



Employee Development: The CEO's Competitive Advantage

VISTAGE

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Improve the capacity and capability of employees to best capitalize on the projected economic surge

Employees are the fuel for growth — especially right now. With the U.S. economy projected to surge through 2021 and beyond, small and midsize businesses need to maintain and grow a strong workforce to capitalize on opportunities that are right around the corner.

Competition for talent is intensifying. In the Q1 2021 Vistage CEO Confidence Index survey, two-thirds of CEOs (66%) from small and midsize businesses reported plans to expand their workforce in the next 12 months. Unfortunately for those hiring, employee requirements are changing as workforce demand increases. Prospective employees want more than just a good job and competitive compensation; they also want companies with a compelling culture, flexible work options, a noble purpose and development opportunities for personal and professional growth.

Adding to this challenge is the issue of employee retention. Although retention problems were largely dormant during the pandemic, they are expected to resurface as the economy picks up. No one leaves a ship during a hurricane, but they will once the storm passes. Of the CEOs polled:

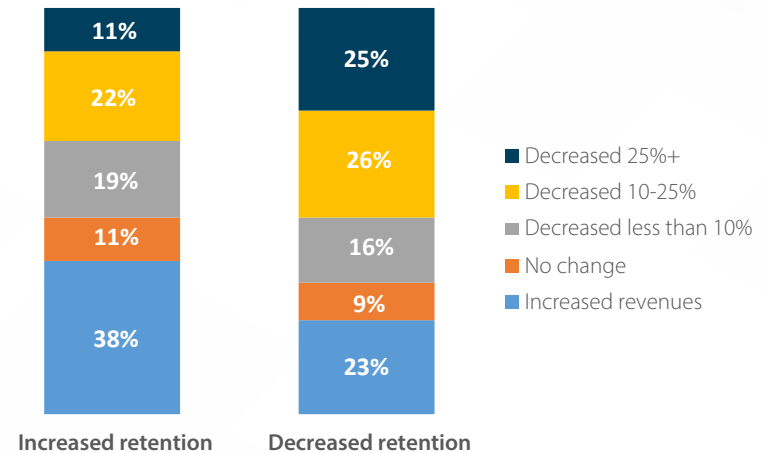
- 28% reported an increase in retention during the pandemic
- 18% reported a decrease in retention and
- 52% reported that their workforce was maintained.

Expect those numbers to change as employees uncover more work opportunities. Recent research published by Microsoft confirms this, revealing that 41% of the global workforce is likely to consider leaving their current employer within the next year.

Another reason to focus on retention is revenue. In our survey, nearly half (49%) of CEOs with increased retention rates reported stable or increased revenues. They were also less likely to have significantly decreased revenues. On the other end of the spectrum, those that reported decreased retention rates were more likely to have significantly decreased revenues.

Connection between retention and revenue: SMBs with increased retention were also more likely to experience increased revenues

Over the past 12 months, to what degree have your revenues been impacted by the coronavirus pandemic?



Source: Q1 2021 Vistage CEO Confidence Index, n=1,579

To address these challenges, CEOs need to turn their attention toward employee development. Employee development is a foundational pillar to three talent imperatives:

1. Retention

Loyalty and retention grow when employees feel their company is invested in their future. Retention also improves when managers are developed — expanding their leadership skills results in a better experience for their direct reports.

2. Aquisition

Companies gain a competitive advantage in hiring when opportunities for professional and personal growth are promoted as part of the package offered to employees.

3. Performance

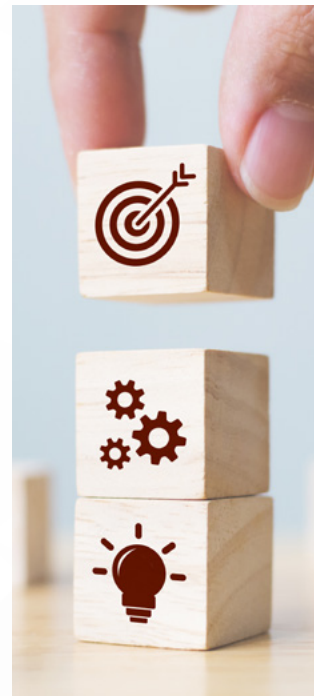
Productivity and effectiveness improve when employees receive opportunities to develop new skills and abilities as well as improve their capabilities.

