

# **ACHIEVING THE PARADIGM SHIFT IN LEADERSHIP DEVELOPMENT**

The source 21<sup>st</sup> century competitiveness

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## 1. INTRODUCTION

*'Most CEOs will agree that leadership is important, yet few assess their leadership gap precisely. Fewer still build an engine to develop the right quantity of leaders with the right mix of capabilities at the right time to match opportunities'(McKinsey, 2005)*

There is a growing realisation that optimisation of leadership skills provides the key to future competitiveness. Although many companies recognise this challenge, few have developed a way forward to optimise their human capital, fewer still are able to measure whether leadership and talent development initiatives have an impact. The majority of return on investment assessments tend to be carried out at a superficial level, with 'scorecards' often lacking any real impact. This creates a false view of the true situation because managers are frequently focused on short-term objectives at the expense of long-term strategy.

### **What is leadership?**

*'Leadership is the capacity to create a compelling vision and translate it into action and sustain it'*  
(Warren Bennis, Leadership Institute, University of Southern California, 2005)

The difference between today's approach and what is required to sustain future competitiveness requires a 'paradigm shift' (fundamental change) in the approach to leadership development. This paper seeks to address the change that is required to:

- Translate investment in leadership training into long-term quantifiable bottom line improvement
- Embed leadership within the culture of the organisation to create an environment that is capable of rapid adaptation to external changes
- Enable the impact of leadership training to be accurately measured so that investment is effectively targeted?

GPSVision, a leading UK, consultancy and training organisation, has recently conducted an extensive research programme into leadership and soft skills development in the UK. This has identified that the majority of traditional approaches to leadership development are fragmented and lack integration with the business strategy. As a result, bottom line performance is rarely impacted.

In response to this issue, GPSVision has developed the Performance Improvement Cycle (PIC © System). This is a leadership development 'engine' that enables the translation of 'strategy' into 'bottom line performance' whilst bringing about the fundamental change in leadership development, that is required for future survival.

## 2. THE CHALLENGE OF DEVELOPING AN EFFECTIVE LEADERSHIP 'ENGINE'

*'Leadership is the single biggest constraint to growth and it is the most critical business issue we face'* (Ralph Larsen, Chairman & CEO, Johnson and Johnson)

### 2.1 Leadership skills are increasingly required at all levels in the organisation

Developing an effective 'leadership engine' is increasingly recognised as key to future competitiveness and innovation. Organisations are changing from the hierarchical corporate structure, where decision-making is focused at board level, towards flatter structures. The implication of this change is more devolved decision-making and an increased need for leadership development in all areas of an organisation, from middle and junior management, to team leader and the individual.

#### Leadership development – a high priority for investment

- A recent study by McKinsey of 1000 board directors found that the majority wanted to spend less time discussing financial results and more time developing new leaders (McKinsey Quarterly, 2005)
- The Chartered Management Institute (CMI) reports that 67% of organisations targeted leadership development for selected middle managers in 2004, up from 48% in 2000 (Human Resources, 2005)
- The Chartered Institute of Personnel (CIPD) has identified that 85% of UK organisations are currently investing in leadership development. (Human resources, 2005)
- Organisations across Europe spent £1.03 billion on leadership training in 2003 with little evidence of major return (Saratoga/Pricewaterhouse, 2005)

Source: Various

### 2.2 The relationship between leadership and bottom line performance is recognised but not measured

**"It is to the great shame of the training 'profession' that it has failed to produce a universally accepted and workable evaluation methodology" Kearns 2005**

The link between investment in specific skills training and productivity is well established with many examples of 'quantifiable' output or 'hard benefit'.

