At the extreme

leadership and exceptional success

"CEO succession in any type of organisation - from political to not for profit, to business or the military - is the key determinant of organisational performance."

Warren Bennis & Noel Tichy

Extreme leadership?

On our strategic leadership workshops we ask participants to nominate exceptional examples of leadership.

Richard Branson of the Virgin Group continues to be the most frequently mentioned leader.

Branson it is true is an exceptionally "obvious" leader. His pranks and stunts give him a high profile as a leader operating at the extreme. His business venture, Virgin Galaxy to put tourists into space - despite long delays and safety concerns - generates great Public Relations as a leader operating at the extreme.

Branson's autobiographies and social media posts on business success make him extremely visible.

Richard is also personally an extremely rich leader. With a net worth of £4.52 billion, he ranks 23rd in the Sunday Times Rich List.

But is Richard Branson an extremely successful CEO?[1]

The debate about the causes and consequences of effective leadership continues. Leadership is a construct that researchers, thought leaders and practitioners define to suit their particular view point.

The focus of this article:

CEOs who have achieved superior returns for their investors, consistently over time[2]

What do they do, and how do they do it?

And what are the implications for the assessment and development of our future CEOs?

"My influence will be assessed in 15 or 20 years, and only then will people be able to determine whether we made the right choices."

Lars Rebien Sorensen,
Novo Nordisk

Extreme leadership as serial reinvention

"I just wish I'd never sold a share."
Woody Ives

1

Dick Smith was 32 when his father who ran General Cinema - a successful theatre chain - died from a heart attack. Dick found himself in charge.

Over the next 43 years, Dick Smith became the master of serial reinvention.

Shrewd in understanding the financing of new theatres, he also knew that growth and returns in the theatre business were unsustainable.

Dick Smith moved into the beverage business and soft drink bottling, buying the largest independent Pepsi bottler. And he bought more beverage businesses. But Smith, in the late 1980s, spotted trouble ahead as the business economics in beverage began to look unfavourable, and he sold out to Pepsi.

Then he moved into department stores and specialty retail chains. And with $1 billion in cash from the Pepsi sale, Smith sensed another opportunity and bought the publisher Harcourt Brace Jovanovich in 1991.

Smith delivered over 43 years a compound annual return for his shareholders of 16%. A dollar invested with Smith when he began his leadership career would have been worth $684 when he retired (in contrast to $43 invested in the S & P 500.)

This is Extreme leadership[3].

Extreme leadership as shrewd investment

"This neophyte CEO left a journalistic and financial legacy that would be the envy of her peers, and she did it with great style and panache."
William Thorndike

2

Katherine Graham did not expect to be the President of the Washington Post. At the age of 46, not having been in regular employment for 20 years, she found herself as CEO of the equivalent of a Fortune 500 size company.

Katherine, fearless under political pressure, supported the Post's reporting of the Watergate scandal in the early 1970s, a story that made the paper's reputation. But reputations do not make money.

In 1975 the Washington Post faced a massive strike. Graham fought the union and won, and improved the paper's profitability.

Katherine was also shrewd in acquisitions, applying robust criteria to evaluate the future profitability of any potential targets, and moved into businesses unrelated to newspapers - cell phone franchises, cable TV and education.

When Graham stood down in 1993, the Post Company was the most diversified of its newspaper rivals. And over a 22 year tenure, she had delivered a shareholder return of 22% - compared to her industry peers of 12%, and against the S & P 500, 7%.

Graham in stepping down also helped manage her succession. With a generation of credible and capable leaders ready to take on greater responsibility, the Post Company continued to out-perform its newspaper rivals for another 15 years.

This is Extreme leadership.

Extreme leadership as superb execution

"This is one of the great CEOs of our time, yet he's stayed below the radar."
Jim Cramer

3

In 1999, after a conversation with Jack Welch, Dave Cote knew he was out of the succession running at GE. Following a fraught move to TRW Automotive Engineering, he was appointed CEO of Honeywell in 2002. The business was in a mess, strategically adrift, and struggling with infighting after its acquisition by Allied Signal and the purchase of the independent minded Pittway. Its merger with GE had been blocked by the European Union, creating more uncertainty about Honeywell's future.

The business was also losing money. Cote knew - to unify a fractured business and dysfunctional culture - he had to set the tone for a different way of doing business. And he:

- ended aggressive accounting practices to adopt conservative book-keeping, accepting this would hurt short-term earnings
- introduced honesty about Honeywell's liabilities, including the legal claims associated with its asbestos legacy
- implemented an operating system, based on Toyota's manufacturing practices, to improve productivity

Dave Cote also reviewed Honeywell's track record of acquisitions - around half had been failures - to introduce greater discipline in the companies it would buy and integrate.

11 years after Cote's appointment, Honeywell's revenue had increased 69%, and profit margins had reached 16%. Investors had seen a total return, including dividends, of 215%, placing it as the top performer in the diversified industries sector.

In March 2017 David Cote stepped down as CEO to give way, in a managed succession process, to Darius Adamczyk.

This is Extreme leadership.

Overview

The leadership industry - that enterprise engaged in leadership assessment, development, compensation systems and succession management - faces a challenge. Organisations are doing more "leadership stuff" but there is a question mark. Has this increase in activity over the last few decades seen a corresponding leadership renaissance to deliver transformational gains in business productivity and innovation?[4]

The Red Queen effect forms part of the answer[5]. In a highly competitive world, everyone is running faster just to stay in the same place. Any innovation in leadership practice that drives superior performance is imitated quickly by rivals, and everyone goes back to square one to keep replaying a game of leadership snakes and ladders.

Alternatively, organisations have settled for Modal Leadership[6]. Modal Leadership is conventional leadership that operates in the zone of safety, doing enough of the right thing to perform just about satisfactorily most of the time. It also avoids the high risk decisions that deliver exceptional outcomes. Extreme Leadership is prepared to be different and to take the risks that have the possibility of greater gain.

Organisations of course need a mix of Modal and Extreme leadership. And Modal leaders do fine, most of the time. But Modal CEOs may also lead a successful business into decline. For some organisations in some scenarios, it is the identification, development and appointment of Extreme CEOs that is likely to be a key dynamic of long-term success.

Extreme Leadership requires a rethink of the criteria and the systems we use in the selection of leadership and the processes for succession decision making.

"The successful revolutionary is a statesman. The unsuccessful one, a criminal."
Erich Fromm

Conclusions

The argument, evidence and recommendations follow. The quick take-aways:

Modal Leaders do a reasonable job most of the time. But if we want to achieve exceptional business success we need to ensure that Extreme Leaders are in the right roles when we need them, and that our leadership pipeline encourages Extreme leadership rather than build "more of the same" Modal leaders.

The executive search and selection industry - still for the most part reliant on established connections and the gossip of "word of mouth" recommendations - typically trawls within a talent pool of the usual suspects at senior levels. This resourcing strategy finds the candidate with the reassuring credibility of a conventional career track record supported by relevant experience. It also avoids the risk of Extreme Leadership to maintain the flow of Modal Leadership candidates.

Head hunter firms with the imagination and courage to think differently will generate surprises in candidate short-lists. Apart from identifying possible Extreme Leaders, this approach improves the diversity of the talent pool.

Leadership assessment has failed to make much significant gain in prediction, despite several decades of effort, and increasing hype in its claims. Arguably, its conservatism to follow conventional best practice and avoid risk is now part of the problem in the identification of Extreme leaders.

Moving to Extreme Leadership isn't an argument to move from robust assessment. The opposite. It requires more attention to assessment, but a rethink of success criteria, a more varied and balanced choice of assessment methodologies and greater wisdom in the integration of data to gain greater insight into Extreme candidates.

The leadership development industry has recently been on the receiving end of much criticism, some deserved, most misplaced and unfair.

An analysis of Extreme Leaders highlights opportunities to rethink the strategies and tactics of development to ensure that current practice isn't simply the reinforcement of "good enough" Modal Leadership, but encourages and builds the mind-set of the Extreme Leader.

The debate about CEO compensation continues, with the concern that we might be rewarding the mediocrity of Modal leaders. Here, Modal Leaders are given disproportionate rewards that simply reflect the good fortune of share price and market trends. And in the event of any business failure, when they exit, are still rewarded for their leadership shortcomings.

Without genuine "skin in the game", Modal Leaders will manage the system to secure their short-term personal gains rather than advance the long-term interests of their shareholders. Until corporate incentives shift, Modal leadership will dominate.

Succession management. Every year surveys replay the same set of findings: succession is very, very important. And year after year, organisations continue to report difficulty in implementing the processes that review talent, agree priorities and put in place the practical measures that translate into robust succession. Why?

Arguably, when Modal Leaders are promoted and gain the "big job" their focus is on personal survival today - not stewardship for tomorrow.

Extreme Leadership adopts a different mind-set. If success is only success when it is sustained, then succession becomes a priority for Extreme leaders, not as a last minute scramble as they approach their departure, but at the beginning of their tenure.

Exceptional results sustained over time require a rethink of leadership succession.

"It is impossible to produce superior performance unless you do something different."

John Templeton

Does leadership matter that much?

The leadership industry[7] claims that leadership makes a substantial difference to business performance.

The favourite tactic is to list exemplars of excellence. Steve Jobs of Apple and Jack Ma of Alibaba are typically included in the round up of success. Bizarrely enough, Lemmy, the former bass player of Motorhead, at one point also joined the parade of leadership success.

This perspective has met two responses:

1. Leadership is over-played

Here the critics are sceptical about the romanticisation of leadership and argue that the consulting industry is engaged in little more than “story telling” to re-label boring old management as something more glamorous. The more cynical suggest this tactic is another way of justifying the growing gap between senior executive (the leader) and front line employee (the follower) compensation[8].

