An integrated Method of Management Development in International Companies

Doctoral dissertation of
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Promoter: Prof. UE dr. hab. Czesław Zając
This work encompasses the description of the original research work of Marcus Adrianus Dingeman van Dongen, to fulfil the requirements to obtain the Doctorate degree in Management Sciences with the Economic University in Worclaw, Poland.

I hereby represent that I have read and understood the Act on academic degrees and academic title and degrees and title in art of 14 March 2003 (Dz. U. [Journal of Laws], No. 65, item 595), and the resolution of the Centralna Komisja ds. stopni i tytułów [the Polish Central Commission for Academic Degrees and Titles] of 24 October 2005 on the definition of fields of science and fields of art and scientific and artistic disciplines.

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Mark van Dongen
Foreword

It started with an idea. But where does an idea come from? According to folklore, Archimedes came up with the idea of upward pressure of water while submerged in a bathtub. In a moment in which he did not focus on the work, the solution to his problem came to him.

Where does the idea for a dissertation come from? In its nucleus it comes from a deep desire for knowledge, to deep-dive into a matter one is passionate about. This desire is not so much needed because of the length of the research, or the depth of it, but much more, because working on a dissertation is a lonely road. The “doctor-father” needs to allow you to learn how to do a research on your own, and one does not learn this by being taken by the hand.

The reward for all the lonely days behind the keyboard and book-covers, dealing with the frustration, comes from the huge satisfaction in finding that next part of the puzzle on your own, in making that leap forward by seeing the structure to order your theoretical chapter, in seeing the answer to that part of the research question, etc. These moments are the rewards of the search.

But the road is long. On paper it started on January 2010 and continued through 2012, so it was three years in total, but the basic underlying materials come from previous works, in its earliest stage the articles of 1997, my book in 2001, chapters and articles in 2004 and 2005, up to the last article in 2012.

And why all this, why the hassle? Is it only for the two syllables and a dot (Dr.)? No, it is not. I have already three syllables and a dot (Drs.), so that would be stepping down on syllable-level. Assuming one studies only for a title is like assuming that Scarecrow, one of the companions of Dorothy, out of the Wizard of Oz, really became a brain, when the wizard gave him a diploma. No it is the reverse, as the reward is the work itself. One grows in knowledge and insights. This opens doors to longer travels, the travels to acquire more and share further insights. So one day, I hope to share knowledge with other persons with deep passion for HR, who might also be interested in spending a few years of their lives in pursuit of knowledge, as pure as that, as simple as that, and as complex as that.
I want to thank Prof. UE dr. hab. Czesław Zając, who guided me into the maze of a dissertation, for allowing me to find my own way through. His guidance was the proverbial crumbs along the way, with which one remains alive, but also (very) hungry to move on. When times became more intense, he ensured I remained on the right path.

I especially want to thank my family, Kerstin, Daria and Anouk, for accepting that “pappi” and your husband was often not available on free days. That he was again in his room, where you could not disturb him, though the sun was shining outside. I realize the sacrifice you made and hope to be able to make up for it. My passion for this topic will no doubt sometimes prevent us spending time together, but I can assure you, it will never come between us.

All of you who supported me on this trip, who are too many to mention, I want to thank you for allowing me to come this far. In this way, the road is travelled alone, but one is never truly lonely.

Mark van Dongen
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Introduction into the research

Management Development seems to be as old as time itself. Though job titles have changed, from tribal head to CEO, the grooming of successors and nurturing of talents in organizational contexts has existed through the ages. Its origins are in family settings, where traditionally the parents raise the children to become their own successors. Be it a small or large barn, a blacksmith shop or a small company, the parents created a strong bench of internal successor(s) to safeguard the long-term existence of the company by preparing their own children to succeed them. This nurturing the children is as natural as breathing itself. One cares for them and teaches them what they need to know. Over time we evolve the challenges we have them face, and this increased complexity supports the children’s development and prepares them for their final challenge, the takeover of the (family) business. Time evolved and the complexity of the organizations increased, as did society, influenced by diverse economic and technical development—and so did development of management, or so it seems.

What actually changed, really, when we became employees and managers instead of the owners of an organization? It seems perhaps not a lot; we still lead people, we should still develop others and help the company prosper over the long term. But we started to behave differently. For instance, we found that the age-old and proven practice of one’s own children as the natural successor of a company disappeared when the managers stopped being the owners of the company.

Now not only family members work in the (leadership of) companies, but more often a company is an amalgamation of people from different backgrounds, which creates the workforce, the employees. We now look at companies as an investment, where returns are one of the key drivers, instead of mere continuity. Employees are seen as assets for a company, where the company invests in these assets in order to ensure continued operational performance. With employees this investment manifests itself through investment in the development of the employees. In 2009 in the US alone, according to the American Society of Training and Development, $125.88 billion was spent on development (Heathfield, 2010). Within the total population of employees, it is expected that the added value of the employee increases with his or her rise in the hierarchy in companies. This is the rationale explaining why higher hierarchies in the organization are compensated (paid) more than employees lower in the organization. An employee should always bring a multiple of his or her cost as added value to the company. If this is not true, it makes more sense not to have the employee. As with other assets, the investment in the employees has an expected return on investment. For this return to be optimized, it is key that the investment takes place in
those employees who in future will bring the bigger added value, hence those employees who are expected to be future leaders. And of the population of employees, those with the talent to progress in the organization (Talents) are viewed as a source of competitive advantage and a way to improve the bottom line (Hatch et al., 2004). The iconic 1998 McKinsey study (Chambers et al, 1988) depicted prominently the negative development of lack of care for Talents in the organization in their study, which led to the “war for talent” as a prominent concept in management literature. The finding of people with the potential to develop for senior leadership positions and the support of their development has since become even more important due to the demographic shift, which means that fewer people will become available to succeed the current senior level leaders. In a PricewaterhouseCoopers (PWC) survey it was found that 97% of CEOs stated that having the right talent is the most critical factor for business growth (Burke, 2010). It seems the continuing economic difficulties in many economies has strengthened this, as the Chartered Institute of Personnel and Development (CIPD) states in their 2012 survey that “in today’s challenging economic climate, the effective and strategic management of talent is critical to differentiate organizations from their competitors and drive business success” (McGurk, 2012, p. 11).

The awareness of the need to develop the right talents has increased. When this is combined with the demographic effect, it leads to an increased pressure to find and develop talent in the organization. Of the above-mentioned amount of $125.9 billion, 24% is spent on leadership development (O’Leonard, 2010). It has become more and more difficult to develop leaders in-house, as organizations have become flatter and therefore have fewer internal opportunities for promotion and on-the-job learning of leadership skills (Baird et al., 1994; Humphreys, 2005; Zenger et al., 2000). Nevertheless, “the most effective learning and talent development practices are in-house development programmes” (CIPD, 2010, p. 2).

This emphasis and the massive investments made lead to a significant pressure on organizations and their leadership teams to ensure that they have well-validated and useful measures of potential (Silzer et al., 2009). A 2006 survey of Human Resource (HR) leaders showed the number one problem for HR directors is identifying and developing the leadership talent needed for growth and expansion of their respective organizations (Fegley, 2006). In a similar study conducted in 2007, 44% of the organizational leaders surveyed reported increasing the effectiveness of training as being their first or second priority.

When such large amounts are invested, a broad consensus exists of the importance of the topic, and clear research results that show investments in leadership development initiatives
can gain a return in access of 200% (Avolio, 2010), it seems evident that the topic of leadership and management development systems must have been elaborately covered in research. By now, best practices are known and shared amongst companies. This being the case, a research of this topic has to be out of date.

However, this is not the case; there are (still) no general defined methods for the development of leadership skills (Day et al., 2004; Yukl, 2002). Also, the development of leaders is the least explored topic within the field of leadership research and theory (Day et al., 2008). Systematic investigations on leadership interventions are rare in literature, as are theories of leadership development (Avolio et al., 2006). In fact, Avolio and Luthans (2006) report that a review of the leadership intervention literature from the last hundred years produced only 201 articles on studies examining the impact of leadership interventions, and less than half were focused on leadership development.

**Rationale behind the lacking research**

Why this topic, irrespective of the popular attention, is less openly researched, can first be explained by the fact that high potential employees are seen as strategic assets. Strategic assets are valuable, differentiating and hard to imitate (Bywater et al., 2008). This would serve as a reason why so little information is shared, as the assets and knowledge to increase effectiveness of these assets can lead to a competitive advantage. Some HR organizations have gone through the process of fundamentally re-purposing what they do, but little has been shared on which design options will help them most effectively achieve strategic goals (Vona, 2010). The effect of this is that the topic is not well covered in peer reviewed research and few or no best practices are shared in practice. In a 2010 study, the CIPD found that 59% of organizations undertake talent management activities. Of this 59%, half (50%) rate these as “effective”, although only 3% consider them “very effective” (CIPD, 2010, p. 3). A similar study by Egon Zehnder (2010) stated that 60 percent of top leaders identified lack of leadership as the major constraint for company growth (Egon Zehnder, 2010).

The first argument, “trade secrecy”, could have been countered by a well-organized research effort by HR scientists, who can do research whilst securing confidentiality of the sources. However the field of Human Resources is not an integrated science itself. It is an amalgamation of theories, from a broad range of not necessarily related sciences. Therefore ownership of this field was not clearly defined.
A further reason is the fact that the research on development of people encompasses different areas of social sciences (typically pedagogical sciences) from disciplines that study leadership, which are based in psychology, and the behavior of groups when led, which is studied in sociology. The social sciences have long struggled to have a full understanding and explanation of the mechanisms of leadership itself. For over a century, scientists have debated on the “final” and accepted method of leadership. This research has now reached a more or less stable point, where the value-based leadership methods seem to be predominant. But how a leader is developed, and how the development needs change over time, is still hidden by fragmented research with different insights from different disciplines.

Despite the above described relative immaturity of the combined discipline, HR has more and more been in the spotlight, as it is clearly seen as the owner of the Management Development (MD) process. In the survey performed for this study, 96% of respondents (n=34) affirmed that the ownership for this field of study lies clearly in the hands of HR. However, in order to manage a field of such importance, it is evident that the discipline needs an integrated method of management development of high potential in order to live up to the responsibility of owning this important area of business.

In many countries the academic discipline of HR did not exist prior to about the last two decades. Anglo-Saxon universities have now taken the lead, as emphasized by the internationally accredited certification in the field of HR through the Society for Human Resource Management (SHRM) (US) and the UK (CIPD). Most masters’ degrees in HR are created, with a self-directed emphasis of the student to combine the elements that are part of the HR function. But a true integrated interdisciplinary HR faculty and master’s degree program is still seldom seen. Combining input from different sciences based on different methods is possible and, based on the presented rationale, has become highly desirable. Doing so could lead to a very strong interdisciplinary faculty.

This research serves to define the integrated method of MD that can support the growth of effective internal MD processes, based on an integrated method. It should also serve as a tool to evaluate existing internal processes and see if they are in need of improvements. Finally, there is the need for an alternative method to review the concept of “talent”. Thus far talent is mostly defined in terms of the social sciences, which do not always resonate well with data-driven businesses. So how could the method used by the MD departments to determine who is a higher potential in the organization be “second guessed” by a more data-driven approach? For this purpose the research will look into the concept of the 9-box, in which potential and performance are projected on two orthogonal axes, and the relative
positioning of the talents on the two axes serves as a definition of higher versus less high talent. If a data-driven tool could be developed that would also be able to depict the talents on these two axes, but instead of social science argumentation, make use of data that originates from the business, this could be a highly useful concept to validate the relative positioning process within MD.

The main goal of the research
The main research goal is to define, based on the assumption that there is a common underlying construct, the theoretical MD method for high potentials that can serve as a stable basis for companies to audit or build their management development process on. This implies that on the one hand, the process should be methodologically correct and prescriptive and on the other hand, it should allow enough degrees of freedom for companies to augment the process so it fits their needs without having to bypass the underlying paradigms. Also, the process should provide a method or tools that provide organizations with an alternative method to review the talents in their organization, by combining data from different sources in the organization, both focusing on the same element.

In one sentence the main goal of this research is:

To define an integrated method on the basis of a formulated theoretical concept of high potentials MD in international organizations, which serves to design new or audit existing practices.

The supporting goals
The supporting goals are as follows:

1. Create an integrated theoretical concept by combining existing paradigms, research results, experiences and opinions that can serve as the basis for the process design.
2. Create a structured and practice-oriented method based on the theoretical concept, combined with the experiences and opinions of globally spread HR professionals, that can serve to design new MD processes.
3. Create an audit tool through the reformulation of the characteristics of the process into rated criteria, which generates comparable scores, when reviewing the MD practices of international companies.
4. Create a concept, based on relative reward data, which allows global comparison on the relative positioning of talents, versus the positioning based on internal assessment methods.
The main research question
The main goal is researched by translating this into the main research question which, when answered, ensures the goal is achieved.

This main research question is:

**What is the integrated Management Development method based on a defined theoretical concept, which underlies the high potentials’ MD programs in international organizations?**

The supporting research questions
In turn, the supporting goals can be translated in supporting research questions. The research questions follow the sequences of the supported goals; therefore supporting goal 1 links to research question 1, etc. Below are the research questions that guide the research.

**Question 1:** In what way can the relevant elements be combined to create an integrated theoretical concept of MD for high potentials in international companies that supports the design of an integrated method?

**Question 2:** What changes are needed when combining the theoretical concept with the joint opinions of Global HR professionals in order to come to a practical process that can serve as a blueprint to design MD processes?

**Question 3:** In what way can the method characteristics be reformulated into a method that functions as an audit tool allowing the review of different companies, so that the different scoring profiles can be explained through the characteristics of the companies?

**Question 4:** In what way can relative positioning, based on reward data, be used to compare versus the talent assessment positioning based on internal talent reviews?

The research will be further set up around these research questions.

The report of the research in chapters
**Introduction:** A generic introduction to the field of study was provided. It outlines the reason for the research, as well as the research goals and questions.
In Chapter 1: The literature, data from diverse sources, personal opinions and experiences will be combined to create one body of knowledge that will further serve as the basis for the theoretical concept of MD of high potentials in international organizations.

In Chapter 2: The method of research for the overall study is depicted, and the first part of the research, the scoping study, which is based on the results of the theoretical concept and a first set of empirical studies, leads to the defining of the method of MD.

In Chapter 3: The concept of a reward data-based Indicator of Talent is postulated. It is reviewed on the basis of a data simulation exercise, in how far it is likely that such a concept can lead to a functional tool, which could function to differentiate talents, based on their reward status in a similar manner as the 9-box.

In Chapter 4: The method of MD is reformulated into an audit tool. This audit tool is used to review the practices of international companies in an interview setting. This will be done with four international companies. The fifth company’s business case describes how the process can be used to model the internal MD processes, while it simultaneously serves to define the areas that need further development. At the end of the chapter the conclusions, based on the comparison of the four audit-based case studies and the development-based study, will be given.

Conclusions and recommendations:

Conclusions on the research are made, based on the answers to the research questions. Through answering of the detailed questions, the central research questions will be answered and the conclusions on the usefulness of the method as well as indications for further research will be made. Then the managerial implications of the research are presented, as well as suggestions for improvement on the current study and follow-up research. The chapter is closed by a final set of conclusions for the overall research and its implications for the field of study.
Chapter I: Creating the integrated theoretical concept

This chapter provides the results of the analysis of the relevant theories on Management Development (MD) and serves as the basis for an empirical research in this area. The aim of this chapter is the identification and critical analysis of different approaches and opinions of other authors, my attempt to define typologies and a proposal of a concise concept that can serve as a tool to audit or review existing models or support the development of Management Development models for international organizations.

In the next chapter of this thesis this theoretical construct will be compared to the opinions and experiences of international senior HR executives. The questions that follow form the theoretical analysis you will find `emerging` from the text and form the red-line though the method. The augmented theory that will result from this comparison, with empirical data, will provide the basis for the method of management development. This will, in a final step in the research, be compared in an iterative process to the practices of MD for high potentials in international companies to see whether it serves the purpose described.

This chapter will define the construct under research in three phases. In the first phase, a concise idea of the leadership-management construct is postulated. Based on this, in the second phase we examine how management and leadership can be developed. Finally in the third phase, the organizational prerequisites that are needed for the model to be successful are written out, including a discussion of where the ownership of MD should actually lie in an organization.

Defining Management Development

Management Development (MD) is the process through which managers learn and improve their skills to benefit themselves as well as their employing organizations (Cannell, 2008). This process supports the career of the individual, which is a sequence of related work experiences and activities, directed at personal and organizational goals, through which a person passes during his/her lifetime and which are partly under the individual’s control and partly under that of others (Hall, 1986). MD programs usually refer to the long-term off-the-job and on-the-job educational process; management training refers to shorter courses (Bass, 2007, p. 1109). The Management Development process is focused on developing specific capabilities or competencies that a company expects it needs for the future. These capabilities or competencies are part of the ´strategic architecture´ of the company. A
strategy describes how an organization can create sustained value for its shareholders, customers and communities (Kaplan et al., 2004), and the strategic architecture is ‘the essential link between (...) short term and long term. It shows the organization what competencies it must begin building right now, (....) what new development priorities it should be pursuing right now to intercept the future needs´ (Hamel et al., 1994). In short, MD focuses on developing the competencies the company is expected to need in the future, which are partially technical knowledge, skills and attitudes. In order to manage the effective utilization of resources, the means MD methods have to be reviewed and those methods chosen that contribute best to the development of such competencies.

**Management and Leadership**

Though the phrase Management Development has the word ´management´ encompassed in it, it entails both the development of leadership as well as of management capabilities, as both represent strategic competencies needed for the future (Hamel et al., 1994). Management and leadership represent two different paradigms, two different sets of assumptions shared by members of a scientific community (Kuhn, 1962, 1979). Management is part of the economic paradigm, whereas leadership is part of the behavioral sciences paradigm (e.g., Kouzes et al., 2007, Riggs 1982; Hickman, 1990; Kotter, 1988). But are the two paradigms incommensurable (Kuhn, 1962), or can a bridge be created that allows them to be brought together?

Leadership and management cannot be viewed separately from one another, which does not mean they are the same thing. “It’s obvious that a person can be a leader without being a manager and a person can be a manager without leading. Indeed, some managers do not even have subordinates” (Yukl, 1994, p. 4). It has more to do with the way one fills the role of manager and leader in an organization than creating the two as different roles (Den Hartog, et al., 1997). The biggest difference between managers and leaders is the way they motivate the people who work for or follow them. (Straker, 2008). The two paradigms have different ´birth grounds´, which have also led to two different ways to research and develop the theories, namely inductive for the economic-based theory versus deductive for the social science-based theory (Popper, 1935; De Vries, 1985). Their history shows a clear joint influencing of each other’s development. Their roots stem from the early Industrial Revolution, which created the need for theory on leadership and management.

The development of leadership research has taken place when there was a societal drive to better understand the concept of steering people. The need to understand and study leadership as a phenomenon became greater when the amount of people to lead increased;
hence the impact on society of the leaders becomes greater. In this concept, pre-methodical leadership is leadership performed in the era before methodical leadership research was documented. Though proof of the presence of true leadership is apparent, no research or analyzed data of leadership practices in that era is available. Examples of pre-methodical leadership are, for instance, the movements of Julius Caesar’s troops throughout Europe with hardly any means of communication, nevertheless succeeding in conquering vast amounts of the continent; the building of the Chinese wall, mankind’s largest hand-build structure; and finally, the building of the pyramids of Cheops, in which 25,000 people worked in three shifts in a matrix organization (Verner, 2001).

The first mention of the concept of a ´leader´ relating to the more modern concepts is found after 1300, according to the Oxford English Dictionary (1933). The word ´leadership´ was not even found until the first half of the nineteenth century, where it related to political influence and control of the British Parliament. ‘In earlier times, words meaning head of state, military commander, princeps, proconsul or king were common in most societies. These words differentiated the ruler from other members of society´ (Bass, 2007, p. 14). In these days, therefore, the word ´headship´ instead of leadership, ergo the position defining the leader, was much more used. Machiavelli describes in 1513 thoughts on statesmanship as well as on leadership (Machiavelli, 1513, in Kellerman, 1987). His views on statesmanship relate to this concept of ´headship´. In those days the positional power was the common source of power; there was no separation between the hierarchical versus the non-hierarchical leader (Goffey et al., 2006). Holloman (1986) states that management is more linked to Bass´ concept of headship, hence leading based on position power, where leadership is accorded by the people who are led. A ´modern´ leader in these concepts was a leader who would use personal power as well as positional power (Den Hartog et al., 1997).

In order for good theory to develop, a need must grow in society (Christiansen et al., 2003; Christiansen et al., 2004). This also applies to leadership theory. As the interest in leadership grew, researchers asserted some major theories for understanding leadership phenomena in the scope of an organization (Kent et al., 2001). The development from the first theories, such as the traits theories, the behavior/contingency models, LMX and path-goal theory, has moved toward the value-based theories as the most advanced at this moment.

**Value-based leadership theories**

Value-based theories are the ´latest´ developments in leadership theory, also referred to as ´modern´ (Bass, 2007) or ´new´ leadership theories (Brymann, 1992; Antonakis et al., 2002). This ´newness´ is relative, as the basis of these theories lies in 1976, when Burns started
with his initial theory on charismatic leadership, which was in turn partially based on the concept of charisma as defined by Weber (1947). Burns combined the charismatic concept with the characteristics (or traits) of modern leaders, based on his biographies of presidents and comparable great leaders. This is also why these theories are categorized as ‘mixed’ theories, versus the first ‘static’ theories, which had static traits as predictors of leadership, and ‘dynamic’ theories, which assumed that only the interaction between leaders and their followers defined the outcome (van Dongen, 2001).

The theory moved from the sheer concept of charisma, as this was perceived as an unattainable static concept, in which nothing can be developed (Bass et al., 2006, p. 3). The concept of charisma was redefined into a sub-dimension of transformational leadership (Bass, 1985; Bass et al., 1993). In that definition, transactional leadership now involves behavioral motives that are based upon contractual, negotiated exchanges between a leader and a follower, exchanging one thing for another, i.e., jobs for votes (Burns, 1978 in Van Dongen, 1997, p. 217; Bass, 1990; Yukl, 1989), whereas transformational leadership involves motivation that derives from the followers’ values being transformed (by the leader) to become more congruent with those of the leader (Bass, 1985, 1998, 1999; House, 1996; House et al., 1994; Podsakoff et al., 1990).

Charismatic and transformational leadership theories have turned out to be the most frequently researched theories over the last fifteen years (Bass et al., 2006; Judge et al., 2004; Nuijten, 2010). Early research demonstrated that transformational leadership was a particular powerful source in military settings (Bass, 1985; Boyd, 1988; Yammarino et al., 1990); however, more recent research has demonstrated that transformational leadership behaviors have been shown to positively impact a wide range of individual and organizational outcomes (Avolio et al., 2002; Hardy et al., 2010) in a variety of contexts, including military (Bass et al., 2003; Dvir et al., 2002), sport (Charbonneau et al., 2001), business (Barling et al., 1996; Jung et al., 2003; Podsakoff et al., 1990; Howell et al., 1993), the public sector (Rafferty et al., 2004), and education (Koh et al., 1995). With the strong emphasis on motivation and information-sharing as the basis for the continued success of modern organizations, leadership has recently been suggested as a key factor for engaging employees (Luthans, 2002) and for creating innovative organizations (Garcia-Moraless et al., 2008).

**Critics on the value based theories**
A point of critique on the value based leadership theories is that they do not make a distinction between positive and negative values as the basis for the leadership behavior. ‘It disregards the need for leader morale, character and ethical conduct’ (Price, 2003). Although
charisma itself is considered “value neutral,” (Barling et al., 2007), it is the ability of transformational leaders to use their influence for either altruistic or self-serving purposes that has brought the need for an ethical component in such leadership models into focus (e.g., Bass et al., 1999; Howell et al., 1992; Conger et al., 1998). Based on these critiques, the theory was refined and the concept of ‘pseudocharismatic’ leaders was introduced to emphasize leaders using their power to influence in an unethical manner (Bass et al., 1999; House et al., 1992). Den Hartog (1997), in response, split her theory into positive and negative inspirational leaders, and Van Dongen developed the concept of ´pseudocharismatic´ leadership (2001) as positive inspirational, disqualifying negative inspirational leaders as exemplary models of a leadership theory. The theory of ´servant leadership´, on the other hand, positions itself as an alternative in the present demand for a more ethical, people-centered and effective leadership style (Clegg et al., 2007), in particular because it introduces an integrated moral component to transformational leadership (Graham, 1991) and puts explicit emphasis on the needs of followers (Patterson, 2003). Furthermore, ´in servant-leadership the ideal of service is embedded in the leader-follower relationship´ (Nuijten, 2010, p. 74). Greenleaf (1977, 1991, 1998, and 2002) emphasized the leader as the person serving the group and individuals and thereby using their power of influence. This change of focus is the element that distinguishes servant leadership theories from ´regular´ value-based leadership theories (Graham, 1991, 1995). Empirical research has shown that servant leaders positively influenced the feeling of autonomy, relatedness and competence of the followers (Nuijten, 2010, p. 169).

**Defining ´Leadership´**

Based on the history of the theories, one thinks it cannot be too difficult to find a common definition. Unfortunately, ´there are almost as many definitions of leadership as there are persons who have attempted to define the concept´ (Stogdill, 1948, p. 259). And here lies a part of the ambiguity of leadership research, which stems from this lack of clarity and the many definitions of the construct itself (Alvesson et al., 2003; Bedeian et al., 2006). One of the reasons for this is that ´leadership´ is a word out of the common vocabulary that has been incorporated into the technical vocabulary of a science discipline without being precisely defined (Janda, 1960). As a consequence, there are many different definitions of leadership. ´Often a two day meeting on leadership has started with a day of argumentation on definition´ (Bass, 2007, p. 15). Rost (1993) found, for instance, 221 definitions of leadership in 587 publications he examined. Leadership has been used to describe everything from the effects of first-level supervisors on subordinates' attitudes to the effects of CEOs on organizational performance (e.g., Eden et al., 1982; Hofmann et al., 2005; Thomas, 1988). Therefore a focused approach has to be taken to come to a definition.
Leadership is an activity in a social setting, both singular as well as group and organizational settings. An organization is in turn a formalized group setting, `which has been established for the pursuit of relative specific objectives on a more or less continuous basis´ (Scott, 1964, p. 488), with boundaries of the in-group versus peripheral group (Hogg, 2001).

Organizations have a purpose that is easier to assess than the purpose of a group. An organization will (should) have goals and have a vision of the future and of their position in that future. Also, the members of the organization are defined by the physical contracts that bind employees to the organization versus the psychological contracts that bind them to groups.

This research focuses on formal leadership in an organizational environment, as this is the type of setting MD programs are designed to work within. As we assumed a leader is a person in a formal leadership role, this bypasses the concept of informal leadership. Though it is true that most leadership relations under research have group settings in their basis, this is not a `conditio sine qua non´ (Hemphill et al., 1957; Rauch et al., 1984; Hogan et al., 1994; Judge et al. 2002; O’Reilly et al., 2010). Also, leaders pursue goals; however, these do not need to be shared goals, as Hemphill et al. (1957, p. 7) stated. This allows leaders to pursue their own, other than accepted goals, which is also my comment toward defining the purpose of leadership to a higher, nobler motivation (Jacobs et al., 1990; Bartram, 2004; Hoskins, 1988; Naisbitt et al., 1990; Podolny et al., 2005). This vision is a mix of what we think leadership `should´ be versus a value neutral definition of the field of study. Choosing the definition with an ethical element included (Hoskins, 1988; Jacobs et al., 1990) would make unethical leadership no leadership at all. Unfortunately, history has shown that unethical leadership can be very effective (Van Dongen, 2001, pp. 82-85). Also, Drucker’s definition, “The only definition of a leader is someone who has followers”, (Drucker, 1998, p. XI), though beautiful in its simplicity, does not explain what leadership has as its purpose. In summary, leadership encompasses interaction between a leader and a led, in order to persuade the latter to pursue the goals of the leader, or in a more rounded sentence: Leadership is to exert a conscious influence on the conduct of others (...) in order to achieve the desired objective (...) (Van Dongen, 1997a, p. 116), or if desired, even shorter: It is the art of making the followers act as the leaders wants them to (Van Dongen, 2001, p. 1).

**Defining ‘Management’**

The formal organization is also the environment in which management activities appear. The areas of activity defined for management typically steer the process of planning, organizing and controlling of resources (Fayol, 1916; Davis, 1942; Urwick, 1952; Unaeze, 2003). When
we see managing resources as the central task of management, then managing the Human Resources (the employees) could be seen as such a task, but only if one defines managing at the entirely rational process (Davis, 1951). In its origin, this rationality was emphasized, as modern management was solely committed to rationally solve the problem of inefficiency (Hamel et al., 2007, p. 12) and did so by organizing and structuring along the lines of rationality and treating all resources involved as such. However, the human resources of an organization, as well as the singular behavior of a person, are only ‘partially rational’ (March et al., 1958). Hence ‘management’ as described above would not interact on equal terms with the ‘irrational’ or not purely rational behavior of humans. Leadership would in that viewpoint fit better with an organic view of an organization, where management relates to a mechanistic view (Terry, 1995).

Management creates a performance-enhancing environment through which they influence the individuals’ behavior. However, it is also stated that the creation of a performance-enhancing structure around ‘clever’ (e.g., high competence, low need for leadership) people, which is an activity that, per above, should be management, is defined as a trait for good leadership (Goffey et al., 2009). This led to the question of how independent management and leadership actually are. The biggest difference between managers and leaders is, according to Straker (2008), the way they motivate the people who work [for] or follow them. ‘Leadership focuses on human interaction, influencing others. Management is more concerned with procedures and results, the process of getting the things done´ (Doctrine Committee Royal Dutch Army, 1996).

The central connection between leadership and management is that both influence people to change their behavior to achieve certain goals. The rationale behind this drive to change can be an optimization-need, a rationalization or other. Both concepts make use of power, although from different sources.

Goffey et al. (2006, page 13) see a clear differentiation between non-hierarchical versus hierarchical leadership. A hierarchical position gives the incumbent positional power (Yukl, 1994). This power can be used to influence people to change situations, irrespective of the ability of the leader. Positional power is built on three sources of power: legitimate, coercive and reward power (Hinkin et al., 1989, table I), the latter of which is amongst others the core of ‘Management by Objectives’, as well as at the core of most performance management systems. This power, derived from the hierarchy, is contrary to the sources of personal power (Yukl, 1994). Personal power has two elements, the expert power and the referent power, where the leader makes the incumbent feel valued through the leader’s behavior.
A combined construct on leadership and management

In this line of thought, leadership indicates the direct steering of people’s behavior, whereas management is more like the institutionalizing of leadership. Management creates structures and processes to steer behaviors (van Dongen, 1997a). These structures reward correct behavior and discourage ‘wrong’ behavior. This is summarized in the view of making management equal to transactional leadership, compared to more modern leadership views (Bartram 2004; Bartram et al., 2006). In that way, one should define management behavior as a way to create a positive outcome as an exchange for changed behavior of the employee, as a transaction of activities (e.g., Straker, 2008; Bartram et al., 2009). This would indicate that management is an extension of the behavioral repertoire modern leaders have from transformational to transactional leadership.

Bartram & Glennon (2009) developed this model further and connected it with the Universal Capability Framework (UCF) (Bartram, 2006), of SHL\(^1\) to connect the leadership styles with the competency framework, which in turn can be psychometrically tested. Senge (1992) underlines this view with his concept of the responsibility of a strategic leader, where he states they have three main tasks. First, they must build a foundation of purpose and core values for the organization. Second, strategic leaders should develop the policies, strategies, and structures that transform the guiding ideas into business initiatives. Third, they must create effective learning processes through which the policies, strategies, and structures can be continuously improved (Jackson, 2000). So one sees that also in this definition of tasks of strategic leaders, Senge (1992) uses both management as well as leadership elements as part of the task spectrum of a leader, which links in with the dyadic model of Bertram and Glennon (2009). For now, this model of the connection between leadership and management is adopted in this study.

Question 1: How do the organizations define leadership and management?

Defining the stage-based development process

There is a vast amount of research accumulated on the modern theories of the transformational-transactional dyad (e.g., Aviolo & Yammarino, 1990; Burns, 1978; Bass

\(^1\) SHL is a UK based company specialized in psychometrics.
1985a, 1985b 1990b, 1997, 1999; Bass et al., 1994; Bass et al., 1987; Bass et al., 2003; Bryman, 1992, 1993; Conger, 1999; Conger et al., 1987, 1990; Den Hartog et al., 1997; Van Dongen, 2001; Pilal et al., 1999; Podsakoff et al., 1996, 1990; Yukl, 2006). The attention has now begun to move from discussions on the theories and their measuring tools toward the content and design of leadership development programs (Avolio et al., 1995; Avolio et al., 1988; Barling et al., 1996; Bass et al., 1990; McCauley et al., 1994). Leadership development is the least explored topic within the field of leadership research and theory (Avolio, 2007; Day et al., 2008), even although it seems to be very much a point of interest. According to a 2006 SHRM survey of Human Resource (HR) leaders, the number one problem for HR directors is identifying and developing the leadership talent needed for the growth and expansion of their respective organizations (Fegley, 2006). In a similar study conducted in 2007, 44% of the organizational leaders surveyed reported increasing the effectiveness of training as being their first or second priority (Industry Report, 2007). Avolio & Luthans (2006), in a review of the leadership intervention literature from the last hundred years, reported only around 100 articles on studies examining the impact of leadership interventions on leadership development. Leadership intervention is considered developmental when a developmental experience is generated through the use of “some form of training, introspection, receiving feedback and exercises to increase the effectiveness of how one leads an individual or group” (Avolio et al. 2010, p. 635). This means that the concept underlying an MD model needs to be built by combining elements of existing theories, as no integrated theory seems available.

Although leadership is viewed as a source of power and competitive advantage in many organizations (Van Knippenberg et al., 2003), there are no general models for the development of leadership skills (Day, 2000; Day et al., 2004; Yukl, 2002; Lord et al., 2005). One reason is that historical and recent treatments of leadership had taken a trait perspective, which is relatively stable; hence, no real need for leadership development arose (Judge et al., 2000; Lord et al., 1986). Another reason is that leadership skills have been thought of in terms of superficial behavioral styles, suggesting that leadership training could be of short duration (Lord et al., 2005). A 2010 research showed that in the last 100 years the average time of leadership development was between one and seven days (Avolio et al., 2009). More recently, the idea has come into vogue that leadership typically involves a more complex mix of behavioral, cognitive, and social skills that may develop at different rates and require different learning experiences (Day et al., 2004; Mumford et al., 2000; Zaccaro et al., 2001).
What is developed during management development?

`Management` has now been defined as a form of leadership and development as `a progression from a simpler or lower to a more advanced, mature, or complex form or stage` (American Heritage Dictionary, 2009). MD focuses on leader development (Lord et al., 2005), which focuses on the development of individual actors, whereas leadership development is a concept, not specifically focusing on the individual’s progress. MD programs provide the opportunity for individuals to develop and enlarge the leader’s portfolio of leadership styles. The leader should be developed to the level that he or she can fluidly choose from a number of styles that move from transactional leadership (if included with managerial skills, the management style) up to transformational leadership. The central concept that allows them to become style-fluid is the authentic leadership concept (Luthans et al., 2003).

There are behavioral (leadership) elements in the management development process, but also knowledge and skills development. A novice leader in the organization has basic knowledge of the functioning of an organization and typically more in-depth knowledge of the respective functional area of expertise. Ensuring that the leader is kept up to date, or at least has the opportunity to keep him- or herself up to date, is part of the MD process. The nuance is small but emphasizes the view that there is strong self-development accountability with the leaders themselves. This will be defined further.

A major debate in MD programs lies in the approach used to transfer the knowledge to the leaders, which differs between the pedagogical or the androgogical approach (Booth et al., 2009). Pedagogical learning involves teacher-directed practices and teacher control of processes. Androgogical learning involves adult learner decision making about the what, how, where, when and why of learning (Knowles, 1990; Knowles et al., 2005). The 1990s theory of transformative learning has gained support for the androgogical practices in learning (Gunlnlaugson, 2007). Transformative learning involves participants becoming more reflective and critical in their practices, being more open to the perspectives of others and also being less defensive and more accepting of new perspectives, concepts and practices (Mezirow, 1997). Under transformative learning, the leader’s frame of reference is challenged in order to consider new ways of acting and being (Mezirow, 2003, 2005). The education and development of adult leaders require the combined efforts of the individual and the organization (Bass, 2007, p. 1063). The development of leaders is to a large extent the responsibility of the leader. “Responsibility for career development must lie with the individual, not the organization” (Brousseau et al., 1996, p. 52). The development of adult leaders is largely a matter of self development, albeit supported by opportunities provided by the organization. Therefore the andragogical approach seems to fit best.
Question 2: Does the organization support the self development responsibility of the individual (andragogical) or place emphasis on a predetermined leadership development track, where the ingredients are defined for the leaders, without their input?

**Development of authentic leaders**

According to Cashman (1988), leadership is an expression of who we are. Thus, to grow as leaders, we need to grow as persons. In order to be an authentic leader, our actions as a leader should reflect closely who we are as a person. Authenticity can be defined as both owning one's personal experiences as well as acting in accordance with one's true self (Harter, 2002). The concept of `Self´ reflects the personality we possess, whereas self-image is the person we think we are. The current concept of authenticity emerged within the last 80 years (Erickson, 1995a) and is contrived from the positive psychology literature (Cameron et al., 2003; Seligman, 2002; Snyder et al., 2002) and the insights from earlier managerial competency models of Boyatzis (1982) (see Lombardo et al., 2000; Whetton et al., 2002). When authenticity is used, the desired followers’ outcomes are heightened levels of trust (Dirks et al., 2002; Jones et al., 1998); engagement, which is defined as “involvement and satisfaction with as well as enthusiasm for work” (Harter et al., 2003, p. 269) and wellbeing (Kahneman et al., 1999; Ryan et al., 2000).

The development model underneath the authentic leadership model indicates that the development of the individual's focus moves from intra-personal through interpersonal, then leadership capabilities and finally business skills (see, for instance, the ´onion´ model of Van Dongen, 2001, p. 3, and the Hogan and Warrenfeltz Domain Model (source: Kaiser et al., 2006)). This concept of changing focus is supported by both the emotional intelligence leadership model of Goleman et al. (2001, 2002) and the managerial competence models (e.g., Boyatzis, 1982; Pedlar et al., 2001, in Booth et al., 2009; Whetton et al., 2002).

Key factors contributing to the development of authentic leadership are to support the creation of a balanced self-awareness and personal insights of the leader (Gardner et al., 2005). Key in this development is to create a greater awareness of the personal values of the leader. Values related to authentic leadership are conceptions of the desirable that guides the behavior (Schwartz, 1999). As such, they provide a basis for decisions to choose actions that are aligned with the needs of other individuals, the organization or the community at large (Lord et al., 2001; Goleman et al., 2001, 2002; Boyatzis, 1982; Pedlar et al., 2001; Whetton et al., 2002).
Company values are also an important aspect of culture and are transmitted by many formal and informal means. Not only do leaders often play an active part in ensuring that the values of organizations are adhered to, for self evaluation of the leader, conformity to the appropriate values is often important. The latter as authentic leaders are also role models with respect to living the values. Also, Lord et al. (2001) maintain that the values that leaders show in their behavior prime the development of specific identities in their followers; in other words, good behavior leads to other good behaviors.

**The values of the leader**

Authenticity means that when one is true to oneself, one acts in accordance with one`s core values (Erickson, 1995A, 1995B). In order to do so, the leader first has to be aware of his or her values (Bennis, 2003; George, 2003). Leaders achieve higher levels of personal growth when they set goals that align with their true values, needs and interests. However, in order to do so and be successful in a company environment, the leaders´ goals need to be aligned with the company's goals, therefore their underlying true values need to be aligned with the company's values.

This is a key argument for using a values-based assessment method to select future high potentials for an organization (Van Dongen et al., 2004, 2005) but also why leaders who are successful in one organizational setting, where their values match the company’s, are successful, whereas when they move to a new company they are not. In this situation, their technical capabilities have not changed, but the comparison of the company values versus their own values did (see Lucier et al., 2007). Methods to assess values are, for instance, psychometrics that provide information on the underlying values of the individual.

A risk by matching leaders´ values too close with the company values can be when the latter have a strong country-specific culture and values. In order to create leaders who are fit for international organizations and their environment, training leaders to adopt and communicate such a specific value pattern may not be appropriate when leaders manage organizations that operate in many cultures.

**Question 3:** Are the values of the leaders assessed to see how well they match the organizations?

**Question 4:** Does the company have values that are skewed to a certain cultural heritage such as the country of the parent company’s origin?
**Pre-emptive and post-emptive matching of values**

Next to a pre-emptive selection of values, one can also use post-emptive value comparison through, for instance, a 360-degree questionnaire, which can give insight on how the leader is perceived by others, e.g., how (s)he is living the values. Many organizations are using such instruments to help their leaders become more authentic by closing the gap between their self-image and their actual self. These instruments are designed to collect information from different sources (or prospectus) about a target manager’s performance. The principal strength of a 360-degree feedback instrument is its use of multiple perspectives. In most cases, the different sources of information (the raters) are the supervisors, peers, and the direct reports of the target manager, although some instruments also allow managers to use internal and or external customers as raters (VanVelsor et al., 1997, p. 12).

What the supervisor, peers, and supporters really think of the leader ‘may sting, but facing the facts can also make you a better manager’ (O’Reilly, 1994, p. 93). ‘The process forces managers to examine the perspectives other people hold of them’ (Chappelow, 2004, p. 63). A number of studies indicate that multi-rater feedback has a positive impact on individuals (Atwater et al., 1995; Avery, 2001; Bernardin et al., 1995; Hazuch et al., 1993; Hegarty, 1974; Johnson et al., 1999; Reilly et al., 1996; Smither et al., 1995; Walker et al., 1999).

Empirical research of the impact of 360-degree feedback has focused on two types of evidence, the first being the degree to which self ratings become more congruent with ratings from others and the second being the degree to which behaviors are changed in useful ways (Chappelow, 2004).

**Question 5:** Are 360-degree tools (or comparable) used in the organization to provide the leader with external feedback on him-/herself?

**Question 6:** Is the 360-degree tool used, with internal assessors only or both with internal and external assessors?

For authentic leaders, the role of a leader becomes part of their self-concept, leader identification (e.g., Brewer et al., 1996; Lord et al., 1999; Gardner et al., 1998). Authentic leaders by definition display high levels of moral integrity (Luthans et al., 2003), which resolves the issue of value-based leaders based on negative values. Also, when a leader is authentic, trustworthiness is a core element of his/her personal identity. This fosters positive relationships with their followers (Gardner et al., 2005). The leaders’ actions must match their words. While followers’ trust is based on the implicit assumption that a leader is honest.
and non-exploitative, credibility is established when the leader´s claims are subsequently confirmed (Gartner et al., 1998). Authentic leaders in this way are role models, as they express group values and aspirations. Such prototypical members are viewed as socially attractive and hence influential for other members. This process of attributing qualities to the authentic leader will predispose group members to assign leadership qualities and, in some cases, charisma to members whose words and deeds reveal a genuine commitment to core values (Hains et al., 1997; Hogg et al., 1998).

**Stages of development of authentic leaders**
The development of authentic leadership has as a starting-point the accumulated life experiences of the leaders (Avolio, 2003, 2005; Luthans et al., 2003). On this basis, new experiences are incorporated and continuously shape the ´self´. In this way, targeted experiences can serve to stimulate positive growth and development (Avolio, 2005; Luthans et al., 2003). These specific learning experiences in life are called ´trigger events´ and serve to provide feedback to the leaders on their authentic self and increase knowledge of their self (Hoyle et al., 1999). Although trigger events have traditionally been viewed as involving crises and negative events, it is now also believed that positive events can likewise trigger leadership development. Examples of trigger events are, for instance, a challenging new opportunity, a voluntary decision to change careers, or an experience in a radically different culture, such as through an expatriate assignment (Gardner et al., 2005; Avolio, 2003, 2005).

**Question 7:** Does the organization use targeted experiences to create trigger events for the leaders?

**Question 8:** How does the organization match the targeted experiences with the development needs of the leader?

According to Quinn (1988) and Dreyfuss et al. (1986), managers and leaders develop themselves in five stages from novice to expert. They considered the intermediate stages between the main stages of development as independent stages. In this study this model is condensed into three stages, which matches the research on the qualitative changes in both process and knowledge as the leaders develop (Anderson, 1987; Ericsson et al., 1994; Glaser et al., 1988; Patel et al., 1991; VanLehn, 1989).

**Stage 1 development activities in the Novice Phase**
The novice learns of facts and rules to be obeyed, so in this phase, primarily a knowledge base needs to be established. For novices, self-directed leadership development involves
developing particular surface structures (Lord et al., 2005), which show visible leadership behavior, which result in perceived leadership by others. Leadership training at novice level therefore has a central behavioral component to teach leaders to exhibit more visibly effective behavioral styles (e.g., Dvir, et al. 2002). Such behavioral skills may be relatively quickly acquired, so that such novice skill training programs often are of only a few days duration.

In practice, the novice leaders initially mimic the leadership they see and, based on the theories offered to them and practices viewed, they devise their own implicit leadership theories. These implicit theories are thought to be acquired by implicit learning processes (Lord et al., 2001), as well as by self-monitoring processes. Self-monitoring refers to the tendency to monitor and change the public appearance of the self that is shown in social settings and in interpersonal relationships (Day et al., 2002).

In order for a novice to develop to the ´intermediate´ level, the novice needs to adopt the knowledge and skills and apply these, ideally in multiple individual situations. Therefore the novice leadership development needs room for safe experimenting in different environments, as they will now attempt to behave in a manner consistent with their own implicit leadership theories, when given leadership opportunities (Lord et al., 1984; Engle et al., 1997), and monitor the outcome to test the theory. This self reflection is essential to development (Ellis et al., 2006).

