

"Anyone who strives to lead from good to great would do well to grow by delving into Claudio's work, for he is a true master."

—Jim Collins

It's Not the How or the What but the Who

Succeed by
Surrounding
Yourself with
the Best

Claudio Fernández-Aráoz

HARVARD BUSINESS REVIEW PRESS

Harvard Business Review

HBR.ORG

JUNE 2014

SPOTLIGHT

ARE INVESTORS BAD FOR BUSINESS?

The Capitalist's Dilemma

Clayton M. Christensen and
Derek van Bever 60

The Price of Wall
Street's Power

Gautam Mukunda 70

Managing Investors

An interview with Sam Palmisano 80



How to Spot Talent (Hint: Experience Is Overrated)

PAGE 46

Harvard Business Review

HBR.ORG NOVEMBER–DECEMBER 2017

MANAGEMENT 46

Why Your
Company Needs
an AR Strategy
Michael E. Porter
and James E. Hoppelmann

LEADERSHIP 66

The Best-
Performing CEOs
in the World
2017 edition

ORGANIZATION 110

Stop Doubling
Down on Your
Failing Strategy
Frank Vrooman
and Hiro Sranathan

HBR GOING YOURSELF 120

Are You Suited
for a Start-Up?
Jeffrey Busgang



DOUBLE
ISSUE



LAUNCHING SUCCESSFUL LEADERS

HOW TO MAKE SURE
YOUR MOST PROMISING
PEOPLE REACH THEIR
HIGHEST POTENTIAL

PAGE 86

Talent is key for success

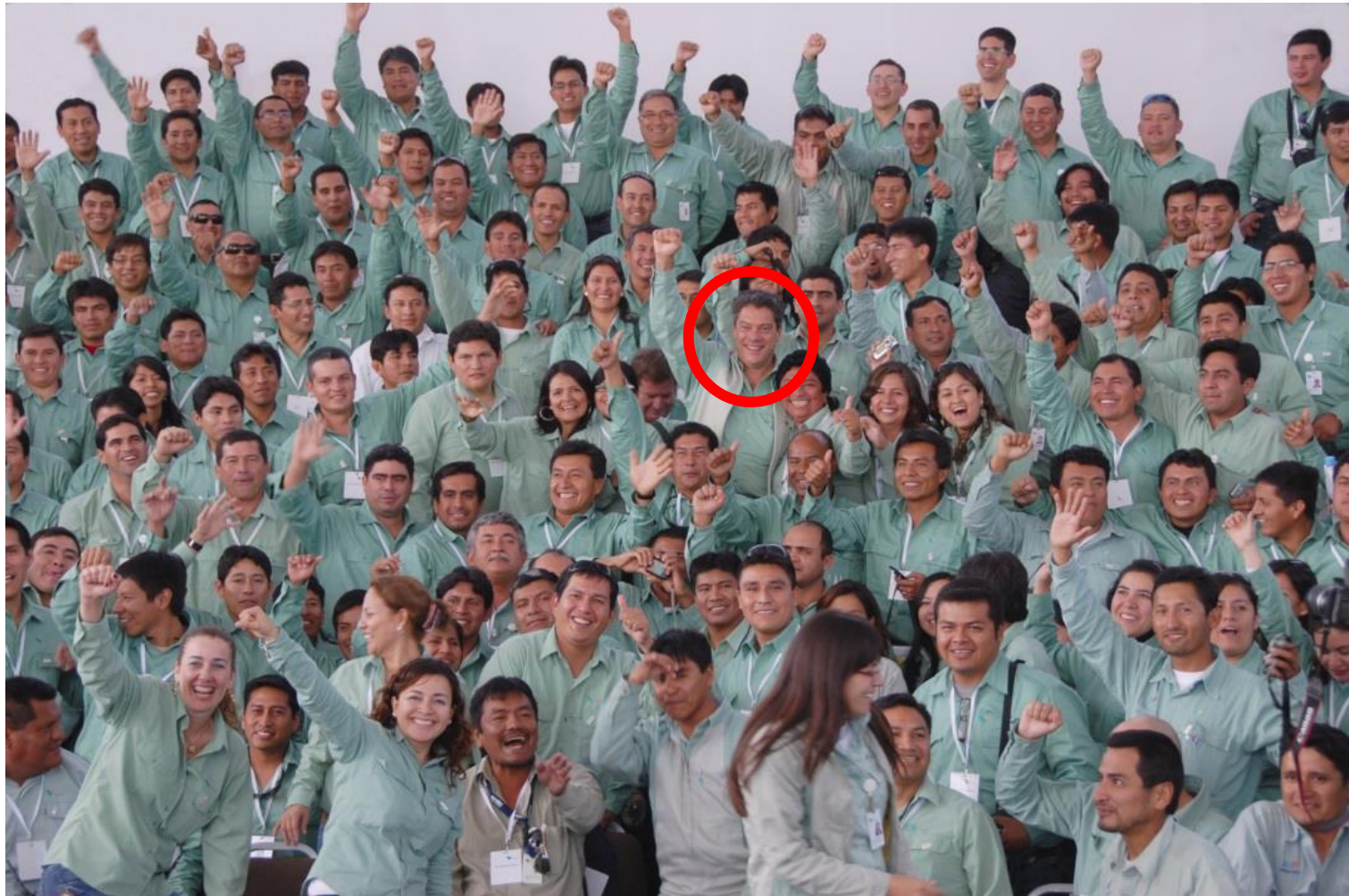
People decisions are very hard

Key Leadership Competencies

Potential is the new focus

We need better development

Have you ever heard of Roger Agnelli?