“This combination of skills and will result in greater productivity.”

Anne Petrik, Sr. Director of Research, Vistage Worldwide

It's important to discern that employee development is different than performance management. Employee development is about improving skills, knowledge and capabilities to achieve performance improvement and individual growth of team members. Investing in employee development will improve retention, but it also positively impacts engagement and discretionary effort. This combination of *skills* and *will* results in greater productivity.

This report offers a comprehensive look at employee development and how it can shape talent management for small and midsize businesses. Based on data from the Q1 2021 Vistage CEO Confidence Index survey, it identifies the key components of employee development, explores approaches to leadership development, offers guidance on how to make data-driven decisions and provides recommendations to keep individuals and teams accountable.



In this report:

I. Employee development:

Key components and considerations

II. Leadership development:

Strategies for developing high potentials

III. Employee assessments:

Tools for data-driven decision-making

IV. Accountability recommendations:

Roles for individuals and teams

V. Final thoughts:

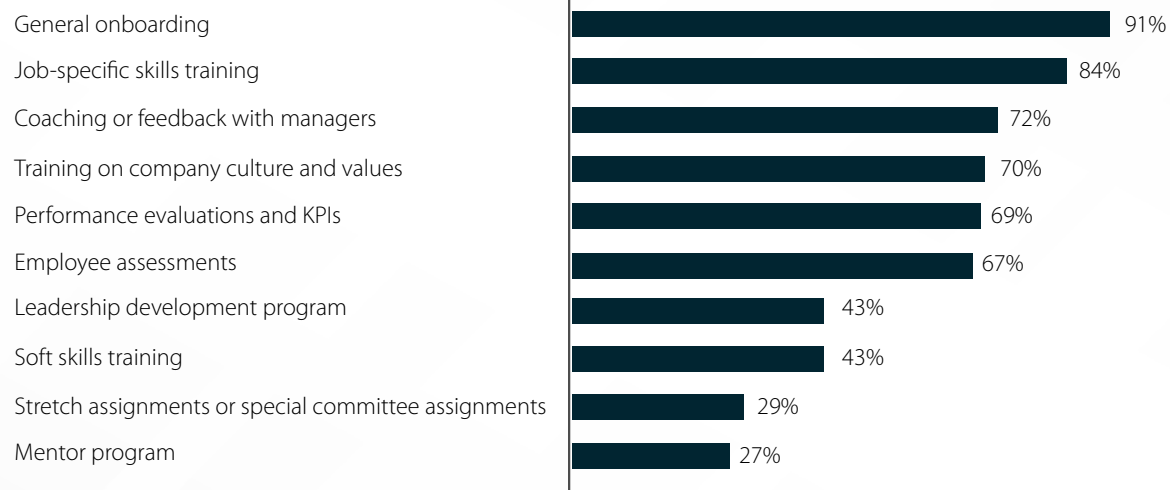
Fueling the future

I. Employee development:

• Key components and considerations

When designing an employee development program, CEOs have several components to consider. According to our research, the majority of small and midsize businesses direct their investments and resources to the front end of the employee life cycle. That is, they equip employees with the skills and knowledge needed to do their job well and manage performance expectations accordingly.

Which components do you have in place as part of your employee development program?



Source: Q1 2021 Vistage CEO Confidence Index, n=1,579

Importance of onboarding

Overwhelmingly, small and midsize businesses use general onboarding as the foundation of their development program. In the survey, 91% of CEOs reported having general onboarding in place. Retention starts the day someone is hired, so onboarding is critical — not just to get new employees up to speed, but also to build loyalty. This is especially true if the employees have been hired away from a job and feel pressure to return. In the face of remote work, onboarding has become more challenging. No longer can they take someone to lunch on their first day, for example, or make in-person introductions to their team or other new hires. The survey showed that just 10% of CEOs feel remote work has had a positive impact on onboarding, while 27% indicate it has had a negative impact. Looking ahead, organizations that intend to continue with remote work must determine how to best educate, inform and connect with new employees virtually.

