

2020 EXECUTIVE LEADERSHIP OUTLOOK

5 Actions for Building a Stronger Executive Bench



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New business forces have changed the role of today's executive leader.

Digital transformation, continuous market disruption, and heightened customer expectations magnify the leadership challenges that executives face on a daily basis. As a result, it's become much harder to succeed as an executive. Executive failure rates are rising, and it's costing organizations a significant amount of time and money to deal with the challenges.

These new pressures on executives prompted us to dive into our assessment data to pinpoint where leaders are struggling most, and how things change as they make the transition into increasingly senior roles.

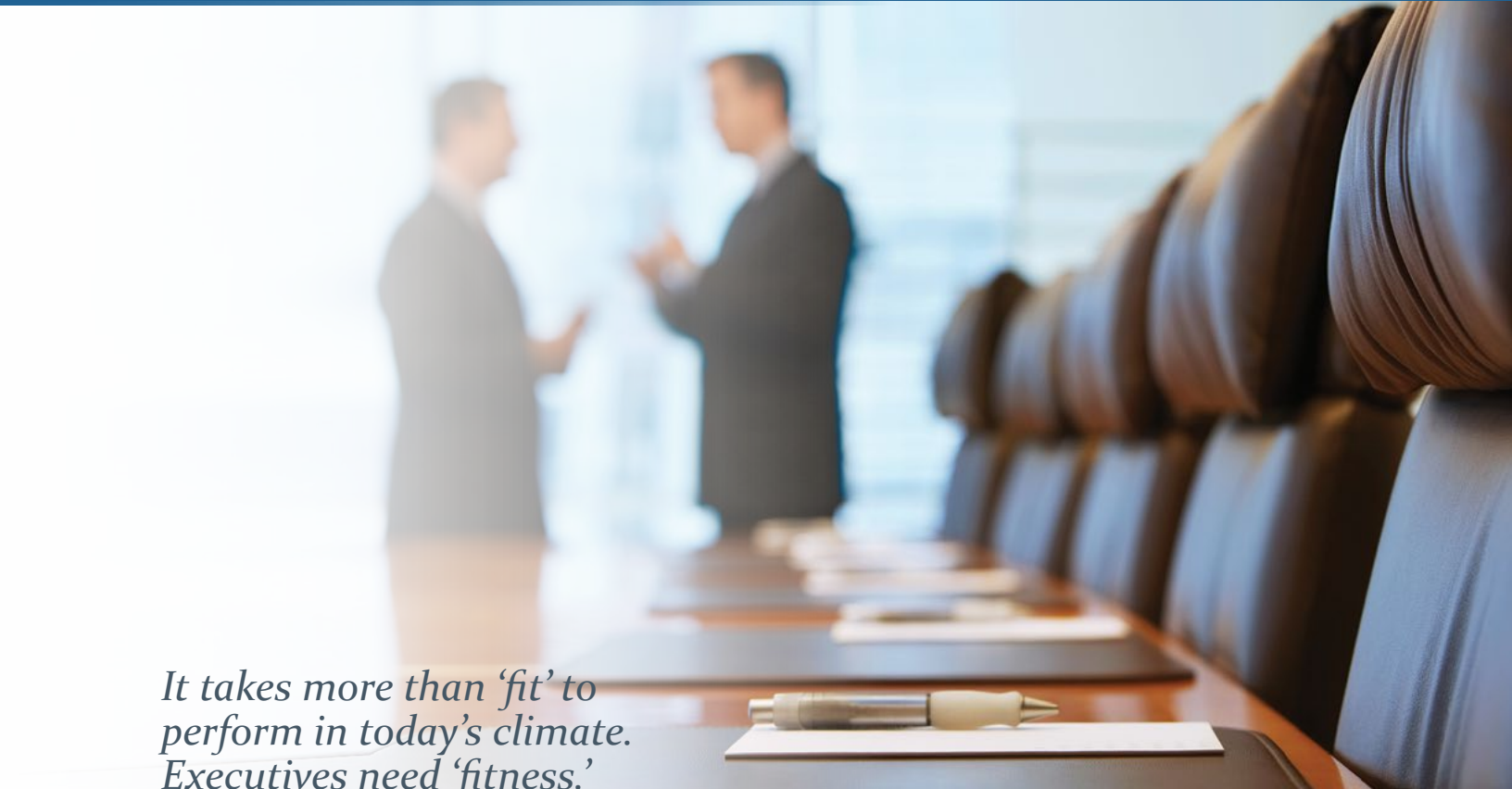
As part of an ongoing series of research called ***Executive Leadership Outlook***, we've examined data from more than 55,000 executive assessments, including 1,100 candidates for CEO, stretching back over a decade.

