Rethinking Leadership Competencies

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What do the Bank of America, General Electric, IBM, Lufthansa, PepsiCo, Pfizer, Royal Dutch Shell, and RBC Financial Group share in common? Each company enjoys a reputation for doing an outstanding job of identifying and developing leaders. But how do they do it? What do the best leader-builder organizations do that differentiates them from the many other firms that talk about the importance of developing leaders but fail to deliver on their promises?

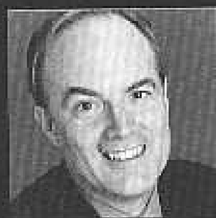
At first glance, the answer appears easy. Each and every one of them uses competency frameworks to develop their leadership talent. In other words, these organizations translate the term *leadership* into clear frameworks outlining the leadership behaviors they expect from their managers. Using simple language, these frameworks set out a list of tangible and measurable competencies, skills, and mind-sets that provide the developmental benchmarks for leaders in the organization.

Given that such prominent firms are using competencies, it seems this must be the right thing to do. This conventional wisdom, however, may not be the case. The companies that are best at developing leaders know that leadership development is hard work and not a quick-fix, paint-by-numbers exercise. While these organizations have long abandoned the view that competency frameworks alone will help them shape the perfect leader for their organizations, these models still are seen as having a critical and foundational role in their developmental efforts. We feel that despite their attractive benefits, competency frameworks have key drawbacks that have been largely overlooked. In this article, we explore why organizations are drawn in the first place to their use as a developmental tool, and outline their critical shortcomings. We conclude by describing how organizations can harness their advantages while effectively addressing their limitations.

The Evolution of Leadership Competency Models

Typically built around a set of behavioral dimensions, leadership competency models form the basis for professional development in many organizations. They set the standards for how leadership should be demonstrated by a firm's managers and executives. Their popularity has been so significant that they have migrated beyond developmental initiatives into performance measurement, career management, high-potential identification processes, and succession management systems, where they are used as baseline criteria for selection, promotion, and compensation. As an example, Eli Lilly and Company utilizes seven leadership behaviors in the assessment of performance and potential. They include a manager's ability to

- Model the values.
- Create external focus.
- Anticipate change and prepare for the future.
- Implement with quality, speed, and value.
- Achieve results with people.
- Evaluate and act.
- Share key learnings.



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As interest in leadership and leadership development grew in the 1990s, the use of competency models gained greater momentum. After all, organizations needed clear definitions of the skills and behaviors that they expected of their current and future leaders. CEOs climbed onto the bandwagon. Many commissioned leadership competency models were tailored to their organization's specific needs as they sought to build new organizational capabilities and to instill a high-performance mind-set. For example, Gordon Nixon, CEO of RBC Financial Group, Canada's largest and most successful company, directly linked his organization's capacity to achieve and sustain competitive advantage to four key leadership dimensions. The dimensions were behaviors that were mapped directly to RBC's capacity to execute its priority strategic imperatives and most important core values. In early 2001, RBC had decided that its best route to strategic success would be through cross-border acquisitions. Given such a decision, RBC would need leaders who were capable of articulating and executing complex strategies simultaneously. As such, they would need leaders skilled in "shaping the future" and "driving to succeed." And since RBC was a leading financial services institution, Nixon knew its leaders must possess the strongest capacity for "leading with integrity." Finally, given the turmoil surrounding the industry, RBC would need leaders who were adept at "leading continuous change and reinvention."

Given recent concerns about business ethics and a rise in executive failures, these models have expanded further to incorporate dimensions such as corporate values, learning capabilities, and derailment behaviors in their leadership competencies. With the dramatic rise in the popularity of 360-degree feedback tools (these surveys are built entirely around competencies), the position of competency models as essential to the leadership development and assessment fields has now been cemented. For example, a study by Jessica Sweeny-Platt conducted during the U.S. Leadership Development Conference in June 2001 found that competency modeling was used by almost 75 percent of all companies as a tool for leadership development. The same study showed that 69 percent of the development initiatives of midlevel managers were using competency models as a basis for developing training initiatives. A study conducted by Donna Rodriguez and others at Arthur Andersen Worldwide also found that the majority of companies had applied competency models in the area of training and development.

The Benefits That Competency Models Offer: The 3 C's

The popularity of competency models is easy to explain. They offer at least three critical benefits: *clarity, consistency,* and *connectivity.* Most obvious is the *clarity* advantage. Competencies help organizations set clear expectations about the types of behaviors, capabilities, mind-sets, and values that are important to those in leadership roles. In a simple format, they send a tangible message about the company's most highly valued leadership behaviors. For those aspiring to leadership roles, competencies offer the foundation for a tangible developmental plan. Since competencies are embedded in feedback tools, managers can more easily and quickly ascertain where their strengths and development needs lie simply by scanning a set of numerical scales produced by the feedback survey.