**Hard benefits from specific skills training are proven**

- The National Institute for Economic and Social Research (NIESR) has estimated that the productivity gap between the UK and Germany in 2002 was a result of the UK's relatively poor skilled workforce. (NIESR, 2002)
- Benefits of training far exceed the wage costs and the costs of training. This equates £200 for each worker resulting in an additional bottom line for UK plc of £2Billion.(Deardon et al, 2003)
- The UK's top 10% of productive firms employed workers with two years additional education than those in the bottom 10% performing firms. (Haskel and Hawkes, 2003)
- An additional years education in the workforce of the manufacturing sector raises productivity by between 4.9% and 8.5% and from 5.0% to 12.7% in the service sector. (Lynch and Black, 1995)
- Average productivity growth following training was found to be 16% (Groot, 1999)
- Almost one fifth of variance between productivity and profitability between firms can be attributed to HR practices (Patterson et al, 1998)
- US research indicates that for every pound invested in training the return is in the range of £3.36 and £6.72. (ASTD (American Society of Training and Development))
- Top performing firms spend more on training and train more staff than other firms in their sectors (The CRANET Survey (2003))

The same cannot be said for investment in leadership development. Whilst organisations are increasingly focusing time and money on developing their 'talent pool' of future leaders, there is minimal hard evidence to quantify any payback from this investment. In areas where 'soft skill' development is required, such as leadership, limited evidence of quantifiable payback and bottom line improvement exists and ongoing investment continues to be a 'leap of faith'.

**2.3. Traditional approaches to leadership development are not delivering quantifiable benefits**

***'There will be a greater skills need in the future for everyone and management and leadership skills come out as the greatest requirement' (CIPD, 2005)***

The traditional approach to leadership development is currently failing managers and organisations alike. This is caused by the lack of a rigorous methodology to support the process of behaviour change, results measurement and embedded learning throughout the organisation.

Companies are increasingly struggling to justify the ongoing cost of leadership development due to 'vague' outcomes. The consequence of this is an increasing trend to recruit leaders externally with recent research showing that only 21% of UK leaders are now appointed from within compared to a comparable 37%

overseas (DDI People Management, 2005). This trend is particularly prevalent in the public sector where 3 in 4 employers prefer to recruit rather than train.

## 2.4 The missing link – an effective ‘engine’ for leadership development

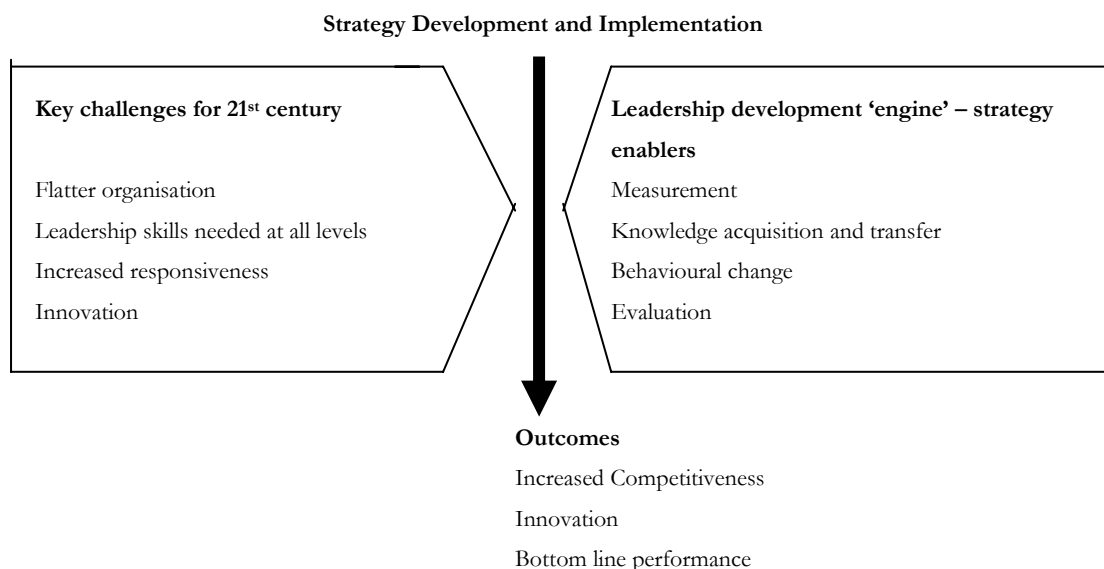
*‘Whereas good managers deliver predictable results as promised, as well as incremental performance, leaders generate breakthroughs in performance’ (McKinsey, 2005)*

Ensuring that investment in leadership training is translated into bottom line performance is a key challenge for the 21<sup>st</sup> century organisation and the ultimate source of future competitive advantage and innovation.