In total, we looked at assessment results from leaders across the executive pipeline, including:

- Executives, whose titles include General Manager, Director and Vice President.
- Senior executives, whose titles include Senior Vice President, Managing Director and Executive Director.
- C-level leaders, including CEOs, COOs, CFOs, etc.

Our analysis of the assessment results for these executive candidates reveals five actions organizations can take to create a stronger executive pipeline, and create a more sustainable and successful future.

1. Build Executive Strengths in Context

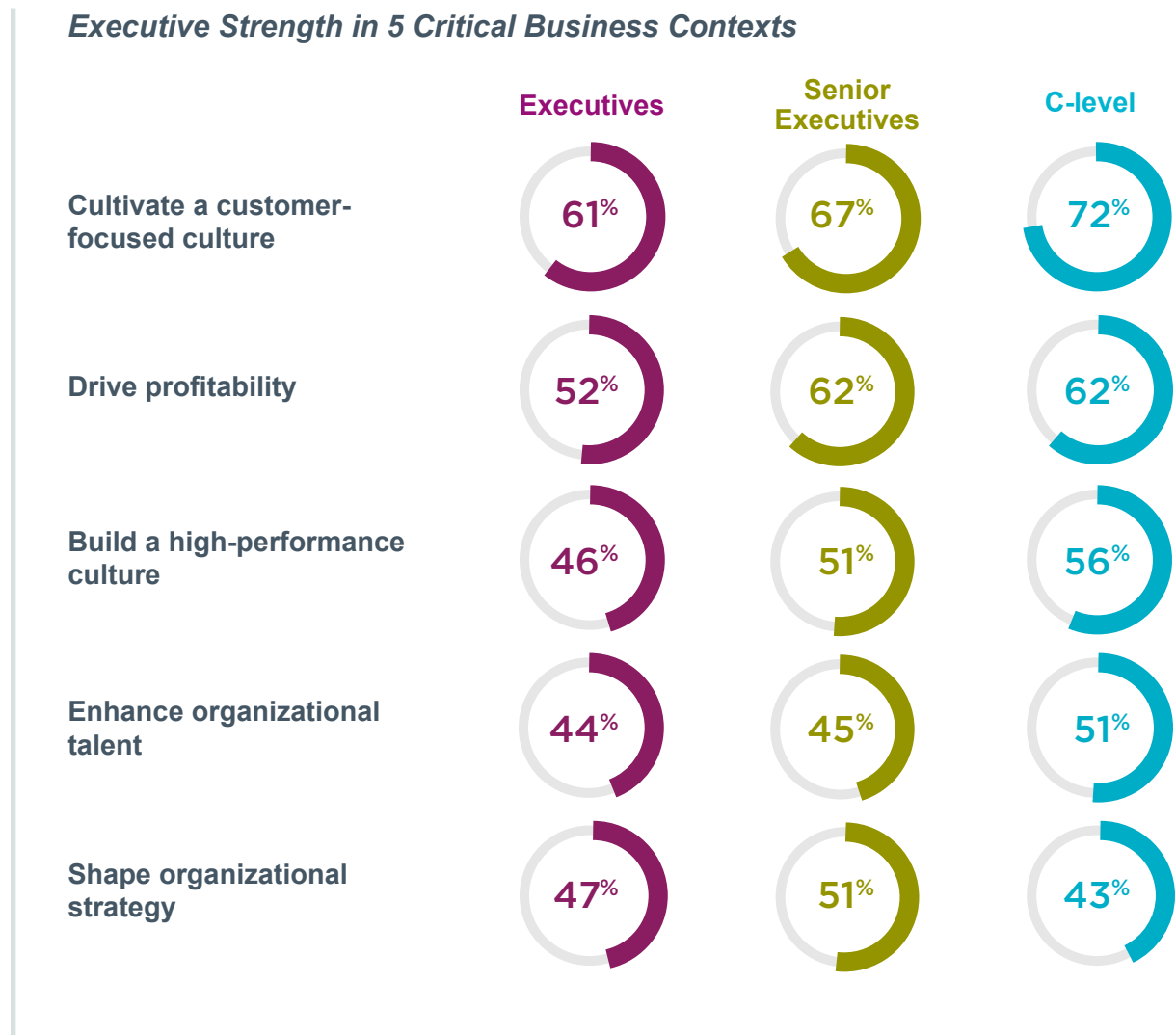


It takes more than 'fit' to perform in today's climate. Executives need 'fitness.'

