

Close the Execution Gap

Addressing the 9 Challenges of Senior Leaders in the business

October 2014

CLOSE THE GAP

We DO Mind the Gap

The leadership gap is widening

Executives worldwide view leadership as the highest priority of all the issues raised with them..

On every measure, leadership is not working – and executive compensation is becoming a sticky subject as a result.....perhaps we need to look at what the reasons are for leadership failure because changing compensation will not necessary make things better...



1 *“The context within which I lead has changed. Do I need a new kind of ‘change leadership’ rather than the leadership I used in the past?”*



Leadership task = Task of
change

1 *“The context within which I lead has changed. Do I need a new kind of ‘change leadership’ rather than the leadership I used in the past?”*

- **The leadership task is the task of change.**
- The ability to set and then successfully execute the changes required to realize **strategy is the fundamental task of organizational leaders.**
- Leadership is about **mobilizing a group of people to work together on tough, complex problems.**
- In the current environment, this means merger integrations, new markets, disposals, cost reductions, diversification, rationalization, adoption of new regulations, implementation of new technologies. In every example, **leadership is indistinguishable from change leadership.**

it is about a strategic endeavor designed to build an organization that is set up for sustainable success in a changing world.



2 *“I feel overwhelmed – there are so many demands being placed on me as a leader and it is relentless. It is hard to know where to focus...”*

**Believe
Me**

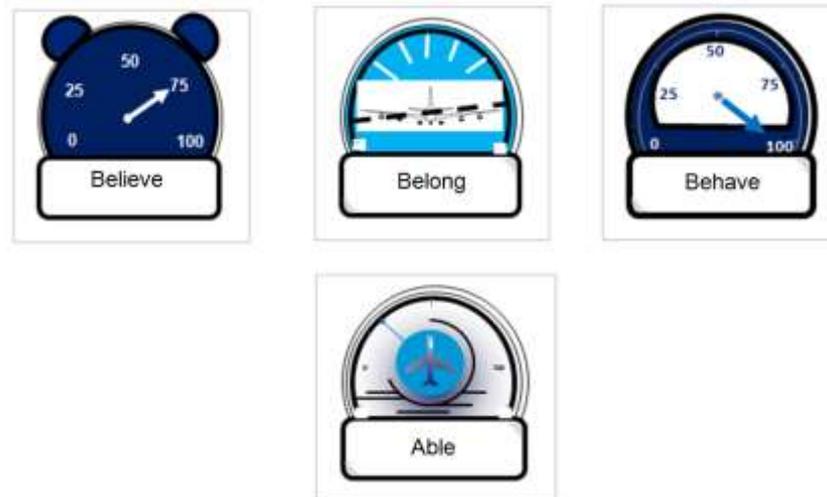
**Belong
and my
team**

**Behave
can
deliver**

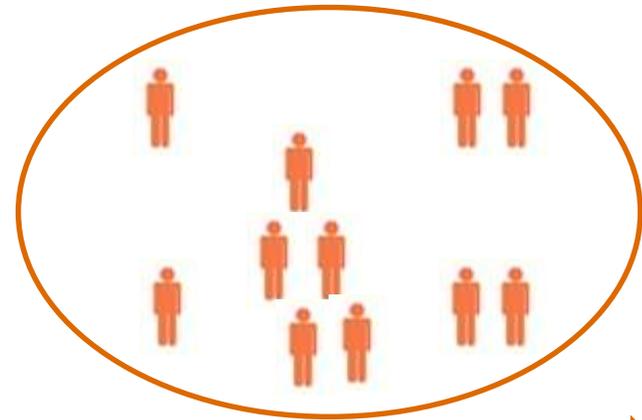
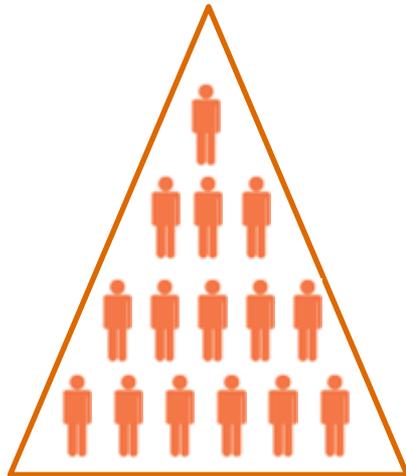
**Able
In the
system**

“I feel overwhelmed – there are so many demands being placed on me as a leader and it is relentless. It is hard to know where to focus...”

