Creating Enterprise Leaders

Excerpt of Findings
A Framework for Member Conversations

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LEADERSHIP IN TRANSITION

Organizations Do Not Have the Right Leaders for the Future

Percentage of Business Units with Leaders Who Are Equipped to Handle the Organization’s Future Needs, According to Managers

27% of Business Units

$n = 203$ business units.
Source: CEB 2013 Succession Management Survey.

HR Leaders Would Replace Members of Their Senior Leadership Team If Given the Opportunity

Percentage of HR Leaders

$\Delta = 20$ Percentage Point Increase

$32\%$

$12\%$

2003
$n = 144$ HR leaders.

2013
$n = 329$ HR leaders.

Source: CEB 2013 Succession Management Survey.

“The world is faster, more interconnected; I’m worried our leaders don’t know how to lead in that environment.”

Head of HR
Manufacturing Organization
THE NEW LEADERSHIP ENVIRONMENT INCREASES THE COMPLEXITY OF LEADERSHIP

Changes to Interactions with Peers

More Stakeholders to Consult

Percentage of Leaders Who Agree That the Number of Individuals They Must Consult or Obtain Approval from to Make a Decision Has Increased

[Chart]

n = 908,
Source: CEB 2014 Enterprise Leadership Survey.

Implication: More Potential Barriers to Decision Making

Leaders need to consult and build consensus with more of their peers to make decisions.

Shifting Job Requirements

Percentage of Leaders Who Agree

[Chart]

n = 3,409,
Source: CEB 2013 Succession Management Survey.

Implication: Leaders Must Increasingly Rely on the Expertise of Others

Leaders’ scope of responsibility is too large for them to be experts in all requirements, forcing them to rely more on others for expertise.

Changes to Interactions with Teams

Geographic Dispersion of Teams

Percentage of Leaders Who Report an Increase in Time Spent Working with Direct Reports in Different Locations in the Past Three Years

[Chart]

n = 908,
Source: CEB 2014 Enterprise Leadership Survey.

Implication: Leaders Lack Visibility into Teams’ Day-to-Day Work

Leaders must find new ways to stay informed about employees’ work as it becomes less visible to them.

Widening Spans of Control

Median Number of Direct Reports per Leader

[Chart]

n = 10,516 (2008); 908 (2014).

Implication: Teams Must Be More Autonomous

As spans of control widen and leaders have less time to devote to members of their teams, teams must execute on their objectives without constant leader input.

The new work environment requires leaders to adapt to more complex and different interactions with their peers and teams.
LEADERS STRUGGLE TO SUPPORT BROADER ENTERPRISE OUTCOMES

Leaders Unsupportive of Peer Performance

13%

of heads of HR rate their leaders as effective at supporting the performance of other leaders.

n = 197.
Source: CEB 2014 Enterprise Leadership Head of HR Survey.

Most Leaders Lack Organization-Wide Perspective

38%

of heads of HR believe leaders consider organization-wide needs when making decisions.

n = 197.
Source: CEB 2014 Enterprise Leadership Head of HR Survey.

Leaders Fail to Drive Cross-Team Collaboration

10%

of heads of HR rate their leaders as effective at creating conditions that facilitate cross-team collaboration.

n = 197.
Source: CEB 2014 Enterprise Leadership Head of HR Survey.

“Right now our leaders aren’t willing to think outside their own business units and it’s hurting our performance. We have to get leaders thinking about how to have an impact on the broader organization.”

Director
Global Leadership Development
Logistics Organization

Heads of HR report that leaders increasingly struggle to work effectively across organizational silos.
Individual leaders aim to improve organizational outcomes by achieving their own business unit outcomes.

MOST LEADERS CONTRIBUTE TO THE ENTERPRISE BY FOCUSING ON THEIR INDIVIDUAL BUSINESS UNIT

**Individual Leadership:**
Individual leaders are highly effective at achieving their own business unit objectives and helping their teams complete their individual objectives.