Knowledge is not just ´created´ but generated and accessed in response to the stimuli (a cue), which are generated by the requirements of a current task (Newell, 1990). This is why there should be a close connection between the situation in which knowledge is gathered and the occurrence of the same cue in a work situation. However, according to Booth and Segon (2009), there seems to be a distinct disconnect between theory and practice in business educations, both in terms of theory relating to and new practice discoveries assisting in the development of new theory (Bennis & O’Toole, 2005; Hoffman, 2004; Pfeffer et al., 2005). This disconnect makes it harder for the novice leader to create congruent implicit theories with matching cues, hence making it harder to actually use the knowledge provided for one’s own development. The translation of the implicit theories into future targeted behaviors involves trial and error; therefore, leadership development interventions need to relate more strongly to the context of business than they do in many cases. In that way the experimenting takes place in an environment with cues related to the future environment of their new behavior (Ready et al., 2003). The concept of combining management practice experiences within a ´school´ learning environment is called action
learning (Tushman et al., 2007) and provides sound platforms to enhance both individual and company-based outcomes. Action learning teams are being used more and more in leadership developmental initiatives (Dotlich et al., 1998; Marsick et al., 1999; Vicere et al., 1998). Typically, under the sponsorship of a senior executive, teams of five to eight managers are working on a novice topic in the organization.

Question 9: Does the organization use action learning initiatives, such as action learning teams, five to eight managers working on a novice topic in the organization under sponsorship of a senior executive team member?

Question 10: How is new theory on leadership and business transferred to leaders in the MD process?

Development of such leadership skills follows a power law with respect to practice. According to Newell et al. (1981), the initial development is steep and plateaus after a certain time. This is particularly true with skills that are closely tied to perceptual processes. These are the processes related to developing the self-identity (Platow et al., 2003). In short, practice makes perfect, albeit the practice needs to be followed by reflection of one’s own activities. This evolves more in the next phase.

Stage 2: Development activities in the Intermediate stage

After combining the implicit theory with ample experiments that serve as experiences and trigger events, the novice leader can develop toward the second stage and start to pay attention to understanding the basic norms and values underlying the leadership situations. Values are trans-situational and normative standards for behavior and evaluation (Schwartz, 1992). By now the intermediate leader recognizes his/her own competence as a leader, the complexity of the task and a larger set of cues, which he/she can relate to situations. In this stage, calculated risks are starting to be taken, as the pure reliance on rules begins to disappear. The rules are replaced by an understanding of the values behind the rules and rational analysis of situations is replaced by an unconscious, fluid and effortless flow (Gardner et al., 2005).

With experience, intermediate-level leaders have developed skills that are ‘knowledge-rich’ rather than ‘knowledge-lean’, as in the previous phase. This means that the leaders recognize appropriate responses in familiar environments faster and more effectively. The familiar situations are recognized based on the previously described ‘cues’ (VanLehn, 1989). Leaders with intermediate-level skills would not only have more refined behavioral skills that
are easier to use, they would also be better at matching these skills to situational demands (Kozlowski et al., 1999).

In order to create more cues for the intermediate leader, a critical factor in their knowledge development is personal experience in relevant task environments, which broadly means experience with specific tasks, individuals, teams, or cultures (Lord et al., 2005). These experiences need to relate strongly to the work, or even be a part of the development track at work (Mintzberg, 2004a; 2004b). Also, as this phase defines identities for the leader, as well as further forming of the self image, this phase needs to incorporate greater reflection on practice (Gosling et al., 2004a; 2004b).

Question 11: Does the use of reflective tools change over the development phases of the leader?

**Stage 3: Development activities in the Expert stage**

Finally, in the expert stage the leader uses a holistic recognition based on a full understanding of the situation. The leader has an intuitive grasp of the situation and can change strategies as cues change.

With increasing the hierarchical level in organizations, the time required for managerial actions to have visible effects and the core elements in the feedback-loop increase (Jaques, 1989). This means that often the situation which called for the behavior, is not known anymore when the effect becomes known. In addition, the visions held by leaders may take many years to implement. Consequently, at higher organizational levels, it is much more difficult to learn from feedback because the cycle time is quite long. Thus, as certain information and learning would not be made available through the traditional feedback loops, in this phase it again becomes needed to transfer knowledge. This knowledge transfer relates to aspects of expert level leadership such as business occurrences (both good and bad), as well as deliberate practices by exemplary leaders (Ericsson et al., 1994). This can have elements like business ethics, or even learning from occurrences in other companies that took years to emerge, such as the Enron debacle or behavioral causes of the economic depression, etc.

The development process has by now created deep structures, contrary to the previous surface structure, which include the personal image of the self-identity and the individual’s core values. This is an important source of flexibility in leadership skills, in part because when one knows the ‘outer limits’ of one’s own actions, it is easier to act within these boundaries, using different actions, styles or identity concepts within the core value structure.
Also at expert level, the knowledge is now no longer attached to cues, but organized around general principles. This leads to different understandings than those based on the more superficial knowledge of novices, which tends to be organized around surface features (e.g., Glaser et al., 1988; Chi et al., 1981; Day et al., 1992).

Another important aspect of deeper leadership structures is that they likely develop an increased focus on changing others, rather than only themselves. Thus, while the development of surface leadership skills may involve leader-relevant direct visible changes, expert level leadership may involve knowledge and principles relating to developing behavioral and self-regulatory skills in others. In order to be able to develop leadership knowledge and skills in others, leaders must have clearly organized behavioral repertoires as well as self-regulatory skills, in addition to strong social and emotional skills (Lord et al., 2005).

**Question 12:** Do leaders at the expert level receive knowledge transfer at their level, related to their business, which shows the long term effect of decisions?

**Question 13:** Are leaders at the expert level encouraged to act as coach/mentor for junior talents?

**Development activities supporting self knowledge and reflection**

Knowing oneself involves more than simple awareness of one's thoughts, values and motives. As the literature on emotional intelligence suggests (Goleman, 1995; Boyatzis & McKee, 2002; Salovey et al., 1990, 2002), self-knowledge also encompasses awareness of one's emotions as well as understanding the causes and effects of such emotions on cognitive processes of decision-making and how they change over time (George, 2005; Salovey et al., 1990, 2002). In particular, transformational leaders are deemed to possess higher levels of emotional intelligence and thereby the ability to display individualized considerations, which is one of the cornerstones of transformational leadership (Ashkanasy et al., 2000, 2002).

The concept of reflection and self-awareness has been a key feature of both the emotional intelligence movement in leadership and management (Caruso et al., 2004; Goleman et al., 2001; 2002; Mayer et al., 2002; Salovey et al., 1990) as well as the broader debate on executive development in terms of intra-personal capability (Drucker, 2005; Gosling et al., 2004a, 2004b; Kaplan, 2002; Torbert et al., 1992). Authentic leaders experience heightened levels of self-awareness, and that increasing self-awareness is a core element of the

Question 14: Are the candidates tested on their intellectual abilities, both IQ and EQ levels?

**Quantity and quality of knowledge transfer through the development phases**

In this chapter, a condensed overview has been given of the literature on both leadership and management and a combined model for the two elements of leadership has been posited, as well as a suggested method for developing leaders, based on the staged development of authentic leaders.

Of these elements, on the one hand, the needed behavioral changes for an individual leader to develop from a novice to expert level leader have been described. On the other hand, the moments to add knowledge to the development of the individual have also been described. The knowledge described mostly related to knowledge on leadership, but equally defined knowledge on organizations and business in general. In the below figure you see how the three sources of knowledge vary depending on the phases of development of the leader.

![Figure 1: A graphic overview of different sorts of knowledge transfer in the different phases.](image)

In figure 1 you see that at the start of the career of the leader, external leadership knowledge is a first priority. External leadership knowledge refers to examples of leadership behaviors from third parties, such as theories on leadership, examples of great leaders, etc. During the
period of development from novice to expert, such generalized theoretical leadership needs decrease, whereas individualized leadership-feedback need increases. This lack of actual leadership experiences as part of the education is the reason why in the initial phase of the development of leaders there is still a great need for theoretical knowledge on leadership, as well as the possibility to practice newly acquired leadership skills and implicit theories. The reason for this is that very few primary educations (for the sake of argument, this is seen as a university level education) actually prepare people for leadership positions, instead of turning them into ´starting level academics´. The academies that do, are typically restricted to Armed Forces academies, police academies and sometimes firefighting academies. University-based educations and equally so MBAs prepare their students on the theoretical level of managing organizations from the managerial (transactional) perspective, which has been a decade old complaint on the mismatch of academic education vs. the need for business leaders in practice. As summarized by Booth et al. (2009), the past practices in management education need to be reviewed with a view to improved capabilities in graduating students (Cornuel, 2005; Gosling et al., 2004a; Grey, 2004; Grey et al., 1996; Hawawini, 2005; Pfeffer et al., 2002, 2003) . The debate has led to challenges to traditional curriculum design and teaching practices (Conger et al., 2000; Thomas, 2007; Wankel et al., 2002). It has also prompted vigorous discussion in the literature on the issue of continued relevance of the Master of Business Administration (MBA) as a pre-eminent program in executive development (Barnett, 2005; Clegg et al., 2003; Miles, 2005; Mintzberg, 2004a; Tyson, 2005) . Though these debates are important, for our purpose they merely underline the existence of the leadership and business knowledge buildup, per figure 1. As the leader develops, the need for external leadership direction finally dissipates.

During this development, the need for business knowledge follows a reciprocal course to the need for leadership knowledge. A novice leader comes with a wealth of theoretical (management) knowledge from his/her academic education, with very little practical insight into applicability of the theoretical models. As the leader gains experience over time, he creates for himself a new cadre in which management theories can be fitted. When the employee moves up in the organization (Jacques, 1989), the cycle time of the feedback that can be derived from the consequences of the own actions increases, therefore the employee needs to learn business lessons from external examples. An illustration of these changes can be found in the setup of the modern management development programs offered by some major European business schools (London business school, INSEAD, IMD). Also here you will see throughout the individual courses, going from junior to more senior level courses, that the contents on business in the initial courses are very detailed and the skill level focused whereas the senior level courses are more generic, learning from practical examples
and case studies. On leader development, one finds the opposite. Junior level executive education courses typically have few or no leadership elements. For instance, in the General Management courses (intermediate level), you will find with major business schools that almost 25% of the entire executive program is focused around leadership, feedback, coaching or similar activities, which serves as a common thread throughout their educations (Catalogues 2011 of LDP; London Business School, the AMP; INSEAD and the AEDP; IMD). There are Junior-level leadership training courses on the market, but these typically do not take place within a business environment, but more within training organizations, who then provide the leader with a safe environment to experiment with new leadership behaviors.

The last line in the figure is the feedback line. The feedback that needs to be offered not only increases over time, but also changes in the type of feedback needed in the respective phase. The increase in quantity has a plateau phase at the intermediate level, and then goes up again. Also the method of providing feedback changes throughout the development phases of the employee. In the initial phases, the feedback comes from direct confrontation with the consequences of one’s own actions, both from employees as well as from those observing the leader in action. In the intermediate level, the feedback starts to become an instrument. The instruments brought to the leader are, for instance, 360-degree feedback tools, performance appraisals, etc. At the expert level the feedback is more in the form of coaching, as the coaches can also show the future effects of current behavior through their own experience, as the leader will probably not be confronted with the effects of their current behavior for some time.

These characteristics of the knowledge developments should therefore also be present in the respective MD programs and should be investigated in the practices on MD in the respective company’s MD programs.

Question 15: Does the source and sort of knowledge offered to the leaders change over time, according to the model?

Defining the organizational prerequisites of an MD method

Next to the method of MD, the organization in which it is embedded also needs to provide certain conditions in order to optimize the leadership development process. At first the talent has to be defined and made explicit in such a way that people can be assessed based on this definition; second, a company has to measure both the development and the performance and provide developmental support through the embedding of coaching and
mentoring, providing of developmental assignments and the active creation and support of informal networks amongst talents. Finally the ownership of the MD process is discussed.

**Defining high Potentials**

Management development is usually linked to the high potential employees. In 46% of companies, the MD process focuses on high potentials for development, and 32% have the management development process open to all employees (Hewitt, 2010, p. 14). This exclusive (Delbridge et al., 2006) versus inclusive (Bones, cited in Warren, 2006, p. 14) approach is a choice to make for each MD process. This thesis is based on the exclusive approach, based on an assessable definition of Talent, contrary to the inclusive approach, where the process remains open to all employees. With this choice, it needs to be defined what is included in the model, so what are ‘high potential employees’, as these are the primary focus of management development processes (Colaco-Osario et al. (CIPD), 2010)?

`Developing talents means going beyond platitudes like people are our most important asset to investing time and hard resources in making sure the employees are both competent and committed` (Ulrich et al., 2005, pp. 75-76)--and not only competent and committed in the future, but also compared to the profile of talents; in other words, one needs to secure the MD investments reach the right people (Ulrich et al., 2005).

In the model of MD for high potentials, two concepts are used in literature: ‘Talent’ and ‘High potentials’. ‘Talent’ is the same concept as ‘high potential’, be it based on UK literature or US literature. Depending on where certain quotes in this thesis originate, you will find both words used.

A high potential refers to a native aptitude for some special kind of work and implies a relatively quick and easy acquisition of a particular skill within a domain (sphere of activity or knowledge) (Encyclopedia Britannica, 2010). A high potential is a person with the ability, the aspiration and the engagement to use his/her talents in a corporate setting (CLC, 2005, p.X). Therefore, MD programs should focus on selection and development of competent and committed employees who have the skills they need for today and tomorrow and are committed to the organization and deploy those skills regularly and predictably (Ulrich, 2005).

A method to define the High potentials is to think in terms of what the potentials have the potential for. In the traditional approach the ability to be promoted (vertical Potential) is chosen as means of measure. High potentials are in that perspective generically defined at three levels (Van Dongen et al., 2004, 2009; Charan, 2005). The levels are the Professionals; Potentials or promotables; and the High potentials, people with the
potential for rapid, or near term growth, into increasingly higher levels of leadership (2 levels up, or more; Van Dongen et al., 2009). Other generic names for the three levels are Local talent, Regional talent and Global talent (Van Dongen et al., 2004; Charan, 2005). In this study, when the term ‘potential’ is used, it will always refer to “high potential”.

According to a 2006 survey of the UK-based Chartered Institute of People and Development (CIPD), 51% of all companies under review reported they had undertaken substantial talent management activities, though only 20% of the respondents had a formal definition of Talent (CIPD 2006, p. 3). In relating to this research, one should not be too optimistic to find pre-eminent and clearly measurable definitions of talent. However, when the definition is not clear, the entire process is based on an assumption which, for sake of argument, can equally be entirely wrong.

Question 16: Do companies define talent in their organization and if so, how do they define it?

Question 17: Do companies see different categories of talent, and if so what are these?

Assuming the employee has the skills, aspiration and engagement to strive for a career in the respective company; this still is not a clearly defined talent ‘model’. The traditional form of looking at talent is the method in which we define talents as those people who aspire to reach the top in the organization. These are vertical talents, talents that pursue their career to obtain a C level seat, so either the CEO or one level below. The positions one step below the CEO are typically leading Global functions or business units (Araoz, 2007; Charan, 2005). Next to such vertical talent, there is ‘deep talent’, which are employees who have deeply specialized knowledge in their field. These positions are most likely found either in the R&D area or in professional services companies (consultancy), where the talents are specifically nurtured for their expertise and can have a substantial career as a specialist. PriceWaterhouseCoopers in 1999, for instance, had the category of ‘thought leaders’ to characterize ‘deep talents’. In such companies, the Chief Technologist, thought leader, or head R&D typically comes from ‘within the ranks’; therefore deep talents can also move into a vertical career on top of their deep functional knowledge, but this is, contrary to the vertical talent, no requirement to be grouped into this talent category.

Question 18: Do companies recognize different concepts of talent?
**Defining indicators of potential**

Indicators for potential are factors that, when present, increase the likelihood that individuals will prove themselves as talented employees, according to the chosen definitions. The following elements are such indicators.

**Cognitive abilities**

As the development potential and the `stretch` of this potential are the key denominators for talent, it is essential to find what influences this ability. In many researches it has been found that the one key denominator of development ability is the intelligence factor. The relative importance of EQ versus IQ is still a concept under discussion, but not whether the two elements are important (e.g., Araoz, 2007; Goleman, 1995).

A critical quality in leaders may be their sensitivity to the emotions of others. The capacity to perceive and respond to the emotions in others, emotional empathy, has recently been shown to be a strong predictor of leadership emergence (Kellett et al., 2002).

**Gathered life experiences**

The importance of the life experiences that occur pre-company is discussed (Hall et al., 2004) in a longitudinal study of leadership at West Point (US Military Academy). They found that cadets who had more social and leadership experience in high school had higher initial leadership performance at West Point and reached their plateau less rapidly, which indicated a greater readiness to master complex leadership skills. In this light, should a company recruit leaders or candidates for the MD program directly from the university/with little or no relevant work experience, it makes sense in an interview to go into the previous gathered life experiences. In HR the `over the thumb` rule of five years back is used. What kind of extracurricular (ideally leadership) activities did the employee undertake prior to joining the company?

Though earlier life experiences are the rock bottom on which the self-identity is built, this self, as described, is built combining the `basis` with new experiences, the so-called “trigger events”. Therefore it seems obvious that an inventory of such life experiences should take place in order to decide whether a candidate should enter the management development to the high potentials. And, if we look at leadership education at the basic level, such as takes place at military academies, police academies, etc., then the inventory of the life experiences is a substantial cost of the selection interview. For the management development track of high potentials in international organizations, we assume that people cannot enter this track at level zero but need to have moved some steps in the organization in order to be allowed to
enter the MD track for high potentials. As for the experiences and the proof of leadership, the actions of the employees in their younger years in the company are more compelling evidence of leadership potential than the life experiences before starting with the company. Therefore in this research, this element is not included.

Therefore no question is asked relating to previous life experiences before the working life. This encompasses the assumptions that MD processes in principle will not take candidates on board with less than five years’ work experience, either inside or outside of the company, which does need to be questioned.

Question 19: At what organizational or experience level can employees enter the MD process?

**Engagement with the company**

Though talents can be seen as a ‘gift’ irrespective of the organizational environment, in case of an MD program, this is of little use. The program is geared toward ‘delivery’ of better leaders in the different levels of the organization; therefore, one would not want to invest time and money in developmental activities of individuals who show a low commitment to the company in the first place. In order to nurture this engagement it is key that the organization finds what rewards their workers most, as this creates sustained commitment of the talents (Ulrich, 2005).

Hewitt (2010, p. 11) states that more than half of the respondents in a 2010 career survey (55%) reported career development and pay as a reward strategy are equally important to employees in today's challenging economic environment (n=192). The combination of those two statements therefore emphasizes that talents that developed successfully can be rewarded by more development opportunities. Especially, it seems generation X and Y employees tend to be motivated by factors other than solely financial ones (Hewitt, 2010, p. 11).

Question 20: Does the company measure the individual engagement of the talent?

Question 21: Are individual and generational differences taken into account when rewarding the talent in the organization?
**Self-development drive**

Another factor is the motivation to develop leadership capability, which is defined as “the desire to develop or improve leadership skills and attributes through effort” (Maurer et al., 2005, p. 5; Reichard et al., 2011). Not only has it been shown to be related to learning and completion of formal training (Baldwin et al., 1991), but motivation to develop has also been shown to be a significant, unique predictor of both development activity (Noe et al., 1993) and participation in leader development activities such as leadership training (Maurer et al., 2005).

A leader with high motivation to develop expends large amounts of energy on development and persists in the face of failure. Reichard (2006) found that motivation to develop leadership was the best predictor of the quality of leader development self-set goals in terms of challenge and specificity. By first selecting those leaders with a propensity to self-develop (Boyce et al., 2010; Cortina et al., 2003; Cortina et al., 2004), the organization is preparing for successful implementation of leader self-development as an organizational strategy. Therefore, selection criteria should be based on those stable traits that increase the leader’s propensity to become an effective self-developer.

**Question 22:** Does the company measure the drive to (self) develop of the leaders?

**Measuring of performance and development goals**

The leader has two levels of goals. The first level is the normal goals, which are related to specific performance benchmarks one seeks to accomplish as part of one’s everyday behavior (Emmons, 1986). The other goals, or super-ordinate goals, are articulated as an idealized vision to develop their self-view toward a possible self (Lord & Brown, 2001, 2004; Lord et al., 1999). This ‘possible self’ is the self that authentic leaders wish to attain. To do so, authentic leaders seek to anchor their self-views and do so by constantly seeking to understand and verify their authentic self (Swann et al., 2004). Through continuous feedback they can identify any discrepancies between the current self-view and their idealized possible self and change their self perception.

Also, targeted opportunities to develop leadership skills may require proactive steps by a potential leader (self directed), or by the organization (external directed), making the leader’s own motivation and interest in leadership a critical requirement for leadership development (Chan et al., 2001). To sustain interest for the months and years required to develop and practice complex leadership skills, it is also clear that the leadership role needs to become
part of one’s self-identity (Hall et al., 2005) in order to be able to develop enough engagement for the ‘long and winding road’ of the development track.

Question 23: Do talents have development goals as well as performance goals, and are both goals seen as comparably important?

Question 24: What happens if a talent underperforms on one of these types of goals?

Question 25: Is the individual’s motivation for (self)development assessed?

Creation of informal networks throughout the organization

There is a growing insight that individuals do not rely solely on single mentors or their current boss for development. Rather, they have a network or constellations of relationships that they rely on for developmental assistance or support (Higgens, 2000; Higgens et al., 2001; Kram, 1985; McCauley et al., 1993). Managers report receiving more mentoring when their direct mentor is their direct supervisor than when (s)he is not (Burke et al., 1997; Fagensen-Eland et al., 1997). Given the changing context of work, long term relationships for development are becoming more unattainable and connections with a wider array of colleagues more probable (Eby, 1997; Higgens et al., 2001).

Only reflection can create a balanced self-image. This reflection is also served by informal networking events amongst leaders, as leaders learn by talking about leadership with other leaders in an informal, non-evaluative setting. (Day et.al. 2004). Some organizations have therefore created networks for women managers, or for particular ethnic or racial groups (Barclay, 1992; Morisson et al., 1993). Although the need for leaders to actively network has been long recognized (Kotter, 1982; Luthans, 1988), relatively little attention has been given to the potential of networking as a means of leadership development. With management development, considerable emphasis has been placed on mentor–mentee relationships (Kram, 1985; Kram et al., 1985); however, recent research findings suggest that individuals might be more prone to think in terms of multiple, less intense relationships, which can be conceptualized as a network of sponsors (Higgins et al., 2001; Seibert et al., 2001).

Question 26: Does the company actively promote informal networks and network meeting amongst leadership peers?

Leader self-development is most effective when the leader is provided strong social support, especially from significant others, peers, and family members. For example, finding and
working with a mentor, including peer mentors, can aid in a leader's development (Reichard et al., 2011). Finally, while social support can be considered in terms of one-on-one relationships, it may be useful to think of social linkages as encompassing a system or network of support that may potentially be helpful to leadership development processes. Leaders must understand their role within social networks in order to strengthen existing relationships and establish new connections between individuals, groups, and other entities (Sidle et al., 2003). In the three phases, but most prominently in stage 2 and still strong in stage 3, coaches can serve to help the developing leader to the development track. As these coaches will probably serve as role models (Hoyle et al., 1999) for the developing leaders, it is key that their behavior is also exemplary. Therefore, if using internal coaches, these should represent talents themselves, if they need to serve as a role model for other talents.

**Embedding coaching and mentoring**

In a 2001 research involving over 8000 leaders, it was found that leader development relationships that were grounded in feedback and relationship were rated as more beneficial to the development (CLC survey, in: McCauley et al., 2004). McShulskis (1996) found that nine out of ten employees who receive mentoring report that it is an effective developmental tool. Receiving support from a mentor is associated with higher performance rating, more recognition, greater compensation, more career opportunities and more promotions (Burke et al.; 1997, Chao, 1997; Dreher et al., 1990; Fagenson, 1989; Orpen, 1995; Scandure, 1992; Turban et al., 1994; Whitley et al., 1991).

These cognitive changes are assimilated in the emerging identity as a leader. They involve a shift from normative definitions of leadership to a contextually dependent definition of leadership.

**Question 27:** Do the stimuli offered to the leaders by the organization or the MD process differ in the different stages of leader development?

**Question 28:** Are feedback loops (e.g., 360-degree, combined with coaching sessions) used in the leaders’ development, in order to confront the leaders about the effect of their actions on others?

**Question 29:** Does the company actively set up monitoring and coaching relationships, does it propagate that leaders seek their own mentors or coaches, or leave this entirely open?
Question 30: If internal coaches used, are these themselves part of the ‘talent’ population?

Providing developmental assignments
In most organizations the ideal candidate for a position is someone who already has the skills to do the job and can hit the ground running, not one for whom the assignment is developmental (Ohlott, 2004, p. 154). As an example, Clark and Lyness (1991) found that Citicorp placed managers in positions for which they were 60-70% ‘ready’ so as to promote their learning. In Kodak, not only the business targets of a department are important to achieve for a business unit manager, but also the development needs of the individual managers (Kodak, 2002).

Question 31: Are line managers made responsible for the achievement of development goals of their subordinates?

Research into what makes a job developmental has identified five broad sources of challenge related to learning (McCauley et al., 1994, 1999). The extent to which a job is developmental is person-specific, which means it depends on how similar the new job is to previous jobs (p. 156). A job is likely to be less developmental if there are few new elements in the job (Davies et al., 1984; McCauley et al. 1989; Nicholson et al., 1988) or little increase in the amount of discretion the manager has to define the job (Brett, 1984; Nicholson et al., 1988).

The key element in a developmental job assignment is challenge. By tackling unfamiliar tasks and seeing the consequences of their actions, people learn from the challenges in their assignment. The CCL (McCauley et al., 2004) sees five indicators of challenge, the first of which is the job transition, especially when this includes changes in level, function or employer;, a vast increase in the scope of the assignment; or moving from a line job to a staff job. The second is the creation of change, as these require a leader to perform numerous actions and make decisions in the face of uncertainty. This creates feedback on the self identity. Third, there should be high levels of responsibility, as this has greater breadth, visibility and complexity; these too expose the individual to pressure and high stakes decisions. Fourth is managing boundaries, which means exposure to situations where they must work across lateral boundaries. Finally, there is dealing with diversity, not only in the domestic workforce, but also in the demands of operating in the Global arena (Ohlott, 2004, p. 154)
Question 32: Does the company measure the development potential of jobs, and if so, how is this done?

Question 33: Is the developmental potential of a job matched with the developmental need of the employee?

**MD as part of professional HR practices**

Several studies found that companies with effective HRM practices and programs have better financial performance (e.g., Becker et al., 1998; Bowen et al., 2004; Huselid et al., 1997; Richard et al., 2001; Park et al., 2003). Through the use of good HR practices it is possible to have a more competent and committed workforce, which in turn provides a source of sustainable competitive advantage (Singh, 2003) and talent. This is not standard, as despite the evidence that HRM programs can improve financial performance, many fail to achieve the potential benefits (Bassi et al., 2007; Pfeffer, 2005). One reason is that some top executives still regard human resources as a cost rather than an asset and they view HR functions as a low level staff responsibility that can be outsourced or minimized (Yukl et al., 2009).

Historically, the HR department managed the functions that no one else wanted or could perform. From recruiting to orienting new employees to writing job descriptions to tracking attendance to instituting and monitoring policies and benefits, an HR generalist was needed to assist senior management in both establishing a structure and holding down administration costs. Changing titles from Personnel Manager to HR Manager to People Manager to Talent Officer does not change what organizations need from professionals in these roles (Vona, 2010). In words of Ulrich, HR must give direction or give notice (Ulrich, 1997).

The importance of HR management systems for improving the quality of leadership has not been clearly acknowledged in much of the leadership literature. Most leadership theories focus on the skills and actions of the individual leader without considering the organizational processes by which leaders are selected, trained and developed. The quality of top executives who are promoted from within the organization is highly dependent on programs and practices involving leadership development, performance appraisal, succession planning and executive selection (Yukl et al., 2009).

In order to provide a professional developmental process, it is recommended that this is brought under the responsibility of HR for the process management, and under line
management for the support of the process. In order to be(come) successful in this effort, HR must also look into their own functional mirror, as there is clearly insufficient knowledge on the topic at hand. One example is that though in much of recent literature on strategic HR, talented employees are viewed as a source of competitive advantage and a way to improve the bottom line result (Hatch et al. 2004; Hitt et al., 2002), most HR leaders are spending less than 25% of their time preparing for the workforce of the future, and few organizations believe that HR has the skills required to manage a diverse and global workforce (CIPD, 2004).

This does not seem aligned with the importance of the topic, both for the company as well as for the function, to profile itself more strongly. Also, on the organizational side there is not sole support for having HR in the role of owner of one of the most key value delivering processes in the company: MD. “The belief persists that for top HR roles, organizations need to bring in someone from outside HR to run it. HR leaders are viewed as incapable of bringing innovation to HR or lacking the competencies to drive decisions and organizational change. This is neither best practice, nor commonly practiced” (Vona, 2010, p 5). Cappelli et al. (2010) found that the typical HR leader had more than 15 years of functional HR experience. Although some organizations may transition leaders from different functional areas (e.g., Finance), it is not the norm. Nor is it the norm that HR persons make a move outside of the function that would be able to give them additional credibility. In summary, the organization needs from HR “vision, drive, data-driven insight, and excellent execution skills—in short, transformational leadership” (Vona, 2010, p 5). It seems that though the owner of the MD process should help talents develop their authentic leadership to allow them to move into transformational styles, this is what is missing in HR itself.

This would also reflect on the MD program. When HR itself is under-represented in the MD population, this could create with the other talents a potential confirmation of their implicit opinion that HR is not a part of the strategic architecture of the company. Unfortunately, as the current talents in the MD process are the future leaders in the company, that impression could manifest itself again in the future as the opinion of the business leaders.

One way out of this dilemma is that HR talents should move through the same track as the other talents. This also implies that if the ‘regular’ talents receive cross functional assignments to increase their management breadth, the HR talents should, as well. Per Vona (2010), this seldom happens. A representative percentage of HR talent in the talent pool is therefore the first step. The second is that HR leaders should also absorb cross functional assignments to increase their business breadth and enable them to create
stronger networks in the company as well as a deeper understanding of the issues their ‘clients’ face.

Question 34: Is the HR representation in the talent pool (%) comparable with the percentage of HR managers versus the total population of managers (above the level that provide access to the talent pool)?

Question 35: Do the top HR people in your organization come out of HR or from business or finance?

Question 36: Do the talents in the talent pool receive X-functional exposure?

Question 37: Do the HR talents receive X-functional exposure?

Question 38: Who owns the Management Development process? Who manages it on a day-to-day basis?

Question 39: Are the people responsible for the MD process talents themselves?

Should HR miss out on the current window of opportunity, this is more than a pity; it could become a lost chance, as Vona (2010, p 5) states that “there has never been a more exciting time to advance the HR profession and brand while seeking the valued seat at the proverbial “C” suite table. The HR profession has evolved from the early relationship between master craftsperson and apprentice to the modern world of workforce optimization, with technology-based learning, benefit and retirement planning, and investment portfolio management. HR has come of age and clearly deserves its executive committee membership.” But this is only true if they prove worthy.

Finally, as HRM programs and practices are unlikely to be effective unless they are consistent with the firm’s competitive strategy (Yukl et al., 2009), it is key that when HR is set up professionally the HR programs will have a clear link-in with the strategic processes. Thereby the added value of HR can be proven.

The elements of the method of MD

Researchers and practitioners in leader development have increasingly emphasized contextualized development strategies, such as the use of developmental assignments, on-the-job learning, coaching and mentoring relationships, and action learning assignments.
(Day, 2000; Ohlott, 2004; VanVelsor et al., 2004). The MD ´experience´ encompasses more than merely the MD elements. It also encompasses organizational conditions to optimize the development, which cannot be simply ´defined´ as an element of the MD process. The MD process does not function in perfect isolation; it is embedded in a strategic concept for the future and has to have a clear and strong owner in the company to drive this important process. Also, a number of organizational prerequisites must be met.

Based on the literature review, the following elements of MD programs have now been established:

- The value match between the company and the employee is assessed.
- The individual candidate is assessed on the presence of the indicators of potential.
- Both developmental targets as well as performance targets are set, and these are followed up in a performance and development management process that has a clear periodicity between their evaluation moments.
- Knowledge and skills transfer is adjusted and offered relative to the level of leadership development.
- Developmental assignments are offered based on the development need of the individual and the company needs.
- Tools are provided to fill the need for reflection of the talent, such as internal or external coaches, reflection tools, etc.
- Selected challenging assignments relative to the development stage are offered, which provide trigger experiences.
- Periodically benchmarks of the assessed talent level are made; underperformers are sorted out.

These elements will be combined into a method, which in turn will be compared with the managerial practices of management development in international companies, based on the questions posited in this article. Before this happens the stakeholder panel of HR professionals will give their practical input into the theoretical assumptions made in this study. This enables the study to import tacit knowledge of a senior stakeholder population.

**Conclusion**

Combining the theories with empirical data can lead to a more coherent overview of the field of MD. One should wonder how ´new´ such a view actually is. This also in light of the fact that funds allocated to development are huge. In the US only, in 2000, already $50 billion was allocated to Management and leadership training in general, and in 2005, $15 billion was allocated to MD specific training (Training, 2000, 2005). When such numbers are
combined with the opinion of SR HR leaders, who stated in a 2006 survey that the foremost problem of HR is identifying and developing leadership talent for growth and expansion of their respective organizations (Fegley, 2006), one would expect that huge amounts of work had been done in defining concise theories and modeling in the area of MD. However, as Avolio et al. (2006) already stated, systematic investigations on leadership development and theories on that topic are rare.

This literature review shows there is a lot of fragmented work. By combining this with the tacit knowledge of the ‘problem owners’ and bridging the fragmented elements, a more concise model is possible, which is what the research of which this article strives to contribute to.

But even after that is done, still larger areas of study lay open that need research urgently. Where this study will define an overall practical and workable method, each element needs in turn to be subjected to follow-up research that should review improvement possibilities, based on measurable effects of interventions. As the business wants return on investment data of the work of HR, MD activities and processes should also be reviewed in that way. The study of Avolio et al. (2010) after Return on Development Investment (RODI) is one of the first in that field, which shows that even though a topic is a source for concern for almost all major companies and a vast source of cost, it has not yet matured to the level where hard figures can be used to prove its worth. That again shows an area where HR, when it wants to continuously propagate this area, should put forth much effort, in order to really partner with the business in this area.

With this theoretical analysis and the drawing out of questions to set up or evaluate models, this should provide a next step in that effort, but by no means has this research area reached the end of the development itself, let alone the end of insights in Management Development.
Chapter II: Empirical research I; creating the integrated method

Introduction
In this chapter the rationale is laid out behind the choice of methods that lead to the creation of the method of MD. This method will be reviewed through an empirical research, after which the method can be concluded upon. Around that chosen method, the second empirical study, namely the assessment of managerial practices in international companies, will be defined.

Method discussions on research setup

Qualitative versus quantitative
There are two major methodic approaches, quantitative and qualitative. The qualitative method investigates the why and how of decision making and seeks meaning behind the actions. It seeks to define phenomena and their relationships. Quantitative research in turn refers to the systematic empirical investigation of quantitative properties of phenomena and their relationships. It researches on a detailed level the relationships underneath factors.

A fitting metaphone of the quantitative method is the microscope, through which a small part of a larger organism can be studied in detail, however without adding much insight at the holistic level of the organism. Examples of quantitative leadership research that focus on areas of leadership are, for instance, the review of the effect of the need for leadership of the employee to explain effectiveness in transformational leadership (De Vries, 1997, 1998); the search for substitutes for leadership (Kerr et al., 1978); effect of gender on transformational leadership (Barbuto et al., 2009); effect of culture on leadership style effectiveness (Xenikou et al., (2006); effect of self-confidence on leadership effectiveness (De Cremer et al., 2003); effects of strategy implementation on transformational leadership (O’Reilly et al., 2010); etc.

A quantitative researcher attempts to fragment and limit phenomena into measurable or common categories that can afterwards be applied to all of the subjects or to a wider but similar situation (Winter, 2000). Opposite to the upside of being able to create a sometimes literally mathematical modeled environment, the downside is that by focusing on the small elements, the relationship or the added knowledge on a holistic level, on the paradigm as a whole, can get lost. In contrast to the microscope metaphor, the lantern metaphor envisions the qualitative research as it helps “shed light in dark corners” (Shank, 2002, p. 11). This image characterizes qualitative researchers as discoverers and reconcilers of meaning.
where no meaning has been clearly understood before (Ospina, 2004). The lantern metaphor within qualitative research represents an approach known as ‘interpretivism’ (Crotty, 1998; Denzin et al., 2000).

Historically, the field of leadership studies is dominated by quantitative researches. In the 1990s, of the 188 articles of ‘Leadership Quarterly’, the leading magazine on social sciences research on leadership, around 66% were quantitative, whereas only 33% qualitative (Bass, 2007, p. 75). This can be explained by the historical dominance of quantitative methods in the fields of social sciences, which have been used to research the phenomena of leadership (House et al., 1996; Parry, 1998; Podsakoff, 1994). This dominance was based on the ideas of Popper (1935), who stated that deduction was the only correct way to move ahead in social sciences. It was the principal idea to work not so much with concepts of truth, but work with hypotheses, which in turn the scientist had to try to falsify instead of prove. As long as science was not able to falsify the thesis, it would be held upright. Based on this thesis, follow up-ideas could be built (De Vries, 1985).

One downside of this method was that the development in advanced statistical tools, as well as the limits on computation power, has also been a hindrance for further development of the quantitative method (De Vries, 1985). Bass stated that, at Ohio State, in the 1960s they spent a whole course just learning how to wire up machines to calculate sums of cross products, sums of squares and so on. To do a factor analysis took six months. (Hooijberg et al., 2000). Bass wrote in his final handbook on leadership that according to his opinion, the direction of future of leadership research is mostly directed through the insights new statistical methods will bring and what new light this will shed on previous research (Bass, 2007, pp. 1169-1183). Another downside is that it is assumed the interrelations of the other elements are known and it assumes ceteris paribus; that the non-described elements remain stable. However in the field of study, as will be shown, this cannot be assumed. When the environmental conditions cannot be controlled, or their influence is not known and hence cannot be described, focusing on a detail does not necessarily add to the knowledge of reality.

Modern leadership theories, and therefore also the theories on development of modern leadership, place great importance on giving meaning to a situation such as, for instance, in the case of the use of the concept of ‘inspiration’, based on Max Weber’s original concept of charisma. Charisma is a form of social influencing, where many more factors, other than the idiosyncratic factor ‘charisma’, are of importance. If charisma was the only factor of importance that defines the effectiveness of charismatic leaders, one would only need to
measure this to predict success of leaders, for instance, when choosing a new CEO. If the CEO-to-be had a high level of charisma, this person would be a sure choice to fill the vacancy. Research suggests differently, as the amount of successions with external successors for CEO positions has increased, and also the CEO turnover itself has increased, caused by an unsuccessful tenure in the role (Lucier et al., 2007). The chosen successors were highly effective in their previous roles, hence, in line with the charismatic leadership concept, had charisma. However, even though leaders were successful in their past in similar positions, it was often proved, when they moved to a new position, that they were no longer successful. Obviously charisma, as well as leadership, is a social construct where effectiveness lies between the leadership and the needs of the social situation in which the individual is placed. There is something like a leadership-need-fit. “An executive’s performance depends on both her personal competencies and the capabilities, such as systems and processes of the organization she works for” (Groysberg et al., 2004, p. 2). Parry (1998) underlines this when he states that quantitative methods become insufficient to theorize successfully about the nature of leadership, when this is understood as a social influence process. Also ‘management of meaning’ has become an important dimension of leadership (Calás et al., 1991; Yukl, 1999). Generally, quantitative research “…supported by the positivist or scientific paradigm leads us to regard the world as made up of observable, measurable facts” (Glesne et al., 1992, p. 6). The assumptions that “social facts have an objective reality” and “variables can…be identified and relationships measured” (p.7) is problematic. Neo-charismatic scholars view charisma more like a social phenomenon that requires in-depth examination of context and actors over time. Contemporary approaches view leadership as a meaning making process in communities of practice (Drath, 2001) or as a set of functions and relationships distributed rather than concentrated around a single individual (Pearse et al., 2002). In line with this thought, Conger (1998) argues that quantitative research alone cannot produce a good understanding of leadership, given “the extreme and enduring complexity of the leadership phenomenon itself” (p. 108).

Therefore, when a viewpoint is chosen for holistic understanding, empirical testing of assumptions is not the ideal choice. Ospina (2004) wrote, that Bass (2003, in personal communication with her) stated that more and more efforts to triangulate quantitative and qualitative research emerged, to increase confidence in both. Perry (2011, p314) stated that “The complimentarity of the two methods is just as simple as it is beautifull”. Though Parry (1998) agrees, he also reports that so far, pure qualitative research has received very little attention in the field. Conger (1998) and Bryman (2003) confirm that qualitative research continues to be underutilized in the field.
Conclusions on research method

Concluding from this argumentative reasoning, examining a topic such as development of leadership and management, where little or no concise framework of theories exists, can only take place by keeping the interdependencies of the paradigms in place. A more holistic research that aims toward creating understanding of the interdependencies and relations between the theories that come from different paradigms leads toward a qualitative research design. Shank (2002) defines qualitative research as “a form of systematic empirical inquiry into meaning” (p. 5). By systematic he means planned, ordered and public, following rules agreed upon by members of the qualitative research community. By empirical, he means that this type of inquiry is grounded in the world of experience. Inquiry into meaning indicates that researchers need to try to understand how others make sense of their experience (Jones, 2004). Denzin and Lincoln (2000) state that “this means that qualitative researchers study things in their natural settings, attempting to make sense of, or to interpret, phenomena in terms of the meanings people bring to them” (p. 3).

One of the advantages of studying a leadership-related topic (such as development of leadership--ed.) through qualitative research is, amongst others, the flexibility to follow unexpected ideas during research and exploratory processes (Conger, 1998; Bryman et. al., 1988; Alvesson, 1996).

In short, this study, which follows the qualitative method, would lead to the definition of a method, based on a combined research of theory as described in the previous chapter. The theoretical elements that seem to fit in the overall process can later be assessed using empirical data. Thereby this research does not ‘test’ existing assumptions; it de-facto creates them and compares these assumptions with ‘reality’ or empirical data. The adding-on of experience to the theoretical concept either confirms the assumptions or adds to the theory, correcting the assumptions to make them more robust. When the assumptions are stable enough to withstand that, it can be assumed that the defined method is robust. The elements can now be fixed, defined and placed in sequence. Once this sequence is established and confirmed, it can be referred to as a structure, a fundamental, tangible or intangible notion referring to the recognition, observation, nature, and permanence of patterns and relationships of entities (Pullen, 2000). This study will end at this point. In follow-up research, the method can be fragmented and the elements researched through the quantitative microscope. When the relations between the elements withstand the quantitative scrutiny, they underline the initial assumption. The method can now be redefined in the form of a model.
In this study we limit ourselves to defining the theory and the method based on it. Therefore the outcome can still be relatively generically valid. Once the move is made from a method to a model, it is expected this model needs to be defined in great detail, and therefore be made much more specific, as it will be expected to have a large dependency on organizational or environmental factors, such as cultural backgrounds and characteristics of the organization.

**Choice of method used**

The choice of what method is used depends largely on the purpose of the research (Christensen et al., 2003, 2004). For this research, MD in international companies is seen as a process, a sequence of actions or operations conducting to an end, or a continuous action, operation, or series of changes taking place in a definite manner (Brittanica, 2011). This process has as output the developed leaders that are ready to fulfil future roles. The previously defined theory-based integrated concept can be turned into a method and serve both as a validation toward existing MD processes, as well as a guide, or a roadmap, for companies that do not have a well-established MD process in place and seek to develop one.

Finally, as stated before, there is the need for an alternative method to review the concept of talent. How could the method used by the MD departments to determine who has a higher potential in the organization be second guessed by a more data driven approach? If a data driven tool could be developed, which would also be able to depict the talents on these two axes, but instead of social science argumentation, make use of data that follows from the business, this could be a highly useful concept to validate the relative positioning process within MD.

In summary, this research serves three purposes:

1. The research serves to create explicit knowledge based on analysis of explicit theories as well as tacit knowledge and theories hidden amongst knowledge bearers in the organizations and combine these into a body of theory.
2. The research serves to create a theoretically robust process of management development of high potentials in international companies, which can serve as a useful process for international companies to use as a backbone for setting up their management development process internally, or for companies with an established MD process to use as a form of audit tool.
3. Finally, it will be reviewed whether it is possible to come up with an indicator that maps out talents in the company, based on company internal financial data, instead of the psychometrics or other, more subjective, data.
Topic number one is reached through a combination of existing research and personal experiences and assumptions, which will be subjected to the assessment of a stakeholder group. Most of the existing research is based on quantitative analysis of micro aspects of the management development process. In order to be able to combine the fragmented theories, additional assumptions and definitions are needed. These will be made based on personal experience and opinion, as described in the previous chapter. In order to increase their validity, these choices will be put forward to a stakeholder panel of Human Resources professionals for their opinion. As these are the future ´users´ of the MD process and/or the audit tool that is developed based on that process, these are the stakeholders that will provide the first empirical assessment of the process.

Topic number two is researched in multiple steps. In the first step the theories, knowledge, experiences and opinions of the researcher and the stakeholder panel are combined in a method. After this phase it needs to be matched with real-life situations. This is done through a matching with managerial practices of MD in a number of selected international companies. This will take place in an iterative process, in which input of one company can lead to augmentations, which are then used as the input to review the MD in the next company.

On topic number three a totally new approach needs to be developed, which most likely needs to be reviewed by simulations of data sets, as no empirical compensation data is expected to be available.

