EPG

SHRM Foundation's
Effective Practice Guidelines Series

Selecting Leadership Talent for the 21st-Century Workplace

SHRM Foundation
Shaping the future of HR

Selecting Leadership Talent for the 21st-Century Workplace

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FOREWORD

Identifying and selecting the best potential leaders is critical to the success and sustainability of all competitive organizations. However, statistics show that in the first 18 months of taking a leadership position, 30 to 70 percent of leaders fail. These failures cost companies a lot—in time, valuable resources and money. Research shows that costs to replace senior executives can range from $750,000 to $2.5 million, and up to $52 million for a CEO. In addition, turnover at the top can generate indirect costs such as increased employee stress and decreased employee engagement.

Organizations can address these challenges by adopting and implementing strong leadership assessments. Effective assessments can identify the strongest candidates and forecast how well potential leaders will fare in the context of a complex, global and dynamic work environment. Companies must recognize the importance of these assessments and understand how to use them.

To help you select and effectively use executive assessments, the SHRM Foundation has created this report, *Selecting Leadership Talent for the 21st-Century Workplace*. The report addresses both internal and external talent and considers new technologies and broader perspectives on the expansive role that leaders play in the 21st-century workplace.

This report is part of the SHRM Foundation's Effective Practice Guidelines series, which now includes more than 20 titles. Created in 2004 for busy HR professionals, the series integrates research findings with expert opinion on how to conduct effective HR practice. It provides the tools to successfully practice evidence-based management. Other recent reports include *Talent Acquisition, Creating a More Human Workplace* and *The Aging Workforce*. To ensure the material is both practical and research-based, the reports are written by subject-matter experts and are then peer-reviewed by both academics and HR professionals.

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The underlying message is clear: We must become much more effective at selecting, developing and retaining future leaders, especially given the speed of organizational change in recent years.

SELECTING LEADERSHIP TALENT FOR THE 21ST-CENTURY WORKPLACE

STRENGTHENING YOUR WORKPLACE WITH THE RIGHT LEADERS

Today's dynamic work environments place a premium on making sure there is a robust leadership pipeline for the future. Identifying and selecting the best potential leaders are, therefore, critical strategic objectives for ensuring a sustainable, competitive organization. The statistics reveal the challenge for small and large firms today: In the first 18 months of ascending to leadership positions, 30 percent to 70 percent of leaders fail.[1] These failures cost organizations substantial time and resources, with estimates ranging from $750,000 to over $2.5 million to replace senior leaders, and the estimated cost of replacing a CEO is an astounding $12 million to $52 million.[2] Equally important indirect costs are associated with leader failure, including increased employee stress and decreased engagement.[3]

The underlying message is clear: We must become much more effective at selecting, developing and retaining future leaders, especially given the speed of organizational change in recent decades.[4] Our assessment efforts have to be driven by an expansive view of performance expectations that takes into account a richer understanding of leadership demands than ever before.

Fortunately, there is a sea change underway in the field of leadership assessment. New technologies and broader perspectives on the roles leaders play are creating more dynamic, robust methods of assessment. We are forecasting leadership performance in the context of a more complex, global and dynamic work environment full of new challenges, including globalization, the erosion of traditional borders, shifting business models, technological change, talent shortages and economic unpredictability. Today's leadership assessment programs are designed with these challenges in mind—but we must know how to use them.

This report presents a new leadership assessment paradigm that incorporates a broad perspective of leadership performance and reflects conditions on the ground in the 21st-century workplace. Below, we explain the importance of context and show how new technologies can facilitate better assessments. We focus on the assessment and selection of both internal and external talent. The methods and techniques are applicable across a broad spectrum of organizations and industries, from large, multinational companies to small and medium-sized businesses.

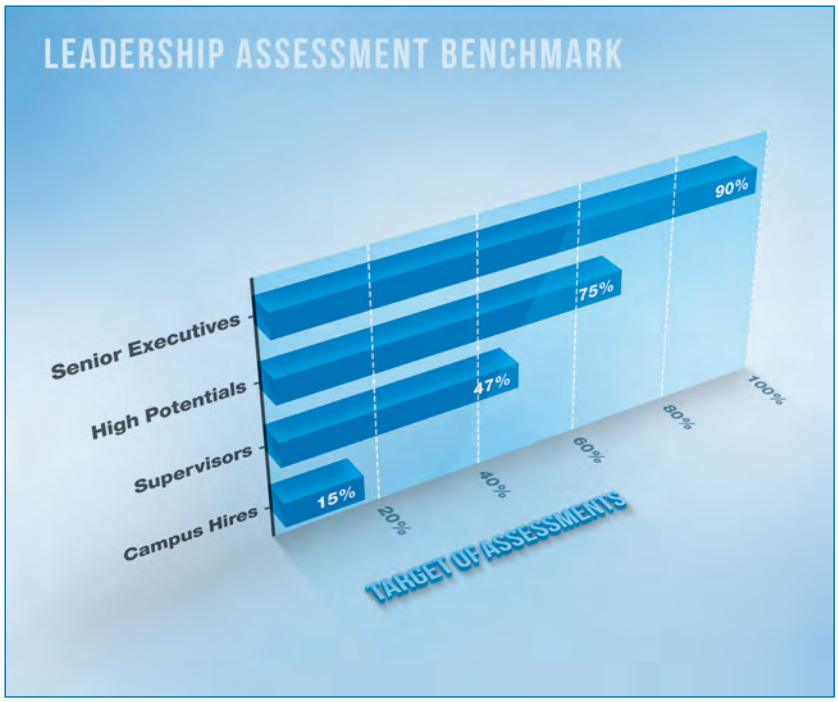
LEADERSHIP BENCHMARKING ASSESSMENTS

Benchmarking information is important for executives and boards of directors looking to evaluate assessment programs for potential return on investment, alignment with the firm's strategic vision and impact on competitive position.[5] Two comprehensive studies were recently conducted—one in 2013 and a follow-up in 2015—that provide helpful insights into the specific types of assessment programs used for selecting and developing high-potential and senior leaders.[6]

Talent Management Benchmark Assessment I (2013)

The first study[7] surveyed a group of large, multinational organizations, most of which were ranked among *Fortune*® magazine's "Top Companies for Leaders."[8] This study sought to understand how organizations at the forefront of talent management and leadership development use assessments for their senior leaders and high-potential talent populations.

Figure 1



Source: Adapted from Figure 1, Church, A. H., & Rotolo, C. T. (2013). How are top companies assessing their high-potentials and senior leaders? A talent management benchmark study. *Consulting Psychology Journal: Practice and Research, 65*, 199-223. Copyright 2013, American Psychological Association.

The respondents were specifically identified due to their recognized expertise in the field and direct line responsibility for senior-level and high-potential talent management programs within their organizations.[9] Almost 90 percent of the organizations targeted in the study are publicly traded, with a mean annual net revenue of $45.7 billion, and over 90 percent have 10,000 or more employees.

What the study found

The study revealed that of the 84 responding companies, 70 percent used assessments, and of that group, 90 percent assessed their senior leaders and 75 percent focused on high potentials.

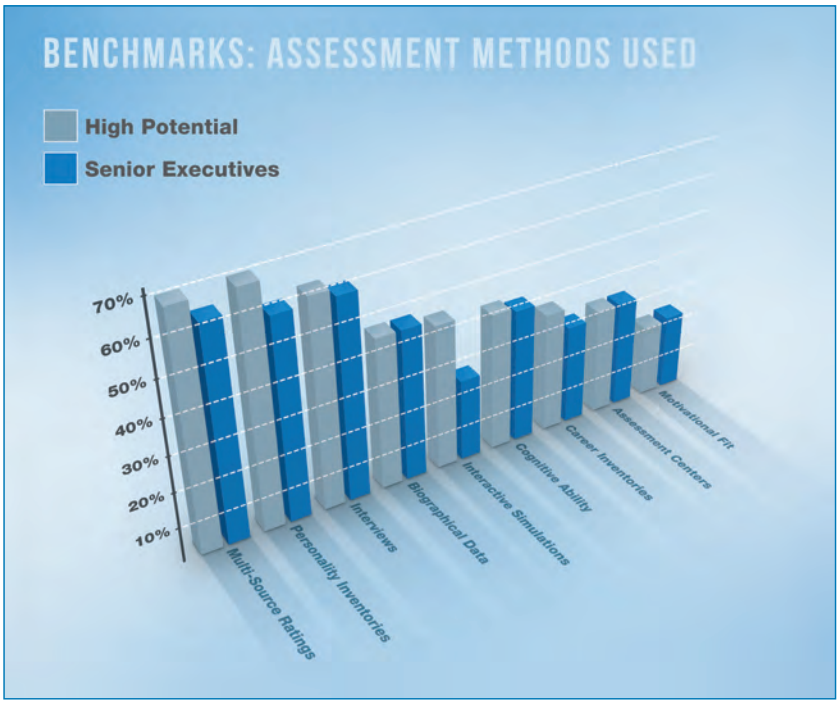
The study cited development as the primary purpose for using assessments, but the authors also found that 62 percent of the organizations in the study used senior-leader assessments for *both development* and *decision-making,* including succession planning, placement and selection.

The 2013 study also found that the three most commonly used assessments for senior leaders were:

- 360-degree feedback systems (60 percent).
- Personality inventories (57 percent).
- One-on-one interviews (57 percent).

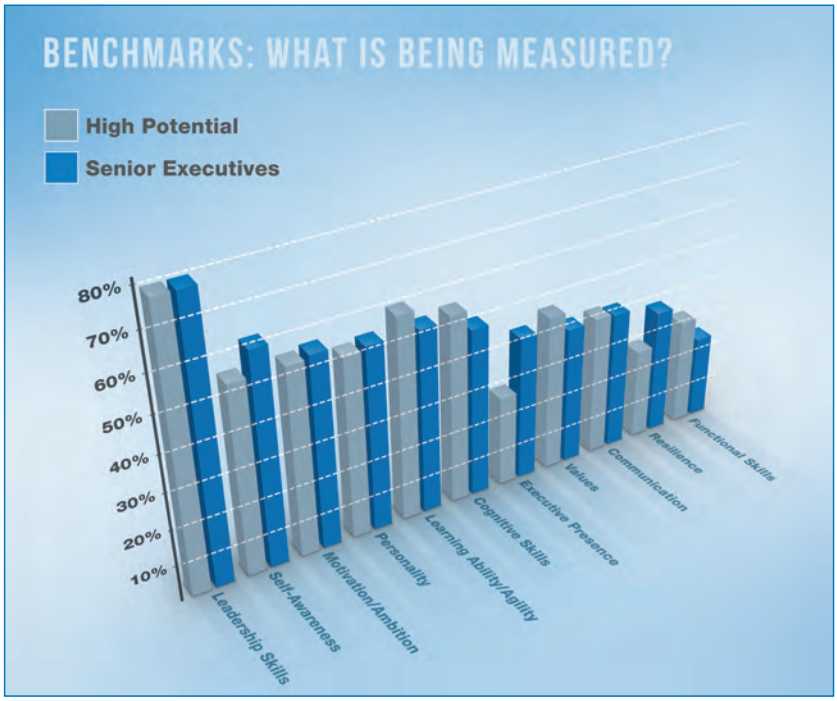
About 82 percent of these top talent management organizations used more than a single assessment method for high potentials, and 74 percent used two or more assessment tools

Figure 2



Source: Adapted from Figure 3, Church, A. H., & Rotolo, C. T. (2013). How are top companies assessing their high-potentials and senior leaders? A talent management benchmark study. *Consulting Psychology Journal: Practice and Research, 65*, 199-223. Copyright 2013, American Psychological Association.

Figure 3



Source: Adapted from Figure 7, Church, A. H., Rotolo, C. T., Ginther, N. M., & Levine, R. (2015). How are top companies designing and managing their high-potential programs? A follow-up talent management benchmark study. *Consulting Psychology Journal: Practice and Research, 67*, 17-47. Copyright 2015, American Psychological Association.

with senior leaders, with a median of five for high potentials and four for senior leaders.

As shown in Figure 2, these assessments are used most often for high-potential leaders.

Talent Management Benchmark Assessment II (2015)

A 2015 follow-up to the 2013 study looked at the specific attributes assessed in the benchmark companies and what outcomes the assessment program produced.[10] Survey responses came from 80 top development companies, the majority of which overlapped with the targeted sample for the 2013 study. About 80 percent of the respondents indicated that they used assessments for either high-potential or senior-leader populations, or both. This value was a 10 percent increase over similar respondent organizations in the 2013 benchmark study.