“I relentlessly prioritize what’s best for my team. The organization is better for that. I don’t get sucked into the wrong things.”

Senior Director
Professional Services Organization

**Result:**
Leaders achieve business unit objectives.

82% of leaders are meeting or exceeding their performance objectives, according to heads of HR.

“Our leaders are hitting the goals we’ve been putting in front of them. The problem is that we’re not seeing as much of an impact on our company-wide numbers as we would have expected.”

Chief Executive Officer
Telecommunications Organization

Source: CEB analysis.

𝑛 = 197.
Source: CEB 2014 Enterprise Leadership Head of Function Survey.
INDIVIDUAL LEADERSHIP IS NOT ENOUGH IN A MORE INTERCONNECTED ORGANIZATION

Leaders’ Impact on Revenue
Mean to Maximum Impact of Individual Leadership on Business Unit Revenue

“The strongest individual leaders achieve 4% higher business unit revenue growth and 3% higher business unit profit growth than the average individual leader.”

Head of HR
Hospitality Organization

“We need our leaders to be thinking about how to drive the organization’s top- and bottom-line numbers, not just their own business unit’s.”

Head of HR
Oil and Gas Organization

“Leaders at all levels need to be thinking about the enterprise now. It’s no longer just the most senior leaders.”

Head of HR
Oil and Gas Organization

“We used to think of leadership as vertical. It’s more horizontal now.”

Head of HR
Retail Organization

Great individual leaders moderately improve business unit profit and revenue growth, but more is needed in an interconnected environment.

n = 908.
Source: CEB 2014 Enterprise Leadership Survey.
Note: Individual leadership is measured by the extent to which a leader achieves his or her own business unit objectives and the extent to which his or her team achieves its individual objectives.

The impact on financial outcomes is calculated by comparing two statistical estimates: the predicted impact when a leader scores relatively high on a driver and the predicted value when a leader scores the average score on a driver. The effects of all drivers are modeled separately, using a variety of multivariate regressions with controls.
The best leaders are enterprise leaders: they lead their teams to high performance and contribute to and leverage the performance of other teams.

- Leaders were assessed by their managers for their ability to achieve business unit objectives and contribute to enterprise-wide objectives; sample outcomes assessed include:
  - Completing tasks and/or assignments on time, and
  - Importing ideas from vendors, suppliers, and professional networks outside of the organization.

- Leaders’ teams were assessed by leaders for their ability to achieve individual tasks and assignments and contribute to and leverage contributions from peers throughout the organization; sample outcomes assessed include:
  - Completing tasks and/or assignments without errors, and
  - Effectively transferring working methods, techniques, tools, ideas, skills, and knowledge from other parts of the organization.

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**CEB’S ENTERPRISE LEADERSHIP MODEL**

Enterprise Leadership Model

**Individual Leadership**

A leader’s effectiveness at meeting individual objectives and leading his or her team to high individual performance

**Network Leadership**

A leader’s effectiveness at contributing to and leveraging the performance of other units or teams, and leading his or her team to do the same

**Enterprise Leadership**

A leader’s effectiveness at meeting his or her individual objectives, contributing to and leveraging the performance of other units or teams, and leading his or her team to do the same

**Enterprise Outcomes**

Revenue and profit for his or her business unit and other business units or teams

Source: CEB analysis.
Enterprise leaders improve team outcomes more than individual leaders.

- Enterprise leaders’ teams are 68% more innovative and 21% more adaptable than teams of individual leaders.
- Enterprise leaders’ teams have 35% higher change in engagement and 20% higher change in customer satisfaction year over year than teams of individual leaders.

**ENTERPRISE LEADERS IMPROVE TEAM OUTCOMES**

### More Innovative Teams

**Percentage of Teams Achieving a High Level of Innovation**

- Δ = 23 Percentage Point Increase
- 57% of Enterprise Leaders’ Teams
- 34% of Individual Leaders’ Teams

n = 908 leaders; 3,243 direct reports.  
Source: CEB 2014 Enterprise Leadership Survey.

