- People are the problem, and also the solution. How does a manager go about fixing a serious problem? Usually, he or she goes out in search of great people, whether inside or outside the organization.

- (Jack Welch has told me that in his years with GE, he spent more than half his time getting the right people in the right positions.)

- Think about the experiences of people you've worked with. Do you agree that good people-finders move up, while others move out?

- Getting the right CEO, for example, is of paramount importance. And yet, about a third of all CEOs who leave their positions are either fired or forced to resign. What are we doing wrong?

- But executive search, broadly defined, also includes the activity of management appraisal,

- Management appraisals can also be very useful when a company faces a new competitive scenario, or when technological or regulatory changes suddenly rewrite the rules of the game. In all of these cases, my colleagues and I assess not just competence (the current ability to do the current job) but also the individual's potential to grow.

- Of course, all the successful people I have met are highly intelligent. They are also hard workers. They believe in preparation. They relate very well to others. But if you ask me to point to the most important reason for their success, I believe it is luck. They were lucky to be born into certain families, and to be born in certain countries. They were lucky to have some unique gifts. They were lucky to be able to attend good schools and get a good education. They were lucky to work for good companies. They were lucky to stay healthy. They were lucky to have opportunities for promotions. So, in answer to your question, the number-one reason for individual success is luck.

- I believe, though, that the formula for career success includes at least four other factors. They are: 1. Genetics 2. Development 3. Career decisions 4. People decisions

- first: I am absolutely convinced that, once you have completed your formal education and embarked on your professional career, people decisions are the single most important contributor to your career success.

- I'll let my friend Lyle Spencer summarize the potential of development, in his pithy way (he is a world authority both on selection and development): "You can train a turkey to climb a tree," Spencer says, "but I would rather hire a squirrel."

- executives are perceived as successful when they (1) deliver strong organizational performance, and (2) build good relationships, particularly with subordinates.

- And what's the single most important imperative in great management? In Buckingham's words, it is Discover what is unique about each person and capitalize on it. In other words, first you hire great people, then you assign the right person to the right job—both fundamental kinds of people decisions.

- Buckingham's final prescription in this book concerns the "one thing you need to know about sustained individual success": Discover what you don't like doing, and stop doing it.

- I’m reminded of the fact that when surveyed, 65 percent of all drivers in the United States report themselves to have above-average skills.12 Even worse, studies of several hundred engineers at two high-tech companies found that 32 percent of the engineers in one company and 42 percent in the other rated their own performance in the top 5 percent!13 This is what’s known as “optimism bias.”

- In Blink: The Power of Thinking Without Thinking, Malcolm Gladwell writes about John Gottman, an expert in predicting the success or failure of a given marriage. If Gottman analyzes an hour of conversation between a husband and a wife, according to Gladwell, he can predict with 95 percent accuracy whether that couple will still be married 15 years later. If Gottman observes a couple for only 15 minutes, his success rate is still around 90 percent.

- As Larry Bossidy and Ram Charan have stated it, “Having the right people in the right place is the job no leader should delegate.”17

- The point should be clear: These experts aren’t checking their guts; they’re identifying and checking the key indicators. You can do the same thing with people decisions.

- A Life of Focus Will Make You a Star

- There is no other area where you will get a higher return on the investment of your development time and effort . As Harvard professor Linda Hill explains in her book, Becoming a Manager, developing interpersonal judgment is an essential task of self-transformation, if you want to succeed as a manager.24

- Collins and his team found overwhelming evidence that outstanding leadership and the ability to build superior executive teams were the two essential and foundational prerequisites for remarkable corporate performance.

- Until you have 90% to 100% of your key seats filled with the right people, there is no more important priority.5

- Several other studies, such as those reported by three McKinsey consultants in The War for Talent, also make the point that the “best” companies, as defined by results and reputation, demonstrate significantly more discipline and skill at making the right people choices.7

- It’s great people decisions that make the difference.

