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developing leaders in an  
ecosystem for growth

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and Stacia Sherman Garr**

Illustration by **Livia Cives**

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# Better pond, bigger fish

## Five ways to nurture developing leaders in an ecosystem for growth

By Andrea Derler, Anthony Abbatiello, and Stacia Sherman Garr  
Illustration by Livia Cives

### SWIMMING UPSTREAM?

**A**S the director of business operations for a large division within a pharmaceutical company, Lynn was a rising star in her organization. Her business leader, recognizing her potential, nominated her to attend the company's weeklong executive leadership training program. Energized by the powerful insights and fruitful discussions she experienced during the training, Lynn formulated an action plan to improve her leadership capabilities. But back at the office the next Monday, the realities of her work-

place environment drained her enthusiasm. How could she follow through on her plan when her role kept her isolated from the experiences she needed to grow? The company's work processes and culture seemed at odds with the capabilities she was supposed to develop, and her daily work schedule allowed her little room for interactions with other departments and leaders. As Lynn left work that evening, she wondered how she could ever apply what she had learned.

Developing future leaders is a need for most organizations, and many have invested in impressive leadership development programs aimed at doing just that. Yet most companies report they lack the leaders they need. Deloitte's 2016 *Human Capital Trends* study revealed that nearly 30 percent of organizations have weak or very weak leadership pipelines, and nearly 90 percent of organizations see this as a critical business challenge.<sup>1</sup> The lack of adequate leaders jeopardizes companies' ability to thrive in fast-changing markets.

Now, our new research offers a refreshing perspective: Leadership development happens most effectively in a business context, not just in training sessions. Our analysis shows that, no matter how much organizations focus on delivering sophisticated leadership programs, if prospective leaders are immersed in a workplace that does not support leadership development objectives, such efforts will likely produce limited returns—as Lynn's experience attests.

After spending so much effort establishing strong programs, it's time for organizations to think differently. Up until now, companies have focused primarily on training the “fish”—the individual leader or high-potential candidate—but have neglected the “pond”—the company culture and context—in which the fish swims. Our data show that organizations should instead increasingly focus on creating a context that demands that leaders grow and

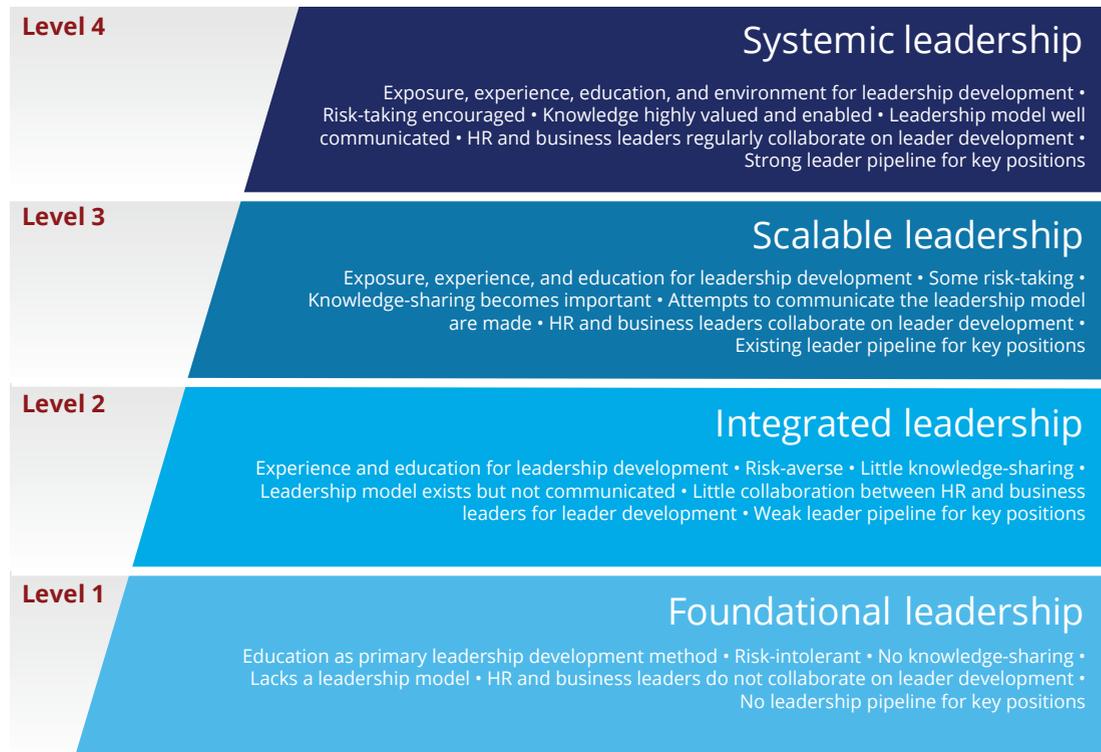
perform at their best while also forcing nascent leaders to stretch. Practically speaking, this means embedding development activities in leaders' own business environments and challenges. After all, leaders have enough challenges in their own work that they do not need made-up problems or case studies to hone their leadership capabilities.

