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Co-Author, “The CEO Next Door”

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Introduction

Vice Chairman Peter Henry

Good morning and welcome. I'm Peter Henry, Vice Chairman of The Economic Club of New York and Dean Emeritus and Professor at the NYU Stern School of Business. Currently in our 112th year, The Economic Club of New York is the nation's leading nonpartisan forum for discussions on economic, social and political issues. More than 1,000 prominent guest speakers have appeared before the Club over the last century and have established a strong tradition of excellence.

I'd like to take a moment this morning to recognize those of our 293 members of the Centennial Society attending today as it is through their support that the Club remains financially sound and able to offer our wonderful, diverse programming, now and in the future. Please give the Centennial members a round of applause. (Applause)

It is a pleasure for me to now introduce our guest this morning, Elena Lytkina Botelho. Elena is a New York Times bestselling author of The CEO Next Door and partner at ghSMART. She advises the world's leading CEOs and boards to accelerate their performance and support CEO transitions. This research is featured on the cover of Harvard Business Review where Elena is a regular contributor, TEDxUPenn, and leading CEO forums.

The groundbreaking research shared in The CEO Next Door reveals the common attributes and counterintuitive choices that set apart successful CEOs – lessons that we can apply to our own careers. Based on this breakthrough study of the most successful people in business, the book offers career advice for everyone who aspires to get ahead. Research insights are illustrated by real-life stories from CEOs in boardrooms telling us how to – among other things – fast-track our career by deploying the career catapults used by those who get to the top quickly, overcome the hidden handicaps to getting the job we want, and to avoid the five hazards that most commonly derail those promoted into a new role.

Elena holds an MBA in finance from Wharton. She received a CPA license and a BS in accounting, Magna Cum Laude, from SUNY Binghamton. Elena also completed Leadership Coaching certification at Georgetown University and completed three years at the Moscow State Pedagogical University majoring in education, with coursework in psychology.

The format today will begin with a few remarks from Elena followed by a conversation, and we're very fortunate to have ECNY member and Circle Wealth Management Partner, Ann Kaplan. I will be sure to save the last ten minutes of the program for questions from the audience. We'll end promptly at 9 a.m. And as a reminder, this conversation is on the record. Elena, please come forward. (Applause)

Opening Remarks from Elena Lytkina Botelho

Thank you. This is a little bit of, it feels a little bit like a Thanksgiving dinner because I see so many friends and faces here from many, many years of my life. So, thank you for being here. And Barbara, thank you for having us here.

So, you come to The Economic Club of New York for insights that move markets, for insights that will move your careers and will help make your businesses more successful. And so today we'll talk about leadership. And what I've found in my line of work is that I'm often asked to meet with a whole range of CEOs. So I wanted to start by sharing one of these meetings that I recently had that I was really excited to attend.

One of my clients asked me to go meet with Steve Hemsley, who some of you may know. So, Steve is an illustrious CEO who came into UnitedHealthcare first as a CFO and came into the company at the time when the company was really, really in dire straits. He took UnitedHealthcare and built what is now the largest insurance company in the world. And so by every account, and literally the way that one of my clients introduced me is he said you have to meet Steve because you really wrote the book about him. You don't know that yet, but your book is kind of like the periodic table of elements for CEOs and leadership. And so given, you know, people that you didn't meet and didn't include in your research, they're included by the framework that you have. So how could you not want to meet with a person that, you know, delivered rock star returns and results for his employees, shareholders, and the society and at the same time is, you know, the person I wrote the book about.

And so we met at this swanky hotel in Washington, D.C. and thank God I did my homework because I looked him up online because if I'd just looked around the room, there were a lot of people who looked like the CEO that you'd expect. Right? Steve wasn't one of them. And I don't know, for those of you who know Steve, so let's start with the fact that Steve is a CPA, so that's like a lot of strikes against you immediately on the CEO front. Right? He's a deeply introverted, deeply cerebral guy. He's a bit taller than me but not much taller than me. And literally, anything other than just knowing his LinkedIn photo, there was no way to pick him out of the crowd.

And we sat down, we had a great conversation and Steve shared his insights and some of the things we wanted to discuss. And then probably about five minutes into the conversation, Steve says, well, you know, I just have to tell you, you know it's all nice about how I got introduced but you need to know I'm an accidental CEO. And I thought that's interesting, what do you mean? Well, I never set out to become a CEO. In fact, they picked me because they had no better option...(Laughter) and I got really, really lucky because the company was in such deep trouble that I was too busy trying to fix the thing to worry about whether or not I'm actually cut out for the job. And then, lo and behold, now he's one of the reference points and when you talk about some of the most successful CEOs, Steve is one of them.

