

American Management Association



DEVELOPING SUCCESSFUL GLOBAL LEADERS

The Second Annual Study of Challenges and Opportunities
2011

Conducted in Collaboration with the Institute for Corporate Productivity (i4cp) and *Training* magazine.

CMC
Canada

AMA
USA - Latin America - Asia - Pacific

MCE
Europe - Middle East - Africa

American Management Association

American Management Association (AMA) is a world leader in professional development and performance-based learning solutions.

AMA provides individuals and organizations worldwide with knowledge, skills, and tools to achieve performance excellence, adapt to changing realities, and prosper in a complex and competitive world. Each year, thousands of customers learn new skills and behaviors, gain more confidence, advance their careers, and contribute to the success of their organizations. AMA offers a range of unique seminars, workshops, customized corporate programs, online learning, newsletters, journals, and AMACOM books.

AMA has earned the reputation as a trusted partner in worldwide professional development and management education that improves the immediate performance and long-term results for individuals and organizations. For more information on how you and your organization can gain a competitive advantage, visit www.amanet.org

AMA Enterprise, a specialized division of American Management Association, drives talent transformation and business excellence for corporations and government agencies. AMA Enterprise leverages an unsurpassed array of resources to unleash hidden potential in the human capital of organizations and transforms talent to fuel a culture of innovation, high performance and optimal business results.

Institute for Corporate Productivity (i4cp)

i4cp is the world's largest vendor-free network of corporations focused on building and sustaining highly productive, high-performance organizations. Through a combination of peer networking, human capital research, tools and technology, we enable high performance by (1) revealing what high-performance organizations are doing differently; (2) identifying best and next practices for all levels of management; and (3) providing the resources to show how workforce improvements have bottom-line impact.

Over the last 40 years, i4cp research has revealed the five key human capital domains that companies leverage to drive performance. Our members—many of the largest and most respected companies in the world across a wide spectrum of industries—use this research, i4cp's expertise, tools, technology, and vast network of peers to improve productivity and drive business results.

Training magazine

Training is a 47-year-old professional development magazine written for training, human resources, and business management professionals in all industries that advocate training and workforce development as a business tool. *Training* also produces world-class conferences, expositions, and digital products that focus on job-related, employer-sponsored training and education in the working world. *Training* is published by *Lakewood Media Group*.

Executive Summary

Business is increasingly global, and with this certainty is the expectation that leaders possess the skills to manage effectively in the global marketplace. Certainly, the ultimate success or failure of these managers is largely driven by how well they have been developed throughout their careers and prepared for the global field of play. Appreciating the current status of global leadership development programs—and tracking ongoing progress with existing programs—is the primary objective of this second annual *AMA/i4cp/Training magazine Developing Successful Global Leaders Study*.

The 2010 study established a foundation for understanding global leadership development programs. And while only about a third (31%) of companies reported that they had created such programs, there was reason for optimism about the future of global leadership development programs, including findings such as:

- Critical thinking and problem-solving, change management, and leading cross-cultural teams were the most widely taught global leadership competencies.
- Metrics—particularly those related to changes in behavior or business performance—were being employed to evaluate these programs' outcomes.
- There was a strong relationship between involving senior executives in the programs and overall success of their execution—as well as overall business performance success.
- Companies were relying a great deal on the contributions from outside vendors and content experts to design and execute global leadership development programs.

Building on the insights gathered from the 2010 study, this 2011 edition sought to identify changes in approaches to global leadership development. An expanded panel of more than 1,750 respondents—mostly executives associated with AMA, i4cp, and subscribers of *Training* magazine—were surveyed. This number is nearly double that of 2010 and represents executives from companies with headquarters in 56 countries worldwide.

In addition to taking the pulse of existing programs, the 2011 survey also sought to drill deeper to identify opportunities for improving leadership programs. Questions were added to not only capture the current approaches to global leadership development but also identify how well programs have been able to achieve mastery of key competencies. The study also focused on what business leaders foresee as critical competencies that they anticipate will need to be part of the global leadership development curriculum of the future.

The following are some key findings of this study:

- The percentage of companies that reported having developed a global leadership development program has remained almost the same as in 2010, about 31%. Additionally, the competencies identified as critical components of these programs have remained very constant.
- There is a clear gap between the importance of certain key competencies and the degree to which executives have mastered them—particularly in managing change, exhibiting agility, and developing global strategies.
- High-performing multinational and global companies are providing global leadership development opportunities to a broader segment of their management team.
- The demand for outside vendors and content experts is increasing.

Business leaders agree that a combination of “soft” cross-cultural competencies, along with “hard skills” in supply-chain management and virtual technology should be the focus of global leadership development in the coming decade.

