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UNDERSTANDING EXECUTIVE POTENTIAL

The underappreciated leadership traits of the most successful executives — and why they're important

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How can an executive who is brilliant in her area of expertise — “the smartest person on the team” — end up failing at the next level of management or in a key international role? Why does a senior leader who has mastered the execution of strategy in a very complex, global business struggle in the next role that requires him to set and evolve the strategy?

Leaders are invariably surprised when a high-performing executive on their team fails to deliver in a different or more complex situation, but they shouldn't be. Most organizations have a limited view of the potential of their high performers, for several reasons:

- The traditional definition of “smart” tends to be narrow, often focusing on an individual's depth of knowledge in a particular subject area or his or her verbal acuity.
- Executives are typically evaluated on their track record in their current or most recent positions, or on attractive personality traits, such as energy or charisma. Significant domain expertise, strong relationships and relevant skill-sets allow individuals to excel in narrower roles, even when they lack the fundamental skills necessary to succeed in the next job.

- Most companies lack ways to gain a more nuanced understanding of an individual's capabilities, especially their potential for complex roles beyond their current expertise. Few organizations have a method for measuring the underlying drivers of leadership effectiveness, which limits their ability to make informed judgments about how someone is likely to perform in future positions.

One way Spencer Stuart works with clients is to help improve their understanding of the fundamentals that drive executive performance and evaluate how the individuals on their management team stack up in those key areas. Formal assessments provide detailed insights into the strengths, weaknesses and potential of executives, and reveal the specific developmental needs of each individual so the organization can provide them opportunities to build skills and experience through targeted coaching or new assignments. Our assessments evaluate individuals in three areas: their business and functional competencies; their Executive Intelligence, or cognitive abilities relevant to business, including their problem-solving ability, understanding of people and self-evaluation skills; and the observations of others, who can validate the individual's performance in current and past roles.

The building blocks of great leadership

Drawing on extensive research and thousands of executive assessments, we have identified several leadership traits and skills that we see as fundamental to senior-level executive success, but that are often overlooked or underappreciated when companies evaluate individuals for their next position. We also include questions leaders can use to better understand whether high performers in one setting are likely to be able to make the leap to more challenging senior roles, particularly where existing knowledge will be a less important factor for success. These questions will not produce the insights of an in-depth executive assessment, but are meant to help executives maximize the quality of their judgments around these fundamental skills.

The knowledge and skills that propel an executive early in his or her career — such as domain expertise, knowledge of the business and strong relationships — are not necessarily good predictors of an individual's ability to excel in the senior-most roles. As a result, when organizations focus on these strengths rather than the leadership traits that are essential to success in new and highly complex roles, they can make the mistake of placing a strong performer in a position beyond their capabilities.

Exceptional business judgment

Executives' knowledge of the business, technical expertise and understanding of how to get things done in an organization are critical to their career advancement and effectiveness in a role. Individuals with extensive experience draw on their knowledge when making decisions about the business; they understand the competitive and market issues, the capabilities of the organization and the potential consequences of different courses of action.

However, domain expertise itself is not sufficient to excel as a CEO or in the other most senior roles in a company. Executives at the top have to be able to operate in an environment with a great deal of ambiguity and many unknowns. The issues they face are more complex, and their decisions have broader impact and have to be made with less information and, often, with less time to deliberate. Executives in these roles must be able to go beyond executing strategy to setting and evolving strategy.

To be effective at this level, leaders must be able to frame problems accurately, see issues from multiple perspectives, make reasoned judgments about how to proceed or not proceed, evaluate the quality of information that may be outside of their area of expertise, tease out areas of priority or emphasis and foresee the potential consequences of different courses of action. This set of skills, which are critical to business judgment and decision making, are core to what we call Executive Intelligence.

Questions to consider

Do I trust this person's judgment in complex, ambiguous situations?

Has their decision making been tested when leading a team outside of their area of expertise and in situations of great complexity and ambiguity?

Ability to recognize interpersonal dynamics and apply them in decision making

Over time, successful executives typically have built strong relationships with other people across the organization, which they can draw on to get things accomplished. An experienced executive typically knows who in the organization has the necessary skills or knowledge for specific projects and has insight into other people's motivations and agendas. These relationships also help the executive navigate organizational complexities and provide behind-the-scenes sources of information and intelligence. When executives have good relationships, other people will tell them what is going on, warn them about potential challenges or landmines and tolerate their mistakes.

But leaders at the very top may not have the luxury of these established relationships when they have to make decisions and influence behavior. At the most senior levels, executives have to be skilled at operating in politicized situations and reading the power dynamics — both internally and externally. They need to be aware of how others might perceive their words and actions as well as the internal dynamics related to competition for resources and individuals' efforts to position themselves with the board or CEO.

Leaders who do this well are able to accurately identify the issues and perspectives that are central to a conflict and balance the different needs of relevant stakeholders. They recognize the agendas and motivations of individuals and groups who are involved in a particular situation and anticipate the emotional reactions that people may have to actions or communications. This set of skills, related to an individual's social intelligence, is another critical component of Executive Intelligence.

Weakness in this area can be very costly to executives. People who score lower in social intelligence often misread the complexity of a situation, tending to ignore or overlook the behind-the-scenes dynamics or less obvious players who may have an impact on the outcome. They may struggle to find the right balance between safeguarding relationships and pushing the agenda forward, either forcing an outcome at excessive cost or failing to advance a business objective in the interest of avoiding conflict. Even individuals who are brilliant analytically can sabotage themselves or their programs by saying the wrong thing to the wrong person at the wrong time.

Questions to consider

How effectively does the executive read and respond to interpersonal dynamics in sensitive, high-stakes and complex situations?

Does the individual understand the power of his or her words and actions on others and quickly create alignment among stakeholders with divergent interests?