So, how should we feel about Steve Hemsley being an accidental CEO? To me, I think it's really scary. That story, Steve's story, and more importantly UnitedHealth's story has a happy ending. For every Steve or for every Satya Nadella or for every other accidental CEO who has become one of the best CEOs on the planet, there are scores and scores of other people who didn't get picked, who even counted themselves out because, like Steve, they weren't cut out to be a CEO because they looked and felt nothing like what we see in the dot-print matrix on the Wall Street Journal, on the cover of the Wall Street Journal. I'll tell you a little secret because I work with some of the guys that are not, show up on the cover of the Wall Street Journal, even the guys who look the part most of the times don't feel like they look the part.

And for every accidental CEO where the company got lucky, you've got examples of P&G's succession Round 1 a few years back that didn't work out well. You've got General Electric and the scores of iconic companies that time and again get the number one most important position wrong. And why do we focus on CEOs? Well, obviously there's a huge multiplier effect on CEOs. And also because that's the position of ultimate power in the corporate world, many of us decide what it means to be a leader, or if we measure up to become leaders and we take our role models from those we see in the public eye. And so our understanding of who actually makes it to the top and why and who actually succeeds at the top has a huge multiplier effect on our careers, on the fates and livelihoods of many, many people. Right? So, if you're not concerned, as concerned as I am about Steve being an accidental CEO, take this number, $112 billion of shareholder value are lost every year, and by the way in this room, normally I have to explain what is $112 billion, you guys actually know what $112 billion is. So, $112 billion of shareholder value gets lost every year because we picked the wrong CEOs.

To add to that, 80% of the time the world's top companies pick an insider for that job. So think about that one. So you're selecting an individual that the board and that the management team has known for probably 20 years and you get that wrong to the tune of $112 billion. So why is that? How is that even possible? Well, on the one hand, we all know what a good leader looks like. We see them in the paper. We've all been around good leaders. We kind of all – if you admit to yourself – we kind of all have a hunch for what a good leader looks like when you see one. Right? And yet we get it wrong time and again. How is that possible?

So our firm, ghSMART, we're leadership advisors for 25 years. The world's leading investors – some of whom are in this room – and boards and CEOs have come to us to help them select the next CEO, groom the next CEO, help them build their generation of leaders to take the company forward. And time and again, over 18,000 leaders that

we've assessed and analyzed during that course, course of time, over 2,000 CEOs, time and again we were struck by the fact that even the world's most sophisticated leaders, when it comes to decide who should lead, make the wrong choice.
The questions we get asked in the boardroom, and some of you actually asked these questions: are you sure this person can lead the company and can inspire the troops? They're such an introvert. Oh, boy, I would love nothing more than to have a woman lead this company next but, you know, come on, we can't send her to Latin America. She's going to get eaten alive. So how is it possible that even the most sophisticated leaders continue to get it wrong?

And so for over 25 years, ghSMART has advised one company at a time, one leader at a time. And the problem was so pervasive that we felt that it was our duty to take this broader. And as somebody here asked me, so how did you decide to write a book? And I said, well, you know what, I had my second child and when you have kids you realize that your desire for making the big impact has never been greater and your time available to do that has never been smaller. And so somehow, I just realized, I just can't keep doing this one company at a time only and that we had really important insights that (a) we needed to understand better, and (b) we needed to be able to share it with the world.

And so fortunately in the world of big data, we absolutely had big data. So 18,000 leaders, 2,000 CEOs, if you rolled out the interview transcripts that we used for this research, they could wrap around Manhattan three times. Also, over the last ten years the data mining tools have become more advanced and more sophisticated. So when we first started working with Professor Steve Kaplan many years ago at the University of Chicago analyzing our data set, he used kind of the most, the latest available analytical techniques which were largely kind of fancy regression models, right? Over the last ten years, data mining has enabled us to tap into the interview transcripts of leaders in a way that we never could before. And so he was able to help us extract data that before was impossible to tap into. And so taking these 25 years of client work and the research on the 18,000 leaders, combining it with the world's cutting-edge analytical techniques, we built the team and we held our breath because we didn't know what we would find. And I come from a family of mathematicians and so on the one hand, when in doubt I go to data. On the other hand, I am not a mathematician so I'm always a little nervous as to what really comes out.

So what came out shocked us. The message stared us in the face. What it takes to look the part, what it takes to get picked for the job, and what it takes to actually excel in the job are very different things. In fact, when we ran the variables and we looked at the variables that are statistically associated with your likelihood of getting selected for the CEO job and compared it to the set of variables that are statistically associated with your likelihood of high performance in the CEO job, how many points of overlap do you guys think we found? Come on, there's some risk takers out here. What do you think? How many points of overlap? Is this appropriate at The Economic Club of New York to do a pop quiz? Yes, okay, I want to make sure. Half, okay, cool, we have an optimist in the room. Good, I'm glad there's still faith in human nature. Any other hypothesis? Twenty-five percent, David, I knew I could count on you. One, literally, one. If you look at the set of variables that are associated with the likelihood of someone getting picked and their high performance, there was only one point of overlap. So it's actually quite simple. What makes someone look the part, what makes us fall for the leader leads us to fall for the wrong leaders, time and again in every domain of our life. So think about that.

