Gauging Leadership Potential
Erin Wilson Burns and Dr. T. Owen Jacobs

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While many aspire to become leaders, executives and senior HR leaders in organizations around the world know that not all who aspire will succeed.

It is the nature of creative Human Resources management that highly effective organizations have good assessments of current worth. The challenge in evaluating candidates for executive positions lies not in assessments of current performance but in the more difficult assessment of future potential. Even world-class organizations struggle to establish good assessments of individuals’ ability to adapt and succeed in positions requiring greater complexity of scope and scale.

Future potential (promotability) is the ability to master the greater scope and scale of higher-level positions (or the expanded scope and scale of a current business driven to substantial growth). Past successful transitions are a good indicator but no guarantee of an individual’s ability to continue to succeed in positions that require greater complexity of scope and scale.

Even in good HR systems, the perception of future potential is almost always biased by evaluation of current and past performance. But current and past performance are assessed in positions of less complexity than the ones toward which the individual is pointed, and thus may overestimate the likelihood that the individual can grow to match the increase in complexity encountered in the higher-level job.

The challenge facing HR and senior leaders has been how to obtain reliable information on future potential to supplement existing information on current and past performance in making important decisions about who to develop and promote for positions with greater complexity. As research in adult development, organization, personality, and leadership has continued to evolve in the past decade, we have identified two models that we have found to be extremely valuable in understanding and predicting potential.

First, to be successful in leadership positions, leaders must have the conceptual capability to meet the intellectual demands of the leadership positions they are in. While we know that these intellectual demands vary based on a complex array of factors (industry, socio-economic environment, function, etc.), there are also enough similarities across organizations to begin to develop a model of what cognitive skills are needed for success at different levels and in different positions.

Second, even with the conceptual and cognitive horsepower to perform, many individual leaders fail to succeed. Whether it’s called derailment, fatal flaws, or something else, we know that certain personality profiles are more likely to succeed in leadership positions. Some of these attributes are difficult to see in current and past performance because past assignments did not offer the opportunity to see how the individual copes with assignments of higher complexity.

While research continues to add insights to both capability evaluation and leader personality profiles, our experience has shown that we have adequate tools to provide meaningful insights into an individual’s likelihood of success at higher levels in an organization.

Cognitive Capability Projection

There is no debate that at higher levels in an organization there is progressively greater demand for more advanced cognitive skills.
Our research and experience has found that complexity requirements for individuals in successively higher stratum positions move from concrete to abstract, linear to systems, discrete to multi-global, and immediate to long-term second and third-order outcomes. In the progression toward higher levels of an organization, perhaps the greatest change is in thinking skills required. At lower levels, mastery of detail and procedure is essential. Leaders often add value by knowing “how the procedure goes” better than anyone else. That rarely is the case at the highest levels. The progression of thinking skills goes from mastery of detail and fact, to mastery of analytic logic, to mastery of integrative process. (The word “logic” deliberately was not used in relation to “integrative” because logic itself is formal and integration may need to occur “outside the box,” i.e., may need to consider options that logically should not exist.) Similarly, there must be increased tolerance for uncertainty and the capacity for reaching conclusions that do not rest on complete fact. For some, it is difficult to move away from the comfortable world of knowing what is absolutely and factually correct to the world where factual correctness is sometimes of lesser importance.

The cognitive capacities above are among the mental tools a leader uses. Perspective (frame of reference) and focus (long-term vision) are outcomes from using the tools and can be jump-started through education but are mostly developed through experience. We distinguish them from cognitive capacities because perspective and focus are the result of hard mental work. They result from reflective thinking about experience and issues, and from study of content domains related to but outside one’s own content domain. Top-level executives typically have wide-ranging interests in all domains: political, economic, socio-cultural, technological, and information sciences. These are not practitioner interests, but rather the broad ranging quest for information or new ideas that may be relevant to one’s own particular focus, either now or in the long-term. Top-level executives also typically are able to take a perspective on their own roles and their own actions in relation to ongoing events. We call this metacognition, i.e., the ability to see one’s self, one’s approach, and one’s actions in relation to the demands of the situation. Finally, top-level executives typically have the reflective judgment to separate out what is important from what is tangential, and thus to be able to work through the critical trade-off decisions that fall to higher level executives. To some extent, this could be called a maturity factor.

The capability analysis process we use distinguishes the cognitive capacities, perspective, and focus required at different levels in an organization to help diagnose current and future potential capability. It is informed by Elliott Jaques’ stratified systems theory and by current research on cognitive skills. While stratified systems theory is primarily an organizational design theory, it has significant human resources management implications. The specifications it suggests for differential demands of cognitive skills at different levels in an organization are a template for developing a strong leader development pipeline and for appropriately fitting leaders to positions (see Table 1). High mid-level and strategic issues frequently require decisions though information is insufficient. Leaders higher on reflective judgment are better able to use available information in making such decisions and to understand how to manage the timelines required for the decisions and the information available (and likely to become available) to make the best possible decisions. Business problems at these levels also frequently require creating and evaluating complex problem solutions. Leaders higher on ideational fluency are better able to anticipate second- and third-order effects and to make decisions that position the organization for the greatest possible future success.

