Effective CEOs: What Sets Them Apart?

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By Lucy Harr

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About the author.

Lucy Harr is a veteran writer, editor and public relations professional, who has dedicated most of her career to work in the credit union movement. She held a number of senior executive positions at Credit Union National Association, the primary national trade body for US credit unions. More recently, as an independent communicator, Lucy has authored and co-authored numerous books and articles on such credit union topics as lending, governance, public relations, community credit unions, and marketing to select employee groups. She has served on local and national boards of directors and is currently Advisor to the Board at University Credit Union, in Maine, USA.

This is a companion paper to Lucy's previous publication for CFCFE in August 2020, 'How Top Credit Union Boards Serve Their Members: The US Experience' (CFCFE, Dublin).

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1. Introduction

It's said calm seas do not make a skilled sailor. If that is the case, those who successfully navigated the force 10 winds and 6m sea swells brought on by the global pandemic have certainly honed their abilities to lead and to manage.

But what sets apart the effective skippers from the less proficient?

At a credit union, an effective CEO can mean the difference between flourishing - achieving the goals of member service and financial performance or foundering - at best, forfeiting opportunities to make a difference in members' lives or at worst, forcing the credit union into a merger or liquidation. This paper examines the characteristics and behaviours that executives, academics and consultants attribute to high-performing leaders as well as those that fail to meet expectations.

Ed Mayo, former CEO of Co-operatives UK and now CEO of the London-based charity Pilotlight, observes that there is no identikit ideal CEO. "Because what can be a strength in some cases can be a weakness in others," he says. "It is like football managers - how come someone who could do so well in one club can fall down so badly at another?"[1]

Authors Bill George, Peter Sims, Andrew N. McLean, and Diana Mayer point out that while leadership scholars have conducted more than 1,000 studies to try to determine the definitive styles, characteristics, or personality traits of great leaders, none of these studies has produced a clear profile of the ideal leader. "Thank goodness," they note. "If scholars had produced a cookie-cutter leadership style, individuals would be forever trying to imitate it. They would make themselves into personae, not people, and others would see through them immediately. No one can be authentic by trying to imitate someone else, you can learn from others' experiences, but there is no way you can be successful when you are trying to be like them."[2]

To answer the question, 'How can people become and remain authentic leaders?' George et al interviewed 125 leaders to learn how they developed their leadership abilities. The result was 3,000 pages of transcripts. "Upon analysis, our team was startled to see you do not have to be born with specific characteristics or traits of a leader. Leadership emerges from your life story."

Note researchers and consultants Robert Goffee and Garret Jones: "No one can just ape another leader. So the challenge facing prospective leaders is for them to be

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[1] Communication with the author, March 2021

[2] George B., Sims P., McClean A.N. and Meyer D. (2007), Discovering Your Authentic Leadership, Harvard Business Review, February 2007, Cambridge, Massachusetts, USA

themselves, but with more skill.” They ask the provocative question: ‘Why Should Anyone Be Led by You?’[3]

“Everyone agrees that leaders need vision, energy, authority, and strategic direction. That goes without saying. But we’ve discovered that inspirational leaders also share four unexpected qualities.” They describe those as:

1. The ability to selectively show their weaknesses. “By exposing some vulnerability, they reveal their approachability and humanity.” The authors caution that selectivity is key: “Knowing which weakness to disclose is a highly honed art. The golden rule is never to expose a weakness that will be seen as a fatal flaw.” (A credit union executive who admits to not understanding a balance sheet or income statement is unlikely to be in the role for long.)
2. The capacity to rely heavily on intuition to gauge the timing and course of their actions. “Their ability to collect and interpret soft data helps them know just when and how to act.”
3. The capability of managing employees with “tough empathy.” “Inspirational leaders empathise passionately—and realistically—with people, and they care intensely about the work employees do.”
4. The ability to reveal their differences. “They capitalise on what’s unique about themselves.”

“You may find yourself in a top position without these qualities,” they write. “But few people will want to be led by you.”