### More Adaptable Teams

**Percentage of Teams Effective at Generating Solutions to New or Unanticipated Problems**

- Δ = 15 Percentage Point Increase
- 87% of Enterprise Leaders’ Teams
- 72% of Individual Leaders’ Teams

n = 908 leaders; 3,243 direct reports.  
Source: CEB 2014 Enterprise Leadership Survey.

### Higher Employee Engagement

**Leader’s Maximum Impact on One-Year Change in Team’s Employee Engagement**

- 1x
- 1.35x

n = 908 leaders; 3,243 direct reports.  
Source: CEB 2014 Enterprise Leadership Survey.  
A: The impact on employee engagement is calculated by comparing two statistical estimates: the predicted impact when a leader scores relatively high on enterprise leadership and the predicted value when a leader scores relatively low on enterprise leadership. The effect of enterprise leadership is modeled using a multivariate regression with controls.

### Higher Customer Satisfaction

**Leader’s Maximum Impact on One-Year Change in Team’s Customer Satisfaction**

- 1x
- 1.20x

n = 908 leaders; 3,243 direct reports.  
Source: CEB 2014 Enterprise Leadership Survey.  
A: The impact on employee engagement is calculated by comparing two statistical estimates: the predicted impact when a leader scores relatively high on enterprise leadership and the predicted value when a leader scores relatively low on enterprise leadership. The effect of enterprise leadership is modeled using a multivariate regression with controls.
Enterprise leaders improve their own business unit revenue growth by 12% and also contribute an additional 5% improvement to other business units.

**ENTERPRISE LEADERS IMPROVE THEIR OWN AND OTHERS’ BUSINESS UNIT FINANCIAL OUTCOMES**

Maximum Impact on Business Unit Revenue Growth

- **Enterprise Leadership Impact on Own Business Unit**: 12%
- **Enterprise Leadership Impact on Other Business Units**: 5%

**Implication**: An enterprise leader creates a spillover effect on other business units.

The benefit to their own business unit that leaders achieve through network leadership:

- Individual Leadership: 4%
- Network Leadership: 3%
- Spillover on Other Business Units: 5%

Source: CEB 2014 Enterprise Leadership Network Analysis.

To assess the spillover effect of enterprise leadership, we created a dataset of leader-to-leader connections. Leaders were asked to indicate the names of leaders (i.e., a set of peers) with whom they frequently collaborated. An average enterprise leadership score was calculated for each leader’s set of peers, which was used to assess peers’ effect on the leader’s business unit.
HR uses a variety of strategies to create enterprise leaders but fails to see a sufficient return on investment.

CURRENT INVESTMENTS TO CREATE ENTERPRISE LEADERS ARE NOT PAYING OFF

HR Initiatives to Improve Leadership Effectiveness
Percentage of Heads of HR

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encouraging Leaders to Act as Role Models</td>
<td>77%</td>
</tr>
<tr>
<td>Updating Competency Models</td>
<td>59%</td>
</tr>
<tr>
<td>Training Employees to Understand How to Work Better with Others</td>
<td>56%</td>
</tr>
<tr>
<td>Updating Organization Values</td>
<td>55%</td>
</tr>
<tr>
<td>Providing Technological Solutions and Support</td>
<td>39%</td>
</tr>
<tr>
<td>Redesigning Employee Rating System or Process</td>
<td>35%</td>
</tr>
<tr>
<td>Establishing Governance for Employee Roles and Responsibilities</td>
<td>35%</td>
</tr>
<tr>
<td>Providing Nonmonetary Incentives</td>
<td>31%</td>
</tr>
<tr>
<td>Encouraging Peer-to-Peer Recognition or Rewards</td>
<td>23%</td>
</tr>
<tr>
<td>Changing Team Work Processes</td>
<td>19%</td>
</tr>
<tr>
<td>Changing Hiring Processes to Attract and Select for New Hire Performance Profile</td>
<td>8%</td>
</tr>
</tbody>
</table>

