

David Altman and Roland Smith of the Center for Creative Leadership analyse why both developed and emerging economies may well suffer a leadership gap at all levels of business



THE LOOMING LEADERSHIP GAP

Say the word leader and it often generates an image of a charismatic person in charge or someone who sits in the “C-suite” (a corporation’s top executives) issuing orders to others.

Leadership development, too, has been highly geared toward senior-level people in formal organisations or those being groomed for senior roles. Indeed, most people see leadership development and executive education as synonymous.

But if we unpack what leadership development does rather than who receives it, it has a great deal of relevance to enhancing the effectiveness, satisfaction and productivity of all people in all roles.

In EMEA (Europe, Middle East and Africa) there is a looming leadership gap at opposite ends of the work pyramid. The gap at the top of the pyramid is more widely recognised in medium to large companies, many of them family-owned or controlled, struggling with succession planning and developing high potentials in the midst of an unrelenting recession.

But the leadership gap at the base of the pyramid is just as serious, with youth unemployment rising throughout EMEA by one estimate at an increase of 58% in Europe alone since 2006. Even those young people with jobs face enormous insecurity and demands to accomplish more with less. They dare not protest, much less ask for development, for fear of losing their jobs.



We think the base of the pyramid represents vast untapped talent resources for future leadership and the top of the pyramid underutilises the potential of the senior talent that resides there.

The changing nature of leadership

Since 2003, the Center for Creative Leadership (CCL®), a global leadership development provider and research body, has tracked changes in the nature of effective leadership. It is clear that globalisation has enhanced the complexity of the challenges faced by leaders at every level. And the economic crisis seems to be accelerating the speed with which leaders need to find solutions for these core challenges.

The results of our research have implications for addressing the leadership gap by identifying needs and the kind of development to address those needs.

Senior leaders we surveyed ranked the top four complex challenges as:

- Ability to lead and influence across multiple groups and challenges
- Strategic issues – how to define and communicate a clear direction for the future and create organisational alignment
- Talent management – recruitment, compensation, development, succession, human capital restraints and downsizing
- Business operations and organisational performance

We also explored more specifically the kind of leadership skills needed to address these specific challenges. The survey of senior leaders revealed development areas including:

Leading across multiple groups

We call this “boundary spanning leadership”. The five mission-critical boundaries that leaders encounter are:

- Vertical boundaries: dealing with upward relationships (such as the board of directors) and downward (direct reports)
- Horizontal boundaries: leading across roles, functions and units
- Stakeholder boundaries: outside the organisation (customers, communities, alumni and government)
- Demographic boundaries: gender, ethnicity, nationality and culture
- Geographic boundaries: across time zones and subgroups within geographies

Developing the developers – the importance of coaching and mentoring

Often seen as critical competences for effective leaders, coaching and mentoring are difficult skill sets to acquire. We have seen that when executives become more personally involved in and own the process of developing others, talent management becomes more effective and efficient. We encourage senior leaders to see themselves as orchestrators of talent.



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58%

The leadership gap at the base of the pyramid is just as serious as at the top, with youth unemployment rising throughout EMEA by one estimate at an increase of 58% in Europe alone since 2006



24%

The economic crisis made the numbers of unemployed young people skyrocket – across Europe 24% of employable young people (15-24 years old) are without a job. In some countries, such as Spain, this rate has long surpassed 50% and is still rising

44%

The proposed EU directive for the promotion of women's representation on corporate boards of administration is inspired by Norwegian legislation in place since 2004, which increased the proportion of women on boards from 8.5% in 2003 to 44.2% in 2008



Addressing the leadership gap at the top

Many have argued that the economic downturn has created a cease-fire in the much-ballyhooed "war for talent". We believe that the fundamental issues around talent remain and that organisations will pay a steep price in the future if they do not invest in the development of talent. While the "war" may be on hold, the root challenges remain front and centre stage.

Economic uncertainty and unemployment are still rife throughout the world, so one would think that employers have the upper hand, able to choose among the hordes of people knocking on their doors or sending CVs with pleading emails.

But the reality is not that simple. A prolonged period of cutbacks, reductions in human capital investment and extreme reliance on existing top performers – all in an atmosphere of uncertainty and scarcity – can easily undermine an organisation's ability to attract, develop, retain and engage skilled, valuable employees.

From what our clients tell us, this is contributing to a major leadership gap in EMEA and particularly in the eurozone.

Take Germany as an example. The country, the fourth largest economy in the world, is still an economic powerhouse. However, the on-going economic crisis and the problems of the single currency weigh heavily on the German economy.