2. What Makes a Great Leader

Séan Murray, Chief Executive Officer of Comhar Linn INTO Credit Union, believes that a key leadership trait is authenticity: Showing courage – to always do what is right, showing humanity – to understand and support the team so as to allow people do their best work, and showing humility – to not always be right or the centre of attention.[4]

According to author and science journalist Daniel Goleman what distinguishes great leaders from merely good ones isn't IQ or technical skills. It's emotional intelligence (EI). In research conducted at some 200 global companies, Goleman found that although the qualities such as intelligence, toughness, determination, and vision

[3] Goffee and Jones (2000), Why Should Anyone Be Led by You? Harvard Business Review, September–October 2000, Cambridge, Massachusetts, USA

[4] Communication with the author, March 2021

traditionally associated with leaders are required for success, they are insufficient.[5] “It’s not that IQ and technical skills are irrelevant,” he asserts. “They do matter, but mainly as ‘threshold capabilities’; that is, they are the entry-level requirements for executive positions. But my research ... clearly shows that emotional intelligence is the *sine qua non* of leadership. Without it, a person can have the best training in the world, an incisive, analytical mind, and an endless supply of smart ideas, but he still won’t make a great leader.”

Goleman identified a group of five emotional intelligence skills:

- **Self-awareness** — knowing one's strengths, weaknesses, drives, values, and impact on others; it’s characterised by self-confidence, realistic self-assessment and a self-deprecating sense of humour.
- **Self-regulation** — controlling or redirecting disruptive impulses and moods; its hallmarks include trustworthiness and integrity, comfort with ambiguity, and openness to change.
- **Motivation** — relishing achievement for its own sake; this is demonstrated by a strong desire to achieve, optimism even in the face of failure, and organisational commitment.
- **Empathy** — understanding other people's emotional makeup; its manifestations are expertise in building and retaining talent, cross-cultural sensitivity, service to clients and customers.
- **Social skill** — building rapport with others to move them in desired directions; it’s characterised by effectiveness in leading change, persuasiveness, and expertise in building and leading teams.

Goleman believes everyone is born with certain levels of EI skills. “But we can strengthen these abilities through persistence, practice, and feedback from colleagues or coaches,” he notes.

Tansley Stearns, formerly the Chief Impact Officer at the Madison, Wisconsin-based Filene Research Institute, notes that as credit unions become more complex, the demand for stronger leaders is real. “It is no longer enough to be a subject matter expert with long tenure. Credit union executives must coach, inspire, and lead,” she reports. “In order to build strong cultures, provide more value to our members, and develop thriving teams, people leaders need resources, guidance and coaching to

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[5] Goleman D. (2004), What Makes a Leader, Harvard Business Review, reprinted January 2004, Cambridge, Massachusetts USA

understand how best to drive positive change."[6]

According to executive coach Monique Valcour, who has served on the faculties of EDHEC Business School (France) and Boston College (US), "People get promoted into leadership roles because of technical or functional skills and expertise that enable them to perform well in their technical domain, but that don't translate into effective leadership. They struggle to inspire, coach, co-create, and build commitment to a shared vision and to strengthen ownership and accountability in their teams."[7] In her 20 years of experience, Valcour has observed that many organisations fail to provide the training and coaching needed to develop technical or functional experts and skilled leaders, and also fail to prioritise effective leadership in their reward systems and culture. "Without clearly communicating what effective leadership looks like in practice, valuing it, and providing structured opportunities to get better at it, they contribute to the gap between leaders' actual and potential effectiveness," she writes.

Valcour cites one of the factors separating people who lead from those who simply occupy leadership positions is the wholehearted embrace of continuous learning and growth. "The best leaders I know make it a practice to interrogate themselves, assume that they always have more to learn, seek feedback, and structure their own learning experiences," she writes. She suggests starting by identifying a leadership competency that needs work, soliciting feedback to help understand the situation and then identifying specific behaviours to change and put into place.

Observes Stearns: "Effective leadership is positively correlated with a credit union's membership growth. The impact of investing in growing leaders is real and tangible. It is not just a 'nice to have.'"

3. Effective Credit Union Executives

Gerry McConville, CEO, Dublin's Capital Credit Union, feels the capability "to focus on strategy and to keep the purpose of the credit union and the commitment to members front of mind at all times" is a critical characteristic of an effective CEO.[8]

Comhar Linn INTO's Séan Murray points out that to be effective, credit union executive leadership must support the Board to create a clear vision and ensure that everyone in the organisation shares clarity of purpose.