About This Study

Terms

Global Leadership Development: Global leadership development is defined in this study as activities that help leaders develop a set of competencies that are critical to the business success of organizations competing in a global marketplace. A global leadership program/curriculum tends to focus on competencies specifically for global leaders as opposed to leaders operating in a single country and dealing with a single national market.

Performance: While this study focuses on global leaders and their development, it also emphasizes the links between these programs and overall organizational performance. Performance has been measured using an index referred to as the *Market Performance Index (MPI)*. This index combines responses to questions related to four key areas of business success: revenue growth, market share, profitability, and customer focus.

Tables and graphs throughout this report show the strength of the correlations, or statistical relationship, between the participants' responses to specific topics and their companies' MPI scores.

Survey Technique

The survey participants for this study came from three sources: the AMA and its global affiliates, i4cp's global survey panel, and subscribers of *Training* magazine. The number of active participants in this study was 538, a portion of the total 1,757 total respondent population that indicated that their companies, in fact, had a global leadership development program in place. In some cases this number was further narrowed to 439 participants to capture organizations that both have a global leadership development program and operate either multinationally or globally. More than 20 industry sectors were represented in the final population of participants.

Most questions in this study used 1 to 5 Likert-scale type questions, with a 1 rating generally designated as "not at all" and a 5 rating as a "very high extent." There were 37 total questions, including demographic questions and those used to calculate the MPI.

Key Findings

Key Finding 1

Most companies have yet to implement a global leadership program and higher-performing companies continue to be far more likely to have launched them.

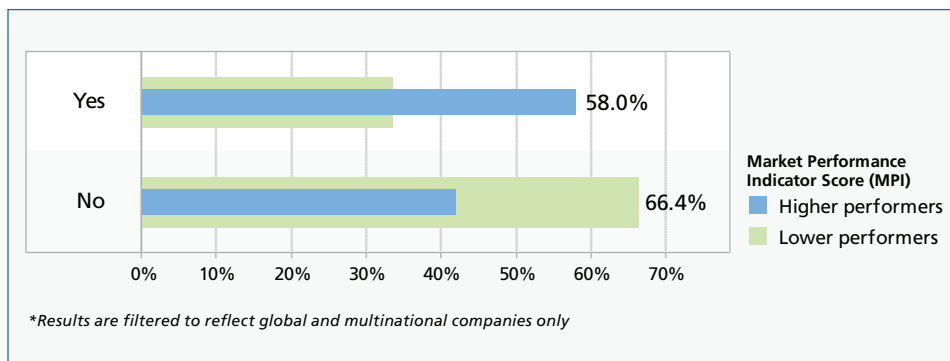
Just under a third (30.6%) of all responding companies reported having developed some form of global leadership development program. This is nearly unchanged from 2010, when 31.1% of companies indicated that they had introduced some form of a global leadership development program. This lack of movement should be contrasted with the fact that 16.5% of respondents who did not have any program whatsoever in 2010 indicated that they had planned to develop at least part of a global program.

This trend of inaction appears to be consistent, even among companies that indicate that they are multinational or global in scale. In 2010, 62% of these companies reported that they had implemented programs to develop global leaders. In 2011, however, that number remained virtually unchanged at 59%.

However, those companies that are categorized as high-performers using the MPI continue to outpace their average performing counterparts in their success in introducing these programs. Fifty-eight percent of high-performing companies have already introduced some form of global leadership development program, while just 34% of low-performers have such a program.

In addition to the frequency of these programs, the correlation between whether a company has a global leadership program and an MPI score is a significant .11. This clearly demonstrates that companies that are performing well competitively tend to be significantly more likely to have a program for developing their global leaders.

Do you currently have a global leadership development program?*



Key Finding 2

Existing global leadership development programs are working—and improving. Additionally, high-performing companies are aggressively looking for ways to make them even better.

Approximately 42% of companies that had introduced global leadership development programs reported that they were “highly effective” in 2010. At the same time, more than half also indicated that they intended to make improvements in the programs.

And apparently these improvements are working. In 2011, 47% of companies with global development programs indicate that they are “highly successful” or “largely successful” in achieving their business and learning goals. Additionally, the percentage of companies indicating that they are not entirely happy with their programs and aspire to make significant improvements totaled 46%, a slight drop from 2010.

Please select the statement below that best describes your opinion of the overall effectiveness of your organization’s global leadership development program.