Through this method, the final design is based on multiple methods, which increases the validity of the final outcome. Certain elements of this study will therefore be qualitative in nature and are designed to create either new theories or new insights and potential combinations of theories that thus far might have been implicitly created in practice (tacit knowledge), but were never published in literature. Second, certain elements will be made visible through quantitative methods, such as through descriptive statistics and basic relationships between opinions of the responses of the stakeholders´ panel.

The research setup

The best way to match the process with the practice of international companies is through the case study method, as this allows expanding and generalizing theories by combining the existing theoretical knowledge with new empirical insights (Yin, 2003). Case studies are especially helpful for discovery, description, mapping and relationship building, but they may also be used for theory testing, refutation, refining (Gummesson, 2005; Hillebrand, et al.,
2001; Johnston et al., 1999; Tsoukas, 1989; Voss et al., 2002; Woodside et al., 2003; Yin, 1994), illustration (Otley et al., 1998; Siggelkow, 2007), classification, hypothesis development (Bensabat et al., 1987; Tellis, 1997b), prediction (Woodside et al., 2003) and identification of further research needs (Halinen et al., 2005; Siggelkow, 2007; Simon et al., 1996, Vissak (2010). As this research is aimed at mapping relationships, confronting theory with empirical data, refining them in an iterative approach and illustrating them with practical examples, the case study process seems exceptionally well suited for this research. The use of the case study method allows for review of the Management Development process in its natural settings (e.g., Bensabat et al., 1987; Dubois et al., 2002; Ghauri, 2004; Johnston et al., 1999; Lindgreen, 2001; Perren et al., 2004; Yin, 2003)).

The study is therefore setup in accordance with the case study method (Yin, 2003).

![Case Study setup](image)

**Figure 1: Case Study setup (Yin 2003, in Sagan, 2011, p. 63)**

Though in this setup, the element to develop the theory is only a singular element in this figure of Yin (2003), however in this research it is represented by multiple elements. The triangulation technique of including an additional data source and extra technique of data gathering is used.

This creates the following setup:
In the figure you see the block ‘defined MD process’, which includes all the previous steps and thereby provides a more detailed version of Yin’s (2003) element of ‘develop Theory’. Also this research has two iterative loops, whereas Yin only depicted one such loops in his process.

Finally, the choice to use multiple methods of data collection (quantitative through surveys and the use of an expert panel and qualitative through the case study method) also improves the quality of the research, as it allows comparison of the outcomes of different methods. This reduces possible biases that singular methods can have, such as respondent bias in case of interviews, and it provides additional information that increases the validity for the results of the research. This in turn can lead to new questions for further research (Eisenhardt et al., 2007; Ghauri, 2004; Hurmerinta-Peltomäki et al., 2006; Johnston et al., 1999; Tellis, 1997). This is especially useful if the phenomenon is complex, process oriented, and interactive (Gilmore et al., 1996), which management development for high potentials in international companies is expected to be.

**Phase I: Scoping study to create the integrated method**

In the first part of the research, the definition of the theoretical body, a combination is made of existing research findings and my personal (empirical) experiences and opinions. Along the way, the logics of other theories and data-sources are combined and through the method of analytic induction, an initial body of theory is created.
The creation of the MD process results from a scoping exercise. Scoping Studies are devices by which the scope and aim of a proposed study are investigated. Traditionally, the scoping study uses a mix of literature review with a particular purpose of uncovering previous systematic reviews in the field under study, and stakeholder consultation (Booth et al., 2003).

In this case this will mean that, based on the literature, a number of assumptions are made, related to the MD process. These assumptions, reflected in the 44 questions postulated in chapter I, will be corrected or augmented based on research and data of stakeholders. In the case of this research, based on the inductive analysis, a body of theory is created. Through logical deduction, a number of questions derive from that theory. These questions and statements are put forth to the selected group of stakeholders who form the stakeholder panel. Based on their comments, the final MD process is drawn up in an illustrative model, and an audit tool is set up.

The stakeholders’ consultation will take place through the use of three surveys that are provided to a selected group of senior HR professionals to give their input on theoretic choices and validate this with their opinions. These participants are seen as stakeholders, as they not only have the expertise on the subject but are also the potential future users of an integrated process and related tools. This also leads to increasing the validity of the study by including more informants/respondents from different firms (Eisenhardt et al., 2007; Palakshappa et al., 2006). The selection of the panel is through purposive sampling, which predefines the level of the panel, as certain experiences and seniority of both the individual as well as the organization are prerequisites for joining the panel. This panel will be the final scoping and selection tool for the use of assumptions and definitions in the process.

In defining the analytic method used in the second part of the first phase, one can see the gathering of information in two ways. In the first option one could see this phase as gathering information from a large group of people and seeking for trends and basing the new theories on that, which would lead to the concept of analytic induction. However this would be incorrect, as in principle the process, created in the first phase through analytic deduction, is put forth to the panel and their opinion is asked on that process and its underlying assumptions only. In that way the interaction does not seek to review the breadth of their experience. It seeks to find additional information (both confirmative as well as deviating) to augment the pre-fabricated process. Therefore though the method seems inductive at first sight, it is in fact the creation of the final process through deduction of the opinions and experiences of the panel, related to the process.
Phase II: Conceptual design of the Talent Indicator
The talent indicator is an effort to design a second means to position talents relative to one another. For this research this concept serves as a supportive element toward the main goal. The concept is based around the need to find a second source of relative positioning information. The first source will come from the formal MD process, managed by HR, which is the regular way in which companies position talents in a 9-box. The other positioning data source is being generated by the concept of the Talent indicator, which uses Long Term reward data, as in companies the suggestions for Long Term grants are typically given by the line managers, who use this as a retention tool for their perceived talents. This would allow a comparison of the perceptions of the line managers versus the perceptions in the MD-group, which is the group that holds the talent discussions at the corporate level. This would define the potential axis, whereas the performance axis is depicted though the use of base compensated data. Both data sources need to be standardized, so international comparisons can be made.

Phase III: Assessment of managerial practices in international companies
After the scoping study is closed off, a second empirical research process will be set up. This process will be the assessment of the practices of Management Development, as Global companies exercise these with the predefined process. After each encounter, the process will in turn be reviewed and if need be augmented. Each company comparison will be a business-case, according to the case study method. Such case examples can help to bridge the gap between academia and industry (Simon et al., 1996).

The case study method follows the principle of analytic induction, which allows for modification of concepts and relationships between concepts as a continuous process throughout the action of doing research. Analytic induction tests as well as generated theory and all data available must be used to test hypotheses (Ratcliff, 2001, p. 2). The goal of this second empirical data gathering is to define the most accurate representation of the reality of the situation, in this study the MD Process. These changes in process and theory are allowed, according to Znaniecki, as the reality they represent is also constantly changing (Znaniecki, 1934, in Ratcliff, 2001, p. 1). The emphasis in analytic induction is on the holistic construct. In the end, research synthesis encompasses a process of theory development and creation of a holistic interpretation (Kirkevold, 1997, cited in Raholm et al., 2002, p. 5).

The amount of case studies is disputed amongst scientists. Some authors and reviewers suggest increasing the number of cases (Eisenhardt et al., 2007) from the same or different
countries or industries. Still, once a pattern emerges, each new case adds to the data at a diminishing rate (Stuart et al., 2002). Theoretical saturation is reached when incremental learning is minimal because the researchers are observing phenomena seen before (Glaser et al., 1967). The number of cases with which the final process is confronted is set between four and six cases, depending on the suitability and availability of companies that are prepared to serve as an empirical ‘case’.

The choice of the case study method as central method in this thesis also defines the use of data sources. “Social science publishing is considerably more fragmented than (...) some other (eds.) scientific disciplines, where peer-reviewed journal literature is the norm” (Young et al., 2002, p. 222). Case study data can be collected from multiple levels, perspectives (Gummesson, 2006; Leonard-Barton, 1990) and sources (Dubois et al., 2002; Ghauri, 2004; Johnston et al., 1999; Nieto et al., 2000; Simon et al., 1996; Tellis, 1997a; Yin, 1994), such as, for instance business papers, journals, annual reports, archival records, and the case companies’ homepages. In the case study phase, the grey literature involved is sourced from the respective company, such as annual reports, but also process descriptions, etc.

**The selection of managerial practices**

Global companies are selected by matching them to the following criteria:

- In order to represent a global company, the organization under review needs to have a presence in more than 20 countries and a presence on three continents.
- In order to be comparable to the other companies as well as having the capital to invest in a Global MD program, the balance sheet should show a revenue of more then 1 Bio Euro.
- In order to allow the companies the time to build a Global MD, the company should exist more than five years.
- To enable the creation and growth of a talent pool, a company should have an employee population of 5000 or more, a number which is allowed to include contractors.
- Each company is targeted through an information oriented selection process (Denzin et al., 2011, p. 307), where the company under review is targeted as paradigmatic cases. To increase the probability of finding such a paradigmatic case, at least three of the five cases will be Global top 500 companies, as depicted in the Financial Times (FT) Top 500 of 2011 (FT, June 2011)

The end of the research, the conclusion on the face validity of the process, based on the (mis)matches with the practical process, will lead to either upholding the process or conclude
that the process in its current shape and form cannot be upheld. The latter will then encompass suggestions for improvement on the process for further research.

Empirical research I: Scoping study to create the integrated method

The first element to discuss in setting up a stakeholder panel is the amount of respondents, as this largely defines the usability of the data. In quantitative analysis the calculation of the adequate size of a sample is relatively straightforward, as the sample size is based on the statistical power and the confidence intervals (Guest, 2006). Translating this in a similar way to define the sample size for field experiments is virtually impossible (Bernard, 1995, p. 94; Trotter et al., 1998, p. 703).

The qualitative concept that defines adequate sample size is the theoretic saturation, which describes the point in research at which adding a new respondent to the sample size does not change the outcome of the research. The problem with theoretical saturation is that this happens after the research has been done, whereas guidelines for research proposals typically require you to define your sample size prior to starting the research (Cheek, 2000). Patton (2002), for example, outlined sixteen types of sample sizes, based on the purpose of the research, but all had as a common element that participants are selected according to predetermined criteria relevant to a particular research objective. Guest et al. (2006, pp. 61-62) found seven sources that provided guidelines for actual sample sizes (Bernard, 2000; Bertaux, 1981; Morse, 1994; Creswell, 1998; Kuzel; 1992). As the objective rationale underlying the individual’s argumentation seemed thin, this did not justify the large spread, which ranges from five to a few hundred interviews, depending on the type of qualitative analysis. Romney et al. (1986) and Graves (2002) provided more concrete recommendations.

Amount of respondents needed

One of the theories that underlie the taking of a clearer position toward the correct sample size is the consensus theory (Romney et. al., 1986). This theory states that experts tend to agree more with each other with respect to their particular domain of expertise than those who do not possess such knowledge or expertise on the subject. They found that small samples can be quite sufficient in providing complete and accurate information within a particular context, as long as the participants possess a certain degree of expertise about the domain of inquiry (Romney et. al., 1986, p. 326). This consensus theory uses structured questions and deals with (primarily) knowledge and (secondarily) experience and perceptions. There are three assumptions underlying the theory: The first one is that “an external truth” exists in the domain being studied. There is a certain form of reality that
individuals experience. This relates to this research of MD systems, as the main research question is based on the assumption that one underlying theory, one form of reality on management development would exist. The second and third assumptions are that respondents reply independently of one another and that the questions asked relate to the coherent domain of knowledge. If these elements occur, Romney et al. (1986, p. 326) calculates that samples as small as four individuals can render extremely accurate information with a high confidence level (0.999).

For this phase the following rationale is set up with respect to the panel’s target size:

1. The criteria for the selection of those to join the panel are predetermined (Patton, 2002).

2. Of the population that forms the stakeholder panel, each individually has at least more than 10 years of cumulative Human Resources and management experience. Hence there is a large amount of homogeneous knowledge relating to the theoretical basis on the topic.

3. The method to question is predetermined. In order to ensure the replies to the singular questions relate to the parent domain of knowledge, each question will be preceded by a short introduction to the field of study. This serves as a lens to focus the panel members and serves as a basis for a sharing of opinions on the theories presented to them.

4. In addition to questions that referred to their intrinsic knowledge, also their experiences, in relation to the provided section of knowledge, are being questioned.

5. Finally, in order to enhance the chance to find either new or different insights and experiences, the chosen population represents a large geographic spread. This increases the inclusion of different cultures and potential exposures to the field of study.

As Guest et al. (2006, p. 60) already stated, it was striking to find in their review that the literature that defined theoretical saturation as the gold standard by which sample sizes were determined "did a poor job of making this theory operational". As Morse (1995, p. 147) stated, "Saturation is the key to excellent qualitative work, but there are no published guidelines or tests of adequacy for estimating the sample size required to reach saturation". This research’s choice of sample size has to be seen in that light. The above-mentioned ‘1’ and ‘2’ justify a small population size of around five respondents. As not only knowledge was questioned but also experience, which is less focused, hence loads less to the consensus theory, this size expands slightly, which would justify a sample size between five
and 10. When combining this with the cultural diversity inside the sample size, this would justify a panel size between 10 and 20.

As discussed before, next to the consensus theory, there are a number of theorists who have put forward different numbers of participants in a stakeholder panel, especially when relating to the creation of new theory. For this purpose the grounded theory approach would be the correct way forward, for which Morse (1994, p. 225) recommended 30 to 50 participants and Creswell (1998) between 20 and 30. The use of the stakeholder panel is much more in finding if the concepts of the study are supported by the future practitioners of this model, and if the questions are set up in such a way that the answers are actually useable to rate a company, e.g., create enough ‘spread’. If we compare this with the theories of Morse (1999), Creswell (1998), Romney et al. (1986) and Graves (2002), with the above-mentioned rationale, we can find that a population around 20 to 30 would seem to have adequate theoretical coverage.

**The selection of the panel members**

The selection was made, based on an invitation-only based population, of a total of 43 senior HR executives out of the personal network of the editor. For this population, the selection criteria such as seniority, experience in human resources, etc., were chosen by the researcher himself.

The results of the invitation were that of the 43 people invited through the personal network, 35 chose to participate (79%), three declined due to time restraints, and seven did not return a reply to the invitation or the reminder.

One participant voluntarily stopped as he found his background inadequate to reply in a constructive way to the questions posed. His input was removed at his request, which led to a final panel size of 34.

**Analysis of the panel data**

First, the characteristics of the panel members will be described; next, the descriptive statistics will be displayed and interpreted to answer the respective questions. The questions are directly related to the underlying research questions, which were defined in the literature research chapter. Based on their responses, the theoretical choices can be augmented if needed, after which the management development method can be defined and the scoping phase of this research closed off. All references to ‘figures’ or tables can be found in appendix B, Survey Data. They were left out of the text to increase readability.
Characteristics of the members

The panel consists of 34 respondents with 10 different nationalities, of which six individuals currently work in a different country than their nationality represents (See figure 1). They represent large numbers of employees within the companies they represent. The companies are split into two major groups, 32.4% with a headcount below 5000, and 55.9% with 10,000 or more employees (See figure 2). When calculating a weighted average of employees, the individual panel member works in a company with 11,250 employees, indicating that jointly these organizations encompass 337,500 employees. The number of employees directly functionally managed by the HR panel members are 126,250 employees.

The length of the total work experience varies, with 79.4% ranging above 15 years (See figure 3). The HR experience of the panel members was in 47.1% of the cases above 15 years, with 26.5% over 20 years of HR experience (See figure 4). None had a combined experience below 10.

As can be deduced from the amount of experience, the population is relatively senior, with 79.4% of the stakeholder panel aged 40 years or above (See figure 5) The spread between male and female was 41.1% Female and 58.9 % Male (See figure 6). They represent various industries, with manufacturing slightly overrepresented (See figure 7).

The panel holds more senior HR positions than junior, with 50% either VP HR or Global head of HR, and only 29.4% below the level or Senior Business Partner (See figure 8).

Results stakeholder panel survey I

In the next paragraph the clusters of questions that were asked during survey I are analyzed.

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2 The levels were described as follows:

1. HR manager; heading a group of HR professionals with responsibility for a part of an entity, such as a function within a larger country or a small country
2. HR business partner/HR Director; head of HR of a unit, typically restricted to a larger country or a relative simple multi-country entity
3. Sr. HR business partner/Sr HR Director/ head of HR for a complicated unit that is part of a business unit/multi country entity
4. Head of HR/VP HR, head of HR of the entire complicated business unit, spanning a geography or a global functional expertise
5. Global Head HR; final responsibility for a company
**Definition of talent**

This question had three elements. The first one was a forced choice, based on talent or high potential. The second element was what the difference in the personal perspective was between talent and high potential, and the third element was what other elements were used to describe talents.

Talent is, with 61.8%, still the most frequently used concept according to the panel (See figure 9). When describing the difference between the two concepts, the main difference according to 44.1% is seen that high potential is seen as more specific than Talent: 5%. 9% has the exact reversed opinion, whereas 50% do not see a difference at all (See figure 10).

When coding the answers on the definition of talents used in the companies the panel members worked in, it was found that these definitions defined talent in mainly two large clusters, namely those who define talents purely based on their developmental potential, and mixed models that measured both talent as well as performance. As per figure 11, 38.2% used the word talent only to describe development ability, 29.4% mixed talent and performance in their definition, and 32.4% did not have an adequate definition, according to their own words (See figure 11).

When asked if they used other forms of talent, the concept of deep talent was confirmed by 8.8%. Also the idea that high potentials ARE high performance was brought up by 14.3%. The no-replies (76.5%) included those respondents who did not check ‘other’ in the questions on definitions, as this is needed to open the free-text box, combined with three respondents who did choose ‘other’ but did not provide additional content (See figure 12).

The combination of performance and potential (talent) is from a pragmatic perspective well understood. However, theoretically these are independent concepts. For a company it is by these results more obvious that they ‘do not care so much’ about the ‘theoretical’ concept of talent, but prefer the practical version, where deliverables are the measure of talent. However, if a company does not adequately define what ‘talent’ in their MD processes encompasses, it will become difficult to align the departments that assess talents and steer their development activities and local line managers, when there is no guidance toward what the company actually seeks and wishes to develop in the MD process.

**Matching the values of the talents with those of the company**

For this question, it was asked if respondents could relate back to the last 10 years of their experience. This is the reason the scale was chosen, instead of a dichotomy (yes/no). In the
overview you see that, in the last 10 years of their experience, 48.5% saw the use of this measure in 50% or less of the companies they worked in. The other 51.5% saw it in the majority of the companies they worked in. This shows that it is a balanced case; therefore this element remains a valid topic to inquire as it does differentiate amongst companies (See Figure 13).

**Intellectual capabilities**

Testing for intellectual capabilities through IQ is widely used, as confirmed by 58.1%. Emotional intelligence is also quite well accepted, as 41.9% of the respondents stated they used it in more than 50% of the companies they had worked for (See figures 14 and 15). When looking into these two different measures, there is a strong interdependence between the use of the two sorts of tests (Chi-square= 52.9, P< 0.001). Where the correlation lies at 0.78 (P<0.001) (Spearman, 2-tailed). In other words, when the IQ is tested, there is a 59% chance that the emotional intelligence is also captured in a test (See figure 16). This shows that capabilities are seen as a broader concept, not merely as the traditional measure of IQ, which would facilitate accepting of ‘softer’ concepts such as authenticity and transformational leaders, as these were expected to have higher levels of social/emotional awareness.

**Use of reflective tools**

Though this is a question where a high positive response was anticipated, this was not the case. In 74.2% of the respondents a 360-degree tool was used in less than 50% of all the companies they worked in. In 25.8% it was even never used. This is a serious finding, as performance appraisals that include 360-degree feedback assessments provide target leaders a foundation on which they can set developmental goals (Atwater et al., 1998; Brutus et al., 1999; Yammarino et al., 1997). When no information on the external perception of a self is given to talents, the chance that their development goals are misaligned with real needs increases. This could lead to emphasizing the wrong capabilities in the leaders. Without providing leaders with an external image, the forming of authenticity cannot be adequately supported (See figure 17). This is a topic of concern, as this would impact the quality of the output of the MD process.

**Entry level into the MD process**

Most companies have a system that regulates the entrance in the MD process. A total of 26.5% used an organizational level in the organization to define at what level individuals can enter the MD system, whereas 29.4% have a process, though not linked to a level. In 14.7% the defined system was purely based on subjective assessments or other unstructured
methods, while 29.4% did not provide a system at all. This leaves around 44.1% of the companies without a clearly defined structure, or based on objective measures. This remains, therefore, an area that needs review in the audit of the international companies (See figure 18).

**Methods of assessment**
Additional questions were asked relating to a potential mix of methods of assessment. The question targeted a review of the specific combination of tools. This serves to validate the choices of grades between certain assessment tool choices; as part of the MD audit tool, it was asked what combination of measurement tools they would feel is the best way to measure `talent`. In this case a number of combinations of tools found both in literature as well as in practice was presented.

**Competencies for the future**
The methodology of competencies for the future received high support (80% rated `good` or higher). The method seems a good one, as this would allow the talents to be measured versus the competencies that the company needs in order to accomplish its future potential. As discussed in the literature chapter, the big issue is what the future holds for companies. Companies have great issues projecting further ahead than one or two years, let alone 5 to 10 or 20 years, which is the horizon to look at when developing talents. So, in relation to that fact, how are companies defining their future competencies, when unable to define their own future with any certainty (See figure 19)?

**Comparison with current executives’ competencies**
The second element is how far the method works to develop the talents toward the current senior executive competencies and the intellectual ability (headroom) to develop toward these competencies. In this case 74.6% rated this measure as `good` or higher. The issue here is that when developing the talents toward the current requirements of the senior executives, once the talents become senior executives, chances are significant that the competencies they have been selected for are not the competencies the company is in need of anymore (See figure 20).

**Comparison with values of the company**
The distinction between the previous question and the next (company values and headroom) seems to be semantics, but it is not. Values are long term stable, whereas competencies are not. Therefore one would expect more support for company values and headroom, but this is not the case, though the percentage support looking at a `good` or better rating seems
almost the same (73.3%). The spread is totally different. In case of the values, almost half (43%) rated this option as ´good´, with 20% rating ´above average´ and 10 % rating as ´excellent´, whereas in the previous methodical worst method, 19.4% rated ´good´, but 38.7% rated above average and 16% even rated excellent. This is also visible in the descriptive statistics, where the question on senior level competencies has a skewness of -0.3; describing a left skewness. The middle value is above average, so the volume of the measures lie on the right (the ´tail´ lies on the left, hence left skewed), whereas the question relating to company values receives a skewness of 0.5, e.g. right skewed, and the mode lies at ´good´, with the tail going to the right (See Figure 21).

**Behaviors of the past predict those in future**

The next method is exploring a person´s past experience and successes and uses these to predict the future capabilities. In all it is visible that this is a method still supported by the HR practice, as 67.7% of the panel rated this method ´good´ or above (See figure 22).

Amongst other the behavior-rated interviewing and others are based on this method. The method is not without flaws, however. If the past behavior is a good indicator for future behavior, then it would be difficult to explain, for instance, the large amount of CEO turnover as the 2007 study from Booz Allen showed (Lucier et al., 2007). Their behavior in the past was extremely successful, which is why the CEOs in this study were selected to head the new companies. If behavior in the past is the only indicator for behavior in future, then why was their ´future behavior´ not successful at all? The answer probably lies in the specific situational elements that created a successful mix between a leader and the organizational need. Therefore this method is as strong as the in-depth and open assessments of the organizational leadership needs are.

**Decision style analysis**

The decision style method is, amongst others, part of the method that Korn Ferry and Egon Zehnder, two of the top three Global Executive Headhunters use in their assessment of talents (see, for instance Brousseau et al., 2006; MacPhail et al., 2005; Michaelis, 2008; Tilman et al., 2004). Interesting is that the method used by professional assessors of talent is less well supported by the HR practice, with 41.9% rating it ´below average´ (See figure 23). In this case, though, the empirical evidence put forward by the executive search companies is too compelling to merely brush away by majority of voice. The issue remains that a leader needs to fit the company and its culture, but the data, as stated above does seem to point out that this tool, as one of the tools to assess the talents, is worth looking into by the HR population.
Use of combined interview and references

Finally, we discuss the method, in my assumption, best known and most used in the interview, combined with references, given out by the candidates themselves. This is in 68.1% of the panel members rated with ‘good’ or above rating (see figure 24). This is interesting in the light that interviews have on average a predictive validity of 0.62 (structured, non competency based) or 0.9 (competency based, structured, versus unstructured interviews a validity of 0.31), whereas the employee named references only have a validity of 0.13 (Anderson et al., 1993; McClelland, 1998). Therefore, backing for professional competency based interviewing would be expected, but not by employee named references (See figure 24).

Results stakeholder panel survey 2

In Survey 2, the response was 32, compared to 34 in the first survey.

Definition of leadership

The definition of Van Dongen (1997) was shared by 68% of respondents (See figure 2.1). Of those that did not agree (n=10), five mixed the definition of leadership with a qualitative definition of leadership by including positive values, role-modeling, etc. The definition is the basis upon which the how of leadership is built, which implies elements such as strategic aspects (mentioned by three respondents), values and own exemplary behavior (mentioned by five respondents).

Finally, two respondents state that one can also be leading without doing so consciously (as one can change the behavior of others without trying to do so consciously). In my definition this is influencing, but leading is a focussed activity and hence is done consciously. Therefore the comments are all valid in their own rights, but do not impact the chosen definition of leadership.

Knowledge of leadership theories within HR and their use in practice

Knowledge on leadership theories was asked as a self assessment, where all the theories scored relatively high on this element, with an average of 59.75% of all participants knowing the concepts generally well. This is in line with the concept of the consensus theory (Romney et al., 1986). The next question asked was how often the panel members saw the theories in practice in the companies they worked in. Interesting enough, almost no theory was used in ‘generic practice’ of the companies the panel members worked in. Generic practice means
that the respondents state that the theory was used in 50% or more of the companies they worked in, in the last five years. The only outlier here was the situational leadership theory, arguably the theory with the weakest scientific basis (see Blank et al., 1988; Blank et al., 1990 and Noriha et al., 2003). According to the panel members, this situational leadership theory is used in a large amount of companies (53%). This is probably caused by the simplistic design of the theory and ‘intuitive aspect’ of the model (Blank et al., 1988). It does indicate that one of two discerning possibilities is true. The first possibility implies that the HR population might be knowledgeable as they state themselves. Combining this with the panels’ responses where HR clearly holds ownership of the MD department (96% confirm this, see survey 3 question 5), the question remains why they used outdated models, when they (say they) seem to know their theory. This could be because they do not have enough influence in the organization to postulate more up to date theories, while putting the situational theory forward is easy, through its intuitive aspects, and as probably the top level of the organization has been confronted with this theory mid-career. Also, they could actually be not knowledgeable about the theory at all, but are not aware of this deficit. This supports the opinion of Burns that leadership is the most discussed, but least understood phenomenon (1978). This is more concerning as not only would they now support outdated theories, but also they would weaken the expert position of the function.

When knowledge would be well developed and influence of HR in the MD process would be significant, one could expect a representative of a modern value-based theory to be used in the companies. The fact that the situational theory is easy to grasp and seems intuitive, e.g., has a low resistance factor with implementation, can never be a reason to use such a theory.

Management versus leadership

Of the panel, 90.6% agreed with the concept that management is a form of transformational leadership, which supports the ideas of Bertram et al. (2009, p. 5) and Burke (2010). This is so far positive, as the Bertram is the research director of SHL, where Burke is the Chief Scientist. By using the SHL tools, companies indirectly follow this approach. As found in survey I, in 26% of the companies SHL tools are explicitly mentioned as being used to assess potentials (See figure 2.4). The question that remains is whether SHL was chosen for their leadership models, which they have embedded in their psychometric testing materials, or not.

Elements that increase the potential outcome of an MD process
Leadership capabilities
As stated, the core element of MD is to develop the leadership abilities of the talents in the organization. Nevertheless in 12.5% of all the companies the panel members worked in, the leadership ability level was never measured. Only 9.4% of respondents found that in over 75% of the companies they worked in, this capability level was measured. As the management adage states, you can’t manage what you don’t measure; likewise, it cannot be developed adequately. This leaves a lot of areas for improvement, as in order to develop leadership, one must at least measure the ability level the talents have to start with (See figure 2.5).

Individual engagement
Individual engagement is one of the key areas that define the outcome, or more specifically, the tenure of leaders with the company. In 28.1% of the companies this was never measured, whereas in 71.9% this was only measured in less than 50% of the companies the panel members worked in. This sparks the idea that it is very well possible that many companies invest their capital in developing leaders who have an uncertain engagement with the company in the first place. This, of course, does not necessarily impact the quality of the leaders developed through the MD system; however, it does impact the outcome of the MD process, as low-engaged leaders will most probably have chosen to pursue their careers elsewhere. When assuming that the success of MD is measured in the final deliverable, senior leaders in the company that are developed through the MD system, measuring the individual engagement with the company could, through a “pre-selection” of those engaged talents, increase the output of the system in a relatively easy way.

Self-development drive
From the theories of Hackman et al. (1980), it is known that the motivation to develop themselves differs per individual and that this is a factor that influences how far developmental measures actually motivate the individual or not. Their factor ‘growth-need-strength’ defines the strength of the individual desire to grow, which is seen as a moderating variable between certain input factors of the job and being motivated as an outcome. When asking how far this was actually measured, 32.3% of the panel states this was never measured in the companies they worked in. In 71% of the cases it was measured in below 25% of the companies they worked in (See figure 2.7). As the motivation to develop has been shown to be a significant, unique predictor of both development activity (Noe et al., 1993) and participation in leader development activities (Maurer et al., 2005), it is key that this is measured before talents are entered into the MD process. The reason it is not measured can be explained by the fact that individuals that have a lower motivation in the
development track will probably perform less well on their development and hence be ‘filtered out’ of the MD track. But again, this is ex-post, whereas in order to increase the procedural efficiency of the model, this should be done ex-ante, BEFORE the talent is accepted into the MD track. As people are already feeling special by being considered in the development track, the chance is high that the individuals will not raise the issue of their actually lacking drive until it is their performance to develop that shows it. And then the investment in the talent is already done and lost.

**Pedagogical or andragogical approach**

It is clear when analyzing the data that both pedagogical as well as andragogical approaches are used, but in most cases the models are more mixed (See figure 2.7). What is noticeable in the data is that pure pedagogical models are more widely seen as a pure andragogical approach. Nobody saw the pure andragogical approach in more than 50% of their experience, whereas the pure pedagogical approach was seen by 52.2% of respondents in over 50% of their experience. This shows that more companies define the development track with little input from the talents themselves than vice versa. So, though the incumbents in the MD program are seen as the future leaders of the company, few organizations actually give them real responsibility for their own development. Of those who did answer that their experience favored a mixed approach (n=27), 37% still stated that the input of the future leaders of the company was solicited in up to 25% of the developmental initiatives of the MD programs, with 81.5% of respondents stating that their input was less than the company input (see figure 2.9).

**Phase based information and development initiatives**

In the last questions of the second survey, it was asked how far the panel members supported the theoretical construct of providing management skills training, general management training, leadership skills training and leadership development activities, in line with the developmental phase of the individual.

**Functional skills construct**

The construct that the functional skills should be provided in accordance with the model that defined developmental phases was supported by 84.4% of the panel, whereas five respondents (15.6%) did not agree at all and one disagreed more than agreed. Of these six, four respondents commented on the topic, relating that in some cases skills training can also occur later in the career (n=2). The person that disagreed commented that he found this model too structured and the final one gave in their comments arguments that actually supported the construct (See 2.10).
Business knowledge
The concept of development of more general business knowledge was supported by 81.3% of respondents (See figure 2.11), whereas 6 (18.8%) slightly disagreed. No respondent disagreed entirely. The persons that slightly disagreed gave as comments that they would expect the business knowledge to be provided earlier in the career allowing to ´sink in (n = 1). Most (n=3) commented that learning should be provided through different methods than ´classroom learning´. This is supported by the theoretical model and is encompassed in survey III.

Development of leadership
The majority of the panel (83.9%) agreed with the concept on development of leadership skills; only 5 (16.3%) agreed slightly, whereas nobody disagreed. Their comments were not against the model; four gave their individual opinion toward the concept, without contradicting it, whereas one commented on a wording mistake in the question (see figure 2.12).

When looking at the long term concept of leadership, the support is even stronger, with 93.8% in agreement with the concept. The panel members that agreed slightly (n = 2) did not comment on the model.

Providing structured feedback
The final question related to the amount of structured feedback on the individual. In this case 84.4% agreed with the model, whereas three disagreed slightly and two disagreed entirely (see figure 2.13). One criticized the technical-theoretical setup (n=1). The others all commented that some leaders need feedback over their entire career, so to use 360-degree models also in the earlier part of their careers.

Results stakeholder panel survey 3
This survey was largely mapped around the question of how far the companies provide the prerequisites for effective MD activities.

Responsibility for development
As developing leaders is in turn a leaders´ responsibility, the question was asked if leaders actually have the development of the talents in their team as part of their own targets. In total 67.6% of respondents saw in up to 50% of all companies they worked in that leaders were held accountable for this. This leaves much room for improvement. When a leader is not made responsible for development of their people, there is the chance they feel that such activities belong to ´HR´ or to the MD department, whereas they have the ideal position to
provide frequent feedback on the behavior of the talents and make judgments based on the
day-to-day experiences as to what developmental activities would best suit the needs of the
talent (See figure 3.1). This is a double-edged sword. Not only does the leader feel more
committed to the talent they have responsibility for, but this has also a positive effect on the
talents themselves. London (1993) found that leader career motivation was associated with
the support and empowerment received from the direct supervisor. Noe and Wilk (1993)
found that social support from the direct supervisor (and peers) for development activity
positively influenced development. Therefore, making leaders responsible for development of
their reports creates a drive for more personal interaction and closer observation by the
leaders, which in turn works positively for the talents.

**Mentoring and coaching**

The panel members agreed in 97.1% with the definition of mentors (See figure 3.2). As the
effect of mentors increases when they have a leadership relationship toward the talents, this
was surveyed. In 73.5% of the panel members´ experience this was the case in up to 50% of
the companies they had worked in (see figure 3.3).

A coach, on the other hand, is a person who, through providing behavioral feedback and
targeted questions, helps the individual leaders gain insight into their own behaviors. They
help the leader think about potential change that could increase their effectiveness. A coach
needs to be entirely independent and ´unthreatening´, e.g., there needs to be a sort of
insurance that content of the honest discussions does not influence the career of the
individual; a coach is most of the time an external person. A total of 94.1% agreed with this
statement (see figure 3.4).

In order for both the mentoring as well as the coaching relationship to be a targeted activity,
the research indicates that the chances of success of both coaching and mentoring increase
when such relationships are defined for the talents. At first this secures that there actually is
a relationship in place, as well as the security that a leader (for mentoring purposes) can
influence (part of) the development of their direct reports through their mentoring activities.

In general, the companies that defined mentor relationships and those who do not, are
almost equal (53% versus 47%, see figure 3.5) to those who leave the mentor relationships
to the talents. In practice this would probably lead to the fact that 48% would not feel actively
mentored. This is in line with the 2010 CIPD survey that found that 52% of talents found
mentoring to be one of the elements that were made available to them through the talent
management program, where 38% rated this experience as most valuable (CIPD, 2010, p.
Interesting enough, only coaching was deemed more valuable in the CIPD survey (N=268), whereas reward and pay, for instance, only score 18% on the perceived benefits. This means that with investing a little more ‘directivity’ into assigning mentors, or at least ensuring by monitoring that all talents have a mentor, one could increase the perceived benefit of the programs significantly without much, if any additional cost. When the relationship is defined, this happens in 47.1% through HR (& MD department). Line management is only in 29.4% of the cases involved in this crucial decision, and even worse, in only 11.8% are the talents themselves involved in the decision (See figure 3.6). This indicates that though talent management seems to be on the agenda in most companies, this has not been taken ownership of by the company leadership. This is an area for improvement.

In the responses, the HR department as the responsible department was clustered with the MD department, as in 97.1% of cases HR was the ‘owner’ of the MD function. In the remaining 2.9% (N=1) it was a dual activity between HR and the line (See figure 3.7).

**Organizational prerequisites of an effective MD method**

*Informal talent networks*

The first set of initiatives that increase the development of talents was found to be the creation and support of informal networking sessions amongst the talents, which 61.8% of the panel members found in less than 50% of the companies they worked in. Only 14.7% of the panel members found this in all companies they previously worked in (See figure 3.8). This seems to be an area for improvement for many companies. As leaders learn by talking about leadership with other leaders in an informal, non-evaluative setting (Day, Gronn, and Salas, 2004), providing such informal networks is a low-(if any) investment for a company that improves the environment in which development can flourish.

*Following the changing preferences of next generation talents*

A second activity that enhances the chance for success of the MD process, is the knowledge that current, let alone future generations do not have the same desires for their lives and their careers as previous generations had (Gratton, 2011). This fact has been shown in major companies such as Nokia, BT, SAP, TCS, ARM and Novo Nordisk in a large research in 2010 (Gratton, 2010). Also here, working in virtual teams and creation of cross business networks were emphasized. However, not only do they view a fulfilling life differently, there are also a number of major changes either already occurring or clearly foreseeable, such as demographic and social changes. This would justify flexibility in the manner in which talented new-generation employees would wish themselves rewarded. Not merely monetary reward is important, but much more the options to choose rewards that would support their new way of
living and working—allowing, for instance, more time with the family, options to work away from the office, options of sabbaticals and such. Of the companies the stakeholder panel represented, few have already reacted to the signs that new generations expect new ways of working as Gratton (2011) describes. In 67.6% of the cases there is no possibility for differentiation, which means that money is paid, through different methods, to reward talents who would have been better motivated with other rewards. Those who were given the choice by the company chose, for instance, an executive education or deep specialty course or went to seek more room in their work for own activities/work-life balance through either reduced working hours, home-working options or opportunities for volunteer work. Unfortunately, only six of the 34 respondents were given this opportunity. Again, these are options that do not increase the cost of the program; depending on the tax environment in the respective locations, non-financial rewards can even be a lower cost to the respective companies. This is an area where improvements can be made in the process, offering the talents the possibility to support the life they desire, whilst working hard for a career in the company. Such activities would increase the engagement with the companies, and, in view of the above results, even create a competitive advantage in the labor market if companies would offer such.

**Team based action learning**

Another possibility to enhance the development of the talents is the team based action learning. This too is an activity with little or no negative financial impact on the company, but with large potential upsides. Nevertheless in 55.6% of the companies represented by the panel, this was not used (See figure 3.10). When embarking on such initiatives for the talent pool, a company can rapidly make use of the ´new´ way of thinking of the talents in the pool and potentially help resolve issues the company struggles with. And all that with limited cost, as the ´consultants´ called upon to help resolve this are already paid for by the company.

**Exposure to trigger experiences**

The next topic related to the various trigger experiences. For this question the attention was focused on the trigger experiences created by the company through extraordinary experiences such as X-functional exposure, expatriate assignments and such. At first the perceived value of such assignments was asked for, after which the question was asked if they themselves, as representatives of HR would have had such experience and if in HR such experience is seen as positive for their careers.

**Stretch assignments**

When choosing trigger experiences, the level of stretch a company ´invokes´ on their talents is modest. In 11.8% of companies, new positions that are assigned prove a 90% + match, a perfect fit. This is however hardly the ´stuff´ stretch assignments are made of. Of the respondents, 67.6% see the ´stretch´-assignments; the range of 75%-90% fit with the current
abilities of the talents. Only 20.6% use real ´stretch´ assignments (see figure 3.11). The ´real´
does not mean that the other assignments do not support the development of the talents, but
the level to which the individuals need to ´stretch´ themselves, or can fulfill the requirements
of the job with a light augmentation of their current instruments of capabilities is a bit
disappointing. As Byham, Smith & Pace (2002) emphasized, the greater the change in
responsibility and scope, the greater the learning. It was found that for talents, stretch
assignments (McCauley, et al., 1995) are accepted and even pursued by talented leaders
when these assignments push them beyond their natural comfort levels. Of course, it is
possible that such assignments fail. However, this does not need to be a loss at all. As Ellis
et al. (2006) suggest, whether the experience was a success or failure, self-reflection is
essential to development. So if the organization provides stretch assignments, it needs an
environment with an equal tolerance for mistakes to allow learning to occur. Then this would
create a fruitful learning environment. This requires a company with a certain leniency for
mistakes that matches the stretch an assignment creates with the needs of the leader. This
is measured in the next two questions.

In order for a trigger experience to be able to serve as such, it has to be analyzed whether
the experience such an assignment offers actually matches with the development needs of
the individuals who are assigned to such opportunities. It was surprising to see that,
according to the panel members, in only 52.9 % of the companies it was reviewed what sort
of challenge the position would probably provide, versus what challenge the talent needed
for their development. Few used dedicated tools, either internally designed (5.9%) or
externally purchased (8.8 % ). Some used competencies linked to the position and the
individual (14.7%). Many used a discussion on the position as an adequate tool (20.6 %) or
even wrote ´pro-memory´ as a tool, or ´common sense´. This unfortunately does not help to
create credibility to the owners of the process that should create the future leaders of the
company. These leaders, who are viewed as a source of power and competitive advantage
in many organizations (Van Knippenberg et al., 2003), would in turn be propagators of the
HR function, which supported their development toward the most senior positions in the
company.

This point is reinforced by the leniency of mistakes in companies. When companies show a
low leniency for mistakes, the desire to be exposed to a ´real´ stretched assignment will also
be lower. The need for challenge will still be there, but this will be somewhat mitigated by the
desire to remain employed. Of the companies, 58.8% show a low to medium leniency for
mistakes, meaning (low= a mistake will damage the career, medium is it should not happen
more than once) that the adagio that one learns from one´s mistakes is not so much
supported in practice (See figure 3.14). This hinges, of course, on the opinion of what a mistake is. In this case a mistake was defined as a failed assignment. However 41.2 % did allow such errors to be made if improvement was shown afterwards. Only in organizations that not only propagate this, but also show in practice, would talents be prepared to take on challenging assignments, as they would feel secure that the company does not ‘hang them out to dry’ when the challenge proves too big. Combining this with the knowledge that many companies do not measure the level of challenge, it is safe to assume that talents would remain on the safe side of caution when selecting an opportunity. This is a shame, as they probably would have learned more from the real stretch assignment, and as such the company would have benefited more in the long term from these ‘risky’ assignments, too.

When this is all the case, then why does a function that seems to struggle to find a strong added-value image not seek to use available tools for the activities which have arguably the biggest long-term effect of the activities they undertake? There are ready available tools such as, for instance, the Job Challenge Profile (see McCauley et al.,1999; Rudermann, et al., 1999) but also the Job profiling capabilities of the Universal Competency Framework (Bertram, 2006). When we do not measure the match between position and person, two events can occur.

1. There is a risk of ‘over challenging’ (Lindsey et al., 1987), though this was found to be not so much related to the assignment as to difficult leaders in the assignment, as these seem to distract from the challenges in the position. Here again it is key to measure the leaders on how successful they are in developing others (Sutter, 1994). When leaders have these additional targets, they will reconsider being a blocker for the development-success of their direct reports. But also this allows talents to be exposed to real ‘stretch’ assignments (60 - 75% match). The results of the survey are in line with the findings that in ´most companies the ideal candidate for a position is someone who already has the skills for the job and can hit the ground running, not one for whom the job is developmental´ (Ohlott, 2004, p. 154).

2. The bigger risk is that the position does not satisfy the need of the talent being moved into that role. That can have an effect, both on the job satisfaction and on the job and company engagement. Though often engagement and job satisfaction are used almost interchangeably, this is not correct. There are considerable pattern-similarities, described in shared variances, between the constructs of engagement and satisfaction (e.g., Newman et al., 2008); the two constructs can be placed differently in the quadrants of the affective circumplex as Remington et al. (2000) described these. Engagement emphasizes the active side of positive affect; satisfaction is linked
more to the passive (low activated) positive state. Nevertheless, the two are intercorrelated, as Inceoglu et al. (2011) showed. This means that a job that provides too low challenges for the development need of the talents can satisfy passively but lead to disengagement, as the active element is underrepresented. As Inceoglu et al. (2011, p. 4) states, “To encourage engagement rather than merely having satisfied employees, employers should provide challenge, for example, high work standards, demanding goals, managerial responsibility and opportunities for innovation”.

In summary, to prevent or mitigate the risk of a challenge mismatch that could lead to either direct termination or to disengagement and eventually to dissatisfaction and leaving the company, job challenges and employee needs should be matched in a more professional manner than ´merely´ discussing this. This should happen in a ´safe´ environment where mistakes are tolerated as a (hard) means to learn--in this case potentially to learn one´s limits, but this too is an extremely valuable lesson to learn before one is lifted to one of the most senior positions in the company.

**Job assignments and their value for the career**

Expat assignments were seen as really positive for a career by 64.5% of the population (See figure 3.15), whereas only 20.6 % of the HR cadre themselves (See figure 3.16) have had such experience. Also, cross-functional experience was seen as important for moving up in a company (73.5% of respondents, see figure 3.17), whereas for HR this was seen as not very relevant for 73.5% of the companies (See figure 3.18).

