



SHRM RESEARCH OVERVIEW: LEADERSHIP DEVELOPMENT

SHRM Research Overview: Leadership Development

There is an acute need to develop the next generation of workplace leaders, based purely on the changing demographics in the U.S. labor force. Workers age 55 and older constituted 15.6% of the labor force in 2004; that figure rose to 21.7% in 2014 and is expected to increase to 24.8% in 2024, according to the U.S. Bureau of Labor Statistics. As more Baby Boomers, some of whom are in leadership roles, reach eligibility for retirement, organizations must retain the knowledge and skills of these workers as they exit the labor force.

Because HR professionals are uniquely positioned to work with employees across their organization, they are a natural source for developing people at all levels and play a key role in the rollout and execution of leadership development strategies.

Developing leaders within organizations is critical to business success. The degree to which an organization's leaders are effective critically affects all aspects of the business. Most significantly, leaders play a central role in the development and execution of organizational strategy, company culture and day-to-day operations. Leaders are also key to maintaining the health of the business and are inextricably

linked to its financial and operational sustainability now and in the future. For these reasons, it is critical that HR professionals and their organizations invest in and promote leadership development to their workforce. Doing so supports immediate strategic and operational needs and prepares the business for future success.

Leadership Skills Are Highly Sought but Lacking

Recent SHRM research indicates that both HR professionals and executives view leadership development as a major human capital challenge now and in the foreseeable future. In addition, executives would like to see stronger leadership qualities among the ranks of HR professionals themselves.

- **HR professionals say their organizations are already facing challenges related to leadership development, and the problem is expected to increase in the next 10 years.** Nearly two out of five HR professionals (39%) said that developing the next generation of organizational leaders would be their greatest human capital challenge in the next 10 years (see Figure 1). Another 35% said managing the loss of key workers and their skill sets due to retirement would present one of the greatest human

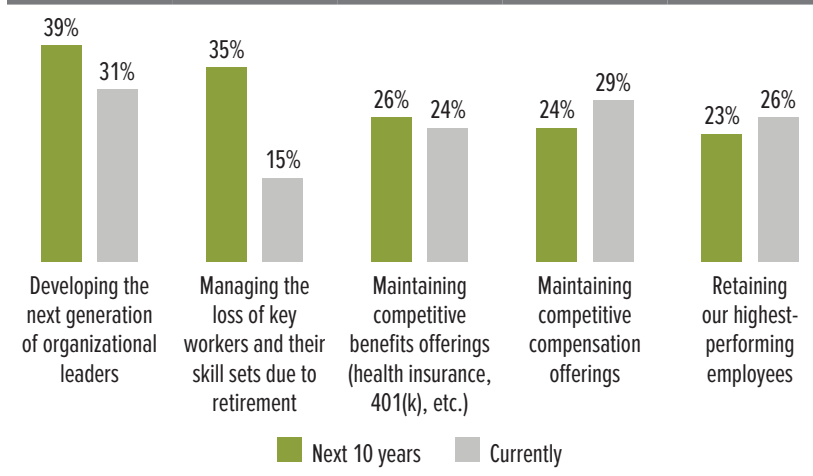
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capital challenges in the next decade. Among executives, nearly one-fourth (24%) said developing the next generation of organizational leaders would be their greatest human capital challenge in the next 10 years.¹

- For HR specifically, some executives indicate that leadership may be lacking among the ranks of HR professionals as well. More than three out of 10 executives (31%) said finding HR talent with leadership ability was their organization’s greatest challenge regarding HR talent, and 28% said it would continue to be a challenge in the next 10 years (see Figure 2).² Learn more about SHRM’s Competency Model, which supports HR professionals and their career development, at shrm.org/competencies.