A robust methodology or ‘leadership engine’ is required that supports ongoing organisational improvement. In particular, an embedded process is required to enable:

- A clear understanding of the learners knowledge /skills base
- Agreed outputs that reduce costs or increase revenue
- A programme that is flexible and inclusive
- Knowledge acquisition and learning transfer
- An effective measurement system
- A return on investment reporting process

### The Leadership Development ‘Engine’ – the missing link



Source: GPSVision

For the majority of organisations, the ‘leadership engine’ is still in an embryonic form; consequently leadership training frequently results in the following disappointing outcomes.

- Embedded behaviour change is not achieved – training is seen as a ‘one off’ event
- No effective measurements are established - it remains unclear whether investment in leadership has added value to the individual, team, organisation or customers, as outcomes are not measured.
- The infrastructure to support knowledge acquisition, application and dissemination is not established. A culture of ‘knowledge is power’ predominates where learning is not shared.

The lack of a proven methodology to guide the process of leadership development and learning transfer has been a major constraint to benefit realisation to date. The majority of initiatives have tended to address individual areas of delivery rather than the need for a total change in approach. The development of an effective ‘engine’ for leadership development therefore remains the ‘missing link’ between ‘strategy’ and ‘bottom line performance’.

GPSVision believes that a paradigm shift in thinking is required to enable organisations to truly exploit the potential that exists within current and future leaders. This means establishing a culture where embedded leadership development occurs automatically. This thinking has driven the development of the GPSVision Performance Improvement Cycle (PIC © System).

**Definitions of a Paradigm Shift**

‘A paradigm shift means to have a sudden change in the perception of how you see things’ (Thomas Kuhn, 1962)

‘A profound and irreversible change to a different model of behaviour or perception’

### 3. ACHIEVING THE PARADIGM SHIFT

*‘Great leadership is not measured merely by the success of a business at a single point in time. The test is in building an organisation that is adaptive, resilient and ready for the challenges of tomorrow’ (Financial Times, 2005)*

#### 3.1 The GPSVision Leadership Development Approach

Any organisation investing in traditionally formatted training programmes can currently expect to see only a minimal return on their investment, if they can measure it at all. On the surface, this change in emphasis looks simple but it is a challenge that the majority of organisations are failing to achieve.

A ‘paradigm shift’ in the approach to learning and development is required if organisations are to obtain the benefit from their investment in leadership development with the ultimate objective of improved performance.

GPSVision’s development of the Performance Improvement Cycle (PIC © System) is based on extensive research into why traditional leadership development programmes fail. The reasons typically fall into the following areas:

- Lack of ownership and support by senior managers
- Outcomes and needs are not linked
- Individuals struggle to implement change in the work place
- Training evaluation rarely goes beyond the ‘reaction’ level
- No reflective learning or action planning
- Lack of understanding on how to create change in systems and individuals

The Performance Improvement Cycle (PIC © System) was developed from the simple but critical observation, that managers were not generally applying what they had learnt on a training course and organisations were unable to produce meaningful return on investment data. GPSVision identified that the key factor causing this situation was a failure to incorporate learning (specifically softer skills such as leadership development) into part of a ‘broader’ system, or process of learning.

The Performance Improvement Cycle (PIC © System) is based on totally different principles to traditional leadership development initiatives. It supports companies in making the ‘paradigm shift’ in their approach to leadership development and provides the ‘missing link’ between strategy and implementation. This enables embedded behaviour change and real performance improvement in bottom line performance.

### Comparison of traditional approaches versus the Performance Improvement Cycle (PIC © System)

TRADITIONAL APPROACH TO LEADERSHIP DEVELOPMENT	PIC © SYSTEM FOR LEADERSHIP DEVELOPMENT
Managers seen as talent users	Managers seen as talent developers
Knowledge is compartmentalised Focus on individual knowledge Knowledge is power culture	Knowledge is shared Focus on knowledge transfer and collaboration between individuals
Large scale training programmes Focus on the classroom Unrealistic expectations of formal training programmes	Customised approach to leadership development, self driven content, coaching and mentoring, group focus and action learning support
One off training programmes leading to a transient effect	Long term commitment to leadership development giving embedded behaviour change
Happy sheets - basic measurements	Meaningful and relevant measurement at several levels
Focus on content and classroom	Focus on bottom line improvement, hard benefits and behaviour change
Learning is seen as a tactical solution to a requirement	Learning is seen as critical to strategy implementation and an ongoing process

