High-Resolution Leadership:

A Synthesis of 15,000 Assessments into
How Leaders Shape the Business Landscape

DDI®

Our Goal

Better leadership, at the end of the day, is what makes our organizations tick. It is what elevates the commitment of our employees. It is what changes the world around us. Our goal for *High-Resolution Leadership* was clear from the start: To create insights based on unparalleled data, to help us raise the bar on the quality of leadership around the globe.

While intelligence derived from assessment has been invaluable at the individual and company levels, little has been done to dive into the collective data across leaders and the organization, until now!

In this powerful report, DDI has undertaken the task of exploring our proprietary big data compilation, high-resolution leadership, involving over 15,000 assessment participants being considered for leader levels ranging from front line to the C-suite. What makes our database unique is its basis in highly reliable evaluations from our rigorous leadership simulations involving "day in the life" scenarios, giving all leaders equal opportunity to demonstrate their skills. We also augment simulation data with other sources of information, including personality and intelligence tests.

The findings fall into four categories. First, we set out to prove that stronger leader skills, as measured by our assessments, predict actual business metrics such as profit and revenue growth. We also take stock of the business context within which leaders must operate and excel, including how this has been disrupted by the global financial crisis. Second, we show how personal attributes and skill patterns—the DNA of leadership—influence leaders' success as they rise through the ranks. Third, we gauge the hard-wired readiness of leaders within three regions facing turbulent business climates for driving their regions forward in the future. Finally, we look at how the details of a leader's background can drive a more accurate understanding of how skill strengths and deficiencies are arrayed within a leader population. As a result, organizations can better predict and proactively shape leader success.

We also recognize that data without actionable insight is interesting but, ultimately, only minimally useful. For this reason, in each section we provide specific actions and implications for HR professionals and senior leaders seeking to translate the analytics into short- and long-term strategies for bolstering leader skills by initiating or revising assessment and development programs. We also provide rationale and talking points for making the case for aggressive change when needed to mitigate the risk of widespread leadership deficiencies either today or in the future.

Assessment centers have been used to help organizations improve the way they develop and choose their future leaders, by putting them to the test and requiring them not just to say what they can do, but to demonstrate their skills and behaviors. Over time, leadership assessment has been used by thousands of companies, in just about every major industry, at every level, and in most countries. These insights are based on data from assessment centers, pioneered by DDI over 40 years ago.

We view this as not the end of our *High-Resolution Leadership* report, but only the beginning. With the help of our clients and team of DDI leadership scientists, we will continue to explore the DNA of leadership, releasing new insights on a regular basis.

High-Resolution Leadership

15,000
I Leaders

300
I Organizations

20
I Industries

18
I Countries
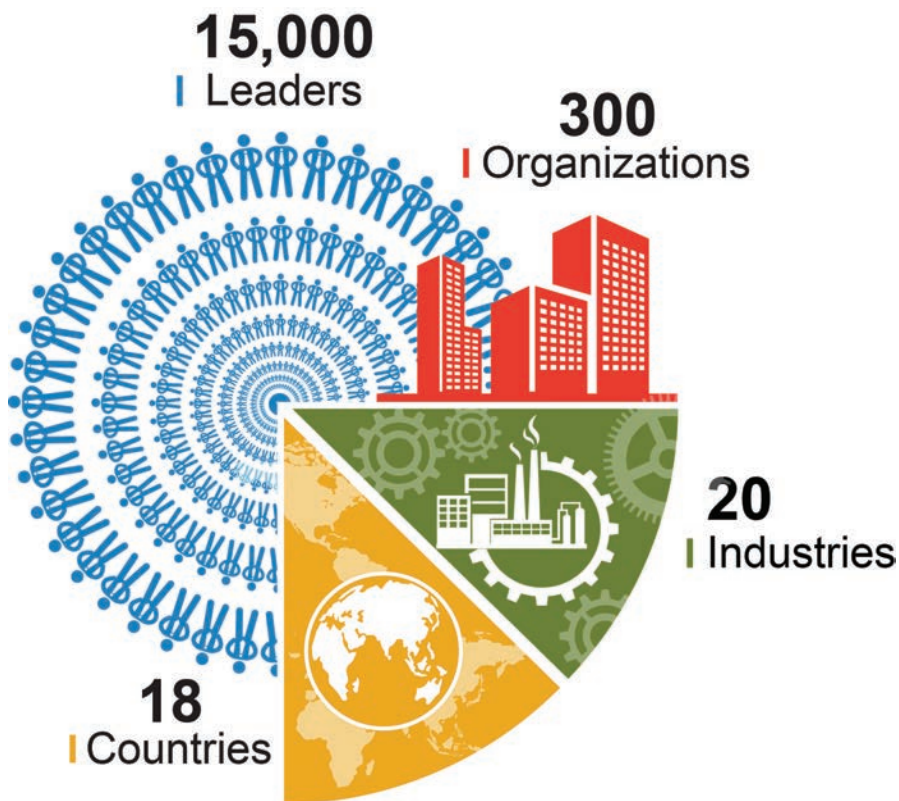
About the Research

This research draws on assessment data from over 15,000 candidates for five leadership levels: frontline, mid-level, operational, strategic executive, and C-suite executive. The full dataset includes more than 300 organizations and spans more than 20 industries and 18 countries. In some cases, such as analyses focusing only on personality test differences, larger sample sizes were available and used accordingly.

The assessment was a "day in the life" experience for leaders, integrating various information sources about their readiness for higher-level roles, such as simulations of media, customer, peer, and direct report interactions; a business analysis and presentation; email and voice mail-based challenges; a debrief interview; and several personality and cognitive ability tests.

For all analyses presented in this report, we used statistical tests and, where applicable, appropriate control variables to ensure that the results presented are from true and reliable effects, rather than chance or extraneous factors. [For example, in the finding "Not Merely a Matter of Degree," gender and years of experience differed between degrees; these factors were held constant in the analysis to isolate the relationship between degree and leader skills.]
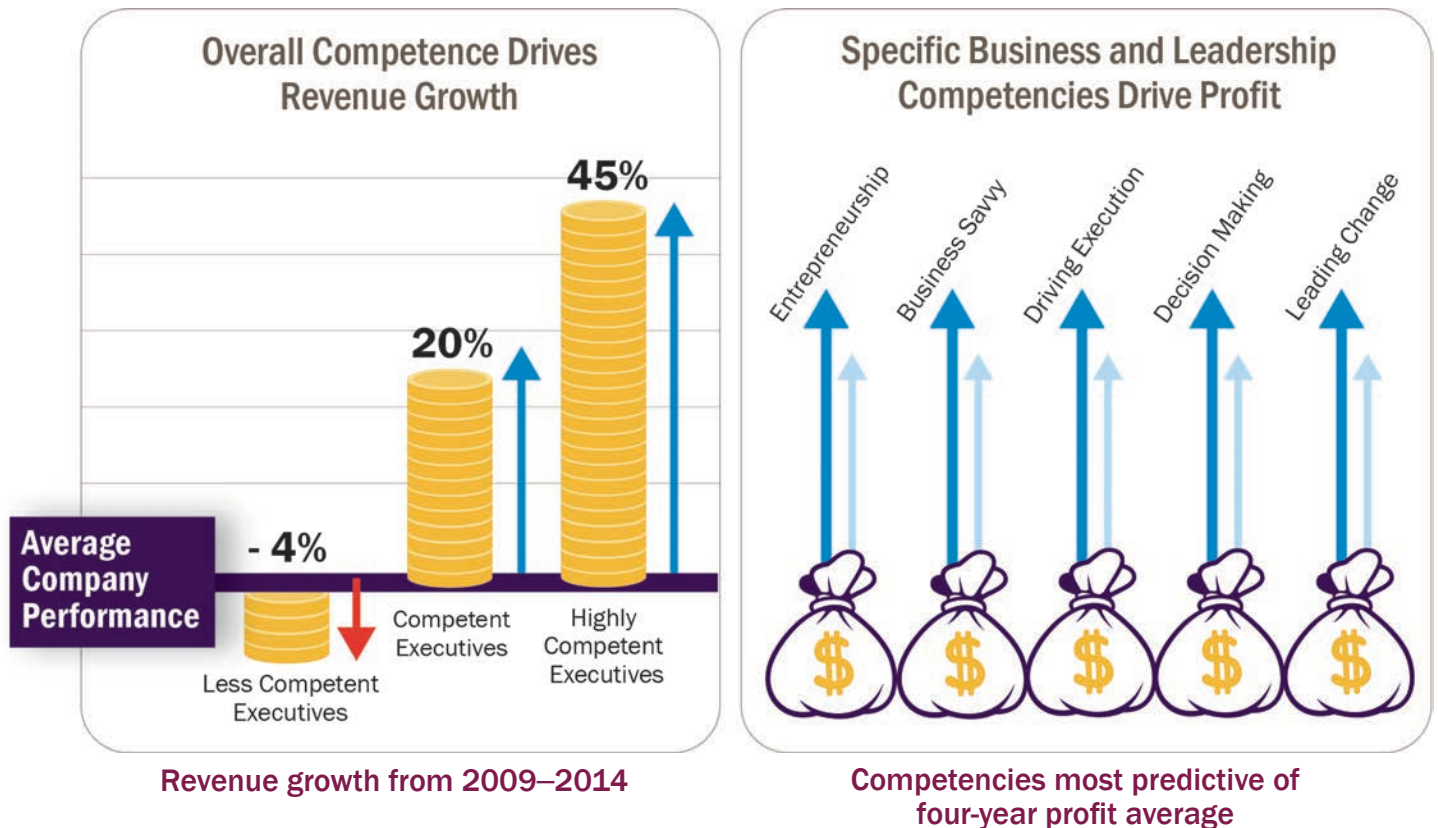
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High-Resolution Leadership

The Money Skills
Senior Executive Competencies That Drive Profitable Growth

Leadership Competencies Drive Organizational Growth and Profit

Overall Competence Drives Revenue Growth

45%

20%

Average Company Performance

- 4%

Less Competent Executives

Competent Executives

Highly Competent Executives

Revenue growth from 2009–2014

Specific Business and Leadership Competencies Drive Profit

Entrepreneurship

Business Savvy

Driving Execution

Decision Making

Leading Change

Competencies most predictive of four-year profit average

Which Skills Hit the Bottom Line?

Leadership matters, but how much? And when it comes down to dollars, yuan, rupees, and euros, which skills matter most? We examined the competencies that most closely associate with organizational growth and profit. The goal: to learn whether organizations that have invested in growing skilled leaders at the top show better bottom-line financial performance than their competitors.

We conducted two studies—one aimed at revenue growth, the other at profit. Both studies included assessment center data from senior-level executives with titles such as EVP, CFO, and CEO. They represented large organizations from the U.S., Asia, Europe, and Australia. While each organization had its own list of competencies, skill domains measured across all organizations were:

+ Business Management
+ Leadership of People
+ Communicating a Compelling Vision
+ Influencing Stakeholders

[EVIDENCE]

We looked at 1,028 senior executives from 33 large organizations (on average, 26 per company). The results were compelling: When all four skill domains were combined into a composite index of leadership competence, there was a strong relationship to revenue growth over a six-year period (see "Overall Competencies" graphic).

But as shareholders will tell you, the top line doesn't matter if there's nothing left at the bottom line. Our profit analysis, focusing on net profit and return on assets (ROA), included assessment data from 2,077 senior-level executives from 44 organizations (on average, 47 per company). These findings identified a smaller set of skills associated with driving margin. Organizations with leaders scoring higher in business management and leadership of people showed significantly greater net profit and return on assets. Five skills in particular were dominant in their links to bottom-line returns, both net profit and ROA. When an organization cultivates top-level leaders who combine judgment with the ability to execute, the impact shows up in financial gains.

Taken together, these studies suggest that you'll need senior executives with the full range of skills to generate growth, but to make it profitable, they will need to have laser-sharp business minds and be capable of engaging people and mobilizing them behind their ideas. These are the *money skills*.
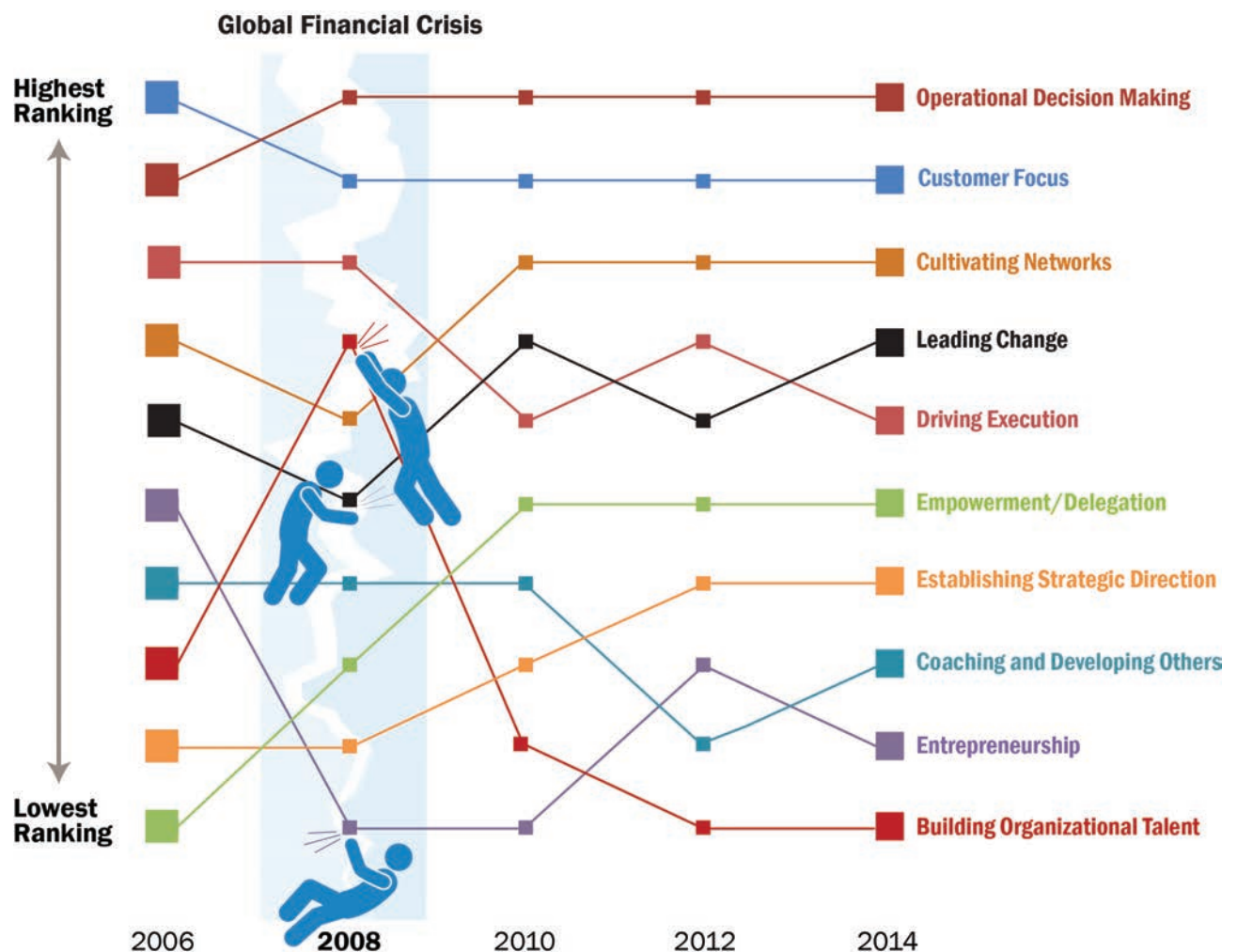
Action

.01 It pays to use simulation-based assessments when identifying and selecting top executives. You don't have to guess how leaders will perform when they make the jump into a major position. You can see for yourself beforehand. This research shows that performance in complex business simulations predicts bottom-line company performance.