When Europe emerges from the recession, Germany may be well positioned for more growth. But there are ominous clouds on the horizon that arise from three problem areas:

Demographics

Germany has one of the lowest birth rates in Europe. In a *Financial Times* interview, German labour and social affairs minister Ursula von der Leyen said that "if we do not change our ways of working... then we will have six million potential workers less in the labour market, which is approximately the working population of Bavaria". And the *Der Spiegel* magazine quotes family minister Kristina Schroeder warning that "companies cannot allow themselves to let good staff leave".

The imperative to go global

German companies excel in productivity, quality, technology and innovation. As they go global, they need to excel at developing the best leaders and leadership-rich business cultures with a deep pipeline of talent. Weak or too rigid leadership could lead to a decline in global effectiveness.

In Germany, and indeed throughout EMEA, the organisational pipeline of key people and future leaders is more important now than ever before. Yet the talent management processes in many companies are missing the mark. They see talent management as something done to and for high-potential employees in service of the organisation's needs. But another emerging perspective is the key to effective talent management: the view from inside the pipe.

Employees and managers inside the leadership pipeline do not see themselves as a stream of talent to be funnelled and directed by the organisation. They bring their own perspectives, desires and experiences to the process. Leaders must understand what is happening if they expect to have the talent needed to meet the challenges and opportunities they will face two, five and ten years down the road. Paying attention to the view from the pipe will not only pay dividends in the future but also increase the engagement of key talent immediately.



Women leaders

Our research shows that diversity is an essential ingredient of organisational performance. Women can provide an important element of diversity that is rich with potential for all sorts of organisations.

This year will be an important one for women's careers in Europe. Legislation tabled by European Commission Vice President Viviane Reding is set to take a good shot at the "glass ceiling" that keeps women in lower-level roles with lesser influence and smaller salaries.

The proposed EU directive for the promotion of women's representation on corporate boards of administration is inspired by Norwegian legislation in place since 2004, which increased the proportion of women on boards from 8.5% in 2003 to 44.2% in 2008.

Scalable leadership and the challenge of youth unemployment

Currently, little research and practice on talent development relates to anything beyond larger, well-resourced organisations. CCL's recent work has focused on creating overarching frameworks for leadership and leadership development that extend beyond the context of the workplace to encompass how people work together and grow as leaders.

The majority of people in the world are young and in some parts of the world many of them are unemployed. Not only is there a problem of joblessness but there is also a problem with lack of sufficient education or training. The economic crisis made the numbers of unemployed young people skyrocket. For example, across Europe 24% of employable young people (15-24 years old) are without a job. In some countries, such as Spain, this rate has long surpassed 50% and is still rising.

Rather than viewing these young people as drags on society, what if we saw them as the pipeline of future leaders? How should we invest in their development and how can we provide them with experiences that will help them lead Europe, indeed the world, to new frontiers?

We think there is an opportunity in EMEA to provide scalable, affordable leadership development to this underserved demographic and show the rest of the world how to better leverage emerging talent.

Our work with underserved groups has proven that a growth mindset and self-efficacy are powerful tools for individual development. We think a programme framed by these tools can give young people in EMEA the ability to change their lives and move out of a situation that many view as hopeless.

Other key elements of youth leadership development are:

– *Interpersonal skills:*

In leadership, the ability to develop positive relationships with other people is particularly important. The foundation of this ability is the capacity to respect people from differing backgrounds and to understand the perspectives that they bring. A key interpersonal skill is being able to communicate information and ideas clearly and to work to understand what others are saying, thinking and feeling.

– *Learning Orientation:*

When an individual has a propensity to learn, he or she recognises when new behaviours, skills or attitudes are needed and accepts responsibility for developing them. The individual understands and acknowledges current personal strengths and weaknesses and engages in activities that provide an opportunity to learn or test new skills and behaviours.

Conclusion

There is an urgent need to look at leadership issues in large organisations and at the grassroots level. To meet future challenges, development approaches have to be relevant from the C-suite to the slum to the rural village. As we reflect on these issues, we return to a few fundamental questions:

- What would our world look like if everyone had access to leadership development?
- How would the field of leadership development change if we stopped considering it synonymous with executive education?
- How can we better build and unleash the talent in our organisations and communities during times of fiscal constraint and macro-economic challenges?

The answers to these and other questions will determine whether leadership development will be relevant in the decades to come.



ABOUT THE AUTHORS

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Youth unemployment data were supplied by The Entrepreneurs' Ship, a non-profit project headed by Peter Vogel, which aims at promoting entrepreneurship in areas with high unemployment and limited career options