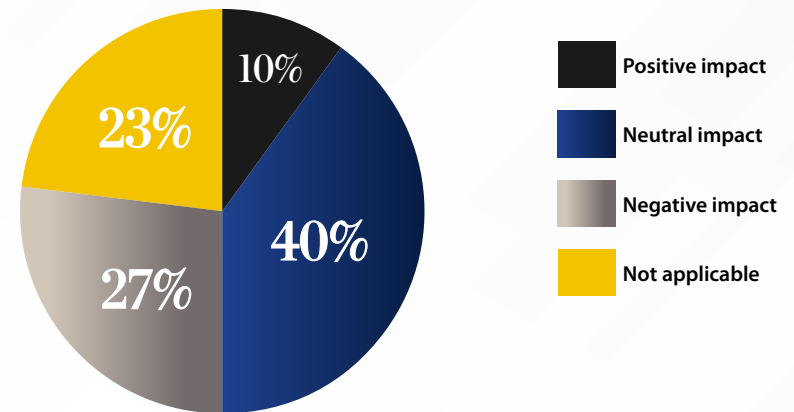
While most onboarding is centered around processes, policies and benefits (e.g., where the good coffee maker is and how to sign up for health insurance), helping employees understand culture and values is a critical component. The data suggests that this is not standard in all companies, as only 70% of the CEOs surveyed offer specific training in culture and values.

Assimilating into organizational culture and values

New employees need to quickly assimilate to the culture of their work environment. This happens by training them on the company's core values, operating principles, mission, vision and purpose. In the absence of this, it can take months for someone to observe and understand "how we do things around here." Even more complicated than onboarding, modeling culture for new employees has become even more challenging with a hybrid or remote workforce.

To set clear expectations for employees, companies must identify and communicate the behaviors that align with their values; this must be led by the CEO. If an employee's behavior does not match those values, managers need to coach them on "living the culture" and meeting job expectations. Leaders need to intentionally develop and promote their culture so employees see it modeled every day at every level; culture is observed more so than heard.

How has the remote working environment impacted the onboarding portion of your hiring practices?



Source: Q1 2021 Vistage CEO Confidence Index, n=1,579

Skilling and upskilling

Time-to-productivity for new employees is a key metric that impacts business performance. While all companies should offer job skill training, it is essential for organizations that “hire for fit and train for skill.” These organizations need to set clear expectations for time-to-productivity and skills training for different roles. This includes clarifying the processes and policies required to bring new employees up to full productivity, along with the responsibilities of teams and managers in doing so.

To avoid doubt, organizations need metrics that measure progress and signify full productivity. This includes guidelines for how long it should take to train the average employee to determine if they’re meeting expectations. Peer mentors can also help new employees learn skills and organizational processes, including those supported by unfamiliar technology. It’s often best to complement this peer-to-peer training with formal training from vendors on technology applications and platforms.

The vast majority of CEOs (84%) reported that job skills training is a vital component of their development program. However, only 43% of CEOs said they offer training in soft skills. While technical and tactical skills are required to perform required job functions, soft skills training will improve results, as it builds competencies such as problem-solving, conflict resolution, communication and collaboration.





Personal and professional growth plans

When competition for talent is high, it's important for leaders to provide a clearly defined future for employees beyond the job they've been hired to do. For CEOs, this starts with understanding their organization's bench strengths, high-potential employees and speed at which they are accelerating through defined career paths. This provides a view of succession planning and helps reveal talent gaps that stand in the way of long-term goals. If too many employees are stuck learning skills to meet the minimum performance standards, the organization will struggle to achieve its strategic goals. And if employees want to contribute strategically but don't have a path that leads there, they become a retention risk.

Career pathing helps drive employee development. Based on employee interests and needs, it uses a bottom-up approach to outline growth opportunities and map out the technical and soft skills required. Career pathing is an underutilized component of talent management for small and midsize businesses, with just 27% CEOs rating developing career paths as "very important."