- What are **the tasks of leadership** they will need to undertake? How can leaders cut through the noise and bring focus to the leadership task? **What do they actually need to do** to build sustainable performance?
- **A pilot flies the plane based on 4 key dials** (the T arrangement created by the RAF in the 1930s and present in nearly all planes built since the 1950s), we believe it is essential that leaders have their own T arrangement. Based on our research, there are four ‘dials’ that leaders must focus on.



“I don’t have authority over some of the people I need buy-in from. How can I be expected to lead them effectively without the position or authority to do so?”



Organisations are changing over time

They are no longer about leading through authority but through **creating the conditions for collective success**

“I don’t have authority over some of the people I need buy-in from. How can I be expected to lead them effectively without the position or authority to do so?”

Too often the leader (role) is confused with leadership (the activity).

The hierarchical structures of the past are being replaced by ‘flat’, ‘matrixed’ and ‘virtual’ organizations and the workforce has become more transient. The traditional carrot and stick approach is no longer the motivational toolkit it once was.



3 *“I don’t have authority over some of the people I need buy-in from. How can I be expected to lead them effectively without the position or authority to do so?”*

“What is the leadership required to successfully execute this strategy?”

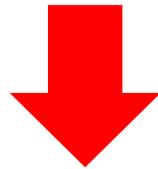
“What leadership will we need to meet this challenge?”

“What conditions do we need to put in place?”

The 21st century leader’s role is to **create the conditions for collective success.**

- By building a **narrative of the future that all stakeholders can commit to** (one where they know what they need to do and why they need to do it),
- By **managing the turmoil that change creates** in the present (by building the ability and the willingness to execute the change) and
- By **nurturing the greater purpose, brand and values** of the organization or group of organizations (ensuring the sustainability and societal impact).

4 *“I’m just not convinced that leadership is that important.”*



35.5%

The Leadership Premium



£ \$ €

4 *“I’m just not convinced that leadership is that important.”*

Since the 1960s, global trends have seen a **declining trust in leadership**.

Vietnam War through Watergate, countless **X** gate scandals since and into the corporate scandals and popular uprisings of recent times, public confidence in the role of leadership and leaders’ ability to influence organizational performance has fallen.

Questions about the justification for executive pay levels and the performance of leaders have grown louder, more widespread and more heated.

Effective leadership can have a significant impact on an organization's performance and ability to ride this storm.

