

Consulting
Leadership

2011 Top Companies for Leaders

Survey Highlights

AON Hewitt

Overview

Many companies say they invest in talent, but few put their money where their mouths are. The world's best businesses know that developing talent is their top priority. Aon Hewitt's *Top Companies for Leaders* study spotlights organizations that are doing it right. You'll recognize many of these companies as industry leaders with a track record of strong financial results. *So, what are Top Companies doing differently?* Here's a glimpse at how Top Companies stay ahead of the curve and have the results to show for it.

Top Companies:

- Execute the fundamentals very well;
- Believe that the **HOW** matters more than the **WHAT**;
- Have a cadence to their leadership processes that continually strengthens the pipeline;
- Build leaders who achieve results; and
- Are never satisfied.

Top Companies Place a Premium on Talent

Strong leadership is more than a competitive advantage. It separates world-class companies from the rest. And today, the need for effective leadership is unprecedented. Michael Useem, Professor of Management and Director of the Leadership Center at the Wharton School, notes that “increasing competition, complexity, and uncertainty are placing a premium on company leadership like never before, and building that leadership requires direct engagement by company directors, executives, and line managers.” He adds that “a culture of leadership development from the top down defines this year's Top Companies for Leaders.” This emphasis on growing leadership capabilities at all levels in the organization truly sets the Top Companies apart from the rest.

“Companies need leaders who are not simply value creators, but rather are game changers—leaders who know how to identify and close opportunity gaps—‘what we could do,’ not just performance gaps—‘what we should do,’” says Linda Hill, **Top Companies for Leaders Judge, and Faculty Chair of the Leadership Initiative and Wallace Brett Donham Professor of Business Administration at the Harvard Business School.**

21st century leaders must flex with the demands of a fast-changing world. What distinguishes great leadership today is the ability to craft competitive strategies, manage risk, and build a sustainable pipeline of talent who can drive innovation and implement change. Nurturing these capabilities requires dedicated focus, passion, and commitment—traits that key leaders in all Top Companies possess.

Top Companies truly believe that talent is their greatest asset. More important, they act on this belief and have the financial results to show for it. Top Companies outperform their industry peers in growth (e.g., CAGR Revenue, CAGR EBITA) and return (e.g., ROE, ROA) measures. Additionally, total shareholder returns average nearly 9% higher over five years at Global Top Companies compared to those that are not Top Companies.

Key Trends Aon Hewitt's team of global leadership consultants conducted interviews with more than 900 executives as part of the Top Companies for Leaders research. These interviews shed light on emerging trends in corporate strategy, leadership, talent programs/processes, and sustainability. Here's what we uncovered from executives around the globe:

- The emotional side of leadership is critical to maintaining calm and focus in times of permanent and disruptive stress
- Differential investment in top talent leverages scarcer resources to assure key talent is recognized, retained, and developed, even when fewer total resources are available
- Leadership programs and practices are highly integrated and embedded within their organizations
- Increasing diversity among the executive team and the leadership pipeline is of critical importance, and companies are feeling the urgency to take action
- Cultural agility is paramount to success—leaders must think globally, but act locally

Rise of the Asian Powerhouse

Twenty companies have been named Top Companies for Leaders in Asia, and six of those are also Global Top Companies for Leaders—marking the highest number of Asian firms to ever make the list. How these companies evolved in a relatively short time is not only impressive, but telling of what the future may hold.

How Did They Do It?

- Accelerated learning curve
- Early adopters of relevant best practices
- Innovation

Top Three Talent Issues for Asia-Pacific

Asian businesses have grown exponentially in the last decade, and a major challenge facing these organizations is developing quality leadership. With rapid growth in the region and competition among multinational companies, Asian companies are struggling to attract the right talent and retain the best performers. As a result, leaders in Asia-Pacific recognize the need to build talent in new, creative ways.

- **Capability.** Asia-Pacific is the most populous region on earth. China and India comprise 37% of the world's population, accounting for more than 60% of the world's wealth (van Ark, 2010)¹, yet most organizations still face capability and pipeline issues when it comes to critical leadership and managerial skills. Companies are realizing they need to develop quality leaders who can grow the business profitably, create distinctive competitive advantage, embrace diversity and cultural differences, and manage cross-cultural operations. The shortage of technical skills, language fluency, and global capabilities to drive growth are also real in the region. Most organizations realize they currently are not built to grow quality leaders fast enough to meet these challenges.
- **Employee Value Proposition.** To develop and retain top talent, Asian companies need to change how they view talent management. Many Asian companies still see talent in terms of supply and demand—a view that focuses primarily on the cost of talent (i.e., compensation). Today's environment is far more complex (development, diversity, mobility, engagement, opportunity, etc.) and strategies toward talent management need to change in response. While labor costs in parts of Asia are low relative to many mature markets, in many cases salaries have been rising at a much faster rate. Top Companies know money alone is not a sustainable

¹ Van Ark, B. (2010, July). StraightTalk®: How unique is the current era? New York: The Conference Board.

strategy, and are looking at the overall employment experience—career opportunities, development opportunities, ability to influence how and where they work—for differentiation.

- **Culture.** Asian companies need to focus on managing shifting cultural norms. The workforce in Asia is young and becoming more individualistic. This means Asian companies need to think of new ways to attract, retain, and develop top talent. When it comes to employment, talent in Asia is striving for the “best of both possible worlds.” This change is shaped by admiration of the West and global organizations, as well as the rise of Asia-Pacific hegemony and business powerhouses like Aditya Birla, Hindustan Unilever, ICICI Bank, China Vanke, Wipro, and Bharti Airtel.