What the study found

As in the 2013 study, the primary purpose of the assessments was development, but the majority of the organizations used assessments for both development and decision-making— 64 percent for high potentials and 79 percent for senior leaders, compared with 57 percent and 64 percent, respectively, in the 2013 study.

Overall, *leadership competencies* were by far the most commonly assessed characteristics for both high potentials and senior leaders, at 75 percent for both groups. This result helps explain the fact that multisource feedback was the most commonly used assessment tool. Self-awareness, motivation, personality, learning ability

and cognitive skills were in the second-highest cluster of attributes assessed. These characteristics were assessed about 50 percent of the time for both high potentials and senior leaders.

The majority of respondents in the survey indicated strong interest or "pull" for the assessment data. This outcome was true across high-potential participants, senior-leader participants and C-suite leaders who used the data. About 65 percent of the respondents indicated that their assessment and development processes had a moderate to significant impact on the performance of their high potentials and senior leaders. (Moderate impact was defined as a 5 percent to 9 percent improvement in performance, and significant impact was defined as a 10 percent to 20 percent improvement.)

Significance of the results of both studies

These two benchmarking studies demonstrate the value of leadership assessments for top-performing talent management organizations. They also provide insight into the kinds of assessments used and how they are being used for high-potential and senior-leadership populations. The organizations participating in these studies:

- Leverage multiple assessments to measure multiple content areas.
- Focus on leadership competencies.
- Emphasize multisource (360-degree) feedback, personality inventories and interviews as assessment tools.

The firms use assessments for development and decision-making, which means that the organizations must ensure they are *psychometrically sound, valid and legally defensible*.

Most organizations (65 percent) believe the assessments have a positive impact on their bottom line. For example, at PepsiCo, results of its validated Potential Leader Program yielded significantly higher promotion rates for participants who scored in the top quartile of their assessment suite compared with those in the bottom quartile.[11]

What benchmarking results mean for small and medium-sized organizations

The two benchmarking studies cited above are based on large, multinational organizations, but the findings are relevant to small and medium-sized organizations too. In smaller firms the cost of a bad hire or leader turnover can be particularly steep.

Because smaller organizations have a narrower margin for error when it comes to making talent acquisition and placement decisions, the use of a valid, competency-based approach to leadership assessment will have an even more dramatic impact on the bottom line than it does for larger organizations. The use of objective, reliable and valid assessment data helps reduce the uncertainty associated with leader acquisition and placement decisions. In fact, a recent report noted that small and midsize businesses (defined as organizations with 1,000 or fewer full-time employees) are actually 43 percent more likely than larger enterprises to use assessments consistently from acquisition of talent through to talent management.[12]

BEYOND COMPETENCIES: CRITERIA FOR MEASURING LEADERSHIP SUCCESS

Leadership competencies are the most frequently assessed criteria for high potentials and senior leaders. Competencies have become fully embedded in the language and practice of leadership assessment, selection and development, and they also help drive business strategy, but they are not the only way to measure leadership effectiveness.

Assessing Outcomes Instead of Competencies

Some thought leaders believe that competencies are not the most appropriate target for leadership assessments and that organizations would be better served to define leadership effectiveness based on expected *outcomes* rather than on proficiency in a set of competencies. People with many different styles and skills can achieve excellence in leadership; therefore, organizations should select and develop leaders for overall competence, not just based on a list of attributes.[13]

Morgan W. McCall of the University of Southern California has defined a set of five leadership demands that can serve as the basis for evaluating leadership competence. These leadership demands are drawn from successful leaders and reflect hundreds of descriptions of experiences and thousands of lessons learned.[14] Assessing a leader based on how well he or she meets these five demands avoids the search for a single style, personality or set of competencies common to all leaders.[15]

McCall's Five Leadership Demands

1. **Set and communicate direction.** Establish and communicate the purpose, vision and mission of your part of the organization. Create an architecture and set of processes that will drive that vision.
2. **Align critical constituencies.** Make sure that the people and groups necessary to achieve the mission understand it and are aligned with it, and that those who are obstacles to the mission are dealt with.
3. **Demonstrate an executive temperament.** Show the ability and confidence necessary to cope effectively with the pressures and ambiguity of a leadership role.
4. **Set and live your values.** Convey and reinforce what the organization—and you as a leader and person—believe in and stand for.
5. **Grow and learn.** Take the necessary steps to ensure that you and your people continue to learn, grow and change.

Source: Adapted from Table 3, McCall, M. W. (2010). Recasting leadership development. *Industrial and Organizational Psychology: Perspectives on Science and Practice, 3*, 3-19.

Before You Design an Assessment Framework

All organizations should specify the criteria for success in the target role before creating an assessment framework. Leadership criteria may include leadership demands (as proposed by McCall), competencies, personal attributes or a combination of all these, but they must be linked to the leader's role. A professionally developed leadership assessment program can and should evaluate:

- A candidate's proficiency in meeting the organization's leadership demands.
- A candidate's relative standing on a set of leadership competencies.

When building competency models, first try to understand the organization's leadership demands so that the competencies can be modeled to support their accomplishment. McCall's Five Leadership Demands can serve as a helpful straw model when determining the key leadership accountabilities within your organization.

Organizations also must understand the *nature of leadership potential* so that they can build indicators to identify high-potential talent, both internal and external to the organization. The definition and measurement of leadership potential have been two of the more intransigent challenges in the field of leadership assessment, with significant disagreement among organizational leaders, researchers and practitioners on how to define and measure leadership potential. One particularly helpful model for measuring leadership potential is discussed in detail below.

THE LEADERSHIP POTENTIAL BLUEPRINT

A few years ago, two researchers developed a three-part framework[16] describing the building blocks of leadership potential, hoping to answer the perennial question, "Potential for what?" They crystallized three essential components that cut across all definitions of potential, which they termed Foundational, Growth and Career Dimensions. They termed this framework the Leadership Potential BluePrint.

Essential Dimensions of Leadership Potential

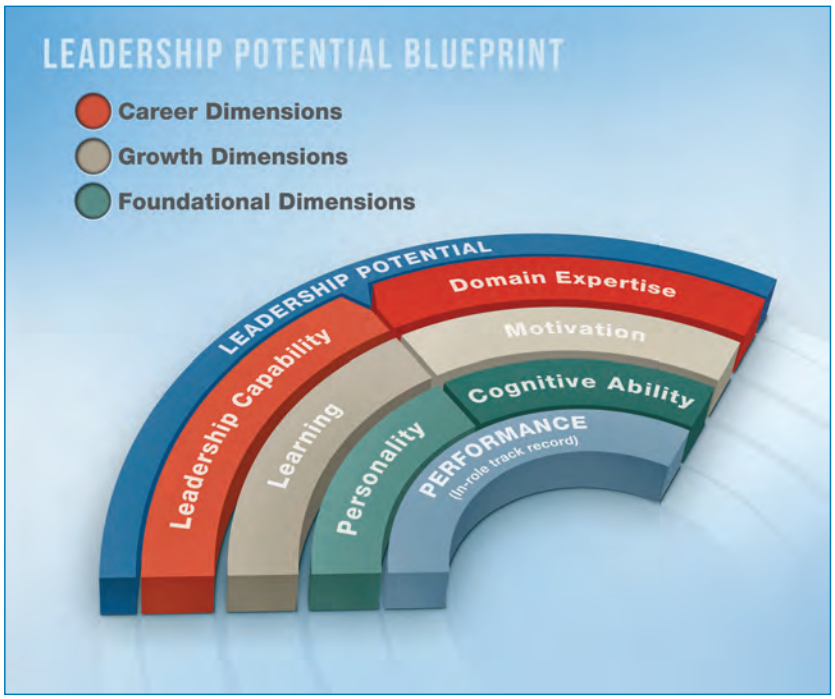
Foundational Dimensions are stable and resistant to change over time. These dimensions include *Cognitive Ability*, which allows for conceptual and strategic thinking and dealing with complexity; and *Personality*, which encompasses interpersonal skills, sociability, dominance, emotional stability, resilience and openness to experience.

Growth Dimensions include *Learning*, which requires openness and agility, and Motivation, which encompasses drive, energy, achievement motivation and career ambition.

Career Dimensions focus on *Leadership* and *Functional Capabilities*. These dimensions indicate the "end-state" skills needed later in a leadership career, and include cultural fit with the organization.

Source: Silzer, R., & Church, A. H. (2009). The pearls and perils of identifying potential. *Industrial and Organizational Psychology: Perspectives on Science and Practice, 2*, 377-412.

Figure 4



Source: Adapted from Figure 1, Church, A. H., & Silzer, R. F. (2014, December). Going behind the corporate curtain with a BluePrint for Leadership Potential: An integrated framework for identifying high-potential talent. *People & Strategy, 36*(4), 51-58.

Each component of the BluePrint has different implications for assessment and will be weighted differently depending on which career stage the individual is in and how much opportunity he or she has had to display these characteristics. For example, for midlevel leaders, the emphasis would lean toward career dimensions, but for team leaders, greater weight would be placed on evaluating foundational and growth dimensions.

While not considered a formal part of the blueprint, this model tacitly sits on a bedrock of performance, which means that when the focus is on internal talent and performance data are available, an individual must be a high performer to be considered a high-potential candidate.[17] This approach eliminates the confusion that often exists between *performance* and *potential*—when managers have difficulty differentiating between past performance and future potential. Sometimes this problem is called the *performance-potential paradox*, when past performance is used as a proxy for potential.[18] In the graphic above, performance is at the base to indicate its role as a gatekeeper.

The BluePrint provides an organizing framework for evaluating leadership potential and readiness, highlighting the dimensions for which assessments should be designed. However, it is still important to define *specific leadership criteria* for the targeted roles against which potential or readiness is to be assessed.

The goal is to populate the Leadership Potential BluePrint by developing and validating leadership competencies as well as knowledge, skills, abilities and other characteristics (KSAOs) that support the leadership demands of the targeted roles and contribute to future success. All the information can then be used to design and validate a suite of assessments to accurately evaluate leadership potential.

Case Study: Application of the Leadership Potential BluePrint at Eli Lilly

Eli Lilly uses the Leadership Potential BluePrint as the foundation for its talent identification process. The company calls its assessment process the Talent ID Tool. Alan Colquitt, director of Global Assessment & Workforce Research at Lilly, describes the process as combining formal psychometric assessment with personal meetings and discussions to arrive at an overall judgment about a person's level of potential. The formal tool is a discussion guide for leaders and HR professionals and is completed in a meeting with the supervisor and others who may know the person being assessed, along with an HR professional who acts as a facilitator.

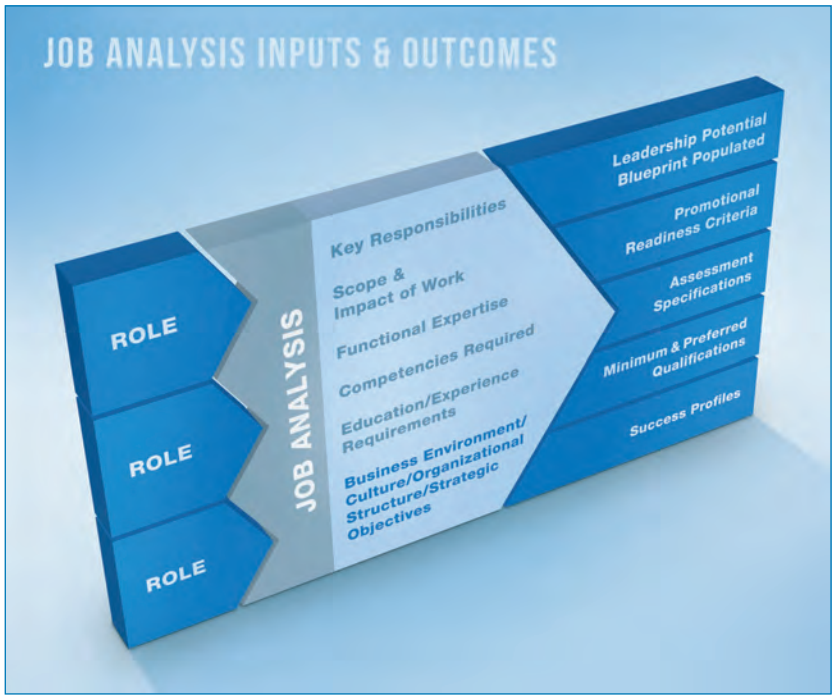
The discussion guide is broken into sections aligned with the dimensions of the BluePrint. Each section includes formal assessment evidence relevant to a particular dimension and discussion questions about the person's background, experience, and other information, leading to a formal rating of each dimension, along with an overall potential rating. This process at Eli Lilly has recently been expanded and tailored for assessing top-level technical potential.

