

IRS 360° Assessment Study: Developing Great Leaders



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Motivations for this Study

- Feedback showed that while we had leaders complete 360° assessments, we did not do a great job of either interpreting the results or customizing developmental improvements
- In a tight budget environment, we needed to focus developmental efforts to achieve the greatest impact on behavior and results



Leadership Effectiveness Impacts Balanced Measures



Leadership Effectiveness – 360° Assessed (Insurance Co.)

Employee Satisfaction

Great leaders have lower turnover



Leadership Effectiveness – 360° Assessed (High Tech Co.)

Customer Satisfaction

Great leaders have more satisfied customers



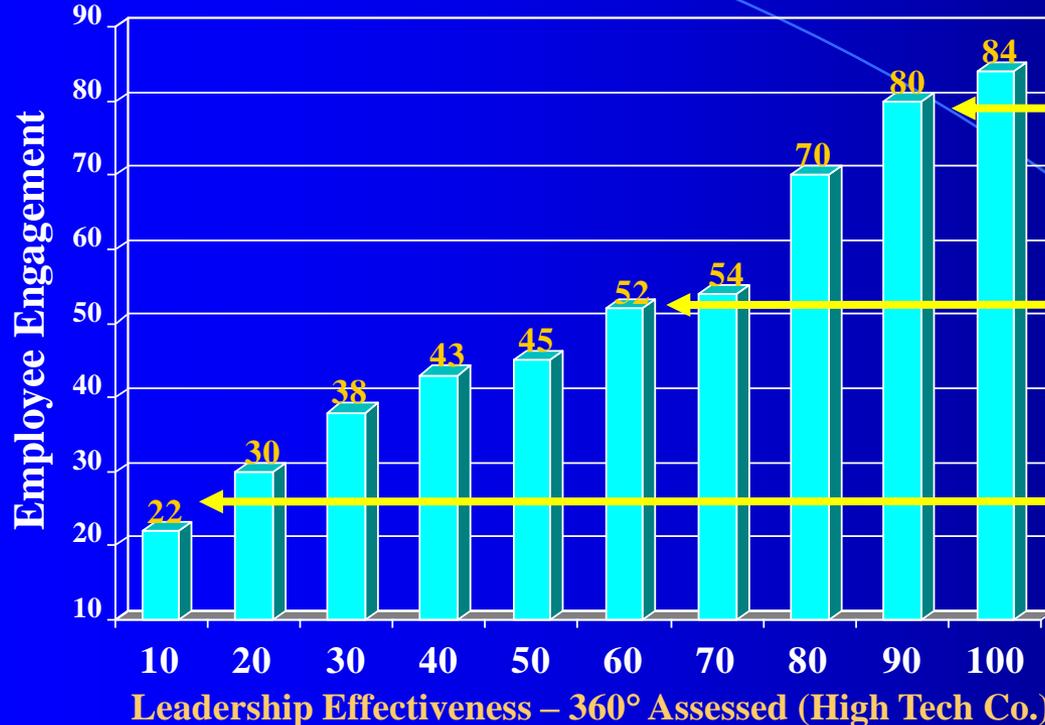
Leadership Effectiveness – 360° Assessed (Mortgage Bank)

Business Results

Great leaders generate higher net income



Leadership Effectiveness Impacts Employee Engagement



Data from *The Extraordinary Leader*, by Jack Zenger and Joe Folkman

Great leaders make a great difference

Good leaders have an adequate impact

Poor leaders create dissatisfaction



- **Finding:** It takes a substantial change in leadership effectiveness (perceived by 360° assessments) to greatly impact balanced measures and employee engagement (i.e., the relationship is not incremental)

