
Strategic Whitepaper



April 2012

The public perception of institutional leadership as a function of \$\$ spend on executive training and development.

When plotting \$\$ spend (in billions) against the public confidence in the leadership of major US corporations and Wall Street, from 1996 through to 2011, it is noted that there is at no actual relationship. From more detailed analyses there is what looks to be an overall negative relationship.

Confidence in leadership is falling almost as fast as corporate leadership development and training budgets are increased.

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Preamble

This whitepaper evolved from seeing a set of graphs generated by Dr. Robert Kaiser, President of Kaiser Leadership Solutions (<http://www.linkedin.com/pub/rob-kaiser/20/a3a/a2a>) and a senior partner with the Kaplan-DeVries Inc consultancy (<http://www.kaplandevries.com/>).

Rob Kaiser had plotted some response data from the Harris Polls conducted annually in the US between 1996 and 2010, asking a sample of the public their confidence in the leadership of major US institutions. In addition, he had included some estimates provided by other consultants/researchers of the annual US\$ spend on Leadership development by US corporations. The joint plot formed an "X"; the higher the spend, the worse the public perception of confidence.

In this whitepaper, I wanted to avoid using 'other practitioner' estimates of spend as these seemed to be mostly subjective estimates provided by other consultants and academics; and instead utilize a source of information which, like the Harris Poll, is based upon an annual survey of companies and organizations who provide their budgetary allocations for specific types of training. The Training Magazine (<http://www.trainingmag.com/>) provided just such information as an Industry report published each year in the magazine.

Sourcing the Data

The **Harris Poll** data (executive summaries) can be obtained for several years from the Harris Vault, which is open for public access (<http://www.harrisinteractive.com/Insights/HarrisVault.aspx>). However, response data for all years between 1996 and 2011 are not reported in this resource. For the years 2004-2006, the summary reports were found in the Free Library (<http://www.thefreelibrary.com/>). For the years 1997 to 1999, only summary data was ever reported as a public document.

The **Training magazine** executive summary reports are only available to subscribers of the magazine, purchasers of the annual report, or to those with access to the magazine via university library electronic database subscriptions. A couple of summary reports are available on the internet (for example, download the 2007 summary report at: <http://www.bersinassociates.com/fr3/annualreport.pdf>). It was possible to obtain all relevant estimates for the years 1996 to 2011.

The Data

For the **Harris Poll**, panel respondents were asked a single question:

"As far as people in charge of running X are concerned, would you say you have a great deal of confidence, only some confidence, or hardly any confidence at all in them?"

For all years between 1996 and 2011, I collated % response data for the two stems:

a great deal of confidence, and *hardly any confidence (*data for this stem was missing for 1997, 1998, and 1999).
across four organisations:

Major companies ,Wall Street, Major Educational Institutions such as Colleges and Universities, and Congress

For the **Training magazine** estimated dollar spend, \$billion data were collated for:

Total spend, Executive-only spend, Executive + *exempt-employee spend.

- ➔ Executive-only and Executive + exempt-employee spend were available only after 1999.

*exempt employees in the US are those defined by the Fair Labor Standards Act as except from being paid overtime, given their salary and job duties. From the web-pages of Chamberlain, Kaufman, and Jones:

Attorneys at Law (<http://www.flsa.com/coverage.html>), they state:

“Employees who are paid less than \$23,600 per year (\$455 per week) are non-exempt. (Employees who earn more than \$100,000 per year are almost certainly exempt.)”

And

“An employee who meets the salary level tests and also the salary basis tests is exempt only if s/he also performs exempt job duties. These FLSA exemptions are limited to employees who perform relatively high-level work. Whether the duties of a particular job qualify as exempt depends on what they are. Job titles or position descriptions are of limited usefulness in this determination. (A secretary is still a secretary even if s/he is called an "administrative assistant," and the chief executive officer is still the CEO even if s/he is called a janitor.) It is the actual job tasks that must be evaluated, along with how the particular job tasks "fit" into the employer's overall operations. There are three typical categories of exempt job duties, called "executive," "professional," and "administrative.”

Exempt executive job duties.

Job duties are exempt executive job duties if:

1. the employee regularly supervises two or more other employees, and also
2. has management as the primary duty of the position, and also,
3. has some genuine input into the job status of other employees (such as hiring, firing, promotions, or assignments).

Supervision means what it implies. The supervision must be a regular part of the employee's job, and must be of other employees. Supervision of non-employees does not meet the standard. The "two employees" requirement may be met by supervising two full-time employees or the equivalent number of part-time employees. (Two half-time employees equal one full-time employee.) "Mere supervision" is not sufficient. In addition, the supervisory employee must have "management" as the "primary duty" of the job. The FLSA Regulations contain a list of typical management duties. These include (in addition to supervision):

- interviewing, selecting, and training employees;
- setting rates of pay and hours of work;
- maintaining production or sales records (beyond the merely clerical);
- appraising productivity; handling employee grievances or complaints, or disciplining employees;
- determining work techniques;
- planning the work;
- apportioning work among employees;
- determining the types of equipment to be used in performing work, or materials needed;
- planning budgets for work;
- monitoring work for legal or regulatory compliance;
- providing for safety and security of the workplace.

The final requirement for the executive exemption is that the employee have genuine input into personnel matters. This does not require that the employee be the final decision maker on such matters, but rather that the employee's input is given "particular weight." Usually, it will mean that making personnel recommendations is part of the employee's normal job duties, that the employee makes these kinds of recommendations frequently enough to be a "real" part of the job, and that higher management takes the employee's personnel suggestions or recommendations seriously.”