A variation of this criticism challenges the fundamental concept of leadership[9]. If organisations are moving to more flexible and distributed operating models, the heroism or “leader-ing”[10] of classic hierarchical leadership may be a barrier to agility and versatility.

2. Can we check the evidence

The second response to the “leaders matter” perspective points out that when a collection of individuals is cherry picked based on current levels of visibility, we should check they are in fact outstanding leaders. This will avoid the embarrassment of nominating those individuals who turn out to be the rogues and villains of business life[11]. When we focus only on success[12] we might also ignore the similarity of remarkable success to disastrous failure. These critics also remind us that business success is unlikely to be the outcome of one individual, however talented and motivated.

In an enterprise that now goes back to the early 1970s, researchers have attempted to solve the leadership performance equation. Data for corporate sales, earnings and profit margins are analysed against year, industry, firm and leadership tenure to identify the relative contribution of the different factors associated with corporate performance. Here estimates of the power of leadership to “explain” corporate performance range from practically zero to around the 30% mark[13].

More recently one researcher put the CEO effect on firm performance at a modest 5%, only to be countered quickly by another academic team, who in their re-analysis of the data with a different metric of business performance, argued 22% was a more accurate estimate[14].

Arguably the “does leadership make a difference” project has lost its way. A combination of concerns about methodological rigour, insufficient data about leadership quality and doubts about the abstraction of statistical analysis leaves unanswered the question:

what difference do exceptional leaders make?

“It’s remarkable how much value can be created by a small group of really talented people.”

David Wargo, Putnam Investments

More insights into the impact of leadership

For those sceptical of the smoke and mirrors of "variance decomposition" leadership analysis, what other insights are available? Here a different set of studies provide further indicators of the role that leadership can play in business success.

What premium do investors apply to firms with effective leadership? In one survey of analysts' perceptions of the criteria used to evaluate company success, firms seen as having effective leadership had a premium of 16%. Those perceived as having ineffective leadership were discounted by 20%[15].

How venture capitalists view the quality of leadership in predicting start up success. Here the suggestion is that the difference between the best and worst leadership teams was 12%, with the finding that although good leadership teams can raise the odds of start up success, bad leaders lower the odds of success a lot more[16].

What happens when a CEO dies, is hospitalised or loses a family member? If senior executives make little difference to business performance, then these tragedies should have minimal effect. The findings are a complex pattern of interdependencies of different factors, but the results from this kind of analysis highlight the negative impact of the absence of leadership[17].

Does a counter-terrorism strategy of decapitation - the removal of the leader of the terrorist group - disrupt the organisation? If leadership's contribution to "organisational performance" is trivial, this strategy shouldn't work. With a few qualifications, it does[18].

What impact do English Premier League managers have on success?[19] Factoring in the typical variables that explain football club success (principally funds available for player transfers and wages), how do actual results compare with expected results? Analysis indicates some football managers do indeed over-perform and others under-perform.

CEO awards. If senior leadership has a minimal impact on business performance, then winning an award should make little difference to how the firms of prize winning CEOs go on to perform. Not a massive difference, but enough to be significant, CEOs who win awards can anticipate the performance of their firms to decline[20].

This is only a selection of a mixed collection of findings. But they provide some clues in exploring the evidence of leadership impact, importantly that no leadership is preferable to incompetent or toxic leadership. Undoubtedly it is difficult to disentangle the full array and interactions of the factors underpinning business performance, not least that the vagaries of luck seem a significant factor[21]. But "something" important is going on.

The question now seems less "do leaders matter"? They do. But working out: how and when leaders matter, with what outcome?

"The difference between good leaders and truly great leaders is not one of degree but one of kind"

Gautum Mukunda

What do we mean by leadership success anyway?

"So tell me now George. Where did it all go wrong?"

Waiter to football genius, George Best

Jack Welch of General Electric is hailed as an outstanding business person. Fortune magazine profiled him as "THE manager of the 20th century". His leadership philosophy and management techniques have been well documented as an exemplar of leadership success and how the "Welch way" made a positive business impact.

And one reading of the Jack Welch story is indeed of an exceptional leader who delivered excellent returns for GE's shareholders. When, in 1981, he succeeded Reg Jones as CEO, GE's revenues stood at $27 billion. By 2000, revenues reached $130 billion, and GE's value had increased 40 fold. Welch, in this narrative, applied his leadership acumen through a combination of radical restructuring, culture change and an ambitious acquisitions programme to transform the organisation.

The problem with this account is that Jack Welch inherited the momentum of "one of the strongest companies in America" with a triple A debt rating. Yes, against the metric of return on equity Welch did well. But then so did his predecessors, and here Welch ranks 5th out of the seven CEOs who ran GE. One observer[22] argues that Welch led GE at a time "when the winds of investor sentiment blew mightily at the back of share price" and much of this extraordinary performance is largely attributable to a shift in what investors were willing to pay for stock.

In this revision of the Welch story, Jack's success largely resulted from his supreme ability to deliver against investor expectations, consistently meeting forecasts quarter by quarter. But this astonishing regularity now seems to be based on what euphemistically can be described as "confusing legal and accounting manoeuvres"[23]. What we do know is that GE was later forced to restate earnings and settle fines with the SEC[24].

This is Welch not so much as the master strategist but more the master of financial engineering; a CEO whose pursuit of short-term profits damaged GE's balance sheet's long-term health. Here Welch's critics argue that GE neglected key capabilities in engineering, research and development, and product lines lost their technological lead. Parallel to this strategic shift was Welch's big push into financial services. By the end of his tenure, half of GE's earnings came from GE Capital.

GE had become less a manufacturing conglomerate and more a bank. And when the great financial crisis hit in 2008, GE was in trouble. Without the US government's Troubled Asset Relief Program, GE would probably have gone bankrupt.

As one observer summarises: *"Yes, Welch increased GE's stock value; but with a management style that failed to pay all of the bills along the way. It is easy to look rich when you don't pay your bills."*

There is an additional and darker narrative as Welch's legacy and business impact is evaluated 15 years after his departure. A picture now emerges of a bigoted and belligerent bully[25] whose route to power and survival owed more to "ingratiation and intimidation" - of rewarding allies and punishing potential adversaries.

Less a transformational visionary, Jack Welch seems more a dark side leader, driven more by personal insecurities and financial status than long-term stewardship.

The Jack Welch story highlights the complexities in the evaluation of leadership and its business impact. It also helps rethink the criteria that apply in assessing exceptional leadership.

"He climbed aboard the up-elevator at the start of the longest ride skyward in American business history, and twenty years later he stepped off at literally the top…at which point everything beneath him began to wobble and then collapse."

Cristopher Byron, Testosterone Inc.

Success is success in context

To identify success - and make meaningful comparisons across different leaders and their outcomes - we need to ensure we are looking at genuinely excellent leadership performance in the first place[26]. If not, the good fortune of positive business consequences becomes the narrative for the causes of exceptional leadership.

By focusing on short-term business success we run the risk of allowing the Halo Effect[27] to interpret the consequences of good luck as the outcome of leadership brilliance.

Finding himself in the right company at the right time in the business tide, assisted by the demise of a key competitor, Welch was a lucky leader[28]. His successor, Immelt - having to unravel the mess that Welch left him and facing unfavourable business circumstances after 9/11 - arguably has been an unlucky leader.

In a remarkable display of chutzpah, Welch then went on to criticise his successor:

"Here's the screw-up. You made a promise that you'd deliver and you miss three weeks later. Jeff has a credibility issue. He's getting his ass kicked."

Success is a combination of leadership ability, motivation and context. And when we forget the impact of context and the ups and downs of short-term luck we can over or under-state the personal long-term contribution of the individual leader.

"We often misattribute performance to the individual when we should understand the context within which they operate."
Michael Mauboussin

Success is always relative

Success can only be determined relative to a leader's peers and the market. Spectacular growth and shareholder return may look like an impressive leadership achievement. It is only remarkable when that growth and return is appreciably higher than rivals in a similar market.

Warren Buffett points to the leadership *"duck who quacks loudly when the pond rises."* Instead of listening to the quack of the noisy duck, we should also look at how the other ducks have risen in the pond. Preferably we should wait a few years for the ups and downs of the pond (economic cycle) before we hand out prizes to the exceptional duck.

This is the metric of leadership success based on superior performance to a leader's peers and the market, judged by consistent delivery through the good times as well as the bad business times.

Against this metric, Welch can be judged - just about - as a good leader but not an exceptional leader.

"What matters isn't the absolute rate of return, but the return relative to peers and the market."
William Thorndike

Success as a legacy

"The way you know you've succeeded is to ask yourself: If I stopped putting energy into this, would it continue to go well?"
Bob Sutton

If achieving organisational success relative to one's leadership peers for a short period is a tough challenge, then sustaining outstanding success over an extended time frame is extraordinarily difficult. But it is the test of exceptional leadership.

Great leaders don't just deliver during their tenure. Great leaders put in place the processes and systems to build the resilience and agility for firms to compete into the future.

Sir Alex Ferguson, the outstanding football manager of his generation, said*: "My aim in management has always been to lay foundations that will make the club successful for years or even decades."* This is the mind-set of exceptional leadership.

Great leaders ensure that decisions are not made for short-term advantage with damaging consequences for the long run. They also establish and reinforce the organisational capabilities needed for renewal and reinvention, not least in the orchestration of succession[29].

How does Jack Welch stack up against this measure? Against the legacy metric, Welch must be judged as a question mark. Apart from leaving too many skeletons in the cupboard for his own successor to tackle, it is questionable he made the right judgement call in recommending Jeff Immelt.