Source: Agência Vale

VALE



Agnelli Takes Over

The key for Success in any Business

#1



Amazon

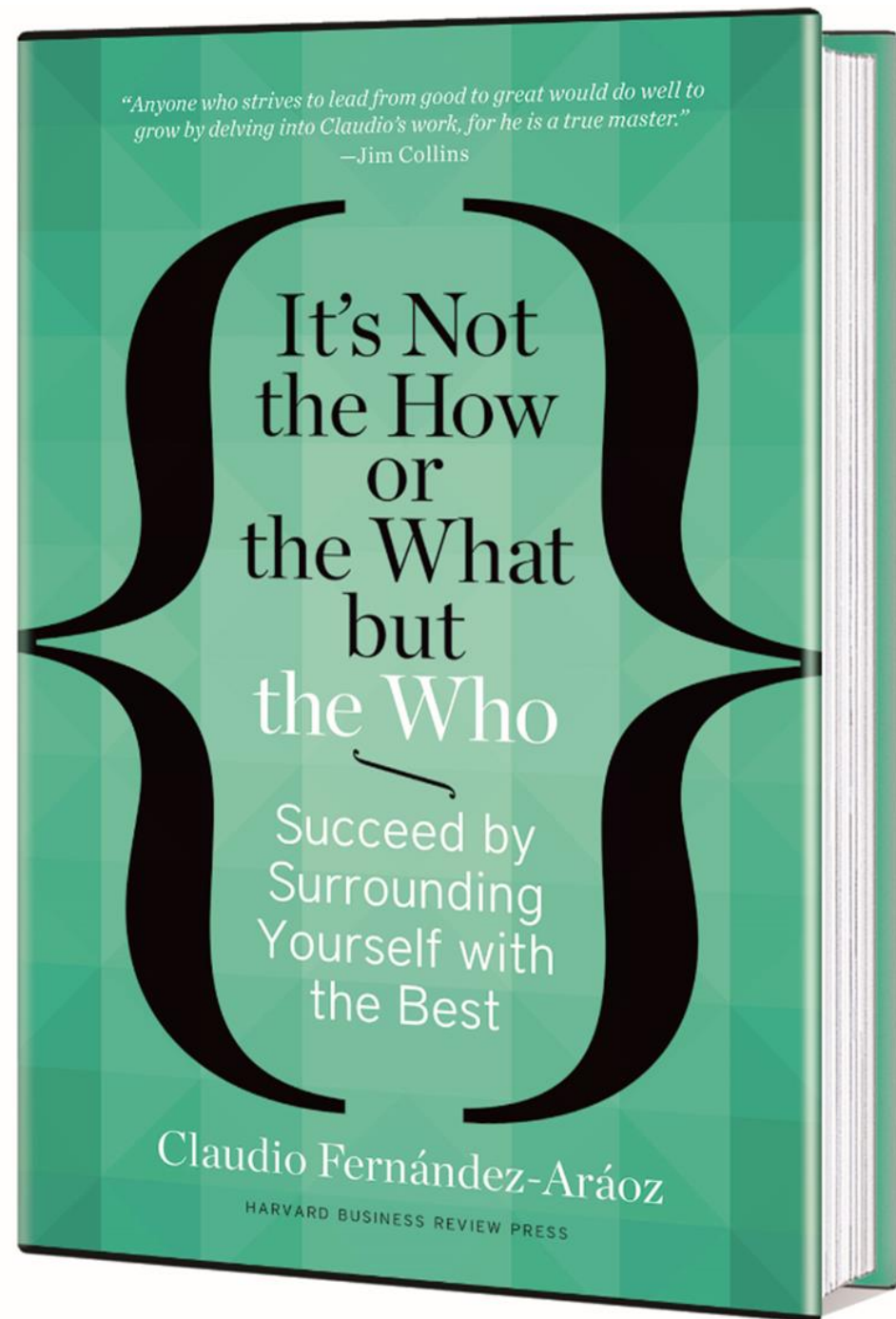
#3



Vale

Sector	High-tech	≠	Mining
Stage	Start-up	≠	Old, Privatized
Country	U.S.	≠	Brazil
Growth	Organic, Domestic	≠	Organic + M&A, Global
Business	B2C	≠	B2B

Value Creation	111 billion \$	157 billion \$
Industry-adjusted return	12,266 %	1,773 %
Country-adjusted return	12,431 %	934 %



"Anyone who strives to lead from good to great would do well to grow by delving into Claudio's work, for he is a true master."

—Jim Collins

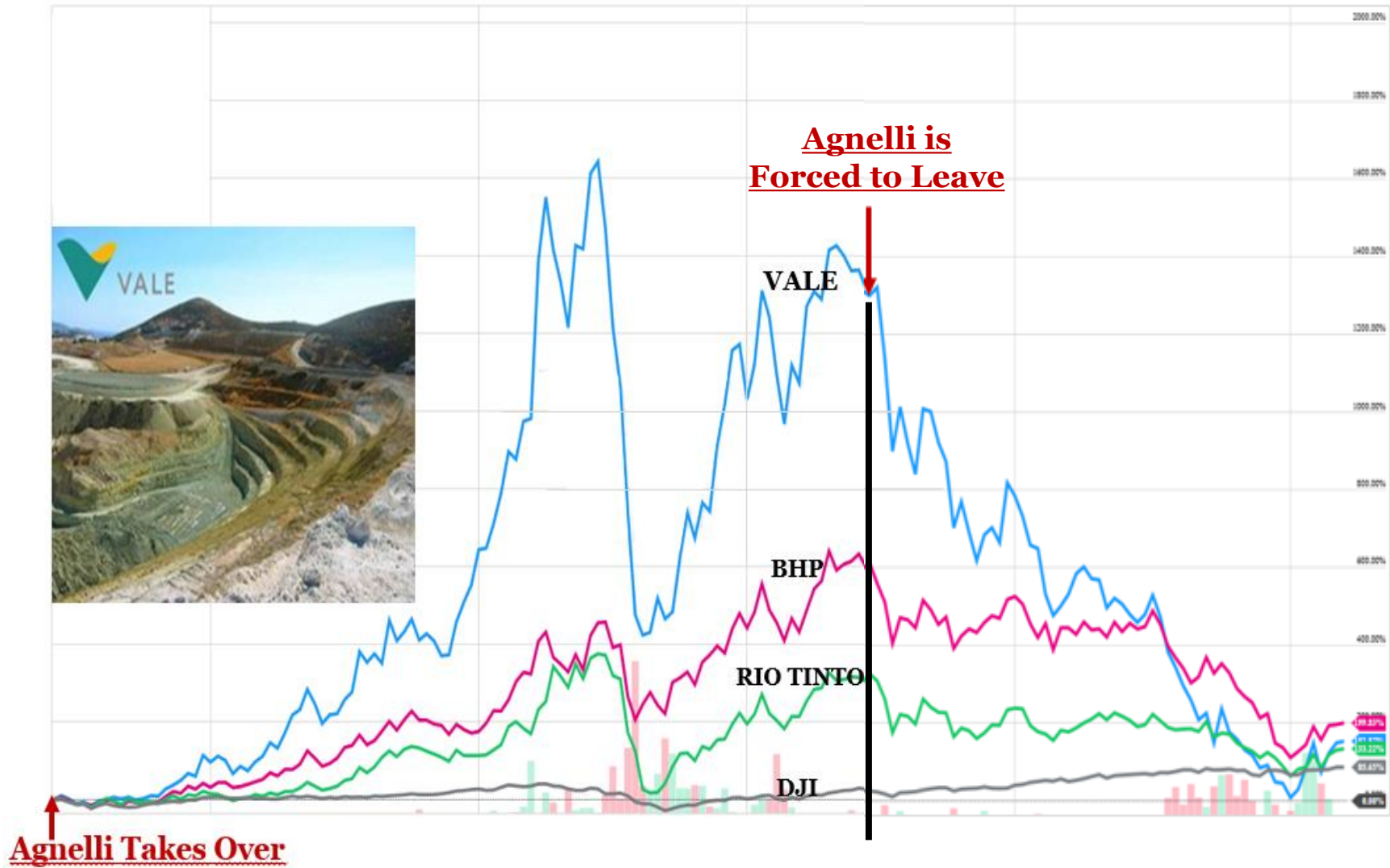
It's Not the How or the What but the Who