### LEADERSHIP DEVELOPMENT THROUGH ORGANIZATIONAL DESIGN AND CULTURE

**T**HE results of our global research with more than 2,000 business and HR leaders operating in 95 countries informed the creation of our Leadership Maturity Model (figure 1). The model illustrates that the least mature companies (those at levels 1 and 2)<sup>2</sup> rely primarily on formal training programs for leadership development; they generally do not focus on the culture and design aspects of their organization as levers of leadership growth.

In contrast, the more mature companies on levels 3 and 4 embed leadership growth into their daily work processes and culture. They deliberately orchestrate work processes, decision making, and collaborative initiatives in a way that enhances business outcomes and results in a higher percentage of leaders with critical leadership capabilities. Further, they craft and foster a culture that is based on a strong company identity and recognize and celebrate successful leadership. They consider a climate of knowledge-sharing and risk-taking as table

Figure 1. Leadership Maturity Model



Source: Bersin by Deloitte, Deloitte Consulting LLP, 2016.

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stakes for success. Further, they align and integrate critical talent processes with intentional leadership development efforts, all based on strong ties between HR and business leaders.

In short, organizations that are most effective in developing leaders continuously clear their waters of polluting objects—or practices—that may hinder their fishes' growth and, instead, cultivate an ecosystem that enables and fosters continuous performance and development. Once the waters are clear, these organizations create an ecosystem that introduces different

pressures that reinforce the development of desired leadership capabilities.

The organizations with the strongest results in terms of financial and business outcomes were those that develop leaders by connecting them with other leaders, and providing continuing opportunities for emerging and growing leaders to exchange information, knowledge, and new ideas about the company identity and leadership profile. Specifically, relative to companies that relied solely on leadership programs to grow leaders (those companies

The key question to answer, then, is: What are the practices and activities that comprise the right kind of “pond” to grow the biggest fish?

on level 1), high-maturity companies (those on level 4) had 37 percent higher revenue per employee and 9 percent higher gross profit margins.<sup>3</sup> These high-maturity companies were also much more effective at anticipating and responding to change, and they had a higher percentage of leaders displaying some of the most critical leadership capabilities (figure 2).

The key question to answer, then, is: What are the practices and activities that comprise the right kind of “pond” to grow the biggest fish? Out of 111 potential practices we tested in our survey, the data revealed more than a dozen that were strongly correlated to business and leadership outcomes. Looking closer at these practices, we found five of these critical practices share one underlying theme: Leaders tend to learn best *with* other leaders and *from* other leaders—inside or outside of their organization.

Importantly, our research also showed that organizations can take certain steps to plan and implement these five practices in ways that have been shown to clear their waters of debris and help their leaders grow (figure 3). Let’s take each of these in turn.

