“Ten Most Important Leadership Attributes”

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During the last 20 years many books and articles have been written extolling the importance of leadership and specifically how to develop high performing leaders. Fortune 500 companies spend millions of dollars a year on sophisticated talent management/succession planning processes, corporate universities, and leadership development programs.

With all this effort and money being spent it begs the question, why are there so many empty suits in key leadership positions? Some would say that many of our senior leaders have learned a number of bad behaviors (e.g. they are too consensus oriented, avoid making tough decisions because enemies can bite you in the future, accept mediocre performance) that helped them survive the economic implosion of 2007 and the economic roller coaster we have been on since then.

Our firm sponsored a research study by interviewing over 200 high performing senior executives (rated as outstanding) that were employed by mid and large cap companies across a range of industries. The purpose of the interviews was to try and identify the attributes that separate the leaders who ***“walk on water”*** from those that are ***“treading water”*** or who are ***“under water”***.

Based on interviews with executivesand personal experience in working with 100’s of clients we identified the top ten most important tenets for outstanding leadership;

1. **Leaders cannot save their company to prosperity.** One of our observations over the last 10 years has been a growing trend in leaders being promoted based on their capability to fight fires or manage crises. Companies should learn from the GE model for developing leaders. Leaders who are targeted for General Manager level positions are put in different operating companies to gain experience in a wide range of business cycles from high growth and mature businesses/industries to retrenchment/turnarounds providing their executives with a much broader experience base. Different business cycles require different skill sets to be successful. This diversity of experience allows leaders to develop a much broader skill set and better strategic thinking skills.

   Anyone with an eighth grade education can improve the financial performance of their organization by cutting costs – headcount reduction, curtailing travel and entertainment, and cutting back on R&D. Our study concluded that in downturns the highest performing leaders use cost cutting to stabilize their business and then quickly focus on implementing a targeted growth strategy to increase the top line.

Most organizations struggle with the growth side of the equation because they do not utilize the full range of growth engines and really do not know where their revenue is coming from. It is like a black hole. The internal growth engine is primarily composed of your planned marketing efforts (the 5 P's – Product, Pricing, Positioning, Promotion, and People. Conversely the external growth engine is comprised of mergers and acquisition, joint ventures, strategic partnerships, licensing, and alliances. Many organizations tend to overly rely on the external growth engine if they have deep pockets because they offer the promise of a home run outcome. The downside is that organizations are often bidding against other players so the price becomes inflated and historically the success rate of these deals is relatively low. The highest performing leaders have recognized that an important byproduct of their strategic planning process is the mapping of revenues to each discrete growth platform. This simple step greatly improves the accuracy of financial forecasting and avoids the all too common creative writing exercise we call financial forecasting. Even if an economy is in the midst of a recession it does not mean an organization cannot grow. Just take a look at the list of the large gainers on any of the finance websites.

2. **Good leadership does not equal being liked.** Many executives interviewed believe there has been a considerable ***"dummying down"*** of senior leadership over the last 5 years. As the more mature leaders retire or cash out they are being replaced by new leaders who have become experts at corporate survival and managing up

   As the older, more experienced, and often times more effective leaders have left the game (they retired, went to smaller companies, did something entrepreneurial) they have been replaced by younger leaders with stronger academic credentials. Often the new leaders were "ready now" in part because they developed the best corporate survival skills. These leaders became very adept at managing up and went to great extremes to avoid and not resolve conflict, and at times, avoiding making tough decisions. Another factor in promoting these behaviors is the inappropriate application of 360^0 performance management systems that inadvertently rewarded leaders based on their popularity. The leaders who made the tough decisions were ***"beaten up"*** (and they altered their behavior to conform) or were forced out because they had threatened the old guard.

   Another finding was that the most effective leaders did not assemble leadership teams or Boards of Directors comprised of their friends or yes people who have their backs. Their teams are comprised of a broad range of people who have different styles and capabilities, who feel they are empowered to question the status quo, they surfaced conflict, were not afraid to say no, and focused on value creation. They did not promote based on relationship management or pedigree but on generating results. The highest performing leaders were cognizant that they owned 51% of every vote or decision made within their team. They exercised their right when they felt their direct reports were going down the wrong pathway.