Succeed by
Surrounding
Yourself with
the Best

Claudio Fernández-Arãoz

HARVARD BUSINESS REVIEW PRESS

VALE



Talent is key for success

People decisions are very hard

Key Leadership Competencies

Potential is the new focus

We need better development

An old brain for a new job



1. Similarity

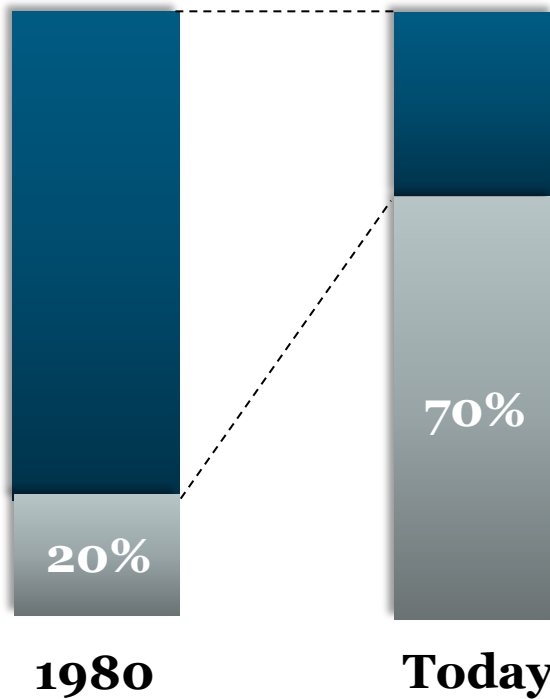
2. Familiarity

3. Comfort

An old education for a new world

Talent is increasingly critical

Value of typical S&P 500 company



**Intangible
Assets**

**Yet we don't study
how to make Great
People Decisions !!!**

Talent is key for success

People decisions are very hard

Key Leadership Competencies

Potential is the new focus

We need better development

Impact of Talent on corporate performance analyzed by cooperation between Egon Zehnder and McKinsey

EgonZehnder



Egon Zehnder's
Management Appraisal Data

Database with individual
management assessments

- 8 leadership competencies
- Scale with 7 defined levels

Sample:
Matched EZ Management Appraisals
and Growth Decomposition Data¹

- **47 companies¹**
- **5,560 individual appraisals**

Leadership Team

- 880 appraisals
- N-0 & N-1 level

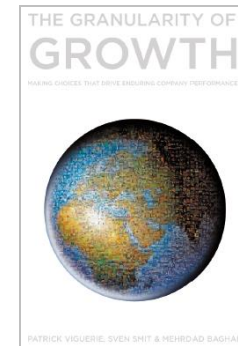


Other Senior Executives

- 4,680 appraisals
- N-2 & N-3 level



McKinsey&Company



McKinsey's
Growth Decomposition Data

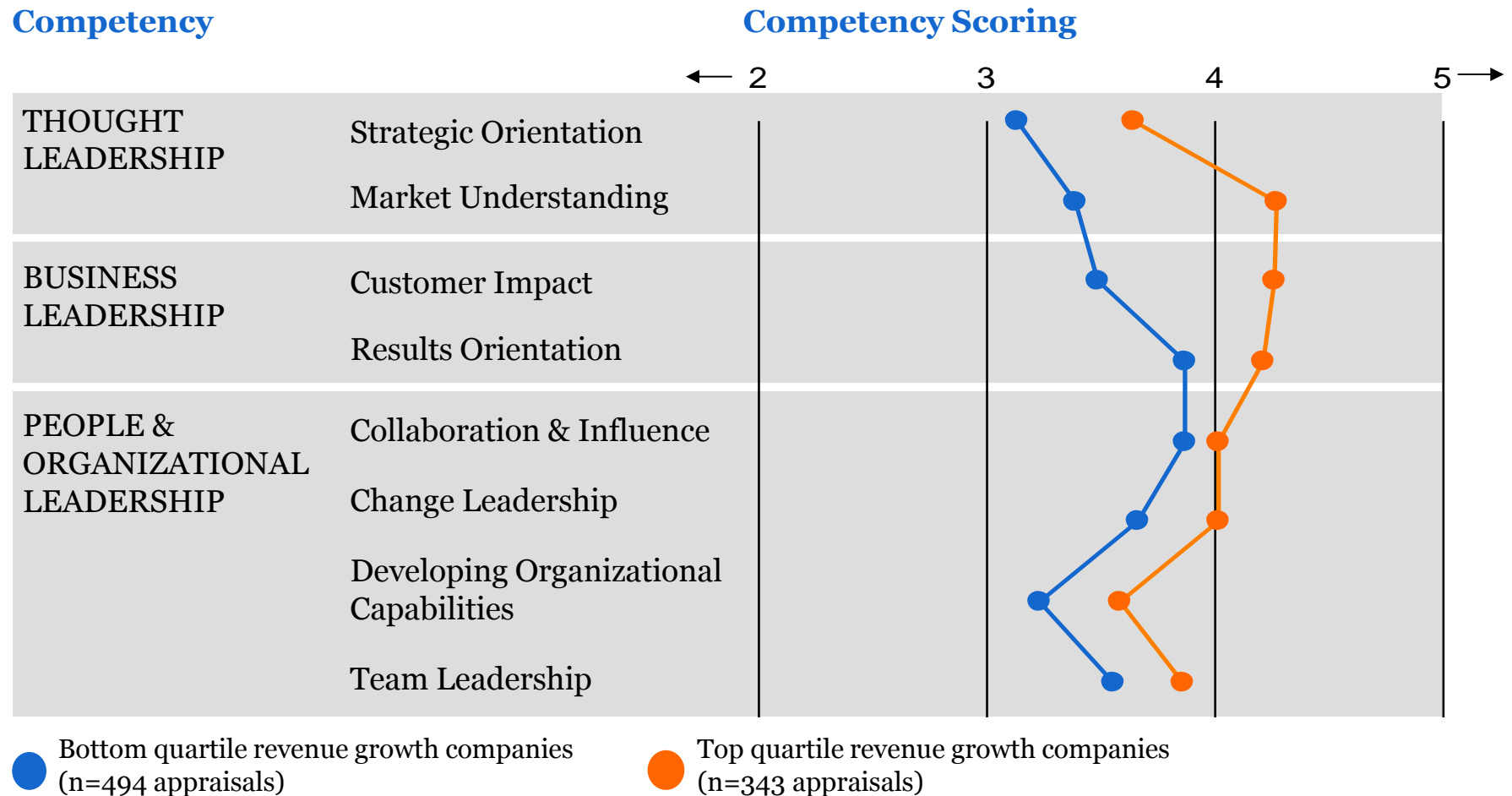
Revenue growth breakdowns

- Inorganic growth (M&A)
- Organic growth (Portfolio Momentum)

¹ Time frame: Company data from 1999 to 2007

Top performing companies have better Talent

Competency comparison of high growth and low growth companies



Source: "Return on Leadership" – joint study by Egon Zehnder and McKinsey & Company

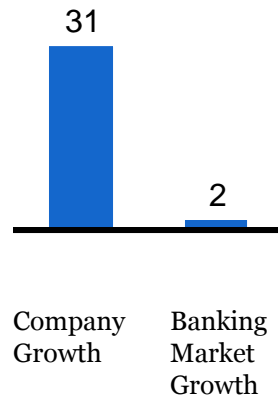
Companies with a critical mass of spiky leaders tend to outperform the market over time

COMPANY EXAMPLES

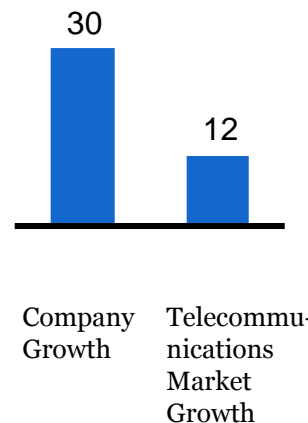


Ø Revenue CAGR
in Percent (2001-2007)