In the current disruptive business climate, organizations have to rethink business models and formulate competitively superior “go to market strategies.” This demands executives to act and respond faster than ever before, anticipating and shaping new futures.

As a result, executives need to be ready for a much wider range of challenges and learn new skill sets faster than ever before. Organizations can no longer select executives based on “fit” for the current role. Rather, they must think about “fitness,” which is about choosing and developing executives with the resilience and adaptability to lead across a spectrum of business-critical contexts.


Below are five of the most common critical contexts, and how executives across the pipeline typically perform.



As we found in our **High-Resolution Leadership** study, executives are better equipped for challenges in the here and now, such as building relationships and focusing on customers. They are less capable of navigating the ambiguity that comes with more strategic challenges like building and entering new markets, organizations, and cultures.

Executives are least ready to enhance organizational talent and shape organizational strategy, but so are most CEO candidates. So, who will shape the future strategies organizations need to drive growth? The future won't be different unless organizations adapt talent strategies focused on fitness. This includes selection and promotion of leaders across the pipeline who can build and unleash diverse talent.

2. Develop Money Skills and Influence Earlier



Leaders with these strengths help their companies tap new markets and expand into existing ones.

Across the more than 50,000 executive assessments we examined, we identified a set of competencies that stand out for their relationship with organizational growth and profit. We call these the money skills (defined in the right sidebar), as organizations who develop greater top-level leadership strength in these areas see greater revenue returns. Developing earlier executive capability in these areas increases the potential to positively impact long-term financial performance.

Unfortunately, the money skills are among the areas with which early executives struggle. Fewer than 15 percent of executives exhibit strength in any of the money skills, which suggests that it's not until after they make the transition to an executive role that leaders have opportunities to grow and strengthen their experience in these areas.

The 5 Money Skills

1. *Entrepreneurship*

Crafting plans to capitalize on market opportunities.

2. *Business Savvy*

Quickly and accurately sizing up the merits and risks in complex business scenarios.

3. *Driving Execution*

Devising specific plans and mobilizing people to achieve strategic objectives.

