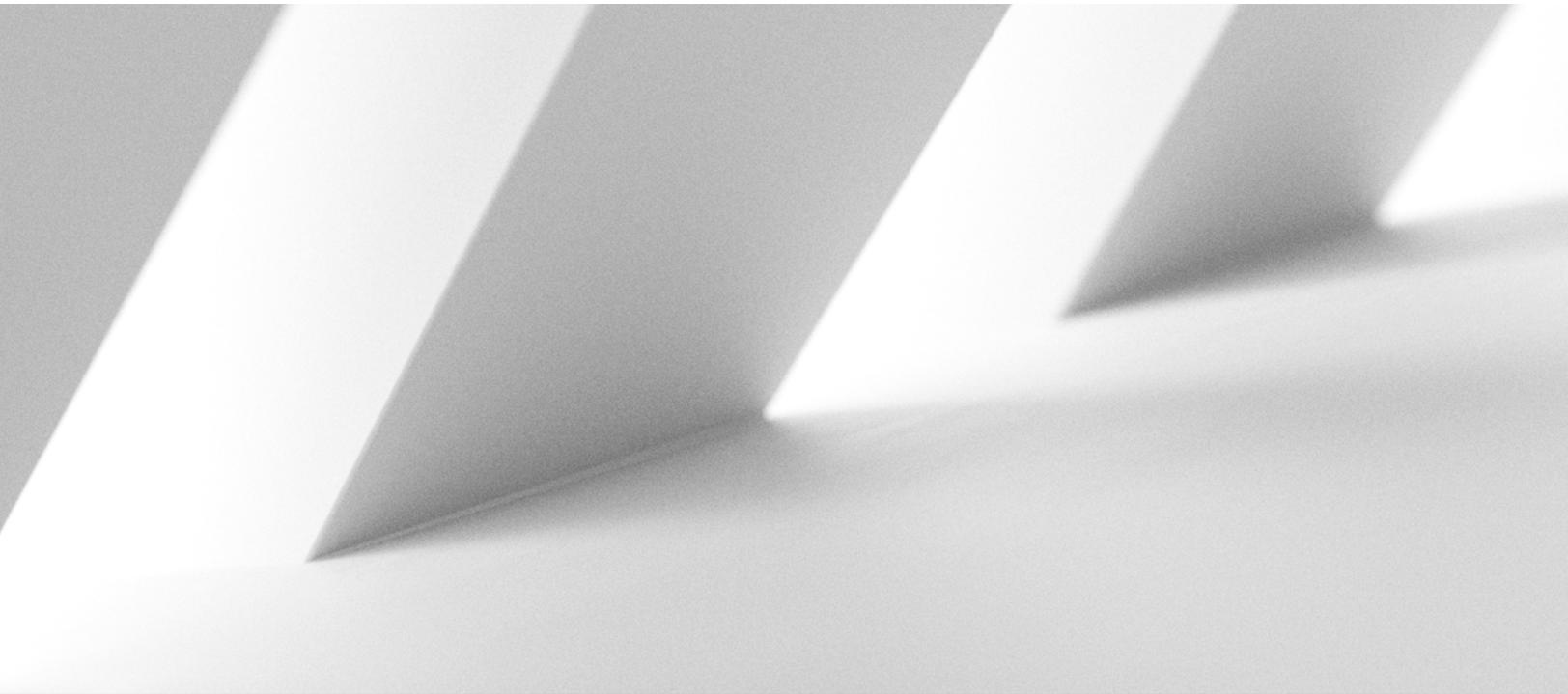


# Leadership/#Disrupted

A study of over six thousand senior executive assessments,  
benchmarking new indicators of effective leadership



This paper is the first of a four part series that explores the growing importance of innovation leadership and inclusive leadership in banking. It is based on a study of over six thousand senior executives carried out over the past four years, and provides new perspectives on these indicators of forward-thinking leadership.

