

A 10-Year Study Reveals What Great Executives Know and Do

Ron Carucci, January 19, 2016



Despite the huge impact executives can have on their organizations, failure rates remain high. Prescriptions for what to do continue to fall short. So we wondered: If we closely studied the executives who succeed in top jobs once appointed, could we identify distinguishing features that set them apart and defined their success?

As part of our ten-year longitudinal study on executive transitions, which included more than 2,700 leadership interviews, we did a rigorous statistical analysis (including more than 90 regression analyses) to isolate the skills of the top-performing executives. We isolated seven performance factors correlated to strong organizational performance as well as leadership strengths through IBM Watson's content analysis tools as well as historical performance reviews of these leaders and their direct reports. These seven factors led to our discovery of four recurring patterns that distinguished exceptional executives. What separated the "best of the best" from everyone else is a consistent display of mastery across four highly correlated dimensions, while "good" executives may have only excelled in two or three. Executives who shine across all four of these dimensions achieve the greatest success for themselves and their organizations.

They know the *whole* business

Exceptional executives have deep knowledge of how the pieces of the organization fit together to create value and deliver results. Many leaders arrive into the C-suite having grown up in functions like Marketing or Finance and lean too heavily on instincts and cognitive biases shaped by their ascent within those disciplines. Leaders who ran one business of a multi-business enterprise often favor that business within the larger portfolio. Exceptional

executives defy such predispositions in order to integrate the entire organization into a well synchronized machine. Executives develop breadth by broadening their exposure to the full organization and taking assignments across disciplines.

They also focus on strengthening the organization's seams to minimize poor coordination and fragmentation while maximizing the things the organization must do in competitively distinct ways. One client struggled for years to consistently meet customer satisfaction expectations.

In comparative rankings they were generally at or near the bottom of the list. When quarterly forecasts were missed again, Sales retrenched to fix a pricing issue, Customer Marketing focused on better content, and Supply Chain tried to stay ahead of last-minute changes. When all their well-intentioned, but separate, solutions showed up at retail, customer satisfaction never improved. It was the head of R&D who forced all the functions into a room to solve the problem *systemically*. Together, they revealed obstinate issues of coordination and contradicting priorities between functions who needed to synch up to meet customer expectations. A year later their customer satisfaction improved by 40%.

They are great decision-makers

Exemplary executives have the ability to declare their views, engage others' ideas, analyze data for insights, weigh alternatives, own the final call, and communicate the decision clearly. This skill inspires markedly higher confidence and focus among those they lead. Because they're good decision-makers, they're also good prioritizers, since setting priorities is all about selectively choosing from among various tradeoffs. Focusing on a few priorities helps these executives ensure successful execution and avoid overwhelming the system with competing goals. They also ensure accountability is crystal clear to the organization.

At the heart of great decision making lies a balance between instinct and analytics. On one end of the continuum are leaders who "trust their guts." They combine experience and emotion into well-developed intuition. On the other end of the continuum is the leader who relies on exhaustively mining data for insightful perspective to address the decision or problem they face. Exceptional executives function fluidly along this entire continuum, and recognize where their predispositions lie for either being overly impulsive or paralyzed by analysis..

Making good decisions seems to be a comparatively rare skill. In one McKinsey survey of 2,207 executives, only 28% said that the quality of strategic decisions in their companies was generally good, 60% thought that bad decisions were about as frequent as good ones, and the remaining 12% thought good decisions were altogether infrequent. This is consistent with our own findings. The proclivity of bad decision making is usually intensified by poor decision-making systems in organizations. So even leaders whose instincts might otherwise be effective have their ability compromised.

They know the industry

Exceptional executives maintain a solid grasp on the ever-changing context within which their business competes. Their natural contextual intelligence lies at the intersection of insights into how their organization uniquely competes and makes money, and what is most relevant to the customers they serve — even when customers may not know themselves.

The ability to apply intricate wisdom of one's business to emerging competitive threats requires the ability to see trends and emerging possibilities on a multi-year horizon. Too often, leaders are stymied by competing investment options or caught flatfooted in the face of profit shortfalls. Lacking an understanding of how value is delivered to their market, they make suboptimal investments. More typically, they reflexively make across-the-board cost cuts that restrict their ability to maneuver in a shifting competitive arena.

The leaders who scored highest on this skill were described as having innate curiosity and deep knowledge of their business context which they apply to wider economic, technological, and customer trends. Armed with a clear point of view, these exemplars more readily addressed threats and took earlier advantage of opportunities. Executives develop context by grounding themselves in external realities of their organization, by remaining curious about adjacent industries, and seeking disconfirming data about commonly held assumptions regarding their company.

They form deep, trusting relationships

Every organization has executives everyone wants to work for. These executives form deep connections with superiors, peers, and direct reports, studying and meeting the needs of key stakeholders. They communicate in compelling ways and reach beyond superficial transactions to form mutually beneficial, trusting relationships. Their legacy becomes a positive reputation within the organization for consistently delivering results while genuinely caring for those who deliver them.

It was no surprise that of the four dimensions, relational failure led to the quickest demise among second-best executives. While exceptional executives led with a humble confidence that graciously extended care to others, second-best executives were inclined to manage perceptions, creating the illusion of collaboration while masking self-interested motives. Executives develop connection by investing heavily in their own emotional and social intelligence, actively solicit feedback about how others experience them, and learn to be vulnerable with their shortcomings to create trust with others.

There's a lot of research on the importance of executive relationships. One study revealed that executive's fears of appearing incompetent, underachieving, and political attacks from rivals accounted for 60% of bad behavior among executive team relationships. Another study supports our findings that among the high failure rate of transitioning executives, failed relationships account for a disproportionately higher percentage of all executive failure.

All four of these attributes are learnable, and it's never too early to start developing these skills. Consider where in your current role you have the greatest opportunity for more impact, and which of these four dimensions might be holding you back. You will quickly find they are highly interrelated. So learning more about your own company's business may require building relationships in others departments. Making sharper investment choices might require learning more about your industry's changing context. Pick one place to start that will accelerate your impact, and you will be surprised at how quickly you and others see the difference.

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