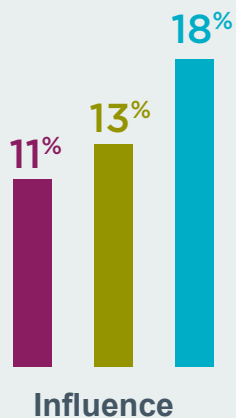
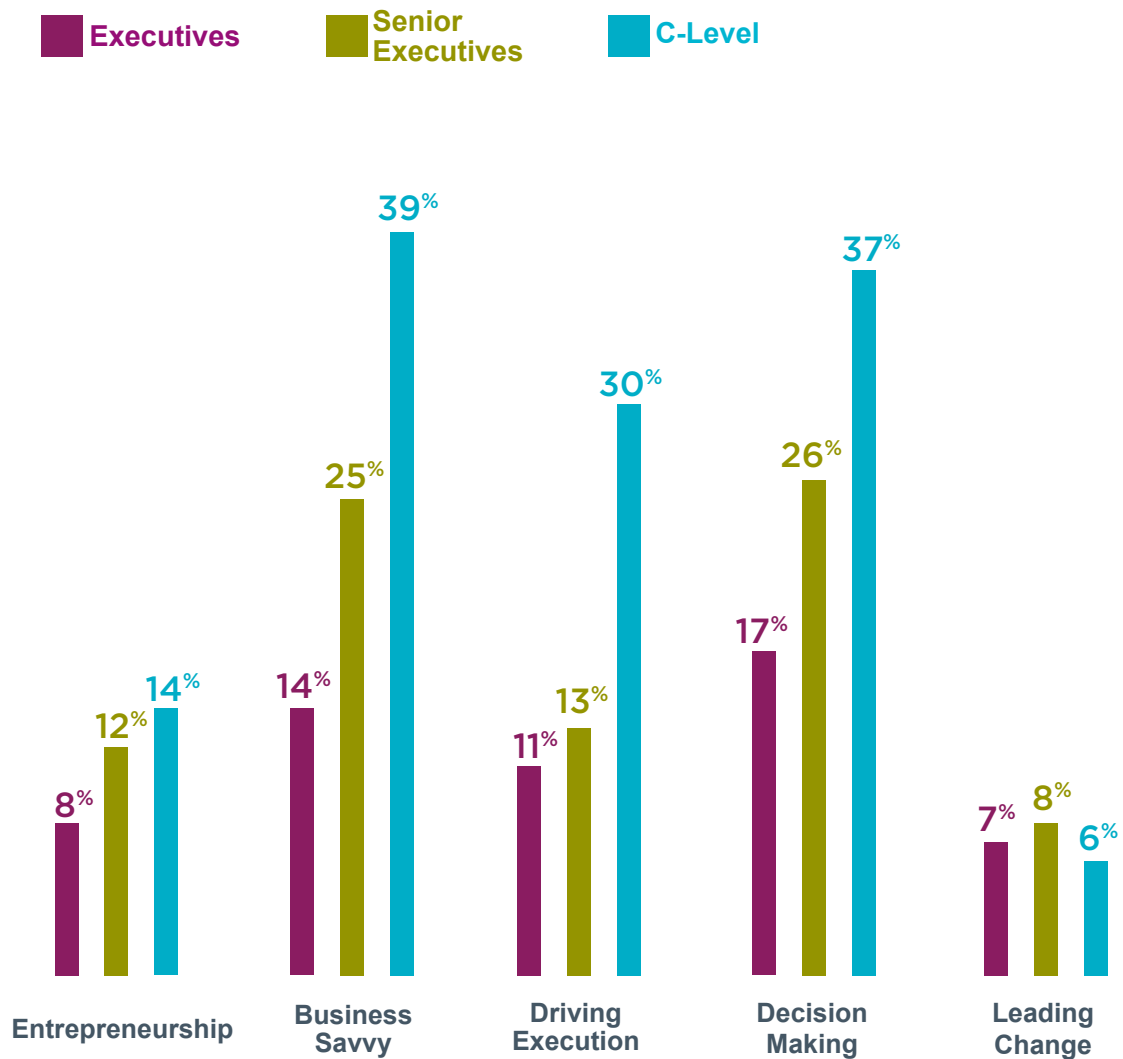
4. *Decision Making*

Making effective day-to-day judgments about short-term issues.

5. *Leading Change*

Identifying the need for organizational change, and effectively leading people through it.

Percentage of Executives Who Demonstrate Money Skills




Struggling with Influence

Outside of the money skills, there's one area that these leaders struggle with the most, and in which very few executives demonstrate strength: **Influence**.

Developing this skill earlier will help leaders to build relationships and gain the commitment they need to fuel transformation and change initiatives.

3. Proactively Manage Potential Personality Derailers



How executives succeed depends on their awareness and ability to manage themselves—including their greatest personality risks under pressure.

Given the speed of business and the need for organizations to adapt and fill critical roles, most leaders are promoted into roles of increasing scope and responsibility, whether they are ready or not. Too often, this leads to a mass “arrival of the unprepared” into more complex and perilous higher-level roles, where stakeholder scrutiny and the cost of failure are exponentially higher.

