



SHL.

The power of context: The evolution of leadership science and the impact on talent mobility

Whitepaper

Introduction

This paper explores why a new approach to leadership mobility is needed. We discuss how leadership mobility decisions become **4x more accurate** when **context** is considered.

After one of the largest and most comprehensive studies ever conducted on the predictors of leader success, SHL found that organizations need to rethink leadership mobility and development.

Today's environment is a challenging one. But the evidence is clear. Using context to enhance current approaches to leadership mobility decisions will leave organizations better placed to develop and deploy targeted, dynamic, agile and precise leadership strategies.

This paper covers:

- Why we need a new approach to leadership mobility decision making.
- How considering context increases the accuracy of leadership mobility and development decisions.
- The insights needed for the various stages of leadership mobility.
- The additional benefits of a contextual approach.
- The four steps towards the most accurate leadership mobility decisions.

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Poor leadership mobility impacts performance

The world has changed irrevocably – and will continue to change. As a result, transformation has become a priority for many organizations.

90% of roles require new skills to be developed¹

44% of organizations are expecting a major restructure in the next 2-3 years¹

However, many still use static talent mobility models, often using broad and low-specificity data to inform their leadership mobility decisions. These leadership models and initiatives assume the work environment is stable and predictable, and take a 'one-size-fits-all' approach.

For example, many leadership mobility processes are guided by 8 to 12 standard competencies. These processes include everything from identifying high potentials to informing succession planning or development.

Such models are attractive. They are simple and scalable. But they are also limited in the insight they offer.

We wanted to know what data points and insights are needed to make the most successful leadership mobility decisions. Because HR leaders recognize that

the more accurate those decisions, the higher the business impact:

- The **number one** priority for HR leaders in 2021 is building critical skills and competencies (Gartner Top Priorities report 2021)
- **46%** of HR leaders are prioritizing organizational design and change management in 2021 (Gartner Top Priorities report 2021)
- **75%** of senior leaders say that their business units do not have future-ready leaders in place (SHL)

Identifying the problem

Our research shows that 46% of leaders fail to meet their objectives in their first six months.

What is missing from the traditional approach to leadership mobility that could be undermining outcomes? Is there an 'X factor' that, when accounted for, enables us to better predict how a leader will perform?

To best understand how to resolve the disconnect between volatile work environments and static leadership strategies, SHL conducted one of the largest and most comprehensive leadership research studies in more than 25 years. We assessed a huge number of leaders globally—almost 9,000—in more than 80 companies. We collected information about leader performance on the job and dug deeper to understand how leadership roles differ.



As a result of this research, we discovered that there is a clear correlation between being able to better predict high potential leaders and an increase in leadership performance, revenue, and ultimately net profit.

“The most comprehensive leadership study in decades”

SIOP Winner: Best Applied Research in the Workplace



Data Snapshot

	N
Organizations	85
Teams	6,140
Leaders	8,674
Leader Span (direct/indirect)	9/93



Levels

	N	%
Executive	442	5.1
Senior Management	604	7.0
Mid-Level/Director	3,648	42.1
Lower Level/Entry-Level	1,816	20.9
Other	59	0.7
Not Provided	2,105	24.3



Industry (top 5)

	N	%
Computer Software & Services (10)	1,800	20.8
Financial Services & Banking (11)	1,485	17.1
Government (10)	1,381	15.9
Telecommunications (4)	436	5.0
Insurance (4)	377	4.3

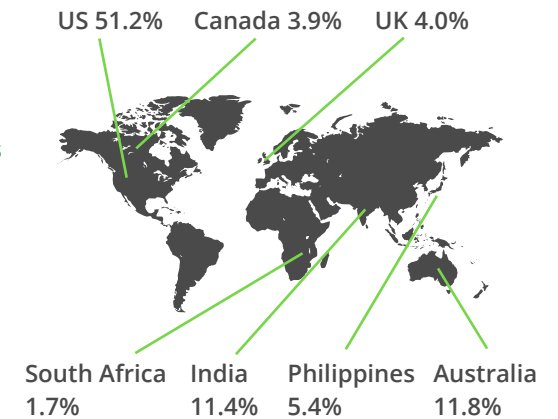


Function (top 5)

	N	%
Operations (Service/Product Delivery)	1,596	18.4
Information Technology & Systems	916	10.6
Sales	731	8.4
Finance & Accounting	534	6.2
Customer Service & Call Center	358	4.1



Countries



The missing 'X factor'

We discovered that there is an 'X factor' that dramatically improves the ability to predict leader performance: **context**.