While career pathing is a *bottom-up* approach that helps individuals achieve personal and professional growth, succession planning is more *top-down*, helping the organization identify and develop employees for specific leadership positions.

“*Our retention has been driven by employees becoming more vocal about the strength of our company in supporting their growth.*”

Vistage Member
CEO, Wholesale Trade



Expert Perspective | Development is descriptive, not prescriptive

Perry Maughmer, Vistage Chair and Founder of Relentless Leadership

Training and development are both very important. But they're not the same thing.

Training is an external job that is more technical in nature. I give you a set of skills, and I see if they work. Development is internal; it comes from the inside out. It's much harder to identify if it's working or not.

That's why leadership training does not work. Leadership development works if it is descriptive and not prescriptive. Training is prescriptive. Development is descriptive.

Those who aspire to lead need to create their own leadership ecosystem, which has four components. I refer to it as PART: People, Activities, Resources, Tools. Ask yourself: What kind of people am I talking to? What activities am I taking part in? What resources am I leveraging? What tools am I using?

Companies should hire for attitude, not aptitude. If you get a lot of people that have the right attitude, you can do almost anything with those people. But if you get really experienced people who have a bad attitude, trying to train and develop them doesn't turn out as well.

As a CEO, the No. 1 thing I can do is value the people that report to me and demand that they value the people that report to them. The drum that I beat has to be about taking care of our people — making sure they have everything they need and work in a good environment. That is the easiest way to increase employee retention and client retention. If my employees feel valued, they are going to value the client. If we do that simple thing, everything else takes care of itself.

“Those who aspire to lead need to create their own leadership ecosystem.”

II. Leadership development:

Strategies for developing high potentials

Data shows that small businesses focus more of their development initiatives on onboarding and job performance than on training throughout an employee's life cycle. Only 43% of the CEOs surveyed have a leadership development program and a mere 27% leveraged mentoring as part of their employee development program.

Many CEOs don't prioritize leadership development based on the assumption that the experience and expertise of their managers includes the ability to lead. Just like their team, leaders learn on the job — one mistake at a time. Compounded over time, these mistakes have devastating effects to team morale and engagement before impacting job performance. Unfortunately, bad managers can thrive as long as their team is performing.

There are two reasons it is critical to develop leaders in an organization: Their growth and development improves their ability to effectively lead their team to achieve company goals, and it improves the experience and job satisfaction of each of their direct reports.

Development best practices that improve retention

The majority of CEOs (70%) rated retention as the most important part of their talent management program. However, those that experienced increased retention in the last 12 months leveraged these three components.

1. Mentor programs
2. Stretch assignments or special committee assignments
3. Leadership development programs



Managers are the frontline to retention, culture

What kind of employee is promoted to manager? In many cases, it's the person who performs best in a functional role — even though managing people requires a completely different skill set. Other times, it's the person who exhibits leadership competencies.

In either case, it is incumbent on an organization to provide the same frameworks and leadership development opportunities for all managers. This ensures that employees have a consistent experience at work.

Leaders may set culture, communicate values and model behaviors, but managers are the ones who translate them down to frontline employees. Managers promote, define and reinforce culture. They impact how employees experience culture on a day-to-day basis, and this affects their performance, engagement and retention.

For that reason, an organization's culture is only as good as the micro-cultures that managers create within their teams.

As a complement to succession planning, mentor programs help guide high-potential employees and those who want to rise in the organization. Pairing these employees with a mentor will help them broaden their perspective, gain contextual insights, learn best practices and understand the historical context of the company — all of which are important for leadership success.

Giving employees stretch assignments or the opportunity to join committees enables them to participate at a different level. It also reveals their potential to contribute at a higher level.

Leadership development programs are an essential component of a well-balanced employee development program and serve many purposes. They are an investment in the retention of employees with leadership potential. They are a vital component of building bench strength and succession planning. And they ensure an organization has the leadership capabilities to drive performance, strengthen culture and achieve a vision. It's well documented that employees leave managers, not the companies they work for. A failure to train and develop leaders leaves a company exposed, relying on individual abilities vs. developed capabilities, and puts retention at risk.





