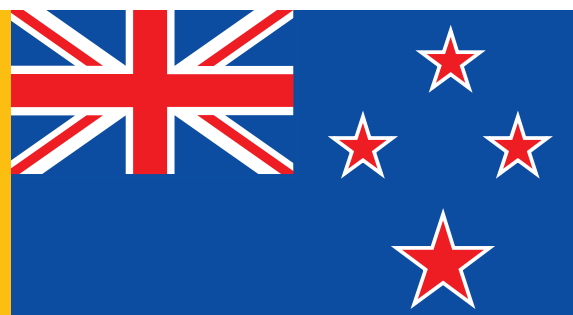


New Zealand Highlights



Global Leadership Forecast 2011

Jazmine Boatman, Ph.D., Richard S. Wellins, Ph.D., and Christien Winter

The Talent Management Expert



Revolutionize
leadership,
revolutionize
your business.

New Zealand Highlights



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A WELCOME FROM DDI

As the exclusive New Zealand licensee for DDI, Sheffield is pleased to present this report outlining the state of leadership and its practices in the Australia and New Zealand business community. This regionally focused report is part of a larger study, *Global Leadership Forecast 2011*, the sixth in DDI's research series on global leadership issues and practices. The results presented here contrast the responses from HR professionals and leaders in Australian and New Zealand organisations with other organisations around the globe.

We heard one overarching theme from thousands of leaders while conducting this research: The only thing constant is change itself. Today's business landscape is evolving at a blistering pace. Competition continues to grow, and having the appropriate talent remains the key competitive advantage for organisations. For Australia and New Zealand, as smaller contributors to the global economy, the challenge is to continue to leverage their strengths to stay at the forefront of global growth and development. The question we wanted to answer is whether today's leaders are prepared for the rapid growth and change they will face. Are

they keeping up or falling behind? This report addresses several issues related to today's most valuable commodity:

- What is the quality of leadership in Australian and New Zealand organisations today?
- Do Australian and New Zealand organisations have a sufficient supply of capable leaders to meet tomorrow's business challenges?
- What can we do to radically change how we accelerate the development of our leaders?
- Is it time to radically innovate our products and business models and how we manage them?

We are confident that this report will offer you new insights into leadership practices in Australia and New Zealand. We hope it will stimulate your thinking about how you can institute real change that will enhance the capabilities of your leaders and your business. We are unable to include all of the findings in this report. For a more detailed look at current trends, go to www.ddiworld.com or www.sheffield.co.nz to access the full report.

Christien Winter
Director, Sheffield

ABOUT DDI IN NEW ZEALAND

Sheffield is proud to be the exclusive licensee for DDI in New Zealand, a role we have fulfilled since 2000. Our organisational development practice is enhanced and supported by DDI's world-leading HR solutions. We work with both private and public sector organisations to enable practical talent management solutions. With a focus on enabling business strategies and outcomes, DDI's leading-edge, competency-based talent solutions help our clients achieve higher levels of organisational performance through their people initiatives.

The DDI solutions available in New Zealand include:

- **Competency models** linked directly to your key business drivers.
- **Assessment centres** that are flexible and able to be applied at different leadership levels for selection or development purposes.
- **Targeted Selection®**, a behavior-based recruitment system that includes both training courses and recruitment system development.
- **Leadership and workforce development courses** that offer the widest range of topics, enabling aligned development in all leadership levels. (DDI is recognised internationally as amongst the top 20 providers of such training.)
- **Performance management** training and system development for enhanced effectiveness.
- **Succession management** consulting solutions to help you make critical placement and promotion decisions.
- **360 online survey**, a flexible assessment that can be customised, enabling ease of use with any competency framework. It also can be used with standard DDI competency sets for all leadership levels.

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STUDY PARTICIPANTS

DDI's *Global Leadership Forecast 2011* is the largest global study of its kind. More than 2,600 organisations provided perspectives on their current state of leadership and their future talent-related needs. Participating in the study were 1,897 HR professionals and 12,423 leaders from 74 countries.

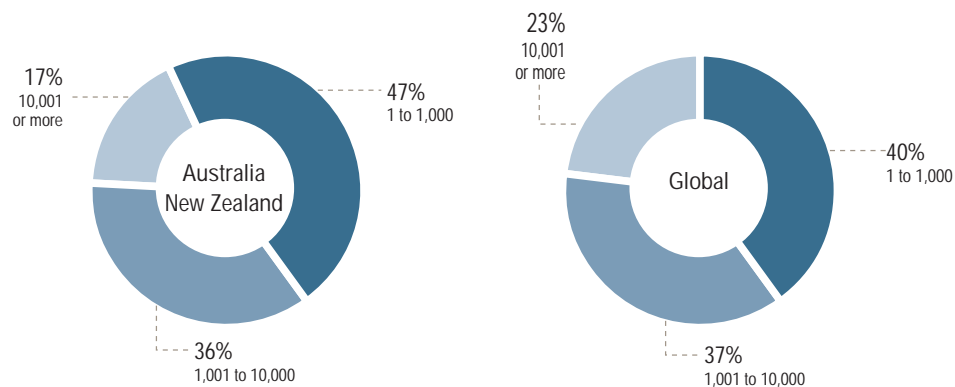
This report is based on survey responses from HR professionals and leaders in Australia and New Zealand. An HR professional completed a survey for each organisation or major business unit. The HR professionals then invited representative samples of their organisation's leaders to complete leader surveys. The Australia and New Zealand respondents are compared in this report to the total group of HR professionals and leaders in the global sample (see **Table 1**). To ensure that no individual organisation dominated the results, we selected a random sample from organisations with more than 100 leaders.

● ● ● ● **TABLE 1 SAMPLE SIZE**

	Australia	New Zealand	Global
HR Professionals	112	26	1,897
Leaders	146	202	12,423
TOTAL	258	228	14,320

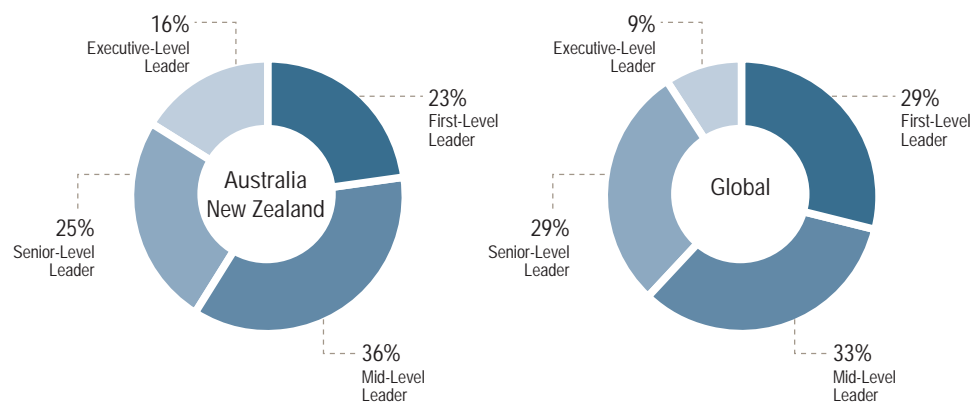
Australian and New Zealand organisations were smaller on average than those in the global sample; that is, there were more small organisations (1,000 employees or less) and fewer medium-sized and large organisations in Australia and New Zealand (see **Figure 1**). Just over half (57 percent) of Australian and New Zealand organisations were multinationals (i.e., owned, operated, or had affiliate offices in multiple countries); in the global sample, 60 percent were multinationals.