This means looking beyond the tasks and responsibilities of a role to consider it in the broader context of the team, organization and external environment.

We can identify leaders by their ability to thrive in certain contexts. The key is matching leaders to the context for which they are best suited.

The Power of Context in leadership mobility

The power of this contextual approach is significant. Organizations that pinpoint specific leader capabilities see dramatic improvements compared to using a general competency model to predict leader success.

Our research has led to an approach that enables any organization to identify, assess, select and develop leaders with greater precision, which in turn leads to greater leader success.

- When selecting leaders, factoring in the wider work **context** enables predictions that are over **4x times more accurate** on average than a 'one-size-fits-all' approach.
- Better prediction of high-performing leaders translates into a **22% increase in leader performance on average**.
- In turn, this is associated with a 4% increase in revenue and a **4% increase in net profit**.

Taking the contextual approach brings other benefits. One of these is the opportunity to re-purpose data. Organizations continually transform and evolve, so having the ability to repurpose data for different use cases and as situations change is of huge benefit. From targeted development to succession planning, contextual insights add specificity and much needed agility to leadership models.

As employees are assessed, the data is used to evaluate both individual and group fit to multiple scenarios or contexts. Talent assessment is no longer a point in time exercise that is designed to inform only one decision.

The contexts critical to success

Out of hundreds of combinations of work contexts, 27 contexts matter greatly to making or breaking leaders' performance. As a whole, these highly influential contexts are more people intensive. They involve more change and risk and are more strategic in nature – meaning they require leaders to produce results by managing more complexity and uncertainty.

In our world of constant change and increasing complexity, it is time to build agile leadership mobility models that target development, alignment, and succession in line with specific contexts, challenges, or arising business priorities.

We broadly categorize these 27 critical leadership contexts into four groups



Drive Performance

- Optimize talent
- Drive creativity and innovation
- Drive network performance
- Lead geographically dispersed teams
- Lead global / cross-cultural teams
- Transform a low-collaboration culture
- Transform a high-conflict culture



Lead Change

- Design and drive new strategies
- Deliver rapidly changing products, services and processes
- Deliver under high uncertainty and ambiguity
- Lead through mergers and acquisitions
- Adjust to frequent leadership change



Manage Risk and Reputation

- Deliver in high risk-taking contexts
- Deliver in risk-averse contexts
- Operate with high resource constraints
- Ensure safety & security of persons or operations
- Represent the organization externally
- Ensure environmental sustainability



Deliver Results

- Deliver high margins
- Grow the business through innovation
- Grow the business through market share
- Grow the business through cost-competitiveness
- Grow the business through geographic expansion
- Run an intact business
- Manage a broad portfolio of products and services
- Deliver exceptional customer service
- Lead a centralized team

