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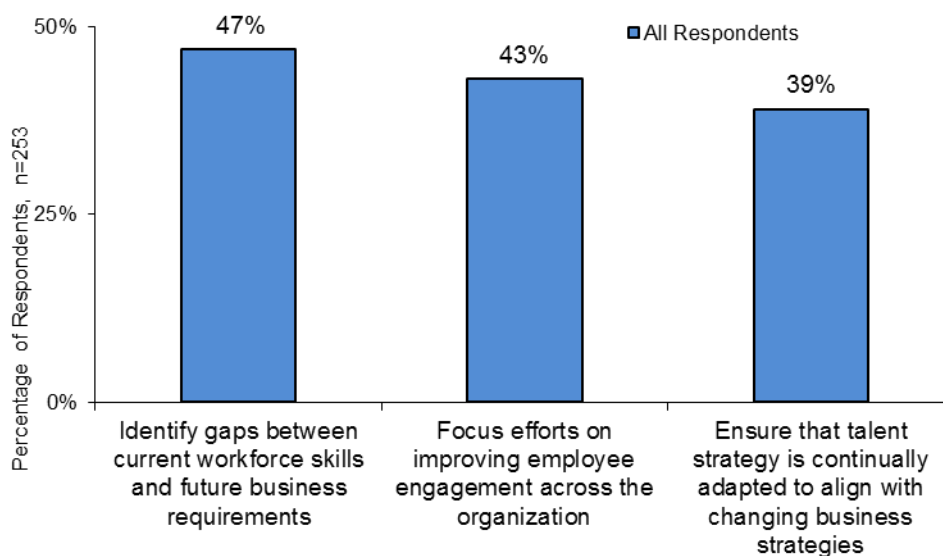
## Take Me to Your Leader: Developing the Leadership Pipeline

Aberdeen's recent human capital research has shown that in order to maintain a competitive position, organizations must build a sustainable pipeline of leadership talent. But as the definition of what makes a great leader continues to evolve, many organizations struggle to keep up. This brief looks at data from over 250 organizations in Aberdeen's recent *Human Capital Management Trends 2013* study to identify key learning strategies that organizations can put in place to build a sustainable leadership succession pipeline.

### The Growing Gap

Much has been made of the global skills gap in recent months. Aberdeen's own research has cited skill shortages as the key driver of talent acquisition, learning, and succession strategies. Organizations struggle to find the talent they need externally, and as a result many are forced to not only up-skill new hires at the entry level, but to develop more senior leaders from within. A focus on identifying these critical skill and leadership gaps — and ultimately coming up with strategies to bridge them — is the top priority identified by organizations toward enabling their Human Capital Management (HCM) success (Figure 1).

Figure 1: Top HCM Strategies



Source: Aberdeen Group, January 2013

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### Research Brief

Aberdeen's Research Briefs provide a detailed exploration of a key finding from a primary research study, including key performance indicators, Best-in-Class insight, and vendor insight.