A technical point

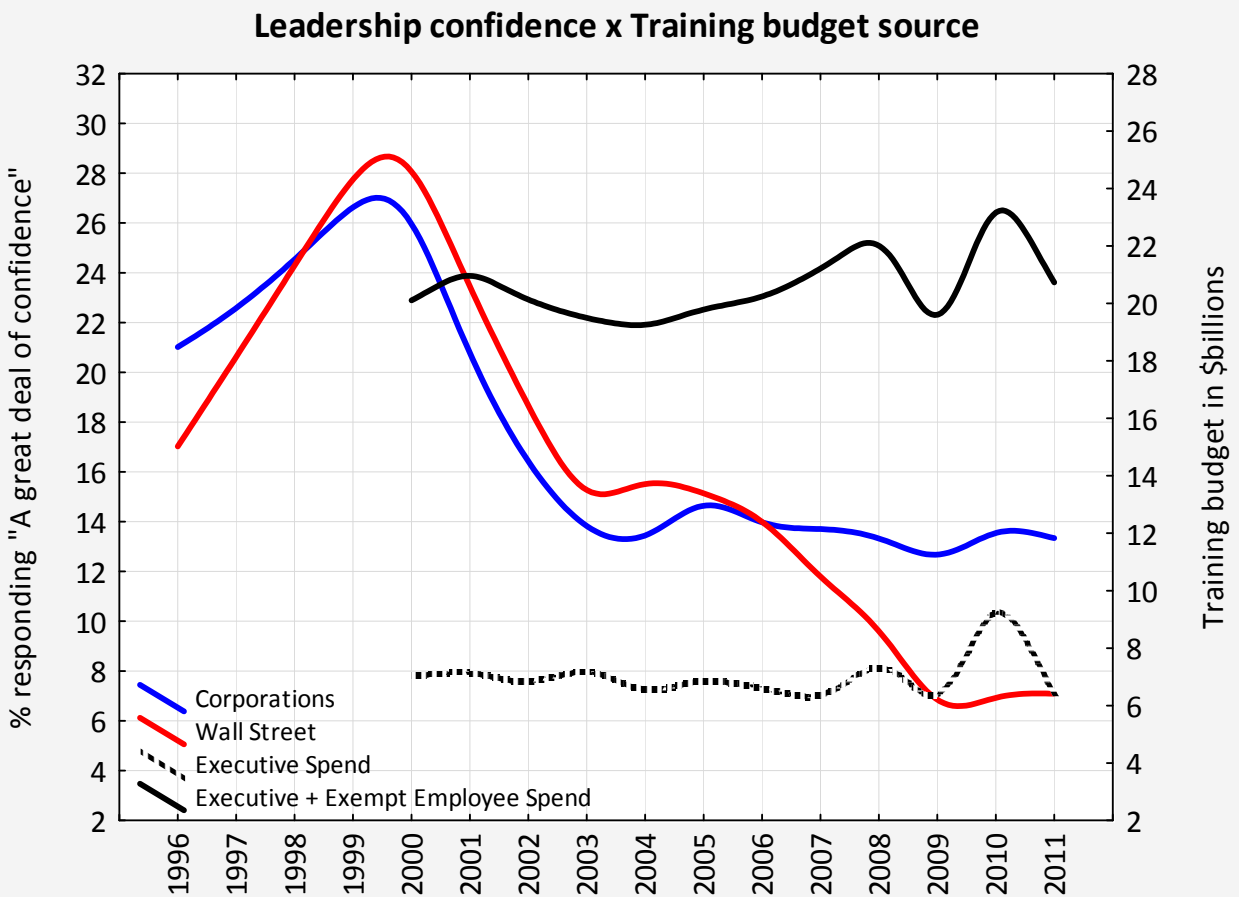
For all graphs, distance-weighted least square (DWLS) smoothing of the actual data is used, to better present the data trends over time. **Appendix 1** presents the actual data for those who wish to view raw values rather than trends, as well as some example plots showing the smoothed version of data (as used in the trend graphs) overlaid on the actual data. The aim here is not to deceive but to try and make more clear the overriding trend in the data. DWLS Stiffness coefficients are provided with each plot.

Figure 1: Great Confidence in Corporations and Wall Street as a function of Executive Training Spend

The confidence data are the % of people responding to the questions:

“As far as people in charge of running **Major Companies** are concerned, would you say you have a **great deal of confidence** in them?”

“As far as people in charge of running **Wall Street** are concerned, would you say you have a **great deal of confidence** in them?”



* DWLS stiffness = 0.10 for all trends.

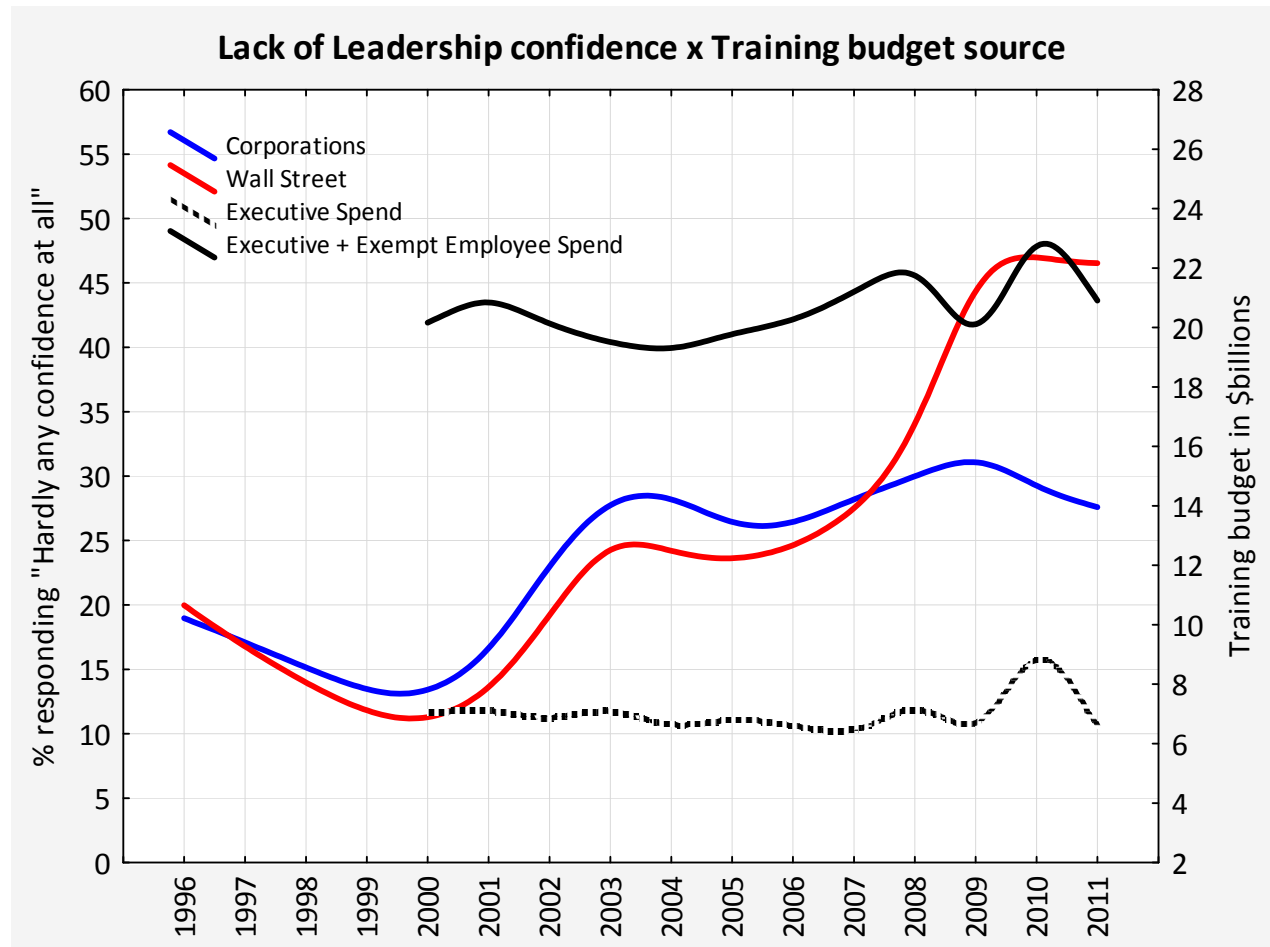
People showing a great deal of confidence in leadership has shown a marked decline from 1999 onwards, while budgets for executive training and development have remained largely flat until 2009, when huge funding fluctuations were observed due to the beginning of the financial crisis.

