Leadership development: The failure of an industry and the opportunity for consulting psychologists

Article in Consulting Psychology Journal Practice and Research · December 2013
DOI: 10.1037/a0035460

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Available from: Robert B. Kaiser
Retrieved on: 16 August 2016
LEADERSHIP DEVELOPMENT: THE FAILURE OF AN INDUSTRY AND THE OPPORTUNITY FOR CONSULTING PSYCHOLOGISTS

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Leadership training and development is big business; in the United States alone, it has doubled over the past 15 years to become a $14 billion industry. Consulting psychologists have benefited greatly from this explosive growth. Nonetheless, citizens around the world lack confidence in public and private sector leaders, and organizations are worried that they do not have enough good leaders. We discuss two fundamental problems contributing to the apparent failure of the leadership industry and explain how the field of consulting psychology is positioned to address them. There is a significant opportunity for consulting psychologists to steer the leadership industry in a more constructive direction—if they have the courage to do so.

Keywords: leadership, leadership industry, leadership training, leadership development

Although the global economy has barely budged since the turn of the century, the talent management industry has grown considerably. Much of this growth comes from leadership training and development. Leadership development is made up of university-based courses and executive education; corporate-based universities, internal training programs, and e-learning modules; and executive coaching and training programs offered by external consultancies. In the past 15 years, annual spending by U.S. corporations on formal training and development for leaders has surged from $7 billion to nearly $14 billion (Bassi, Gallager, & Schroer, 1996; O’Leonard & Loew, 2012).

The explosive growth of the leadership industry has been a boon for consulting psychologists. This is reflected in a host of informal indicators: It seems that most consulting psychologists now provide leadership-related services of some kind; leadership sessions are widely attended at the annual Midwinter Conference of the Society of Consulting Psychology; and since the turn of the century, articles concerning leadership, executive coaching, and related topics seem to be more and more common in the Consulting Psychology Journal: Practice and Research. All of this suggests that we are well positioned to participate in a growth industry. But there is a fly in the ointment.


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There is scarcely any evidence that all this spending on development is producing better leaders. To the contrary, there is widespread concern about the state of leadership today. Civil protests from Wall Street to Tahrir Square attest to unrest about how things are being run in both private and public sectors. And no wonder, with a steady stream of media reports of corruption, fraud, scandals, cover ups, insider trading, rate fixing, industrial accidents, economic crises, unemployment, and disengagement among those fortunate enough to have a job. To quantify the level of concern, a recent National Study in Leadership Confidence published by the Harvard Kennedy School reports that 70% of Americans believe that we have a nationwide leadership crisis and that the country will decline if we do not get better leaders (Rosenthal, 2012).

This sense of disaffection is part of a disturbing trend. The Harris Poll conducts an annual survey to measure how confident the American people are in the leaders of major institutions such as Congress, the White House, the military, small businesses, big business, and so on. Since 1996, the percentage of people reporting at least some confidence in the leadership of government, corporations, and Wall Street has plummeted from around 90% to 60% (Harris Poll, 2013).

Comparing annual spending on development with the declining levels of confidence provides a discouraging macroeconomic view of the leadership industry: We are spending more and more to develop leaders with whom we are less and less satisfied (see Figure 1). Of course, correlation does not imply causation, but it is clear from the data that the increase in spending is not in response to a decrease in confidence. If anything, increases in spending seem to be followed by decreases in confidence.

Growing discontent is not just a matter of public opinion; it is a practical problem as well. Organizations around the world are expressing grave concern about their supply of effective leaders. As just one recent example, a survey of more than 14,000 human resource (HR) professionals and line leaders found that only 26% of HR and 38% of leaders reported that the quality of leadership across their company was “excellent” or “very good.” Future prospects were even worse, with only 18% of HR and 32% of leaders reporting that their bench strength to meet future needs was “very strong” or “strong” (Boatman & Wellins, 2011).

The good news is that organizations seem to recognize that there is a leadership crisis and are willing to invest resources to address it. The bad news is that despite a decade and a half of increased spending, the problem seems to be getting worse. This raises serious questions about the efficacy of leadership development, questions that go straight to the core of the industry.

The field of consulting psychology is in an interesting position to improve the impact of the leadership industry, at least to some degree. But doing so requires facing up to hard realities and challenging deeply held convictions. It involves speaking truth to power, and thereby risks
biting the hand that feeds it. And the process needs to begin with a long, hard look in the mirror. We cannot be part of the solution until we see how we have contributed to the problem.

We believe there are two persistent, overarching problems that often go overlooked yet frequently undermine the impact of leadership training and development. Both problems can be addressed from the perspective of psychological science and consulting psychologists should be able to help organizations recognize and fix them. This represents a significant opportunity for the field of consulting psychology—not just to claim more market share, but also to provide a service to a global community aching for better leaders.

