The ‘DNA’ of leadership potential
The ‘DNA’ of leadership potential

Deloitte Leadership Capability Model: Theory

Deloitte Leadership has developed a leadership model which identifies the ‘building blocks’ or ‘DNA’ of potential for senior managers. The ‘Leadership Capability Model’ forms the basis of Deloitte’s processes for assessing the capability and potential of individual leaders.

The aim of this document is to provide an account of the development of the Deloitte Leadership model, based on psychological theory and studies, leadership literature, and empirical research.

Background
At the heart of any leadership talent management system is a model of capability. Since the 1970s, behavioural competencies have been used by organisations to capture the criteria associated with successful leadership. It is estimated that 80% of organisations apply the approach (CIPD, 2007).

It was David McClelland (1975) who first publicised the term ‘competency’, and the concept was popularised further by Richard Boyatzis (1982) in his seminal book ‘The Competent Manager: A Model for Effective Performance’. There are many reasons for the popularity of competency models.

They provide a common language about what is expected of people, a foundation for performance management discussions, transparency about what matters for promotion and a ‘syllabus’ for management development. However, despite their success in other areas difficulties arise when competencies are used as the basis for forming judgements about leaders’ potential.
The ‘DNA’ of leadership potential

Assessing potential

In the assessment of leaders’ potential, competencies can be criticised because they focus heavily upon past behaviour rather than future potential. The mantra behind competency-based assessment is ‘the best predictor of future behaviour is past behaviour’ (Smith, 1989). Consequently, competency-based interviews are inherently retrospective; “tell me about a time you...”. Therefore whether a leader has sufficient ‘relevant’ experience will be a significant factor in determining their competence rating. Furthermore, if an individual has not demonstrated a competency in the past, what can we conclude about their potential to develop and display that competency in the future?

Another criticism levied towards competencies is that of complexity. If you analyse most competency descriptions, you will find that each competency is in fact an amalgamation of a variety of different areas of knowledge, skills and motivation.

“It often emerges that competencies do not make psychological sense. Either the psychological qualities required for different behaviours described under a single competency conflict with each other, or the same thing is true across two (or more) different competencies - implying that it is unlikely that an individual could score highly on both”. Clive Fletcher (1996)

For example, below are real examples of competency descriptions. The different colours represent discrete psychological skills.

“I am clear and consistent in decision making, takes actions and inspires trust in others”

“Takes responsibility within the group, keeps the group working together by adjusting own interventions, supports and challenges others”

“Uses a combination of logical argument, personal conviction and passion to create a winning case”
The ‘DNA’ of leadership potential

Assessing potential

As Fletcher (1996) states: “the same psychological factors contribute to different competencies. A common example would be ‘emotional control’. This contributes to the assessment of competencies such as ‘customer relations’, ‘resilience’ and ‘interpersonal sensitivity’.”

The reason for this is that competencies are descriptions of behaviour, not psychological skills. They are the manifestation of the interaction of a variety of psychological processes, such as thinking, memory and emotions. Indeed, Boyatzis’ definition of a competency is: “a motive, trait, skills, aspect of one’s self-image or social role, or a body of knowledge which he or she uses.”

Boyatzis (1982)

Consequently, the strength of competencies in guiding performance management by describing clearly observable behaviours is also their weakness in assessment; they are typically a mix of psychological factors which do not co-vary and differ in their ability to be developed.
The ‘DNA’ of leadership potential

The origins of a new model

In order to create a more robust framework for assessing potential, Deloitte Leadership drew on three sources of research:

- **Analysis** of Deloitte Leadership’s database of psychometric data from over 23,000 international leaders
- **Research studies** conducted by Deloitte Leadership into ‘high flyers’ and successful senior managers
- **Published research** in the field of psychology, neuropsychology and published leadership research
The ‘DNA’ of leadership potential

Deloitte Leadership Capability Model: Overview

The Deloitte Leadership Capability model identifies two distinct elements:

**Developable Capabilities:** These are learned factors which are ‘acquired’. They are developable, change over time and reflect what a leader can *do*.