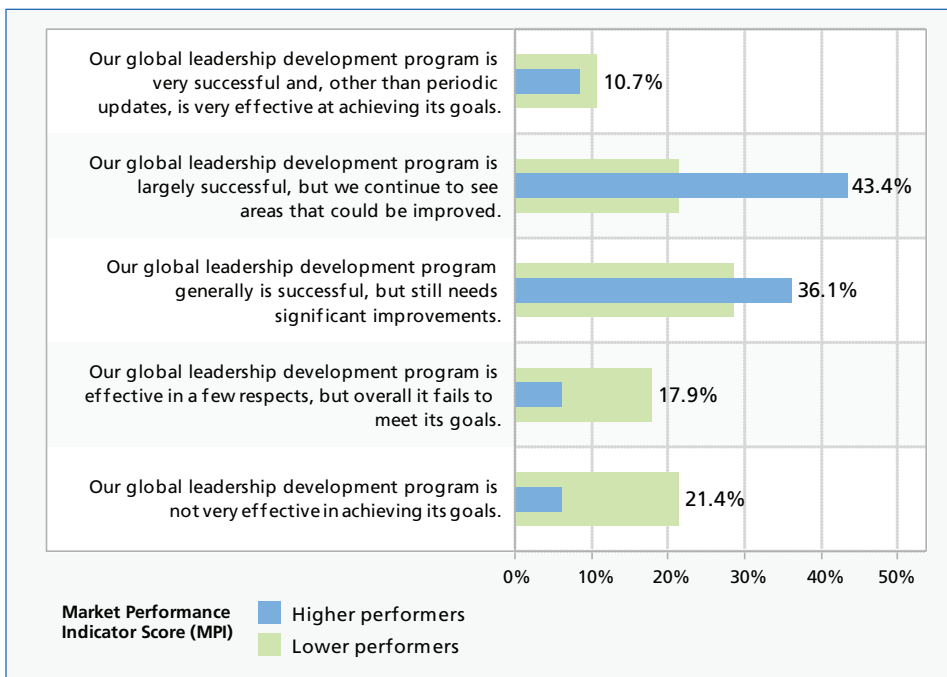
There also continues to be a strong relationship between satisfaction with the effectiveness of these programs and the company’s market performance. Fifty-two percent of high-performing companies believe that their programs are effective, while only 32% of low-performing companies report the same. Additionally, 21% of low-performing companies indicate that their program is “not very effective,” contrasted to only 6% of high-performing companies.

Ironically, even though there is a clear link between market performance and the effectiveness (or failure) of global leadership development programs, high-performing companies are also more committed to continually improving their programs. Even

though they have a higher success rate—and lower failure rate—36% of high-performing companies are continuing to examine ways to improve their programs, while only 29% of low-performing companies are planning improvements.

Please select the statement below that best describes your opinion of the overall effectiveness of your organization’s global leadership development program.

— MPI Comparison



Key Finding 3

The competencies necessary for global leaders have remained consistent but companies report gaps in pivotal areas, revealing key opportunities for gaining competitive advantage by focusing on specific areas for improvement.

When asked which competencies were important to include as key components of their global leadership development programs, respondents were consistent from 2010 to 2011. The five most common competencies included in these programs were as follows:

2010	2011
1. Critical thinking and problem solving	1. Change management
2. Change management	2. Critical thinking and problem solving
3. Building and leading cross-cultural teams	3. Strategy development*
4. Ability to influence and build coalitions	4. Execution of global strategies
5. Execution of global strategies	5. Ability to influence and build coalitions

* Strategy development was added to the question in 2011.

With the realization that global leadership competencies are enduring and consistent over time, the 2011 study sought to go further to identify key opportunities for developing a competitive learning advantage by also asking how well respondents believed that their managers had successfully mastered the competencies that were most important. The gap between importance of the competency and the degree to which it has been mastered demonstrates those key areas of opportunities for improvement.

When both the importance of a competency and the degree to which that competency has been mastered are considered together, the top ten key competitive opportunities for learning are revealed:

To what extent are the following competencies included in your global leadership development program? To what extent do you feel that your management team has successfully mastered these competencies?

Percent of respondents indicating “High” or “Very high extent”

Competency	% Included	% Mastered	Gap %	MPI Corr
Change management	69.5%	38.6%	30.9%	0.14*
Managerial agility	56.7%	33.2%	23.5%	0.17*
Strategy development	64.4%	42.3%	22.1%	0.15*
Ability to influence and build coalitions	57.4%	38.3%	19.1%	0.20*
Critical thinking and problem solving	67.8%	49.0%	18.8%	0.17*
Managing innovation	51.0%	34.2%	16.8%	0.21*
Leading cross-cultural teams	55.7%	39.3%	16.4%	0.16*
Strategy execution	57.0%	42.3%	14.7%	0.13*
Creativity	45.6%	32.9%	12.7%	0.17*
Emotional intelligence	41.3%	29.5%	11.8%	0.15*

*Statistically significant correlation to the Market Performance Index (MPI).

Key Finding 4

Global leadership development programs rely on a variety of strategic and values-based sources from which to derive content, but strategic workforce planning gap analyses may represent a key advantage for high-performers.

