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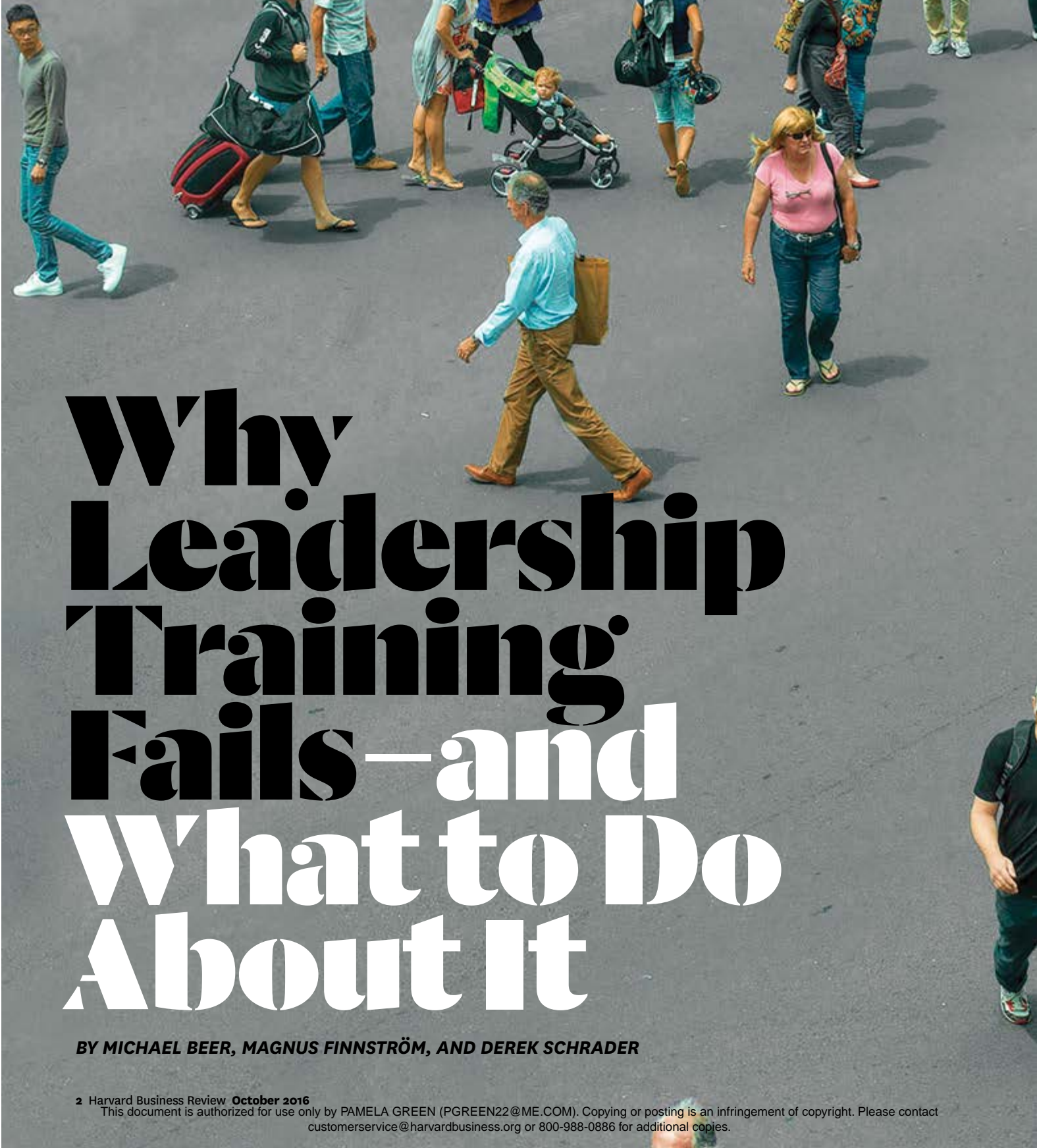
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ARTICLE

SPOTLIGHT ON BUILDING THE WORKFORCE OF THE FUTURE


Why Leadership Training Fails—and What to Do About It

by Michael Beer, Magnus Finnström, and Derek Schrader



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BY MICHAEL BEER, MAGNUS FINNSTRÖM, AND DEREK SCHRADER



Corporations are victims of the great training robbery. American companies spend enormous amounts of money on employee training and education—\$160 billion in the United States and close to \$356 billion globally in 2015 alone—but they are not getting a good return on their investment. For the most part, the learning doesn't lead to better organizational performance, because people soon revert to their old ways of doing things.

