

Research Findings

2007 Corporate Issues Survey

A Five-Year Look at the Trends and Issues Organizations and Leaders Face

The Ken Blanchard Companies® annual Corporate Issues Survey pinpoints the needs and issues of organizations seeking to develop their people to their fullest potential. The findings in 2007 represent the feedback from 1,091 training and HR leaders and line managers from a range of companies, industries, and countries. Respondents were selected randomly from the Blanchard® database and participated in an email survey. One hundred sixty-four participants responded in 2003, 564 in 2004, 511 in 2005, and 805 in 2006. The survey utilized a multiple-choice question format with the opportunity to provide comments with each question. In addition, respondents were asked to predict their organization's top challenges looking forward three years to 2010.

Summary

Organizations today are dealing with a complex landscape. Competitors continue to evolve and appear from new sources, growth and expansion goals must be evaluated against the reality of the lack of skilled labor, and internal leadership and management bench strength must be shored up in order to retain key talent. In addition, the organization must balance all of this with a customer mind-set.

Key Themes

ORGANIZATIONAL CAPACITY

Organizations are grappling with complex capacity issues. Competition from domestic and international firms, growth, providing quality product and service, and delivering a differentiated customer experience all converge to complicate today's business landscape. While the issue of competition has trended down over a four-year period, it has climbed in 2007 and remains the number one issue facing organizations.

In expanding further on the issue of competition, respondents stated that the key challenges include differentiating products and services, creating a compelling customer experience to avoid commoditization, and competing for talent in a shrinking labor market.

Growth is cited as the second most important challenge for the second year in a row. Organizations cite the need to grow with a strategic focus along with increasing efficiency, streamlining work functions, and providing quality products and services while simplifying and standardizing processes. In addition, respondents indicated the need to grow leadership bench strength through succession planning to take their organization in the right direction.

MAXIMIZING PEOPLE

On the human side of the equation, organizations recognize that people are truly a key variable in being able to deliver on growth and customer service goals. Respondents continue to place leadership development, selecting and retaining key talent, creating an engaged workforce, and managerial skills as critical areas of focus. Respondents believe that competitive advantage and success hinge on good leadership, stating that leadership drives improvement in all other areas. Another reason cited for leadership as a key focus is the number of employees approaching retirement.

On the financial side of managing people, respondents cite the high cost of recruiting talented and qualified people from a shrinking labor pool for both line and leadership positions as an additional major challenge.

Complete Survey Findings

Top Organizational Business Challenges and Issues

(Top issues facing the organization ranked in order by 2007 results. Respondents were asked to select their top four issues from a total of eight.)

Top Organizational Challenges						
Issue	2003	2004	2005	2006	2007	2010
1. Competitive pressure	71%	67%	63%	60%	65%	62%
2. Growth and expansion*	n/a	n/a	n/a	53%	60%	52%
3. Skill shortages	34%	34%	39%	43%	51%	51%
4. Pricing sensitivity	45%	39%	38%	34%	41%	33%
5. Changing technology	31%	32%	30%	29%	30%	48%
6. Government regulation	29%	27%	30%	28%	29%	29%
7. Global challenges*	n/a	n/a	n/a	22%	24%	35%
8. Industry consolidation	18%	20%	14%	13%	12%	20%

* Asked in 2006 and 2007 only

In 2004, 2005, and 2006, an analysis of the open-ended comments provided by respondents revealed that the economy, funding, and budgets are a huge concern. Struggles include shifting market economies, overhead controls, financial solvency, shrinking budgets, and raw cost increases. This placed a huge emphasis on cost containment and spending as well as on meeting financial goals.

Top Organizational Challenges

2007 ranking by job title	Top Management	HR
1. Competitive pressure	63%	68%
2. Growth and expansion	63%	59%
3. Skill shortages	50%	57%
4. Pricing sensitivity	43%	34%
5. Government regulation	32%	33%
6. Changing technology	26%	31%
7. Global challenges	25%	25%
8. Industry consolidation	11%	12%

Respondents who cited skill shortages as a key challenge, pinpointed retooling and reskilling their workforce as primary strategies to meet escalating customer demands. In addition, respondents cited improving management and executive bench strength as key issues as well as addressing the lack of trained talent at all levels. Also, concerns over retirement issues and the need to compete for talent are weighing heavily on organizations around the globe. Finally, respondents

pointed to change and growth as key goals and key challenges, citing challenges around reorganization, technology, relocations, expansion, and market adaptation as key areas of focus.

The data for 2007 reveals that while little has changed in the ranking, competitive pressures continue to pose problems for organizations. Respondents cite that increased competition affects the struggle to attract and retain the best people, creates a climate where customers come from a commodity mind-set, which, in turn, drives price sensitivity and the need to differentiate products, services, and offerings in a way that capitalizes on the organization's value proposition.

Both top leadership and HR are fairly aligned in their ranking of where their organizations must focus to remain viable. HR cites skill shortages and competitive pressures as the more pressing needs, while top leadership is more focused on price sensitivity and growth and expansion.