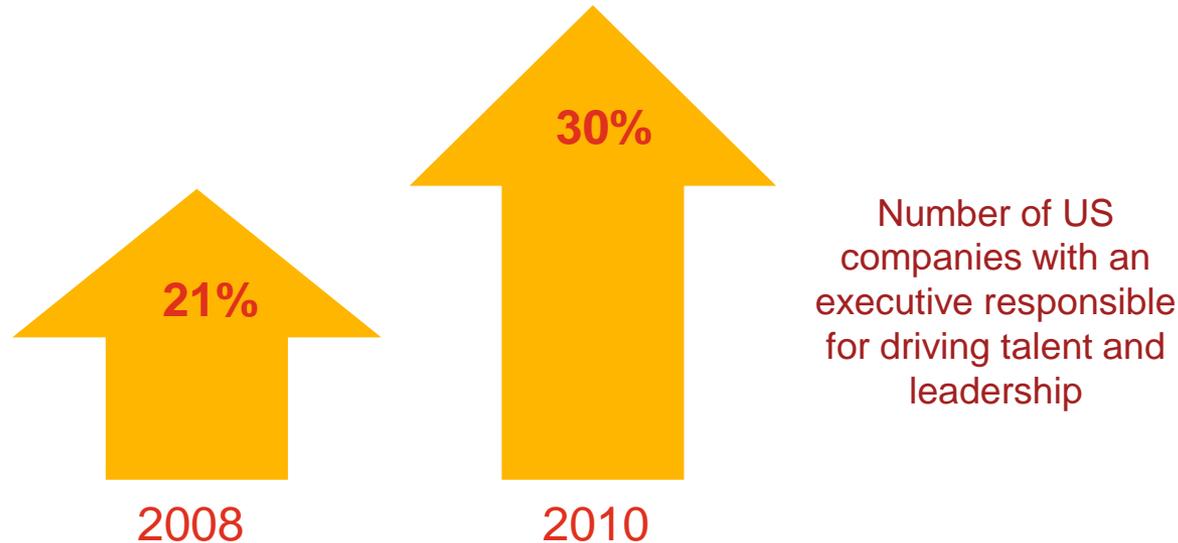


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“I’m just not convinced that leadership is that important.”

- ‘Leadership Premium’ research suggests that senior leaders can have a significant long term impact on **company share prices**. The average premium placed by analysts on particularly effective senior leadership was 15.7%. The average discount for ineffective leadership was 19.8%, a potential 35.5% swing in equity value.
- Four of the key **indicators analysts told us they look for** to demonstrate leadership effectiveness: **strategic clarity, the ability to consistently execute strategic goals, innovation and a strong governance infrastructure**.
- Internal perceptions also matter. Research carried out in 2011 (the IEDP research) highlights a direct **link between internal perceptions of leadership quality and organizational performance**. Of those that viewed their leadership as very effective, 83.3% believed their organization was performing either strongly or very strongly.
- And the most effective **means they identified of improving performance**: clarity of direction and inspiring leadership.

5 *“Leadership development and succession are a big priority for us- they are key to our future plans and our leadership development team have put some great programmes in place. What else could they be thinking about?”*



The identification and development of leaders is a business, not HR, imperative

5 *“Leadership development and succession are a big priority for us- they are key to our future plans and our leadership development team have put some great programmes in place. What else could they be thinking about?”*

The challenge here is all about ownership.

Between 2008 and 2014 there was a rise from **21% to 38%** in the percentage of US companies with an executive responsible for driving talent and leadership (Source: Bersin & Associates 2014). But in 70% of organizations leadership development continues to be looked after by someone who, in most cases, reports into an HR director who doesn't sit on the board.



6 *“We have continued to invest heavily in our leaders. Why are we not seeing the return on our investment we expect?”*

4.3%

of executives rate their organization's leadership development as “very effective”

and only

17%

of people surveyed recently agreed that: “the succession management in my organization is as strong as it needs to be”

Leadership development offerings must be consistent with the way leaders learn.....



“We have continued to invest heavily in our leaders. Why are we not seeing the return on our investment we expect?”

Leadership development means many different things to different people. The well-run leadership off-site that generates ideas and motivation, the business school program that imparts fantastic knowledge and ideas, the individual mentoring and coaching that supports individuals to do their job more effectively?

But there is **something troubling** the leaders we speak to. Increased investment in leadership programs, events and e-learning systems doesn't seem to be translating into improved performance.

These leaders tell us that they know they need to do something differently but they can't put their finger on what it is.

In research conducted in 2011, only 4.3% of leaders surveyed listed their organization's leadership development as 'very effective' and only 17% believed they had strong succession in place. Which other costs would be allowed to escalate in the same way whilst bringing little, no or negative return on investment?

6 “We have continued to invest heavily in our leaders. Why are we not seeing the return on our investment we expect?”

