

DEFINING EXECUTIVE INTELLIGENCE: THE SKILLS THAT DISTINGUISH GREAT LEADERS

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The most successful business leaders consistently recognize opportunities, pursue the right ones, identify and overcome obstacles, manage potential risks and mobilize their organizations to act. These executives, according to Jack Welch, are “constantly looking around corners, anticipating and ‘smelling out’ issues.” And he says, “Asking the right questions and anticipating problems is a big aspect of leadership.”*

Why are some executives better equipped to get at the heart of important issues and effectively anticipate and manage challenges that arise? What skills do these leaders possess?

Management theories abound, but years of research and interviews with scores of successful business executives show that the most effective leaders possess a quality that we call Executive Intelligence. This vital component of business judgment and leadership refers to an executive’s capacity to accurately analyze situations and solve problems, work with and through people, judge oneself and adapt behavior accordingly.

* Executives’ quotes originally appeared in the book *Executive Intelligence: What All Great Leaders Have* by Spencer Stuart’s Justin Menkes.

Having leaders with these capabilities always has been critical to the success of companies. In today's business environment, where growth is more difficult to achieve, competition is more intense and scrutiny of business practices is greater, it is more important than ever that organizations identify the individuals who possess these critical thinking skills and ensure that they rise to the company's key roles.

WHAT IS EXECUTIVE INTELLIGENCE?

Executive Intelligence is related to, but not the same as, academic intelligence. Academic aptitude in language, math and spatial reasoning, which are measured through standard IQ tests, has little relevance to many of the day-to-day demands of business. As Jim Kilts, former CEO of The Gillette Company, explained: "Many of the top business leaders have attended elite academic institutions, and this education can serve as a good foundation — the ability to think critically and understand concepts. So a doctorate can be an indication of intellectual horsepower. But in a business setting, you must be able to not only generate ideas, but translate those ideas into results. That is the hardest thing and requires abilities that go beyond academic skills."

Specifically, business leaders must excel in three areas: accomplishing the tasks of leadership, working with and through people, and evaluating their own attitudes and behaviors and making adjustments when necessary. Leaders with a high degree of Executive Intelligence are able to better assess complex economic environments and identify appropriate responses to the key business issues. They anticipate likely obstacles to achieving objectives and identify sensible ways to circumvent them. These leaders critically examine the accuracy of underlying assumptions and recognize what is known about an issue, what more needs to be known and how best to obtain the necessary information. They also are able to examine issues from multiple perspectives to identify possible unintended consequences of various plans.

In working with other people, these executives are able to recognize the agendas and motivations of individuals and groups who are involved in a particular situation. They antic-

ipate the possible emotional reactions people may have to actions or communications. They accurately identify the core issues and perspectives that are central to a conflict and balance the different needs of relevant stakeholders.

Skilled leaders also are able to look objectively at themselves. They pursue and encourage feedback that may reveal errors in their own judgment. They recognize their own personal biases or limitations in perspective and use this understanding to improve their thinking and plans for action. They recognize when it is important to acknowledge their own flaws or mistakes and make a change, and when it is appropriate to resist the objections of others and remain committed to a certain course of action.

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In practice, great leaders not only conceptualize and formulate strategy, but also see initiatives through to completion. This requires them to make adjustments based on new information or early results, understand challenges and potential consequences, ask thoughtful questions and probe the assumptions of others. A senior telecommunications executive explained it this way: "Clear thinkers — the ones that can cull everything down to the right point — can be very hard to find. But if you get yourself a team of clear thinkers, the possibilities are endless. ... They are good listeners and are thoughtful, and they apply those traits to any set of issues with which they are engaged. They have the ability to listen openly, reflect on varying viewpoints and rapidly synthesize what is useful or meaningful when dealing with a particular issue. They quickly get to the core of a problem."

Leaders without these skills fail to question conventional wisdom or underlying assumptions, and don't anticipate unintended consequences. They do not recognize the motivations or agendas of others and how these might impact the way decisions are made or applied. Finally, they are unable to look critically at their own biases or limitations in perspective and make adjustments.

UNDERSTANDING THE HORSEPOWER OF THE TEAM

The history of business is rife with examples of leaders who have lacked the capabilities associated with Executive Intelligence, sometimes with disastrous consequences for their companies and their shareholders:

- > Leaders who have failed to recognize or ignored changing market or competitive conditions that made the company's business model unsustainable
- > Executives skilled in technology and operations, but unaware of the internal politics and cultural issues that threaten the company's future
- > Executives who — intentionally or not — isolate themselves from contrary points of view that could improve their decision making

In today's volatile and highly competitive business environment, the risks of poor decision making are greater than ever. CEOs and their top leaders must make the right judgments about market direction, the competitive landscape, and investments in products and technologies. When decisions are made without a proper understanding of the risks, potential complications and underlying assumptions, a company may jeopardize its reputation with customers, miss important opportunities or misdirect scarce financial or human resources.