Source: GPSVision

### 3.2 The Performance Improvement Cycle (PIC © System) - a proven learning transfer 'engine'

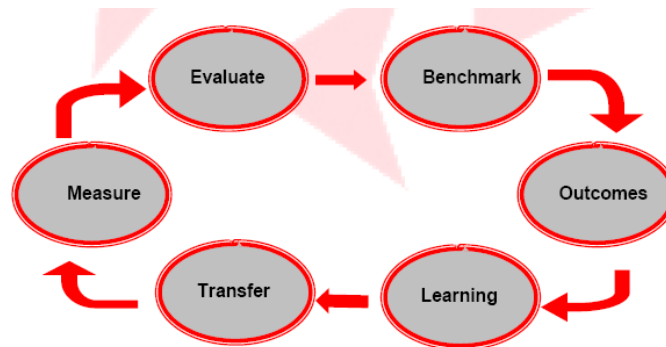
One of the key objectives of the GPSVision PIC © system, is to enable a change in the learning culture rather than a 'one off hit' in reaction to a particular business issue, or individual development requirement. This means that individuals, organisations and customers all benefit from the enhanced knowledge and skills provided by the approach.

The Performance Improvement Cycle (PIC © System) provides:

- A structured methodology that can be applied to a range of softer management skills training – not just leadership
- An approach, which supports behaviour change and enables learning to be embedded within the organisation
- Return on investment measurement of the benefit from leadership and soft skills training

The PIC © System consists of a six stage continuous process which can be applied to all learning processes but in particular the softer skills which are required at all levels across an organisation such as leadership, management, personal effectiveness and customer facing activities.

### The Performance Improvement Cycle - PIC © System



- **Benchmark** – Benchmarking is frequently the initial and penultimate stage in the PIC process. This provides a ‘where are we now’ assessment and ‘have we arrived’ measure. Data is obtained from many sources such as performance management, employee opinion surveys and online diagnostics.
- **Outcomes** – Clarity on where the organisation needs to be in the future is a key driver of any PIC programme. This looks at organisational, team, individual and possibly customer outcomes and identifies the changes that need to happen in skill, behaviour, process and bottom line results. Reduced costs or increased revenue form the key drivers at this stage of the system.
- **Learning Programme** – Learning programmes are designed to ensure maximum impact.
- **Transfer** – learning transfer is a critical aspect of ensuring behaviour change occurs. Strategies are developed that may include coaching and mentoring, action based learning sets, reward, delegation and change management systems.
- **Measure** - Once the learning programme is underway, it is critical that outcomes are measured to establish the impact. This is carried out using a variety of methods that may include self-assessment, peer assessment, workflow improvements, customer satisfaction and productivity assessment.
- **Evaluate** - Measurement of outcomes then enables return on investment to be evaluated from an internal perspective (team, organisation, shareholder) and an external perspective (customer and regulatory body).

### **3.3 Case study: Developing a leadership talent pool – University Hospitals Coventry and Warwickshire NHS Trust**

#### **The Challenge**

In 2004, the Clinical Services division of the University Hospital Coventry and Warwickshire NHS Trust faced the issue of a shortage of leadership skills. Senior managers were overloaded with planning and new initiatives and often worked with limited collaboration between departments. Succession planning was needed to achieve the priority of having a 'next in line' talent base. This resulted in a need to increase the management skill base at middle manager level within the Clinical Services Division.

Steve Denton, Operations Manager at the Trust had recently rejoined the NHS after seven years in the commercial sector and was given the challenge of establishing a process for developing 'the bright stars and fast track managers of the future'. Supported by the 'Leadership in the NHS' initiative, the Trust commissioned a management development programme. GPSVision were selected to manage the process and deliver a leadership programme accredited at BTec level 4. GPSVision was selected because of their innovative approach and methodologies, which focused on learning transfer and delivering a return on investment.