Quarter of HR Budget Spent on Leadership
Average Percentage of HR Budget Spent on Leadership Investments, According to Heads of HR

- Encouraging Leaders to Act as Role Models: 23% of HR Budget
- Training Employees to Understand How to Work Better with Others: 33% of Heads of HR

Poor Return on Leadership Investments
Percentage of Heads of HR Who Are Confident Leadership Investments Are Paying Off

- Training Employees to Understand How to Work Better with Others: 33% of Heads of HR

n = 95. Source: CEB 2014 Enterprise Contribution Head of HR Survey.

n = 197. Source: CEB 2014 Enterprise Leadership Head of Function Survey.
ENTERPRISE LEADERS ARE FEW AND FAR BETWEEN

Leader Effectiveness at Enterprise Leadership Model

Only 12% of leaders are effective at both individual and network leadership.

Individual Leadership

A leader’s effectiveness at meeting individual objectives...

77% of leaders are effective.

...and leading his or her team to high individual performance

59% of leaders are effective.

Network Leadership

A leader’s effectiveness at contributing to and leveraging the performance of other units or teams...

31% of leaders are effective.

...and leading his or her team to do the same

35% of leaders are effective.

12% of leaders are enterprise leaders.

\[ n = 908. \]

Source: CEB 2014 Enterprise Leadership Survey.

Note: To determine whether a leader is an enterprise leader, we measured leaders’ effectiveness at a set of individual and network leadership activities. Leaders who received an average rating of 4 or 5 (1 = highly ineffective, 5 = highly effective) were designated as enterprise leaders.
LEADERS PERCEIVE THREE ECONOMIC COSTS TO BEING ENTERPRISE LEADERS

1. **Lack of Control**
   - Leaders don’t have the control they believe they need to lead their business and teams successfully.
   - I can’t be successful as a leader without autonomy and control.
   - 66% of Leaders Agree

2. **Incomplete Information**
   - Leaders are uncertain about the requirements of performing as an enterprise leader.
   - I understand how to productively contribute to the network.
   - 37% of Leaders Agree

3. **Rewards Risk**
   - Leaders don’t believe they will be fairly rewarded for being an enterprise leader.
   - My contributions to others will be financially rewarded.
   - 35% of Leaders Agree

\[ n = 908 \text{ (enterprise leadership)} ; 2,101 \text{ (enterprise contribution)} \]

HR STRATEGIES TO REDUCE ENTERPRISE LEADERSHIP COSTS

The best organizations address three economic costs to support enterprise leadership.

- **Lack of Control**
  - From: Building new leadership skills to help leaders adjust to having less control
  - To: Shifting leaders’ mind-sets about their roles

- **Incomplete Information**
  - From: Updating universal expectations through new leadership models
  - To: Increasing transparency into relative strengths of peers and teams

- **Rewards Risk**
  - From: Rewarding leaders for enterprise leadership behaviors
  - To: Rewarding leaders for enterprise leadership outcomes

Source: CEB analysis.
REMOVING ECONOMIC COSTS CREATES MORE ENTERPRISE LEADERS

Enterprise Leadership Gains Available

*Maximum Impact on Enterprise Leadership Effectiveness of Different HR Strategies*

Note: To determine whether a leader is an enterprise leadership, we measured leaders’ effectiveness at a set of individual and network leadership activities. Leaders who received an average rating of 4 on a five-point scale (2 = highly ineffective, 5 = highly effective) were designated as enterprise leadership.


*a* The maximum impact on enterprise leadership is calculated by comparing two statistical estimates: the predicted impact when a leader scores relatively high on a driver and the predicted value when a leader scores relatively low on a driver. The effects of all drivers are modeled separately, using a variety of multivariate regressions with controls.