Source: Church, A. H., & Silzer, R. F. (2014, December). Going behind the corporate curtain with a BluePrint for Leadership Potential: An integrated framework for identifying high-potential talent. *People & Strategy, 36*(4), 51-58. Reprinted with permission.

Job Analysis

Organizations should base their choice of which competencies and KSAOs

Figure 5



Source: APTMetrics, Inc.

to use in a BluePrint on a thorough review of the leadership demands and key responsibilities of a job, along with a consideration of the context in which the role is performed. A structured job analysis is strongly recommended to ensure that the key leadership requirements are fully understood and that the competency model and other attributes identified for success are linked back to these requirements. In many cases competency models will already exist in an organization and may be integrated into talent management functions. The goal in these cases is not to change an existing competency model, but to formally tie it back to the requirements of the role.

A robust job analysis will provide the criteria against which the assessment tools can be validated. Figure 5 displays the types of information collected, from key responsibilities to scope of work, required competencies, and relevant education and experience for a role.

Contextual Factors

A good job analysis should incorporate *contextual factors* because they have a strong impact on leader performance. This means taking into account the global, economic, competitive and market challenges facing the organization and the organization's structure, culture and strategic objectives.[19] The consideration of these contextual factors allows organizations to expand the assessment tools and more accurately predict the full range of leadership performance against the backdrop of a dynamic work environment. If a firm ignores the impact of contextual factors on leader performance, assessments will miss a critical piece of the picture and a significant chunk of predictable performance.

Competency Modeling

For organizations interested in determining an employee's potential to move to higher levels, without reference to a specific role, the job analysis should focus on a broad job class, such as all VP positions. In these circumstances, *competency modeling* is an effective technique for defining the requirements to be assessed.[20] Competency modeling differs from traditional job analysis by focusing on the capabilities required for success across a broad job class, not in a specific role. A well-designed competency modeling approach also ensures that the leadership competencies are clearly linked to business strategy. A leadership assessment program that measures strategically derived competencies is a powerful tool for advancing the organization's goals and supporting all aspects of talent management.[21]

When a job analysis is complete, an organization can develop assessment specifications that clearly outline the attributes that need to be measured and that identify the types of assessments appropriate for the targeted application. The Leadership Potential BluePrint can then serve as the organizing structure for how the assessments are configured around foundational, growth and career dimensions.

Targeting Your Organization's Needs with an Integrated Approach

By leveraging the concepts from the Leadership Potential BluePrint and a job analysis that will populate the BluePrint, you can build an assessment framework to target your firm's specific organizational levels and leadership roles. For example, Figure 7 and the case study on page 9 are based on PepsiCo's Leadership Assessment

Figure 6

Source: Schippmann, J.S. (2010). Competencies, job analysis, and the next generation of job modeling. In J. C. Scott & D. H. Reynolds (Eds.), *Handbook of workplace assessment: Evidence-based practices for selecting and developing organizational talent* (pp. 197-231). San Francisco, CA: Jossey-Bass.

Figure 7

Source: Adapted from Church, A. H., Waclawski, J., & Scott, J. C. (2012, April). *Talent management in action: Game of thrones*. Workshop conducted at the 27th annual conference of the Society for Industrial and Organizational Psychology, San Diego, CA.

and Development (LeAD) program. They show an integrated assessment effort linked to key leadership transitions and focused on individuals in specific career stages in the organization.[22] This system leverages a multi-trait, multi-method assessment model beginning at lower levels in the organization. By populating the BluePrint with a future-focused, empirically derived competency model and a set of relevant KSAOs, any organization can build a platform for identifying, developing and deploying leaders across all levels.

PepsiCo's multi-trait, multi-method approach draws on assessment tools referenced in the benchmark studies and facilitates the management of leadership talent across the organization. The approach also ensures that PepsiCo is identifying and selecting high-performing leaders, producing a robust leadership pipeline, and informing key movement decisions, particularly at the senior levels.

Multi-Method Assessment for Small and Medium-Sized Firms

Small and medium-sized businesses will not necessarily have the same number of leadership transition points as larger organizations, but the selection, development and retention of high-performing leaders is still fundamental to success.[23] A forward-looking, multi-method assessment process that informs the movement, placement and development of leadership talent across the organization will lead to success and long-term sustainability.

Case Study: Identifying, Developing and Deploying Potential at PepsiCo

At PepsiCo, the Leadership Potential BluePrint serves as the basis for the organization's entire multi-tier Leadership Assessment & Development (LeAD) program. Developed and launched in 2010, the program provides increasingly intensive integrated assessment and development efforts that are linked to key leadership transitions and targeted toward individuals in certain career stages.

The PepsiCo system uses a multi-trait, multi-method model beginning at lower levels in the organization with "Checkpoint 0." This two-hour online measurement process identifies future leadership potential based on each of the components of the BluePrint, but emphasizes the Foundational and Growth areas over Career dimensions at this level. Checkpoint 0 is followed by Checkpoints that go deeper in the assessment process, moving from core online psychometric tools to more complex custom simulations and situational judgement tests, all the way to full-day assessment centers, individualized structured interviews and deep psychological assessments.

At higher levels, the assessment emphasis is generally placed on the Growth and Career dimensions of the model (except perhaps among individuals with more limited experience in the organization, such as new hires). Overall, the LeAD program based on the BluePrint has brought a new level of rigor to the assessment and development process and has been very well received by candidates, managers and HR leaders, with considerable pull for the program from the field.

Source: Church, A. H., & Silzer, R. F. (2014, December). Going behind the corporate curtain with a BluePrint for Leadership Potential: An integrated framework for identifying high-potential talent. *People & Strategy, 36*(4), 51-58. Reprinted with permission.

ASSESSMENT VALIDATION

Before a multi-trait, multi-method approach can be used to identify and place leadership talent, the assessment methods must be shown to predict success in target roles. Regardless of whether you want to assess the immediate readiness of an internal or external candidate for a senior leadership role, or the potential of an internal candidate to succeed in a higher-level role in the future, you need professionally validated assessment tools. Proper validation of leadership assessment tools will help ensure the legal defensibility of your program and confirm that the assessments are operating as intended.[24]

Unfortunately, many organizations consider validation of leadership assessments to be a luxury, not a necessity, because:

- They have limited organizational resources for conducting research at the senior levels.
- They do not understand the purpose of a validation study.
- They harbor inaccurate perceptions about the risk of legal challenges.

In addition, given the fact that leadership simulations can closely mirror the demands of the job, formal validation may seem superfluous. But the evidence is clear: Validation is never optional. It is an essential foundation for the high-stakes decisions made through leadership assessments.[25] Validation not only minimizes vulnerability to legal challenges but also increases the accuracy of predictions.

Validating Assessments for Measuring Potential and Readiness

What is validity? According to the 2014 American Psychological Association's *Standards for Educational and Psychological Testing*, "Validity refers to the degree to which evidence and theory support the interpretations of test scores for proposed use of tests. Validity is, therefore, the most fundamental consideration in developing and evaluating tests."[26]

In the case of leadership simulations,behavioral interviews, multisource feedback instruments, measures of experience and other related leadership assessment techniques, the most frequently applied and generally most practical approach for gathering evidence of job relatedness is through a content validity study. The objective of a content validity study is to evaluate the extent to which the leadership assessment tools measure the relevant and important competencies and other KSAOs that are required for success in the targeted leadership role. A measure of a test's content validity is generally not statistical (although expert ratings may be collected), but rather is determined through subject matter expert agreement on how well the assessment taps the essential criteria of leadership success.

Case Study: A Multi-Method Approach for Succession Planning at Luck Companies

Luck Companies, a mining and crushed stone supplier in Richmond, Virginia, puts all of its leaders through an annual 360-degree assessment that measures them against company values, leader competencies and desired attributes. Annual engagement surveys and performance reviews further gauge how leaders perform against a values-based leadership model that Mark Fernandes, the company's chief leadership officer, developed. For succession planning, Luck's HR team relies on a VBL index, a score based on each leader's 360-degree assessment, department or team engagement surveys, and performance appraisal.

Fernandes and his HR team are expanding the assessment to individual contributors so that the data can feed the leadership pipeline. "We have 850 associates, and we're trying to develop 850 leaders," Fernandes said. "In that hourly workforce is an individual contributor who can run this company someday."

Adapted from: Fox, A. (2013, August 1). Organizational and employee development special report: Upon further assessment. *HR Magazine*.

Using Subject Matter Experts

Validity is demonstrated by a strong link between assessments and important leadership criteria. In a content validation study, the job analysis serves as the foundation for the development and validation of the assessment tools. Subject matter experts are called on to link the assessments back to the leadership demands and competencies identified in the job analysis. The subject matter experts are typically managers of the target jobs who have the perspective to determine what it takes to be successful in a role. These subject matter experts are also leveraged to assist in establishing the assessment "pass scores" that serve to differentiate degrees of potential for the target roles or organizational levels.

Using a Criterion-Related Validation Study

Another common, but more labor-intensive, technique for establishing validity is through a criterion-related validation study. With this technique, evidence of job-relatedness is *statistical* and determined by correlating assessment results with leadership criteria of interest. This technique is most appropriate for cognitive and personality instruments but is also quite valuable in validating simulations.

Other forms of evidence, including transportability, validity generalization and synthetic validity, can also be leveraged to support job-relatedness under certain circumstances.[27]

But regardless of the approach, validation of leadership assessments is necessary for organizations to enhance the likelihood of accurate predictions and mitigate legal risks in these high-stakes settings.

CONTEXT AS A CRITICAL COMPONENT OF LEADERSHIP ASSESSMENT

Job analysis and the Leadership Potential BluePrint provide the foundation and conceptual framework for tailoring and implementing leadership assessments. And validation ensures that assessment methods are accurately predicting performance. But there is one additional dimension to consider: situational and contextual factors that have a critical impact on leader and organizational performance.

Figure 8

Source: APTMetrics, Inc.

Situational and contextual factors are as important for small and medium-sized organizations as they are for large ones. The question in this case is not whether leadership candidates have the competencies and skills to perform in the current environment, but whether they have the potential to learn, adapt and succeed in an uncertain, complex and changing environment.

Accounting for context in leader selection in not new. Since the 1980s, researchers have linked leadership skills to targeted business strategies.[28] Recently, studies of cross-cultural and complexity leadership have underscored the importance of looking at how context alters how we define, measure and interpret effective leadership.[29] The impact of context on performance is magnified for leaders operating in cross-cultural environments. Unfortunately, a recent *Global Leadership Forecast* found that

many leaders are struggling with global environments and do not consider themselves effective at leading across cultures.[30]

Leaders in Cross-Cultural Environments

A survey of 200 senior leaders in the United States, Europe and Asia and 5,000 managers around the world asked why leaders succeed or fail when placed in global roles.[31] The results showed that a great performance track record in one's home country does not predict success in a global role. This research identified three components of what the authors termed a "global mindset needed for success in global roles":

- *Intellectual capital*, or international business savvy.
- *Psychological capital*, or openness to different cultures.
- *Social capital*, or the ability to form connections and influence others who are unlike you.

Each of these components is defined further in the text box on the right. The authors created a Global Mindset Inventory to measure how prepared someone is for a global leadership role based on measurement of these attributes.

Having a global mindset is an increasingly critical leadership requirement, even for organizations without operations overseas, and should be considered for inclusion among the leadership competencies in the Leadership Potential BluePrint. Of course, its inclusion should be confirmed through a job analysis.

What It Takes to Succeed and Lead Overseas

Intellectual Capital

1. **Global Business Savvy:** Understand how your industry operates worldwide, how global customers behave, how competitors target their needs and habits, and how strategic risk varies based on geography.
2. **Cognitive Complexity:** Piece together multiple scenarios with many moving parts without becoming paralyzed by the number of options.
3. **Cosmopolitan Outlook:** Take an active interest in the history, geography, and political and economic systems of different parts of the world.