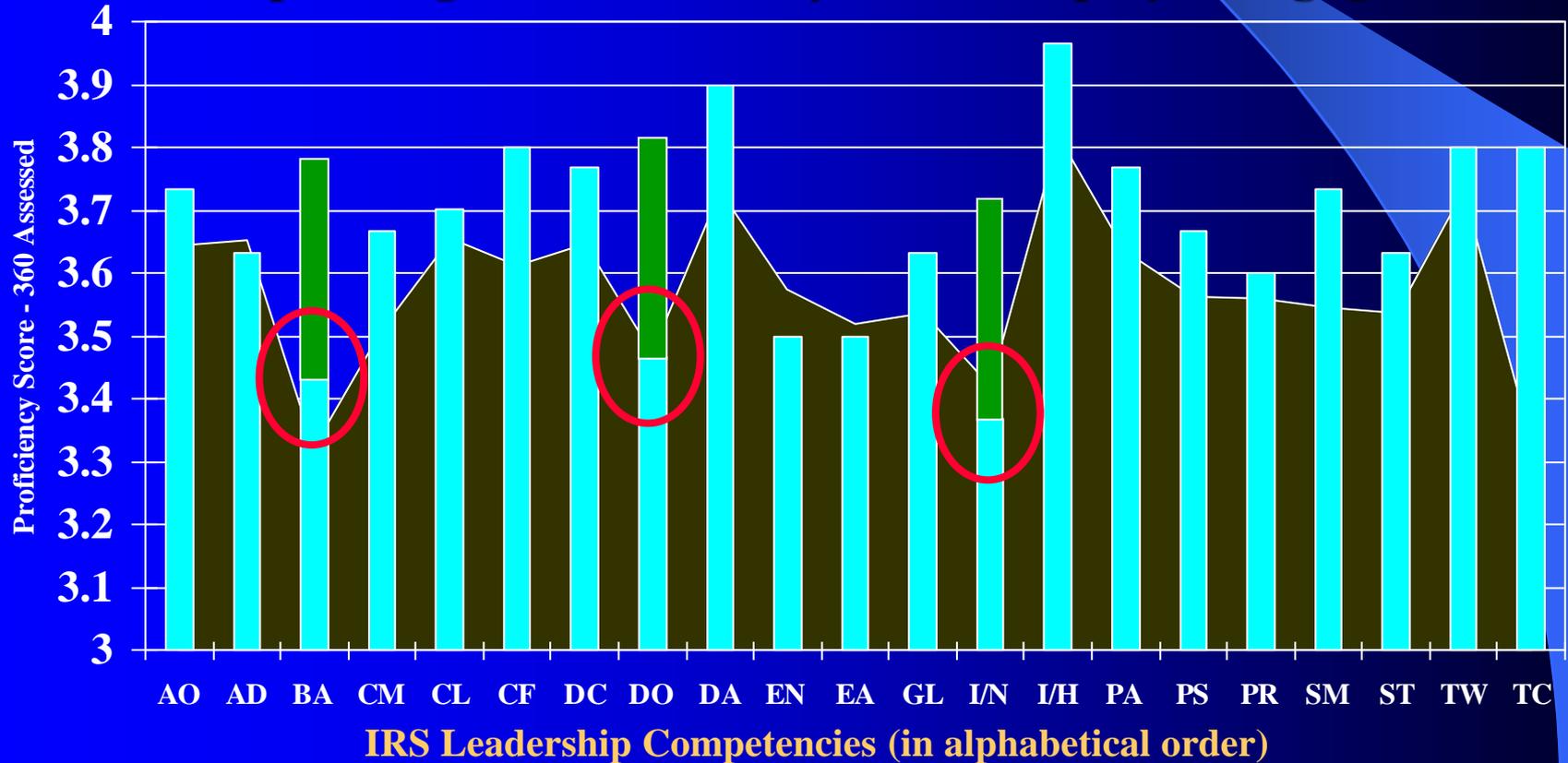
IRS Leadership Competency Model

Leadership	Employee Satisfaction	Customer Satisfaction	Business Results	EEO and Diversity
Adaptability (AD)	Continual Learning (CL)	Customer Focus (CF)	Achievement Orientation (AO)	*Supporting Competencies
Communication* (CO)	Developing Others* (DO)	Entrepreneurship (EN)	Business Acumen (BA)	
Decisiveness (DC)	Diversity Awareness* (DA)	External Awareness (EA)	Political Savvy (PS)	
Integrity/ Honesty* (I/H)	Group Leadership* (GL)	Influencing/ Negotiating* (I/N)	Problem Solving* (PR)	
Service Motivation (SM)	Teamwork (TW)	Partnering* (PA)	Technical Credibility (TC)	
Strategic Thinking (ST)				

- A daunting list of 21 competencies for IRS leaders to become proficient in to increase overall perceived leadership effectiveness

Traditional Incremental Development Approach

- Here is an IRS executive with an overall leadership effectiveness rating at the 50th percentile assessed through a 360° evaluation
- Traditional developmental approach would primarily focus on circled weaknesses (a 10% rise in these 3 competencies would improve this executive's effectiveness to the 55th percentile with a corresponding increase of only 3% in employee engagement!)



IRS 360° Assessment Methodology

- Rigorous statistical analysis of the 360° assessment data from 785 IRS managers
 - 101 Executives
 - 498 Senior Managers
 - 186 Front-line Managers
- Compare “great” IRS leaders (top 10%)* to the bottom 10% to determine what others perceive are the key competencies that put them above the rest
- Compare developmental approaches of building key strengths vs. correcting weaknesses of IRS leaders to determine which approach most increases perceived leadership effectiveness (360° assessed)



*percentile ranked by average “Total Others” scores across all 21 competencies for each leader

