

# What's New in Leadership



A research paper analysing the differences between entrepreneurial CEOs, executives and middle managers, using Hogan profiling and a comparison of high and low scoring managers using 360 feedback ratings

October 2009

Copyright Peter Berry Consultancy Pty Ltd © 2009



## What's New in Leadership

### About Peter Berry Consultancy

Peter Berry Consultancy is a multidisciplinary consulting organisation specialising in profiling and consulting services that make a real difference in leadership, business planning, people and culture. Peter Berry Consultancy has been operating since 1990 working with blue-chip organisations including Toyota, Coca-Cola, Nestlé, Toll, BUPA, General Electric and Qantas. Peter Berry Consultancy has strong linkages to the Melbourne Business School and The Executive Connection. Peter Berry consultancy represents Hogan Assessment Systems in Australia and has undertaken research projects on Leadership, Employee Engagement Customer Service and Safety. For more information, visit [www.peterberry.com.au](http://www.peterberry.com.au)



### About Hogan Assessment Systems

Hogan Assessment Systems is an international research-based consulting firm that uses its own personality assessments to help organizations select employees and develop leaders. Because of its proven ability to predict employee performance, the Hogan Personality Inventory is considered the industry standard for measures of normal personality. The Hogan Development Survey is a validated survey that assesses characteristics associated with derailment and managerial dysfunction. The Hogan Motives Values Preferences Inventory looks at people's core values and drivers essential for organisation and cultural fit. Hogan Assessment Systems provides assessment services in over 40 countries and in over 30 languages and has performance data on over 400 jobs, ranging from customer service roles to CEO.



Hogan assessments are used by over 50 percent of the Fortune 500 companies, of which 75 percent are multi-national organisations, together with an array of Australasian brands. Clients include BHP, Qantas, ANZ, NAB, Ingeus, BP, Maggie Beer, Blake Dawson, Minter Ellison, Sydney Water, Harvey Norman, Blue Star Print, McConnell Dowell, AMP Capital, Challenger, Ella Bache, Sara Lee, Melbourne Business School and The Executive Connection. For more information, visit [www.hoganassessments.com](http://www.hoganassessments.com)

## The Research

We have recently completed some major research on Australian leadership. Firstly, we identified 1,046 managers who have completed Hogan profiling. Hogan provides best practice psychometric profiling for use in selection and development. It captures a person's "bright" side (normal personality), "dark" side (strengths becoming weaknesses), and "inside" (one's hot buttons). In this research we have broken this group into the following three components:

1. An entrepreneurial profile based on an earlier study of 55 high flying CEOs chosen because of their bottom line results in both revenue growth and profitability. Half these CEOs were owner operators. They are members of The Executive Connection (TEC), a learning and networking forum of CEOs.
2. An executive profile consisting of 166 CEOs and direct reports to CEOs.
3. A middle manager profile consisting of 820 mid tier managers, typically consistent of managers of a department/business unit or a frontline supervisor.

From an analysis of this Hogan data we are able to make some key findings about these different layers of leadership and what makes them tick. Secondly, we have identified our top 30 managers in relation to the highest scores received in our 360 feedback process, where leaders are assessed by boss, peers and direct reports. We have then contrasted the top 30 to the bottom 30. This provides another invaluable piece of information about the DNA of great and not so great leaders.

## The Importance of Leadership

Leadership is often underestimated in terms of its impact on the bottom line. For example, in Kaplan and Norton's balanced scorecard, leadership does not feature in the four key component parts consisting of financials, customers, processes, and learning and growth. In our book, "The Big Picture", which is about the 9 steps to business excellence, we defined leadership as Step 1 because it can make or break an organisation's performance.

Most organisations still do not have leadership and leadership development in their strategic plans, nor do they make it a measurable KPI. On the other hand, leading edge organisations have it in their business plan and as a measurable KPI. Best practice is to measure both behaviour and performance because behaviour drives performance.