FIGURE 1 ORGANISATION SIZE



The Australian and New Zealand sample was very similar to the global sample with respect to leadership levels (see **Figure 2**). Additional information about participating Australian and New Zealand organisations and leaders can be found in the Demographics section of this report.

FIGURE 2 LEADERSHIP LEVELS



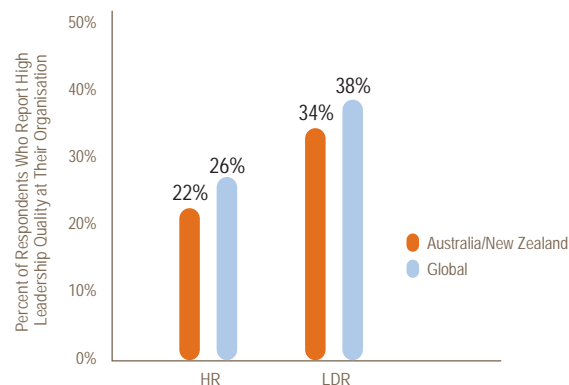
Today's leaders are ill-equipped to handle the challenges organisations are facing in the new business environment.

STATE OF LEADERSHIP TODAY

Most would agree that the past few years have been challenging ones for businesses worldwide. The economic crisis forced organisations to make tough decisions and left many suffering in a multitude of ways. Although not completely immune to the effects of the global economic crisis, Australian organisations tended to fair better than their global and New Zealand counterparts. Whilst most advanced economies contracted by over 3 percent in 2009, the Australia economy managed a modest growth rate of around 1.4 percent.

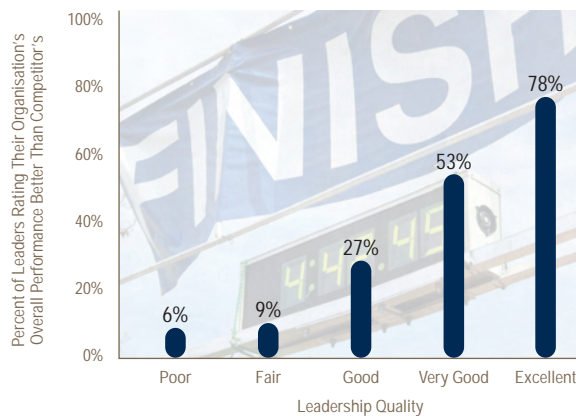
Today, whilst there remains a sense of uncertainty in the region, the world economy is starting to show signs of improvement. Apprehension is beginning to be replaced by optimism, and organisations are starting to look towards the future. Despite this hopefulness, the reality is that today's leaders are ill-equipped to handle the challenges organisations are facing in the new business environment. Only 38 percent of the global sample reported that the quality of leadership in their organisation is very good or excellent (see **Figure 3**). Australia and New Zealand are no different. With a relatively small leadership pool in Australia and New Zealand, it's not surprising that only 34 percent of leaders and 22 percent of HR professionals rated the quality of leadership as high. Australian and New Zealand organisations remain heavily influenced by shifting global trends and market conditions, movements and fluctuations in currency, and an increasing level of engagement in the broader Asia-Pacific market. Against this backdrop the demand for strong leadership is more important than ever.

● ● ● ● **FIGURE 3 LEADERSHIP QUALITY**



The quality of leadership can make or break an organisation. In fact, this research demonstrated that organisations with the highest quality leaders were 13 times more likely to outperform their competition in key bottom-line metrics such as financial performance, quality of products and services, employee engagement, and customer satisfaction (see **Figure 4**). Specifically, when leaders reported their organisation's current leadership quality as poor, only 6 percent were in organisations that outperformed their competition. Compare that with those who rated their organisation's leadership quality as excellent at the opposite side of the graph. There, more than three-quarters (78 percent) of leaders are in organisations that are outperforming their competition in those key bottom-line metrics.

● ● ● ● **FIGURE 4 LEADERSHIP QUALITY RELATED TO ORGANISATIONAL PERFORMANCE**

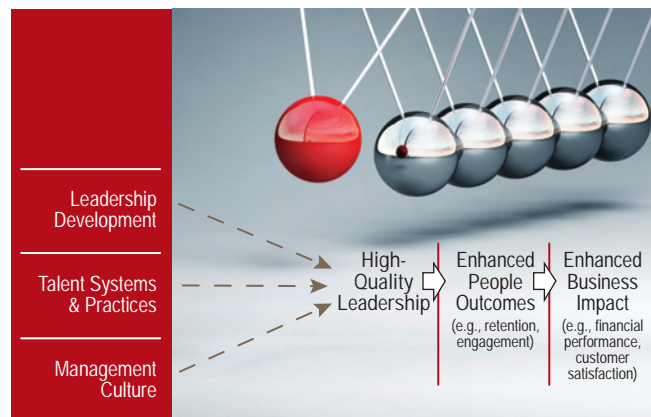


Leadership quality doesn't just affect the bottom line; it also affects the retention of the organisation's employees as well as its leaders' engagement and passion. Organisations with higher quality leadership retained more employees than their competition, and they also had more engaged and passionate leaders (see the global report for more details). Given the importance of leadership for ensuring business success, this question needs to be answered: **What can organisations do to improve the quality of their leadership?**

The *Global Leadership Forecast 2011* uncovered three key drivers of leadership quality (see **Figure 5**):

1. Leadership development
2. Talent management systems and practices
3. Management culture

● ● ● ● FIGURE 5 DRIVING BUSINESS THROUGH LEADERSHIP



To achieve high-quality leadership, organisations need effective leadership development and talent management systems in the areas of selection, performance management, and succession management. Also, for leaders to fulfill their potential to drive the business, management needs to ensure that the organisation's culture gives people the freedom and opportunities they need to be effective. These three key drivers provide the structure for the remainder of this report.