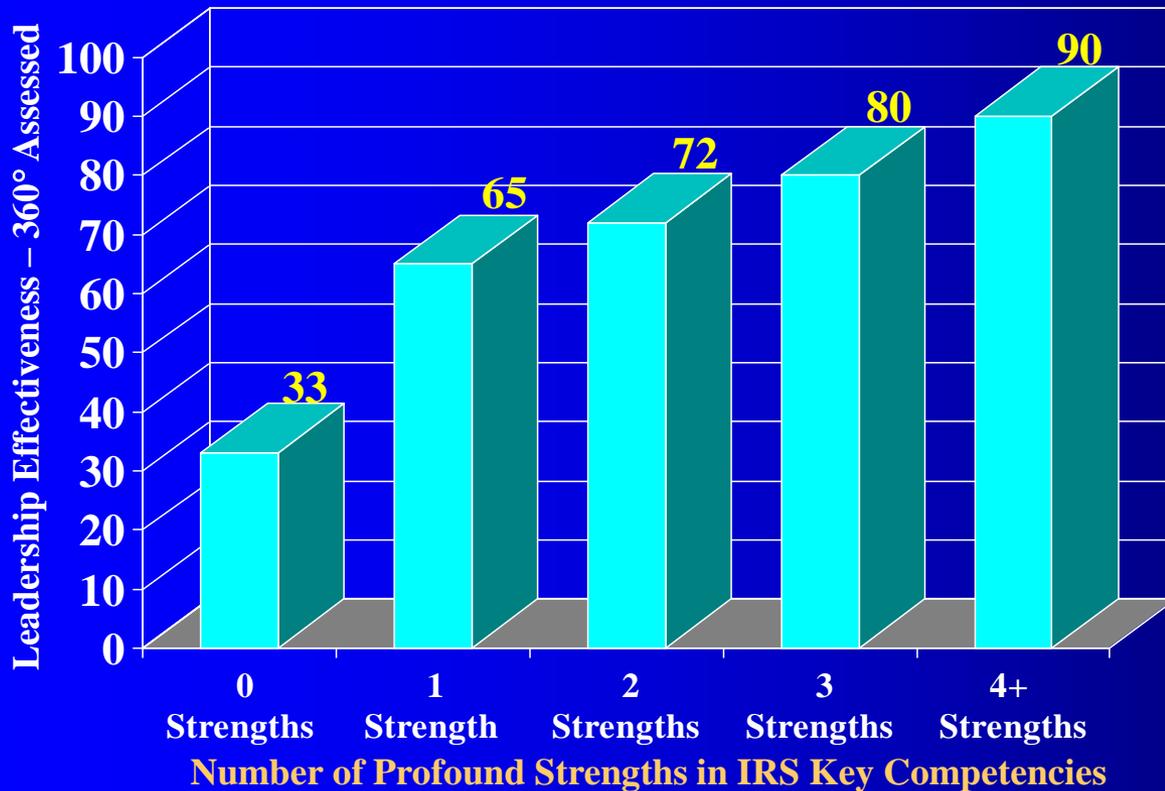
Key Competencies that Set Apart Great IRS Leaders

- Comparing the top 10% of IRS leaders to the bottom 10% yields a much more manageable list of what others perceive are the key competencies that put “great” IRS leaders well above the rest
- *Finding:* The list balances 2-4 key competencies in each IRS Core Management Responsibility (many support EEO and Diversity)

Leadership	Employee Satisfaction	Customer Satisfaction	Business Results	EEO and Diversity
Communication*	Developing Others*	External Awareness	Business Acumen	*Supporting Competencies
Service Motivation	Group Leadership*	Influencing/ Negotiating*	Political Savvy	
Strategic Thinking			Problem Solving*	
			Technical Credibility	