The science behind a contextual approach

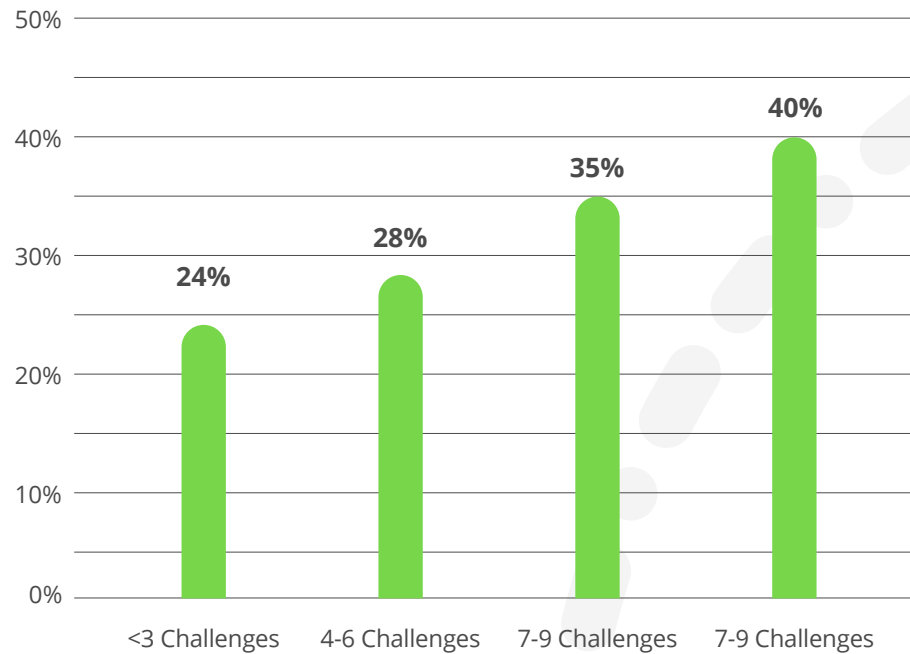
The science of context increases our ability to predict leader success by measuring how effective leaders are at dealing with challenges. Here, we break down our key findings:

More challenges, fewer successes

Our first finding about leadership challenges is that volume matters. The more contextual challenges a leader faces, the more likely they are to underperform. The reality is that most leaders face multiple challenges in any given role. Of the 27 contextual challenges we identified, we found that leaders at all levels navigate an average of seven challenges simultaneously.

This graph shows that as the number of contextual challenges increases, higher percentages of leaders underperform. The percentage of underperforming leaders begins to increase significantly once leaders face seven or more challenges at the same time. This might explain the constant high failure rate in certain roles that are overloaded with complex leadership challenges.

Percentage of under-performing leaders by the number of contextual challenges face



n = 1893 leaders from the SHL and Gartner Leadership Validation Study.
Source: Gartner analysis

Different leader attributes predict how successful leaders are at handling different challenges

Challenges can undermine the performance of leaders. But this does not mean that all leaders fail in these situations. In fact, leaders can thrive when facing challenges that are matched to their unique trait profiles. Our research shows that these context-specific profiles are much more powerful than generic profiles for predicting leader effectiveness.

There are certain attributes and behaviors (e.g., conscientiousness) that contribute to leaders' performance in most contexts. However, there is no single universal or best profile for effective leadership across all contexts. Rather, the ideal mix of traits depends on the situation and the contextual challenges present in the role, team, business or function, and organization.

Example:

In situations that call for growing the business through cost-competitiveness, the best leaders in early career roles tend to be methodical, organized and detail-oriented. They thrive on being busy and are competitive and goal oriented.

Contrast this with a work environment that calls for driving creativity and innovation. Here, the most successful early career leaders are ambitious and career-oriented. They enjoy being creative and being around other people, tend to critically evaluate information, and are generally optimistic. Furthermore, the profile of successful leaders in these situations changes as leaders become more senior.

Context-specific profiles are much more powerful than generic profiles for predicting leader effectiveness.

Experience can compensate for suboptimal leader attributes

So, we have found that performance can be enhanced when we match leaders to contextual challenges that we know they are well-suited to, based on their traits. But in addition to this, experience with certain challenges can also enhance performance. Research shows that challenge-specific leadership experience can contribute to leader performance, over and above traits.

Example:

Experience with integrating work cultures is advantageous in challenges in which employees from different organizational or national cultures must work together. Consider situations in which leaders must manage global or cross-cultural teams or lead through mergers and acquisitions. Experience with creating a new inclusive culture and integrating workforces with different values and expectations predicts greater performance.

Likewise, experience with turning around an underperforming team has also proven to be beneficial for leaders dealing with low-collaboration or high-conflict cultures.

When faced with these challenges, leaders who have experience changing the culture of a team and accelerating the development of a stalled team outperform those without this experience. This is even the case when they do not have the suitable traits.

Example:

For contexts demanding the delivery of exceptional customer service, leaders perform better if they have experience with turning around an underperforming team, have had previous P&L responsibility, and have dealt with change and adversity.

