Wanted: CEO with integrity

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IESE's José Ramón Pin and Guido Stein weigh up the qualities needed to lead a company, such as a strong work ethic, perseverance, business vision, political savvy and integrity.

Selecting and developing the CEO is an essential duty of the board of directors, particularly in light of the fact that a company tends to take on the character of its leader.

For instance, the strategy of an organization led by someone with sales experience will most likely be marketing oriented. Conversely, if the CEO has a background in finance, the company will probably be more concerned about financial issues, such as its stock price and cash flow.

In a technical note on managing CEO talent, IESE professors José Ramón Pin and Guido Stein analyze the essential attributes of a CEO.

The authors also explore the extent to which the CEO determines a company's development, and they discuss the processes needed to maximize the CEO's potential.

A well traveled career

Reaching the top level of company management requires hard work, perseverance, business vision, political savvy and integrity. There are many obstacles to overcome, and any aspiring CEO must be prepared to make sacrifices at the personal, professional and family levels.

Throughout the process, there are alternating stages of stability and crisis, which require dealing with high levels of uncertainty. Such crisis phases should be viewed as opportunities

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to learn how to handle sensitive issues under pressure.

To deliver results during periods of crisis, the CEO must:

- Delegate and take personal responsibility for everyone else's work, by hiring the right people and putting them where they will be most effective.
- Remove any members from teams who are not suitable for the new tasks.
- Balance a demanding professional life with family and personal responsibilities.
- Create an extensive, solid network of relationships inside and outside the organization.
- Be persistent and work under adversity to rebound after possible setbacks.
- Possess a variety of management styles and use them effectively according to the situation at hand.

The three dimensions of talent

Talent is about having the right combination of knowledge, skills, capabilities and mind-sets to perform a task.

In the case of a company CEO, the following three qualities are vital.

1. Strategic Mindedness. This is about being able to identify market opportunities, knowing how to capitalize on them and make them a reality. An individual who simply sees the future but does not know how to build it is nothing more than a visionary.

In order to improve this facet, it must be put into practice. The company must allow CEO candidates to define and seize business opportunities, even though this may mean a few misfires along the way.

A top executive without strategic talent is basically an administrator, who is skilled at adhering to a defined strategy but not changing it. In complex and uncertain contexts like the present, this type of CEO can hinder the organization and ultimately lead it to disaster by failing to react to new challenges and opportunities.

2. People Management Skills. This requires being able to mobilize individuals and teams to deliver the business vision. Also referred to as "executive ability," it encompasses skills such as verbal, nonverbal and written communication, teamwork, knowledge of people's needs, and managing systems of remuneration and promotion.

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The best way to refine this skill set is to build on the CEO's strengths and mediate some of his or her deficiencies. When it comes to improvement processes, educational sessions and coaching are two valuable resources.

A top executive with weaknesses in this aspect is actually a "merchant" or "promoter": someone capable of launching a project, but disastrous when it comes to consolidation or ma turation.

3. Ethical/Moral Judgment. This means putting the general interest of the organization and its members first in the formulation of policy.

The past few decades have seen the development of good governance codes to help guide CEOs and executive boards.

However, given the potential corrupting influence that positions of power can have on individuals, it is also advisable to establish watchdog committees and a clear balance of power.

Beyond regulatory guidelines and suitable control mechanisms, the most vital ingredient in this process is the CEO's conception of values such as justice, honesty, solidarity and discipline.

Ultimately, the most dangerous thing for an organization is to hire someone who is highly qualified in terms of strategy and people skills but who lacks integrity.

Seeking maximum potential

To develop their talent, both current and aspiring CEOs must be humble and seek assistance in creating a rigorous training plan, something that should be assessed by those responsible for the hiring.

The board of directors should also look to cooperate in the CEO's development, although its members' modesty often prevents them from making such proposals.

Another of the board's duties is to foster the flow of CEO candidates and facilitate the development of their talent. By doing so, they should be able to build the strong foundations necessary for ensuring the company's success and longevity.

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