Figure 2: Hardly any confidence in Corporations and Wall Street as a function of Executive Training Spend

The confidence data are the % of people responding to the questions:

“As far as people in charge of running **Major Companies** are concerned, would you say you have **hardly any confidence at all** in them?”

“As far as people in charge of running **Wall Street** are concerned, would you say you have **hardly any confidence at all** in them?”



* DWLS stiffness = 0.15 for all trends.

People showing hardly any confidence in leadership has shown a marked increase from 1999 onwards, while budgets for executive training and development have remained largely flat until 2009, when huge funding fluctuations were observed due to the beginning of the financial crisis.

This is just another way of showing that increased spending on executive development has been accompanied by an increase in lack of confidence in leadership; perhaps the very opposite of what such expenditure was meant to achieve.

Figure 3: Averaged Corporation and Wall Street responses as a function of Executive Training Spend

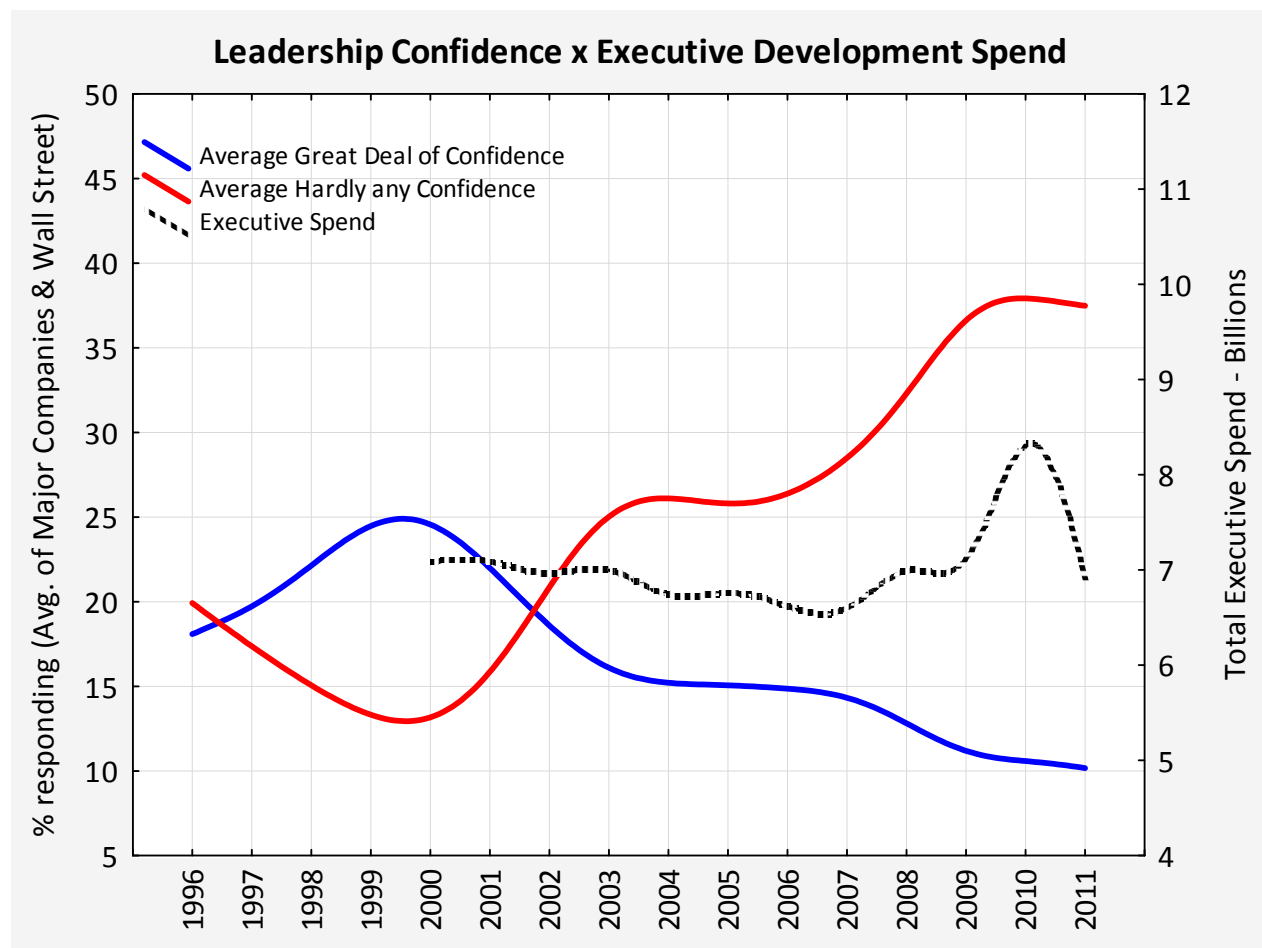
Here I averaged the % confidence responses across **Major companies** and **Wall Street** for the two questions:

“As far as people in charge of running **Major Companies** are concerned, would you say you have a **great deal of confidence** in them?”