- Inspirational Leadership
- Execution
- Influence
- Collaboration
- Direction
- Business Judgement
- Competitive Edge
- Building Talent

**Leadership Potential:** These are ‘hardwired’ or ‘innate’ factors which are hard to develop, stable over time and reflect how the person *is*.

- Change Potential
- Intellectual Potential
- People Potential
- Motivational Potential
The ‘DNA’ of leadership potential

Leadership Potential

Driven by our core psychological processes, our definitions for the Leadership Potential factors are shown:

The strength of a leader’s potential factors will determine the speed with which the leader will be able to move up the organisation and meet the increased scope and complexity of demands at the next level.

<table>
<thead>
<tr>
<th>Potential Dimensions</th>
<th>Personal Factors</th>
<th>Slow Potential</th>
<th>Fast Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change Potential</td>
<td>Risk taking</td>
<td>Risk reducing</td>
<td>Bold</td>
</tr>
<tr>
<td></td>
<td>Experimenting</td>
<td>Pragmatic</td>
<td>Innovative</td>
</tr>
<tr>
<td></td>
<td>Challenging</td>
<td>Careful</td>
<td>Forthright</td>
</tr>
<tr>
<td>Intellectual</td>
<td>Breadth of</td>
<td>Focused</td>
<td>Broad</td>
</tr>
<tr>
<td>Potential</td>
<td>perspective</td>
<td>Logical</td>
<td>Conceptual</td>
</tr>
<tr>
<td></td>
<td>Conceptual</td>
<td>Considered</td>
<td>Decisive</td>
</tr>
<tr>
<td></td>
<td>thinking</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decisiveness</td>
<td></td>
<td></td>
</tr>
<tr>
<td>People Potential</td>
<td>Emotional</td>
<td>Detached</td>
<td>Empathic</td>
</tr>
<tr>
<td></td>
<td>intelligence</td>
<td>Independent</td>
<td>Interdependent</td>
</tr>
<tr>
<td></td>
<td>Social flexibility</td>
<td>Conditional</td>
<td>Unconditional</td>
</tr>
<tr>
<td></td>
<td>People regard</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motivational</td>
<td>Self-belief</td>
<td>Following</td>
<td>Lead taking</td>
</tr>
<tr>
<td>Potential</td>
<td>Drive</td>
<td>Satisficing</td>
<td>Striving to excel</td>
</tr>
<tr>
<td></td>
<td>Resilience</td>
<td>Emotionally reactive</td>
<td>Emotionally stable</td>
</tr>
</tbody>
</table>
The ‘DNA’ of leadership potential

Leadership Capabilities

Capability refers to the knowledge and skills which leaders develop through experience.

Deloitte Leadership’s research has found that senior leaders typically require capability in the following areas:
The ‘DNA’ of leadership potential

The following section provides a brief account of the psychological, neuropsychological and leadership research which supports the definitions of the Leadership Potential factors.

Intellectual Potential
Cognitive ability has been repeatedly found to be a very strong predictor of job performance in a wide range of managerial roles (Smith et al, 1989). Deloitte Leadership’s research into senior managers with a consistent track record of success found ‘conceptual thinking’ (as measured by GMA-A) and ‘divergent thinking’ (as measured by ‘Consequences’) as significant differentiators (Crump, 1999).

Change Potential
Over recent years, Daniel Goleman (e.g. Goleman, 1998) has popularised the concept of ‘emotional intelligence’ and published numerous studies which link ‘EI’ with people’s ability to adapt to changing circumstances (e.g. Goleman, 1998b). Goleman goes as far as to say that two-thirds of a leader’s performance is accounted by their levels of emotional intelligence. The importance of emotional control is further supported by Kets De Vries (2001), Cox & Cooper (1988) and McCall & Lombardo (1983).

In summary, the left-hand side of the brain is primarily responsible for logic, including language, numerical judgements and analysis. Conversely, the right hemisphere is linked with imagination, images and music (Greenfield, 1997).