Figure 1: What Are Your Organization’s Greatest Human Capital Challenges? (HR Professionals’ Views)



Note: Percentages do not equal 100% due to multiple response options. Respondents could select up to three options.
 Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

Figure 2: What Are Your Organization’s Greatest Challenges Involving HR Talent? (Non-HR C-Suite Executives’ Views)



Note: Percentages do not equal 100% due to multiple response options. Respondents could select up to three options.
 Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)



EXPERT VIEW

Ian Ziskin, president, EXcel Group LLC

Leadership development is all about living at the intersection of preparation and opportunity. It is our job to ensure leaders are well-prepared and to find or create the right opportunities that will further reinforce their development and readiness for even bigger or more challenging roles. As leaders, we must develop other leaders to be ready and relevant for what organizations will confront over the next five to 10 years and beyond.

All our emphasis on developing ready now leaders must give way to developing ready able leaders. We no longer really know if leaders are ready now. At best, we can prepare them to be ready able—to have the situational awareness, flexibility, savvy and leadership capabilities required to quickly understand and adapt to changing conditions. Leadership development in the future will be about identifying and developing potential, which, in turn, translates into being ready and able to handle whatever the future throws at us.

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EXPERT VIEW

Joseph Jones, Ph.D., SHRM-SCP, director of HR Competencies and Resources Research, SHRM

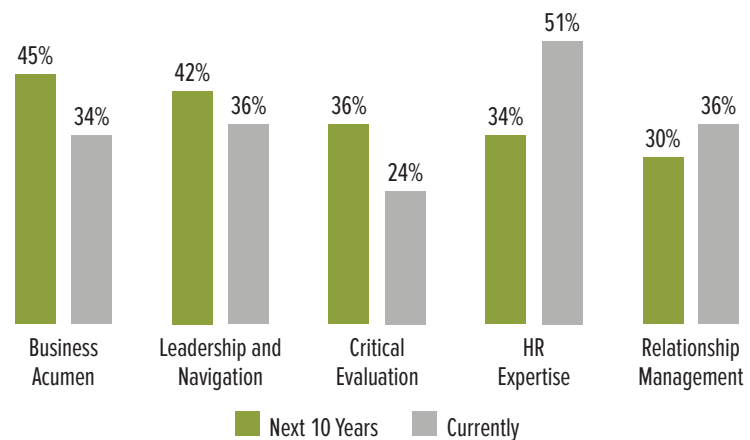
The first thing the next generation of HR leaders needs to know is: HR needs to change the prevailing view from “HR is not rocket science, anybody can do it!” to “HR is not rocket science... but it’s just as hard!” Yes, HR is still HR. But like every other profession, our profession will change as our culture, society, business and climate all change.

Something profound or traumatic will happen that will affect your business and your employees. The successful HR leaders of the future will be those who are able to adapt themselves and adapt the world around them to successfully navigate through these changes. HR leaders play a key role in preparing their workforce for such events, without creating a culture of fear and control that hinders productivity and engagement. This is a key aspect of the Leadership and Navigation competency included in the SHRM Competency Model. HR leaders need to start thinking about leading change and not managing it. They need to be strategic about being strategic when it comes to change.

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- **The Leadership and Navigation competency is an important building block for HR professionals at all levels to develop in order to advance their careers**, though less so for early-career HR professionals. More than one-third (36%) of HR professionals viewed this competency as most critical right now, and more than two out of five (42%) said it would be most critical in the next 10 years (see Figure 3).³
- **Executives said Leadership and Navigation was a critical competency for their business units overall**, according to other recent SHRM research. More than half of executives said Leadership and Navigation was critical now (58%) and in the next 10 years (52%), as shown in Figure 4.⁴

Figure 3: Which of the Following Competencies Do You See as Most Critical for the HR Professional? (HR Professionals’ Views)



Note: Percentages do not equal 100% due to multiple response options. Respondents could select up to three options.
Source: Business and Human Capital Challenges Today and in the Future (SHRM, 2015)