Disciplined Leadership

There is a distinct set of interrelated disciplines that set Top Companies apart and position them for success. These four disciplines of leadership serve as the differentiating “truths” about what it takes to be a great company for leaders:

- 1. Leaders Lead the Way.** At Top Companies, senior leaders model the behavior they expect all their leaders to display. Leaders set the tone for the cultural values, skills, strategy, and expectations of their organization. They actively model desired behaviors and personally represent the leadership brand to internal and external stakeholders. Take Jim Skinner, the CEO of McDonald's. His passion and commitment for leadership is tangible. Talk to him for five minutes and you'll have a clear sense of what leading the way means at McDonald's: “I'm brand McDonald's walking. Walk the talk is so important because people have so much belief in their leaders here—that's always been the case.” At Deere, leaders spend time at locations all over the world. As one executive told us, “You can't do leadership by distributing a brochure. People need to see you doing it, being a leader. You have to be with people to show and explain how it is done.”
- 2. Unrelenting Focus on Talent.** Serious about the investment in top talent, Top Companies ensure that an intense focus on talent permeates every level of the organization. This involves how they hire, coach, develop, promote, and reward people from entry to senior-most levels. Talent decisions are business decisions at Top Companies. IBM is very serious about its talent, as evidenced by its homegrown system used to track data on 50,000 leaders around the globe. They use it to identify key talent, simulate moves—sometimes two or three moves out—and give people purposeful experiences to develop capabilities for future roles. Procter and Gamble is an exemplar of this unrelenting focus on talent from day one. With over a million applicants last year, the company typically hires less than 1%. Once that talent is in the door, the goal is to develop them over a career—no small feat in today's ever-changing landscape.

Because Top Companies build from within, the success lies in developing a strong bench of leaders at all levels. Leaders who don't have a strong track record and reputation of developing diverse talent won't be able to attract the most talented people to work for them. “Our leaders take a lot of personal ownership. You can't replicate that with a system or a tool or a process. It is a culture of development that brings this to life. Our role is to take the culture of leadership development and systematize it through the organization,” according to Moheet Nagrath, Global HR Officer.

- 3. Practical and Aligned Programs and Practices.** Leadership strategies must clearly and comprehensively reflect the overall business strategy. At Top Companies, leadership programs and practices are closely aligned with business goals. Programs are practical, relevant, and easily executable. There's no extraneous development—programs purposefully cultivate the capabilities needed to drive the business strategy. Accelerating global talent development is a priority for GE. “We are optimizing our global and local capabilities, expanding operations significantly in growth markets and competing for top talent around the world. Employee development therefore remains one of our highest priorities as we look to serve our global customers better and faster.”
- 4. Leadership as a Way of Life.** At Top Companies, the development of leaders is an embedded practice and mind-set. For leaders, it is a way of behaving that is woven into every aspect of business—the culture, the way decisions are made, the strategic initiatives that are implemented. Leaders in Top Companies have a difficult time comprehending any way to think of leadership development other than as a part of their everyday professional lives. As one executive told us, “It’s a basic belief that leadership is essential in Unilever. It’s as simple as this—if you want to build a great company, you need great leaders to inspire great people.” According to another Global Top Company executive, “Talent management, development, and advancement is a dynamic process and has to occur 365 days a year and has to have visibility. It’s not an event; it is going on all the time and is high action.”



Together, these disciplines create a winning leadership culture that is the hallmark of the Top Companies. The first three “disciplines” (Leaders Lead the Way, Unrelenting Focus on Talent, and Practical and Aligned Programs and Practices) work together and culminate in the fourth discipline, “Leadership as Way of Life.” Ten years of leadership research shows that these disciplines are the key to great leadership across industry, geography, and organization size.

Becoming a Top Company for Leaders: Blueprint for Building and Sustaining Your Leadership Pipeline

Getting to disciplined leadership takes time, commitment, and a good dose of resolve. While some of the leading companies have been at this for nearly 100 years, many have just begun building the foundations that lead to success. Below is a blueprint for building those foundations that will allow companies to achieve disciplined leadership, and ultimately, to become Top Companies for Leaders.

Top Companies for Leaders Framework

Integrate



Execute



Blueprint of a Top Company for Leaders

Blueprint Stage	Action	Top Companies Practice
Align Business Strategy to Leadership Strategy	Explicitly align business strategy to leadership strategy. Leadership programs are in place to achieve business strategy and deliver results.	<ul style="list-style-type: none"> Identify capabilities needed to drive business strategy and assess for gaps Develop with intention Select, assess, develop, reward, and target talent based on the business strategy
Define Leadership Expectations	Establish an integrated competency model that transcends geographic boundaries and differentiates your organization and its leaders from the competition.	<ul style="list-style-type: none"> Base performance appraisals for officers, directors, and managers on how they get the job done Use leadership competencies to measure talent
Programs and Practices	Build a strong and agile pipeline of talent through comprehensive, purposeful, and formalized execution of leadership programs and practices.	<ul style="list-style-type: none"> Manage talent pipeline closely Have honest talent reviews Identify and calibrate top talent Ensure high potentials get the right experiences and development Use data and modeling scenarios to support analysis
Assess and Develop	Evaluate capability needs aligned with strategic direction and propel talent forward using diverse, tailored, and purposeful development opportunities.	<ul style="list-style-type: none"> Use valid and objective feedback assessments to understand capabilities and guide development Accelerate development through meaningful experiential, relational, and traditional processes Move talent planfully
Measure	Establish practical measurements to analyze the effectiveness of programs and their relevance to achieving goals, and use the results to fuel continuous improvement of people, processes, and systems.	<ul style="list-style-type: none"> Utilize outcome-focused measures to analyze the effectiveness of their programs Improve their people, processes, and systems based on results

Align Leadership and Business Strategy

Few organizations have a clear strategy for building leaders. They often move from tactic to tactic with few sustainable results. In the often inexact process of developing the next generation of leaders, companies need a well thought-out leadership strategy and the supporting processes to execute it.

Leadership strategy is clearly defined in Global Top Companies. Not only do they articulate a clear business case for investing in leadership as a clear strategic imperative, Top Companies ensure their stakeholders understand how their leadership strategy creates value. Building leaders at all levels is core to the strategic agenda at Top Companies. An intense focus on talent permeates every level of the organization, and they put their money where their mouths are—92% of the Global Top Companies report that leadership investments are not impacted by the organization’s financial performance, compared to 66% of other companies surveyed. In Top Companies, business strategy equals leadership strategy.