**The position of MR as owner of MD**

It seems that HR talent has different conditions to work under than other talents, which might also explain the perception that HR is underrepresented in the talent pool according to 53% (See figure 3.19). This is worrying, as it might suggest that HR talents are seen as a ´different sort´ of talent in the talent pool. In order to review this, it was examined, for instance, how many non-HR talents ventured into HR as a useful X-functional experience. Unfortunately, here the direction of the submerged opinion becomes clearer. Of the panel members, 32.4% know nobody on the entire management team of their company who has had a cross functional experience in HR; 58.8% of the panel members know less than 25% of senior executives that have X-functional experience in HR (See figure 3.20). This shows that an experience in the field of HR is still seen as less rewarding for the career than in other areas. This in turn underlines that, though ´people are the most important assets´ is in many company a well positioned statement, those supporting people processes with their expertise are not that much appreciated.
Nevertheless one great trump card that HR has left to play is the ownership of the MD process, which lies secured within the HR function, as 97.1% of all respondents state (See figure 3.21). However, this MD team is only manned with HR talent in 23.5% of the cases (See figure 3.22). In all other cases the MD department is manned by both talents as well as nontalents. As this department is the contact point with the future leaders of the company, would it then not be more logical to ensure that these contact moments leave the talented individuals with the impression of being taken care of by other highly talented individuals? Also, upon a second review of the emphasis on HR, the department loses valuable opportunities to present a strong profile of the MD department itself. In companies where the head of MD position is a prerequisite to move to the global head of HR position, the value of such experience is made clear. Unfortunately, in the stakeholder panel, only 23.5% of the respondents answered positively (See figure 3.23). This leads to the conclusion that in many organizations, as represented by the stakeholder panel members, HR still is no serious business partner to speak of, despite the evidence that HRM programs can improve financial performance (Bassi et al., 2007; Pfeffer, 2005). One reason is of course, that some top executives still regard human resources as a cost rather than an asset, and they view HR functions as a low level staff responsibility that can be outsourced or minimized (Yukl et al., 2009). Another reason might also be that HR either does not have the personal gravitas to take the HR wheel into their own hands, or lacks the in-depth knowledge to confront the business partners with facts and data on needed choices. Managers still have problems with the terms personality and cognitive ability … because they don´t represent the “hard” skills like being able to launch a new product or run an acquisition, which they feel are more important skills in general (Mone et al., 2009). When knowing this, it is HR’s role to provide hard data and solid choices to the management, which will underline the ‘hard´ effects of such `soft´ choices.

Through the use of ´good´ HR practices it is possible to have a more competent and committed workforce, which in turn provides a source of sustainable competitive advantage (Singh, 2003). Also, several studies found that companies with such ´good´ HR practices and programs have better financial performance (e.g., Becker et al., 1998; Bowen et al., 2004; Huselid et al., 1997; Richard et al., 2001; Park et al., 2003). However, for designing such good HR practices the knowledge as well as the capabilities of the HR professionals must be at a high level, especially as in many companies they still have to work ´against´ the prejudice of the ´low level staff´ idea, which was also presented in the responses of the stakeholder panel. The fact that this has been found in the stakeholder panel is not surprising, as a 2009 study also found that in the US, nearly 40% of companies are in the
intermediate stage of implementing an overall talent management strategy, and more than 38% are still in the novice stage (Karen, 2009).

One additional issue is that next to the ´lower staff work image´, the importance of HR management systems for improving the quality of leadership has not been clearly acknowledged in much of the leadership literature. Most leadership theories focus on the skills and actions of the individual leader without considering the organizational processes by which leaders are selected, trained and developed (Yukl et al., 2009). This requires a strong role shift for HR, where HR goes out to the ´battlefield´ to show with knowledge and initiatives it can design and implement solid practices. The implementation of these practices is key, though, as the questions on leadership styles proved. Knowing is not enough; this knowledge must be used as well. It is in that respect of key importance that HRM programs and practices are also implemented effectively (Gratton et al., 2003; Khilji et al., 2006; Richard et al., 2001). When such a program is poorly implemented, the likely result is higher cost without the desired benefits. And the resultant loss of face for the function is greater than any gains obtained by the displaying of knowledge.

The good news is that initially HR can start quite humbly. There is in many organizations no need yet for a complete and/or complex system. The underlying issues are much more mundane. At first the foundations for the new-build systems have to be set up solidly. According to the 2006 survey of the CIPD, 51% of all companies under review had reported they had undertaken substantial talent Management activities, though only 20% of the respondents had a formal definition of Talent (CIPD 2006, p. 3).

A start would be (see also the MD method in the next chapter) to define talent in a manner that makes talent a distinct, measurable element. When using professional measurement tools, it is possible to provide data to the management, which is a format they are used to: clear numbers and comparisons, combined with opinions. When this is defined clearly and it is defined how it is measured, the model for development can be set up, based on a chosen form of leadership model. When a model is chosen that is linked into stable theory, then off-the-shelf measurement tools can be bought. This is all not rocket science, but it would provide a stable and defendable basis upon which the company´s own signature process can then be developed. For this development, time is needed, as well as credibility. The latter can only be gained with time and performance, for which the basic stable system is a first prerequisite.

Where can HR practitioners find the knowledge and depth to enable them to set up ´Good HR practices´? As Yukl & Mahsoud (2009) stated, the quality of top executives who are
promoted from within the organization is highly dependent on programs and practices involving leadership development, performance appraisal, succession planning and executive selection. When these elements are not sufficiently and professionally shaped, the output will not meet expectations and neither will the owner of that process. The issue here again is exposure to ‘good’ systems and learning from other organizations, as some HR organizations have gone through the process of fundamentally re-purposing what they do, but little has been shared on which design options will help them most effectively achieve strategic goals (Vona, 2010).

As HR as such is not a clear science, but a myriad of disciplines, it is hard to keep an overview, let alone be knowledgeable in all. Some universities and business schools offer singular courses that go a little deeper into the matter, but this seems inadequate. It is my opinion that specialized positions in HR such as is mostly the case with, for instance, compensation & benefits, labor law, etc., need to be filled with (semi) specialists. And the function should also do this in case of MD. In a 2009 research, it was found that a full 70% of US companies do not have a dedicated talent management executive (Karen, 2009). So the creation of that position is a first, then filling this position needs to become a prerequisite for any HR person seeking a chance at the most senior HR position. However, as MD is not a generalist position, this means that when one obtains such a position, that individual should ‘specialize’ him- or herself in that field. As shown by this research, MD is not merely ‘putting people in the right slot’; there is much more behind it. This links into the idea of serial mastery, as Gratton (2011) propagates. HR professionals should seek to specialize themselves when they get exposure to a functional area. We expect nothing else with the speciality of for instance Compensation and Benefits and such, but obviously this is not the case when talking about the ‘royal discipline’, which could prove a strong lever to put HR on the strategic map of the company, the development of the future leaders of the company. If this does not work, the MD function might be lost to HR, or become a functional specialist, which then could prevent HR leaders from having exposure to the Global Talent pool of their company before rising to the most senior position. That would be a loss.

It could of course also be that HR is not (yet) ready for such a role-shift of the function. When that is the case however, they are not the right holders of the functional responsibility of MD. Unfortunately, they might just be the best available in the company, which might explain the relatively poor level of professionalism of MD in companies. This although a 2006 survey of Human Resource (HR) leaders, stated that the number one problem for HR directors is identifying and developing the leadership talent needed for growth and expansion of their respective organizations (Fegley, 2006). When this strategy is put into practice, in my view
HR has two options: either they move upward and deliver at a strategic level, or they move away from the strategic playing field and act on the outskirts of the organization.

**Conclusions of the scoping study**

The theoretical method as generated, based on the extensive literature review in chapter III of this research, is upheld. No substantial diverse positions were taken vis-a-vis the model. This would justify the finding that there is a common method underlying the MD for high potentials in international companies, thereby answering research questions 1 and 2. In the next step these findings will be matched with the practices of international companies. Though the findings underline the theoretical construct, they also re-emphasize the multifacets of that method. No doubt some of these facets will move as the underlying theories and models evolve further. For now it seems safe to use the method as postulated and translate this as a graphical model.

The multi facets of the method revert back to the function of HR. It is a gathering of many elements that has been functionally combined and is expected to form one body of knowledge for its practitioners. The panel review has on the one hand shown that that one common body of knowledge is not entirely true. Too many HR people are made into generalists, whereas certain functions require specialists, also within HR. The idea that everybody has knowledge of HR, or as a variation on Burns (1976), HR is the most discussed but least understood function can only mean that the function has not displayed its deep specialties well enough.

On the position of HR in the organization and as keeper of the MD discipline, the discussion will continue. HR has ample chances to prove their strategic value to the organization. On the other hand though, HR has also had ample chances. The fact that the discussion on whether or not HR has a strategic impact on the organizations is still ongoing shows that the function has not been successful in positioning itself in the strategic light, where the theoretical forerunners like to position it. This might also lie in the weakest link idea, where those who are the weakest link define the strength of the whole. Unfortunately, also looking in my own experience, often HR is the gathering place of staff with unsuccessful careers in other departments. I personally heard too often the slogan ´you can always go into HR´ that resonated when the career track of individuals came to an end in their function. Also the opinions of the stakeholder panel confirm that successful talents, e.g., those who end up in the C-level seats, have not ventured into HR. Most probably this has its roots in the opinion that this is not perceived as an added value to the career.
This means the function has a lot to work on in order to improve the image. The building of an integrated and logically structured method on MD could be one of the steps forward. And if the future leaders of the company are successful and feel their development has been supported and even directed by the MD department of HR, the image that HR has in the C-suite will also change.

**The integrated method of Management Development**

As described, many companies see from an executive viewpoint the need for high potential management development in an integrated approach, but nevertheless many organizations struggle or fail to define in a meaningful way what their organization means by high potential.

The shift from personnel planning to human resources management was in a way part of a struggle by organizations to make their people be viewed as a strategic asset (Vona, 2010). However, the slogan "people are our most important asset" is wrong. People are not your most important asset: The right people are (Collins, 2001).

These `right´ people for an organization are not merely defined by the individual characteristics; it is the match between the needs of the organization and the personnel character(istics). The same is true for high potentials. In this study it is assumed companies see high potential as a key strategic asset to the organization. This means, according to classical management theory, that the high potentials are:

* Valuable
* Differentiating
* Hard to imitate.

(Bywater et al., 2008)

Any strategy, no matter how smart, is dead on arrival unless a company brings it to life with people—the right people (Welch et al., 2005). For all human capital hired or employed by a company, these key strategic resources need to match the key strategies that defined the need for these people. Therefore the selection and assessment of high potentials is no activity in a vacuum; it is an integrated part of the company’s strategy. As per Bossidy, if you don’t get the people process right, you will never fulfill the potential of your business.

(Bossidy et al., 2002).

In order to ensure that the human resources function is an integrated part of the corporate strategy, the human resources practices, as well as the management development system
as an integrated part of it, need to be strongly linked with the strategic processes, as different organizational strategies require different HR practices (Delery et al., 1996).

As of the end of 2008, Suzlon\textsuperscript{3} was working on professionalizing its international human resources management capability. The first step was to make a SWOT analysis of human resources thus far, thereby allowing the chief HR officer to define the improvement projects in the field of human resources management going forth. In order to create a logical sequence of the human resources projects, a design was created in 2009 (Van Dongen) to include all HR activities into a human resources roadmap, which would link all projects together in one consistent logical flow (see figure 1).

Figure 1: HR roadmap (Van Dongen, 2009)

This roadmap serves two purposes: first, it gives an overview of the core people processes and second it depicts underneath these processes the HR projects within the timeframe of the strategic plan. In this way one can show line management in one comprehensive overview all the core processes (as in the case of Suzlon, these needed partially to be built up), as well as a coherent and logical structure of how these projects and processes interact.

\textsuperscript{3} Suzlon is an Indian renewable energy company with headquarter in Poona, India. Suzlon employed at the point of this writing around 12,000 employees worldwide and are the Global number 3 Manufacturer of wind energy generators (Wind turbines), based on their installed base.
In his second step, in order to guarantee that HR is closely linked into the strategy of the company, the explicit deliverables and purpose of HR was defined. Instead of designing a mission statement, Van Dongen (2009) defined the purpose and deliverables of HR as follows in three elements:

‘HR has as final deliverable:

- The right amount of qualified people for the right positions at the right time. It does so by recruiting and selecting the right employees as well as by actively supporting the development of bench strength through training and experience-gathering of internal employees at all levels.
- Line management is committed to actively drive this bench strength by enabling the employees, challenging them professionally and coaching them to further their professional development.
- In order to do so HR will develop tools and guidance for the organization. These tools enable line management to guide their employees in a structured professional manner, to the motivation of both the specific employees and those working with them.’ (van Dongen, 2009)

In the definition the delivery and development of the right people is a core element. When this is matched with the corporate strategic priorities, one sees a largely consistent message between what the company prioritizes and what HR should deliver. Research by Accenture in 2003 showed that five out of the top seven corporate priorities are related to workforce, attraction, development and improvement of the leadership qualities. See figure 2.

<table>
<thead>
<tr>
<th>Top Corporate Strategic Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Increasing customer care and service</td>
</tr>
<tr>
<td>2. Attracting and retaining skilled staff</td>
</tr>
<tr>
<td>3. Improving workforce performance</td>
</tr>
<tr>
<td>4. Changing leadership and management behaviors to align with new business priorities</td>
</tr>
<tr>
<td>5. Changing organizational culture and employee attitudes</td>
</tr>
<tr>
<td>6. Managing intensified pressure to reduce costs and improve quality</td>
</tr>
<tr>
<td>7. Focusing performance improvement efforts on employees that add the most direct value to the bottom line</td>
</tr>
<tr>
<td>8. Changes in the type/level of competition</td>
</tr>
<tr>
<td>9. Industry consolidation/managing M&amp;A</td>
</tr>
</tbody>
</table>

Source: Accenture, The High-Performance Workforce, April 2003, p.40.

Figure 2: Top corporate strategic priorities
With this core definition of the purpose of HR, combined with a structured setup of the function, poised toward delivery of the right people, either for outside of the organization or delivered from the inside, the task of HR and its strategic importance is clear.

Going back to the HR roadmap (figure 1), the green line of connected ‘boxes’ is the so-called ‘employee lifecycle’, which starts with selection and hiring into performance in the role for which the employee is hired. Based on this performance, either a development loop is entered into or the employee leaves the company, as the performance gap is too large to close with development initiatives.

Though this model does have integrated MD activities in its structure (see amongst others the ESOP (Executive Stock Option Program), executive development, high potential assessment and expat management), for this study this model can serve only as a good basis, as the Management development part is too general to allow future analysis (see figure 3).

Figure 3: Performance management as a part of the HR roadmap.

The Management Development and Performance Management roadmap
In order to allow HR to focus on Management Development (MD) and Performance Management (PM), it is also necessary to define the process to follow. This commonly understood process is a key starting point for successful implementation of the process. As Confucius said, “If one does not agree on the basics, it makes no sense to continue building on them”.

Key to successful setup of management development are the following elements:

- The process and its goals should be clearly defined.
- The ownership of the process (both the process itself as well as budget responsibility) should be succinct and lie in one hand.
- The joint ownership (line management and HR) of the outcome should be clear.

“…Talent management cannot be isolated from business strategy…Those that rely solely on the HR department to drive their strategy for talent are missing an opportunity to align the behavior and capabilities of the workforce with the priorities of the business” (Guthridge et al., 2006).

As stated before, the HR roadmap did encompass a performance (management & development process ingrained in the model. The performance management process has a loop-shape, as it is iterative, with a cycle time of a year (annual performance review). In this way the employees in the organization will receive annual feedback on their past performance. The employee absorbs this feedback and uses it to augment his or her behavior for the next year.

Parallel to the setup of that model, the potential development also follows a loop-formed process. This loop starts at the same point in the HR roadmap. The individual is recruited, selected, hired and placed in a role (see figure 1). When an employee is hired, typically his or her potential is not yet assessed explicitly, though at medium and higher level recruitment, this can be the case. The next step of the individual is the exposure through the performance in the role the individual has been assigned to. Research has shown that while nearly all high potential employees are also high-performers, less than one-third of high performers are also high potential (CLC, 2009). Therefore performance is a good first indicator in the search for potential, but it is not the only one. This is why performance and potential should be reviewed separately.

When an employee performs well, this is the first moment that company leadership can make the employee a candidate for the Management Development process. “Companies generally require a few consecutive years of outstanding performance before they will assess an
employee for High Potential´ (CLC, 2009, p. 1). In order to enter the MD process, the employee must also undergo a sort of selection that matches the potential of the individual and the anticipated future needs of the company for such talents. This is needed in order to assess if that (future) capability is valuable to the company, differentiating and hard to imitate—in other words, if the talent is a strategic asset. As the stakeholder panel showed, this was not always done in a structured way. In a number of companies, this initial step of defining the high potentials remains a condition sine qua non, to set up their MD process, to focus the developmental activities, as when one does not define what the target is, one cannot train the corporate athletes. I other words, what do they have talent for?

Individuals who do not qualify for this, or do not receive support of company leaders, will remain in the Performance Development loop and not enter the Management Development loop.

In a graphical display the method looks as follows:

![Figure 3: The HEART model of Management Development of High Potentials.](image)

In the above model you see, from left to right, that initially new employees are selected for the role and are given the roles whereby their behavior is exposed through the employee's performance in the current role. When that employee's behavior is recognized as high performance, the subjective decision is made of whether the employee is `merely` a high
performer, or potentially that individual could also be a high potential or talent. In the method this is shown through the y-junction, which on the one hand (going up) selects individual as (high) performers, but with no or insufficient potential to develop further, and on the other hand (going down) the initial assessment of the employee’s potential is more positive. As this is the first time the employee enters the potential development cycle, this phase does not encompass ‘development progress related fit gap analysis’, as depicted in the box, but merely an initial subjective opinion of future potential for the company.

As this first subjective assessment of employee potential can be decisive if the employee is entered into the potential development loop, this first assessment is of key importance. This is the entry point into the MD loop, which will typically be followed by a more thorough assessment, to justify future investments in the talent.

**The potential development loop**

The next step is the potential development loop. This is the formal assessment of potential, a process which is crucial to the acceptance of individuals into the high potential performance program. “Participants who had been through a selection process also commented upon the increased chances for reflection and self-awareness that the selection process had provided, leading to a better-informed decision of whether to take part in the program (CIPD, 2010, p. 16).

As discussed later, this assessment of potential can take different routes; however, it is assumed that in many organizations high potentials only get one shot at the possibility to be accepted into the potential management loop. When the candidate passes the assessment of potential, a potential or developmental profile of the individual is made. Based on this developmental profile, the needs of the individual for next level (and beyond) positions can be made clear. Now that the potential and developmental needs of the individual are set, also the available developmental assignments should be analyzed on their job challenge, to ensure the optimal fit with the individual’s need. This can be done through, for instance, the Job Challenge Indicator (McCauley et al., 1999, Rudermann et al., 1999). This method searches individual characteristics in the job that are found to be challenging for incumbents. These can be, for instance, intercultural exposure, challenging trade union exposure, racial sensitivity, restructurings, etc. There are also other methods such as HAY uses, or SHL, but in their bases they are similarly structured methods to define where challenges lie in the respective assignments. In an ideal scenario, a company will both assess the high potentials’ development needs and on the other hand assess the challenges the potential future role holds and how far this meets the employees’ needs in order to develop their strengths.
After the job-challenges are matched with the profiles of the candidates and the job is assigned to the high potential with the best matching development profile, relative to the role, the person can start to perform in the new role and receive regular performance appraisals. As stated, though most high potentials are high performance, this does not exclude high potentials from the performance management process. Once the performance in this position is reviewed and is found positive, the high potential goes into a review on the growth in their development versus the plan (development progress related fit-gap analysis). From that moment on their potential profile is adjusted and the potential loop starts new.

At the same moment the potential development cycle happens to the individual, they are also exposed to their performance development loop.

**The MD and PM loop in the graphical model**

It is the assumption that potential without performance has no future in an organization beyond one year. As the stakeholder panel showed, many companies have little leniency for ‘failures’. This implies that in a short amount of time, the performance has to be back in line with expectations. This one-year stay is granted if the high potential has moved into a new and different (developmental) role, for which it takes time to adjust.

Where one sees the individual perform, the performance is made subject to a fit-gap analysis, which leads to a development track to bring the performance on an upgraded level. The individual will be reviewed again in the next performance appraisal cycle, when both the continuation on the performance development plan will be reviewed, as well as the actual performances. This loop is called the performance development loop.

When the performance is not adequate, the following can occur:

- **Option1**: Performance is below level, but it was assessed that the individual was too short in the position to justify a fair appraisal, as appraisals in companies are linked to a fixed annual cycle. It is possible the employee is only a few months in the new job before receiving a performance appraisal and depending on the job challenges the employee faces, he or she might not have reached his or her full performance yet. In this case the employee follows the potential development loop again. The other reaction can be that the company acknowledges that performance in challenging positions will first go down in order to go up later. This could be the case if companies
acknowledge ‘real’ stretch assignments (60-75% fit), which we saw did not happen in many companies, according to the stakeholder panel.

- Option 2: Performance is below level. When the high potential does not perform up to the expectations, the individual leaves the high potential loop and moves to a ‘regular’ performance related appraisal and into the performance management loop. In theory it is possible that the person re-enters the high potential scheme, as sometimes individuals cannot cope yet with the higher growth demands of the high potentials. It will be reviewed how far this is also used in international companies.

**The Heart method**

When the potential development loop and the performance development loop are combined, the joint Management development and Performance management model is revealed. The regular employees will only be subjected to the upper part of the model, the performance improvement loop, whereas the high potentials will be subjected to the upper part, as well as to the lower part, the potential development loop.

Because of its shape, it will be referred to as the Heart Method, as it is the heart of adding value as HR in an organization, as stated, the core deliverables of HR is the right amount of qualified people for the right positions at the right time. It does so by recruiting and selecting the right employees as well as by actively supporting the development of bench strength through training and experience-gathering of internal employees at all levels (Van Dongen, 2009). In the final method, the ‘heart’ graphically emphasizes that the processes of MD and performance management are the processes at the heart of Human Resources Management.
Chapter III: Conceptual design of a Talent Indicator

Introduction:
Talent is methodically assessed in some companies. In order to reward such top people in the organization, typically senior leveled line manager have the possibility to grant individual talents certain monetary rewards that serve retention purposes. The question in this respect is whether the difference with which certain talents are rewarded also reflects the difference in ‘talent’ itself, as seen through the official MD processes. An indicator could be usefull as a tool to second guess the MD process outcomes, for which the concept of the TI was created.

As the proof of the TI requires access to pay data and long term data of top talents in the organization, and this data was not made available by any of the companies contacted, the credibility of the concept of TI can only be assessed though a datasimulation instead of the use of true empirical data. Because of this, one has to realize that the TI as reviewed here is a concept, which can potentially be formed into a supportive tool for the MD process, should it withstand empirical scrutiny in follow on research.

The value of individual talent retention measures as an indicator
As Management Development of talents is focused around developing people with the potential to develop two levels up, ideally up to the C-level positions, these are processes that typically encompass significant investments, both in time as well as money. Therefore there are two ways to optimize these investments:

- Ensure the investments are made in the most efficient method, to the people who have on the one hand the capabilities to grow as well as the psychological connection to the company (engagement). Analysis of these processes is what this research, amongst others, tries to achieve.
- Ensuring that those employees in whom the investments are made remain within the organization. This means retention management. Though the study of retention tools and methods is as such not an element of this study, the TI does make use of such tools, which is the reason this chapter elaborates on these methods.

Compensation and benefit elements that influence retention
The compensation-based retention tools are two-fold:

- Basic remuneration
- Long term retention tools.
Though typically HR views the long term reward tools as tools for retention, this is incorrect. Retention is based on much broader footing than only the longer term rewards. After a short explanation of the elements of compensation and benefits, I will come back to this point.

Basic remuneration, or Annual Base Salary (ABS), is the annual contractual salary the employee receives. There is no performance element in the ABS. Depending on local legislations and practices, this ABS is broken down into a number of payments per annum. In order to calculate the correct level of ABS a number of decisions need to be made. First it needs to be reviewed what the paypoint in the reference market is. Second, it must be determined whether the company uses narrow- or broadbanding. In sequence, the paylevel, or paypoint, relates to the relative positioning of the company’s payment level in the market and the relevant industry. So, for instance, an FMCG P75 paypoint indicates that within the sector of Fast Moving Consumer Goods (FMCG), the company pays at 75% level, so 75% of the competitor companies pay lower than or equal to this company and 25% pay higher. Broadbanding and narrowbanding describe the width the payband has, from its lowest point to the midpoint, as well as the highest point to the midpoint. A broadbanding company has a bandwidth of over 15% either way. Narrowbanding lies at 10% or lower either way.

In a company’s pay policy it is defined which reward elements result in the individual ABS and Bonus level. The policy should state if the company follows broadbanding or narrowbanding as a basic philosophy. As an example, it can state that the company positions itself as a P75 FMCG paying company above a certain HAYpoint level; below that, a P60 company; at benefits it positions itself as P50. Also, it will state the width of the salary bands.

The salary band, which evolves from the pay policy is the band that encompass the spread of salaries in a specified job level, from lowest point (Low Pay Shadow (LPS)) to the highest (High Pay Shadow (HPS)). The midpoint of the salary band is the amount of compensation that is the result of the market positioning. For instance, taking the position described above, a band 20 HAY position at P75 in Germany (Selected FMCG companies, 2004) was rated at 66.900€ (source: HAY market review, Germany, 2004). The salary band in this case, if the company has broadbanding, shows relatively wide bands of salaries around the midpoint. As an example, the band around the midpoint of 66.900€ would, with a 20% bandwidth, lead to a low pay shadow of 66.900*80%, with 55.700€ low pay shadow and 86.700€ (midpoint * 120%) as high pay shadow. When we combine all salary bands, this creates a so-called payline. The payline is the result of the translation of the company’s pay policy across all job levels. It is the ‘line’ that is created when combining all the midpoints, high pay shadow and low pay shadow for a company. See below for an example of the P75 FMCG payline 2004,
Germany. Horizontally you see the HAY points, vertically the ABS in Euro, LPS and HPS. This shows the payline as well as the pay shadows, as well as the effect of pay policies. In the below graphs the effect is shown as the ‘break’ in the straight line, which lies in the below graph around 714 HAY points. You see the payline increase more moderately below 714 HAY and increase more steeply above. This shows two different pay policies for the different levels; in this case, as it was more competitive to recruit above 714 HAY, it was decided to reward at a higher level.

**Figure 1: Paylines.**

**Defining relative positions in the band**

There are two methods to define an individual’s position in the payband, the Position In Range (PIR) and the CompaRatio (CR). The PIR and CR are two different measures to establish where the individual’s pay is relative to either the midpoint (CR) or the lower pay shadow (PIR). The CR is calculated as $CR = \frac{\text{Actual base salary}}{\text{Midpoint}}$ and will, in the case of a broadband policy with a width of 20% in the above example, give a % value between 80 (at the level of the lower pay shadow) and 120 (at the level of the high pay shadow). When (with a 20% bandwidth) the CR is lower than 80, or higher than 120, the individual pay is outside of the band.

The PIR, on the other hand, is calculated as $\text{PIR} = \frac{(\text{ABS} - \text{LPS})}{(\text{HPS} - \text{LPS})}$. The underlying difference is a result of the definitions of the pay policy, as the CR is focused at the midpoint as a defining factor and the PIR review the salary as a position within the total salary band, but with the HPS as maximum, and the difference between LPS and HPS is stated as 100%. The relationship between CR and PIR is seen in the figure below, where at level 20 (HAY, 2004), the salary under ABS is given the CR as well as the PIR, compared to a midpoint of 66,900€ and a bandwidth of 20%. 
Incentive schemes and retention

A bonus program, or short term incentive plan, is usually expressed as a % of ABS. This bonus the employee is eligible to receive upon reaching certain preset targets, such as individual or company targets. The time span for these targets is usually the fiscal year of the company. Together with the base salary, the short term incentive defines the Total Cash (TC) level, or On Target Earning (OTE).

Opposite to the short term incentive schemes are the Long Term Incentive Plans (LTIP). These are plans, irrespective of the tools they use, to provide long term rewards, such as stock options, restricted share (options), LTIP grants such as checks, etc. LTIP grants are in most cases based on the potential of the individual for the company. A payout is based first and foremost on the fact that the employee is still employed, and second, on the performance of the company. The latter can be measured in direct performance (targets / revenue, etc.) or indirect (share price).

An LTIP has, just as a short term plan, a vesting period. This is the period after which the LTIP can pay out, supposing the individual is still employed. With a short term plan this is a year. LTIPs have longer horizons. Stock-based LTIPs have a vesting period and afterwards can be turned into shares. These are also referred to as restricted shares. Other LTIP are stock options that allow the individual to purchase company shares for a predetermined price after the moment of vesting, and usually then also within a certain timeframe. Stock-based LTIP adds a speculative element to this grant, which helps the individual to continue delivering to the company even after the vesting period of the LTIP, as the shares the individual holds after vesting, de facto embody ownership of the company.

The LTIP, together with the TC, generates the Total Remuneration (TR), which in turn forms the Total Reward, when the value of the benefits the company provides is added to them.

The effect of broadbanding on pay differentiation

Broadbanding emphasized the use of relatively broad (over 10%, usually 15-20%) salary bands. The broadness of the band is expressed in the % distance of the midpoint versus ABS CR PIR

<table>
<thead>
<tr>
<th>ABS</th>
<th>CR</th>
<th>PIR</th>
</tr>
</thead>
<tbody>
<tr>
<td>53520</td>
<td>80,00%</td>
<td>0,00%</td>
</tr>
<tr>
<td>60210</td>
<td>90,00%</td>
<td>25,00%</td>
</tr>
<tr>
<td>66900</td>
<td>100,00%</td>
<td>50,00%</td>
</tr>
<tr>
<td>73590</td>
<td>110,00%</td>
<td>75,00%</td>
</tr>
<tr>
<td>80280</td>
<td>120,00%</td>
<td>100,00%</td>
</tr>
</tbody>
</table>

Figure 2: CR and PIR relative to ABS
either the LPS or the HPS. This % is an absolute percentage of the midpoint. When the width of the payline is 10% (narrowbanding), the total width is 10% up + 10% down from the midpoint. This seems to lead to a total bandwidth of 20%; however, this is deceptive, as the true bandwidth is something different. This can be seen as a value compared to the midpoint, which depicts how much the total width of the band is in % of the HPS.

That width is calculated as \( \text{Width}_{\text{relative}} = \frac{(2 \times \text{width} \%) \times \text{midpoint}}{\text{Midpoint} - (1 + \text{width} \%)} \)

This means that in the case of a width of 20% (oneway), the total width relative to the HPS of the band is 33% and not \( 2 \times 20\% = 40\% \).

However the real felt effect of the bandwidth is best viewed from the perspective of an individual paid at LPS, who looks at a person in the same band paid at HPS. In that case the distance of the highest paypoint (HPS) versus the lowest paypoint is calculated as

\( \text{True Width} = \frac{\text{Midpoint} (1 + \text{width} \%) - \text{midpoint} (1 - \text{width} \%)}{\text{Midpoint} (1 - \text{width} \%)} \)

Which, when calculated through, comes down to: \( \text{Width}_{\text{true}} = \frac{2 \times \text{width} \%}{1 - \text{width} \%} \)

This means that a bandwidth of 20% (oneway) results of a true bandwidth of 50%, e.g., a HPS earner earns 50% more than a colleague on the LPS. When choosing broad-banding, this effect is desired. It typically allows the line management to differentiate more in reward between individuals in the same band. The effect in people in the band, who are lower paid, is shown in the true-width variable in the previous figure.

**Defining the concept**

The Talent indicator serves to give the company an indication of the ‘level of talent’ as seen by the line manager. Therefore the TI is based on the standardized relative value within their job band of the long term incentive the employee received.

The talent indicator has the following elements encompassed in it:

- The band of the employee and the payline characteristics of that band (midpoint, PIR, etc.)
- The actual ABS of the employee as an indicator of the current value of the performance.
- The value of the long term award.
- The characteristics of other people in the same band (C&B-wise).
Step 1: Defining the relative value of the LTIP

As the LTIP grant is not perceived equally ‘high’ by all, the LTIP grant needs to be turned into a relative LTIP (LTIP\(_{rel}\)). The relativity of the LTIP is measured by looking at the relationship of the actual ABS versus the midpoint. The rationale is that if the employee has a low ABS versus the midpoint (e.g., a low CR and PIR), he or she will perceive an LTIP reward as a higher reward than a person with a higher ABS, as the value of the same LTIP relative to their ABS is different. By using the CR/PIR concept the relative value is irrespective of the absolute ABS value. This is desired to allow comparison across countries with different ABS levels.

Therefore, the relative LTIP is found by multiplying the granted LTIP with the relative level of the ABS. As described, this can be done by using either the PIR, or the CR.

Step 2: Choosing the TI, based on two different criteria

Relative LTIP based on CR

One way to look at relative LTIP is by using the CR as an indicator of perceived reward level. As a salary of 80 is perceived as 80% of the midpoint of 100, it can be assumed that, when receiving an LTIP, this amount is also seen as relative to the actual salary. Therefore the CR could be also a good denominator, so

\[
\text{LTIP}_{rel} = \frac{\text{LTIP}}{(\text{CR})}
\]

Relative LTIP based on PIR

This would mean that the relative value of the LTIP is:

\[
\text{LTIP}_{rel} = \frac{\text{LTIP}}{\text{PIR}}
\]

When this is correct, then when the PIR is below 100%, the relative value of the LTIP increases. This is incorrect, as a PIR of 50% indicates the individual’s performance is on par with market data. If we add this 50%, so move to

\[
\text{LTIP}_{rel} = \frac{\text{LTIP}}{(\text{PIR}+50\%)}
\]

This does provide the desired effect. A PIR of 50 means being paid according to the market; the effect of the perceived value of the LTIP should be zero, so with a PIR of 50,

\[
\text{LTIP}_{rel} = \text{LTIP}
\]
In order to look at the two indicators it is key to ensure that the two indicators are not exactly the same, just written in a different form. This is checked as follows:

It is assumed that both LTIP (based on CR and PIR) versions are congruent so that when the one moves (based on CR), the other (based on PIR) also moves. However, it is also assumed that the correlation between the two values is not 1, as that would mean the variables behave in exactly the same way. In the simulation, 500 cases were built for which the TI for both the CR and PIR was used (See “simulation of the effect of two different TI methods”). The correlation between the two series of 500 cases was 0.42, which proves that the two indicators are not measuring exactly the same thing.

To find out which formula is a better indicator, we will move to a larger simulation.

Step 3: Standardizing the TI scores
The TI score, when this is only based on the relative value of the LTIP, would be a value highly dependent on the actual ABS versus the midpoint. However in order to be able to make comparisons, it is necessary that TIs can be compared, for instance, between two countries within one organization. In order to do so, the TI score must be independent of the ABS, the Midpoint and even the actual height of the LTIP, as these can all differ relative to the local markets. In other words, we need to turn the relative LTIP into a standardized normal score. This value is the TI.

This is done as follows:

- The local organization will have an average relative LTIP given out.
- The distribution of these averages should, when the sample is large enough, come close to a standard-normal distribution.
- When we have the LTIP_rel score in a standard-normal distribution, the method used to standardize the scores is to express the scores in the amount of standard deviations (STDDEV) that the LTIP_rel is removed from the Mean.
- Therefore TI = (LTIP_{rel} - MEAN) / STDDEV
- In this method TI scores can be compared across organizational units, even if the paylines are different.

Now in order to choose what TI is better, the TI(CR) or the TI(PIR), a simulation is set up.
**Simulation of the effects of the two different TI methods**

In this case the simulation is based on the usefulness of the TI as a consequence of the difference in perceived LTIP. As the simulation serves to select the best TI formula, the conditions by which the scores of the TI are measured need to be set first:

- As the TI should reflect the relative reward of the LTIP as a function of the relative height of the base salary, a strong negative correlation of the TI with the height of the base salary is expected. Thus, as the TI is higher when a LTIP is given out with a relatively low salary, so the perceived reward of the LTIP is higher. So: Correlation TI to ABS is high and negative.

- The TI should be stronger correlated with the ABS, than with the LTIP height, as it is assumed that the relation between the ABS and the midpoint is decisive. Correlation of TI to LTIP is lower than correlation TI to ABS

- As the TI score is a standardization of the relative LTIP score, which is in turn a reworked version of LTIP, there will be a correlation between TI and LTIP. However, the preference will go to the lower correlation toward LTIP. Selected is the lower correlation between TI and LTIP

In order to see which formula better serves that purpose, a simulation is built. This was done by creating ‘employees’ who have randomly selected base salaries between LPS and HPS. Also, a randomly selected LTIP is matched with this.

A large number of cases should be created (in case of this simulation, 500 per case) to be tested in 10 simulations. In this way the TIs and the correlations calculated are based on 5000 individual cases. Per set of simulations, 500 ‘employees’ are created in this manner:

<table>
<thead>
<tr>
<th>HPS</th>
<th>LPS</th>
<th>Midpoint</th>
<th>mean</th>
<th>stddev</th>
</tr>
</thead>
<tbody>
<tr>
<td>80280</td>
<td>53520</td>
<td>66900</td>
<td>15194.44</td>
<td>3330.614</td>
</tr>
</tbody>
</table>

**PIR Based relative LTIP**

**Individual** base salary PIR LTIP Ltip(rel)

Figure 4: buildup of Excel based simulation (PIR)

Below line you see:

- Employee number
- Base Salary (=round(randbetween(LPS,HPS);2))
- \( \text{CR} = \frac{\text{ABS}}{\text{MIDPOINT}} \)
- LTIP (round(randbetween(10.000; 20.000);3)
- \( \text{LTIP}_{\text{rel}} = \frac{\text{LTIP}}{\text{CR}} \)
This table (TI, based on PIR) is set up in the same way, with the exception that the samples of base salary and LTIP, as well as mean and standard deviation, are copied from table 1.

The reason is that by using the Excel function `RANDBETWEEN` every time a value is added in the table, a new sample is taken. In this way, by copying the values in the second table, the TI_{CR} and the TI_{PIR} are calculated on the same base data, allowing us to make comparisons.

Next the two tables were built up with 500 cases per table. Then 10 series of simulations were run. The results were as follows:

<table>
<thead>
<tr>
<th>Correlations per set of 500</th>
<th>set 1</th>
<th>set 2</th>
<th>set 3</th>
<th>set 4</th>
<th>set 5</th>
<th>set 6</th>
<th>set 7</th>
<th>set 8</th>
<th>set 9</th>
<th>set 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>TI(CR) to base:</td>
<td>-0.48</td>
<td>-0.52</td>
<td>-0.51</td>
<td>-0.51</td>
<td>-0.48</td>
<td>-0.53</td>
<td>-0.50</td>
<td>-0.51</td>
<td>-0.49</td>
<td>-0.48</td>
</tr>
<tr>
<td>TI(CR) to LTIP</td>
<td>0.86</td>
<td>0.85</td>
<td>0.80</td>
<td>0.85</td>
<td>0.83</td>
<td>0.87</td>
<td>0.86</td>
<td>0.86</td>
<td>0.85</td>
<td>0.85</td>
</tr>
<tr>
<td>TI(PIR) to base</td>
<td>-0.80</td>
<td>-0.82</td>
<td>-0.82</td>
<td>-0.82</td>
<td>-0.81</td>
<td>-0.81</td>
<td>-0.80</td>
<td>-0.82</td>
<td>-0.80</td>
<td>-0.79</td>
</tr>
<tr>
<td>TI(PIR) to LTIP</td>
<td>0.50</td>
<td>0.51</td>
<td>0.50</td>
<td>0.50</td>
<td>0.45</td>
<td>0.56</td>
<td>0.52</td>
<td>0.62</td>
<td>0.51</td>
<td>0.48</td>
</tr>
</tbody>
</table>

Figure 5: Correlations between respective TI and base reward data, per sets of 500 cases.

The correlation used is based on the Pearson’s r function in Excel:

In a graphic format, this looks as follows:

![Figure 6: correlations between respective TI and base reward data in graph](image)

In the graph, based on 5000 cases, you find on the X-axis the 10 series of 500 cases.

**Step 4: Choice for the most useful TI method**

As it was calculated what the correlation was between the TI and LTIP in the two versions, the average correlation over 5000 cases for TI(CR) was 0.8495 and the average correlation
of TI(PIR) was 0.513. This in turn means that the TI(CR), when knowing the LTIP, \((0.8495)^2 = 72\%\) of the outcome can be explained, whereas this is in the case of the TI(PIR) only 26%.

With this you see that:

- TI(CR) to LTIP is high and positive
- The TI(PIR) to LTIP is moderately positive
- The TI(CR) to ABS is moderate negative
- The TI(PIR) to ABS is pronounced negative
- Knowledge of the LTIP score only predicts 26% of the TI(PIR)

Add 1. Combining this with the first criterion—that the correlation of the TI to ABS is negative and strong—speaks for the TI based on PIR.

Add 2. The second condition, that the correlation between ABS and TI is stronger than between TI and LTIP, speaks for TI based on PIR.

Add 3. The TI(PIR) correlates less strongly with the LTIP grant.

![Scatterplot of TI(CR)](image)

Figure 7: Scatterplot of TI(CR), based on 500 cases

This scatterplot shows that the spread of the TI lies between -2 and +2 and seems to be balanced, which is what the average value predicts. There is a slight skewness to the right (0.28)
Looking at the spread of the TI (PIR) one can see that the TI(PIR) enlarges the positive value of the relative LTIP, but does not equally enlarge the lower value. This distribution is highly skewed to the right.

The spread of the sample of 5000 is as follows:

**What are the consequences of the findings?**

The finding shows that the TI(PIR) provides more spread amongst the talents, specifically on the talents with higher TI ratings. As the LTIPs were spread randomly, the above figure shows that the TI(PIR) creates a larger differentiation between the lower and higher perceived rewards. This means that, when associating a budget, depending on the choices
made, the low amount of higher TI scores (for instance, above 3) receives a third of the budget, between 0 and 3 two third and below 0 nothing (as the TI is negative).

The second dimension to the concept
As described, one of the issues of the TI is its interpretation, for which additional data is needed, or a deeper look inside the underlying data. As the purpose of any future managerial tool is ease of use, a review was made on how to increase the ease of interpretation of the tool. For this purpose, it was found that a secondary dimension in the measure needed to be designed.

The next measure is based on a number of prerequisites, the first one being that different countries have different pay levels. Some countries have higher average salaries than others. It is this difference that, for instance, feeds the process of outsourcing non-core activities, or transactional activities, to low-salaried countries. Second, it is assumed, in line with one of the factors that were found that improve the development ability of the talents, that the talents are all part of a network of talents. Depending on the scope and assignment level, this is either a local network or an international network of peers. For this talent indicator level, it is assumed this network is international.

When individuals are part of a global network of peers, they will discuss compensation levels amongst each other, irrespective how much HR and management might desire that they would not do so. The peers in this network see each other at-par with respect to job assignments, challenges, levels and performance, and make a (sub)conscious match of their own compensation level to these.

Therefore there are two methods to deal with this. On the one hand, one can create one payline for global employees. In that way all are competing at par. However, which country should be taken as benchmark for that specific payline? And are the tax consequences in the different countries handled, and the cost of living? The list goes on..

The other way to review this is to create a global average midpoint per level. When we create a straightforward mean (\( \bar{x} \)), this would not take into account the differences in importance of the respective markets. When we have country A with a headcount of 100 in a specific bandlevel, this is of much more importance than country B, with 10, be it in a clearly higher bandlevel. Such differences can, for instance, occur in a company where the HQ is located in a high paying country, but the workforce is located in a low paying company, to reduce
production cost. In order to account for this, we should calculate the Weighted Global Midpoint for a level (WGM).

In a formula this looks as follows. The Weighted Global Midpoint for level x is
\[
WGM_x = \frac{\sum \left( (x(1) \cdot HC(1)) + (x(2) \cdot HC(2)) + \ldots + (x(n) \cdot HC(n)) \right)}{HC(1) + HC(1) + \ldots + HC(n)}
\]

In this formula: \( x(1) \) = average salary at level 1 (= midpoint); \( HC(1) \) is the headcount at level 1, etc. The WGM gives at level X a midpoint. As this is a weighted midpoint at a global level, against which through this method all talents are measured, the bandwidth should be sufficiently wide to allow for spread as lower paying and higher paying countries need to be observed in order to allow local benchmarking. Therefore a broadband approach is chosen of 25%. Companies can of course deviate from this, but for the simulation, this is taken as a standard. In that way the global high pay shadow at level x = \( GHPS(x) = 1.25 \cdot WGM(x) \) and \( GLPS(x) = 0.75 \cdot WGM(x) \)

The Global PIR of any global talent positions at level x is now \( GPIR(x) = \frac{\text{ABS}(x) - GLPS(x)}{GHPS(x) - GLPS(x)} \)

This results again in a number that can have a huge spread. Standardizing these values, as with the TI, is useful to create better comparison. A standardization of the GPIR is achieved through \( GPIR_{(s)} = \frac{\text{GPIR}(x) - WGM(GPIR)}{SD(GPIR)} \), which would lead to more clarity, as it would show the position of the salary in % relative to the WGM in a number of standard deviations versus the mean. This is equal to the measure the TI\(_{(pir)}\) uses.

**Usage of the tool**

Calculating the second dimension had to be done with a simulation, again for the same reason as this had to be done with the TI. In this case I chose to create the simulation in such a way that there are five countries with a number of randomly created employees. In total 100 employees were created (see figure 10)

<table>
<thead>
<tr>
<th>Countries</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midpoint</td>
<td>9000</td>
<td>8000</td>
<td>7000</td>
<td>6000</td>
</tr>
<tr>
<td>nr of employees</td>
<td>7</td>
<td>21</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>HPS</td>
<td>10800</td>
<td>9600</td>
<td>8400</td>
<td>7200</td>
</tr>
<tr>
<td>LPS</td>
<td>7200</td>
<td>6400</td>
<td>5600</td>
<td>4800</td>
</tr>
</tbody>
</table>

Figure 10, Simulation GPIR step I

The amount of employees per country was relatively random. I assumed that more people will be located in lower paid countries. In order to check what the impact was of the absolute number of employees in the individual “countries”, four sets were created with 85 variables each, each with a different number of employees in the respective countries, but with the
same datapattern; the lower paying countries have more employees. If the absolute number of employees was important, then the GPIR’s would be strongly influenced by the differences in number of employees, leading to a low, if any correlation. As the datapattern was similar correlation is expected, which is the reason for defining a high level of accepted significance (p<0.001). If at that level there is still a significant correlation, then the datapattern is the key driver, and not the absolute number of employees, which means one could use such a pattern, as the logics behind the pattern is strong. Inputting this data in SPSS using Spearman’s Rho and an acceptance criteria of p<0.001 with a correlation of at least 0.5 gave the following data:

<table>
<thead>
<tr>
<th></th>
<th>Set 1</th>
<th>Set 2</th>
<th>Set 3</th>
<th>Set 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman's rho</td>
<td>Correlation Coefficient</td>
<td>.88**</td>
<td>.65*</td>
<td>.61*</td>
</tr>
<tr>
<td>Sig (2-tailed)</td>
<td>N</td>
<td>85</td>
<td>85</td>
<td>85</td>
</tr>
<tr>
<td></td>
<td>Correlation Coefficient</td>
<td>1.00</td>
<td>.88**</td>
<td>.65*</td>
</tr>
<tr>
<td></td>
<td>Sig (2-tailed)</td>
<td>N</td>
<td>85</td>
<td>85</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

Figure 11: correlation between the different data sets created.