3. **Self awareness/high emotional intelligence is essential for engagement.** Executive effectiveness is constrained by a leaders ability to read situations, properly discern other peoples feelings and understand verbal/non verbal cues. For those of you reading this article who are executives ask yourself the following questions:
   - How often do you have a conversation with a corporate colleague and you walk away asking I know what they said, but what did they really mean?
   - How many times as the senior-most person in a conversion have you perceived a person was filtering communications to make a bad situation a bit more tenable?

   Perhaps the harder part of the equation is being able to use the cues you pick up to govern your own reactions to specific situations. In addition to developing skills for appropriately interpreting communications, cues, and messages, leaders must understand how they are being perceived and how to engage different stakeholder groups. Leaders must also manage emotions in both themselves and others they are interacting with to achieve their goals.

Daniel Goleman in his book entitled *"Working with Emotional Intelligence"* popularized the EI framework. He summarizes the following five main emotional intelligence constructs that leaders must master to optimize their effectiveness:

- **Self Awareness:** The ability to know one's emotions, strengths, weaknesses, drives, values and goals and understand how they affect other people.
- **Self Regulation:** Being able to quickly discern when their emotions/behaviors are adversely effecting interactions and redirect accordingly.
- **Social Skill:** Managing interactions at a micro level and relationships at a macro level
- **Empathy:** Being cognizant of other peoples feelings and take into consideration those feelings when making decisions.
- **Motivation:** Balancing your need to achieve and generate results with the feelings and needs of those around you.

4. **Think strategically but have good executional skills.** The leaders of tomorrow must have the ability to think conceptually and strategically in understanding very complex and global business markets/challenges. They must be exceptionally chess players thinking several moves ahead on the chess board of business.

   Leaders must become facile with data analysis to fully understand their markets, competitors, and customers, identify unmet needs, and then be able to align their business model and growth engines to increase shareholder value. They also need to be able to be open to countervailing views that shake their current understanding and conventions.

This reminds me of a conversation I recently had with the head of a large business segment in the Life Sciences industry. Having completed a strategic planning project with him he casually asked me over dinner one night, what did I think of his business? I answered, *"I think you are in deep trouble. Your internal new product development process is costing you 100's of millions of dollars and all you are getting is product extensions, your business model is bloated with a number of SBU's each with their own senior team (creating incredible cost burden your competition doesn't have), and supply chain and sales functions should be optimized across the organization not at the SBU level."* These are observations any good MBA should have made; they were not profound. In fact, they should have been obvious to this leader and the senior team but the leader could not conceive that the underlying business paradigms were no longer appropriate, and in fact, adversely impacting financial performance.

Soon after the financial performance of his business precipitously declined and he found himself a casualty of business – he was asked for his resignation. The learning is good leaders solicit input and data and use that data to inform their decisions – changing their strategy if needed.

One of the executives we interviewed noted that too many executives are uncomfortable with getting their fingers dirty and have weak implementation skills. She asserts, *"Too many executives today are great with pulling out a napkin and outlining conceptual thinking at an 80,000 foot level but they don't want to get their fingers dirty with the detail. You can't solve problems unless you understand the underlying processes. I regularly meet with employees to learn in detail what they are doing."*

The most profitable growth is often around applying one's core capability to an unmet market need. It is much harder to win the war by underpricing or out promoting the competition in an existing market. Often winning can be obtained by identifying Blue Ocean opportunities. This term was coined by W. Chan Kim and Renee Mauborgne professors of strategy at INSEAD, one of Europe's top business schools[2]. Based on 15 years of research analyzing many different companies across 30 industries they contend that the highest growth and profits are often best generated by creating new demand in an uncontested market space they call Blue Ocean (See Table 1.)

Table 1: Key Principles of Blue Ocean Theory

Underlying Principles:

- Instead of competing in known markets create uncontested market space. Create and capture new demand;
- Understand where the competition is currently investing, the factors the industry currently competes on, and what customers value from the existing competitive offerings on the market;

- Identify what factors need to be reduced below industry standards; what factors need to be raised above industry standards; and what should be created that the industry has never offered;
- Align the value chain in pursuit of true differentiation and low cost.