All Top Companies have formal strategies in place for selection, assessment, development, high potential identification, and rewards. While this alone is a clear differentiator for Top Companies, they continue to raise the bar higher as evidenced by the integration of these leadership practices and the degree to which they connect and build upon each other to foster development and achieve results. Top Companies explicitly align the business strategy to the leadership and talent strategy. Talent processes are re-reviewed every time strategy is re-focused in these organizations. Simply put, leadership programs and practices are in place to drive the business objectives. As one Top Company executive states, “At P&G, we put the best-qualified talent in our most strategic, mission-critical roles to accelerate their development and deliver business growth. This is done using a very disciplined staffing process that is tied to our business strategy. We look to grow leaders who have a breadth of experiences, depth of mastery, and multi-disciplinary skills (e.g., sales, marketing).”

Explicitly Linked to Business Strategy	Global Top Companies	All Others
Assessing leaders	76%	42%
Developing leaders	80%	42%
Rewarding leaders	84%	42%
Identifying high potentials/critical talent	76%	39%

Leadership Expectations

A well-defined competency model transcends geographic boundaries and differentiates organizations from their competition. Nearly all participating organizations (100% of Global Top Companies vs. 74% of all others) use a defined leadership competency model or other formal description of leadership high performance. Senior leaders in Top Companies know what exceptional leadership looks like in their organizations (100% of Global Top Companies vs. 84% of all other companies), and they are more likely to include behaviors in the competency model that are future-focused, core to their organizations, and facilitate the creation of strategic value through others. Leader expectations are very clear to both the leaders inside and the stakeholders outside the organization.

Leadership Expectations	Global Top Companies	All Others
Articulate a point of view about the future	88%	74%
Ensure accountability	100%	79%
Build teams	100%	93%
Create aligned direction	92%	78%
Find and develop next generation of talent	100%	76%

Competency frameworks are also utilized more strategically in Top Companies. Integrating and aligning these expected attributes with leadership practices (e.g., recruiting, high potential identification, rewards, and development) creates consistent expectations and drives the right behaviors throughout the organization.

For example, Aditya Birla, which operates in 36 countries, has one set of strong group values and one collective mission, supported by common objectives that guide all business activities and decisions. One of the most powerful practices in ABC is the belief and practice that leadership is “sector-agnostic.” This is developed systematically through learning and exposures on the job in a common framework across the globe. At General Mills, “Leadership competencies are the glue for how we discuss and measure talent. The performance appraisals for officers, directors, and managers have 50% based on how you get the job done.”

Leveraging Leadership Brand

Top Companies have a stronger leadership brand in the external market than the other participating organizations. A strong reputation does not happen by luck or chance. Rather, Top Companies are intentional in their efforts to build a strong reputation for developing leaders (100% of Top Companies compared to 66% of others). Leadership brand is a strategic lever in these organizations, as they understand that leadership creates value. They use this to enhance their reputation both internally with employees and externally with stakeholders and customers. In Top Companies, employees know the strength of the organization's leadership brand and what this means to them as individuals. Reputation is measured, often through internal engagement surveys and leader scorecards, and externally through the attraction of top talent and accolades for leadership and talent processes.

We see that the reputation factor of leadership is particularly important in the emerging markets, where it links to the cache of the organization and the caliber of its talent.

Leadership Brand	Global Top Companies	All Others
We systematically communicate with internal and external stakeholders about our leadership investments and how they impact business results	88%	61%
We take advantage of high-visibility opportunities to promote our leadership capability	88%	74%
We monitor how leaders achieve results and factor this into who gets promoted	96%	85%
Our senior executives act as role models to support what we want to be known for by external stakeholders	96%	85%

Programs and Practices

Top Companies have formal processes and a rhythm in place to ensure the leadership strategy is well executed. These include:

- Recruiting and onboarding
- Talent review and succession management
- High potential practices
- Compensation and rewards

Recruiting and Onboarding

The Global Top Companies know who they hire and promote—and perhaps more important, who they don't—is key to business performance. Global Top Companies know that smart selection starts with rigorous assessment. This involves assessing current capabilities and defining the skills and roles that are critical to success—both today and in the future. This practice is used to assess talent more accurately and better predict success in the future.

The reverse is also true—Global Top Companies know that rigorous assessment leads to smart selection. This is clearly evident in the quality of talent in their pipelines. Ninety-two percent of Top Companies believe they have a sufficient pipeline at the senior management level to be successful in the future, compared to just 56% of the other companies.

Aon Hewitt research demonstrates that a 10% increase in attracting and retaining pivotal talent adds approximately \$70 to \$160 million to a company's bottom line.

Preparing Talent to Succeed

All Top Companies have formal onboarding processes for leaders joining the organization, and 96% have formal processes for onboarding talent into new roles. Top Companies use a variety of practices to get these leaders up to speed, including coaching and mentoring, expectation setting, and transition plans. Top Companies recognize that thorough onboarding reduces the risk that comes with bringing outsiders onto the leadership team.

Onboarding Practices for Newly Hired Leaders	Global Top Companies	All Others
Facilitated assimilation meetings with team	84%	70%
Action plans (e.g., time limited)	84%	57%
Coaching/mentoring	88%	55%
Expectation setting (e.g., clear expectations in terms of work, behavior, policies, and procedures)	100%	79%
Transition plan (e.g., meeting with incumbent to discuss role requirements, team culture, workload)	88%	55%

Entering a New Role within the Organization	Global Top Companies	All Others
Facilitated assimilation meetings with team	75%	67%
Action plans (e.g., time limited)	79%	63%
Coaching/mentoring	92%	62%
Expectation setting (e.g., clear expectations in terms of work, behavior, policies, and procedures)	96%	78%
Transition plan (e.g., meeting with incumbent to discuss role requirements, team culture, workload)	92%	66%

Top Companies are more rigorous in their assessment of talent at every stage of the pipeline. They are more likely to use third-party assessments and 360-degree feedback as part of their talent review processes.

Talent Reviews and Succession Planning

In today's dynamic environment, companies need to strive constantly to build a strong and agile supply of talent, not only to fill executive vacancies but to achieve their future vision. Top Companies use succession management as a strategic business tool to focus on both current and future staffing needs and to develop a pool of highly talented individuals to drive the organization's long-term strategy.