Looking forward to the future, respondents expect that very little will shift. Most respondents foresee competitive challenges to remain the top issue. Complicating the competitive landscape is the fact that respondents expect industry consolidation to increase as well as global competition. Not surprisingly, respondents also expect technology issues to increase.

Top Management Challenges

(Top issues facing managers ranked in importance by 2007 results. Respondents were asked to select their top four issues out of the eight provided.)

Top Management Challenges

Issue	2003	2004	2005	2006	2007	2010
1. Developing potential leaders	74%	58%	58%	63%	64%	56%
2. Selecting and retaining key talent	55%	55%	53%	57%	62%	66%
3. Creating engaged workforce	47%	48%	48%	53%	54%	43%
4. Customer loyalty	46%	45%	41%	41%	48%	46%
5. Reducing costs	58%	49%	50%	45%	43%	40%
6. Succession planning	48%	36%	34%	42%	38%	41%
7. Employee flexibility/responsiveness	39%	44%	35%	39%	26%	27%
8. Increasing innovation	32%	31%	32%	36%	25%	33%

Developing potential leaders has remained the number one management challenge facing organizations for five consecutive years and grew in importance in 2006 by five percentage points and by another percent in 2007. Selecting and retaining key talent has remained solidly in second place for five consecutive years and has increased by seven percent since 2003.

Creating an engaged workforce has not only remained in the third place ranking for three years, it has increased seven percent since 2003. Respondents cite this issue as being the driver for the success of many other organizational initiatives and being a key to retention and service.

Top Management Challenges

2007 ranking by job title	Top Management	HR
1. Developing potential leaders	59%	76%
2. Creating engaged workforce	54%	57%
3. Customer loyalty	52%	41%
4. Selecting and retaining key talent	50%	70%
5. Reducing costs	39%	42%
6. Succession planning	34%	50%
7. Employee flexibility/responsiveness	34%	20%
8. Increasing innovation	29%	22%

Top management and HR seem to see eye to eye on the number one management challenge of developing potential leaders, but top management ranks creating an engaged workforce second while HR places selecting and retaining key talent in second place. Top management also places more emphasis on customer loyalty, ranking it third while HR ranks this issue fifth after succession planning and creating an engaged workforce.

Looking forward, respondents see increasing needs to focus on selection and retention of key talent, succession planning, and increasing innovation. Conversely, respondents seem to feel that issues around leadership capacity and creating an engaged workforce will be lesser areas of focus.

Top Employee Development Challenges

(Top issues relating to developing employees ranked in importance by 2007 results. Respondents were asked to select their top four issues.)

Top Employee Development Challenges

Issue	2003	2004	2005	2006	2007	2010
1. Manager/supervisor skills	75%	61%	61%	66%	64%	56%
2. Customer relationship skills	51%	48%	44%	48%	52%	49%
3. Interpersonal communication skills	53%	56%	40%	51%	48%	45%
4. Team building skills	46%	44%	38%	46%	44%	39%
5. Executive development	48%	36%	32%	36%	37%	39%
6. Information technology skills	13%	26%	23%	25%	30%	36%
7. Sales skills	35%	31%	31%	26%	28%	27%
8. Professional skills	19%	31%	28%	31%	29%	33%

Developing managerial and supervisory skills has remained the number one issue for five consecutive years. Customer relationship skills continue a three-year increase, up by eight percent since 2005. Interpersonal skills, which jumped into second place in 2006, an 11% increase from the previous year, declined slightly in 2007, placing its ranking third. Anecdotal comments show that conflict resolution, emotional intelligence, and basic communication skills are all important components supporting the development of interpersonal skills. One of the largest areas of increase is information technology skills, which is not surprising given the rapid pace of change in technology.

Top Employee Development Challenges

2007 ranking by job title	Top Management	HR
1. Customer relationship skills	61%	44%
2. Manager/supervisor skills	59%	83%
3. Interpersonal communication skills	46%	46%
4. Team building skills	40%	42%
5. Executive development	36%	47%
6. Information technology skills	30%	25%
7. Sales skills	30%	24%
8. Professional skills	26%	32%

Comparing the top management and HR rankings for these issues reveals some interesting gaps. Top management ranks customer relationship skills as the most critical employee development need while HR ranks it as fourth. And while both groups rank managerial and supervisor skills as one and two, the rankings vary by 24 percentage points. HR also sees executive development as a higher priority than top management does, and top management ranks information technology and sales skills higher than HR does. Looking forward to 2010, most rankings did not change. The

biggest variances have to do with a decrease in the need for managerial and supervisory skills and team skills and an increase in the need for information technology skills.

About The Ken Blanchard Companies®

The Ken Blanchard Companies® is one of the world's leading training and development experts. We create lasting behavioral change that has measurable impact on the organizations we work with. We provide training that makes a difference.

Our programs are based on behavioral models that add a situational context to the training experience, so individuals learn to be more productive in real-world scenarios and make the shift from learning to doing more quickly and effectively.

As the innovator of the most widely used leadership development system in the world, Situational Leadership® II, we provide groundbreaking thinking and a memorable learner experience. We begin with a collaborative diagnostic process identifying your unique needs and business issues, then develop an appropriate leadership strategy.

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