Using Jaques’ theory, we find that the first three strata are primarily concerned with internal production processes. Roles focus on direct leader involvement in real-world linear processes that are more or less prescribed, concrete, and near-term in nature. The next two strata are primarily concerned with organizational functioning. Scope and scale are much greater, so roles focus on indirect leader involvement in production (e.g., through policies and priorities) and require the abstract, analytic, multidimensional capacity to construct mental models of whole systems. The last two strata are concerned with strategic systems of even greater scope and scale, so roles require in addition the abstract, integrative, multidimensional capacity to construct mental models that envision future systems that may require decades to bring into being.

In evaluating cognitive capability, we find the following analyses helpful:

1. Experience: using the leader’s past work experience, trained analysts plot leader’s growth through changes in estimated scope and scale and the requirement for self-initiated coordination with lateral elements of positions previously held by the leaders being evaluated.

2. Decision-making: in questions that ask about how the leader makes decisions, our online instrument measures reflective judgment and conceptual complexity from concrete/bipolar to abstract/logical process. Trained analysts compare quantitative scores with qualitative evidence of levels of abstraction and integrative logic.

3. Generative capacity: using several scenarios, our online instrument measures leaders’ ideational fluency as a measure of generative capacity and ability to anticipate second- and third-order effects.

**Personality Profile Fit**

While some top-level executives have succeeded with explosive tempers and a willingness to abuse subordinates, many more who succeeded did not, but rather coached, built, enabled, and thus developed greater competence in others and greater return on human resources. Leaders with abominable temperaments, extreme originality, or intense extroversion may excel; however, those who do are operating from the initial disadvantage of their own liabilities. They succeed because their positive attributes not only compensate for their shortcomings but also are enough more to produce overall value. For them, one can only speculate about the success they might have had if their shortcomings had not existed. Measures of personal attributes — essentially personality — that either directly or indirectly add value are extremely important in evaluating potential.

While the ideal personality profile varies by industry, level, and function, our research has found that there is a generic executive profile that is a useful indicator of potential across organizations that exist in a competitive environment. Factor analysis on data representing 26 individual attributes that have been collected for more than a decade in both private
Table 1: Operations and work requirements of Elliot Jaques’ Seven Strata

<table>
<thead>
<tr>
<th>Stratum</th>
<th>Details</th>
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<tbody>
<tr>
<td>Stratum I</td>
<td>Hands-on performance of work that requires a time horizon of no more than three months; uses practical judgment to solve ongoing problems in a linear pathway.</td>
</tr>
<tr>
<td>Stratum II</td>
<td>Direct performance of work with results that are measurable in 3-12 months; uses experience and learning to prevent or solve current problems and overcome obstacles in a linear pathway.</td>
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<tr>
<td>Stratum III</td>
<td>Considers alternative paths to meet short-term requirements in developing and executing plans to implement goals requiring 1-2 years for accomplishment; changes to alternative paths if the initial choice is unsatisfactory.</td>
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<td>Stratum IV</td>
<td>Runs several interdependent programs or units, pacing them in relation to one another in resourcing and in time; makes trade-offs between tasks in order to maintain progress along the composite route to the goal which may require as much as 4 years for accomplishment.</td>
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<tr>
<td>Stratum V</td>
<td>Directs complex but unified whole systems using judgment to respond to constantly shifting kaleidoscope of events and consequences; manages interconnections between variables in the organization and the environment in a way that senses second- and third-order effects; undertakes initiatives that may require as much as 5-10 years for accomplishment.</td>
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<tr>
<td>Stratum VI</td>
<td>Oversees operation of sub-ordinate systems and applies policy; develops networks so as to accumulate diagnostic information, create a friendly environment throughout the world, and judge corporate investment priorities; enhances the value of corporate assets as reflected in the balance sheet and to contribute to corporate long-term success and survival (10-20 years).</td>
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<tr>
<td>Stratum VII</td>
<td>Creates complex systems by developing and pursuing alternative world-wide strategic plans, producing stratum V units by development, acquisition, merger, joint ventures, drawing upon internationally supported financial resourcing with results visible with forward vision of 20+ years, which enables current decisions to be evaluated in the context of broad overall requirements extending far into the future, on the one hand, and foundations to be built in the near term for development that will produce both operational capability and opportunity costs that far into the future.</td>
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...and public sectors has identified five domains that correspond to five basic dimensions of personality. These domains are differentially associated with leadership effectiveness.