Figure 4: Business Unit Executives’ Views on Competencies

Competencies	Lacking Now (n = 510)	Critical Now (n = 510)	Critical in 10 Years (n = 510)
Leadership and Navigation	39%	58%	52%
Communication	40%	41%	34%
Relationship Management	32%	38%	33%
Business Acumen	28%	35%	30%
Technical Expertise	32%	33%	30%
Ethical Practice	17%	29%	25%
Critical Evaluation	39%	24%	23%
Global and Cultural Effectiveness	30%	14%	25%
Consultation	16%	7%	12%

Note: Totals do not equal 100% due to multiple response options. Competencies are in ascending order based on the competencies viewed as critical.
Source: Using Competencies to Achieve Business Unit Success: The Executive Perspective (SHRM, 2016)

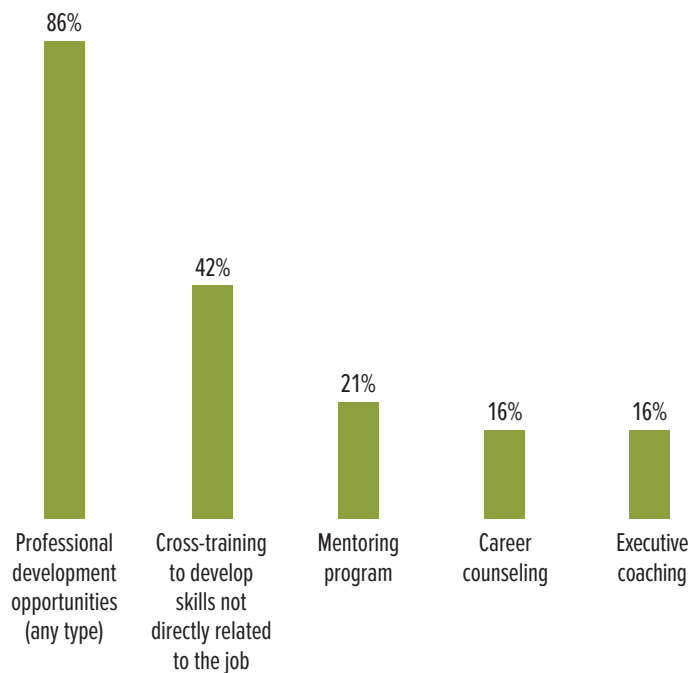
Many HR professionals have reported skills shortages related to leadership development.

Gap in Leadership Skills May Be Due to Lack of Training, Development

Many organizations offer basic professional and career development benefits, but SHRM research shows that leadership-related training is not provided at a majority of those companies.⁵ Perhaps as a result, many HR professionals have reported skills shortages related to leadership development. This trend comes at a time when HR professionals are citing leadership qualities as a sought-after skill for new hires.

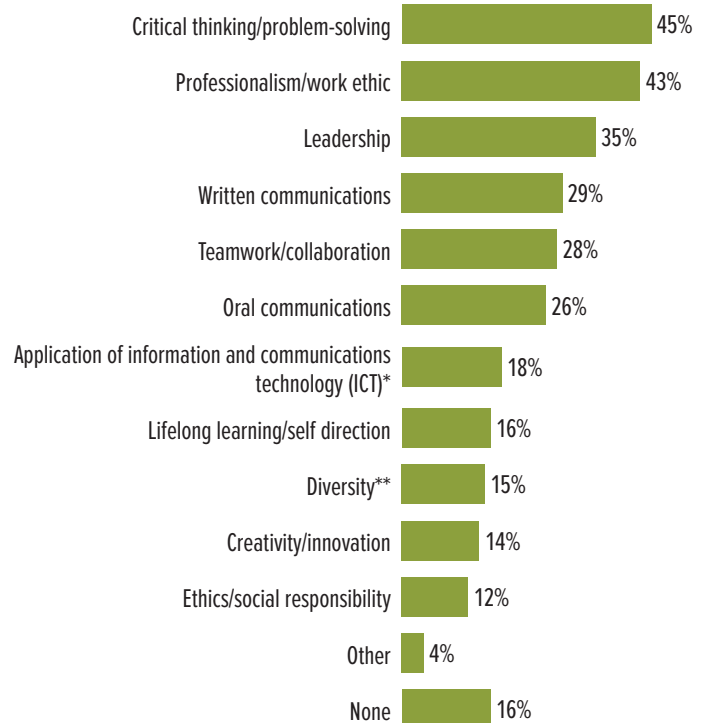
- **A vast majority of organizations provide professional and career development benefits; however, fewer companies offer benefits directly or partially related to leadership development.** Roughly one out of five employers (21%) provide mentoring programs, and 16% offer executive coaching, according to SHRM's *2016 Employee Benefits* report (see Figure 5)
- **HR professionals are struggling to find job applicants who possess leadership skills**, according to other SHRM research. More than one-third (35%) cited leadership as an applied skills shortage among applicants in the past 12 months. Another 16% pointed to lifelong learning/self-direction as a skill that was lacking among job candidates (see Figure 6).⁶