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[6] Stearns T. (2016), Leadership Coaching Opportunities for Credit Unions," Report Number 410, August 30, 2016, Filene Research Institute, Madison, Wisconsin USA

[7] Valcour M. (2021), Transform Your Technical Expertise into Leadership, Harvard Business Review, 24 May 2021, Cambridge, Massachusetts, USA

[8] Communication with the author, March 2021

Pilotlight's Mayo stresses that what matters most is the fit. "The most common error I see among co-operatives is a failure to understand what most matters in a new CEO and to clearly articulate those characteristics in the job description and recruitment materials," Mayo says. "Either every remotely desirable skill goes into the job description and it is a lottery what skills you get. Or worse, the stated or unstated assumption is that you simply want the opposite of the last CEO so you list the opposite of what that CEO was like. What is a good CEO? Something you don't want to leave to chance."

Leadership capabilities

It's important to recognize that there is no perfect CEO candidate. No one person could possibly stay on top of everything note researchers Deborah Ancona, Thomas W. Malone, Wanda J. Orlikowski, and Peter M. Senge.[9] But that doesn't mean that these leaders are ineffectual. "Incomplete leaders differ from incompetent leaders in that they understand what they're good at and what they're not and have good judgment about how they can work with others to build on their strengths and offset their limitations," they observe.

Ancona et al view leadership as a set of four capabilities:

1. Sense-making – understanding the context of the environment in which an organisation and its people operate
2. Relating – establishing relationships within and across organisations
3. Visioning – conceiving a picture of the future; and
4. Inventing – finding ways to achieve the vision.

To engage in sense-making, the authors recommend getting information from multiple sources, involving others by soliciting feedback about what you are seeing, testing any conclusions from early observations and looking for better ways to understand the options. Instead of relying on stereotypes and applying existing frameworks, they suggest being open to new possibilities.

They believe being able to build trusting relationships is a requirement of effective leadership. "Three key ways to do this are inquiring, advocating, and connecting," they note. "People with strong relating skills are typically those who've found a healthy balance between inquiring and advocating: They actively try to understand others' views, but are able to stand up for their own." Connecting means cultivating a network that can help a leader accomplish a wide range of goals.

[9] Ancona D., Malone T.W., Orlikowski W.J., and Senge P.M. (2007), In Praise of the Incomplete Leader, Harvard Business Review, February 2007, Cambridge, Massachusetts, USA

Visioning involves creating compelling images of the future, they write, while sense-making charts a map of what is. “Visioning produces a map of what could be and, more importantly, what a leader wants the future to be. It consists of far more than pinning a vision statement to the wall.” The authors suggest that using images, metaphors and stories to convey complex situations will enable other to act.

Inventing is what moves an organization from the abstract to the concrete. It involves discovering how to approach tasks or processes or overcome obstacles in order to bring the vision to reality.

“Sometimes, leaders need to further develop the capabilities they are weakest in,” the authors note. “Other times, however, it’s more important for leaders to find and work with others to compensate for their weaknesses.”

Simple Rules and Characteristics

Effective executives also come in all shapes and sizes. Iconic management consultant, educator and author Peter F. Drucker observed that leadership isn’t about personality or talent: “Some of the best business and non-profit CEOs I’ve worked with over a 65-year consulting career were not stereotypical leaders. They were all over the map in terms of their personalities, attitudes, values, strengths, and weaknesses. They ranged from extroverted to nearly reclusive, from easy-going to controlling, from generous to parsimonious.”[10]

What effective leaders have in common, he believed, is that they get the right things done by following these simple rules.

First, they asked, “What needs to be done?” “Note that the question is not ‘What do I want to do?’” Drucker advised. “Asking what has to be done, and taking the question seriously, is crucial.”

Effective executives also asked, “What is right for the enterprise?” Drucker noted that a decision that isn’t right for the enterprise will ultimately not be right for any of the stakeholders – investors, customers, employees, or executives. At a credit union, a decision that’s right for the credit union will ultimately be right for its member-owners.

Determining what needs to be done and if it’s right for the enterprise provides the knowledge that’s needed. To convert this knowledge into useful action, effective executives developed action plans that specify desired results and constraints – are the actions legal and compatible with the organisation’s mission, visions and policies? They revised plans to reflect new opportunities and focused on opportunities rather

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[10] Drucker P.F. (2004), What Makes an Effective Executive, Harvard Business Review, June 2004, Cambridge, Massachusetts, USA

than problems. They took responsibility for decisions and for communicating. To ensure the whole organisation felt responsible and accountable, they ran productive meetings and thought and said ‘we’ rather than ‘I’.