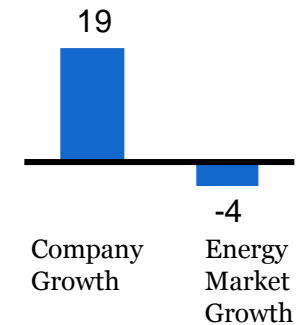
Banking Example (Europe)



Telecommunication Example (Germany)



Energy Example (Norway)



Share of spiky leaders

41%

36%

27%

Source: "Return on Leadership" – joint study by Egon Zehnder and McKinsey & Company

Required competencies for key roles



CEO



CFO & CSO

Head of
Business Units

Mission

Set and drive a new company vision under new digital era

Develop and implement new strategies under a new vision

Drive a large global organization to achieve the budget

Competencies

	1	2	3	4	5	6	7
Change Leadership					◆		
Strategic Orientation						◆	
Market Insight				◆			
Results Orientation					◆		
Collaboration				◆			
Building Org. Capability				◆			
Inclusiveness					◆		
Team Leadership							

	1	2	3	4	5	6	7
CL					◆		
ST					◆		
MI				◆			
RO				◆			
C&I					◆		
BOC			◆				
IN				◆			
TL							

	1	2	3	4	5	6	7
CL				◆			
ST			◆				
MI				◆			
RO					◆		
C&I				◆			
BOC					◆		
IN					◆		
TL							

Talent is key for success

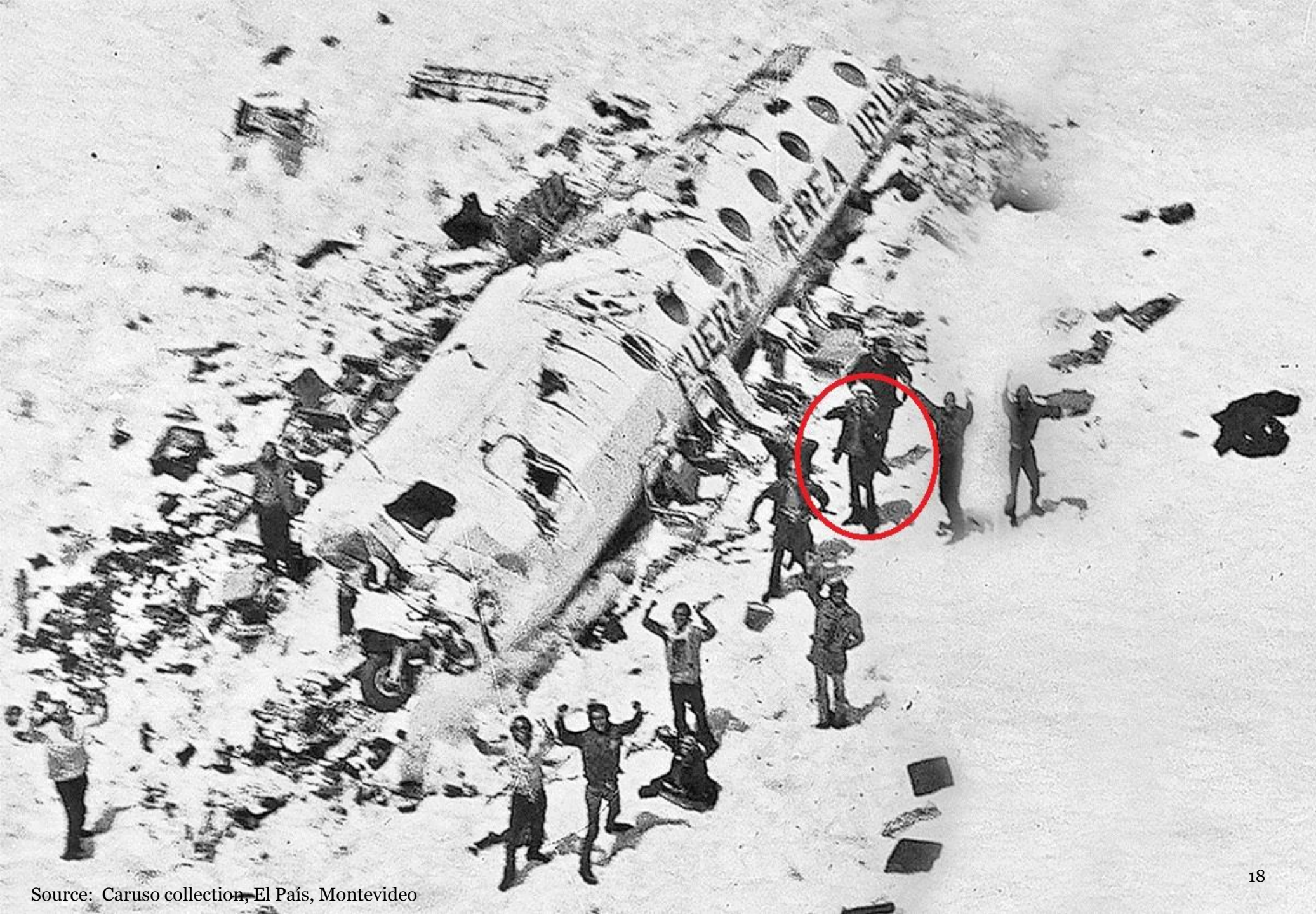
People decisions are very hard

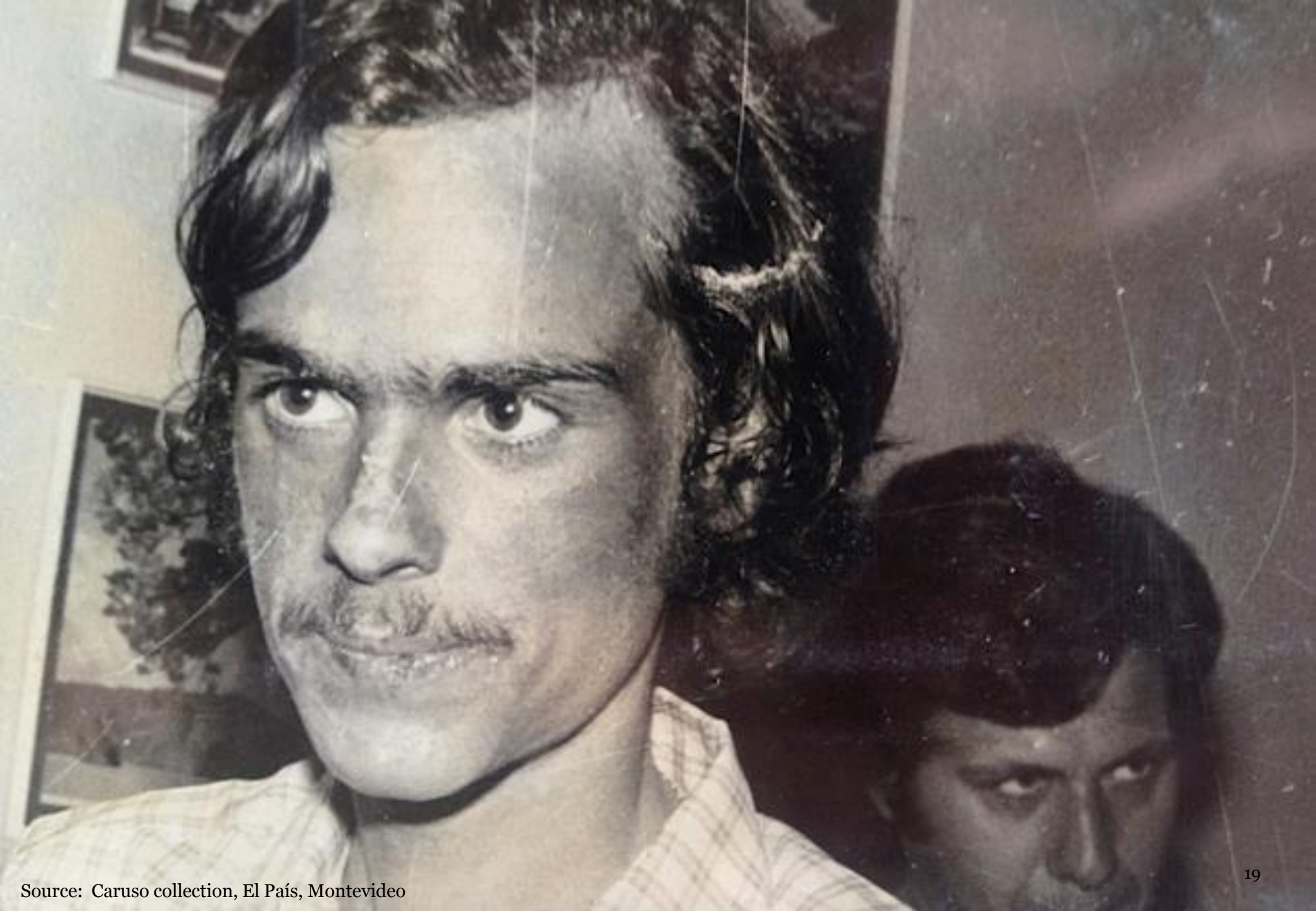
Key Leadership Competencies

Potential is the new focus

We need better development







Source: Caruso collection, El País, Montevideo

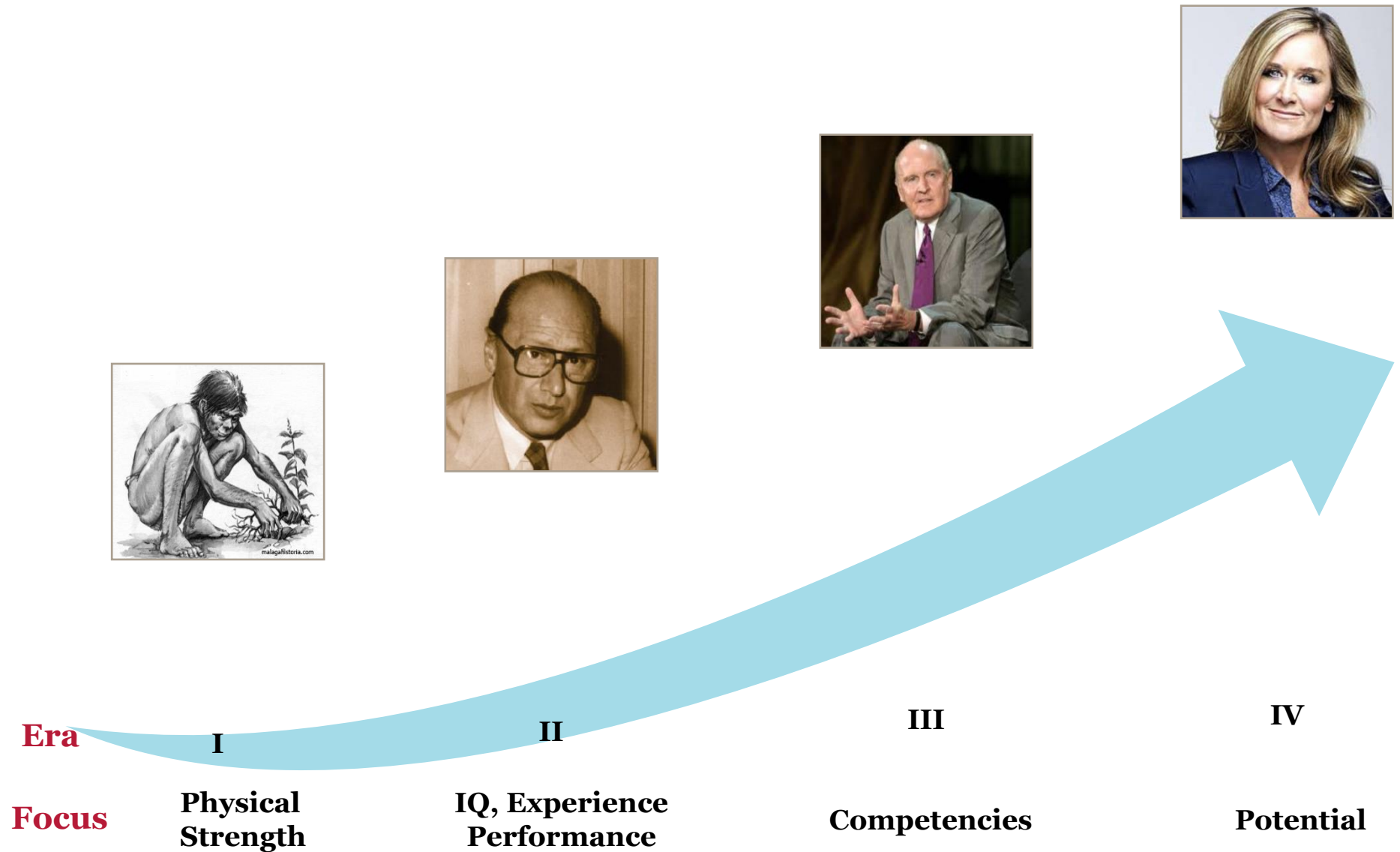
The power of Potential

	Project Manager Brewery	CEO Electronic Retail
Sector Experience	None	Excellent
Function Experience	None	Excellent
Geographic Experience	None	Excellent
Competency Fit	Unknown	Excellent

