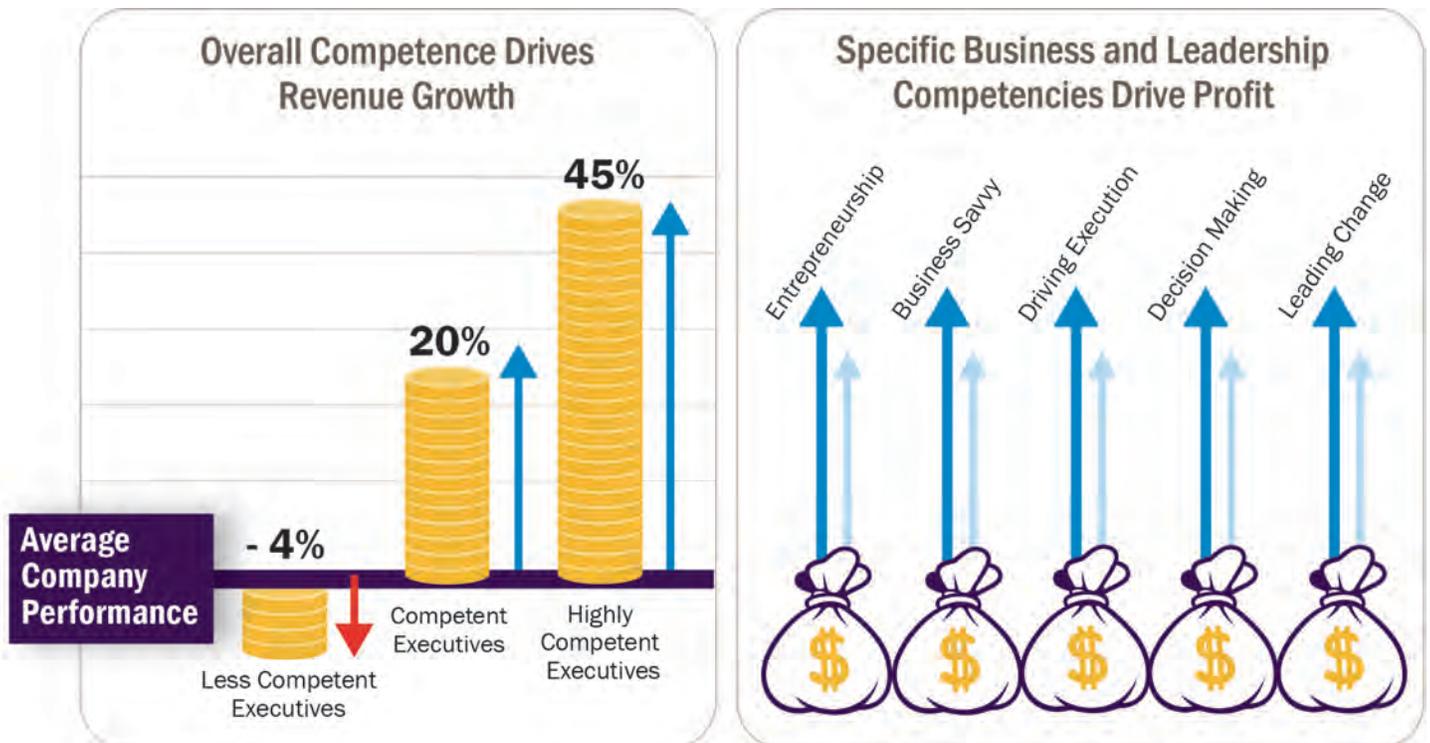


The Money Skills

Senior Executive Competencies That Drive Profitable Growth



Leadership Competencies Drive Organizational Growth and Profit



Revenue growth from 2009–2014

Competencies most predictive of four-year profit average

Which Skills Hit the Bottom Line?

Leadership matters, but how much? And when it comes down to dollars, yuan, rupees, and euros, which skills matter most? We examined the competencies that most closely associate with organizational growth and profit. The goal: to learn whether organizations that have invested in growing skilled leaders at the top show better bottom-line financial performance than their competitors.

We conducted two studies—one aimed at revenue growth, the other at profit. Both studies included assessment center data from senior-level executives with titles such as EVP, CFO, and CEO. They represented large organizations from the U.S., Asia, Europe, and Australia. While each organization had its own list of competencies, skill domains measured across all organizations were:

- + Business Management
- + Leadership of People
- + Communicating a Compelling Vision
- + Influencing Stakeholders

[EVIDENCE]

We looked at 1,028 senior executives from 33 large organizations (on average, 26 per company). The results were compelling: When all four skill domains were combined into a composite index of leadership competence, there was a strong relationship to revenue growth over a six-year period (see “Overall Competencies” graphic).

But as shareholders will tell you, the top line doesn’t matter if there’s nothing left at the bottom line. Our profit analysis, focusing on net profit and return on assets (ROA), included assessment data from 2,077 senior-level executives from 44 organizations (on average, 47 per company). These findings identified a smaller set of skills associated with driving margin. Organizations with leaders scoring higher in business management and leadership of people showed significantly greater net profit and return on assets. Five skills in particular were dominant in their links to bottom-line returns, both net profit and ROA. When an organization cultivates top-level leaders who combine judgment with the ability to execute, the impact shows up in financial gains.

Taken together, these studies suggest that you’ll need senior executives with the full range of skills to generate growth, but to make it profitable, they will need to have laser-sharp business minds and be capable of engaging people and mobilizing them behind their ideas. These are the *money skills*.

Action

- .01 It pays to use simulation-based assessments when identifying and selecting top executives. You don’t have to guess how leaders will perform when they make the jump into a major position. You can see for yourself beforehand. This research shows that performance in complex business simulations predicts bottom-line company performance.
- .02 Be cautious about overweighting certain skill sets as you identify leadership successors, particularly among your senior executives. Some top leaders become so famous for their business wizardry that they may even be excused for their leadership derailers. As you develop your emerging leaders, balance is key. Without the ability to engage people, great business schemes aren’t worth the slide shows they’re projected in.
- .03 It takes a village (of executives)! The fastest-growing, most-profitable companies in our studies had cadres of executives with wide-ranging leadership skills. A few talented leaders won’t compensate for a large group of mediocre ones. Accelerated growth initiatives and learning journeys for senior leaders can quickly turn your capabilities around.
- .04 Start developing the money skills at lower levels in your organization. Your top leaders with the killer money skills weren’t born that way. They likely acquired their skills through experience and challenging assignments. You can start your lower-level leaders on the path to developing these skills early by identifying your highest-potential players and channeling them into learning experiences that build their skills early.