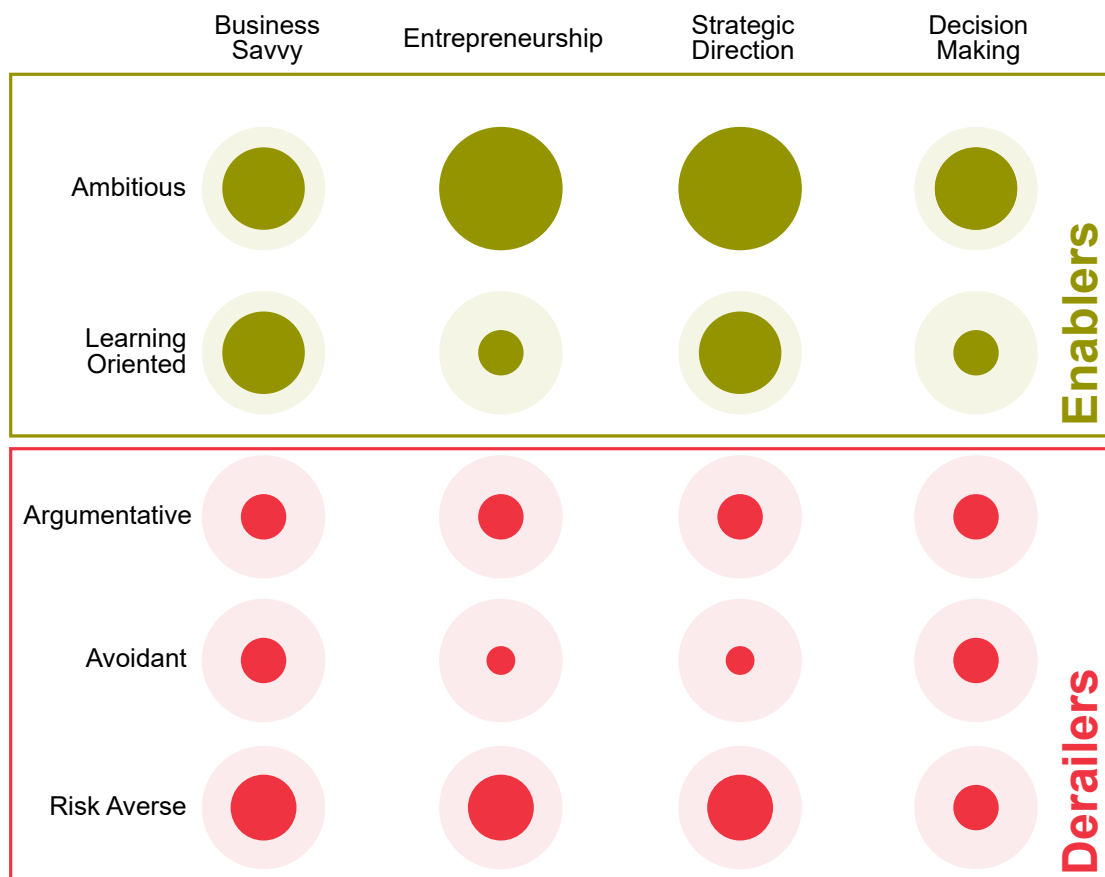
For leaders to successfully navigate these transitions demands an evaluation of personality factors that influence how leaders will respond to vastly more complex challenges, pressure, and visibility.

These hard-to-develop attributes—both positive traits, or “enablers,” that contribute to leader success, along with the dysfunctional traits, or “derailers,” that trip them up—differ greatly by level.

We found that early executives are at much greater risk of being highly avoidant and risk averse. These personality derailers could be triggered by high-demand scenarios that leaders must learn to manage.

On the flip side are enabling trends that help new executives to succeed. Overall, CEO candidates score higher in every enabler, but there are two critical enablers that early executives were far less likely to exhibit: ambition and learning orientation, which are strongly linked to business judgment.

How Personality Affects Business Judgment



Given that responsibility for strategic decision-making is being driven further down in organizations, the need to understand and manage personality risk is crucial.

Amidst an ambiguous and changing business climate, executives will more frequently need exceptional judgments to successfully make quick and confident decisions.

4. Create a Disruption-Proof Leadership Team

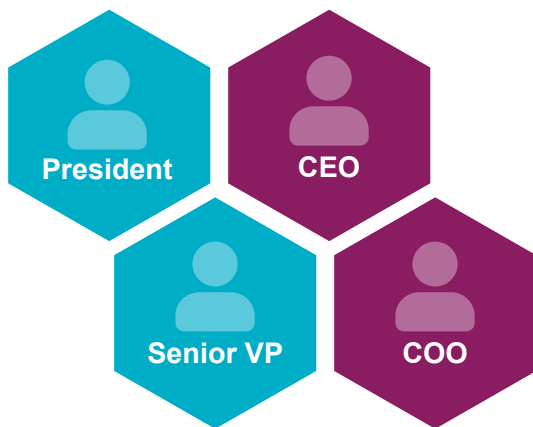


An organization's future success lies in choosing the right leaders for the team, not just the role.

Organizational success is reliant on how well an executive team delivers on a collective, strategic focus. Yet for many organizations, aligned and effective senior leadership is an aspiration, not a reality.