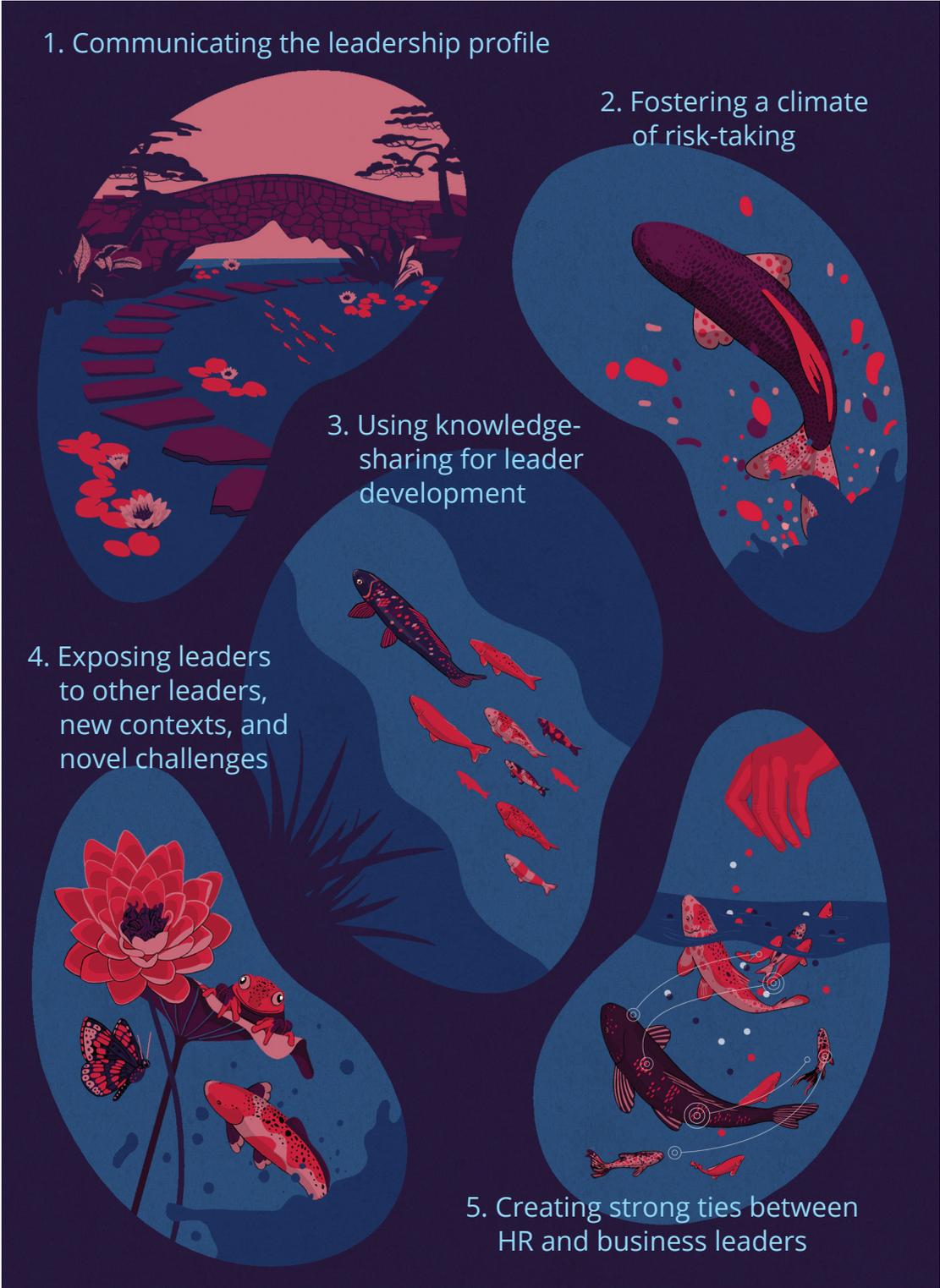
**Figure 2. The impact of high leadership maturity**



Source: Bersin by Deloitte, Deloitte Consulting LLP, 2016.

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Figure 3. Five practices for creating an effective leadership development ecosystem



## 1. LET'S TALK ABOUT IT: WHAT DOES SUCCESSFUL LEADERSHIP LOOK LIKE?



**M**ANY organizations have carefully crafted leadership competency profiles—but relatively few leaders actually know or use them. Worse, many companies cannot effectively measure against them. As a result, most people learn how to lead by seeing and hearing about what leaders do around them—which may not be exactly what the organization wants to convey as its leadership profile. An antidote is to consistently and explicitly promote the company’s view of what effective leadership looks like.