The second benefit that competency frameworks provide is *consistency.* By establishing a single model for an organization's management ranks, competencies provide a common framework and language for communicating and implementing the firm's leadership development plan. For example, with a competency framework that is adopted on an enterprise-wide basis, the top team of an organization can hold focused dialogues to identify the leadership skills and behaviors that are most valued in the context of their company. Whether working in New Jersey or in Singapore, managers have a better chance of knowing what skills and behaviors are needed to move ahead as a leader in the company. Most competency models are built around feedback processes that quantify the extent to which a manager or executive demonstrates a specific competency. Quantifiable data allow for *uniform* measurement across managers in an organization. In this sense, the organization can more precisely ascertain where its managers stand on specific competencies and track development progress over time.

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The third advantage is *connectivity* to other HR processes. Competency frameworks provide foundational metrics for many of the company's other human resources processes. Competencies become a driving force in performance management and feedback processes, high-potential identification, succession management, and reward schemes.

Given the clarity, consistency, and connectivity advantages of competency models, few question their utility. As a result, they have become so pervasive that their role has gone largely unchallenged. We believe it is time to step back and take a hard look at these models and their role in leadership development.

The Limits to Leadership Competency Models: Three More C's

While the benefits of competency frameworks are easy to see, we have also identified three limitations. These limitations are that competencies are apt to be *complicated, conceptual,* and built around *current* realities. Since many of the models are based on research on a wide range of managerial and leadership behaviors, there is a tendency for a company's competency framework to become overly complicated—in other words, to contain too many dimensions. For example, some competency frameworks specify 30 or more different desired leadership dimensions. Yet it is far from clear whether managers can focus developmentally on more than a few behaviors at a given time. Certain coaching experts argue that managers can and should focus on only one to two behaviors at a time. So while multiple competencies may capture a complex reality, they also dilute attention and create a blurry picture of which competencies are priorities in the organization.

Competency models are complicated, conceptual, and built around current realities.

From the organization's standpoint, a large number of competencies may serve to lessen an appreciation for the company's top priorities. In a recent biography, Louis Gerstner Jr., chairman and CEO of IBM from 1993 until 2002, describes his experience with his firm's use of a competency model to drive changes in leadership behavior within IBM. Using a set of 11 competencies (customer insight, breakthrough thinking, drive to achieve, team leadership, straight talk, teamwork, decisiveness, building organizational capability, coaching, personal dedication, and passion for the business), training and evaluation was designed to reinforce these behaviors with the aim of producing a new culture at IBM. While Gerstner did indeed witness changes in behavior and focus as an outcome, he concluded there were simply too many competencies to focus the organization's attention. In the end, these 11 competencies were clustered into three categories—win, execute, and team. The original competencies did play a key role in developing a new generation of leaders at IBM by creating a common language, a sense of consistency, and a basis for performance management and rewards. However, the model needed to be simplified to be viewed as workable among IBM's senior business leaders.

The second limitation is that competency models are based on an idealized *concept* of leadership—the concept of a universal best-in-class leader capable of functioning in all situations. In part, this is a product of the research from which these models are derived. In some cases, researchers examined small samples of outstanding senior leaders—the best of the best—to determine the competencies. This is a process analogous to studying Tiger Woods to determine the characteristics of an effective golfer. In other cases, researchers examined very large samples of managers to identify the fullest possible range of skills. While some managers may have exhibited a greater range of these skills than others, few managers possessed all the skills at the highest levels of competence. After all, the aim was simply to identify the fullest range of capabilities rather than determine how many managers were adept at them all. This process, however, is analogous to studying a broad sample of competitive swimmers to determine all conceivable swimming strokes. Yet in certain competitive situations, skill at a single stroke—say the breaststroke—is the key determinant of success rather than breadth of repertoire of strokes. The dilemma then is that few managers are outstanding in the full range of leadership behaviors that these models promote. Moreover, they may not need to be—as in our example of the breaststroke competition. As a result, competency models can reinforce the notion of a perfect or well-rounded leader, and such individuals rarely exist in reality. In addition to this dilemma, there can be natural tensions between some of the competencies. For example, an individual manager or executive might be expected to exhibit a strong operational orientation and a willingness to challenge the status quo—both at very high levels of competence. But these dimensions are not natural partners. Achieving operational excellence demands that processes not be routinely challenged or disrupted; otherwise critical efficiencies will be lost.

Moreover, to ensure the advantage of consistency, organizations have moved toward universal competency models—a single model for the entire management population. While this has allowed for ease of administration and consistency in comparing data across the company (as mentioned in the benefits section), such a universal model fails to recognize that leadership requirements vary by level, culture, and situation. Leadership skills at the executive level are often significantly different from those at the middle ranks. Similarly, the behaviors that characterize a leader in a Western culture might not be the behaviors that will define the leader in that company's Asia-Pacific operations. Different functions and operating units may also demand different leadership capabilities given their unique requirements.

Well-rounded leaders rarely exist in reality.

Most important, the underlying assumption behind the conceptualization of competency models of leadership is that an effective leader is the sum of a set of competencies. This does not reflect the reality of the manager's world. The logic of these models suggests that if we develop each competency to the point of mastery one after the other, a manager will emerge as a successful leader.

Morgan McCall and George Hollenbeck, two experts on leadership development, argue that there are myriad ways of accomplishing a leader's job—especially at the executive level: "No two CEOs do the same things much less in the same ways, or have the same competencies. This conclusion is not only obvious on its face, it is evident when we observe outstanding leaders, whether military officers, heads of states, or CEOs—one cannot but be struck by the differences rather than the similarities in their makeup." In other words, to argue that the jobs of executive-level leaders can be universally defined around 7 or 9 or 11 behavioral dimensions is grossly oversimplifying a very complex role. The very complexity of an executive position allows for multiple ways of doing the job and multiple forms of talents.

McCall and Hollenbeck go on to state: "A person may compensate for a lack of some skills (e.g. make up for a lack of knowledge in finance by drawing effectively on the knowledge of others), acquire missing skills (e.g. learn enough finance to get by), substitute something else for the skill (e.g. outsource), or change the job so that the skills are not so crucial (e.g. split off the financial component)." So there appears to be merely a loose coupling between the results an executive achieves, the means to achieving those results, and any uniform set of behaviors and competencies demonstrated by executives.

Our last concern is that competency models tend to be focused on *current* leadership behaviors—in other words, they are developed using today's high-performing leaders as benchmarks. Moreover, the models tend to stabilize themselves in organizational systems—after all, extensive investments are required to revise performance and feedback systems, not to mention the time it takes to educate managers in these new models. Yet unfortunately, the competencies that helped current leaders succeed may not be appropriate for the next generation of leaders. Next-generation leaders require different skills, behaviors, and insights for the challenges ahead, and yet all too often we see these individuals being identified, assessed, and rewarded on how they stack up against yesterday's business model.

Leadership requirements vary by level, culture, and situation.

To combat this potential pathology, forward-looking organizations have begun trying to identify the characteristics that their future leaders will require and integrate these dimensions into what might be referred to as *aspirational competencies.* Leadership development specialists at companies such as PepsiCo, IBM, Royal Dutch Shell, RBC Financial Group, Unilever, National Australia Group, and BP have successfully linked their leadership competency requirements to a future-oriented view of their strategic and organizational capability requirements. We believe that a future-focused competency perspective is essential for building next-generation organizational and leadership capabilities.

Are Competencies Obsolete?

Competencies are not obsolete, but their use must be placed in perspective. Those who are accountable for identifying and developing the next generation of leadership in their organizations—whether they be managers or executives or leadership development practitioners—should consider the following guidelines:

Keep it Simple

Focus attention on the select few differentiating skills and behaviors that will separate next-generation leaders from the rest of the pack. Be focused, keep it simple, and ruthlessly prioritize your leadership development agenda for action. If your firm has a long list of leadership competencies, reflect carefully and identify the few that your business or function really needs to succeed over the next several years.

Link Competence Development to Capability Development

Don't rely on a list of fancy buzzwords or somebody else's leadership models as the foundation of your company's leadership development efforts. Use your common sense and create a leadership development logic that every manager in your organization will find easy to follow. If your strategy is to grow through cross-border acquisitions, then your organization had better possess strong capabilities at acquisition integration. If this is the case, you will need a group of leaders talented at thinking strategically across national borders, capable of integrating systems and people effectively, and skillful at building partnerships and promoting teamwork. The development of your competency model should be built around these very capabilities. It should be that straightforward. The idea is to translate your company's strategic demands into a prioritized set of leadership capability requirements. All of a sudden, next-generation leadership requirements become easier to see for busy line managers who don't specialize in the intricacies of leadership development.

Be Future-Focused

Make sure your leadership development strategy addresses tomorrow's business model, not yesterday's. Don't fall into the trap of identifying potential leaders who are clones of today's leaders in your company. As your business strategies change, so will your organization's leadership development requirements. As your company globalizes its operations, be mindful that you will probably require leaders who have different perspectives on what constitutes leadership effectiveness. Accept and embrace these differences in perspective, as they will help in building a cadre of leaders ready to take on tomorrow's challenges.

Address tomorrow's business model, not yesterday's.

Leadership competency models are here to stay. Their ability to spell out in a concise and concrete manner the behaviors that organizations wish to see in their managers' actions guarantees them a bright future. That said, we must become far more sensitive to their shortcomings. They are not flawless tools. Their tendency to become complicated rather than simplified, to portray ideals of leadership rather than realities, and to focus on today's rather than tomorrow's competencies all seriously work to undermine their benefits. ■