Consider the micro-electronic products division (MEPD) at a company we'll call SMA, which one of us studied. SMA invested in a training program to improve leadership and organizational effectiveness. MEPD was one of the first business units to implement it, and virtually every salaried employee in the division attended.

Participants described the program as very powerful. For a whole week they engaged in numerous tasks that required teamwork, and they received real-time feedback on both individual and group behavior. The program ended with a plan for taking the learning back into the organization. Pre- and post-training surveys suggested that participants' attitudes had changed.

A couple of years later, when a new general manager came in to lead the division, he requested an assessment of the costly program. As it turned out, managers thought little had changed as a result of the training, even though it had been inspiring at the time. They found it impossible to apply what they had learned about teamwork and collaboration, because of a number of managerial and organizational barriers: a lack of strategic clarity, the previous GM's top-down style, a politically charged environment, and cross-functional conflict. "[The previous GM] had a significant impact on our organization, with all of us reflecting him in our managerial style," a member of the division's senior team explained during an interview. "We are all more authoritarian than before."

As a change strategy, training clearly had not worked. It rarely does, as we have found in our research and teaching and in the advising we've done at dozens of companies. One manufacturer, for instance, suffered multiple fatalities at its operating plants despite a \$20 million investment in a state-of-the-art center for safety training. Participants in corporate education programs often tell us that the

context in which they work makes it difficult for them to put what they're taught into practice.

Still, senior executives and their HR teams continue to pour money into training, year after year, in an effort to trigger organizational change. But what they actually need is a new way of thinking about learning and development. Context sets the stage for success or failure, so it's important to attend to organizational design and managerial processes first and *then* support them with individual development tools such as coaching and classroom or online education.

A Closer Look at What Goes Wrong

Education with the objective of individual growth is worthy in its own right, of course, and people are eager to acquire knowledge and skills that will help them advance in their careers. However, the primary reason senior executives and HR invest in management training is to make their leaders and organizations more effective, and results on that front have been disappointing. Three-quarters of the nearly 1,500 senior managers at 50 organizations interviewed in 2011 by CEB were dissatisfied with their companies' learning and development function. Only one in four reported that it was critical to achieving business outcomes. Decades' worth of studies show why it isn't working, but, sadly, that understanding has not made its way into most companies.

Researchers noted problems with training programs as early as the 1950s, during the seminal Ohio State leadership studies. They found that one program had succeeded in changing frontline supervisors' attitudes about how they should manage, but a follow-up study revealed that most supervisors had then regressed to their pre-training views. The only exceptions were those whose bosses practiced and

Only one in four senior managers report that their learning and development function was critical to achieving business outcomes.

Idea in Brief**THE PROBLEM**

Companies are dumping billions of dollars into training and development programs—but their investments aren't paying off.

THE REASON

Six common managerial and organizational barriers prevent people from applying what they've learned, no matter how smart and motivated they are.

THE SOLUTION

To create a favorable context for learning and growth, senior executives must first attend to organizational design—both at the very top and unit by unit.

believed in the new leadership style the program was designed to teach.

Then, in the 1980s, one of us helped conduct a study showing that training programs did not facilitate organizational change: Companies that tried to launch major transformations by training hundreds or thousands of employees across many units to behave differently lagged the only company (in a sample of six) that didn't kick-start its transformation this way. The problem was that even well-trained and motivated employees could not apply their new knowledge and skills when they returned to their units, which were entrenched in established ways of doing things. In short, the individuals had less power to change the system surrounding them than that system had to shape them.

The idea that organizational systems—which define roles, responsibilities, and relationships—have a strong impact on individuals' mindsets and behavior is supported by a number of studies. For instance, research by Seymour Lieberman, of the Institute for Social Research at the University of Michigan, found that unionized frontline workers promoted to supervisory roles adopted pro-management attitudes, and managers forced by a recession to return to frontline jobs reverted to pro-union and antimanagement attitudes. Further reinforcing the idea, Harvard Business School professor Boris Groysberg found that "star" analysts on Wall Street, as rated by an independent agency, did not perform as well or maintain their star status after moving to another firm. In fact, most of them never regained that status during the five-year study. Those who did had taken their teams—the systems that had helped them succeed—with them when they changed companies.