Leaders at Top Companies lead the talent review process, while HR facilitates the dialogue. Leaders discuss, assess, and calibrate key talent within their business units and across the organization. Using a defined process, leaders collect performance feedback on their talent and engage in honest talent-management discussions, which are facilitated and calibrated consistently across the organization. Robust talent reviews result in the identification of high-potential talent and inform succession planning, ensuring a strong future pipeline. An executive at IBM stated, "We manage the pipeline very seriously. Lots of reports and modeling. Examine who's in the critical gap roles we need to drive growth. We ensure the high potentials get the right experiences and development they need. We make strategic moves even more thoughtfully now—what might seem like a good immediate move might not be the right move for this person looking two and three moves out; [we] use data and modeling scenarios to support analysis."

The frequency of talent reviews has increased in Top Companies, with reviews being conducted quarterly, or semi-annually at a minimum. A key differentiator in these organizations is the integration of strategic business planning with talent review efforts. This is not surprising, considering the number-one priority of boards of directors around the globe is succession planning.

Top Companies take succession management seriously:

- 100% of Global Top Companies conduct formal succession planning for senior and middle management, 76% for front line management, and 84% for other critical positions
- All Top Companies assess leadership skill gaps as part of succession planning, compared to just 78% of all other organizations
- All Top Companies clearly identify which jobs/roles are critical to the future success of the organization, whereas 72% of all other companies do so
- Top Companies are more confident in the strength of their leadership pipelines at all levels compared to all other companies (see chart on next page)

Strength of the Leadership Pipeline	Global Top Companies	All Others
CEO	88%	53%
Senior management	92%	56%
Middle management	88%	60%
Front line management	80%	58%
Other critical positions	88%	45%

For senior roles in line management, P&G looks 5 to 10 years out and identifies potential successors, who are then groomed toward these “destination roles.” High potentials are given “planned experiences” including assignments, special projects, training, and coaching that will help them reach the destination role in the required time frame.

Higher Potential... Higher Pay

- Eighty percent of Global Top Companies differentiate pay based on performance and potential, compared to only 45% of all other organizations
- Sixty-eight percent of Global Top Companies include formal provisions in their compensation plan to pay high-potential talent better than other talent in the organization, compared to only 35% of all other organizations
- Seventy-two percent of Global Top Companies differentiate their high-potential pay significantly, compared to 34% of all other organizations

Top Companies are increasingly identifying high potentials throughout the ranks, giving them opportunities to develop their strengths, and exposing them to increasingly complex and strategic roles.

Formally Identify High Potentials at these Levels	Global Top Companies	All Others
Senior management	100%	77%
Middle management	100%	91%
Front line management	92%	68%
Entry level/early career	56%	32%

Top Companies use a variety of inputs to identify high-potential talent, balancing both subjective and objective tactics with more focus in 2011 on competency-based assessments and 360-degree feedback. Top Companies are also more likely to remove high potentials from the pool (80%) compared to the other companies (44%) as a result of calibration exercises year over year.

Inputs Used to Identify High Potentials	Global Top Companies	All Others
Performance ratings	96%	82%
Executive nominations	88%	76%
Competency-based assessments	84%	61%
HR nominations	68%	50%
360-degree feedback	52%	42%

Reward Mechanisms Drive Accountability

Leaders at Top Companies understand what's expected of them and are held accountable for their actions in meaningful ways. More than merely achieving results, it's how leaders achieve results, the extent to which they demonstrate the company's mission and values, and how well they develop others. As one executive told us, "In terms of advancement, we will hold people back that lack those leadership skills, and take the time to develop them. We won't promote someone who is not getting results the right way." Top Companies reward leaders (e.g., promotions, compensation) for the strength of the talent in their business units. Accountability is clear, but the real reward is evident in their business results.

- Eighty-eight percent of Global Top Companies hold leaders accountable for developing their direct reports using compensation, compared to only 38% of all other organizations

- Approximately three-fourths of the Global Top Companies use movement of talent and the engagement scores of direct reports to assess whether development has occurred (compared to approximately 60% of all other organizations)
- Global Top Companies use long-term incentive plans, restricted stock, and stock options much more often than all other organizations

Deere & Company: “We’ve increased the focus on ‘the how’ of managing. This year, John Deere’s global performance management system added equal focus on people goals. To put this in perspective, if an employee were ‘outstanding’ with business results and only ‘okay’ with people, that employee’s compensation would be affected. This is meant to send a message—that the people goals are an important area of focus.”

Programs and Practices

Meaningful development produces stronger leaders. Top Companies understand that the only way to ensure a strong pipeline of leadership talent is to find it and develop it themselves—a task that is becoming increasingly challenging for many organizations, due to global expansion and constrained resources. Many companies still adhere to informal or fragmented development efforts. Others focus on a few “corporate-driven” programs or practices, with little thought to their application for specific roles or markets. In Top Companies, the development needs of leaders and top talent are at the forefront of each organization’s strategy. We find that four things clearly distinguish these Top Companies from the rest when it comes to development:

- Attention to the specific developmental needs of individuals
- Accelerated speed at which they address these needs
- Experiential and on-the-job development as the primary tool
- Involvement of the board of directors, CEO, and senior leaders in development

In development, a paradigm shift has occurred. Organizations are moving away from one-size-fits-all programs and are focusing on the individual's development needs in the context of the business. Sixty-four percent of Global Top Companies rated customized leadership training as the most effective form of development. Also critical is the outside-in perspective. While customizing programs/processes to drive their business strategies, Top Companies are bringing diversity of thought, best practice, and expertise into their programs in an attempt to increase innovation and performance, and develop world-class talent where they need it.

