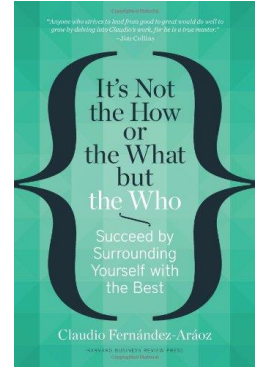


It's Not the How or the What but the Who: Succeed by Surrounding Yourself with the Best by Claudio Fernández-Aráoz (Harvard Business Press, 2014) reviewed by Steve Gladis, January 2015.



1. **The Enemy Within.** “At most companies, people spend 2% of their time recruiting and 75% managing their recruiting mistakes,” says Richard Fairbanks, CEO, Capital One. Through inertia, we avoid regular reviews of people, even when we know we don’t have the best people around us. Cutting your losses isn’t easy but is necessary to move ahead. We don’t work as hard evaluating insiders as we do outsiders. However, going outside is economically justified only 6% of the time as opposed to 30% for going “inside” for talent. When possible, promote from within after benchmarking to the best external potentials. Despite defined criteria, evaluators are highly influenced by attractive outside candidates and emotions. Create a checklist when selecting people for interviews. Decision fatigue (people make poorer decisions later in the day) affects our choices. We make better decisions when we are fresh – after lunch or breaks.
2. **Outside Obstacles and Opportunities.** Ideal ages for emerging execs is 35-45. There’s a 30% decline in those ranks as baby boomers age out, creating a big deficit of available emerging leaders. Pipeline issues abound – aging execs, not good job rotation for high potentials, and a lack of succession planning. Globalization, demographics and poor pipelines add up to a disaster. There are huge differences between “the best and the rest,” especially in more complex jobs. The best salesperson at Nordstrom outsells others by 8 times; the best developers at Apple are 9 times as productive. Message: Retain top performers or suffer mightily.
3. **The Right People.** Corporation execs make decisions 70% of the time based on only one alternative to choose from, and they make errors 52% of the time. Can have choice overload – we’re better selecting from 6 offerings than from 24. Too many alternatives are as bad as too few. Checklists work! Surgeons have found checklists, just like the ones pilots use, work very well in preventing errors. Simple stats based on performance measures can better predict success than intuition. In fact, emotional intelligence (managing self and others) is the most important factor in predicting success of execs. Performance is less portable than we believe. Performance = processes, products, people and politics – most of which you can’t take with you. Assess “fit” with your culture, people, and strategy when hiring an outsider. In an uncertain world, adaptability – especially in non-linear environments – should count bigtime, just like performance. Don’t compromise on values, cultural fit and potential.



Egon Zehnder has developed several general high-potential traits (motivation, curiosity, insight, engagement and determination) as well as 8 leadership competencies: Strategic, Market insight, Results oriented, Customer focused, Collaborative, Develops talent, Team leadership, Change leadership – based on a massive study with McKinsey that was validated.

4. **The Bright Future.** Incoming execs need good integration, development, coaching. However, a study at Princeton shows that fewer than 4% of companies devote enough resources to onboarding despite all the research that shows the importance of such transitions. Have new execs meet everyone (up, down, across, outside) who can impact on their success or failure. Do a 360 in 90 days to take the organization's temperature on the transition. All high potentials (HIPOs) are high performers, but most high performers are not high potentials – most people don't grow to the next level. High potential traits: motivation, curiosity, insight, engagement and determination. Most companies don't have a tested methodology for selecting high potentials. Companies that tell their best people that they are the HIPOs are likely to have better retention. "We are our choices," said Jeff Bezos at a Princeton graduation. A good development approach: Get assessment of strengths and weaknesses and focus on strengths and working toward the "ideal self."
5. **Teams that Thrive.** Six critical team functions: Balance (diversity of skills and strengths), Alignment (purpose and actions), Resilience (holding together in stress), Energy (ambition and initiative), Openness (building connections), Efficiency (optimizing resources). Rate teams on these 6 team functions [Team Effectiveness Review (TER)]. Different teams need different things: Turnaround – Efficiency and Resilience; New Venture – Openness, Energy, Resilience; Post-merger Integration – Balance and Alignment. Women make up only 15% of Fortune 500 companies and only 4% of CEOs but are 46.6% of the labor force. Of the two systems of pay – lockstep (equal pay) and eat-what-you-kill – lockstep produces better reputation, profitability and nicest culture! However, in lockstep you need a rigorous people process and a strong culture. Lockstep produces more collaboration (such as sharing leads) and strong values. Otherwise, you have lone wolves starving.
6. **A Better Society.** CEO transition is critical – start early, 3-4 years before he or she expects to leave. Develop a list of key CEO competencies. Build an internal bench of strong candidates and look externally. Require the Board to do emergency succession drills – because most transitions are unplanned. When it comes to Boards, it's more about how they work together than a strict set of rules and regs. You want results orientation and strategic orientation, as well as collaboration, integrity and

independence. The most successful companies invest in talent – no matter the economic climate. Don't lay off talent in tough times; you won't be able to get them back when the economy rebounds. Companies that don't overreact come out of recessions much better. Don't freeze hiring during a crisis – it's a great time to get high-value employees from the competition. Millennials will soon be the largest employee group – 70 million. Conclusion: we're moving toward an era of "potential" selection – people who can adapt to uncertain environments.