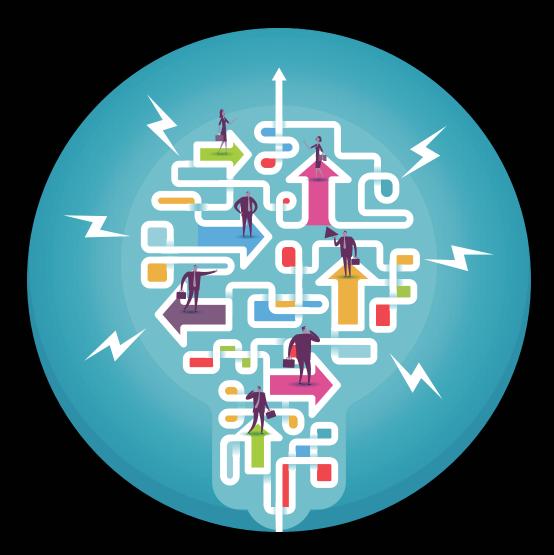# Deloitte.

Leadership capability modeling
Introducing the next-generation
competency model

"Information overload" occurs when the amount of information you have on an issue exceeds your ability to process, understand, and effectively make decisions about the issue.

Traditional leadership competency models are notorious for providing too much information, with dozens of categories, competencies, levels of competencies, and proficiencies described in a single model.

In addition to the vast size of traditional competency models, organizations can spend countless hours and dollars developing them. After months—even years—of effort, organizations often end up with competency models that are not only too overwhelming for employees to read on top of their already busy workloads, but also nearly impossible for them to understand, much less execute.

No wonder companies worldwide are beginning to question the value of their competency models!

We've spent decades exploring what makes businesses, leaders, and employees effective, and we've concluded that it's time to change the traditional competency model to a more clear, concise, and relevant tool that organizational leaders and their employees will actually read, understand, and apply to their roles.

From leadership "competency model" to "capability model"

To start, we've made a purposeful decision to replace the word "competency" with "capability." We've noticed that many competency models combine elements of both capability and potential. They don't take into account whether the leader can evolve in a particular area, or if the trait is more innate and harder to develop.

For instance, in one model we've seen, a competency called "action-oriented" is next to another called "ensures accountability." The adjective, "action-oriented," describes a personal trait.

Someone can be action-oriented at home, work or wherever they are—because "action-oriented" is who they are. In contrast, "ensures accountability" is a distinct capability of a leader. Most people don't focus on ensuring accountability when they aren't leading. And if they do, they probably drive their friends crazy!

While all people can succeed in becoming more capable with time and focus, one person's potential likely won't move. Therefore, if you want more of a certain kind of potential, you have to go out and find people who have it.

For these reasons, unlike traditional leadership competency model descriptions that refer to both the skill a leader must have and innate personality traits related to that skill, our leadership capability model makes a key distinction between what leaders can do (capabilities) and the personal factors that allow them to develop those skills (potential).

From analysis paralysis to action

"What does leadership mean for us?" This is the question that most organizations ask themselves when developing or refreshing a traditional leadership competency model. In the process, organizations turn inward, looking deeper within their own organizations, describing who their exceptional leaders are, how they operate, and the values that they hold.

By hyper-focusing on a sampling of leaders specific to their organization, organizations may neglect to include the crucial ingredients of effective leadership that exist beyond their own four walls. Furthermore, the world today is chaotic, and leaders need to respond adeptly in a variety of contexts.

So why do we continue to focus inwardly rather than on outcomes? A faster method exists that's designed to more effectively develop leaders into world-class talent and impact business results.

From wordy to concise

Over the years, we've assessed more than 23,000 senior leaders and high potentials across industries, investigating the differences between how leaders operate in different industries and functional specialties. Surprisingly, we found that there was very little that distinguished one type of leader from another. In fact, they were all doing the same things at the core, but the expression of those constructs were tailored to their contexts.

If we looked strictly at leadership (as opposed to technical capability), the things that mattered anywhere turned out to matter everywhere, and anything that mattered somewhere mattered everywhere else.

Sources:

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Robert Myatt, *The "DNA" of leadership potential*, Deloitte MCS Limited, 2018, https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/about-deloitte/deloitte-uk-the-dna-of-leadership-potential.pdf.

This caused us to listen to the world a little differently. We didn't just rely on our own research. We read the published academic and trade press literature, we watched the leadership industry closely and we listened to what our clients were telling us. As we digested what we heard, we realized that the capabilities described by all these sources were very much aligned to what we were finding in our own assessment work. The key discovery was that we were essentially hearing the same expression in many different dialects.