Blue Ocean opportunities can be identified by:

- Looking across alternative industries;
- Looking across the chain of buyers;
- Looking across complementary product & service offerings; and
- Looking for unmet needs in current markets.

Blue Ocean can be realized by:

- Stop offering factors that industry takes for granted or does not value (e.g., bags of peanuts on an airline flight);
- De-emphasizing factors that should be reduced below the industry standard (e.g., having a car dealer's maintenance department open until midnight);
- Increase your capability to deliver above the industry standard (e.g., customer service);
- Offering new factors that industry has not offered (e.g., WIFI on domestic airline flights).

5. Too much collaboration equals abrogation. Business is not a democracy, nor does it have to be a dictatorship. An alarming trend is leaders who consciously avoid making decisions because they either lack the confidence in their capabilities or are fearful of the repercussions of making a bad decision. Reward systems (base, bonus, equity) often compensate the wrong behaviors (risk aversion) and tenure instead of value creation and outcomes.

The highest performing leaders are not afraid to make unilateral decisions. The voice in their head is most likely the reason they are sitting in the corner executive seat. If a leader does not listen to this and exercise his or her 51% vote that leader is the one most likely to not have a seat when the music stops!

The highest performing leaders acutely recognize that behaviors drive operational and financial performance. Leaders must ensure there are meaningful consequences to both reward outstanding performance and sanctions with teeth for non performance. Most organizations today believe they have a pay for performance reward system. Behind closed doors many are still carrying a lot of *"dead weight"* because career progression in many organizations is heavily based on relationship management instead of generating results or value creation. The key to career progression has been to develop relationships with rising or key executives and ride their coat tails up the corporate ladder. Leaders need to model the right behaviors. They need to refuse to accept mediocrity and ensure the best performers are rewarded in a tangible and differentiated way. If the spread between an outstanding performer and an average performer is a 1-2% pay increase difference, do employees really think this is creating a meaningful consequence? Leaders must

ensure there is internal equity in their reward systems. One of the keys is to tightly align the HR practices to support the business strategy. According to one of the executives we interviewed, *"We use a meritocracy based system that allocates rewards in a differentiated way. The individuals who are at the highest performance level receive twice or more the rewards of an average performer. The lowest performers get no merit increases as well as limited bonus payouts and are either coached to improve their performance, aligned with a better role, or moved out."*

5. **Effective leaders understand performance drivers.** Many leaders lack a clear understanding of the cause and effect that drives organizational performance. If a leader understands the drivers of business performance, then that leader can develop leading metrics that can predict business results. For example, if a bio-pharma company analyzes what drives revenue they might find that historically there is a statistical relationship between number of physician sales calls and revenue generation. A statistical analysis of past performance might reveal that X number of calls to physician's results in Y number of meetings. With a close rate of AB they can create an algorithm that links calls to revenues. So if that company is in the middle of a quarter and behind in revenues, it is now clear what the leader needs to do to increase sales.

   The highest performing leaders use tools such as a strategy map (which can be used to identify performance drivers) and a balanced scorecard. The scorecard is then cascaded to compensation, budgeting, and the performance management practices for individuals who manage the business on a day-to-day basis. Once cause and effect are understood, the staff is educated to provide employees with ***"line of sight"*** so they understand exactly how they impact the top and bottom line.

   The utilization of appropriate checks and balances ensures the reward system has internal equity and will minimize the halo effect. One way to do this is to correlate unit performance with individual performance. For example, if there is a business unit with a headcount of 400 and 95% of them are rated as outstanding and exceed performance expectations than the overall unit should be exceeding its performance targets. If not, something is broken (poor performance metrics, leaders are not having difficult discussions with employees and challenging weak performance, etc.) and there is no internal equity.

   Another check and balance is the use of calibration. Leaders evaluate their direct reports across a conceptual continuum from hard graders to easy graders. By reviewing and potentially adjusting up/down evaluations you can normalize the evaluations across your leadership team based on cultural factors, business conditions, and your business strategy.