Psychological Capital

1. **Passion for Diversity:** Explore other parts of the world, experiencing other cultures and trying new ways of doing things.
2. **Thirst for Adventure:** Appreciate and thrive in unpredictable and complex environments.
3. **Self-Assurance:** Demonstrate self-confidence, a sense of humor and willingness to take risks in new contexts. Maintain high levels of energy and allow the foreign context to recharge you, not drain you.

Social Capital

1. **Intercultural Empathy:** Engage and connect emotionally with people from other parts of the world.
2. **Interpersonal Impact:** Bring together divergent views, develop consensus and maintain credibility; building networks skillfully.
3. **Diplomacy:** Listen to what is said and what is not said. Develop ease in conversations with people who are different from you and an inclination to ask more than answer.

Source: Javidan, M., Teagarden, M., & Bowen, D. (2010). Making it overseas. *Harvard Business Review, 88*, 109-113. Reprinted with permission.

Leveraging Technology to Integrate Context Into Assessments

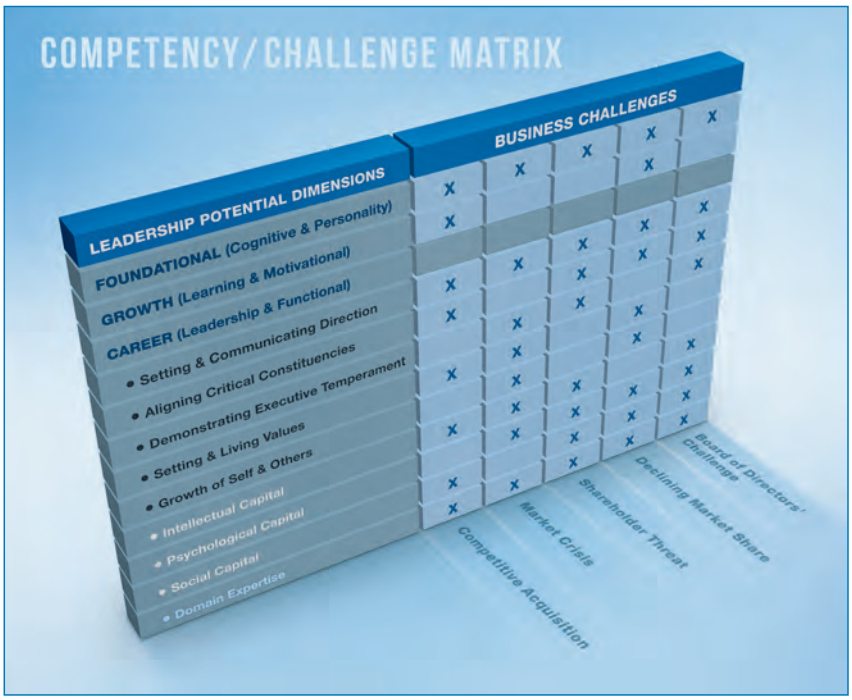
Incorporating context into assessments has implications for their design, because behavior must be measured in response to conditions that mirror the actual demands of the leadership role. This means elevating the assessment tools from a *two-dimensional, question-and-answer format to a three-dimensional platform* that brings the requirements of the leadership role to life.

Until now, employers have accomplished this goal through costly, resource-intensive, in-person assessment centers with trained assessors who put leadership candidates through their paces with activities involving role-plays, in baskets, presentations, team building and problem solving for a hypothetical company. The assessment center is still a tried and true medium for leadership selection and development, but advances in technology are creating opportunities for even greater realism and measurement accuracy at a fraction of the administrative cost.

Technology-enhanced simulations

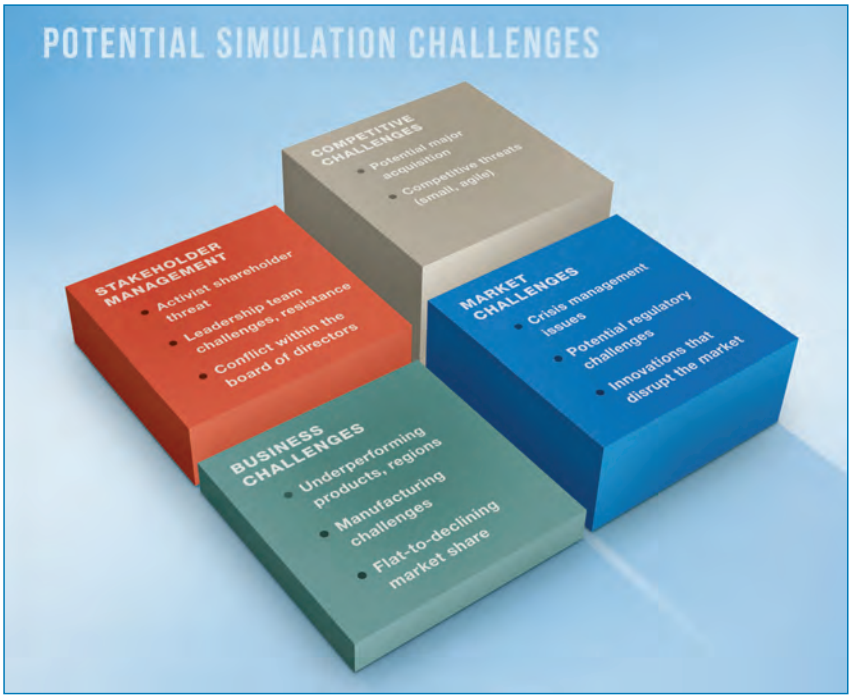
Technology-enhanced assessments have grown exponentially over the past decade.[32] Leadership simulations can now immerse candidates in real-life work scenarios that measure an exhaustive array of high-level capabilities. When properly constructed, these

Figure 9



Source: APTMetrics, Inc.

Figure 10



Source: APTMetrics, Inc.

immersive simulations not only capture an assessment participant's attention but also hold it long enough to elicit meaningful information about his or her capabilities. The assessment becomes a component of a dynamic, engaging and job-relevant narrative that helps break through the "assessment glass ceiling" so that organizational leaders are less resistant to taking formal assessments.[33]

Business challenges to establish context

Business challenges are crafted to measure performance across foundational, growth and career dimensions. The challenges are chosen based on the strategic and leadership demands of the organization and can be built to evaluate capabilities at any of the key leadership levels.

Typically, a simulation narrative includes three to four interwoven story lines that present relevant challenges drawn from the critical leadership experiences within the organization. These challenges may be tied to current issues the organization confronts or future issues the organization anticipates. The illustration in Figure 10 shows sample scenarios related to stakeholder management, competitive challenges, market challenges and general business performance concerns.

Incorporating Context Through an Immersive Simulation

Let's look at how your organization can leverage business challenges and technology to incorporate context into a leadership assessment. In this case, a multimedia simulation will present a scenario in which the organization has just selected an external candidate to take on the role of the CEO. The previous CEO stepped down and—unknown to the assessment

participant—the selection of a CEO from the outside is not a popular decision.

The setup

Palladium Enterprises is one of the leading companies in its industry. Earlier this year, CEO Kathy Singh resigned suddenly to care for her terminally ill husband. After a rapid, grueling interview and assessment process, Taylor Bishop (assessment participant) was selected as the new CEO.

The challenge

Singh brought a major potential acquisition, Lakko Industries, to the table before she left. This would be Palladium's largest acquisition in 10 years, but it has not been fully vetted. The board has asked Bishop to examine the issue and make recommendations.

Complications

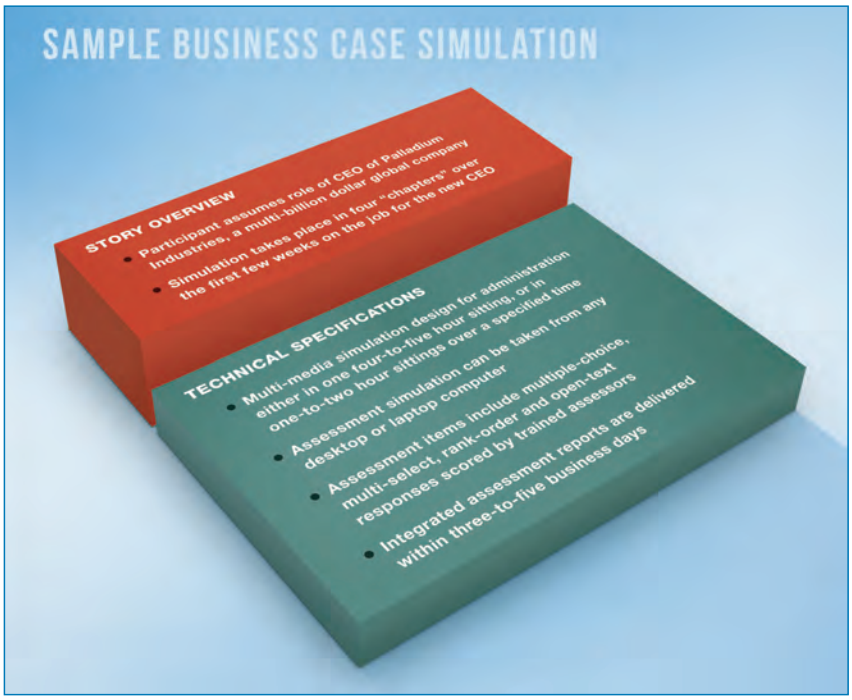
Complicating the acquisition decision are questions surrounding assumptions made to establish the true value of Lakko and the support (or lack thereof) from key stakeholders. While examining the acquisition, the candidate must also navigate the dynamics of a challenged executive leadership team, manage board expectations, handle poor media coverage and a dissident shareholder group, and deal with a major breach in confidentiality.

The simulation requires the participant to present recommendations to the board across a wide range of critical areas.

The design

Simulations can be designed to cover a broad range of leadership demands and competencies, so they can become lengthy. It is important to ensure the participants remain engaged by borrowing techniques from the television and film industries. For example, music and sound design reflect emotions

Figure 11

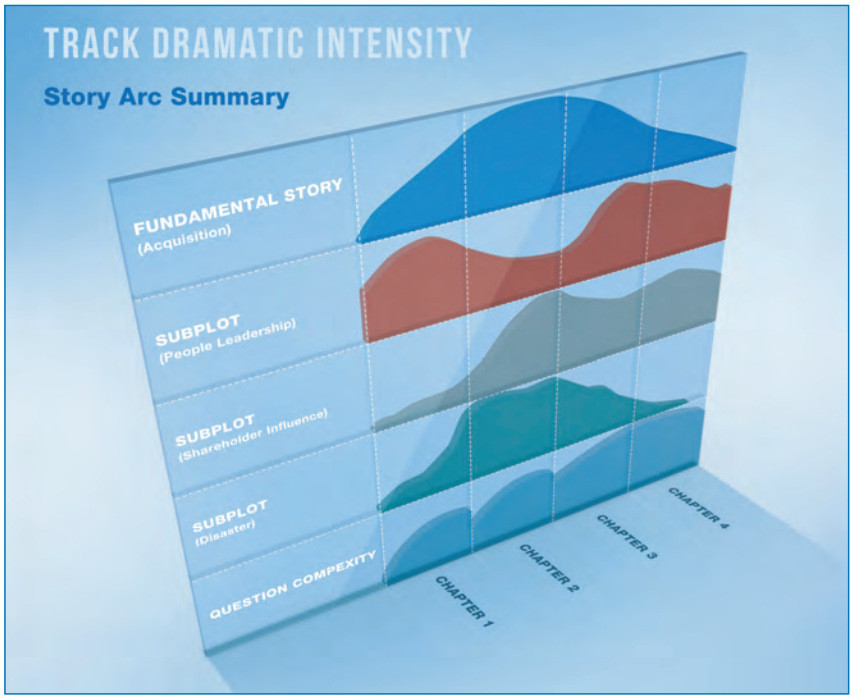


Source: APTMetrics, Inc.

Simulations use technology to blend film with other stimuli presented through e-mails, voice mails, annual reports and financials, analyst research reports, marketing and sales presentations, and other business- and role-related materials. These materials are tightly designed to be as realistic as possible.

As the simulation develops, additional media support the story and serve as reference materials and measurement opportunities. When organizational competitors are introduced into the assessment narrative, they come complete with full back stories, branding and competitive positioning.

Figure 12



Source: APTMetrics, Inc.

and support the actors in their performances. Simulations use special effects, engaging locations and diverse scenes, and employ the first-person perspective to immerse the participant in the situation. "Cliff hangers" are effective when inserted into the end of planned assessment sessions to encourage participants to re-engage with the story as soon as possible.