Top Leadership Development Techniques	Global Top Companies	All Others
Customized leadership training	96%	82%
Leaders as teachers	76%	42%
Developmental assignments	79%	65%
Global assignments	47%	24%
Rotational assignments	42%	24%

In these organizations, development of key talent is accelerated through experience (e.g., action learning projects, coaching, rotations), exposure (to senior leaders, board of directors), and through customized development programs aided by assessment and 360-degree feedback. Top Companies take risks on their people, giving them the stretch roles before they are ready, moving talent across businesses and functions, and providing those experiences that will truly develop them. One high-tech executive told us his most transformational development was “being given opportunities at the right stage of my career to jump off the diving board, get in over my head, and learn something new and develop my skills. The moment I’m bored and ask what’s next, there’s always something there. Net net, we are still better even if this talent fails.”

One Global Top Company has a structured sabbatical program that sits within their “Performance with Purpose” agenda and has a developmental purpose. It takes individuals out of their home countries to places where they can bring their skills and have a worthwhile impact. It’s a mixture of corporate altruism and development, because workers can apply their skills to the effort and can learn other skills as a result of the sabbatical project. One such example is a clean water project in Ghana.

Siemens AG has a shadowing program in place in which junior employees with potential shadow a senior leader from another business, functional area, and geography for one week. The junior employee gets insight into “the life of a senior executive at Siemens” by attending all non-confidential meetings and events with the senior executive. At the end of the week, the junior employee reports his/her lessons learned, including feedback—“reverse mentoring”—for the senior executive.

Assignment-Based	Senior Management		Middle Management		High Potentials		Other Critical Positions	
	Global Top Companies	All Others	Global Top Companies	All Others	Global Top Companies	All Others	Global Top Companies	All Others
Developmental assignments	76%	55%	88%	59%	96%	62%	78%	37%
Rotational assignments	44%	20%	56%	30%	72%	36%	43%	21%
Global assignments	72%	35%	72%	32%	88%	29%	43%	16%

In 2011, the boards of directors, CEOs, and senior leaders in Top Companies were spending a significant amount of time on leadership activities (e.g., succession planning, coaching, talent reviews). Not only do the boards actively review talent and participate in succession planning (96% of Top Companies, compared to 77% of all others), they lead and participate in company programs (60% in Top Companies versus 27% in all others) and coach and mentor targeted groups within the organization (56% in Top Companies, 30% in all others).

For example, each Airtel management board member takes responsibility for the growth, development, and engagement of a select group of employees. Appropriate action planning is done by the respective board member to ensure excellent growth opportunities are provided. The Airtel management board undertakes detailed talent review discussions twice a year to look at succession planning and development of the group. The conversion rate (i.e., ability to take bigger roles and responsibilities) defined the success of this program.

An observation we made during the executive interview phase of our Top Companies research: “Two members of the Deere & Company Board presented to John Deere’s Leadership Edge program. They talked about their perspectives on leadership and about courage around leadership. The dinner conversation, perhaps, was even more impactful than the prepared presentation and the Q&A session. Participants provided overwhelmingly positive feedback for the learning and perspective they received from two very powerful leaders with very different styles.”

Measure Measurement for Results

Top Companies are never satisfied, and use a number of tools in their leadership and talent efforts to inform strategic change. They establish practical measurements to analyze the effectiveness of their programs and the programs’ relevance in achieving goals, and use the results to fuel continuous improvement—of their people, processes, and systems. Global Top Companies embody what we call a “measurement mind-set.”

Talent metrics are not just used to evaluate how well a process works or even how it should change, but to fuel strategic initiatives by fostering data-driven talent-related decision making. Take IBM: “We couldn’t get good business results without good leadership. We employ a heavily data-driven talent review process using a leadership talent database that has dozens of metrics on leaders. Some companies track data on the top 300 leaders; we track data on 50,000 leaders and use it to simulate moves, to identify talent across the worldwide system that can move. We use it heavily all year long to access detailed facts on people, experiences, potential, development scores, assessment center, performance, etc. We look at empirically based business results and review feedback on leadership approaches and facts about their leadership approaches (e.g., number of mentees, talent they’ve exported, talent audits, and climate). Senior leaders use a scorecard to track progress (e.g., how we do on market share, audit, top contributor attrition, diversity, top business performers). We measure the percentage of low contributors to move out and opportunities provided to top contributors.”

Metrics Used to Evaluate Program Effectiveness	Global Top Companies	All Others
Strength of leadership pipeline	92%	60%
Diversity within leadership pipeline	92%	42%
Retention of high potentials/critical talent	92%	69%
Ability to resource growth initiatives (e.g., expansion in new markets)	60%	31%
Ability to fill key positions/bench strength	92%	58%
Attrition rate from the succession pool	80%	59%
Diversity in high-potential pool	81%	50%
Increased depth in leadership pipeline	91%	43%
Increased readiness to advance	87%	38%
Increased retention among leaders	74%	46%
Movement of talent across function, business, or geography	91%	45%

Conclusion

The Top Companies continue to raise the bar in terms of leadership—and they have the talent and the results to show for it. With clear objectives, senior leadership commitment, consistent execution, and meaningful development practices, the Top Companies are meeting business challenges head-on.

Developing leader-building capabilities requires focus, investment, and a good dose of resolve. After all, establishing a global talent mind-set across the organization or building a strong leader pipeline doesn't happen overnight. As we look to the future, change is constant, presenting new opportunities at every turn. The Top Companies are well on their way to preparing themselves—and their people—to meet these future challenges. They are a step ahead of the rest, and they're not complacent. None of the executives we met felt they had it nailed. None have checked “developing leaders” off their priority list. That is yet one more differentiator for the best companies and the best leaders—they're less cynical, less complacent, always uncomfortable, and always aware that there's more work to be done.

Being a Top Company for Leaders means something to everyone who impacts your success...