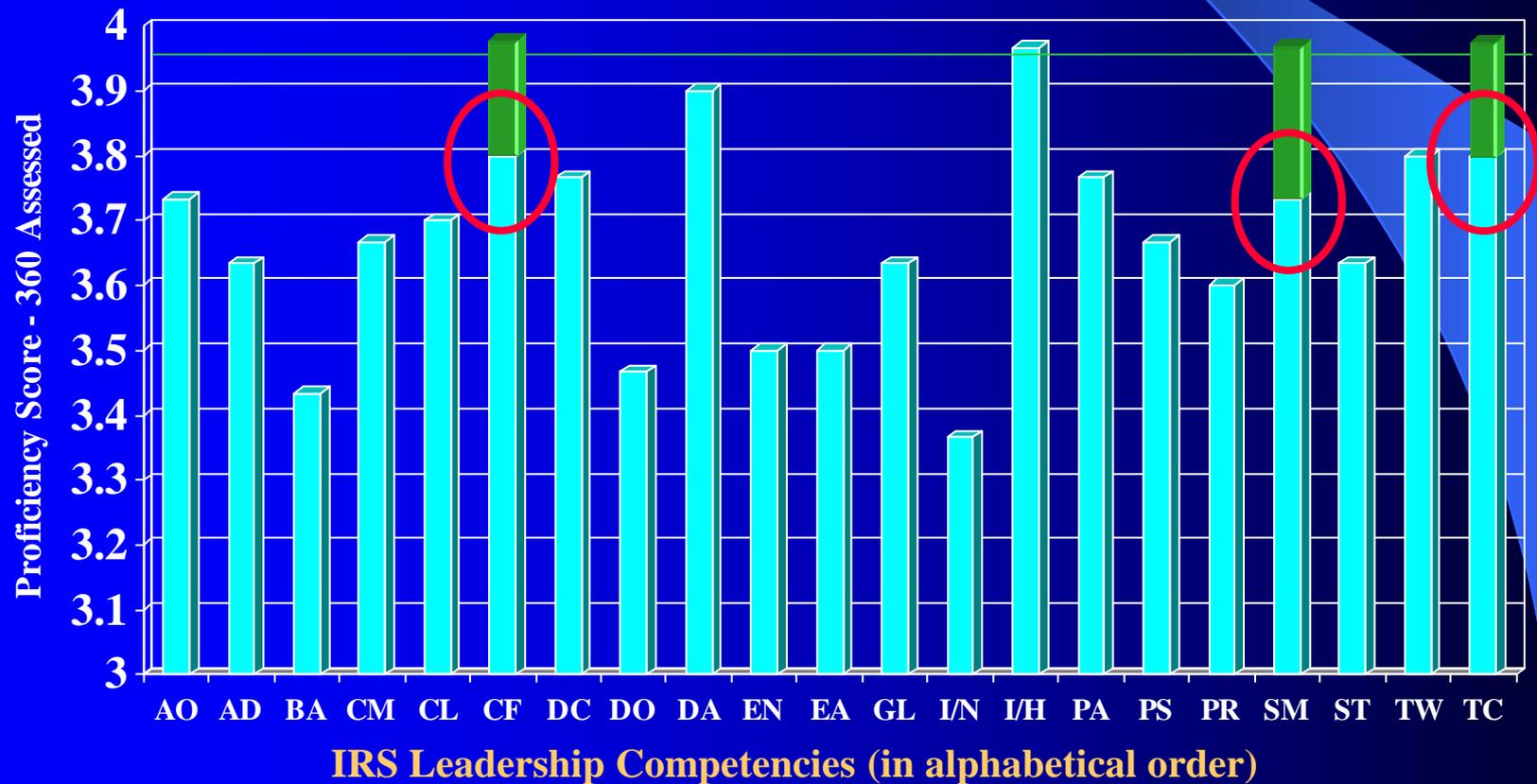
Impact of Displaying Strengths in Key IRS Competencies

- IRS leaders who display profound strengths in key differentiating competencies (scores ≥ 3.95) achieve much higher levels of overall perceived leadership effectiveness (360° assessed)
- *Finding:* IRS leaders who build just 1 more profound strength in a key competency experience a 10-95% improvement in overall perceived leadership effectiveness (360° assessed)



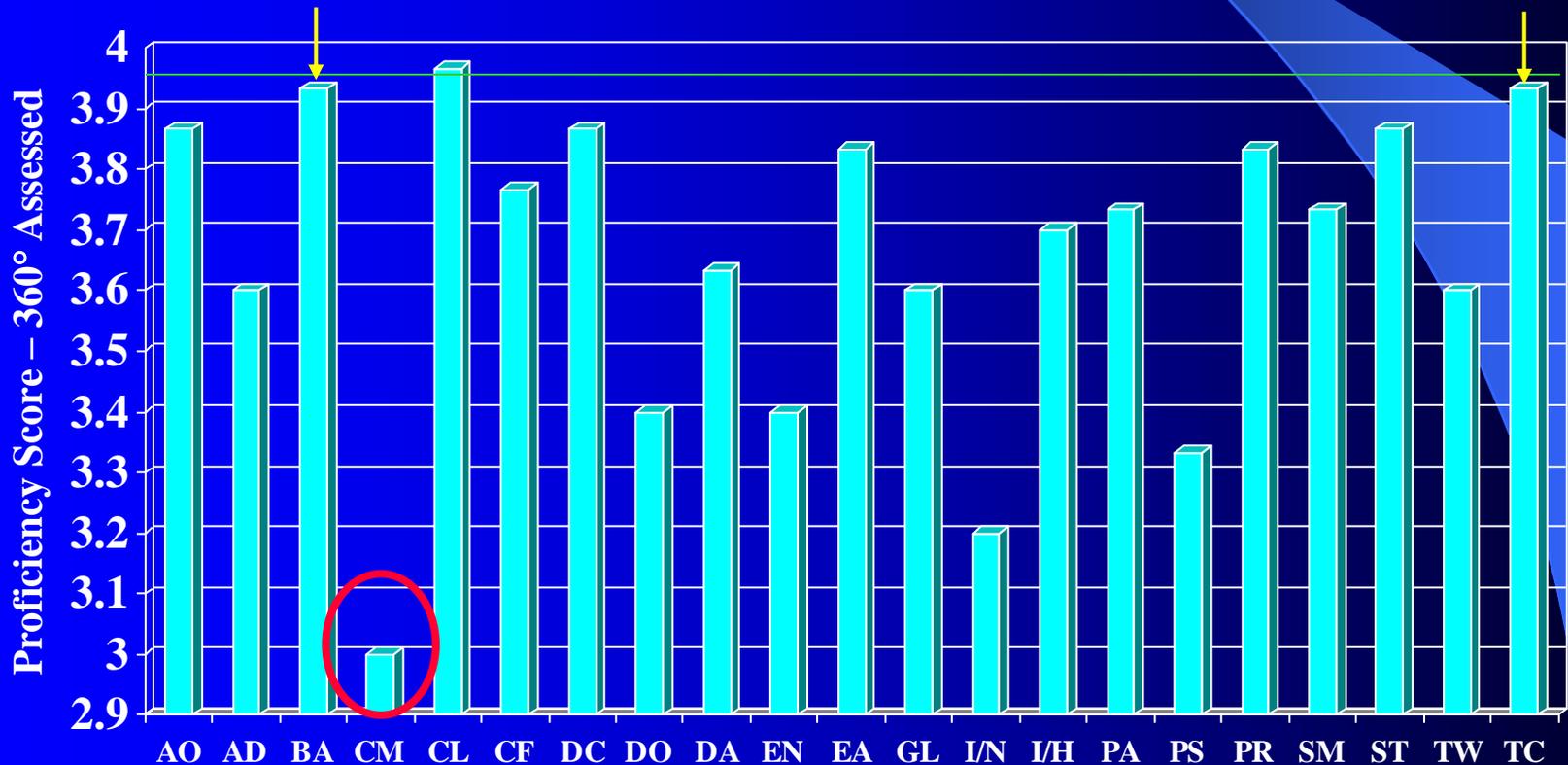
Build Strengths in Key Differentiating Competencies