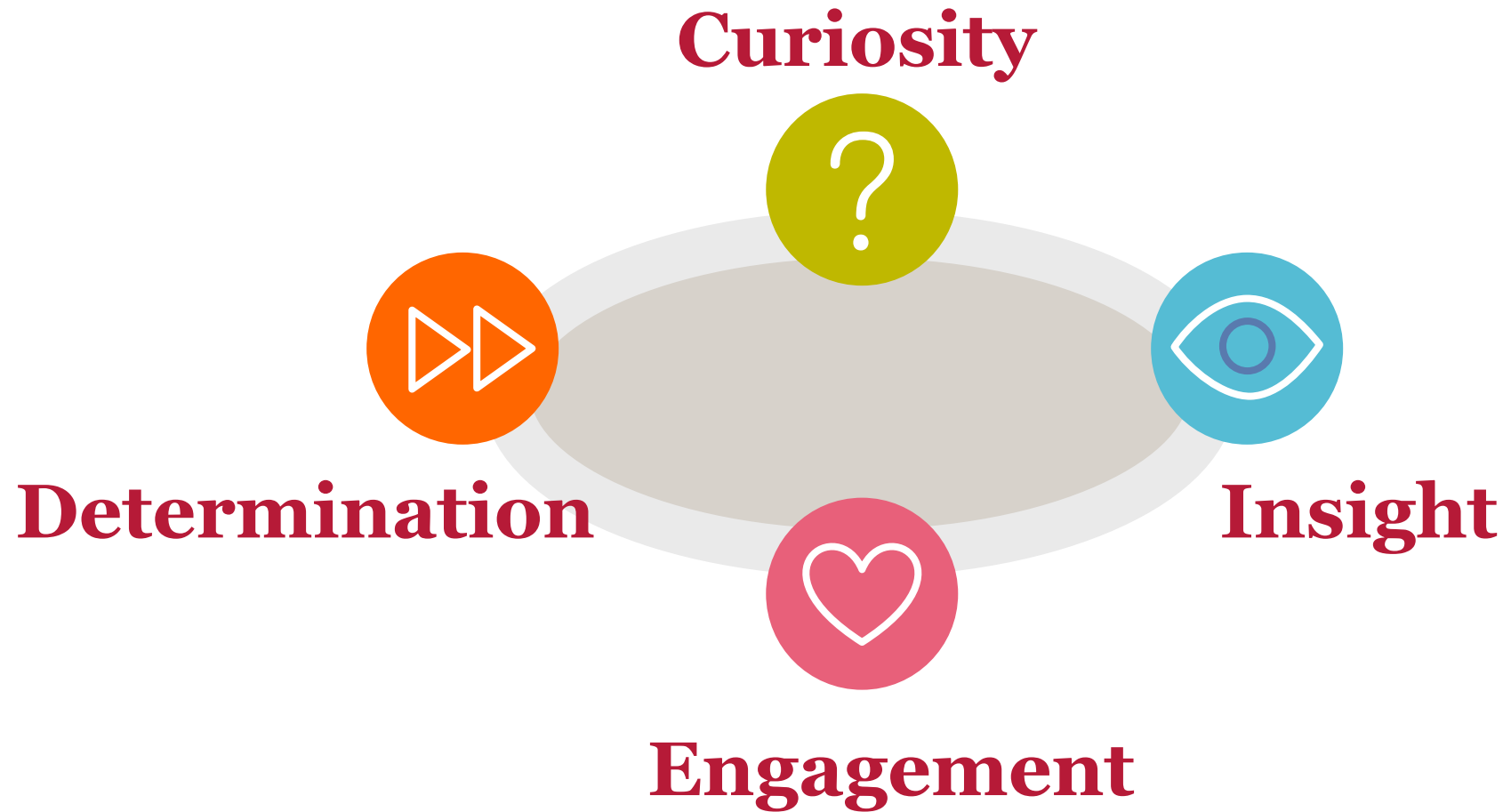
Performance on the Job	Outstanding	Poor
Career Evolution	Promoted Twice Rapidly	Asked to Leave

