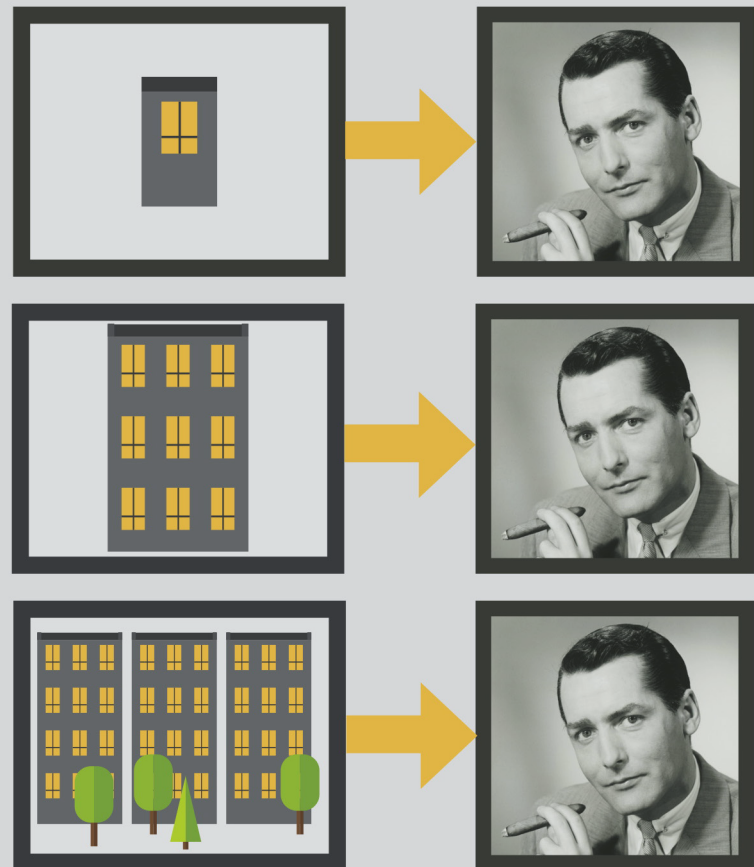


Companies Change Faster
Than Leaders Do



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Why “fit” matters when predicting performance and potential



by **Marc Effron**,
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It's a simple but powerful truth: companies change faster than leaders do. Companies evolve as they respond to market opportunities, economic cycles, regulatory changes and assorted strategic challenges. Their evolutionary pace has accelerated as globalization brings more competitors and technology disrupts traditional service models.

Leaders . . . well, leaders try very hard and have great intentions. However, leaders' capacity to meaningfully change is far more limited than we might like, especially their capacity to excel in fundamentally different situations.

Given that companies evolve quickly and leaders more slowly, performance gaps appear. Some gaps result from leaders not having the capabilities or mindset required to win in the new environment.

Others form when leaders aren't as engaged by the new environment and reduce their commitment and effort. The larger the gaps, the more likely it is that an organization will stumble when it tries to execute.

The good news is that we know how to keep performance and engagement high by minimizing those gaps (or maximizing the "fit"). These insights allow us to better predict which leaders will succeed as our organization evolves and to better manage talent to maximize performance.

Before we define what fit is, let's define what we don't mean by fit. Fit does not refer to culture fit, "like us" fit or other sloppy, casual definitions of the word. It's flexibly using the term fit that allows bias to creep into selection and promotion decisions. We'll define the word in a structured and scientific way instead.