Welch, probably due to his own abrasive style, lost key leadership talent during his tenure and within his own well publicised succession process[30]. When the individuals who left GE went on to deliver exceptional returns for the businesses they joined - superior to those achieved by Immelt over his GE stewardship - the "house that Jack built" was left less, not more resilient.

"Few companies last forever. But all of them should be built to last a long time."
Charlie Munger

Are we looking in the right place for exceptional leadership

Exceptional success meets the criteria of:

Survival to stay in the game and navigate the ups and downs of business fortune in the short term

Superior relative returns to win by out-performing rivals playing the same game over an extended period of time

Long-term legacy to ensure future players have a better chance of winning the game

The leadership industry has been too quick to make judgements of greatness. The biographies of today's celebrity leaders or media profiles of tomorrow's emerging meteors may be more the "quack of the duck", rather than indicative of genuine leadership success.

Without an understanding of the causes and consequences of genuinely great leadership, the frameworks applied in assessment, development and succession may be flawed.

- what do Extreme leaders do to achieve this level of success?
- what characteristics do they share?

This is to understand the dynamics of the Extreme Leader[31].

In his detailed analysis of exceptional corporate performance, Michael Raynor[32] found that the drivers of business success are remarkably simple. But managing these dynamics is extraordinarily difficult.

Raynor and his research team identified a group of genuinely exceptional firms that had achieved and sustained the Triple Crown of growth: superior growth to industry rivals; leading levels of profitability; and excellent shareholder return.

The Triple Crown Winners - firms who delivered superior performance over an extended period - manage three dynamics:

1. Strategic positioning with clarity of vision
2. Shrewd and disciplined investment allocation
3. Superb implementation to execute

Extreme leaders overcome three challenges

1. Strategic positioning

Because business life doesn't stand still, exceptional success relies on alertness to market place trends to spot when fundamental business economics are changing. This calls on a willingness to rethink the current strategic model, recognising that "what got us here won't get us there".

Strategic repositioning requires a confrontation with the "brutal facts" to assess current capabilities against the inter-play of existing competitor dynamics and new disruptive entrants as well as shifts in customer preferences and expectations. It also needs imagination to identify new possibilities and a coherent vision to signal a shift in direction.

Andy Grove of Intel - a good example of an Extreme Leader - described this as the moment of strategic inflection. Like Dick Smith, he recognised when shifting trends were converging to indicate something is changing. Like Dick Smith he accepted the uncertainty about how this change could be played out in future, but still acted.

"None of us have a real understanding of where we are heading. But decisions don't wait for that picture to be clarified. You have to make them when you have to make them. So you take your shots and clean up the bad ones later."

In 1985, Grove asked his colleague: *"If we got kicked out and the board brought in a new CEO, what do you think they would do?"* Gove knew the answer. And he took Intel out of the memory chip business into microprocessors.

How Kodak missed its strategic moment

Pioneers of digital photography, Kodak could not escape its established position in the film market. When an engineer, Steve Sassoon, in the mid-1970s, came up with a digital prototype he wandered the corridors of Kodak to be faced by a combination of "curiosity and annoyance". One manager's advice: *"that's cute, but don't tell anyone."*

This disruptive technology would after all hurt Kodak's current revenue. In 1976, Kodak controlled 90% of the film market and 85% of camera sales. As late as 1988 Kodak bought a pharmaceuticals business for its capability in chemicals. It still saw its future in film.

In 1989 Kodak found itself with an opportunity to rethink its strategic position. Colby Chandler, its CEO was to stand down and the Kodak board had a succession choice: Kay Whitmore who had spent his career in film or Phil Samper - "the digital hope".

Whitmore said he *"would make sure Kodak stayed closer to its core business in film and photographic chemicals."* Whitmore won the succession contest and Sampler left to join Sun Microsystems.

By 1993 Whitmore - facing investor anger over flagging business performance - was fired. Then *"throughout the 1990s and 2000s a succession of CEOs - external and internal - failed one after another to catch up."*

Kodak did eventually make money from its digital camera patents. But by the time it went digital it was too late and it filed for bankruptcy in 2012[33].

2. Shrewd investment allocation

Sensing that the future will be different and recognising when a strategic rethink is required is one thing. Preparing for that future is a different activity.

Exceptional businesses don't just think and talk about the future. Judgement calls need to be made to realise that future[34]. This needs tough decisions about investment.

- which businesses need to close down or be sold because they no longer represent a decent return on capital?
- which current businesses, with additional capital, can grow and become an increasingly important driver of business success?
- which emerging opportunities need investment to ensure the business will be well placed to compete in new arenas?

"Effective capital allocation requires a certain temperament. To be successful you have to think like an investor, dispassionately and probabilistically with a certain coolness."
Michael Mauboussin

Superior performers are quicker to "jettison unattractive businesses and double down on exciting new opportunities"[35]. Under-performing firms by contrast suffer from strategic inertia tending to follow the same investment pattern year after year.

"The enormous amount of strategic planning in many corporations results in only modest resource shifts."

No doubt, cognitive biases - in particular anchoring and loss aversion - play their part; as do corporate politics and the annual game in which executives look to defend their empire and advance the interests of their business areas. But inertia - difficulty in recalibrating investment priorities - is often the dynamic of decline.

In 1965 Warren Buffett, with no management experience, was running a small investment partnership when he noticed that a textile firm - Berkshire Hathaway - was looking under-valued. He bought it.

Although the textile company didn't have a long-term future, he brought in a turnaround expert who generated cash. This was cash that Buffet was able to use to acquire a niche insurance business.

Berkshire Hathaway became the vehicle for Buffett's investment plans. Here he adopted a strategy that would be different to his peers: look at the fundamentals of a business, its business economics within its industry, and hold this investment for a long time. This is not then the profile of the corporate raider, but of a leader who is patient in building sustainable value for investors.

From the 1970s, Buffett embarked on a series of purchases of private companies and publicly traded stocks. Buffett moved quickly in his deals, preferring to do his own analysis and manage negotiations personally, and only with companies and industries he understood.

When the great financial meltdown occurred in 2008, while others sat on the side-lines "nursing ailing balance sheets", Buffett had one of the most active periods of his career. He deployed $80 billion quickly to purchase stocks in firms as varied as Goldman Sachs, Constellation Energy, Burlington Northern and Lubrizol.

The original Berkshire Hathaway was bought for $18 million; Berkshire Hathaway now has a market capitalisation of $140 billion. Over a 46 year period, the value of Berkshire Hathaway's share increased at a compound rate of 21%; 9% for the S & P 500.

Exceptional organisations understand the Drucker notion of "purposeful abandonment" and that for an organisation to grow it must also have *“a systematic policy to get rid of the outgrown, the obsolete, the unproductive.”*

These are the firms that ask tough questions about the current performance and future potential of their different businesses to avoid “more of the same” strategic investment. They also refuse to allow politics and personalities to dominate the agenda. If a current business needs to be cut back or a new business idea needs funding, the debate hinges on rational and robust analysis, not the personal qualities or status of powerful executives.

How Nokia’s strategy got lost in its culture

Nokia understood the importance of strategic positioning. As a wood mill business in the 19th century it had diversified into rubber, electricity and electronics. In the 1990s it reinvented itself again to make telecoms its strategic focus.

And it excelled. By 2007 it was the dominant player with half of global market share in mobile phones.

Three years later its market share had slumped.

In 2013 it was acquired by Microsoft for $7 billion, a fraction of the $250 billion it was worth in 2010.

The obvious explanation is that Nokia was too slow to respond to the challenge of Apple and Samsung. Why?

It wasn’t due to a lack of Research & Development spend. Billions were invested, and Nokia had pioneered internet ready innovations in smart phones. By 2004 it had developed its first touch screen handset with a large display screen. It had also experimented with an on line applications store.

Nokia’s decline arose out of two dynamics. In the first, different business units competed for resources to develop applications for different markets. Each unit, growing as Nokia expanded, *“became its own kingdom, each executive a little emperor and people became more concerned about their status and internal promotion than cooperating actively with other departments to produce innovative products.”*

The second factor was the reluctance by middle managers to speak up and express their concerns, concerns about the limitations of their products and the slow progress being made to meet development deadlines.

Within Nokia, many people knew the future. They were even building it. But the complacency of success had created a risk-averse bureaucratic culture. Inter-locked management committees blocked investment in key developments. The outcome: R & D spend wasn’t translated into the products customers wanted to buy.

In 2010, Stephen Elop from Microsoft replaced Olli-Pekka Kallasvuo as CEO to lead Nokia out of trouble. In all ill-judged announcement - “the burning platform memo” - Elop attempted to impress on his colleagues the importance of change. It simply added to Nokia’s problems.

Taking the decision to *“go with Windows Phone rather than Google’s Android, or keeping the Symbian software Nokia already used on its smartphones”* was the final straw. Or as one analyst commented *“a legendary example of how a CEO can destroy everything in just one stroke.”*

“Nokia engineers offered about 500 proposals to improve the technology on this project, and none were approved.”

3. Superb implementation

"To execute well there must be accountability, clear goals, accurate methods to measure performance, and the right rewards for people who perform."
Larry Bossidy, Execution

There is a school of thought that in today's fast-paced, dynamic and unpredictable business environment, execution is now the only game in town. Here in Peter Drucker's famous words: "culture eats strategy for breakfast."[36]

A failure to rethink market position and renew business purpose is hazardous, as is difficulty in directing organisational resources to reflect shifting strategic priorities. Organisations also run into trouble when their operating culture puts up barriers to quick and responsive execution.

Exceptional firms get implementation right. Here knowing becomes doing and strategic change is translated into new priorities which in turn become action plans that are executed.