Psychologist Robert Hogan and leadership consultant Robert P. Kaiser note, “People typically advance in organisations by pleasing their bosses with displays of loyalty and technical knowledge. Performance appraisals reflect how much supervisors like their subordinates. Consequently, so-called high performers are often more skilled at office politics than leadership.” They believe leadership should be defined “as the ability to build and maintain a team that can outperform the competition. Leadership is a resource for the group, not a source of privilege for incumbents. Leadership should be defined and evaluated in terms of the performance of the team, which depends on how the subordinates perceive the leader.”[11]

They cite four essential characteristics in leaders: integrity, judgment, competence, and vision.

1. **Integrity** – the most important characteristic of good leaders, they say. “People need to know that the person in charge won’t take advantage of their position by lying, stealing, playing favourites, or betraying subordinates. Unfortunately, many leaders do.” They note that trust in one’s superior predicts the entire range of desirable outcomes: productivity, job satisfaction, and organisational commitment.
2. **Judgment** – according to the authors, judgment has two parts: pre- and post-decision, and most business failures are the result of bad decisions compounded by unwillingness to evaluate decisions and change direction.
3. **Competence** – Good leaders are perceived as being competent in business. “Subordinates see leaders who lack business acumen as empty suits, and they are unwilling to follow them,” the report. “Our survey showed that 48% of respondents described their best boss as good at business strategy.”
4. **Vision** – Good leaders explain the significance of their mission and how it fits into the larger scheme of the organisation’s objectives. This vision clarifies roles, goals, and the way forward, thereby facilitating team performance. By adopting a vision, people can transcend their selfish interests and develop impersonal ends for their actions.

Working with the Board

Janine Coverley, FCIPD, Coverley Business Solutions, has worked with credit union

[11] Hogan and Kaiser (2005), What We know About Leadership, adapted from Review of General Psychology 2005, Vol. 9, No. 2, 169 –180, American Psychological Association, now SAGE Journals

boards and CEOs for the past 13 years. She believes it's essential for the board and CEO to have the same values and a shared purpose. "I think respect is critical," she says. "In my experience some volunteer board members join UK credit unions because they are driven by their own personal profile and status within the community. This can cause conflict between the CEO and the board as their values and purpose differ." She identifies the following best practices:

1. CEOs working with chairs/board members who have complementary experience of industry and an understanding of business can provide the CEO with an opportunity to learn and develop.
2. Regular contact and communication between the board and CEO – not just at board meetings.
3. A structured appraisal process for the CEO.
4. Recognition by the board that the CEO is doing a good job and adding value.
5. All parties have the ability to conceptualise their thinking.[12]

Informing the Board

Maurice Smith, CEO of Local Government Federal Credit Union and Civic Federal Credit Union in Raleigh, North Carolina, and past board chair of the Credit Union National Association (CUNA), also stresses effective communication. Writing in CUNA News, Smith notes "successful CEOs know it is not productive to hoard information from the board. Nor is it good to surprise the board with stale bad news. Communication with the board includes being clear about your strategic intent. CEOs who have gotten into trouble with their boards often left the board out of crucial conversations concerning strategic matters."[13]

Capital Credit Union's McConville also cites regular and meaningful communication with board members as key. "It's necessary to understanding their perspective and to communicate with directors in language that makes sense to them," he says. "You need to be willing to repeat the message and reword it as required."

Ed Mayo feels governance in credit unions has improved over time. "But if there is one thing I would pick out to work on, it is the quality of information," he says. "Executives have wide-ranging information, non-execs do not. Long papers, late papers, a lack of options, no link with strategy - all these add up to an information risk for good governance."