“As far as people in charge of running **Wall Street** are concerned, would you say you have a **great deal of confidence** in them?”

“As far as people in charge of running **Major Companies** are concerned, would you say you have **hardly any confidence at all** in them?”

“As far as people in charge of running **Wall Street** are concerned, would you say you have **hardly any confidence at all** in them?”



* DWLS stiffness = 0.2 for all trends.

This shows the increasing separation between responses indicating confidence in, and confidence being lost within financial and other major corporations, as a function of the spending on leadership and other forms of executive development spending. One is tempted to conclude that the more being spent, the less confidence in leadership is being engendered in the general public.

Figure 4: Averaged Corporation and Wall Street responses as a function of Executive Training Spend

Again, averaged the % confidence responses across Major companies and Wall Street for the two questions:

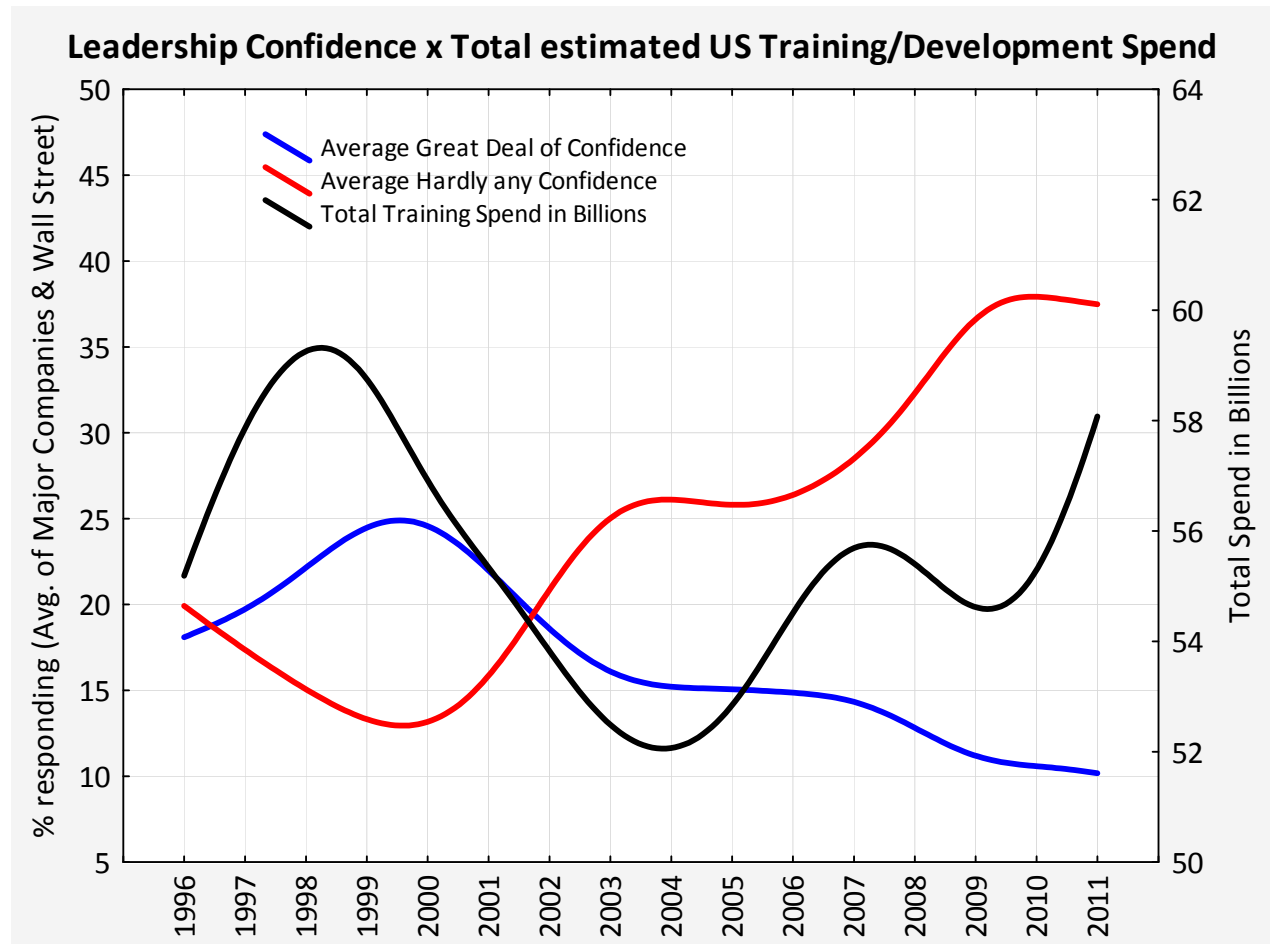
“As far as people in charge of running Major Companies are concerned, would you say you have a great deal of confidence in them?”

“As far as people in charge of running Wall Street are concerned, would you say you have a great deal of confidence in them?”

“As far as people in charge of running Major Companies are concerned, would you say you have hardly any confidence at all in them?”

“As far as people in charge of running Wall Street are concerned, would you say you have hardly any confidence at all in them?”

But now reflected them against the total estimated US\$ billion training and development spend for each year:

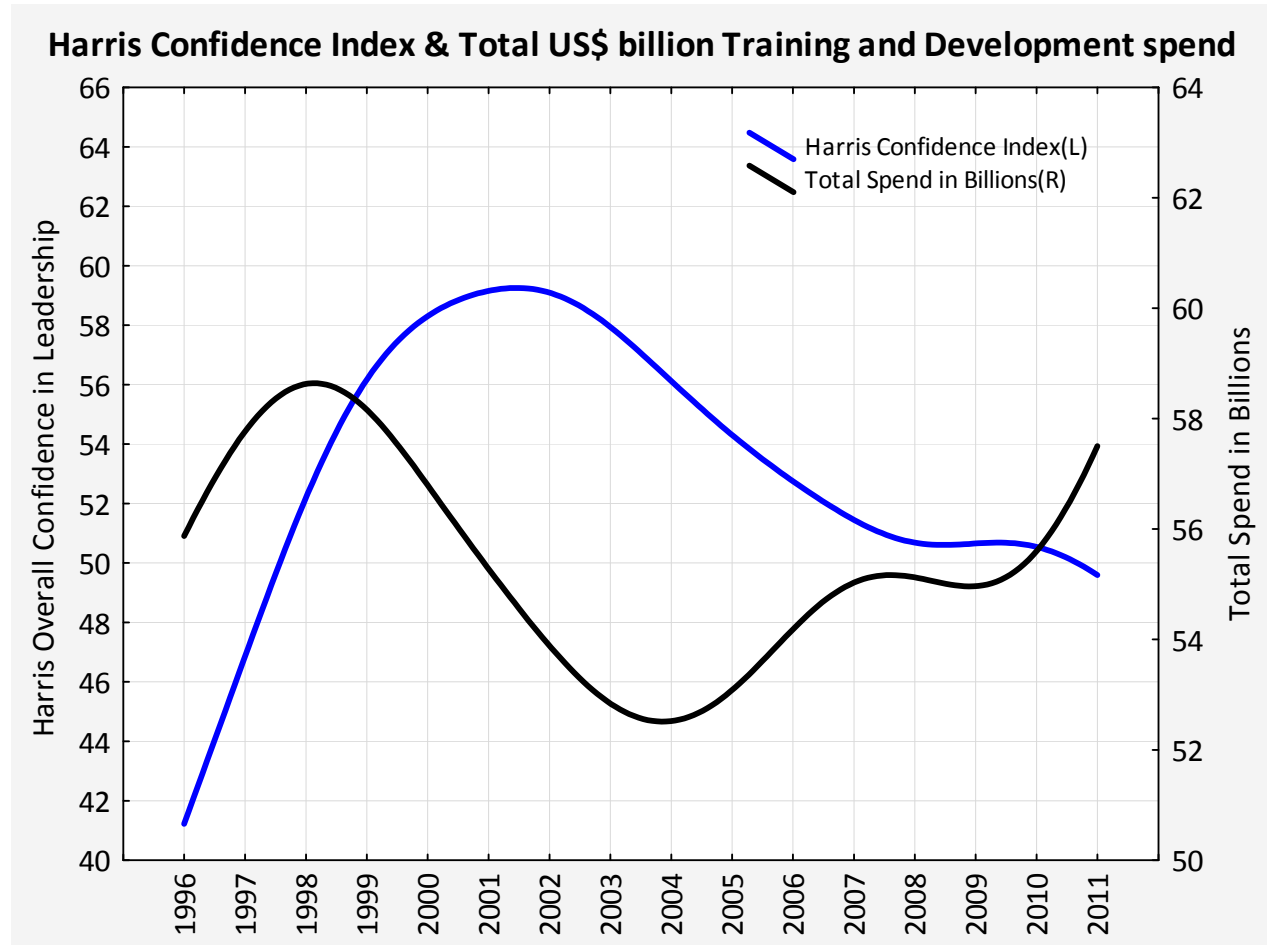


* DWLS stiffness = 0.2 for all trends.

The same trends are present as in Figure 3, but showing even more the complete lack of impact of training spend on the leadership confidence indices.

Figure 5: The Harris Confidence Index and Total US Training and Development Spend

The Harris Confidence Index based upon an average % across all Institution ratings for a year. This index was contrasted with the total training and development spend for each year.



* DWLS stiffness = 0.25 for all trends.

Confidence in the leadership of all institutions has been falling since about 2002, with spending increasing from around 2004.

Figure 6: Four institution leadership confidence ratings x Executive and Exempt-Employee Spend

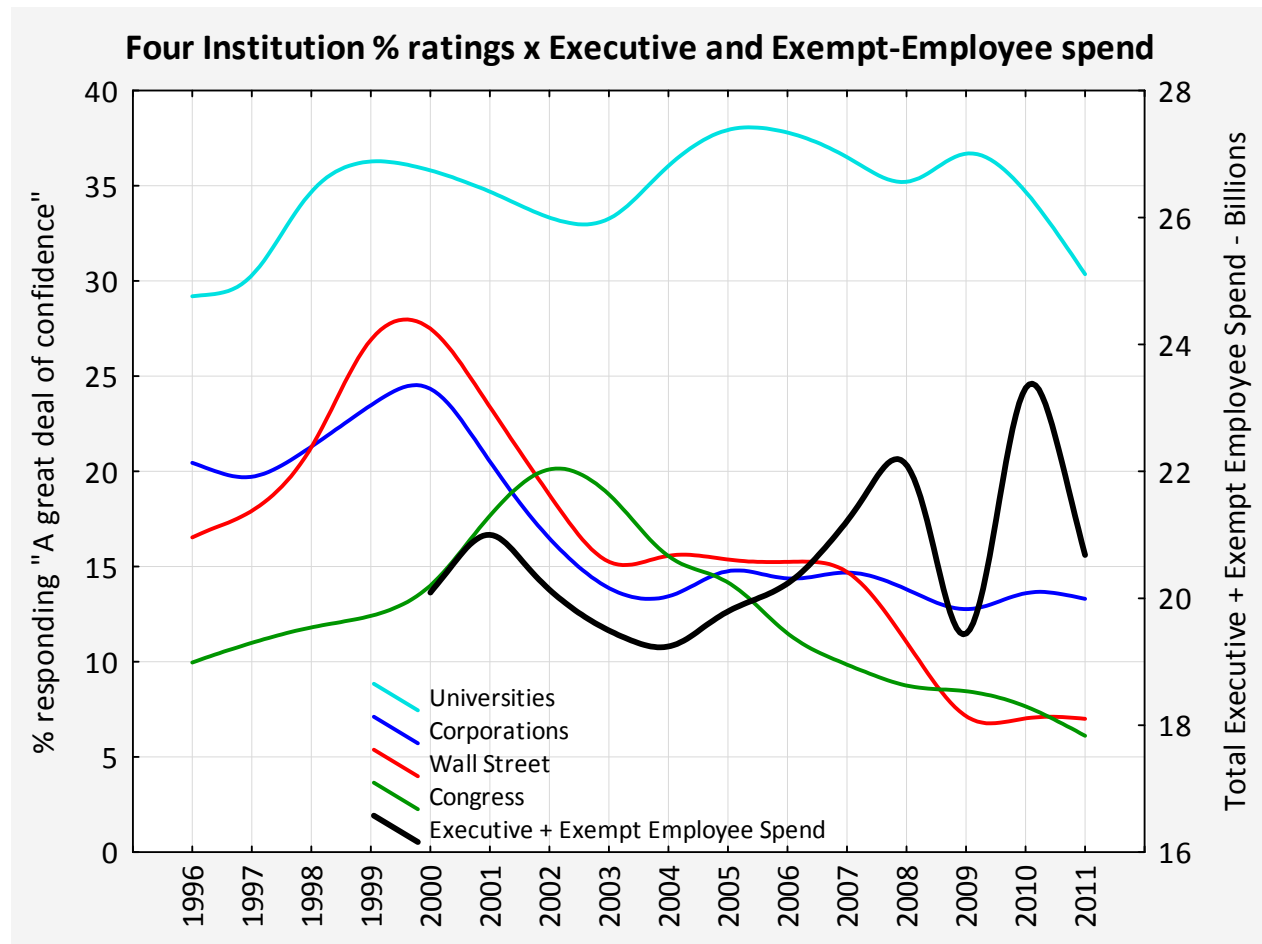
The confidence data are the % of people responding to the questions:

“As far as people in charge of running **Major Educational Institutions such as Colleges and Universities** are concerned, would you say you have **a great deal of confidence** in them?”

“As far as people in charge of running **Major Companies** are concerned, would you say you have **a great deal of confidence** in them?”

“As far as people in charge of running **Wall Street** are concerned, would you say you have **a great deal of confidence** in them?”

“As far as people in charge of running **Congress** are concerned, would you say you have **a great deal of confidence** in them?”



* DWLS stiffness = 0.01 for all trends.

The plot shows that the recent increase and fluctuations in Executive and Exempt Employee spend since about 2004 has resulted in an overall decline in leadership confidence in four major US institutions.

The Bottom Line

Something is very wrong. When executive and training spend show no obvious impact on how the public perceive the leadership of many public institutions (not just the few tabulated here), one might well ask, what is the point of all this expenditure?

This is especially the case when one considers that the overall recent trend is showing that increased spending is associated with decreased confidence in leadership; the very opposite of what such training and development might be expected to produce.

A knee-jerk response would be to dump all leadership development and just let mentoring and on-the-job-experience in the role sort out just who has what it takes to lead. But, it is likely to be the case that some interventions do produce a positive effect, while some are complete rubbish.

The buffoon who signed off on a \$75,000 team-building exercise for executives, building bicycles in Las Vegas, was probably convinced this a 'good thing' by an earnest and enthusiastic corporate I/O psychologist consultant or 'corporate team builder'.

http://www.washingtonpost.com/politics/gsa-manager-wanted-over-the-top-vegas-conference/2012/04/05/gIQAwu3KyS_story.html?hpid=z3

The purchasers of leadership assessments and subsequent 'development' products will all be advised by professional sellers to 'buy mine/buy me because *it is/I am better than the rest*'. Yet, despite the huge and clearly profitable market in these products and services, the graphs above tell another story.

The reality is that without a very specific kind of evidence (*which just doesn't exist right now for many kinds of HR interventions involving what seem to be 'intangibles'*), we have no real means of identifying corporate intervention junk from the real McCoy.

Just think a moment about the realities of 'employee engagement' and those highly spun results reported by Gallup consultants as a supposed testament to the success from using their Gallup Q12 assessment.

How do you decide what effect a team building exercise, such as sending business executives to an army physical obstacle course for 2 days, has over time, say over the next year or two? Does it have any effect other than to traumatize most team members? There is no point HR or the consultant asking for self-report ratings or group-chat feedback sessions, as most incumbents will not dare speak the truth for being labelled as 'not one of us'.

How do you know if the use of an assessment for identifying future leaders actually works, and stays working over time? Why should an emotional intelligence development strategy work at all? When will it achieve the kind of organizational outcomes that have been promised?

What about that wonderful competency system you just bought into? What is/was it meant to achieve by its deployment? Will it /does it actually have a sustained effect over time in your own organization? Maybe it does. What if you could show clear evidence of this to your board of directors, either in advance for budgetary approval or for post-intervention evaluation?

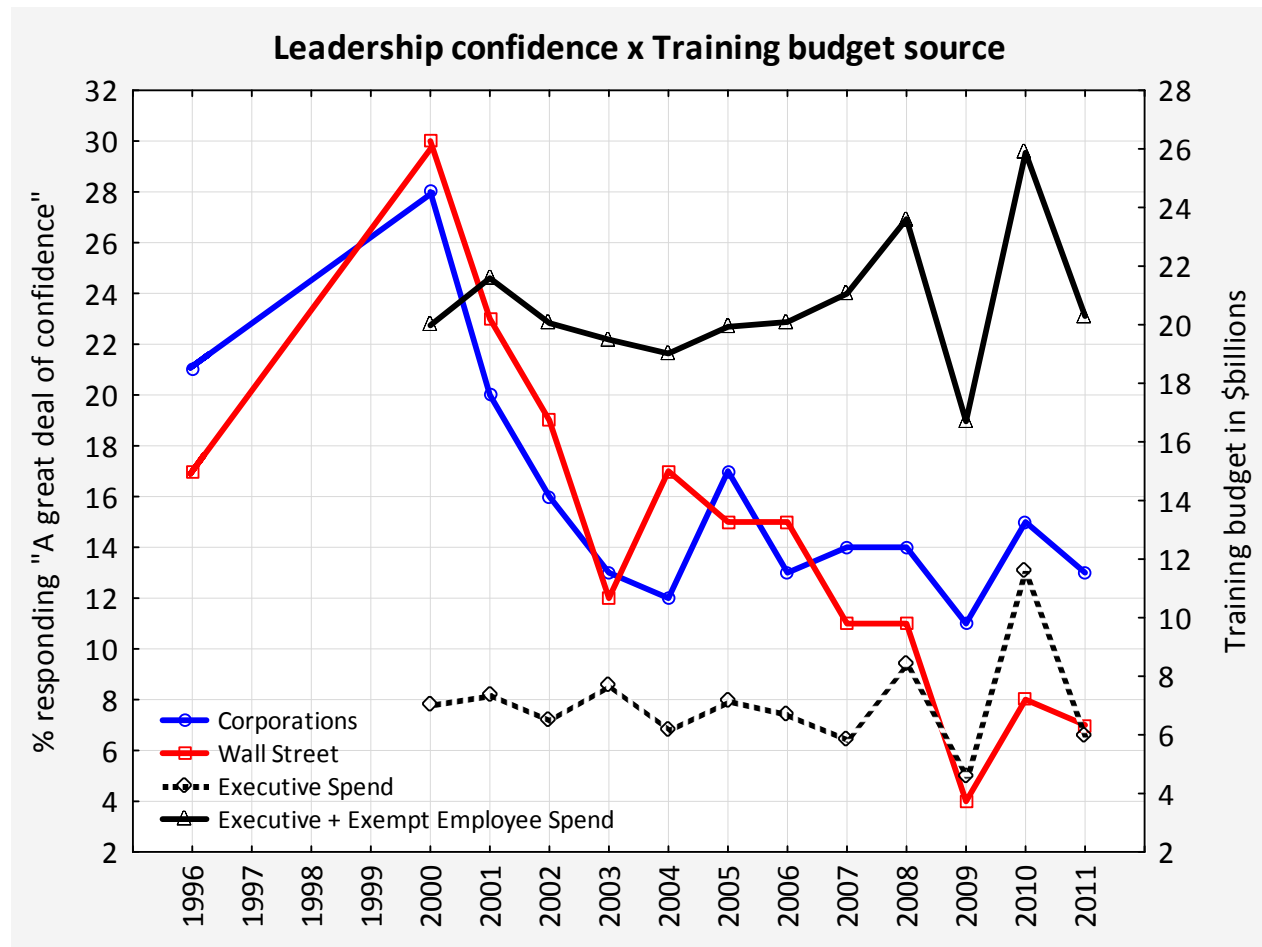
Such a comprehensive organizational-intervention outcome-modeling system for evolving the potential outcomes of many kinds of substantive HR interventions over time is now in development: **Talsim**.