.02 Be cautious about overweighting certain skill sets as you identify leadership successors, particularly among your senior executives. Some top leaders become so famous for their business wizardry that they may even be excused for their leadership derailers. As you develop your emerging leaders, balance is key. Without the ability to engage people, great business schemes aren't worth the slide shows they're projected in.

.03 It takes a village (of executives)! The fastest-growing, most-profitable companies in our studies had cadres of executives with wide-ranging leadership skills. A few talented leaders won't compensate for a large group of mediocre ones. Accelerated growth initiatives and learning journeys for senior leaders can quickly turn your capabilities around.

.04 Start developing the money skills at lower levels in your organization. Your top leaders with the killer money skills weren't born that way. They likely acquired their skills through experience and challenging assignments. You can start your lower-level leaders on the path to developing these skills early by identifying your highest-potential players and channeling them into learning experiences that build their skills early.

Leader Skill Shake-Up
Critical Consequences of the Shifts Over Time

Leader Skills Ranked by Average Skill Level, 2006 to 2014

Global Financial Crisis

Highest Ranking

Lowest Ranking

- **Operational Decision Making**
- **Customer Focus**
- **Cultivating Networks**
- **Leading Change**
- **Driving Execution**
- **Empowerment/Delegation**
- **Establishing Strategic Direction**
- **Coaching and Developing Others**
- **Entrepreneurship**
- **Building Organizational Talent**

2006   2008   2010   2012   2014

The Long View on Changes in the Face of Leadership

A leader's skills are a blend of what the person brings to the position, as vetted by hiring and promotion processes, and how he or she has developed in the role. However, the leaders in our study operate within a much broader economic context that defines key challenges and constraints and should not be ignored in any view of leader skill.

Our data spanned the global financial crisis (GFC) to gain a unique perspective on how leader skills have shifted alongside economic pressures. How ready are leaders to meet today's business challenges while they foster the next generation of talent to fill their shoes and drive their organization's resurgence in the marketplace?

[EVIDENCE]

We ranked leaders' skills based on their average assessment scores at five points: 2006, 2008, 2010, 2012, and 2014. (see "Leader Skills Ranked" graphic). Five trends became clear from this view of leader skills over time:

+ The immense turmoil from the GFC (late 2007 to mid 2009) dramatically reshuffled leader skills, as shown by the many crossing lines between 2008 to 2010—more than in any other two-year period.

+ Two hallmarks of leader strength remained very consistent: their skills in operational decision making and customer focus.

+ Leaders increased their skills and priority for taking personal accountability by leading change and establishing strategic direction, while they became more adept and involved others via empowerment and delegation. Each skill trended upward.

+ Concerning, however, is that skills in the sustained, long-term aspects of leadership actually slipped. Driving execution, coaching, and building organizational talent all slid in average leader strength from 2006 to 2014.

+ From 2006 to 2014, leaders were better able to work with others to respond to major changes in the business environment by cultivating networks and leading change; however, they were less willing or able to take personal risks through entrepreneurship.

As businesses have adapted to a new economic reality, so too have their leaders, becoming stronger at doing more with less. However, this likely has come at the expense of talent growth and risk taking.

! Action

.01 Restore the focus lost during the GFC on building organizational talent to avoid the perilous state of a bench of unprepared in-house leaders, which can lead to expensive external hiring or risk-fraught promotions.

.02 Counteract the growing tendency of pushing decision making to lower levels without pairing it with high-quality coaching. Leaders have become better at making delegation assignments, but their ability to coach others for success has slipped.

.03 Take advantage of improved skills in networking and leading change by designing developmental assignments focused on either partnerships or launching new initiatives.

.04 Reinvigorate entrepreneurial skills by fostering both the ability of, and opportunity for, leaders to take risks (if viewed as essential to the organization's health and growth).

.05 Consider shifting talent programs away from operational decision making and customer focus because these skills have stabilized. Though not the right approach in all cases, temporarily reorienting toward lower-ranked skills might be warranted.

Ready Leaders? Ready for What?
How Leadership Readiness Stacks Up Against Common Business Contexts

Most Common Business Contexts in Order of Leader Readiness

59% — Building Strategic Partnerships and Relationships

56% — Cultivate a Customer-Focused Culture

51% — Drive Efficiency (Execute Process)

42% — Drive Process Innovation

37% — Drive Profitability

Drive Product Innovation — **34%**

Create Alignment and Accountability — **34%**

Enhance Organizational Talent — **30%**

Build High-Performance Culture — **29%**

Shape Organizational Strategy — **27%**

Among the 10 most common business contexts that organizations encounter, leaders vary widely in how ready they are to conquer challenges.

Are Leaders Ready for Anything?

In leadership it's not only the characteristics of the person that determine success. Context matters. So for this analysis, we asked: What are the most common leadership challenges (contexts) that executives face today? And how ready are they to conquer them?

Each time we encounter a new client, we objectively analyze their context to uncover the few (3–5) broad leadership challenges that leaders must overcome to execute their business strategy. We call them "business drivers" because, once tackled by leaders, they drive the business forward.

We measured business drivers by wiring the most relevant competencies and personality attributes to each driver and assessing them in a multi-method assessment center.

[EVIDENCE]

For none of the most common business drivers was there more than 59 percent of leaders rated as fully ready—a sobering statistic in light of today's leadership shortages. But there are bright spots. The three highest-rated business drivers suggest that there is some supply of leaders who can do the much-needed work of building strategic partnerships, focusing their organizations on customers, and improving process efficiency. Other areas of relative strength included allocating resources to support strategy and enhancing quality (see "Most Common Business Contexts" graphic)—all useful assets in maintaining organizational health.

More worrisome were the far-lower readiness rates in the areas of shaping strategy, building a high-performance culture, and enhancing organizational talent. In addition, the five lowest-rated business drivers suggest a lack of capability to improve talent and performance, make big organizational enhancements (e.g., mergers, integrations), and take businesses in new directions.

Context can (and does) change quickly, and these data suggest that it won't take long for most leaders to find themselves in an environment for which they are ill-prepared. Executives are more equipped to focus on challenges in the here and now, such as improving quality, building relationships, and focusing on customers and efficiency. They are far less ready to navigate the ambiguity that comes with more strategic challenges like building or reinventing brands, markets, organizations, and cultures. Given the speed of change, executives have some catching up to do.

! Action

.01 Don't just assess your leaders, assess your context as well. Knowing who should lead your organization comes when you understand both sides of the equation: people and the challenges they'll face. Taking the time to objectively assess both enables an assessment of fit and reduces the risk of mistakes.

.02 Align skill and personality requirements with your context. Business driver readiness is assessed with multiple competencies and personality characteristics that interact with one another and with the situation to determine whether a leader can be successful or not. Understanding the whole equation is essential in both the selection and development of great leaders.

.03 Contextualize skill development efforts. It's true that leadership is a discipline. Improvement requires learning, practice, and feedback—lots of each. But generic skill development won't provide the capability you need for your business. Any efforts you make to accelerate the growth of your leaders should train them to apply newly learned skills to the specific challenges and needs that your organization faces now and will face in the near future.

High-Resolution Leadership

Industry Revolution
In Today's Landscape, Which Industries Are Most Poised to Succeed?

Top- and Bottom-Ranked Industries Across Leader Skills

Legend: ★ Strength — Mid-range ✖ Weakness

Industry	Building Organizational Talent	Business Savvy	Coaching + Developing Others	Compelling Communication	Cultivating Networks	Customer Focus	Driving Execution	Driving for Results	Inspiring Excellence	Operational Decision Making	VUCA Index*
Finance / Insurance	★	—	★	★	★	—	—	—	—	—	↓
Health Care	★	✖	✖	—	—	★	★	—	—	—	↓
Information Technology / Telecommunications	—	—	—	—	—	—	★	★	★	★	↑
Pharmaceuticals	✖	—	—	—	—	✖	—	—	—	—	↑
Professional Services	—	—	—	—	—	—	—	—	—	—	↔
Retail	—	★	★	★	★	—	—	—	—	—	↓
Manufacturing: Electronics / Machinery	—	—	—	—	—	—	—	★	★	★	↑
Manufacturing: Industrial	—	—	✖	—	✖	✖	—	✖	✖	✖	↔
Manufacturing: Petroleum / Coal	—	✖	—	✖	—	—	—	✖	✖	✖	↔
Manufacturing: Transportation	✖	★	—	✖	✖	★	✖	—	—	—	↔

★ Strength   — Mid-range   ✖ Weakness

* VUCA Index, reflecting both technological and demand uncertainty for each industry, based on the Harvard Business Review article "The Industries Plagued by the Most Uncertainty" (2014)

How Do Leader Skill Profiles Differ by Industry?

Of all classifications used to group organizations, industry is perhaps the most salient. It's used to define relevant comparison groups for benchmarking and for competitors, economic climates, and labor trends. This detailed look at leader skill variation by industry, specifically, gauges and compares readiness to meet industry-unique business challenges.

One key differentiator among industries is the degree of VUCA pressures they face. *HBR* rated industries on how much technological and demand uncertainty they faced; we used the resulting VUCA index to show the links between uncertainty and leader skill.

[EVIDENCE]

Leader readiness varies tremendously by industry: the "Industry Revolution" graphic shows exactly how, displaying the strongest, mid-range, and weakest of 10 major industries on 10 vital leader skills, alongside the VUCA index of how turbulent each industry has been over the past decade.

We saw wide skill variation within the manufacturing sector, reflecting diversity across these industries, with Electronics/ Machinery the strongest and Transportation mixed. Petroleum/ Coal and Industrial were much weaker—neither was top-ranked for any skill.

Retail and Finance/Insurance leaders shared strengths in the interpersonal skills of coaching, communication, and networking, but they were average, though not weak, for most other competencies.

Health Care and Transportation were distinctive in their jagged skill profile, with both highs and lows; whereas, other industries were more consistent in rising to the top or falling behind.

From a talent management standpoint, building organizational talent was strongest for Health Care and Finance /Insurance leaders. Conversely, leaders in Pharmaceuticals and Transportation consistently were unable to demonstrate strong talent-building skills.

IT/Telecommunications leaders demonstrated notable strengths in execution and results focus, inspiring excellence, and operational decision making as well as average interpersonal skills.

Matching leader skill readiness to VUCA demands, the Pharmaceutical industry is most at risk due to a mismatch of high uncertainty and mediocre leader skills.

*Dyer, J., Furr, N., & Lefrandt, C. (2014). The industries plagued by the most uncertainty. *Harvard Business Review* (published online on September 11, 2014).

! Action

.01 Align leader readiness against the level of VUCA demands for a particular industry. For the three industries scoring highest on the VUCA index—Electronics/ Machinery Manufacturing, Pharmaceuticals, and IT/Telecommunications—leader proficiency in VUCA-matched skills, such as inspiring excellence, compelling communication, and driving for results, will have particular impact.

.02 Within an industry, use pervasive skill deficiencies to identify which growth targets are most likely to provide a competitive advantage over peers (e.g., operational decision making for Petroleum/Coal Manufacturing or business savvy in Health Care).

.03 Due to major skill differences among Manufacturing industries, avoid collapsing "manufacturing" into a single category and comparing against the industry as a whole; doing so obscures critical distinctions within the sector.

.04 Organizations in the Finance/Insurance and Health Care industries have current leaders most prepared for building future talent and should continue to bolster this skill, while the Pharmaceuticals and Transportation Manufacturing industries must take immediate steps to remedy their deficiencies in this area to avoid severe risks for their internal pipeline of future leaders.

.05 Install or reinforce diagnostic assessments to gauge leader skills and remedy observed skill gaps. Incorporating these tools into selection and promotion decisions will be particularly valuable for industries with weaker skill profiles to begin to improve the talent pool of those well-suited for higher-level roles.

Race to the Top
In the "Survival of the Fittest," How Does Personality Impact Leadership Transitions?

How Personality Patterns Differ Between Higher- and Lower-Level Leaders

Enabling trends listed increase for higher-level leaders; derailing trends listed decrease as leaders move up.
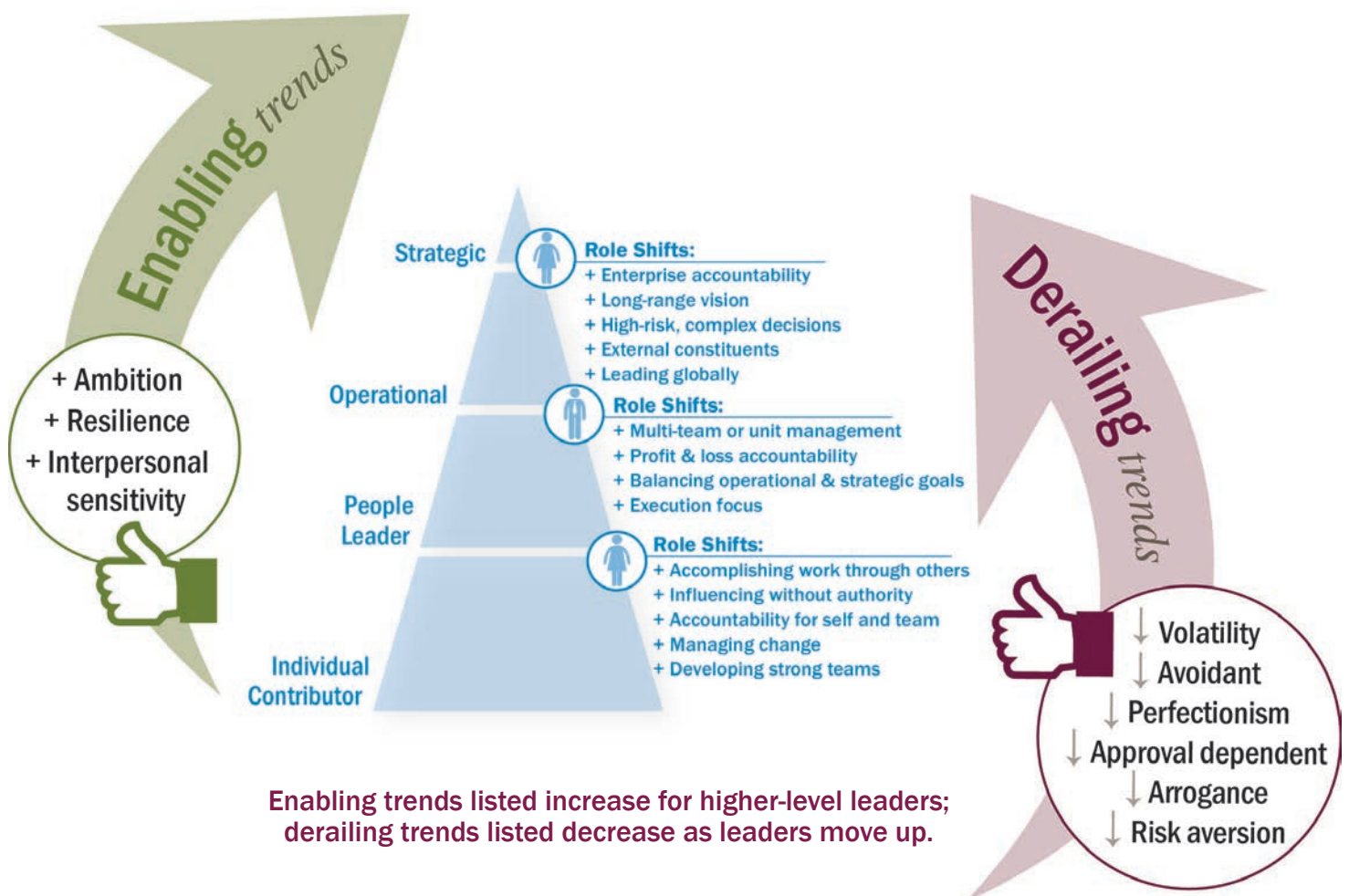
The Crisis of Transition

The warp speed of business has hastened the pace of leaders being thrust into roles of increasing scope and responsibility, 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.