### **Part 1. Key findings**

Part 2. Changing how to analyze and develop talent

Part 3. A new lens for identifying talent

Part 4. Mobility and cross-fertilization

### **Dataset composition**

**Total:** 6,111 executives

**Gender:** 4,417 male and 1,496 female executives

**Leaders:** 626 CEOs, 1,744 CxOs

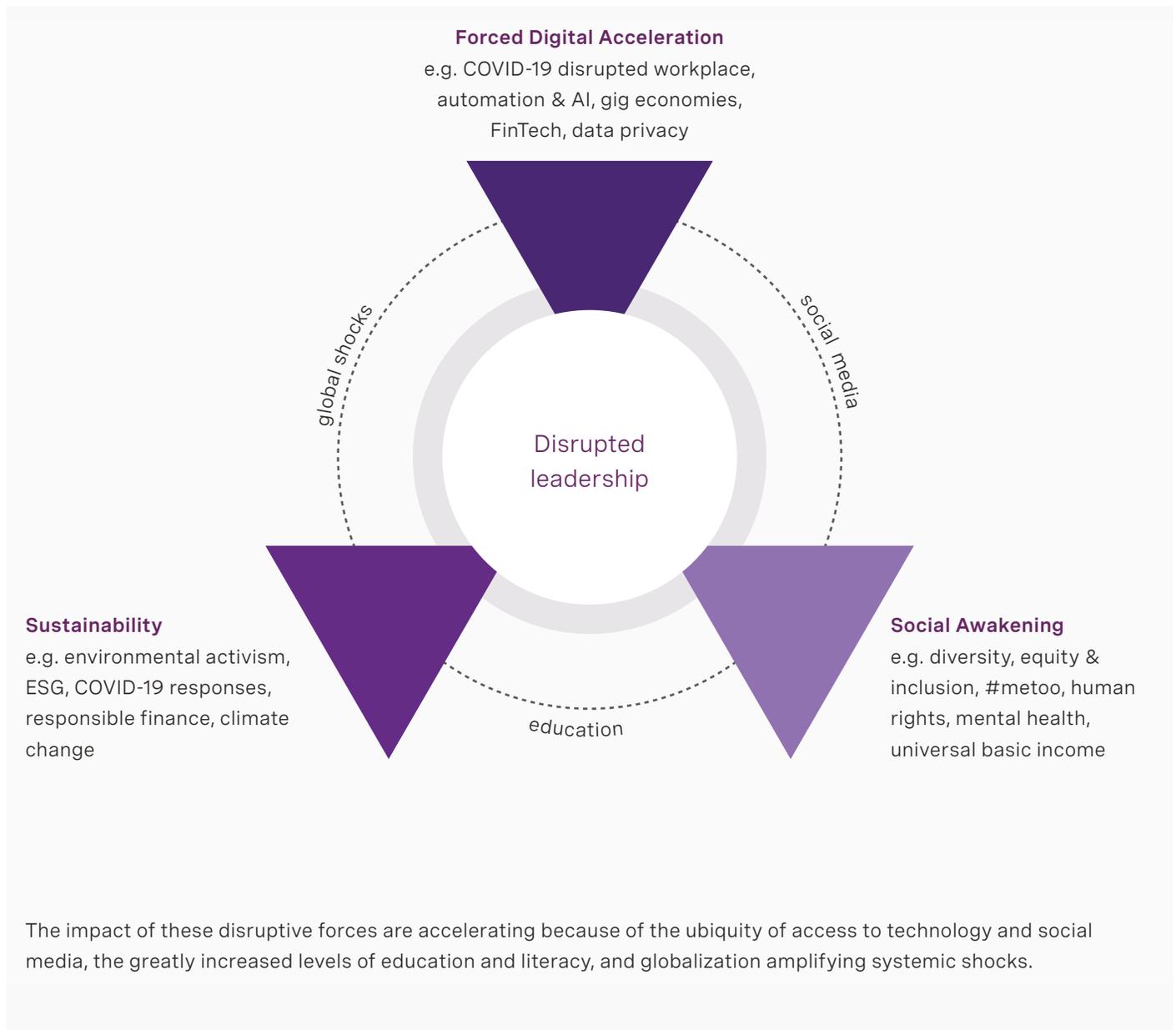
**Regions:** 2,526 EMEA, 2,437 Americas, 940 Asia Pacific

**Sector:** 1,386 Financial Services, including 689 Banking



# Disruption is accelerating

**A new generation of banking leaders are being defined by their ability to respond quickly to multiple forces that are disrupting traditional leadership agendas:**



# Addressing these themes in banking

We are being asked to find banking leaders who can cope with these demands, who can manage a complex global business in a sustainable manner, stay ahead of the curve and innovate, and remain inclusive, capitalizing on diversity of thoughts and opinions.

