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LEADERSHIP DEVELOPMENT

How the Best CEOs Differ from Average Ones

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We all know the stereotypes: Great CEOs are extroverted. They're self-promoting. They're risk takers. But are these stereotypes true? Which traits actually differentiate CEOs from other executives? And, most important, which attributes separate successful CEOs from other CEOs?

There is a great deal of conjecture and mythology about CEOs and the attributes that define their success. So what should companies look for when they hire a new CEO?

In today's rapidly changing markets, with digital disruption looming over every business, this question has never been more important. Russell Reynolds Associates, in partnership with Hogan Assessment Systems, has led a research effort to separate myth from reality, identifying key indicators of leadership that have a measurable impact on a company's growth. The results demonstrate that intensity, an ability to prioritize and focus on substance, and an ability to know what one doesn't know (and utilize the best in what others do know) are more strongly related to best-in-class CEO leadership than traditional traits like extroversion or self-promotion.

We believe our data-based approach has particular relevance due to our use of Russell Reynolds Associates' and Hogan's proprietary psychometric databases at the core of the study. Other researchers have approached these questions about CEOs by conducting interviews, analyzing resumes, and even evaluating vocal patterns. We chose an in-depth approach, creating detailed psychometric profiles of 200 global CEOs, using the results of three well-established psychometric instruments: the Sixteen Personality Factor Questionnaire (16PF), which provides an overall measure of adult personality, including interpersonal skills, emotional factors, resiliency, and communication style; the Occupational Personality Questionnaire (OPQ-32), which measures management and leadership style and behavior, including how people try to influence others, their approaches to innovative thinking, and self-motivation; and the Hogan Development Survey, which measures areas for development or potential derailing factors in managers and executives, including their decision-making style and independence of thinking. We validated the trends we discovered in another global sample of 700 CEOs produced by our partners at Hogan and subsequently compared these CEOs to the non-CEO executives in our proprietary database of 9,000 senior leaders.

Our analysis revealed that CEOs differ meaningfully from the overall executive population across many personality attributes. Two traits in particular stand out: an ability to embrace appropriate risks and a bias toward acting and capitalizing on opportunities. We consider these traits the "essence" of the CEO personality. In other words, a CEO is significantly less cautious and more likely to take action when compared to other senior executives.

As for the stereotypes, while we confirmed that CEOs in general are more likely to be risk takers than other executives, we did not find that they are consistently extroverted or self-promoting.

In addition, six other traits differentiate the typical CEO from other executives on a statistically significant basis:

- drive and resilience
- original thinking
- the ability to visualize the future
- team building
- being an active communicator
- the ability to catalyze others to action

It's rare to have such detailed psychometric data related to the mindset of the CEO. It is even rarer to be able to link psychometric data to corporate performance. To make that link, we applied a quantitative hurdle of 5% compound annual growth rate during the CEO's tenure.

When we compared the results of the best-performing CEOs to those of their less successful peers, we found that best-in-class CEOs stand out in three ways:

- **They show a greater sense of purpose and mission, and demonstrate passion and urgency.** These traits often manifest themselves as intensity, impatience, and an eagerness to move forward as well as a strong sense of ownership and immersion in activities. Researchers at McKinsey recently published related observations pertaining to new CEOs. In short, they asserted that the worst thing new CEOs can do is "sit on their hands." The best-performing CEOs "move boldly and swiftly to transform their companies." We don't advocate decisions and actions that are overly spontaneous or impulsive, but we do value efficiency and speed in analyses and when acting on strategy.
- **They value substance and going straight to the core of the issue.** They have an ability to rise above the details and understand the larger picture and context. They have a keen sense of priorities as they think and act. We summarize this as an ability to "separate the signal from the noise." Great CEOs have a "nose" for what are the most significant issues, challenges, threats, and opportunities facing an organization. While they draw on myriad inputs and discussions, their views about prioritization are clear and often quite independent. Ram Charan spoke to HBR about this several years ago in the context of "making tough calls." We are seeing this play out right now, for example, in the retail space, where forces are creating tremendous complexity for CEOs. As retail is increasingly omnichannel, online, digital, and global, CEOs need to be thinking about consumer demand fluidity, globalization, regulations, and exchange-rate volatility, to name a few issues that barely scratch the surface of what retail CEOs are juggling.
- **They have a greater focus on the organization, outcomes and results, and others than on themselves.** They "know what they don't know" and have an ability to be open-minded, seek additional information, and actively learn. This notion of a relatively modest CEO is counterintuitive for many. At the same time, there has been a good deal of writing about the usefulness of humility in CEOs. Our finding is data-based evidence that the Level 5 CEOs described in Jim Collins's book *Good to Great* – leaders who are "a study in duality: modest and willful, shy and fearless" – can be related to desirable organizational results. Warren Buffett is a wonderful example of how this set of traits can play out in a leader: Despite overseeing what could be considered one of the most successful companies ever founded, Buffett estimates that he spends 80% of his day learning in an effort to understand businesses, markets, and opportunities. We summarize, of course, that great CEOs need to have the capacity to act boldly in difficult and uncertain situations; to be

able to develop and articulate a strong point of view; and to be highly determined. The additional point here is that the most-successful CEOs also need to believe that the best idea wins and that they often obtain the best ideas based largely on how they work with others in a collaborative way.

There is no single profile for the successful chief executive. In every case, boards will have a broad set of business conditions to assess before determining their target profile. Some companies may require a true extrovert – someone willing to trumpet the company's successes through constant and varied social gatherings. Others may benefit from a quieter approach, from a leader who can build relationships without appearing too "salesy" and who can avoid spooking relevant markets. But at the top of the list should always be the ability to embrace effective and appropriate risks and the ability to act on opportunities in high stakes situations – especially when the "right" action is not initially clear. These are the headlining traits that separate CEOs from other senior executives.

When a board wants to increase their odds of hiring a successful leader, it should interview and assess candidates for intensity and impatience, find those who focus on core issues, and search for a leader with the ability to have a point of view while still being open-minded and recognizing the power of the organization around him or her. These characteristics of our best-in-class CEOs will benefit almost every business, as they are clear markers for the ability to act quickly, draw nonobvious and nonlinear conclusions, connect thoughtfully across a wide variety of channels, and take advantage of digital and market disruption – all essential in today's dynamic markets.

Dean Stamoulis leads Russell Reynolds Associates' Center for Leadership Insight. He provides guidance to boards and chief executive officers on how to build excellent leadership teams. This advisory work includes optimizing hiring, promotion, and succession decisions, and contributing to the development of promising senior executives. He is based in Atlanta.