Often a neglected activity in less-mature companies, talking about the organization’s “leadership profile”—specifically, the capabilities, behaviors, and attributes of successful lead-

ers—is essential for laying the groundwork for leadership development in any business environment. A clear understanding of what capabilities, behaviors, and attributes leaders should display should exist at all leader levels in an organization, regardless of the behavioral variability that each role may entail. We found that companies that effectively communicate their desired leadership profile were five times more likely to excel at identifying and developing leaders. This makes sense: Defining what the company stands for, and specifying which capabilities enable leaders to execute the business strategy, helps set expectations as to what leadership should look and feel like. It also forms the basis for identifying and developing future leaders, as well as supporting performance and succession management practices that build the company’s leadership pipeline.

There is a catch: This is not HR’s job alone. Business leaders—who are immersed in the day-to-day context and who represent success—should craft their stories and help others understand the leadership profile. IBM shows one way to do this. Every year, the company recognizes 50 “leader champions” whose task it is to advocate for, role model, teach about, and talk about successful leadership at IBM.<sup>4</sup> These leader champions play an active role in conducting roundtables, town-hall meetings, and other knowledge-sharing activities, communicating and reinforcing the message about the company’s identity and its leadership profile throughout the organization. In turn, the

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leader champions can benefit by enhancing their ability to translate workforce and customer trends into meaningful action and by developing a strong followership—a necessary capability of influential leaders.

### Action step checklist: Communicating the leadership profile

For business leaders:

- Identify business contexts and challenges that future leaders should be able to manage effectively and determine what attributes those leaders need to bring to the table. This is the basis for creating the leadership profile—a clear articulation of the required capabilities, personal factors, and behaviors of the “ideal” leader at your company.
- Socialize the leadership success profile with peers and direct reports and provide insights back to HR.
- Communicate what it means to be a leader in the organization at every opportunity.

This might mean, for example, that leaders blog, tweet, or record videos or podcasts about experiences with real-life business issues that illustrate how desired leadership behaviors led to success.

- Model the behaviors you expect other leaders to demonstrate.

For HR:

- Co-create an evidence-based leadership profile with business units to set clear expectations for leadership.
- Use the leadership success profile to identify, assess, select, and develop leaders.
- Identify and use different communication channels for discussing leadership expectations and the required capabilities for future leaders. This likely means working with business leaders to create opportunities for communication such as those described above.

## 2. HAVE YOU TAKEN A RISK TODAY? FOSTERING A CLIMATE OF EXPLORATION AND EXPERIMENTATION



**T**O work effectively in fast-changing markets and technologies, budding leaders need to build up their risk tolerance. In fact, the ability to assess and take appropriate risks is a personality trait associated with leadership potential.<sup>5</sup> An individual's ability to express this trait, however, is influenced by the level of risk tolerance in the work environment: Risk-taking endeavors can be nipped in the bud rather quickly in a risk-intolerant culture where others frown upon developing and acting on new concepts and ideas. Our data suggest that many organizations struggle with creating a culture that values risk-taking, but those that enable it are five times more likely to anticipate change and respond to it effectively

and efficiently, and seven times more likely to innovate than others that do not.

According to our research, the most mature companies encourage risk-taking to grow leadership capability. They intentionally nurture an ecosystem that allows and encourages the exploration of new concepts and ideas on a daily basis by all employees. So, in addition to knowing which potential leaders in an organization can take a “meaningful” amount of risk and challenge the norm, organizations can foster “experimenting” behaviors as part of their culture and foster a breeding ground for superior leadership capabilities at the same time.

For ways to build a culture of risk-taking that promotes risk but also manages it by “failing fast” before failures become costly, we can look at companies that focus on innovation and change. For example, Qualcomm has formalized storytelling specifically to build a culture of risk-taking that encourages, nurtures, and supports the creative process.<sup>6</sup> The company nurtures this ecosystem by telling stories of failures that reinforce the value of risk-taking and learning from mistakes. New stories are constantly captured from employees around the globe via an email link on the company's home page, by learning and development staff who are always listening and collecting new stories, and through regular interviews with employees. The idea of being unafraid to try new things, and not look back at how things have been done in the past, is deeply immersed in Qualcomm's culture.