Figure 5: Professional and Career Development Benefits



Source: 2016 Employee Benefits: A Research Report by SHRM (SHRM, 2016)

Figure 6: Applied Skills Shortages Among Job Applicants in the Last 12 Months



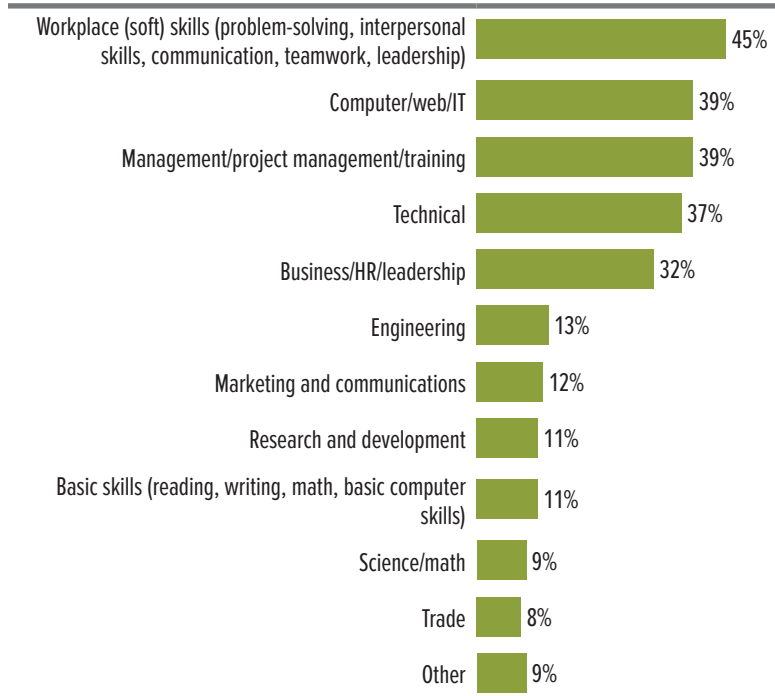
* For example, e-mail, Internet research, word processing, spreadsheets, programming, social media.

** For example, the ability to work well with a diverse workforce and customer base.

Note: Respondents who answered "don't know" were excluded from this analysis. Percentages do not equal 100% due to multiple response options.

Source: The New Talent Landscape: Recruiting Difficulty and Skills Shortages (SHRM, 2016)