Those findings dovetail with research—by Amy Edmondson, of HBS, and Anita Woolley, of Carnegie

Mellon—showing that organizations need "fertile soil" in place before the "seeds" of training interventions can grow. When the researchers looked at a corporate training program aimed at improving problem solving and communication between managers and subordinates, they discovered that success varied across the company. Improvements were greater in units that had already developed a "psychologically safe" climate in which subordinates felt free to speak up.

From all these streams of research we've learned that education and training gain the most traction within highly visible organizational change and development efforts championed by senior leaders. That's because such efforts motivate people to learn and change; create the conditions for them to apply what they've studied; foster immediate improvements in individual and organizational effectiveness; and put in place systems that help sustain the learning.

A poor return on investment isn't the only bad outcome of failed training initiatives. Employees below the top become cynical. Corporate leaders may fool themselves into believing that they are implementing real change through corporate education, but others in the organization know better, as we saw in the MEPS example. Why don't leaders get this? For two reasons.

First, they implicitly view the organization as *an aggregation of individuals*. By that logic, people must be selected for and developed with the "right" knowledge, skills, and attitudes in order to improve the institution's effectiveness and performance. So HR defines the requisite individual competencies according to the company's strategy and then sells top management on training programs designed to develop those competencies, believing that organizational change will follow.

This widely embraced development model doesn't acknowledge that organizations are *systems of interacting elements*: Roles, responsibilities, and relationships are defined by organizational structure, processes, leadership styles, people's professional and cultural backgrounds, and HR policies and practices. And it doesn't recognize that all those elements together drive organizational behavior and performance. If the system does not change, it will not support and sustain individual behavior change—indeed, it will set people up to fail. (See the exhibit “Throwing Out Flawed Assumptions About Capability Development.”)

Second, HR managers and others find it difficult or impossible to confront senior leaders and their teams with an uncomfortable truth: A failure to execute on strategy and change organizational behavior is rooted not in individuals' deficiencies but, rather, in the policies and practices created by top management. *Those* are the things to fix before training can succeed longer-term. It's much easier for HR to point to employees' competencies as the problem and to training as the clear solution. That's a message senior leaders are receptive to hearing.

Overcoming Barriers to Change

In our work helping managers have honest conversations about the effectiveness of their organizations, we hear about six common barriers. Companies consistently struggle with (1) unclear direction on strategy and values, which often leads to conflicting priorities; (2) senior executives who don't work as a team and haven't committed to a new direction or acknowledged necessary changes in their own behavior; (3) a top-down or laissez-faire style by the leader, which prevents honest conversation about problems; (4) a lack of coordination across businesses, functions, or regions due to

poor organizational design; (5) inadequate leadership time and attention given to talent issues; and (6) employees' fear of telling the senior team about obstacles to the organization's effectiveness.

Because of that fear, we call these barriers “silent killers.” They almost always appear together, and they block the systemic changes needed to make training and education programs effective. We saw firsthand how they initially thwarted leadership development at a UK medical technology company. The CEO, unsatisfied with his management bench, sought advice on building it out. Though his partners in HR recommended investments in training, he instead took a step back and asked us to help his senior team enable managers in the organization to speak truth to power about barriers to their development.

A task force empowered to conduct confidential interviews reported that lack of training was not the issue. Rather, the senior team had not articulated a clear strategy and corporate values, so managers did not understand what practices and behaviors were expected of them. Nor did the top team spend much time discussing talent and planning developmental assignments for high potentials. In fact, because senior management had not created an integrated corporation, leaders were hoarding the best talent and transferring the worst to enable their own business units to succeed. Clearly, the company had to tackle these systemic issues before it could implement a productive learning program for managers. Indeed, improving cross-unit integration would itself be a capability-development experience for the senior team and key managers that would lead to a better understanding of skills gaps that training and education might address.

This is the approach to talent development that we advocate, in six basic steps:

If the system does not change, it will not support and sustain individual behavior change—indeed, it will set people up to fail.

THROWING OUT FLAWED ASSUMPTIONS ABOUT CAPABILITY DEVELOPMENT**The usual logic:**

Problems of organizational behavior and performance stem from the deficiencies of individuals.

Improving employees' knowledge, skills, and attitudes will strengthen organizational effectiveness and performance.

So...

The target for change and development is the individual.

More effective:

Problems of organizational behavior and performance stem from a poorly designed and ineffectively managed system.