As can be seen in figure 11, the correlation has a P value that is very low for the amount of data (n=336), and the found correlations are all well above 0.5, which is rather strong. Therefore we can conclude that the number of employees per country does not change the characteristics of the data, as long as the trend remains the same, which makes the assumption fair that the chosen set in figure 10 can be used as basic set for the simulation.

This creates the following scatterplot for simulation I.

![Figure 12: Nonstandardized PIR for the WGM](image-url)
When we standardize these numbers, the format does not change but the meaning of the numbers becomes more explicit.

![standardised GPIR](image)

Figure 13: Standardized GPIR

Combining this data with the data of the TI(pir) generates a second dimension versus the uni-dimensional TI. As TI and GPIR are both standardized, the interpretation of both axes is similar. The second dimension in the graph adds substantial additional value to the TI.

![TI versus GPIR](image)

Figure 14: TI versus GPIR.

In the graph you find the similar 4-box as BCG used in the 1980s to rate companies, and which was later used by, for instance, GE. The later 9-box models are a further development of the 4-box models.

**Interpretation of the TI score**

Now the data per quadrant is easy to interpret:

The quadrants now imply:
Low TI High GPIR:
- High base salary and perceived low long term reward. This individual moves from being a high potential to being a high performer at his level.

Low TI Low GIR:
- Low base salary and perceived low long term reward. This individual has a perceived small long term reward and a small base salary. It is likely this individual needs to leave the talent pool.

High TI, Low GIR:
- They perceive a good long term reward; however, they are compared with their peers on a low base salary. This should be looked into, as this person could be “bought out” with relatively low investment by other companies.

High TI, High PIR
- They perceive a high long term incentive and are well paid. This should reflect the top performers with high potential in your company.

And not only is the interpretation easy; this figure can now be directly compared to the Global talent mapping on potential and performance, as the TI is a financial indication of potential level, and GPIR is a financial indication of global performance level.

**Practical use of the TI**

In order to show the practical use of the TI concept this study has created four fictional cases. These cases will have a 9-box score (performance, potential), as per the HR methods, and will have a TI score (GPIR, LTI).

<table>
<thead>
<tr>
<th>Employee number</th>
<th>9 box score</th>
<th>TI score</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>3.3</td>
<td>2.2</td>
</tr>
<tr>
<td>B</td>
<td>3.3</td>
<td>-2.2</td>
</tr>
</tbody>
</table>

In order to show the practical use of the TI, the gridlines of the TI are combined with the 9-box setup, in the figure below:
The next step is to plot the individuals in the combined chart, both on TI and 9-box scores. As the scales of the TI are not yet aligned with the 9-box, the positioning is relative. When the scales are the same, the distance between the positions would give an indication of the alignment between the relative reward of the talent versus the relative positioning.

This fine-tuning can only be done after a full quantitative review, which was outside the scope of this research. Therefore in the example of the managerial practices of the TI, it is now assumed the scales are aligned, to allow the use of the TI to be clarified. In order to facilitate the example the TI scores are standardized in a range for -3 to +3.

The TI positioning now needs to be adjusted for the 9-box the individual would fall into. This can be done by splitting each gridline into 6 segments (to accommodate the scale of the TI). This is done in the below figure, where the TI gridlines are dotted, whereas the 9-box lines are straight. Where the TI line is the same as the 9-box line, the straight line is kept.

In this chart the two individuals, as described above, are put in. The results are shown in figure 16.
In the above figure 16, one can see that the indicators (HR and TI) both state similar on the case A; both land in the 9-box 3-3. The case B is different. Though seen as high potential in both cases, the HR measure states she is seen as a high potential and high performer, hence a person the company will want to keep. The TI states that the long term reward is indicative of a high potential, but the relative base salary is low, compared to the Global Weighted Midpoint for talents in this band. It could for instance be that the individual lives in a low wage country.

**Consequences of the comparison**

This case shows the retention risk in case B, as this individual could be “bought out” of the company by a competitor, merely by paying her the average salary of the global talent population. The individual would receive a substantial increase (on base) and could be tempted to leave; as per HAY, a 15% increase is seen as substantial. The long term compensation in this case seems to be on a par with the talent category; however, this can also be caused by a relatively low positioning in the local band (as the LTI was divided by the local PIR, a low PIR leads to a higher LTI). If such a case would come forward, this could lead to a base-salary adjustment of the individual AND a long term incentive correction, as the high long term incentive is caused by the relative low positioning in base salary.

In this case the TI as secondary indicator could lead to a correction, hence to keeping the individual in the company and securing a talent for the future.
Weaknesses in the TI concept

The apparent weakness of the TI lies in its assumptions. The first one being that line managers are ‘free’ to choose how much LTIP they award individuals (within ranges) and have done so based on their assessment of future talent for the company instead of as an extra reward for past performance. The TI assumes this is done on a partially rational basis (March & Simon, 1958); however, when a purely rational approach, based on the mechanistic management view (Terry, 1995), is taken and a strong calibration takes place, the two-dimensional TI will show the same score as the 9-box graph does.

Secondly it assumes the distribution of the variables is according to a standard normal distribution. This assumes a large amount of employees are eligible to receive Long Term rewards, which in term assumes a large company. This assumption however has a rational in it, as in companies such as CristalGlobal, which in 2010 had around 25 people receiving LTIP grants, the amount of eligibles is so small, one can review each case individually, hence such a tool is not needed. In the case of Allianz however, with 7000 people going through the CDC, such a tool could prove usefull to review anomalies.

Thirdly the TI score is driven by relative ABS, however there can also be positive reasons for a low relative Abs, as successful talents move up the chain rapidly, their relative salary is probably low, as they have not had time to have his ABS pickup with the speed of promotions. Most companies have a maximum raise per time-period in a policy, which then creates the situation that a (in years) more junior highly successful senior executive has a low ABS_{rel}, though the TI of this individual is high. The latter is correct, as the indicator for talent shows that the relative base is low; hence, the TI would be higher, assuming similar long term rewards. When this person does not have a high TI, this can for instance mean that the company does allow larger salary corrections for talents, not that the individual is not a high talent. Therefore a potential weakness of the TI lies in the nature of the indicator, which means that, though the TI can be high for high talents, there is still cause for concern, as this can be caused by underlying reward problems.

Finally a weakness lies in the fact that the TI extrapolates differences in perceived reward, e.g., the actual payment position versus the midpoint. It does so by dividing the difference between LPS and HPS by 100 (%). In case of broadbanding, where the differentiation between HPS and LPS is 2*15% or 2*20%, this differentiation could be perceived as more realistic than in case of narrowbanding (10%), where this 2*10% is also split into 100. Differences in relative reward, depicted in different TI, might not be perceived differences, as these are so small that they make no (real) difference, though mathematically they do.
As stated before the TI is a concept. In order to move the concept to a tool a true empirical test needs to be performed in order to see if the tool has practical value for managerial use. To allow for some of the contemplations above, I would recommend to test the TI in a broadbarding environment in large organizations, where a normal distribution can be attained at band-level. Based on such a population a quantitative research should be made, to review the practical usability of a tool, based on the concept. This will then show if the contemplations on the weaknesses of the concept, outstrip the practical usability. For now the concepts seems at least interesting to review in further research, based on the simulations performed.
Chapter IV: Empirical research II; Assessment of managerial practices in international companies

Introduction
This review serves two main purposes. The first is the search for input to improve the process by reviewing practical examples to theoretical issues as well as reviewing how far companies actually follow the process as designed in chapter 3. Second, there are the opportunities for improvement initiatives for the companies under review that the process will generate. This happens when the processes of the company could be further improved when they align more tightly with the process.

Method discussions on the assessment process
The ability to improve continuously is a predictor of the future of organizations (Samuelsson & Nilsson, 2002). How to assess the performance of a company using an excellence model (Kaye & Dyason, 1999; Gadd, 1995; Hillman, 1994) and what benefits it brings the company (Singhal & Hendricks, 1999; Przasnyski & Tai, 1999) are subjects discussed frequently in the literature.

One element this study does not address is the fact that, though we assess processes in the company, we do not measure what the measurable outcomes on the company are. Performance measurements would surely complement, since it focuses on identifying metrics related to business results (example given quality, time, flexibility and cost (Neely et al., 1995). This is a topic that should be taken up in follow-up research. The fact that only in 2010 the first larger study on Return On Development Initiatives (RODI) took place (Avolio et al. 2010) shows that there is still a large research area that is largely unexplored.

Generally speaking, there are three main methods to review the MD processes in international organization. The first would be the traditional audit, through an external auditor. The second one is the self assessment and the third one, the combination of self assessment and external auditor.

The use of the external auditor
A typical external auditor evaluates the effectiveness ("extent to which planned activities are realized and plan to results achieved" (ISO 9000, 2000)) and efficiency ("relationship
between the result achieved and the resources used" (ISO-9000, 2000)) of the work process and subsequent comparison of process performed with the expected goals (Karapetrovic & Willborn, 2002, p. 25). However, in this case the audit would not be built on an excellence model such as the above description refers to, but is much more a vis-a-vis audit, as the organizational practices are used to review the MD process designed in this thesis, whereas the process is in turn used to audit the MD processes in the organization. The final purpose in light of this research is to review if the outcome of the audit process produces MD ‘signatures’ of the respective international companies, which would, when compared with profiles of other companies, yield useable results to base improvement suggestions on. Though EFQM (1999) states that their model needs not be augmented for organizational purposes, as it claims its excellence model can be applied to all organizations, this claim is not taken by this thesis, as the process has not proven itself yet. Therefore, as Kaye and Dyason (1999) suggest, a model must be tailored to enable reflection and encourage learning. This tailoring in the case of this study is ex-post, as the learnings from the organization will be incorporated into the process. The learnings will be encompassed in the next-improved process, which will be fed back to the companies, so they also recognize what the research took away from the analysis versus what recommendations the process generates, the latter as a process is already based on underlying theories and ex-post learnings from the online panel that are integrated into the process. The augmented process is in turn the process used for review and audit of the next international company. The downside of the use of only external auditors is that the quality of the audit entirely depends on the quality of the external auditor, whereas their added value for the clients has come under criticism (Beeler, 1999; Stamatis, 2000). Also, the ownership of the process should not lie with an external party (the auditor in this case) but with the internal process owner. This issue is resolved with the second method, the self assessment.

The use of a self-assessment

The recent years, self-assessment has become an important management technique for continuously improving overall business performances (Zink & Schmidt, 1998). Self-assessment of processes against business excellence or best practices models are widely considered to be more advantageous in respect to the added value to the clients (van der Wiele et al., 2000). Also Karapetrovics and Willborn (2002) argue in their paper that the owner of a process should themselves conduct a periodic assessment of the process performance (p. 26). “The self-assessment by far outperforms audits in terms of identifying strengths and opportunities for continuous improvement, prevention of problems and incorporation of assessment results into the strategic and operational business planning” (Samuelsson & Nilsson, 2002, p. 28). The traditional audit is most often externally required,
focuses on the quality assurance function within an organization only, and relies on competent quality professionals for judgment on compliance with ordered criteria. Self-assessments are cross functional, less formal and almost always intrinsically motivated (Van de Wiele, et al. 2000).

A critical phase of self-assessment is the creation of the improvement plan, which then should be presented to higher management, linked to business planning, and then communicated to the whole organization (EFQM, 1999a; Van der Wiele & Brown, 1999; Reed & Shergold, 1996). Much too often, organizations fail to do this and consequently self-assessment activities do not lead to lasting improvements (Klefsjö, 1999; Povey, 1996). This research will generate a list of improvement suggestions and their rationale per company, which will be handed back to the process owners to use as basis for their internal improvement initiatives.

**Considerations in self-assessments**

An approach to self-assessment must consider the organization’s maturity and culture; it must be correctly positioned as a part of an overall management process. In addition, the criteria of the chosen framework must be relevant to the organization as a whole (Povey, 1996). In the case of this research, this is taken up by a selection of larger international companies that have had the ability to create comprehensive MD systems. The process is also expected to serve as a roadmap to design and implement MD systems in immature organizations, as auditing their systems with this process would make little sense.

**The combined use of assessments**

Goldstein (1983) presents a two-tiered combination of a self audit and an external audit to alleviate the problem of relying on outsiders to identify non-conformances. This approach is also taken on by this research.

The review and subsequent audit of the management development processes in international companies is set up in three major steps. The first step encompasses the described self-assessment of the respective process owners in the international companies. The use of self-assessment steps is chosen for a variety of reasons. First, the self assessor is normally more familiar with the actual process than the external auditor (Karapetrovic & Willburn, 2002, p. 25). Also, the audit is not merely intending to check to which extent "planned activities are realized and brand results achieved" (ISO 9000, 2000); it also wishes to accomplish an internal ownership of both the process as well as compliance through that
process. To that extent Tiertmeyer (1997) suggests a process of individual assessment in order to encourage initiative and a sense of co-responsibility in the achievement of total quality. When using both internal assessor as well as an external auditor, the problem of the external imposition of judgments and consequent lack of team motivation to follow up on it could be alleviated (Karapetrovic & Willburn, 2002, p. 25).

The second step encompasses the external auditor to discuss the results of the self-assessment with the internal process owners, based on documentation being made available, and discussing the actual processes that led to the internal score. The third phase serves to come to a final score based on the self-assessment and the transcribed discussions, as well as the underlying materials. This is fed back into the international company. The feedback of the international company is included in the final review.

**Conclusions on the assessment method**

The self-assessment is structured by means of providing a questionnaire, which holds all the questions that will be discussed during the audit. These audit questions will have a five-point Likert scale, as well as open text option, in which the company representatives can place their comments on the respective topic. The final audit score will encompass a seven-point Likert scale, which allows for the auditor to deviate or be more specific. It is expected that "the auditor (...) is more knowledgeable about the audit criteria" (Karapetrovic & Willburn, 2002, p. 25). Also, the auditor is expected to be able to judge more independently of the company under review and reflect on knowledge of solutions used in other companies, to provide a more objective comparison to the factors under review.

The reason for this expectation is that senior level leaders in an international company typically have developed what is called a managerial identity, as described by McKenna (2010). This is a topic of research that continues to flourish (Alvesson et al., 2008). In essence, the study of identity concerns attempts to understand how human actors address the questions of who they are and how to act (McKenna, 2010, p. 7). Sarup (1996, p. 54) notes, “We become particular individuals acting in the beliefs given to us to think.” Althusser (2001) suggested that individuals are influenced ideologically or through interactions to adapt a certain identity. Managers are influenced to become “what institutional interactions and practices make of them” (Smith and Watson, 2001, p. 43). Foucault (1995) argued that it is through these directional interactions that individuals develop a normalized gaze. To use a different point of view places the manager “at the margins of the dominant discourse and to be classified as “abnormal” and having the “wrong” identity” (McKenna, 2010, p. 7). In other words, it could be difficult for senior level managers not so much to look at their organization
with a critical eye, but more so to accept the potential that another company could have designed a method or process that is superior to theirs. This lack of introspection leads to a score on the audit tool which, from an objective perspective, is too high. Such an identity was, for instance, found when through a network contact the author was introduced to Nokia in Finland, where the responsible manager commented on a potential participation in this research that ´Nokia does not expect to be able to learn from this´ (Development manager, Nokia, personal interview, 2010). Should this individual have communicated the opinion of Nokia, then most likely their self-assessment would have been far too high, as they set themselves as the standard for others instead of vice versa. The second opinion of the external auditor is used in this case as an ´external pair of eyes´.

**The instrument**

The audit instrument is based around the 44 questions, which followed the literature review and were subjected to the stakeholder review through the online panel. The audit tool can be found in Appendix C: Management Development Self Review Survey.
Managerial practice I; MD within the Allianz Group

Overview
Allianz SE (formerly Allianz AG) is a global financial services company headquartered in Munich, Germany. Its core business and focus is insurance. As of 2010, it was the world's 12th-largest financial services group and landed on position 110 of the Financial Times top 500 companies (Financial Times, 2011).

Allianz Global Investors ranks as a top-five global active investment manager, having €1,518 billion of assets under management, of which €1,163 billion are third-party assets, with specialized asset managers such as PIMCO (Bond fund), RCM (Equity fund), Degi (Real estate fund), etc. (Allianz 2011a).

Financials
Based on the 2010 annual report Allianz had a total shareholders’ equity of 44.5 Billion €, which was an increase of 10.9 percent over 2009. With a total revenue of 106.45 Bio € they realized an operating profit of the group of 8,243 Bio €, which was an increase of 9.3 % over 2009.

History
Allianz AG was founded in Berlin on 5th February 1890 by Carl von Thieme (a native of Erfurt, whose father was the director of Thuringia Bank) and Wilhelm von Finck (co-owner of the Merck Finck & Co bank). Allianz shifted its headquarters to Munich in 1949. The first step to become an international company started with the opening of a branch office in London in the late nineteenth century. After World War II, global business activities were gradually resumed. Allianz opened an office in Paris in the late 1950s and a management office for Italy in the 1960s. These expansions were followed in the 1970s by the establishment of business in the UK, the Netherlands, Spain, Brazil and the United States. In 1986, Allianz acquired Cornhill Insurance PLC, London, and the purchase of a stake in Riunione Adriatica di Sicurità (RAS), Milan, strengthened its presence in Western and Southern Europe in the 1980s. Recently, on February 8, 2006, RAS shareholders approved a merger with Allianz. In 1990, Allianz started an expansion into eight Eastern European countries, establishing a presence in Hungary. In the same decade, Allianz also acquired Fireman’s Fund, an insurer in the United States, which was followed by the purchase of Assurances Generales de France (AGF), Paris. These acquisitions were followed by expansion into Asia, with several
joint ventures and acquisitions in China and South Korea. Around this time Allianz expanded its asset management business, as well, by purchasing asset management companies in California. In 2001, Allianz acquired Dresdner Bank, a large German bank. After a loss making endeavor on 31 August 2008, Allianz announced that it would sell its loss making unit, Dresdner Bank, to Commerzbank for a total of 5.5 Billion Euro. Shortly after this transaction was completed, Commerzbank had to be partially be nationalized by the German government to prevent it from bankruptcy. Allianz is currently keeping around 14% of Commerzbank Shares.

Global presence
On December 31, 2010, the Allianz Group had 151,338 employees, 1.2 % fewer than the previous year. In 2010, 24,261 staff was hired worldwide, which reflects a turnover rate of 15.8%.

Allianz is present in more than 70 countries. At the top of the international group is the holding company, Allianz SE, with its head office in Munich. Allianz Group provides its more than 60 million customers worldwide with a comprehensive range of insurance and other financial services in the areas of property and casualty insurance, life and health insurance and asset management and banking.

Process of MD within Allianz
“Employees are our greatest asset” is a credo that is found in just about any management slogan or mission statement (Wagner & Harter, 2006, p. 199), and it is important to see how this is put into practice. Allianz states, “Our employees’ exceptional commitment and ambition to provide excellent service to our customers are crucial to our success. To constantly enhance our performance we place great emphasis on fostering outstanding leadership, continuous talent and personal development. Only by unlocking our employees’ potential can we achieve our primary goal of being a reliable partner to our customers.” (Allianz, 2011B, p. 22). At first the investments in development relative to the overall cost of employees are reviewed.

Investment in people
“Our culture is characterized by a commitment to performance and we need to attract the very best employees who are always prepared to develop their skills and deliver top performance. Our global talent management system gives us an overview of potential internal candidates within Allianz companies and enables us to steer our succession planning group-wide and globally.” (Allianz, 2011b, pp. 22-24)
The Allianz Group paid a total of €8.3 billion (2009: €7.7 billion) as employee cost worldwide in 2010. Of this amount, €2.0 billion, or approximately 24%, was accounted for by performance-related (variable) remuneration elements. €2.2 billion (2009: €2.2 billion) was spent on social security contributions, pensions and other social benefits. Their commitment to performance is reflected in the relatively high portion of variable pay that is spent on performance dependent bonuses (24%) as a percentage of total employee cost, whereas the investment in people was only 1.57% (130 million euro in 2010, 2009: €147 million) or 985€ on average per person in training and continuing education. The decline in investments in training and continuing education measures was due to a greater usage of e-learning and more in-house training. Allianz is promoting and developing managers and potential candidates through the Allianz Management Institute (AMI); 6,692 of them took part in the AMI programs in 2010, 21% more than in the previous year. AMI now also includes the AMI Operational Excellence (OPEX) Academy programs, in which 1,363 employees participated.

The process
Allianz has at the core of the MD selection process their so-called CDC (Career Development Conferences), which in 2008 were held in 58 countries and evaluated more than 3,000 candidates from 70 Allianz companies. The goal of the CDCs is to select talents, provide succession management and generically to review the people in leadership positions on potential as well as performance. The use of CDCs started in 2006 and they continue to be used each year, to review their leadership-cadre. The basis of the CDC lies in predefined competencies. These competencies were created based on benchmark research of Hewitt’s leadership practice, publications of McKinsey, Towers Perrin’s performance oriented work and Egon Zehnder’s global talent survey. The model in Allianz is based on a total of 10 competencies, which in turn are measured at seven levels (Allianz, 2009, pp. 2-3), which is an exact depiction of the methodology of Egon Zehnder (Gerhardt & Ritter, 2004, p. 39; Michaelis, 2008, p. 61). For each competency, detailed examples are given of behavioral indicators of the different levels of proficiency in their materials, which has been put into an easily accessible booklet, shared with all employees (see Allianz, 2010).

High potentials in Allianz
A high potential in the words of Allianz is defined by four predictors of talent, which are the “employee’s ambition”, “energy and Drive”, “ability to learn” and the “competency capacity”. On these indicators for potential, Allianz had Egon Zehnder do a research, where they found a 0.85 correlation between high potentials and high scores on the competencies “Strategic orientation”, Driving Change and Innovation” and “Results orientation”. This definition is
However no ‘true’ definition. It is a circular definition, as a talent is a person who has the indicators of potential, whereas the indicators of potential are these items that, when present, increase the person so that the person is a talent. Therefore, though Allianz works with a concept of potential, there is no true definition of the concept.

**The process of CDC**

The Career Development Conferences (CDC) are structured talent reviews at which the respective leaders discuss three talent topics each year. They discuss the talent situation today, the business strategic workforce planning for the future, and the action plans agreed on by the management team to resolve issues pertaining to the other topics. This initiative started only in 2008, in which year 58 CDCs took place.

There are 5 CDC levels (see figure 4)

![Figure 1: CDC per level in the organization](image)

The CDC has three distinct phases: the preparation phase, an assessment phase, and a post-assessment phase. In the preparation phase, a preliminary assessment of those individuals to be discussed during the CDC sessions takes place. At the CDC this assessment is discussed, and the scores of all individuals are calibrated versus a standard normal distribution curve. Also, action plans for the individuals and specific groups are made. Post-CDC, partial results are communicated and agreed-upon action plans are implemented.

The role of HR in these discussions is a facilitator function. In Allianz, HR is responsible for the MD process. Based on all the data, two different 9-boxes are made; one displays the ‘classic’ version of performance versus potential, while the second one is more forward thinking, namely a 9-box of who fits in the current situation versus who fits in the future.
situation. In the latter case, also current and future business challenges and the expected
capabilities needed to master these challenges are depicted.

Based on the CDC an individual can receive a P (potential) rating, which is combined with
the organizational level the individual is ready for (P0, P1 or P2, for instance). A person with
a P rating is ready now. FP indicates future potential, with a marking of the amount of years
(1-2). Allianz does not assess the vertical capabilities of their potential, as for instance the
definition of Van Dongen & Prodan (2009) or Charan (2005). As such, they do not
differentiate between ‘high potential’ and ‘potential’ in their ratings. This behavior is aligned
with a performance focused organization, as the interview disclosed, where actual delivery is
appreciated more than the potential an individual has.

At Allianz the talent category is not limited to vertical talents, though. As their complicated
business of risk assessment is at the basis of risk hedging, the premium calculations are in
turn based on that. The actuaries that master this trade take over 20 years to move into that
specialty, according to the interviewee. They are responsible for the above average
performance Allianz had, despite the global crisis. There are three career paths in Allianz:
vertical talent, broad (lateral) talent and deep talent. According to the interviewee, there is no
differentiation made in the sorts of talent, as long term reward as not so much linked to
potential, but to performance. This fact makes it easier to reward deep talents similarly to, or
even higher than, vertical talent. As was stated, “we can replace leaders, but not our
actuaries”.

The psychometrical / methodological basis for the CDC is not strong. At higher levels a sort
of 360-is taken by asking input from people and peers around the person under discussion.
The emphasis on this 360-does not decrease but even increases with the rising of the
career-star, which is counter-intuitive. A more senior leader should have a well developed
self-perception and hence not need so much 360-feedback, but more coaches, who can
provide advice on how to change known developmental areas and can help them find ways
to change their way.

This, according to the interviewee, is hindered by the masculine culture in Allianz, which can
have its roots in the German culture, or in the specific trade, the data-driven insurances
environment. This culture makes people “not talk about having a coach, but most of our top-
leaders have one”, according to the interviewee. The materials used in the CDC are
references and interviews, which also underlines the statement that “Allianz is a relationship
company”, which is in sync with the basis of selling insurances, as this happens through
building relationships with the clients. It is therefore very understandable that this has become ingrained in the business, as many line managers come from the business of selling insurance themselves. There is, according to the interviewee, nevertheless great acceptance of the outcome. “The industry is quite judgemental; leaders are confident in the outcome of the assessments”.

Within Allianz, there is also a place for the use of psychometrics, not so much in assigning potential levels, etc., but to support the trainings given in the AMI (Allianz Management Institute), which are aimed at increasing performance by increasing the technical capabilities of the employee, next to developing leadership. This is an area which is in so far strange, as Allianz seems to be a very data driven company, but less so, it seems in their assessment methodology, as this is subjective, opinion based.

Based on the sheer number of people that need to be discussed in the CDCs (according to the interviewee, over 6000), this brings a huge administrative burden as well as a precise planning with itself, for which a tight schedule is set. Besides the regular CDCs on succession planning for management positions, eight additional CDCs were held in 2010 to evaluate potential candidates for the most important business functions. Also, the so-called Strategic Workforce Planning workshops have been run since 2009 and are concerned with the long-term planning for employees over the next ten years and securing the talent pipeline for experts in strategic positions. This latest movement shows the true emphasis of creating a talent stream based on deep specialists.

**Tenure in the company**

The tenure in the company is long, with average tenure in the group of over 11 years, from 14.1 years in Germany to 5.3 years in the regions where Allianz has made their latest entry, the Middle East and Africa.

As per Levin & Nugent (2006), this is a positive sign, as in their research they found that the most critical workforce related driver was the employee length of service. It became clear that branches with greater employee tenure were more profitable.

**HR within Allianz**

In 2010, in an effort to strengthen the professional advancement of the employees and to expand the strategic advisory role of human resources, the Human Resources function was restructured. The responsibilities at board level were realigned, the central human resources departments were merged and the position of a Chief HR Officer with Group-wide
responsibility was created. The focus of the human resources division is Employee Engagement, Talent management, Diversity and Remuneration (Allianz group, 2011b).

**Engagement**

In 2010 Allianz group carried out their first globally standardized employee engagement survey, which enabled them to compare the results across subsidiaries. This was previously not possible, as the companies conducted their employee surveys independently. This time some 106,000 employees from 66 companies were surveyed on a uniform basis. The response rate of 69% shows the survey was well received. The engagement index reached over 70% in 31 Allianz companies. Gallup (Wagner & Harter, 2006) state that there is positive engagement as soon as the engagement level is above 60%, which seems to bode well for Allianz. Also the engagement score on group level links to executive remuneration. “Besides the evaluations from our customers and shareholders, employee engagement is now also taken into account in the remuneration of the Board of Management and affects part of the variable remuneration for top management.” This too is a good token of commitment by Allianz to their employee engagement with the company. Of course with good reason, as according to Gallup (Gallup consulting, 2009, p. 11) this leads on average to an increase of profitability of 12%, productivity of 18% and consumer metrics of 12%, whereas it decreases the accidents at work by 63%, turnover by 31% and absenteeism by 27%.

Of the annual report, one page was devoted to Our employees (p. 63); of the additional information (Allianz, 2011b), three pages were attributed to the employees. Of the total 308 (AR) + 28 (ad info) = 336 pages, slightly more than 1% was attributed to their employees.

The cost of development per talent estimated at 3000 € per employee in 2010. This was, as indicated, an average as the executive education for the top (level 1 and level 0) have an initial investment of around 20,000€ in the first two years. Approximately 6000 employees are part of the CDC program, which would then lead to an investment of 18 Mio on top of the budget of 130 Mio for global development. Allianz does not have a talent pool as such; however, they allow all people with managerial responsibility to participate in their CDC program. There cannot be given a split of candidates per level.

The first comprehensive analysis of future human resources development was performed in Germany in 2009. In 2010 the evaluation was extended to France and Italy, as well as to the global subsidiary Allianz Group Corporate & Specialties (AGCS) and the tied agent channels (Tied agents are dedicated sales agents that only sell Allianz) in Germany and France. As a
result, a special global development program for actuaries, auditors and communication experts was set up. This supports the claim that both deep as well as vertical talent is supported in Allianz.

Cultural indications and diversity
Of all images in the 330 page Annual Report (AR), there are eight images that did not depict senior executive team members. There are no images of non-executive employees in the AR. The eight images in the AR represent city images with clearly visible marketing materials of Allianz on the image. The cities depict twice Germany, twice Portugal and for the rest Czech Republic, France, Hungary and Spain. This creates the image of a European dominated company, which is aligned with the employee base, which is 78.2 % European.

The fact that the only recognizable faces depicted in the AR are top-executives leads to the idea that Allianz is a hierarchically structured company. As per the country spread of the executives, 57% of managers at the top two levels are German and 39 different nationalities are represented in the top management (Allianz 2011b), whereas according to the Annual Report, only 31.6% of employees are German (Allianz 2011a, p.63), which seems out of sync with the overrepresentation of Germans in senior management. In the interview it was confirmed that the Allianz group is still very much a German-culture based company. Characteristics of this culture, confirmed in the interview, include that the company has a relative strict hierarchical setup. The German culture is combined with a data-driven business focus, which translates into a data-driven organization in which HR has an underrepresented position.

As per their own statement, 32 positions across all management levels in the Allianz group were held by women. However, on the global executive committee image, only one (1) female was present, and two of the representatives were non-Caucasian male. All others were white male.

Inclusion of HR in the strategy
Until 2010 there was no senior HR representative responsible for HR within the Allianz group. It is expected by the interviewee that this year for the first time an HR strategic plan will be defined in the Allianz group. In the words of the interviewee, the traditional task of HR was seen as ‘providing contracts’. Management and development is the task of HR, but it seems not to have worked substantially to increase the reputation of HR.
In looking at the organization’s chart, the CHRO position, first set up in 2010, is not part of the management team. The CHRO reports to a board member, where that board member has the legal position as ‘Arbeidsdirektor’ a German-specific functionary that formally represents the HR function, though not an HR person himself. This shows that HR is moving toward the top seats but is not a full member yet.

**Compliance to the HEART model**

The rationale behind the color coding of the different elements of the MD process: The performance cycle is extremely well established; the potential cycle less so. This is in part caused as potential is not rewarded; only performance is, but also because the potential assessment does not include tools for which the reliability is established (psychometrics or other). This leads to the fact that the personal development plans are more focused as a good/exceeding performance in the job, which then, in the CDC could lead to a P score for a level higher. However a P does not so much mean potential, but ready now, e.g., it is not a developmental potential driven track, but current performance driven. They do emphasize a good fit between the job assignment and individual fit, but this fit is a tight fit, and not that often a true stretch assignment (60-75% fit). If the potential were mapped, this stretch could increase the speed of development of individuals.
Compliance to the process of development

In figure 3, you find the process of development Allianz follows to develop its top managers. When developing new leaders the graph should be read from right to left. The initial form is to train the individual in functional technical skills. In the mid-career period less functional training until at higher level (P1, FP1) again generic business knowledge is taught. On leadership initially, but slightly later (as one needs first to have leadership responsibility), leadership skills are taught, then relatively quickly followed by ‘leadership transition,’ which is the more transformational leadership capabilities. This follows the process described in chapter 3. The feedback is used, but more under the surface. At the lower level there is no formal 360, but there is a discussion. Mid level formal 360-is put into place; at the higher level coaching is offered. Where the practice of Allianz deviates is that at the higher level, 360-is also offered, but this is mostly as it is used in the CDC. The coaching is ‘under the surface’, as the internal culture has a negative ‘soft’ connotation with coaching. This hierarchical culture is here counter-active to giving open feedback.

Learning
The learning experienced form the managerial practices in Allianz are the following:

- Allianz has a best-in-class program in place to manage the performance in the company. It is a hardball culture where target delivery (now!) is rewarded. The differentiation between potential and performance diffuses somewhat, as it is not so
much needed to be a ‘potential’ to receive interesting assignments. It is first and foremost needed that the individual performs.

- Allianz has a strong internal culture. This culture will serve as a ‘filter’ for internal people to move up in the company. The individual engagement is not measured. It is assumed that the chance an individual has a low engagement, when discussed in the CDC, is low. This is a risky assumption, as Martin and Schmidt (2010) found that on average 25% of all top potentials in international companies are low engaged.

- The company, with its strong culture and shared values, proves a stable employer, judging also by the relatively long tenures. The country where the culture is the strongest (Germany, as it is a largely German culture), also has the longest tenure, which is a sign of a strong company culture.

- The company has taken a number of directionally good moves into a professionalization of the MD process, as well as the HR function. External expertise is bought in, a CHRO function is installed, and a first strategic plan is now being developed. These are all good signs. The process shows that the consequences of these choices have not yet come through. This is, as in any cultural change process, a matter of time. The courage of the decision to move that route was admirable, and in my opinion also a needed one.

Suggestions for improvement

- The company should create a clear definition of talent, instead of focusing on what talent indicators a talent needs to score high on. Potentially internally this target population of talents is so clear that no definition seems needed. However, in that case also no tools can be used to measure/support the assessment process, when not explicitly formalized what it is one wants to measure. The correlation between the competencies and talent was searched for ex-post, which means that the process is potentially consistent; the direction was not driven by the definition, but by successfully passing the process.

- The company could do well with splitting up leadership and management capabilities and developing these in a structured way. It seems the curriculum of the AMI is set up this way, but the perception in the organization is still that managers are desired, not so much leaders. Again, this is aligned with the strong data-driven hardball culture. Though using the model of Charam (2005) themselves, there are other companies who have taken that model to greater heights than Allianz has.

- In the assessment of potential phase, more tools can be used that provide ‘hard’ data other than references, which in research have proven to be quite unreliable. Also, using a 360-as one of the key drivers is not aligned with the purpose of such a tool,
namely providing individuals with a mirror on how their behavior is perceived for developmental purposes. It is interesting to find such a data driven company relying in the HR process on ´opinions´ and ´decisions´ of line managers instead of on hard data.

- At higher level a 360-will have little effect; there the coaching to improve performance seems to be better at place. This culture should be changed, to move away from a masculine hierarchical company, as an openness to see areas for development for them would prove to move the company toward further heights.

**Conclusion**

Allianz seems a stable, strong company. Their PM loop is strong; their MD loop seems to have possibility for improvement. Based on the scores in the audit list (See below) a preliminary finding is that an adjustment to the score list could be made to cluster the questions on psychometrics into two overarching elements on the use of psychometrics for potential assessment versus psychometrics for developmental support. It seems that a company that does not use, or scarcely uses, psychometrics does not use any of the tools. This will be tried out in the next case study. The rest of the questions are upheld for now.

**Scores on the Audit tool**

Allianz came to the following score:

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<tr>
<td>1</td>
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<td>score:</td>
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<td>Networking and development</td>
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<td>16</td>
<td>HR and the MD process</td>
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The scores of the four business cases that were audited can be found at the end of business case IV: Amcor
Managerial practice II; MD within Novartis

Novartis

Novartis is one of the world’s leading pharmaceutical concerns, together with Astra Zeneca and Pfizer, based out of Basel, Switzerland. It encompasses both clinical developments of new medications and medicine, still covered by patents, as well as generics, which are typically those for which industrial patents are no longer in place.

Novartis continues to make vast investments into the developments of its own products. In 2010 Novartis invested 8.08 Bio US$ in R&D to enable the pipeline to be filled with products. Novartis Pharma is the division that launches the new medicine after it is developed in research and development (R&D). The Innovation Management Board (IMB) of Novartis Pharma convenes yearly in late August to review the composition of the R&D project portfolio. It also meets on a monthly basis to monitor the project portfolio and make decisions regarding new developments. According to Pius “The IMB is an important decision making body because it shapes the future of the company by determining its product pipeline” (De Reyk et. al., 2004, p.1).

Such strategic decisions are needed because, though very much a profit making business, developing new medicines is a very long process at great expense. The average time from compound to market has grown from 8.1 years in the 1960s to 11.6 years in the 1970, to 14.2 years in the 1980s and 1990s (DiMasi, 1997). Lengthening development times also increase development costs. Estimates published indicate that the cost of developing a medicine is around $800 million (Tufts Centre, 2001). Currently Novartis has 147 products in the pipeline (Novartis 2010, p. 24)

History

Novartis was formed in 1996 through a merger between Sandoz and Ciba-Geigy, though both names still exist as brands (Ciba Vision and Sandoz) used by the company. The Sandoz Company was set up in Basel by Eduard Sandoz (1853-1928) and Dr. Alfred Kern (1850-1893). Ciba was the result of a merger between Ciba and Geigy companies in 1970. This company was renamed Ciba in 1992. The Geigy company dates back to 1758 when Johann Rudolf Geigy-Gemuseus (1733-1793) began trading in Materials, Chemicals, Dyes and Drugs of all Kinds in Basel. Ciba was founded in 1859 when Alexander Clavel (1805-1873) took up the production of Fuchsine, a magenta dye, in his factory for silk dyeing in
Basel (De Reyk et al., 2004). In 1873 the factory was sold to the new company Bindschedler & Busch, which was subsequently transformed into the “Gesellschaft für Chemische Industrie Basel”. The name CIBA was the abbreviation of the company name and so well spread that it was adopted as the company name as of 1945.

In recent years Novartis had significantly expanded its investment in vaccines, a move that went against the popular tide in the industry to divest the vaccine businesses for fear of product liability and a common perception that vaccines were low-priced commodities. The sharp rise in Vaccines and Diagnostics Division net sales to USD 2.9 billion (+25% in constant currencies) proved this to be a prudent move (Novartis, 2010, p. 8). Novartis had also worked to become the second largest producer of generic drugs, bolstering its position by acquiring the German generics company Hexal and other generics, believing that high-quality, low-cost generics were an important part of a balanced product portfolio. Together with their diversification into animal health, these investments made Novartis one of the most diversified healthcare companies in the world.

**Financials**

In 2010 Novartis registered a net sales of 50 Bio US$, up 14.4% versus 2009, with an improvement of return on net sales of 22.8%. The value of the company is estimated at 143 billion US$. (Financial Times 500, 2011)

**Global presence**

Novartis is located in 140 countries. It is, depending on measure, the third-largest pharmaceutical company in the world and had over 119.418 employees at the end of 2010 (Novartis, 2010, p. 4) versus 99.834 in 2009. The company has a dominance in Europe (56.190) versus both the US (27.587) and Asia-Pacific (25.927), and only Latin America is lagging with only 9714 employees (Novartis 2010, p. 68).

**Process of MD in Novartis**

Novartis is known for its strong performance driven culture (Pfeffer & Sutton, 2007), though this was not always the case. The previous CEO Danielle Vasella (Siegel, 2007) stated himself that when he first became a Management Team member of Sandoz he found a senior management team that received no performance appraisals and had no variable component in their income. “I was listening to what Jack Welch had to say in 1988/89 and I saw that they had a far better human resource and incentive system than we did in my company” (Siegel, 2007, p.1). Since then Vasella has worked to implement not only performance management but also potential recognition and development in his company. It
was surprising, therefore, to find that in his five pages of foreword to the annual report, he
does not mention the employees as a driving force in the company. This could be caused by
his new role, as the CEO does refer to this, when asked what sets Novartis apart from its
competitors: “Novartis has what I consider to be the best workforce in the industry. Our talent
really sets us apart from the rest of our competitors” (Novartis 2010, p. 17).

Novartis strives to diversify, with 36% of management and 16.7% of the board being female.
Of the numerous pictures in the Annual report, only two depict senior management persons;
the rest mainly show patients of all races, ages and sexes and employees working in their
natural setting. There seems to be, based in the images used in the annual report, not a
strong cultural dominance, nor hierarchical prevalence, which reflects the global spread of
the company. The exception is the pictures of the executive committee and board members.
This picture is traditional in its setup, where the chairman of the board is standing on the
highest step, with his board members figuratively speaking below him.

**Investment in people**
Interestingly enough, nowhere in the Annual report, nor the supporting documents, is
information displayed on investment in people, nor on cost of people. The only salary and
benefits costs mentioned is when discussing the executive committee members. This is
significant, as an AR could be a marketing instrument, which underlines the significance of
the development investment as part of the people investment. For different reasons, Novartis
has chosen not to do so.

**High potentials in Novartis**
Novartis uses the concept of Talent, instead High Potential. “Talent is broader than High
Potential. We also include Promotables in Talent. A talent is a person who has the potential
to grow significantly in the organization.” according to a senior level interviewee.
This was confirmed by the second interviewee, who stated that “HiPo is a small subset of talent with high potential for senior leadership positions”. Next to high potentials, or vertical potentials, Novartis has deep talents, especially in their R&D departments. Also the potential assessment system as depicted in figure 1 reflects this. As can be seen, the high potentials are the vertical talents, the high professionals and the deep talents; promotables are in line for the next level up, but without the direct view on a second promotion (one level up only).

### The process of OTR

“We set high standards of performance for all of our associates and in return, they expect to be appropriately recognized and rewarded for their accomplishments. These mutual expectations make the Novartis Performance Management System a process that is fundamental for our continued growth and success” (Vasella, in Novartis, 2008a, p. 3).

This opening statement of the chairman of the board in the internal presentation for the HR population simultaneously sets the stage and raises the bar. Central to Novartis’s performance culture is the performance management process (PMP), as well as their Organization and Talent Review (OTR) cycle. The OTR has two elements, a performance management cycle and a talent management cycle. The performance scale is a 3*3 scale, since 2003, prior to which it still was a 5*5 scale. The performance cycle evaluates both the performance on targets as well as on competencies, the so-called leadership competencies. (See figure 2). Novartis has had their OTR process calibrated by DeMeuse, to compare it
with his concept of learning agility, and based on this benchmarking, refined its inner processes (DeMeuse et al., 2009).

Starting in 2002, Novartis senior management chose to create one uniform system for all Novartis employees around the world. From 2003 onward, the entire company adopted the two-dimension scale that had been introduced in 1996, with one dimension focusing on business objectives and the other focusing on values and behaviors consistent with Novartis norms. This was the Novartis translation of the 9-box. The calibration system guarantees this meritocratic principle at the end of the performance cycle.

**Calibration**

The calibration takes place along the two dimensions where the scores are matched with a standard normal distribution. This calibration is done at BU or functional level. After the calibration, the score can be communicated with the employee and the salary increase is informed (see below). The potential assessment is performed in a separate cycle.

![Figure 3: Calibration over the cells in the 3*3 matrix](image)

Until 2006, the process of Performance Management Process (PMP) and OTR were two separate sequential processes. This has good logic underlying, as only in 1997 under Vasella has this process started. As mentioned in the literature review, the elements performance and potential should be seen separately. Only experienced assessors would be able to review both separately, even though they are reviewed in the same figure. Therefore, only after a certain period of culture change was it possible to encompass both processes in the same review. As an effect of the new OTR process, one can find that back in 2000,
Novartis had been able to source only 21% of senior executive vacancies from within, yet by 2006 it was able to source 78% from within, and in 2009, only 16% were recruited externally (Cashman et al., 2010)

**Use of expat assignments and stretch assignments**

In Novartis expat experiences are needed to move toward the top. Of the executive committee, only one person never worked outside the US until appointment in the Executive Committee. Also, cross functional experiences are seen as beneficial to the career.

Novartis explicitly uses stretch assignments to develop individuals, though the assignments are, per the interviewee, only slightly stretching (a fit between 75 and 90%). This is compensated by a relatively short tenure in the role of high potentials (between one and two years), when the individual develops fast. The stretch over time can therefore still be significant, though the stretch moments are then multiple instead of one large stretch. Stretch assignments are combined with a medium leniency for mistakes. It can happen, but not more than once. One interviewee experienced a speech of Mr. Vasella, who stated that one should never make a mistake more than once, which collaborates with the relatively low stretch in jobs. It is a challenge, but one that is relatively safe. Combining this with the fact that for talents the duration in a role is short (1-2 years), so the stretch measured over a longer period is still significant, though the individual stretch moments are relatively safe. This is actually a good model for development. Whether the short periods of time in a role are the best prerequisite for stability in the organization, is the topic of another discussion.