Likewise, for leaders who must deliver under high uncertainty and ambiguity, prior experience with leading new strategies and taking on scope expansion would be beneficial. In addition, considering that relevant experience improves performance, organizations should focus on providing leaders with developmental experiences aligned to potential future challenges.

This insight has implications for both leader selection and development. It is important to optimize the fit between leader traits and the context of a role. But it is also critical to consider relevant experience in the challenges.

Research shows that challenge-specific leadership experience can contribute to leader performance, over and above personality traits.

Different leadership mobility processes require different insights

Traditional leadership strategies assume that the same set of leadership competencies are needed throughout the organization. They focus on developing leaders to fit a single profile. A 'static' view of leadership shapes these programs, predicated on a belief that a stable set of leadership capabilities will enable leaders to become 'agile' and perform effectively in any leadership role.

Most organizations capture and communicate these leadership capabilities through leadership models. These identify the competencies that serve as the foundation for managing their leader talent.

The other way for viewing leadership is through the contextual approach.

Both the competencies and contextual approach to talent identification provide valuable insight into leader behavior and are validated to predict leader performance. Both are important, but they serve different purposes. Deciding which approach to take will depend on the specific use case and the organizational needs.

Both the competencies and contextual approach to talent identification provide valuable insight, but they serve different purposes.

The insights needed to mobilize leaders

Although we have two different ways to look at leader performance, the approaches are complementary, not competing. Competencies and contexts work hand in hand, especially when dealing with personality-based competencies (e.g., persuasiveness, conscientiousness, optimism).

Several existing personality models recognize the importance of context as a moderator of the relationships between personality and job performance.^{2,3,4} These models agree that a personality trait will be most highly related to behavior when the context is relevant to the trait's expression and is not so strong that there is little opportunity for variance in behavior. Extensive research has demonstrated that the validity of personality traits for predicting job performance depends on the context.^{5,6}

The personality-based competencies measured by SHL's Occupational Personality Questionnaire (OPQ) predict performance differently. Looking at leader performance through specific business challenges allows us to select the competencies (i.e., personality traits) that are most predictive for a specific context.

Context is usually defined by job demands or tasks. For example, Judge and Zapata⁷ coded different occupations according to the presence of six job demands (e.g., independence, attention to detail, social skills). They found higher validity when personality-based competencies were applied to occupations for which there was a conceptual link with the job demands.

SHL's research shows that a data-driven approach consistently outperforms less formal approaches in predicting leader performance. When subject matter experts use their own intuition to match leaders with context, they tend to make predictions only one-third as accurate as predictions based on data from thousands of leaders.

Contexts do not replace competencies, they enhance them

Different leadership mobility processes require different insights

Use competencies to identify HiPos

If general leadership attributes need to be communicated or developed in the longer term for the organization, broader competency insights are likely to be more useful, as they cast a wider net. An example of this is when identifying High Potentials or future leaders from a wide workforce population.

Due to the longer term perspective, it is more difficult to identify specific contexts that will be relevant in the future or the particular role that an individual may eventually end up in.

In these cases, we sacrifice the increased predictive accuracy of the contextual approach in order to identify potential for a wider variety of possible roles. It is why SHL's High Potential science is based on a competencies view of leadership, in addition to motivators, to provide a broader view of overall high potential.

SHL's High Potential model allows us to understand a leader's overall leadership potential by measuring aspiration, competencies, and engagement. It also answers the broader question of potential and is most often used in development to understand which leaders are likely to rise and be effective in senior leadership roles.

Organizations use High Potential to:

- Identify who from an identified talent pool has the potential to rise and be effective in senior level roles
- Understand where to invest further development at the individual or group level
- Identify where to stretch individuals for future leadership roles, especially when the timeframe for development may be longer



We sacrifice the accuracy of the contextual approach to identify potential for a wider variety of possible roles.