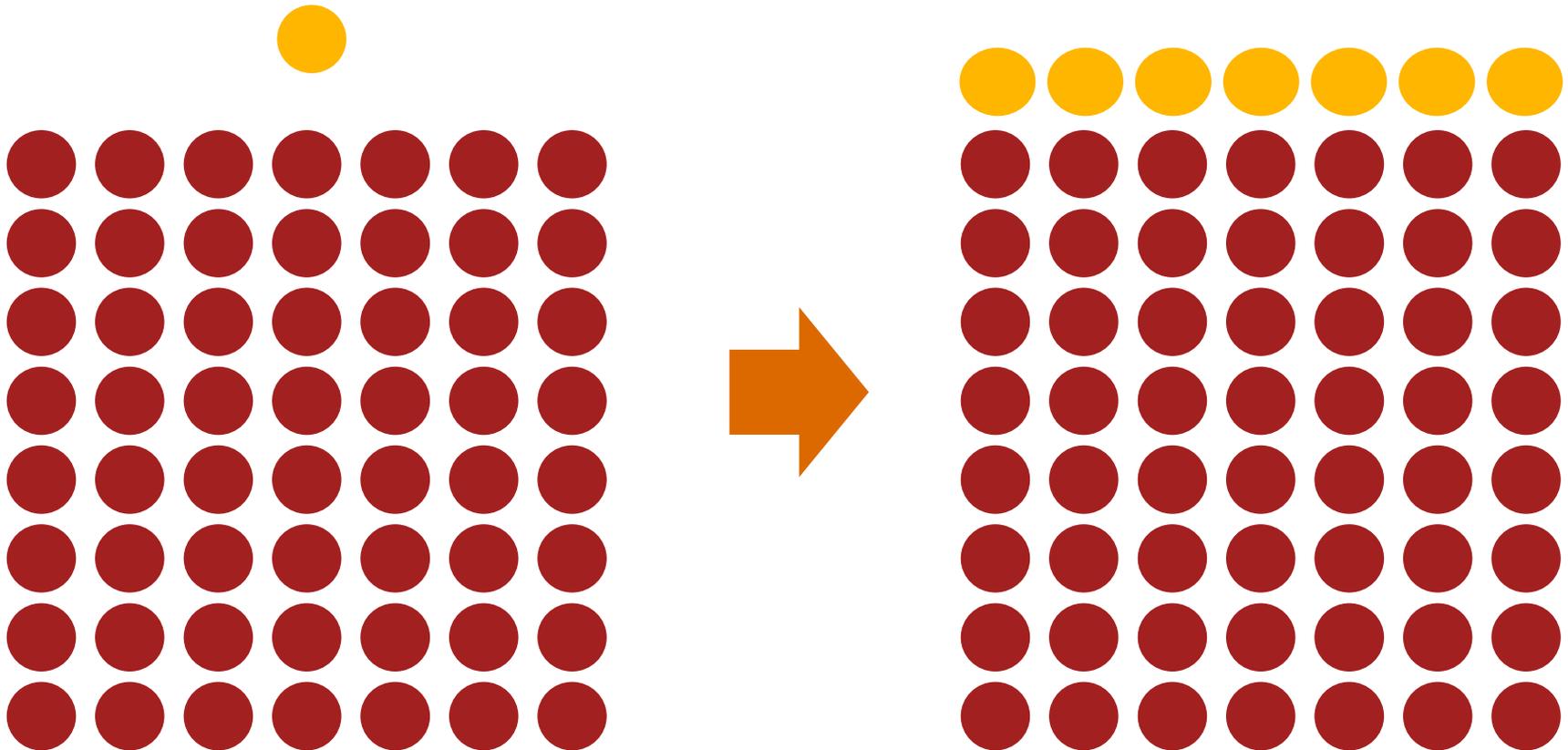
So what’s going wrong? Why are organisations not seeing the return on investment they expect?

Research into how leaders learn best suggests that many organisations are shaping leadership development offerings that are inconsistent with the way that those they seek to develop actually learn. There are four factors that drive effective learning and development for leaders. They are:

- **Personal Motivation:** Thinking about the needs of leaders alongside the company’s agenda to ensure that the **leaders’ own ambitions and goals are embedded within the training**. Getting under the skin of what causes a leader to act in a certain way and what is holding them back from being more successful.
- **Working on real issues** : Help leaders to **find solutions to what is holding them back** from achieving their career or development goals. Training content should define the challenge and then guide the learner through removing their stumbling blocks
- **Constructive challenge:** Building a learning environment that takes the leader **out of their comfort zones and challenges their behaviours**. This includes three things: a trusting environment, expert facilitation and awareness & limits
- **Reflection:** Getting leaders to **reflect on their actions and behaviours** in the work place to ensure that they’re implementing the training within their jobs. Reflection can be guided (through coaching or mentoring) or driven by the individual (self-reflection)