Through studies of best-in-class innovation leaders and inclusive leaders, our organizational psychologists mapped the competencies demonstrated by top performing leaders who are successfully adapting to these evolving demands.

Benchmarking these across our large executive assessment dataset has given us valuable insights into how firms can improve internal development programs, out-of-industry hiring and internal talent-spotting to build future-proofed executive pipelines.

# A powerful competency combination

Our research showed that innovation leadership is closely correlated with inclusive leadership. In particular, there are common competencies across both that relate to driving sustainable organizational change.

**85%** of effective innovation leaders also demonstrate heightened inclusive leadership competencies

### Inclusive Leadership

- Highly conscientious
- Value social interaction
- Altruistic
- Environmentally sensitive
- Strong empathy

### Common Competencies

- Positive thinkers
- Inquisitive nature
- Empowering others
- Energetic & competitive
- Willing to take risks
- Open-minded

### Innovation Leadership

- Highly experimental
- Value leadership roles
- Challenge established procedures
- Prefer flexibility & autonomy



# Delivering improved performance

Market studies highlight the impact that innovation and inclusion have on company performance



**Highly inclusive**  
firms see a

**30%**

improvement in  
innovation and idea  
generation<sup>1</sup>



**Gender diverse**  
firms are

**25%**

more likely to have  
above-average  
profitability<sup>2</sup>



**Ethnically diverse**  
firms are

**36%**

more likely to have  
above-average  
profitability<sup>2</sup>



**Innovative**  
firms see

**560** basis  
points

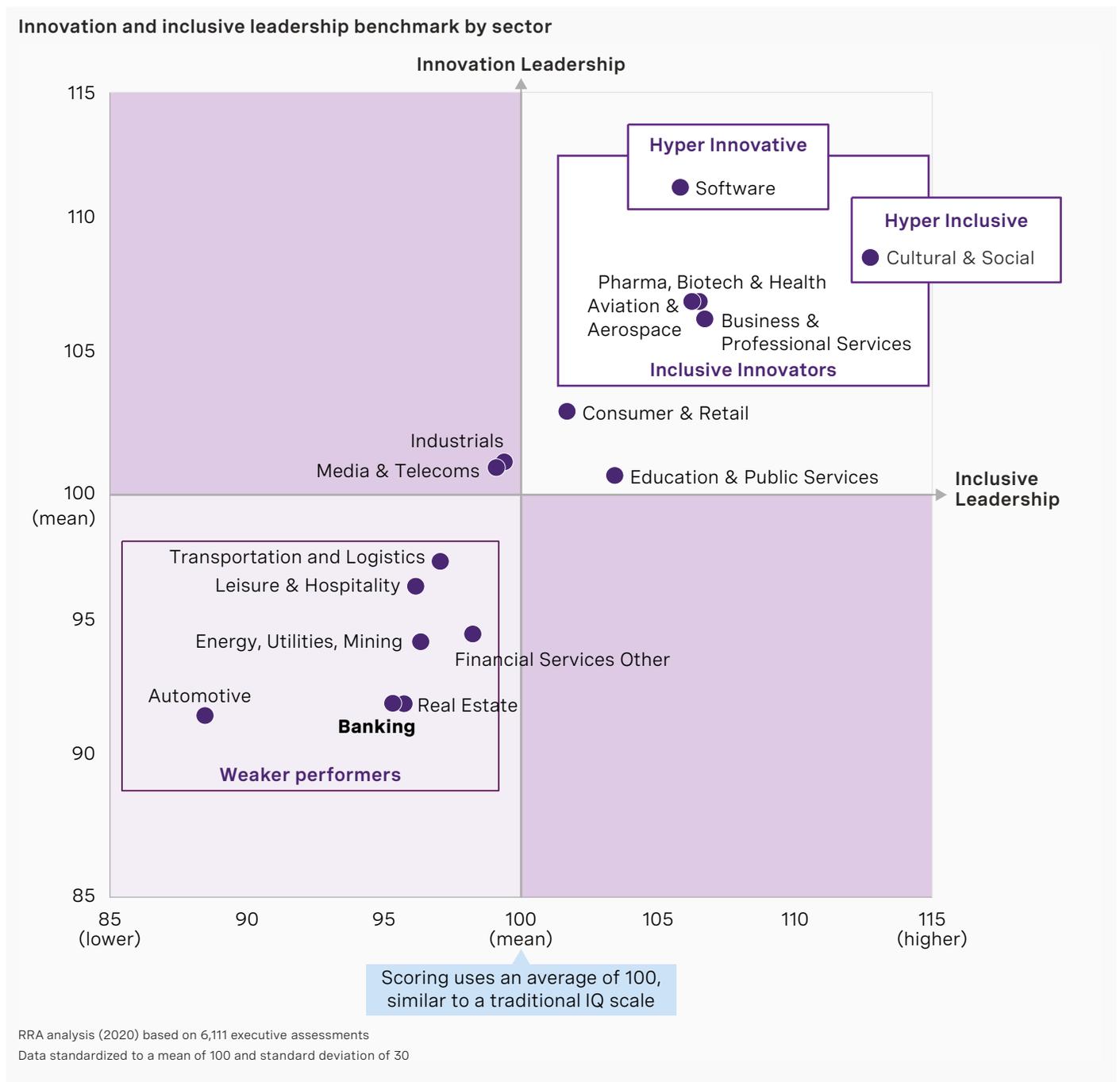
higher shareholder  
returns<sup>3</sup>