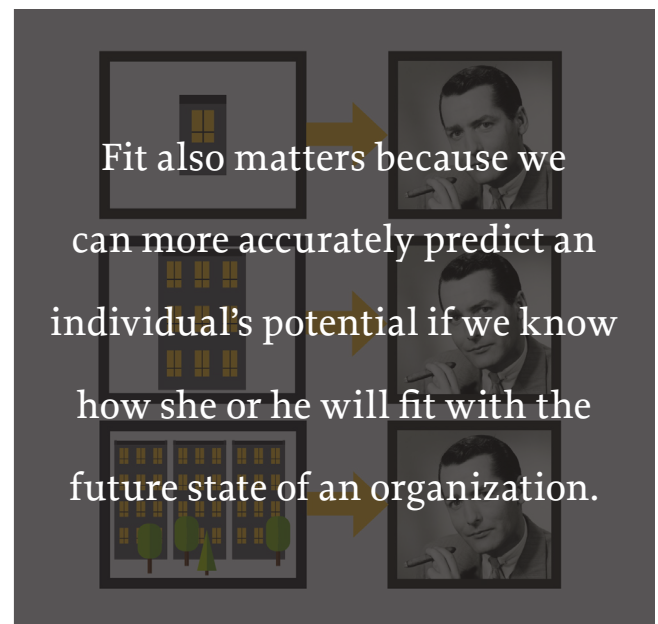
Why Fit Matters

As always, we start with the science and the science of organizations and of individuals suggests that we should pay close attention to fit.

Simply defined, fit is the extent that an individual's intelligence, personality and capabilities match an organization's unique requirements. Fit matters because higher fit means higher satisfaction, commitment and retention. Each of those is a primary component of engagement, and engagement influences performance, so higher fit should create higher engagement and higher performance.

1, 2, 3

Fit also matters because we can more accurately predict an individual's potential if we



know how she or he will fit with the future state of an organization.

So if fit increases performance and helps predict potential, we should want to ensure our key leaders always fit as well as possible.

We Fit with Strategy and Change

But fit with what? We believe the science supports that two organizational factors – Strategy and Change – largely explain how leaders fit with an organization's needs (see Figure 1, p. 5).

The organization's strategy dictates what that manager needs to accomplish. The amount of change dictates how they need to accomplish it. Together they set the context in which the leader has to manage and with which she needs to fit.

Fit with Strategy: An organization is likely trying to achieve one of two goals – win by being the most innovative or by being the most efficient.⁴ Different capabilities and mindsets

are required to succeed at each.

Winning through innovation may require greater risk-taking, creativity and comfort with ambiguity (all personality driven factors). Winning through efficiency may take more dispassionate thinking, a process orientation and Six Sigma capabilities (a mix of personality and learned capabilities).

For example, Amazon's founder and former CEO Jeff Bezos is a brilliantly innovative leader who's led Amazon through multiple waves of innovation. He's built an efficient company too, but Amazon wins because of its innovations.

Now drop Jeff into Exxon Mobil where he would have to lead an efficiency-oriented company. Would he be the best CEO for that job? Fit suggests he wouldn't. Personality, intelligence and years of practice have made him a great fit for a specific type of challenge

Fit with Change: An organization may be experiencing a merger, economic shock, rapid growth, turnaround or similar event that demands great change leadership. Or, it may just be experiencing the typical ups and downs that mark daily life in an organization. Success in each scenario requires very different capabilities.

Science says that the leaders who fit best with high change organizations will be more charismatic, inspirational and make better connections with their followers.⁵

Leaders who fit with lower change environments often execute well on the basic processes and operations of the organization. Things get done because they are there and working hard every day. But, they don't likely have the capabilities needed to lead a team through

dramatic change.

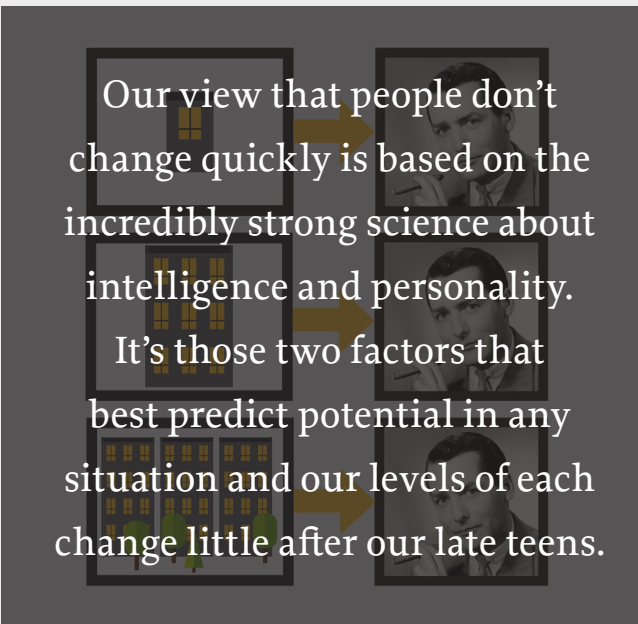
These insights should be great news. If we know that fit matters, we can develop everyone in the right direction to maximize fit and performance. Unfortunately, people change far more slowly than organizations do.