- **To your shareholders, it means business results that deliver better shareholder value**
- **To the board and CEO, it means leadership capability, confidence in succession—and ultimately, business results**
- **To your emerging leaders, it means your company takes leadership and career development seriously**
- **To your employees, it means they have strong leaders who will drive their performance and personal development**
- **To potential employees, it means your organizational values and brand attract the best talent**
- **To your HR team, it means they have implemented people practices that support business success**

About the Research

Initiated in 2001 by Hewitt Associates (now Aon Hewitt), *Top Companies for Leaders* is the world's most comprehensive longitudinal study of leadership and talent management, examining the link between leadership practices and financial results. The study, recognized for its global scope and research rigor, attracts hundreds of companies around the globe that seek outside-in insights on leader building and how the best develop and sustain their leadership pipeline. We published our first study in 2002, where we uncovered the link between financial success and strong leadership practices, identifying those differentiating elements found only in Top Companies—the Leadership Disciplines. We conducted the study again in 2003, 2005, 2007, and 2009, and this research provided the foundation for our more comprehensive 2011 study. In the last three studies (2007, 2009, and 2011) we have partnered with FORTUNE and The RBL Group. Numerous articles and presentations based on our *Top Companies for Leaders* research have been delivered over the past 10 years, with topics including double-digit growth, high potential motivation, global talent management, leadership and talent in emerging markets, succession management, and metrics, to name a few.

In 2011, 478 organizations participated in the research, representing 39 countries. Participants were asked to complete a detailed questionnaire that was screened for responses consistent with strong leadership practices. A total of 182 finalist companies were identified. Aon Hewitt conducted interviews with more than 900 CEOs, senior executives, and HR leaders at each finalist company around the globe to gain additional insights into their leadership programs and practices, how they are executed, and to learn what is next on the leadership agenda. From this pool of finalists, 25 Global Top Companies for Leaders were selected.

Number of Full-Time Employees	Global Top Companies	All Others
Less than 5,000	0%	47%
5,001–10,000	8%	14%
10,001–20,000	8%	11%
20,001–30,000	4%	5%
30,001–40,000	12%	4%
40,001–50,000	0%	2%
50,001–75,000	16%	5%
75,001–100,000	8%	2%
More than 100,000	44%	9%

Revenues in USD	Global Top Companies	All Others
Less than \$5 million	0%	5%
\$5 million–\$10 million	0%	4%
\$10 million–\$30 million	4%	5%
\$30 million–\$50 million	0%	3%
\$50 million–\$100 million	0%	5%
\$100 million–\$500 million	0%	14%
\$500 million–\$1 billion	0%	11%
\$1 billion–\$5 billion	12%	22%
\$5 billion–\$10 billion	8%	10%
\$10 billion–\$25 billion	24%	9%
More than \$25 billion	52%	12%

Global—Top 25

1. IBM Corporation	13. Natura Cosméticos S.A.
2. General Mills, Inc.	14. Deere & Company
3. The Procter & Gamble Company	15. 3M Company
4. Aditya Birla Management Group	16. Eli Lilly and Company
5. Colgate-Palmolive Company	17. McKinsey & Company
6. Hindustan Unilever Limited	18. L'Oréal
7. ICICI Bank Limited	19. Unilever plc
8. McDonald's Corporation	20. Siemens AG
9. Whirlpool Corporation	21. Intel Corporation
10. PepsiCo, Inc.	22. China Vanke Co., Ltd.
11. General Electric Company	23. Wipro Limited
12. Banco Bilbao Vizcaya Argentaria S.A. (BBVA)	24. Bharti Airtel Limited
	25. Novartis AG

Asia Pacific—Top 20

- | | |
|----------------------------------|--|
| 1. Aditya Birla Management Group | 11. Advanced Info Service PLC |
| 2. Hindustan Unilever Limited | 12. HNA Group |
| 3. ICICI Bank Limited | 13. S P Setia Berhad |
| 4. China Vanke Co., Ltd. | 14. Kasikorn Bank PLC |
| 5. Infosys Technologies Limited | 15. Coca-Cola Amatil Limited |
| 6. Wipro Limited | 16. Oil & Natural Gas Corporation Ltd. |
| 7. Mahindra & Mahindra Limited | 17. Mindtree Limited |
| 8. Bharti Airtel Limited | 18. Marico Limited |
| 9. Whirlpool of India Ltd. | 19. NZ Refining |
| 10. Kotak Mahindra Bank Ltd. | 20. Commonwealth Bank of Australia |

Special Recognition

- | | |
|------------------|-----------------------------|
| 3M China Limited | Pitney Bowes Software India |
| Accenture India | Schneider Electric India |
| Aegis Limited | Titan Industries Limited |

Europe—Top 7

- | | |
|---|-------------------------------------|
| 1. Banco Bilbao Vizcaya
Argentaria S.A. (BBVA) | 5. Siemens AG |
| 2. L'Oréal | 6. Raiffeisen Bank International AG |
| 3. Unilever plc | 7. Novartis AG |
| 4. ArcelorMittal | |

Latin America—Top 4

- | | |
|--|------------------------------------|
| 1. Natura Cosméticos S.A. and
Companhia de Bebidas das
Americas (Ambev) | 3. Wal-Mart de México |
| 2. Bancolombia S.A. | 4. WEG Equipamentos Elétricos S.A. |

Special Recognition

- | | |
|--------------------------|---------------------------------------|
| Unilever Brasil | Grupo Financiero Scotiabank
México |
| Procter & Gamble Brasil | GE Appliances Caribbean and Co. |
| The Dow Chemical Company | |

North America—Top 25

- | | |
|---------------------------------|---------------------------------------|
| 1. IBM Corporation | 14. Intel Corporation |
| 2. General Mills, Inc. | 15. Capital One Financial Corporation |
| 3. The Procter & Gamble Company | 16. Sonoco Products Company |
| 4. Colgate-Palmolive Company | 17. V.F. Corporation |
| 5. McDonald's Corporation | 18. Raytheon Company |
| 6. Whirlpool Corporation | 19. Fluor Corporation |
| 7. PepsiCo, Inc. | 20. UnitedHealth Group |
| 8. General Electric Company | 21. Honeywell International |
| 9. Deere & Company | 22. AT&T |
| 10. Target Corporation | 23. Accenture |
| 11. 3M Company | 24. American Express |
| 12. Eli Lilly and Company | 25. Kiewit Corporation |
| 13. McKinsey & Company | |

Special Recognition

The Boeing Company	TELUS Corporation
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How the Top Companies Were Selected

Aon Hewitt and our research partners, FORTUNE and The RBL Group, invited HR executives from around the world to participate in the *Top Companies for Leaders* study in early 2011. Study participation was open to organizations of any type (e.g., public, private, nonprofit), size (employee and revenue), and location.