Expert Perspective | Self-awareness is core to leadership development

Jeremie Kubicek, Executive Chairman and Co-Founder of GiANT

Leadership development is usually something very exclusive. A group of people go to a conference, get a vest, pick up some jargon. But then they only share that jargon in a small circle — a “leadership cul-de-sac,” as I call it. That creates resentment among employees.

What we’ve found is, to build healthy cultures, you have to create a vocabulary that everyone understands, learns and uses. If everyone has the same language, then we can train leaders across the organization and scale it. We don’t think leadership development is a privilege. We think it’s for everyone.

Many companies don’t understand that leadership development starts in teams. Where the team leader goes, the team goes. And where the team goes, the organization goes.

Think of a team as a flywheel with five parts: communication, relationships, alignment, execution and capacity. Most team leaders are fixated on alignment and execution. They say things like, “Can’t we all get on the same page? Let’s get things done.” But they undermine themselves because they’re not focused on relationships or communication. As a result, they don’t build relational trust, which is one of the most critical components of culture. It creates psychological safety for employees.

We look at self-awareness as a key concept of leadership development. We all have tendencies, and those tendencies will never change. Actions can change, though. We help people become aware of their patterns and teach themselves how to choose a different action. That produces a different outcome or consequence, which then shapes a different reality. To lead others, you have to know yourself and lead yourself.

“We don’t think leadership development is a privilege. We think it’s for everyone.”

III. Employee assessments:

Tools for data-driven decision making

While employee assessments are typically used to select the best candidates for open positions, many assessments also provide insights that help organizations manage and develop employees. Over two-thirds (67%) of CEOs reported that their employee development program includes assessments. But it's important for CEOs to consider both the types of assessments and applications of assessments to leverage their full impact.



Types of assessments

Organizations should use assessments that will guide their employees' development throughout the employee life cycle, from selection to coaching to developing skills and competencies. Many organizations choose to employ several different assessments that are each used for a specific purpose, as few assessments work as one-size-fits-all solutions. Because there are many vendors and assessment types available, CEOs need to ensure that their assessments are valid, science-based and insightful at all stages.

Assessments can evaluate an employee's personality, work style and skills, or they can provide a more comprehensive, 360-degree view of their leadership potential. Often, third-party vendors offer development programs with pre-training and post-training assessments that measure all levels of learning, which can indicate improvement and return on investment.

Applications of assessments

CEOs set the standard for applying insights generated by assessments. They must hold their managers accountable for using assessment data to guide their employees' journey.

Some assessment reports help hiring managers ask behavior-based interview questions, while others help them with coaching. Assessment data can also reveal opportunities for development and identify skill gaps that can be addressed through training. More significantly, assessments can identify employee strengths that the organization should leverage and further develop. Mitigating weaknesses is not nearly effective as doubling down on someone's strengths or natural talents.

Assessments that offer aggregate reports can help managers identify strengths and opportunities for improvement at the team level. This can inform how they coach individual employees and improve team performance overall.

In addition, assessments provide employees with science-based results that can help them understand strengths to leverage and areas where they have blind spots. Assessments can make individuals more self-aware, and when a team is transparent about their individual results, this understanding of their peers can help improve communication and collaboration and mitigate conflict. Assessments don't necessarily provide answers, but they do provide insight for individuals, team members and leaders to incorporate into their interactions.





Expert Perspective | To develop someone, understand how their brain is wired

Eileen Stephens, Executive Advisor, Culture Index

As part of the hiring process, we recommend companies use assessments to determine requirements for position and who you are looking for, then match the fit of the individual to desired traits. The desired traits of the individual candidates also need to be a match for the manager's style to ensure there isn't a personality conflict. The candidate also must be a fit for the vision outlined by the CEO and executive team members. It's important that the employees fit the culture of the company.

Most people use assessments for hiring. But they're so much more powerful than that.