Predicting who can navigate these transitions demands an evaluation of personality factors that influence how leaders will respond to vastly greater challenge, pressure, and visibility. This analysis illustrates how these hard-to-develop attributes—both positive traits, or "enablers," that grease leader success, and dysfunctional traits, or "derailers," that trip them up—differ across three leader levels: strategic executive, operational, and mid-level.

[EVIDENCE]

Enabling Trends—Emergence of an "Enterprising" Profile: Leaders at each successive level exhibit stronger ambition and resilience, and slightly greater interpersonal sensitivity.

Derailing Trends—Rising above the Landmines: Today's leaders face high-risk scenarios that trigger derailers. Effective behavior is displaced by stressors; formerly productive traits may become dysfunctional for strategic executives (e.g. confidence turns to arrogance) Higher-level executives are less vulnerable to six derailers:

1. **Volatility**, displayed as inconsistency, distractibility and moodiness—which would threaten credibility for building trust through predictable actions and consistent follow-through.

2. **Avoidant**, often seen as passive-aggressive conflict resolution, which would poison opportunities to influence and interact.

3. **Perfectionism**, as senior executives recognize they can no longer micro-manage work, an 80% solution will have to do.

4. **Approval Dependent**, as senior leaders become more decisive than operational and mid-level leaders, perhaps less ruled by need for personal reinforcement and pleasing others.

5. **Arrogance**, expressed as self-importance or insensitivity. Self-assured senior leaders may be less compelled to oversell their own importance, or influence others through intimidation.

6. **Risk Aversion**, which declines as leaders ascend levels. Increased achievement may breed confidence and a greater willingness to make bold moves to drive the business forward.

Notably, **attention seeking** is the only derailer that increases for senior leaders, as their confidence helps them pursue and win center stage. Their risk is in overshadowing those whose hearts they need the most, in lacking humility, and ultimately, in compromising trust.
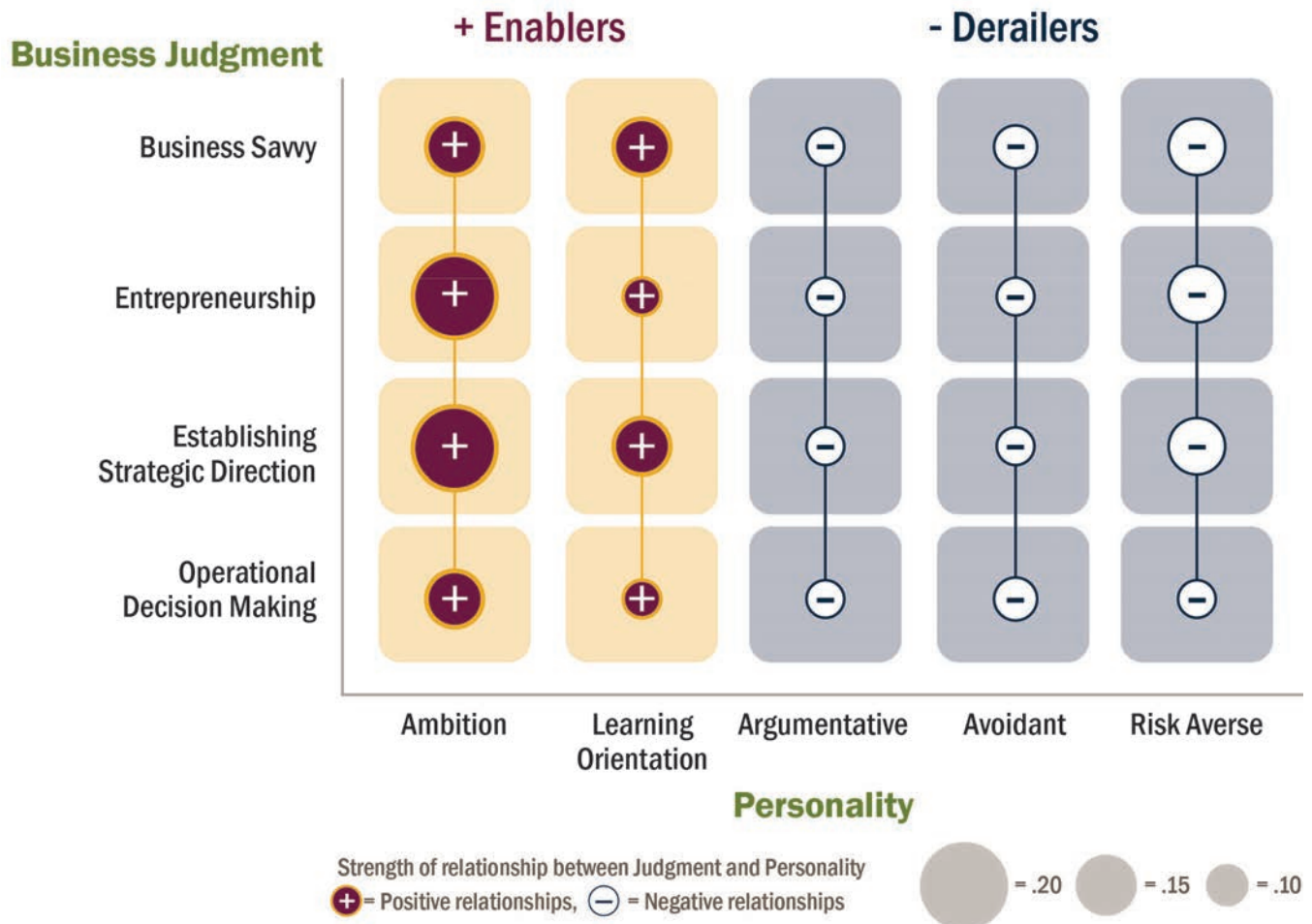
! Action

.01 Help leaders anticipate realities of transition. Doing so softens the ambiguity and anxiety felt during transitions. Context-driven guidance also incents leaders to rapidly build skills required for success at the next level.

.02 Use holistic assessment for critical executive selection and succession decisions, including insight into derailment risks. While success is best predicted by assessments of actual leader behaviors, gauging susceptibility to failure requires also identifying the derailing trends that may surface in real-life pressure scenarios such as heightened performance expectations, change initiatives, product launches, and mergers & acquisitions.

.03 Place differential focus on key derailment patterns when selecting and developing executives. Scrutinize transition risks for candidates with these derailers, as they have tangible repercussions for their attempts to execute transformational change, make decisions in a VUCA context, and mobilize talent toward long-term strategic horizons.

.04 Ensure leaders understand the negative implications of derailers. Give them tailored feedback on how to manage derailers to keep risk in check, avoid complacency, and recognize personal triggers for dysfunctional behavior.

.05 Teach leaders to mitigate derailers by proactive use of alternative, functional behaviors. Leaders can learn to manage or "cover" derailment risks (e.g., volatile leaders can "pause" before reacting to criticism to respond more intentionally; perfectionistic leaders can more frequently empower others).

.06 Recognize that derailer management is a discipline. While managing derailers is not easy, progress can be achieved when leaders respect the importance of derailer management to their ultimate success—as well as undesirable consequences if they do not.

Judgment: The Personality Blueprint

What Happens When Leaders Are Under Pressure?

The Personality Factors That Drive Business Judgment

Strength of relationship between Judgment and Personality
⊕ = Positive relationships, ⊖ = Negative relationships

Business Judgment: Who You Are Affects What You Decide

Personality is a vital factor in leadership success. The intersection of a leader's personality and performance is most consequential when the leader needs to perform under pressure within the pervasive VUCA business context. Most leaders are required to navigate the complexity of unfamiliar situations with fluid, unpredictable outcomes. Too often, though, highly experienced leaders fail due to their dysfunctional personality tendencies.

We studied whether particular personality styles were more related to the decision-making skills that underlie business judgment than others. We were particularly interested in the strong relationships between the business decision-making leadership competencies (i.e., business savvy, entrepreneurship, establishing strategic direction, and operational decision making) and certain personality styles, specifically ambition and learning orientation, as well as any strong negative relationships with argumentative, avoidant, and risk aversion.

[EVIDENCE]

Notable personality-judgment links are shown in the "Personality Factors" graphic. Ambition measures the degree to which a person is socially self-confident, resilient, competitive, motivated to lead, and energetic. To be effective when making business decisions, leaders need high energy, a positive and aspirational mind-set, and a preparedness to subordinate other life options to pursue goals. Ambition is difficult to develop and should not be underestimated in considering leadership potential or selecting leaders.

The strong positive relationship between learning orientation and business decision competencies reinforces the importance of learning capacity and versatility for being successful as a leader in a VUCA world. Leaders with higher learning orientation are more likely to embrace ambiguity, complexity, and paradigm shifts and to positively engage in both practical and intellectual challenges.

Leaders scoring high in argumentative, avoidant, and risk aversion performed poorly in the business decision leadership skills. Under pressure, leaders with these dysfunctional tendencies can disproportionality fear failure, become insecure, and become myopically focused. Further, their interrogative styles of questioning can cripple trust-building outcomes.

Leaders who do not learn to manage these tendencies can develop highly short-term, conservative decision styles that lead to distorted perceptions of higher risk. This disconnects them from anticipating opportunities and inspiring people toward a better future.

! Action

.01 Clearly discuss the tangible impact of personality patterns on key aspects of business judgment. For example, if your business has an urgent need to identify cost controls or to find innovative ways to generate sales, consider the impact of a leader with an unmanaged risk aversion tendency, and how the person's overly constrained consideration of options could lead to actions that would be too conservative and slow to realize results. Or, consider a leader with an argumentative tendency whose interrogative approach tends to dominate discussions and prevent others' good ideas from surfacing—this would become a serious barrier to generating effective solutions.

.02 Heighten self-awareness and sustain improvement in managing personality implications on business judgment by creating an open environment and ensuring that leaders have feedback skills. A leadership team that has an understanding of each other's tendencies and the skills and receptivity to provide feedback will be more successful avoiding situations that trigger these potentially destructive behaviors and their associated business execution problems.

.03 Ensure that leaders have a 100-day action plan that identifies their personality tendencies linked to business judgment and specifies the actions needed to manage these behaviors. This plan should be reinforced by processes such as time frames, required support (e.g., coaches), and measures to indicate improvement. Implement stronger governance and accountability processes to manage the heightened risk that, in stressful environments, allows individual personality tendencies to get in the way of execution.

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Execution and Engagement
Can Leaders Be Ambidextrous?
Doing Both Well Is Critical

The Shifting Balance of Execution Versus Engagement as Leaders Ascend
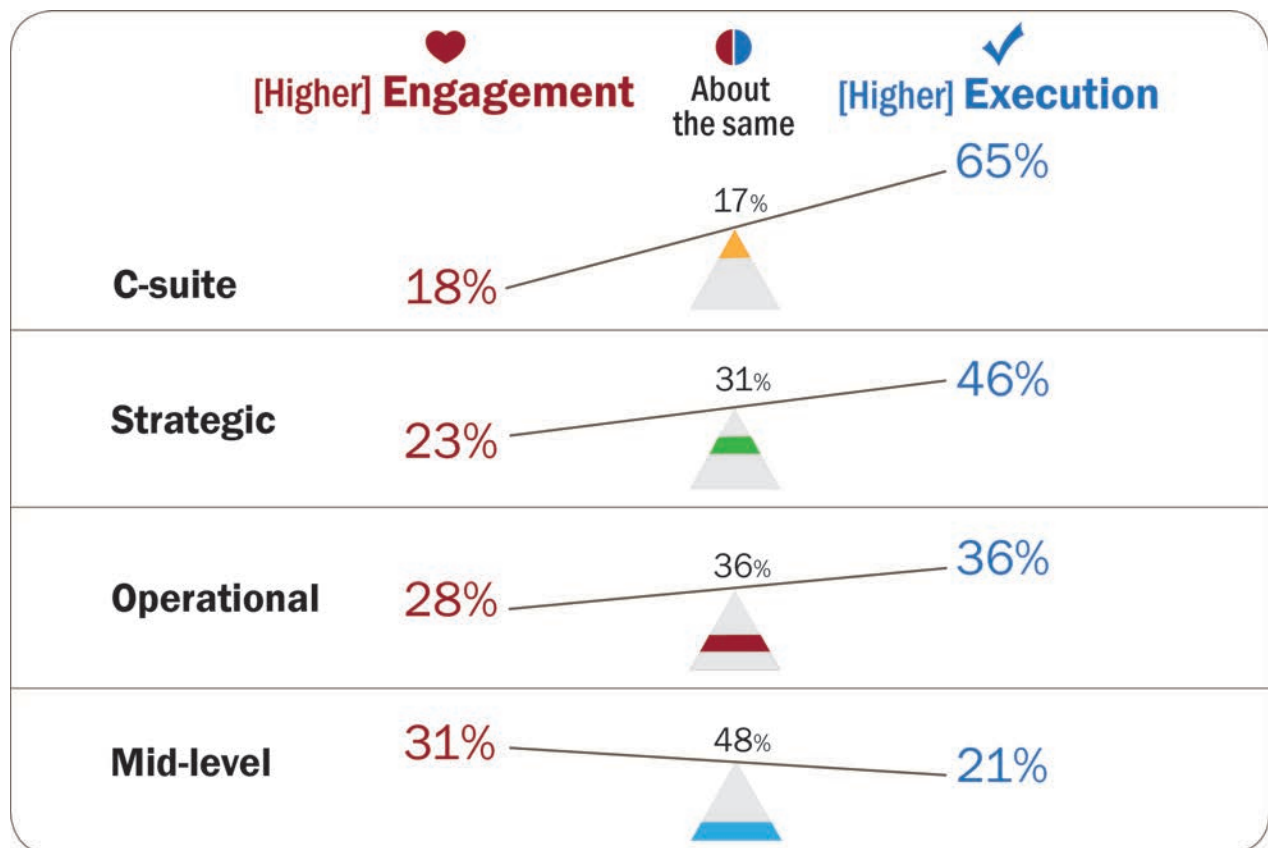
Percentage of leaders higher in engagement, higher in execution, or equal.

