THE UNREALISED GAINS OF EXECUTIVE DEVELOPMENT

According to the St.Gallen Executive Education Survey, companies are dissatisfied with their leadership and development programmes and are exploring new ways to set priorities and measure effectiveness. **Winfried Ruigrok** and **Axel Thoma** talk us through the results

How can your company best cope with growing global competition, new technology and demographic shifts? How can you transform your organisation towards one that embraces innovation and growth? Most top executives know the answer, yet many fail to implement it: by investing more, and in a more focused way, in management and executive development.

Companies should take executive development more seriously than they have done in the past. Executive development does pay off. Research suggests that firms that develop their own executives on average perform better than firms recruiting their executives from the outside market.

Against this background, we conducted the first St.Gallen Executive Education Survey (SEES), among key decision-makers in Germany, Switzerland and Austria, in the first half of 2013.

We asked questions about patterns, trends and expectations in executive development, as well as about the companies' objectives, current programmes and perceived challenges (see diagram opposite).

Increasing efficiency

Let's first look back to the period behind us. Perhaps the biggest surprise is that companies did not cut their leadership and development (L&D) budgets over the three-year period (2009-2012). However, the economic recession and cost pressures did have an effect. Companies reported that the most important objective of their L&D programmes was to increase efficiency. The majority of companies complained that short-term business goals often overshadowed long-term L&D objectives.

Faced with the recession, virtually every L&D aspect seems to have become more important over the three-year period. L&D programmes have broadened their scope of activities and companies increasingly rely on internal resources. About 60 per cent of firms indicated they had increased the number of in-house management development programmes, while almost 50 per cent rely more on their own business academy or corporate university.

This trend is not limited to large firms; the smaller the firm, the higher the perceived changes. This shows that mid-sized companies in particular have felt the pressure of economic adjustments and the need to retain and develop senior talent.

ROI of learning and development

When asked about their key challenges, respondents painted a bleak picture. Most companies are not satisfied with the state of their internal L&D programmes. Only one in five respondents think their firm is unlocking its full L&D potential. While small firms are particularly dissatisfied, a majority of the largest firms also indicated dissatisfaction.

Firms are particularly uncertain about how to measure the so-called return on investment (ROI) of learning and development. Two-thirds of respondents admitted they are unable to quantify the ROI of executive L&D. Large firms are not better than smaller firms in this respect.

> "No learning architecture will have any impact if there's no ROI for the business"
> **Survey respondent**

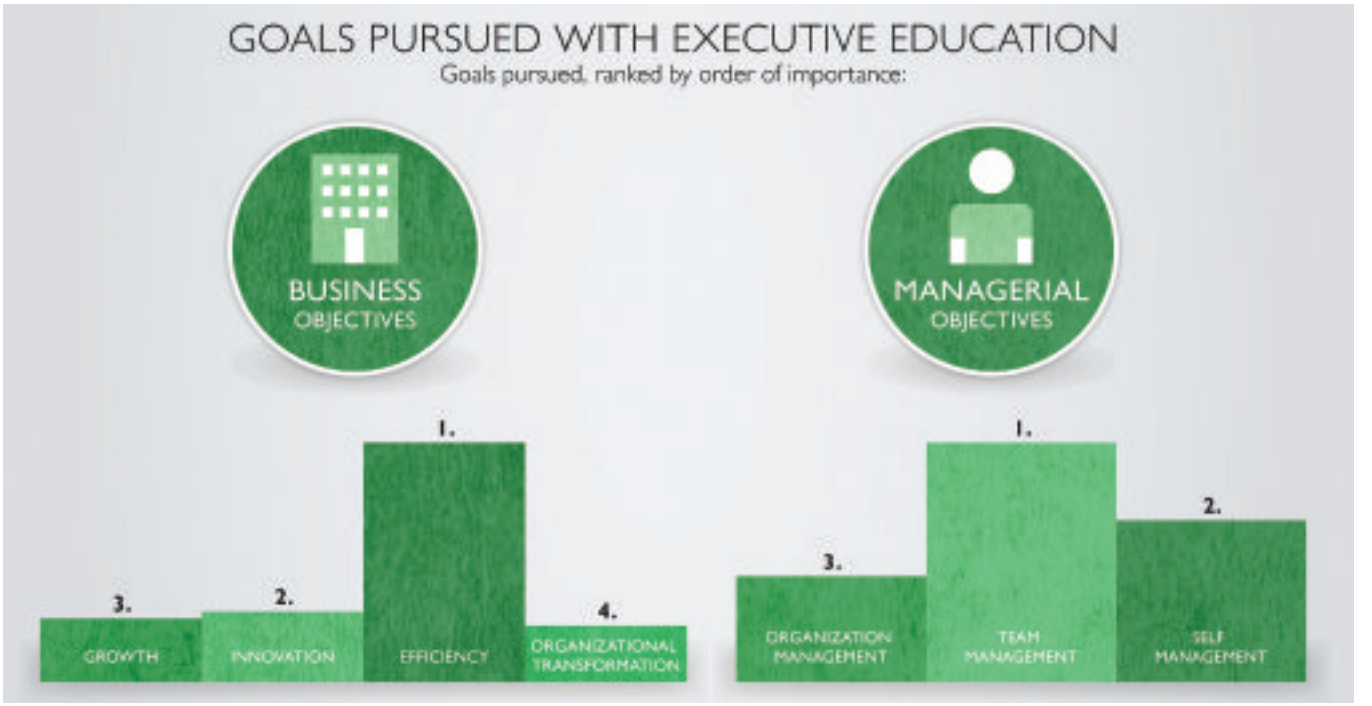
Many firms are looking at how best to align corporate and L&D objectives, and how to design the best L&D architecture. We did not find evidence to suggest that having a Chief Learning Officer (CLO) is the silver bullet to overcoming these challenges. Almost 20 per cent of the firms surveyed do have a CLO. CLOs are more common in large firms and in the financial and consumer goods industries. CLOs are typically responsible for launching and/or co-ordinating strategic initiatives, for evaluating external providers and for setting standards. It is much less common for CLOs to have authority over budgets and managing dedicated staff. Firms that have installed a CLO put more emphasis on formal learning, and are more likely to use internal resources. Firms with a CLO are as critical about their L&D challenges as firms without a CLO.