Changing that system to both support and demand new behaviors will enable learning and improve effectiveness and performance.

So...

The primary target for change and development is the organization—followed by training for individuals.

1. The senior team clearly defines values and an inspiring strategic direction.
2. After gathering candid, anonymous observations and insights from managers and employees, the team diagnoses barriers to strategy execution and learning. It then redesigns the organization's roles, responsibilities, and relationships to overcome those barriers and motivate change.
3. Day-to-day coaching and process consultation help people become more effective in that new design.
4. The organization adds training where needed.
5. Success in changing behavior is gauged using new metrics for individual and organizational performance.
6. Systems for selecting, evaluating, developing, and promoting talent are adjusted to reflect and sustain the changes in organizational behavior.

Note that problems are diagnosed from the ground up. Those confidential employee interviews are critical for exposing the silent killers, including deficiencies in capabilities and talent management, because leaders often lack the objectivity to spot glitches in systems they have created. By addressing management practices and leadership behavior that shape the system before training individual employees, leaders create a favorable context for applying learning. The systemic changes encourage—even require—the desired behaviors.

In practice, these steps tend to overlap and are periodically recycled for continual improvement. We list them in sequence to emphasize the importance of placing individual development *after* organizational

redesign. You also want leaders, their senior teams, and lower-level managers to develop on the job, as they learn individually and collectively to enact their redefined roles, responsibilities, and relationships. A consultant in HR can take advantage of real-time successes and failures to help managers reflect on the consequences of their actions and see alternatives. This “in vivo” approach also allows people to learn *how* to learn so that they can adapt to ever-changing circumstances—something that classroom training won't equip them to do. Just as important, learning and performance improvements occur simultaneously, enabling the business to recoup its investment immediately and more effectively.

To illustrate, let's return to the example at the beginning of this article. After SMA's micro-electronic products division found that its initial training hadn't changed ineffective patterns of behavior, it followed the six steps, with much better results. The new general manager asked organizational development specialists to interview key managers and professionals in every function and activity in MEPD's value chain. Their diagnosis revealed why and how interfunctional conflict, political behavior, and embedded managerial practices were undermining new-product development and employee commitment. The process exposed some barriers to effectiveness: unclear strategy and priorities, a senior team that was trying to manage new-product development initiatives from the top but lacked the necessary information, and a siloed organization that hindered coordination.

MEPD created cross-functional new-product development teams headed by leaders from marketing—a major departure from the structure that had blocked teamwork in the past. Roles and responsibilities were changed accordingly. For instance, senior management held the teams accountable through quarterly reviews at which they had to describe their progress in developing products and also report on their own effectiveness and any problems in collaboration among functional departments. This ongoing assessment helped sustain behavioral change.

Learning and development for both senior leaders and team members came in the form of hands-on coaching and process consultation. An internal organizational development consultant provided guidance as senior leaders conducted the reviews. When a few team leaders complained that senior

management was getting too involved in the details, the consultant facilitated a conversation about how that behavior could undermine others' commitment to the new organization. Team members immediately embraced their new roles, which gave them a feeling of ownership and investment. Though early meetings were not very effective, because people weren't accustomed to collaborating so closely with colleagues from other functions, consultants from HR attended most meetings in the first year and helped the teams gel.

Within a few months, after analyzing shared information, three teams recommended that their projects be canceled because they realized the products could not succeed. This increased the senior team's confidence in the new organizational arrangements and reinforced the new pattern of management. Project team members said that they had learned a lot about how to work together and had come to appreciate the complexity of business problems and decision making in different functions. That motivated them to enroll in classroom training, where they learned how analytics could sharpen their approach to product planning and product management. Coming after their immersion in the revised way of working, the knowledge felt relevant and useful.

At the end of two years a rigorous evaluation showed a remarkable change in leadership and teamwork. Performance had improved as well. MEPD had developed nine new products in those two years, compared with five over the previous four years. Revenue and profits had increased significantly. The same organization that had not responded to a massive investment in individual training transformed itself by redesigning its roles, responsibilities, and relationships; learning how to live into them with the help of coaches and advisers; and *then* using targeted classroom training to pick up new methods and tools.

Developing the Organization Unit by Unit

Part of creating a favorable context for learning is making sure that *every area* of the business provides fertile ground. Soil conditions will inevitably vary within an organization, because each region, function, and operating group has its own needs and challenges. In our studies of corporate transformations and our work with clients, unit leaders have told us

that their companies' education programs were not wrong in substance but failed to align with their local priorities and stage of business and organizational development. In other words, their groups were not ready for the training they got.