- In almost every one of the major assignments I worked on while at McKinsey, this was a recurring pattern: The main problem was poor diagnosis and execution because the wrong people were at the top.

- “So how do CEOs blow it?” the Fortune authors asked rhetorically. “More than any other way, by failure to put the right people in the right jobs—and the related failure to fix people problems in time.”10

- In analyzing the causes behind executive failure, Finkelstein’s list includes four components: flawed executive mindsets (including a distorted perception of reality), delusional attitudes (which help keep the distorted perception of reality in place), a breakdown in the communication systems needed to convey urgent information, and personal attributes (including deficiencies in leadership) that prevent the errant executives from correcting their course.

- In the opening paragraph of his wonderful 1985 Harvard Business Review article, “How to Make People Decisions,” the late Peter Drucker emphasized the critical importance of great people decisions. “Executives,” Drucker wrote, “spend more time on managing people and making people decisions than on anything else—and they should. No other decisions are so long lasting in their consequences or so difficult to unmake. And yet,” he continued, “by and large, executives make poor promotion and staffing decisions. By all accounts, their batting average is no better than .333. At most, 1/3 of such decisions turn out right; 1/3 are minimally effective; and 1/3 are outright failures.” In no other area of management, he added, would we tolerate “such miserable performance.”

- these three scholars contend, the “leader effect” accounts for up to 40 percent of the variance in performance or value.

- During one of my visits to Harvard as a guest speaker, I met with one of the authors of the paper, Noam Wasserman, to make sure that I had properly understood the implications of the study, and to try to come up with a dollar value of what they call the leader effect. The answer really shocked me. Based on their findings, even a medium-sized U.S. company could increase its value by $1 billion through better people decisions at the top.

- I believe that the results are dramatic: Even given very conservative assumptions about the validity and reliability of candidates’ assessments, the return on such investments can easily be 1,000 percent or more.21 That’s the dollar value of mastering great people decisions.

- I cite the example of Norberto Morita to make the point that the ability to make the right people choices is the key condition for success—in any business, at any time, and also across all geographies. I’ve spoken often with Morita about the reasons for his success, and I’ve observed him directly for 20 years. He has no doubt, and I have no doubt, that the key to his remarkable success has been his ability to pick the right people for each critical job.

- As Harvard’s professor William Sahlman (a top academic authority in the field of entrepreneurial ventures) puts it, “When I receive a business plan, I always read the resume section first. Not because the people part of the venture is the most important but because without the right team, none of the other parts really matters.”

- making the right people decisions is the key source of value in acquisitions. A recent Financial Times article, drawing upon findings from McKinsey & Co., concluded that by far the largest contributor to return in successful private equity deals was active management, either by changing the management team or by supplementing it with people from the private equity fund’s own pool of talent. The contribution of a cheap purchase price, sector returns, or even the initial investment turns out to be minor, or even negligible, when compared to the people decisions’ value in acquisitions.23

- In his Harvard Business Review article, “What Makes Great Boards Great,” Jeffrey Sonnenfeld states that “it is not rules and regulations, but rather it’s the way people work together” that makes for a board’s greatness.

- Ram Charan, advisor to many boards, says that in his view, “60 percent of corporate performance depends upon the right CEO and succession,” which is of course one of a board’s main duties.27

- Bill Gates once commented that Sloan’s My Years with General Motors was the best book to read if one were going to read only one book about business.

- Drucker emphasized that “the job of a professional manager is not to like people. It is not to change people. It is to put their strengths to work. And whether one approves the people or the way they do their work, their performance is the only thing that counts, and indeed the only thing that the professional manager is permitted to pay attention to.” Performance, said Drucker, is more than the bottom line: “It is also setting an example. And this requires integrity.”

- Under Charles Coffin, who led the firm from 1892 to 1912, GE set principles of organizational design that would guide large companies—above all, the idea that the company’s most important product was not light bulbs or transformers, but managerial talent.33

- In many cases, there are only a small number of exceptional performers. For this reason, you are much more likely to hire an average performer than an exceptional individual. Simply put, the odds are against finding a winner.