**Leadership development programs in Novartis**

Multiple leadership development programs are used within Novartis. The core program used to accelerate the individual development is the ADP program. This program can be used to help people develop (Accelerated Development Program), but it can also be used multiple times, to facilitate a major career change, for instance, as the process is focused around the increased awareness of one’s own actions and their consequences.

The ADP program was developed together with Hay Group which begins with a group of high-potential employees from across the organization. The ADP provides a five-year development plan, in which each high potential individual receives an individualized career plan. There is a four-hour interview to determine how the individual handles new situations; a review of the individual’s career, coaching experience, and leadership experience; a personality test; a 360-degree review process; and a careful look at how the individual solves a business problem drawn from the Harvard Business School. This deep look at future
leaders’ intellectual styles gives Novartis a good idea of how to develop them into effective leaders. ADP is focused around developing leadership, which is why it can also be absorbed multiple times in a career (HAY group, 2010).

At higher levels there are programs such as LeaderSuccession, an off-site session—a two- to three-day program of facilitated group learning, discussion, individual coaching, and development planning involving the CEO, business unit, or functional head who serves as the program sponsor; a human resources partner; six to eight selected participants; and an external facilitator from Korn Ferry. Part of this program is an action learning application, be it later in the career than the process predicts would have most effect. It is called the Leadership Challenge—a business or organizational issue that has tested their abilities as leaders—and then facilitate a discussion of how to address the situation. The format fosters discussion of real-world leadership issues, and at the same time replicates the collaborative participative decision-making needed in leaders (Cashman, 2010).

**HR within Novartis**

In Novartis HR very clearly has a key strategic position. This can be seen by the position of the head of HR in the organization, which is in the core group of the Executive Committee. Also relating to his short and long term reward, he is compensated in alignment with the business leaders.

Now the critique from the side of the reviewer comes on this point as well. As the interview showed, outside of the head of HR nobody found HR important enough that they chose to participate in the function, even for an X-functional move. And even the head of HR does not originate from HR; he is a chemical engineer (PhD), who ran business lines. Before he became head of HR in 2003, he never had worked in HR. It would be the question of whether the CEO of Novartis thinks anyone can do HR, even without prior knowledge. There is much information that would contradict this, but such a prominent appointment of a non-HR person in that role does make one think.

Another sign of concern is that it was, in line with the results of the stakeholder panel, confirmed that expat assignments, but more specific cross functional assignments, were seen as very positive for a career, but not so much for HR incumbents. The position of HR talents in the talent pool seemed to mitigate the doubts.
Engagement

Engagement is measured annually within Novartis. Each year this score is set in the targets of the business leaders, and improvement plans are made to ensure the people in the organization feel deeply connected to the business. Unfortunately, individual engagement is not measured. This has risk, as written previously, as 25% of high potentials are not or low engaged (Martin & Schmidt 2010), and it would serve the company well to review who these are.

Also, individual drive to develop is not reviewed. This could lead to investment in people who might have the capability to develop but who lack the drive. As Avolio (2011) stated, return on development initiatives can range from negative to over 200%, depending on the level of talent, which in turn depends on the levels of engagement and individual drive to develop. Novartis could improve here.

Diversity

The Corporate Executive Group – the 350 most senior executives at Novartis – includes 31 nationalities. The sales force spans 116 nationalities; Development and Medical Affairs, 104 nationalities each; Production, 84 nationalities; and Research, 61 nationalities.

Novartis states in its annual report, it creates an environment in which its employees (associates) “work in an ethical, high-performance culture that provides opportunities to progress personally and professionally.” (Novartis, 2011, p. 67) The company, based on the data, seems very diverse, though at executive committee member level, males are still the only gender present (4 US Americans, 2 British citizens and 3 Swiss, of the total; 4 hold a PhD or MD degree.)

Diversity as viewed in the annual report

The annual reports counts 272 pages and holds 28 images. The only hierarchical images in the AR are in the foreword of the chairman and of the CEO. The board and MT are also introduced with pictures and a short CV, but only after 96 pages. The pictures show a good diversity spread, in photos, seven men are depicted, 12 female and nine were both. As many pictures depict hospital and caring situations, a profession in which still more females than males work. This is in line with the profession depicted. The races were predominantly non-Caucasian, 17 versus 11, which is also a true depiction of the global racial spread. Therefore it is fair to say the report gives no direction toward a predominant race or gender.
Novartis has a variety of executive development programs, including programs that perform sexual discrimination as a tool to give the female sex the upper hand, the Executive Female Leadership Program.

**Compliance with the HEART model and the process of development**

Novartis can be confident and proud that it has developed since 1996 a very well-thought-out process. As can be seen by the adherence to the HEART model, there is from the design perspective an almost exact match to the process. Where they deviate is in the perception of Talent. Though they view talent in multiple manners, such as deep talent and vertical talent, they could improve when they also perceived the individual engagement of the talents. Now in principle it is measured how far they adhere in behavior to the values, but as can be derived from the principle–agent theory in institutional economics, the asymmetry information that exists from employee to employer is acted upon by the person with the least knowledge. In this case the organization tries to model the individual’s motives by looking at this or her behavior. In line with the moral hazard concept, the organization can only see outcomes (behaviors), not the motives underneath. And as the agent knows, as the values are known facts, what the organization is looking for, it is predictable that the employees show the behavior the principle is looking for. However, the theory on Return On Development Interventions (RODI) of Avolio (2010) suggests that leaders with different motivations generate very different return on the investment placed in their development.

Therefore, without measuring true individual engagement this remains a hazard. When this is not measured, it is very well possible that the organization invests in persons where the RODI (Avolio, 2010) is suboptimal. There are a number of factors that could positively or negatively contribute to RODI, like talent, motivation to perform, developmental readiness, opportunities to lead and motivation to lead (Chan et al., 2001; Dragon, 2002; Maurer, 2002; Avolio, 2003). The level of motivation to participate in training was shown to be a significant predictor of the transfer of knowledge and performance above and beyond general intelligence (Colquitt et al., 2000). Thus, given that higher performers are often more motivated, and higher motivation leads to more positive training effectiveness, we expect top, motivated performers to produce better results as a consequence of leadership

Figure 5: HEART model in Novartis

For this reason, the blocks on assessment of talent are orange. The method is good, in view of the process, just not complete. Also, the development of the individual seems, based on the input from the interview, strongly dependent on the drive of the individual’s leader. This was shown by the comment of one person that development starts at mid level, whereas a senior level leader stated, “It does not matter what level, if I scout top leadership talent I start investing in accelerated development”. As the assessment of potential is not complete, so the development of potential is not optimal. The 360-tool is used throughout the organization, whereas the theory stated that this is not the optimal approach, which is why these elements are orange and the compliance to the process of development is not at its maximum.

Learning

Novartis has a number of very well established practices:

- Having the OTR and PMP originally developed separately and integrating them into one, timely simultaneous process requires dedication to the process and discipline. Novartis has shown this, and the effects are now a mature process.
- Novartis has shown that by linking the company competencies to the values and using these to measure employees’ potential, a consistent value driven method to develop potentials in the organization generates long term talents.
Overall, the processes of selection, annual evaluation, making people join stretch assignments, though with low stretch with a high sequence, seem well oiled. This does bring the risk that the search for improvements in the system fails.

It is easy to write on what elements are positive in Novartis, as the system seems well ripened. Without doubt Novartis can serve for many companies as a best practice in areas of MD. This does not mean that the process cannot be improved, but it is recognition of the professionalism of the people who build the process.

**Areas for improvement**

The following areas are topics that in view of this research are up for improvement:

- The competencies, though linked to the values of the company, have been stable over many years. The values as such are not expected to fluctuate over time, as they represent the “soul” of the company. However competencies, which are the visual depictions of the motives of the employee that underlie that behavior, do change over time, as desired behavior is reflective of time, societal culture and other external fashions. As an organization is built up from individuals, where each individual is sensitive to such influences, these influences will impact the desired behaviors that are expected of senior executives, and thereby will impact the translations of the company values in desired behaviors. Therefore, it would be advisable for Novartis to review their competencies.

- It is recommended that Novartis, at least for their talent population, develop or purchase a personal engagement review tool, as well as implement a developmental drive/self motivation method. In that way it is expected that their development initiative will see a higher return on investment than they currently already do.

- It is recommended that MD as a department becomes the showcase of talent in HR. In that way the key deliverable of HR, providing talents that can succeed the future leaders in the company, is manned with the top-representatives of the function. Also, it is recommended that the Head of MD position is for the future a prerequisite for the successor of Mr. Brokatzy-Geiger. When the current head of HR is succeeded, it is highly recommended that he is succeeded by an HR talent, who has had at least expat experiences and is ideally X-functional, so that this position reflects the future of HR, not so much as a function that can be led by a person with no HR experience, but much more that the function is led by a true representative of the HRBP model.\(^4\)

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\(^4\) This comment in no way intends to comment on the performance or professionalism of the current CHRO, it merely reflects on the external image for the HR population of having a head of HR that is not from the function, whereas no other function is led by a person that came from HR.
*Scores on the Audit tool*

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<td>16</td>
<td>HR and the MD process</td>
<td>score 4.0</td>
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The scores of the four business cases that were audited can be found at the end of business case IV: Amcor.
Managerial practice III; MD within Accenture Plc.

Overview
Accenture Plc (formerly Arthur Anderson Consulting) is the largest consultancy company in the world, employing a total of 244,000 people (Accenture, 2012), versus 236,000 in September 2011 (Accenture, 2011).

Financials
Accenture is the world's largest consultancy company, based on revenue, according to the Financial Times 500 in 2011, who placed it in position number 242. This positioning was based on the company value of 35.7 Bio US$ in 2010. The same year Accenture achieved a revenue of 21.6 Bio US$, and in 2011 registered a 25.5 Bio US$ revenue, with a net profit of 13.5%. It has been headquartered in Dublin since September 1, 2009, before which it was located in Bermuda and prior to that was operating as a series of related partnerships and corporations under the control of its partners through the mechanism of contracts with a Swiss coordinating entity. In May 2009, the joint partner agreed to a new registration of the company in Dublin. The rationale was that a globally central registered company could more easily continue the global growth trajectory the company was experiencing at that time. The company is traded on the New York Stock Exchange (NYSE) under Ticker ACN (Accenture, 2012).

History
The origins of the current company Accenture lie in Anderson Consulting, the business and technology consultancy branch of the accountancy firm Arthur Anderson, in their day one of the Big Five consultancy companies (PwC, Deloitte, KPMG, Ernst & Young and Arthur Anderson). The company’s origins as a technology consulting company lie in a 1953 feasibility study for General Electric (GE). GE asked Arthur Andersen to automate payroll processing and manufacturing at GE's Appliance Park facility, which resulted in the first commercially owned computer installation in the United States in 1954. Anderson Consulting was formally established in 1989 when a group of partners from the Consulting divisions of the various Arthur Andersen firms around the world formed a new organization focused on consulting and technology services related to managing large-scale systems integration and enhancing business processes. In August 2000, as a result of the conclusion of arbitration with the International Chamber of Commerce, Andersen Consulting broke all contractual ties with AWSC. As part of the arbitration settlement, Andersen Consulting paid the sum held in
escrow (then $1.2 billion) to Arthur Andersen and was required to change its name, resulting in the entity being renamed Accenture (Accenture, 2012b).

**Global presence**

Accenture is currently present in over 200 cities in 54 countries. It is set up both in geographic regions, Americas, Asia Pac and EMEA, as well as in operating and industry groups: Communications, media and technology, Financial services, health & public services and products & resources. Under the five operating groups lie in turn 19 focused industry groups. The company has approximately 5300 senior executives (Accenture, 2012).

**Process of MD within Accenture**

We're focused on developing next-generation leaders; people from across the world who will be running parts of our company in five years and who will inspire their colleagues and clients. We are working to identify these high-potential leaders early in their careers, give them more exposure to our leadership team, and help them forge important connections with colleagues, while providing them with critical development opportunities and encouraging them to take stretch roles. Adrian Lajtha, Chief Leadership Officer, Accenture (O’Connel, 2010)

The introduction of talent management within Accenture is embedded in a key concept they use, the so-called performance anatomy, which they see as “the company’s ability to manage the interaction between leadership and strategy, people development, IT enablement, performance measurement and innovation in a way that produces outstanding results” (Accenture, 2008, p. 1). This strategy describes how an organization can create sustained value for its shareholders, customers and communities (Kaplan & Norton, 2004). The concept of performance anatomy is based on “successful and sustainable business practices such as focusing on identifying and multiplying talent at all levels of the organization” (Accenture, 2008, p. 1). In this statement the direct relationship between talent, development, leadership, strategic direction and performance is made clear. The performance anatomy is the strategic architecture of Accenture, as it shows, in line with the definition of Hamel & Pahalad, the essential link between short term and long term. It shows the organization what competencies it must begin building right now, what new development priorities it should be pursuing right now to intercept the future needs. (Hamel & Prahalad, 1994).
**Accenture’s view on leadership**

Leadership and management in Accenture are, though seen as parts of an integrated concept, nevertheless defined separately. The differentiation lies in the way the concepts contribute to the company. Accenture sees these contributions in three areas: Value Creator (Management and leadership), People Developer (leadership) and Business Operator (management). This definition shows that Accenture, though mentioned in a combined process, does recognize leadership and management as two different areas and defines the value contribution of leadership with more emphasis than they do management. The statement is used as a basis for evaluating performance and serves as a common framework for career management decisions. The Leadership Statement also includes definitions of Accenture’s six core values: Client Value Creation, Best People, Respect for the Individual, Integrity, One Global Network, and Stewardship (Beck et al., 2006, p. 152). Though called values of the company, these are more general principles of doing business that nevertheless serve as strong cultural guidance to assess individuals’ behaviors, e.g., match the individual with the values of the company.

**High potentials in Accenture**

High potentials in Accenture (they do not use the word talent) are measured based on their fit with the values of the company, their leadership capabilities according to the three areas where leaders should contribute, their built-up experiences thus far, their commercial success and their aspirations. Accenture defines high potentials as high performers aligned with the company’s values and with aspiration. This is not the same as high potentials, Accenture focuses entirely on performance with clients and less on potential, if no performance underlies this.

This evaluation is not a one-shot deal; it is a continuous evaluation of the individual using these criteria. This evaluation provides the data presented to the talent review committee. The formal moment is once per year, in line with the Performance Management cycle. There is a midyear evaluation to ensure that in-between performance fluctuations are noticed, as well. Evaluations are also gathered at the end of each project that is completed. See figure 2 for a schematic overview. High potentials are given both performance as well as developmental targets. The leaders of the talents are also held responsible for their employees achieving their targets. This is linked to the “stewardship” value of the company.
Development of leadership potential in Accenture

Leadership development in Accenture is, in contrary to the business cases is described thus far, almost entirely internally focused. This does not mean that there are no external leadership development initiatives undertaken, but much more the senior leadership of the company is entirely groomed from the inside. This is called the chimney approach, as only on the low half of the chimney materials go in, and at the other end, material comes out. In Accenture, none of the senior leaders in the company have been recruited horizontally from other companies.

Another specific trait of the company is that Accenture is an almost entirely project-based company. Contrary to many other companies, a consultancy company’s overhead is at the same time part of its project management structure. In Accenture, a partner-run organization, the partners are both the leaders of the organization as well as the go-to-person for clients for the projects the company runs. Through this structure, unique to consultancy companies, the profile of the senior leaders must, on the one hand, have an ongoing focus on commercial acumen and in-depth knowledge on the field of specialty and on the other hand, have the leadership and managerial ability to lead the company. In many companies the senior level leaders are sometimes seen as exchangeable with senior level leaders from other industries, as the increased number of external recruited CEOs over the last decade has shown (Lucier et al., 2007).

It can be debated how far the business of Accenture is different from the business of the other large consulting companies. If one would conclude there are similarities, then it could be a good idea to also source senior leaders from other major consultancy companies.
The leadership development methods within Accenture are largely built around in-house developed methods and tools. One key element in the development is the development through experiences. As Robert Thomas, the Executive Director of the Accenture institute for high-performance businesses in Boston, states, "As businesses continue to need a well-stocked pipeline of future leaders, (...) more begin to recognize the power of experience-based leadership development" (Thomas, 2008).

**High potentials**

In Accenture the leadership potential is reviewed based on the performance thus far and the demonstrated leadership behaviors. In the 9-box perspective, this is the performance axes, the match of the individual’s deliverables with the company’s expectations. This is combined with the developmental experiences as well as the individual’s aspirations. Experience-based learning is key within Accenture, next to formalized learning offerings. The company clearly takes the position that individuals need to have gained experience, both in other business units and working for their own partners, as well as serving on a project base for other partners. These different views of different partners create a more balanced input in the talent committees. The experiences are shaped along the concept of crucible experiences, which in the definition of Thomas (2008) means there is deliberate preparation in place before sending the would-be leaders out into the field, including teaching technical skills and developing basic leadership skills in the period prior to the experience. In order to make it a true crucible experience, the company needs to provide supporting infrastructure to the high potentials that are in the midst of the experience. This dictates that senior partners are on the scene with know-how to support when and where needed in order to accommodate both the commercial outcome as well as the developmental experience of the individual. This role is seen as a statement of commitment to the individuals and is linked to the organizational value of stewardship.

The management development system within Accenture is split into four levels. The first level is the level below senior managers. At this level the high potentials in the organization are viewed in a similar method to the more senior level jobs, but it is recognized that at these employees are still pretty ingrained in local practices. Accenture provides additional opportunities to develop leadership capabilities around the three leadership contribution areas. These programs, currently available in India and China (and expected to extend to other locations) are customized to address local issues and opportunities. For the level above senior manager, which captures those individuals on their way to become partner, the approach is already much more across all the vertical and horizontal groups in the organization. Such individuals are given much more experience across the business so as to
enhance the global exposure and experience buildup of the individual. Further down in this chapter the corporate programs that support the development at this level and beyond are presented. The development at partner-level (senior executives) is focused around elevating the individuals within the partner level grades. The senior level partners are part of the corporate succession scheme, with the potential of becoming a global lead for one of the 19 business areas, or one of the five major areas, respectively, one of the core functions such as development towards the position of CFO, head of HR, etc. To facilitate this level-based development strategy, Accenture has a number of programs in place.

**Developmental programs that support Accenture’s MD process**

As described, the developmental programs take place at three levels:

*Leadership development programs for high-potential senior managers.*

Senior managers in line for promotion to senior executive are invited to participate in a nine-month program that includes a series of workshops aimed at building the capabilities around the three leadership contribution areas of value creator, people developer and business operator. Action learning plays a large role. Participants are placed in teams and directed to propose and implement solutions to real business problems or opportunities. At the end of the year, the teams present their proposals to their respective leadership teams, with the best proposals slated for funding and implementation. This initiative was launched in 2001 within Accenture’s Resources operating group. Today, the program is Accenture-wide, including representation across all geographies, workforces and entities. The leaders of Accenture play an active, hands-on role in this program.

*Master classes for senior executives*

Accenture’s newly promoted senior executives are given the opportunity to develop their leadership capabilities by participating in a three-day master class. The senior executives (partners) are split into four levels, each with three sub-levels. Moving into a new level, for instance, from Partner level 4-1 (highest level within band 4) to 3-3 (lowest level within band 3), is a clear promotion. From 3-3 to 3-2 is normal progression, but from 3-2 to 3-1 is again a clear promotion, as the “1” categories in a group are the potentials for promotion in a next higher group.

In addition to celebrating their recent promotions, the goal of these workshops is to further build the capabilities of these senior executives around our leadership contribution areas of value creator, people developer and business operator, as well as introduce them to the latest trends and ideas from external thought leaders. Participants are encouraged to leave
these master classes and teach what they have learned to their teams. The program reaches approximately 700 senior executives each year.

Corporate succession planning
For the top 400 key leadership positions in the company, Accenture has adapted a corporate succession approach. These are all jobs that are key for the future of the organization. The corporate succession process drives the development of the targeted senior executives. As Accenture is a company built on the knowledge, skills, insights and experience of its workforce, the company reaffirms its people as its most important strategic asset. Led by the need for programs that continually develop the talents and strengths of its people, Accenture found that creating such an environment not only motivates employees and encourages them to build new skills, but also translates into better service for clients. Over the years, this has been supported by Accenture’s own research, which found that organizations with strong leadership cultures are leaders in their market and create more value for their shareholders.

Investment in people
In 2009, with a revenue of 21.6 Bio, Accenture invested 800 Mio US$ in people development, which is 3.7% of its global revenue, more than double the percentage that Allianz, for instance, paid for their people development (1.57%). Leadership development is encompassed in that amount. The % shows that investment in development is taken seriously at Accenture.

Engagement
Engagement as a concept is, on an individual level in Accenture, not measured. The concept of the individual aspiration seems closely related to the individual engagement. It is difficult to quantify the quality of the assessment of this variable, as this assessment takes place largely in discussions between the incumbents of the talent committee without psychometrics to support that discussion. On the other side, the organization has a very strong performance-driven promotion culture, including the up-or-out principle; hence the less engaged are filtered out ex-post. The question here is, when the engagement is the cause for the individuals not being entirely dedicated to achieve the targets, would Accenture then not be better off managing this individual engagement as well? Potentially individual elements are the cause of the momentary lack of engagement, which could be influenced with simple measures. In this way there could be an impact on the width of the bench. When individual engagement is measured and managed, it is expected that this would strengthen the talent pool and thereby increase the chance that the final selection of talents taken from this pool is also better.
Support of informal networks of talents
Accenture further develops the capabilities of their high potentials by organizing networking events of high potentials in a structured approach. This is done with a double-edged approach. First, through the internal networks of (future) leaders, business opportunities can be explored and entrances can be obtained with clients that are already connected to Accenture, but not by other partners yet. Therefore the networking has a clear business purpose. As the leaders also support each other’s development through this networking, creating a network of support, this enhances the individual development as well. For both purposes Accenture has networking as a key ingredient of almost all of its leadership and senior management development elements, as well as its internal conferences.

360-degree feedback, mentoring and coaching
Accenture uses 360-degree feedback, as well as mentoring and coaching in a semi-structured approach. The 360-degree feedback is part of a leadership survey, where on a broad spectrum feedback is requested from people around the leaders under development. The survey provides participants both peer and upward feedback related to their people developer, value creator and business operator capabilities (Accenture 2008, p, 3). This is in fact a 360, be it with bolt-on developmental elements, which are directly linked to the corporate value proposition. This tool is used throughout the development track of the high potentials, from management and senior management to senior executive level.

The use of internal and external coaches is supported throughout the career; the employees can choose their own coach, based on individual development needs. This can be either an internal or external coach. Based on the need, this can be high potential themselves or not, though the interviewees stated that in most cases the high potentials will choose other high potentials for the relevant feedback and support. Coaching and mentoring is an explicit task of the senior leaders, and they are held accountable for the developmental success of their direct report. This is captured in the values of stewardship and people developers.

Cultural indications and diversity
In Accenture the viewpoint of the interviewees was that the company is more global than local. This was a viewpoint from a US mindset, whereas from an outside perspective the company resembles more the US culture, where the Power distance is relatively low (partners and other senior leaders are accessible), the level of individualism is high, and the business is driven by internal competitiveness, referring to a relatively high masculinity. This as success in terms of Accenture is described as being “best in the field”, which is aligned
with a masculine culture. Uncertainties are described as challenges or opportunities and so forth. Accenture is an uncertainty-accepting company. Finally, though Accenture is a strategy consulting company, they are targeted at short term (quarterly) results. Also, when an individual cannot develop fast enough and deliver the commercials in this quarter, it is possible and perhaps even likely he is on the “out” path. This description matches almost 100% the cultural classification of the US according to Hofstede (Hofstede et al., 2005).

**Inclusion of HR in the strategy**

HR, according to the interviewees, is clearly part of the strategic agenda. Within a company where its major strength lies in the resources it provides, these resources being mainly HR, this was to be expected.

The MD process is also here managed by HR. The HR leaders of the organization, according to the interview, stem 50/50 from the HR function or from the business. It was stated that those managing the MD process are not on the track for partner but are managed as talents. They would therefore be on the functional-vertical track. It would be optimal if the people on the partner track would for instance also make a stint within HR, and then in the heart of the value generation, in the MD process. This would create the additional challenge that they would be in the heart of the machine that forms the process of generating and promoting talent. And it is that process that also covers the career development of their competitors, which colleagues in Accenture on their way to Partnership in principle are.

**Compliance to the HEART model**

The performance cycle is hard-wired into the soul of Accenture, so to speak. The commercial success of the individuals is measured constantly. The development of the individuals is, not unlike Allianz, geared toward performance and being successful in the (next) role. The reward is therefore more focused toward performance-based reward than potential-based.

The score on assessment of potential lies in the fact that Accenture looks at performance, combined with a value match, and aspiration of the candidate, but not toward learning agility or other quantifiable measures. Though this worked well for Accenture, the question is whether it would have worked better if the vetting process also included certain psychometrics to find certain hidden talents in the organization, which do not yet produce the right commercial income but would when stretched in the right direction. Accenture’s partners are the proof of the pudding; it selects by survival of their process. In other words, the success is measured by looking at the current partners, who were (of course) all successfully vetted.
Also, the assessment of the job-challenge of the stretch assignment that is given out to the high potentials is not done in a quantifiable method. This leaves room for improvement.

![Diagram](image)

**Figure 1: Compliance to the HEART model**

**Compliance to the process of development**

**Learning**

Accenture has put a lot of effort, both financially as well as intellectually, in the development of their (future) leaders. The details are a closely kept secret that was not shared in detail during the interview. This proves that Accenture sees their MD process as a competitive advantage, hence worthy of keeping close to their vest. This also shows that the idea that MD is a generally known and understood process cannot be upheld as in that case there would be no need for such confidentiality.

This puts Accenture on a high conformance level toward the management development process designed in this dissertation. The reasons are easy to ascertain, as Accenture de facto sells the knowledge of its employees as the competitive advantage in their offering. The company puts a very high emphasis on self driven development. Though a lot of programs are offered, some are mandatory, but to a large extent the individuals themselves choose to commit that time to further development activities. And time is one of items that is a very rare commodity for those on track to becoming a partner. In that way success in the developmental track within Accenture is clearly a consequence of talent on the one hand, environmental circumstances on the other hand and finally, strong individual drive and aspiration to move on in the company. Therefore Accenture does look very strongly toward engagement; however does so ex-post.
**Suggestions for improvement**

As described before, Accenture has a high level of compliance to the management development process, which was defined as the core of this dissertation. There are some elements with room for improvement; it needs to be said that the assessment from the perspective outside all these elements was very difficult, as no concrete or verifiable data was provided in order to assess these elements. These elements mostly relate to the use of the tools to assess the individual development needs, the assessment of the potential of the individual, as well as the match of the provided next step experience versus the developmental need of the individual. It is possible that the tools used would pass the scrutiny of an external assessment; however, this cannot be said with certainty, which leads to their current lower score.

Accenture develops high potentials in a uniform manner. It does not distinguish, nor discriminate, between gender and races, but also not between generational different groups. Accenture has run very well with this approach; however, based on research on the characteristics of the new generation entering the workforce and developing toward middle managerial level, it cannot be ignored that these generations will have different motivators, as well as different goals for their careers, which might not be commensurable with the standardized process the venture currently uses to promote people in the organization toward partner status.

Accenture is highly performance focused, both in reward as well as in their promotion and talent assessment program. This has the risk of vetting out individuals that might have high potential in the company, when provided with the appropriate next step, even though the performance at the current level is not yet where one wants it to be.

**Conclusion**

Accenture is next to Novartis an example of a company that is very successful in nurturing internal talent. They also do not measure the level of individual engagement. Though research has shown that there is an upside in doing so, this research shows that companies generally do not measure it. There can be various reasons. First, the proof of the pudding is in the eating. In most MD schemes, being a talent is not only a blessing; it involves challenging tasks, a lot of hard work, and a big strain on your personal life towards an uncertain future. The assumption that grew during these first three MD processes is that the process is self-selecting. Unless you are highly engaged, you will not live through the MD process. As in the case of consultancy companies such as Accenture, they thrive on referral-businesses, amongst others from previous employees who rose to greatness with other
companies. It could be that Accenture is not really interested in changing this, as exporting ambassadors of the company increases the chance of generating leads in other companies.

The slogan of Accenture, "High performance. Delivered", prescribes a very performance-oriented internal development program. The upside of that is that those who become partners are truly vested in the company, have a track record of high performance, and will drive this high-performance throughout the organization for which they have been made responsible. Also it has been found that performance is the driving force with respect to (long term) reward, rather than assessed potential. This is the third business case in which this has been made apparent.

It was initially expected that the differentiation between leadership and management, fiercely debated in theory could not be upheld in practice. The contrary is true, companies such as Accenture, Novartis and Amcor, do differentiate the development measures based on the categorization of the respective talent, beit leadership or management. Whether the assumption that companies reward long term performance over long term potential, can be upheld is questionable.

**Scores on the Audit tool**

Accenture came to the following score:

<table>
<thead>
<tr>
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<th>Accenture</th>
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<tbody>
<tr>
<td>1</td>
<td>Defining Talent</td>
<td>score: 5.0</td>
</tr>
<tr>
<td>2</td>
<td>Match talent and values</td>
<td>score 7.0</td>
</tr>
<tr>
<td>3</td>
<td>Culture Global versus local</td>
<td>score 4.0</td>
</tr>
<tr>
<td>4</td>
<td>Capability assessment</td>
<td>Score 4.3</td>
</tr>
<tr>
<td>5</td>
<td>Methods of development</td>
<td>score 7.0</td>
</tr>
<tr>
<td>6</td>
<td>Knowledge transfer</td>
<td>score 7.0</td>
</tr>
<tr>
<td>7</td>
<td>Stage based development</td>
<td>score 5.0</td>
</tr>
<tr>
<td>8</td>
<td>Feedback to talents</td>
<td>score 6.3</td>
</tr>
<tr>
<td>9</td>
<td>Developmental assignments.</td>
<td>score 4.3</td>
</tr>
<tr>
<td>10</td>
<td>Leaders resp. developing talents</td>
<td>score 7.0</td>
</tr>
<tr>
<td>11</td>
<td>Active learning initiatives</td>
<td>score 7.0</td>
</tr>
<tr>
<td>12</td>
<td>Mentoring relationships &amp; coaching</td>
<td>score 6.0</td>
</tr>
<tr>
<td>13</td>
<td>Talent and reward</td>
<td>score 2.3</td>
</tr>
<tr>
<td>14</td>
<td>Performance and development cycle</td>
<td>score 6.3</td>
</tr>
<tr>
<td>15</td>
<td>Networking and development</td>
<td>score 7.0</td>
</tr>
<tr>
<td>16</td>
<td>HR and the MD process</td>
<td>score 5.3</td>
</tr>
</tbody>
</table>

The scores of the four business cases that were audited can be found at the end of business case IV: Amcor
Managerial practice IV; MD within AMCOR

Overview
Amcor Limited is an Australian-based multinational packaging company. Its headquarter is in Hawthorn, Victoria (a suburb of Melbourne). At the moment it is in the process of moving toward Zurich in Switzerland. It is listed on the Australian Securities Exchange with ticker AMCRY.

Financials
In 2011 Amcor realized a revenue of 12 Bio AUSS$ with a net profit of 570.3 AUS$, which was an increase of 39.4 % over the previous year’s 409.2 Mio AUS$. Amcor limited holds the 1300th position in the Forbes 2000 (Date: 29 January 2012). Amcor is active in 42 countries and has slightly above 33,000 employees (Amcor, 2011a, p. 8). Amcor is engaged in the business of packaging solutions, supplying a range of plastic (rigid & flexible), fiber, metal and glass packaging products. The company operates in four segments: Rigid Plastics, Australasia and Packaging Distribution, Flexibles and Other/Investments.

Amcor has not been too impacted by the Global financial crises, as approximately 85% of its sales are in the consumer staples markets of food, beverage, tobacco and healthcare. Demand in these markets is generally less volatile and during the 2010/11 year, volumes in most segments were either higher than or consistent with the volumes achieved in the 2009/10 year (Amcor, 2011, p. 2).

History
Amcor’s history dates back to the 1860s when Samuel Ramsden, a young stonemason from Yorkshire, arrived in Australia with his bride to seek his fortune in a new land. He established Victoria’s first paper mill on the banks of the Yarra River in Melbourne. For most of its life the company was known as APM - Australian Paper Manufacturers - and its products even then touched the daily lives of all Australians (Source: Amcor website, “our company”).

In the 1970s and 1980s the company added a range of diverse packaging interests to its traditional papermaking activities. This was achieved through creating new business partnerships and making strategic acquisitions in order to expand and diversify the company’s activities. On May 1, 1986 APM became Amcor Limited. Along with the privately
held VISY group, it dominates the Australian cardboard packaging market, and it is the world's largest manufacturer of plastic bottles.

In April 2000, Amcor demerged its printing papers business to focus on its global packaging operations. The spin-off company was named PaperlinX. In July 2002 Amcor acquired the PET and Closures businesses of Schmalbach-Lubeck, headquartered in Ratingen, Germany. On February 2, 2010, the Company announced the completion of the acquisition of certain parts of the Alcan Packaging operations. The Company acquired 100% of Alcan Packaging Food Europe, Alcan Packaging Global Pharmaceuticals, Alcan Packaging Food Asia and Alcan Packaging Global Tobacco. In October 2010, the Company acquired B-Pack Due, a cast polypropylene (CPP) film manufacturer based in Italy (Forbes). These acquisitions make Amcor the largest PET manufacturer globally.

**Global presence**
Amcor is present in 42 countries, which are on the continents of the Americas, Europe, and Asia-Pac. In the Middle East and Africa, apart from Morocco, they are not present.

**Process of MD within Amcor**
"Amcor continues to recruit and develop co-workers who are fully engaged and passionate about the business and its customers. Amcor also manages employee performance and career development by utilizing best practice tools, ensuring differentiation and pay for performance." (Amcor, 2011, p.18)

Within Amcor, according to the interviewee, and supported by the materials provided, there is no clear definition of talent. As this was found in many other companies, this is not so surprising. There is data that is used for the talent management councils that could therefore be seen as indicators for talent.

Amcor reviews talent in a total of four talent councils, one for the global functions, one for the business units, one for sales & marketing and finally one for the plants. The talent committees consist of the CEO and his direct reports and sometimes a functional lead, depending on the position. In these discussions the potential of the individual is defined, levels of long-term rewards are established, and potential "successor of" criteria are defined. Amcor is the only company of those audited for this research in which the human resources department has no access to the talent committees, nor does senior vice president of HR take part in these discussions. Within Amcor, the role of HR is limited to providing the
information on which the talent committee can base their discussions, but even outcomes of these discussions are typically not shared with the human resources department.

The talent council has twice a year sessions, which take place in January/February/March, which for Amcor is the midst of their fiscal year, which runs from July to June, in line with the old UK GAAP fiscal year. Twice a year seems a lot, as a talent confirmation in major companies typically lasts for a year. In the case of Amcor the cause lies in the fact that the committees are following exactly the performance management cycle, down to the midyear appraisal.

**Figure 1: AMCOR talent management throughout the year (Amcor, 2012, p. 8)**

And, within Amcor the performance management cycle is what drives the annual processes. In the booklet that deals with “our talent” (Amcor, 2011b), performance and potential, or talent is only discussed on two pages and a side-note of a 9-box. Here Amcor states that they have three categories of talent: expertise (develop/mastery), vertical talent different or increase responsibility, and promotable (next level). These are not talent categories, but more assessments on “readiness to move” (Amcor, 2011, p. 22).

“Talent Management at Amcor Flexibles Europe & Americas (AFEA) is our shared path to Outperformance” (Amcor, 2010, p 3). In other words, the talent management process serves not so much to develop talents, but much more the performance increase of the company. This message is consistent in the documents provided, as well as in the description of the Talent Council (Amcor 2011a, p.20), where it is stated, “The Talent Councils provide an avenue to discuss and calibrate: Performance Scores and Readiness to move to a new position.” The talent is therefore fixed to current performance and performance continuation in a new position as indicators of talent.
The process in more detail
The MD process is split in two elements. There is the regular process for the company employees, and there is an initiative in which talents are brought into the company and nurtured through a mini-MD program for Marketing and Sales roles. The regular MD process has a defined entrance level which in the internal structure of Amcor is level 6, which indicates 6 levels below the board (CEO= level 1). The entrance into the Management development system takes place initially based on the manager's recommendation on talent. For this manager's recommendation, there is no fixed format or definition; in other words, this is a subjective entry process. As objective data, the committee looks into previous performance data, combined with the mobility of the individual. The most important part for defining an individual who can be regarded as a talent in the organization is defined by the level of goal achievement. There is no external or other assessment on how well individuals' values fit with the values of the organization. Such data is not requested by the talent committees. This is strange, as the manual on the annual talent management calendar is covered with slogans that relate to adherence to the company's values. This leaves the conclusion that talent management in Amcor is focusing on nurturing high performers.

Mini MD
There is, for marketing and sales jobs the “new graduate” option, where individuals with a Master's level degree and some years of experience get recruited into the company. These individuals will move for a period of up to two years through a mini management development program, after which they move on into the wider organization. For this program, on entrance level some psychometrics (SHL) is used, to ensure some predictability for future performance. Also here the program is hardly structured, but revolves around successful short term placements in the company as development opportunity.

Categories of talent
The company does recognize multiple categories of talent; they see deep talent in the areas of finance, and R & D. The company does not qualify for a higher audit score on these criteria, as the R&D talent cannot move up in your position and are not rewarded in a similar way as the other talents in your organization. They can therefore specialize in the function but have a glass ceiling in their development, both vertically and financially. Financial talents are less limited as these could move up towards the CFO position. This is aligned with the observation that the company is very (financial) results focused. Amongst others, 70% of the final target fulfillment score is based on financials and only 30% on individual targets, of which no development or progress is measured, except versus performance.
Feedback to talents
In Amcor 360-degree tools are used, but the usage of such tools depends on the awareness of the respective senior leader to use them. The HR department is within Amcor not part of the MD cycle, therefore they also do not advise on management development activities, psychometric tools, feedback tools or other useful tools for individual development.

Stretch assignments
There is no true usage of expats; the expat assignments are almost only used in the form that foreigners are hired and moved to a different country than their own. The second level expats are individuals moving on Adapted Local contracts, which is in principle only used for senior executives to fill vacancies in the company. So in this case expat assignments and stretch assignments are provided, but are vacancy driven and not driven by the development need of the individual.

Investment in people
The development of individuals at senior levels in the organization is not set up, nor defined in a structured manner. There are development initiatives taking place at the executive level, where teambuilding and development activities are sometimes combined with senior level meetings or business trips. The lack of emphasis on the development of the individuals can also be explained, by the lack of budget for development activities, therefore such activities are paid out of the departmental budget, hence are seen by the departmental head as cost. As 70% of the individual targets are financial, this is a sensitive area. So if development initiatives are taking place, this depends substantially on the individual’s drive to develop, the engagement with the company and the willingness of the leader to support such development.

Team based action learning
There is an action learning process in place in Australasia, be it that this has not matured beyond their border yet. The Amcor Australasia’s Talent Advancement Program (TAP) is designed to accelerate the development of co-workers, broadening their experiences and networks, and providing them with the opportunity to undertake an Action Learning Project.

Tenure in the company
Tenure in the company as such cannot be clearly defined; the interviewee informed the researcher that annual turnover in the company hovers around 15%, although at head office in Zürich, the turnover was closer to 25% at the time of this research.
**Engagement within Amcor**

“We continuously measure and manage the level of employee engagement within Amcor with surveys and resultant actions. This year, we completed surveys of all co-workers within three of our five businesses. Our other businesses have undergone enormous change as a result of acquisitions and were not in a position to complete an engagement survey.”

Engagement is measured within Amcor, on the traditional annual basis, where no linkages are made to the individual engagement. It is, with the above sentence, also interesting to see that areas that could result in a lower engagement score are exempted from the survey, instead of using the tool to support the change management process.

**HR within Amcor**

As can be read through the descriptions, the role of the human resources department within Amcor in general and the MD process specifically is far from full business partnership. At the moment there is a drive to look into some HR processes, triggered by the fact that the recruitments of new (senior) managers, caused by the high turnover is a considerable cost factor. The analysis sees to move toward a business case for an e-recruitment tool, instead of working to develop talents from the inside.

**Cultural indications**

Amcor is a global company. The Annual report is filled with images of senior executives, which would suggest the company is hierarchy driven. The tie-less pictures seem to want to address a relaxed working atmosphere, but the complete absence of employee pictures sends a clear message across.

The HR folders on mentoring for mentor (Amcor 2011b), mentee (Amcor 2011c) and the talent management process (Amcor, 2011c) have no hierarchical pictures in them, only pictures of employees of different races, sexes, ages, etc. The signal of the company would be stronger if such images were used in the AR, as well. In practice, the culture seems to be a very loose, non-hierarchical culture. It seems to be a blend, where the culture at subgroup level seems to link more specifically to the group’s corporate legacy. With this, the previous company, the individuals belonged to before the acquisition by Amcor is intended. This would point to a company grown by acquisition, where not enough time was spent on the integration of the respective companies into one overall company. It can not be said that one culture absolutely dominates. If stronger pockets of internal cultures were searched, it would be a combination between Australian and American. As per the interviewee, the values in the organization largely depend on the nationality of the supervising manager, which fluctuates significantly; due to a turnover at headquarter level of 25%. Therefore, the company can better be described as a multinational company rather than a truly international company.
Structure of the individual MD process

On the positive side, one could say that individuals' initiatives are the predominating factor that decides what management development actions are taken with the person, hence a very andragogical approach. The cause for this is, as per the interviewee, more that there is no true guidance in the area of MD. An employee with initiative and strong developmental drive can work with his or her manager to get access to external education, but as stated, this is not structured. It shows that even a limited or no system selects those with a strong development drive and a strong individual engagement. Whether this was the intent of the setup is a question that cannot be answered.

Inclusion of HR in the strategy

The annual report holds no HR paragraph, nor is the Global head of HR depicted amongst the executives that are shown in the Annual Report, nor is he part of the MD cycle. In the last pages it is mentioned there is an Executive VP HR in the company. In short, the MD process within Amcor is vacancy driven, instead of bench strength driven. This means that the process owner really comes into action with respect to developing individuals if there is a vacancy to fill at senior management level. Therefore the delivery of knowledge or skill-based development initiatives can be categorized as just-in-time, or more precise, just-too-late, according to the interviewee. The company at the moment is working on developing their leadership criteria, which will result in a process at the respective leadership levels where individuals go through to develop the defined competencies. This is only in design stage and no information could be gathered on how robustly this system is structured.
Compliance to the HEART model

The HEART model tells the story. The company has only for some cases, which are in the mini-MD, some elements of an MD process in place. For the rest, the company is focused on performance management.

Compliance to the process of development

Learning

In the case of Amcor, the main learning could be that a company with healthy performance, a position just outside of the top 1000 companies, registered on the stock exchange does not necessarily have solid HR processes or MD processes in place.

As stated, the company is reviewing some choices made in HR, mostly cost-driven, without understanding the root cause of the cost. When HR is seen as a cost rather than an asset HR functions are viewed as a low level staff responsibility that can be outsourced or minimized (Yukl & Mahsud, 2009), then there is nothing short-term that will change this perspective.
**Suggestions for improvement**

The main suggestion for improvement would be to start building the MD from scratch. It was interesting to see that the MD process in Amcor is the lowest score thusfar, whereas officially nothing was seen wrong with their system. The suggestion would be to start viewing HR as a business partner and join forces to tackle the issues that are at the moment only absorbing cash in the company, but in the future, when the markets are expected to tighten, can become the difference between profit and loss. At the moment there is still cash in the company to finance such a turnaround. Probably when the company comes to the point that they need the turnaround, there will be no cash to finance it.

As the company was so open to grant an interview and open with the results and their practices, I sincerely hope the insight comes before the crunch.

**Conclusion**

Amcor is a company driven by short-term performance goals, operating in a market with relatively stable margins and a large market share. This leads to a sort of complacency in their position in the market. As was shared in the interview, the salaries of Amcor are very high compared to the market, which leads to the fact that it is for the company not a real issue to find replacements for dysfunctional senior leaders.

The performance driven management development cycle is best depicted in the formal leaflet on talent management, which does not define talent through other means than through performance-based wordings. The performance of the line management is measured 70% on financial goals and 30% on individual goals, where there is no room left for developmental goals. Also, the fact that potential development activities such as executive management programs would have to be paid out of their own budget, which would therefore lead to a decreased performance on financials, shows the emphasis of the company.

Based on the results of this order, it seems remarkable that the company is in such a healthy financial status. This might create doubt as to the real need for a management development process, if imperfections in the company can be corrected by hiring talents from the outside. In this case literature clearly points the other way and states that the company's results would have been significantly better had the company worked on their own bench strength and an integrated HR strategy.
Overall score of the four business cases

In the below figure the data from the first five business cases is at first depicted in numbers, and then in a graph.

<table>
<thead>
<tr>
<th></th>
<th>Novartis</th>
<th>Allianz</th>
<th>Accenture</th>
<th>AMCOR</th>
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<td>5.0</td>
<td>5.0</td>
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<td>Match talent and values</td>
<td>score 4.0</td>
<td>5.0</td>
<td>7.0</td>
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<td>Culture Global versus local</td>
<td>score 6.0</td>
<td>2.0</td>
<td>4.0</td>
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<td>Capability assessment</td>
<td>score 3.5</td>
<td>5.8</td>
<td>4.3</td>
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<td>5</td>
<td>Methods of development</td>
<td>score 6.0</td>
<td>3.7</td>
<td>7.0</td>
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<tr>
<td>6</td>
<td>Knowledge transfer</td>
<td>score 4.5</td>
<td>4.3</td>
<td>7.0</td>
</tr>
<tr>
<td>7</td>
<td>Stage based development</td>
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<td>6.0</td>
<td>5.0</td>
</tr>
<tr>
<td>8</td>
<td>Feedback to talents</td>
<td>score 4.0</td>
<td>4.0</td>
<td>6.3</td>
</tr>
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<td>Developmental assignments.</td>
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<td>5.3</td>
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</table>

Figure 3: Overall scores of the business cases in comparison

Overall scores of the four business cases versus the process and each other in a graphical display:

Figure 4: Joint graphics of the five business cases and trends
Preliminary conclusions based on the four managerial practices

Based on the scores of all four cases on the audit tool, it can be stated that a good spread is found on the 16 dimensions of the tool. Also one can find two trends, depicted by the red circles. They state that on average (based on these four cases) companies do not hold leaders responsible for the development of the individual talents in the organization. This is not surprising as a culture change that would bring leaders to automatically develop other leaders is one of the last elements of a true performance and potential focused culture. However more surprising, companies do not seem to care so much about potential as stated in the various literature. The reward component, including the long term reward, is still based on short(er) term performance. So irrespective if potential is seen by literature as a true competitive advantage, companies do not really reward this as such.