Dramatic intensity is carefully plotted in simulations so that each subplot is well integrated. Figure 12 shows subplots on the left and chapters across the bottom. High levels of intensity coincide with information delivery. For example, the first chapter includes high points for delivery of performance management information and getting to know people, but chapter four is spent making decisions, so the intensity stays at a moderate level. Plotting intensity in this way protects against information overload, which could overburden the candidate.

The value

The immersive quality of the multimedia simulation helps participants engage and creates a sense of urgency and psychological involvement in the assessment. The story is designed to drive the simulation and to elicit the candidate's best performance in the context of relevant business challenges. The wide range of relevant and realistic stimuli challenges leaders' capabilities and ensures that leader candidates are stretched to their highest potential.

Budgeting for a Customized Multimedia Simulation

The development cost for a multimedia simulation will vary based on length, complexity and

production quality. In general, the video component of a simulation costs about $2,000 per minute. An hour-long multimedia simulation, which is typically used to evaluate potential midlevel managers, generally contains about 15 to 20 minutes of video. A three- to four-hour multimedia simulation, which is typically used for senior-level assessments, generally contains 25 to 30 minutes of video. Other costs are associated with the stimulus materials used in the multimedia assessment, such as company sales reports, financials, competitor information, performance management information, brochures and news reports. Test item development and validation research are additional expenses.

Return on investment

Organizations currently considering or already using assessment centers will most directly realize the return on investment for immersive simulations. The relatively high developmental costs for a customized multimedia simulation are generally offset within the first year or two, particularly for organizations that use the simulation in place of an in-person assessment center. Beyond the administrative savings, an online simulation offers greater standardization; measurement precision; competency coverage; access to a larger, more diverse candidate pool; and more true-to-life measurements of candidate capabilities than existing assessment tools.[34]

Options for businesses on a tighter budget

Small and medium-sized organizations that do not have development budgets for a full multimedia, live-action video simulation can leverage scaled-down versions by presenting still images accompanied by audio and other materials. The use of an avatar-based simulation instead of a live-action video can also reduce development costs. These somewhat lower-fidelity approaches still allow for the measurement of a full range of leadership performance qualities in the context of a dynamic work environment. It may also be possible to purchase an off-the-shelf simulation, which could be less costly, but also less contextual in terms of competencies measured and industries covered.

Organizations that do not have the resources to implement a technology-enhanced assessment solution at all can still reliably evaluate a candidate's likelihood of success through more traditional means, including structured interviews and experience profiles. In fact, many organizations have come to recognize how important experiences are in developing leaders and assessing their potential and readiness for leadership roles.

EXPERIENCE MAPPING AND LEADER READINESS

To round out the assessment picture, this section of the report will consider the structured evaluation of experience. A 2014 survey of 823 international leaders asked what helped them achieve their potential and found that 71 percent cited stretch assignments, followed by job rotations and personal mentors (both mentioned by 49 percent of respondents).[35]

How can the impact of key experiences be measured and inform our understanding of leader readiness and potential? Can experience serve as a supplement to traditional competency-based assessment and development? McCall reminds us that there are numerous studies across organizations showing that similar experiences have shaped successful managers in their development.[36] If that is the case, there is good reason to be optimistic that a reliable, standardized measure of experience can be created for use in selection, development and placement decisions.

Driving Strategic Thinking Through Global Experience

Our challenge is to determine what sort of experience is the most valuable as a predictor of future success in senior leadership roles and how candidates acquire that experience. A 2014 study investigated the relationship between leaders' global work experiences and their strategic thinking ability.[37] The study tried to establish whether international experience could actually cultivate strategic thinking, a competency that is critical for success as a leader.[38]

Drawing on the global work experiences of 231 upper-level leaders, the researchers found that the time these leaders spent in global work experiences positively related to their strategic thinking ability and that this relationship was stronger for leaders who had exposure to a more culturally distant country. The practical implications are summarized in the text box on the next page.

Leadership Experience Maps

To leverage experiences for use in selection, organizations need a standardized process to identify which experiences are relevant,

Practical Implications of Global Work Experience for Leaders

Senior executives groom leaders to exhibit enhanced strategic thinking, the most critical competency for success at the senior level. During the grooming process, they should provide developing leaders with extended experiences that include:

- International assignments,
- Managing multinational business operations, and/or
- Building working relationships with those from different countries.

The benefit of these experiences will be optimized when leaders have been exposed to a more culturally distinct country. In talent review meetings, senior leaders should consider how to expose high-potential leaders to more culturally distant markets and which types of global experiences might provide adequate time to learn a foreign institutional environment.

Given the increasing demand for global leaders, effective selection, promotion, and succession planning are even more critical. Results of this study suggest that both global work experience and leaders' individual characteristics uniquely contribute to leaders' strategic thinking.

Source: Dragoni, L., Oh, I., Tesluk, P. E., Moore, O. A., VanKatwyk, P., & Hazucha, J. (2014). Developing leaders' strategic thinking through global work experience: The moderating role of cultural distance. *Journal of Applied Psychology 99*(5), 878. Copyright 2014, American Psychological Association.

meaningful and valid. One option is to create a *leadership experience map*.[39] A leadership experience map is built through a structured, evidence-based process and comprises four components specific to your organization:

1. Experiences that have proven most important to the development of leaders.
2. Lessons learned from those experiences.
3. Personal characteristics or strategies that allowed leaders to grow from pivotal events.
4. Situational catalysts that facilitated learning from these events.[40]

All this information is collected from senior leaders who share their experiences and identify what will be critical for emerging leaders, keeping the future needs of the business in mind. The organization can then use this map in the assessment process to feed succession planning, assess readiness to move to the next level and set external selection standards.[41]

Leader Experience Framework

Other researchers have created a leader experience framework that includes 23 categories of experience organized into four broad areas:

1. General management experiences.
2. Overcoming challenge and adversity.
3. Risky or critical experiences.
4. Personal and career-related experiences.[42]

This framework includes the top five experiences that differentiate leadership roles at three transition points: first-level leader to mid-level leader, mid-level leader to business-unit leader, and business-unit leader to senior leader. Research indicates that the greater the number of critical experiences accumulated at each stage or organizational level, the more likely a leader is to succeed in performing higher-level responsibilities.

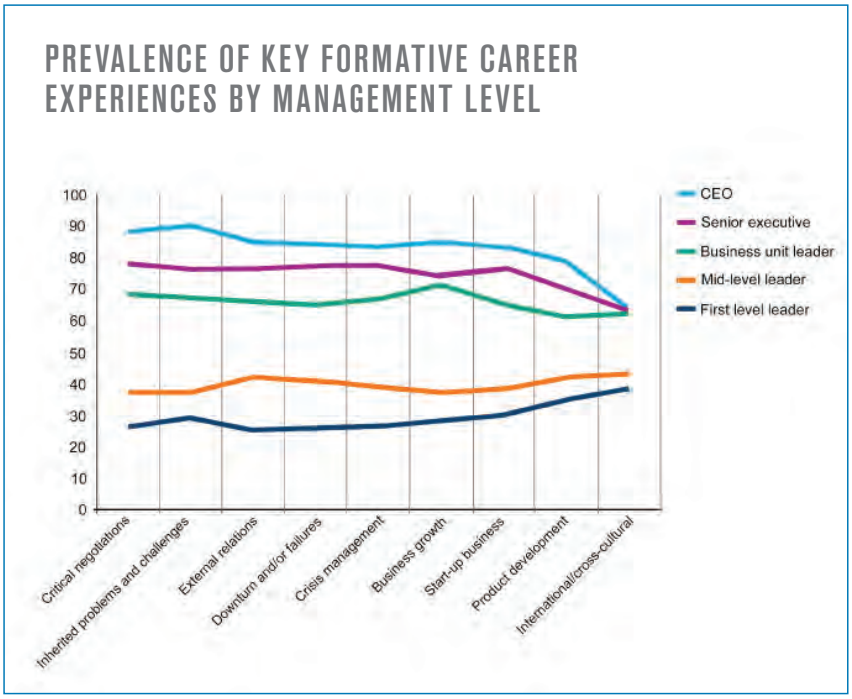
Figure 13 highlights critical career experiences that differentiate leaders. As a leader accumulates these developmental experiences, the probability of success at the next level increases.

Leveraging Experience as a Source of Decision-Making

Returning to one of our primary questions, we will consider whether the impact of key experiences can be measured and inform our understanding of leader readiness and potential. And more specifically, can experience serve as a supplement to traditional competency-based assessment and development?

As discussed above, evidence-based methods can identify strategically important experiences, and a leader experience framework can provide a library of critical experiences at different leadership levels.[43] However, the evaluation of experience needs to account for more than just the accumulation of critical experiences. Candidates must be able to apply what they have learned to the leadership challenges associated with the target role. We can elicit this kind of information through validated instruments, including structured, behaviorally based interviews; multisource instruments; situational judgment tests; and technology-enhanced simulations.

Figure 13



Copyright 2016 Korn Ferry Hay Group, Inc. All rights reserved.

Figure 14

Source: Adapted from Church, A. H., Waclawski, J., & Scott J. C. (2012, April). Talent management in action: Game of thrones. Workshop conducted at the 27th annual conference of the Society for Industrial and Organizational Psychology, San Diego, CA.

Selection, promotion and high-potential identification

An "experience column" (Figure 14) is now added to our assessment framework to show some examples of how experience can be integrated into the selection, promotion and high-potential decision-making across organizational levels. Experiences can be identified, structured and calibrated at each organizational level and positioned as a developmental opportunity or as a source of information for making selection or placement decisions for candidates into that level.

These types of experience data are useful for organizational planning purposes and individual coaching and development sessions with individuals. Here the emphasis is on experiences the leader has gained to date *and* those needed to achieve career goals. Having this type of information as part of a broader career discussion provides for a richer and more nuanced conversation.

Typically these types of feedback sessions are done at midyear reviews or other career check-in sessions, not at final year-end performance reviews. Best practice is to provide individuals with a number of items to prepare for the discussion, including:

- A copy of their most recent development plan.
- Some type of document that outlines their career aspirations and preferred destination role.
- A tool, model or framework that defines the critical experiences needed in a given organization.
- A career history.

The ideal outcome of a career meeting of this nature is one in which the individual's and the organization's needs are both being met. When done successfully, the individual remains

Case Study: ANZ Bank's Leadership Development Program

Claudio Fernández-Aráoz, a senior adviser at the global executive search firm Egon Zehnder, and the author of *It's Not the How or the What but the Who*, says:

> *Pushing your high potentials up a straight ladder toward bigger jobs, budgets, and staffs will continue their growth, but it won't accelerate it. Diverse, complex, challenging, uncomfortable roles will.*

Fernández-Aráoz cites the case of ANZ, an Australian bank that operates in 33 countries. ANZ put together a plan to ensure its people were getting the stretch assignments and job rotations that they needed. Following a 2007 to 2010 hiring spree as ANZ expanded across Asia, executives decided to refine leadership development processes. The bank focused on business-critical roles: those that made a vital contribution to the strategic agenda; required a scarce set of skills; produced highly variable outcomes dependent on the incumbent; and, if vacant, posed a significant threat to business continuity and performance momentum. ANZ now makes a point of assessing all of its managers for potential and then places those who rate the highest in these business-critical roles.

Other development initiatives at ANZ include the Generalist Bankers Program, which each year offers 10 to 15 participants the opportunity to spend two years rotating through wholesale, commercial and retail banking, risk, and operations to build broad industry and corporate knowledge. Participants then move into permanent roles with a focus on gaining geographic, cultural, product and client-facing experience, including a mandatory posting in internal audit to ensure that they understand the bank's control frameworks. The program commitment is 15 years, with a country CEO posting at the end.

ANZ's disciplined approach already seems to be bearing fruit. Three years ago 70 percent of ANZ's senior executive roles were filled by external candidates, but today outside hiring is below 20 percent.

Source: Fernández-Aráoz, C. (2014). 21st-century talent spotting. *Harvard Business Review, 92*, 46-56. Reprinted with Permission.

engaged, and the organization feels comfortable that the leadership bench is being developed.

Succession planning

Senior leaders should be focused on how to expose high-potential leaders to more culturally distant markets and which global experiences would be best suited to them. Consider two lists of candidates: an "A list" that includes people who have already demonstrated an ability to take on the developmental experience, and a "B list" that contains people who have not yet shown the ability but could benefit most if given the opportunity.[44] The assessment process can be leveraged to determine who needs which experiences, and which experiences are needed to build the necessary competence for the organization.