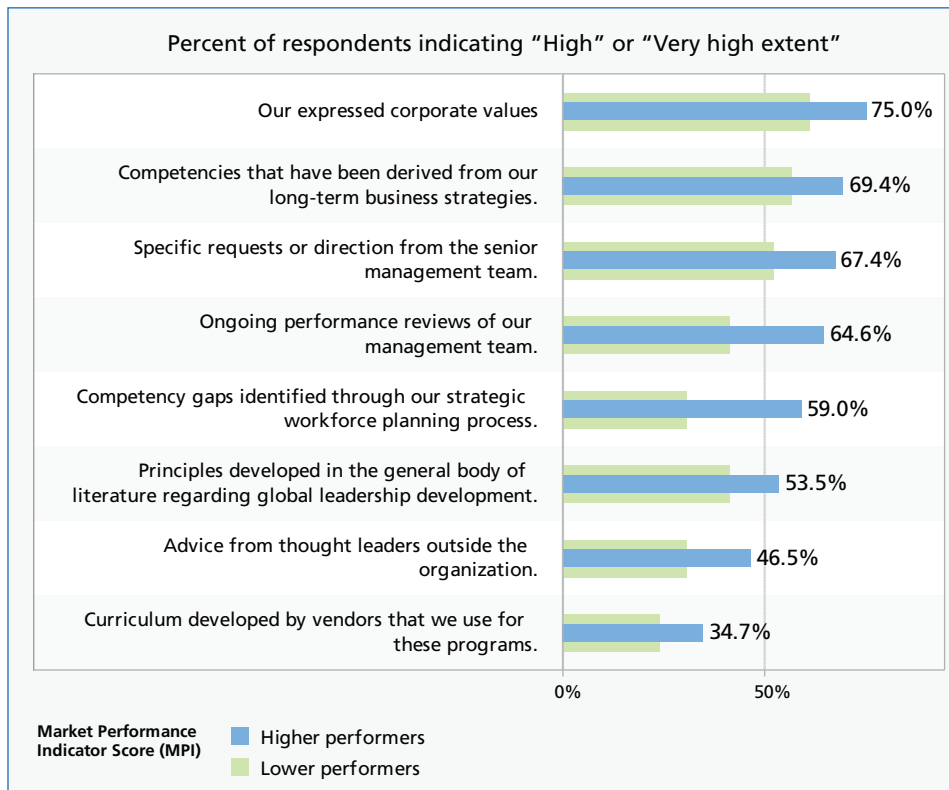
How do companies make decisions about the content of their global leadership development programs? More than two-thirds of respondents indicated that they use both the expressed values of the corporation (70%) and competencies derived from the company’s long-term business strategies (69%). More than half of companies reported that they develop content based on specific requests from the executive management team (62%) and ongoing performance reviews of the prospective participants in the program (54%).

It should be noted that high-performing organizations are nearly twice as likely to use competency gaps identified through formal strategic workforce planning processes

than their low-performing competitors. Fifty-nine percent of high-performing companies use strategic workforce planning analyses as a source of information for creating curriculum, while only 30% of low-performing companies use strategic workforce planning for their leadership development programs.

The important lesson is that the best global leadership development programs tap a variety of sources to inform their decisions about curriculum design.

To what extent is the content of your organization’s leadership development program primarily driven by the following?



Key Finding 5

A variety of metrics are used to measure the success of global leadership development programs, however, there is a clear difference between the evaluation methods used by high- and low-performing companies.

More than half of the companies participating in this study use some combination of five key evaluation metrics to determine the overall success of their global leadership development programs. These represent both traditional evaluation measures (e.g., participants’ satisfaction ratings) and more strategic business-focused measures (e.g., sales, productivity).

However, these results are also a bit startling; high-performing multinational and global companies use traditional measures far more frequently than their low-performing counterparts. For example, participants’ satisfaction ratings are used by about two-thirds of high-performing companies, while low-performing companies use them less than half the time.

Conversely, business performance measures are far more likely to be used by low-performing companies. More than 70% of low-performing companies use business outcomes such as sales or productivity, while barely half of high-performing companies use these measures.

While these findings are not statistically significant, they are interesting. It may be reasonable to assert that one explanation for these findings is that, while high-performing companies recognize that business performance outcomes are desirable to use in evaluating leadership development programs, they also recognize that methods of capturing and standardizing these measures are still in their early stages of development.

A final observation is that only one method of evaluation—Knowledge Achieved Through Post-Training Assessment—was significantly correlated with market performance using the MPI. This is the second year that this finding has emerged, yet this method of evaluation continues to be markedly less often utilized by participant companies.

To what extent does your organization use the following metrics to evaluate the success of your global leadership development program?