Senior Leaders Lose Their Grip on Engagement as Execution Grows Stronger

Whether it's completing a major project or setting the strategic course for an entire organization, leaders must rely on two essential clusters of behaviors: engagement and execution. Execution is about getting something done or driving a course of action; engagement concerns ensuring that people are fully absorbed in their work and inherently committed to the organization's purpose and values. Typically, engaged employees are more satisfied with their work and have a greater sense of well-being.

Unfortunately, many organizations are doing poorly in both areas. A PwC study* revealed that upwards of 50 percent of organizations are ill-equipped to execute on their business strategies, while small percentages of the global workforce are engaged in their jobs.**

The question we set out to answer is this: Do leaders have the skills to do either and / or both well? Our answer: It depends.

[EVIDENCE]

We started by comparing leadership indexes for both engagement and execution that were based on a subset of competencies and actions included in our assessment process. (see "Executive and Engagement Behaviors" sidebar) We designated the leaders who had high assessment scores in execution or engagement.

The results are startlingly disappointing. Of the leaders we sampled, 17 percent were highly capable in the execution composite, and only 1 in 10 in the engagement composite. Worse, few leaders were truly ambidextrous at both. Is there a difference by level? The "Shifting Balance" figure shows a clear trend. At the lowest leader level, 31 percent scored higher on the engagement composite, while 21 percent were higher on the execution side. They had equal scores 48 percent of the time. At the more senior levels, the majority of leaders scored higher on execution and lower on engagement; furthermore, balance almost disappears. For instance, at the strategic/executive leader levels, two out of three leaders scored higher in the ability to execute, while not even one in five scored equally.

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.01 While a lack of flawless execution can lead to lower engagement, the reverse is more likely. The ability to execute heavily depends on the engagement of those who need to carry the initiative forward. Slightly more balance in the top ranks would go a long way toward reducing the risk of failed strategy. Attend more to promotion consideration for those with strong engagement behaviors and hold all leaders responsible for engagement and culture survey metrics.

.02 Your performance management approach is the single most critical HR (or, for that matter, business) system for driving execution. Use cascading goals and a stronger emphasis on accountability to up your odds of executive-level success.

.03 For over a decade, we have demonstrated that leadership behaviors are instrumental for driving engagement. Unfortunately, we've seen little improvement in those behaviors. The good news is that our research shows those behaviors can be developed through a combination of formal training and practice.

Execution and Engagement Behaviors

Engaging Behaviors
+ Creates shared purpose, inspires team cohesion.
+ Provides ongoing feedback and appropriate guidance to team members.
+ Uses compelling language and tone to stimulate others' thinking and actions.
+ Builds momentum and a sense of urgency toward desired results.
+ Convinces others to commit to a vison and set of values.

Executing Behaviors
+ Determines action steps required to implement an initiative.
+ Ensures that those responsible for implementing an initiative have role clarity and accountability.
+ Aligns systems and process to support implementation of strategies.
+ Measures progress and evaluates results, reprioritizing as appropriate.
+ Generates options for action to address issues or opportunities.

*Cheah, P, Lang, A., Snowden, S., & Watts, S. (2014). *17th annual global ceo survey: fit for the future: capitalising on global trends.* London, UK: PricewaterhouseCoopers LLP.

**O'Boyle, E. & Harter, J. (2013). *State of the global workplace: employee engagement insights for business leaders worldwide.* Washington, DC: Gallup.

Is Empathy Boss?
The Science Behind Soft Skills—What Really Drives Performance?

Relationship Between Interaction Skills and Job Performance
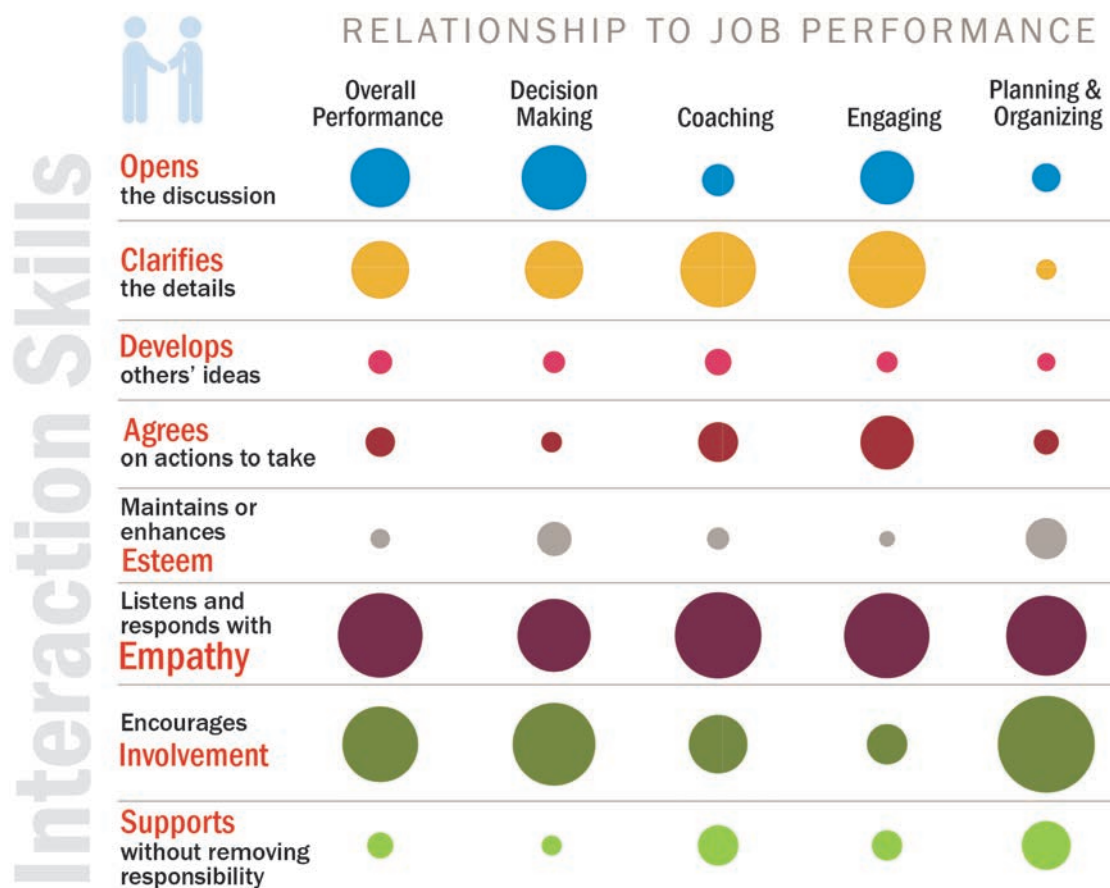
Larger circles = Stronger linkage between the interaction skill and job performance domain.

Empathy Still Matters: In Every Way

No matter what your favorite definition of leadership is (there are 462 million Google® entries), we believe it's largely dependent on a single ingredient: mastering successful conversations. By the end of each day, leaders likely have had multiple conversations with a range of their constituents. Each of these interactions will collectively determine their ultimate success as a leader.

For more than four decades, DDI has been developing millions of leaders in a set of eight interaction skills. These fall within two broad categories: providing structure to conversations (practical skills) and engaging others (personal skills). While all the skills are critical, we wanted to determine which have the highest impact on overall performance for early stage leaders and whether this conclusion would vary based on the purpose of the conversation.

[EVIDENCE]

We first collected data from our standardized first-level leadership assessment process on each of the interaction skills. We then asked the managers of these leaders to independently evaluate the participants on four specific leadership domains—decision making, coaching, engaging, and planning and organizing—as well as on their overall job performance. The managers had no knowledge of the assessment scores of their direct reports prior to making their own performance ratings. In the "Relationship" graphic, we've illustrated that the bigger the circle, the stronger the relationship.

Overwhelmingly, empathy tops the list as the most critical driver of overall performance. It also consistently relates to higher performance in each of the four leadership domains. Note, however, that only 40 percent of the frontline leaders we assessed were proficient or strong in empathy, the second lowest skill as shown in the "Effectiveness in Interaction Skills" graphic.

We consider empathy to be an EQ anchor skill, an important factor in leadership success. Close behind empathy on our list is involvement. Involving others is nearly equal to empathy in its impact on overall performance, and it highly relates to higher leader performance on two of the five domains: decision making and planning. No surprise here: Involving the right constituents in key decisions and planning leads to better outcomes. Again, only about half of the assessed leaders had high scores in this area.

! Action

.01 Using the eight interaction skills drives leadership success and, in turn, better performance. We've conducted numerous studies on the impact of these skills on productivity, revenue growth, and employee engagement. The bad news: The majority of assessed leaders have substantial room for improvement. But the good news is that all the skills can be developed (some easier than others) through skill-based development.

.02 Use validated selection techniques for leadership selection and promotion decisions. the payoff will be well worth the involvement.

.03 While there are differences in the relative importance of the eight skills, they are most effective when used in combination. For instance, a leader uses empathy throughout a project meeting to help those involved feel less stressed and more engaged; but, if next steps aren't clarified or agreed on, the meeting would be considered a failure.

Effectiveness in Interaction Skills

Opens the discussion	**77%**
Clarifies the details	**47%**
Develops others' ideas	**49%**
Agrees on actions to take	**54%**
Maintains or enhances **Esteem**	**33%**
Listens and responds with **Empathy**	**40%**
Encourages **Involvement**	**50%**
Supports without removing responsibility	**71%**

Percentage of People Who Demonstrate Effectiveness in These Skills.

EQ vs IQ
The Surprising Skills Where Each Matters Most

Predicting Leader Skills—What Happens When We Pit IQ Against EQ

Skill	IQ	EQ
Business Savvy	99%	1%
Financial Acumen	98%	2%
Influence	84%	16%
Compelling Communication	48%	52%
Leading Teams	38%	62%
Driving Execution	17%	83%
Cultivating Networks	1%	99%

% indicates the degree to which ■ IQ or ■ EQ accounts for effectiveness in each skill.
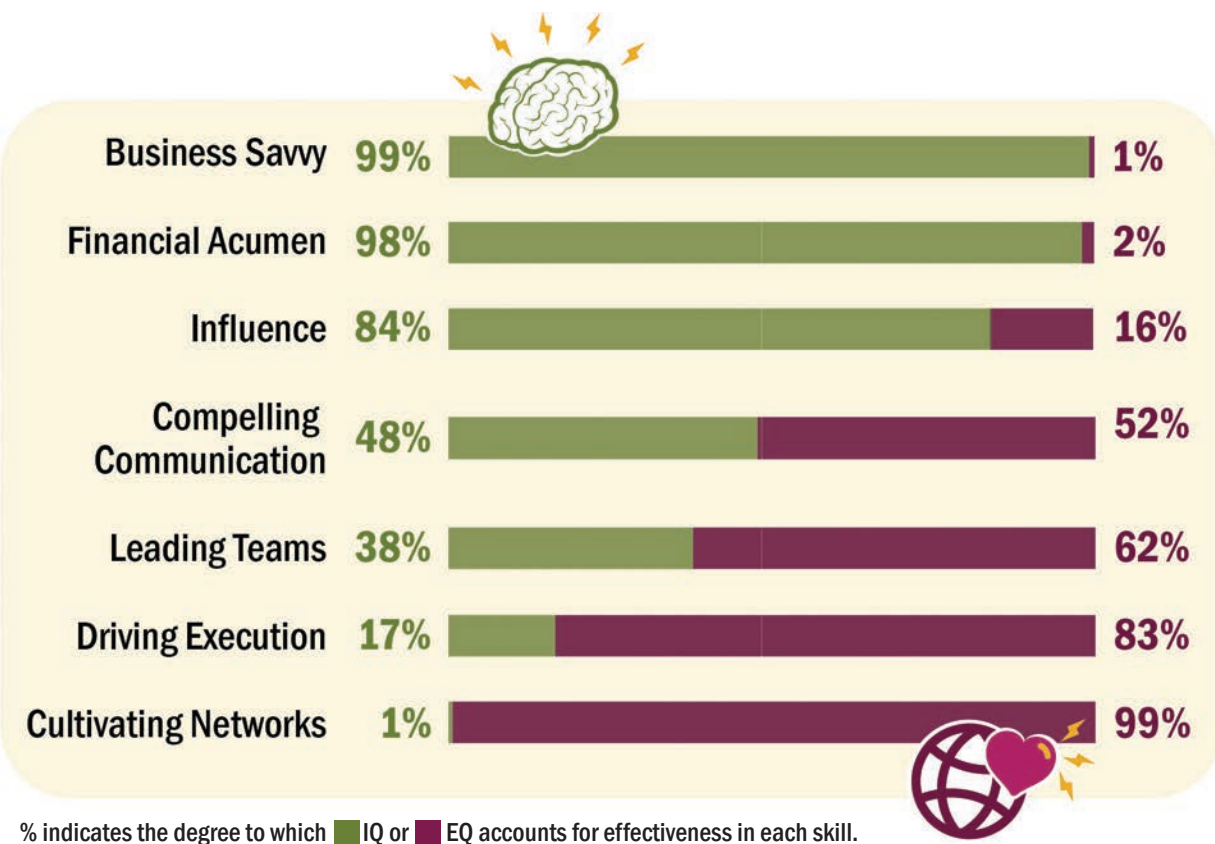
Not All Skills Are Equal

When it comes to sustainable leadership performance, what really matters most—emotional intelligence (EQ) or cognitive ability (IQ)? On the one hand, a study by Daniel Goleman, one of the earlier pioneers of EQ, revealed that EQ and technical skills accounted for a far larger percentage of the variance in leadership performance than IQ*. But on the other hand, a more rigorous study across multiple independent findings on IQ versus EQ showed that IQ was five times more important in predicting performance than EQ**.

The likely reality is that both matter. And, when it comes to the leadership ranks, it's fair to say that a larger percentage of leadership failures may be attributed to insensitivity than stupidity. Using our assessment database, we attempted to drill a bit deeper. While both EQ and IQ relate to overall leadership skill, we wanted to determine the difference between the two in predicting specific leader skills.

[EVIDENCE]

We began our investigation by determining the best possible indices of EQ and IQ. For IQ we relied on scores from the Raven's Progressive Matrices and Watson-Glaser Critical Thinking tests, both standard and accepted measures of cognitive ability. The EQ index was calculated with data from our global leadership personality inventories, using a combination of two factors: interpersonal sensitivity and imperceptivity (reverse-coded). Finally, we looked at which of the two indices were more critical in predicting assessment center performance in seven different behavioral skills. The results are shown in the "Predicting Leader Skills" graphic.

As you might expect, brainpower did a better job in predicting the more business-focused aspects of leader performance—business savvy and financial acumen. EQ, meanwhile, related more strongly to performance in the people-focused competencies, such as leading teams and building networks.

