What Makes a CEO Successful?

A new analysis turns up some surprising negatives.

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For finance chiefs who have their sights trained on the corner office and want to develop their skill-sets accordingly, here's a provocative notion: treating people with respect and being a good listener may not be all that important to becoming a successful CEO.

That seems to be the case at private-equity-backed firms, at least, according to a recent study by Steven Kaplan, a professor at University of Chicago's Booth School of Business, and co-authors Mark M. Klebanov of Ziff Brothers Investments and Morten Sorensen of Columbia Business School. In fact, for some CEOs of PE-backed firms, such interpersonal skills were linked to their undoing.

"If you read the management literature, you basically want your CEO to be everything," says Kaplan, "but we wanted to find out which variables mattered more for performance." The researchers analyzed independent assessments of more than 300 CEO candidates (some of whom were incumbents) for PE-backed firms by ghSmart between 2000 and 2006. The assessments, usually in the form of four-hour interviews, included ratings on over 40 different dimensions, including leadership and motivational ability, intellect, integrity, and interpersonal skills.

Kaplan and his colleagues then used regression analysis to compare the scores of those who were ultimately hired against the outcome for their firms (which were either leveraged-buyout or venture-capital situations): whether it went public or bankrupt, was sold for a high price or poor one, or, in the absence of other data, received good press or bad.

It turns out that all candidates who were hired scored highly on general leadership skills, making it hard to tease out factors that were most important to getting a CEO job in the first place. But those candidates who scored highly on various measures of aggressiveness turned out to be the most successful chief executives, as measured by leading the company to a profitable exit or receiving a higher valuation or favorable press.

The differences between those who scored highly on such factors and those who didn't were stark, according to Kaplan. "If you were rated high on being efficient, you succeeded more than 85% of the time; if not, you succeeded less than 50% of the time," he notes. (Only about a third of the sample garnered such high ratings.) Two other key aggressiveness attributes were being persistent and being proactive: those who rated highly in those categories were about twice as likely to succeed as those who didn't.

At the same time, interpersonal skills, such as being a good listener and being open to criticism, bore no consistent relationship to business success and were often negative factors, particularly at venture-capital firms. Those who scored highest on listening skills, for example, were less successful than those who rated lower. Those who rated very highly on being open to criticism were often successful, but those with the next highest-ratings were the least successful.

"Team skills are not bad," comments Kaplan. "But if you just have those without the action orientation, you don't get anywhere."

Interestingly, while the PE-backed companies tended to hire incumbent CEOs, incumbency didn't have an effect on success. Gender also didn't seem to make a difference. Although women are often pegged as excelling on interpersonal skills but being less aggressive, their scores tended to be similar to the men's in the study, along with their likelihood of being successful, says Kaplan.

Other experts say the study's results resonate, although the limited data set makes it hard to extrapolate the findings across all types of companies. Walt Williams, an executive recruiter who now specializes in recruiting executives for PE-backed firms after years of working with larger firms, says the results make sense for the companies studied. With many PE firms looking to get out of an investment within three to five years, most "already have a game plan in place, so what they care about is management's ability to execute their strategy," says Williams. Both CEOs and CFOs "come in knowing that it is not a lifetime job, and that the clock is ticking."

At larger, more-established companies, however, Williams says that a bias toward action over collaboration may be more counterproductive. "You have a much broader set of constituents you have to think about, and usually less of a need to make radical change, compared to a company about to go bankrupt," he says, so "the only way you can get things changed is through team-building skills to get [other employees] on the same page."

Meanwhile, finance chiefs should keep honing their interpersonal skills, recruiters say. "People skills are particularly important for CFOs" as the role evolves to be more focused on operations and business strategy, says Cindy Kraft, owner of CFO-Coach.com, because "you don't gain that knowledge of the operations without talking to people." And without the ultimate power of the CEO, "you have to get buy-in for your ideas," says Joel Garfinkle, of Garfinkle Executive Coaching. "For long-term success, you can't just bulldoze through."