University Hospital Coventry and Warwickshire NHS Trust is responsible for managing three hospitals across the West Midlands – the Walsgrave Hospital, Coventry and Warwickshire Hospital and the Hospital of St Cross, Rugby. GPS Vision worked closely with Steve and Associate Director of Human Resources, Rita Bishop to develop, deliver and embed the leadership programme.

#### **Objectives for the leadership programme**

Key objectives for the programme were to:

- Develop managerial skills in eight key operational areas
- Improve patient care and reduce management and operational costs
- Improve communication, support and networking between departmental managers
- Establish processes for accepting and managing change
- Develop a tailored level 4 qualification to reward managers and raise their status within the Trust.

#### **How the PIC supported University Hospital Coventry and Warwickshire NHS Trust.**

The programme was developed after a two day senior management workshop which agreed the outcomes, timescales, content, support systems and measurement arrangements.

The 'paradigm shift' concept was discussed at an induction session and contracts were agreed between learners and line managers committing each party to the support systems required to make the process work

A detailed project plan was agreed which covered benchmarking arrangements, workshop dates, mentoring support, action learning sets, study support dates, project plans and measurement strategies.

GPSVision trainers encouraged action planning and reflective learning reviews and this material was used towards achieving the qualification.

Interim meetings were planned to review the programmes progress against its objectives

Learner projects formed a key part of the programme and the learners presented the outcomes of these to the Executive and management team

A presentation ceremony was held to present certificates to 19 learners and congratulate them on their achievements.

## **Outcomes**

The outcomes for University Hospital Coventry and Warwickshire have been significant and include:

- 19 knowledgeable and skilled managers who are now looking for their next challenge.
- Two completed projects resulted in cost savings of £44,000, almost twice the cost of the entire programme
- Improved collaboration between departments resulting in quicker decision making
- Departmental think tank teams looking at change management and efficiency opportunities
- Improved budgetary response times and liaison with the finance team.
- A £5K saving in the recruitment budget due to the promotion of a programme participant

Quotes taken from learners during the evaluation phase highlight their reaction to the programme:

“I would never have applied for the promotion without having attended the Leadership programme. It really increased my confidence and made me realise what I was capable of”

“I have introduced a more structured approach to communicating with my Team, this has provided them with the opportunity to become more involved in decisions that directly affect them and empower them to take ownership of their roles”

A manager commented “that they can now operate more strategically as he is more inclined to delegate and he is very aware of the improved interdepartmental working”.

#### 4. CONCLUSIONS

Leadership development and learning transfer sits at the heart of future competitiveness for all organisations. Although a considerable amount of money is targeted at leadership development, the benefit of this spend is questionable because of the limitations of traditional approaches to leadership development.

**Moving away from existing practises will require a fundamental change or 'paradigm shift' in approach but this is required to ensure strategy gets translated to improved bottom line performance. GPSVision believes that the Performance Improvement Cycle will enable organisations to facilitate change and in doing so will ensure an improved return on investment, future survival and competitiveness.**

## 5. GPSVision overview

GPSVision works with some of the UK's largest organisations in leadership and management development. The GPSVision PIC system is unique in the marketplace because it enables:

- **Translation of strategy into performance improvement**
- **Learning transfer across organisations**
- **Measurement of the impact of 'soft skills' development such as leadership**
- **Return on investment data for future planning and guidance purposes**

The Performance Improvement Cycle (PIC © System) is integrated within all programmes that are delivered by GPSVision and can be applied to the majority of soft skills development programmes including:

- **Leadership development**
- **Cultural change**
- **Customer services programmes**
- **Employee development programmes.**

GPSVision has clients in a wide range of industry sectors including - Automotive, Financial Services, Pharmaceutical, Industrial and the Public Sector

### **Leadership and organisational change**

- Department of Transport, Dublin
- London Taxis International
- NHS Trusts
- Nuneaton and Bedworth Borough Council
- Bromsgrove District Housing Trust

### **Team building**

- Peugeot Citroen
- Smith Kline French
- Wolverhampton Hospital
- Whitefriars Housing Association

### **Customer Care**

- Harlow District Council
- Primary Care Trusts

### **Coaching and Mentoring**

- Tabeisa

### **Business Start-ups**

- Coventry University

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