CHIEF LEARNING OFFICER

New Study Finds Nice Guys Finish First When It Comes to Performance

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Boards, investors and search executives may need to adjust their criteria for screening potential leaders based on an executive leadership study recently completed by organizational consulting firm Green Peak Partners in collaboration with a research team at Cornell University's School of Industrial and Labor Relations.

The study shows that harsh, hard-driving, "results-at-all-costs" executives actually diminish the bottom line, while self-aware leaders with strong interpersonal skills deliver better financial performance.

"Our findings directly challenge the conventional view that 'drive for results at all costs' is the right approach. The executives most likely to deliver good bottom line results are actually self-aware leaders who are especially good at working with individuals and in teams," said J.P. Flaum, Managing Partner at Green Peak Partners, which provides organizational and leadership consulting for public and private equity-backed companies.

Their study, "What Predicts Executive Success?", delved deeply into the leadership styles, backgrounds and track records of 72 senior executives at public, venture-backed and private-equity sponsored companies.

"A key takeaway is that soft values drive hard results -- and that companies and their investors need to put more effort into evaluating the interpersonal strengths of potential leaders. Evaluating technical competence alone isn't enough," said Dr. Becky Winkler, Principal at Green Peak.

Key Findings

More specifically, the study reveals that...

- "Bully" traits that are often seen as part of a business-building culture were typically signs of incompetence and lack of strategic intellect. Such weaknesses as being "arrogant," "too direct" or "impatient and stubborn" correlated with low ratings for delivering financial results, business/technical acumen, strategic intellect, and, not surprisingly, managing talent, inspiring followership, and being a team player.

- Poor interpersonal skills lead to under-performance in most executive functions. Executives whose interpersonal skill scores were low also scored badly on every single performance dimension.

- Leadership searches give short shrift to "self-awareness," which should actually be a top criterion. A high self-awareness score was the strongest predictor of overall success. "Executives who are aware of their weaknesses are often better able to hire subordinates who perform well in areas in which the leader lacks acumen," said Dr. Winkler.

- Experience at many different companies is not a good plus. The more organizations an executive worked with early in his or her career, the lower the people management rating. "Executives who change jobs frequently are often trying to outrun a problem, and that problem often has to do with how they 'fit' in the workplace," Mr. Flaum explained. "Job hoppers also lack perspective on the outcome of their leadership decisions as they typically leave before the changes take effect."

- People with multiple siblings tend to be better leaders. Executives with more siblings were rated highly in their ability to manage people and drive results. "No one says it better than the Bank of America CEO Brian Moynihan, who's quoted in USA Today saying, 'Having seven siblings [gave me]... a unique background in understanding what competition is,'" remarked Mr. Flaum.

What should PE investors, boards and management do? Focus on how a leadership candidate does the work as much as on what he or she has done.

"There are limits on the degree to which someone can improve his or her basic ability to interact well with others, which means that focusing on interpersonal skills when selecting the right candidate becomes critical. The challenge is that these qualities often aren't revealed by standard tests and interview techniques," said Dr. Winkler. "Therefore, what's really needed is a change in focus: Boards, private equity general partners and management teams need to focus not only on what executive candidates do but also on how they do it."

"The most important step boards and investors can take is to become more aware of the culture of the companies they own and run," she added. "Context matters. It's not enough for an investor or director just to sit in on board meetings, which has been the inclination. They need to understand how people interact in the company, and make sure that those interactions are positive and truly supporting the bottom line."

While interpersonal skills are difficult to learn, boards and investors should look for senior executives who are teachable at some level. "Once again, it comes down to that quality of self-awareness -- if you can select for that, there may be performance benefits across all categories."

To learn more about the study, or to arrange an interview with J.P. Flaum or Becky Winkler, please contact Katarina Wenk-Bodenmiller of Sommerfield Communications, Inc. at 212-255-8386 or Katarina@sommerfield.com.

About the Study

The study, commissioned by Green Peak and conducted by a research team at Cornell University's School of Industrial and Labor Relations, involved 72 senior executives across 31 companies, half of them with C-level or President titles, who were assessed by Green Peak between 2005 and 2008. As Dr. John Hausknecht, Cornell Assistant Professor, stated, "We know very little about what predicts executive success -- it is extremely rare to gain access to detailed pre-hire candidate information and short- and long-term indicators of executive performance for this many individuals. Much of what has been written about the predictors of executive success is based on personal anecdotes or conventional wisdom rather than scientific evidence."

The study consisted of two phases. In the first, the executives participated in Green Peak Partners' extensive executive assessment program, which is based on an in-depth four-hour interview. The evaluations probed the executives' backgrounds -- family, education, early-career and recent professional experiences -- and mapped a series of qualities, including leadership styles and technical competence. In the second phase, interviews were conducted with the executives' bosses between April and October of 2009 to determine how well the executives performed on the jobs for which they were hired. Through statistical analyses, performance was simplified into two categories -- the ability to drive results and the ability to manage talent. One of the important outcomes of the study has been the reinforcement of the belief that an executive's experiences and leadership style are directly linked to his or her performance.

- Companies ranged in size from $50 million to $5 billion in annual revenue.
- The top industries represented were retail (31 percent), technology (26 percent) and finance (17 percent).
- Average work experience was 22.4 years.
- 29 percent were CEO candidates.
- 17 percent were female.
- 10 percent attended an Ivy League University.

About Green Peak Partners

Green Peak Partners is a premier organizational consulting firm, with offices in five North American cities, dedicated to expanding the talent and leadership capability of client companies at both the individual and team level. Green Peak helps investors and their companies secure a competitive edge by backing the best people and fully leveraging their leadership talents. Green Peak serves leading private equity firms, their portfolio companies, other private companies and outstanding public companies. The firm offers the best in talent assessment, executive coaching and senior-level facilitation in the country. For more information on Green Peak Partners, please visit http://greenpeakpartners.com/.

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