- When assessing candidates for any position, companies need to predict two things more or less concurrently: 1. What skills and attributes are truly needed? 2. What will each person really deliver?

- One way to look at this issue is to start with self-assessment. (If we can measure anyone’s performance, it should be our own, right?) It turns out that we humans are not very good at this. Even in domains with constant, immediate, and objective feedback (like sports, for example), there’s a correlation coefficient of about 0.5 between our self-assessments and our true ability. (If our assessments were fully accurate, that coefficient would be 1.0.) Technically, the way to measure the explanatory power of an assessment is to raise that correlation coefficient to the square power. In this case, raising 0.5 to the square power would give you 0.25, which means that only 25 percent of the variance in performance is explained by our self-assessments, implying quite a large lack of self-awareness.

- Meanwhile, the rapid development of the field of behavioral finance, brilliantly summarized by Peter Bernstein in his best-selling book, Against the Gods, has given us tools to recognize and deal with the biases that tend to affect our financial decisions.

- My list of typical biases includes: • Procrastination • Overrating capability • Snap judgments • Branding • Evaluating people in absolute terms • Seeking confirmatory information • Saving face • Sticking with the familiar • Emotional anchoring • Herding I’ll

- Sticking with the familiar, the CEO hired several management consultants, and these hiring decisions were based on snap judgments. Specifically, the company never conducted any thorough analysis of the competencies needed.

- CEOs tend to stay far too long, and many end up destroying value in their company.

- for CEOs who stay for long periods (more than 10 years), the difference in performance between the first and second halves of their tenure tends to be dramatic, in the negative direction.

- The great majority of people tend to rate themselves "above average"—clearly, a mathematical impossibility! In a survey of nearly 1 million high school seniors, for example, 70 percent stated that they had "above-average" leadership skills, while only 2 percent felt their leadership skills were "below average."

- Great performances (and also poor performances) are often inseparable from context.

- Give me an example in which you brought your personal strengths to bear on your current job. What was your specific role? What were the circumstances? Exactly what did you do and why? What were the consequences?

- when it comes to people decisions, very little is absolute; almost everything is relative. Your job as the hiring entity is to figure out how someone has performed in a particular context—and figure out whether that experience comes to bear on your own context.

- As organizational behavior expert Chris Argyris has pointed out, the smartest people become quite stupid when they feel embarrassed or threatened.

- In many cases, that's code for hiring a person who represents the comfortable and the familiar, as opposed to seeking the best combination of competence and complementarity. If you think logically about it, complementarity necessarily implies diversity, which may argue against a "good fit."

- A related problem is the sequence effect, in which we tend to remember the earliest and most recent experiences in a series most clearly. As a result,

- By doing his homework and using external resources wisely, the board chairman overcame a whole host of biases and traps, and greatly broadened his company's range of options. The result was the recruitment of a competent, broad-gauge generalist, who slipped into his new role like a hand into a favorite glove.

- What I've come to realize, both through my personal experience and my professional inquiries, is how much our personal circumstances influence our behavior. We humans try to hold to absolutes, but in fact, we are relativists and situationalists. Where we stand depends on where we sit.

- (1) a lot of cheating goes on, (2) older children cheat more, and (3) so do less intelligent ones.

- For all of these reasons, we have to make a special effort to understand a candidate's circumstances. We have to use that understanding to root out exaggerated accounts of competence—and equally, to discredit overly self-critical assessments. We need to spot and head off the plungers, high-rollers, and risk-takers who feel they have nothing to lose. They always have more to lose, including their reputations. So heading off sabotage is right for both the would-be employer and the would-be employee.

- FIGURE 3.4 Why Getting the Best People Is So Hard

- When I asked Jim Collins about the single most important mistake he has observed in top leaders' decisions, he thought for a moment, and then responded as follows: Looking for the dramatic big decision that will catapult a company to greatness in one fell swoop; greatness just doesn't happen that way. When you study the long course of great companies, looking at their development over years, we see that no single decision—no matter how big—accounts for more than a small fraction of the company's total momentum. Greatness gets built by a series of good decisions, executed supremely well, added one upon another over a long period of time.