We have recently completed a major study for a very significant retailer. Staff participated in a confidential employee opinion survey which measured the levels of satisfaction and engagement. The scores ranged from 52% to 90%, where the average was 74%. On careful investigation, the single major factor in this variation was the employees' feelings about their managers. In the high scoring stores, managers were incredibly highly regarded. They made their employees feel valued, were good communicators, had people skills, and were seen as role models. In the low scoring stores, managers were held in low regard. They had poor people and leadership skills, were not seen as role models, and were regarded as having bullying tendencies.

Staff turnover in highly scoring stores was 10%. In low scoring stores it was 70%. Use of sick leave in low scoring stores was double that of high scoring stores. Finally, we were also able to make a connection to sales and productivity where there was a direct correlation between a high score and high performance. We believe that leadership produces culture and culture produces performance, therefore investing in leadership is an investment in the bottom line.

We also know from a major construction engineering company that good leadership on a project delivers on time, within budget, no rework, and a good safety and environmental performance. On the other hand, poor leadership fails to meet any of the KPIs. A dysfunctional project can be traced back to a dysfunctional management team.

We also know from a major kindergarten centre client with more than 100 centres that leadership creates a positive culture with happy children and parents. On the other hand, poor leadership creates a demoralised workforce with significant flow-on effects.

## A Model of Leadership

We believe there are four component parts that make for great leaders and organisations.

1. **Self management**

This consists of self awareness and self regulation in individuals. It is enormously helped through personality profiling, 360 feedback and coaching. Common issues involve stress management, confident personal identity about self and career, management of depressive tendencies, and having a positive attitude to life, work and others.

2. **Relationship management**

This consists of being able to lead others by setting agendas and using one's influencing, persuasion and negotiation skills to deliver outcomes. As Bob Hogan says, life should be about "getting along to get ahead". Critical is the ability to create trust through emotional connections, making people feel valued, and making time to invest in key relationships.

3. **Working "in" the business**

This is delivering on the job description. Typically people will be hardworking, experienced, knowledgeable, loyal and competitive. They also face the challenge of not taking on too much, being good delegators, and effective with time management. Their focus is often around operational excellence and delivering against the KPIs.

4. **Working "on" the business**

This is about delivering extra value to the bottom line. Typically it involves continuous improvement, innovation, strategic planning, new products and services, and new markets. It also involves creating a high performance culture that enables strategic delivery. Revenue growth and sound profitability are the key outcomes.

The following is our four quadrant table of leadership:

1. Self Management	2. Relationship Management
Awareness Composure Integrity	<b>EQ</b> Partnerships Setting Agendas Persuasion Skills
3. Working "In" the Business (Operational)	4. Working "On" the Business (Strategic)
Job Capacity Efficiency Performance	<b>IQ</b> Strategy Culture Execution

Some points about this model:

1. In 360 feedback people tend to score highest in quadrants 1 and 3 because that's how they get hired. Companies look for a good personal fit with the job description. However, quadrants 1 and 3 tend to be the world of management, whereas quadrants 2 and 4 tend to be the world of leadership. The challenge then becomes to get managers spending more time on relationships and being strategic.
2. Most managers are spending 90% of their time "in" the business and 10% "on" the business. Quadrant 3 becomes an enormous vacuum cleaner sucking all the energy out of a manager for 10-12 hours a day, typically meetings, emails, crisis management and operational issues. However, the real value-add is by working "on" the business which is the world of continuous improvement, innovation, planning, strategy and execution. It is also about building a high performing culture to deliver the strategy. It's about recognising good performance and challenging poor performance.
3. The top half of the model is the world of EQ and the bottom the world of IQ. We define EQ as using emotions intelligently to get the best out of relationships. We define IQ as experience, knowledge and street-smarts within an industry. IQ will get you hired but EQ will get you promoted. Daniel Goleman, the author of "Emotional Intelligence" says that EQ will drive 80% of a leader's corporate success. Our research will show that as many as 25% of managers have the IQ but not the EQ. They will typically have a technical education... law, accounting, science, engineering, IT etc, where success was judged by academic performance and not relationships. They get promoted because of IQ and then struggle when having to lead a team of people. They will typically lack people, communication and leadership skills.
4. Quadrants 1 and 3 provide a business with a strong transactional basis, i.e. business as usual around operational excellence. However, quadrants 2 and 4 is the world of transformational business where deeper relationships exist with stakeholders and where creating the future is front of mind.
5. Quadrants 1 and 2 are about behaviour (culture), while quadrants 3 and 4 are about performance. Best practice organisations are focussed on both better behaviour and better performance. We also know that improving behaviour improves performance.
6. Best practice companies are now assessing their managers for their behaviour and their performance.