“As a leader its all down to me. The level of responsibility and the expectations to perform can be suffocating”

No longer about the “hero” leader, about leadership across senior leadership team



“As a leader its all down to me. The level of responsibility and the expectations to perform can be suffocating”

Worryingly, our experience tells us that the performance of most senior teams is less than the sum of their parts. We have identified three reasons for this:

- **Few performance management systems measure team performance** and as a result most teams drift along. The old adage, ‘what gets measured gets done’ applies.
- The common assumption that a group of high-performing individuals makes a high-performing team provides a false assessment – we know there are **separate and critical skills and behaviors for team leadership effectiveness.**
- **Team dynamics often inhibit performance** with team norms and expectations compelling team members to do things that lower their performance and that of the team despite aspirations of high performance.

“As a leader its all down to me. The level of responsibility and the expectations to perform can be suffocating”

We believe there are two factors that support team effectiveness and influence the conditions for success, **productivity and positivity**.

- **Productivity** includes factors that support the team’s ability to be productive such as the ability to manage resources, an effective decision-making process, clear goals, alignment and accountability.
- **Positivity** refers to the infrastructure and the conditions that create the climate of the team such as the level of trust and respect, clear, open communication, the team’s ability to value different points of view and the ability to disagree openly for the sake of team results.

8 *“Effective leaders are all it takes for organizations to be successful. Right?”*



Success cannot come solely from leadership development

Holistic leadership strategy is required, aligned to the overall business strategy

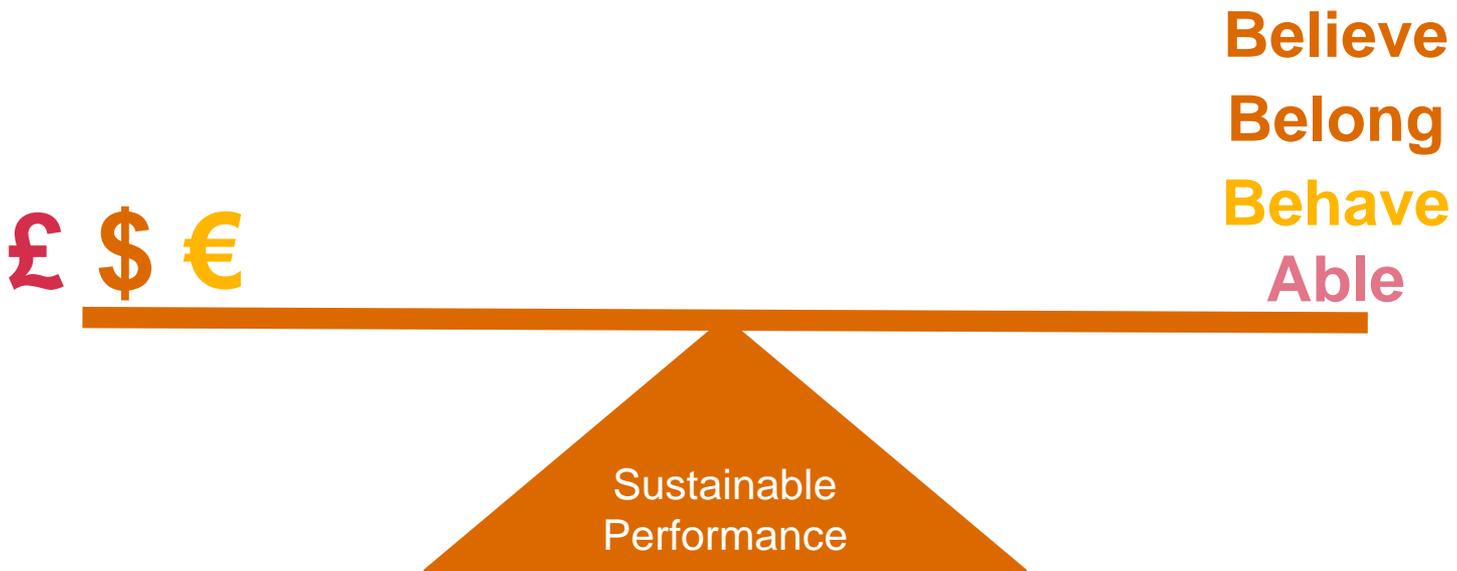
“Effective leaders are all it takes for organizations to be successful. Right?”

