

The Competency You're Not Hiring For.

THE DESIGN PRINCIPLE

And it's costing you your best people.

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The competency you're not hiring for — and it's costing you your best people.

Here is a pattern I have watched repeat across regulated manufacturing and MedTech for 25 years. An organization has a brilliant engineer, a meticulous quality specialist, or a top-performing production supervisor. They are exceptional at the work. So the organization rewards them the only way it knows how: it promotes them into management. And then it does nothing else. No leadership development, no coaching, no structured transition. Just a new title, a team to manage, and the quiet assumption that someone good at the work will be good at leading the people who do the work.

Those are not the same competency. They never were. And the gap between them is now one of the most expensive, least-discussed risks in regulated industry.

“Technical excellence is what earns the promotion. Leadership capability is what the promotion actually requires. Most organizations develop the first and assume the second.”

The data on what happens next is stark. Research cited by Wharton finds that roughly 60% of new managers underperform or fail within their first two years — not because they lack talent, but because the majority must navigate the complexity of leadership on their own, with no training or structured support. Gallup's global research puts a number on the cost: poor management drains an estimated \$960 billion to \$1.2 trillion per year in the U.S. alone, and approaches \$7 trillion globally — roughly 9% of world GDP.

The manager crisis is now the workforce crisis

Gallup's 2026 State of the Global Workplace report, released in April, makes the connection impossible to ignore. Global employee engagement fell to 20% in 2025, the first time Gallup has ever recorded two consecutive years of decline. Disengagement cost the world economy more than \$10 trillion in lost productivity. And the root cause is no longer frontline workers — it is managers. Manager engagement has dropped nine points since 2022, with the steepest single-year decline between 2024 and 2025, falling from 27% to 22%.

What changed is structural. Managers used to carry what Gallup called an "engagement premium" — they were more engaged than the people they led, which made them a force multiplier for the whole organization. That premium has now evaporated. Managers are only as engaged as their teams, and when leaders disengage, their teams follow. Gallup's data is direct: 70% of the variance in team engagement is attributable to the manager. The manager is not one factor among many. The manager is the factor.

Sources: Gallup, State of the Global Workplace 2026 (Apr. 2026); Gallup 2025 engagement analysis

THE TRAINING GAP

Less than half of managers globally — just 44% — have received any formal training in how to manage. Gallup found that managers who do receive training are half as likely to be actively disengaged. When training is paired with ongoing development and encouragement, the share of managers who are thriving jumps to 50%. The intervention is known. The gap is that most organizations have not made it.

Source: Gallup, State of the Global Workplace 2025

Why this hits regulated industry harder

In MedTech and regulated manufacturing, the technical-expert-to-manager pipeline is especially pronounced. The work is so specialized that organizations naturally pull their leaders from the bench of their best technical people — the engineer who knows the process cold, the quality lead who has navigated three audits, the supervisor who can troubleshoot the line at 2am. These are exactly the people you most need to retain. And they are exactly the people who are most likely to burn out when handed a leadership role they were never equipped for.

The result is a compounding loss. You take your strongest individual contributor, you reduce their time on the work they excel at, you place them in a role they were not developed for, and — if it goes badly — you risk losing not only a manager but the technical depth they represented. In a sector already facing a documented talent cliff, that is a loss most organizations cannot absorb. Research from flowprofiler found that 77% of organizations report they lack sufficient leadership depth at all levels — a widening succession and capability gap that begins precisely at this transition point.

Source: flowprofiler, "Leadership Trends 2026" (Oct. 2025); WEF Future of Jobs 2025

What the organizations getting this right do differently

The fix is not complicated, but it requires intention. The organizations that navigate this well treat the move into leadership as a designed transition, not an automatic reward. Three structural choices separate them:

First, they decouple recognition from promotion. A technical expert who does not want to manage — or should not — can still be rewarded, advanced, and compensated through a technical or individual-contributor track. Promotion into management becomes a deliberate match of capability and interest, not the only path to advancement.

Second, they develop leadership capability before the promotion, not after. The research is consistent: leaving management training to chance is not a strategy. Organizations with a succession pipeline that holds are the ones that build coaching, feedback, and difficult-conversation skills into the development path well before someone holds the title.

Third, they support managers as an ongoing practice, not a one-time event. The leadership development that works is journey-based, not event-based — continuous coaching and development rather than a single workshop. This is what turns the 44% training gap into a thriving, engaged management layer that functions as a force multiplier rather than a point of failure.

Sources: Wharton Executive Education (2024); Blanchard leadership development research (2025); Gallup 2025–2026

The design question underneath the promotion

Every time an organization promotes a strong technical performer into leadership without developing the leadership competency first, it is making a design choice — usually without realizing it. It is choosing to treat leadership as something that happens automatically rather than something that is built deliberately.

The competency you are not hiring for, not developing for, and not promoting for is the one that determines whether your best people stay, grow, and multiply their impact — or burn out and leave, taking their technical depth with them. In an industry that cannot afford to lose either its leaders or its experts, that is not a human resources issue. It is an organizational design issue. And like every design issue, it can be solved — but only on purpose.

One question to carry this week:

Think of the last person your organization promoted into a leadership role. Did they receive any structured leadership development before they were handed a team — or did you assume that being good at the work would be enough?

Leadership capability is not a reward for technical excellence. It is a competency that has to be designed, developed, and built — on purpose.



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