Detailed findings on the process

- There is in practice a differentiation between leadership and management. Through many theoretical debates this was sometimes already discarded as an obsolete discussion; however, it seems that companies do see it as a practical approach.

- The distinction in the process between different uses of psychometrics is not as useful as originally anticipated. Supported by the stakeholder panel and the four case studies, a company seems either open to use the tools and then use multiple ones, or is not inclined to do so. In the latter case usage depends on individual (leaders) interest in the field and their willingness to use the tools, but not toward a structured usage.

- It should be researched if the idea that long term reward is linked to the potential to add value in the future of the organization (e.g., high potential or talent), is really upheld in practice. Three out of the four cases based reward on current performance.

- Companies seem to lag in the culture of making leaders responsible for development of their direct reports. This seems one of the lowest hanging fruits (from a cost perspective), though not from an implementation perspective, as this will take a longer time to implement and become ingrained in the company.

- Individual engagement and self development drive are almost never measured. This could be because it is clustered under psychometrics, but I think it is more that it is not well enough known that one can actually measure such variables, nor what the consequence is of not doing so.
Managerial practice V; Designing MD within Cristal Global

In the first four business cases of this dissertation, large international companies with (expected) reputable MD processes were analyzed. Based on the outcome of this analysis both the company as well as the method was rated. This led to the conclusion that different companies have different emphases in the process. These are often due to internal or external cultural influences, which can be related back to a strong national heritage such as with Allianz or the industrial sector, such as with Accenture as well as Allianz, but that the method itself is kept upright. With Amcor, we found a company with a very underdeveloped MD process who is also feeling the consequences of turnover and is making their own analysis on the causes of these costs.

In this fifth business case the second element of the goal of this research is reviewed, to see if the process can be used as a blueprint to design MD for a company that does not (yet) have a robust system in place. For this purpose the company Cristal Global was selected. This selection is based on the fact that it complied with all of the cut-off criteria for company selection as previously described. Second, as the researcher is himself employed in this company, there is first-hand experience as well as direct input in the redesign of the MD process. Also, the company could use the acquired knowledge from the research to help the organization set up their MD process along the lines of the model. The active involvement was needed, as otherwise the steps of the process to structure an MD process would remain a theoretical exercise, be it usable to assess existing processes. But much more than analyzing existing processes, it would be helpful for companies to have the right design guidance in the start of the process. This business case describes the process of the design and roll out of an MD process in an organizational context. As can be read, not all processes have already been fully implemented, nor has always exactly the model been chosen, the latter often as there are more opinions valid in an organization and the researcher’s was in this case only one of multiple. Finally, it has to be emphasized that the design of a process is only the start. The practice of its use will prove the long-term sustainability of the model. As the first four business cases showed that, with minor differentiations, the process seems robust, there is confidence in the longer term sustainability of the design; however, discipline is then a key mark of an organization that drives successful MD. Can an organization bring such discipline to the table, where one of the core values is entrepreneurial decision making? This is a question that now, 12 months after the start of the process, cannot be answered yet, as the process design is at the moment just over 50% completed.
Setup of this business case

As this business case is set up for a different purpose than the previous four business cases, the setup differs from the previous ones. Where the previous business cases were set up in a uniform manner, this one will follow the approach of the three major elements of the management development process:

- Defining and detecting talent
- Stage-based development
- Organizational prerequisites

After an introduction to the company and the overarching set-up of the restructuring within the HR function, the three elements will be explained in the section that describes the company. This case will also not be closed off with an audit score, as the purpose of the case was to structure the company’s MD, using the defined process, therefore the MD score could, now that they are halfway, be used to select new priorities in the development process.

Cristal Global

Cristal Global is a global technology company forged through a number of mergers that finally led in 2007 to the creating of Cristal Global, a Saudi owned and Jeddah headquartered international chemicals company. Its main line of business is producing Titanium Dioxide, which is a perfectly white powder, used primarily (about 60%) as a pigment for paint, and 40% in many other manufacturing processes where the desired result is either white (toothpaste, tablets, reflective paints etc) or needs to be opaque, such as sheet plastic for disposable plastic bags, paper used for laminate floorboards etc.

Financials

Prior to the year 2008, a significant shake-up in the industry had taken place. When the market demand for TiO₂ increased post-2008, this directly generated a shortage in the market, which led the price to increase. This in turn created a new and healthier market environment, where the remaining few producers of high grade TiO₂ can now produce to a margin which gives them renewed possibilities to invest in their processes. As it is expected that the market prices will decrease again in three to five years, becoming less dependent on a high margin is key for long term sustainability of the business. Due to the current high price of the TiO₂, the financial position of the company is currently stable and allows for major investments into improvement of the various processes. One of the processes being reviewed is the HR process.

Headcount and structure
The company consists of around 4000 owners and 2000 contractors. It is the second largest titanium dioxide producer in the world, using both the chloride and sulfate processes, and is the largest merchant of titanium chemicals producer. The process is backwards integrated, with a number of feedstock mines Paraiba, Brazil and Australia (Bemax). Bemax Resources Limited is one of Australia’s premier mineral sands companies and is headquartered in Perth. Bemax is the largest producer of leucoxene, the sixth largest producer of rutile (Titanium ore) and the seventh largest producer of zircon globally.

Next to the pigment and mining business, there is ITP (International Titanium Powder), which is a wholly owned subsidiary of Cristal Global. ITP International Titanium Powder (ITP) was formed in 1997 to develop and commercialize Armstrong Process™ patented and proprietary technology to produce high-purity metal and alloy powders with specific emphasis on titanium. By broadening the titanium product line and extending the company’s reach, Cristal Global is positioned to deliver the diversity, R&D, innovation, specialization and support the customers of TiO2 and Titanium products demand. Cristal Global is the largest privately owned chemical company in Saudi Arabia.

The total sales of the company combined in 2011 were in excess of 2.5 Bio US$, with a healthy margin of around 20%. In total the company runs eight (8) TiO$_2$ manufacturing plants in six countries, on five continents (Cristal Global, 2011).

**History**

The roots of the earliest companies that are now part of Cristal Global go back to the factory in Thann, France, which was created on 7 August 1808 by Joseph Willien and Philippe Charles Kestner. The first trade registration was in Strasbourg, on 1 September, where for nine years a company was created for “Chemical Product and all related to it.” Though the earliest factory in the Cristal organization is over 200 years old, the bulk are relatively young, as Cristal Arabia was incorporated in 1988 in Jeddah, Saudi Arabia, by Dr Talal Al-Shair, the current Chairman and CEO.

The company went through a number of organic growth phases until 2007, when the bold acquisition of one of the global players in TiO$_2$ succeeded, taking Cristal Global from a minor player to the second largest TiO$_2$ producer worldwide. Since then the company has developed further, including the development of a strategic vision directing the company to more than merely TiO$_2$ production. This plan led to further expansion in 2008 through the acquisitions of Bemax (Australia) and International Titanium Powder (USA).

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5 The numbers given here are an indication, but not the exact values.
Global Presence

Cristal Global has worldwide sales presence, with manufacturing locations in the US, Brazil, France, UK, Saudi Arabia and Australia. Major offices are in Paris, Brussels, Baltimore, Shanghai, Jeddah, Bunbury, Perth, Sydney and Broken Hill in Australia. Sales offices are in the major global markets, including the above-mentioned countries plus, but not limited to, China, Korea, India, Middle East, Germany, Italy, Iberia, Turkey, South America and a number of smaller markets through distributors’ sales.

Developing HR within Cristal Global (Cristal)

In Cristal, HR was a longer time underdeveloped and mainly focuses on the areas of administration. The organization was a classical hierarchical structure, with the site HR managers directly reporting into the global head HR, and where the site HR heads held all expertise amongst themselves. This changed through a series of events, one being that the company moved to becoming a globally structured, Saudi headquartered organization, with the largest factory of the company being located in the Kingdom. The rise of the profitability and the increased understanding of the need for professional HR for sustained growth of the company led to the selection of a new head of HR, with the strategic mandate to drive a turnaround in HR.

The restructuring of the human resources function within Cristal Global has three major phases:

1. Set up the basic needs for the function
2. Scaling up from a basic function to professional business partner
3. Becoming an employer of choice for HR professionals

Step I: Creating structure in HR

The new HR function worked on the HR business partner model along the model of Dave Ulrich (2005), which articulated how the modern HR organization can be organized into shared services, centers of expertise, and business partners. The HR business partners (HRBP) are there to support line management with the HR related decisions for their business. The HRBPs are supported by an HR shared services center (within Cristal under development) and an HR expertise function to support them in designing policies and procedures and to be kept abreast of market best practices.

The basic elements that were brought into place in the year 2011 were:

- Standardization of the HR structure in the locations around the globe, and manning key positions with external talent.
• Creation of job families in the organization and standardization of the evaluations using HAY methodology
• Implementing a series of Global guidelines, creating consistency in approach

With these basic elements in place, HR could now move forth to build the basic function on top of these foundations.

**Step II: Combining structure with the need for information**

Next to the HRBP model, the HR roadmap was used to structure the numerous initiatives that were taken in order to professionalize the HR function. The refined roadmap-model was based on the HR roadmap of Van Dongen (2008), as depicted in chapter 3. In the model the overarching HR process and supporting projects are clearly defined and aligned. In order to anchor these processes in the organization, both the roadmap as well as the HEART model were chosen to serve as a baseline for the selection of one Global HR Information system (HRIS) tool, based on an SAP backbone. Condition sine qua non was that the providers needed to be able to offer the complete suite of HR (recruitment, performance management, learning & development, MD and succession planning, workforce analytics and manpower planning). In October 2011 one solution provider was chosen who would implement their system on our processes during the end of 2011 up to 2013 (tail-end of the implementation). This would enable the organization to have the right processes in place, facilitated by a high-end HRIS that would reduce the administrative burden of the HRBP, allowing them to have more time available to support the business, with better real-time information for a system based on the data managed in SAP.

**Defining and detecting talent**

After the basic elements were put in place, the first steps in the direction of an MD system were set. This started with defining what data the company wanted to capture.

Through a global workshop and iterative cycles of knowledge and best practices sharing, the following components of the process were defined:

1. The Cristal competencies were designed as behavioral principles that reflect the values and the unique culture of the organization. Through measuring the leaders as well as the talents on these competencies, the linkage between future leaders and the values of the organization were secured.

2. Defining two dimensions of performance and potential, Cristal adopted the 9-box model, based on selected best practices of Allianz*, American Express, Novartis*, Suzlon* and Truth Hardware.* The definition of potential was chosen, based on a

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6 Examples from asterisk were derived from the case study materials underlying this research, either through interviews or stakeholder panel.
combination of developmental agility (De Meuse, 2009), intellectual headroom (Van Dongen, 2004) and a match with the corporate values, measured through the leadership competencies.

3. The competencies were made operational through a competency framework, which was in turn linked to the Universal Capability Framework of SHL. This in turn underwrites the definition of leadership versus management as previously described. Also this allows, later in the process, to buy off-the-shelf psychometrics to measure value compliance.

4. The stretch assignments were shaped. This was partly done as a conscious next step in the process, partly driven by the need to set up a regional head office in Europe in short term. For that purpose, high performing and talented individuals needed to be moved to a central location, for which the policies that govern developmental stretch assignments (Expat, Long Term and Short Term assignment) needed to be set up. The Expat policy was explicitly linked to developmental assignments for high potentials.

**Stage based development**

**Split in management and leadership development**

To support the overall development of the employees, as well as the talents in the organization, the development was split into two directions. The first one, a skills and capabilities based development was supported by the set up of the Cristal Academy. This academy was the Global process, which was encapsulated in a virtual academy that trained various skill levels. The academy did not get involved in leadership development, which was the second stream through which people were developed. Leadership was defined as the behavioral element; hence the transformational part of the equation. The Global leadership development and succession management expertise was in charge of the development process for leaders. This underlined again the difference Cristal makes in leadership and management. In this way the organization defined the two areas, management, as a skill driven transactional activity, and leadership, a behavior driven activity, whereby the behaviors are linked to the values of the company through competencies and behavior-anchors rating scales (BARS) underneath the competencies. This is again supported by the UCF and the leadership concepts underneath that model (Bartram, 2004, 2006; Bartram et al., 2009).
In the same period, the end of 2011 and the beginning of 2012, the company started to set up talent discussions. In these sessions, hosted by HR but executed per function, the individuals were reviewed as of the organizational level 18 (lowest management level). In the review, both their performance and their potential to move up in the organization were discussed. In this point in the development there were no psychometrics used to support these discussions. These were mere subjective discussions on individuals. The definition of talents is at the moment still based on the concept of vertical talent. The indicators of development ability are still subjective.

**Measuring engagement**

In order to obtain feedback from the organization on the engagement of its population in 2011, an engagement survey was set up. For this survey HAY was chosen from among three offers. The reason for choosing HAY was that HAY, through the concept of job satisfaction and engagement to enablement, linked the engagements of the employees to future observable effects on the organization, thereby showing NPV effects of increased capabilities (through enablement and having the right tools). These results were fed into the HR targets for 2012, as well as the targets for the line management. The engagement survey and the specific response rate (as this is a sign of engagement) were executed by HR, but the return rate was part of the KPI’s of line management. In 2011 a return rate was achieved of 97%, a record, as per HAY.

The engagement instrument was only used to measure engagement at group level. No individual engagement was measured.

**Structured feedback**

The use of structured feedback, which varies upon the development of the individual, as well as the difference in providing knowledge at different levels, is not yet practiced. The use of developmental assignments has started, but is still event driven and not yet talent developmental-needs driven.

**Organizational prerequisites**

At this point Cristal Global has not taken certain prerequisite decisions to be able to score on the criteria.

- The leaders are not yet made responsible for the development of the talents in their organization. At the moment the PM cycle is being matured, after which the talent management cycle will be further developed.
There are not yet active learning initiatives. These small groups of high potential individuals, working to solve corporate problems on a global level, through the exposure to top management, can be formed after the talents are fixed and developmental tracks are set up. This is not the case yet.

Mentoring and coaching is not used in a structured approach in the organization. When mentoring is used, this is an initiative at local level.

The performance management cycle is designed and in use, and will have its first more structured run through the HRIS system in 2012. Also, the management development system needs to be filled with these performance data first, as the research showed that MD is based on a strong performance management cycle.

Networking and development is equally underdeveloped. There is an annual networking session for senior leaders; however, based on this research, the levels below (18-20, the levels below senior leadership) would benefit greatly from joining such events. This is not done yet, however. Some functions such as Supply Chain do organize such sessions, but this is not across the board.

**Reward for potential**

The long term reward process was redesigned in order to facilitate a reward for our potentials in the organization as well as retention of these talents to CG. The latter was needed in order not to have to draw talents from the market, on the one side, as this would prove a highly expensive exercise (see Michaelis, 2008), but more specifically, it was analyzed that in an unsure economic climate such as occurred in the end of 2011, many people would prefer to remain in their current role, even when not entirely satisfied: they were unprepared to risk taking a step to a new employer, unless the reward would be disproportionate. The reward-policy on ABS is such that Cristal could not compete head-to-head with the top market players in the industrial areas where our main factories were located, which we typically share with other chemical companies or petrochemical companies, due to the hazard rating of the company’s manufacturing sites. The companies mentioned are higher paying than Cristal, who chose to compete in offering a different work experience for the employees instead of luring talents with top-dollars for their jobs. Providing talents with a challenging work experience, with international exposure and networking is a “deal” Cristal could offer, which also proved to be effective in the labor market. A proof of this is for instance in the major factory in Yanbu (KSA), where almost the entire management was hired from other companies that paid more than Cristal, in spite of our less competitive ABS policy.

Long term reward was decided by the steering committee (executive committee) in October 2011 and will be renewed. At the moment the LTIP is a mirroring of the short term incentive,
have, for instance, certain expertise functions as a stand-alone job, instead of combining the special knowledge underneath the HRBP. As with Adam Smith (1776), division of labor in its components, improved effectiveness in the pin factory case study of up to 4800 times the original. Though the work could become more effective, it does not always add to the job enrichment to have people for the service work, the expertise role, and for the partnering activity separately. It is my thought that there is an optimal size that needs to be achieved before the HRBP model in its fullest can really gain traction. Further research should define such a size.

**Matrix structure versus accountability**

Cristal has, as in many companies, a functional structure that goes across the vertical structures— in other words, a matrix. This model has shown to be hard to manage. When the company wants to emphasize accountability at site level, but the matrix structure does not allow, for instance, the site managers to fill out the performance appraisal of their direct reports, one can ask if this move ahead is in the right direction. Potentially the matrix structure can be the right direction, but the timing of this direction versus the priority in organizational change needed, can be wrong.

**Limited reward differentiation for performance**

The differentiation in reward for low and high performers is non-existent, which research shows is very demotivating for high performers. This is in the planning to change in 2012. Cristal may find it challenging to implement this, with a very personal and person-based culture, which could prove hard to combine with confrontational discussions on poor performance and compensation implications of such performance.

**Limited reward differentiation for talent**

The reward for high potentials is only present as of director level, and at that level it is relatively low. The LTIP (Long Term Incentive Plan) practically mirrors the Short Term Incentive Plan or Bonus the individuals have. As the LTIP gets payable after the first year and is then paid in three equal terms, a bonus of, for instance 25%, will become a 8.33% bonus per annum. This is the same amount as one extra month’s salary. This is in my point of view not an argument for high potentials to stay with the company, should they contemplate leaving. An LTIP should be a substantial part of the total remuneration, such as, for instance 50%. Combining this with a pay point of P50 and narrow banding, which does not allow much differentiation between the low and high performers and currently a non-existent link between performers and potentials shows a potential weak link in the talent value-chain.
Conclusions and recommendations

In the past chapters a theoretic framework has been built that has passed the scrutiny of a stakeholders’ panel and has led to an audit tool as well as a method to set up an MD process in a company that had not developed such a system yet.

Answers to the research questions

Research question 1

In what way can the relevant elements be combined to create an integrated theoretical concept on MD for high potentials in international companies that supports the design of an integrated method?

The theoretical construct is set up based on the three phases: the phase of finding and defining talent, the development in a phased based approach of leaders’ and managers’ capabilities, and finally a number of organizational prerequisites were defined for effective management development methods and process. One of the most challenging parts was the breadth of literature that touched on the topic from the traditional leadership perspective, who only very briefly discussed the element of development, to the pedagogical and andragogical approaches to development. And finally, going through different literature that showed the effects of organizational environments on both the learning experience as a targeted exercise, as well as on the support an organization can offer in providing an environment that supports learning, without the talent necessarily feels it as such. The informal networking events are good examples of that.

It was highly enlightening as well as surprising to find that on the one hand, many scientists agree on the importance of the element of leadership development, as do CEOs of major companies, when surveyed in the various researches. On the other hand, the data from the diverse sources confirmed that actually a structured set up MD process, based on a solid method, is not in place. This is aligned with the 2010 survey of Hewitt Associates, which stated that 64% of companies surveyed either disagree or strongly disagree that they have career development figured out. What surprised me in the research is that there seems to be no sense of urgency to professionalize the process. And this lack of urgency seems to come from business, as well as from science. And here developing HR as a science could help, as only a few universities have a full-fledged HR faculty that allows the discipline to be treated as an integrated body of science.
hence allow the individuals to gain another bonus, after remaining with the company for three more years (payable in the fourth year). The % is low, relatively speaking, starting around 15% at director’s level to 30-50% at VP level (maximum). In order to allow an LTIP to reach up to one ABS, one needs a bonus of 50% and top company results over the three year period, so it pays out 200%. Such % are limited to very few (2) individuals.

Compared with companies like Allianz, Novartis, etc., the fixed part of the salary is around 25% of their total reward. Cristal is much more conservative in its reward. A VP will have a bonus of 35% and a LTIP of around 35%, still, more than 50% of their compensation will be fixed salary. This, combined with the fact that there is no link between performance and reward, and the base reward policy is aimed at P50, shows a liability. Combining this with the relatively low score on engagement under the senior management members of the company, who typically have a higher engagement than the average employee, it can be expected that a number of talents may be open to alternative opportunities and are prone to leave as soon as the economy picks up.

**HR and MD**

HR is working itself into a prominent position in Cristal Global. The function is clearly integrated in the senior leadership level; the only comment could be that it does not hold a SVP position, hence is not part of the inner circle. In the view of the researcher, this inner circle is more based on historic than actual roles, so this is not counted as a negative. HR needs on the local level to develop itself a lot further to become true HRBPs. The positioning of HR is correct; now the execution must come to the level that warrants the executive position of HR in the organization.

**Opportunities and threats**

The HRBP model serves as a good basis to structure the HR around. Also, the HR lifecycle and parts of the HEART process are implemented. The number of changes this invokes generates opportunities for those talented individuals to work themselves into a stretch assignment, without the company being active in doing so.

**Threats**

**The HRBP model**

Though the HRBP model of Ullrich et al. (2005) is a very well thought through model, it is not infallible, as no model can be. Ullrich does not describe that the model only becomes viable as of a certain size of the company. Below such sizes it makes little commercial sense to
When reviewing the practices of the companies it was apparent that all companies do something, but when confronting them with the detailed elements of the theory, it was equally apparent that many companies have gathered internal experiences that resulted in a process. This process was used internally but not challenged, as the knowledge to do so was missing. In the more traditional organizations, it is still the case that despite the evidence that HRM programs can improve financial performance, many competencies fail to achieve the potential benefits (Bassi et al., 2007; Pfeffer, 2005) and still regard human resources as a cost rather than an asset, and they view HR functions as a low level staff responsibility that can be outsourced or minimized (Yukl et al., 2009). Potentially this is also as HR has often not been able to show the direct financial impacts of their work. The research from Avolio (2010) should be a first push to change that; when seeing the amount of investment in leadership development, one should be interested in return on that investment, which he showed had a lot to do with developing the right (talented) individuals.

At the moment it seems to be equally true for professional HR as well as a robust MD structure; you do not miss what you do not know exists. HR has in this area a great opportunity to place them on the management map, as this field seems to be unchallenged. But also HR needs to work toward becoming ready to man that field. The stakeholders’ panel responses showed that there is ample work to do there. This started from their relatively shallow knowledge perspective, as well as from the low ability to influence the company management to make the right methodic choices regarding the leadership model that is followed. But it also related to choices regarding the development philosophy, as well as creating the organizational prerequisites that enable an optimal learning environment.

But to repeat yet again, first the function needs to have the knowledge and understanding themselves, before they start to influence others.

**Research question 2**

What changes are needed when combining the theoretical concept with the joint opinions of global HR professionals, in order to come to a practical process that can serve as a blueprint to design MD processes?

When analyzing the organizations, one could see that the companies all touched on most of the elements of the MD process. There were two interesting differences. Though in literature the discussion on the differentiation between leadership and management has often been seen as academic, in the companies the distinction was seen as all companies reviewed
looked at the two areas of leadership and management capabilities in a different light. This was a positive finding.

Another key finding, though logical in its nature, that literature has vehemently defended, was the segregation of potential and performance, the one being a forward-looking phenomenon, the other a compliance, or backward-looking. Except for Novartis none of the other organizations really treated talented people differently, nor rewarded them differently, when the performance was not at an equally high level. From an economic perspective, this is logical, as the reward for an individual cannot be higher than the income they generate, and the latter is generated through goal fulfillment, hence performance. However, when this is done the risk is that companies lose valuable potential, just because they are not rewarded because of the expected value they have for the company. Also in almost no company the individual engagement was measured (Accenture measures aspirations, which is similar, but not the same), it is possible that a person has a momentary lapse of performance due to an engagement issue, whose causes can lie in many areas. He is then discarded by the company as not performing, whereas the solution to the issue lies in the engagement area.

The companies can almost all improve on the use of validated psychometrics. As research has shown the correlation between IQ and leadership talent, as well as offers to measure the match between a job challenge and the individual, as well as measure development ability or learning agility (De Meuse et al., 2009). The reason they do not use these tools was often stated as the senior managers knew very well what the challenges of the jobs were and could combine this with the ability and needs of the individual. It is interesting to see that in the process, seen by CEOs as key to the future of the company, so much depends on subjective opinions.

Finally, in the use of the process as a roadmap to develop MD in a novice company, it has been a challenging journey. Having a process lying ahead does not take away the fact that all participants wish to have their say over the process; even though that viewpoint was not always that of the material expert. It also shows that implementing MD in an organization can best be done in such a Greenfield environment. As the score on the audit tool shows, the fact that processes are worked on does not yet generate a positive score in the tool. The following step is the discipline to work with the tool, as well as the internal alignment of the organization, ownership of the process by line management, and internal training to have the capability to know what is expected of the line managers (and HR) in the new role. It would be interesting to review Cristal Global in two or three years, when the time they are estimated to need for the fulfillment of this process has passed. Challenges in implementing the
process lie mostly in the fact that many of the best practices companies that were reviewed and who’s experiences through the stakeholder panel found there place in the audit tool, are typically large multinationals. A smaller company like Cristal Global, which is built in a rather flat format, with few hierarchical levels, needs to be creative with stretch assignments to keep talented individuals interested in the challenges the company faces, especially when the company cannot always reward such endeavors with a vertical promotion.

Through the answers the consensus theory, which defined the number of stakeholder panel-members, is kept upright. On the fundamental choices, the population seems to have a common viewpoint on the key elements. What was disconcerting was the position of the function on the level of talent within HR, vis-à-vis the other talents in the organization, such as being confronted with a panel that states that expat assignments are key to progress the career (64.5%) but only 20.6% of the HR senior executives have actually such an experience. The same can be said with cross functional experiences, which were relevant for the talents in the organization (73.5%), but not for HR, as an equal percentage of 73.5% stated, so one can hardly be surprised to find that HR is not equally represented in the talent pool.

**Research question 3**

In what way can the method characteristics be reformulated into a method that functions as an audit tool that allows the review of different companies and the different scoring profiles can be explained through the characteristics of the companies?

One major challenge in using the case study methodology was actually finding the companies prepared to share the data. Some companies were not prepared to cooperate, as they did not expect to earn anything from the research. Others found it too much work, and others did not want to share the data. On the one hand this to a certain extent shows that some countries are aware that a good and professional MD system IS a competitive advantage. It also underlines Vona’s statement that some HR organizations have gone through the process of fundamentally re-purposing what they do, but little has been shared on which design options will help them most effectively achieve strategic goals (Vona, 2010).

Despite these difficulties, the integrated body of theory had a number of assumptions in it, which were put forth to the stakeholder panel. This panel upheld the theoretic body. It was possible to reconfigure the theoretic concept into a scoring list of items. When using this audit list, it was possible to score different companies. Their differences on the scoring tool could be explained through the different characteristics of the companies, instead of inherent
issues with the tool itself. This audit list, has, in a first instance, proved useful as a managerial tool to review existing processes. As described, the method also proved useful as a roadmap for the creation of new MD processes in underdeveloped companies in need of an internal process.

**Research question 4**

In what way can relative positioning, based on reward data, be used to compare versus the talent assessment positioning based on internal talent reviews?

This question was answered through the creation of the concept of the Talent Indicator (TI). This TI uses financial data to see if the reward of the high potentials is in line with the way we positioned them in the HR-chart. An initial one-dimensional tool proved to be too complicated to interpret, after which the second dimension was added, which seems to complete the tools. It now shows a spread in reward in two dimensions as an indication of perceived talent, just like the 9-box does. In further refinement, one could work to align the scales with the 9-boxes, as there are now congruencies between the spread of the two models, but as the scales differ, we cannot overlay one model with the other.

The major topic here is that, though the TI is challenged in a simulation of some thousands of hypothetical cases, the proof of this pudding remains in the eating. With that it will be needed in the future to test the system out methodically on a larger group of high potentials in a company that uses differentiated reward means to differentiate between talents.

It is my concern whether a company can be found that is prepared to test the model, knowing how difficult it was to find cooperative companies to merely review their MD processes at 10,000 feet, let alone go with an analytic tool through the comp data of their talents. The most effective way to test this method seems to be to publicize the method, show the method and have the companies themselves test it out.

**Managerial implications of the research**

One main managerial implication is that, especially when looking at the organizational prerequisites of the effectiveness of the MD process, there are areas of improvement that do not seem to be cost-intensive. Items such as the nurturing of informal talent networks across the organization support the development of the talents. Also, the idea of balancing out development options, based on generational or gender differences, is underappreciated.

With modern technology it is little effort to offer talented employees a development budget in a cafeteria approach, where they can choose their own development initiatives. Surely those
in the process for the top jobs in the companies are able to make good decisions on their own development investments. The same goes for rewards, be they compensation or benefits. Allowing talented employees more flexibility in the choice of the rewards acknowledges their differences and allows the next generations to find their employers more understanding of their different desires, hence finding it a more appealing culture to work in.

Also the measurement of the Job Challenge and seeing how far this matches with the individual’s need, the measurement of how well individuals fit with the companies’ values and the measurement of how far a person is individually engaged, all seem to be low-cost tools that improve the outcome of the process.

In the research it was found that a number of companies make certain assessments ex-post. They make the MD process so challenging that only the most engaged and best fitting employees pass these tests. It would be more cost-effective to spend a bit more time and effort in ex-ante selection of the right individuals in the process, thus reducing the churn of the talents. With such a selection the return on development investments can increase.

**Recommendations for further research**

Now that a basic theory seemed robust and the audit tool as well as the TI seems to prove stable, more steps need to take place, which lead to the next research.

1. On the TI, a company with a large portion of talents needs to be found, that is willing to cooperate to have the TI scores of these individuals measured, and calculate how far this score actually correlates with the outcome of the HR 9-box plot. When these correlations are set, it can be analyzed what parts of the tool might not work optimally and need improvements.

2. On the audit tool, as the research showed and some of the interpretations described, the following assumptions have come up, based on the scores on the audit tool:
   a. The audit tool should now be reworked into a questionnaire, which should then be researched on its internal consistency. This will improve the usability of the outcomes.
   b. It seems there is a relationship between the cyclical process in the organization and the reward for talent versus performance. A company with a large cycle time, such as pharmaceuticals, where designing a new drug can take many years, can easier live with investing in a talent, which does not return on the investment, short term. It should be reviewed with a number of long-cycle industries if this relates to one another. By taking, for instance, a
group of pharmaceuticals and a group on long cycle time non
pharmaceuticals, one can see if there is relationship is true or not.

3. When the audit tool has been turned into a consistent survey, and a group of similar
companies turns up with comparable company MD profiles, a next step can be to
calculate what the individual items in the method add to the end result of the MD
process. This should then probably be a longitudinal study. When this is established,
the method described here can be turned into a model, specified for industries, with
defined relationships between scoring on items and predictive validity of these
scores.

**Improvement possibilities on the research**

When looking back at the research, there are still some areas that one could consider in new
researches in the same topic.

One of the elements that is not reviewed is how far the trend of declining tenure in the
company influences the need to create internal MD processes. When we would assume such
a trend is continuous and average tenure continues to decrease, then building an internal
channel of talents, a process that is lengthy in nature, seems to contradict this trend. Options
to resolve this could be to make more use of externally offered development possibilities,
instead of internal. The downside of this approach is that generic development opportunities
generate generic skills and capabilities. And when skills are more generic, they are easily
transferrable and become portable capabilities. These portable capabilities could support in
turn the turnover of talents, as they are more interchangeable. Therefore it seems that there
is still room for internal processes, but it should be monitored more, that the capabilities that
are trained-in and are company specific (as far as possible). With tying the capabilities, the
values and company characteristics together it could be that this increases tenure of talents.

Second, this study is only a momentary snapshot of a limited amount of data points. It would
be interesting to review an entire senior management team of a large company to analyze
the different perspectives on MD. Now the view of the owners of MD was chosen, whereas
the stakeholder panel revealed that these individuals are in many cases not talents
themselves, or not targeted to become part of the senior leaders in future. One could debate
how far their opinion on the true functioning of the MD system is in line with how other line
managers think about it.

Third, the setup of the stakeholders’ panel is based on the consensus theory. The consensus
on the topic seems to be upheld through their responses. However, on the other hand, it was
concluded that their level of knowledge on the topic was suboptimal in some cases. How far, then, can a stakeholder’s opinion be seen as relevant, when this viewpoint in some cases is biased, because of inadequate knowledge, hence a non-accurate consensus? Unfortunately, this cannot be truly answered here, as the fact that they have a viewpoint that deviates from theory as we know it now does not mean that this is wrong, as potentially the theory as it is developed now is not correct. Therefore this remains an issue that cannot be solved today.

Finally, when looking at the business case of the development of an MD system, this should be more a longitudinal study, where in a process of three to five years, it can be measured how a company develops itself, in order to make a better judgment on the usefulness of the roadmap for the design of the internal processes.

Conclusions and closing remarks

The learning in the research is various. At first the major learning was, when taking the group of stakeholders, which through questions to gain additional insight into the situation of the population, a number of interesting new ideas have opened. One of them, as alluded in chapter 3 was that though the ideas of Ulrich have been implemented in most companies, listening to the stakeholders, it seems like not that much has changed in their role, though their job title has. Many HR professionals (assuming the sample of the stakeholders panel is representative) has unfortunately not the level of functional depth to drive the strategic HR route, starting with MD. This has proven to be the one topic where HR was universally invited to the C-suite. On the other hand, it was apparent in most companies, except Accenture and Novartis, that HR is not treated at-par with the other disciplines when it comes to talent. The function seems not to have a thorough grip of the senior seat in HR, which was often filled with non-HR executives, nor of making the head of MD a must have experience for moving to the senior HR position. When HR does not take the responsibility the company gives her, where it sees the biggest added value for the function, and lead the function with authority, gained by the knowledge of the area, then I fear a major opportunity for HR is lost to become a business partner in more than job title.

Second, it has become clear that an integrated body of theory can be created. The body of theory set up in this research will no doubt change over time and become augmented to withstand the scrutiny of follow-up research, but it seems a sturdy basis is created. When this basis gets owned by HR and implemented in the organization, including the knowledge behind the audit blocks, then HR in my view can take the step up, and implement a stable process and with that add true value to the business, in the heart of the process the company seems to have most need for.
The research has also learned, though the defined process can be applied uniformly in the different companies, it is expected that specific profiles will appear for different companies. As Michael Porter states, the strategy for a company is largely defined by the industry, so can it be expected that the MD strategy laid down in this process will have specific traits, based on the respective industry. And, one of the issues in defining an integrated process of management development is that companies are not the same, so why should the MD process be the same. This issue has both a theoretical, methodical reply as well as a practical one. From a methodic standpoint, it would be better to define integrated processes, tailored to the company.

One key element of differentiation found in the case-studies is the type of organization, with respect to the amount that subsidiaries are more or less autonomous in their actions with respect to MD activities. As all the organizations reviewed were described as “global”, there were some more global than others. Van Dongen (2007) differentiated global companies in multi-local, multinational and international in this respect. Zajac (2011), based on Heenan & Perlmutter (1979), discusses four different sorts of companies, where the amount of globalization has its consequences on the way many processes are managed and owned. This seems also applicable to MD. When moving in his model from ethnocentric, polycentric, to regiocentric and geocentric, the talents are differently treated as a global pool of talents. Where the four different forms of companies still fit with the generic approach, more specific models would provide a better match with the organizational need. A follow-up research could look into the detailed differences of the approach respective to the different category of company. Zajac (2011, pp. 50-51) already differentiates, based on described company differentiation with respect to staff mobility (expat assignments), personnel development and recruitment and selection as key areas of difference that would impact the MD model. However, he also mentions the difference in the way in which corporate cultures are upheld. This in turn affects indicators for potential when these are based on the values of the company, or when defining competencies for the future. In all it seems prudent for future research to seek for more specialized approaches to MD, and one of the recommended differentiators is the type of company and its characteristics.

Also the concept of TI, born from a question asked in mere curiosity, with no literature to fall back on, has proven to be a tool that seems to work in splitting out the high potentials based on numerical indicators. As with any simulation, the power lies in the correct limitations of the tool, whereas in its limitations also its weakness lies. The question that remains for a follow-up research is what company has a talent base of the size that the models’ spread
differentiates. The simulation of 5000 people would define such a talent population, but it is more useful to look at it from a talent-base of 300-500. It takes here not just a new tool, but also companies prepared to be critical toward them and prepared to either learn from the findings of such tools, or provide the feedback that allows augmenting the tool, so it can work better in future.

In conclusion, in this research the theoretic structure has been defined and it has shown to be able to keep upright, both in a stakeholder panel setup, as well as in a case study review. This seems to show a robust basis on which further research applications can be built, as this research will not claim this process is ironclad. And, in my view it should be further researched and refined. Though the model has generic applicability, the power of the tool would increase if, for instance, the audit tool was used in an industrial segment to see if industries working in the same industrial segment show the same audit score profiles on the tool. This would allow a best-practices modeling to take place, based on the industry, the level of globalization and the cultural background of the company. But also it would allow targeted improvement suggestions, based on deviations of individual company profile from the best practices model.

In another next step it seems useful to use the process-elements and in detail review the interdependencies and relationships of the process-elements in a quantitative research, to allow a model to be built from the now-defined process. Especially the understanding of the value added of the individual stages in the process, to the quality of the end result, would add to the ability to spread the use of the structured model.

When this can then be combined with empirical studies that build on RODI, so one can show what added return on investment a professionalization of an element of the MD model would bring, then the clear added value of the process can be made apparent.

In final conclusion, this research has been a journey through valleys and over high hills, which gave magnificent views, only to find clouds on one’s way when walking toward the next discovery. But a journey it has been, a journey of discovery, which was fascinating. This was a research which gave me new insights and understanding, a travel that made me hungry for the next trip. I hope this research will pave the way for more such journeys, as not only is the truth out there; there is much, much more to find.

Mark van Dongen
Wroclaw, May 2012
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Appendix B: Data outcome of the stakeholder panel review

Survey I: Finding and defining talent

What is your nationality? - In what country do you currently work? Cross tabulation

<table>
<thead>
<tr>
<th>What is your nationality?</th>
<th>Netherlands</th>
<th>German</th>
<th>France</th>
<th>UK</th>
<th>India</th>
<th>Switzerland</th>
<th>USA</th>
<th>Australia</th>
<th>Turkey</th>
<th>Luxembourg</th>
<th>Total</th>
</tr>
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<tr>
<td>Russia</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
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<td>0</td>
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<td>0</td>
<td>1</td>
</tr>
<tr>
<td>USA</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Australia</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
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<tr>
<td>Turkey</td>
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<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>34</td>
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</tbody>
</table>

Figure 1: Nationalities of respondents and place of occupation

How many employees does your current company have?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>0-5000</td>
<td>11</td>
<td>32,4</td>
<td>32,4</td>
</tr>
<tr>
<td></td>
<td>5000 - 7500</td>
<td>1</td>
<td>2,9</td>
<td>35,3</td>
</tr>
<tr>
<td></td>
<td>7500-10000</td>
<td>3</td>
<td>8,8</td>
<td>44,1</td>
</tr>
<tr>
<td></td>
<td>10000-15000</td>
<td>7</td>
<td>20,6</td>
<td>64,7</td>
</tr>
<tr>
<td></td>
<td>15000 +</td>
<td>12</td>
<td>35,3</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2: Company size represented

Work experience

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>10-15 yrs</td>
<td>7</td>
<td>20,6</td>
<td>20,6</td>
</tr>
<tr>
<td></td>
<td>15-20 yrs</td>
<td>10</td>
<td>29,4</td>
<td>50,0</td>
</tr>
<tr>
<td></td>
<td>20-25 yrs</td>
<td>11</td>
<td>32,4</td>
<td>82,4</td>
</tr>
<tr>
<td></td>
<td>25+ yrs</td>
<td>6</td>
<td>17,6</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3: Total work experience
### How long have you worked in HR?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid 0-10 yrs</td>
<td>3</td>
<td>8,8</td>
<td>8,8</td>
<td>8,8</td>
</tr>
<tr>
<td>10-15 yrs</td>
<td>15</td>
<td>44,1</td>
<td>44,1</td>
<td>52,9</td>
</tr>
<tr>
<td>15-20 yrs</td>
<td>7</td>
<td>20,6</td>
<td>20,6</td>
<td>73,5</td>
</tr>
<tr>
<td>20-25 yrs</td>
<td>5</td>
<td>14,7</td>
<td>14,7</td>
<td>88,2</td>
</tr>
<tr>
<td>25+</td>
<td>4</td>
<td>11,8</td>
<td>11,8</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 4: Experience in HR

### What is your age?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid 30-35 yrs</td>
<td>1</td>
<td>2,9</td>
<td>2,9</td>
<td>2,9</td>
</tr>
<tr>
<td>35-40 yrs</td>
<td>6</td>
<td>17,6</td>
<td>17,6</td>
<td>20,6</td>
</tr>
<tr>
<td>40-45 yrs</td>
<td>14</td>
<td>41,2</td>
<td>41,2</td>
<td>61,8</td>
</tr>
<tr>
<td>45-50 yrs</td>
<td>8</td>
<td>23,5</td>
<td>23,5</td>
<td>85,3</td>
</tr>
<tr>
<td>50+</td>
<td>5</td>
<td>14,7</td>
<td>14,7</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 5: Respondents’ age

### What is your sex?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Female</td>
<td>14</td>
<td>41,2</td>
<td>41,2</td>
<td>41,2</td>
</tr>
<tr>
<td>Male</td>
<td>20</td>
<td>58,8</td>
<td>58,8</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 6: What is your gender?

### Industry representation

<table>
<thead>
<tr>
<th></th>
<th>%</th>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>17,6</td>
<td>Government</td>
<td>8,8</td>
</tr>
<tr>
<td>Consultancy</td>
<td>11,8</td>
<td>It</td>
<td>2,9</td>
</tr>
<tr>
<td>FMCG</td>
<td>5,9</td>
<td>wholesale / retail</td>
<td>5,9</td>
</tr>
<tr>
<td>Pharma</td>
<td>8,8</td>
<td>Other</td>
<td>8,8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>29,4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 7: Representation of industry through stakeholder panel
What is the most senior position you reached in HR? Please check one of the below mentioned categories.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid HR mgr</td>
<td>5</td>
<td>14,7</td>
<td>14,7</td>
<td>14,7</td>
</tr>
<tr>
<td>HR BP</td>
<td>5</td>
<td>14,7</td>
<td>14,7</td>
<td>29,4</td>
</tr>
<tr>
<td>SR HR BP</td>
<td>7</td>
<td>20,6</td>
<td>20,6</td>
<td>50,0</td>
</tr>
<tr>
<td>VP HR</td>
<td>10</td>
<td>29,4</td>
<td>29,4</td>
<td>79,4</td>
</tr>
<tr>
<td>CHRO</td>
<td>7</td>
<td>20,6</td>
<td>20,6</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 8: Most senior HR position filled

<table>
<thead>
<tr>
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<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Talent</td>
<td>21</td>
<td>61,8</td>
<td>61,8</td>
<td>61,8</td>
</tr>
<tr>
<td>High Potential</td>
<td>13</td>
<td>38,2</td>
<td>38,2</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 9: Use of talent and high potential

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Highpot more specific than talent</td>
<td>15</td>
<td>44,1</td>
<td>44,1</td>
<td>44,1</td>
</tr>
<tr>
<td>Talent more specific than highpot</td>
<td>2</td>
<td>5,9</td>
<td>5,9</td>
<td>50,0</td>
</tr>
<tr>
<td>No difference</td>
<td>17</td>
<td>50,0</td>
<td>50,0</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 10: Recoded difference between talent and High Potential

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid vertical Talent</td>
<td>13</td>
<td>38,2</td>
<td>38,2</td>
<td>38,2</td>
</tr>
<tr>
<td>Performance and potential mixed</td>
<td>10</td>
<td>29,4</td>
<td>29,4</td>
<td>67,6</td>
</tr>
<tr>
<td>Other</td>
<td>11</td>
<td>32,4</td>
<td>32,4</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 11: Recoded talent definitions into categories, based on the company-used definition of talent.

<table>
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<tr>
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<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid no reply</td>
<td>26</td>
<td>74,3</td>
<td>76,5</td>
<td>76,5</td>
</tr>
<tr>
<td>deep talent</td>
<td>3</td>
<td>8,6</td>
<td>8,8</td>
<td>85,3</td>
</tr>
<tr>
<td>high performers</td>
<td>5</td>
<td>14,3</td>
<td>14,7</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>97,1</td>
<td>100,0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>1</td>
<td>2,9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100,0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 12: Other sorts of talent definition
How often did you use any of the following assessment instruments in the process of assessing talent in the last 10 years?