What do I mean? Well, let's look at some common things. Who here likes charismatic extroverts? Actually it's interesting, when we started this research – good, thank you for admitting to that – we all do. Actually the reality is we all do, we just may not admit to it. So when we started doing this research, we were on a little bit of a crusade that just because someone is a charismatic extrovert, it doesn't make them a good CEO. These days the public opinion has swung so much in the other direction that I'm finding myself kind of making defense of a charismatic extrovert. So, guess what? If you're highly likeable, extroverted, your chances of getting picked for any C-Suite job – and between us, any job – are higher. That's just the reality.

If you convey confidence in the interview process, you're 50% more likely to get picked for the job. Pedigree makes you much more likely to get picked for the job. When you look at things that matter to performance, well, let's see, in our data set, about 7% of our sample size graduated from Ivy League universities, the ones that you guys went to. Eight percent didn't go to college, didn't graduate from college at all. And you have high performers and low performers in both of those ends of the tail – 7% went to Ivy League, 8% didn't finish college.

Introverts and extroverts, well, gosh, we all love introverts. They're, you know, great, but can they really inspire the troops? Well, guess what? When we looked at the results they produced, in the outperform bucket, actually introverts were slightly over-represented. If you looked at the CEOs who either succeeded or exceeded expectations, it didn't matter whether you were an introvert or an extrovert.

Okay, well, so maybe hard work, work ethics, maybe we can hang our hat on that. Work ethics, hard work didn't make a difference. It was not a differentiator between high performers and low performers. And so a lot of the things basically, what popped out at us from the data is a lot of things that make us choose somebody and make us fall for somebody actually aren't associated with high performance.

And then the question was: well, could we actually isolate the variables? Is there such a thing as – we humbly called it – the CEO genome? Right? Are there variables that across industries and company sizes are associated with high performance? And we believe we did uncover that and, in fact, we uncovered four behaviors. And maybe we'll talk about that later.

Vice Chairman Peter Henry: Thank you. (Applause)

Conversation with Elena Lytkina Botelho

ANN KAPLAN: Good morning. Thank you everyone for being here. Barbara, thank you for inviting me to do this because I read the book and the book is a real gift. I told Elena when we talked on the phone that if I had this book back when I was a partner at Goldman Sachs, I'd now have David Solomon's job. (Laughter) I think the name of the book is a misnomer, The CEO Next Door. I think the name of the book should have been The CEO In All of Us because what Elena talks about, the characteristics she shares, the ideas she gives for catapulting your career and for success as well as being chosen for things are truly applicable, whether it's in the corporate world in a classic CEO position, a non-profit world, but also if you're a board member or if you're a leader within an organization but not the CEO, or I found even in organizing your own personal life and your family, these same characteristics are very useful. So thank you. There's so much in the book, I suggest that everyone read it. There's no way we could cover it in this short period of time. So what I want to do is get immediately to the characteristics that you found when you did this CEO genome that people in the audience may be able to use in their own leadership.

ELENA LYTKINA BOTELHO: Absolutely. So what is this CEO genome that we uncovered? So we uncovered four behaviors that are associated with high performance as a CEO. And at McKinsey I was only taught to count to three and I've been told by everyone that anything more than three just doesn't happen. So we have an acronym to help you remember this, for those of us who grew up counting to three. Think of the word dare, dare as in dare to think differently about what it takes to be a successful leader. So D-A-R-E. D stands for decisiveness. Would you like me to go into each of them or how would you like to do it?

ANN KAPLAN: Yes, why don't you go into each one briefly.

ELENA LYTKINA BOTELHO: So D stands for decisiveness. And with every one of these behaviors, we had some surprises as we dug into the data. And it was interesting, we had a lovely breakfast this morning that Barbara hosted with a few of The Economic Club of New York board members, and you guys have started kind of to self-assess yourselves around these behaviors. So, with every one of these behaviors there were some surprises. Decisiveness, well, we all know CEOs need to make great decisions.

Right? So what we expected we would find is that successful CEOs spike on the quality of decision making. You know what we found? It's actually not the quality but the speed of decision making that sets apart the most successful CEOs. We were shocked. We did expect that we would see higher quality of judgment. What's also interesting is when we work with our clients and a lot of the executives that we coach, sometimes it's the smartest executives that struggle with the speed of decision making. So if you think of it as quality times speed, it's the speed that seems to matter. And there could be many reasons for that. We hope that's partly because the poor decision makers in terms of their quality get weeded out much earlier when it comes to the top.