Potential	High	Low
-----------	------	-----

A new era of Talent spotting



Elements of Executive Potential



Talent is key for success

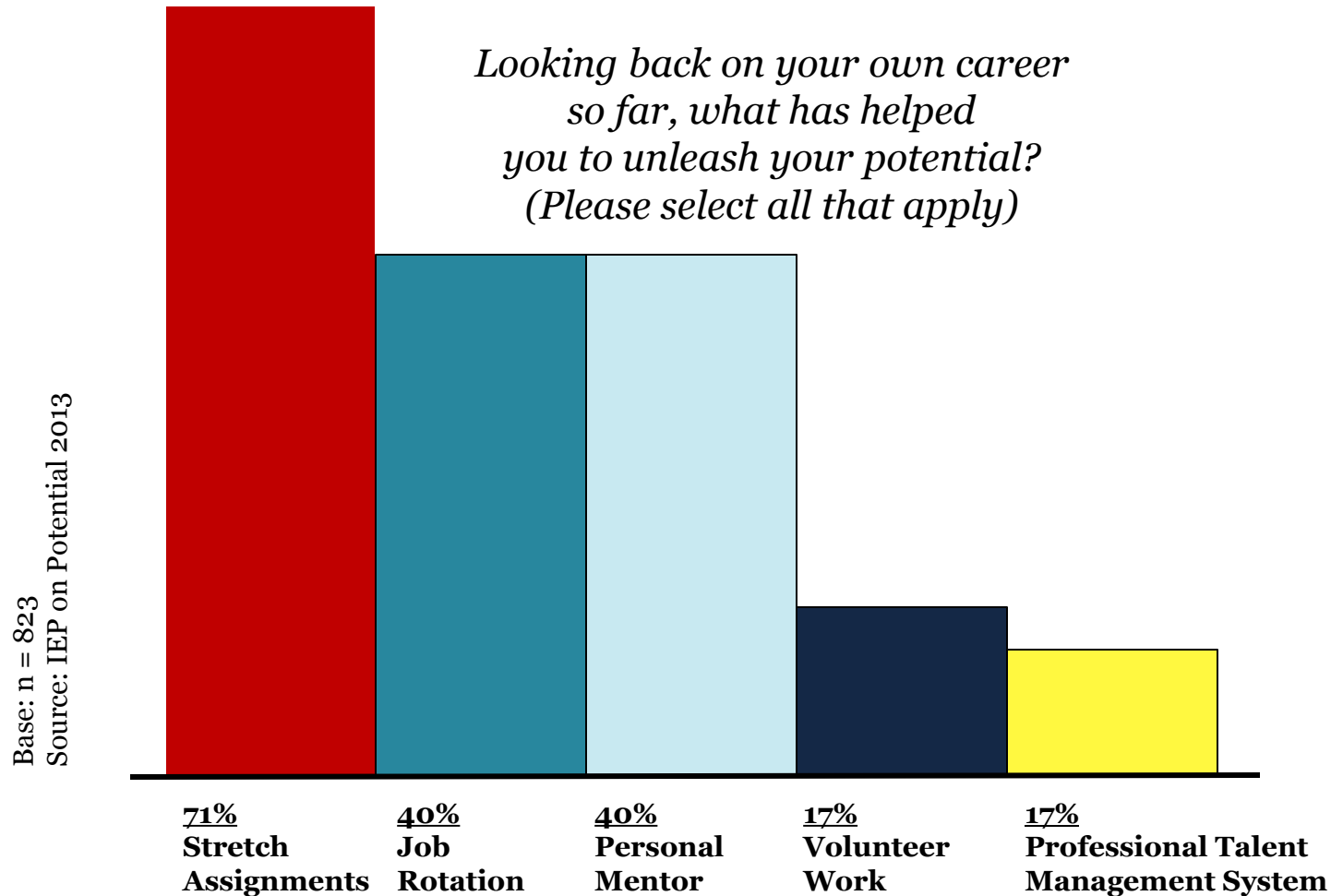
People decisions are very hard

Key Leadership Competencies

Potential is the new focus

We need better development

Importance of stretch assignments



Companies don't develop leaders

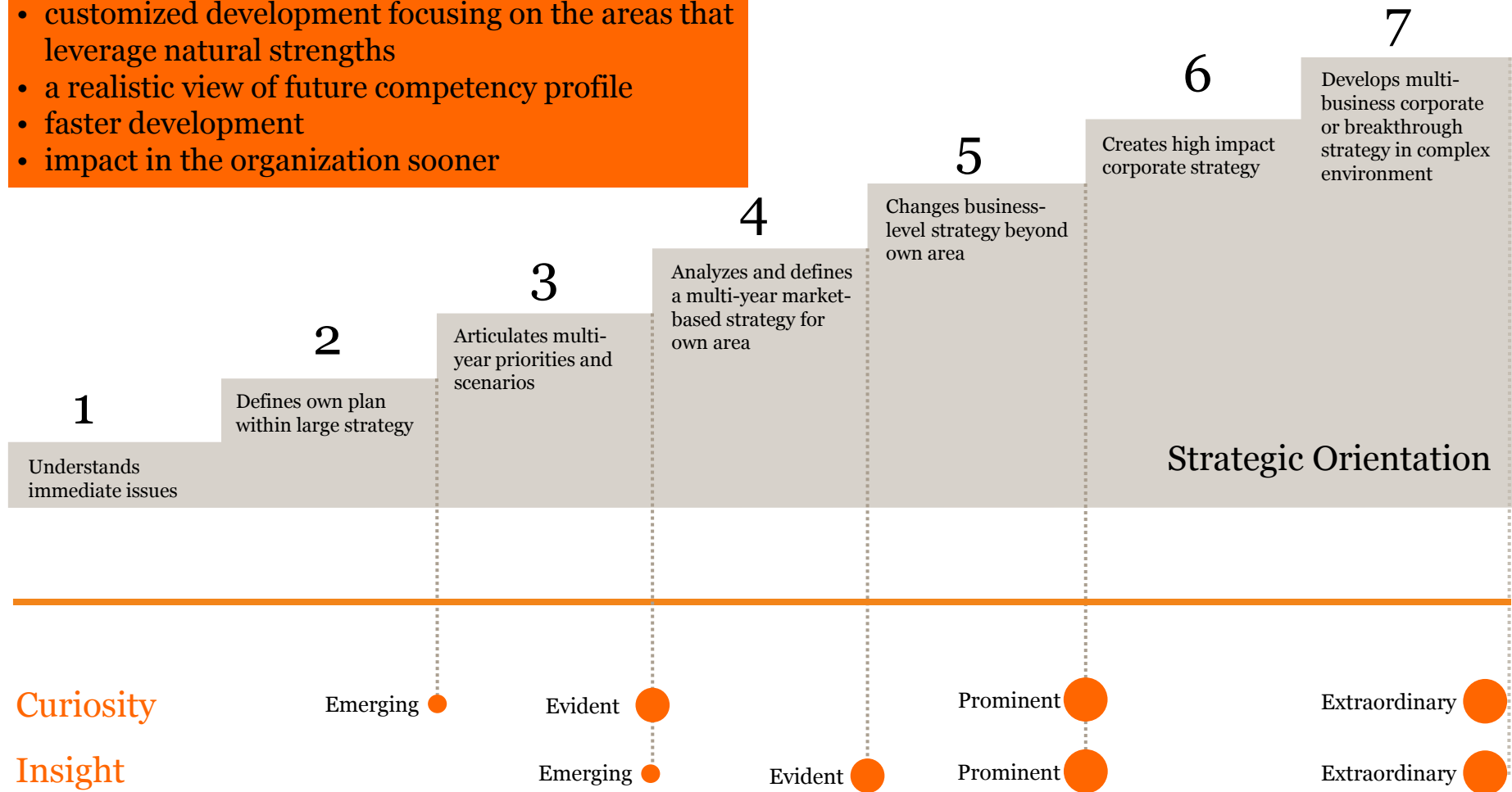
In a recent survey with 500 companies
out of 37 key talent practices

Job Rotations was the Worst!

Potential provides the foundation for competencies to develop

Knowing one's potential element levels allows for:

- customized development focusing on the areas that leverage natural strengths
- a realistic view of future competency profile
- faster development
- impact in the organization sooner



Deciding a Promotion

○ Target current role
● Target next role

Ms M
Title

Stated aspiration

Wants to learn and have an impact.

Summary

Ms M has consistently exceeded expected results and has been given the opportunity to experience a variety of functions and countries. With this experience, she has a strong understanding of the business drivers and can see the full impact of decisions. Ms M enjoys asking questions that allow her and others to think differently about the business.

She is driven to ensure profitability while building as much market share as possible. With fresh ideas grounded in data, she drives the business to achieve better results.

Inclusive and caring each team member states Ms M is the best boss they have ever had. They feel she sees the best in them and can bring it out for results that often surprising them.

She enjoys open debate and collective decision making. While she is a quick thinker she is equally gifted in teaching others. With her intellect it would be easy to be arrogant but her innate curiosity keeps this from being the case. Others feel they learn from her regularly.

She has not yet used her full potential and could be an even stronger business and people leader. Currently it appears she focuses solely on her own area without thinking about the entire enterprise. She doesn't attempt to influence or pull others beyond her team into collaborate. For this reason she doesn't personally have a finger on the pulse of the market or the customer. Similarly it has held her back in developing her strategic capability. Coming to an understanding whether this is a personal identity issue or a cultural fit issue will be important for development. She has all the raw capability to be successful not only in her current role but also in the next role and possibly at the very top of the organization.

Past

Long term track record

Essential experience



Exceeds expectations consistently. Brings appropriate experience but has some essential areas remaining. Ms M has a good foundation on which to take on even larger roles.

Present

Strategic Orientation

Market Understanding

Change Leadership

Customer Impact

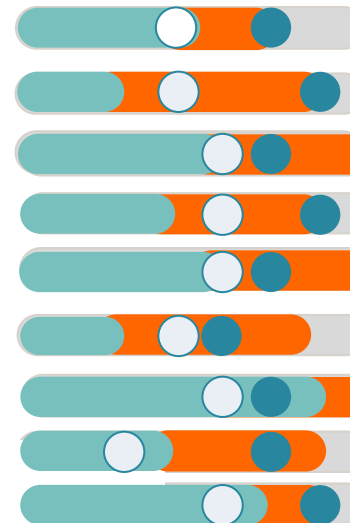
Results Orientation

Collaboration & Influence

Team Leadership

Building Organizational Capabilities

Commercial Orientation



Future

Individual potential



Significant stretch left. She has not fully used any of her potential. All of her leadership competencies could easily be developed further.

For development we need to focus on her view of herself as a leader and the expectations of the role as well as how she fits into the culture.