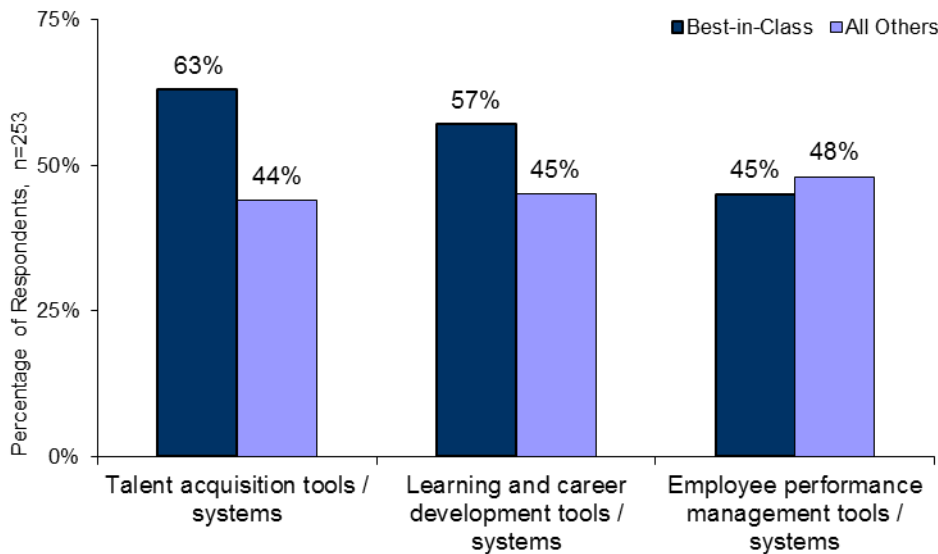
Organizations must also continue to redefine what success looks like in order to identify these gaps. The number one pressure cited in Aberdeen’s October 2012 [Learning and Performance](#) report was changes to product, process, and strategy that require the organization to reeducate and realign workers. And the top pressure in the January 2013 [HCM Trends](#) study driving leadership development initiatives was that the changing external marketplace is requiring new skills of future leaders. As the targets defining what great talent and great leaders look like change, organizations must make sure that business needs are being reflected in their learning and development programs. It’s not surprising that 39% of respondents in the 2013 HCM Trends study indicate that ensuring continued alignment between business and talent strategy is a key priority. Talent leaders and business leaders must ensure that they continually communicate, define, and redefine the talent required to execute business strategy so that top talent can be identified, developed, and retained. Organizations also realize that they must support these strategic priorities with the right technology investments. Top-performing organizations in Aberdeen’s 2013 HCM trends study (see sidebar) outpace All Others when it comes to their investment in talent acquisition, as well as learning and career development tools (Figure 2).

**Best-in-Class Definition**

In Aberdeen’s January 2013 [Human Capital Management Trends](#) study, the following key performance indicators were used to distinguish the Best-in-Class (top 20% of aggregate performers) from the Industry Average (middle 50%) and Laggard (bottom 30%) organizations, with mean performance among the Best-in-Class as follows:

- ✓ 85% of employees rated themselves as highly engaged
- ✓ 74% of key positions have at least one ready and willing successor identified
- ✓ 13% year-over-year improvement in hiring manager satisfaction

**Figure 2: Top Priorities for 2013 Technology Investment**



Source: Aberdeen Group, January 2013

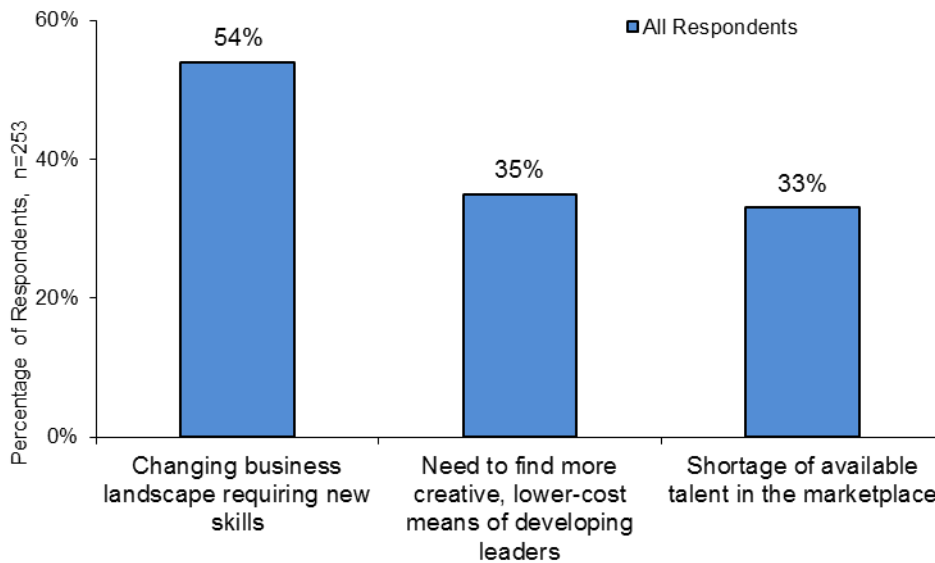
Clearly when it comes to establishing a strong leadership pipeline, organizations need to look both internally and externally. Ultimately, talent acquisition and career development / succession tools answer the same essential question: “where can I find the best person to fill this role?” But given the continued shortages of key skills available in the marketplace, many organizations will not be able to simply buy their way out of their leadership talent shortages — they must also build from within.