## Hogan Research Findings

Now let's look at the results by analysing the "bright" side, "dark" side and "inside".

Scale	CEO	Exec	Manager	Avg.	Scale Interpretation
<b>Hogan Personality Inventory</b>					
Adjustment	36.5	44.22	43.12	41.3	Concerns composure, optimism, and stable moods.
Ambition	65.5	59.6	51.47	58.9	Concerns self confidence, leadership and competitiveness.
Sociability	52	50.94	44.61	49.2	Concerns seeming talkative, socially bold and entertaining.
Interpersonal Sensitivity	42	43.15	41.89	42.4	Concerns being agreeable, considerate, and skilled at maintaining relationships.
Prudence	34.3	41.34	44.2	39.9	Concerns being conscientious, dependable and rule-abiding.
Inquisitive	46.6	51.32	50.61	49.5	Concerns being curious, imaginative and easily bored.
Learning Approach	51.1	54.66	48.85	51.6	Concerns enjoying formal education and actively staying up-to-date on business and technical matters.
<b>Hogan Development Survey</b>					
Excitable	62.9	63.63	64.89	63.8	Concerns being overly enthusiastic about people/projects, and then becoming disappointed with them.
Skeptical	72.5	63.63	62.82	66.3	Concerns being socially insightful, but cynical and overly sensitive to criticism.
Cautious	61.4	63.32	64.29	63	Concerns being overly worried about being criticised.
Reserved	68.4	67.43	69.11	68.3	Concerns lacking interest in or awareness of the feelings of others.
Leisurely	58.4	63.09	63.18	61.6	Concerns being charming, but independent, stubborn and hard to coach.
Bold	55.9	54.31	54.01	54.8	Concerns having inflated views of one's competency and worth.
Mischiefous	62.8	60.80	57.05	60.2	Concerns being charming, risk-taking, and excitement seeking.
Colourful	62.9	53.38	44.51	53.6	Concerns being dramatic, engaging, and attention-seeking.
Imaginative	65.2	56.65	51.98	57.9	Concerns thinking and acting in interesting, unusual and even eccentric ways.
Diligent	41.6	47.25	54.73	47.9	Concerns being conscientious, perfectionistic, and hard to please.
Dutiful	36.2	47.15	53.39	45.6	Concerns being eager to please and reluctant to act independent.
<b>Motives, Values, Preferences Inventory</b>					
Recognition	43	44.91	44.92	44.3	Desire to be known, seen, visible, and famous.
Power	71.5	58.11	52.25	60.6	Desire for challenge, competition, achievement and success.
Hedonism	46.1	50.98	50.65	49.2	Desire for fun, excitement, variety and pleasure.
Altruistic	43.4	45.25	42.54	43.7	Desire to serve others, to improve society, and to help the less fortunate.
Affiliation	47	44.09	39.43	43.5	Need for frequent and varied social contact.
Tradition	63.3	58.99	54.88	59.1	Concerns for morality, family values, and devotion to duty.
Security	38.8	48.08	51.13	46	Need for structure, order and predictability.
Commerce	65.6	54.59	52.84	57.7	Interest in earning money, realising profits, and finding business opportunities.
Aesthetics	47.1	50.28	44.55	47.3	Interest in the look, feel, sound, and design of products and artistic work.
Science	48.2	49.81	54.25	50.8	Interest in troubleshooting, investigation, research and problem solving.