LEADERSHIP DEVELOPMENT

According to the leaders who participated in the global study, leadership development programs were the primary determinant of leadership quality in organisations. Based on the global sample, leaders in organisations with more effective leadership development programs were eight times more likely to rate the quality of their leaders as very good or excellent. What, then, is happening with organisations' leadership development efforts?

Organisations in Australia and New Zealand seem to be keeping pace with the rest of the world when it comes to their leadership development budgets for this year and the next (see **Figure 6**). Whilst a dramatic increase in budgets in Australia and New Zealand is not anticipated, it appears that the current focus on leadership development will be maintained.

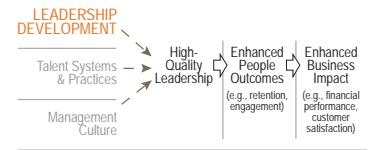
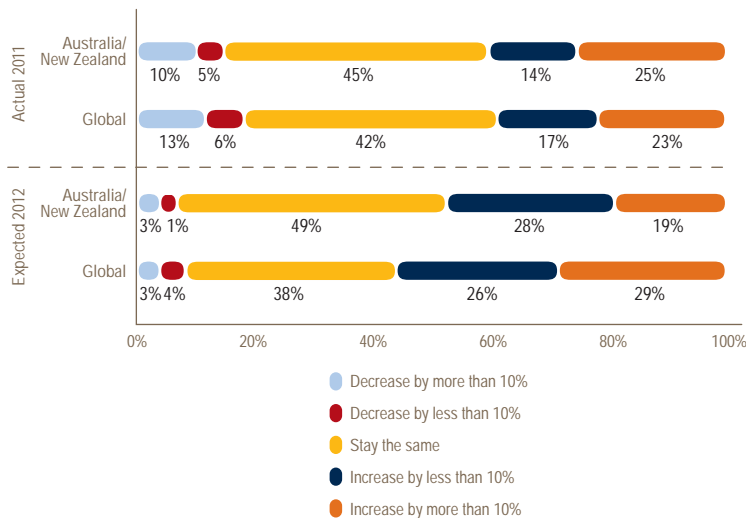
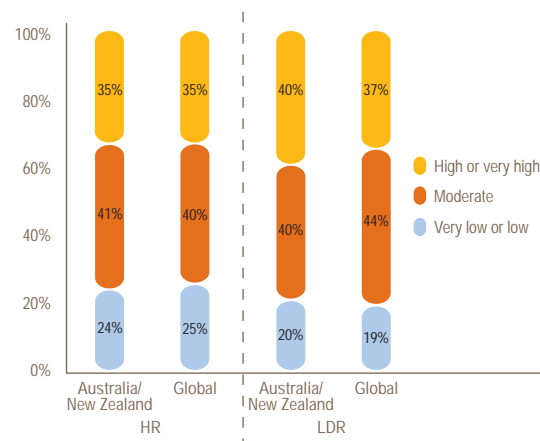


FIGURE 6 2011 AND 2012 LEADERSHIP DEVELOPMENT BUDGET CHANGES



Still, with the millions that are being spent on leadership development initiatives annually, it's unfortunate that only about one in three HR professionals and leaders in Australia and New Zealand rated their organisation's leadership development efforts as highly effective (see **Figure 7**). Without effective leadership development, Australian and New Zealand organisations may find that their leaders will not be prepared to manage effectively in a constantly evolving business environment. This challenge will require more focused and effective leadership development.

● ● ● ● **FIGURE 7 LEADERSHIP DEVELOPMENT EFFECTIVENESS**



CRITICAL SKILLS: THE WHATS

To make the most of leadership development efforts, organisations must answer two questions: (1) Are we investing in developing the right skills, and (2) Are we developing the right skills for today and for tomorrow? To begin to answer those questions, leaders were asked to identify the most critical leadership skills needed in the past three years and those needed for the next three years. Leaders in Australia and New Zealand identified the following three skills as the most critical skills for leadership in the past:

1. Driving and managing change
2. Improving employee engagement
3. Building customer satisfaction and loyalty

These priorities reflect the consistent growth Australia and New Zealand have been experiencing as well as organisations' efforts to fuel their business in volatile times by focusing on retaining talent and customers. But when asked about the top three skills needed in the future, Australian and New Zealand leaders changed their focus substantially (see **Figure 8**). The skills Australian and New Zealand leaders identified as the most critical for success in the next three years are more progressive. They were:

1. Driving and managing change
2. Coaching and developing others
3. Executing organisational strategy

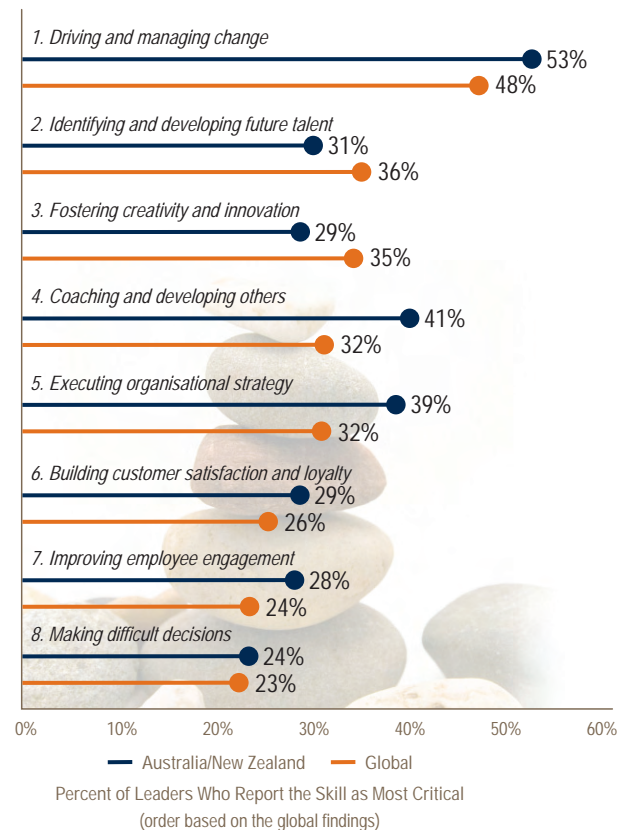
Change is still the top priority and is viewed as even more critical when compared to the global results. With a rebounding global economy, it's critical for Australian and New Zealand organisations to capitalise on growth and ensure their leaders are able to support their organisations and employees through change. It's interesting to note that whilst change management is seen as critical, fostering creativity and innovation is seen as less critical. This finding indicates a risk for Australian and New Zealand leaders. The countries' reliance on traditional industries, such as resources and agriculture, may be inhibiting other, potentially more innovative, growth opportunities.