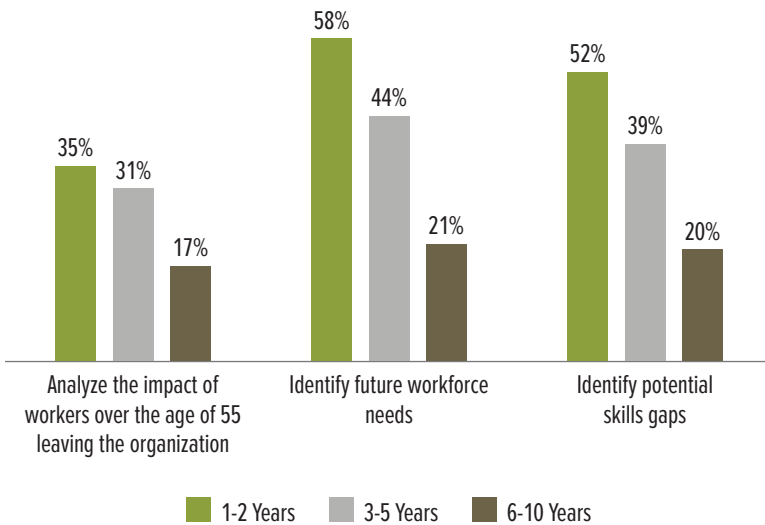
Figure 7: Types of New Skills Required for Full-Time Regular Positions Hired in the Last 12 Months



Note: Percentages do not equal 100% due to multiple response options. Only respondents whose organizations were hiring full-time positions that required new skills were asked this question.

Source: The New Talent Landscape: Recruiting Difficulty and Skills Shortages (SHRM, 2016)

Figure 8: Organizations that Have Conducted a Strategic Workforce Planning* Assessment to . . .



* Strategic workforce planning is a process used to ensure an organization takes into account the future loss of knowledge through employee resignations/retirements and the projected knowledge/personnel resources required to achieve the organization's goals.

Source: The Aging Workforce – The State of Older Workers in U.S. Organizations (SHRM, 2015)

Leadership Development Is Viewed as Crucial, but Plans Fall Short at Many Organizations

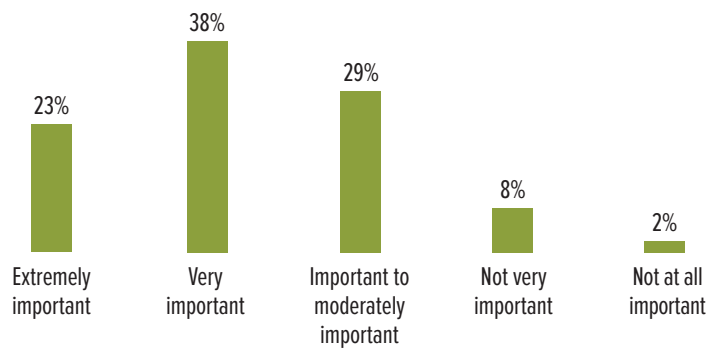
HR professionals and executives around the world place a high level of importance on leadership development, according to *Leadership Development: The Path to Greater Effectiveness*, a 2016 SHRM study performed in conjunction with EFMD and the Network of Corporate Academies (NOCA), and *BCG Creating People Advantage 2014-2015 – How to Set Up Great HR Functions: Connect, Prioritize, Impact*, a 2015 SHRM study conducted with Boston Consulting Group (BCG) and the World Federation of People Management Associations (WFPMA).

However, some of that same research shows that a minority of organizations are conducting strategic workforce planning and studying the impact of losing seasoned workers.

- SHRM research on preparing for an aging workforce has found that less than 40% of HR professionals said their employers were analyzing the impact of workers over the age of 55 leaving their organizations in the next 10 years (see Figure 8).⁷
- SHRM research conducted in partnership with EFMD and NOCA found that leadership development was a top concern domestically and around the world. Nine out of 10 HR professionals (90%), who were surveyed from organizations headquartered in 25 countries, said leadership development was moderately to extremely important to their CEO's strategic agenda (see Figure 9).⁸
- SHRM also collaborated with BCG and WFPMA to look at how organizations were setting up their HR functions for success. Respondents were asked about 27 HR "subtopics" that demanded the most urgent action. U.S. business leaders and HR professionals, as well as those in China, India and several other countries, ranked leadership first, as shown in Figure 10.⁹

Ultimately, demographic trends resulting in a wave of retirements and a lack of leadership skills among younger workers have created an urgent need for leadership development in the U.S. labor force. More organizations should consider developing mentoring programs, cross-training for knowledge transfer and other related strategies to serve as tools to address the leadership gap in the workforce. HR professionals must also develop their own leadership competencies so they can move their enterprises forward as both drivers of organizational leadership development efforts and as leaders themselves.