Execution is synchronisation to manage the sequence and timing of activities across multiple tasks.

But execution is not simply that unrelenting attention to the detail of the business that coordinates process design, project management and systems integration. It also requires a knowledge of people to ensure clarity of expectations and accountabilities and build an incentive system that aligns the organisation's interests with those of employees.

"Some chief executives rescue a company from the brink of collapse. Others lead already good companies to greatness. Few do both."
Richard Milne on Jorgen Vig Knudstrop

The strength of Lego is in the brick

Lego started in 1932 when a Danish carpenter began carving wooden toys. When plastic began to replace wood, Lego introduced its automatic building blocks. By the late 1950s its "stud and tube" snap blocks became one of the most popular toys in Europe. And the business, with high margins, took off.

In the late 1990s sales dropped. In 1998 Lego reported its first loss, blaming the shift away from construction toys to computer and video games.

In 1998, CEO Kjeld Kirk Kristiansen - grandson of the founder - stood down in favour of turn-around expert, Poul Plougmann, the first non-family member to lead the firm. In 2002, Lego reported its biggest loss. Plougmann was dismissed and replaced by insider Jorgen Vig Knudstorp.

Seen at the time as a risky succession choice, Knudstorp recognised that Lego's operating model was out of kilter. An obsession with innovation and quality - without attention to costs - was going to take a near bankrupt company into acquisition by a private equity firm or the giant Mattell.

And Knudstorp refocused the business, tightening fiscal controls, selling its peripheral businesses in children's clothing and theme parks, reducing staff numbers, and cutting back on the number of products Lego made. But Knudstorp wanted to avoid the typical "slash and burn" philosophy of the turnaround leader.

He began a series of conversations with employees: *"what does it mean to work at Lego; what are the values we really like?"* He also revisited what Lego customers thought of its products to move from "the designers know best" to allow fans of the brand to shape its creative direction.

With productivity improved and gains made in the speed of the implementation through a focus on "the strength of the brick", Knudstorp had turned around an ailing firm, making it the most profitable toy maker in the world. *"What we realised is the more true we are to ourselves, the better we are."*

What is the profile of the Extreme leader?

"Conventional CEOs rarely trounce the market or their peers."
William Thorndike

Extreme leaders are all different in their different ways. Some Extreme leaders seem to have had relatively little management experience; others had a well-established track record. Some were outsiders who moved into a new sector, others were insiders with a deep knowledge of their industry. There are different routes to the kind of leadership that delivers exceptional levels of performance.

And luck of course plays its part. This is success as geography and history to be in the right place at the right time.

Are there **any** common themes to help understand Extreme leadership? It is unlikely that there will be any "one thing" to drive Extreme leadership. Instead the Lollapalooza[37] effect of disproportionate outcomes requires multiple factors to combine and interact.

Which factors seem to be part of the Extreme Leadership equation?

The typical operating style of Extreme leaders

Decentralised business model

Extreme leaders, on balance, adopt a decentralised operating model. This is the opposite of the Modal leader who often prefers corporate control based on a large Head Office to exert compliance and conformity across its business activities.

No doubt, centralisation can achieve economies of scale within specific industries. But centralisation can also be a drag on business energy and innovation[38]. When the risks of failure are to be avoided, the opportunities for success may also be missed. Extreme leaders look to release "entrepreneurial energy" by structuring their businesses to allow decisions to be pushed down to the next level of leadership.

Hiring the best people and giving them freedom

This is the commitment to recruit unusually talented people. This is not the search for the conventional "A players", but the identification of the "diamonds in the rough"; individuals who on paper may seem to lack the right credentials but possess the attributes and operating style that drive outstanding levels of contribution.

Extreme leaders organise their leadership structure to give others the scope to lead, to apply their judgement and use their initiative.

Apart from being a sensible strategy for leadership development, this reinforces accountabilities in which leaders can be judged on performance.

Choice of business metrics

Growth metrics and earnings per share as score card measures appeal to many leaders. But these metrics can too often provide the illusion of success based on accounting ingenuity rather than business fundamentals.

For Extreme leaders, big is not necessarily better, and growth is only important as a means to an end if it delivers long-term value per share. And key to long-term value creation is the optimisation of free cash flow, not least because it's tougher to "manipulate" than other financial measures and provides a more transparent indicator of fundamental business performance.

This shapes the strategic thinking of Extreme leaders. It also guides how they manage their businesses, pay for acquisitions, and implement compensation systems.

One review of a sample of Extreme leaders also suggests that exceptional leaders display a certain frugality in their business approach, one that avoids excessive perks and extravagant markers of executive success. This is partly shaped by a dislike of the grandiose, it is also a wise insight into the discipline of innovation. *"When we have no money we have to think."*

"A leader thinks things through and has confidence and the courage to argue for ideas even when they aren't popular."
William Deresiewicz

The mind set of Extreme leaders

Independent thinking

Extreme leaders are often iconoclasts, willing to question the conventional business wisdom. Warren Buffett refers to the "institutional imperative", the corporate equivalent of "teenage peer pressure" in which CEOs feel compelled to imitate their peers. Extreme leaders ignore this imperative. Once the hard thinking has been done, they have little need for peer approval or the endorsement of the experts.

This is not the wayward contrarianism of the maverick leader. This is the willingness by leaders to challenge the prevailing business orthodoxy, a conviction to work through issues from first principles and the courage to walk their own path.

Sydney Finkelstein makes the point in "SuperBosses"; these are "*people who do things in different unusual ways."*

Simplicity of focus

Extreme leaders believe that complexity is "easy" and simplicity is difficult. Complexity is often the outcome of lazy thinking that avoids drilling into the fundamental issues of a problem. Alternatively, complexity can be the smoke screen of unnecessary complication, complication designed to hide uncomfortable realities. *"Where you have complexity, by nature, you have fraud and mistakes."*

Extreme leaders zero in on simplicity. This is the mind-set of Ray Dalio at Bridgewater: *"Principles are ways of successfully dealing with the laws of life."*

"Most geniuses - especially those who lead others - prosper not by deconstructing intricate complexities but by exploiting unrecognized simplicities."
Andy Benoit

Patience for the long-term

Unlike Chuck Prince, the former CEO of Citigroup who famously said, *"As long as the music is playing, you've got to get up and dance"*, Extreme leaders feel no need to be on the dance floor[39]. Extreme leaders display the kind of patience that prefers to make only a few decisions and wait for the long-term rather than act impulsively to achieve immediate results.

When the Modal leader says "just do it", the Extreme leader asks: "why?" While the Modal leader likes to say "yes " to keep the business engine running, the Extreme leader is more likely to say "no"[40], waiting for the genuinely profitable opportunities rather than become distracted by unprofitable activity.

Which skills are prominent in Extreme leaders?

"I'd rather deal with the guy with an IQ of 130 who thinks it's 120 than the guy with IQ of 180 who thinks it's 200. The second guy will kill you."
Warren Buffett

Intellectual energy

Extremely high levels of cognitive power seem a necessary but not a sufficient dynamic of Extreme leadership. A certain mind set and temperament is also needed to ensure "smart" isn't the intellectual arrogance that becomes counter-productive to effectiveness. Nonetheless Extreme leaders bring advanced levels of intellectual energy to bear on business problems.

Rational thinking to avoid bias

Extreme leaders do the hard work of asking if the facts are the facts, checking and testing assumptions to draw careful conclusions. This is critical inquiry of the first order that probes and explores the evidence, reframing issues until problems are understood fully.

Richard Feynman famously said: *"the first principle is that you must not fool yourself - and you are the easiest person to fool."* Extreme leaders are keen to avoid the personal folly that fools their businesses.

This approach is not the need for more data. More information might improve the confidence with which decisions are made, but often does little to improve the accuracy of decision making. Extreme leaders don't require knowledge of everything; but they do require a knowledge of what does matter and how and why it matters.

Risk analysis

Extreme leaders have a paradoxical attitude to risk. On the one hand there is the conservatism that is alert to the worst downside of a decision. Extreme leaders operate on the basis that *"if the world changes tomorrow and works in a way nobody expected"* they won't have a problem. But there is also the confidence to exploit the opportunities of the upside; *"if you have a big edge, back it heavily because you don't get a big edge often."*

William Thorndike argues that Extreme Leaders are *"an unusual combination of conservatism and boldness"*.

The proposal is not that Extreme leaders are the new super star CEOs. The opposite. Not so much "cheer leading charisma", the profile - "humble, analytical and under-stated" - is reminiscent of Jim Collins' Level 5 leaders[41].

The profile of the Extreme leader is distinctive, bringing a mind set, operating approach and personal qualities to business with a different emphasis to the typical leadership competency check-list.

And when an organisation is serious about long-term success, it should shift its emphasis to reflect a different CEO outlook and operating skill set.

Extreme leadership in the bad and the good times

When Debra Cafaro, a successful lawyer, was invited to join Ventas - the healthcare real estate investment trust - as CEO in 1999, the company was in dire straits and on the brink of financial collapse. Scanning her bookshelf she spotted "Why Lawyers Make Lousy CEOs"; Cafaro wondered if she had made the right career decision. She had.

Cafaro quickly restructured Ventas's finances to shrink its debt and began a turnaround programme. Once Ventas had passed its moment of crisis, Cafaro embarked on a strategy of growth through acquisitions.

In 2007, sensing the beginnings of a down turn she shifted the firm into defensive mode, raising equity and refinancing debt to strengthen Ventas' balance sheet and cash position.

"It was a tough sell. We had a grow, grow, grow era and those who hadn't been through a downturn didn't like being told to get very conservative. I insisted we were facing a very risky environment."