In addition to external factors, shifts are occurring domestically that will reinforce further the need for effective change management. One of these, driven by both socioeconomic and political forces, is the changing composition of the workforce. This evolution also will drive the need for an increased focus on motivating and engaging the workforce. Instead of focusing on retention, leaders in Australia and New Zealand are building their workforce capacity and focusing on execution.

Shifts are occurring domestically that will reinforce further the need for effective change management.

The focus on execution over the last few years has helped Australian organisations survive the recession in a relatively strong position. However, this execution focus may be occurring at the expense of other, more future-focused skills. Australia's and New Zealand's aspirations to be at the forefront of a knowledge-based economy will require leaders who can inspire innovation and achieve competitive advantage. Also, coaching and developing others is still seen as critical in the next three years, potentially due to the need to ensure that leaders have the right skills and support to deal with upcoming issues.

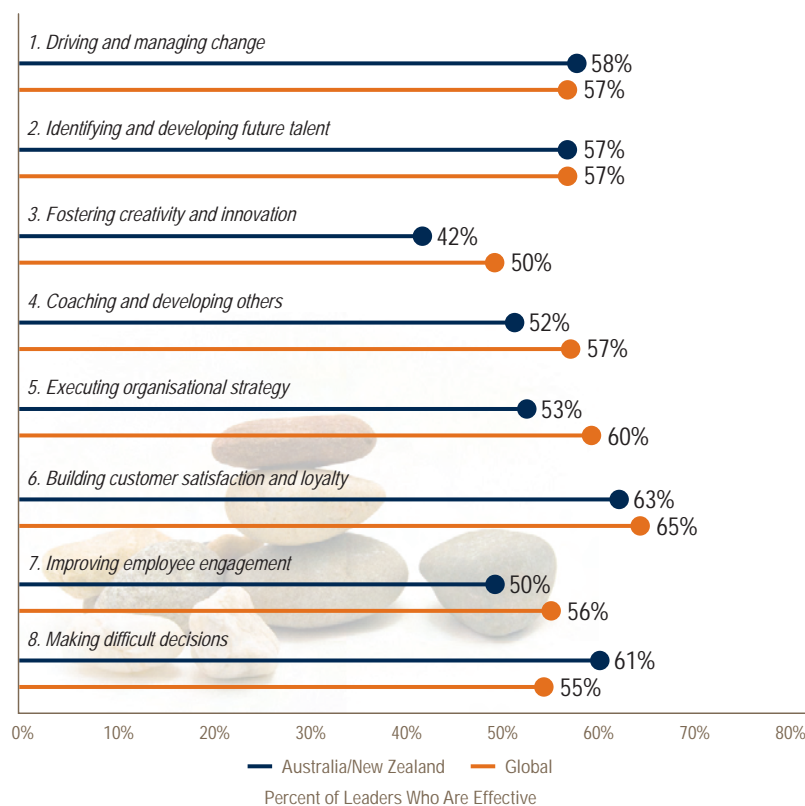
● ● ● ● **FIGURE 8 CRITICAL SKILLS NEEDED IN THE NEXT THREE YEARS**



But this question remains to be answered: Are leaders ready to take on the challenges of the future? Leaders were asked to rate their own effectiveness in the leadership skills (see **Figure 9**). Australian and New Zealand leaders believe they are least effective in fostering creativity and innovation. Though not one of their top skills needed in the future, it is one of the top three skills for leaders globally. Organisations in Australia and New Zealand should keep this in mind: As global organisations prioritise innovation, they might find themselves behind the curve in the future.

Just over half of Australian and New Zealand leaders claimed to be effective in the three critical skills they will need in the future—driving change, coaching others, executing strategy. Leaders are reportedly better at building customer satisfaction and making difficult decisions. However, to improve leadership quality and effectiveness, organisations' development efforts should focus on the most critical skills that are less effective—where the pain from failure to improve will be felt the most in the coming years. In Australia and New Zealand, coaching and developing others is seen as relatively weak despite the fact that it will be a priority over the next three years.

● ● ● ● **FIGURE 9 LEADER EFFECTIVENESS IN SKILLS**



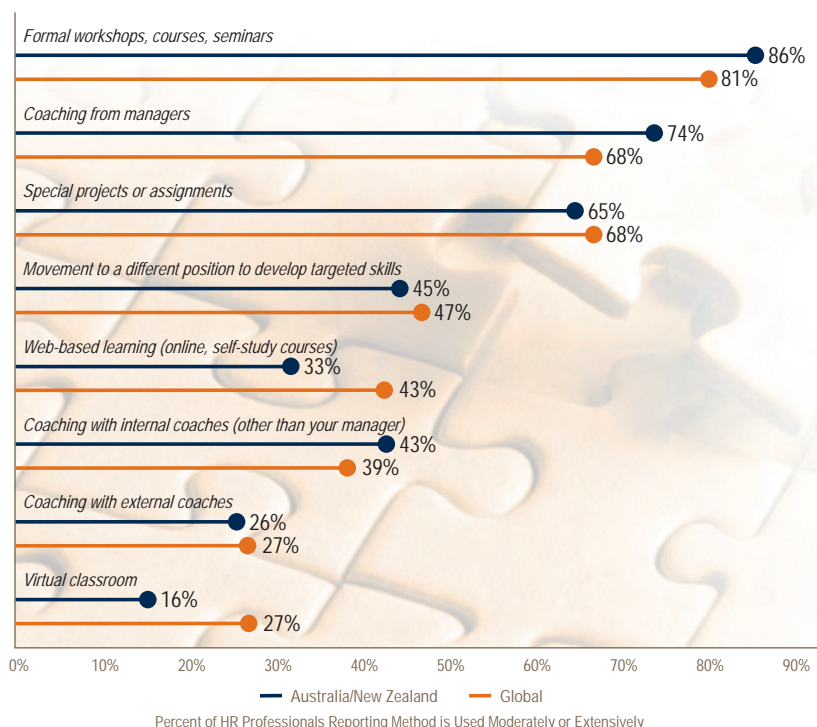
Organisations with more effective leadership development programs used formal workshops and coaching more effectively.

EFFECTIVE DEVELOPMENT METHODS: THE HOWS

Whilst it's essential that development addresses the most critical skills, ensuring that the most effective methods are being used to develop those skills also is important. The most used methods related to the quality of leadership development were formal workshops and coaching from managers. Also, organisations with more effective leadership development programs used formal workshops and coaching more effectively.