Adaptability, adapting proactively. Adapting is probably – of the four behaviors – the one that's most talked about in the corporate boardrooms today. Even at breakfast, we talked about the pace of change. James, you talked about how you faced with thousands of companies with a high velocity of decision making that you have to make and so, you know, Kodak, Blockbusters, Blackberry. Right? The gutters of history are just littered with companies and people who failed to adapt. And so how do we imagine ourselves someone who was a strong adapter? Well, I can tell you, if I had a dollar for every person who since 2008 has told me that they could have predicted the financial crisis, right, I could donate a lot of money to charity. So to be a master adapter, do you need to see the future? Is it about being able to see the future before everybody else does? Well, we do find actually that master adapters spend more time looking out into the future. So when you look at how these CEOs spend their time, they spend a higher proportion of their time – almost twice as much – focused on the future beyond the current year. So that is true. But you know what really set apart the most successful adapters, it's their willingness to let go of the past. So it wasn't necessarily that they knew where the puck was going when nobody else did, it was the fact that they were willing to let go of the past individual habits, organizational business lines, strategies, while those were still profitable. And if you think, again if you think of your own experience, even the examples of these companies that I just gave, it wasn't because they didn't know where the world was going, it was because they were making money in the current business that happened to be a sinking ship. So when you think about yourself and as you talked about the personal habits, if you want to be a master adapter – to borrow from that proverbial boiling frog syndrome – right, while the rest of us are comfortably sitting in the gradually increased temperature of water, the master adapters leap out of the pot. Adapt is also one behavior that our clients typically are most uncomfortable with. People get really nervous and scared by the uncertainty. But actually I would tell you, as a human species, it's probably the one behavior that we're all naturally wired for, right? We would all literally not get out of the cave if we couldn't adapt. And so on the days when you wake up and you feel overwhelmed by the world that's forcing you to adapt, here's kind of a little factoid just for fun. Researchers looked at a tribe in the Himalayas and that tribe was, because they were dealing with oxygen deprivation, they developed shorter forearms so that the oxygen, the little oxygen that there was went to their brain. So if nature can engineer us to develop shorter forearms to adapt, surely you could probably rethink how you spend your time. Surely you can probably rethink that business line. The big difference is that most of us only adapt when we're forced to. Right? Most of us need a crisis and need to have no choice to adapt. And so the master adapters were the ones who stayed ahead of the curve and were able to do that before others.

The next behavior, and I think you even said that, Ann. When you walked in this morning, you said relentless reliability, I never thought of that as a CEO behavior, but, oh, you know, it's one I feel really strongly about.

ANN KAPLAN: And didn't you say that's the most important one actually of the four?

ELENA LYTKINA BOTELHO: Well, that's a total spoiler. Yes.

ANN KAPLAN: Oh, sorry.

ELENA LYTKINA BOTELHO: Yes. I was going to give them another chance to take a risk, but yes. So, why is it the most important behavior? So when the relentless reliability popped out, we were a little stumped. And my co-author and I were both working moms so the one thing we don't want to, like face more of, is being relentlessly reliable in our life. It's not something we think of as a CEO quality. We think of something as a survival skill for us. And so we really fought it hard, but we had to stay true to the data. So not only relentless reliability popped out in the data. So highly decisive CEOs are twelve times more likely to succeed. Highly adaptable CEOs are seven times more likely to succeed. Highly reliable CEOs were fifteen times more likely to be successful. And remember when we had this conversation about what it takes to look the part and what it takes to actually deliver results, the one single point of overlap was relentless reliability. So if you convey relentless reliability, you're twice more likely to get hired for the job. So if you're sitting here thinking where should I invest to advance myself, reliability is usually a good bet.

ANN KAPLAN: And I was struck by that because when you think of relentless reliability, you think of a variety of things including having a mission, being aligned with the mission, staying the course. But so much of this relentless reliability was just showing up on time for meetings, keeping meetings when you've scheduled them, things that you think would be easier for people to do than they apparently are.

ELENA LYTKINA BOTELHO: The tricky thing about reliability – like many other important things in life – right, it sounds so simple. It's completely unsexy. Right? You know when somebody tells you to be a great CEO you need to develop a vision, well, that's exciting. It's a little scary. But relentlessly reliable, right, like where's the excitement in that? And it's like the most important things in our life, it's simple but it's not easy to do. And to your point, Ann, others around you will judge you on reliability, not by the big grand gestures you make, but by simple things like whether you show up on time. And so when we think about reliability, we look at three things when we help leaders develop reliability. One is the mind set of reliability. Do you actually want to be counted on? And that you can see very, very early in life. Do you have the people around you that enable you to build a reliable organization? Because it doesn't matter how reliable you think you are, if you don't have the right team around you, you will not build a reliable performance. And then finally, do you have the habits of reliability? And for entrepreneurs and founders in the room, often what I find, kind of the challenge for them is that they often have a real deep mind set of reliability and really bad habits of reliability. And so that a lot of times that's a big opportunity.

ANN KAPLAN: One of the things that struck me in these four different characteristics is based on my experience from being in corporations and also being on boards is that some of them almost fight against each other, conflict against each other. So you don't think of someone who is an extremely reliable person as being innovative. And also there's been this ongoing dialogue within organizations about leadership and does the decisive sort of authoritarian leadership style win out? Or does the engagement, more engaging style? And so you have these four characteristics but, as I said, it struck me that they're not necessarily harmonious. Some of them conflict.