- Our research supports what our experience was already telling us: **leadership development in isolation does not work** Issues such as performance management, clarity of roles and responsibilities, reward and motivation were consistently flagged by the leaders we surveyed in 2011 as integral elements in improving performance.
- We know that organizations that have been repeatedly recognized as Best Companies for Leaders outperformed the S&P 500 over a ten year period from 1998-2008 based on their stock performance.
- **If leaders are not aligned to the right challenges, are not fully committed to the organization or the strategy it seeks to pursue, have not established effective relationships or if the right leadership structures are absent, their impact on organizational performance will be significantly diminished.**



9 *“It all comes down to results. That is what we should be measuring our leaders on, isn’t it?”*

Balance the conditions for success with financial results



“It all comes down to results. That is what we should be measuring our leaders on, isn’t it?”

“I believe that successful CEOs will be judged on long-term sustainable performance and the stewardship of their organization’s mission, rather than on short-term performance and results.”

Jim Quigley, former global CEO of DTTL

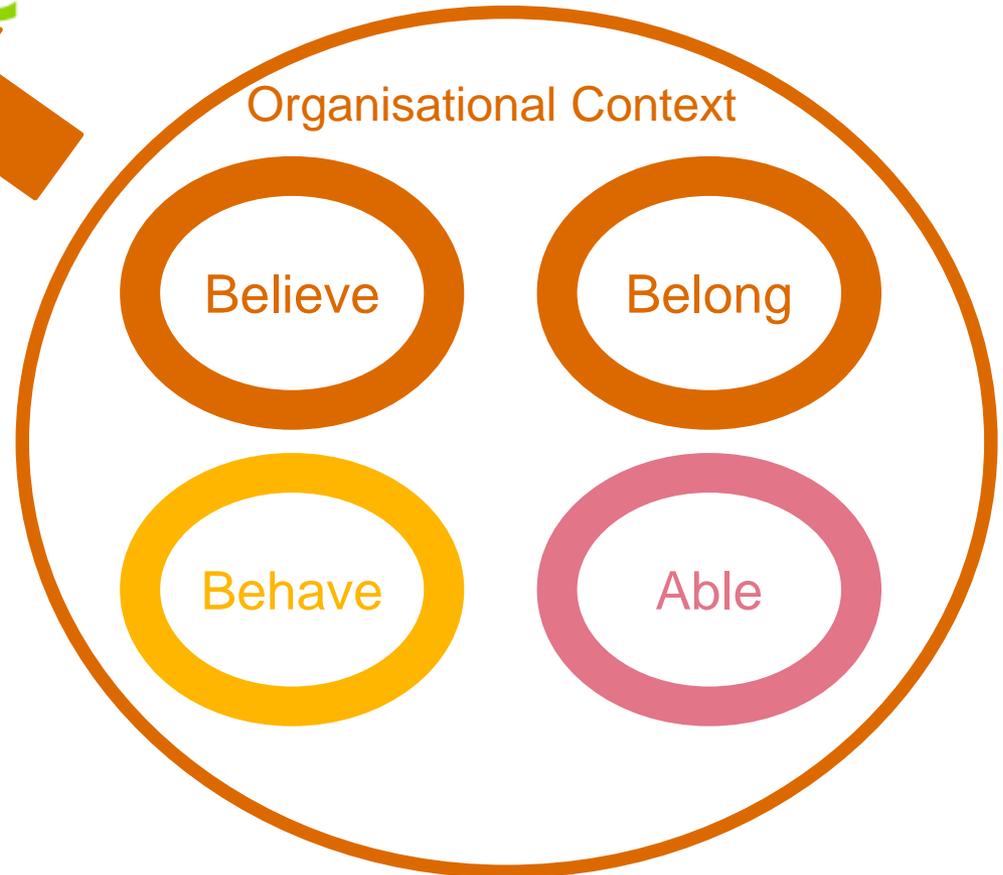
Conclusion

£ \$ €



Effective
Leadership

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Thank you

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