PREDICTING LEADER POTENTIAL AND READINESS

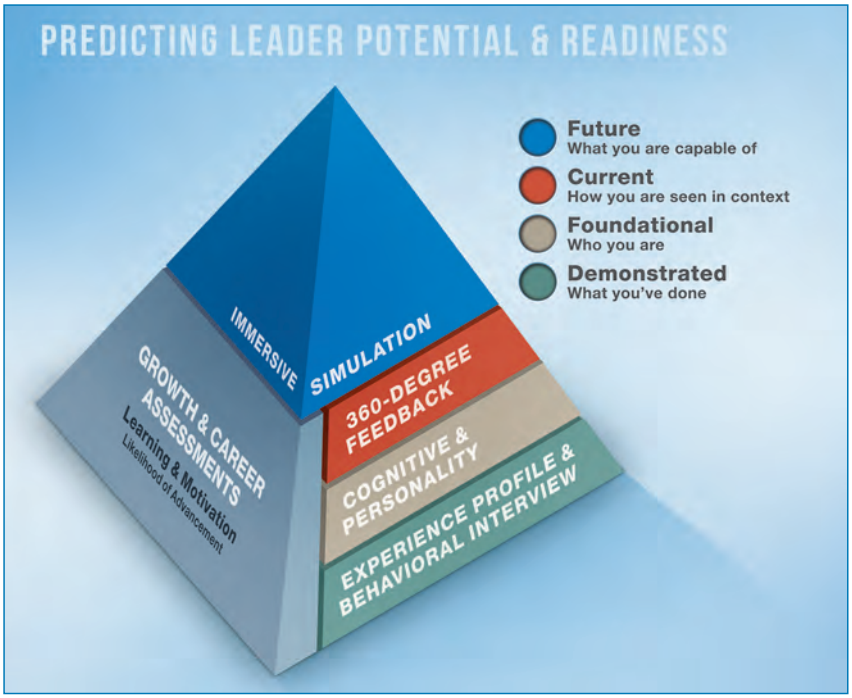
By combining the Leadership Potential BluePrint with a comprehensive, contextually driven understanding of leadership demands, we are now able to configure an assessment battery that will accurately predict the full range of leadership performance required for the 21st-century workplace.

Figure 15 is a framework developed in support of PepsiCo's Senior Leader Development Center (part of the LeAD program referenced earlier). The figure shows some of the specific assessment tools needed to answer essential questions about a candidate's likelihoo d of success in a leadership role.[45]

To gain a full picture of an individual's capabilities, potential and readiness for senior leadership roles, we need to know:

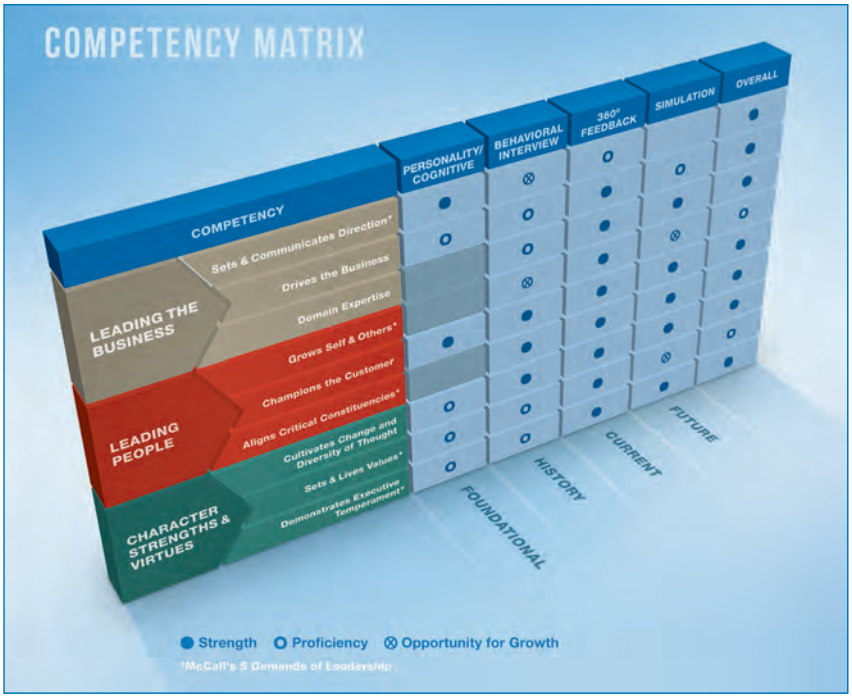
- **Demonstrated capabilities.** An experience profile should catalog the description and relevance of experiences. A behavioral interview should assess the quality of experiences, relevant learning and the ability to apply lessons to new experiences associated with targeted role requirements.
- **Foundational capabilities.** Cognitive and personality assessments should measure core thinking styles and personality characteristics associated with success in targeted leadership roles. Assessments will determine the level of strategic and conceptual thinking and identify characteristic patterns of behavior in both typical and new, stressful situations. These assessments will also provide a measure of the candidate's key drivers, helping to clarify the type of culture the candidate will respond to and create within the organization.

Figure 15



Source: Adapted from Church, A. H., Rotolo, C. T., Wade, C., Tuller, M. D., & Ginther, N. M. (2014, May). Leveraging assessment technology for senior leaders. In C. Wade (Chair), *Breaking the assessment glass ceiling*. Symposium conducted at the 29th Annual Conference of the Society for Industrial and Organizational Psychology, Honolulu, HI.

Figure 16



Source: Built as a template for PepsiCo's Senior Leader Development Center and adapted from Church, A. H., Rotolo, C. T., Wade, C., Tuller, M. D., & Ginther, N. M. (2014, May). Leveraging assessment technology for senior leaders. In C. Wade (Chair), *Breaking the assessment glass ceiling*. Symposium conducted at the 29th Annual Conference of the Society for Industrial and Organizational Psychology, Honolulu, HI.

- **Current capabilities.** A multisource assessment tool for internal candidates or high-potential placements should evaluate how others view the candidate in his or her current role against leadership demands and competencies, and may include situational judgment tests and structured interviews.
- **Growth capabilities.** These include values and personality inventories, biodata, multisource instruments, and situational judgment tests to evaluate likelihood of advancement.
- **Future capabilities.** Multimedia, immersive simulations should evaluate future potential rather than current performance, highlighting essential areas of strength and critical development opportunities moving forward. The simulations present contextually rich business challenges to determine the candidate's capacity to perform when faced with the challenges and strategic issues of a leadership role two or more levels above the candidate's current role.

Pulling It All Together

Figure 16 presents an integrated picture of assessment results. It is based on a variety of structured evaluation tools reflecting different data sources, perspectives and approaches. These data sources provide multiple methods of understanding capabilities and opportunities, and when categorized across assessment domains using a multi-method framework, an accurate picture of the candidate's competence, potential and readiness emerges.

PepsiCo's Senior Leaders React to Integrated, Multi-Trait, Multi-Method Assessments*

"I found the Integrated Assessment Report to be very useful and a terrific summary of the four components of the framework."

"I found the assessment process and tools, the detailed feedback session, the case study simulation and development action plan process and final result to be very beneficial."

"The business case simulation was outstanding. Pulling all the assessments into one report that was easy to understand my areas for improvement."

"The case study provided an excellent stimulus to identify areas of strengths and opportunities which are relevant to developing well-rounded leadership capabilities. It was a refreshingly objective approach and the team did a good job of integrating the results into my feedback."

"Almost every aspect has been rewarding and helpful. The online assessment and the new, more robust 360 were the most valuable parts of the assessment itself and the 'high-touch' one-on-one development sessions have been the most valuable element following the initial assessment phase."

*Comments provided by co-author.

Each of the instruments that compose the multi-trait, multi-method assessment program is driven by a contextually based job analysis or competency modeling and is also professionally validated to ensure that each is operating as intended and can be successfully defended if challenged. Data-based insights on different competencies collected from multiple sources provide a more balanced picture of candidates' strengths and opportunities than any single leadership trait or measurement tool.

Although much of the administration and scoring of these assessments can be automated, trained psychologists must perform the actual data integration and interpretation. It is not unusual for conflicting information to emerge from assessment instruments, requiring a psychologist to evaluate and consider all the factors. Regardless of the size of your organization, this is not an area for compromise, particularly for senior-level roles, when accuracy is at a premium and mistakes are costly.

Evaluating Organizational Impact

Given the high stakes and heavy investment in leadership selection programs, organizational stakeholders will expect evidence that demonstrates that the program is meeting its design objectives and contributing to strategic success. A professionally developed leadership selection program will be grounded in evidence-based practices, but there will be an ongoing need to prove its usefulness, including its impact on the bottom line and alignment with the organization's mission.

In designing an evaluation, first clarify the business challenges and key strategic priorities that the leadership selection program is attempting to address. Identify the stakeholder groups that the program affects and that can influence its success or failure. Ideally, stakeholder identification and program goals will be identified before the program is designed and implemented, but that is not always the case. The evaluation should cover at minimum four primary perspectives:[46]

- **The executive team** will focus on strategic and financial outcomes of the program and will want data that demonstrate the extent to which the leadership selection program is contributing to advancing business strategy, driving competitive advantage and strengthening the long-term success of the organization. The metrics associated with these goals include service, quality and productivity related to each new hire and the new hire's business unit or area of responsibility. Metrics may also include leadership retention rates, employee engagement, revenue and shareholder value.[47] A deep-dive evaluation of leadership successes and failures coming out of the selection program will be important, providing invaluable information on an ongoing basis that the organization can leverage to continually improve the assessment process. Other metrics of interest to executives will include the diversity of the organization's talent pipeline and relative bench strength, comparison of the program with best-practice companies, and external perceptions of the organization as an industry

PepsiCo's Senior Leader Reactions on Impact and Organizational "Pull" for the Assessment Process*

"It is a very good program, and frankly should be more intense over the period of 12-18 months—either through personal coaching by the SVP Talent Management and team or access to third party coaches."

"I appreciated the leadership from the SVP Talent Management and team. . . . It is very rare we take this level of time and investment on mapping development priorities to help our future leaders. My only hopes are that we continue this and allow for a sustained development process with the same group we have spent time with this year."

"This is a PHENOMENAL program and one that clearly illustrates PepsiCo's commitment to talent development."

"The process is very hard work and requires focus on the part of the participant. It is very easy to lose focus because of day-to-day work. Constant checkpoints with my coach, my internal shadow from HR and occasional calls with the organizers help a lot to keep things on track."

"I have enjoyed the process for both its content and methodology. There was clearly a tremendous amount of thought put into its design, the output of which provides a solid foundation on which I can build my leadership capabilities and the capabilities of those around me."

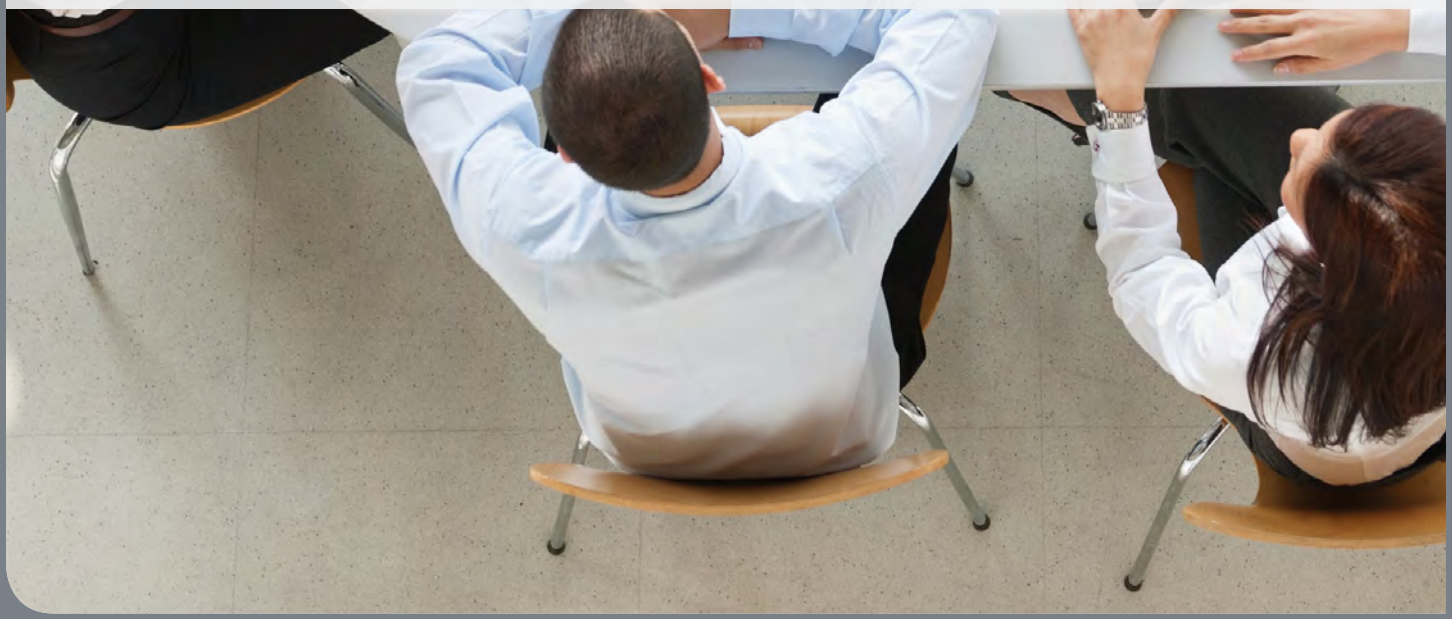
"I loved the entire process, and very much appreciate PepsiCo's investment in me as a leader. The tools, training and experience have helped me to be a better leader at work, and have also helped me in my personal life. Thank you for this tremendous investment in me."