 Organizations that address key disincentives can drive enterprise leadership more than organizations focused only on other strategies.

**Increase Enterprise Leaders by 4x**

By removing all three economic costs, organizations can quadruple the number of enterprise leaders (from 12% of the leader population to 47% of the population).

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### CREATING ENTERPRISE LEADERS

<table>
<thead>
<tr>
<th>I. Shift Mind-Set to Adapt to Lack of Control</th>
<th>II. Increase Transparency to Address Insufficient Information</th>
<th>III. Redesign Evaluations to Reduce Rewards Risk</th>
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<tr>
<td>Help Leaders Change Their Mind-Set, Rather Than Just Building New Skills</td>
<td>Build Transparency into Relative Strengths, Rather Than Just Clarifying Universal Expectations</td>
<td>Reward Enterprise Leadership Outcomes, Not Just Behaviors</td>
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</table>

- Experienced Leaders Challenge
- Leader Guide: Apply an Enterprise Leadership Mind-Set to Work Activities
- Leadership Capability Clouds
- Portfolio Reviews
- Leader Guide: Understanding Your Fit in the Leader Network
- Network Performance Points
- Horizontal Goal Cascade
- Span of Influence Mapping
- Cross-Divisional Partnership Review
- Leader Guide: Identifying Opportunities for Peer Contributions

### APPENDIX

- Enterprise Leadership Predictors
- Relationship-Based Role Charters
- Interactive Enterprise Leadership Evaluation
CEB’S FOCUS ON LEADERSHIP IN THE NEW WORK ENVIRONMENT

**Shift Mind-Sets to Adapt to Lack of Control**

Help Leaders Change Their Mind-Sets, Rather Than Just Building New Skills

- Enable your leaders to identify the most important areas of focus to become enterprise leaders using our guide, *Five Imperatives to Become an Enterprise Leader.*
- Teach your HRBPs what constitutes an effective leader mind-set and what they can do to develop leaders using our HRBP Guide.

**Increase Transparency to Address Insufficient Information**

Build Transparency into Relative Strengths, Rather Than Clarifying Universal Expectations

- Help leaders determine the best opportunities to leverage their own strengths and the strengths of others with our action toolkit, *Identify Opportunities for Enterprise Leadership.*
- Prepare your HRBPs to support leaders as they seek to collaborate more effectively with others using our guide, *Enable Leader Collaboration.*

**Redesign Evaluations to Reduce Rewards Risk**

Reward Enterprise Leadership Outcomes, Not Just Behaviors

- Learn how to align leader incentives and rewards with enterprise outcomes by reading our white paper, featuring insights from CEB Total Rewards Leadership Council.
- Learn how organizations are improving their measurement of individuals’ and teams’ enterprise contribution using our white paper, *Measuring Enterprise Contribution.*
CEB’S FOCUS ON LEADERSHIP IN THE NEW WORK ENVIRONMENT (CONTINUED)

How We Can Help

**Enterprise Leadership Assessment**
Assess and benchmark your leaders against our new enterprise leadership competency model.

**Key Benefits**
- Get an individual and organizational view of your leaders against the drivers of enterprise leadership performance.
- Compare your leaders to industry, geography, and leadership segment benchmarks.

**Enterprise Leadership Development**
Increase leaders’ ability to model and enable enterprise leadership.

**Key Benefits**
- Equip leaders with frameworks and tools to shift leader and team behavior toward enterprise leadership.
- Build leaders’ ability to create team-focused communication and action plans to activate enterprise leadership.

**Enterprise Leadership Best Practice & Decision Support**
Review leadership insight and best practices, and apply them at your organization.

**Key Benefits**
- Gain an insight-driven perspective on key drivers of enterprise leader performance.
- Apply decision guidance and use tools to help HR implement enterprise leadership programs.

For more information, please visit cebglobal.com/leadership or contact your account manager.