Perhaps a bit more surprising is influence and driving execution. Influence seems to depend far more on IQ than EQ. The implication? If you want to win someone over, a business case and strong rationale may be more critical than interpersonal sensitivity and skills. On the other hand, once you've influenced someone to take a particular direction, EQ will play a far stronger role in its execution due to the necessity of getting everyone marching in the same direction.

*Goleman, D. (2006). *Emotional intelligence: Why it can matter more than IQ.* New York: Bantam Dell.

**O'Boyle, E. H., Humphrey, R. H., Pollack, J. M., Hawver, T. H., & Story, P. A. (2011). The relation between emotional intelligence and job performance: A meta-analysis. Journal of Organizational Behavior, 32(5), 788-818.

! Action

.01 Integrate both EQ and IQ into your expectation-setting about strong leadership. Leaders deficient in either will be imbalanced and at severe risk of failure. Some vital leadership skills, such as networking and team leadership, will rely more on EQ; others, such as business savvy and financial acumen, much more on IQ.

.02 Capture information about EQ and IQ as early as possible, ideally during selection and promotion decisions. IQ is not developable, and research supports that EQ is influenced at a fairly early age. One of the world's largest personal care product companies tests its new associates for both EQ and IQ competence. That being said, current approaches to measuring IQ may have adverse impact against protected employee groups, and most companies rightfully avoid using them as a standalone preemployment instrument, instead choosing to combine them with other measures.

.03 Devote learning and practice opportunities to EQ-related leader behaviors such as maintaining esteem, empathy, listening, and supporting. On-the-job practice is essential to make formal training in these skills stick once a leader re-engages with employees.

High-Resolution Leadership

China: Looking to the Next Horizon

Are Chinese Leaders Wired for New Futures?

Derailment Risks for Chinese Leaders Matched to New China Business Paradigms

China Business Paradigms

Service industries surge as manufacturing declines

Global diversification is necessary to drive expansion

Young leaders with new expectations are reframing the workforce

China Derailment Risks

Volatile

Argumentative

Risk Averse

Arrogant

Impulsive

Approval Dependent
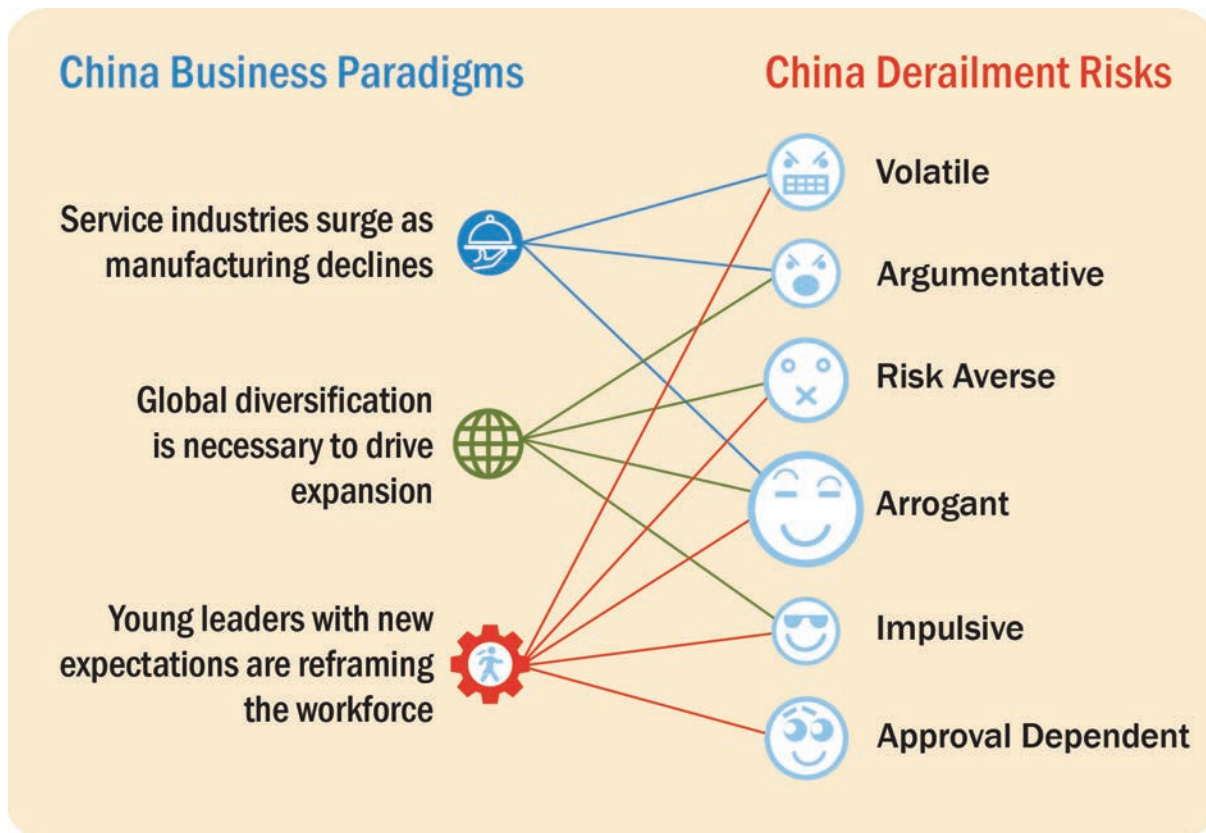
For derailment risks, the larger the circle, the more Chinese leaders exceed the global norm.

China's Economic Outlook

China has long been one of the world's fastest-growing economies. As this economy matures, both top- and bottom-line growth have slowed, reshaping expectations and shifting the importance of different industry sectors. Three key trends include:

1. The surge of service industries within China's economic base, while manufacturing continues a steady decline.

2. Recognition that global diversification is necessary for sustainable growth, driving expansion outside of China.

3. Rapid emergence of younger leaders with new expectations, dramatically reframing the composition, value sets, and expectations of tomorrow's workforce.

We considered the collective orientation of mid-level through C-suite Chinese leader candidates to step up to new paradigms in light of personality characteristics aligned to these trends.

[EVIDENCE]

New-Gen Versus Incumbent Senior Executives—Emerging Chinese mid-level and operational leaders exhibit personality profiles that differ notably from incumbent executives. To some extent this reflects the natural ascension of leaders with facilitating traits (e.g., learning orientation). However, there are consequential differences. Mid-level leaders are more analytical and prudent, helping them anticipate and avoid business landmines. Yet, they fall behind on growth enablers like ambition and strategic orientation and are more vulnerable to conflict avoidance and overconfidence. These patterns may be rooted in cultural legacies of hierarchical authority structures and decision making.

Evolving Relationship Paradigms—Global expansion heightens the need to listen to diverse perspectives, and share feelings to build trust. Service sector growth also relies on stronger empathy and expressions of appreciation. Chinese leaders are much lower than global peers in interpersonal sensitivity. They may be less likely to seek input and recognize contributions, leaving employees feeling misunderstood or customers undervalued. Left unchecked, these blind spots can limit cross-cultural engagement and partnerships.

Motivating Cross-Generational Talent—Chinese leaders are notably high in prudence, contributing to strength in driving execution. Limiters lie in a tendency toward arrogance and insensitivity. These patterns can produce a more directive, less seeking coaching style, which may prove unpalatable to millennial associates.

Overall Derailment Risk—Chinese leaders exhibit significantly greater derailment risk than global peers in the six factors on the "Derailment risks" graphic. These become vulnerabilities as leaders transition to the expectations, exposure, and scrutiny associated with increased presence on a global stage.

ⓘ Action

.01 Given the natural selection of more prudent next-generation leaders China-based companies might want to shift to flatter organizational structures. These structures encourage more agile, empowered decision approaches that would be for cross-border entrepreneurial pursuits. Hierarchical decision-making legacies will be hard to displace without systemic structural intervention.

.02 Focus on selecting future leaders who are motivated to sharpen their cultural emotional intelligence (EQ) and interpersonal sensitivity. The next generation will need to be able to both "think globally" and "act globally" regarding collaboration, influence, and talent development.

.03 Shore up evergreen interpersonal fundamentals for both incumbent and emerging leaders, particularly in trust-building essentials such as demonstrating empathy and recognizing and disclosing personal thoughts, feelings, and rationale. These highly developable skills will help optimize relationships both within and across organizational, generational, and functional boundaries.

.04 MNCs and indigenous organizations should help their leaders identify their personal derailment risks and build self-management techniques. When they become more acutely aware of their own tendencies, leaders can anticipate and avoid personal derailment triggers.

.05 Create a sense of urgency for new coaching and development paradigms for emerging talent. Chinese organizations can capitalize on talent through flexible approaches to coaching, developing, and motivating young talent, especially millennials. Training Chinese leaders in less directive coaching practices (e.g., leveraging provocative inquiry) also may help.

25

The Paradox of India
Rapid Growth but Fighting Hard to Win

Prevalent Bright and Dark Side Personality Attributes for Indian Leaders

Market Saturation

Competition

Globalization

Price Sensitivity

Bright Side

| Ambitious |
| Passionate |
| Curious |
| Analytical |
| Competitive |

Bold

Dark Side

| Over confident |
| Emotional/Volatile |
| Impulsive |
| Perfectionistic |
| Low Interpersonal Sensitivity |

Infrastructure

Talent Scarcity

Digital Leadership

Social Challenges

Growth Capacity
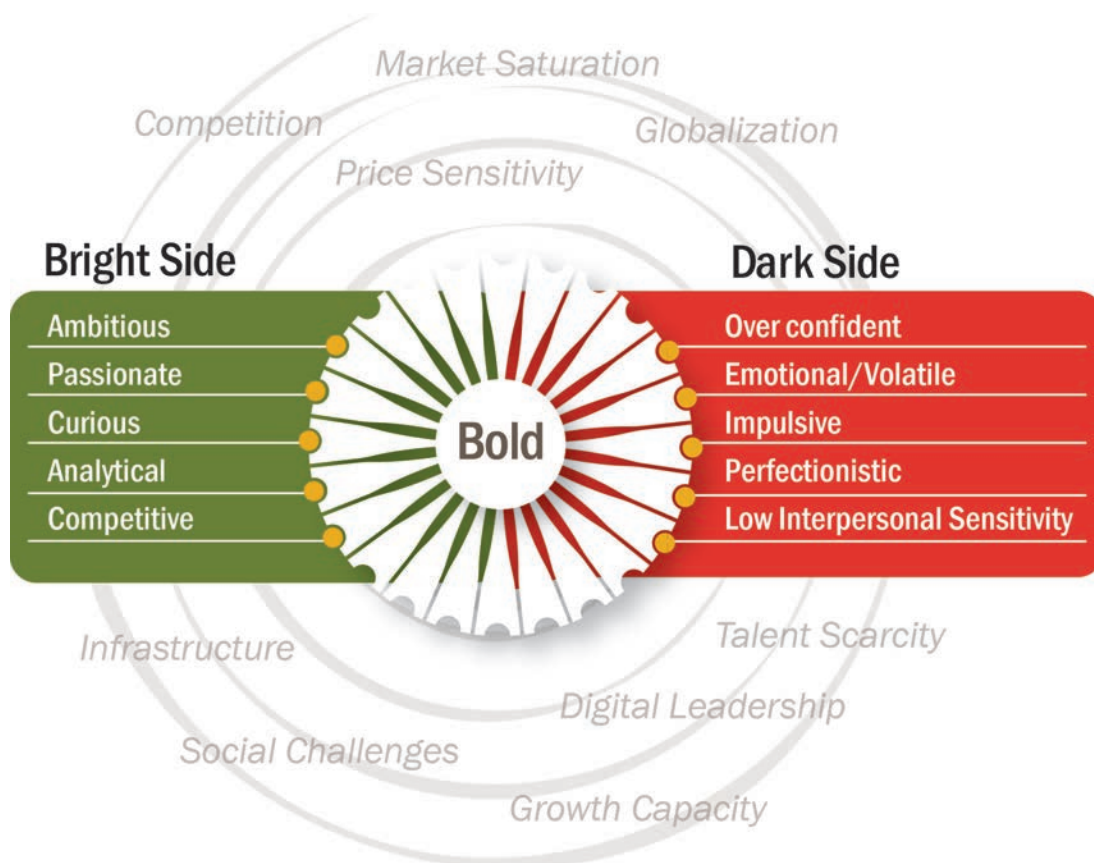
For both bright and dark side personality attributes listed, Indian leaders exceed the global norm.

India's Economic Outlook

India has emerged as the fastest-growing BRIC. Top-line growth is projected to remain high, driven by structural reform and revived foreign and local investment. However, while growth has accelerated, ease of doing business in India has not. For Indian-based companies, the elusive quest for sustained profitable growth will be shaped by four market factors:

+ Relentless competition, acute cost sensitivity, and market saturation, each of which drives margins ever lower.

+ As "Old India Economy" organizations struggle in the face of infrastructure and social challenges, "New India" companies are growing global fast—expanding in size, scale, and reach.

+ Education and career advancement are disproportionately available to select social/economic segments, yet these systems fail to produce sufficient talent for rapid expansion, particularly in the IT sector—the major engine for new economy growth.

+ A brutal war for scarce talent—particularly "digital leaders" who embrace e-technology and manufacturing automation—heightened by many young leaders who are poised to jump ship for elsewhere.

These trends create a burning platform for Indian companies to cultivate and retain precious talent. They also must build readiness for globalization while avoiding a catastrophic diaspora of talent outside India's borders. Our assessment database illustrates the collective personality profile of Indian leaders—and whether their hard-wiring equips them to meet these business imperatives.

[EVIDENCE]

Bright Bright Side/Dark Dark Side—For Indian leaders, boldness is a dominant, overarching theme—they are more ambitious, analytically curious, and competitive than global peers. They are passionate and independent, with a low need for approval, attributes that fuel envisioning of new business possibilities. Alternately, these same attributes may manifest as interpersonal volatility and a propensity to be arrogant, aggressive, or impulsive.

Technology Sector Challenges—Many Indian IT firms aspire to fuel growth and differentiation through innovation-focused design thinking. Inherently high curiosity and learning orientation can incent ideation and experimentation; conversely, over-analysis and perfectionism may inhibit courageous entrepreneurialism.

Optimizing Relationships—Indian leaders must create more relationship-focused cultures where brilliance thrives and talent stays. Heightening trust, collaboration, and inclusion will foster the ownership and cross-boundary influence required to get things done. Challenging tendencies include volatility, low interpersonal sensitivity, and moodiness—risking dysfunctional consequences in the cross-cultural global arena.

! Action

.01 Create the "brand" of New India (Global) Economy Leader—Promote the positive characteristics of new generation leaders, such as passion, curiosity, and resourcefulness.

.02 Simultaneously, ensure leadership development encourages deepening of self-insight early in leadership careers. Increased self-awareness and self-management techniques will prepare India's young business leaders to proactively manage derailers, helping reshape current "brand" perceptions of low interpersonal sensitivity, arrogance, aggressiveness and impulsivity.

.03 Optimize the triumvirate of development, recognition, and reward—Mitigate risk of losing competitive young professionals by maximizing growth opportunities (in both development and advancement) while attending to other valued factors like compensation and alignment to strong leaders/mentors. Employees leave their leaders as often as their organizations.