ELENA LYTKINA BOTELHO: Yes, it's a great point, Ann. Thank you for noticing that. Look, we all know people in our life that spike on one of these. Right? We know people who are incredibly decisive or we know people who are incredibly reliable but couldn't adapt if their life depended on it. Right? And so what we find with CEOs, actually again back to, kind of the McKinsey experience, at McKinsey we talked about T-Bar(?) leaders, right, where you have to be at bar, you have to be at a minimum required level

of performance across the board. And then typically every leader will have their strengths and their gaps. Right? And then the trick is if you're hiring CEOs, if you're developing yourself for a particular role is do the areas where you're strong actually match the requirements of the job? Because like for all of us, right, I don't know a single CEO who is equally good at all four aspects. But to be an effective CEO you need to have kind of a minimum sufficient proficiency across the four.

ANN KAPLAN: One of the other things that struck me was your discussion of failure because so many people don't want to fail. And you make the case that failure is a great thing.

ELENA LYTKINA BOTELHO: Yes, it's fascinating. So failure is probably one of the most underused assets in American business. Right? So the nature of the process by which we got the data, how did we get the data for the research? We sat down with every leader for about four or five hours, and some of you in this room have had to endure that experience and have lived to tell the story. And inherent in that process, in those four to five hours we walked through the whole career story. We talk about what are your biggest wins and what are the biggest mistakes you had? So by virtue of it, 18,000 leaders in our database, 100% of them have made mistakes. What we found, however, when we dug into the CEO genome analysis is that 45% of them made not just mistakes, they had huge blowups. So what's the difference between a mistake and a blowup? Oh, a mistake is something that someone reflected over breakfast, oh, gosh, I hired the wrong person. Okay, that's a mistake. What's a blowup? Well, a blowup is one of the CEOs we talk about in the book, Andy Silvernail, runs IDEX. It's an industrial company, has been widely successful out in the Midwest. So Andy's first feat in the CEO job, fresh out of the gate, was he lost about $200 million worth of value for his shareholders in a bad deal. Well, that's a blowup. Another leader we talk about in the book, she put kids' lives at risk because of a mistake she made. Well, that's a blowup. So 45% of leaders in our data set have faced major, major blowups. You know what's interesting? Leaders who had one blowup were more likely to get recommended for a CEO job than those who had none. And when we looked at the career trajectories of leaders, what made a difference to their career is not so much the nature of the mistake or the blowup they had, it was actually all about how they dealt with it. Interesting factoid, we noticed in the data that leaders who talked about their mistakes as failures, who used the word failure with all the kind of emotions that come with it, were 50% less likely to succeed. Leaders who went on to use the blowup to torpedo them to the top, as opposed to kind of drop them to the bottom, were leaders who owned their mistakes, who were almost dispassionate in analyzing what went wrong, and who actually changed their approach in the future. For all of you who hire people, how often do you hear from someone, well, I made that mistake and then I changed, and then I learned, I really learned from that. Well, usually what will happen – take it from our experience of doing this 18,000 times – if you keep asking them that same question later in their career, they will continue to make that same mistake. So those who actually made the most out of those 45% blowups were those who actually changed their approach.

ANN KAPLAN: And when you look at why mistakes – not failures, but mistakes – that CEOs make, you said that the single biggest mistake is not having the right team around them. Can you talk a little more about that?

ELENA LYTKINA BOTELHO: Absolutely. So we were shocked. We analyzed, kind of in our cradle-to-grave CEO analysis, we analyzed how do CEOs fail? And what we expected to find is that their typical failures must come in the parts of the job that are unique to being a CEO. Right? Because if you think about it, nothing prepares you for the CEO job. There's so many things that you don't face as a leader. We were shocked to find out that 75%, 75%, three-quarters of the CEOs we analyzed, their number one mistake was all about not building the right team around them. How is that possible? It's the one thing that they've done their entire career. In fact, one of the CEOs I work with, we had this conversation in the first meeting. He called me in to get my advice to help him with his board. And I said, well, that's great, I'm happy to help you with the board, but just so you know, there's about a 75% chance that when we have this conversation a year or two from now, you'll look back and you'll say the board was really important, but actually my biggest failure was around people. And then he laughed later because he said that was the best conversation, the most valuable conversation he ever had because then, influenced by that conversation, he went and made some changes to his team in the first three months on the job that he otherwise wouldn't have done. Right? So how is that possible that the thing that someone knows and does their entire career is the number one failure?

ANN KAPLAN: Today we have a number of younger people in the room. Could you talk about what they should think about, how they can advance their career even if they're not immediately in the CEO zone?