- (In our line of work, we have to be candid.)

- as you might expect, executive selection frequently takes place in the context of some kind of organizational discontinuity such as dramatic growth, a turnaround, a major cultural or strategic change, or a restructuring. Even more frequently, a change in the senior executive ranks reflects a developmental decision, such as creating an opportunity for an executive to develop a broader skill set through job rotation. But the most frequent scenario by far for an executive change involves neither an organizational discontinuity nor a developmental goal, but rather a determination to sustain the organization. In fact, in more than 60 percent of the cases reported on by CCL, an executive change was aimed mainly at maintaining the status quo.

- A final and very disturbing finding from CCL is that succession plans play a very limited role in executive selection, despite the critical importance of people decisions at that level. When analyzing the different selection techniques used in practice, succession plans were the least-used source for candidate information—employed in only 18 percent of the cases! By contrast, the most common methods used to gather candidate information were interviews (87%), resumes (73%), and references (69%).

- Our firm has conducted several studies of state-of-the-art executive career management. The consulting firm McKinsey & Company has conducted similar studies on a parallel track. Both sources of research confirm that most companies fall far short of best practice when it comes to making people decisions. To me, the results are astounding. More than three-quarters of the executives surveyed believe that their organizations: • Don't recruit highly talented people • Don't identify high and low performers • Don't retain top talent and assign the best to fast-track jobs • Don't hold line managers accountable for people quality • Don't develop talent effectively

- Even worse, more than 90 percent of executives reported that their organizations aren't good at removing low performers quickly.6

- "Leaders relentlessly upgrade their team," Jack Welch observes, "using every encounter as an opportunity to evaluate, coach, and build self-confidence."

- Does our company have a robust succession plan in place? At the very least, do we have a consensus candidate to step in and take the reins if the "hit-by-a-bus" scenario actually comes to pass? I'll return to these subjects in later chapters.

- They concluded that senior leadership has a much higher impact on company value when (1) the organization has abundant resources (including low financial leverage and high organizational slack), and (2) opportunities in the industry are scarce. If your company meets these two conditions, the potential benefit of making the right people decisions, including people changes, is likely to be very high.

- people changes often have to be made in response to discontinuities . In this category I include things like launching new businesses, doing mergers and acquisitions, developing and implementing new strategies, dealing with performance problems, and coping with growth and success.

- Industry knowledge counts for a lot. An analysis of GE “graduates” who signed on as CEOs of other companies confirms the fact that those individuals were much more effective when they took the reins of a company in a similar industry. So the technical, regulatory, customer, or supplier knowledge unique to an industry is an invaluable asset for performance, and a particularly valuable one when launching a new business.13 If you don’t have this talent inside, you’ll have to go outside.

- different strategies require different managers. The prevailing myth of the “universal manager” who could manage anything, under all circumstances, was just that: a myth. When you change strategies, you very often have to change horses.

- In 1983, MIT’s Sloan Management Review published an interesting article by Marc Gerstein and Heather Reisman, entitled “Strategic Selection: Matching Executives to Business Conditions.”16 The authors summarized seven common strategic situations (startup, turnaround, dynamic growth in existing business, new acquisitions, etc.), described the leadership requirements for each of the seven, and outlined a profile of the “ideal candidate” for each situation.

- For example, while it might appear to make sense to match a manager in the “caretaker” phase of his or her career with a product nearing the end of its life cycle, it might actually be smarter to put a young, aggressive, ambitious manager in that slot—the type of leader who might breathe some life back into the sagging product. Strategy is critically important, but context is what makes sense out of strategy.