Use context to mobilize talent

Leader roles have become more complex and specialized in the new work environment. This is especially the case when we overlay the different climates, values, strategies, business priorities, and so forth that exist in different organizations and introduce more nuanced leader requirements. Adding context ensures a more accurate prediction of leader success as it considers how the interplay of behaviors impact leader performance in a real-life organizational context.

Contextual insights are most impactful when understanding if a leader has the attributes and experience to perform effectively in specific contexts. They can also be used to help inform development and selection programs. Organizations should consider challenges when:

A contextual leadership challenges approach is most useful when assessing fit and readiness.

Succession planning

Considering fit to specific roles with increased accuracy of prediction.
Identifying the best internal candidates for unexpected leadership vacancies.

Strategically aligning talent

Answering the question of "HiPo for what?"
Developing individuals or groups against specific business challenges.
Identifying the best situation for an employee that has struggled elsewhere.

Mergers and Acquisitions

Identifying where acquired talent is best placed within the organization.

The additional benefits of a contextual approach

Taking context into account improves how we predict who is capable of performing well in a given leadership role. Our study also shows that there are several other benefits to incorporating context when managing leadership mobility. We outline them here.

An increase in diversity

Using objective data helps to remove conscious and unconscious bias from the decision-making process.

Example:

To highlight this, we wanted to identify if gender influences leadership performance. We identified that the probability of a woman being a high fit for a leadership role is 38% higher than the probability of a man being high fit. Put another way, given an equal number of male and female candidates, a contextual challenges / data led approach is 1.4 times more likely to identify a woman as high fit for a role, compared to a man.

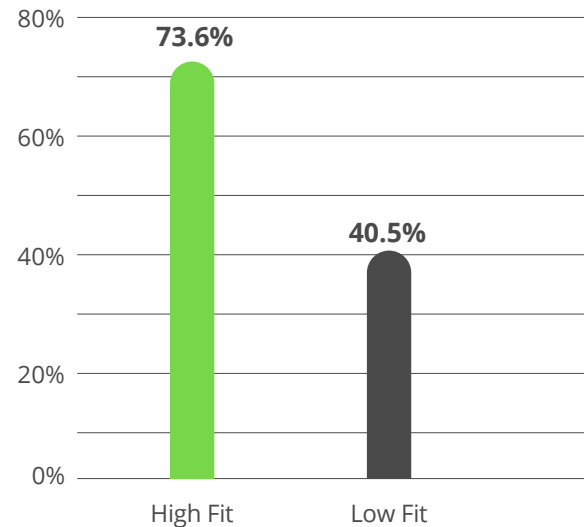
While we found women to be higher fit for leadership roles than men, we found no consistent effect of race or ethnicity on challenge scores. Our research shows that race has no significant effect on an individual's ability to deal with a certain set of challenges.

58%



of high fit candidates for critical leadership roles are women

Average Engagement Score for Leaders



Improved employee engagement

We measure work engagement by a composite of survey items that ask about the extent to which the leader is enthusiastic, excited, and energized about their job.

The average engagement score for high-fit leaders (73.6) is 82% higher than the average engagement score for low-fit leaders (40.5).

In other words, high-fit leaders have 82% higher work engagement than low-fit leaders.

Increased organizational efficiency

When an organization's internal talent is faced with a given set of contexts, about 30% of people are expected to have a high likelihood of success. That is regardless of the current role of each leader.

We define 'high likelihood of success' as scoring in the top 30%, with reference to our norm group on a context or set of contexts.

Our conclusion is there is no need to limit candidates for a particular position to those who are already working in the same function. This greatly increases the internal talent pool, making an internal hire much more likely.

Considering candidates from the whole organization has the potential to cut hiring costs, as many studies show that hiring internally is estimated to cost 50% that of external and time to full productivity is reduced too.

Higher individual and group performance

At the beginning of this paper we stated that traditional methods of talent identification and mobility do not consistently return good results, as 46% of leaders do not hit their objectives in the first six months.