As rivals struggled to access capital, Ventas was well placed to build on its position. Between 2010 and 2011 Ventas completed more than $11 billion of acquisitions.

For the past 16 years, Cafaro at Ventas has delivered a compound annual shareholder return of 27%.

When do organisations need Extreme leadership?

"I want a business with a moat around it. I want a very valuable castle in the middle. And then I want who's in charge of that castle to be honest and hard working and able."
Warren Buffett

Imagine a business as a castle surrounded by a moat[42]. The wider and deeper the moat the more difficult it is for any invaders to take control of the castle. The width and depth of the moat is determined by a number of factors a firm possesses within its industry. These are the fundamental advantages (e.g. low cost production, specific technology, patents, pricing power) that make it difficult for current or new competitors to storm the castle.

And every day the moat changes. It is the task of the leaders in the castle to ensure the moat continues to provide protection.

There are four scenarios based on:

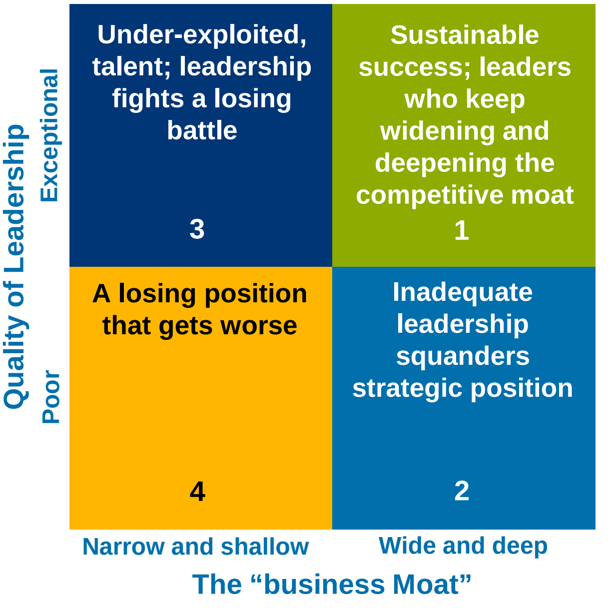
- **the width and depth of the Moat**
- **the quality of the leadership in the castle**

In scenario 1, the Moat is wide and deep and the leaders in the castle are highly capable. This is success as good fortune for the leaders who find themselves in this castle. The challenge for these leaders is to maintain the Moat, following Warren Buffett's advice to also *"throw in the crocs, sharks and gators to keep away competitors."*

In scenario 2, under-performing leaders run the risk of undermining a dominant competitive position. The current Moat of business advantage is providing protection, but if it is not managed and maintained, the moat will shrink. With low quality leaders, the likelihood is that the Moat will be neglected and its initial business success squandered.

In scenario 3, a group of exceptional leaders in the castle find themselves with the bad luck of a business without the Moat of protection. At best this group of leaders will find a way to dig deep to build a sustainable Moat of competitive advantage. Alternatively it is a losing battle in which business economics wins against excellent leadership.

The fourth scenario is one in which poor leadership finds itself in an uncompetitive position. The Moat is narrow and shallow and the leaders in the castle will see the Moat continue to shrink, offering declining levels of protection. The outcome: business decline.



The image of the castle and the Moat helps us to think of the different business scenarios in which the deployment of Extreme leadership is the difference between business failure or survival, and between short-term success or exceptional and enduring outcomes:

- when there is no Moat and boldness is needed to build one quickly
- when the Moat is shrinking fast and a turnaround is needed
- when the Moat needs to be widened for significant business advantage

"Every company in the world is dying. The trick is knowing it, calculating how fast you are dying and then working out how much stuff you need to put in at the top to counteract what is leaking out at the bottom. If you only focus on short-term results, and not on replacing that core or expanding your capabilities, then you die."
Sir George Buckley
Chairman, Stanley Black and Decker

When there is no moat and boldness is needed to build one quickly

"How do you keep the vitality of Day 1 within a large organisation? How do you fend off Day 2 - the period of irrelevance and painful decline? What are the techniques and tactics?"

Jeff Bezos in a 2016 letter to Amazon shareholders

While surfing the web in 1994 in search of new ventures for his employer, Jeff Bezos spotted a statistic: the World Wide Web was growing by 2,300% a month. Bezos recognised the potential of selling products online.

Of course many other entrepreneurs also saw the possibilities of the internet. But Bezos decided to bet big with his Amazon start up. *"If everything you do needs to work on a three-year time horizon, then you're competing against a lot of people. But if you're willing to invest on a seven-year time horizon, you're now competing against a fraction of those people, because very few companies are willing to do that."*

Jeff Bezos was clear from the outset that he wanted to build a deep and wide Moat and spent heavily on fulfilment centres and technology, a combination that delivered winning levels of selection, convenience and superior service.

In the first few years Amazon made decisions that impacted on its short-term margins and profitability. But Bezos did not expect to make a profit for some time. When the dot com bubble burst, Amazon survived and made its first profit ($5 million on revenues of more than $1 billion) in 2001.

Having built a Moat for Amazon, Bezos keeps looking for ways to widen it. His business philosophy - an obsessive customer focus, a scepticism of market research and customer surveys, the enthusiastic adoption of emerging trends, and high velocity decision-making to make rapid commitments - is designed to ensure the castle is well protected.

When the moat is shrinking fast and a turnaround is needed

This was the challenge Anne Mulcahy of Xerox faced in 2001 after a series of leadership failures had "fumbled the future"[43] and neglected what might have been a formidable moat for Xerox.

On her appointment as CEO Mulcahy felt "equal parts excitement and dread". When Xerox stock dropped by 15% on her first day, her leadership confidence took another knock.

Mulcahy inherited a firm close to bankruptcy. Xerox was more than $17 billion in debt and had lost $20 billion in value in twelve months. And the SEC was investigating alleged accounting irregularities.

Played a bad hand, and faced with a rapidly shrinking moat, Mulcahy launched an aggressive turn around plan to sell off non-essential businesses, outsource manufacturing and reduce head count from 100,000 to 55,000 employees. But she maintained Xerox's commitment to Research & Development.

By 2005, Xerox had gone from a $273 million annual loss to a $978 million gain.

Ursula Burns appointed as Mulcahy's successor in 2009, asked: *"What is it that Xerox really does?"*

The $6.4-billion buyout of Affiliated Computer Services was a signal that Xerox needed to reposition itself into services and rethink its Moat. But revenues remained flat.

Facing investor activism, in 2016 Xerox split itself into two companies: a document technology company and spinning off the business process outsourcing company, Conduent Incorporated.

Appointed CEO of Xerox in January 2017, Jeff Jacobson announced: *"We're coming out, in the middle of 2017, with the largest product launch in the history of Xerox. Twenty-nine new products. For a 110-year-old company, that's a pretty substantial statement to be able to make."*

When the moat needs to be widened for significant business advantage

Lars Rebien Sorensen joined Novo Nordisk - the multinational pharmaceutical firm - in 1982. After establishing a track record in innovation, marketing and HR he was appointed CEO in 2000.

As other pharma firms ran into difficulties and falling sales in the late 2000s, Sorensen navigated Novo Nordisk into a highly profitable space, reporting consistent growth and profitability. While his rivals zigged into diversification, Sorenson zagged by maintaining a focus on the firm's fundamental core: drugs and devices for diabetes treatment.

No doubt as the world's biggest producer of insulin, Novo Nordisk already had a wide Moat and was well positioned to respond to the global epidemic of diabetes. But Novo Nordisk, in shifting its strategy, also understood how to widen its moat further to extend its competitive position.

Rather than follow the conventional industry wisdom of targeting doctors, Novo Nordisk's "blue ocean" strategy was to shift focus to the patients themselves by developing user friendly solutions for insulin delivery. This was also part of an overall process of engagement and education to shape thinking with the regulators and other opinion formers to ensure the challenges of diabetes were well understood, particularly within developing markets.

Combining a strong Research & Development pipeline, manufacturing expertise and a values based culture, Novo Nordisk has widened and deepened the Moat to put the competition on the back foot.

Novo Nordisk is now facing sales and pricing pressures in its US market. Sorensen's successor, Lars Fruergaard Jorgensen, has a new strategic challenge to maintain the Moat, and is now reviewing opportunities for acquisitions to extend the business into blood products.

Extreme leaders and the practical implications

Leadership is rarely the solution to a fundamentally flawed business strategy. Here leadership talent is likely to waste its time and energy in the attempt to dig a Moat that will never provide competitive protection.

But a business moat needs to be built and to be rebuilt. Here the mind set and operating outlook of the Extreme leader can and does make a remarkable difference.

The "does leadership make a difference?" research project misses the point in tracking overall trends. Sometimes leadership can't and won't make any difference. But there are times when Extreme leadership makes a massive impact.

What are the implications for the identification, assessment, development and succession of Extreme leaders?

"Interview question
"You have 1 bullet
Which competitor would you shoot and why?""

Executive search and selection

"The head hunters interviewed also told the researchers that they felt many CEOs in the top firms in the UK were mediocre and that many people who did not get the job could have done it equally well. They recognised that luck played a role in who was selected - including the luck involved in being on an executive search firm's database of potential candidates in the first place."
Max Steuer, Peter Abell and Henry Wynn. Head-hunter methods for CEO selection

The executive search and selection industry, already challenged by the range of social media sites that facilitate advertising and job search, is shoring its position by the reassurance that its careful vetting and short-listing processes are well suited for senior executive appointments. And this is an important service given the sensitivities - business and personal - in identifying potential candidates for new roles or replacement candidates when the incumbent is already in place.

How well is the executive search industry positioned to identify Extreme leaders?