Assessments give us data on how an employee's brain is wired and what their traits are so we can predict behavior. This helps us understand where a person is likely to thrive and where they're likely to struggle. They provide us with data and language that allow us to have nonjudgmental, impactful conversations with employees that they actually hear.

Beyond hiring, assessment data can help guide onboarding. For example, if I say to someone, "Here's what I want you to do in your first 100 days," that's going to land completely differently depending on who that person is. Some people need lots of information upfront, while others don't. The challenge is to motivate employees based on their individual needs and ensure proper training and development continues for success. Some people need, want, and seek a lot more direction than others.

With data from assessments, we can better answer questions like:

- How do I onboard this person?
- How do I manage them?
- How do I motivate them?
- How do I communicate with them in a way that works for them?
- How do I develop them?
- Are they engaged, disengaged or under stress?
- What are they looking for in their career?

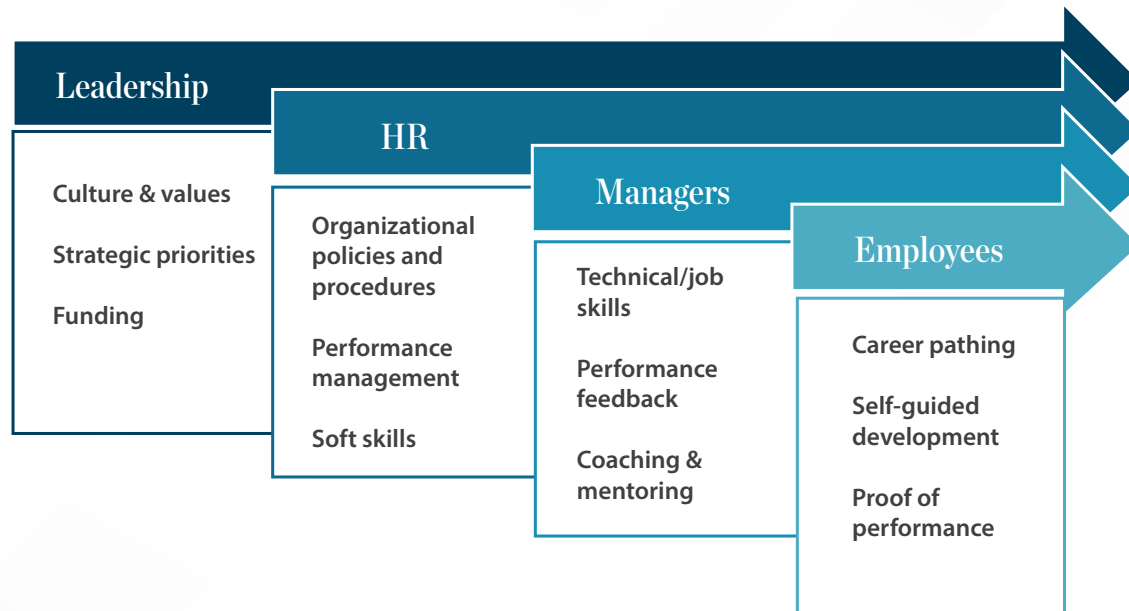
In our program, we break people down into 19 typified profiles. About 5% of the population sits in each one of those profiles. Essentially, that means a leader has to learn how to manage and direct 95% of the population who are not built like them. And that takes work. It is not automatic or an easy thing to do. When done correctly, the team thrives.

We tend to treat people how we want to be treated, the "Golden Rule". This is effective when the employee is built or wired like you. It doesn't work when they are built differently. To have an effective team, you need a diversity of thought. That same diversity means we need to be intentional in communicating in the most effective way to others who are different. Leaders need statistical, fact-based information to make better decisions and communicate more effectively with the people who work for them.

IV. Accountability recommendations:

Roles for individuals and teams

Development is a critical component of improving performance, productivity and growing the future leaders of the company. Developing employees and getting new hires to full productivity is not just an HR function or a departmental obligation. Every layer of the organization has a role and a responsibility in development, starting with the CEO.