- Neal Schmitt, Walter C. Borman, and several coauthors have discussed a hiring model in which staffing decisions are no longer limited to implementing strategy, but extend to the development of strategy.18 In other words, some organizations select outstanding individuals with deep skill sets and broad vision with an eye toward defining a new direction for the company, up to and including the definition of an entirely new corporate strategy. I’m reminded of Jim Collins’s Good to Great, in which he articulated his “First Who . . . Then What” principle: “They first got the right people on the bus, the wrong people off the bus, and the right people in the right seats—and then they figured out where to drive it.”

- A first finding is that boards generally focus on deviation from expected performance, rather than performance alone, in making the CEO turnover decision.

- The best analysis of this topic has been conducted by Harvard's Rakesh Khurana and Nitin Nohria.21 Their study confirms that in cases where the predecessor has been fired, typically as a result of poor company performance, hiring an outsider tends to enhance company performance quite significantly. (In all of these situations, of course, the relevant measurement of performance is industry-adjusted performance.) But in the case of a "natural" succession (when the outgoing CEO has not been fired, and company performance is strong), the best strategy tends to be picking an insider.

- Keep in mind the trap described by psychologists as the "fundamental attribution error": When individuals observe an outcome, they are more likely to attribute it to the person involved, rather than to external circumstances. In the same vein, recent research shows that in many cases, shareholders and analysts misattribute poor performance to the CEO, rather than to the real culprit: external circumstances that were beyond any individual's control. Are you experiencing a bumpy ride in your car? Well, is it the car? If so, get a new car. Is it the road?

- But the private equity fund was not content to rest on its laurels. Instead, it decided to assess the company's leadership against future challenges. In doing so, it quickly realized that, in order to bring the company to the next level beyond mere survival, a much higher level of strategic orientation at the top was necessary, not only to develop new product categories and market segments, but also to implement new alliances. In other words, with the initial tough turnaround successfully completed, a completely different profile of leadership was needed. A firefighter is not necessarily a builder.

- In this particular example, there was a significant spread of both managerial competence and growth potential. We grouped the rated managers in four categories: strategic resources, solid operators, question marks, and successors. There were several strategic resources (i.e., people who excelled along both dimensions), a significant number of solid operators who could be counted on to contribute significantly in the coming years, a few question marks, and no successors. The most urgent lesson to emerge from this study was that the company had to work hard to hire and develop successors if it hoped to realize its ambitious growth plans.

- People can buy into outcomes, even unwelcome outcomes, if they believe that the process that led to those outcomes was fair.

- In my own industry, the professional-services sector, our real problem is not to come up with the right strategy. Rather, our challenge is to implement the chosen strategy with discipline.

- As I write this today, I've just finished a meeting with Howard Stevenson, a legend in the field of entrepreneurship at Harvard. During our meeting, I asked him to draw on his own experiences (in academia, in entrepreneurial activities, and in numerous public and private organizations) to describe the most common mistakes he had encountered while making people decisions. He didn't hesitate: "You never fire people early enough."

- Howard Stevenson himself has written about what he calls the "power of predictability" in earning employee loyalty.29 He asserts that the manager's primary responsibility is to ensure that the organization does what it sets out to do as efficiently as possible. Be predictable, he advises. Be honest in your promises, and deliver on them.

- When it comes to people, you can be as tough as necessary as long as you're also fair.

- Kouzes and Posner have administered their questionnaire to more than 75,000 people around the globe, updating their findings continuously. When they ask respondents to select the qualities that they "most look for and admire in a leader, someone whose direction they would willingly follow," four characteristics come up consistently: 1. Honest 2. Forward-looking 3. Competent 4. Inspiring

- When Jim Collins was asked how "good to great" companies decide who should get off the bus, and how they implement those difficult decisions, this was his answer: They are rigorous, not ruthless. To be ruthless means hacking and cutting, especially in difficult times, or wantonly firing people without any thoughtful consideration. To be rigorous means consistently applying exacting standards at all times and at all levels, especially in upper management. To be rigorous, not ruthless, means that the best people need not worry about their positions and can concentrate fully on their work.32 Rigor without ruthlessness; honesty without brutality: