The St. Gallen Executive Education Report 2014

Nurturing executive leaders
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Many top managers advertise that nurturing talents and developing the next generation of leaders is a top priority in their organizations. Unfortunately, these next generation leaders are often highly critical of their organization’s approach to executive learning and leadership development.

At the same time, learning & development departments are still relatively new in most organizations, and professionals managing this function cannot rely on similar standardized structures and processes as their colleagues in other functions. Moreover, business intelligence on executive learning and leadership development is rare and often biased.

Against this background, the Executive School of Management, Technology and Law at the University of St.Gallen conducted a survey among key human resources and learning & development decision-makers in Europe with a focus on the German-speaking area.

The St.Gallen Executive Education Report (SEER) confirms that a large majority of executives are dissatisfied with the current state of executive learning and leadership development in their organizations. Respondents complain that short-term efficiency goals often frustrate a long-term strategy and structure for learning and development. Less than one in twelve firms can quantify their “ROI” on learning.

However, we find ample reasons for optimism. Human resources and learning & development directors expect that the scope of their activities will increase over the next years. This report identifies the avenues they may explore. We establish that innovation front-runners in executive learning and leadership development rely on a holistic blend of formal and informal learning mechanisms. We also show that while in most cases Chief Learning Officers only have operational responsibilities, firms that equip the Chief Learning Officer with executive powers are more likely to develop an effective and innovative learning and development architecture.

I hope our report will help organizations across Europe to innovate their executive learning and leadership development for the benefit of their next generation leaders.

I wish you good reading and lots of inspiration!

Professor Winfried Ruigrok

Dean, Executive School of Management, Technology and Law, University of St.Gallen
Executive Summary

The St. Gallen Executive Education Report (SEER) explores new frontiers in executive learning and leadership development (EL&LD), producing insights that help business leaders with decision-making and resource allocation. The study addresses five key managerial dimensions of EL&LD (Fig. 1).

The main conclusions are:

1. Current state and challenges: Firms are dissatisfied with their EL&LD. Only one out of five respondents thinks their firm is unlocking the full potential of its EL&LD. Many firms are facing a difficult internal arena characterized e.g. by limited resources, poor internal coordination, and a lack of an overarching learning architecture;

2. Business and managerial objectives: The paramount objective organizations faced in EL&LD has been to increase efficiency, reflecting the tough business climate over the past years;

3. Approaches and resources: There are four stages in the evolution of EL&LD. Firms at the first stage have little or no formal and informal learning mechanisms. Firms at the fourth stage have a clear focus on nurturing executive talent. Firms at the fourth stage face fewer obstacles, have a clearer focus on their objectives, and are more likely to consider themselves an innovation front-runner in EL&LD;

4. Responsibilities and outcomes: One in six firms has assigned a Chief Learning Officer (CLO). However, appointing a CLO will not do miracles. Only a firm that equips the CLO with executive powers is likely to generate measurable positive effects on EL&LD;

5. Trends and outlook: EL&LD executives are looking at the future with optimism. They expect that the scope of their activities will increase and that the EL&LD function will further professionalize.

Fig. 1: The five dimensions of the report

Source: St. Gallen Executive Education Report 2014
Methodology

Over spring/summer 2013 we conducted a survey among human resources (HR) and learning & development (L&D) directors in Europe. We tested a pilot of the survey with two dozen informed professionals. We cooperated with HR magazines and professional organizations in Germany (Personalmagazin), Switzerland (Zürcher Gesellschaft für Personal) and Austria (Personal Manager). In addition, we advertised a link at several human resources and leadership & development LinkedIn and Xing groups, and we brought the survey to the attention of a group of University of St.Gallen alumni who are active as HR professionals.

The survey was only sent to senior HR and L&D practitioners. We obtained 428 useable responses. About 44 percent of respondents are working with companies based in Switzerland, 27 percent of respondents originate from companies based in Germany, and 19 percent from companies based in Austria (Fig. 2). The remaining companies are spread over several European countries (esp. the Netherlands).

The industries and firm size in our survey reflect the industrial structure of our three primary countries (Fig. 3). Almost 23 percent of companies are active in the industrial goods sector, almost 13 percent in financial services, and over 10 percent in consumer goods. Both small and very large companies are represented in the sample: almost 12 percent of companies have revenues less than € 15 million, while 11 percent have revenues of over € 20 billion.

![Fig. 2: Location of companies that completed the survey](source: St. Gallen Executive Education Report 2014)

![Fig. 3: Industries of companies that completed the survey](source: St. Gallen Executive Education Report 2014)
Our survey managed to reach key HR and L&D decision-makers. Almost 50 percent of our respondents have global firm-wide decision-making power, while another 30 percent have firm-wide regional authority (Fig. 4). Almost forty percent of respondents have been in their current role for over five years, while 56 percent of respondents have been with their current company for over five years.

Our sample bias tests indicate that the patterns in executive L&D that we identified are valid across industries and across the three primary countries. Firm size and country of establishment occasionally affect L&D practices and expectations. Wherever relevant these effects are mentioned.

All patterns described in this report are statistically significant using analyses of variance, general linear models and cluster analyses.

In autumn 2013, we presented the survey findings to a group of senior HR and L&D executives in order to assess, validate and comment on the findings. Several quotes in this report have been taken from this session.

**List of abbreviations**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>CLO</td>
<td>Chief Learning Officer</td>
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<tr>
<td>EFMD</td>
<td>European Foundation for Management Development</td>
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<tr>
<td>EL&amp;LD</td>
<td>Executive Learning and Leadership Development</td>
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<tr>
<td>HR</td>
<td>Human Resources</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
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<tr>
<td>L&amp;D</td>
<td>Learning &amp; Development</td>
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<td>ROI</td>
<td>Return on Investment</td>
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<td>SEER</td>
<td>St. Gallen Executive Education Report</td>
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Current State and Challenges

The first set of questions we asked refers to the current state of executive learning and leadership development.

Companies are dissatisfied with their EL&LD

Many executives report being dissatisfied with their executive learning and leadership development (EL&LD) programs (Fig. 5). Only one out of five respondents thinks his/her firm is unlocking the full potential of its EL&LD. Executives working at companies based in Germany are more critical of their own organizations in this respect than their colleagues in Switzerland and Austria. Small firms are particularly dissatisfied, yet a majority of respondents working at the largest firms also indicated that their organizations failed to achieve the full potential.

At the same time our survey suggests that companies are not taking this situation for granted nor actively seeking to improve this situation. We asked executives if they see their companies as EL&LD innovation front-runners. Here, the picture is a bit more positive. About 33 percent of respondents indicated they think their companies are indeed EL&LD innovation front-runners (Fig. 6). Across countries, executives at larger companies are more likely to rate their EL&LD activities as innovative than executives working at smaller organizations.

Again executives working at German companies indicate lower scores than their Austrian and Swiss counterparts. Below, the report presents two reasons why German respondents are less satisfied: (1) German firms put significantly less emphasis on both formal and informal learning mechanisms; and (2) German companies are significantly less likely to have a Chief Learning Officer (CLO) than Austrian or Swiss firms.

Fig. 5: Extent to which firms are unlocking their full EL&LD potential

Fig. 6: Extent to which firms consider themselves EL&LD innovation front-runners

Source: St. Gallen Executive Education Report 2014. Question: To what extent do you agree or disagree with the following statements referring to the current state of executive learning and leadership development in your organization?
A note on EL&LD terminology

The words “executive” and “manager”, as well as the words “training”, “development” and “education” are often used interchangeably. However, these words have slightly different meanings.

- The word **executive** signifies a person with decision-making responsibilities. The group of executives is often limited to the top 5–10 percent of an organization.
- The word **manager** refers to a person who manages important tasks as well as other people but who does not necessarily have decision-making powers.
- **Training** is a one-way transmission of knowledge from teacher/instructor to learner that is restricted to a certain time period and focused on technical qualification for a job. It may often be a “one size fits all” education: the learner has to acquire a prescribed body of knowledge or skills within a pre-defined period of time and may have to demonstrate mastery of the knowledge by completing a test.
- **Management development** is a process of facilitating personal growth and preparing for leadership roles which may extend over a manager’s entire career. Management development may include trainings. Yet as a manager’s career progresses, the focus will typically shift towards more individualized and tailored personal feedback based on intensive interaction with instructors, peers or coaches.
- **Education** may be seen as an umbrella term that covers both training and management development. In this report we only use this word in the context of executive education, i.e. management development aimed at executives.

Key barriers: Limited resources and functional diversity

Why are respondents so dissatisfied with EL&LD in their organizations? Five reasons stand out (Fig. 7).

First, not surprisingly, the vast majority of respondents state that they have to cope with very limited resources. There are no significant differences between executives at large or smaller companies. L&D directors at larger companies may have more resources at their disposal, but also face a more demanding internal arena and over the past years have struggled with the same low-growth economic environment as small firms.

Second, the variety of individual executives’ functional backgrounds poses a big challenge for EL&LD. A senior IT manager and a marketing director typically will have different strengths and weaknesses as they are prepared to take up executive positions. Almost two-thirds of respondents (64 percent) highlight the diversity of executives’ functional backgrounds as a complicating factor.

“The one-size-fits-all approach no longer works.”

Survey respondent | Firm-wide EL&LD decider, large industrial goods company

Large firms mention the diversity of executives’ functional backgrounds more frequently as a challenge than small firms. At large organizations, functional specialization is often more advanced than at smaller ones. The challenge that L&D directors face is to make successful and committed functional specialists work together effectively in executive teams.

Additional barriers: Lack of EL&LD strategy and structure

Third, organizational realities often act as a powerful barrier to building effective company-wide EL&LD programs. 61 percent of respondents...
complain about a lack of alignment and coordination across divisions and business units. In many companies, divisions and business units favor their own goals over company-wide learning and development objectives.

Fourth, a similar share (60 percent) of respondents regards the absence of an overarching learning architecture as a major obstacle. The larger the firm, the more likely respondents are to mention this point. The next chapters will describe how particularly large firms are responding to this challenge.

Fifth, 57 percent of respondents complain that short-term business goals tend to undermine longer term activities. Respondents in both small and large firms mention this, and we find no differences across industries. This result may partly reflect the situation of low growth at the time of our survey. However, many HR and L&D directors we spoke with confirmed this finding. Short-term business pressures and urgent issues requiring top management attention often prevail at the expense of pursuing long-term EL&LD objectives, e.g. by reallocating funds, cutting programs, or canceling top managers’ contributions to key events.

The next chapters will identify factors that help companies to overcome these obstacles.

“In our company executive development is not a C-level agenda topic. Other things are more urgent.”

Expert panel member | EL&LD director

“Cost pressure and short-term target-setting are constantly undermining our long-term executive development initiatives.”

Survey respondent | Regional EL&LD decider, mid-sized industrial goods company

Fig. 7: Potential obstacles to executive learning and leadership development

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>Strongly Agree or Agree</th>
<th>Neither Agree nor Disagree</th>
<th>Disagree or Strongly Disagree</th>
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<tbody>
<tr>
<td>...limited resources</td>
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<td>...different functional backgrounds</td>
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<tr>
<td>...insufficient alignment and coordination across different divisions/business units</td>
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<tr>
<td>...the absence of an overarching learning architecture</td>
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<tr>
<td>...short-term business goals undermining longer term activities</td>
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<td>...a high degree of local talent hoarding</td>
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<td>...an “all executives are equal” mindset</td>
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<td>...a high fluctuation among executives</td>
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Source: St.Gallen Executive Education Report 2014. Question: To what extent do you agree or disagree with the following statement referring to potential obstacles to executive learning and leadership development in your organization: In my organization, executive education and leadership development have to cope with...
Business and Managerial Objectives

The second set of questions we asked refers to the business and managerial objectives companies pursue with their EL&LD programs.

Efficiency paramount objective

We asked respondents to rate the business objectives that their organizations pursue with their EL&LD programs. We listed four possible business objectives: efficiency, growth, innovation and organizational transformation. Respondents were asked to rank these four objectives on a scale from 1–4.

Respondents clearly rank efficiency as their organization’s primary business objective with regard to their EL&LD programs (Fig. 8). More than one-third (35 percent) ranked efficiency as their organization’s top priority. This is in line with the finding in the previous chapter, i.e. that respondents overwhelmingly state that they have to cope with very limited resources. Efficiency motives may override more strategic EL&LD objectives, such as speeding up innovation, growth or organizational transformation.

Fig. 8: Relative importance of business objectives

Source: St.Gallen Executive Education Report 2014. Question: Please rank the relative importance of the following business objectives for executive learning and leadership development in your organization.
Efficiency is the dominant business objective for EL&LD irrespective of company size (both measured by revenues and employees). It is also the dominant objective in all industries (except IT) and in all three major countries in our survey.

One may object that efficiency itself cannot be considered as a business objective, since it rather refers to the economic use of resources (cost, time or effort) in pursuing an objective. However, it is revealing that efficiency ranks so paramount compared with the other three business objectives, and this result underlines the efficiency pressures facing EL&LD.

Growth, innovation and organizational transformation are mentioned almost equally often as business objectives. However, there are some notable firm size and industry differences.

**EL&LD crucial for business innovation**

Surprisingly, innovation and organizational transformation do not score very highly as business objectives that companies pursue through their EL&LD programs. However, companies that list innovation as their most prominent business objective are more likely to state that they unlock their full EL&LD potential and are more likely to consider themselves as EL&LD innovation front-runner. Firms with a stronger focus on business innovation clearly regard EL&LD as an essential vehicle in pursuing innovation.

“**Our objective is to prepare executives for future growth opportunities and business models regardless of today’s commercial success.**”

Survey respondent | EL&LD expert contributor, large financial company

Companies in the IT and utility industries attach more importance to innovation than those in other industries, and less to organizational transformation. Organizational transformation, on the other hand, ranks as a more important objective at larger organizations.
Managing teams more important than managing overall organization

We asked respondents to rank the relative importance of three levels that EL&LD may focus on: the overall organization, the team, or the individual (self-management).

Companies decidedly rate team management as the most important level. This result is robust across firm size, industry and country of affiliation.

“As a CEO, I always took off several weeks for executive education in order to recalibrate and think.”
Expert panel member | Former CEO and chair, international professional services firm

This may seem counter intuitive. After all, the more senior the executive, the more (s)he should take into account the interests of the entire organization, not just those of his/her team. However, senior executives are always team members, up to the level of the top management team. Effectiveness in teams is not a discrete skill that an executive possesses or does not possess, but rather a competence that requires continuous nurturing and checking with peers and executives from different industries.

Team management is the dominant managerial objective in EL&LD because teams are on the rise – across all types of organizations. Companies are facing ever more complex environments. It takes specialists to understand and keep up with this growing complexity, and it takes teams to integrate specialists’ expertise and competencies. Growing specialization and teams go hand in hand. However, teams are not always living up to their potential because they may fail to exploit their members’ strengths. Cooperation may be suboptimal, and performance below expectation. While we know how to manage departments and divisions, many companies are still struggling to create teams that excel.

The other two levels (self-management and organization management) obtain almost equal weighting. We find no size or industry effects.

“As organizations transform from product providers to network-based solution businesses, executives will have to play a stronger role in enabling collaboration between teams, functions, and geographies.”
Survey respondent | EL&LD expert contributor, large services company
Challenges, Goals and Outcomes

Challenges of executive learning and leadership development

Common challenges faced are
- 72% limited resources
- 64% different functional backgrounds
- 61% insufficient alignment across different units
- 60% absence of overarching learning architecture
- 57% short-term business goals undermining longer-term activities

Less common challenges faced are
- 32% high degree of local talent hoarding
- 22% an “all executives are equal” mindset
- 20% high fluctuation among executives

Goals pursued with executive learning and leadership development

Outcomes of executive learning and leadership development

Non-financial metrics used to measure outcome, ranked by order of importance:

1. Executive performance on-the-job
2. Retention of executives/satisfaction of executives
3. Employer brand strength
4. Innovation
5. Growth
6. Organization management
7. Team management
8. Self management

Only one out of three companies sees itself as innovation front-runner in EL&LD
Only one out of five companies thinks that it is unlocking the full potential in its EL&LD
Only one out of twelve companies is able to quantify financially the return on EL&LD
Approaches and Resources

The third set of questions we asked refers to the approaches companies use in their EL&LD programs.

**Only one-third of companies focus on formal learning, half offer informal learning**

What approaches do companies use in order to implement their EL&LD objectives? We asked respondents to indicate to what extent their organizations rely on formal and informal learning mechanisms.

Formal learning mechanisms may include structured development programs such as internal seminars, classroom learning and regular training programs. Formal mechanisms may also refer to coaching or mentoring made available to a specified group of participants, including one-on-one coaching and peer coaching, or the use of specific leadership assessments tools.

Informal learning mechanisms are a broad category which may include voluntary or case-by-case coaching or mentoring programs, or forms of experiential learning. Informal learning may also refer to circumstances when an individual manager takes the development initiative rather than the organization, e.g. by requesting for permission or financial support for joining an external development program.

Just over one-third of our sampled companies indicate that they focus very much or much on formal learning (34 percent). Firms that consider themselves an innovation front-runner in EL&LD report significantly more frequently to be using formal learning mechanisms. A substantial share of firms (28 percent) have little or no formal learning mechanisms in place, while a larger group of respondents (38 percent) claim their organizations have “some” formal mechanisms in place. German firms stand out compared with their Swiss and Austrian counterparts in that 40 percent of them report to put little or no emphasis on formal learning.

“We enhance formal training with on-the-job experiences, vertical and lateral assignments across business lines and functions, and dedicated coaches.”

Survey respondent | Firm-wide EL&LD decider, large services company

Our results show that the companies surveyed have a stronger focus on informal learning than on formal learning (Fig. 9). Exactly 50 percent of the organizations in our sample focus very much or much on informal mechanisms. Almost one-fifth of the respondents indicate their organizations have little or no focus on informal learning.

**Fig. 9: Efforts attributed to formal and informal learning**

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<th>Informal Learning</th>
<th>Formal Learning</th>
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<td>0%</td>
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<td>50%</td>
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<td>75%</td>
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<tr>
<td>100%</td>
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Source: St. Gallen Executive Education Report 2014. Question: How much emphasis is attributed to formal/informal learning in your organization for executive learning and leadership development?
Four stages in the evolution of EL&LD

Additional cluster analysis reveals that one can identify four distinct stages in the evolution of EL&LD. Each stage represents a significant professionalization in developing talents and nurturing executive leaders compared with the previous stage (Fig. 10):

1. Infancy stage. About one out of twelve companies (8 percent) are at this stage where firms have set up little or no formal and informal learning mechanisms. The vast majority (70 percent) of these companies have less than 1,000 employees. On average these firms are highly exposed to budgetary constraints, struggle with insufficient coordination across divisions and business units and focus on short-term business goals at the expense of longer term activities.

2. Unbalanced stage. At this stage, firms have recognized the importance of EL&LD activities and typically develop a pronounced focus on either formal or informal learning—but not on both. These activities still lack an overarching logic and rather reveal a “we have to do something” mind-set. About 25 percent of firms at this stage have made some progress with informal learning mechanisms, whereas 13 percent have rather developed some formal learning mechanisms.

Fig. 10: Stages in development of executive learning and leadership development

<table>
<thead>
<tr>
<th>Stage 1: Infancy (8 per cent)</th>
<th>Stage 2: Unbalanced (13 per cent)</th>
<th>Stage 3: Growth (11 per cent)</th>
<th>Stage 4: Nurturing (15 per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal learning</td>
<td>Formally learning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Likelihood to be EL&amp;LD innovation front-runner</td>
<td>(Numbers in brackets show percentage of companies per stage, n=395)</td>
<td>High</td>
<td>Low</td>
</tr>
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</table>

Source: St. Gallen Executive Education Report 2014
3. Growth stage. Almost four out of ten companies are currently in the growth stage (39 percent). At this stage, executives understand that formal and informal learning mechanisms are not mutually exclusive but rather address different facets of EL&LD. Hence, firms start developing a more holistic approach towards EL&LD, and start putting more emphasis on the learning mechanism that remained underdeveloped in the previous stage. For almost half of all companies at this stage (or 18 percent of the total sample of firms) the challenge will be to strengthen formal learning mechanisms.

4. Nurturing stage. Firms at this stage have a well-structured set of both formal and informal learning mechanisms in place. This is the case for over one out of seven companies (15 percent). These firms are more likely to have a CLO and are more likely to agree to the statement that they are unlocking the full L&D potential in their organization.

These four stages make a positive and significant difference to L&D professionals (as indicated by the changing colors in Fig 10). Managers working at companies in the infancy stage are most dissatisfied with the current state of EL&LD in their organizations. As companies advance to the next stages on this trajectory, respondents become more positive. Respondents working at organizations in the nurturing stage are most likely to rate their organizations as an innovation front-runner in EL&LD.

Typically, in-house programs are only open to participants from within a focal company. In-house programs may be conducted either by using (1) primarily internal resources such as corporate HR specialists, EL&LD officials or top executives, (2) primarily external resources such as professional instructors, coaches or consultants, or (3) a combination of both internal and external resources. Combinations of internal and external resources are most frequent. External programs are usually operated by specialized institutions and aimed at a broader audience including participants from different companies or industries.

Fig. 11: Importance of formal learning mechanisms

| In-house Management Development Programs | | |
| In-house Academy/Corporate University | | |
| External Tailored Programs | | |
| External Open Programs | | |

0% 25% 50% 75% 100%

More important than 3 years ago  Equally important  Less important than 3 years ago

Source: St. Gallen Executive Education Report 2014. Question: In your assessment, how important are the following learning mechanisms for your organization's executive learning and leadership development?
Organizations rely more on in-house programs and tailored content

A large group of companies are somewhere on the trajectory between stage 1 and stage 4. We asked companies to reflect on the importance for their organizations of several types of more formal learning, i.e. in-house management development programs, in-house academy or corporate university, external tailored programs and external open programs (Fig. 11).

A majority of respondents to the survey state that all types of formal learning mechanisms have become more important, even if for many companies formal programs still play a smaller role. Organizations have started to rely more especially on in-house programs and corporate academies. About 60 percent of firms indicated they had increased the number of in-house management development programs, while almost 50 percent rely more on their own business academy or corporate university. This trend is not limited to large firms: also mid-sized companies report an increase here.

By far the most important reason for stepping up the role of in-house management development programs and of a business academy or corporate university is that this allows for content tailored to the organization’s need. In total 41 percent of firms rated this as the no. 1 motive. The larger the firm, the more they look for tailored content. Other motives to rely more on internal resources are that this enables firms to establish organizational standards, and that internal resources facilitate multiplication across the organization. Cost related reasons or the desire to increase internal acceptance are no dominant motives for building internal capabilities.

Companies also have started to rely more on external providers, both for external tailored programs and for the open enrollment programs that external providers offer. The primary reason to rely on external providers is to obtain expert knowledge. In total 64 percent of firms rated this as the no. 1 motive. Additional reasons are that external providers serve to challenge the status quo in the organization, and occasionally help to resolve internal capacity constraints. Other motives for going external, such as the desire to obtain external certification, are rated as less important by our respondents.

“We use fewer external providers but those we do work with really customize L&D. Today we receive very targeted external inputs, no off-the-shelf products.”

Expert panel member | EL&LD director, mid-sized company
Responsibilities and Outcomes

The fourth set of questions we asked refers to the organization and impact measurement used for EL&LD programs.

One in six firms have appointed a Chief Learning Officer, their responsibilities vary

A CLO is the highest ranking corporate officer in charge of all L&D activities in the organization. In 1994, General Electric appointed an accomplished academic to become the first ever CLO in history. Two decades later, many CLOs are still struggling to carve out their position and responsibilities in the corporate hierarchy.

Today, CLOs are still the exception to the rule in the L&D field. Less than 17 percent of the companies in our sample have installed a CLO (Fig. 12). The larger the organization, the more likely it is to have a CLO: almost 39 percent of firms with revenues of over € 20 billion have a CLO. CLOs can be found more often in the financial industry (34 percent of companies have a CLO) and consumer goods industry (where 27 percent of firms have a CLO). CLOs can be found more frequently at Swiss than at German or Austrian companies.

“L&D is too important to delegate operationally.”

Expert panel member | EL&LD expert contributor, small-sized services company

Firms that have appointed a CLO on average also tend to have made progress along other key dimensions. For instance, firms with a CLO tend to put more emphasis on formal learning, and tend to use internal resources more frequently in order to set company-wide standards. Firms with a CLO also report they are more likely to unlock their organization’s full EL&LD potential and are more likely to rate themselves as an EL&LD front-runner.

However, we needed to rule out the possibility that CLOs who completed our survey simply scored items higher in order to justify their roles. We therefore investigated the role of the CLO in more detail.

“Having a Chief Learning Officer can work when you have a central role with top-down power and budget.”

Expert panel member | EL&LD director

Our survey shows that companies do not have a common understanding of a CLO’s responsibilities. CLOs have a wide range of responsibilities and powers. CLOs are more frequently in charge of coordinating existing and launching new strategic initiatives (87 and 82 percent), evaluating providers (75 percent) and setting standards (73 percent). A majority of CLOs also manage dedicated staff (58 percent). However, it is less common for the CLO to have authority over budgets (only 48 percent).

Our analysis reveals there are two broad types of CLOs, with the second type significantly more effective than the first one:

1. Operational CLO. This can be a CLO who coordinates existing initiatives, evaluates providers, sets standards, and manages dedicated staff. Our survey suggests that organizations do not benefit greatly from having an operational CLO. Companies with an operational CLO do not report to be better at unlocking their organization’s full EL&LD potential and are not more likely to consider themselves as an innovation front-runner.
2. Executive CLO. This type of CLO has the above operational responsibilities but in addition also has authority over budgets, and can launch new strategic initiatives. Only organizations that have appointed an executive CLO appear to be able to reap clear benefits. Companies with an executive CLO report to be better at unlocking their organization’s full EL&LD potential and more likely consider themselves as an innovation front-runner.

Put differently, appointing a CLO alone will not do miracles. Only a firm that equips the CLO with executive powers is likely to generate measurable positive effects on EL&LD. The higher the stage of EL&LD (Fig. 10), the more likely the company is to have a CLO. Moreover, the higher the stage of EL&LD, the more likely the company is to have appointed a CLO with executive powers.¹

Less than one in twelve firms can quantify the “ROI” on learning

For many years, L&D professionals have been searching for the “holy grail” which allows them to measure the effect of EL&LD. EL&LD programs are expensive, and the investments should therefore pay off. Top management team and board members are keen to ask for L&D investments’ expected returns, and L&D directors have often found it difficult to provide satisfactory answers.

The question whether it is possible and desirable to measure the ROI on learning leaves the L&D community divided. Some academics, L&D directors and external L&D providers argue that it is difficult or even undesirable (1) trying to predict a person’s learning and development, and (2) seeking to quantify these future financial ben-

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¹One should keep in mind that the percentage of firms with a CLO is low to begin with. Thus in the nurturing stage of EL&LD, still only one-third of firms have appointed a CLO. However, almost two-thirds of these CLOs do have executive powers (63 percent).
“No learning architecture will have any impact if there’s no ROI for the business.”
Survey respondent | Firm-wide EL&LD decider, large healthcare company

benefits. According to this argument, by measuring the ROI on learning L&D risks focusing on overt learning which is instantly measurable. This may go to the expense of covert learning which is based on critical reflection and understanding.

Nevertheless, in particular large firms increasingly request consultants and external EL&LD providers to offer ways to measure impact. Our survey reveals the reason why they are doing so. Less than 8 percent of respondents indicated being able to assess the quality of their EL&LD activities in financial terms.

Two-thirds (over 66 percent) of all firms in our survey agreed that they are unable to quantify financially their “return on executive L&D” (Fig. 13). We found no significant differences across firm sizes, industries or countries: the vast majority of companies are struggling to measure the impact of their EL&LD programs in financial terms.

Executive performance on the job most common yardstick for assessing EL&LD impact

Although most firms are unable to measure the financial returns of EL&LD programs, they use a range of non-financial success metrics. The most important metric that companies use is the executive’s on-the-job performance (Fig. 14). The retention of executives and satisfaction of executives vie for second position. Employer brand strength is less important as a metric overall. However, as explained above, to firms in the fourth or nurturing stage of EL&LD employer brand strength is significantly more important than to other firms.

Fig. 13: Ability to quantify return on executive learning and leadership development

Source: St.Gallen Executive Education Report 2014

Fig. 14: Metrics to assess executive learning and leadership development

Source: St.Gallen Executive Education Report 2014. Question: Please rank the relative importance of the following metrics used to assess the impact of executive learning and leadership development in your organization.
Chief Learning Officer

The chief learning officer (CLO)

The CLO plays a key role as highest-ranking officer in the firm for executive learning and leadership development, usually reporting to the CEO or Head of Human Resources.

The rise of the CLO function

The CLO is more often found in firms in the financial and healthcare sectors in Switzerland, while in Germany the CLO is more often found in firms in the consumer goods sector.

Two types of CLO

**Operational CLO**
- launch strategic initiatives
- coordinate the implementation of initiatives
- define organization-wide standards
- manage dedicated staff
- reach their business objectives pursued with EL&LD

**Executive CLO**
- launch strategic initiatives
- coordinate the implementation of initiatives
- define organization-wide standards
- manage dedicated staff
- are innovation front-runners in EL&LD
Trends and Outlook

In the final set of questions we asked respondents about the future of EL&LD.

**EL&LD directors expect their scope of activities will increase**

EL&LD directors are looking at the future with optimism. Our survey disclosed three trends for the next three years.

First, respondents expect a notable increase in EL&LD activities. Almost three-quarters (74 percent) of respondents believe that the scope of EL&LD activities will expand (Fig. 15). Respondents at both larger and smaller organizations predict that the scope of activities will widen. However, the expectation is most pronounced at firms with fewer than 5,000 employees. These companies may recognize the advantages of moving from the infant or unbalanced to the next stage on the EL&LD trajectory.

Second, a majority of firms (56 percent) expect they will use more internal resources, while a slightly smaller group of respondents (44 percent) expect to employ more external resources. Many EL&LD directors regard using internal and external resources as complementary options rather than as mutually exclusive. However, there are some differences between small and large organizations. Whereas large firms are likely to expand both their use of internal and external resources, small firms indicated they are more likely only to step up using external programs and providers in the future.

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“We spend more money over fewer heads. The fewer we train, the more this training is appreciated.”
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Expert panel member | HR director, mid-sized company

Third, over 54 percent of companies believe they will increase their EL&LD spending per executive over the next three years. Smaller firms mention this point more frequently than larger firms. Several respondents and interviewees in follow-up discussions indicated that they will spend more on EL&LD in the future, but that they will focus their efforts on a smaller number of participants. In the future, organizations may expect managers to signal their EL&LD potential and interest more explicitly before deciding to invest in their development.

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“The demands on leadership will rise further because of bigger departments, constant change, and employees expecting more personal coaching.”
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Survey respondent | Regional EL&LD decider, mid-sized consumer goods company
According to our respondents, functional diversity features undisputedly as the leading EL&LD diversity challenge also in the near future. Almost half of all respondents (49 percent) rank functional diversity as their first or second biggest challenge (Fig. 16). Industry and educational background diversity come as a distant second and third. Age diversity, gender diversity and cultural background diversity are mentioned much less frequently as critical development challenges. This confirms the finding reported in the first chapter (Current State and Objectives).

Gender diversity features particularly low as a perceived EL&LD challenge compared with the importance this has in Northern and Western Europe and in North America. In Switzerland, Germany and Austria, the percentage of female managers and executives is lower than in Northern Europe or North America. Male managers may not see gender diversity as an equally important challenge as female managers.

However, the larger the firm, the more gender diversity is actually mentioned as a critical challenge (certainly when measuring firm size by the number of employees). The largest firms score significantly higher on gender diversity and cultural diversity (Fig. 16). Academic research has shown that on average, large firms are more active internationally, hence more exposed to gender diversity initiatives coming from other regions. Some large firms may also be government-owned, which will expose such firms more directly to societal trends. Moreover, large firms are also the object of more public and media attention. This corresponds with our result that large firms focus much more on e.g. reintegration programs for women and gender diversity quotas. Mid-sized firms report markedly lower scores, whereas for smaller firms gender diversity is not a leading issue.

“Knowledge is overrated, behavior underrated... Too many leaders manage as experts.”

Survey respondent | Firm-wide EL&LD decider, large healthcare company
Professionalizing the EL&LD function

HR and L&D directors are deeply committed to facilitating learning and development in their organizations. However, in many organizations the EL&LD function is still relatively new, and L&D professionals cannot rely on similar standardized structures and processes as their colleagues in other functions. Moreover, reliable, independent and systematic information about how companies organize their EL&LD structure and process is scarce.

This first St.Gallen Executive Education Report establishes the obstacles that HR and L&D directors face, the objectives they pursue, and the approaches they follow. The report provides suggestions how L&D professionals may build a more effective EL&LD structure. In particular, the report identifies four stages in the professional development of the EL&LD function. Our analysis suggests that by moving up to the next stage organizations will become better at nurturing their talents and future executive leaders.

The Executive School of Management, Technology and Law at the University of St.Gallen will continue to provide organizations with sound and reliable benchmarking and evidence-based best-practices in EL&LD. In doing so, we hope to support HR and L&D directors as well as top management teams and boards in realizing their corporate and strategic objectives.

The second St.Gallen Executive Education Report will be published in 2016.
Approaches, Resources and Developments

Executive learning and leadership development approaches

Formal or informal learning?

- 34% attribute very much or much emphasis to **formal learning**
- 50% attribute very much or much emphasis to **informal learning**

**Companies that emphasize formal learning**
- Are rather from Germany than Austria or Switzerland
- Are mainly larger firms with 1000+ employees
- More frequently claim they are able to quantify their ROI on executive education

**Companies that emphasize informal learning**
- Are rather from Switzerland or Austria than Germany
- Use internal resources to save costs and to support the multiplication of knowledge across the organization
- Use external resources to challenge the status quo

Executive learning and leadership development resources

Use of resources today, ranked by order of importance:

**Internal resources are used to**
1. Tailor content to organization needs
2. Establish organization standards
3. Support multiplication across the organization
4. Save costs
5. Increase internal acceptance

**External resources are used to**
1. Obtain expert knowledge
2. Challenge the status quo
3. Resolve internal capacity constraints
4. Try out something new
5. Obtain external certification

Executive learning and leadership developments

Decision-makers expect by 2016:

**Scope of activities**
- 74% increase
- 4% decrease

**Use of internal resources**
- 56% increase
- 8% decrease

**Spending per executive**
- 54% increase
- 14% decrease

**Use of external resources**
- 44% increase
- 17% decrease

**Length of planning cycle**
- 43% increase
- 15% decrease
Authors and Acknowledgements

Authors

Winfried Ruigrok is Dean of the Executive School of Management, Technology and Law, and a Professor of International Management at the University of St.Gallen. winfried.ruigrok@unisg.ch, www.es.unisg.ch, www.fim.unisg.ch

Axel Thoma is Research Fellow at the Research Institute for International Management at the University of St.Gallen. Axel holds a PhD in International Management. axel.thoma@unisg.ch, www.fim.unisg.ch

Georg Guttmann is Research Assistant at the Research Institute for International Management at the University of St.Gallen. georg.guttmann@unisg.ch, www.fim.unisg.ch

Acknowledgements

The authors would like to thank the survey participants, members of the expert panel, and colleagues from the University of St.Gallen for sharing their expertise. The authors also would like to thank their media and community partners for their support: Personalmagazin, Personal Manager, and Zürcher Gesellschaft für Personal.

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Free electronic version available at: www.es.unisg.ch/seer
Please cite as: The St.Gallen Executive Education Report 2014

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