Percent of respondents indicating “High” or “Very high extent”*

Evaluation Metric	Overall	High Perf.	LowPerf.	MPI Corr.
Participants' satisfaction ratings	58.50%	67.50%	42.90%	
Observable changes in specific behaviors of participants	53.70%	65.00%	28.60%	
Formal performance reviews of participants	52.80%	60.00%	57.10%	
Customer satisfaction scores	51.20%	57.50%	42.90%	
Business performance (e.g., sales, productivity, etc.)	51.20%	52.50%	71.40%	
Knowledge Achieved Through Post Training Assessment	48.90%	60.00%	28.60%	.18**

* Results are filtered to reflect global and multinational companies only
 ** Significantly correlated to market performance

Key Finding 6

Increasingly, executives are becoming directly involved in global leadership development programs and their involvement is significantly related to overall business performance.

Compared to 2010, executives are becoming progressively more involved in their organizations’ global leadership development programs. In 2010, most companies reported using executives in identifying the business goals for the program, along with

communicating about the program to the company in general. This type of involvement continues to rise in 2011.

There also appears to be an increase in the use of executives as instructors for these programs. The percentage of respondents that indicated executives served as instructors for their programs increased from 26% in 2010 to 32% in 2011. There was also a small increase in the percentage of companies that said they used executives in creating evaluation metrics for their program.

It should be especially noted that executive involvement in all cases is significantly correlated to overall business performance, particularly when the executives are active in the creation of the program, involved in establishing business goals for the program, and in creating evaluation metrics.

To what extent are members of your senior management team involved in the following aspects of your global leadership development program?

Percent of respondents indicating "High" or "Very high extent"*

Executive Involvement	2010	2011	MPI Corr.
Establishing business results needed from the program	53%	59%	.20*
Communicating about the program	51%	55%	.14*
Program implementation	41%	40%	.19*
Program creation	43%	35%	.20*
Serving as instructors	26%	32%	.14*
Creation of evaluation metrics	24%	28%	.22*

*Results are filtered to reflect global and multinational companies only

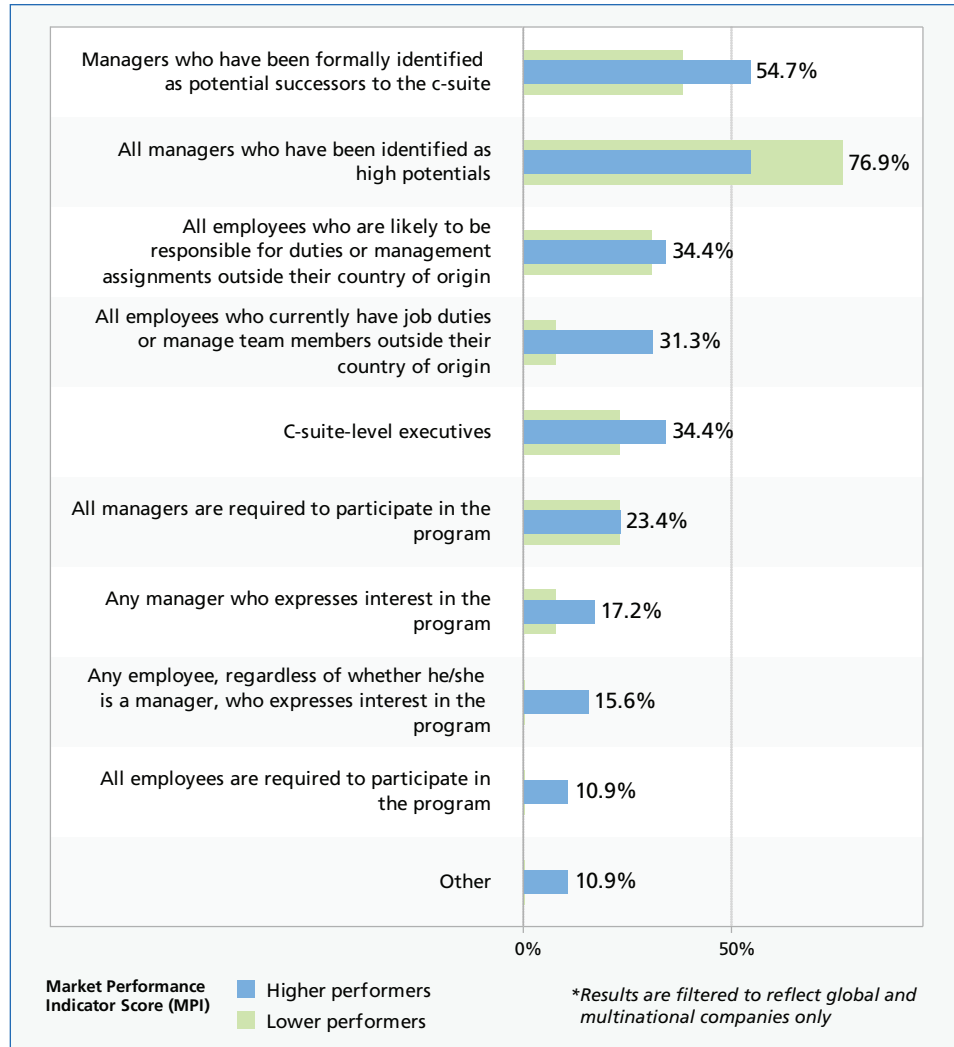
Key Finding 7

High-performing multinational and global companies go beyond high potentials to include a broader segment of their workforces in their global leadership development programs.