[12] Communication with the author, March 2021

[13] CUNA News (2021), Advice for a New CEO, February 19, 2021, Credit Union National Association, Madison, Wisconsin, USA

According to Stanford University's researchers David F. Larcker and Brian Tayan, "The hallmark of good corporate governance is an independent-minded board of directors to oversee management and represent the interests of shareholders. Its primary responsibilities are to hire and replace the CEO as needed, monitor performance, review and approve strategy, and assess financial reporting and risk management ... However, it is not clear that directors receive the information they need to make fully informed decisions on all clear matters."[14]

Larcker and Tayan note that there's an information gap, partially due to directors' limited exposure to the enterprise's day-to-day activities and their independence from the business. As a result, directors have a less-than-complete understanding of the company and the market compared to executives. To fill this gap and with the goal of increasing transparency among the CEO, executive team and board, the entertainment streaming service Netflix "takes a radically different approach to information sharing." Netflix incorporates two highly unique practices: (1) board members periodically attend (observing only) senior management meetings and (2) board communications include an online memo of about 30 pages that not only include links to supporting analysis, but also access to all data and information on Netflix's internal shared systems. Directors also have the ability to ask the subject's authors for clarifications.

Larcker and Tayan report that according to Netflix CEO Reed Hastings, these two practices improve the board's ability to provide what he calls an "extreme duty of care" to the corporation. "The board isn't going to have the confidence to make hard decisions unless they really understand the market and the company."

There are unanswered questions about whether the Netflix approach to board governance would work at other companies, the authors note. "Would they work at all companies, or do they require a specific culture, leadership, or phase of development to be effective? What qualities are required of a CEO to be willing to engage and interact with the board in this manner? Are these practices divisible? Could a company adopt one but not the other and still benefit from greater transparency?"

The call for more transparency is not new. Bridging Board Gaps (2011) is a 60-page report produced by a group of U.S. directors, business leaders, academics and former government officials that attempted to address governance challenges following the 2008-2009 financial crisis. Among its key recommendations is the need for better information. "Information is the lifeblood of effective governance," noted one panel member. Added another: "Boards only know what the CEO and CFO tell them. Nothing

[14] Larcker D.F. and Tayan B. (2018), Netflix Approach to Governance, Stanford Closer Look Series, 1 May 2018, Stanford, California, USA

more. This is a significant problem."[15] Among the task group's recommendations was that "directors should regularly receive a concise and comprehensible report in plain English on risks facing the company, in order of importance."

4. Strategy vs. Operations

Boards are often reminded that their job is to look around the corner and focus on strategic issues, that it's the job of management to deal with the fine detail of operations. Often, credit union management staff members cite "staying out of the weeds" as the number one behaviour they wished their boards would do better. Directors are encouraged to pay attention to the "why," or policy decisions not the "how," the management's operational decisions.

Pointing out an exception to this separation of roles, Paul A. Jones and Nick Money note that in some British credit unions the CEO and sometimes other senior employees are co-opted and elected as full voting members of the board. In those cases such executive directors can and should participate fully in strategic and policy questions, to the same degree as the volunteer directors. Of course, like any director, executive directors are obliged to recuse themselves from participating in decisions in which they have a personal conflict of interest (e.g. determining employment policies). But this does not impede decision-making since the majority of the board members are non-executive volunteers.[16]

Coverley points out that an effective CEO helps directors look forward by being able to anticipate the board's questions and thinking. "Time should be spent on board and CEO development to ensure a cohesive team that enables the CEO to grow and develop and the board to trust the CEO in their day-to-day decisions and strategic focus," she says.

Just as the experienced skipper knows when to tack and when to jibe to keep the ship on course, it's the day-to-day decisions that keep a credit union's operations running smoothly. "Any CEO will be judged ultimately by the quality of the decisions that they make," says Pilotlight's Mayo. "The art of running an effective organisation is for a CEO to equip other people, who have the right expertise and the right accountability, to decide for themselves. But a CEO can't delegate everything. Knowing what you need to decide on, and then, in turn making the right decision is the epitome of 'the buck

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[15] (2011), Bridging Board Gaps, Study Group on Corporate Boards, co-sponsored by Columbia Business School and the John L. Weinberg Center for Corporate Governance at the University of Delaware, 2011

[16] Executive directors are not allowed at credit unions in the Republic of Ireland. Jones P.A. and Money N. (2018), The Remuneration of Credit Union Directors, Centre for Community Finance Europe, November 2018

stops here'."[17]

Jeanne Ross, principal research scientist for MIT's Center for Information Systems Research, points out that traditionally, executives earned their positions by being the smartest people in the room. "With empowered teams, that is no longer necessary — or even possible. Executives need to push accountability down so it rests with the people who know the most about a product, customer, or situation," she notes. "It's those people who will find the smartest ideas in the room."[18]