First, successful leaders tend to be more open to new ideas and agents of change in their organizations. They are curious and informed in a broad range of topics. They have the ability to look into the future, to see beyond the status quo, and to generate new creative ideas, solutions, and approaches that will appeal to current and future customers. They also are practical enough to evaluate ideas and pace change so that it maintains productive and progressive tension in the organization. To the extent leaders envision and successfully initiate necessary change, with enough lead time to overcome organizational inertia, they create agility and competitive advantage. If they do it well, their organizations prosper. The development of such leaders therefore becomes the long-term top priority of any organization that depends on competitive advantage for survival.

Second, successful leaders tend to have an orientation toward being a leader—they have the motivation and confidence to assert themselves and see themselves as having been effective in influencing others and getting things done. This self-confidence and social presence needs to be strong enough to enable comfortable assertion and public stands on difficult decisions, but not so strong that it inhibits self-awareness or the ability to invite and attend to the opinions and insights of others.

Third, while successful leaders have a team orientation, understand and respect the social life of organizations, and care about enabling others to be successful, they are not controlled by this orientation. When making decisions, they use analysis, logic, and fact to assess the implications of decisions and future scenarios and to balance those socio-emotional considerations.

Fourth, while successful leaders are comfortable with ambiguity, improvisation, and adaptation to emerging needs, they understand the importance of planned and organized work environment. Executive leadership requires the ability to identify the changes and adaptations that need to be made for the organization to continue to be successful in a constantly changing business context. Leaders who are successful in guiding their organizations towards sustained long-term success are those who can moderate the ambiguity for their organizations by plotting concrete paths that enable success in multiple possible future scenarios. They also recognize and respect the forces of organizational inertia and select the changes that are most critical and plot concrete paths towards those futures.

Finally, successful leaders are even-tempered and have strong emotional reserves of confidence, optimism, and trust in others that enable them to lead others not because they
want power, control, or personal status and not because they need approval from others, but because they see the opportunity and responsibility of leadership as a way to enact values they hold personally. They find meaning in influence. They believe the efforts they make as leaders individually and through their organizations make a difference—a difference they value personally.

While there are theoretical ideal ranges in each of these domains, flexibility is the key concept. Some functions (new product development v. accounting or legal positions, for example) require different balances, but overall, extremes in any of these domains (with the exception of high temperament scores) create barriers that inhibit executive effectiveness. Additionally, when assessing leaders for executive potential (immediate or long-term), it is important to understand and weigh differently those personality dimensions that are harder to develop and/or modify.

**Conclusion**

The challenge of reliably assessing future potential is unlikely to be neatly solved as long as human beings remain human. At the same time, researchers and practitioners have made significant progress in the last several decades in understanding the demands of executive leadership and the conceptual capabilities and personality profiles that contribute to greater success and developing means of reliably assessing leader capabilities and profiles.

What leaders do to add value depends on their level within the organization. At the lower levels, decision discretion is relatively limited; issues are both more immediate and more workable. At the higher levels, decision discretion may be very broad, and issues are both longer-ranging, on the one hand, and harder to resolve, on the other hand. It therefore stands to reason that the most important dimensions of leadership growth over time are the conceptual skills that contribute to decision making and working complex issues. Only slightly less important are the interpersonal skills necessary to build teams and gain enthusiastic acceptance of new directions and new ideas.

Sophisticated human resource organizations contain a wealth of valuable data: past performance and engagement data, assessment results, interview data, etc. In no way do we propose that the above analyses should replace this data in evaluating an individual’s suitability for a position or future positions. Rather, it should be used to evaluate the individual’s strengths and preferences in areas known to be correlated with professional success. When performed by trained and experienced analysts, these assessment processes facilitate the challenging task of identifying candidates with higher future potential and a greater likelihood of success at higher organizational levels.

**About the Authors**

**Erin Wilson Burns** is currently Director, Product Development at The RBL Group where she oversees the translation of RBL’s IP into products and services with impact. She has over 15 years experience in leadership development and consulting, working with Fortune 500 companies from a range of industries. She has helped shape the content of the Top Companies for Leaders research project since 2008 and has been responsible for the development of new products and methodologies in the leadership practice.

**Dr. T. Owen Jacobs** is currently an RBL Senior Fellow, Executive Leadership Assessment and Development. He began research on leadership in 1957 with Carl Lange, developing a social learning theory-based concept of the functional roles of leaders in groups. Dr. Jacobs received the B.A. and M.A. degrees from Vanderbilt University, and the Ph.D. from the University of Pittsburgh. Dr. Jacobs has more than a decade of experience interpreting psychometric profiles in the context of competency-based professional development. He authored the expert system underlying the MENTOR® Leadership Assessment and the handbook used for teaching how to interpret measures from the Battery. He has conducted developmental sessions for hundreds of students and senior leaders using reports generated by the MENTOR® expert system.
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