Researchers from the London School of Economics conducted a series of in-depth interviews[44] with the head hunter firms. The key finding: the "inherent conservatism" of the processes utilised in screening and short-listing, practices that seem more dependent on personality chemistry and fit based on conventional assumptions of what a "CEO should look like".

From this candid set of interviews with the head hunters, the impression is of a "safety first" approach based on finding candidates whose career path has taken them into executive roles that are plausibly similar to the role being filled. There is remarkably little attention given to objective measures of past performance and more a reliance on finding candidates who have been *"in the right place at the right time which lead to promotion, irrespective of ability or achievement".*

This is search and selection based on "indicator traits" than actual performance. As one head hunter expressed it: *"It's an art form really."*

There are of course many progressive head hunter firms which do extend their search to go beyond a round up of the usual suspects to locate candidates with a different background and career profile.

The challenge they highlight: when a client reviews the short-list they are alarmed by those candidates with an unconventional or chequered track record or who don't match the expectation of the education, experience or mind set of a suitable CEO. The head hunter is then asked to undertake another trawl to generate a new listing of more conventional candidates.

"Safety first" to avoid the selection of a "bad" CEO is a sensible strategy. But it is an approach that is unlikely to identify those candidates with the potential to be Extreme CEOs. It is also an approach that has done little to advance the diversity agenda for greater representation of female or minority candidates at senior levels.

The first step is to clarify the requirements of the CEO role. Rather than fall back on the typical criteria, the aim is to look at the role in the context of the firm's strategic position and aspirations, as well as the current top management team and its experience and expertise. What impact can an Extreme leader make - given the width and depth of the business moat?

Few organisations would say that a Modal CEO will do just fine. But when an Extreme CEO is the requirement, the blue print to guide search and short-listing should reflect the distinctive profile of Extreme leadership.

The second step is to look beyond the obvious. Indeed the search for the reassuring credibility of the obvious may result in more of the same Modal CEOs who will continue the same business trajectory. Widening the talent pool to think imaginatively about the range of potential candidates identifies the capabilities and character of Extreme leadership.

Lucy Kellaway of the Financial Times makes the point: *"there are far more able people than there are slots at the top."* But we might need to look in a different place to find them.

Leadership assessment

"Major Major stood out as lacking more distinction than all the rest."
Joseph Heller, Catch 22

The aim of leadership assessment is not to "select the best leader". There is no best leader. Instead there is a choice to be made in a specific selection context that manages a set of trade-offs:

- the criteria that are more or less important for the role vs the pool of potential candidates
- the mix of assessment methods that balance insight into candidates vs the practicalities of time and cost in the assessment process
- the pros and cons of different decision making models to weight and integrate assessment data and optimise predictive power
- the risks of the downside of getting selection wrong vs the rewards of the upside of getting the decision right

There is an argument that the assessment industry in managing these trade-offs adopts a safety first approach which may be better suited to the selection of Modal leaders than identifying Extreme leaders. This is a perspective which remarkably goes back over 60 years, in, for example, William Whyte's "The Organization Man"[45]. *"In picking those to be advanced to leadership, some management experts seem to go out of their way to pick the mediocre almost for their mediocrity."* Here the criticism was that the assessment processes being used in selection and promotion decisions were specifically designed to encourage conformity - with an emphasis placed on the "well rounded" personality who would fit in - and screen out any "unusual" candidates .

More recently, Sandra Siebenhüter[46] in Germany expressed concern about "managers with no profile", arguing that the structured nature of assessment creates "gleichmacharei" - "forcing things to be the same" - that results in a homogeneity that is *"not conducive to the imagination and risk taking that one associates with great managers."*

"A reliance on track records yields candidates who have 25 years in your industry - but they recycle the same playbook because it has worked in the past."
Jeffrey Cohn

This is also the argument that the assessment industry has become overly reliant on a fairly narrow repertoire of tools. This is assessment as:

- a review of the career resume to ensure boxes can be ticked
- competency based interviewing along the lines of "tell me about a time when"
- the familiar battery of personality tests that now follows a scripted game

and requires candidates to walk a fine line between honest candour and skilful impression management to "put their best foot forward".[47]

This is assessment less as a detailed and in-depth insight into the mind set, personal attributes and capabilities of candidates and more a superficial review of who might be plausibly suitable.

In "Surgeons should not look like Surgeons"[48], Nassim Taleb applies counter-intuitive thinking: *"Consider CEOs. They not just look the part, but they even look the same"* and argues that in selecting a CEO we should choose the candidate who doesn't look the part. This candidate - assuming some sort of success in their career - has had much to do to overcome perceptions of suitability and is probably a better bet than the obvious candidate who "looks the part"[49]. *"Success in spite of not looking the part is crucial information."*

It is shrewd thinking and provides insight into how organisations - by side-stepping the competition for obvious leaders - can avoid the "War For Talent" in locating CEO candidates. But it does imply a rigorous approach to assessment and requires:

Re-focusing assessment criteria

Here less emphasis is placed on conventional indicators of success, for example, educational qualifications, a career based on established and well known previous employers to focus more on mind set, personal qualities and leadership outlook.

Jeffrey Cohn[50] - in his analysis of how private equity firms hire CEOs - notes there has been a shift away from track record and experience. He argues that this approach narrows the candidate pool and relies on individuals hide-bound by industry conventions. Increasingly recruiters are less impressed by the quack of the duck that was in the right pond at the right time and are now directing more attention to the attributes of the duck that will succeed in future.

Leadership assessment

Rather than, for example, look at the profile of the companies candidates have worked in - with the assumption that better candidates come from highly visible firms - the focus is more on the type and quality of the people candidates have been able to recruit to their teams. Candidates who talk with eloquence about their personal achievements sound good. But it may be better to listen to candidates who talk with pride about the success of their colleagues. And the candidate who displays thoughtful reflection about strategic challenges may be more Extreme than the candidate who promises to give the role 110%.

This assessment strategy is not to abandon the established indicators of leadership effectiveness or fail to conduct sensible diligence to check references, etc. But it is to put less emphasis on Credibility and Career Management and more on Capability and Character[51] and understanding the individual as an individual and the operating approach and motivational drivers associated with Extreme leaders.

Drawing on a different mix of assessment methods

Despite the proliferation of "new" assessment methodologies, the promise of improved predictive accuracy has not been achieved And much current assessment practice at senior levels[52] does not reflect the latest evidence base of predictive power[53].

In selecting the optimal mix of methods in leadership assessment, trade offs have to be made:

- **simplicity** and deploying methods that are easy to understand and efficient to apply
- **generalisability** and the extent to which a specific tool can be used across a range of different applications
- **accuracy** and the choice of assessment methods that possess genuine validity predictive of future performance

The preference of course is for the "powerful elegance" of assessment methods that combine simplicity, generalisability and accuracy. Unfortunately, there are few of these tools. The predictive stall[54] is a consequence of the assessment industry's preference for simplicity and generalisability to deploy "all-singing-all-dancing" methods at the price of predictive accuracy.

"The sheer mechanics of the test punish the exceptional person"
William Whyte.

Which methods should be considered in identifying the qualities, capabilities and motivations of Extreme leaders?

Intellectual energy and thinking style are associated with Extreme leadership and should be a key part of assessment[55].

Standardised measures of general mental ability have their place, but do not always play well at senior levels. And these tests are unlikely to be sufficiently nuanced to differentiate cognitive aptitude from the mix of rational thinking and risk analysis that characterises the Extreme leader.

A combination of **business scenarios and case studies** may be better suited to the evaluation of advanced strategic thinking and commercial judgement.

"Unstructured" interviewing has an undeserved bad press[56], and may be preferable to competency based interviewing. The competency based interview format has the virtue of consistency. But this consistency can become a social game of "show and tell" of highly rehearsed questions and answers, a format less suited to assessing independent and unconventional thinking.

Unstructured interviewing with dynamic and exploratory interaction is more likely to provide insight into the individual and the key drivers and motivations that underpin their leadership outlook

"You can tell a lot about a person's character by their way of eating jelly beans."
Ronald Reagan

Another assessment perspective gaining interest is the use of **unobtrusive measures of real world behaviour**. This is not assessment through Ronald Reagan's "jelly bean test" or "biscuit-ology"[57]. But it is to identify the clues in the public domain that indicate key aspects of leadership behaviour and operating style. Adam Grant in "Playing Golf, and Other Mistakes CEOs Make"[58] highlights some of these real-world indicators and the insights they can provide into leadership outlook and impact.

Leadership assessment

This is to follow the advice of "Moneyball"[59]: *"don't throw money at the big name players or judge future performance using the wrong criteria. Use relevant metrics".*

There is no shortage of possible indicators, some slightly tongue-in-cheek. For example:

- how leaders **make use of organisational resources**[60], as exemplified in the corporate jet complex
- **size of signature and prominence of photographs** in corporate communications[61]
- **office décor and artifacts**[62]
- the **books** leaders read, recommend and write[63]
- the **language** leaders use[64]
- non-appearance in a **Harvard Business School case study**[65]

Insight of course needs to be applied in the application and interpretation of these kinds of metrics. But promising measures for identifying the difference between Modal and Extreme leadership seem to be:

- which candidate has **"skin in the game"**[66] and invested personally in the businesses they have been part of
- **employee reviews of leadership impact**[67] through sites such as Glassdoor
- **the candour with which leaders communicate** and report business performance[68]

"Many of the things we most want to know about a potential leader are precisely the things people gossip about"
Gautum Mukunda

Optimising data in decision making

The qualities of the Extreme leader have to work in harmony. Adopting a decentralised operating model might be an indication of leadership confidence, keen to encourage innovation. But without the ability to attract and retain highly able people, it will result in organisational chaos. Independent thinking and the willingness to take risks - in the absence of humility, intellectual power and critical thinking - is a rapid route to the narcissism of a grandiose strategy. And patience to work to a long-term game plan is inertia unless there is a willingness to also place the big bets to seize opportunity.