Findings from our Global Leadership Forecast indicate that only a slight majority (55 percent) of leaders feel either that they and their peers are engaged in mutual influence and shared wisdom, or that leaders truly collaborate to enhance the company's effectiveness (61 percent).

Optimized team:



A well-aligned executive team is better in:

- ▲ Bench strength
- ▲ Ability to react decisively to change
- ▲ Responding to changing customer needs

Overall, many companies show questionable readiness to adopt and take advantage of a team concept for their leaders even when there are clear benefits. Organizations with well-aligned senior teams are more capable of responding to changing customer needs, and reacting decisively to change.

They are also 22 percent more likely to be able to fill critical leadership roles, indicating a healthier approach to growing leadership strength throughout their organization.

When making decisions about who to choose for an executive team, organizations should seek those with complementary skills and attributes to help ensure team success.

5. Build an Inclusive Leadership Pipeline

Organizations that harness a more inclusive pipeline tap into more diverse perspectives and wisdom. They also prevent tunnel-vision and minimize the risk of being disrupted.

The assessment data we analyzed reveals that too often organizations are missing the opportunity to harness diverse leadership strengths. Because gender is the largest demographic disparity, and a good indicator of whether an organization has a diverse executive pipeline, we examined the presence of women within the executive leadership pools of more than 250 organizations.

In our data, even at the lowest level of executive pools, on average women comprised only 25 percent of candidates. Across candidates vying for top C-level roles, we found that only 19 percent were women.



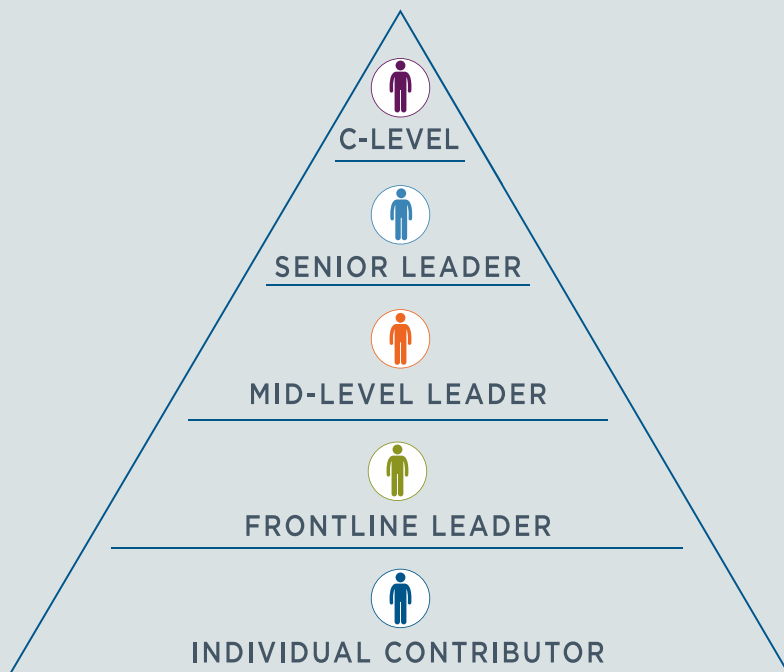


Did not assess a single female executive candidate

What's more, we found that 52 percent of organizations did not assess a single female candidate for CEO—signaling a huge opportunity gap. And when organizations assessed only one female candidate, she was not chosen as CEO 100 percent of the time.

This lack of a diverse pipeline extends beyond gender to other demographics and backgrounds including functional area. Most organizations select their senior and C-level executives from only one or two functional areas—from operational or finance roles most of the time, and very rarely from IT or HR.

Organizations have before them a big opportunity to identify and develop talent from new backgrounds and areas. For organizations to unleash new capabilities and future talent, they will need to seek out leaders who think and identify opportunities differently. Building a more inclusive pipeline provides more opportunity to secure new talent that can form cross-business alliances, think entrepreneurially, and couple strategies, skills, and perspectives with those from another division or area that isn't typically tapped.



Forecast a Better Future and Succession Plan

In a world where change and disruption are becoming more frequent, the five actions described here can be difference-makers in building a strong executive bench. To successfully compete in this new era, organizations must build leadership capability to consistently operate with the fitness to leverage resources to execute on today's strategies.

Sustainable and profitable growth will depend upon leaders who can anticipate and purposefully manage change among the enormous amounts of data that are influencing their work and decision-making daily.

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