CEOs are clearly different from managers, with executives being in the middle. We have identified six key traits in great leaders:

- 1. More executive drive**

CEOs scored highest on Ambition, Commerce and Power. In the Ambition scale, CEOs scored highest on the two sub-scales of Competitive and Leadership. Typically these CEOs are confident and assertive, they love challenges, competition and being the best. They enjoy networking with influential, successful friends and people. They want to be in charge and they dislike lazy, unambitious people.

- 2. More visionary**

CEOs scored highest on Imaginative. They also scored highest for Generating Ideas, which is a subscale in Inquisitive. Typically these CEOs are creative, innovative and unpredictable. They love “thinking outside the square”, and having different perspectives and ideas. They are often good at launching new products/services and generating new markets.

- 3. More risk taking**

CEOs scored highest on Mischievous and lowest on Prudence and Security. They also scored lowest on Impulse Control which is a sub-scale in Prudence. Typically these CEOs are charming, daring, interesting, and enjoy pushing the limits. They have a strong appetite for risk, they are prepared to take chances, and can be flexible, open minded and non conforming.

- 4. Less detailed**

CEOs scored lowest on Diligent and Scientific. Typically these CEOs will be effective with delegation and prioritising work, and leave analysis, investigation, loyalty, perfectionism and problem solving to others... they are more intuitive. They prefer to work “on” the business, rather than “in” the business. They will be more approachable.

- 5. Better at relationships**

CEOs scored highest on Sociability, Affiliation, Colourful and Power. Typically these CEOs are outgoing and sociable (without being extroverted), they are people persons, not loners, where relationships and friendships are important. They will want to be seen and heard. They will be inclined to be assertive in relationships, constantly setting agendas, and using persuasion skills.

- 6. Perceptive**

CEOs scored lowest on Adjustment and Dutiful, and highest on Tradition and Skeptical. Typically these CEOs are driven by a degree of stress and will show a sense of urgency. They will have their eyes “on the ball”. Others will see them as bright and shrewd, often with a sixth sense or “a nose for trouble”. They also have a strong sense of right and wrong, and will display firm moral and ethical values. They will care about organisational culture. They will be independent, self reliant, tough minded, and prepared to rock the boat.

## Conclusion

As we go down the food chain from CEO to executives and then to managers, the further we go from big picture to operational. This is confirmed when we look at the managers’ results. They scored higher on Scientific, Diligent, Dutiful, Cautious and Prudence, suggesting an “in the business” approach based on analysis, conscientiousness, loyalty and care. Managers also scored higher on Leisurely, suggesting they can be very independent and self starting around operational excellence. Managers scored lower on Affiliation, Sociability and Power, suggesting they are not as strong on relationships and networking. They scored lower on the Leadership and Competitive sub-scales in Ambition – they are not as driven as CEOs.

On the other hand, the CEOs are strategic, better at relationships, more driven, less detailed, and very perceptive and focussed. Our conclusion is that leaders are leaders and managers are managers, and they are quite different. If leaders are indeed leaders, the managers have a “doer” profile.

The executive group sit between the CEOs and the managers.

## Additional Hogan Findings

By researching the sub-scales in the “bright” side data, we have been able to identify some fascinating insights into the private DNA of the total leadership/management population in this study. We have also identified some information from the “dark” side research:

1. **Temper**  
17.3% scored 2 or below on a scale of 5 for Even Temper, suggesting the need to “let off steam”. This needs to be managed constructively or relationships could suffer.
2. **Health and wellbeing**  
7.6% scored 2 or below on a scale of 5 for No Somatic Complaints, expressing concerns about their personal health and wellbeing. These people need help.
3. **Self confidence**  
7.6% scored 1 or less on a scale of 3 for Self Confidence, suggesting a lack of confidence. They could be hard markers or are genuinely self critical.
4. **Dark moods**  
7.2% scored 4 or less on a scale of 6 in the Accomplishment scale, suggesting melancholy or even depression tendencies.
5. **Identity**  
14.8% scored 1 or less on a scale of 3 in the Identity scale, expressing restlessness around their current role, employer and industry. The grass looks greener elsewhere.
6. **Likes people**  
25.1% scored 4 or less on a scale of 6 for Liking People. These people are task focussed, trade on their IQ, and won't enjoy working on relationships. They may lack EQ.
7. **Workaholic**  
70.4% scored 3 or 4 on a scale of 4 on the Mastery scale. These people have an incredibly strong work ethic around passionate interests. Others may say they have a work/life balance problem.
8. **Independent**  
31.1% scored 1 or below on a scale of 3 on the Not Autonomous scale. These people don't care what other people think about them. They are typically self starting and independent, and may not be good at receiving feedback or being coached.
9. **Moving away tendencies**  
21.9% scored above 70% in at least four of the first five scales in the “dark” side. This indicates a need to move away from people as a coping mechanism to get the job done. Typically these people will close their door, escape from the workplace, work from home, work with music in their ears, or just plain tune out from everyone else. They may become distant and uncommunicative. They need regular “me” time to be at their best. This tendency is best managed when it is understood. The down side is that communications and relationships can suffer if it is not well managed. Sometimes it doesn't show up at work, it shows up at home.

## 360 Research

From more than 1,000 360 profiles conducted in recent years, we produced profiles for the top 30 and the bottom 30. On a scale of 1-8, with 8 being excellent, a gold medal standard is 6.5, while a score below 5 strongly suggests "needs improvement". The scores are mapped against our four quadrant model of leadership:

### **Self management**

Top 30, score 7.18 Bottom 30, score 4.67

### **Relationship management**

Top 30, score 7.10 Bottom 30, score 4.32

### **Working "in" the business**

Top 30, score 7.18 Bottom 30, score 4.64

### **Working "on" the business**

Top 30, score 6.89 Bottom 30, score 4.37

When asked to identify the individuals' strengths, we got the following results:

#### **Good Managers**

1. Good people skills: people person
2. The right attitude: enthusiastic, positive
3. Knowledge: technical ability, experience
4. Hardworking: has a good work ethic
5. Good leadership skills
6. Customer focussed: good with clients
7. Professional approach
8. Integrity: high ethical standards
9. Visionary: understands the big picture
10. Positive role model: leads by example

#### **Not so good Managers**

1. Knowledge: technical ability, experience
2. Hardworking: has a good work ethic
3. Is very loyal
4. Competitive and determined
5. Problem solving approach; troubleshooter
6. Good sense of humour
7. Integrity: high ethical standards
8. Empathy: supportive
9. Good organisational skills: well organised
10. Professional approach

A word of warning about the not so good managers' strengths... they probably realistically run down to No. 5 because raters were encouraged to pick strengths, even if there weren't many.

The good managers have six items in their top 10 that don't appear in the not so good managers column. These are good people skills, the right attitude, good leadership skills, customer focussed, visionary and being a positive role model. These good managers clearly have all four quadrants of our leadership model scoring highly.

When we look at the profile of good managers and map it to our four quadrant model of leadership, we can see the following standout features of great leaders:

1. Self management... the right attitude
2. Relationship management... people skills
3. Working "in" the business... job performance
4. Working "on" the business... big picture

When asked to identify the individuals' opportunities to improve, we got the following results:

- | <b>Good Managers</b>                          | <b>Not so good Managers</b>                    |
|---|--|
| 1. Takes on too much: spreads self too thin   | 1. Improve people skills: interpersonal skills |
| 2. Delegate more                              | 2. Communicate better                          |
| 3. Challenge poor performers                  | 3. Time management and organisational skills   |
| 4. Give appropriate feedback                  | 4. Team player: "we" not "me"                  |
| 5. Time management and organisational skills  | 5. Listen more: don't jump the gun             |
| 6. Be out and about more: be seen, accessible | 6. Build effective relationships               |
| 7. Be more assertive                          | 7. Control temper: less moodiness              |
| 8. Share knowledge and resources              | 8. Show leadership on issues                   |
| 9. Motivate people: improve morale            | 9. Motivate people: improve morale             |
| 10. Listen more: don't jump the gun           | 10. Be less aggressive                         |

It is interesting to note that the No. 1 strength of a good manager, "good people skills", is the No. 1 opportunity to improve for the not so good managers. The biggest challenge for the not so good managers is their relationship skills, particularly when it shows as temper, moodiness or aggression. They have some IQ but no EQ.