Appendix 1: Raw data and DWLS smoothing

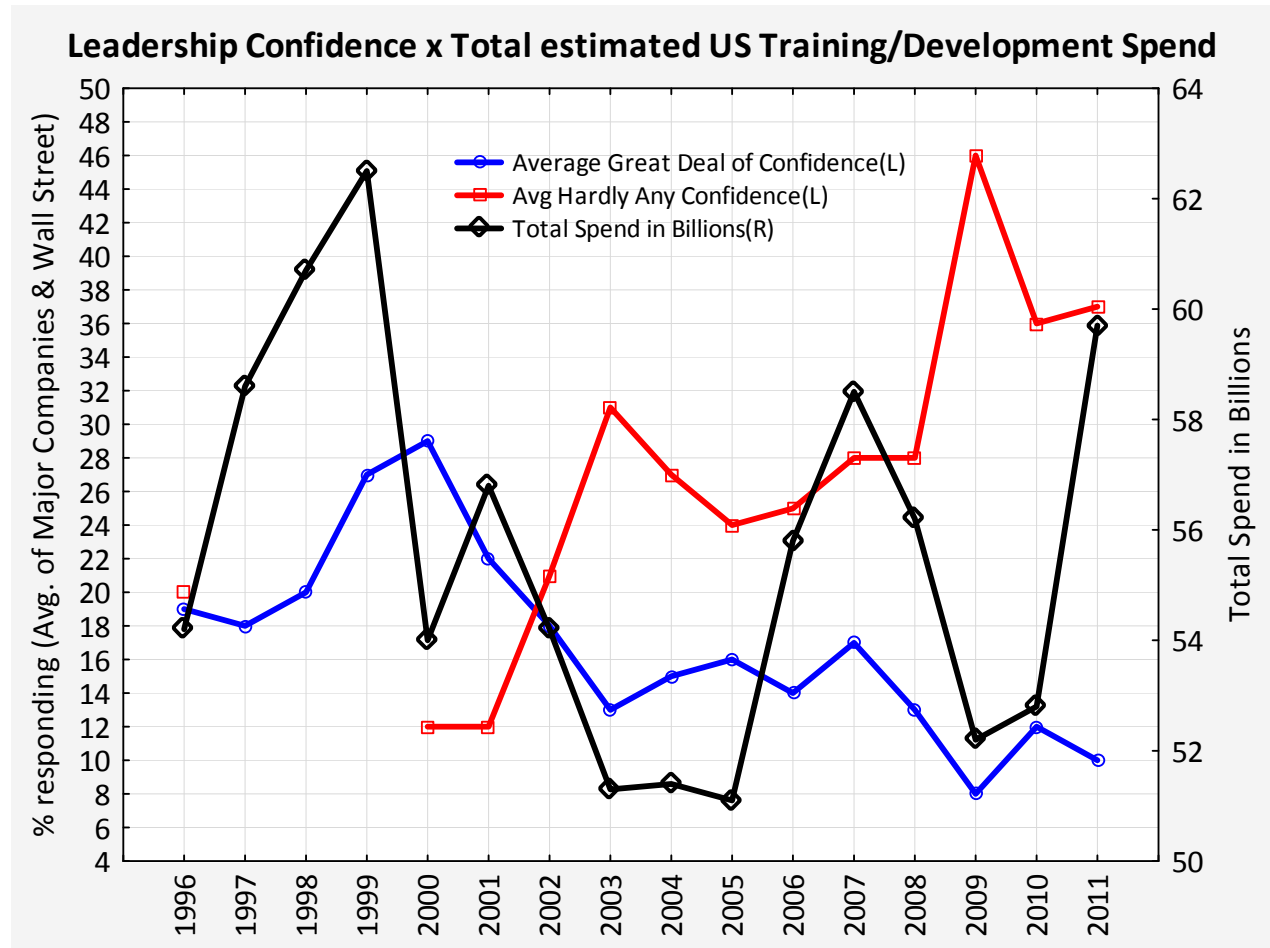
As noted above, I used Distance Weighted Least Squares smoothing to display raw data as ‘trend’ data ... to help make the graphs more easy to interpret, rather than to try and hide ‘reality’ in order to exaggerate effects.

I’ve included some raw data graphs here so that readers can see for themselves what these look like in comparison to smoothed-trend versions.

A.1. The raw data version of Figure 1 (page 4).