### **Building the Leaders of Tomorrow**

Aberdeen recently surveyed over 100 organizations to understand their critical leadership gaps. The findings from this study, highlighted in the March 2013 report [Accelerating Leadership Development](#), indicated that responding organizations feel they are only capable of delivering 67%, or two thirds, of the leaders that their businesses will require in the coming three to five years, and that the shortages are most acute in the mid-level and senior leadership ranks.

Some of the drivers behind this gap include the fact that defining successful leaders is a moving target, and that the programs and experiences that delivered today's successful leaders may not continue to deliver the next generation of skilled leadership. Fifty-four percent (54%) of respondents to Aberdeen's January 2013 [HCM Trends](#) study indicate that the changing skills profile for future leaders is their number one driver for leadership development initiatives (Figure 3). In addition, organizations are challenged by economic realities, forcing them to find new ways to develop leaders. Flattening organizational hierarchies and intense business scrutiny have eliminated many growth opportunities, and the traditional progression up the corporate ladder. Organizations have to rethink leadership development to keep pace.

**Figure 3: Pressures Driving Leadership Development**

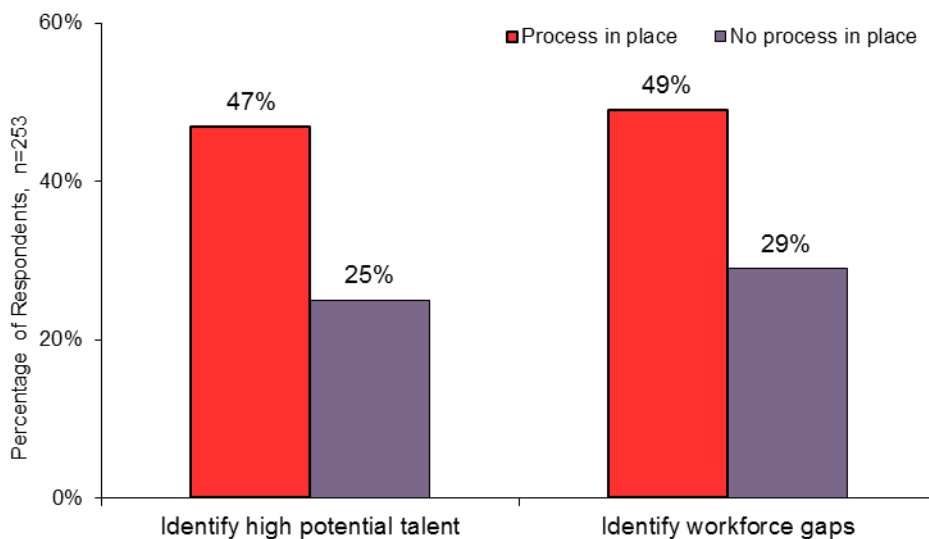


Source: Aberdeen Group, January 2013

Organizations need to rethink the processes and experiences that will deliver great leaders, and they also need to rethink their approach for identifying potential within employees that can be developed through these processes. Successful organizations know that the key to ensuring a steady stream of leadership talent is to provide differentiated opportunities to individuals who demonstrate the greatest potential for future organizational

impact. Best-in-Class organizations in the 2013 *Human Capital Management Trends* study were 67% more likely than All Other organizations (60% vs. 36%) to have a defined process in place to identify high potential talent. They were also more than twice as likely as All Other organizations (47% vs. 22%) to have a process in place to identify and quantify the gaps between the current workforce and future business demand. While many organizations indicate that these are key priorities, many still lack a defined process to help them execute against that priority. Putting these processes in place has a significant impact on succession bench strength, as illustrated in Figure 4. When organizations have a process in place to identify high potential talent, they, on average, have a ready and willing successor identified for nearly twice as many of their critical positions. And where organizations have a process in place to identify workforce gaps, they have identified successors for 69% more of their critical positions.