Now, just because we found the same essential content everywhere, we did not conclude that all models are created equal. Far from it. Instead, what we realized is that efforts to define leadership as comprehensively and precisely as possible were leading a lot of the work in the leadership space down the wrong road. The most popular models being sold in the market aimed to be as elaborate and detailed as possible, as though a longer description was a better description. However, we were seeing something different from our clients. We worked with some organizations that started with their own homegrown models, and some of these were very different from what was for sale in the marketplace. These organizations were going entirely in the opposite direction. They were producing models that were lean and simple, and they encompassed not only what leaders would say, but also what leaders might actually use.

From "competency library" to homegrown models
To illustrate how we made sense of our findings, it is useful to discuss some examples of what we see in the marketplace.

At one end of the spectrum is the "competency library" approach, used by most leadership consulting firms. Typically, they offer a library of anywhere from 30 to 50 competencies from which their clients build their own customized model. This approach tends to be highly deliberative with an emphasis on building consensus about which competencies matter for a given organization. The idea is that defining leadership for "us" should involve as much elaboration and detail as possible. There is an assumption built into this approach that a better model leads to better leadership—that you can "outdefine" your competition.

At the other end of the spectrum, we find homegrown models that are lean and concise, consisting of only a handful of competencies that are intended to be applied to the entire organization, or in some cases, specific parts of the organization. For example, one homegrown model we encountered, which we'll call the "Fin-Tech 5," was essentially created on the back of an envelope by a global financial technology firm's chief executive officer (CEO) who was relying on her own seasoned instincts. Her model clearly aims to be lean and simple, with only five competencies listed and a "less is more" philosophy.

The number of competencies is a key difference between the "competency library" and homegrown approaches, but what about the content? The natural argument for the "competency library" approach is that by offering more competencies, it will describe more thoroughly what it means to be a leader. However, when we take a closer look, we notice there's not much difference in terms of content. To illustrate, look at the parallels between the Fin-Tech 5 competencies and some representative examples we've found in the offerings of "competency library" providers:

Fin-Tech 5 competencies	"Competency library" examples
Strategic thinking	Global mindset, articulates purpose, strategic vision
Business acumen	Resource management, manages ambiguity, business insight, decision-making acuity, financial acumen
Aligned execution	Accountability focus, results-driven, performance management
People leadership	Cultivates engagement, team building, collaboration, conflict management, instills trust, attracts and develops talent
Informal influence	Organizational savvy, interpersonal persuasion, stakeholder management

As you compare these lists, notice the undeniable parallels between the two. Both get at the same essential items leaders need to do well. So, pause and consider the relative utility of the two. Is it more useful to tell your leaders they need to have solid business acumen, or would you rather pull together the exact right combination of resource management, manages ambiguity, business insight, decision-making acuity, and financial acumen? Our fin-tech CEO's choice is instructive. When she talks about business acumen, there's no mistaking that it already encompasses all of the sub-skills described in the second list—without having to include them in her list. This makes the Fin-Tech 5 competencies simpler, more concise, and easier to use.

The Deloitte Leadership 8 capability model

In the Deloitte Leadership practice, we've concluded that both "competency library" and homegrown capability models say the same basic things. So, rather than try to "outdefine" the competition by searching for the best, new, right answer, we've permanently closed the case on defining the best leaders and boiled all the formulas and points of view down into a universal framework. Our simplified, eight-part capability model clearly—and simply—explains what strong leaders do:

Strong leaders	Corresponding capability
Inspire others to take action	Inspirational leadership
Get teams to achieve results	Execution
Persuade and influence in all directions	Influence
Collaborate with others	Collaboration
Set vision, direction, and a compelling course of action	Direction
Make business decisions that drive positive bottom-line performance	Business judgment
Know their markets and innovate to stay ahead	Competitive edge
Develop people for competitive advantage	Building talent

Clearly, the Deloitte Leadership 8 is much closer to the Fin-Tech 5 than it is to the "competency library" approach, and that is intentional. Based on our conversations with client stakeholders, we could map the two frameworks as follows:

Deloitte Leadership 8 capabilities	Fin-Tech 5 competencies
Inspirational leadership	People leadership
Execution	Aligned execution
Influence	Informal influence
Collaboration	People leadership
Direction	Strategic thinking
Business judgment	Business acumen
Competitive edge	(No directly related competency)
Building talent	People leadership

From a content perspective, the only major differences are that the Deloitte Leadership 8 separates People Leadership into three different areas (which we can convincingly argue are distinct), and we include Competitive Edge, which is absent from the Fin-Tech 5 model.

What's striking about our model, which we developed based on decades of research, is how closely it mirrors the CEO's seasoned instincts about what's important for her leaders. From one perspective, it's humbling to look at our own extensive research efforts and realize that one person got to the same conclusions based solely on her own experience. At the same time, it's quite affirming to realize our research is that consistent with the gut instincts of a seasoned, global CEO.

