

Leadership Development Factbook 2014: Benchmarks and Trends in U.S. Leadership Development

LEADERSHIP DEVELOPMENT SPENDING IS UP >> Leadership remains the top human capital concern and the largest “readiness gap” according to Deloitte’s Human Capital Trends study¹. Many organizations cite the need to develop leaders faster, globalize leadership programs, and build deeper bench strength. To this end, organizations are putting their money where their mouths are (so to speak), with leadership development spending up 14 percent, on average, in 2013.

The biggest boost in investment came from small businesses, which spent 23 percent more on leadership development initiatives, on average, during 2013. Large and midsize companies had more modest gains during the year, at 4 percent and 5 percent, respectively (see Figure 1). Overall, the increased investment across all company sizes indicates a commitment to improving leadership capabilities. Organizations realize that 21st-century leadership is different, and they are investing in development opportunities to build the capabilities needed for today and tomorrow.

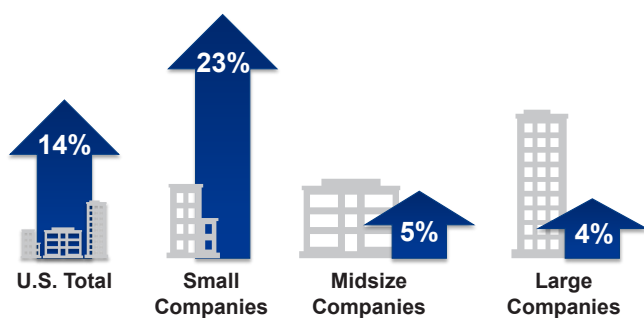
What Companies Should Know

The *Leadership Development Factbook* is the industry’s most comprehensive source of data on leadership development spending, staffing, and resource allocations. Data for this study was collected from 248 U.S. organizations between October and December 2013. A few of the key findings from this study² are described in the following sections.

“Emerging Leaders” Get a Healthy Dose of Funding

Organizations are struggling with leadership gaps at all levels—from first-line supervisors through top leadership. These gaps can only be filled through a sustained commitment that identifies potential leaders early on, nurtures the skills of young leaders, and continually develops midlevel and senior leaders. Starting with “emerging leaders” or high potentials³ who have not yet reached an official managerial role, our research shows that these leaders get a healthy dose of funding at 17 percent of the leadership development budget. Companies should invest in not just their current leaders, but also their future leaders—to build the pipeline at every level of leadership.

Figure 1: Year-over-Year Change in Leadership Development Spending—2012 to 2013



Source: Bersin by Deloitte, 2014.

¹ Source: *Global Human Capital Trends 2014*, Deloitte Consulting LLP and Bersin by Deloitte / Jeff Schwartz, Josh Bersin, and Bill Pelster, March 2014, https://deloittenet.deloitte.com/PC/PracticeComm/functions/Consulting/SASL/HC/Pages/Global_Human_Capital_Trends_2014.aspx.

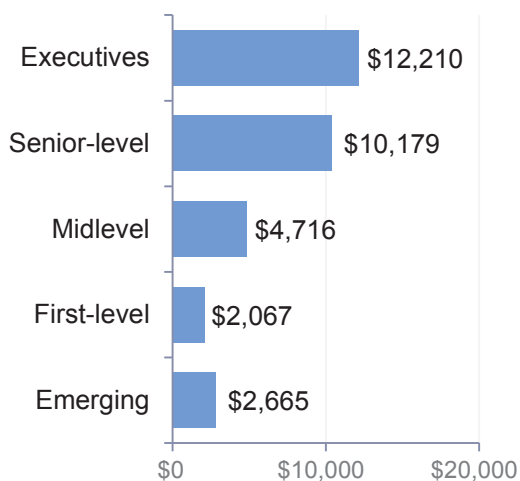
² For more information, *The Leadership Development Factbook 2014: Benchmarks and Trends in U.S. Leadership Development*, Bersin by Deloitte / Karen O’Leonard and Jennifer Krider, May 2014. Available to research members at www.bersin.com/library/ldfactbook.

³ A “high-potential employee” is an employee who has been identified as having the potential, ability, and aspiration for successive leadership positions within the company. Often, these employees are provided with focused development as part of a succession plan and are referred to as “HiPos.”

First-Level Leaders Need Attention

First-level managers receive the lowest per-person funding on leadership development. Within large companies, for example, these leaders each receive about \$2,000, on average—22 percent less than emerging leaders and more than one-half the amount of midlevel leaders. (See Figure 2.) Many first-line managers are in their first positions of leadership and, therefore, require a great deal of development and support. Our research shows that first-level leaders are managing nine to 11 direct reports, on average, which is a large team to motivate and develop—and a big change from their roles as individual contributors. It is important that organizations invest in building the capabilities of first-level leaders to succeed in these initial management roles and to set the stage for future responsibilities.

Figure 2: Leadership Development Spending per Participant 2013—Large Companies



Source: Bersin by Deloitte, 2014.

Mature Companies Invest More

Mature companies outperform their competitors because they have deeper skills, a stronger learning culture, and a deep investment in leadership (see Figure 3). These winning companies continuously invest in building a pipeline for the future. This investment in all levels of leadership helps them to build a supply chain of skills from top to bottom in the organization.⁴

Pipelines Generally Weak

Despite the efforts within many companies to improve succession planning, the overall

Figure 3: What Companies with Mature Leadership Development Practices Spend

- 32 percent more on first-level leaders
- 24 percent more on midlevel leaders
- 75 percent more on senior-level leaders
- 1.5x more on executives

Source: Bersin & Associates, 2011.

pipeline for leaders is weak. Large companies, especially, are guilty of not “priming the pump,” with successors identified for just 10 percent of their first-level leaders and 19 percent of their midlevel leaders. The pipeline at higher levels also looks weak within these companies, with successors identified for just 26 percent of senior-level positions and 36 percent of executive positions. The weakness in succession planning has widespread ramifications, including costs, retention, and overall organizational performance.

This benchmarking study, available to Bersin by Deloitte WhatWorks® members or for purchase via our online store, www.bersin.com/store, is just one of many resources to help you to evaluate and improve your leadership development initiatives. Other resources include Bersin by Deloitte Leadership Development Framework and the Leadership Development Maturity Model. These resources are designed to help organizations to build their leadership development capabilities to deliver exceptional business performance in today's global marketplace.

About Bersin by Deloitte

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⁴ For more information, *High-Impact Leadership Development*, Bersin & Associates / Laci Loew and Stacia Sherman Garr, October 2011. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/hild.