.04 Equip leaders to be catalysts for innovation. Creating a culture where innovation thrives will drive market differentiation and talent retention. Cultivate design thinking and other innovation levers, including risk taking and customer-driven curiosity.

.05 Help Indian leaders harness the power of diverse perspectives and relationships—essential ingredients for innovation and digital leadership across the globe. Accelerate skill development central to optimizing diversity, cultural sensitivity, and a global mindset, including foundational interpersonal skills training, which is robust and transferable across cultures.

High-Resolution Leadership

Is Europe Meeting Its Potential?

In Post-Crisis Economic Recovery, Are European Leaders Stepping Up?

Personality Tendencies Where European Leaders Notably Differ from Global Peers

Global

42% Independent thinker + strong decision maker

30%

23% Strategic, creative
24%
23% Operational
20%
23% Energetic, drives self + others
16%
16% 15% Thoughtful + planful

12% Self-promoting
9%
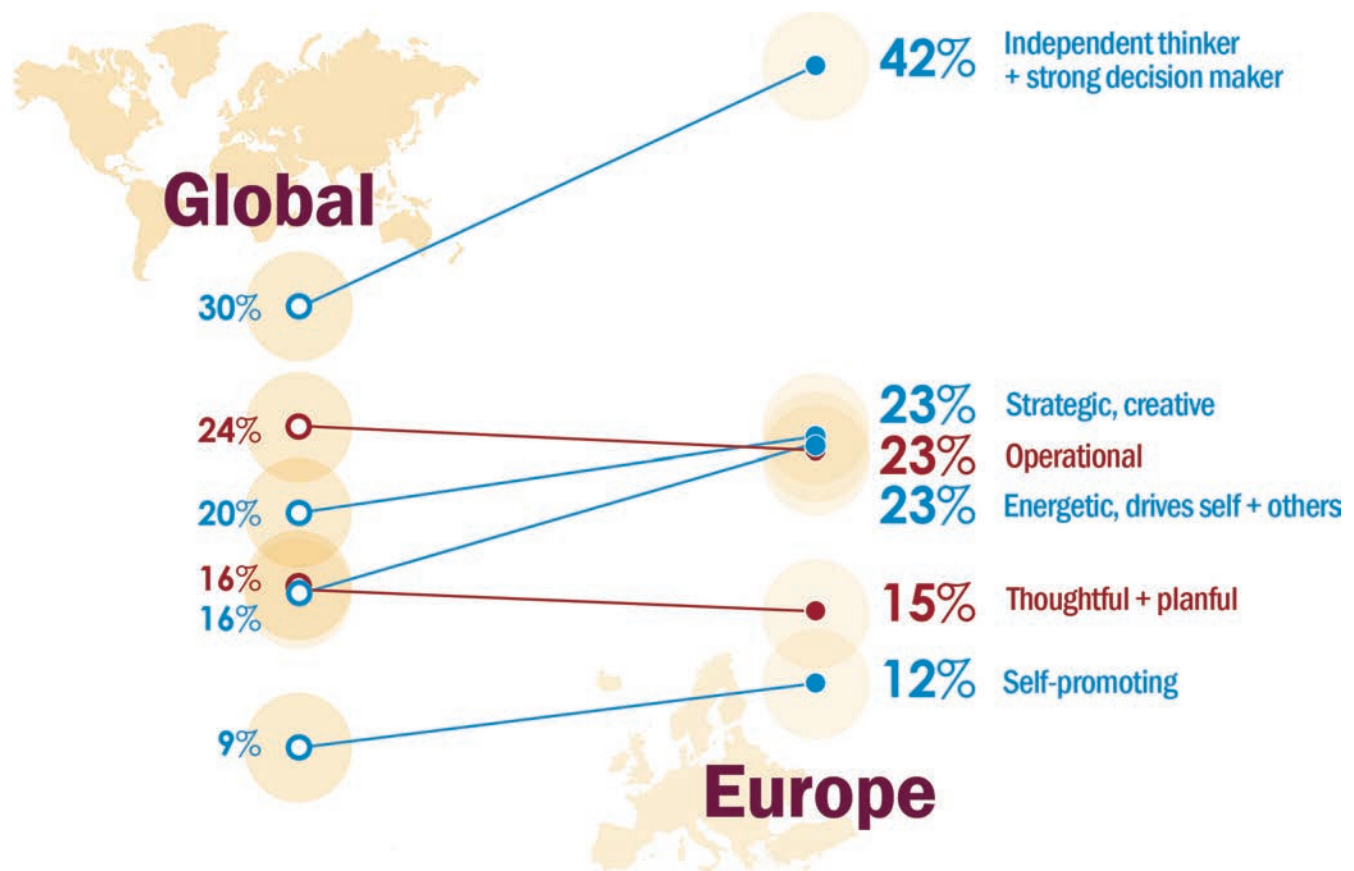
Europe

Blue lines show personality tendencies where European leaders are notably higher than the global norm; red lines where they are lower.

Europe's Economic Outlook

The momentum of European recovery, post crisis, has lagged behind other western economies, like the United States, due to a complex range of geopolitical factors and structural weaknesses (e.g., Euro reform). Several influences continue to slow the turnaround:

+ Margin pressures associated with sluggish rebound and weakening of emerging markets, (e.g., Russia).

+ Productivity, innovation, and the dynamics of change are constrained by heavy labor regulations (e.g., France).

+ MNCs struggle to overcome regional/business unit parochialism, and drive synergies and efficiencies.

+ Traditional organizational structure and leadership hierarchies prevail (e.g. Germany, Eastern Europe).

+ Conservative mindset in financial and manufacturing sectors.

+ Cultural, language, and ethnic insularity.

We matched common business challenges confronted by European leaders, drawn mostly from multinational corporations, to their collective personality profile. We compared them to global peers in their predispositions to overcome these market challenges and accelerate the economic rebound.

[EVIDENCE]

Despite the cultural and linguistic diversity in the sample, Europe's leaders show a similar personality profile to global and U.S. peers. However, European leaders operate within a much more structured economic environment. To thrive in this constrained context, they may need to draw on stronger enabling attributes and better-mitigated derailing tendencies than global peers in more progressive markets.

Collaboration and Diversified Networks—European leaders are more competitive (expressed as independence and ambition), display higher self-promoting tendencies, and are less naturally empathetic. Combined, these patterns suggest dispositional challenges, creating and leveraging enterprise opportunities across company and country boundaries. European leaders may succumb more easily to business silos and be less open to capitalizing on new markets.

Decision Making and Execution—While European leaders show strong strategic flexibility in the face of shifting dynamics, this advantageous style is countered by a less-planful execution approach. Their risk, then, lies in being adept in the realm of strategic ideas compared to global peers, but unable to translate these concepts effectively into execution.

Driving Innovation—European leaders are innovative, being less perfectionistic and more strategic, creative, energetic, and comfortable acting independently. However, the question remains whether this is sufficient to overcome European market barriers to innovation and lower effectiveness at the execution phase.

! Action

.01 Emphasize an enterprise perspective, capitalizing on cross-functional and business unit potential, which demands purposeful, consistent approaches to a "silo" orientation. European companies must equip leaders to champion an enterprise vision by rigorously aligning corporate strategy, performance metrics, and people systems (e.g. compensation).

.02 Cultivate agile change leaders who help associates embrace and balance the paradoxical priorities of greater innovation vs execution, and collaboration vs independent decision making. All are essential to create and sustain the collective ideation, confidence, ownership and outcome focus needed to turn the tide for Europe.

.03 Develop and support behaviors associated with optimizing partnerships, strategic influence, and respect for diversity. Heighten leader preparedness for the reality that their biggest challenges will be best conquered alongside partners, and that little can be accomplished in isolation.

.04 Select and promote leaders who shrewdly evaluate, develop, and deploy talent. Complexities inherent in today's global business and matrix structures require leaders who leverage resources to play their position in the organizational mosaic. For example, where there is an execution imperative, identify those with the conceptual breadth to drive strategy focus, alignment and accountability to drive results.

29

The Experience Effect
Does Tenure as a Manager Grow or Slow Leaders?

Growth Rates of Leader Skills Based on Management Experience

High Growth
+ Driving for Results
+ Inspiring Excellence
+ Leading Teams

Moderate Growth
+ Coaching and Developing Others
+ Driving Execution
+ Global Acumen

Low/No Growth
+ Executive Disposition
+ Selling the Vision
+ Operational Decision Making
+ Customer Focus
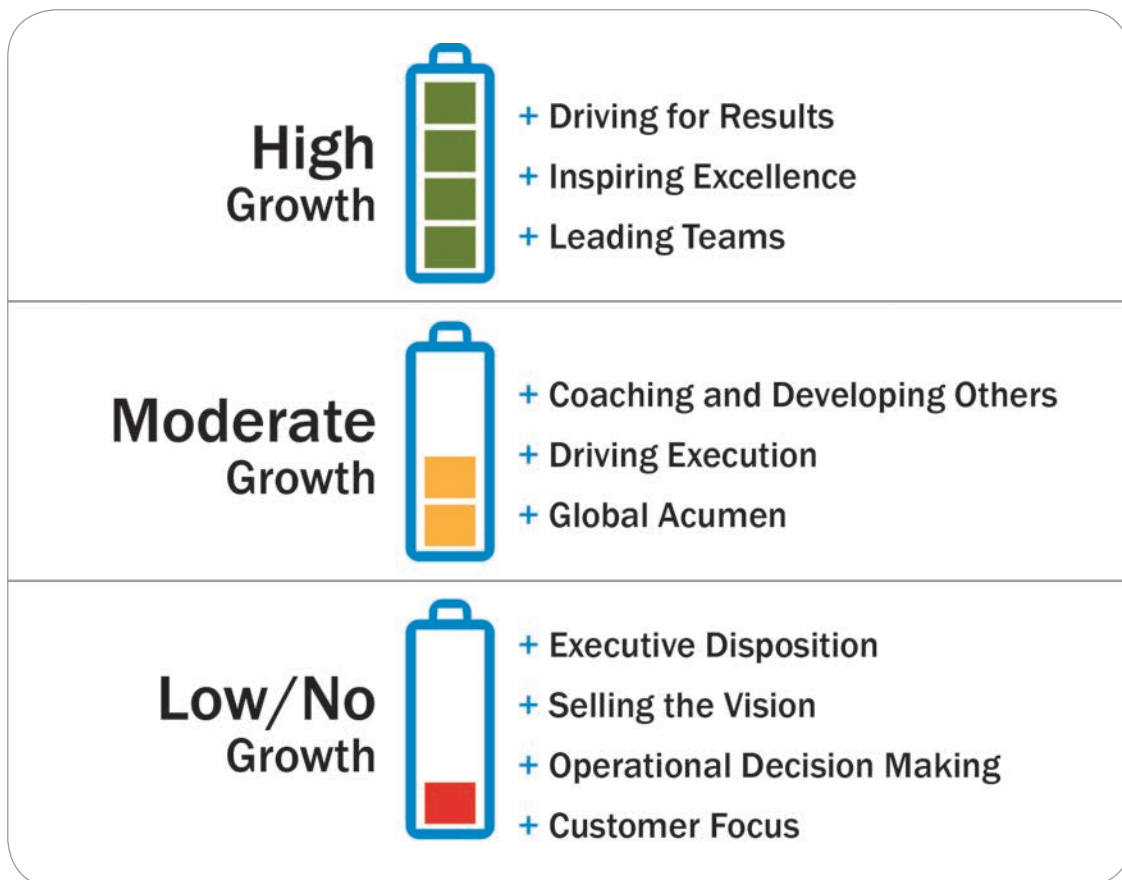
When—and If—Leadership Practice Makes Proficient

To varying degrees, a leader's path to and through the management ranks can be complex, unpredictable, and challenging—but it is nearly always lengthy. In our research, average years of management experience ranges from 12 years for mid-level leader candidates to 18 years for those in C-suite candidate pools.

Years of experience often is used as an indicator of expertise, based on the assumption that more time being a leader means more skill as a leader. Because our behavioral assessment database included candidates with varying experience levels, we tested this assumption by asking the questions: Does experience actually translate into leader strength? How does this vary across leadership skills?

[EVIDENCE]

We correlated years of management experience with proficiency in each of 10 key skills. These skills clustered into three types:

+ High-growth skills where experience translates into strength: driving for results, inspiring excellence, and leading teams. These require both goal achievement and team motivation. On average, high-tenure leaders were 4.4 times more likely than low-tenure leaders to be strong in these skills. New leaders struggled most with leading teams, as success becomes increasingly dependent on the capabilities of others versus oneself.

+ Moderate-growth skills: coaching, driving execution, and global acumen. High-tenure leaders were 2.6 times more likely than low-tenure leaders to be strong in this cluster. These skills are developable, but not easily or quickly. Development assignments may be needed to grow in driving execution and global acumen.

+ Low- or no-growth skills with virtually no connection between tenure as a manager and strength: executive disposition, selling the vision, operational decision making, and customer focus. On average, high-tenure leaders were only 1.7 times more likely than those with low-tenure to be strong in these skills.

We also gauged how many years an average leader needed to exhibit expert-level skill during the behavioral assessment. In the Skills by Years graphic, for each skill the size of the bubble shows the experience range when most leaders demonstrated mastery, including two that even long-tenured executives rarely perfect: coaching and selling the vision. These skills often must be relearned with each new group of employees and for each new strategy requiring a leader to chart a compelling course.

! Action

.01 Experience alone won't grow your leaders. Only three skills were substantially stronger in experienced vs low-tenure leaders.

.02 Design high-quality developmental assignments for early-tenure leaders to take advantage of natural growth trajectories for driving for results, inspiring excellence, and leading teams.

.03 Align hiring and promotion processes toward low- or no-growth skills. These skills are best targeted through assessment rather than development programs.

.04 Recognize that some skills, while they are developable, can be mastered only through sustained focus and extensive support. Two clear examples are coaching and selling the vision, which grow slowly with experience, and few leaders ever excel in these skills.

Skills by Years Needed to Become an Expert

Skill	Years
Executive Disposition	1–4
Driving Execution	9–11
Operational Decision Making	1–4
Leading Teams	12–15
Customer Focus	5–6
Global Acumen	12–15
Driving for Results	7–8
Coaching and Developing Others	NEVER
Inspiring Excellence	7–8
Selling the Vision	NEVER

High-Resolution Leadership

The CEO Profile
Exclusive Characteristics of Succession Finalists

How CEO Candidates Excel, are Wired, and Struggle

How CEO candidates **excel**

Passion for Results **44%**

Decision Making **41%**

Driving Execution **38%**

How CEO candidates are **wired**

Confident
Competitive
Resilient
Crave Attention

5–10% higher than other executives in all categories.