It is not uncommon to include managers who have been identified as high potentials or successors to the c-suite in global leadership development programs. In fact, more than half of all respondents in this study reported that they include both of these groups.

However, high-performing multinational and global companies extend their reach beyond this population. In fact, high-performing companies are more than twice as likely as low-performing companies (17.2% compared to 7.7%) to include in their programs any manager who expresses interest in global leadership development. Additionally, 15% of high-performing companies include any employee, regardless of whether they are a manager or not, as long as they have an interest in developing their global leadership skills. This compares to none of low-performing companies.

*What groups of employees is your organization's global leadership development program designed to target?**



Another distinguishing feature of the global leadership development programs of high-performing companies is that they are more likely to actually include c-suite executives in the program. More than one-third of high-performing companies include c-suite executives (34%), while fewer than a quarter (23%) of low-performing companies include their senior executives in their global leadership development programs.

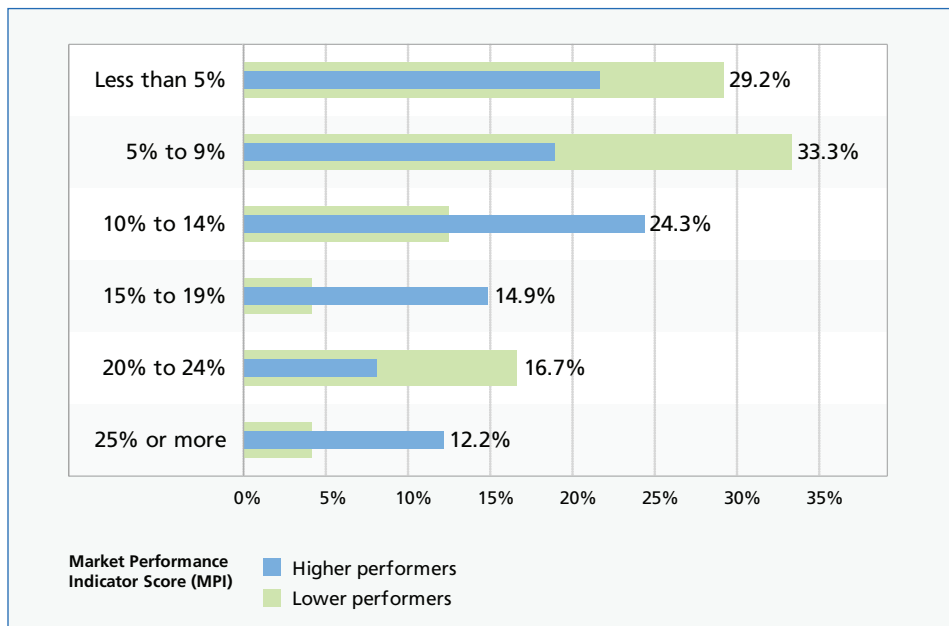
Key Finding 8

High-performing companies spend a larger percentage of their total learning budgets on global leadership development programs.

Budget allocations can be viewed as reflections of an organization’s priorities. With this in mind, it is clear that high-performing companies give global leadership development programs high priority. More than 10% of these high performers spend at least a quarter of their annual learning budgets on global leadership development. This compares to fewer than 5% of low-performing companies that allocate 25% or more of their learning budgets to these programs.

Conversely, as a demonstration of how low-performing companies regard global leadership development as less important than other initiatives, nearly two-thirds (62%) of them indicated that they earmark 10% or less of their learning budgets to developing global leaders.

Approximately what percentage of your organization’s annual training/learning budget does your global leadership development program represent?



Key Finding 9

High-performing companies place a higher premium on multilingual skills than do low-performing companies.