- Same IRS executive, different approach – build key strengths
- Building existing strong competencies to very high levels (raising circled strengths just 5%) could increase this executive's overall perceived effectiveness to about the 80th percentile (+62%) and employee engagement scores to about 72% (+60%)



Impact of “Fatal Flaws” on Leadership Effectiveness

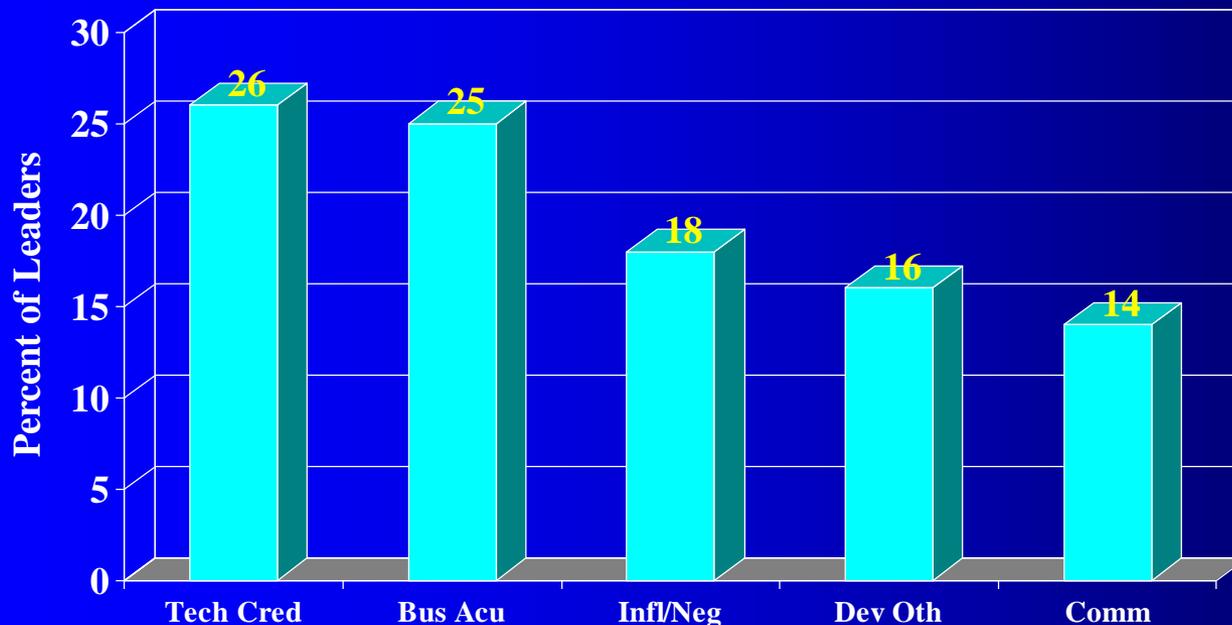
- This IRS leader displays 2 key competency strengths (should score at $\approx 72^{\text{nd}}$ percentile), yet only scores at the 49^{th} percentile due to a pronounced weakness or “fatal flaw” (scores ≤ 3.0 out of 4.0)
- *Finding:* IRS leaders must fix “fatal flaws” to achieve marked increase ($\approx 50\%$) in overall perceived leadership effectiveness



IRS Leadership Competencies (in alphabetical order)

“Fatal Flaws” for IRS Leaders

- “Fatal flaws” typically include Technical Credibility, Business Acumen, Influencing/Negotiating, Developing Others, and Communication (5 of 11 key differentiating competencies)
- Effects of fixing “fatal flaws” on overall perceived leadership effectiveness not as dramatic as building profound strengths
- *Finding:* Leaders should build profound strengths unless they have “fatal flaws”