There are many other examples of organizations that build a culture of risk-taking with the goal of developing people and encouraging innovation. One CEO used to hand out “get out of jail free” cards to allow risk-taking without penalty or questions.<sup>7</sup> Adobe’s “Kick-box Innovation Workshops” equip participants with starter kits that include a \$1,000 prepaid credit card to help develop capabilities that bring ideas to life.<sup>8</sup> And a third company has an annual award for the team that has had the biggest failure that led to a big insight.<sup>9</sup> When employees learn and understand the results of experimenting, and that failing fast is acceptable, it helps build a capability that the organization needs to drive transformational change.

The bottom line: If leaders know that the organization values—not discourages—risk-taking and learning from failure, then they’ll likely be motivated to explore, innovate, and build teams to exploit new ideas.

### Action step checklist: Cultivating a culture of risk-taking

For business leaders:

- Share examples of effective and poor risk-taking, and explain the differences.
- Create an environment in which people feel genuinely comfortable with taking risks,

such as sharing and implementing new concepts and ideas. For example, before meetings, leaders can state the value of risk-taking as a practice that can enhance the meeting’s outcome. They can create incentives and rewards for action that demonstrate appropriate risk-taking by team members, and reprimand counterproductive behaviors.

- Identify obstacles that discourage risk-taking and help people navigate those obstacles. For example, determine whether existing cultural values inhibit risk-taking, or if specific typical behaviors express risk intolerance in employees.
- Publicly recognize and reward those who take calculated risks, even when they fail.

For HR:

- Use evidence-based assessments to identify high-potential leaders with change potential and high risk tolerance.
- Publicize stories of how appropriate risk-taking practices led to good business outcomes.
- Set expectations and design processes to promote rapid-prototyping approaches to new ideas.

### 3. SPREAD IT LIKE WILDFIRE: KNOWLEDGE-SHARING AS A TOOL FOR LEADERSHIP DEVELOPMENT



**A** WINNING business strategy is not enough to stay competitive; business leaders also need to be aware of what’s going on in the larger organization and external environment. Large organizations in particular, however, have a tendency to keep new insights and innovations stuck in a single unit or area—“If only we knew what we know” is a common lament. Not all organizations are committed to sharing knowledge across company silos. Our research clearly showed that knowledge-sharing is common at level 4 companies (42 percent always and 40 percent frequently do it) but rarely practiced at level 1 organizations (35 percent never or very infrequently do it, and 40 percent infrequently do it).

A company’s culture should support knowledge-sharing to give potential leaders a sup-

portive environment in which to grow. This means that one attribute of the “pond” in which leaders develop is the free exchange of information. Too many people see knowledge as a possession to be shared only when personally advantageous, but we found that companies with effective knowledge-sharing practices are four times more likely to improve processes to increase efficiency than those that don’t emphasize this practice.

While important for a variety of business reasons, knowledge-sharing is vital for effective leadership development. It gives both leaders and employees broader exposure to what is percolating in the organization and broader market: For example, knowledge-sharing about the organization’s history can instill purpose and reinforce desirable leadership behaviors that align with the prevailing strategy and culture. In addition, sharing information about new products and services, personnel decisions, or client feedback in other business units helps develop a deeper understanding of the business itself. Equally important, hearing about shared successes and failures can enable collective learning moments and inform people’s business and leadership awareness and decision-making processes.

HR can help encourage knowledge-sharing by providing structural reinforcement to help business leaders spread the word about their part of the business. For example, the Federal Reserve Bank of Cleveland developed a culture of knowledge-sharing by creating a reposi-

While nothing is wrong with formal leadership programs—in fact, they are part of a holistic approach—the problem is that in many organizations they are the only approach and often represent an unbalanced focus on growing just the individual “fish” through skill-building.

tory for leading practices and a platform for employee discussion. The organization had a cross-functional team research barriers to knowledge-sharing, and then used those insights to create knowledge-sharing events as well as a specific program called “Lessons Learned,” a searchable video repository.<sup>10</sup> More specific to leadership development, a global clothing retailer did a leader exchange program with Intel in which leaders from each company teamed up on real projects and shared practices and insights for the purpose of developing leaders in the context of real-life business challenges they were facing.<sup>11</sup>

### Action step checklist: Using knowledge-sharing for leader development

For business leaders:

- Communicate about new company insights and innovations every day.
- Learn to be a more effective storyteller: Use stories to explain the company’s history, identity, and culture.