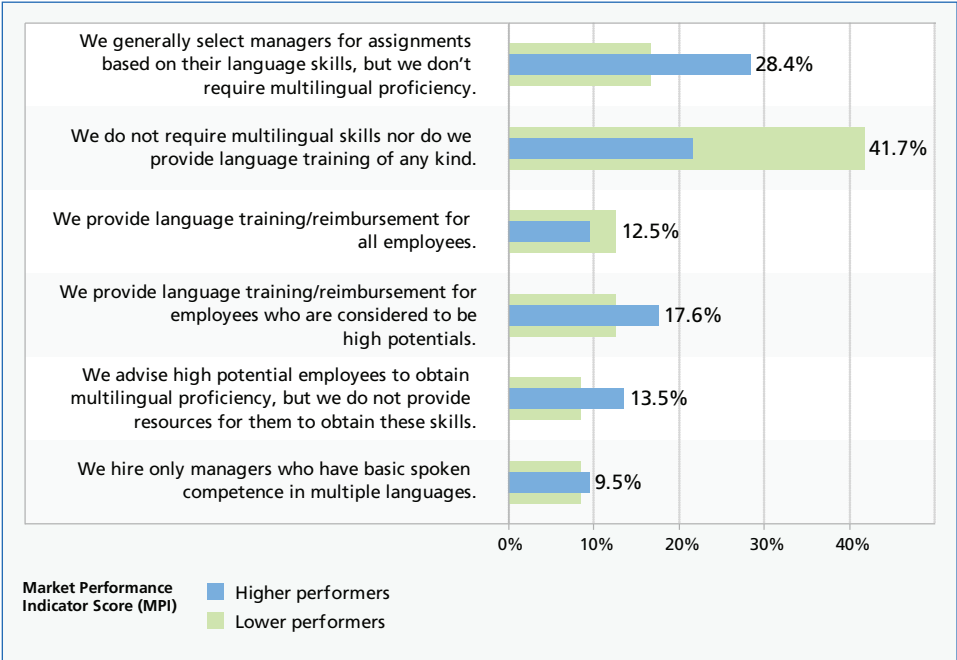
While English is generally accepted as the global “language of business,” managers who are being groomed for global management roles in high-performing organizations are more likely to be encouraged to be multilingual and are more likely to be provided resources to receive language training.

Nearly twice as many respondents from high-performing organizations reported that selection for a global assignment is one of the criteria for selecting managers in global roles. However, language skills are not a deciding factor in these assignments. More than 28% of high-performing companies look for language skills as a competency of global leaders, while this applies to only 17% of low-performing companies.

Additionally, high-performing companies are more likely to provide language training to high potential employees (18% compared to 13%); advise high potential employees to obtain language skills (14% compared to 8%); and, while a small percentage overall, are even more likely to exclusively hire managers who already have competency in more than one language (10% compared to 8%).

Clearly, the overall message is that while managers with mastery limited to a single language may not be eliminated from consideration for global roles, high-performing companies are more likely to place a premium on multilingual skills.

Which statement below best describes your company’s perspective on the language skills of managers who serve in international or global roles?



Key Finding 10

The demand for outside vendors or other content experts for the creation and implementation of global leadership development programs is increasing, but they are being used for the same purposes as before.

In 2010, 65% of respondents indicated that they used some vendor or outside content expert in the creation and execution of their global leadership development programs. Since then, that demand has increased to 74%.

This increase in demand may be the result of any number of factors, including the improving global economic climate, greater pressure to outsource the execution components of learning programs, and continuing cuts in overall learning budgets. Regardless of the factors that are leading to this increase in vendor and outside content experts, it is clear that vendors are being sought and used more frequently to perform this function.

On the other hand, no difference in how vendors are being utilized was found from 2010 to 2011. The dominant reasons for using outside vendors were found to be to leverage a vendors’ content expertise (84%) and their ability to execute training programs well (84%). Of interest, there was also found to be a small but notable increase in the desire by companies for their vendors to have representation in multiple geographic regions (39% in 2011, compared to 30% in 2010).

To what extent do you expect the following from your supplier(s)/expert(s)?

Percent of respondents indicating “High” or “Very high extent”

Reasons Vendors Are Used	2010%	2011%
Proven ability to execute	86.8%	83.9%
Subject area expertise	84.4%	83.9%
Ability to react effectively in an agile manner	70.3%	64.1%
Accreditation	42.4%	44.8%
Representation in multiple geographic locations	30.4%	38.5%
Ability to handle multiple language requirements	34.3%	32.3%

Key Finding 11

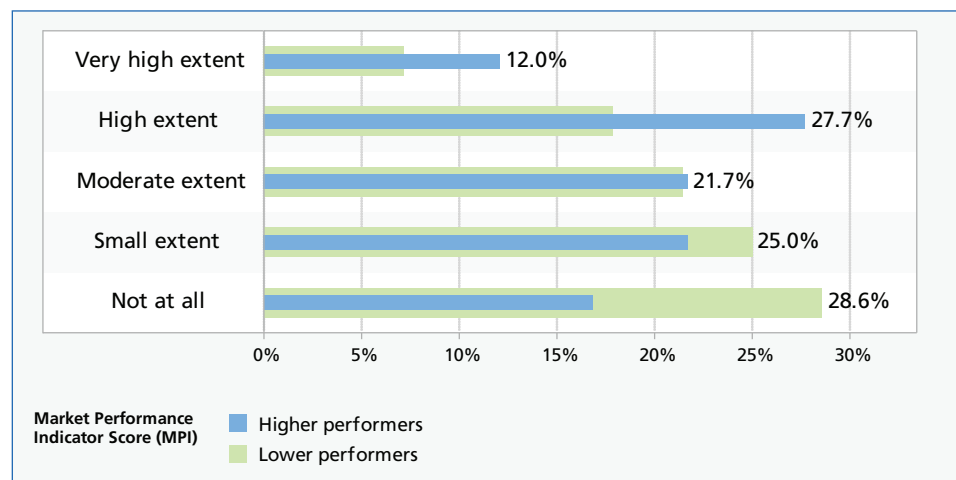
High-performing companies are more likely to customize their global leadership development programs to local geographies or countries.