We now know that the not so good managers appear to be on the payroll because of quadrant 3 which is operational. We know this because their strengths are their knowledge, their work ethic and their loyalty. They lack self management skills because there are issues around temper and aggression (they are not regarded as role models). They lack relationship skills because they don't have people or communication skills and they are not team players. They are also missing in the strategic piece because their strengths did not include "visionary: understands the big picture".

## Overseas Best Practice

"The Leadership Advantage" by Fulmer and Bleak (2008) is a terrific book that identifies best practice in leadership development. They identify five companies that are doing leadership development better than most. They are Caterpillar, PricewaterhouseCoopers, Washington Group International, Cisco and PepsiCo Inc.

The book identifies great leadership programs as having these common features:

- Business strategy drives leadership development strategy
- Leadership development is used to formulate and communicate strategy
- Developing people is a growing measure of executive success
- Leadership programs are a process rather than an event

PricewaterhouseCoopers have three goals that underpin their leadership program. They are:

- Make it happen
- Become a great place to work
- World class relationships

The Pepsi Co leadership model has three strategic objectives:

- Set the agenda
- Take others with you
- Do it the right way

We also take a keen interest in the Ritz Carlton, who have won the prestigious American Baldrige Award for "Business Excellence" on two occasions. Their strategic business goals are:

- Employee engagement
- Guest engagement
- Product and service excellence
- Financial performance

In a new study of leadership, "The Inspiring Leader" by Zenger, Folkman and Edinger (2009), the authors have researched 360 degree feedback for 20,000 managers. They found that the best predictor of high ratings of leadership effectiveness by direct reports, peers and managers, was the ability to inspire others to high levels of effort and performance, and the capacity to energise people to achieve exceptional results. They also found that these qualities were the ones most valued by employees and a correlation with employee retention and commitment. Their summary is that great leadership is about the ability to inspire and motivate others to high performance.

In all of these case studies we can see that great leadership is about managing self and others, combined with business excellence. It's about the ability to use IQ and EQ, and to work "in" and "on" the business. Achieving through relationships is a critical skill-set.

## **So What Does This Mean?**

1. Investing in leadership is an investment in culture and performance.
2. Leadership development should be in the business plan.
3. Leadership development and performance should be a KPI.
4. Middle managers need to be targeted around self management, relationship management, and being more "on" the business.
5. Leadership should be developed and assessed for both behaviour and performance, we want people to live the values and deliver the numbers.

## **Authors**

**Peter Berry** is the Managing Director of Peter Berry Consultancy Pty Ltd. He has over 30 years experience in Human Resources. He is an associate of Melbourne Business School and is regarded as one of Australia's top speakers on leadership, business planning, people and culture.

**Shayne Nealon** is a partner in Peter Berry Consultancy. Shayne has had 25 years experience in Human Resources, Industrial Relations and Change Management with a customer service and safety focus. Shayne has held senior positions in Qantas and now consults to industry on workplace improvement, recruitment and a range of HR and IR issues.

**Kim Pluess** is a registered Psychologist at Peter Berry Consultancy. She works closely with the Hogan Personality Tools both directly with clients as well as conducting ongoing research. She has worked both in the Human Resources Industries and in Healthcare prior to working at Peter Berry Constancy.

## **Other Research**

We have conducted research on the following topics:

**Emerging Leaders in Australia 2009**

**Australia's Workforce DNA 2008**

**Female Leadership in Australia 2008**

**Customer Service Professionals 2007**

**Leadership in Australia and What Makes A High Performing CEO 2007**