ELENA LYTKINA BOTELHO: Absolutely. Well, first of all, they shouldn't worry about whether, so most normal people don't grow up wanting to be a CEO – some do, but most normal people don't. So 70% of the CEOs we analyzed didn't really set their sights at the top job until they were within earshot so typically it's within, in the C-Suite. Knowing that a lot of readers of the book and a lot of readers of the research will be pretty ambitious individuals, so what we said is, okay, we'll go beyond. Not only will we look at how people get to the top, we'll try to see, is there something special about those who get there faster? And we were a little nervous because we thought, well, we kind of already know what we're going to find out. What are we going to learn? Well, gosh, they all worked at the top consulting firm. Right? They all worked at Bain or McKinsey or, oh, they probably went to a top MBA program. Right? But we had to stick to the data. So we did the analysis and we found out that in fact a quarter of – we call them sprinters, the guys who got to the top faster – we found out that in fact a quarter of, a good quarter of the sprinters graduated from a top MBA program. And then what we learned is 97% of the sprinters, 97%, virtually all of them, undertook one or more of three kinds of career choices, which were very, very risky at the time when they took them, that actually ended up propelling them to the top. So at the time when they were offered that opportunity, they didn't see this as a way to the top, they saw this as a bit of an "oh, shit" moment in their career. But in hindsight, when you analyzed these leaders, 97% of them had undertaken one of those three choices. And one of my clients called me up recently and said, you know, I'm trying to decide if I should be more grateful to you or more annoyed at you. That always catches my attention. And so it turns out that for six months they had – it's a Fortune 50 company – for six months they were trying to convince the senior executive woman to relocate from a huge P&L job in Europe to a staff role in the U.S. And she just refused because she was smart. She knew clearly what was good for her career. And how do you grow up in the corporate, how do you get to the top? Well, you have a big P&L and then you have a bigger P&L. And then you have a really huge P&L and that's how you succeed. And, you know, this whole idea of going to corporate headquarters and, gosh, not having a team, she wasn't going for it. And she knew they were just doing it to kind of show that they were promoting women. Right? So they had the CEO talk to her. They had every mentor at the company talk to her. And she said, yes, and then I sent her your HB article that talks about the three career catapults, and she took the job yesterday. And I'm really trying to decide if I should be more annoyed at you that your article was able to do something that our whole team of executives couldn't, but I'm really mostly in the long run grateful to you because now we have a career that will take a very different trajectory. And in that case, so one of the three catapults was, we're calling it go small to go big. And so it's executives who take steps that at the time look like lateral steps and maybe don't even look like opportunities but look like something where they have to take one for the team but ultimately end up accelerating them forward. So we found three of those in this one example.

ANN KAPLAN: Great. Well, people in the room who know me know that I'm all about women's leadership. So I can't resist the opportunity to ask you something about that question. I was struck in the book that you said that women CEOs exhibit the same characteristics as men. So then what do you think then inhibits there being more women CEOs?

ELENA LYTKINA BOTELHO: Yes, thank you Ann. Well, first of all, I'll say there's a lot more research to be done on women. And the sad thing is we don't have a data set of 2,000 women. We have probably the largest data set of female CEOs and they're kind of in the low 100s. Right? So there's a lot more work to be done and that's the natural, kind of next extension of this research to be taken. So there are more questions that we have about that today than answers. But I will tell you a couple of things that popped out. So, as a woman, you're just as likely to be, to succeed as a CEO as a man. It shouldn't be a surprise, but if you read some of the public debates, apparently it still is. So it absolutely bears out in the data. So your likelihood of success is absolutely no different as a woman statistically, number one. Number two, as you pointed out Ann, behaviors apply. So the way decisiveness might look like in a woman or the style of how women engage for results might be different. But the substance of the behaviors that lead to success in the C-Suite are the same, so the behaviors are evergreen. What's different? Well, pound for pound of capability, women are 28% less likely to get picked. So literally when you look at ghSMART assessments we've done and you look at for a given level of performance, a given level of capability, if you're a woman, you're 28% less likely to get picked. By the way, if you happen to have a strong non-Anglo-Saxon accent, you're twelve times less likely to get picked. And so I think ingroup bias and, yes, even in the age of diversity, why do we have $112 billion of lost shareholder value? Why are women less likely to get picked? Because we're misusing a tool. Because when it comes to picking leaders, in the age where we're using every, most sophisticated tool known to man for selecting corporate headquarters locations, for selecting our IT systems, for deciding where to invest, when it comes to picking people, what's the tool we use? What's the technology we use for picking people? Judgment, gut feel, right? Do you know what gut feel is? Right? I don't know if there are any biologists in this room. Bias. Well, gut feel is actually a really important thing. It's evolutionally developed. Right? And it's our, kind of, brain, right, telling us instinctively is this somebody I trust? The only problem with that is our brains developed, mammals developed over 200 years, right? And our brain developed to do three things really, really well, when it comes to picking people. It's picking a mate, finding food, and avoiding becoming food. (Laughter) So that's 200 years of evolution. And you think that's the tool that you're going to use to pick the next CEO. So that's, why aren't there more women? Well, for the same reason why having a foreign accent leads you to twelve times less likely to be at the top. Because of all the inherent biases that even in this day and age are really prevalent in this process.

ANN KAPLAN: I want to open it up for questions, but before I do, I want to, first of all, thank you and also ask you to mention your intriguing CEO self-assessment that can be found on your website.