From those invitations, 478 companies from around the globe participated. Participating companies completed a detailed 72-item questionnaire examining the factors influencing both the depth and quality of leadership. Aon Hewitt analyzed all entries for responses consistent with strong leadership practices and identified 182 global finalists. Each finalist company completed in-depth interviews with Aon Hewitt consultants to provide greater clarity and precision around their specific leadership practices. In addition to the HR and senior executive interviews, we interviewed CEOs in a majority of the finalist companies. Aon Hewitt scored company survey data by assigning points to questions and responses, yielding both category-specific and overall scores. In addition, Aon Hewitt screened all finalist companies for financial performance relative to their industry.

An esteemed panel of judges—composed of authors, academics, and journalists—convened in each region to select and rank a 2011 Top Companies for Leaders list in Asia-Pacific, Europe, Latin America, and North America. The judges considered many variables in selecting and ranking the lists, including survey and interview data, company reputation, leadership programs and practices, culture and values, and business performance over a three-year period. Finally, a separate judges' panel, composed of representatives from North America, Europe, and Asia-Pacific, considered all regional Top Companies (57 total) to select and rank the Global Top Companies for Leaders list. In addition to the Regional and Global Top Companies lists, the 2011 judges' panels in North America, Latin America, and Asia-Pacific felt there were a small number of companies that, given the strength of their leadership practices today, deserved special recognition.

Eligibility for Regional and Global Top Companies Lists

All organizations were eligible to participate in the survey process. However, global organizations were eligible for the list only in the region in which they're headquartered. Subsidiaries of publicly traded companies were eligible for the list if they were publicly traded separately from their parent company. Subsidiaries of non-publicly traded parent companies were eligible only if they had a separate board of directors.

Global Judges' Panel

Michael Useem. Dr. Useem is the William and Jacalyn Egan Professor of Management and Director of the Center for Leadership and Change Management at the Wharton School, University of Pennsylvania. He has completed several studies and is coauthor of several books describing leadership principles and practices for generating high performance in individuals and organizations on corporate organization, ownership, governance, restructuring, and leadership. Dr. Useem has presented leadership and change seminars to more than 55 leading organizations globally and consulted on corporate governance and organizational change. As a professor, he has developed MBA and executive MBA programs on leadership, teamwork, governance, and decision making for national and global managers.

Herminia Ibarra. Ibarra is the Cora Chaired Professor of Leadership and the Learning Professor of Organizational Behavior, INSEAD Director, INSEAD Leadership Initiative in France. She has authored a number of HBR articles and published numerous articles focused on gender empowerment and diversification, leading organizations through change, career transitions, and identity-based leadership development. She is active in consulting to corporations and professional services firms on leadership, diversity, and talent development strategies, and currently serves on the Harvard Business School Visiting Committee, Catalyst Europe Advisory Board, and the World Economic Forum's Global Agenda Councils. She has sat on more than 20 councils at Harvard and INSEAD.

Janet De Silva. De Silva is the current Dean of the Richard Ivey School of Business, Asia, providing leadership to the Hong Kong campus of Canada's premier business school and responsible for the school's overall development expansion in Asia. She holds an MBA from the Richard Ivey School of Business at the University of Western Ontario and sat on their Asian Advisory Board for 10 years. De Silva is also on the boards of the American Chamber of Commerce in Hong Kong; Canadian International School of Hong Kong; and on Blue Umbrella Limited, an Asian-based due diligence and risk management services provider. Highly respected in the business community, De Silva has served terms as both Chair and President of the Canadian Chamber of Commerce in Hong Kong and Chair of Canada China Business Council, Beijing. In 2007, De Silva was named one of Canada's Top 100 Most Powerful Women. In 2006 she was awarded an honorary doctorate by Thompson Rivers University in Canada and a guest professor designation by Tianjin University of Technology in China. She was named top Asian Business Executive in the 2006 Stevie Awards for Women in Business.

Regional Judges' Panel

North America

Linda A. Hill. Hill is the Wallace Brett Donham Professor of Business Administration at the Harvard Business School. She is the faculty chair of the Leadership Initiative and has chaired numerous HBS Executive Education programs, including the Young Presidents' Organization Presidents' Seminar and the High Potentials Leadership Program. She is a former faculty chair of the Organizational Behavior unit at Harvard Business School, and she was course head during the development of the new Leadership and Organizational Behavior MBA required course. She is the author of *Being the Boss: The Three Imperatives of Becoming a Great Leader* and *Becoming a Manager: How New Managers Master the Challenges of Leadership* (2nd Edition).

Lise Saari. Saari is a Professor of Psychology at NYU. Saari's research has involved a variety of countries and cultures. These include studies conducted in Japanese power plants, research with Battelle's London and Geneva offices, studies on global leadership with work in China at Boeing, and two years in Europe and time in India as part of her global research role at IBM. In addition to teaching at NYU, Saari has taught at the University of Washington, Seattle University, and Richmond International University in London, England. She serves on professional and editorial boards and has authored over 50 publications and presentations.

Michael Useem (See Global Panel above.)

Asia-Pacific

Dr. Arthur Yeung. Dr. Yeung is Philips Chair Professor of HRM, Director of the Centre of Organization and People Excellence, and Founding Director of CEO Learning Consortium. Prior to his return to academia, he served as the top HR executive (CHO) of Acer Group, working closely with the chairman in organizational transformation and leadership development at Acer. Currently, he serves as board member for three corporate boards, one not-for-profit organization, and the Human Resource Planning Society in the United States. Over the years, he has also advised a wide range of companies, including Tencent, Alibaba, TSMC, Mary Kay, Antai Insurance, and TCL-Thomson. Author of eight books and dozens of articles, Dr. Yeung's research interests focus on building organizational capability for strategic implementation, creating unique value propositions for talent management, growing talent for business growth, and leading large-scale organizational transformation. As one of the leading experts in strategic human resource management, Dr. Yeung's publications appear frequently in *Human Resource Management Journal*, *Human Resource Planning Journal*, *Harvard Business Review* (China), and many other leading journals and academic books. He currently serves on five international editorial boards.