So companies should invest in capability development unit by unit. The corporate-level unit links everyone at the top—the CEO, her senior team, and key business unit, regional, and functional leaders and their key people. Individual units must consider their needs and capabilities in the context of their own strategy and goals.

Each unit's leadership team should periodically go through the six steps we've described to discover the silent killers that undermine real change, and each team should have a hand in setting its own change agenda (within the context of corporate strategy and values). Those who follow this approach will avoid the low return on investment that results from top-down programs. Common capability-development needs that emerge from unit-by-unit change can, of course, be addressed through a companywide program.

Cardo, a Swedish industrial company composed of two major independent divisions, provides a powerful example of why a unit-by-unit change strategy is important. To support its corporate transformation into an integrated global group, Cardo's CEO and his leadership team commissioned an education program to teach the top 80 managers how to lead change. The program, which integrated individual education and organizational development, featured four modules of classroom training. Between modules, participating managers were charged with implementing change and improving performance in their respective departments. They received consultation and coaching from program faculty members and peers and were invited to speak to the CEO during each module about organizational barriers to effectiveness and performance.

Evaluation of the program revealed significant behavioral changes in one of the divisions. Alignment between strategy and execution improved, as did teamwork across functions and borders, and management became more participative. The CEO estimated a tenfold return on the cost of the program by looking at the financial effect of the learning-intensive projects that managers led in their own departments and, when appropriate, in collaboration with peers in other parts of the division.

Part of creating a favorable context for learning is making sure that every area of the business provides fertile ground.

However, the other division did not experience comparable improvements. Its leaders, in contrast to those of the first group, failed to see the program's value—perhaps because they were not under the same pressure to change. Their short-term performance was good, after all. The CEO and his senior team had not assessed each division's receptiveness to the new vision and readiness to carry it out, nor had they made clear the type of organizational transformation they expected. As a result, the two divisions responded quite differently to the same program.

Contrast Cardo's experience with how ASDA, a grocery chain in the UK, approached its transformation in the 1990s. (One of us wrote a case study about the chain; it's an example worth revisiting here.) Archie Norman, the CEO at the time, led a turnaround of the company and its 200 stores by avoiding the fallacy of programmatic change—that is, the common impulse to roll out sweeping, companywide initiatives without gauging local readiness. ASDA began by creating a few model stores that demonstrated the leadership and organizational capabilities needed to build a more employee- and customer-centric culture. The company then devised a “driving test” to assess the remaining stores' capacity to implement what came to be known as the ASDA Way of Working. A store would receive corporate funds to invest in needed physical changes only if it passed the driving test. Stores that did not pass received consulting support from a corporate transformation team and then retook the test. If a store failed the test again, its manager was replaced.

At the time, ASDA's transformation was widely hailed as the most successful in the UK. In about a decade the company improved its market capitalization tenfold, thanks largely to its disciplined, unit-by-unit approach to change and development.

A New Capability Development Strategy

Even in companies with strong leaders and healthy cultures, discrete units require distinctive roles, responsibilities, and relationships—and distinctive capabilities to function in them. Moreover, each unit is probably at a different stage in its development. So CEOs and their HR chiefs must be sensitive to local variables when defining an integrated change agenda—one that simultaneously addresses performance improvement and capability development. To do that, they should answer the following questions, first at the top and then in each major unit:

- Is the leadership team aligned around a clear, inspiring strategy and set of values?
- Has the team collected unvarnished employee feedback about barriers to effectiveness and performance—including senior managers' own behavior?
- Has the team redesigned its organization, management systems, and practices to address the problems revealed by that diagnosis?
- Is HR offering consulting and coaching to help employees learn on the job so that they can practice the new attitudes and behaviors required of them?
- Do corporate training programs properly support the change agenda, and will each unit's leadership and culture provide fertile ground for it?

If your answer to any of those questions is no, your company is probably (with the best of intentions) overinvesting in training and education and failing to put talent development in its proper strategic change context. ♥ **HBR Reprint R1610C**



Michael Beer is the Cahners-Rabb Professor of Business Administration, Emeritus, at Harvard Business School and a cofounder of TruePoint Partners, a research and consulting firm specializing in organizational transformation. **Magnus Finnström** and **Derek Schrader** are directors at TruePoint.