- Foster building reciprocal relationships and alliances across the business.
- Advocate for digital tools and social media channels to help improve knowledge-sharing.
- Recognize and reward those who continually learn about the business broadly.

For HR:

- Establish real-time, broad communication of company insights and innovations.
- Build storytelling about the organization’s history, identity, and desired culture into development initiatives.
- Reinforce that helping others learn is a part of every employee’s job.
- Raise expectations and resources to support peer-to-peer feedback.

#### 4. SEE THE WORLD: EXPOSING LEADERS TO OTHER LEADERS, NEW CONTEXTS, AND NOVEL CHALLENGES



**A**CCORDING to our data, 84 percent of global organizations offer formal learning programs for leadership development, and 76 percent develop leaders through experiential programs such as business projects, job rotations, or stretch assignments. While nothing is wrong with formal leadership programs—in fact, they are part of a holistic approach—the problem is that in many organizations they are the only approach and often represent an unbalanced focus on growing just the individual “fish” through skill-building.

One of the key findings of this study is that the learning methodology that is most effective

for leadership development is *exposure* to peers and colleagues, as well as to consumer feedback, new external contexts, and social networks. We see the multidimensional nature of exposure for leadership development popping up in several places. First, coaching and mentoring are common ways to expose high-potentials to diverse challenges and solutions, and this can go beyond the usual assignments with established managers. For example, a transportation company connects its high-potentials with veteran leaders outside the company through a virtual and face-to-face external mentoring program. Another company, Xerox, exposes leaders from various life stages and generations to each other.<sup>12</sup> The goal is to build awareness between senior leaders and Millennials about their various perspectives and approaches to the business—and then to leverage those insights to foster an effective work environment.

Second, a key aspect of exposure in leadership development is providing leaders with an external perspective. For example, “leadership consortiums” are a phenomenon in which companies across industries get together for mutual leadership development efforts. Other initiatives integrate client input as part of leader growth efforts, as seen in “immersion labs” that are increasingly a part of senior executive leadership programs, as well as “externships” and “shadowing programs” for leaders to gain external exposure to the needs of clients and partners.

The data are clear. Exposure is how leaders learn best, because exposure is what enables them to gather intelligence in the relevant business context: They learn with and from other industry leaders what works and what does not. Organizations that make the effort to offer opportunities for exposure as part of their leadership development double their ability to innovate and anticipate change over those that offer formal programs only.<sup>13</sup>

### Action step checklist: Exposing leaders to each other and to enriching experiences

For business leaders:

- Involve emerging leaders and high-potential leaders in real business scenarios to expose them to important learning moments (e.g., issues that involve innovation or digital disruption).
- Collaborate with HR and other business leaders to enable cross-organizational collaboration for high-potential leaders—for example, through short-term job rotations or virtual cross-collaborative projects.
- Encourage high-potential leaders to gain exposure to customers, partners, or industries outside their own. For example, require them to join external professional

associations, or allow them to do a rotation in a customer-facing part of the business.

- Improve your and your team’s capabilities at coaching and giving and receiving feedback, and include external feedback in the mix.

For HR:

- Design programs that build leadership capabilities through challenging experiences and frequent exposure to diverse leaders inside and outside the organization.
- Integrate real-life customer feedback into everyday learning activities to give developing leaders external exposure.
- Augment development programs with exposure to external business environments through interactions with outside leaders or immersion experiences.
- Add coaching and mentoring opportunities as ongoing aspects of leader development.
- Offer targeted opportunities for leader networking and social exchange.
- Teach future leaders ways to expand their network’s breadth and depth.

## 5. MAKING CONTACT: THE IMPORTANCE OF STRONG TIES BETWEEN HR AND BUSINESS LEADERS



**W**HEN we compared the survey responses of HR and business leaders with regard to accountability for leadership development, we found a baffling discrepancy. While 41 percent of business leaders said that they are mainly responsible for leadership development in their organizations, only 16 percent of human resources leaders agreed with this statement. Regardless of what actually goes on at these companies, this discrepancy is indicative of the disagreement that exists between business and HR leaders on several aspects of leadership growth efforts. The disconnect between HR and business lead-

ers may indicate misperceptions on both sides about the other's involvement in leadership development, or hint at the absence of communication about the governance around leadership development. Either or both may lead to a lack of accountability for and misalignment of leadership growth efforts, both of which are fundamental challenges to effective leadership development initiatives.