By contrast, strong leaders not only make better decisions themselves, but also help attract other exceptional leaders. Together, these executives demand the best from each other and improve overall decision making.

As Robert L. Johnson, founder and former chairman and CEO of Black Entertainment Television (BET), explained, success in business does not come down to one person but requires the collaboration of many people. "Even the sharpest thinkers need teams of sharp people around them. And these high-performing teams develop over time. It is one of the basic laws of attracting talent: the more talented people you have, the more talented people you can attract," he said. "You get the highest level of input in decision making and the best critique of things you should or should not undertake when you are surrounded by such individuals. Once you reach that critical mass of talent, there's literally nothing you can't undertake."

In addition, today's flatter and more dispersed organizational models require that people throughout the business operate at a higher level. "Decision making in today's business environment is decentralized. Decisions are made at a local level or at a functional or operating level," observed Andrea Jung, chairman and CEO of Avon Products. "You can't grow a business around two to three good thinkers anymore, because your success depends on quality decisions at every level — sales people, marketing people, strategy people and so on. Everyone has to be able to think smart."

Certain high-stakes periods in the life of an organization require even more attention to talent decisions. At one time or another, all companies will face a critical strategic event that raises questions about the strength of its leadership team. These events and transitions — ranging from mergers and acquisitions or a CEO transition to a new strategy implementation or reorganization — provide opportunities to step back and evaluate whether the right individuals are in each role.

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ASSESSING EXECUTIVE INTELLIGENCE

Given the importance of making sure the most skilled executives are in key roles, particularly in times of transition, how can companies evaluate the capabilities of individual leaders and identify the most promising executives for the future?

Unlike standard intelligence tests that are written in multiple-choice format and have only one right answer, the best way to measure Executive Intelligence is through a live interview that takes the individual through a series of situations that he or she must analyze and make judgments about. The situations must be unfamiliar to the executive, so he or she cannot draw on past experience or knowledge of similar situations.

The interview format exposes the executive's problem-solving approach and the cognitive skills used to reach an answer. This is crucial because a candidate's final answer to a question is not an adequate indicator of Executive

Intelligence. Rather, it is the thinking process leading to the conclusion that exposes the person's strengths and weaknesses.

In an Executive Intelligence evaluation, the interviewer provides realistic business scenarios and poses questions that call for the use of certain problem-solving skills. For each scenario, the individual analyzes the situation, draws a conclusion and justifies his or her reasoning. In a sense, the interview imitates the job itself; questions and problems are posed on the fly and the individual has to pro-

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vide skilled guidance to others in the moment.

The interview questions should not cue the person to the aptitudes necessary to analyze the situation. For instance, a question meant to reveal a person's ability to identify the flaws in other people's suggestions would not prompt the person to do so. Instead, the executive would be asked to analyze a situation; someone with this capability would identify the essential flaw in another's suggestion as part of the response. In follow-up questions, executives would be asked to explain why they would take a certain course of action, revealing the quality of their thinking skills.

The Executive Intelligence evaluation represents an important breakthrough in executive assessment because of its effectiveness at measuring an individual's fundamental business aptitude. However, it is just one piece of the assessment puzzle. Research has shown that the most accurate approach to executive assessment combines an evaluation of intelligence — in this case, Executive Intelligence — with a competency-based interview, which measures an executive's proven skills in relation to a specific role, and third-party referencing to verify the individual's statements and interviewer's observations. For this reason, Spencer Stuart's executive assessment service combines these three methods.

CONCLUSION

Facing a far more complex set of challenges than in the past, companies require leaders with a broad set of experience and competencies; international experience, a strategic mindset and exceptional communication and interpersonal skills all are leadership characteristics that have grown in importance in recent years. In addition to these requirements, the best leaders also have the ability to evaluate opportunities and risks accurately, work effectively with and through internal and external audiences, and assess and adapt their own behavior when necessary — the set of skills we call Executive Intelligence. Companies looking to improve the quality of their talent increasingly will evaluate executives not just on their past performance, but also on their level of Executive Intelligence to understand their ability to take on new challenges and perform over the long term.

ABOUT THE AUTHORS

Cathy Anterasian leads Executive Assessment Services for Spencer Stuart in North and South America, and is a member of the firm's Technology, Communications & Media and Consumer Goods & Services practices. Justin Menkes specializes in leadership assessment and development. He was a founding member of the Executive Intelligence Group, which was integrated into Spencer Stuart in 2007. Gerhard Resch-Fingerlos leads Executive Assessment Services for Spencer Stuart in Europe, South Africa, the Middle East, India and Asia, and is a member of the firm's Technology, Communications & Media and Industrial practices. Robert Stark, a founding member of the Executive Intelligence Group, specializes in leadership assessment and development.