values, beliefs, or personality). | 50% | n/a |
| The next generation of leaders (employees currently entering the workforce) will place unique demands on my organization. | 75% | 76% |
| My organization has a well-defined succession plan in place to develop the next generation of senior leaders. | 21% | 47% |
| There will be a talent crisis in the next five years. | 65% | n/a |
| Senior leaders in my organization are role models for diet, health, and fitness. | 23% | n/a |

Section III (con't)

Trends I and V—New Leadership and The Rise of Complex Challenges

More than 76% of respondents agreed that the definition of effective leadership has changed in the past five years. Additionally, more than 91% agreed that the challenges they face are more complex than in the past. Due to changing business dynamics, we must seek new ways to develop leadership skills to help leaders successfully navigate future challenges.

Trend II—The Innovation Revolution

From *Fast Company* to *Business 2.0*, popular business publications are focusing on design and innovation as key contributors to long-term organizational success. However, it appears that the organizations in our sample still have much to learn about driving innovation, with only 30% of our total sample and 50% of senior leaders believing their organization ranks high in innovation.

Trend III—The Art of Virtual Leadership

Is virtual leadership needed for the future? Does it differ from face-to-face leadership? The answer to both questions is clearly yes. Indeed, 85% of senior leaders agreed that virtual leadership is a necessary skill for leaders in their organizations. Of those surveyed, 87% of our sample and 92% of senior leaders agreed that virtual leadership requires different skills than face-to-face leadership.

Trend IV—Collaboration Nation

More than 97% of senior leaders believed collaboration is essential to success. However, only 30% of respondents and 47% of senior leaders believed leaders in their organization are actually skilled in collaboration. Results indicate leaders must learn to work across boundaries to collaborate effectively in the coming years.

Trend VI—Authenticity Is the Next Celebrity

In our study, only 50% of respondents believed senior leaders are authentic in their role. Because trust and respect are vital in the workplace, developing these skills for the future will be essential to keeping the workforce engaged and committed over the long term.

Trend VII—The Next Generation Arrives

Will the next generation of leaders require new approaches to recruitment, retention, and organizational life? Based on our sample, the answer is clearly yes, as 75% of respondents believed this next generation will place unique demands on their organizations.

Trends VIII and IX—The Talent Crisis and Filling the Leadership Pipeline

Talent development is a major organizational challenge today. In fact, 65% of our sample believed there will be a talent crisis in the next five years. At the same time, only 21% of our total sample and 47% of senior leaders believed their organizations have a well-defined succession plan in place. The differences in these responses could be attributed to the fact that no succession plan has been communicated throughout organizations.

Trend X—Leadership for Longevity

Leadership and organizational success will require greater levels of performance from every employee. To ensure we are ready for the challenge, health and fitness must become a focus of our development processes to deal with high stress, avoid burnout, and keep employees fully engaged. Currently, senior leaders are not good examples of this approach, as only 23% of respondents believed senior leaders in their organizations are role models for diet, health, and fitness.

Section IV–Reward and Recognition

The last section of our report is dedicated to the reward and recognition systems within organizations. It explores how our current reward systems and structures focus on the types of skills and talents needed to create leaders of the future. The questions in this section asked each respondent to allocate 100 reward and recognition points across eight different areas addressing how the organization currently rewards employees and how the organization should optimally reward employees. Due to some random error in calculations and rounding, the total number of points allocated may be above 100.

Current Reward and Recognition

When the data from the allocation for actual reward/recognition were examined, making the numbers (33%) and individual performance (24%) rose to the top. This focus on bottom-line results is not surprising due to the need for organizations to meet expectations from stakeholders and Wall Street. However, it is surprising that given the high level of our sample, developing others and long-term objectives were not part of reward structures.

Optimal Reward Recognition

In the optimal scenario, there was a drop in importance placed on making the numbers (17%) and individual performance (15%), although these still remained at the top of the reward structure. Furthermore, there was a gain in a number of other categories at the optimal level, including developing others (7%), collaboration (5%), and long-term objectives (5%). These gains seem to suggest a shared sentiment to focus on more long-term areas allowing for sustainable success.

Table 13

| Reward/Recognition Category | Actual | Optimal |
|-----------------------------|--------|---------|
| Making the Numbers | 33 | 17 |
| Individual Performance | 24 | 15 |
| Developing Others | 8 | 15 |
| Teamwork | 12 | 15 |
| Collaboration | 10 | 15 |
| Innovation | 10 | 14 |
| Long-term Objectives | 8 | 13 |
| Working Across Boundaries | 8 | 11 |

Questions for Organizational Leaders

- What are the major challenges facing your organization? How do they compare with the challenges from our sample?
- What would happen if organizations captured lessons of experience more effectively?
- Which of the future skills are most important for your leaders to develop? Are the skills different for front-line leaders and senior leaders? If so, how?
- How can your organization develop more collective approaches to leadership?
- Where does your organization stand in terms of the 10 trends? Which trends have you addressed? Which trends must you focus on to remain effective in the near future?
- What obstacles are standing in the way of organizations adapting more optimal rewards systems? How can you overcome these?

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