The most mature companies we studied seemed to have found a way to create a symbiosis in which HR uses its expertise in leadership development to collaborate closely with business leaders, who apply and model leadership learning in the workplace. These power teams coordinate development efforts, ensure that business leaders go beyond passive sponsorship, and actively work to promote the growth of other leaders. At these organizations, HR leaders are not the "learning people" but, instead, strategic partners with business leaders. For example, at a global engineering and construction company, HR actively seeks working relationships with business leaders by staying close to the company's bid activities, maintaining close contact with the business development group, and being active members of a steering committee involving legal, business, and HR partners monitoring the organization's bid activities.

The contact does not always have to be initiated by HR—it can also be brought about by business leaders helping out HR, as in Intuit's

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case.<sup>14</sup> Facing fierce competition for critical talent, the company needed to gain an advantage in sourcing and selecting the talent it most needed. To do this, Intuit brought in an “innovation catalyst”<sup>15</sup> and a product manager from the business to help transform the way HR selected candidates. The selection project, called “Assessing for Awesome,” has produced a number of innovations for Intuit and has dramatically improved the quality of hires for the company.

As basic an activity as it may seem, many organizations struggle to connect HR with business leaders in a mutually supportive way, despite the fact that organizations with strong collaborative relationships between HR and business leaders are six times more likely to excel at identifying and developing leaders.<sup>16</sup>

### Action step checklist: Creating strong ties between HR and business leaders

For business leaders:

- Develop an ongoing relationship with HR leaders on talent, leadership, and workforce planning initiatives.

- Develop a business unit-specific leadership strategy, aligned to the company’s overall leadership strategy.
- Discuss with HR partners how changes in the business strategy or environment may affect leadership needs in each unit.

For HR:

- Reach out to senior business leaders to get input on business context and challenges that are critical for future leaders.
- Facilitate the constant exchange of talent-related information to enable better talent decisions. Set up regular meetings or advisory boards tasked with discussing ways to improve talent-related information.
- Prepare an “annual report” for the board that assesses leadership pipelines and succession plans.

## THE BEST ECOSYSTEM FOR LEADERSHIP DEVELOPMENT: YOUR OWN ORGANIZATION

**O**UR research shows that companies that created a “pond” conducive to leadership growth were more likely to grow “larger fish”—stronger leaders—and achieve stronger business results. In other words, the organizational context is where leadership development happens.

Let’s revisit Lynn’s story to see how this socialized approach can feel to rising leaders:

Despite her promising career path, Lynn was so discouraged by the lack of support for her development that she left her company. Thanks to an acquaintance in the industry, she soon found a similar position at another pharmaceutical firm. Her onboarding included meetings with senior business leaders from across several functions, as well as various networking events. As part of her new role, she was sent on a one-week tour to visit clients together with some of the sales executives she would be working with. She was also tasked to set up her own advisory board of clients to ensure she was regularly hearing an outside perspective on her company’s products and services and overall business trends. Further, her boss encouraged her to join a local business community group where she would meet other business leaders from whom she could