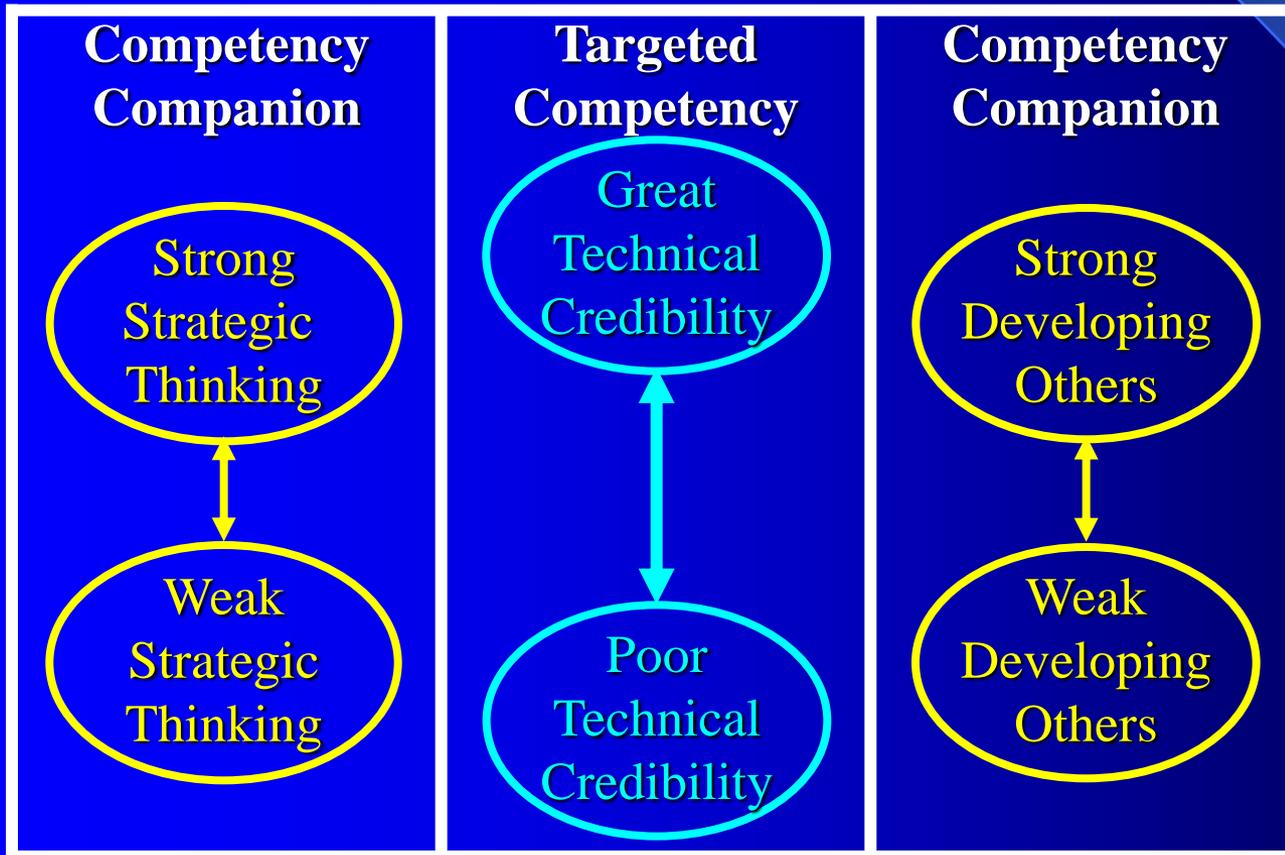


Most Often Occurring Weaknesses in IRS Leadership Competencies

New Insight for Competency Development

- Competencies are interdependent, so increasing proficiency in competency companions (i.e., those with high correlations) has an additive effect on raising scores in the targeted competency
- *Finding:* Strongest increases in proficiency scores on targeted competencies achieved by developing competency companions