HR professionals reported how frequently each method was used in their organisation (see **Figure 10**); leaders reported on the effectiveness of each of the methods (see **Figure 11**). HR professionals around the world, including those in Australia and New Zealand, reported using formal workshops, manager coaching, and special projects most often to develop their leaders. Organisations in Australia and New Zealand reported using web-based learning and virtual classroom less often than other organisations worldwide. Whilst Australia and New Zealand are geographically spread out, employees tend to centre around two or three urban hubs where web-based and virtual learning may not be necessary.

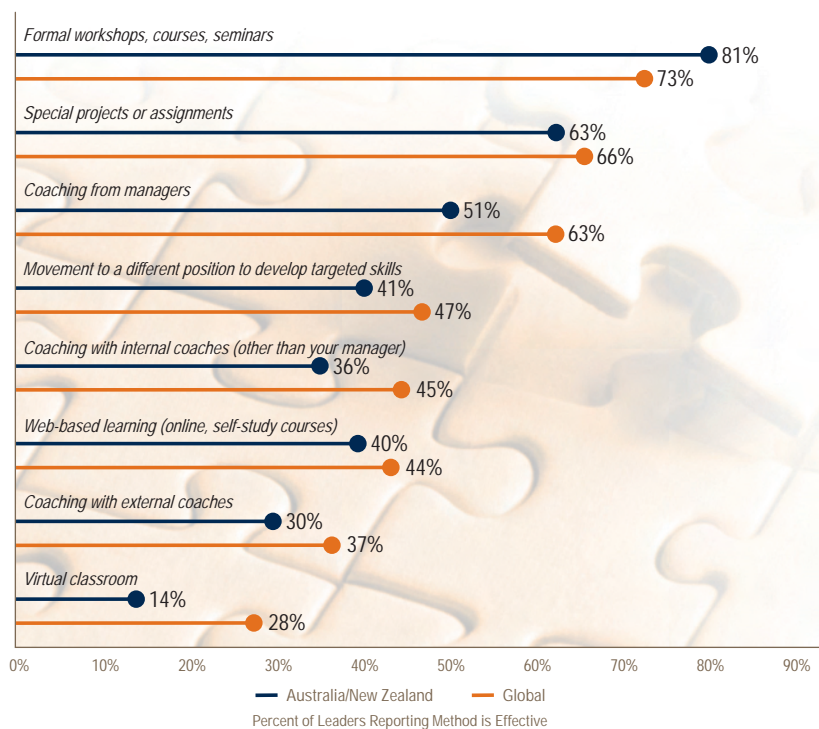
● ● ● ● **FIGURE 10 FREQUENCY OF USE OF DEVELOPMENT METHODS**

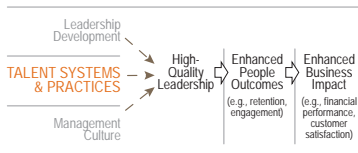


Leaders around the world reported that the most used methods (formal workshops, special projects, and manager coaching) also were the most effective for development (Figure 11). This suggests that the methods organisations support and promote have positive results. However, aside from formal training, Australian and New Zealand leaders rated the effectiveness of other development efforts lower than their global counterparts. This could reflect a heavy reliance on formal workshops for development rather than taking a blended approach in which various development methods are matched to the appropriate skills needed.

In general, there is still room for improvement: Only three methods had over half of Australian and New Zealand leaders reporting that they were effective for development. When creating a comprehensive leader development program, it's important to remember that leaders need multiple ways to develop their skills and that a blended approach with a strategic mix of skills and methods will yield the best results. Interestingly, Australian and New Zealand leaders found coaching from both internal and external mentors and coaches to be less effective than their global counterparts. Luckily, coaching is identified as a development need by leaders. It seems there is an opportunity to enhance and sharpen the content and delivery of leadership development in this region, as expectations are not being met. See the global report for information on creating more effective leadership development programs.

FIGURE 11 EFFECTIVENESS OF DEVELOPMENT METHODS





TALENT MANAGEMENT

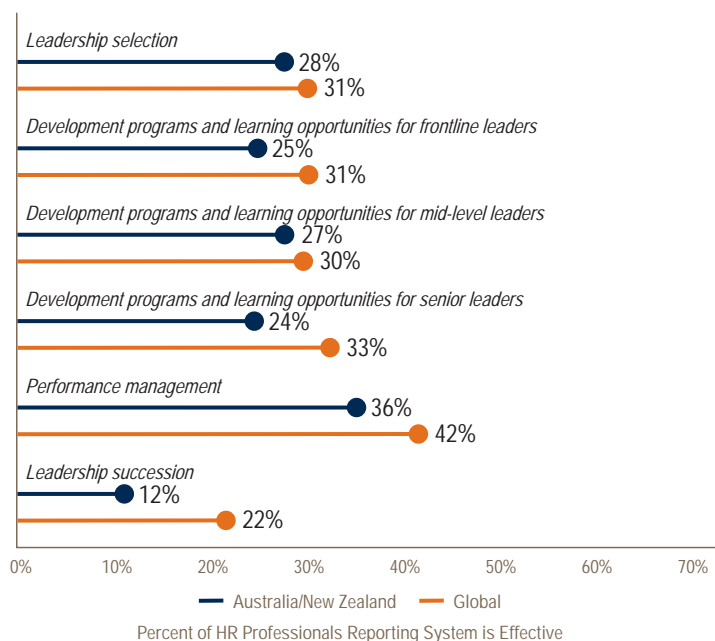
Leadership succession and senior-level leadership development were the least effective talent systems in Australian and New Zealand organisations.

Development alone cannot ensure that organisations have a ready supply of capable leaders; it's just one of the critical components of an end-to-end talent management process. DDI defines talent management as a mission-critical process that ensures organisations have the quantity and quality of people in place to meet current and future business priorities. The process covers all key aspects of an employee's life cycle, starting when the organisation selects the right leaders then continuing as the person's performance is aligned with an effective performance management system. It's fueled with effective development and leadership succession efforts. Improving the quality of leadership involves doing all of these things well.

HR professionals around the world were asked to rate the importance of their talent systems in terms of their impact on organisational success in the next three years. Although the majority said that development was important, more HR professionals cited other systems (i.e., selection, performance management, and succession management) as having a more critical impact on organisational performance. On the whole, these systems, which constitute talent management, appeared to be clear drivers of organisational success. Unfortunately, HR professionals worldwide rated the current effectiveness of these systems as dismal (see **Figure 12**).

For all organisations, including those in Australia and New Zealand, performance management systems were rated as more effective than other talent systems. However, Australian and New Zealand HR professionals rated the effectiveness of their talent systems more negatively compared to the rest of the world. This could be due to the smaller size and sophistication of the organisations surveyed and that identifying and developing talent was seen as a lower priority by Australian and New Zealand leaders. Leadership succession and senior-level leadership development were the least effective talent systems in Australian and New Zealand organisations, with less than one in four HR professionals rating the systems as effective. Leadership succession was reported to be particularly ineffective, indicating that perhaps Australian and New Zealand organisations lack strategic HR systems that deal with long-term leadership sustainability or have higher expectations when it comes to the effectiveness of these systems. The following section examines each of the talent systems, with the exception of leadership development, which was covered in the previous section.