John Zhuang Yang. Dr. Yang serves as Dean of the Beijing International MBA Program at Peking University (BiMBA); Adjunct Professor of Management, China Center for Economic Research at Peking University (CCER); and Associate Dean and Associate Professor of Management, Fordham University. Dr. Yang received his Ph.D. in Business Administration from Columbia University, New York in 1991, majoring in management. He got his MA in Sociology from the same institution in 1985.

He was also granted an MPA degree in International and Public Affairs from The Woodrow Wilson School of Public and International Affairs of Princeton University in 1984. He graduated from the English Language and Literature Department of Peking University, China. Dr. Yang's main teaching and research interests involve fundamentals of management, human resource management, comparative management, corporate culture, key success factors of MNC strategies and management in China, leadership, and organizational behavior. He has published a large number of articles and columns in leading academic journals and business press in China and the United States.

Nripendra Misra. Misra is Non-Executive Independent Director of Usha Martin Limited. Misra, an IAS (Retd.), has held positions as Chairman of Telecom Regulatory Authority of India; Chairman of CDOT Alcatel Research Centre; Secretary of Department of Telecom, Government of India; Chairman of Telecom Commission, Government of India; and various other senior-level positions in India and Uttar Pradesh government during his 44-year career. He has also authored various publications and is associated with various bodies in the fields of agricultural, community building, and social services.

Pankaj Chandra. Chandra currently serves as the Director, Indian Institute of Management in Bangalore. His research areas focus primarily on manufacturing management, supply chain coordination, building technological capabilities, and high-tech entrepreneurship, leading to consulting assignments with leading organizations in India, Bangladesh, and the United States. He has served as professor at several of the world's top business schools including IIM Bangalore, Cornell University, International University of Japan, Indian School of Business, McGill University, Renmin University, University of Geneva, and the Wharton School.

Europe **Stefan Zagelmeyer.** Zagelmeyer is Professor of Economics and Human Resources Management at the International University of Applied Sciences at Bad Honnef-Bonn in Germany, and Assistant Professor of Human Resource Management at the School of Management and Governance of the University of Twente, the Netherlands. He is an active member of several working groups, the Deutsche Gesellschaft für Personalführung, the German branch of the European Association for People Management, and co-coordinator of the HRM Study Group of the International Employment and Industrial Relations Association. He works on topics related to innovation, employee participation, international human resource management, and leadership. Zagelmeyer has published articles in the *International Journal of Human Resource Management*, *Human Resource Management Journal*, and *International Business Review*.

Herminia Ibarra (See Global Panel above.)

Latin America **Roberto Newell Garcia.** Dr. Newell is CEO of the Instituto Mexicano para la Competitividad A.C., (IMCO), a privately sponsored, independent think tank located in Mexico City, whose mandate is to analyze and propose policies that will enhance Mexico's competitiveness in the global economy. Between 1984 and 2001, he worked for McKinsey & Company, where he retired as a director in 2001. During his years at McKinsey, he served clients in Mexico, the U.S., Venezuela, Colombia, Peru, Ecuador, Argentina, Spain, Jamaica, Puerto Rico, and the Dominican Republic. He is the author of two books and many articles, published in journals and international professional publications. Dr. Newell earned Bachelor's and Master's degrees from the Universidad de las Américas in Mexico, and a Ph.D. in Economics from the University of Texas at Austin.

José Luis Rocés. For over four decades, Rocés performed his duties at several local as well as international industrial and services firms, fulfilling positions of Human Resources Director for Argentina within the Santander-Central Hispano group; Director for Relations with Personnel, Industrial Engineering Manager, and Deputy Director to the Manufacturing Department, Tubes Division, within the Techint Group (Siderca, SIAT, Cometarsa) covering factory plants in Mexico and the U.S., and branch offices in China, the United Arab Emirates, Singapore, and Russia; and Managing Director of Masis S.A. During the last 15 years, he has played key roles in enterprise converting and reengineering processes focused on management of human resources and its links to technological and information technology procedures. He was appointed provost of Instituto Tecnológico de Buenos Aires (ITBA) in 2002, a local private university offering technology-oriented engineering and business administration programs. Today, in addition to his tasks conducting the academic, research, technological services, and administration areas, Rocés accomplishes duties as a senior lecturer at the Graduate School and founder of the Leadership Development Center of ITBA.

Betania Tanure. Tanure is Professor at PUC Minas, where she teaches Ph.D and Master's courses in partnership with FDC–Fundação Dom Cabral. Additionally she is Visiting Professor at INSEAD (France), TRIUM (New York University, London School of Economics, and HEC) and London Business School (England). She has been Director at FDC for 10 years, responsible for the areas of executive, corporate, and business partnerships development. Tanure has had several books published in Brazil and abroad, among them: *The Brazilian Management Style*; *Managing HR in Brazil*, co-authored with Paul Evans (INSEAD) and Vladimir Pucik (IMD); *Strategy and Management*, co-authored with Sumantra Ghoshal (London Business School); *M&A in Brazil—Understanding the Reasons for Success and Failures*; and *International Management and Executives: Success and (Un)Happiness*. She has published several articles, papers and cases in Brazil and abroad, including articles published in *Harvard Business Review*. She is a lecturer at various events in Brazil and abroad in the fields of business management, executive development, organizational culture management within change processes and M&A, leadership and high-performance teams, impact of the country's culture in the process of internationalization, human resource management, and stress management.

About Aon Hewitt

Aon Hewitt is the global leader in human resource solutions. The company partners with organizations to solve their most complex benefits, talent, and related financial challenges, and improve business performance. Aon Hewitt designs, implements, communicates, and administers a wide range of human capital, retirement, investment management, health care, compensation, and talent management strategies. With more than 29,000 professionals in 90 countries, Aon Hewitt makes the world a better place to work for clients and their employees.

For more information on Aon Hewitt, please visit www.aonhewitt.com.