How CEO candidates **struggle**

Establishing Direction **21%**

Building Talent **13%**

Inspiring Others **9%**
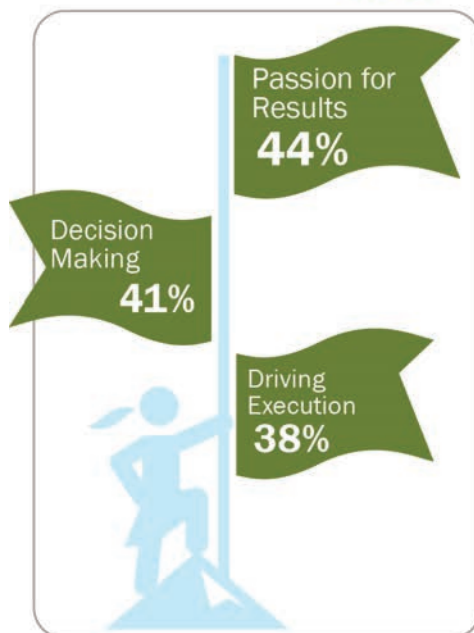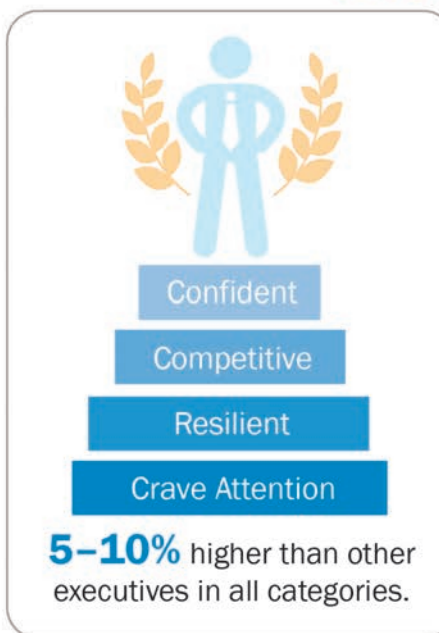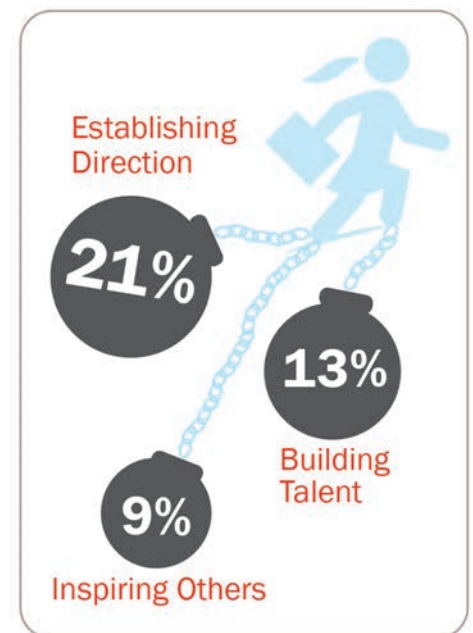
The CEO profile, using 243 CEO candidate finalists from 48 organizations. Percentages indicate proportion of CEO candidates strong in these skills.

How the Fittest Survive to Get a Chance at the Top Job

Leaders who are successful enough to be considered for a CEO position are unlike others. We set out to learn how CEO candidates are unique in their response to leadership challenges and if their personal attributes set them apart. We profiled 243 CEO finalists, in 48 organizations, and benchmarked them against our entire database.

[EVIDENCE]

What CEO Candidates Do to Excel

Obsess over execution and results—They stay laser focused on outcomes and demand specifics on how results will be achieved.

Instantly and accurately size up complex business situations—Relying on seasoned business instincts, they quickly sort the good business ideas from the bad so they can steer toward best bets.

Fixate on customer needs—They embody the customer persona so that they can get specific about diagnosing how business plans will meet customer needs now and in the future.

How CEO Candidates Are Wired

Intensely competitive, confident, and emotionally resilient—While it's true that most executives share these traits, they are even more pronounced among those preparing for a CEO position.

Craving of attention—Most personality derailers, such as arrogance or volatility, decline in prevalence. Not so for attention-seeking. The top job attracts those who enjoy being noticed for their talents and charm.

Creative or pragmatic (but rarely both)—21 percent of CEO candidates are creative, conceptual strategists, and 29 percent are practical, no-nonsense operators. Only 8 percent balance both.

Where CEO Candidates Struggle

Default to the short-term—The so-called "strategic plans" these leaders make are often not very strategic at all. They solve operational dilemmas, but few generate effective, long-range growth strategies. So meaningful organizational change is rare.

Treat talent as an afterthought—Their most rigorous planning seldom focuses on talent. Coaching is diplomatic but is often not goal oriented. Talent development is perfunctory, not strategic.

Experience difficulty in being inspirational—When trying to rally the organization behind their plans, most leaders turn reflexively to financial projections. Leading from the heart doesn't come naturally for them.

ⓘ Action

.01 Don't settle for anything less than deep insight into your CEO candidates. They tend to be fierce competitors who have a strong bias toward execution, but often show weakness in paving the way to the future. Ask how similar or different this profile is from the potential CEO successors in your organization. You'll need accurate data about your successors' capabilities to ensure the right answers and the best decisions.

.02 Don't mistake industry experience or business savvy with the ability to think strategically. Leaders often are considered strategic until they are confronted with solving a complex strategic business challenge. C-level simulations are proven predictors of leader success and company financial performance as they generate insights into the true strategic capability of top leaders.

.03 When building development plans, it pays to be specific, particularly at the top. The most common growth needs among CEO candidates are areas that can be developed, but not without concerted effort. An effective CEO succession plan pushes senior-level leaders to work toward the CEO's standards. Development happens faster when accurate, in-depth assessment data is used to pinpoint behaviors that can be applied to enhance effectiveness.

The Struggle Between Creative and Pragmatic

Good at Both
8%

Creative
21%

Pragmatic
29%

High-Resolution Leadership
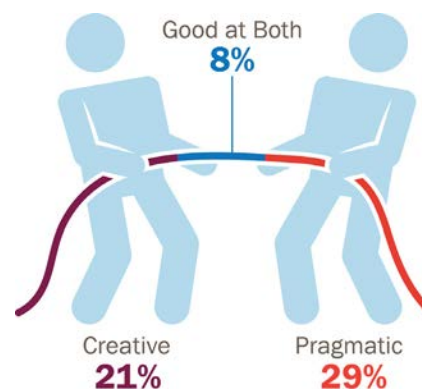
Not Merely a Matter of Degree
How Education Both Informs and Misleads About Leader Skills

Top- and Bottom-Ranked Educational Degrees Across Leader Skills

Education	Financial Acumen	Business Savvy	Compelling Communication	Driving Execution	Driving for Results	Entrepreneurship	Influence	Inspiring Excellence
Business	★	★	—	★	—	★	★	—
Engineering	—	✖	✖	—	✖	✖	✖	✖
Law	★	★	—	✖	✖	—	—	✖
Humanities	✖	✖	★	—	★	★	★	★
Information Technology (IT)	—	—	✖	★	—	—	✖	—
Natural Sciences	✖	—	—	—	★	✖	—	★
Social Sciences	—	—	★	✖	—	—	—	—

★ Strength   — Mid-range   ✖ Weakness

Skill profiles, comparing educational degrees (based on highest degrees completed) and 8 leader skills.

Which Degree Investments Pay Off in Stronger Skills?

A leader's educational degree, though often earned long before the person reaches upper management, remains a potentially powerful influence due to the knowledge and skill acquired through this formative experience. Degrees also are used as proxy variables, with assumed insight into a leader's capabilities, and are closely linked to compensation a decade into one's career. However, while stereotypes abound about certain degrees (e.g., IT, humanities, MBAs), research on how degrees translate into rigorously assessed leader skills is limited. Our research answers two questions about the educational background of leaders:

+ How do skill profiles vary by highest educational degree?

+ What skill advantages do MBA graduates exhibit?

[EVIDENCE]

The trends in the "Top-and Bottom-Ranked" graphic illustrate skill gaps and untapped potential in many pools.

Among the largest skill discrepancies are leaders with engineering degrees who face a heavy disadvantage: they were near the bottom in proficiency for six of the eight assessed competencies.

Business majors—the most common degree across all senior leaders assessed—outperformed other degrees on five of eight skill areas. However, a follow-up analysis comparing undergraduate and graduate (e.g., MBA) business degree holders showed that they diverged on several leader skills. Results are presented in the "Skills for MBA" graphic.

Humanities graduates struggled with business savvy and financial acumen but outperformed other degrees in many skills, and did so through strengths not only in interpersonal competencies (such as influence), but also in strong performance in results orientation and entrepreneurship. Many humanities programs incorporate debating, communicating, and critical thinking, which would contribute to well-rounded graduates in these fields.

Those with law degrees, nearly all with advanced degrees, showed strong financial acumen and business savvy. However, they were weaker than the other graduates in three skills reflecting a passionate pursuit of outcomes: driving for execution, driving for results, and inspiring excellence.

Natural science, social science, and IT graduates were near average in most leadership skills, though in a different pattern from each other. Notably, IT was top among all degrees for driving execution.

⚠ Action

.01 Challenge—and encourage others to reevaluate—long-held assumptions based on education. Though some bear true, many other stereotypes are wholly unfounded when compared to reality.

.02 Balance the critical technical expertise brought by new and advancing leaders due to their educational backgrounds, with awareness of common skill gaps that, if left unchecked, will curtail their overall effectiveness as leaders.

.03 Align talent programs to take advantage of the strong management skills of MBA graduates, while remedying any weaknesses (compared to undergraduate business majors) on the interpersonal aspects of leadership. Though management skills are consistently higher for MBA graduates, several other key leader skills show the opposite pattern (see "Skills for MBA" graphic).

Perhaps because of these gaps, several educational institutions have begun incorporating assessments into their MBA curricula as a gauge of the leadership skill growth from the program.

Skills for MBA Compared to Undergraduate Degree Holders

Undergraduate Business Degree

Financial Acumen	+12%
Business Savvy	+6%
Establishing Strategic Direction	+6%
−3%	Coaching and Developing Others
−6%	Driving for Results
−7%	Selling the Vision

★ Advanced Business Degree (e.g., MBA)
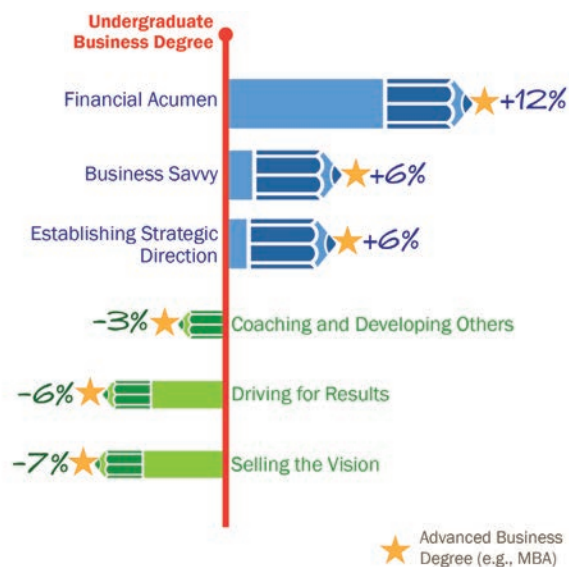
Blue = MBAs are higher | Green = MBAs are lower

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The Gender Divide Redefined
Some Surprising Differences, but Fewer Than You Think

Chosen Assessment Participants: Male vs. Female Candidates by Level

75%
25%

Assessment Level:
Operational

83%
17%

Assessment Level:
Strategic

90%
10%

Assessment Level:
CEO

More Same Than Different

The lobby of EY's New York headquarters features a larger-than-life mural proclaiming: "80 Years Until Gender Parity? Time to Fast Forward." With this display EY shows its awareness of the importance of workforce gender diversity. But it's far from alone! Companies around the world recognize that diversity is not just an issue of social equality; it's also good business.

We looked at how women and men differ in skills and personality patterns, offering unique insights into what enables or hinders greater gender diversity.

[EVIDENCE]

The glass ceiling for women in the workplace is cracking, but it's a long way from shattering. Because assessments represent investment, the ratio of men to women chosen to complete these assessments is a reliable indicator of gender diversity among high-potential leaders. Far more women are chosen as candidates for assessment at lower leader levels than at senior levels (See "Chosen Assessment Participants" graphic). This conveys to women: It's OK to be a lower-level leader, but you're not yet ready to rise to the top! Why are women rising less frequently? We have found that this is not rooted in a lower competence to lead.

When we looked at business drivers differences, not one was statistically significant —in fact, neither gender scores extremely high.

We've also heard considerable discussion about men being better at the "harder" side of business, while women shine in the "softer" side. But looking at the "softer" versus "harder" business drivers, there is little support for this proposition.
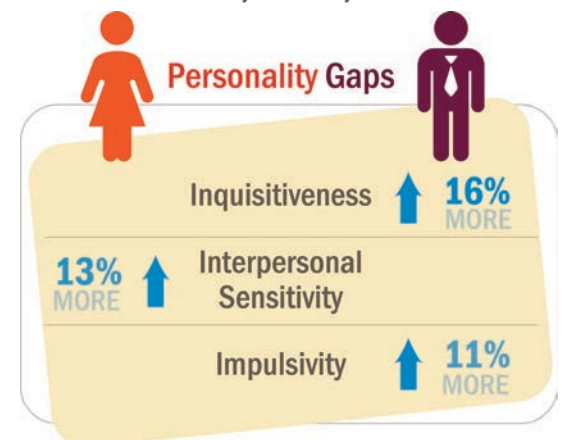
While we found no gender differences in business driver scores, we did see significant distinctions on three personality traits displayed in the "Personality Gaps" graphic:

+ Men trump women in inquisitiveness. Possible reasons include men gravitating toward STEM (science, technology, engineering, and math) careers that reinforce and reward structured inquiry. Also notable are cultural attitudes and practices. In some countries, women entering the workforce were raised in an environment that reinforced silence over curiosity.

+ Women are typically more interpersonally sensitive than men. This can be an advantage in environments where leaders are valued for their demeanor and interactions with others.

+ Men tend to be more impulsive than women. We surmise that men are reinforced to "just do it" without considering consequences. Women, on the other hand, are often nurtured with the outlook, Don't do it unless you can do it right.

⊕ Action

.01   A work culture that makes all types of diversity a key priority is a must. Organizational initiatives that reinforce such an environment include establishing women support groups, maintaining flexible working arrangements, nominating and nurturing high-potential women leaders, and career mentoring. Strive for a reputation of valuing diversity. One top Japanese corporation has done this by setting a goal to double its women leaders and professionals and enacting a set of strong initiatives.

.02   Networking is an essential element to success. Sponsor formal networking activities for women, and encourage self-initiated networking. Women as well as men can super-power their own networks around career development, idea generation, key influencers, and formal mentorships. The latter is especially important for women, as almost two-thirds of them have never had a formal mentor. Even one good mentor means they are more likely to climb the organizational ladder.