Proficiency Scores - 360° Assessed



The Power of Perception

Competency Companions for Developing Key Strengths

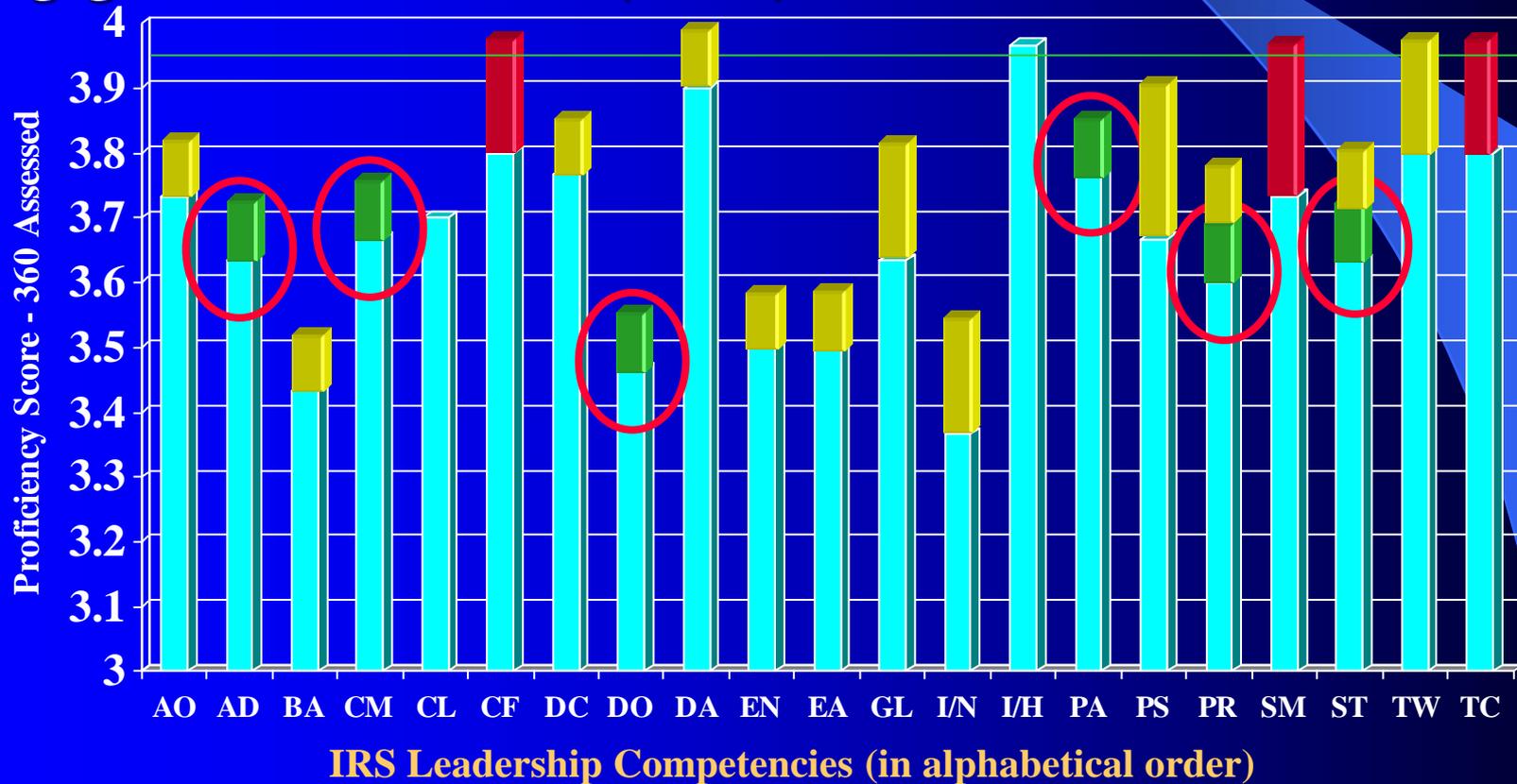
- List of statistically significant ($p > .001$) competency companions to develop to dramatically increase the proficiency scores (360° assessed) on targeted key competencies

Targeted Key Competencies	Competency Companions*		
Communication	Adaptability	Diversity Awareness	Group Leadership
Service Motivation	Partnering	Technical Credibility	Strategic Thinking
Strategic Thinking	Problem Solving	External Awareness	Technical Credibility
Developing Others	Group Leadership	Achievement Orient.	Diversity Awareness
Group Leadership	Developing Others	Communication	Decisiveness
External Awareness	Continual Learning	Business Acumen	Strategic Thinking
Influence/Negotiate	External Awareness	Partnering	Group Leadership
Business Acumen	External Awareness	Political Savvy	Problem Solving
Political Savvy	Partnering	Problem Solving	
Problem Solving	Decisiveness	Adaptability	
Technical Credibility	Strategic Thinking	Service Motivation	Developing Others

*Development of 5 in circles yields greatest influence on targeted competencies (each listed as 3 companions)

How to Build Strengths in Key Competencies

- Same IRS executive, new approach – develop competency companions
- Developing competency companions just 2% builds this executive's targeted areas by 5% and indirectly improves several other competencies (creating a “halo” effect) to easily increase overall perceived effectiveness to the 90th percentile (+80%) and employee engagement to about 80% (+78%)