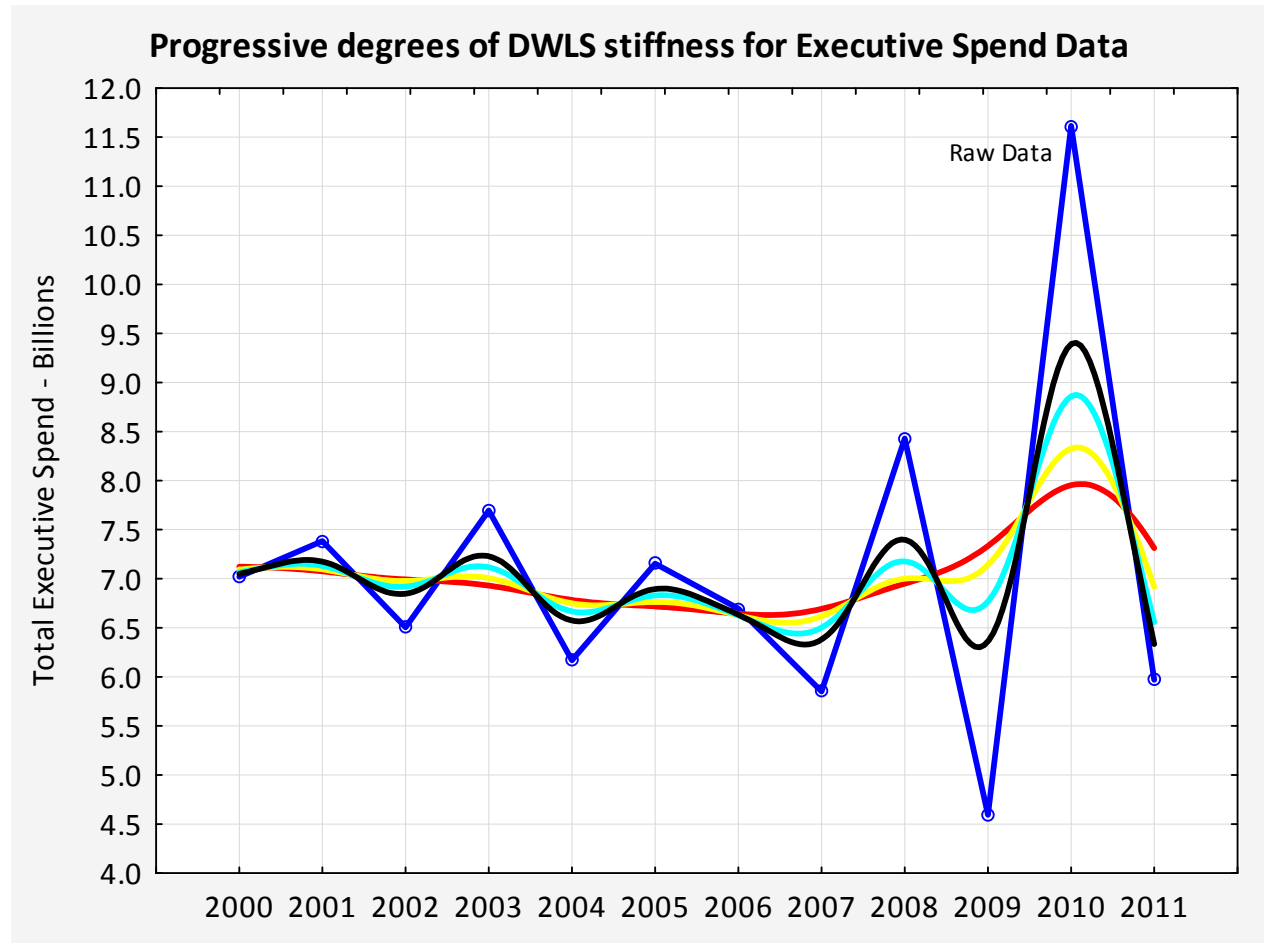


A.2. The raw data version of Figure 4 (page 7).



* Data are rounded to the nearest integer

A.3. Total Executive Spend in Billions, progressively smoothed-trended.



A.4. The Annual Harris Poll % response confidence table for 2009

TABLE 1

CURRENT CONFIDENCE IN LEADERS OF INSTITUTIONS (2009)

"As far as people in charge of running (READ EACH ITEM) are concerned, would you say you have a great deal of confidence, only some confidence, or hardly any confidence at all in them?"

Base: All Adults

	A Great Deal of Confidence	Only some Confidence	Hardly Any Confidence At All	Not Sure/Decline to Answer
	%	%	%	%
The military	58	31	10	2
Small business	48	43	6	3
Major educational institutions, such as colleges and universities	40	45	12	2
The White House	36	36	25	4
Medicine	34	44	19	3
The U.S. Supreme Court	30	50	19	2
Organized religion	28	43	25	4
Public schools	25	50	24	1
Television news	22	48	28	3
The courts and the justice system	19	55	24	2
Organized labor	16	48	33	4
The press	12	46	41	1
Major companies	11	52	35	3
Law firms	11	55	30	4
Congress	9	47	42	1
Wall Street	4	33	57	5

Note: Percentages may not add up to 100% due to rounding.

A.5. The Annual Harris Poll % response confidence table for 2007

TABLE 1

CURRENT CONFIDENCE IN LEADERS OF INSTITUTIONS (2007)

"As far as people in charge of running (READ EACH ITEM) are concerned, would you say you have a great deal of confidence, only some confidence, or hardly any confidence at all in them?"

Base: All Adults

	A Great Deal of Confidence	Only some Confidence	Hardly Any Confidence At All	Not Sure	Decline To Answer
	%	%	%	%	%
The military	51	34	15	1	*
Small business	47	45	5	3	1
Major educational institutions, such as colleges and universities	32	49	15	4	*
Medicine	28	46	23	1	*
The U.S. Supreme Court	25	55	16	3	-
Organized religion	25	46	24	3	1
Public schools	20	54	25	1	*
The courts and the justice system	16	55	27	1	*
Television news	16	55	29	1	*
The White House	15	41	41	2	1
Major companies	14	53	29	2	1
Organized labor	11	53	29	6	1
Wall Street	11	52	27	9	1
The press	10	48	41	1	*
Law firms	10	52	33	4	1
Congress	8	50	39	2	1

Note: Percentages may not add up to 100% due to rounding.