Men and Women Leaders Compared on Key Personality Traits

Personality Gaps

Inquisitiveness	16% MORE
13% MORE	Interpersonal Sensitivity
Impulsivity	11% MORE

High-Resolution Leadership

Dys-FUNCTION-al Skill Gaps
The Risky Reality of Overlooking Undiscovered Talent

Top- and Bottom-Ranked Functions Across Leader Skills

Functions	Financial Acumen	Business Savvy	Building Organizational Talent	Leading Teams	Compelling Communication	Customer Focus	Executive Disposition	Selling the Vision	Entrepreneurship	Global Acumen
Operations	Weakness	Mid-range	Mid-range	Mid-range	Weakness	Mid-range	Weakness	Weakness	Weakness	Strength
Sales	Mid-range	Mid-range	Strength	Strength	Strength	Mid-range	Mid-range	Strength	Strength	Strength
Marketing / Advertising	Strength	Strength	Weakness	Mid-range	Strength	Strength	Strength	Strength	Strength	Mid-range
Finance	Strength	Strength	Weakness	Weakness	Mid-range	Weakness	Mid-range	Mid-range	Mid-range	Mid-range
Engineering	Weakness	Weakness	Mid-range	Weakness	Weakness	Strength	Weakness	Mid-range	Mid-range	Mid-range
Information Technology	Mid-range	Mid-range	Mid-range	Strength	Mid-range	Mid-range	Mid-range	Weakness	Mid-range	Weakness
Human Resources	Mid-range	Weakness	Strength	Mid-range	Mid-range	Weakness	Strength	Mid-range	Weakness	Weakness

★ Strength — Mid-range ✖ Weakness

Which Functions Can Learn from—and Teach—Others?

Leaders can take many routes as they ascend the organization, and time spent in a particular function can be a defining characteristic of their experience. Inclusive talent planning must pair success profiles and look across functions to answer two questions: How do functions differ? and How do leaders from different functions ascend? To guide these efforts, we examined leaders from seven major functions, all of whom completed rigorous assessments, to directly compare their strengths and deficiencies. We then profiled strength clusters and examined the composition of mid-level to C-suite candidate pools.

[EVIDENCE]

For our analysis we classified leaders based on the function they worked in the longest during their careers. We limited our analysis to the 10 skills that varied most across functions. For each skill, we identified the strongest, weakest, and mid-range function. See the "Top-and-Bottom-Ranked Functions" graphic.

Leaders from two functions distinguished themselves as particularly well-rounded: Marketing/Advertising and Sales. They excelled in communication, selling the vision, and entrepreneurship, while also exhibiting several distinctive strengths.

IT leaders were in the mid-range for most skills but lagged in selling the vision and global acumen. Yet, they were adept at leading teams, a promising sign of capability within this often-maligned function.

Engineering and Operations were near-twins in their skill gaps— that is, communication, financial acumen, and executive disposition.
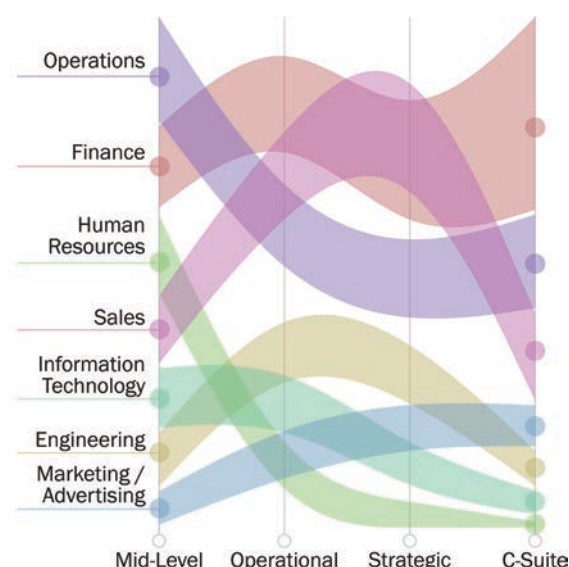
For the core business skills of financial acumen and business savvy, leaders in Finance and Marketing/Advertising led all functions, while Engineering, Operations, and HR (discussed in more depth in another section of this report) fell short comparatively.

Candidate pool compositions (shown in the "Proportion of a Leader Level" graphic) change substantially, moving from mid-level to C-suite. Finance and Operations backgrounds comprise larger portions of the higher-level candidate pools, while HR, IT, and Engineering make up miniscule portions. Finance and Operations appear overrepresented in comparison to their full skill profile, likely indicating the high—and arguably overly so—weight placed on financial acumen, business savvy, and global acumen when assembling strategic and C-suite candidate pools.

! Action

.01 Recognize the vastly varying skill development needs across functions as well as the risks of a learning model that neglects these distinctions. Target function-specific skill gaps first, and then integrate learning cohorts.

.02 Address risks to international expansion resulting from poor global acumen among talent (HR) and technology leaders. These groups deploy systems across borders, but too often they lack the awareness and knowledge to do so successfully.

.03 Design cross-functional assignments and informal mentoring to take advantage of function-based pockets of credibility and expertise (for example, pairing Marketing leaders with those from Engineering, or Sales leaders with Operations).

.04 Carefully evaluate succession plans for functional representation to ensure that candidate pools reflect strengths that span interpersonal as well as management skills, rather than historical trends or assumptions about the "right" functions as pathways to the C-suite.

.05 When choosing senior teams, assemble a complementary group to draw on unique cross-functional strengths.

Proportion of a Leader Level Candidate Pool from Each Major Function (wider stream = larger proportion)

Operations
Finance
Human Resources
Sales
Information Technology
Engineering
Marketing / Advertising

Mid-Level   Operational   Strategic   C-Suite

High-Resolution Leadership

The HR Report Card

What Does HR See When They Hold Up the Mirror?

HR Skill and Personality Profile Compared to Functional Peers

HR Compared To:

Columns: Engineering, Sales, Operations, Marketing, IT, Finance

Skills

	Engineering	Sales	Operations	Marketing	IT	Finance
Building Organizational Talent	▪▪▪▪▪	▪▪▪	▪▪▪▪	▪▪▪▪▪▪	▪▪▪	▪▪▪▪
Business Savvy						●●●●●
Coaching/Developing Others	▪▪▪					▪▪▪
Compelling Communication	▪▪▪			●●●		
Cultivating Networks	▪▪					
Customer Focus	●●●	●●●		●●●	●●●	
Entrepreneurship				●●●●		
Financial Acumen				●●●●		●●●●●●●
Global Acumen		●●●●	●●●●	●●●		
Influence	▪▪▪					
Leading Teams	▪▪▪▪					▪▪▪

Personality

	Engineering	Sales	Operations	Marketing	IT	Finance
Ambition		●●●	●●	●●●		
Inquisitiveness	●●	●●			●●●	
Interpersonal Sensitivity	▪▪▪		▪▪		▪▪	▪▪▪
Sociability	▪▪	●●●●		●●		

▪ HR stronger than the other function   ● HR weaker than the other function

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Do HR's Skills Rival Those of Their Business Partners?

HR's responsibilities include growing the strength of an organization's talent, while gauging any risks to the health of its workforce. But how healthy is the HR function itself? With major publications making dramatic pronouncements, such as *HBR*'s "It's Time to 'Blow Up' HR and Build Something New" (July/August, 2015), HR faces rampant criticism; yet, information is lacking about its true capability profile. We fill this gap by comparing HR leaders to their peers from other functions, using two assessment reference points: an in-depth behavioral simulation of leadership skills and a detailed personality test. We answer the questions: When on equal footing with leaders from other functions, where do HR leaders stumble? and Where are HR leaders poised to surge ahead?

[EVIDENCE]

Overall, the profile of a typical HR leader is characterized by a few expected peaks and a larger number of telling gaps. The HR Skill and Personality Profile graphic summarizes notable differences between HR and other functions.

HR's skill strengths, relative to other functions, start with building organizational talent, where HR leaders are (as we'd hoped) extremely strong compared to leaders of other functions, particularly Marketing, Engineering, and Finance. HR also excels in several interpersonal competencies, with the exception of compelling communication, where its leaders are stronger than those in Engineering yet weaker than Marketing's.

HR's weaknesses cluster around financial acumen, business savvy, entrepreneurship, and global acumen, which align to and extend the stereotype of HR lacking expertise in core business concepts. More surprising is customer focus, where HR underperforms most other functions; that is, attentiveness to internal and external customers and end users permeates HR far less than other functions.

Shifting to a personality view, HR leaders are stronger in interpersonal sensitivity but weaker in ambition and inquisitiveness. That is, they not only are less likely to exhibit a passion for growth, but also may not even question why this is holding them back.

Looking across the full skill profile, the single most distinct function from HR is Engineering, followed by Marketing and Finance. HR's profile is most similar to Operations, followed by Sales and IT.

Perhaps the most important consequence of HR's profile is its under-representation in leader candidate pools. HR leaders are increasingly rare among those being considered for higher-level roles (see the graph at right). And, HR leaders who are being considered have a distinct profile from those who are not. (see Action .06)

! Action

.01 Recognize which assumptions about HR are accurate and which are overblown. This research provides specificity about proven skill gaps.

.02 Build partnerships that connect HR with functions possessing complementary strengths. HR can both learn from and advise these groups on key skills.

.03 To remedy a pervasive weakness, prioritize a form of customer focus that will reflect HR's role in connecting with internal and external constituents.

.04 Adapt the HR success profile and selection/promotion tools to break patterns of deficiencies while reinforcing strengths.

.05 Orient HR toward being an "anticipator." HR anticipators are more strongly connected to strategic planning and provide more valuable talent analytic data to business partners.

.06 To improve HR's almost nonexistent representation in executive-level roles, prioritize financial acumen and business savvy—the two skills that differentiate HR leaders who are candidates for top leadership positions from HR leaders in lower-level candidate pools.

Candidate Pool Representation by Function and Leader Level—HR Highlighted

High-Resolution Leadership
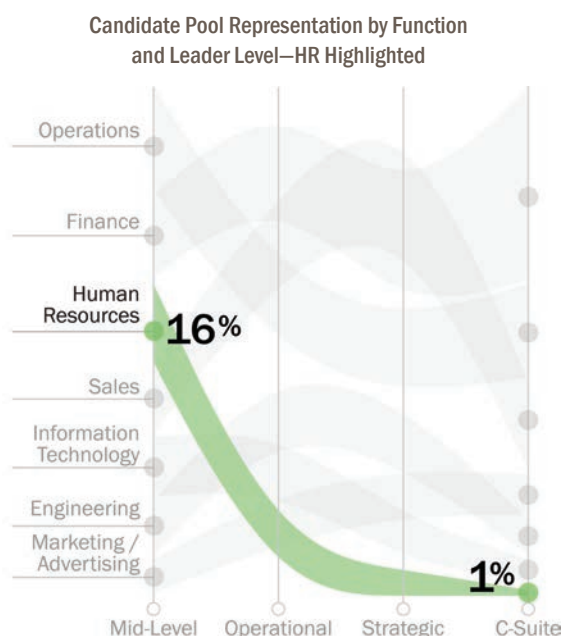
Authors

Evan Sinar, Ph.D. is DDI's Chief Scientist and Director of the Center for Analytics and Behavioral Research (CABER). Evan and his team conduct comprehensive analytical evaluations of talent management programs, and produce contemporary, actionable research about leadership assessment and development practices. Evan is the lead author of DDI's Global Leadership Forecast 2014|2015 and is a thought leader on leadership assessment and development, talent management analytics, data visualization, and generational differences.

Rich Wellins Ph.D. is a DDI Senior Vice President and is responsible for launching DDI's new products and services, leading DDI's Center for Analytics and Behavioral Research (CABER) and its major research projects and executing DDI's global marketing strategy. An expert on leadership development, employee engagement and talent management, Rich is a frequent presenter at conferences and events around the world and is a judge for CNBC's Asian Business Leader's Award.

Matthew Paese Ph.D. is Vice President, Succession Management & C-Suite Services for DDI and has consulted with CEOs and senior teams from many leading organizations around the world to design and implement strategic talent initiatives, including organizational talent strategy, succession management, CEO succession, executive assessment, executive coaching and development, and executive team building. Matt is a co-author of Grow Your Own Leaders and co-author of the soon-to-be-released Leaders Ready Now.

Audrey Smith Ph.D. is the Senior Vice President for DDI's Talent Diagnostic Solutions around the world, and also serves on DDI's Operating Committee. Her customer-driven thought leadership, extensive experience, and expertise have shaped DDI's succession, assessment and development offerings across the leadership pipeline. Audrey is a co-author of Grow Your Own Leaders and co-author of the soon-to-be-released Leaders Ready Now.

Bruce Watt Ph.D. is the Managing Director for DDI Europe, is responsible for the region's business strategy. An expert on a broad range of leadership and talent management practices, Bruce provides business relevant counsel to a diverse range of both multinational and regional organizations identifying needs and proposing solutions primarily in the areas of leadership development, succession management and talent acquisition.

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Web
Mark Hamilton
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Joe Mc Bride

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High-Resolution Leadership

Glossary of Terms

Leader Levels: This research report focused on data from five assessment platforms in widespread use for evaluating candidates for these distinct leader roles:

> **C-Suite Executive:** Includes candidates for roles such as Executive Vice President, Group President, President.

> **Strategic Executive:** Includes candidates for roles such as Senior Vice President, Division President, and Vice President.

> **Operational Leader:** Includes candidates for roles such as Vice President, Senior Director, Global/Regional Director, and Function Head.

> **Mid-level Leader:** Includes candidates for roles such as Manager, Director, Senior Manager, and Plant/Facility Manager.

Finding—"Is Empathy Boss?": Rather than using the levels listed above, we instead draw on data from candidates for front-line leader roles such as Supervisor, Manager, and Team Leader.

Assessment or Assessment Center: A combination of information sources about a candidate's readiness for a leadership role. In this research, the assessments varied by level (for example, in complexity and depth) but included similar exercises such as media, customer, peer, and direct report interactions with trained role players, e-mail and voice-mail based challenges, and a business analysis and presentation. In addition to the simulation exercises, the assessment platforms also included prework, a concluding debrief interview, and a battery of personality and cognitive ability tests.

Personality Enabler: A single personality trait or set of traits, which due to their functional nature, are likely to be advantageous for the leader's success.

Personality Derailer: A single personality trait or set of traits that are likely to hold a leader back or harm relationships with others, increasing his or her risk of failure.

Competency or Skill: Used interchangeably, these terms refer to a distinct and observable set of inter-related leader behaviors, such as building organizational talent, cultivating networks, global acumen, and inspiring excellence.

Emotional Intelligence or EQ: A form of intelligence related to interacting successfully with others through a heightened understanding of their moods, non-verbal cues, and motivations. In this research we measured emotional intelligence as a combination of strong interpersonal sensitivity and perceptivity.

VUCA: An acronym for Volatility, Uncertainty, Complexity, and Ambiguity. The VUCA concept is frequently used to summarize key, fundamental characteristics of today's (and even more so, tomorrow's) business environment, impacting all industry sectors and regions to varying degrees.

Learning Journey: A leadership development approach integrating formal learning, learning from others, and on-the-job learning into a planned sequence of cohesive, over-time, and strategically-relevant development activities, tailored to an organization and used with cohorts or communities of leaders.

About DDI

We work side by side with people who are relentless about identifying and developing leaders who perform and will leave an enduring legacy. Because better leaders lead to a better future, we've been obsessed with the science and practice of leadership for nearly five decades. We help clients uniquely define and achieve great leadership at every level of their organization, from aspiring leaders to the C-suite. Our promise remains: Together, we can co-create a solution that's aligned with your business context and aimed squarely at your business goals.

We do this by sharing our expertise in leadership:
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EMAIL: **info@ddiworld.com**
VISIT: **www.ddiworld.com/hirezleadership**

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