Summary

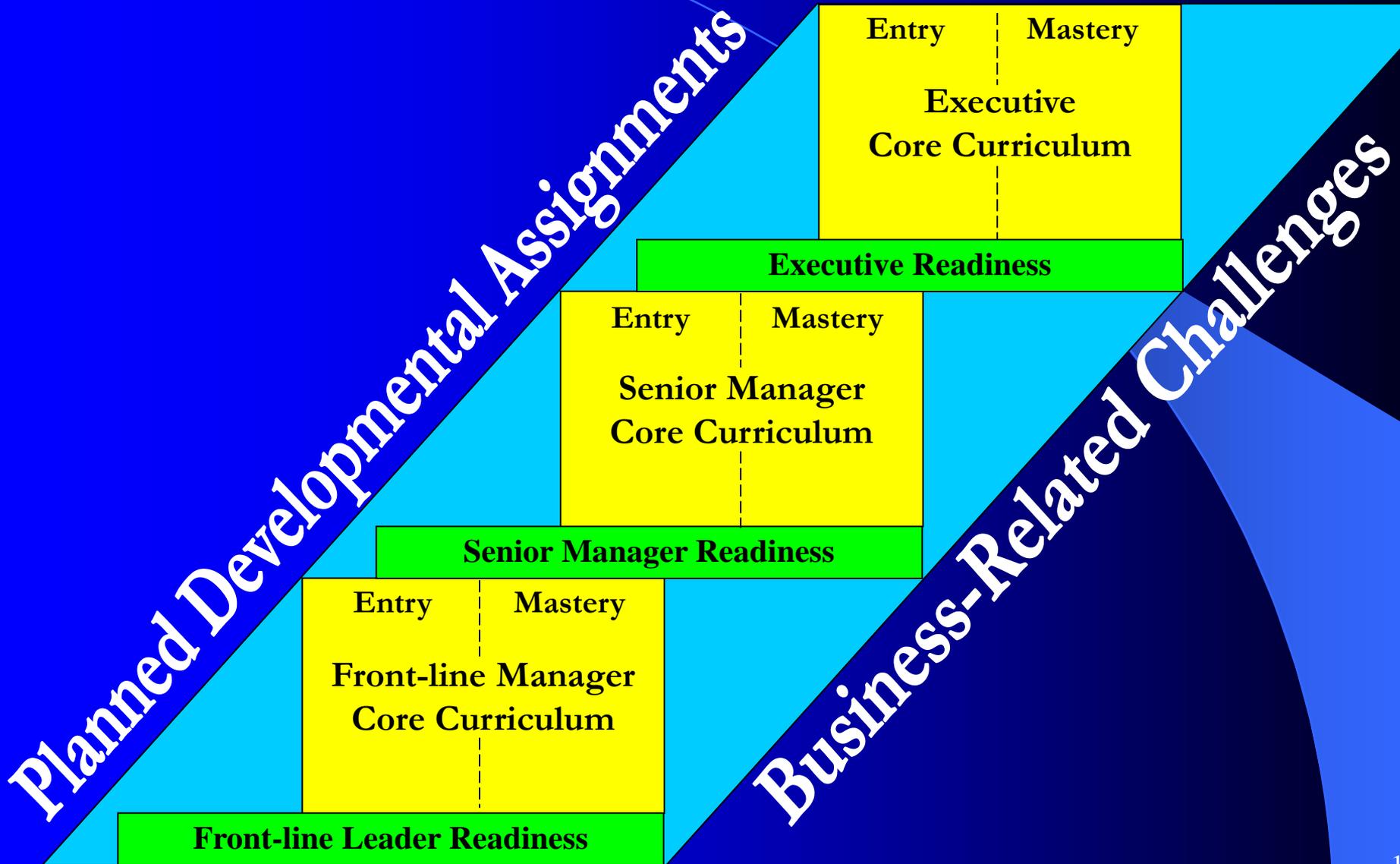
- Good does not equal great and we need more great leaders
- Great leaders are not superheroes
- Great leaders get the power of perception working for them, not against
- Building strengths raises perceptions of overall leadership effectiveness much more than sealing “performance perforations”
- One of the keys to building leadership strengths is leveraging a leader’s passions
- When building strengths, sometimes the best way is to build around them

How to Operationalize Findings

- Arm instructors/coaches/counselors with information to easily interpret a leader's 360° assessment and design individually customized developmental efforts to achieve huge behavioral improvements in key differentiating competencies and balanced measure results
- Use information to design core foundational leadership courses at each level to achieve huge behavioral improvements in key differentiating competencies and balanced measures results
- Provide baseline for further statistical work
 - Measure actual results against predicted results
 - Ongoing look into 360° results against performance evaluations, promotions, mobility, etc.



IRS Leadership Development Framework



IRS Leadership Competencies Arrayed By Leadership Level

Executive Leader <ul style="list-style-type: none">• Entrepreneurship• External Awareness• Group Leadership• Political Savvy• Service Motivation• Strategic Thinking	Senior Leader <ul style="list-style-type: none">• Achievement Orientation• Business Acumen• Continual Learning• Decisiveness• Developing Others• Influencing/Negotiating
Front Line Leader <ul style="list-style-type: none">• Adaptability• Communication• Partnering• Problem Solving• Teamwork• Technical Credibility	Employee <ul style="list-style-type: none">• Customer Focus• Diversity Awareness• Integrity/Honesty

Impact of Manager's Response/Follow-Up on Overall Leadership Effectiveness