The Evaluation Problem

A dirty secret about the leadership industry is that its offerings are rarely evaluated. In off-the-record conversations, premiere leadership training and executive education providers have estimated to us that fewer than one in 10 programs are rigorously evaluated. Most evaluations concern “smile sheets”—surveys about affective reactions such as how much participants liked the program or felt it was valuable, the lowest level criterion in Kirkpatrick’s (1994) evaluation model.

These informal observations are reflected in the empirical literature, which yields three key findings (Avolio, Reichard, Hannah, Walumbwa, & Chan, 2009; Collins & Holton, 2004). First, in a comprehensive search for studies of the impact of leadership development interventions over the last century, only 200 were located. That is an average of two per year—nowhere near a reasonable proportion or representative sample. Second, of the interventions that were evaluated, two-thirds had a positive outcome. However, the vast majority of these studies concerned affective reactions and knowledge outcomes; relatively few studies reported positive changes in behavior or results. Finally, and most concerning, a third of these interventions did not have a positive outcome of any sort. Given that the programs that were studied were likely better designed and implemented than the many, many more that were not, the failure rate for leadership programs is probably higher than one in three.

It is easy to understand why leadership development is rarely evaluated in terms of significant outcomes. These programs are costly and the budgets are usually taken up by design and delivery, leaving little for evaluation. Many senior executives are not interested in these issues and prefer to delegate the development problem to HR or external consultants. And there is little accountability except to show that some action is being taken. So, in the rare cases in which impact is studied, it is done ad hoc with measures of convenience that reflect peripheral concerns—how many high potentials went through a program, what proportion of directors received 360 feedback, how many participants thought it was worth their time, and so on.

Although we often think of impact evaluation as a way to determine return on investment, there is another very important reason for evaluating impact, which is to improve the design and delivery of programs that do not have their intended effects. This is a significant opportunity loss, especially for that third (or more) of interventions that have no or a negative impact and whose real and hidden costs greatly exceed the price of evaluation.

Training and education in consulting psychology emphasize empirical research and provide the necessary technical background in measurement, statistics, and experimental design to conduct impact research (American Psychological Association, 2007). However, we need to be more persuasive with organizational clients about the importance of including formal evaluation in all leadership development programs (Winum, Nielson, & Bradford, 2002). This will get easier as the market matures and boards hold executives more accountable for leadership bench strength. We can either lead the push for better evaluation or let economists, finance personnel, six-sigma black belts, and big data junkies lead the way.

As evaluation research becomes more common, we predict that far more than a third of leadership training and development programs will be found to not have a positive impact. This raises a fundamental question: Why do so many of these interventions fail to deliver?
The Definition Problem

As technical experts, it is tempting to look for the smoking gun in flawed designs, inferior delivery techniques, dubious diagnostic tools, and the like. However, fundamental problems are rarely in the technical details and more often are found by examining the big picture. We believe that a core shortcoming of the leadership industry is that it often operates on a faulty definition of leadership.

There are two common views on leadership that obscure its essence and set practitioners down the wrong path. The first defines leadership as position: If you are in charge of something, then that makes you a leader. But as our colleague Bob Hogan likes to point out, think about the qualities that distinguish those who advance in any large organization: hard work, persistence, political skill, the right connections, being male, and even luck. Rarely do leadership skills factor into the advancement equation. The second view is just as misleading. Most public and private institutions define leadership using competency models—a list of the knowledge, behaviors, and skills needed to perform a job or role. The standard way to build these models is to ask senior managers to identify the competencies needed in various leadership roles. And therein lies the problem. Research shows that a majority of people in positions of authority are ineffective leaders (Hughes, Ginnett, & Curphy, 2012), so asking them what it takes to lead is like asking your doctor for investment advice. He or she will have an opinion but it may not be any good.

The research literature is notorious for inconsistencies in how the topic of leadership is defined. For many years, the Center for Creative Leadership refused to even offer a definition. One way to cut through the faddish noise and conceptual clutter is to ask the functional question, “What is leadership for?” In a series of papers over the past 20 years in collaboration with Robert Hogan, we have worked out an instructive answer by analyzing how leadership may have provided an adaptive advantage to groups over the course of human evolution (see Hogan, Curphy, & Hogan, 1994; Hogan, Kaiser, & Chamorro-Premuzic, in press; Winsborough, Kaiser, & Hogan, 2009; Van Vugt, Hogan, & Kaiser, 2008).

From an evolutionary point of view, there are two competing explanations for leadership: dominance theory and group coordination theory. Dominance theory argues that leadership emerged as a mechanism of social control in alpha species, in which might makes right and larger, stronger individuals impose their will on others to control group resources and activities. Group coordination theory argues that leadership emerged for solving complex problems requiring cooperation and is an extension of the same mechanisms underlying the organization of marching ants, flocks of birds, and patrolling chimpanzees (Van Vugt et al., 2008).