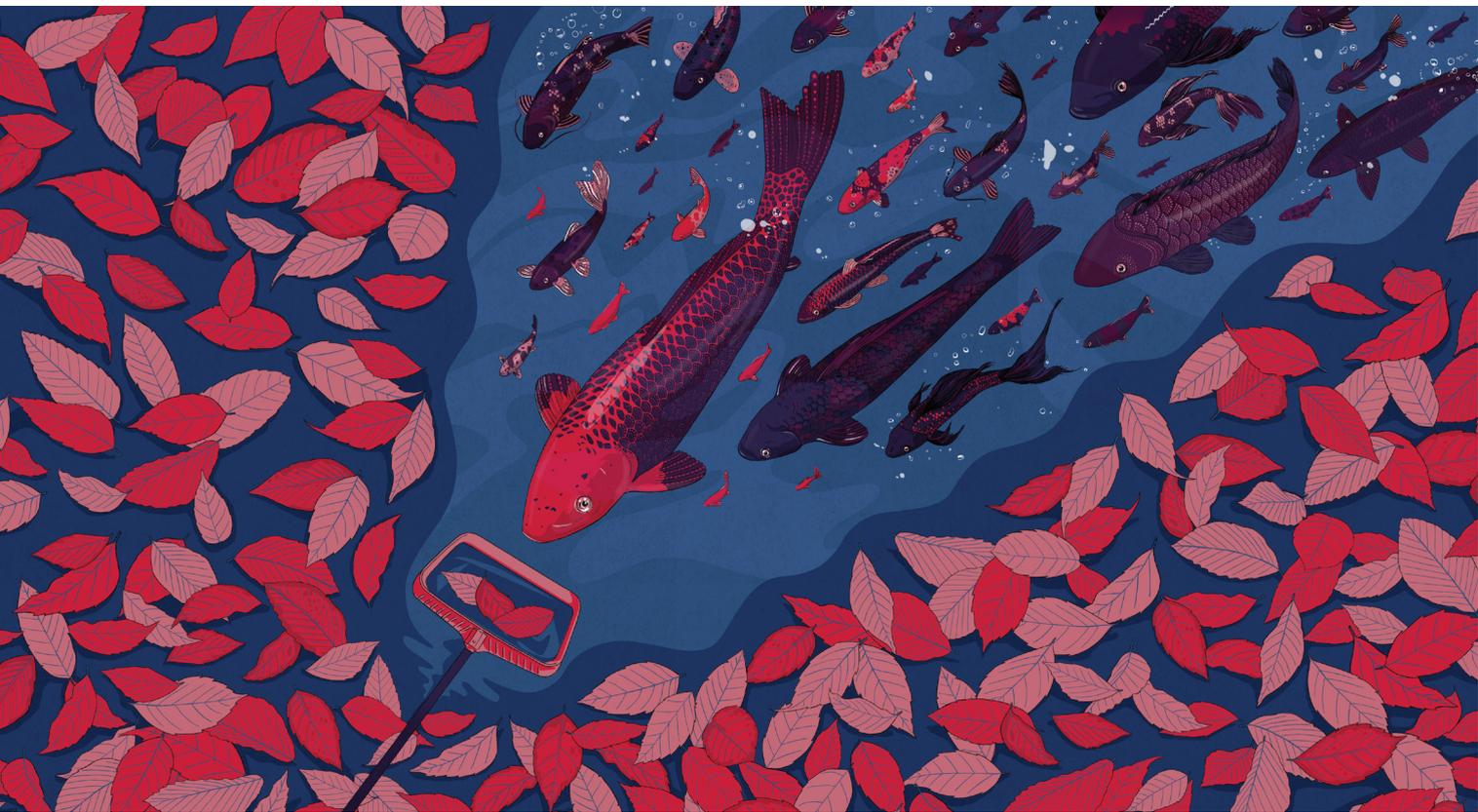
learn. The encouragement to access information and learning opportunities via leaders outside of her organization and immediate job realm was new to Lynn, but she quickly learned she could bring back highly valuable insights to her company. Her onboarding also involved her working out a multifaceted and continual leadership development plan, customized for her role at work. This concerted effort included a 180-day plan focused around time, talent, and relationships (three of the most important factors driving the success of transitioning executives).<sup>17</sup> Learning and developing on a daily basis was an expected part of becoming a leader in the organization, a fact that made Lynn feel accountable and empowered at the same time.

With the growing complexity and interconnectivity of business, leaders’ roles are shifting. No longer can an executive be the “sole truth-teller.” To influence people effectively, leaders have to serve as connectors between the people with questions and those who can provide the answers.

Though formal training programs have their place, on their own, they have an individualist bias. They tend to send the message that individual skills and actions, independent of social skills and connections, are what matter to be a strong leader. Our research says otherwise.

By socializing development into the workplace context, organizations can help to convey the new dynamics of leadership. The most effective way to promote social leadership is by setting the expectation that leadership hap-

pens in social settings every single day. Our research shows that this socialized approach works—and that organizations that use it have more capable leaders and stronger business outcomes. DR



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