More spending over fewer heads

Our survey disclosed three trends. First, firms intend to spend more on L&D in the future, but at the same time indicate to focus on a smaller number of participants. Put differently, companies will expect individual managers to signal their potential and interest to becoming a future executive more explicitly than in the past, before deciding to invest in their development.

> "The one-size fits all approach no longer works" **Survey respondent**

The second trend showed that after a period of relying more on internal programmes and resources, firms indicate that in the future they intend to make more use again of external programmes and providers. While this trend holds across all companies surveyed, it is most visible among smaller and mid-sized firms. The latter group of companies are looking for more degree (such as Executive MBA)



and specialised open enrolment programmes, while large firms rather intend to work with external providers in the context of their own company-wide programmes.

The third trend showed that business schools will be affected by these developments in several ways. The good news for business schools is that across the board, companies intend to continue working with them. There is still potential for some growth in degree, open and in-house corporate programmes. Companies also indicate they want business schools to continue focusing on issues such as leadership and team effectiveness.

"Knowledge is overrated, behaviour underrated… Too many leaders manage as experts…" **Survey respondent**

However, corporate clients are likely to become more demanding *vis-à-vis* business schools. Companies will become suspicious of business schools that simply sell ready modules from the shelves. Furthermore, even large companies may in the future focus more on price and, in their in-house programmes, look for genuine customising. At St.Gallen, we call this "deep customising": designing a programme genuinely based on the clients' demands. This trend will be at odds with the business schools' ability to roll out massive programmes.

Over the forthcoming years, L&D programmes are likely to focus again on the core task of executive development instead of increasing efficiency. Nevertheless, firms will continue searching for better ways to quantify the ROI of L&D, and for the most adequate L&D architecture, with or without a CLO. Large firms are likely to spend more on a smaller group of high potential executives. Smaller and mid-sized organisations are likely to rely more on open programmes. Companies will also continue working with business schools, but only with those that accommodate the companies' increasing demands for quality, flexibility and price. ■

St.Gallen Executive Education Survey (SEES) methodology

Over spring/summer 2013 we conducted our survey among human resources and leadership and development directors. We co-operated with three HR magazines and organisations in Germany, Switzerland and Austria and obtained 428 useable responses. Almost 50 per cent of the respondents have global firm-wide decision-making power, another 30 per cent have firm-wide regional authority. Our sample bias tests indicate that the patterns in executive L&D that we identified are valid across industries and these three countries. Firm size, country and demographic characteristics do have some effects on L&D practices and expectations, and when relevant these effects are mentioned. The St.Gallen Executive Education Survey will be repeated every two years.

Further information

Winfried Ruigrok is Dean of the Executive School of Management, Technology and Law, and a Professor of International Management at the University of St.Gallen (Switzerland). Axel Thoma is Research Associate at the Research Institute for International Management at the University of St.Gallen. For a free copy of the report (which was released in late winter, 2013) please visit www.es.unisg.ch/sees.

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