**Figure 4: Key Positions with Ready and Willing Successor**



Source: Aberdeen Group, January 2013

Organizations with a process in place to identify workforce gaps also saw four times greater year-over-year improvement in time to hire (8% vs. 2%) — indicating that understanding these gaps helps them develop both internal and external leadership pipelines. Clearly, a systematic approach to identifying high potential candidates, and developing them to address workforce gaps, is a critical foundation for a sustainable talent pipeline.

### **Identifying High Potential Talent**

Most organizations acknowledge that identifying high potential talent is important, but struggle with how to actually do so. It is far easier to evaluate past performance than predict an individual's potential for future results. Table I below highlights some of the information sources Best-in-

Class organizations rely on to help them identify their high-potential talent pool.

**Table 1: Most Valuable Activities for Identifying High Potentials**

|   | <b>Best-in-Class</b> | <b>All Others</b> |
|---|----------------------|-------------------|
| Critical thinking / cognitive ability assessments | 4.14                 | 3.69              |
| Customer or client feedback                       | 3.84                 | 3.70              |
| Multi-rater / 360-degree assessments              | 3.82                 | 3.71              |
| Hiring manager or supervisor feedback             | 3.71                 | 3.63              |
| Skill-based assessments                           | 3.69                 | 3.36              |
| Scenario-based assessments                        | 3.54                 | 3.30              |
| Behavioral / personality type assessments         | 3.52                 | 3.40              |

Source: Aberdeen Group, January 2013  
Rated on a scale of 1-5 where 5=most valuable, 1=least valuable

High potential programs are essential to accelerating leadership development, but too often a process for identifying this high-potential talent is lacking. Best-in-Class organizations are more likely to use formal tests and assessments in such scenarios, but the biggest gap by far is in the value Best-in-Class organizations place on critical thinking and cognitive ability assessments. Critical thinking is essential at all levels of leadership, and can also be indicative of an individual’s ability to learn and grow as they develop through the leadership ranks. The two areas with the next biggest gaps are skill- and scenario-based assessments. These are both important indicators to identify high potential talent, because while skill level is important, how this skill is applied is equally as important. Using scenarios to help understand how an individual reacts and responds in changing conditions can give companies a window into how they will handle future leadership challenges. Top-performing companies take a multifaceted approach to identify high potential talent however, and include manager / supervisor feedback, as well as customer and client feedback. In fact, top-performing organizations rank this as the second most important source of identifying critical talent. This connection between customer impact and talent is critical to support the continued alignment of business and talent strategy.

## Key Insights

Organizations struggle every day with the challenge of finding individuals with the right skills and capabilities to lead their organizations into the future. Developing an organizational competency in the ability to identify critical skill gaps, and identify and develop the right employees to bridge those gaps, will create real competitive differentiation for organizations in today’s marketplace. As your organization works to create a sustainable

leadership pipeline, keep in mind the three key priority areas identified in this research:

- **Align business and talent strategy**, and clearly identify the critical workforce gaps between current talent supply and future business demand.
- **Take a multifaceted approach** to identifying high potential talent, and dedicate programs to developing it.
- **Support development initiatives** with an investment in technology that helps individuals and the broader organization plan for career paths and ongoing succession.

Adopting the right strategies and supporting processes, along with enabling technology, allows organizations to fill their leadership pipeline, and ensure sustained success.

For more information on this or other research topics, please visit [www.aberdeen.com](http://www.aberdeen.com).

| Related Research   |   |
|--|---|
| <a href="#"><i>Accelerating Leadership Development</i></a> ; March 2013  | <a href="#"><i>Learning and Performance: Developing for Business Results</i></a> ; October 2012 |
| <a href="#"><i>Human Capital Management Trends 2013: It's a Brave New World</i></a> ; January 2013   | <a href="#"><i>Assessments 2012: Predicting Productivity and Performance</i></a> ; June 2012    |
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