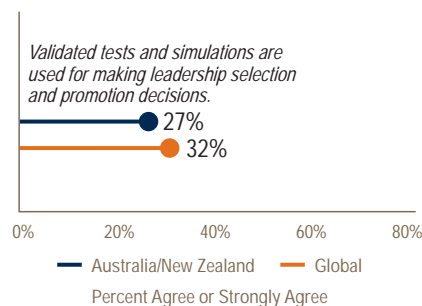
FIGURE 12 EFFECTIVENESS OF TALENT MANAGEMENT SYSTEMS



SELECTION SYSTEMS

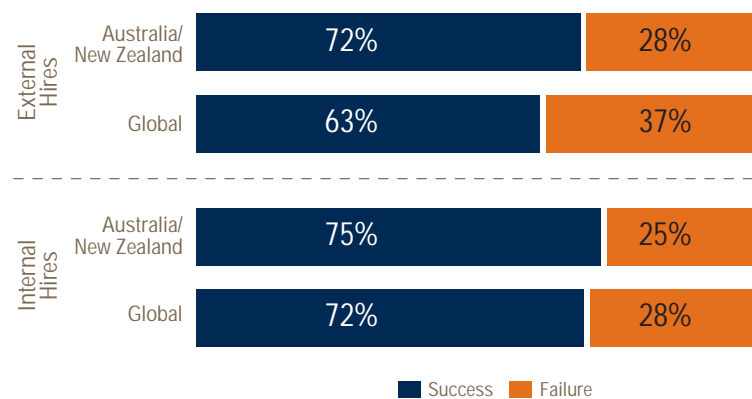
Selection is arguably the most critical step in talent management because no amount of development or performance management will make up for a poor hiring decision. In fact, in our study, effective selection was the talent management system with the strongest relationship to leaders' ratings of organisational performance. According to the Australian and New Zealand organisations surveyed, only 27 percent are using proven, validated tools for making critical leadership selection and promotion decisions (see **Figure 13**).

FIGURE 13 PERCENT OF ORGANISATIONS USING VALIDATED TOOLS FOR LEADERSHIP SELECTION DECISIONS



With so few organisations using validated tools, it's not surprising that up to 28 percent of leadership hires are considered failures, according to Australian and New Zealand HR professionals (see **Figure 14**). Regardless of internal or external hiring, using proven and effective selection tools is important for gathering objective data to make the right hiring decisions. Otherwise, organisations are leaving these critical decisions to chance.

● ● ● ● **FIGURE 14 LEADERSHIP HIRING SUCCESSES AND FAILURES**



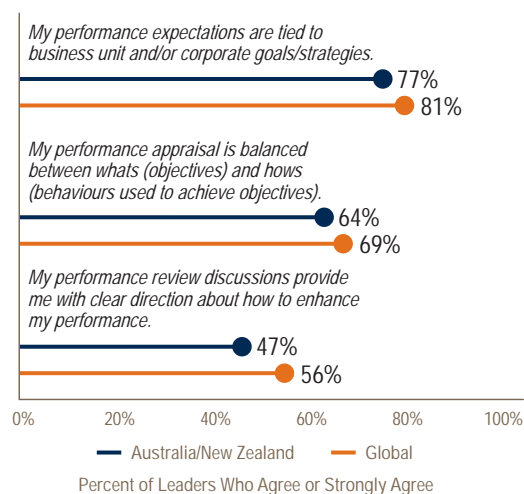
PERFORMANCE MANAGEMENT SYSTEMS

It's critical that organisations effectively manage leader performance because accomplishing organisational objectives is so closely linked to and dependent on leaders achieving their objectives. In our study, leaders were asked to rate specific aspects of their performance management systems (see **Figure 15**). In Australia and New Zealand, 77 percent of leaders reported that their individual performance expectations were tied to corporate goals and strategies. Also, 64 percent reported that their performance management systems generally took into account what they had to achieve and how those objectives were to be achieved. Both of these components are critical to effective performance management because leaders who achieve their objectives without regard for others are not effective.

Organisations around the world were not as successful when ensuring that performance review discussions provided leaders with clear direction for enhancing their performance. Less than half of the leaders in Australia and New Zealand (47 percent) felt that their performance review discussions provided them with clear direction, a similar trend found around the world. This indicates that most organisations are using performance management more as a way to monitor performance than an opportunity to improve future performance.

Performance management should not be a once-a-year event. It should be a process that monitors, inspires, and improves performance over time. Managers of leaders need to drive this process by ensuring that performance discussions provide leaders with clear accountabilities, timely feedback about their performance, and guidance for helping them capitalise on their strengths and take advantage of developmental opportunities.

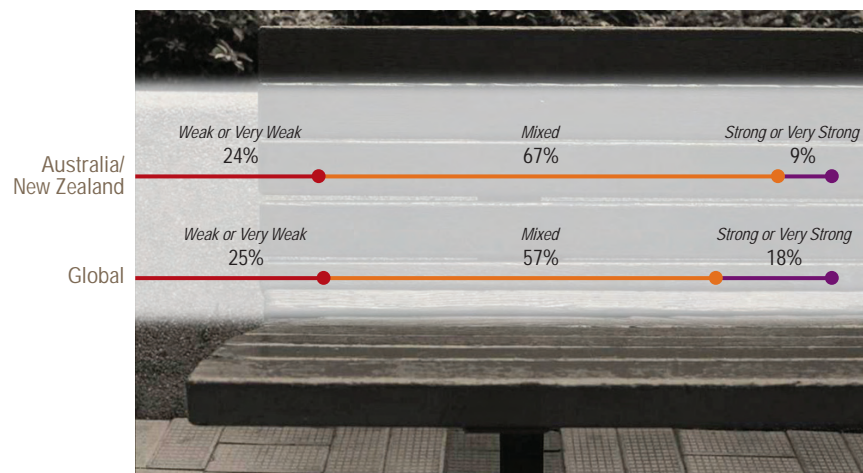
● ● ● ● FIGURE 15 ASPECTS OF PERFORMANCE MANAGEMENT SYSTEMS



SUCCESSION MANAGEMENT SYSTEMS

Succession management tended to be the least effective talent system in organisations around the world. Succession management is future oriented; it is about ensuring that organisations have the right quantity and quality of leaders—at all levels—to meet the unpredictable future business needs. Since the onset of the global economic crisis, organisations have refocused on the role succession management plays in talent management. Most organisations suffered greatly from a lack of focus on the future and succession planning. Bench strength was weaker than they anticipated, and Australia and New Zealand were no exception, with only 9 percent of HR professionals rating their bench strength as strong or very strong, exactly half the percentage in the global sample (see **Figure 16**). The need to strengthen bench strength is critical to ensure succession and competitive advantage.