6. **Attract, develop, and promote staff based on impact not on ancillary factors.** Being faddish, most organizations today spend a considerable amount of time communicating the importance of talent management. They define what is a *"key position,"* and who are the *"ready now"* successors. This well-intentioned exercise

commonly turns into a fairly mechanical process of updating the names in the boxes. It is mechanical because often a very small percentage of these *"ready now"* successors are actually promoted when the key positions become vacant or the folks who are promoted are perceived as a bunch of *"empty suits"* (no internal validity). One of the leaders we interviewed noted, ***"hiring/promotion decisions need to be based on a person's performance and potential ability to complement the team and not be based on political issues or personal relationships."*** Leaders need to create things that have not been done before and encounter unknown events that require intuitive navigation. First hire innately smart athletes, not those who can only demonstrate already learned skills. Then invest in these athletes by providing enough time to obtain the right experience.

Too many organizations have fallen into the trap of looking for the silver bullet that in one svelte swoop will fix a complex problem. Look at the organization charts of many companies and one cannot help but see similarities in the dominant coalition. A disproportionate number of the executives:

- Have identical company pedigrees (GE or Pepsi folks – with the naïve assumption that everyone who has worked in these organizations is a super star);
- Have similar educational criteria (All third generation Stanford University or Ivy leaguers);
- Have very similar socio-demographic characteristics;
- Are promoted based on developing a tight relationship with a sponsor and not through achieving results (Called the Friends of X syndrome).

Disregarding organizational rhetoric, too many leaders today are promoted based on their sizzle not their substance or the impact or results they deliver. For those of you who are reading this and are taken aback, ask yourself the following rhetorical question, *"How many times have you walked out of a meeting with a senior executive and shook your head saying I cannot believe this person makes $500K?"* If it is obvious to you, it is equally obvious to the employee base. The HR practices work best when employees perceive internal equity.

HR practices such as talent management, performance management, and compensation have to be seen as being fair and equitable and capable of differentiating those who are outstanding performers from those who are the weakest performers. Presidents and CEO's have to challenge promotional/hiring decisions to ensure well designed HR practices achieve the desired outcomes.

7. Be ethical & values driven

One of the leaders we interviewed had extensive military experience as an army officer. He said there is a very fine line when you command solders and ask them to charge the enemy - 50% of them are willing to risk their lives for you and 50% are tempted to shoot you in the back.

Perhaps his sidebar was tongue on cheek but having formal authority will only get your staff to follow you to a certain extent. You have to tap other forms of power. The leaders who were the highest performing exhibited the following traits:

- **Honesty:** They were direct, they said what they meant, and meant what they said! They didn't exhibit selective memory when situations got testy.
- **Respect for others**: The highest performing leaders were acutely aware that results did not take precedence over a high staff body count. Respecting the feelings, needs, impact of decisions on others was a very critical success factor.
- **Passion:** Most of the leaders we interviewed described themselves as "*alpha males and females"* who were uber competitive. Several admitted early in their career they were extremely driven by financial compensation. In most of the cases, as the leaders matured they replaced their drive for financial wealth creation with a childlike passion. They really loved what they did!
- **Integrity:** Leaders uniformly communicated the importance of having a moral compass, unquestionable ethical standards, and consistent set of values so that staff understood the boundaries of what is and is not acceptable.
- **Trust:** One might argue that if you model most of the key points detailed in this article trust is the likely outcome from a relationship standpoint.

8.* A-Players only want to report to and work with other A-Players*. A famous sports coach once said, *"I am only as good as the talent of my players. My leadership only makes the difference in 10-20% of the games."* While these exact percentages may not translate to winning at business, directionally it causes one to stop and ponder. One of the discussions I had early in my career bears restatement. I was working with a grizzled executive at UTC who once said "*For every person on my staff who isn't holding up their own weight 10 other people know it and don't respect me as a manager."* That conversation happened over twenty-five years ago and I still remember it like it was yesterday!

The highest performing leaders set aggressive goals, hold staff accountable for results, and get rid of the bottom feeders. A players will not accept reporting to C Players long term. They will get very frustrated and either reduce their effort or seek employment elsewhere further diluting your talent gene pool. Key talent does not stay with a company because of compensation, the most common reason why key talent leaves is due to poor leadership! If you don't cull the bottom feeders, you create an organizational culture that is accepting of good enough. If this seems harsh reflect on your last experience working with state or federal government employees – the malaise, the lack of sense of urgency, the inefficiency….