The role of the leader

Prioritizing development starts at the top. As CEOs set the strategy, they also must hold their leadership team accountable for ensuring the talent is in place across the organization to be able to execute on that strategy. Inventorying talent and investing in skills needed to fulfill the strategy is the responsibility of leaders. They define and align the behaviors and expectations that support achieving their department's goals. If components of the strategic plan depend on improving productivity, service quality or the sales close rate, then developing those skills within the teams responsible for those metrics must be part of the strategies already in place.

CEOs must also demonstrate and communicate the importance of development for themselves, their teams and their companies as it relates to organizational values. At the backbone of an organizational culture centered around growth, learning or continuous improvement is a commitment to specific development initiatives and programs for employees at all levels.

As part of this commitment, leaders must ensure sufficient funding is allocated to these developmental programs. Because the expense of learning and development might not show an immediate return on investment, it is often subject to budget cuts. It also might seem risky to develop people at a time when retention may decline. But investing in employees' skills and competencies is an investment not just in their productivity, but in their loyalty as well. As the story goes:

CFO: *"What if we train them and they leave?"*

CEO: *"What if we don't and they stay?"*

The role of the HR function

Regardless of the size or depth of your human resources function, some components of employee development are their responsibility. This includes onboarding and training on organizational policies and processes. HR must oversee the transition from job offer to performance success.

HR should also lead the creation and adoption of a standard performance management system that allows all employees to receive consistent feedback about their performance. Leaving each department to come up with their own system and cadence creates inconsistency in how employees are treated. With support from senior leadership, HR should ensure compliance and completion and train managers accordingly.

In addition, HR leads the development of broader skills that can enhance the performance and capabilities of all employees, regardless of their job. Soft skills in collaboration, communication and conflict resolution are integral to any interaction – whether with clients or co-workers. Developing all employees creates a better work environment and culture. HR leaders do not necessarily need to conduct the training; rather, they should identify the skills needed and select training partners to meet specific goals. This is especially important for managers and leaders of the organization; specific training on leadership skills and competencies helps ensure that all employees are led by managers with similar skill sets and leadership approaches that align with values.





The role of managers

As stated before, people don't leave companies, they leave bad managers. For that reason, managers need to continuously leverage management skills and tools that will help them be more effective leaders. They are responsible for communication and collaboration, modeling how the culture and values of the organization are lived within the roles of their team.

As managers are accountable for meeting specific goals and KPIs for their team, they need to make those transparent to employees, sharing how individuals contribute to departmental goals and the team contributes to company goals. As part of performance management, managers are responsible for developing the specific skills and process knowledge for their team, providing training on technology and how things get done, setting expectations for performance and defining what success looks like. However, managers need to look beyond performance management and also focus on performance improvement. This takes the form of continuous coaching for their team, identifying more formal development opportunities for individuals to help them grow and reach their personal career goals as well. At all levels, managers are responsible for the bench strength of their team.

The role of the employee

If an employee wants to grow in their role, seek higher levels of responsibility or to become a leader, they have a critical role in making that happen — the onus is not entirely on their company. Employees can't wait to be discovered or developed, they often need to take the lead with their company playing a supporting role. True, a company is responsible for identifying high-potential employees and offering a variety of development resources, such as leadership courses, reading materials and mentorship programs. But an employee has to take the initiative to raise their hand, to prove their performance and demonstrate desire to grow into different roles.

If an employee is truly committed to their growth, often they start with their own development by leveraging resources not offered by their organization. Their motivation is evidenced by activities like consuming information in books or podcasts, sacrificing personal time for training opportunities, scheduling coffee with mentors, and seeking out constructive feedback.

As part of career pathing, the employee needs to decide and define the end goal, and work with their manager to define that path. The idea of a career path is driven by employees who determine their path from options available within the company and working with their manager who provides direction, resources and support on how to get there.

V Final thoughts:

• Fueling the future

Organizations need more than just a great strategy to succeed. They also need great employees who are both fully engaged and equipped with the right skills and competencies. Companies that commit to employee development demonstrate the value they place on their people, project the values of their culture and realize a competitive advantage for attracting new employees.