This implies sophistication not just in the choice of assessment methods, but in the way assessment data is integrated to inform decision making. The additive tally of a set of generic competencies will average to the profile of the Modal leader. If the factors underpinning Extreme leadership are multiplicative, expert judgement is needed to translate assessment data from different sources into recommendations for decision making.

This insight into Extreme leadership also implies a shift away from a strengths based assessment model. Exceptional strengths in a few areas will not compensate for limitations in other critical areas. This is not to imply that Extreme leaders are exceptional at everything. But in the areas that matter they are, and have the savvy to draw on the complementary skills of able colleagues. And it is the combination of a few key themes that optimises the likelihood of identifying Extreme leadership.

"Any series of numbers, however positive, evaporate when multiplied by a single zero."
Charlie Munger

Much of the marketing in leadership assessment suggests a "silver bullet". This is the silver bullet of a new "research has found" construct, a new methodology that promises a significant gain in validity, or more recently, the application of a new number crunching algorithm that will deliver a hike in predictive accuracy[69].

There are genuine gains to be realised through the deployment of shrewd assessment. The odds of identifying Extreme Leaders are improved with a refocus of assessment criteria, rethinking the mix of methods deployed in assessment and astute judgement in the integration of assessment data.

But there is no silver bullet. As Jen-Hsun Huang, CEO of Nvidia notes: *"Hiring great people remains extremely, extremely hard."*

Leadership development

"Greatness is in many of us, but only if we rise to the demands of life. Greatness arises only when tested"
Will Durant

It is highly unlikely that Extreme leaders are simply born, blessed with a combination of attributes and talents that make them exceptional leaders. Instead, these attributes and talents are shaped through critical life experiences.

What are these experiences?

The profile of Extreme leaders indicates a variety of different career trajectories. Some went to business school, most did not. Some had early leadership responsibility; others didn't take on a significant role until much later in their careers. Some had to overcome adversity at an early age; others seem to have had a relatively smooth path without disruption and difficulty. But the following themes emerge, with key insights into how organisations can develop Extreme leadership.

Operating within flat and fluid structures

Scott McNealy[70], former CEO of Sun Microsystems argues that flat structures reinforce leadership, whereas pyramidal hierarchies encourage leader-ing, that activity in which impression management becomes more important than the management of performance.

Fluid and flat structures also incorporate that mix of complexity and unpredictability which help build the mind set and skills of Extreme leadership. Here emerging leaders have to get to grips with a broad range of issues to focus on a few priorities and master the art of delegation.

High leverage activities

If the mind set of the Extreme leader is to pinpoint the fundamentals that drive value, this outlook is reinforced by ensuring that emerging leaders direct their activities only on activities that will make a significant business difference.

There are any number of cross-functional projects and secondments that represent opportunities to accelerate development. But if these activities are associated with fuzzy accountabilities, political in-fighting and the business benefits are unclear, it is difficult to see how the mind set, operating approach and skills of Extreme leadership can be forged.

Working with candid colleagues in a challenging context

"Hang around with people better than you are because you will float upward a bit."
Warren Buffett

One striking theme about Extreme leaders is the company they keep. Extreme leaders benefit from a virtuous cycle in which they attract and develop other able people who provide constructive criticism and creative challenge that in turns ratchets up critical thinking, robust debate and informed decision making.

As Sydney Finkelstein suggests: exceptional leaders are *"self confident enough to feel completely unthreatened by extreme intelligence, mind bending creativity and forceful personalities."*

In our work in 360° feedback, it is notable how the exceptional leaders receive more challenge in their results. These are the leaders who set high standards and expectations and create a climate in which others are encouraged to provide candid feedback about their effectiveness and impact[71].

For leadership development practitioners, one practical implication is that workshops and programmes are attended by the genuinely best people and the mood music of these events encourages candid challenge.

"If you look around the room and you're the smartest person in the room, you're in the wrong room."
Lorne Michaels

Leadership development

Managing risk

If there seems to be one theme that differentiates the Extreme leader from the Modal leader it is in their attitude to risk. It is not that Extreme leaders take more risks. It is that Extreme leaders **understand** risk. And are highly cautious in identifying and mitigating against the downsides of risk but are also bold in spotting and seizing the upside of the opportunities. This combination - caution and boldness - is rare and its development requires exposure to a range of complex problems within a commercial context.

Case studies as part of management education help. Critically the development of this mind set and the associated skills also occurs in roles with scope for decision analysis and business judgement.

It also helps to have the counsel of a wise mentor to review the hit rate of successes to failures and explore decision making processes.

"The business of business is a lot of little decisions every day mixed up with a few big decisions."
Tom Murphy, CEO of Capital Cities

Time and space to think and reflect

Jim Schleckser's piece on "lazy leadership"[72] and how exceptional CEOs get more done highlights the reality that "less is more". Many leaders operate on the back foot, busy spinning plates to just about keep going. Extreme leaders focus on the few things that matter.

If Extreme leadership depends on a willingness to see problems differently and take unconventional decisions, this does not magically happen. Extreme leaders find time to think long and hard about problems.

For some Extreme leaders, this is the application of a disciplined schedule - daily, weekly, monthly and annually - for hard thinking. For others it is an extended vacation or a sabbatical[73] to recharge and refresh and rethink.

Although this is not a prescriptive check-list, experience maps can be a helpful way of guiding conversations with leaders about their development.

The overarching point however is that leaders develop within a cultural context, typically one that allows challenge and candour. Here development is not what leaders do when they attend formal events and workshops - useful as these forums are in reinforcing key learning - but what leaders routinely do as part of tackling a range of different business, organisational and people challenges.

The 70-20-10 rule of leadership development has been over-stated[74], but it conveys an important point. It is through exposure to a balance of supportive and challenging life and work experiences that mind sets are shaped and a repertoire of skills is built. And the cultural context sets the tone for Extreme leaders; emerging leaders are given the scope and opportunity to become Extreme leaders. Conversely, if the context is one of arrogance, bureaucracy and complacency, then formal and structured development will have minimal impact.

"We regard executive leadership as a privilege. It's not about me. It's not about the board. It's about the health of the enterprise."
Robert Stevens
CEO Lockheed Martin, 2004-2012

Succession management

"The way you manage succession is likely to mirror the way you manage the rest of your company."
Joseph Bower

When Bob Stevens succeeded the failing Vance Coffman as CEO of Lockheed Martin in 2004, the challenge was formidable. After consolidation within the defence sector, Lockheed Martin was struggling to integrate its different businesses. Stevens, improving operational performance, rebuilt investor confidence and during his tenure earnings and dividends significantly improved. And Stevens, by breaking down the barriers across the legacy businesses, helped Lockheed Martin shift to a more collaborative culture of shared values, executive trust and greater team spirit.

Significantly, at his first meeting with the Board his own succession was a topic on the agenda. For the Board, succession was going to be a key part of Stevens' role as CEO.

He knew that his successor would have to lead a business very different to the one facing him. Stevens therefore didn't see succession as the simple task of helping identify a replacement before his own retirement. Stevens established an integrated leadership development system to reflect and reinforce Lockheed Martin's culture and to prepare its leaders for the challenges it could anticipate. The aim: to build a sufficiently deep pool of talent with the mind set and skills leaders would need for the future. And Stevens, being a systems engineer and accustomed to working within long-term horizons, knew that the succession exercise would have to evolve and change over time.

When Stevens announced his retirement, Chris Kubasik, Chief Operations Officer, was named as his successor. When an ethics violation forced Kubasik to resign, Lockheed Martin revisited the succession pool.

Marillyn Hewson, who had joined Lockheed Martin in 1983, and had benefited from proactive development, eight career moves within three of its businesses, was appointed CEO in 2014. Succession was also the topic of conversation at her first meeting when she was elected to the board.

Hewson is now repositioning Lockheed Martin for a different future.

Luck is a factor in achieving exceptional business success. The tail wind of good fortune moves organisations forward and the head wind of bad luck holds them back. But the "business success as luck" narrative is over-played. And few organisations would follow the recommendation of Chengwei Liu[75]: *"as counter intuitive as it sounds, applying a contrarian approach by randomly picking your next CEO may well give your firm a competitive advantage against others."*

CEO succession as a kind of lottery is an interesting thought experiment. It is not however a strategy any company will be keen to adopt[76].

Charlie Munger asked the question: "Is it possible to acquire a moat with no management talent and just luck?" responded: *"I can't think of an example of this."*

If exceptional success requires leadership able to tackle today's imperatives, then sustaining that success requires emerging capability to face tomorrow's strategic challenges, and a succession process equipped to identify and develop a pool of leaders of capability and character for the future.

Avoiding the big disconnect

"We do succession planning to an unbelievable degree. But once we do it, we don't use it. Never have we reviewed a senior vacancy and looked at the succession plan. It's almost done as just another tick in the HR box."
Guthridge, Komm & Lawson[77]

It is that time of the year. The templates are distributed to key executives, completed and returned. The data is consolidated and a succession plan is produced. And a box is ticked; job done. And nothing much then happens.

Organisations as part of their governance processes should of course review succession within current structures and management accountabilities to identify any risks associated with succession exposure for critical roles and anticipate the loss of key executives. But typically this undertaking is a process in impression management to reassure the Board and regulatory authorities, that all is well in the world. Unless this exercise in risk assessment is connected with wider resourcing and development activity it may be only that: impression management.