Although both tendencies are present in humans, dominance theory has little empirical support as an explanation for the origin of leadership. Measures of social dominance are weakly correlated with leadership, and humans in every known culture despise tyranny and coercion. Studies of leadership prototypes—beliefs about which qualities define who is worth following—find that dominance and selfishness are the antithesis of what people look for in leaders. Group coordination theory, however, is quite consistent with the leadership research findings. In situations requiring organized group activity, such as an emergency, threat, or ambiguity, people spontaneously form leader–follower structures. The evidence suggests that leadership was an adaptation that helped early human groups cooperate to overcome such recurring survival challenges as choosing where to forage, hunt, and seek shelter (by providing direction); resolving conflict among group members and ensuring everyone contributes (by providing authority); and deciding how to relate to other tribes (by competing or forming alliances). Several corollaries follow from this view and illustrate problems with the typical approach to development.

Individual Bias

According to our evolutionary analysis, the primary function of leadership is to persuade self-interested individuals to work together to achieve group goals. However, most leadership courses, programs, and coaching engagements are focused on the leader to the neglect of the group. Assessments typically consider the individual’s personality and cognitive factors or ratings of their
competencies, skills, and behavior, and almost never include collective concerns such as workgroup climate, team dynamics, or unit results. Rarer still is any linkage between the leader’s individual characteristics and team performance. Small wonder, then, that there is little evidence that leadership training improves organizational performance.

This individual bias is also reflected in psychological research. In a summary of the literature, we classified the measures of leadership used in 10 meta-analytic studies involving more than 285,000 leaders from 1,124 samples and 1,695 statistical tests, (Kaiser, Hogan, & Craig, 2008). One category was focused on the individual leader and included “standing out” variables (leadership emergence, being selected to a leadership role, and promotion rate) and “approval” variables (ratings of the individuals’ behavior or effectiveness). The other category was focused on the group and included process variables (employee motivation, team dynamics) and outcome variables (productivity, financial performance). The majority of measures were focused on individual leaders, prompting us to conclude that the leadership research literature says more about how to get ahead in a managerial career (by standing out and gaining approval) than it does about how to motivate employees, build teams, and get results.

Overlooking Followers

From an evolutionary perspective, leadership is not the most puzzling question. It is fairly obvious why people would want to be a leader given the social perks and advantages that come with status. The more interesting question is followership: Why would anyone cede power and status in deferring to someone else? We studied this question by applying game theory to multilevel selection models and found a reasonable answer (Van Vugt et al., 2008). Although within the group, leaders fare better than followers, followers in well-led groups fare better than followers in poorly-led groups. Not everyone can be the leader, but it pays to follow a good leader.

One of the more pressing issues in leadership concerns the motivation of followers and understanding what is in it for them. This is rarely considered in mainstream leadership development activities. The more common concern is to identify the leader’s motivation and interests and align them with a career path or organizational culture that provides a good fit. We believe that managers could become better leaders by looking externally to understand “Why would anyone follow me?” Suggestions can be found in recent work in consulting psychology on what constitutes leadership worth following (Thompson, Grabek, Phillips, & Fay, 2008) and how leadership can create engagement (Gravenkemper, 2007; Serrano & Reichard, 2011). The issue will only become more salient as tightening labor markets, flatter organizational structures, and social media continue to shift the balance of power toward employees (Kellerman, 2012).

Neglecting the Team

An extension of the prior point is to consider what the group needs from the leader. We realize that our evolutionary model of leadership may not seem very practical; elaborate theory, interdisciplinary data, and novel thinking can seem irrelevant to pragmatic managers facing real-world problems. However, the argument boils down to a simple definition of leadership effectiveness as building and maintaining a team that can outperform the competition (Hogan, Curphy, & Hogan, 1994). The practical relevance of this definition is obvious to anyone who recognizes that groups and teams are the building blocks of modern organizations. And here again we see where traditional approaches to leadership development come up short.

Very little leadership training and development content concerns how to launch, maintain, and improve teams. Consider the summary of some prominent commercial competency models presented in Table 1. The ability to lead a team is conspicuous for its absence. Not a single competency mentions teams, and only a few seem relevant (e.g., fosters collaboration, manages conflict). A similar neglect is apparent in MBA curricula. In a review of the coursework for programs at Wharton, the Haas School, and the University of Minnesota, only one class dealt with teams (Leadership and Teamwork, at Wharton). We have seen the same void in the modules composing hundreds of corporate leadership programs.
Team leadership is a big opportunity for development professionals, especially consultants who understand the rich and voluminous psychological literature on team performance (Curphy & Hogan, 2012). We routinely encounter managers and executives who struggle with team challenges—how to launch new teams, manage virtual teams, diagnose and change team dynamics, integrate new team members, or turn around underperforming teams. Yet, there are few practical and evidence-based offerings for managers. This helps to explain the popularity of books such as *The Five Dysfunctions of a Team* (Lencioni, 2002), which is sensible enough but has little if any basis in science.