ELENA LYTKINA BOTELHO: So if there are any brave souls out here, this is the work we do every day with our clients, right, and, you know, this takes kind of months, many months of kind of real engagement with somebody to help them self-diagnose around where they're strong, where they could be better and how they could improve. However, for the broad general public out there, because access was really important to us, we developed a very non-scientific and a very quick self-assessment. And I know some of you just reading the book have started to kind of gauge, trying on these behaviors. But if you're curious, you can take a look at CEOGenome.com. And you'll find a self-assessment on these four behaviors. We've had about 17,000 people complete this self-assessment, anywhere from the founders of the world's largest hedge funds to people who run the largest companies to kind of just rank and file normal folks out there. And actually, and back to your point about reliability, of the four behaviors, so again these 17,000 people out there who took the self-assessment, the highest ranked behavior in terms of where people were typically the strongest, was adaptability. Back to the point where we hate to adapt but actually, we're wired to adapt. And the single lowest ranked behavior, the weakest behavior was in relentless reliability. But, yes, if you dare, you can try it.

ANN KAPLAN: How about some questions?

Good morning. I enjoyed your speaking, your talk. I'm wondering how do you respond to when you have a CEO who shouldn't be the CEO and the organization is a strong organization and the leadership is actually attractive and there needs to be a change but that change seems to be impeded by other factors, whether it's board issues or shareholder owners or other variables or customer relationships? How does one adjust to the need for leadership changes? Does it have to be through activism? Or does it have to be through external forces? Or how do you envision the poor CEO?

ELENA LYTKINA BOTELHO: Ah, what a great question. And, you know, I'm really tempted to turn your question to some of the folks in this room who are in the business of picking, hiring and firing CEOs, but Sandra and Jeff, I probably shouldn't put you guys on the spot. Look, it's a really tough question. Right? So it's fascinating. So in the world, our practice spans Fortune 100, 500 to private equity and the investment world. And everybody assumes that if anyone here is good at removing CEOs, it's got to be these, you know, really tough financial investors. Right? You know typically large investment firms have a reputation for being really tough on management. Shockingly, when we analyzed, when we did the research, even there on average it takes two years from the moment the issue shows up. And that's in a case of concentrated private ownership where you really do hold the keys to the castle. And so you're pointing to a really, really important question which is unfortunately it takes boards too long to hold CEOs accountable. It takes boards too long. Even boards that are private boards where you have a decisive shareholder, where the incentives are fully aligned, I mean it doesn't get much more aligned than having your money literally on the line. Right? And it takes us too long to make a change. Why? Because people, again back to not being adaptable, we're wired, until the house is on fire, we're wired to hold on the status quo. And I think it's a really big risk. And it's interesting you mentioned activists, we get a lot of phone calls. So when Jeff Immelt left GE, every time there's a big iconic public company that gets attacked, we get a lot of phone calls from sitting CEOs and from boards saying, alright, come and help us, help us make sure that we get the right person because we realize that there's a greater degree of accountability now. So it's important.

ANN KAPLAN: Dave...

Elena, I met you 15 years ago. I've been in private equity now 15 years and have been around about 75 different portfolio companies working with really brilliant people and have met a lot of people in the industry over the years as well. The thing that I'm fascinated by is the brilliance of these investment teams in terms of analytical rigor, but when it comes to giving CEO reviews, we're inconsistent. What have you learned from your research about giving CEO reviews and best practices around them? Specifically, who is involved? How is it done? You know, how do CEOs like to receive that feedback? But how do you deliver that in the most effective way to get better outcomes?

ELENA LYTKINA BOTELHO: Well, you know, it's funny, you talk about middle market companies. So I was in the office with a CEO of a huge company that I coach and I was helping him think through the performance reviews he was going to give to his team and then at the end I said, well, so what's your plan for your own performance review? And he looked at me kind of funny and he's like, huh, I guess I'm going to have to do it with you? Is that something my board should be doing? So, unfortunately again you would think, and this is the crazy thing about this whole field of CEOs, right? Normally in business the biggest opportunities are found in the dusty corners. Right? James, we talked about how you look for companies that are really under-covered, etc. How is it possible that in the spotlight, there are very few things that are more in the spotlight than the role of the CEO. There's so many things that could get done so much better, right, with just kind of common sense. So I would say starting out by saying, you know, let's be clear what success looks like. And a lot of the things, Dave, that I know you guys have started to do with your leadership and your portfolio, right? What does success look like? Being clear about that. Again, the number of times that I'm called into, you know, advise a CEO, they're kind of mid-tenure, they're successful so it's not a rescue mission. It's more about the upside. And I ask them, well, so what's your scorecard? How clear are you and your board around what success looks like? And then again, they kind of look at me funny and they go, well, I can show you my investor presentation. No, that's not it. So start by being clear and aligned as a board around what does success look like? And especially in today's day and age, right, where it's not just about the financial results, there's a broader stakeholder angle at that as well. And then having actually the courage of having an honest conversation about that. And whether you do it with an objective party or you do it directly, doing it, there's a reason the Nike logo is Just Do it, and not Just Say It. Right? So I think the most important thing is do it and be clear about what success looks like.