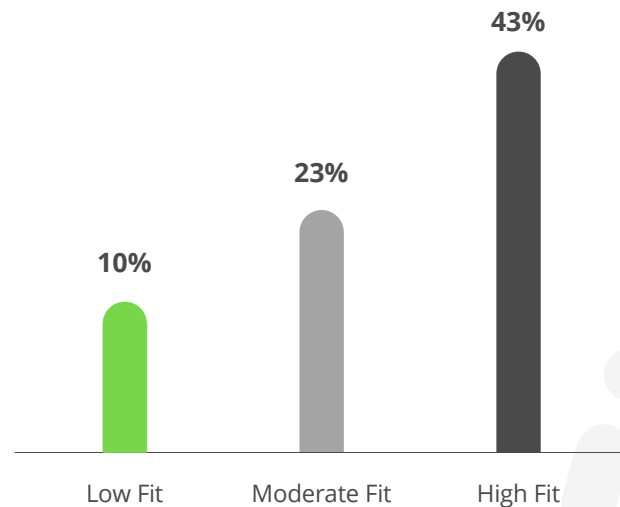
We asked the question: 'how does context increase the accuracy of internal mobility decisions by 4 times?'. We determine this by identifying the percentage of high-fit individuals identified as top performers, versus the number of low-fit individuals identified as top performers.

We define a 'top performer' as someone in the top 25% in overall performance in the norm group. We computed an average top performer rate of 43% for those who scored in the high-fit category. The 43% success rate is 4.3 times higher than the low-fit success rate (10%).

In other words, individuals that demonstrate a good fit to a role's specific contexts are over 4 times more likely to be top performers than those with a low fit.

Better prediction of high-performing leaders translates into a 22% increase in leader performance on average, which in turn is associated with a 4% increase in revenue and a 4% increase in net profit.

Average top performer percentage across multiple combinations of challenges



- High fit – Top 30% of scores
- Moderate fit – Middle 40% of scores
- Low fit – Bottom 30% of scores

Four steps to more accurate leadership mobility decisions

Leaders today work in an environment that is increasingly complex and uncertain. This renders one-size-fits-all, generic leadership strategies ineffective. As the number of contextual challenges that leaders face increases in this turbulent environment, leader performance will only erode further unless organizations take a different approach. To drive effective leadership in today's work environment, organizations need to do the following:

1. Consider the context of a role or situation when selecting leaders

Leadership roles, teams, and business contexts differ. Each presents a unique combination of contextual challenges. And yet traditional leadership strategies still assume that the same characteristics and experience profiles are needed throughout the organization. However, current selection and succession management tools do not offer enough insight into the challenges of the work environment and an individual's fitness to address those challenges.

2. Invest in agile leadership processes

One defining aspect of today's work environment is nearly constant change. Organizations must adapt to increasingly volatile economic and business

environments. Given that leader performance is highly context-specific, organizations should develop leaders at all levels to perform against a set of contexts. To effectively prepare leaders for current and future roles, organizations must build flexible, agile leadership processes that are efficient and can be easily adapted to help address new challenges in the environment.

3. Move toward more precise, data-driven decisions

Many organizations have a stockpile of data about their leaders. This is spread across various formats and on multiple platforms. It can include personal characteristics, past leadership roles, what they have delivered in various assignments, and how effectively they have performed in the past. Often, it is from a variety of viewpoints (i.e., managers, peers, and direct reports).

But when it is time to make leadership decisions, many organizations leave data gathering to the people making those decisions. This is rather than compiling, synthesizing and analyzing available data and then turning it into consumable business intelligence that can drive the decision-making process more precisely.

Organizations must move beyond instinct and intuition when identifying and placing leaders into key roles. Otherwise, they face unnecessary risks, increased leader failure and a threat to diversity by perpetuating implicit biases.

Instead of intuition, organizations would benefit from relying on precise, data-driven predictions regarding which leaders will succeed in handling current and future leadership challenges. And they must rely on evidence-based development plans when preparing leaders for their roles and to enhance their performance.

4. Use competencies alongside context to achieve the best results

Both competencies and contextual challenges play a part in the identification and mobilization of internal talent. So, do not discard the competency-based approach.

Competency-based models, such as High Potential identification, are extremely effective at filling your talent pool. You will identify who has the potential to rise and be effective in a wide variety of senior roles. But how do you then decide who from that talent pool should be considered for a specific position or opportunity?