Choosing the best successor

Targets as CEO
 ○ Minimum
 ● Fully qualified

Present

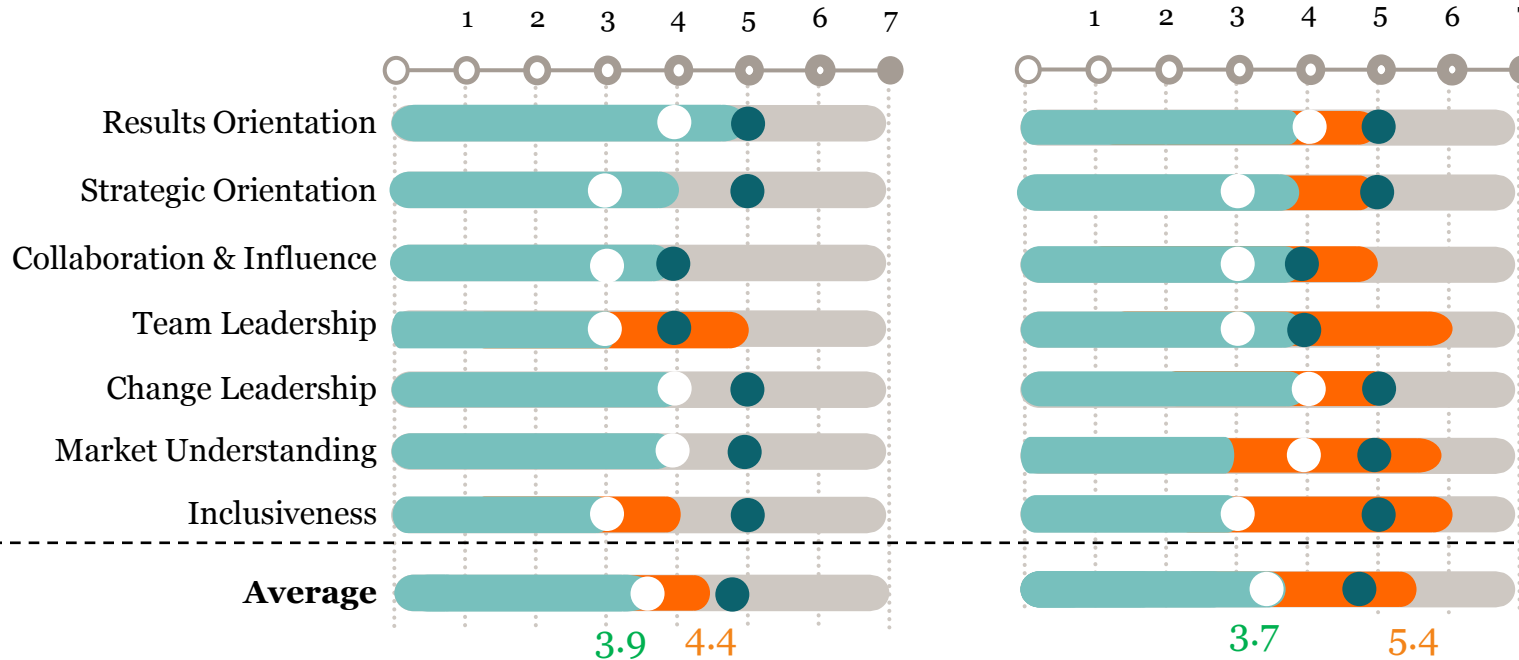
Competencies



Mr. X

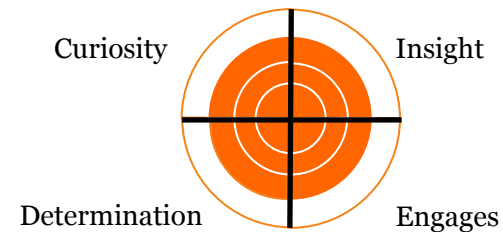


Mr. Y



Future

Potential



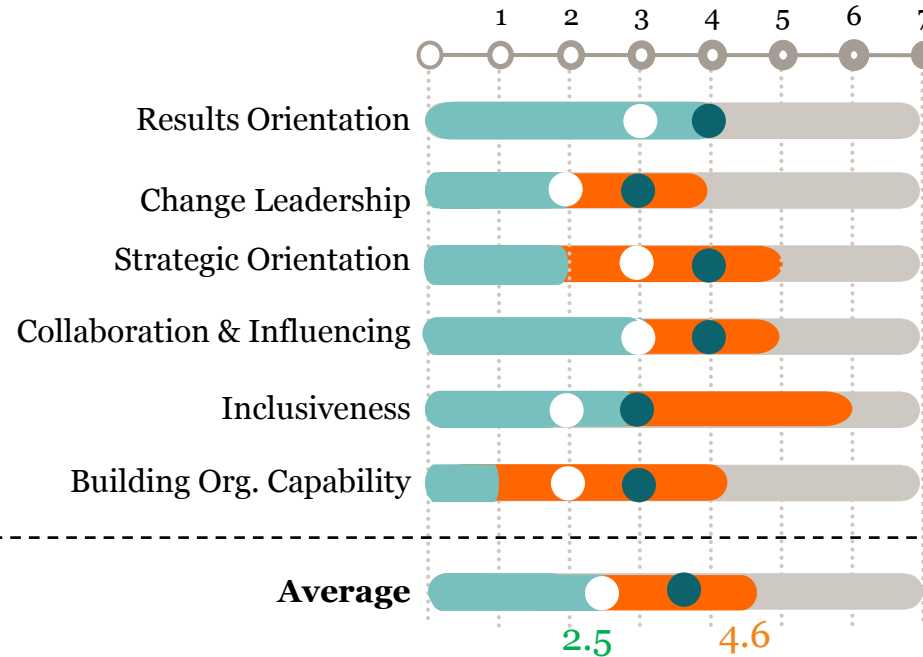
Fostering diversity

Present

Competencies

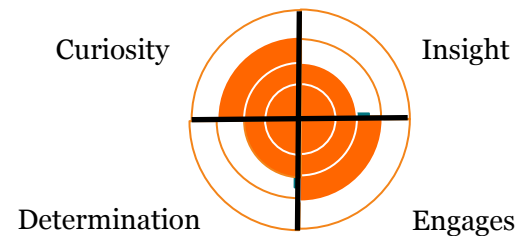


Ms. Z



Future

Potential



In Summary

1. Surrounding ourselves with the best is the key for success in any business
2. Great People Decisions are very hard
3. A few Competencies are key for leadership success
4. In order to succeed by surrounding ourselves with the best we will need to:
 - i. Focus on Competence *and* Potential in a VUCA world
 - ii. Master Development

"Anyone who strives to lead from good to great would do well to grow by delving into Claudio's work, for he is a true master."

—Jim Collins

It's Not
the How
or
the What
but
the Who

Succeed by
Surrounding
Yourself with
the Best

Claudio Fernández-Aráoz

HARVARD BUSINESS REVIEW PRESS

Harvard Business Review



How to Spot Talent
(Hint: Experience Is Overrated)

PAGE 46

HBR.ORG

JUNE 2014

SPOTLIGHT

**ARE INVESTORS
BAD FOR BUSINESS?**

The Capitalist's Dilemma

Clayton M. Christensen and
Derek van Bever 60

The Price of Wall
Street's Power

Gautam Mukunda 70

Managing Investors

An interview with Sam Palmisano 80



Harvard Business Review

HBR.ORG NOVEMBER–DECEMBER 2017

MANAGEMENT 46

Why Your
Company Needs
an AR Strategy

Michael E. Porter
and James E. Hoppelmann

LEADERSHIP 66

The Best-
Performing CEOs
in the World

2017 edition

ORGANIZATION 110

Stop Doubling
Down on Your
Failing Strategy

Frank Vrooman
and Hiro Sranathan

HBR GOING YOURSELF 100

Are You Suited
for a Start-Up?

Jeffrey Busgang



DOUBLE
ISSUE

**LAUNCHING
SUCCESSFUL
LEADERS**

HOW TO MAKE SURE
YOUR MOST PROMISING
PEOPLE REACH THEIR
HIGHEST POTENTIAL

PAGE 86