Figure 9: Importance of Leadership Development on the CEO's Strategic Agenda



Source: Leadership Development: The Path to Greater Effectiveness (EFMD/NOCA/SHRM, 2016)

Figure 10: Urgency Ranking of Selected HR Subtopics by Country

	United States	Canada	France	Germany	United Kingdom	China	India
Leadership	1	1	1	1	1	1	1
Talent management	5	5	5	4	7	4	
Behavior and culture	2	4	2	7	2	5	7
HR and people strategy	4	2	4	3	3	3	9
Employee engagement	3	3	7	9	8	2	2

Note: Urgency is determined by calculating the difference between future importance and current capabilities and then multiplying that difference by future importance. Rankings are based on a scale where 1 = "very urgent" and 10 = "urgent." A blank space indicates a ranking higher than 10.

Source: Creating People Advantage 2014-2015 – How to Set Up Great HR Functions: Connect, Prioritize, Impact (SHRM, 2015)

EXPERT VIEW

Bruce Tulgan, founder and CEO, RainmakerThinking, Inc.

What do HR leaders need to know about developing the next generation of leaders? On a macro level, HR leaders need to understand two critical trends in the global workforce: the great generational shift and the rising global youth tide (the second wave Millennials). On a micro level, HR leaders need to focus on three key strategies: 1) staffing and succession planning at every level; 2) high-potential identification, retention and development; and 3) training and support for newly promoted leaders.

As the aging Baby Boomers exit the workforce, they will take with them a great deal of skill, knowledge, wisdom, institutional memory, relationships and the last vestiges of the old-fashioned work ethic. Organizations with significant "age bubbles" in their employee demographics will be facing these losses and cascading consequences as their aging workers leave the workforce. This will require dedicating substantial resources to support knowledge transfer and what we call "wisdom transfer," as well as flexible retention, succession planning and leadership development.

This means HR leaders must engage managers at every level in meaningful "three-dimensional" successional planning. This means cultivating bench-strength at every level, identifying high-potentials at every level and actively retaining those high-potentials so they may be developed for new leadership roles.

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Endnotes

¹Society for Human Resource Management. (2015, December). *Business and human capital challenges today and in the future*. Retrieved from <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Pages/2015-human-capital-business-challenges.aspx>

²Ibid.

³Ibid.

⁴Society for Human Resource Management. (2016, February). Using competencies to achieve business unit success—the executive perspective. Retrieved from <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/pages/using-competencies-to-achieve-business-unit-success%E2%80%94the-executive-perspective.aspx>

⁵Society for Human Resource Management. (2016, June). *2016 employee benefits: Looking back at 20 years of employee benefits offerings in the U.S.* Retrieved from <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/pages/2016-employee-benefits.aspx>

⁶Society for Human Resource Management. (2016, June). *The new talent landscape: Recruiting difficulty and skills shortages*. Retrieved from <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/pages/talent-landscape.aspx>

⁷Society for Human Resource Management. (2015, January). The aging workforce—state of older workers in U.S. organizations. Retrieved from <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Pages/shrm-state-of-older-workers-in-u.s.-organizations.aspx>

⁸Society for Human Resource Management, Network of Corporate Academies and EFMD. (2016, November). *Leadership development: The path to greater effectiveness*. Retrieved from www.shrm.org

⁹World Federation of People Management Associations and Boston Consulting Group, in collaboration with SHRM. (2015, January). *Creating people advantage 2014-2015: How to set up great HR functions: Connect, prioritize, impact*. Retrieved from <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/pages/creating-people-advantage.aspx>



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