One of the leaders we interviewed summed it up best, *"to be successful in the future a leader must be a broad thinker, fully understand the markets they compete in and the overall global ecosystem, be a strong developer of other leaders, and not lower the performance bar for employees who are not willing or able."* The most successful leaders must develop skills at growing their business, employ cost rationalizations skills for stabilization during business downturns, and employ strong leadership skills to engage and direct the workforce. To achieve this organization's

will need to do a much better job of aligning their HR practices (e.g., employment value proposition, talent acquisition, performance measurement, performance management, and rewards/recognition). Lastly the talent assessment, acquisition, and development processes have to better designed and managed so a culture of high dedication to excellence replaces the all too prevalent culture of hunkering down, risk avoidance, and managing up.

9. **Don't play the game not to loose, be a calculated risk taker.** In the game of football when a team is ahead in points and it's the waning minutes of the game they often use a strategy called the *"prevent defense"* to make it exceptionally hard for the other team to score.

   The same analogy holds for business. History is replete with examples of leaders who played the game of business not with an eye toward winning but not to loose.

   This may fly in the face of logic but this scenario is usually the result of three factors:
   1. The organization is doing financial forecasting and not using a robust strategic planning process that fully utilizes market driven data to inform decision making;
   2. There is a weak CEO/president or overall weak senior leadership team that lacks the decisiveness, has no sense of urgency, or lacks confidence in their ability to set direction and hold others accountable;
   3. A strong culture permeates that sets boundaries on what the organization can achieve.

10. **Establish and manage your culture.** We define the culture of an organization as the values, behaviors, and characteristics (e.g. centralized decision making, bureaucratic) that are inherent across the entity. Culture forms a boundary in terms of what you can and can't do in an organization.

    The highest performing leaders have realized that; 1) culture is malleable and can be changed over time, and 2) an organizations culture must be closely aligned with their business strategy.

    Over the years we have developed a typology an organizations can be arrayed into A, B, or C categories. (see Table 2). The intent is not to organize organizations into a good, better, best order but to understand culturally where each organization is and specifically where the culture needs to evolve in order for the business strategy to be successfully executed.

    Over the years we have used this typology along with other proprietary tools to align culture using the following steps:
    1. Translate the business strategy into 3-5 strategic thrusts
    2. Map the cultural characteristics to fully understand the **current** culture
    3. Identify the specific cultural characteristics, values, and behaviors needed to execute the business strategy in the **future**
    4. Prioritize culture gaps

5. Design and implement a culture alignment plan to reduce undesired cultural characteristics, employee values/behaviors and enhance desired one.

Table 2: A,B,C Organization Typology

Playing Fields	Examples	Cultural Characteristics
"**A**" Environments	Investment banking private equity, global consulting companies, industry leaders (Sysco, GE)	Up or out, meritocracy, strong sense of urgency and results on financial performance. Direct communications, no acceptance of mediocrity, uber competitive. Compensation and career advancement is typically in the top quartile.
"**B**" Environments	Mature industries, (e.g. financial services), middle of the pack performers	Focus is on fit, avoid conflict, status quo, and risk averse. Typically compensation is average or below average for their industry.
"**C**" Environments	Government, non profits, etc.	High job security, generous benefits/compensation generally below the market level, short work week, focus on activities NOT results

Leadership effectiveness is the difference between being an industry leader and a company ending up as a Harvard business case of what not to do. The attributes outlined in this article are actionable, easy to understand, and execute!

About the Author:

Ronald Recardo is the Managing Partner of The Catalyst Consulting Group LLC, an advisory firm that helps its clients grow, improve their performance, and address organizational issues. He has over 30 years of experience as both a consultant and executive at J&J and Fidelity Investments and worked for Arthur Andersen completing strategy/change management projects. During his career he has completed projects for over 140 different clients and is the author of 8 books and over 60 articles. If you have any questions on this topic Ronald can be reached at rrecardo@catalystconsultinggroup.org