Succession management

Extreme leaders see succession not simply as a chart, but as a trigger to a series of candid conversations. They know that the chart is only a snapshot in time, but they also recognise that this snapshot identifies potential opportunities, opportunities to spot and develop new leadership talent or ways to restructure to refresh roles and responsibilities. It is also a risk analysis to recognise vulnerabilities within the current and emerging talent pool that need to be addressed.

If the "map is not the territory", Extreme leaders know the succession chart is not the organisational reality. But they see it as a starting point to understand more about the leadership dynamics that are helping or hindering them in shaping the business future, and an agenda for more informed decisions in making appointments, proactive development and addressing leaders now past their shelf-life.

The imaginative review of talent

"Most people groomed to be future leaders are chosen because they seem to fit current leaders' ideas of what good ones should be like."
Gianpiero Petriglieri

One of the challenges within succession is the process through which successors are identified. Attila the Hun expressed the problem well: *"If an incompetent chieftain is removed, seldom do we appoint his highest-ranking subordinate to their place."*

Conventional succession typically adopts a top down approach in which line managers review their direct reports and provide some kind of evaluation - a permutation of performance, progression and readiness.

At one end of the spectrum, this is succession as a beauty parade in which line managers point to the excellence of their people and signal their ambitions to advance. At the other end of the spectrum, the "talent cupboard is bare" and managers secure their own position by indicating the absence of credible and capable successors and how external resourcing will be needed to rebuild the leadership pipeline.

It may be that wise and insightful executives are able to be objective in their analysis of today's talent as well as pinpoint the talent that is becoming increasingly important to the future. And some obviously are. But a sensible succession strategy overlays line management perspectives with additional insights:

- findings from **360° feedback**, in particular peer perceptions of the leaders who are seen as most effective
- **network analysis**[78] to indicate which leaders through their connections are the most influential within the organisation
- the integration of other **assessment data**, drawing on some of the methods previously described

In the review of succession, there is also the willingness to extend the search for talent further down the organisation rather than be restricted to the obvious succession pool. This is where the risk profile of Extreme leaders allows them, for example, to skip a management level to make "leap-frog" appointments[79].

As Andrew Hill notes: *"There's a fine line between coming to the task fresh and coming to it disastrously ill-equipped."* But when the business faces disruptive challenge, and the current group of successors may be part of the problem rather than represent a solution, Extreme leaders review the second management layer to locate emerging leaders. Here there is a trade off in risk: the risk of making an unconventional succession choice vs the potential loss of those candidates with the expectation of being in the succession mix.

"The trends that led to a CEO's success often change, leaving their like-minded successors ill suited to handle new realities."
Roselinde Torres

Shifting incentives

If effective succession management requires ability - capability in talent identification and development, it also needs motivation, and the willingness to engage in this activity. In stakeholder analysis it is helpful to ask "who cares, who knows, and who can deliver?"

In succession management, who cares? Who within the organisation sees succession as an important and valued activity?

""Never, ever, think about something else when you should be thinking about the power of incentives."
Charlie Munger

Succession management

In one review of the barriers to talent management activity, the research indicated:

- "senior managers don't spend enough high quality time on talent management"
- "line managers are not sufficiently committed to people development"

Given this pattern - leaders who don't realise the importance or significance of talent management within business success - the outcome is predictable: a weak leadership pipeline and succession exposure for critical roles.

Here succession management is less about the infrastructure of frameworks, process and technology, and more about incentives.

If Extreme leaders take a long-term perspective in business success, they also know that proactive succession requires attention to incentive systems.

This is partly cultural to create an expectation within the executive population that "this is how we do things around here". It is also partly about compensation[80] to ensure the interests of current leaders are not simply based on short-term performance metrics, but aligned to those succession activities designed to develop future leaders.

Linking compensation systems to succession won't address a broken process, but it will help signal and reinforce the importance of executive involvement in building long-term organisational capability.

"You can't manage your way into greatness. You've got to lead your way into greatness."
Jen-Hsun Huang, CEO Nvidia

Conclusions

Extreme leaders optimise the odds of achieving exceptional business results - superior performance returns sustained over time. This is not to point to the elite of the super star CEO. This has been tried, and the super star CEO has disappointed[81]. Instead in key ways, Extreme Leaders are very different to celebrity CEOs.

Extreme leaders are extremely effective at managing the dynamics of business success: strategic positioning with clarity of vision; making shrewd and disciplined investment choices, and superb implementation to execute.

Extreme leaders may come in many shapes and sizes but distinctive themes include:

- an **operating style** which prefers a decentralised business model; placing priority on hiring the best people and allowing them freedom; and a highly selective choice of business metrics to guide decision making
- a **mind set** that is highly independent to the point of iconoclasm; a drive to keep a focus on a few simple fundamentals; and patience for the long-term
- a **skill set** that draws on advanced levels of intellectual energy, a highly rational approach that seeks to eliminate bias in decision making; and an approach to risk assessment that combines caution and boldness

And for talent management practitioners who see Extreme Leaders as an important driver of sustainable business success, there are two implications. The first is a shift in thinking about leadership assessment, development and succession. There is no packaged "solution" for design and implementation. Instead the emphasis is on:

- refocusing assessment criteria, shifting the mix of assessment methods, and applying insight and judgement to integrate data for informed decision making
- revisiting leadership development priorities and practices to create the kind of scope and challenge that sets the context for emerging leaders to gain exposure to the experiences that shape Extreme leadership, with time and space to think and reflect
- ensuring that succession activity is not a stand-alone activity but connected to other resourcing and development processes, that it represents a genuine insight into the available talent, and that it is aligned with incentives to ensure it is given executive attention and time

Conclusions

The second implication reflects the mind-set of talent management practice. If Extreme leaders, for example, bring robust analysis problem solving to focus on a few simple fundamentals for the long-term, and are willing to do things differently to avoid the “institutional imperative” then talent management may need to rethink now just what it does but how it does it.

This is talent management to avoid short-term fixes, complicated processes and over-engineered solutions. It is talent management as the application of candid challenge, simplicity, a focus on a few priorities to direct resource wisely, and play the long game.

This is Extreme talent management with the potential to make an exceptional impact.

“The power of replacing conventional thinking with radical rationality - and both history and happy shareholders can attest to the massive returns this approach can generate.”
Brendan Mathews

Notes

1. Is Richard Branson an exceptional CEO; https://www.lrb.co.uk/v36/n06/david-runciman/the-stuntman

2. Of course other factors need to be built into any comprehensive assessment of CEO success. The problem is agreeing the relative weighting of these factors. Our working definition of Extreme CEOs - leaders who deliver over an extended time scale for their investors - has the virtue of objectivity.

3. Throughout this article we draw on a number of case studies of businesses and individual leaders. Because the argument is that success can only be determined over an extended period of time, these case studies roll back the years rather than profile firms and leaders currently in the headlines. We do acknowledge also the bias towards Western firms and leaders; a reflection of the coverage with which we are most familiar.

4. "David Brent and Basil Fawlty personify Britain's hapless managers", Financial Times, March 22 2017

"86% of respondents to the Survey on the Global Agenda agree that we have a leadership crisis in the world today." Outlook on the Global Agenda, 2015

"Less than one in five respondents in the Edelman Trust Barometer believe that business or government leaders tell the truth when confronted with difficult issues."

5. For example, Bill Barnett on The Red Queen in strategy; http://www.barnetttalks.com/2014/11/the-red-queen_15.html

6. In "Indispensable" Gautum Mukunda contrasts Modal leaders with Extreme leaders. Modal leaders are the outcome of tight "filtration" systems - the criteria and processes for evaluation - that create "much of a muchness" within the candidate pool. Organisations with loose criteria and evaluation systems create greater diversity at both ends of the performance distribution, the spectacularly disastrous and the exceptionally brilliant. http://ideas.nexleader.com/books/indispensable-leaders-really-matter

The focus here: a sample of the exceptionally successful. A future article will identify the strategies that differentiate leaders at both ends of the spectrum.

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8. Donald Clark, "Leadership and the weasel word"; http://donaldclarkplanb.blogspot.co.uk/search?q=Leadership:+the+weasel+word+that+led+to+bad+management

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10. Venkatesh Rao, The Art of Agile Leadership; https://www.ribbonfarm.com/2015/03/12/the-art-of-agile-leadership/

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12. Jerker Denrell, "Selection Bias and the Perils of Benchmarking"; https://hbr.org/2005/04/selection-bias-and-the-perils-of-benchmarking

13. Bob Sutton and Jeffrey Pfeffer summarise the research literature and indicate a figure of 10%. They point out leaders can make a bit of a difference by making things better, but most differences in impact are usually the result of leaders who make things worse. It is questionable what these percentage estimates mean in practice.

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15. "The Leadership Premium. How Companies Win the Confidence of Investors", Deloitte

16. "Do great leaders improve a business's odds? What does the data say?"; http://growthsci.com/blog/leadership_odds/

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19. The performance of football club managers: skill or luck? http://www.tandfonline.com/doi/pdf/10.1080/21649480.2013.768829

20. When CEOs win awards; http://www18.georgetown.edu/data/people/jbw42/publication-39453.pdf

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22. Rob Walker, “Overvalued: Why Jack Welch Isn't God”; http://www.robwalker.net/contents/mm_welch.html

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55. There is an assumption in executive assessment that “smart is smart enough” and above a certain threshold, additional cognitive ability makes little difference. For Extreme leaders this assumption is unlikely to hold.

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69. The advice increasingly recommended in talent management - “let the data speak for itself” - is problematic in assessment for senior leadership. Data never speaks for itself. It mumbles, and the data has to be weighted and interpreted within the context in which a selection decision is being made.

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