Ross cites the example of the Singapore-based DBS Bank, where leaders credit their efforts to push accountability downward with helping the company achieve its current success. There, its employees are informed of a clear outcome and given boundaries — what's called 'the electric fence'. According to Paul Cobban, the bank's chief data and transformation officer, leaders spend a lot of effort communicating the company's values, so people know when they are about to grab the electric fence. "Anywhere inside the fence, and as long as you're moving toward your goal, you're empowered to do whatever you want. We're trying very hard to coach people and teach people how to empower their teams," he reports.[19]

In his CFCFE report on Credit Union Values, Mayo asked: "What is the most overlooked quality of the world's most successful credit unions? Answer: their values. They are not overlooked because values are seen as unimportant in credit unions. Quite the opposite is true; it is the values that typically explain why people are involved. Values are neglected in many credit unions precisely because they are assumed and taken for granted, rather than nurtured and put to work. It is as if a gifted up and coming footballer were encouraged to train and focus on their image rights and sponsorship deals, rather than their free kicks, their passing and their goals."[20]

Walter Frick, senior editor at the Harvard Business Review, offers this advice on making better decisions. He points out to get better at making decisions, you have to improve your ability to make predictions and your judgement, and offers three simple rules to help do so. "First, be less certain. We're all more confident about each step of the decision-making process than we ought to be," he notes. "What else would you think about if you were less sure that A would cause B, or that B is preferable to C?" he asks. "Second, always ask yourself: 'How often does that

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[17] Communication with the author July 2021

[18] Ross, Jeanne (2020), "How to Succeed Without Being the Smartest Person in the Room," MIT Sloan Management Review, 6 January 2020, Cambridge, Massachusetts, USA

[19] Ibid.

[20] Mayo E. (2020), Credit Union Values: Five steps to a co-operative culture, Centre for Community Finance Europe Finance, Dublin

typically happen?’ If you think outcome B is preferable to outcome C, you might ask: ‘How often has that historically been the case?’” And the third rule, he says, is to brush up on your understanding of probability. “Research has shown that even basic training in probability makes people better forecasters and helps them avoid certain cognitive biases,” he reports.[21]

5. CEO Evaluations

The 19th century Scottish-Irish physicist William Thomson, better known as Lord Kelvin, and two modern day management experts may not seem to have a lot in common. But all three had wise words about measurements. Lord Kelvin once observed “If you cannot measure it, you cannot improve it.”[22] Peter Drucker is supposed to have said “If you can’t measure it, you can’t change it.” Tom Peters, author of the seminal work *In Search of Excellence*[23] noted an old engineering aphorism: “What gets measured gets done.”

According to the 2010 Filene Research Institute report, Tracking the Relationship Between Credit Union Governance and Performance: “Of all the measured relationships, the only governance practice that yielded a strong positive correlation with actual credit union ROA performance was whether boards felt they had an effective CEO evaluation in place. In other words, boards that felt they had a strong CEO evaluation in place were more likely to yield stronger ROA performance.”[24]

The CEO’s appraisal often covers a wide range of results, such as:

- Operational performance of the credit union – capital adequacy, asset quality and growth, liquidity, earnings, growth in membership or other factors.
- Leadership – achieving goals, creating an atmosphere of participation and productivity.
- Relationship with the board – offering well-supported recommendations,

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[21] Frick W. (2018), 3 Ways to Improve Your Decision Making, Harvard Business Review, 22 January 2018, Cambridge, Massachusetts, USA

[22] Lord Kelvin (1889), Popular Lectures and Addresses vol. 1, ‘Electrical Units of Measurement’, delivered 3 May 1883

[23] Peters T., and Waterman R.H. (2012), In Search of Excellence: Lessons from America's Best-Run Companies. Harper Business

[24] Chen J., Spizzirri A. and Fullbrook M. (2010), Tracking the Relationship Between Credit Union Governance and Performance, 219, Filene Research Institute, Madison, USA

providing clear, timely reports.

- Planning – establishing and effectively managing budgets, identifying and implementing new services.
- Personal integrity – maintains ethical standards, strives for personal improvement.
- Participation – relates effectively and promotes credit union philosophy in the community.