*Comments provided by co-author.

forerunner in leadership selection and retention.

- **Line managers** will be concerned with the quality of new hires for executing business strategy and enhancing overall operational performance. They will also focus on populating talent pools with high-potential individuals for all critical leadership positions and ensuring retention of hard-to-acquire talent. They will focus on improved individual, team and business performance over time. Remember that over 65 percent of top-performing organizations reported moderate or better performance improvement from their formal assessment programs.[48] These metrics will be critical to track.
- **Leadership selection program managers and sponsors** will focus on the effectiveness of the program and its validity, reliability and coverage of critical leadership competencies. This group will focus on ways to improve logistics, rollout and use of the program across the organization. Specific metrics associated with these factors may include quality of hires, time to fill key roles, cost per hire, cost of poor selections, retention rates for top performers and percentage of key leadership roles with eligible successors. This stakeholder group will also want metrics associated with how the results of the program have been integrated with other talent management activities, including succession planning, performance management and talent calls, and the relative demand for assessment data by leaders across the organization for making key talent decisions. In the 2015 benchmarking study mentioned earlier,[49] the majority of respondents within the top-performing talent management companies indicated a strong interest or "pull" for the assessment data. This is an important indicator for the relative success of the program.
- **Leadership selection program participants** will be focused on the fairness and transparency of the process and what the assessment process implies about the company as a good place to work.[50] New hires can provide input as to how closely the leadership assessment process matched the requirements of the role and whether the skills emphasized represent critical requirements within the role.

The best chance for ensuring long-term usefulness and viability of your organization's leadership program is to establish an ongoing evaluation process that addresses the needs of all your key stakeholders.

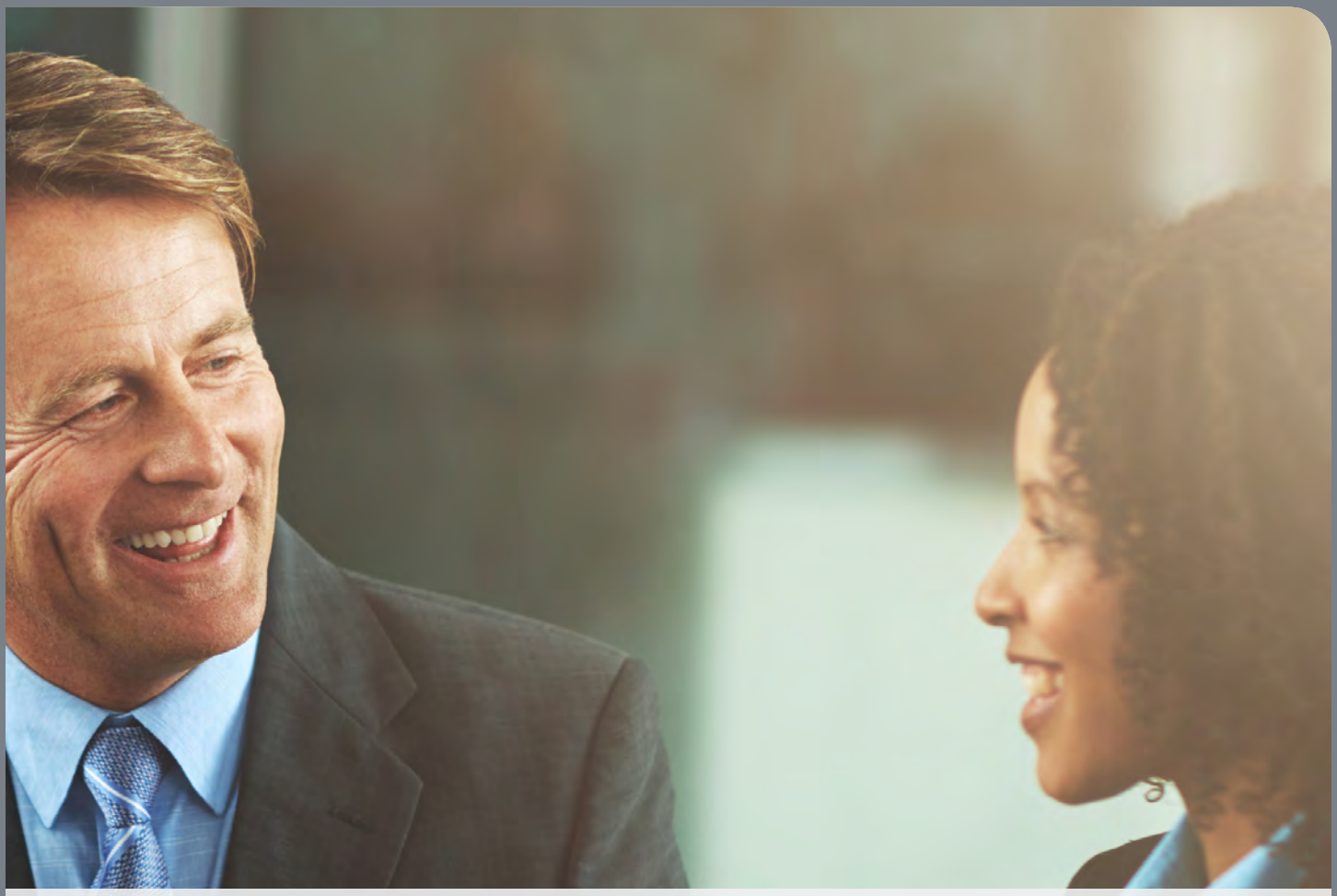


CONCLUSION

To select the best leadership talent in the 21st-century workplace, organizations must expand the depth and breadth of their assessment programs. Firms must assess candidates in the context of the business environment within which they will be working. Today, the business environment is volatile for organizations of all sizes, so assessment procedures must reflect that volatility.

Fortunately, advances in technology allow us to simulate any conditions a leader may face and to assess performance against a vast array of capabilities and leadership demands. Immersive simulations can be combined with various assessment tools and administered online, in any language, in any area of the world, with greater precision and efficiency than ever before. All this new technology puts powerful, accurate leadership assessments within the reach of any organization, large or small. And of course, traditional assessment centers still provide a means for building context into the assessment program.

Regardless of the approach your organization takes, make sure that all assessments are professionally validated. The best chance for ensuring long-term usefulness and viability of your organization's leadership program is to establish an ongoing evaluation process that addresses the needs of all your key stakeholders.



"Pushing your high potentials up a straight ladder toward bigger jobs, budgets, and staffs will continue their growth, but it won't accelerate it. Diverse, complex, challenging, uncomfortable roles will."

Claudio Fernández-Aráoz

SOURCES AND SUGGESTED READINGS

THE BUSINESS CASE FOR NEW LEADER SELECTION PARADIGM

Hogan, J., Hogan, R., & Kaiser, R. B. (2011). Managerial derailment. In S. Zedeck (Ed.), *APA handbook of industrial and organizational psychology* (Vol. 3, pp. 555-575). Washington, DC: American Psychological Association.
This book chapter provides an overview of research on the causes and costs of managerial failure and how organizations can mitigate and prevent it.

Hollenbeck, G. P. (2009). Executive selection—What's right . . . and what's wrong. *Industrial and Organizational Psychology: Perspectives on Science and Practice, 2*, 130-143.
This article summarizes the executive selection literature, including frequency of executive failure. The author suggests that executive selection has not been adequately differentiated from lower-level selection and proposes a model that is specific to executive selection.

Macey, W. H., & Schneider, B. (2008). The meaning of employee engagement. *Industrial and Organizational Psychology, 1*, 3-30.
Three types of engagement (psychological state, behavioral and trait) are explored in this article. The authors review literature on how the situation, including work tasks, working conditions and leadership, affects state and behavioral engagement.

Martin, J., & Schmidt, C. (2010). How to keep your top talent. *Harvard Business Review, 8*8(5), 54-61.
This article cites research from the Corporate Executive Board on leadership transitions that found nearly 40 percent of internal job moves by people identified as high potential failed. The authors outline ways organizations can retain their high-potential employees.

Schippmann, J. (2010). Employee engagement: A focus on leaders. In R. Silzer & B. E. Dowell (Eds.), *Strategy-driven talent management.* San Francisco, CA: Jossey-Bass, 439-459.
The research on employee engagement is reviewed in this book chapter. The author highlights elements of work that matter the most to engagement and reviews research showing the importance of manager quality for engagement.

Stoddard, N., & Wyckoff, C. (2009, April 9). Pick a CEO who truly fits the company. *Forbes*.
According to this article, 40 percent of new CEOs are fired or retire within the first 18 months, and 64 percent do not make it past four years, indicating the importance of hiring a CEO who fits with the organizational culture.

Tims, M., Bakker, A. B., & Xanthopoulou, D. (2011). Do transformational leaders enhance their followers' daily work engagement? *The Leadership Quarterly, 22*, 121-131.
This diary study explores how leadership style influences followers' daily work engagement. Results indicate that a transformational leadership style is positively related to employees' daily work engagement and that optimism is a full mediator of this relationship.

Towers Watson. (2014). *Global workforce study at a glance.*
Towers Watson has discovered three elements of sustainable engagement: traditional engagement (employees' willingness to spend effort), enablement (having the necessary tools and resources), and energy (having a work environment that supports well-being). The report found that 72 percent of employees are highly engaged in companies in which employees perceive both leaders and managers as effective.

Wright, P. M., Shepker, D. J., Nyberg, A. J., Call, M. J., & Ulrich, M. D. (2015). *C-suite succession failures: Causes, effects, and prevention.* Columbia, SC: University of South Carolina.
This report reviews the results of a 2015 survey of over 150 chief HR officers on the costs and causes of C-suite failures.

LEADERSHIP ASSESSMENT AND SELECTION BENCHMARKS

Campbell, M., & Smith, R. (2014). *High-potential talent: A view from inside the leadership pipeline.* San Diego, CA: Center for Creative Leadership.
The Center for Creative Leadership (CCL) surveyed 199 leaders attending CCL's development programs. The majority of findings focus on the commitment and engagement of high potentials.

Church, A. H., & Rotolo, C. T. (2013). How are top companies assessing their high-potentials and senior leaders? A talent management benchmark study. *Consulting Psychology Journal: Practice and Research, 65*, 199-223.
This benchmarking study examines how companies at the forefront of talent management are using formal assessments with senior leaders and high potentials.

Church, A. H., Rotolo, C. T., Ginther, N. M., & Levine, R. (2015). How are top companies designing and managing their high-potential programs? A follow-up talent management benchmark study. *Consulting Psychology Journal: Practice and Research, 67*, 17-47.
This follow-up to the Church and Rotolo (2013) benchmarking study takes a closer look at the talent management practices of top companies, including an in-depth focus on the aspects of high-potential programs.

Jerusalim, R. S., & Hausdorf, P. A. (2007). Managers' justice perceptions of high potential identification practices. *Journal of Management Development, 26*, 933-950.
This study explores high-potential identification practices of Canadian companies by surveying participants from 76 different organizations.

Pepermans, R., Vloeberghs, D., & Perkisas, B. (2003). High potential identification policies: An empirical study among Belgian companies. *Journal of Management Development, 22*(8), 660-678.
This article explores high-potential programs in 86 Belgian companies.