In addition, Change Potential includes an openness to uncertainty. Cox & Cooper (1988) identified ‘seizing chances when presented’ as a differentiating factor of CEOs of financially successful companies. Kets De Vries (2001) in seeking to understand ‘The Leadership Mystique’ identified ‘receptivity’ as a key factor. Deloitte Leadership’s research studies found that consistently successful managers were more emotionally balanced and that ‘high flyers’ were both more open to feelings and less vulnerable to stress (Crump, 1999; Jensen, 2008).

Neuropsychological studies have consistently pointed towards the amygdala as the ‘emotional centre’ of the brain. Goleman (1998a) writes of the ‘hijacking of the amygdala’ when describing emotional reactions to situations.
The ‘DNA’ of leadership potential

Deloitte Leadership Potential Model: Research

People Potential
The importance of leaders’ ability to be socially ascendant and assertive, as well as adopt different interpersonal styles with different types of people, has been widely recognised in the leadership research literature. For example, Kets De Vries (2001) and Deloitte Leadership’s research (Crump, 1999; Jensen, 2008) identified ‘assertiveness’, ‘warmth’ and ‘sociability’ as key determinants of ‘high flyers’ and successful senior leaders. Furthermore, McCall & Lombardo’s (1983) research study found that executives ‘derailed’ as a result of being ‘cold’, ‘aloof’ and ‘arrogant’. In their study into ‘Why CEOs fail’ Charan & Colvey identified ‘people acumen’ as a significant success factor.

Neuropsychological studies have highlighted several brain structures as having key roles in shaping our social behaviour. For example, the anterior cingulate gyrus plays an important role in determining our willingness to interact with others. The ventromedial cortex is responsible for human beings’ interpretation of others’ motives (e.g. Ratey, 2002).

Motivational Potential
In virtually all studies into job effectiveness, ‘conscientiousness’ emerges as the most predictive personality trait (Barrick & Mount, 1991). Drive, ‘need for achievement’ (McClelland, 1961) and ‘achievement striving’ (Costa & Mrc ae, 1985) have been long associated with leadership success. For example, Cox & Cooper’s (1988) study into ‘high flyers’ found that ‘determination’ and ‘achievement orientation’ were key differentiators. Charon & Colvin (1999) identified ‘superior CEOs’ as having ‘an insatiable appetite for accomplishment and results’.

Neuropsychological studies have clearly identified the influence of the endocrine system, in particular the release of adrenaline and noradrenaline by the hypothalamus, on our energy levels and behaviour. For example, the most researched phenomena is that of the ‘fight or flight’ response to threat (e.g. Greenfield, 2001).

Deloitte Leadership’s comparison of consistently successful senior managers with those with an inconsistent history of achievement identified dutifulness or ‘stronger drive to fulfil obligations’ as a significant differentiator (Crump, 2001). Similarly, ‘high flyer’ leaders, who achieved a ‘manager of managers’ position within eight years of starting their careers were significantly higher on ‘achievement striving’, ‘activity’ and ‘openness to actions’ than other senior managers (Jensen, 2008).
The ‘DNA’ of leadership potential

Deloitte Leadership Capability Model: Validation

As with any model of potential, it is important to conduct research to determine whether the Deloitte Leadership Capability Model is predictive of leadership success. Therefore, we conducted a study to compare the profiles of ‘high potential’ leaders and ‘low potential’ leaders.

Deloitte Leadership regularly conducts one-to-one personal profiles with leaders for the purposes of assessment and development. A profile session will typically include a number of components:

- A holistic interview to explore patterns in motivation, performance, decision making, personal style, interpersonal approach, and experience
- A number of personality questionnaires, including NEO PI-R (a personality questionnaire measuring the ‘five factors’ of reliable individual difference) and Hogan Development Survey (a personality questionnaire measuring 11 ‘derailing’ factors)
- A number of thinking measures, including GMA-A (a culture fair measure of conceptual thinking) and Consequences (a culture fair measure of creative thinking)
- A structured Know How assessment, using construct elicitation (repertory grid) to assess the richness and extent of Leader Know How
One of the outputs to this process is a rating against each of the Leadership Potential factors and capabilities which is ascertained by means of an algorithm combining evidence from all of the components of the profiling process. It is these ratings which were used during this study.