These six questions can help CEOs gauge their commitment and refine their approach to development:

- 1. Where in the employee life cycle is your development program strongest and weakest? How can you shift your focus to the entire employee life cycle?*
- 2. Is development a key component of your organizational culture? Do your financial investments and executive support reflect that priority?*
- 3. Can your top employees see a clear path forward? Do they have opportunities to grow beyond their current role?*
- 4. How are you getting the right people in the right seats? How do you evaluate employees to determine who should be managed out, who should be developed and who should be moved to positions that play to their strengths?*
- 5. What role do your managers play in developing employees? What tools do they have to succeed as coaches?*
- 6. What investments are you making in your leaders? How do you complement their natural abilities by developing leadership capabilities?*

Employee development is a critical component of talent management. For small and midsize businesses, it is a means to many ends. It improves productivity and efficiency. It supports retention of top talent. It is a differentiator for effective recruiting. It is a manifestation of values and culture.

Most importantly, it is a road map for the future of the organization.

Contributors



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As Chief Research Officer for Vistage, the world's leading executive coaching organization for small and midsize businesses, Joe Galvin is responsible for providing Vistage members with current, compelling and actionable thought leadership on the top issues, topics and decisions of small and midsize business CEOs.



Jeremie Kubicek | Executive Chairman, GiANT Worldwide

Jeremie Kubicek is a corporate thought leader and founder of GiANT, a tech platform and licensing company in self-awareness and team performance working in over 150 countries. He has owned the John Maxwell companies, Leadercast and the Catalyst Conferences and is a well-respected speaker and author. His books include: "5 Voices and 5 Gears", the 2011 National Bestseller "Making Your Leadership Come Alive" and most recently "The 100x Leader." You can find more about Jeremie at Jeremiekubicek.com.



Perry Maughmer | Vistage Chair and Founder of Relentless Leadership

Perry works with relentless organizations and individuals seeking to accelerate their performance through the purposeful exploration of leadership. He believes that by collectively becoming better leaders, we can build a better world. Perry provides his clients with a leadership ecosystem of people, tools, activities and resources that galvanize and sustain them on their journey.



Anne Petrik | Sr. Director of Research, Vistage Worldwide

As Sr. Director of Research, Anne Petrik leads the design, deployment and analysis of CEO surveys for Vistage, capturing the sentiment and practices of the Vistage CEO community. Using her analysis, in collaboration with perspectives from experts and partners, Petrik directs the thought leadership published by Vistage research to provide small and midsize business CEOs with insights that inform on how to optimize their businesses and enhance their leadership.



Eileen Stephens | Executive Advisor, Culture Index

Eileen Stephens has been Executive Advisor with Culture Index for 11 years. Eileen serves as a trusted advisor to over 100 CEOs and their teams. Her consultation helps organizations grow their top and bottom lines by identifying the right talent to meet the organization's goals. Once the talent is identified, she demonstrates to leaders how to effectively recruit, train, manage and retain their top performers. As a sought-after speaker for CEO roundtables and leadership groups, her clients value her integrity and ability to cut through the noise and drive results.

About Vistage Worldwide

Vistage is the world's largest CEO coaching and peer advisory organization for small and midsize businesses. For more than 60 years, we've been helping CEOs, business owners and key executives solve their greatest challenges through confidential peer groups and one-to-one executive coaching sessions. Today, more than 23,000 members in 20 countries rely on Vistage to help make better decisions for their companies, families and communities. The results prove it: Vistage member companies grow 2.2 times faster than average small and midsize U.S. businesses, according to a 2017 study of Dun & Bradstreet data.

Learn more at vistage.com.

About Vistage Research

Vistage conducts original research and curates subject matter expertise from thought leaders to create actionable, thought-provoking insights for leaders of small and midsize businesses. Our analysis of surveys we conduct, including the WSJ/Vistage Small Business CEO survey and Vistage CEO Confidence Index survey, informs various reports. Since 2003, Vistage has published the CEO Confidence Index, which has been a proven predictor of GDP two quarters in advance. Vistage provides the data and expert perspectives to help SMB CEOs make better decisions.

Learn more at vistage.com/confidenceindex and vistageindex.com.

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