But just going through the motions of an annual appraisal isn't sufficient. A March 2018 survey of professionals by organisational consulting firm Korn Ferry showed that while significant amounts of time and energy are spent on annual performance reviews, they miss the mark for helping employees become better at their jobs – "disappointing" was the top word to describe the process. Of the more than 500 professionals surveyed, 75% said they have an annual performance review with their boss. However, nearly half of respondents (42%) said their annual performance review had no impact or was ineffective at improving their professional performance, and 43% said it had no impact or was unhelpful at helping them understand what to do more of or differently to improve *future* performance.[25] A subsequent survey in November 2018 of 2,100 professionals found 87% had annual reviews but only 23% found them very effective. Given the challenges for boards and CEOs in deploying other performance improvement tools such as ongoing discussions with supervisors and real-time feedback, a focus on getting the appraisal right is important.[26]

Failure

According to Hogan and Kaiser, despite the importance of leadership for effective team performance, research indicates two-thirds of the managers in a range of sectors in the U.S.A. — throughout business, government, education, and healthcare — are ineffective or incompetent. Their behaviours undermine employees' trust, so ultimately they will fail because they are unable to build or maintain high-functioning teams.[27]

And although there's no shortage of research and analysis about what it takes to be a successful leader, less is known about why they fail. Researchers Morela Hernandez, Jasmien Khattab, and Charlotte Hoopes point out that, "Despite the significant losses that organizations face when a leader derails, we know surprisingly little about why it happens. Worse yet, the little we know is based on limited evidence that often

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[25] Korn Ferry, 1 March 2018 survey, Kornferry.com

[26] Korn Ferry, 29 November 2018 survey

[27] Ibid p7

attributes derailment to the leader's personality and performance. However, these factors hardly account for all incidents of unexpected leadership failure."[28]

They report it's estimated some 50% of all leaders fail, "meaning that half those who are initially successful will eventually be fired." Observes Monique Valcour, "Managers often operate under misguided assumptions about leadership and don't appreciate their own contribution to the difficulties they experience," she notes. "As a result, they often misdiagnose the situation, go astray in their search for solutions, and default to ineffective behaviors. They fail to learn and grow as leaders. Ineffective leadership behaviours erode performance and well-being for organizations and their members."[29]

Hernandez et al note that while there are many examples of failings due to personality traits or a toxic work environment, there are numerous other causes. "Although it is tempting to attribute the demise of successful leaders to their character flaws, humans are susceptible to a form of cognitive bias known as the *fundamental attribution error* — a tendency to attribute other people's actions to individual traits and our own behaviour to external circumstances," they write. The what-have-you-done-for me lately phenomenon means relying on performance appraisals is also not adequate. "Rather, leaders can be perceived as derailing in the eyes of their organizations if they do not demonstrate an upward trend in their performance," they note.

To keep executives on track (whether they are CEOs or other senior people), Hernandez et al suggest focus on these four areas:

1. **Role Demands**: The higher on the career ladder executives climb, the less likely they are to receive role specific training and development. "To counter these role-related challenges, organizations should be just as intentional and explicit about identifying or formalizing training and development opportunities for leaders as they are for entry- or middle-level employees.

   Indeed, given what is at stake, they should be *even more* intentional and explicit," the authors state. Performance evaluations should also examine the context in which the executive is operating. "Doing so can help organizations more proactively anticipate contextual factors that could ultimately lead to future derailment," they write.

[28] Hernandez M., Khattab J. and Hoopes C. (2021), Why Good Leaders Fail, MIT Sloan Management Review, April 12, 2021, Cambridge, Massachusetts, USA

[29] Ibid p4

2. **Team demands:** When teams shift members, team dynamics can change, potentially resulting in poorer performance. Or "even when high-performing individuals continue to operate well in their new leadership roles, their strong performance can go unnoticed if their peers are also doing well. In such instances, high performance is the norm and might even be seen as average performance." To counterbalance this effect, the authors recommend peer-level feedback, facilitated strategy meetings and team building activities.

3. **Organisational demands:** Similar to shifts in teams, organizational changes such as a merger or acquisition have the potential to derail an executive. "As a starting point, organizations need to ensure that leaders are involved and invested in the organizational initiatives that will result in changes for them and the employees they oversee," the authors note. They recommend climate and engagement surveys to help detect potential trouble spots. "Leaders themselves also need adequate support, time, and resources to make necessary adjustments in their own roles."