● ● ● ● **FIGURE 16 BENCH STRENGTH TO MEET FUTURE NEEDS**



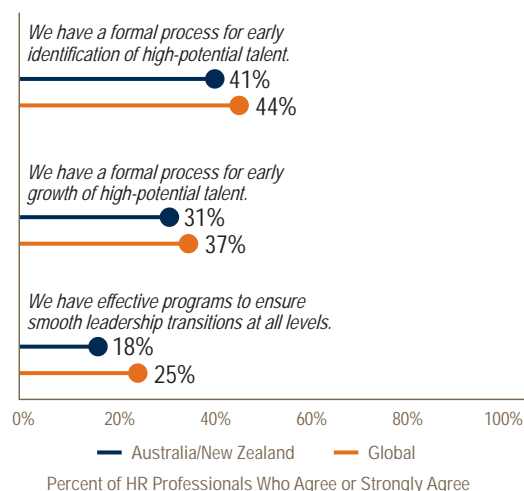
This study focused on three of the many practices required for effective succession management: identifying and growing high potentials and moving leaders up the pipeline. In Australia and New Zealand, only 41 percent of organisations have a formal process for early identification of high-potential talent (see **Figure 17**). Furthermore, only 31 percent of organisations have formal processes for early growth of high-potential talent.

Another important aspect of succession management is a smooth transition process for leaders. With 59 percent of Australian and New Zealand leaders in this research making a leadership transition in the past five years, it's unfortunate that fewer than one in five organisations have programs that help employees make smooth leadership transitions. This finding likely explains why the majority of leaders report that their leadership transitions were difficult.

The lack of formal processes leaves much to chance when filling the leadership pipeline and building bench strength. Formal processes help organisations focus on talent reviews and high-potential development and assessment. When HR professionals were asked to explain low ratings of their organisation's bench strength, they pointed repeatedly to lack of focus, strategy, and formality of succession planning as the reasons for not having enough leaders who are prepared to move into more responsible positions. Although Australian and New Zealand organisations can easily forego planning when the economy is growing at a rapid pace, they need to prioritise succession management if they expect to manage successfully in a fast-changing business landscape. Whilst it might be fitting to forego planning for the future when economic conditions are more favourable, these organisations need to start prioritising succession management if they expect to effectively maintain their future success. The reality is that organisations need to keep up with global advances, or they risk losing their talent to overseas markets and, thus, their competitive advantage.

Organisations need to keep up with global advances, or they risk losing their talent to overseas markets and, thus, their competitive advantage.

FIGURE 17 ASPECTS OF LEADERSHIP SUCCESSION SYSTEMS





MANAGEMENT CULTURE

To this point, we have established leadership development and strategic talent management as major drivers for building leadership capability in organisations. But talent doesn't work in a vacuum. An organisation's culture plays a large role in creating an environment that allows all leaders and employees to live up to their fullest potential. Even the most capable people cannot thrive in a culture that does not allow them to make decisions, influence others, and do their jobs effectively.

We partnered with influential business thinker and professor Gary Hamel, author of *The Future of Management*, and his Management Lab to identify the key factors that either facilitate or hinder how the work of management is carried out. The factors that impede leaders from being effective include, but are not limited to, the bureaucracy of processes in organisations, leaders' level of influence, and the extent to which values are shared throughout the organisation. These factors affect an organisation's culture and can serve to either allow leaders to thrive or thwart them.

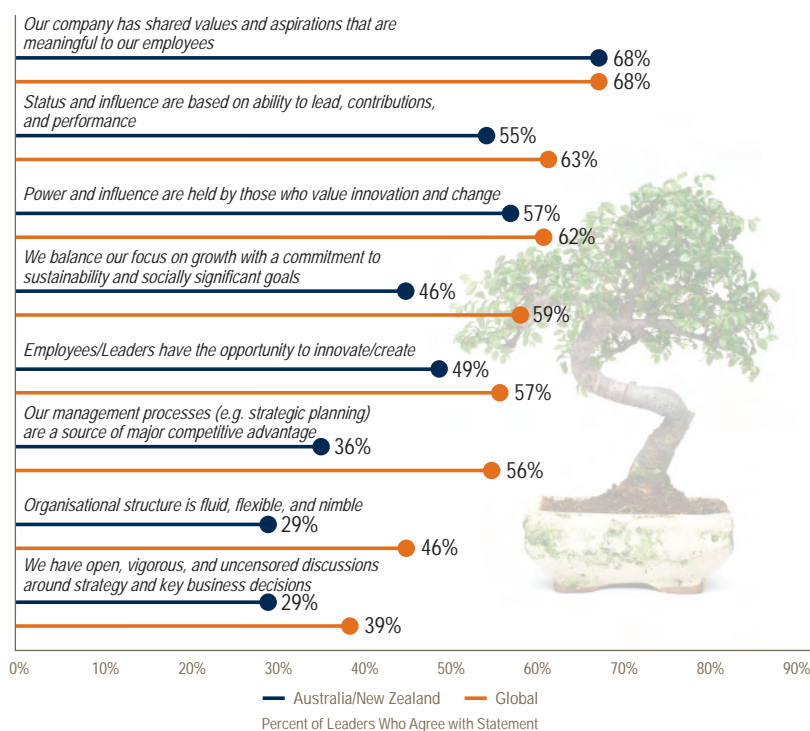
Leaders around the world were asked to rate their organisation's management culture by choosing one of two statements. For example, they were asked to choose which statement best describes their organisation: "Organisation structure is fluid, flexible, and nimble" or "Organisation structure is siloed, rigid, and hierarchical." (see **Table 2** for a complete list of statements and factors). Only the more effective of the two statements is presented in **Figure 18**.