FUNDAMENTAL CRITERIA FOR LEADERSHIP SUCCESS

Dries, N. (2013). The psychology of talent management: A review and research agenda. *Human Resource Management Review, 23*, 272-285.
This article reviews tensions in the research literature regarding the operationalization of talent (innate vs. acquired, transferable vs. context-dependent).

McCall, M. J. (2010). Recasting leadership development. *Industrial and Organizational Psychology: Perspectives on Science and Practice, 3*, 3-19.
The relationship between experience and leadership development is reviewed along with reasons why experience has taken a backseat in organizations in favor of other methods for development.

Silzer, R., & Church, A. H. (2009). The pearls and perils of identifying potential. *Industrial and Organizational Psychology: Perspectives on Science and Practice, 2*, 377-412.
The authors review research and practice on identifying leadership potential. They present an integrated model that explores three components: foundational dimensions, growth dimensions and career dimensions.

ASSESSMENT VALIDATION

McPhail, S. M., & Stelly, D. J. (2010). Validation strategies. In J. C. Scott & D. H. Reynolds (Eds.), *Handbook of workplace assessment: Evidence-based practices for selecting and developing organizational talent* (pp. 671-710). San Francisco, CA: Jossey-Bass.
This chapter presents strategies for collecting validation evidence for assessments and how these strategies can be used in a variety of situations.

CONTEXT AS A CRITICAL COMPONENT OF LEADERSHIP ASSESSMENT

Groysberg, B., Kelly, L. K., & MacDonald, B. (2011). The new path to the C-suite. *Harvard Business Review, 89*, 60-68.
This article examines past, present and future competencies C-level executives need to possess to be successful. It includes a summary of how the requirements of C-suite jobs have changed with the changing requirements of organizations.

IBM. (2012). *Capitalizing on complexity: Insights from the chief executive officer study.*
This study includes interviews with 1,700 CEOs in 64 countries to discuss emerging trends and issues affecting their organizations.

IBM. (2015). *Redefining boundaries: Insights from the global C-suite study.*
This report includes the results of surveying 5,247 business leaders from 21 industries and more than 70 countries to find out their views on future business trends in the next three to five years.

Petrie, N. (2011). *Future trends in leadership development.* San Diego, CA: Center for Creative Leadership.
This report from the Center for Creative Leadership looks at how the environment has changed in terms of volatile, uncertain, complex and ambiguous (VUCA) and the new skills required of leaders, namely adaptability, self-awareness, boundary spanning, collaboration and network thinking.

CONTEXT IN CROSS-CULTURAL ENVIRONMENTS

Dorfman, P., Javidan, M., Hanges, P., Dastmalchian, A., & House, R. (2012). GLOBE: A twenty year journey into the intriguing world of culture and leadership. *Journal of World Business, 47*, 504-518.
The authors summarize key findings from the Global Leadership and Organizational Behavior Effectiveness (GLOBE) project on leadership and culture.

Dries, N., Cotton, R. D., Bagdadli, S., & Ziebell de Oliveira, M. (2014). HR directors understanding of 'talent': A cross-cultural study. In A. Al Rass (Ed.), *Global talent management: Challenges, strategies, and opportunities* (pp. 15-28). New York, NY: Springer.
The authors surveyed HR directors from multinational organizations to understand how they view talent.

Javidan, M., Dorfman, P. W., de Luque, M. S., & House, R. J. (2006). In the eye of the beholder: Cross cultural lessons in leadership from Project GLOBE. *The Academy of Management Perspectives, 20*, 67-90.
This paper presents findings from the Global Leadership and Organizational Behavior Effectiveness (GLOBE) project and discusses leadership attributes that are culturally contingent as well as attributes that are universal across countries.

INTEGRATING CONTEXT INTO EXECUTIVE ASSESSMENTS

Gutierrez, S. L., & Meyer, J. M. (2013). Managerial simulations. In M. Fetzer and K. Tuzinski (Eds.), *Simulations for personnel selection* (pp. 215-230). New York, NY: Springer.
This book chapter explains the benefits of using multimedia simulations to measure competencies that are needed for success in managerial positions but are hard to measure with traditional selection tests. Also included is an overview of managerial simulations.

COMPLEXITY LEADERSHIP

Avolio, B. J. (2007). Promoting more integrative strategies for leadership theory-building. *American Psychologist, 62*, 25-33.
This article provides a concise overview of research that explores a more comprehensive view of leadership within the context of the environment and culture.

Javidan, M., Teagarden, M., & Bowen, D. (2010). Making it overseas. *Harvard Business Review, 88*, 109-113.
This article explores the skills needed to be successful in global roles. The authors conducted research with thousands of senior leaders internationally and found three components of a global mindset (intellectual, psychological and social capital); each component is described in detail.

Uhl-Bien, M., Marion, R., & McKelvey, B. (2007). Complexity leadership theory: Shifting leadership from the industrial age to the knowledge era. *Leadership Quarterly, 18*, 298-318.
The authors argue for the importance of developing a new leadership framework for the increasingly complex business environment.

EXPERIENCE MAPPING AND LEADER READINESS

Crossland, C., Zyung, J., Hiller, N. J., & Hambrick, D. C. (2014). CEO career variety: Effects on firm-level strategic and social novelty. *Academy of Management Journal, 57*, 652-674.
This study looks at the career variety in terms of functional areas, firms and industry sectors of every *Fortune* 250 company CEO between the years 1999 and 2005.

DeRue, D. S., & Wellman, N. (2009). Developing leaders via experience: The role of developmental challenge, learning orientation, and feedback availability. *Journal of Applied Psychology, 94*, 859-875.
This study uses a refinement of the developmental challenge profile measure to look at on-the-job development. The measure includes five task-related characteristics of work experiences considered developmentally challenging for leaders: unfamiliar responsibilities, high levels of responsibility, creating change, working across boundaries and managing business diversity.

Dragoni, L., Oh, I., Tesluk, P. E., Moore, O. A., VanKatwyk, P., & Hazucha, J. (2014). Developing leaders' strategic thinking through global work experience: The moderating role of cultural distance. *Journal of Applied Psychology, 99*, 867-882.
The relationship between leaders' global work experiences and strategic thinking is explored in this study. The authors suggest a stronger relationship for leaders who spent time in foreign cultures.

Steckler, S. (2013). Interview with Morgan McCall. *People & Strategy, 36*, 14-18.
This interview with Morgan McCall explores his thoughts on global leadership.

McCauley, C. D., Ruderman, M. N., Ohlott, P. J., & Morrow, J. E. (1994). Assessing the developmental components of managerial jobs. *Journal of Applied Psychology, 79*, 544-560.
This article outlines the developmental challenge profile for identifying work experiences that require people to face challenges that are unique to leadership roles.

Van Katwyk, P., Hazucha, J., & Goff, M. (2014). A leadership experience framework. In C. D. McCauley, D. S. DeRue, P. R. Yost, & S. Taylor (Eds.), *Experience-driven leadership development* (pp. 15-20). San Francisco, CA: Wiley.
The authors present a useful framework based on research for categorizing important leadership experiences, including the experiences that differentiate leadership roles at key transition points from one level of leadership to another.

Yost, P. R., & Hereford, J. (2014). Leadership maps: Identifying developmental experiences in any organization. In C. D. McCauley, D. S. DeRue, P. R. Yost, & S. Taylor (Eds.), *Experience-driven leadership development* (pp. 25-36). San Francisco, CA: Wiley.
The authors outline a systematic process for measuring the impact of key experiences by creating a leadership map. This book chapter includes practical and useful advice, along with helpful examples for integrating leadership experiences into the leadership development process.

LEVERAGING EXPERIENCE AS A SOURCE OF DECISION-MAKING

Dai, G., De Meuse, K. P., & Tang, K. Y. (2013). The role of learning agility in executive career success: The results of two field studies. *Journal of Managerial Issues, 25*, 108-131.
This article summarizes the results of cross-sectional and longitudinal studies looking at learning agility and career success. Over a 10-year period, candidates with higher levels of learning agility received higher salary increases and were promoted more often.

DeRue, D. S., Ashford, S. J., & Myers, C. G. (2012). Learning agility: In search of conceptual clarity and theoretical grounding. Industrial and *Organizational Psychology: Perspectives on Science and Practice, 5*, 258-279.
The authors review and critique research literature on the concept of learning agility. The article presents a model that includes the cognitive and behavioral processes underlying learning agility and contextual and environmental factors that affect learning agility.

Dragoni, L., Tesluk, P. E., Russell, J. A., & Oh, I. (2009). Understanding managerial development: Integrating developmental assignments, learning orientation, and access to developmental opportunities in predicting managerial competencies. *Academy of Management Journal, 52*, 731-743.
The article explores the relationship between developmental quality of job assignments and learning goal orientation. Results indicated that developmental quality (e.g., unfamiliar responsibilities, inherited problems) of job assignments is positively related to managerial competencies.

EVALUATING ORGANIZATIONAL IMPACT

Davidson, E. J. (2010). Strategic evaluation of the workplace assessment program. In J. C. Scott & D. H. Reynolds (Eds.), *The handbook of workplace assessment: Evidence-based practices for selecting and developing organizational talent* (pp. 729-756). San Francisco, CA: Jossey-Bass/Pfeiffer.
This book chapter highlights the importance of strategically evaluating assessment programs and includes important steps for ensuring correct evaluation. The author also presents information on overcoming challenges.

IMPLICATIONS FOR MANAGING LEADERSHIP TALENT (DEVELOPMENT, RETENTION, SUCCESSION)

Avedon, M. J., & Scholes, G. (2010). Building competitive advantage through integrated talent management. In R. Silzer & B. E. Dowell (Eds.), *Strategy-driven talent management* (pp. 73-119). San Francisco, CA: Jossey-Bass.
The authors argue for integration of business and HR strategies and organizational culture. In addition, the core talent management processes of identification, assessment, development and retention should be integrated.

Kim, S. (2003). Linking employee assessments to succession planning. *Public Personnel Management, 32*, 533-547.
This article outlines how organizations can use employee assessments for succession planning. The authors point out that assessments can help with succession management by determining the extent of a leadership shortage; identifying needed leadership competencies; assessing employee strengths, skill gaps and career plans; and monitoring the implementation of succession planning.

Paese, M. (2010). The role of assessment in succession management. In J. C. Scott & D. H. Reynolds (Eds.), *Handbook of workplace assessment* (pp. 465-493). San Francisco, CA: Jossey-Bass.
The author highlights the challenges that organizations face with understanding and developing leadership capabilities for succession management. He argues that assessment of potential pays off only when subsequent development takes place.

Rothwell, W. J. (2010). *Effective succession planning: Ensuring leadership continuity and building talent from within* (4th ed.). New York, NY: American Management Association.
This book details best practices for succession planning. Some of the characteristics of effective succession planning programs include taking a systematic approach and integrating the program with high-potential development and retention practices, and using a long-term and strategic approach for building competencies that are in line with organizational objectives and values.

IMPLICATIONS FOR SMALL AND MEDIUM COMPANIES

Cardon, M., & Stevens, C. (2004). Managing human resources in small organizations: What do we know? *Human Resource Management Review, 14*, 295-323.
A review of the literature on HR practices in small and emerging organizations is provided in this article. Managers commonly focus on the match between an applicant's competencies and general organizational needs instead of on the match between applicant's competencies and specific job requirements.

Mayson, S., & Barrett, R. (2006). The 'science' and 'practice' of HRM in small firms. *Human Resource Management Review, 16*, 447-455.
This article reviews the literature on strategic human resource management (HRM)—or the lack of it—in small firms. Research shows that a long-term, strategic HRM approach is linked to firm growth and survival, but much of this depends on the CEO's recognition that HRM is critical.

Soriano, D. R., & Comeche Martinez, J. M. (2007). Transmitting the entrepreneurial spirit to the work team in SMEs: The importance of leadership. *Management Decision, 45*, 1102-1122.
This study examines the relationship between leadership style and work team entrepreneurial activities in small and medium enterprises (SMEs) in Spain. Results showed that having a relationship-oriented leadership style was significantly related to entrepreneurial activities of the work team, suggesting that the leadership style of a CEO or leader is especially important in small and medium organizations.

Because smaller companies have a narrower margin for error when it comes to making talent acquisition and placement decisions, the use of a valid, competency-based approach to leadership assessment will have an even more dramatic impact on the bottom line than it does for larger organizations.

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