4. **External environmental demands:** The authors point out that although many organisations support employees who must deal with personal issues by offering flexible work schedules or temporarily shifting responsibilities, they also need to support leaders. "Leaders often lack the ability to use such resources and are implicitly expected to cope with any external challenges that arise without disrupting their work routines," they write. "Importantly, organizations need to normalize the ability to draw on these supports so that leaders are not unfairly punished when circumstances necessitate seeking assistance or adjustments."

6. Not Business As Usual

If the pandemic taught us anything, it was that it's easy to be a hero as a leader when the wind is always at your back and the sun is shining on you. It's not so easy when the storm comes. Nancy Koehn, a historian at Harvard Business School, writing in the periodical *Fast Company* in March 2020, cites the example of Ernest Shackleton, the Anglo-Irish Antarctic explorer whose ship, Endurance, became locked and subsequently crushed in pack ice in early 1915.[30] That left Shackleton and his 27 men

[30] Koehn N. (2020), What FDR, Churchill and Shackleton can teach us about leadership during the coronavirus crisis, Fast Company, 3 April 2020, Fastcompany.com

fighting to survive thousands of miles from civilization. “They had few material resources to rely on, save for three lifeboats, canned goods, and some stores they salvaged from the vessel. But the most important asset in surviving more than 18 months on the ice was Shackleton’s leadership, particularly the collective determination he fostered in his men to beat the odds and get home safely. How did the explorer do this? He focused on the engagement, outlook, and cohesion of the team,” Koehn writes.

Koehn outlines the following core qualities exhibited by Shackleton she believes present-day leaders would do well to emulate:

- Be comfortable with ambiguity and acknowledge when you make mistakes.
- Address fear and communicate constantly and honestly about the risks and likely outcomes.
- Monitor mood and foster strong morale and teamwork.
- Make sure your team stays busy and focused on tasks at hand and on organizational goals.

Authors Warren G. Bennis and Robert J. Thomas believed that how people deal with adversity offers a clue to why certain people seem to naturally inspire confidence, loyalty, and hard work, while others (who may have just as much vision and smarts) stumble.[31] They concluded that one of the most reliable indicators and predictors of true leadership is the ability to find meaning in negative events and to learn from even the most trying circumstances. These crucibles are transformative, forcing leaders into deep self-reflection, examining their values, questioning their assumptions and honing their judgment.

They identified four skills enabling leaders to learn from adversity:

1. They engage others in shared meaning.
2. They have a distinctive, compelling voice.
3. They have integrity (see also Hogan and Kaiser 2005 and Chen et al 2010, above).
4. They have an adaptive capacity: the ability to grasp context and hardiness. Grasping context allows leaders to connect with constituents. Hardiness is the perseverance and toughness needed to remain hopeful despite disaster.

[31] Bennis W.G. and Thomas R.J. (2002), Crucibles of Leadership,” Harvard Business Review, September 2002, Cambridge, Massachusetts, USA

Bennis and Thomas note: “Extraordinary leaders find meaning in—and learn from—the most negative events. Like phoenixes rising from the ashes, they emerge from adversity stronger, more confident in themselves and their purpose, and more committed to their work”.

7. Some Practical Advice

The magazine *CEO Today* suggests eleven habits that successful CEOs should adopt.[32] They include:

1. Hire a great team – if team members aren’t up to the task, a lot of energy is wasted.
2. Delegate tasks – CEOs should be making important decisions, not doing the grunt work.
3. Read books – a treasure trove of knowledge in highly condensed form.
4. Ask questions – challenge the status quo by asking questions others are afraid to ask.
5. Wake up early – a natural way to being most productive.
6. Stay informed – assess opportunities and prepare for any impending challenges.
7. Network – building a network is crucial to running a business.
8. Be willing to experiment – trying new things inhibits stagnation, but if you fail, fail fast and move on to the next one.
9. Manage your time – better to organize tomorrow, today.
10. Stay healthy – allows the hard work to produce results.
11. Lift people’s spirits – the best CEOs identify employees’ strong points and motivate accordingly.

[32] CEO Today (2020), 11 Habits of Successful CEOs You Should Adopt, April 1, 2020

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