A key challenge to learning practitioners is to build global leadership development programs that can be applied globally, yet are locally relevant. High-performing companies were found to be far more likely to customize their programs to local geographies and cultures compared to low-performing companies. Forty percent of all high-performing companies reported that they customize their global leadership development programs by region or country to a “high” or “very high” extent. This compares to just 25% of low-performing companies.

Additionally, high-performing companies are far less likely to choose not to include local or regional customization in their program designs. Seventeen percent of high-performing companies make no customizations for geographic regions or countries, compared to 29% of low-performing companies.

Finally, there appears to be evidence to support the practice of customizing global leadership development programs, since there is a significant correlation (.18) between responses to whether programs are customized and overall business performance using the MPI.

To what extent is your global leadership development program customized from region-to-region or country-to-country?



Key Finding 12

Cultural competencies will be the dominant—but not exclusive—new competencies that will be required for global leaders over the next ten years.

Participants in this study were presented with a wide variety of competencies and asked to rate them based on whether they believed that the competencies would be important for global leaders in the next decade. More than 50% of respondents identified ten key competencies that they thought should be added to their respective global leadership development curriculums.

Not surprisingly, multicultural skills and the skills associated with managing in a global workplace emerged at the top of the list. Additionally, skills associated with working collaboratively, remotely, and using the latest virtual technology were cited as important skills, but not at the top of the list. Finally, two “hard skills” competencies—managing multicountry supply chains and data analysis—also made the list.

However, while cultural issues dominate the responses to this question, there are also other “harder” competencies that the future global leaders will need. Not only will they need to be able to manage remote teams in matrixed organizational structures, they will also need to be familiar with global supply chain concepts, have mastery of

virtual technology, be knowledgeable of local employment laws, and be skilled at data analysis. In other words, in addition to being cultural facile, global managers of the future will also need to be solid all-around business management generalists.

In addition to simply identifying the most important competencies, respondents were asked whether they felt that their management teams had already mastered these skills sufficiently. The gap between the two reveals key areas of opportunity for companies to address both competencies that are important and have not yet been mastered by their managers. In particular, collaborating, innovating, and engaging employees across cultures appear to be key learning opportunities for the future.

It is also important to note that four of the competencies that were identified as important for global managers in the future were also significantly correlated with overall business performance. These highly correlated competencies include collaboration, engaging employees, and managing ethics cross culturally. Additionally, managing virtual teams was also identified as both important and correlated to business performance.

Generally, respondents agree that global leaders of the next decade will need to be more highly adaptable to culture differences, geographic distance, and non-hierarchical organizational structures.

Future Competency	% Important	% Mastered	Gap %	MPI Corr.
Collaborating with peers from multiple cultures	71.9%	38.4%	33.5%	0.23*
Managing innovation in a multicultural setting	60.1%	27.1%	33.0%	0.15
Cross-cultural employee engagement	63.1%	32.5%	30.6%	0.20*
Managing in a matrixed organizational structure	60.1%	31.0%	29.1%	0.11
Managing virtual teams	63.5%	36.5%	27.0%	0.21*
Multi-country supply chain management	53.7%	28.1%	25.6%	0.12
Mastery of latest advances in virtual technology	53.7%	30.0%	23.7%	0.12
Applying ethical standards in multiple cultures	58.6%	37.9%	20.7%	0.22*
Familiarity with local labor/workplace laws	50.7%	35.5%	15.2%	0.12
Data analysis	51.7%	39.4%	12.3%	0.12

Conclusion

This second annual global leadership development study has revealed a number of powerful insights for organizations that aspire to compete globally. There are some remarkably consistent findings from the 2010 study, which gives a greater sense that the design of these programs is relatively consistent across organizations and time.

However, it is important to understand that, while this study represents a broad swath of the global business community, it does not presume that every industry, company, or culture requires the same approach to global leadership. Therefore, the readers of this study should balance the insights herein with their own valuable experience and understanding of the unique needs of their organizations.

For more information about American Management Association
www.amanet.org • 1-800-262-9699

American Management Association • New York
Management Centre Europe • Brussels
Canadian Management Centre • Toronto
American Management Association • Mexico City
American Management Association Japan • Tokyo
American Management Association China • Shanghai