# This is an opportunity for competitive advantage

The industry benchmark below highlights how, compared to companies in other sectors, many banks are lagging in their ability to lead innovation at an organizational level and build inclusive working environments.

For those banks that can instill effective leadership across these two factors, there is an opportunity for them to gain a significant competitive advantage over their peers given the relative immaturity of the broader sector.



# Demand for these competencies is increasing

The intense demand for senior executives with innovation and inclusive leadership competencies has driven average executive scores across these two metrics significantly higher over the past four years.

For many organizations these skills and behaviors are no longer seen as peripheral, they are now core to what is considered a modern, forward-thinking leader.

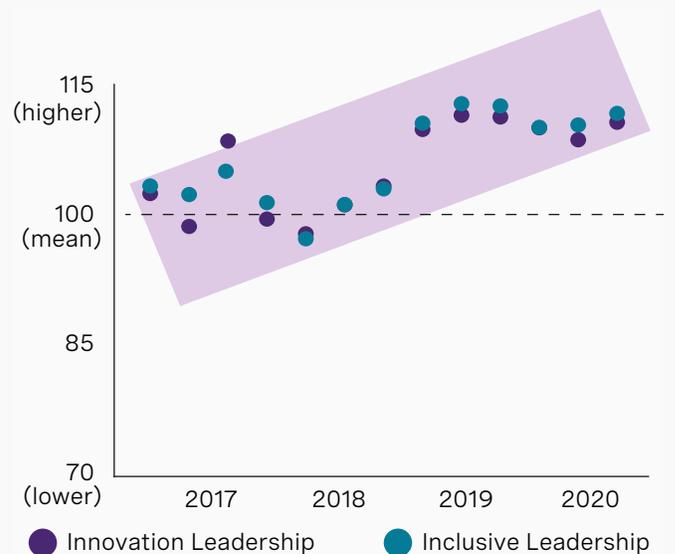
Banking has seen an even faster increase in demand for these competencies, albeit from a lower base.

To catch up with higher performing sectors, the questions banks need to answer include:

- What are the systemic hurdles to developing a more innovative and inclusive talent pipeline?
- What are the implications of these hurdles for the organization?
- What are the solutions that banking leadership can put in place to overcome them?
- What are the inherent strengths within banks that can help to accelerate these efforts?