In order to conduct the validation study we selected two groups of leaders from the Deloitte Leadership database of 23,000 leaders. Those in the ‘high potential’ group were managers of managers and had been promoted to such a level within nine years or less of starting their career.

Conversely, those in the ‘low potential’ group were at the manager or supervisor level, and had taken nine years or more from starting their career to be promoted to such a level. The figure of nine years was selected as this represented the highest and lowest 25% in terms of career progression.

The sample sizes were 145 leaders in the high potential group and 158 leaders in the low potential group. The leaders in the sample were from a wide variety of sectors, including financial, engineering, retail, legal, accountancy, utilities, media, manufacturing and technology and included international leaders, with Europe, Asia, Australasia and the Americas represented. 78% were male, 22% female.
The ‘DNA’ of leadership potential

Results

The Leadership Potential ratings of the high potential and low potential leader groups were compared using independent samples t-tests, a powerful non-parametric statistical test.

The differences between the capability scores was not explored, as capability ratings reflect acquired skills and knowledge and so would be dependent on the level of experience rather than underlying core psychological skills which are relatively stable over time and can be used to predict potential. Based on previous research (Crump, 1999) we would expect those in the high potential group to have stronger capabilities because they were operating at a manager of manager level and therefore had broader experience.

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>t</th>
<th>Degrees of Freedom</th>
<th>Significance (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intellectual Potential</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Potential Group</td>
<td>11.83</td>
<td>2.58</td>
<td>2.25</td>
<td>375</td>
<td>0.025*</td>
</tr>
<tr>
<td>Low Potential Group</td>
<td>11.18</td>
<td>2.81</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Change Potential</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Potential Group</td>
<td>11.12</td>
<td>2.51</td>
<td>4.06</td>
<td>301</td>
<td>0.00**</td>
</tr>
<tr>
<td>Low Potential Group</td>
<td>9.94</td>
<td>2.55</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>People Potential</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Potential Group</td>
<td>16.75</td>
<td>3.04</td>
<td>2.87</td>
<td>301</td>
<td>0.04*</td>
</tr>
<tr>
<td>Low Potential Group</td>
<td>15.73</td>
<td>3.17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Motivational Potential</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High Potential Group</td>
<td>7.22</td>
<td>1.09</td>
<td>3.40</td>
<td>302</td>
<td>0.001*</td>
</tr>
<tr>
<td>Low Potential Group</td>
<td>6.76</td>
<td>1.26</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*p<0.05 significance **p<0.001

© 2018 Deloitte MCS Limited. All rights reserved.
The ‘DNA’ of leadership potential

Conclusions

The results showed that the high potential leaders were rated significantly higher on all Leadership Potential factors. The larger difference was in the area of Change Potential.

This study provides strong supportive evidence for the power of the Deloitte Leadership Capability Model for identifying high potential leaders. Therefore, it can be concluded that the model provides a viable alternative to the competency models used by many organisations, and may be more predictive of leadership success as it focuses on the underlying psychological skills which are stable over time.
The ‘DNA’ of leadership potential

References

CIPD (2007) Competency and competency frameworks. HR factsheet
Fletcher, C (1996) Mix and match fails to work on competencies, People Management
Greenfield, S (2000) Brain Story: Why Do We Think and Feel as We Do? BBC Books
Hogan, R & Hogan, J (2004), Assessing leadership: A vision from the dark side, Selection & Development Review
The ‘DNA’ of leadership potential

If you would like to find out more, please do get in contact.

Jim Tapper
jtapper@deloitte.co.uk
Human Capital Consulting
Deloitte Leadership UK, Partner

Roger Coveney
rcoveney@deloitte.co.uk
Human Capital Consulting
Deloitte Leadership UK, Partner

Peter Sloan
pesloan@deloitte.co.uk
Human Capital Consulting
Deloitte Leadership UK, Director

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of DTTL and its member firms.

Deloitte MCS Limited is a subsidiary of Deloitte LLP, the United Kingdom member firm of DTTL.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte MCS Limited would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte MCS Limited accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

© 2018 Deloitte MCS Limited. All rights reserved.