A contextual approach increases specificity and, therefore, increases the chances of you finding a high-fit candidate or developing leaders to achieve in a given context.

Conclusion

Leaders today face the harrowing task of accomplishing their objectives while navigating the diverse challenges of an ever-changing, complex, unpredictable and volatile work environment. Yet despite this, organizations continue to use generic, one-size-fits-all approaches to selecting and developing leaders.

Unfortunately, this fails to optimize the fit between leaders and the challenges they must navigate. These underleveraged and underprepared leaders then cost organizations deeply.

By examining the fit between leaders and contextual challenges and by relying on data-driven insights, organizations gain an edge on their competitors. In addition, it helps them to realize the benefits of intelligent, specific and timely leader selection, as well as development and placement.

Optimizing this fit helps organizations select more effective leaders by better matching their attributes and experiences to the challenges they will face in the role. Then, once leaders are in a role, a context-driven strategy will improve their development by ensuring they get the development experiences they need to navigate current and future leadership challenges.

Finally, aligning leader characteristics to contextual challenges helps organizations to optimize where they place their leaders. This results in improving the impact of high potential identification, deepening leadership benches and building stronger and more diverse leadership pipelines.

Adopting a flexible, data-driven, context-specific approach also enables organizations to increase their returns on leadership investments.

Whether your organization is seeking to speed up product time-to-market, uncover new channels for growth, put the customer at the heart of business operations or transform a low collaboration culture, a contextual approach to leadership placement can optimize your chances of success.



Introducing SHL's Mobilize solution

SHL's dedication and passion for people science and workforce performance has identified why current talent mobility practices often fail: a lack of context. But how can this sophisticated science be applied within an organization?

You may have such talent mobility questions as: "Who has the potential to rise and be effective in a wide variety of leadership roles?", "Do we have the leadership skills we need in our specific context?" or "Which of our leaders are best placed to backfill this leadership role?"

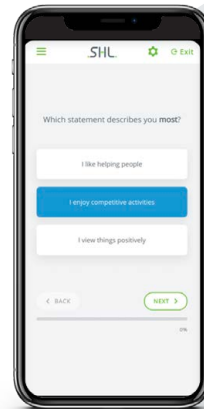
SHL's Mobilize captures workforce data via engaging assessments, applies our science and then simply and immediately visualizes the insights needed to answer these questions.

Mobilize uses both competencies and context to support ongoing transformation, increasing the accuracy and speed of all leadership mobility decisions. Identify future leaders, strategically align and develop leaders, plan for succession and make placement decisions with unrivaled accuracy and confidence.

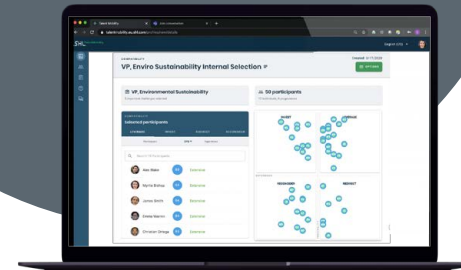
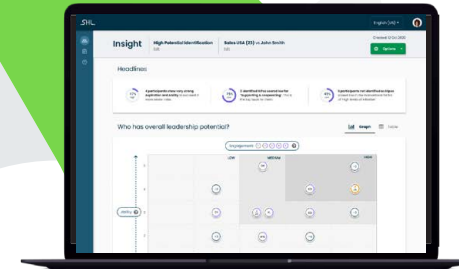
The user experience ensures employees are engaged and complete the assessments, and our world-class services ensure it is successfully implemented, integrated, and delivers tangible business results.

Please contact us via our [website](#) to learn more about how to harness this science and technology to increase the accuracy of your talent mobility decisions.

Kick things off with engaging assessments



Then enjoy powerful insights on leadership potential, development, alignment and succession



in a single platform that adapts to context like changing leadership roles, timelines and company strategy

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SHL brings powerful and transparent AI technology, data science, and objectivity to help companies attract, develop, and grow the workforce they need to succeed in the digital era.

We empower talent strategies to unlock the full potential of your greatest asset—people.