## Top 5 performing sectors<sup>4</sup>

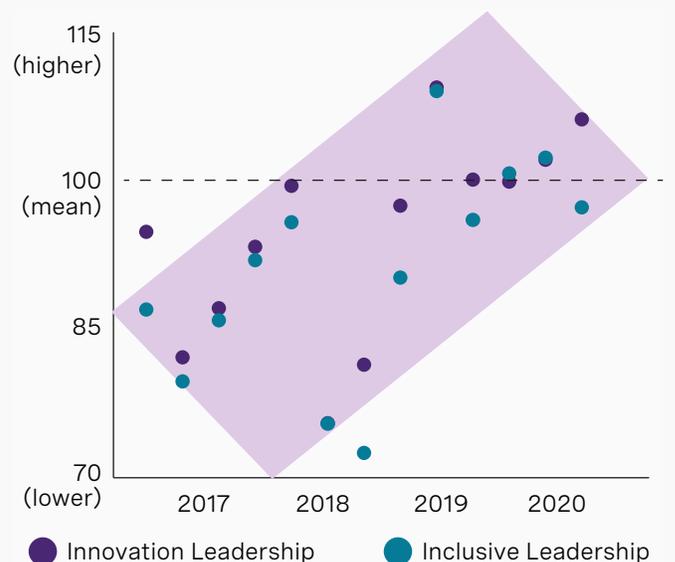
(Quarterly data from 2Q17-2Q20)



RRA analysis (2020) based on 1,379 executive assessments  
Data standardized to a mean of 100 and standard deviation of 30

## Banking benchmark

(Quarterly data from 2Q17-2Q20)



RRA analysis (2020) based on 689 executive assessments  
Data standardized to a mean of 100 and standard development of 30

# Breaking the cycle

Banking's low scores here pose a challenge: How do you develop your talent in a low inclusion and low innovation environment?

By not indexing on the competencies that underpin these two factors, you risk continuously stripping your talent pipeline of people with a desire to take risks or who are willing to innovate and break silos.

This increases the likelihood that subsequent generations will continue to make the same mistakes as their predecessors.

Given the impact of disruptive forces on the industry, including lower barriers to entry, this represents a material threat to banks and financial institutions. They will struggle to evolve and stay relevant in an increasingly competitive landscape, and bold decisions are needed to break this vicious cycle.



## Three recommended solutions

**In the next three papers in this series, we will explore three sets of solutions:**

### 1. Changing how to analyze and develop talent

By exploring the underlying competencies and behaviors impacting these results, as well as those from other industries, how can you best adapt your approach to developing your senior executives?

### 2. A new lens for identifying talent

How can we be more creative in uncovering the individuals and teams within the organization that may be a stronger potential source of innovative and inclusive leadership?

### 3. Mobility and cross-fertilization

Given that other industries can be a fertile source of innovation and inclusive leadership talent, how can banking effectively absorb these leaders without transplant rejection?

# Appendix: Methodology

## Changing how we measure potential

**The methodology was developed by our in-house psychologists in partnership with Hogan Assessments. It is based on studies of “best-in-class” senior leaders, mapped to a 95 percent confidence interval, and synthetically validated against a dataset of 5.5 million executives.**

Innovation Leadership	Inclusive leadership	
<ul style="list-style-type: none"><li>• Innovative</li><li>• Disruptive</li><li>• Bold in leadership</li><li>• Socially adept</li><li>• Determined</li></ul>	<b>Intra-personal</b> <ul style="list-style-type: none"><li>• Identifying motivations, privilege &amp; acumen</li><li>• Reading situations/challenges</li><li>• Reflecting with empathy</li><li>• Holding self accountable</li></ul>	<b>Inter-personal</b> <ul style="list-style-type: none"><li>• Leveraging differences to win</li><li>• Fostering open dialogue</li><li>• Developing with feedback</li><li>• Holding others accountable</li></ul>

**These are derived from weighted aggregates of twenty eight psychometrics, normalized against our global senior executive assessment dataset:**

- Adjustment
- Aesthetics
- Affiliation
- Altruistic
- Ambition
- Bold
- Commerce
- Compliance
- Diligent
- Dutiful
- Excitable
- Grounded
- Hedonism
- Inquisitive
- Interpersonal Sensitivity
- Learning Approach
- Leisurely
- Power
- Prudence
- Recognition
- Reserved
- Restrained
- Risk-tolerant
- Science
- Security
- Skeptical
- Sociability

Please feel free to contact us to discuss any of these topics further

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**References**

1. Diversity & Inclusion Pulse Survey (Russell Reynolds Associates, 2019)
2. Diversity wins: How inclusion matters (McKinsey, 2020)
3. The Serial Innovation Imperative (BCG, 2020)
4. Top 5 sectors include: pharma, biotech & health; aviation & aerospace; business & professional services; culture & social; software.

# About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory and search firm. Our 470+ consultants in 46 offices work with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic and political trends that are reshaping the global business environment. From helping boards with their structure, culture and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

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