People change more slowly than organizations

It's quite generous to believe that any leader can succeed in any situation, but the facts don't support that optimism. We know that people may excel in a given challenge and then perform poorly in a different challenge.

How can the same bright, thoughtful, hard-working person show up that differently? Two factors explain why:

1. How we're wired: Our view that people don't change quickly is based on the incredibly strong science about intelligence and personality. It's those two traits that best



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- **Intelligence:** We know that our individual intelligence determines how fast we learn and how fast we process and apply information. It's the largest predictor of success in any situation and it can explain up to about 33% of why we succeed.⁸
- **Personality:** Our personality (the academic 5-factor version) predicts another 15% - 25% of potential but more importantly creates fit (or lack of fit) with certain situations. There are elements of personality that give you the detail orientation necessary for quality financial analysis or the creative thinking that delivers stunning advertising campaigns.⁹

Those two traits are the foundation for individual performance. Everything else is secondary and affected by those factors.

For example, everyone can learn a new behavior but if that behavior isn't consistent with your core personality then it will take significant effort and repeated practice to master. And, your underlying personality will still guide your behaviors no matter how much effort you put into changing them.¹⁰

- 2. What we've practiced:** On top of our personality and intelligence are the capabil-

ities and behaviors that we learn over time. These come primarily from our career experiences and the more we practice them, the more dominant they become. If your career has focused on turning around distressed businesses then you've likely built strong capabilities in financial analysis, operations management, organization design and other select areas.

Your 20 years of practice in that area also means that, by definition, you haven't practiced creating innovative new products for 20 years. Someone else has, however, and they're going to be better than you at that for a long time.

When we say people don't change as fast as companies do, these two factors explain why. We're constrained by hard-wired personality and intelligence and by the years of practice we've spent honing a specific set of capabilities.