### Not Everyone Can Become a Great Leader

To a large extent, the leadership development industry promotes the two ideas that moving into a leadership role is the mark of career success and everyone can become a good leader (Kellerman, 2012). Our evolutionary analysis, day-to-day interactions with executives, and the research on leadership effectiveness, however, suggest that these are dangerous and counterproductive myths.

For leadership to work, someone must initiate action and others must consent to follow. However, if several individuals compete to initiate action, the group risks being consumed by discord and failing to coordinate. To minimize this threat, the process of frequency-dependent selection suggests that evolutionary forces would promote more follower than leader phenotypes in a given population, and this would require that leadership and followership be linked to genetic factors (Allen & Clarke, 1984). Recent twin studies have determined that holding a leadership position is in fact linked to genetic factors (Arvey, Rotundo, Johnson, Zhang, & McGue, 2006; Arvey, Zhang, Avolio, & Krueger, 2007). Other research has shown that specific personality traits, cognitive abilities, and work values that are largely heritable are related to leadership effectiveness.
(Hogan, 2007; Judge, Colbert, & Ilies, 2004; Judge, Bono, Ilies, & Gerhardt, 2002). The hard truth is that there are real biological and psychological constraints on one’s talent for leadership and just how much leadership skill one can develop. Everyone can surely become a better leader, but not everyone can become a great leader.

**Naiveté About the Politics of Power**

Human nature involves a blend of self-interested and prosocial motives, raising the ever-present possibility that leaders may exploit their power and position for personal gain. Some individuals who aspire to leadership roles are more motivated to see the collective do well, whereas others are more selfishly motivated by the promise of privilege and status. Furthermore, experimental research has demonstrated the corrupting influence of power and shows that simple primes and manipulations to induce people to feel powerful are followed by a diminished ability to see from another person’s perspective, a tendency to exploit other people, and entitled justifications for lying, cheating, and stealing (Galinsky, Magee, Inesi, & Gruenfeld, 2006; Gruenfeld, Inesi, Magee, & Galinsky, 2008; Lammers, Stapel, & Galinsky, 2010).

Field research suggests that these effects also operate in the real world. For example, compared with lower level managers, higher powered executives are less likely to consider how decisions affect people (Rasch, Shen, Davies, & Bono, 2008) and tend to be rated lower on the competency Trust and Integrity in Korn/Ferry’s database (De Meuse, Dai, & Wu, 2011). It is telling how former Enron Chairman Kenneth Lay explained his criminal behavior at his sentencing trial for fraud and corruption: “We had realized the American dream and were living a very expensive lifestyle, the type of lifestyle where it is difficult to turn off the spigot.”

Lord Acton immortalized this danger long ago in his famous adage about how power corrupts. However, the corrupting influence of power, the temptations of status, and the old-fashioned notion of noblesse oblige are rarely a part of modern leadership training and development. This has been changing, especially by the addition of ethics courses to some MBA programs, but all too often the focus is on compliance and legal issues rather than character and moral issues. It is exactly these character flaws that seem to have shaken public confidence in today’s leaders. There is promise in recent work in consulting psychology showing how to make character a focal point in leadership (Thompson & Riggio, 2010).

**Conclusion**

The problems with leadership in the modern era are significant and far larger than the field of consulting psychology. But there is much consulting psychology has to offer the leadership development industry by addressing the evaluation problem and the definition problem. We specifically encourage consulting psychologists to examine their own practices and encourage their organizational clients to

- Systematically evaluate the behavioral and organizational impact of leadership development;
- Define leadership in terms of building teams that outperform the competition;
- Create competency models that reflect the skills needed to lead teams;
- Conduct assessments that identify how leaders affect team functioning;
- Focus training and development efforts on improving team and organizational performance;
- Teach leaders about followership and how to motivate followers;
- Make more informed decisions about who can become a better leader and who is likely to become a great leader, and invest in these populations accordingly;
- Reward other career paths so that leadership roles are not the most appealing to those seeking status and prestige; and
- Emphasize character and the effects of power in selecting and developing leaders.

Despite little evidence showing economic value, there is no doubt that huge sums of money will continue to pour into the leadership industry. And, chances are, you can make a very good living participating in the status quo. But can you live with it? There is a greater good that
is not being served, and this greater good is precisely what leadership is supposed to be about.

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Received November 18, 2013
Latest revision received November 25, 2013
Accepted November 25, 2013