Regardless of how you look at it, we realized that if we offered an extensive competency library of our own, it would only duplicate what other leadership consultancies have been offering, with questionable impact. Almost everyone has similar content, whether it's captured in 30 competencies or 5, so getting the content right is neither the only nor the most important differentiator. If we paid attention to what we found in our research, it was that the list of essential leadership capabilities was relatively short. If we paid attention to what our most sophisticated clients were doing, we could see that an elegantly simple "less is more" approach was the real value add. If we could improve upon something like the Fin-Tech 5, it would be by including the few capabilities that are actually missing, while also creating a set of essential tools for assessing and developing leaders—also elegantly simple by design.

From consensus to consultative

In the course of designing the Deloitte Leadership 8, we realized we were no longer using the time-consuming consensus-focused approach that traditional competency models typically require when defining "what leadership means to us." Furthermore, it dawned on us that a consensus-driven approach put organizations through the painstaking and unnecessary process of trying to come up with better definitions for ideas that may be hard to define but are generally well-understood. To illustrate what we mean, consider the term "executive presence." Any group will easily come to consensus that it's important. They'll also almost always agree about which people have it and which people don't. However, ask them to come up with a precise definition, and you invite lengthy debate that never resolves itself and leaves you right where you started. Rather than invite debate, we want to freeze the definition process at the point where we have all the important things, and then help people focus on getting good at those things.

Second, we recognized that, while a consensus-based approach secures buy-in, it's a bit unusual, based on experiences, to rely on consensus as the only consideration in making decisions that impact the business. To think about why, imagine using a consensus-driven approach in any other area:

- Will your chief financial officer (CFO) produce a financial report based on what really connects with the team, or what the numbers tell her?

- Will your general counsel make compliance recommendations based on how the legal group feels, or what the law says?

- Will your marketing team develop a campaign based on what makes the team the happiest? Or will they combine data analytics with disciplined thought about likely outcomes and choose a strategy from there?

If consensus sounds absolutely silly in other areas of your business, then why would it make sense for defining leadership? Therefore, our philosophy around gaining buy-in is a little different.

Rather than trying to identify from scratch what leadership is in any given context, we want to educate organizations about what the research says. Then, we do make sure our core model translates into a "dialect" that makes sense for their local context, but the most powerful move for building buy-in across the organization is to then empower leaders to quickly leverage their new model for impact. We realize that investing in the design process is probably a waste of money. Instead, we want to focus on validation and swift adjustments in order to get to implementation and impact as quickly as possible.

From a custom to a universal approach

Beyond the empirical reasons for shifting to simplified capability models applied to leaders everywhere, there's good reason to believe that trends in the global marketplace call for such a move. Markets are ever more global, diverse, and fast-moving. At first glance, it may seem like a universal model of leadership would minimize the diversity between leaders and organizations and fail to adapt to changes in the market. However, we would argue that simplicity and universality make it easier to embrace the diversity of leaders, no matter who they are or where they work.

To understand why this is, a useful metaphor is the Universal Serial Bus (USB) port. The USB port has an interesting history. For those who can remember, there was a time when every piece of technology you owned might connect to your personal computer through a different type of port. Eventually, personal computers were running out of space for more plugs, and product makers recognized something had to change. The only way to resolve this was to create one common port that could connect to every device.

We believe that leadership would benefit from a similar evolution. Global organizations are led by people whose cultural values and social norms can be vastly different. And yet, they need to define norms and expectations for all their leaders, which we've found are universal to all leaders. Remember, the USB port didn't change

the devices themselves. Instead, it allowed all devices to connect to a common portal. Rather than limit the diversity of technology that personal computer users had access to, the USB port only increased the potential horizon of that diversity. In the same way, a universal model of leadership can permit for all of the diversity our leaders have to offer, while fostering a common understanding of what works at the core for everyone. More practically, a universal leadership capability model allows global organizations to unify the efforts of people on every continent to draw on a common set of skills while connecting to their local communities and markets.

It's about time

Organizations are changing at an accelerated pace. At first glance, it may seem like a universal leadership capability model can't keep up. However, there's little reason to believe that the broader demands of leadership will change much, and in fact, the rapid pace of change will require that leaders rely more heavily on core, underlying capabilities, rather than superficial skills that apply to just one temporary role or context.

To compete in today's marketplace, when adopting and implementing a capability model, organizations should consider shifting toward a lean, simplified approach. A universal leadership capability model makes it possible to:

- Rapidly ground leaders in the core constructs they need to know—regardless of the context in which they operate—and empower them to lead more effectively, faster
- Apply proven leadership skills for more immediate impact, in a more cost-effective manner
- Place the focus on the end user to foster greater capability-model understanding, impact, and resilience

Ultimately, shifting to a leadership capability model that's clear, concise, and easier to understand than a traditional model can help organizations focus on outcomes, rather than on defining and aligning on definitions that already exist. This new approach can also help organizations more rapidly adapt as their operations, locations, capabilities, and technologies evolve.

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Source:
Andrea Derler, Marjorie Knight, and John Crump, "A portrait of the digital leader: Deloitte viewpoint," Deloitte Development LLC, 2018.