Can he or she successfully navigate politicized situations where personal relationships and a cooperative style are not sufficient?

Highly effective people management and team building

Many of the very best executives command extraordinary loyalty from their people and, at the same time, maintain the pressure to perform at a very high level. These leaders are simultaneously tough and demanding and well-respected and loved by their teams. They do this by being clear about expectations, relentless about holding people accountable for results, and by creating an environment where members of the team feel trusted and empowered to make a difference.

Strong leaders in this area are willing to delegate to their team and listen to their ideas. They give people the creative freedom to accomplish their tasks as they see fit, while holding them accountable for results and taking corrective action when commitments are not met. By creating such an environment, these executives put themselves in a position where they are able to cherry pick and evolve the best ideas from their team.

Questions to consider

Does this person have a track record of building high-performing teams?

Is he or she willing to hold people accountable when they fail to meet objectives?

Does this person create an environment where people feel motivated to contribute, while also holding others to high standards?

Humility and substance

The traditional view of a business leader is an individual with a commanding presence, who conveys confidence and certainty. Today, we take a more balanced view of the ideal leadership style. While executives still should be confident and decisive when appropriate, they increasingly are expected to be humble, self-aware and transparent.

This change in expectations is being driven by both internal and external forces. In the wake of corporate scandals, the financial meltdown and very public business crises, trust in corporate leaders has eroded. Governments and the general public look critically at leaders who don't seem to "get it" or whose egos keep them from listening to the concerns of others. Meanwhile, changing expectations in the workplace also demand a more open and transparent style of leadership. Younger workers are less comfortable in a command-and-control environment and want to work for companies where they feel they can make an impact and where their values are aligned.

This set of skills represents the third component of Executive Intelligence. Executives who excel in this area continuously signal that "it's not about me, it's about us." They cultivate self-awareness and are conscious of the different work styles and communication styles of others. They are willing to listen to the ideas and concerns of others without becoming threatened or shutting down discussion. When their point of view is challenged, the best leaders are able to park their ego and recognize the opportunity to hear the substance of somebody else's argument, work hard to understand it and apply it, rather than go into defense-and-attack mode. Reacting negatively at these critical moments can close the door to future dialogue and input from others.

Questions to consider

Does the individual show the mental flexibility to quickly evolve their thinking based on others' inputs?

How does he or she react to feedback or criticism of their ideas?

Does he or she really listen to substantive input from people who know? Does he or she seek it out?

Great developers of people

The best leaders collect other great leaders over time. They attract strong people to their teams. They invest the necessary time to personally coach members of their team through informal conversations and ongoing feedback about what they are doing well and areas to improve.

Most executives today understand that developing a strong team is a very important requirement of effective leadership, and a growing number of organizations expect senior leaders to groom successors. Executives who truly excel in this area are committed to developing their teams and are able to talk about the stars who have worked for them in the past. They keep track of these individuals' careers and can describe their developmental milestones.

Developing talent requires much more than once- or twice-a-year performance evaluations. It involves a proactive and sustained commitment to coaching team members through formal and informal approaches. When executives are skilled in this area, there will be a pattern of results — individuals inside and outside the organization whose careers have been shaped significantly because of their relationship with that executive.

Questions to consider

Is talent development a priority for this executive? How has he or she demonstrated that it is a priority?

Are there a number of individuals in the organization whose careers have been shaped through their relationship with this executive?

The ability to drive change

People often view driving change as an organizational task, requiring, for example, a realignment of processes or the development of a new structure that makes sense on paper. But truly driving change is an activity that touches every element of an organization — people, processes, structure, culture and strategy. The ability to initiate and drive change, then, is a hugely complex task that requires a very broad skill-set, including business judgment and strategic insight, social intelligence, self awareness and excellent people management skills. In addition, driving change requires influencing skills and, as one moves to the highest levels of an organization, the ability to inspire from a distance.

A CEO or other top leader does not have direct relationships with all of the people in the organization who must buy into and help execute a new vision. So, to lead change at these more senior levels, an executive has to be able to connect, engage and influence from that distance in order to infuse an organization with a sense of purpose and the motivation to do the hard work of change, especially in the absence of a crisis.

In reality, an individual is unlikely to excel equally well in all of these areas. Some people have the visionary and strategic skills that enable them recognize opportunities to change, but lack the ability to influence people throughout the organization to get on board. Others are brilliant at implementing change that someone else initiated, but are not good at envisioning alternative directions.

Questions to consider

What are this person's strengths? Does he or she come up with the big ideas? Are they most skilled at executing an idea from elsewhere?

In past situations of change, what was the individual's role in developing the vision, influencing and motivating others to embrace the idea, and driving to a result?

Conclusion

While many people have built successful careers on the strength of their domain expertise, strong relationships and knowledge of the workings of the business, executives who ascend to the highest levels of an organization require skills that transcend experience and situational knowledge. These fundamental leadership qualities, which enable executives to deftly stretch into new and more demanding roles, include:

- Exceptional business judgment
- The ability to recognize interpersonal dynamics and apply them in decision making
- Highly effective people management and team building
- Humility and substance
- Effective people development skills
- The ability to drive change

Few individuals possess all of these capabilities in equal measure, but executives with more of the fundamental skills can be stretched much further, much faster than others. In fact, data from our executive assessments reinforce the importance of these skills as a driver of executive performance: CEOs and CEO candidates as a group score markedly higher on average than other executives in the three areas of Executive Intelligence — business judgment and problem-solving ability, social intelligence and self-evaluation skills.

By understanding the capabilities that are fundamental to executive performance and learning how to recognize them in individuals on their team, CEOs and other leaders can make better deployment and development decisions when considering individuals' potential to excel in their next position, and beyond.

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