TABLE 2 MANAGEMENT CULTURE STATEMENTS BY FACTOR

	Ineffective Management Culture	Effective Management Culture
STRUCTURE	Organisational structure is siloed, rigid, and hierarchical.	Organisational structure is fluid, flexible, and nimble.
BUREAUCRACY	Our management processes (e.g., budgeting, strategic planning, risk management, business review) are highly bureaucratic and often a nuisance.	Our management processes (e.g., budgeting, strategic planning, risk management, business review) are a source of major competitive advantage.
POWER	Power and influence are held by those who value the status quo.	Power and influence are held by those who value innovation and change.
INFLUENCE	Status and influence are based on a person's formal position and accumulated power.	Status and influence are based on ability to lead, contributions, and performance.
DECISIONS	Strategic and key business decisions are made mostly by those in positions of power, with very few opportunities for open discussion.	We have open, vigorous, and uncensored discussions around strategy and key business decisions.
INNOVATION	Senior leaders are the primary visionaries and creators.	Employees/Leaders have the opportunity to innovate/create.
VALUES	Our company has a set of values and aspirations, but they hold little meaning to most employees.	Our company has shared values and aspirations that are meaningful to our employees.
GOALS	We almost exclusively focus on top/bottom-line growth.	We balance our focus on growth with a commitment to sustainability and socially significant goals.

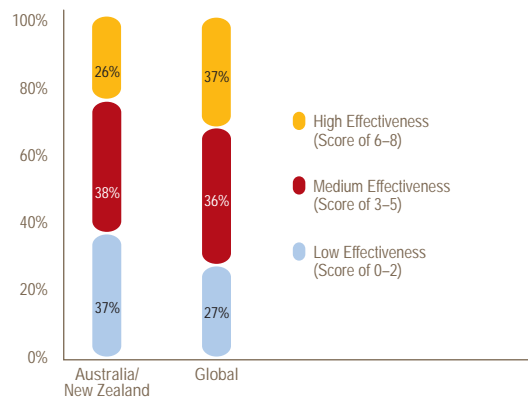
Economic reform has helped more leaders in Australia and New Zealand report that their organisational structure is flexible and fluid instead of rigid and hierarchical. However, major pain points for Australian and New Zealand organisations were having more uncensored discussions about key strategic decisions and creating a nimble, fluid organisational structure (only about 30 percent of leaders described their organisations as such). These findings are surprising given the smaller size of the organisations included in this study, although the prevalence of multinational organisations, where Australian and New Zealand representation possibly is limited to marketing and distribution, may account for this difference. In general, the management culture factors were rated less effective by Australian and New Zealand leaders.

FIGURE 18 EFFECTIVE MANAGEMENT CULTURE



Organisations were split into three groups based on their leaders' ratings of management culture. Leader scores for management culture statements were aggregated by organisation, and organisations were labeled as low (leaders choosing the more effective statement 0–2 times), medium (3–5 times), or high (6–8 times) in terms of management culture effectiveness. **Figure 19** illustrates that there is still a lot of work to do in this area: Only one-fourth of Australian and New Zealand organisations have a highly effective management culture. According to leaders, their organisations' management culture is not as evolved as those around the world. This is unfortunate because, in the global sample, organisations with a highly effective management culture were three times more likely to outperform their competition in terms of bottom-line metrics such as financial performance, productivity, quality of products or services, and customer satisfaction. This finding demonstrates that instituting more effective management practices can have a profound impact on organisational success.

● ● ● ● **FIGURE 19 CURRENT STATE OF MANAGEMENT CULTURE**



CONCLUSION

Times have changed. Business processes are evolving at a rapid pace, and given its importance, leadership cannot afford to be left behind. Unfortunately, the state of leadership today calls for drastic measures (see **Table 3**). The majority of leaders in Australia and New Zealand as well as the rest of the world lack the skills they need to be effective in this new landscape. Talent strategies have been neglected: Only two-fifths of the leaders in Australia and New Zealand reported that their organisation's leadership development programs were effective. Considering the economic situation and global uncertainty, leaders need to be able to cope with increasing demands and complexity. Whilst cutting costs and creating process efficiencies have resulted in strong execution skills in leaders, more will be required of them in the future.

The vast majority of organisations in Australia and New Zealand have ineffective senior-level development and succession management systems.

● ● ● ● **TABLE 3 STATE OF LEADERSHIP TODAY**

	Effectiveness of Development (LDR)	Current Quality of Leadership (LDR)	Bench Strength (HR)
Global	37%	38%	18%
Australia and New Zealand	40%	34%	9%

Note: Figures reflect percent of leaders (LDR) or HR professionals rating the factor highly.

This lack of effective talent strategies has affected current leadership quality; it also has implications for the future, as evidenced by the fact that only 9 percent of HR professionals rated their bench strength highly. Talent systems that support leaders throughout their careers can be improved too. The vast majority of organisations in Australia and New Zealand have ineffective senior-level development and succession management systems. Because many of these organisations are experiencing major growth, they need to prioritise how they can manage talent effectively throughout an employee's life cycle to ensure future viability.

How organisations manage people also should not be overlooked. With only one-fourth of Australian and New Zealand organisations having an effective culture, talent management efforts alone cannot be expected to bridge the gap in leadership quality. An organisation's management culture has a tremendous bearing on whether leadership capabilities can be leveraged to their fullest potential. Australian and New Zealand organisations, like those in the rest of the world, should focus on opening up decision making and creating a more flexible organisational structure that can adjust with the changing times.

Considering the state of leadership and business today in Australia and New Zealand, it's time for organisations to reevaluate which talent and management strategies they should take with them into the future. *Global Leadership Forecast 2011* reveals how focusing on leadership development, talent management, and management culture will have a marked impact on the quality of leadership in your organisation. This research shows a direct relationship between the quality of leadership and people and business outcomes. Transforming talent management and management culture will have major payoffs. If leaders will be executing and creating organisational priorities for years to come, shouldn't their organisations ensure that they are prepared to do that?

APPENDIX

DEMOGRAPHICS

ORGANISATIONS

138	Number in sample
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NUMBER OF EMPLOYEES

0%	1–10
1%	11–50
4%	51–100
4%	101–200
27%	201–500
11%	501–1,000
28%	1,001–5,000
7%	5,001–10,000
5%	10,001–20,000
9%	20,001–50,000
2%	50,001 or more

PRESENCE IN GLOBAL MARKET

43%	National
57%	Multinational (own, operate, or have affiliate offices outside own country)

NOTE: Numbers may not add up to 100 percent because of rounding.

LEADERS

348	Number in sample
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MANAGEMENT LEVEL

23%	First-level (supervisor, team leader, foreman, etc.)
36%	Mid-level (leader of first-level leaders)
25%	Senior-level (leader/manager of mid-level leaders)
16%	Executive-level (leader in a policy-making position)

ORGANISATIONAL TENURE

3%	Less than 6 months
2%	6–11 months
12%	1–2 years
25%	3–5 years
23%	6–10 years
14%	11–15 years
21%	More than 15 years

AGE

1%	25 and under
18%	26–35
37%	36–45
34%	46–55
7%	56–60
3%	Over 60

GENDER

65%	Male
35%	Female

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