ANN KAPLAN: And this is true for non-profits as well. The boards of non-profits should have scorecards for their leadership. Question...

What's E?

ELENA LYTKINA BOTELHO: Oh, gosh, thank you. That's great! Yes, it wasn't intentional but I'm glad someone was listening. E stands for engage for results, which is I guess consulting-way of saying how do you engage with your stakeholders to move the enterprise forward? And what we found actually, interestingly, is that, you'll see in the book, there's a niceness curve, right? So if you're optimizing for being liked, you're likely not going to be very successful. By the way, I'm stunned time and again how much conflict gets created by leaders who are motivated to be liked. Literally, and it's ironic, it's really sad, right? Nobody creates more conflict than leaders who are conflict-averse. And anyone out here running an investment organization might resonate with that, right, on the one hand. On the other hand, if you chainsaw out, right, that doesn't last very long either. So if you're somebody that just kind of slashes and burns – besides lying on your resume – if you're somebody who slashes and burns and doesn't take care of people around them, that also tends to not last very long. And so we talk in the book and in the article about, so how do you enlist the stakeholders to move the ball forward but without placating to them?

So, first, at BCG we have to count to four, because we have a matrix...(Laughter)

ELENA LYTKINA BOTELHO: Where is that, you said, where?

At BCG, we have to count to four because we have a matrix.

ELENA LYTKINA BOTELHO: Fantastic!

So you pointed out the difference between men and women in terms of characteristics of leadership, you know, it's not statistically significant. But in choosing, women are less likely to get selected. So what are the, and you alluded to this a little bit, but what are the behaviors around those four things that women actually have to be a little stronger at or specifically what needs to be a little different so that we can manage around those factors in a way that's most effective to be selected?

ELENA LYTKINA BOTELHO: Yes, it's a really, really good question. And again, so a huge caveat on that. And I want to be careful because you want me to kind of cover the research. So the research is really in progress, so you'll get some research and some perspective on that. But, interestingly, when we dig into interview transcripts of women, right, so comparing, contrasting women and men, one is, so kind of, let's start with the easy stuff. I alluded to it earlier, likable and confident. So if you want to get picked, right, likable and confident gets you selected for jobs. It's literally that simple. Right? So, conveying an inherent sense of confidence really helps you get the job whether you're a woman or a man. And I don't know if you belong to the school of thought where women, you know, maybe don't convey the greatest sense of confidence or do, but any gender, conveying confidence and likability in an interview really helps you. There are other things we noticed that we're really just exploring. So, women tend to use "I" more often in interviews. When we look at the candidates, candidates who were more likely to get picked tend to kind of be in the middle in terms of their usage of "I" versus "we." And so women who get the jobs are owning their success and owning their failures. So they're willing to take a stance and they're willing to own it. Women tend to actually, and again, you know, you hate when some things maybe feed the stereotype but again just reporting on the data and this is all in progress, women tend to use a little bit less specific detail, specific colorful stories in the interviews. And those things are actually really helpful so those are the things that make you memorable and credible. So again, the research is really ongoing but those are some of the things we're starting to notice. One thing I will tell you that's really fascinating, and again deserves a lot more, kind of raises more questions than it answers, is when we analyze successful women, interestingly enough, they actually, through their entire career until they made it to the CEO spot, their focus, their professional identity was not necessarily centered on a woman who will be successful. Their professional identity is kind of gender-neutral. Their professional identity is around I'm a digital marketer or I'm a turnaround CEO. And so interestingly, and I don't know if that will be different in the next generation of women, but a generation of women who are successful and who have come up through the ranks in the last 20, 30 years, they often, in the interviews time and again they say, you know, it's so funny, I'm asked "now that I've made it," I'm asked all the time what it's like to be a woman. I didn't think about that. All I tried to do is deliver results. And so that's something else that we're noticing as a pattern.

ANN KAPLAN: We have time for one more question.

Did you look at economic incentives and what is effective with your successful CEOs?

ELENA LYTKINA BOTELHO: Oh, that's really interesting, so the comp structures, we didn't. No. We tried to focus on CEO behavior and choices. But no, there are lots of good comp studies out there. That was an easy last question. Thank you.

VICE CHAIRMAN PETER HENRY: Please give Ann and Elena a big round of applause. (Applause) So thank you both again for a terrific interview. I just want to report on our next upcoming events. On November 12, The Economic Club of New York will host the President of the United States of America. On November 20, we will have David Cordani from the Cigna Corporation. On November 21, we'll have Michael Dell, Dell Technologies. On December 4, we have Dara Khosrowshahi of Uber. And on December 10, we will have Larry Fink of BlackRock. I hope to see you all there. Thanks very much. Have a good day. (Applause)