



LEADERSHIP IN SHARP FOCUS

A DDI research study of assessment data from more than 15,000 leaders delivers a wealth of insights.

By Evan Sinar, Ph.D., and Rich Wellins, Ph.D.

THROUGH years of working with leading organizations around the world, DDI has amassed a large proprietary database of assessment data from thousands of leaders. Recently, we undertook the task of analyzing this huge trove of data with the aim of creating insights to help raise the bar on the quality of leadership around the globe.

Our motivation for undertaking this research is that, 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!

This research drew 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.

We captured our findings in the recently published study report, *High-Resolution Leadership: A Synthesis of 15,000 Assessments into How Leaders Shape the Business Landscape*.

You can download the full study and also explore the individual study findings at www.ddiworld.com/hirezleadership.

What follows are summaries of three of the study's 18 findings.

The Money Skills: Senior Executive Competencies that Drive Profitable Growth

When it comes to driving organizational growth and profit, there are business leadership competencies that add up to a leader who drives revenue growth and profit. These are the Money Skills.

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

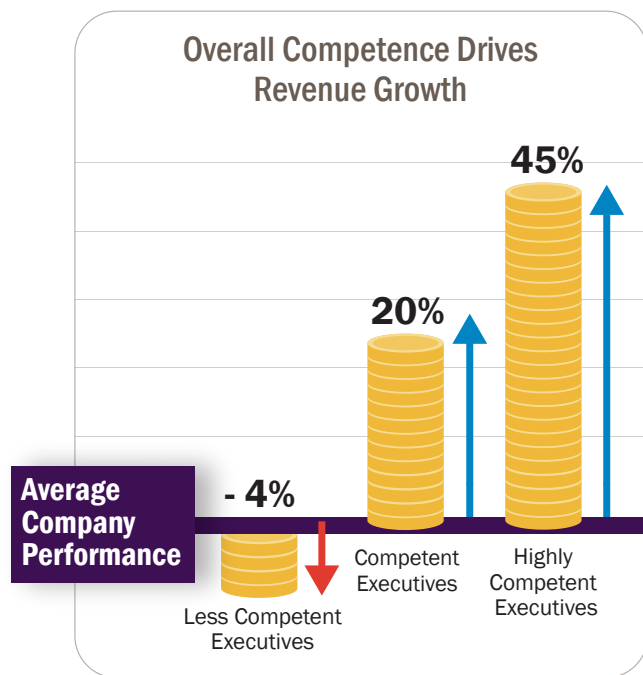
We looked at 1,028 senior executives from 33 large organizations (on average, 26 per company). The results were compelling: When all four skill domains were combined

into a composite index of leadership competence, there was a strong relationship to revenue growth over a six-year period (see “Overall Competence” graphic below).

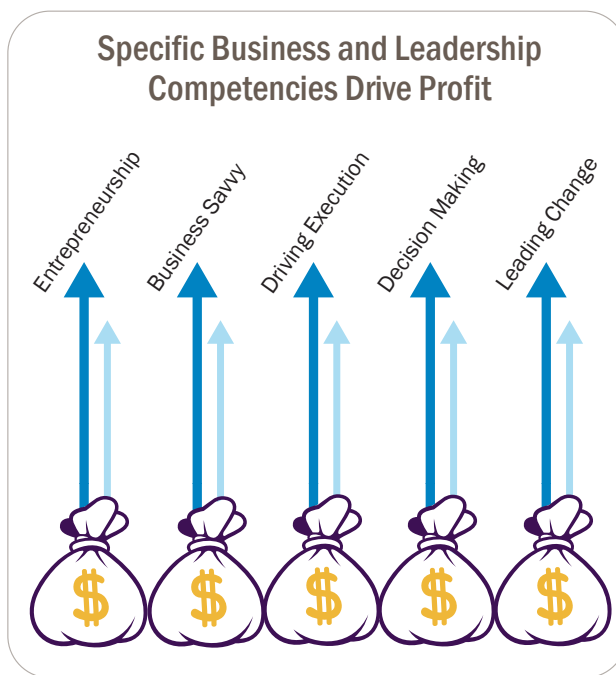
But as shareholders will tell you, the top line doesn’t matter if there’s nothing left at the bottom line. Our profit analysis, focusing on net profit and return on assets (ROA), included assessment data from 2,077 senior-level executives from 44 organizations (on average, 47 per company). These findings identified a smaller set of skills associated with driving margin. Five skills in particular (see “Specific Business and Leadership Competencies Drive Profit” graphic) 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.

Leadership Competencies Drive Organizational Growth and Profit



Revenue growth from 2009 - 2014



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Competencies most predictive of four-year profit average

Execution and Engagement: Can Leaders Be Ambidextrous?

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.

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

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. 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 below 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.

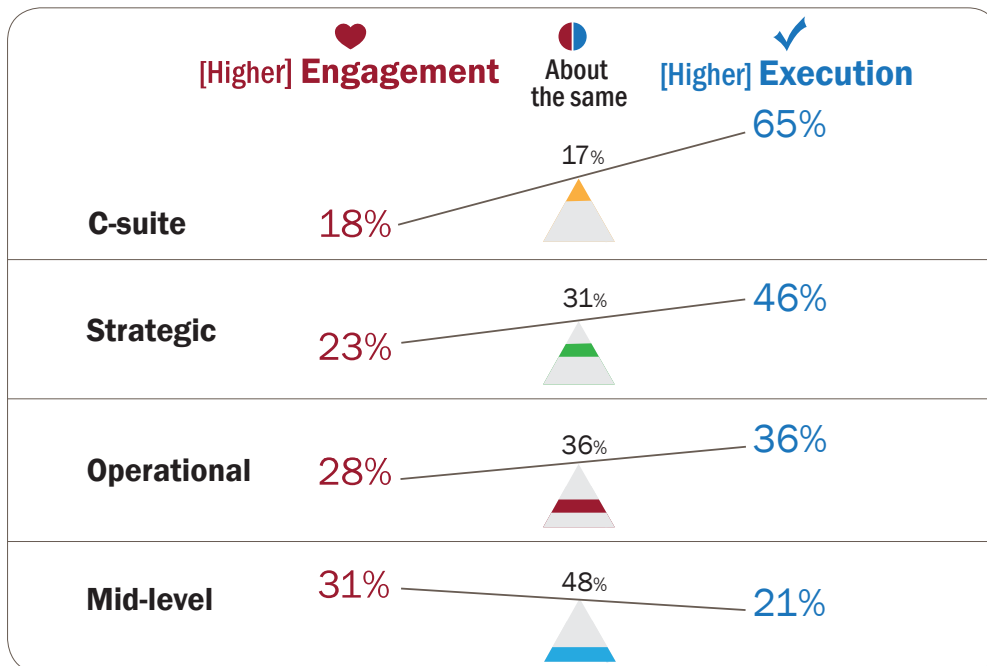
How Education Both Informs and Misleads About Leader Skills

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?

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

The Shifting Balance of Execution vs. Engagement as Leaders Ascend



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Percentage of leaders higher in engagement, higher in execution, or equal

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.

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.

To explore all 18 findings from the High-Resolution Leadership study, or download the entire report, visit www.ddiworld.com/hirezleadership.



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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

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