<table>
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<th>Frequency</th>
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<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>did not use</td>
<td>2</td>
<td>5.7</td>
<td>6.5</td>
<td>6.5</td>
</tr>
<tr>
<td>less than 25%</td>
<td>4</td>
<td>11.4</td>
<td>12.9</td>
<td>19.4</td>
</tr>
<tr>
<td>less than 50%</td>
<td>9</td>
<td>25.7</td>
<td>29.0</td>
<td>48.4</td>
</tr>
<tr>
<td>less than 75%</td>
<td>10</td>
<td>26.6</td>
<td>32.3</td>
<td>80.6</td>
</tr>
<tr>
<td>used all the time</td>
<td>6</td>
<td>17.1</td>
<td>19.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>88.6</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>System</td>
<td>4</td>
<td>11.4</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100.0</td>
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<td></td>
</tr>
</tbody>
</table>

Figure 13: Measuring value pattern

**Intellectual capabilities**

<table>
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<tr>
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<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>did not use</td>
<td>5</td>
<td>14.3</td>
<td>16.1</td>
<td>16.1</td>
</tr>
<tr>
<td>less than 25%</td>
<td>2</td>
<td>5.7</td>
<td>6.5</td>
<td>22.6</td>
</tr>
<tr>
<td>less than 50%</td>
<td>6</td>
<td>17.1</td>
<td>19.4</td>
<td>41.9</td>
</tr>
<tr>
<td>less than 75%</td>
<td>4</td>
<td>11.4</td>
<td>12.9</td>
<td>54.8</td>
</tr>
<tr>
<td>used all the time</td>
<td>14</td>
<td>40.0</td>
<td>45.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>88.6</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>System</td>
<td>4</td>
<td>11.4</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100.0</td>
<td></td>
<td></td>
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</tbody>
</table>

Figure 14: Measuring IQ

**Emotional intelligence or alike**

<table>
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<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>did not use</td>
<td>5</td>
<td>14.3</td>
<td>16.1</td>
<td>16.1</td>
</tr>
<tr>
<td>less than 25%</td>
<td>4</td>
<td>11.4</td>
<td>12.9</td>
<td>29.0</td>
</tr>
<tr>
<td>less than 50%</td>
<td>9</td>
<td>25.7</td>
<td>29.0</td>
<td>58.1</td>
</tr>
<tr>
<td>less than 75%</td>
<td>6</td>
<td>17.1</td>
<td>19.4</td>
<td>77.4</td>
</tr>
<tr>
<td>used all the time</td>
<td>7</td>
<td>20.0</td>
<td>22.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>88.6</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing</td>
<td>System</td>
<td>4</td>
<td>11.4</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100.0</td>
<td></td>
<td></td>
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</table>

Figure 15: Measuring concepts of EQ

**Symmetric Measures**

<table>
<thead>
<tr>
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<th>Asymp. Std. Error</th>
<th>Approx. T</th>
<th>Approx. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interval by Interval Pearson's R</td>
<td>.768</td>
<td>.085</td>
<td>6.457</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>31</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 16: Correlation between IQ and EQ score
Figure 17: Use of external image tools

<table>
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<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid did not use</td>
<td>8</td>
<td>23.5</td>
<td>25.8</td>
<td>25.8</td>
</tr>
<tr>
<td>less than 25%</td>
<td>6</td>
<td>17.6</td>
<td>19.4</td>
<td>45.2</td>
</tr>
<tr>
<td>less than 50%</td>
<td>9</td>
<td>26.5</td>
<td>29.0</td>
<td>74.2</td>
</tr>
<tr>
<td>less than 75%</td>
<td>6</td>
<td>17.6</td>
<td>19.4</td>
<td>93.5</td>
</tr>
<tr>
<td>used all the time</td>
<td>2</td>
<td>5.9</td>
<td>6.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>91.2</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>3</td>
<td>8.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 18: Entrance level for the MD program

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid HAY or alike</td>
<td>9</td>
<td>26.5</td>
<td>26.5</td>
<td>26.5</td>
</tr>
<tr>
<td>Other defined internal process</td>
<td>10</td>
<td>29.4</td>
<td>29.4</td>
<td>55.8</td>
</tr>
<tr>
<td>Ill defined or subjective</td>
<td>5</td>
<td>14.7</td>
<td>14.7</td>
<td>70.6</td>
</tr>
<tr>
<td>No reply</td>
<td>10</td>
<td>29.4</td>
<td>29.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 19: Preference of method: measuring on future competencies

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid poor</td>
<td>1</td>
<td>2.9</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>below average</td>
<td>5</td>
<td>14.7</td>
<td>16.7</td>
<td>20.0</td>
</tr>
<tr>
<td>good</td>
<td>10</td>
<td>29.4</td>
<td>33.3</td>
<td>53.3</td>
</tr>
<tr>
<td>above average</td>
<td>8</td>
<td>23.5</td>
<td>26.7</td>
<td>80.0</td>
</tr>
<tr>
<td>excellent</td>
<td>6</td>
<td>17.6</td>
<td>20.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>88.2</td>
<td></td>
<td>100.0</td>
</tr>
<tr>
<td>Missing System</td>
<td>4</td>
<td>11.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
If these six should be rated on what you personally think is the best versus what you personally think is the least method, what would this then be? - Method 2; using senior level competencies & headroom

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>poor</td>
<td>1</td>
<td>2,9</td>
<td>3,2</td>
<td>3,2</td>
</tr>
<tr>
<td>below average</td>
<td>7</td>
<td>20,6</td>
<td>22,6</td>
<td>25,8</td>
</tr>
<tr>
<td>good</td>
<td>6</td>
<td>17,6</td>
<td>19,4</td>
<td>45,2</td>
</tr>
<tr>
<td>above average</td>
<td>12</td>
<td>35,3</td>
<td>38,7</td>
<td>83,9</td>
</tr>
<tr>
<td>excellent</td>
<td>5</td>
<td>14,7</td>
<td>16,1</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>91,2</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Missing System | 3 | 8,8 | 100,0 |
Total           | 34 | 100,0 |

Figure 20: Preference for method: use of current senior executive competencies and headroom

If these six should be rated on what you personally think is the best versus what you personally think is the least method, what would this then be? - Method 3; measure against values of company & headroom

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>below average</td>
<td>8</td>
<td>23,5</td>
<td>26,7</td>
<td>26,7</td>
</tr>
<tr>
<td>good</td>
<td>13</td>
<td>38,2</td>
<td>43,3</td>
<td>70,0</td>
</tr>
<tr>
<td>above average</td>
<td>6</td>
<td>17,6</td>
<td>20,0</td>
<td>90,0</td>
</tr>
<tr>
<td>excellent</td>
<td>3</td>
<td>8,8</td>
<td>10,0</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>88,2</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Missing System | 4 | 11,8 | 100,0 |
Total           | 34 | 100,0 |

Figure 21: Preference for method: use of measuring against company values and headroom

If these six should be rated on what you personally think is the best versus what you personally think is the least method, what would this then be? - Method 4; past predicts the future

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>below average</td>
<td>10</td>
<td>29,4</td>
<td>32,3</td>
<td>32,3</td>
</tr>
<tr>
<td>good</td>
<td>13</td>
<td>38,2</td>
<td>41,9</td>
<td>74,2</td>
</tr>
<tr>
<td>above average</td>
<td>4</td>
<td>11,8</td>
<td>12,9</td>
<td>87,1</td>
</tr>
<tr>
<td>excellent</td>
<td>4</td>
<td>11,8</td>
<td>12,9</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>91,2</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Missing System | 3 | 8,8 | 100,0 |
Total           | 34 | 100,0 |

Figure 22: Preference for method: past behavior predicts future behavior
### If these six should be rated on what you personally think is the best versus what you personally think is the least method, what would this then be? - Method 5; decision style method

<table>
<thead>
<tr>
<th>Method</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid below average</td>
<td>13</td>
<td>38,2</td>
<td>41,9</td>
<td>41,9</td>
</tr>
<tr>
<td>Good</td>
<td>11</td>
<td>32,4</td>
<td>35,5</td>
<td>77,4</td>
</tr>
<tr>
<td>Above average</td>
<td>5</td>
<td>14,7</td>
<td>16,1</td>
<td>93,5</td>
</tr>
<tr>
<td>Excellent</td>
<td>2</td>
<td>5,9</td>
<td>6,5</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>91,2</td>
<td>100,0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>3</td>
<td>8,8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 23: Preference of method, decision style method

### If these six should be rated on what you personally think is the best versus what you personally think is the least method, what would this then be? - Method 6; interview plus references

<table>
<thead>
<tr>
<th>Method</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid poor</td>
<td>4</td>
<td>11,8</td>
<td>12,9</td>
<td>12,9</td>
</tr>
<tr>
<td>Below average</td>
<td>9</td>
<td>26,5</td>
<td>29,0</td>
<td>41,9</td>
</tr>
<tr>
<td>Good</td>
<td>4</td>
<td>11,8</td>
<td>12,9</td>
<td>54,8</td>
</tr>
<tr>
<td>Above average</td>
<td>10</td>
<td>29,4</td>
<td>32,3</td>
<td>87,1</td>
</tr>
<tr>
<td>Excellent</td>
<td>4</td>
<td>11,8</td>
<td>12,9</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>91,2</td>
<td>100,0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>3</td>
<td>8,8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 24: Preference for method: interview plus references
Survey II: Developing leadership and management

Do you feel this is an adequate definition of leadership?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Yes, it covers the topic adequately</td>
<td>22</td>
<td>68,8</td>
<td>68,8</td>
<td>68,8</td>
</tr>
<tr>
<td>No, see below for my comments</td>
<td>10</td>
<td>31,3</td>
<td>31,3</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2.1: How well does the definition cover leadership?

<table>
<thead>
<tr>
<th>Theories</th>
<th>Knowledge of theories</th>
<th>Used in over 50% of companies worked in</th>
</tr>
</thead>
<tbody>
<tr>
<td>Servant</td>
<td>53,1 %</td>
<td>3,7 %</td>
</tr>
<tr>
<td>Authentic</td>
<td>59,4 %</td>
<td>3,4 %</td>
</tr>
<tr>
<td>Transformational</td>
<td>67,7 %</td>
<td>13,3 %</td>
</tr>
<tr>
<td>Charismatic</td>
<td>65,6 %</td>
<td>10,3 %</td>
</tr>
<tr>
<td>Path-Goal</td>
<td>37,5 %</td>
<td>6,5 %</td>
</tr>
<tr>
<td>LMX</td>
<td>48,5 %</td>
<td>3,4 %</td>
</tr>
<tr>
<td>Situational</td>
<td>93,8 %</td>
<td>53,1 %</td>
</tr>
<tr>
<td>Behavioural</td>
<td>65,5 %</td>
<td>13,8 %</td>
</tr>
<tr>
<td>Contingency</td>
<td>46,7 %</td>
<td>3,3 %</td>
</tr>
</tbody>
</table>

Figure 2.2: Combined knowledge and usage of theories on leadership

In what department is the management development department functionally situated in your company?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid The HR department</td>
<td>23</td>
<td>97,1</td>
<td>97,1</td>
<td>97,1</td>
</tr>
<tr>
<td>Another department</td>
<td>1</td>
<td>2,9</td>
<td>2,9</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2.3: Who owns MD?
### To what extend would you agree with this argumentation?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>6</td>
<td>18,8</td>
<td>18,8</td>
<td>18,8</td>
</tr>
<tr>
<td>Almost entirely in</td>
<td>8</td>
<td>25,0</td>
<td>25,0</td>
<td>43,8</td>
</tr>
<tr>
<td>agreement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I agree with the</td>
<td>15</td>
<td>46,9</td>
<td>46,9</td>
<td>90,6</td>
</tr>
<tr>
<td>concept</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I disagree more than</td>
<td>3</td>
<td>9,4</td>
<td>9,4</td>
<td>100,0</td>
</tr>
<tr>
<td>I agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2.4: The % in agreement with statement that management is transformational leadership

### Did the companies you worked in, in the last 5 years, measure the leadership capability level of people in the MD process?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>4</td>
<td>12,5</td>
<td>12,5</td>
<td>12,5</td>
</tr>
<tr>
<td>less then 25%</td>
<td>2</td>
<td>6,3</td>
<td>6,3</td>
<td>18,8</td>
</tr>
<tr>
<td>25%-50%</td>
<td>7</td>
<td>21,9</td>
<td>21,9</td>
<td>40,6</td>
</tr>
<tr>
<td>50%-75%</td>
<td>16</td>
<td>50,0</td>
<td>50,0</td>
<td>90,6</td>
</tr>
<tr>
<td>75%-100%</td>
<td>3</td>
<td>9,4</td>
<td>9,4</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2.5: How many companies measure leadership abilities

### How often was individual engagement with the company measured?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>9</td>
<td>28,1</td>
<td>28,1</td>
<td>28,1</td>
</tr>
<tr>
<td>less then 25%</td>
<td>9</td>
<td>28,1</td>
<td>28,1</td>
<td>56,3</td>
</tr>
<tr>
<td>25%-50%</td>
<td>5</td>
<td>15,6</td>
<td>15,6</td>
<td>71,9</td>
</tr>
<tr>
<td>50%-75%</td>
<td>2</td>
<td>6,3</td>
<td>6,3</td>
<td>78,1</td>
</tr>
<tr>
<td>75%-100%</td>
<td>7</td>
<td>21,9</td>
<td>21,9</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2.6: How often was individual engagement with the company measured?
### Figure 2.7: Measurement of individual development drive

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid less than 25%</td>
<td>12</td>
<td>37,5</td>
<td>38,7</td>
<td>71,0</td>
</tr>
<tr>
<td>Valid 25%-50%</td>
<td>5</td>
<td>15,6</td>
<td>16,1</td>
<td>87,1</td>
</tr>
<tr>
<td>Valid 50-75%</td>
<td>2</td>
<td>6,3</td>
<td>6,5</td>
<td>93,5</td>
</tr>
<tr>
<td>Valid 75-100%</td>
<td>2</td>
<td>6,3</td>
<td>6,5</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>96,9</td>
<td>100,0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>1</td>
<td>3,1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100,0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Figure 2.8: Method of development

<table>
<thead>
<tr>
<th>How often did you see the pure... approach</th>
<th>Pure Pedagogic</th>
<th>Pure Andragogic</th>
<th>Mixed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never</td>
<td>4</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>0-25%</td>
<td>5</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>25-50%</td>
<td>5</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>50-75%</td>
<td>5</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>75-100%</td>
<td>7</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>23</td>
<td>21</td>
<td>30</td>
</tr>
</tbody>
</table>

### Figure 2.9: Percentage own decisions of talents in MD program

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid up to 25%</td>
<td>10</td>
<td>31,3</td>
<td>37,0</td>
<td>37,0</td>
</tr>
<tr>
<td>25-50%</td>
<td>12</td>
<td>37,5</td>
<td>44,4</td>
<td>81,5</td>
</tr>
<tr>
<td>50-75%</td>
<td>5</td>
<td>15,6</td>
<td>18,5</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>27</td>
<td>84,4</td>
<td>100,0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>5</td>
<td>15,6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100,0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Figure 2.9: Percentage own decisions of talents in MD program

<table>
<thead>
<tr>
<th>How well do you agree with the functional skill development argumentation on a 5 point scale?</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Agree entirely (100%)</td>
<td>6</td>
<td>18,8</td>
<td>18,8</td>
<td>18,8</td>
</tr>
<tr>
<td>Valid Agree almost entirely (75%)</td>
<td>15</td>
<td>46,9</td>
<td>46,9</td>
<td>65,6</td>
</tr>
<tr>
<td>Valid Agree with the idea (50%)</td>
<td>6</td>
<td>18,8</td>
<td>18,8</td>
<td>84,4</td>
</tr>
<tr>
<td>Valid Agree slightly (25%)</td>
<td>4</td>
<td>12,5</td>
<td>12,5</td>
<td>96,9</td>
</tr>
<tr>
<td>Valid Not at all (0%)</td>
<td>1</td>
<td>3,1</td>
<td>3,1</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>
Figure 2.10: Agreement with the functional skills construct

| How well do you agree with the generic business knowledge development argumentation on a 5 point scale? |
|--------------------------------------------------|-------------|-------------|-------------|
| Valid                                           | Frequency   | Percent     | Valid Percent | Cumulative Percent |
| Agree entirely (100%)                            | 10          | 31,3        | 31,3          | 31,3              |
| Agree almost entirely (75%)                      | 9           | 28,1        | 28,1          | 59,4              |
| Agree with the idea (50%)                        | 7           | 21,9        | 21,9          | 81,3              |
| Agree slightly (25%)                             | 6           | 18,8        | 18,8          | 100,0             |
| Total                                           | 32          | 100,0       | 100,0         |                   |

Figure 2.11: Agreement with the business development construct

| How well do you agree with the leadership skills transfer argument? |
|-------------------------------------------------------------------|-------------|-------------|-------------|
| Valid                                                             | Frequency   | Percent     | Valid Percent | Cumulative Percent |
| Agree entirely (100%)                                             | 10          | 31,3        | 32,3          | 32,3              |
| Agree almost entirely (75%)                                       | 6           | 18,8        | 19,4          | 51,6              |
| Agree with the idea (50%)                                         | 10          | 31,3        | 32,3          | 83,9              |
| Agree slightly (25%)                                              | 5           | 15,6        | 16,1          | 100,0             |
| Total                                                             | 31          | 96,9        | 100,0         |                   |
| Missing System                                                    | 1           | 3,1         |               |                   |
| Total                                                             | 32          | 100,0       |               |                   |

Figure 2.12: Agreement with the leadership skills transfer argument

| How well do you agree with the long-term leadership knowledge argument? |
|------------------------------------------------------------------------|-------------|-------------|-------------|
| Valid                                                                  | Frequency   | Percent     | Valid Percent | Cumulative Percent |
| Agree entirely (100%)                                                  | 10          | 31,3        | 31,3          | 31,3              |
| Agree almost entirely (75%)                                            | 8           | 25,0        | 25,0          | 56,3              |
| Agree with the idea (50%)                                              | 12          | 37,5        | 37,5          | 93,8              |
| Agree slightly (25%)                                                   | 2           | 6,3         | 6,3           | 100,0             |
| Total                                                                  | 32          | 100,0       | 100,0         |                   |

Figure 2.13: Agreement with the long term leadership development construct
<table>
<thead>
<tr>
<th>Rating</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>7</td>
<td>21,9</td>
<td>21,9</td>
<td>21,9</td>
</tr>
<tr>
<td>Agree entirely (100%)</td>
<td>7</td>
<td>21,9</td>
<td>21,9</td>
<td>43,8</td>
</tr>
<tr>
<td>Agree almost entirely (75%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agree with the idea (50%)</td>
<td>13</td>
<td>40,6</td>
<td>40,6</td>
<td>84,4</td>
</tr>
<tr>
<td>Agree slightly (25%)</td>
<td>3</td>
<td>9,4</td>
<td>9,4</td>
<td>93,8</td>
</tr>
<tr>
<td>Not at all (0%)</td>
<td>2</td>
<td>6,3</td>
<td>6,3</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2.14: Argument on the structural feedback
Survey III: Organizational prerequisites for MD

In the organizations you worked in, how often have you seen that a leader is held accountable for the development progress of the talents amongst their direct reports?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Never</td>
<td>6</td>
<td>17,6</td>
<td>17,6</td>
<td>17,6</td>
</tr>
<tr>
<td>Less than 25%</td>
<td>11</td>
<td>32,4</td>
<td>32,4</td>
<td>50,0</td>
</tr>
<tr>
<td>Less than 50%</td>
<td>6</td>
<td>17,6</td>
<td>17,6</td>
<td>67,6</td>
</tr>
<tr>
<td>Less than 75%</td>
<td>8</td>
<td>23,5</td>
<td>23,5</td>
<td>91,2</td>
</tr>
<tr>
<td>Always</td>
<td>3</td>
<td>8,8</td>
<td>8,8</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.1: Leader is held accountable for development progress of direct reports

How well do you agree with this description?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agree entirely</td>
<td>14</td>
<td>41,2</td>
<td>41,2</td>
<td>41,2</td>
</tr>
<tr>
<td>Agree almost entirely</td>
<td>11</td>
<td>32,4</td>
<td>32,4</td>
<td>73,5</td>
</tr>
<tr>
<td>Agree with the concept</td>
<td>8</td>
<td>23,5</td>
<td>23,5</td>
<td>97,1</td>
</tr>
<tr>
<td>Agree slightly</td>
<td>1</td>
<td>2,9</td>
<td>2,9</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.2: Agreement with mentor-definition

In the experiences you have how often was the direct supervisor also the mentor of the talent?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Never</td>
<td>4</td>
<td>11,8</td>
<td>11,8</td>
<td>11,8</td>
</tr>
<tr>
<td>Less than 25%</td>
<td>8</td>
<td>23,5</td>
<td>23,5</td>
<td>35,3</td>
</tr>
<tr>
<td>Less than 50%</td>
<td>13</td>
<td>38,2</td>
<td>38,2</td>
<td>73,5</td>
</tr>
<tr>
<td>Less than 75%</td>
<td>7</td>
<td>20,6</td>
<td>20,6</td>
<td>94,1</td>
</tr>
<tr>
<td>Always</td>
<td>2</td>
<td>5,9</td>
<td>5,9</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.3: Leader was also mentor

How well do you agree with this definition?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agree entirely</td>
<td>16</td>
<td>47,1</td>
<td>47,1</td>
<td>47,1</td>
</tr>
<tr>
<td>Agree almost entirely</td>
<td>9</td>
<td>26,5</td>
<td>26,5</td>
<td>73,5</td>
</tr>
<tr>
<td>Agree with the concept</td>
<td>7</td>
<td>20,6</td>
<td>20,6</td>
<td>94,1</td>
</tr>
<tr>
<td>Agree slightly</td>
<td>1</td>
<td>2,9</td>
<td>2,9</td>
<td>97,1</td>
</tr>
<tr>
<td>Totally disagree</td>
<td>1</td>
<td>2,9</td>
<td>2,9</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.4: Agreement with coaching definition
Does the organization in which you currently work, have defined mentor-talent relationships?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Yes</td>
<td>18</td>
<td>52,9</td>
<td>52,9</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>16</td>
<td>47,1</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Figure 3.5: Defined Mentor-mentee relationships in organization

Who, in your organization, defines which individual becomes the mentor of which talent?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>HR department</td>
<td>11</td>
<td>32,4</td>
<td>32,4</td>
</tr>
<tr>
<td></td>
<td>MD department</td>
<td>5</td>
<td>14,7</td>
<td>47,1</td>
</tr>
<tr>
<td></td>
<td>Line management</td>
<td>10</td>
<td>29,4</td>
<td>76,5</td>
</tr>
<tr>
<td></td>
<td>Talent themselves</td>
<td>4</td>
<td>11,8</td>
<td>88,2</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>1</td>
<td>2,9</td>
<td>91,2</td>
</tr>
<tr>
<td></td>
<td>Don’t know</td>
<td>3</td>
<td>8,8</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Figure 3.6: Who defines mentoring relationships?

In what department is the management development department functionally situated in your company?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>The HR department</td>
<td>33</td>
<td>97,1</td>
<td>97,1</td>
</tr>
<tr>
<td></td>
<td>Another department</td>
<td>1</td>
<td>2,9</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Figure 3.7: Functional responsibility for MD

How often in your experience, have you seen that your organization in which you worked actively promoted such informal network meetings?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Never</td>
<td>1</td>
<td>2,9</td>
<td>2,9</td>
</tr>
<tr>
<td></td>
<td>Less than 25%</td>
<td>12</td>
<td>35,3</td>
<td>38,2</td>
</tr>
<tr>
<td></td>
<td>Less than 50%</td>
<td>8</td>
<td>23,5</td>
<td>61,8</td>
</tr>
<tr>
<td></td>
<td>Less than 75%</td>
<td>8</td>
<td>23,5</td>
<td>85,3</td>
</tr>
<tr>
<td></td>
<td>Always</td>
<td>5</td>
<td>14,7</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Figure 3.8: Informal networks to enhance development
Has the company adopted new reward schemes, based on the changing desires of generations or different preferences amongst the sexes?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Yes, generational differences</td>
<td>9</td>
<td>26,5</td>
<td>26,5</td>
<td>26,5</td>
</tr>
<tr>
<td>Yes, both</td>
<td>2</td>
<td>5,9</td>
<td>5,9</td>
<td>32,4</td>
</tr>
<tr>
<td>No</td>
<td>23</td>
<td>67,6</td>
<td>67,6</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.9: Taking differences into account as reward strategy

Does your organisation use such team-based action learning initiatives to develop talents?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Yes</td>
<td>15</td>
<td>44,1</td>
<td>44,1</td>
<td>44,1</td>
</tr>
<tr>
<td>No</td>
<td>19</td>
<td>55,9</td>
<td>55,9</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.10: Team based action learning

What would be your estimation, on the policy of assigning positions to individuals in your company?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Perfect fit company (90% or more)</td>
<td>4</td>
<td>11,8</td>
<td>11,8</td>
<td>11,8</td>
</tr>
<tr>
<td>Slightly stretched (75% -90%)</td>
<td>23</td>
<td>67,6</td>
<td>67,6</td>
<td>79,4</td>
</tr>
<tr>
<td>Stretch assignment (80% -75%)</td>
<td>7</td>
<td>20,6</td>
<td>20,6</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.11: Level of stretch in assignments

Have you seen that the job challenge was analysed to accommodate a match between the development need of the talent and the challenges the job brings

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Yes</td>
<td>18</td>
<td>52,9</td>
<td>52,9</td>
<td>52,9</td>
</tr>
<tr>
<td>No</td>
<td>16</td>
<td>47,1</td>
<td>47,1</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.12: Measuring job-challenges
### Recoded version of open answer: Tools used

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Discussions</td>
<td>7</td>
<td>20,6</td>
<td>41,2</td>
<td>41,2</td>
</tr>
<tr>
<td>Competency based</td>
<td>5</td>
<td>14,7</td>
<td>29,4</td>
<td>70,6</td>
</tr>
<tr>
<td>Internal tool based</td>
<td>2</td>
<td>5,9</td>
<td>11,8</td>
<td>82,4</td>
</tr>
<tr>
<td>External tools based</td>
<td>3</td>
<td>8,8</td>
<td>17,6</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>17</td>
<td>50,0</td>
<td>100,0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>17</td>
<td>50,0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.13: Recoding methods used for job-challenge analysis.

### How would you judge your organization with respect to leniency of mistakes in developmental assignments?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Low leniency to mistakes (such a mistake will damage your career)</td>
<td>7</td>
<td>20,6</td>
<td>20,6</td>
<td>20,6</td>
</tr>
<tr>
<td>Medium leniency to mistakes (it can happen, but should not happen)</td>
<td>13</td>
<td>38,2</td>
<td>38,2</td>
<td>58,8</td>
</tr>
<tr>
<td>Medium to high leniency (mistakes are tolerated, when improve)</td>
<td>13</td>
<td>38,2</td>
<td>38,2</td>
<td>97,1</td>
</tr>
<tr>
<td>Very lenient (mistakes are expected to happen in the development)</td>
<td>1</td>
<td>2,9</td>
<td>2,9</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.14: Leniency for mistakes in organization

### Can you give me your opinion on the importance of expat assignments in your organization?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Not important, it does not matter / it is not looked at</td>
<td>6</td>
<td>17,6</td>
<td>18,2</td>
<td>18,2</td>
</tr>
<tr>
<td>Slightly important, it looks good on your resume to have it</td>
<td>9</td>
<td>26,5</td>
<td>27,3</td>
<td>45,5</td>
</tr>
<tr>
<td>Important, your opportunities to move up increases</td>
<td>6</td>
<td>17,6</td>
<td>18,2</td>
<td>63,6</td>
</tr>
<tr>
<td>Very important, it is expected you have such an experience</td>
<td>7</td>
<td>20,6</td>
<td>21,2</td>
<td>84,8</td>
</tr>
<tr>
<td>Essential, it is mandatory to have had such experience before</td>
<td>5</td>
<td>14,7</td>
<td>15,2</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>97,1</td>
<td>100,0</td>
<td></td>
</tr>
<tr>
<td>Missing System</td>
<td>1</td>
<td>2,9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.15: Importance of expat assignment in organization
### Do you have experience as an expat yourself?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>22</td>
<td>64,7</td>
<td>64,7</td>
<td>64,7</td>
</tr>
<tr>
<td>Yes</td>
<td>7</td>
<td>20,6</td>
<td>20,6</td>
<td>85,3</td>
</tr>
<tr>
<td>Yes, more than once</td>
<td>5</td>
<td>14,7</td>
<td>14,7</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.16: Own experience as expat

### In how far is it expected for the senior management team to have had a cross functional experience in your company?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not important, it does not matter / it is not looked at</td>
<td>4</td>
<td>11,8</td>
<td>11,8</td>
<td>11,8</td>
</tr>
<tr>
<td>Slightly important, it looks good on your resume to have it</td>
<td>8</td>
<td>23,5</td>
<td>23,5</td>
<td>35,3</td>
</tr>
<tr>
<td>Important, your opportunities to move up, increase</td>
<td>13</td>
<td>38,2</td>
<td>38,2</td>
<td>73,5</td>
</tr>
<tr>
<td>Very important, it is expected you have such an experience</td>
<td>7</td>
<td>20,6</td>
<td>20,6</td>
<td>94,1</td>
</tr>
<tr>
<td>Essential it is mandatory to have such experience before ent</td>
<td>2</td>
<td>5,9</td>
<td>5,9</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.17: Need for X-functional experience in organization

### In how far is it, in your organization, expected that HR professionals in order to move up in the function, have had at least one cross functional move?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not important, it does not matter / it is not looked at</td>
<td>15</td>
<td>44,1</td>
<td>44,1</td>
<td>44,1</td>
</tr>
<tr>
<td>Slightly important, it looks good on your resume to have it</td>
<td>10</td>
<td>29,4</td>
<td>29,4</td>
<td>73,5</td>
</tr>
<tr>
<td>Important, your opportunities to move up increase</td>
<td>5</td>
<td>14,7</td>
<td>14,7</td>
<td>88,2</td>
</tr>
<tr>
<td>Very important, it is expected you have such an experience</td>
<td>2</td>
<td>5,9</td>
<td>5,9</td>
<td>94,1</td>
</tr>
<tr>
<td>Essential it is mandatory to have such experience before ent</td>
<td>2</td>
<td>5,9</td>
<td>5,9</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.18: Need for X functional experience in HR in organization
If you would look in your organization at the % of the individual functions present as talents in the management development pool, would you then say that the amount of human resources talent in the pool is representative of the amount of people working in:

<table>
<thead>
<tr>
<th>Valid HR is far underrepresented in the Talent Pool</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR is slightly underrepresented in the Talent Pool</td>
<td>11</td>
<td>32,4</td>
<td>32,4</td>
<td>52,9</td>
</tr>
<tr>
<td>HR is represented evenly</td>
<td>16</td>
<td>47,1</td>
<td>47,1</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td></td>
<td>100,0</td>
</tr>
</tbody>
</table>

Figure 3.19: Representation of HR in talent pool

How many individuals in the senior management team, not counting the head of HR, have had HR experience, either as fully functional experience or as X-functional experience in their background:

<table>
<thead>
<tr>
<th>Valid Who in senior management team ever took a X-functional assignment in HR?</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nobody</td>
<td>11</td>
<td>32,4</td>
<td>32,4</td>
<td>32,4</td>
</tr>
<tr>
<td>Less than 25%</td>
<td>20</td>
<td>58,8</td>
<td>58,8</td>
<td>91,2</td>
</tr>
<tr>
<td>Less than 50%</td>
<td>2</td>
<td>5,9</td>
<td>5,9</td>
<td>97,1</td>
</tr>
<tr>
<td>Less than 75%</td>
<td>1</td>
<td>2,9</td>
<td>2,9</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td></td>
<td>100,0</td>
</tr>
</tbody>
</table>

Figure 3.20: Who in senior Management team ever took a X-functional assignment in HR?

In what department is the management development department functionally situated in your company:

<table>
<thead>
<tr>
<th>Valid The HR department was functionally situated</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Another department</td>
<td>1</td>
<td>2,9</td>
<td>2,9</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td></td>
<td>100,0</td>
</tr>
</tbody>
</table>

Figure 3.21: Where is MD functionally located?

Are the people in your organization who managed the management development process, seen as "top players" in human resource management, or otherwise seen as clear talents in the organization:

<table>
<thead>
<tr>
<th>Valid Yes, MD is managed by talents</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No, MD is managed equally by talents as well as non-talents</td>
<td>26</td>
<td>76,5</td>
<td>76,5</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100,0</td>
<td></td>
<td>100,0</td>
</tr>
</tbody>
</table>

Figure 3.22: MD is managed by talents
Is, in order for human resources professionals to move up in the function and have a chance at the head of HR seat, the position of head of management development/talent management a clearly defined or required step?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Yes</td>
<td>8</td>
<td>23,5</td>
<td>23,5</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>26</td>
<td>76,5</td>
<td>100,0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>34</td>
<td>100,0</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.23: The position of head MD is a mandatory step for CHRO
Appendix C: Management Development Self Review Survey

Block I: Finding and defining talent

1. How does the company define talent in their organization? Can you score that definition (1-5 point, 1 is lowest, 5 is best in class) according to your opinion?

Scoring indicators:
- The definitions use distinct description of potential, such as vertical hierarchical indicators, concrete developmental indicators or such.
- Talent, or potential is separated from the performance, though both are measured, such as in a 4- or a 9-box.

2. Does the company see different categories/ different concepts of talent that are also supported by ‘parallel’ career tracks? Are there for instance specific careers for highly specialist people such as in R&D, or other?

Scoring indicators:
- The organization sees different sorts of talent, such as deep talent (R&D for instance) or functional /Global talent versus local or regional talent
- The company state differentiated career paths
- Related to the different career paths, the company has defined the different profiles that are successful in these paths (different sorts of potential)
- The company has either different; or otherwise created equality in the reward models of the different talent categories, so that one category is not better than the other. A talent category CAN have a ceiling, such as for a deep specialist. This ceiling should not be lower than the hierarchical level that reports into a C-level position (Chief Technical Officer or alike)

3. Does the company have an inclusive talent approach (e.g., everybody can enter) or an exclusive approach (as of certain levels, with a certain educational background etc.)? If an exclusive approach, as of what level can individuals enter the MD program?

4. Can you describe how the process to enter the MD pool takes place?
Assessment of Talent

5. Are the values of the leaders assessed to see how well they match the organizations? Do you know through which tool this is done? Can you give a score to this process?

Scoring indicators:
- A psychometric tool is used, from one of the reputable psychometrics companies (SHL, PDI, Factor5, or other comparable companies)
- The values of the company are clearly defined, including indicators for these values
- Values are linked to competencies, which are part of a separated element in the annual appraisal (not part of goal-fulfillment area)
- A process is defined to assess the values of the individual, based on clearly defined and relatively objective observations of actual behaviors by different observers over time
- A record is kept of the rationale underlying the value rating of the individual.
- The individual is given insight in the rating and the rational, to allow the individual to `work on` the attitudinal indicators

6. In your opinion does the company have values that are skewed to a certain cultural heritage such as the country of the parent company`s origin? Can you also give a score to this (1: culturally biased; 3 balanced partly domestic values, partly international; 5: completely Global values)?

Scoring indicators:
- Are cultural biases discernible in the values, or the underlying competencies such as: religion, race, values of hierarchy, background, use of first-names / last names etc.
- Are images used by the company a depiction of the Global spread, or show mostly the home-country/region?
- Is the senior management team a representation of the global spread and ethnicity buildup of the company?
- Are the second level executives comparable with the first level executives?
- Is the talent pool a depiction of the global population?

Assessment of talent; Capability assessment

7. Are the candidates for the talent pool tested on: their intellectual abilities, both IQ and EQ levels? What tool is used to do this?
Scoring indicators:
- What are the companies that provide your assessment tools?
- Is the IQ measured compounded, e.g. multiple (at least 2) angles of capability used (numerical / verbal / abstract, other?)
- IQ and EQ are both used and the combination is seen as an indication of intellectual capability.

8. Are the candidates for the talent pool tested on: their individual motivation for (self) development? What tool is used to do this?

Scoring indicators:
- Is it measured at all?
- With which tool is it measured, is this tool statistically stable?
- If the individual motivation for self development is below average, is investigated why this is, and what potentially the organization can do to increase this?

9. Are the candidates for the talent pool tested on: their individual engagement of the talent? This differs from group measures of engagement such as Global engagement survey etc. What tool is used to do this?

Scoring indicators:
- Is measured how strongly the individual feels an identification with the company
- If sub-optimal, is investigated why there is this suboptimal situation
- If the score is suboptimal, will this be used `against` the individual on ratings, or only on talent scoring?

10. Do you use entry level talent assessment, mid career talent assessment, or both?
- Entry-level assessment means for instance MBA recruitment, directly from University into the talent-pool. Typically entry level –companies allow almost no external hires in after the entry-level intake. Successors of positions are only filled from the inside (Chimney approach).

Scoring indicators:
- Entry level talent assessment is used
- The entry level talent assessment is combined with the chimney approach for developing top level talents
- All medium and higher level jobs are almost solely filled from the inside
- Mid career there is option for `fresh` take-in of potential talents
Management Development for High Potentials in International Organisations
Self Review Survey

• Also at higher levels externals are hired

11. What methodology is used to assess the developmental potential of talents, at the entry point of the MD process?

Scoring indicators:
In our company, potential is assessed:
• Based on the current competencies of the senior executives
• Based on competencies for the future the company has defined
• Based on problem solving styles of the leaders
• Based on competencies, linked to the values of the company
• Based on a specific process of assessment, either internal, external, or both (if so, can you give insight in what the process assesses?)
• Based on references of managers (single / multiple/internal/external)
• Other?

12. Do individuals get more than one opportunity to succeed in the "assessment of potential"? What happens if they do not make the "cut"; are they forever exempted?

Block II: Developing leadership and management

13. How does the organization define leadership and management? Are these seen as two separate concepts? If they are seen as linked, than how are they linked?

Scoring indicators:
• There is a clear definition; the two concepts are both defined, as well as the link between the two is defined.
• The underlying theories and the measurement tools that these theories prescribe are mentioned and used.
• There is a link to a modern value-based theory in place, with respect to describing the items.
• The organization defined the items through pre-defined competencies. These competencies are measured through observed behavior.
• The organization links their definition of leadership and management to external concepts from providers of professional psychometrics, such as SHL, PDI, etc.
14. **Does the organization support the model where the talents have a large say in their development (andragogical), or is the development track defined for them, either by specialists in the MD department, or the leadership (Pedagogical approach)? How do you rate this approach?**

**Scoring indicators:**
- The company has defined the roles in the process between clear input from the individual, as well as from the organization.
- The individual can influence the final choice, but does not need to have the final say.
- There are alternatives offered in the development track.
- The individual can come up with own suggestions, there is an agreed method to assess such input on their merits.

**Knowledge transfer during stage based development**

15. **What is the companies’ perspective on how to develop leadership & management capabilities and skills?**

**Scoring indicators:**
- The process of development is described, as well as the methods used for development of capabilities and skills.
- It is either seen as stage based, where per phase the development has its own characteristics, or as a fluid continuum, where for instance the organizational levels define what developmental initiatives are offered.
- Other?

16. **How is (new) theory on learning and business development and corporate learning’s transferred to leaders in the MD process?**

**Scoring indicators:**
- Does sort of knowledge offered to the leaders change over time, according to their model?
- Does the company differ in method of delivery and sequencing between skill transfer and knowledge transfer?
- Are company-own mistakes which were made in the recent past (lessons-learned approach) presented as business cases, so such mistakes are prevented in future?
- Is there a differentiation between leadership knowledge and managerial knowledge?
Management Development for High Potentials in International Organisations
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- Does the horizon, the knowledge development aims at, change over time? With this it is meant that for instance business ethics has a long horizon, whereas for instance legal issues have a shorter horizon.

17. **Does the method of knowledge development for leaders change over the cause of their development track? If so, can you describe how?**

Providing feedback to talents

18. **Are reflective tools used to allow talents to learn from the perceptions of others on their behavior?**

Scoring indicators:
- Is a tool like a 360-degree feedback tool used, which is repeated periodically (every 2-3 years)?
- Does the scoring of the tool happen both by peers, direct reports and managers?
- Are amongst the peer-level, also people from other departments/clients who have had interaction with the individual involved?
- Are those giving the feedback to the individual specifically trained on the use of the 360-tool?

19. **Does the use of reflective tools change over the development track of the talents?**

Scoring indicators:
- At low levels feedback is usually given very directly by those who are led. Does the leaders’ supervisor accumulate and discuss their feedback in monthly or other regular discussions with the talents?
- At intermediate levels the learning opportunity is provided by informing the leaders through tools like 360-feedback, etc., on the effect of their behavior and perception of others of the leader
- At higher level (2 levels below C), the stimuli are focused at long term effects of behaviors / ethical topics / learning from other companies.
- Is at senior level the standard 360-tool replaced by individual coaching solutions combined with 360-or alike input?
- Has the company defined a process for the use of 360-degree tools during the career of the individual?
Use of developmental assignments

20. Does the organization use targeted experiences to create trigger events (events that influence the speed and direction of development for the individual) for leaders?

Scoring indicators:
- The organization defines, based on the developmental profile of the individual, what experiences /development exposure is needed to enhance the development.
- The opportunities are reviewed globally to see what assignments offer what opportunity.
- There is a range of opportunities such as X-functional, expat, short term assignment, project work, virtual teamwork, etc.

21. What kind of experiences does the company offer?

Scoring indicators:
- Cross functional experiences, a position 2 years(+) in another function
- Expat experiences (2+ years) in another country/region
- Other stretch experiences (if so, please explain)

22. How important is it for talents to have such experiences for the progress in their career? Can you score this importance (1: unimportant; 3 it helps, but no prerequisite; 5 absolute necessity)

23. How does the organization match the targeted experiences with the development needs of the leader? For this purpose a company needs a way to measure the challenge a job provides with the challenges the individual needs for their development (job challenge profile).

24. With what method is the job challenge profile established?

- The assignments are assessed on their developmental ability through the use of a tool such as the Job Challenge Indicator of CCL.
Block III: Organizational prerequisites for MD.

Leaders are responsible for developing talents.

As a matter of definition, a mentor in these questions is a person in the organization that helps the new leaders/newly promoted leaders to learn the ‘tricks of the trade’ in that company.

25. Are leaders at senior level encouraged or expected to act as mentors for junior talents? Do leaders volunteer as mentors, or are they appointed?

26. Are line managers made responsible for the achievement of development-goals of the talents amongst their subordinates?

Scoring indicators:

- Leaders have the development progress of their direct reports in their individual targets, which are measured with equal weighting as the business targets.
- The development objectives of the talents amongst the direct reports are set up by the responsible function (MD) together with the line manager so that (s)he can take over responsibility.

Active-learning initiatives

27. Does the organization use action learning initiatives, such as action learning teams?
- An action learning process means a team of talents is given opportunity to deal with a ‘real life’ issue of the executive committee, and is given relative free reign to come up with suggestions to solve the issue. The team is sponsored by a senior executive. The best suggestions are presented by the teams to a (part of the) executive committee. If plans are selected the team in question can often join the actual team that will implement the plan.

Mentoring relationships & coaching
28. Does the company actively set up and propagate mentoring and coaching relationships, or leave the talents to seek their own, or potentially somewhere in-between?

Mentors are, through the need that they know the company ´ins´ and ´outs´, typically internal (more) senior level employees or peers. Coaches, on the other hand, go in-depth into the personal make-up of the leaders to help them gain insight in their own effectively and find better ways / improve the effectivenes of their behavior. Therefore coaching is a specialized ´job´ that can be done from an internal person, but more often externals are used. When internal coaches are used, it is often seen as positive when these are part of the talent-population them self.

29. Do you use coaching / coaches on a regular basis in the organization? Are these coaches internal / external or both?

30. If internal coaches are used are these part of the ´talent´ population themselves?

Talent and reward

31. Does your company reward high potentials differently than for instance high performers, and if so, how? Can you rate the options in a 5 point scale?

Scoring indicators:

- Talents are paid more through their annual bonus.
- Talents can receive long term incentive plans (cash based up to three years vesting time)
- Talents can receive stock-option base plans with a 3-5 years vesting horizon
- Talents can receive stock option based plans with a horizon beyond 5 years
- Talents can receive restricted share plan with a horizon of 10 years
- Other plans are in place.

32. Is generational, sex or cultural difference taken into account when choosing a reward method? Can people choose rewards other than money?

Scoring indicators:

- Individuals can choose other rewards than monetary, such as executive education?
Options such as sabbatical, work from home, MBA, PhD or such can be chosen instead of a financial reward.
Part-time work is possible to choose from to allow other interests to remain sustainable.
Special interesting assignments are offered as reward.

33. Are generational / sex /cultural differences taken into account for differentiating in development methods / options used?

Performance and development cycle

34. Can you describe / provide me the documentation of the development / performance management cycle (cycle times or the performance and talent management cycle, what processes are used, etc.)?

35. Do talents have development goals as well as performance goals, and are both goals seen as comparably important?

Scoring indicators:
• Are the developmental goals assessed using a similar method as business targets?
• Are development and performance goals treated equally or is one more ´heavy´ than the other?

36. What happens if a talent underperforms on one of these types of business-targets or on developmental goals?

Scoring indicators:
• What happens with talents, when low performance on development is combined with high performance on targets?
• When happens with talents, when low performance on targets is combined with high performance on development?
Networking and development

37. **Does the company actively promote informal networks and network meeting amongst leadership peers?**

Background: it is found that informal contacts between talents helps them to develop themselves as they see and discuss specific talent-related challenges and how others resolve them.

Scoring indicators:
- The organization organizes periodically informal (or partly formal) meetings with the talents to actively encourage informal contacts between talents across the organization.
- The organization sets up possibilities for internal informal networking, either real, or virtual through communities of talents.

HR and the MD process

38. **Is HR the owner of the MD process, e.g. is the MD department functionally a part of HR? If not, who is responsible?**

39. **Is the HR representation in the talent pool (%) comparable with the % of HR managers versus the total population of managers (above the level that provide access to the talent-pool).**

40. **Do the top HR people in your organization come out of HR or from the business or finance?**

41. **Is the top HR person in your organization part of the Global Executive team, or reports into this team. If so, to whom does the head HR report?**

42. **Is the HR strategic plan a secure segment of the Global strategic plan?**

43. **Are HR talents viewed in the same manner as other talents? Do they need expat assignment(s) or cross functional assignments to progress their career?**
44. Are the people responsible for the MD process part of the talent pool themselves?