Using Fit to Predict Success

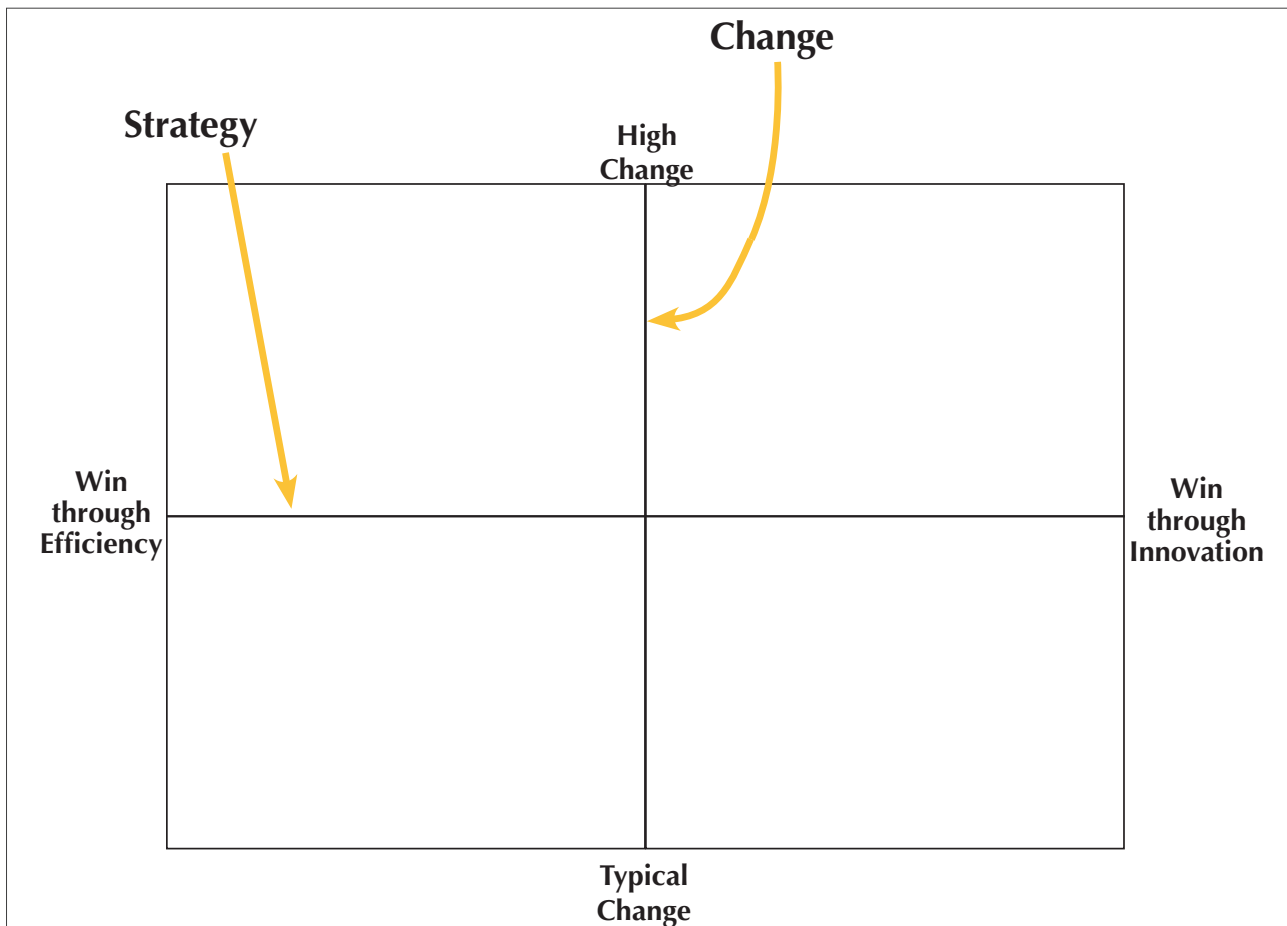
If organizations change more quickly than people, we need to better predict those changes to ensure we match the right leader with the right situation. We use the simple, powerful Executive Fit Matrix (Figure 1) which juxtaposes the strategy and change dimensions to do that.

You can assess the fit of leaders in your com-

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Figure 1: The Executive Fit Matrix



pany through this simple exercise:

1. **Assess your current strategy:** Determine where your organization is today on the two dimensions. Are you trying to win through efficiency? Through innovation? Is there tremendous change occurring or just the typical ups and downs that mark corporate life? Make an "X" on the worksheet chart to show where your organization is today.
2. **Describe your future strategy:** Answer the same questions as above for where you predict your organization will be in the next 3 – 4 years. That prediction can be based on your company's stated strategy,

your knowledge of the organization, industry trends or any other relevant factors. Make a "F" on the chart to represent the future position.

3. **Map your team:** Using those two dimensions, identify where you believe each executive team member functions best. Do they love high change and effectively lead others through it? They might be higher up the change axis. Do they push new ideas and dislike organizational constraints? They might be more to the right near the Innovation anchor. Put their initials on the chart where you believe they best fit.

4. **Make the build/buy decision:** Evaluate the gaps. The larger the gaps, the more difficult it will be for the leader to succeed in the new environment. Moving up the change axis requires a fundamental shift in behaviors – often going against personality type.

Moving left or right on the strategy axis requires a fundamental shift in capabilities. Both shifts might cause the leader to be less engaged because they aren't excited about working in the new environment.

Assess Your Fit

You may be curious where you place on the Executive Fit Matrix. My Harvard Business Review Publishing book [8 Steps to High Performance](#) includes a self-assessment in Chapter 5.

A few things to consider when evaluating fit

- **Fit matters more for senior leaders:** It's essential that the CEO and his or her team fit tightly with the strategy. It's helpful if the level below that fits but after that level other factors are more important to individual success.
- **Compensating with others isn't a strategy:** "Our CEO isn't a perfect fit so we surround him with people who are." That statement should generate an immediate

short sale of the company's stock. It suggests that the top leader at the firm isn't the best person to lead your organization's strategy. A better strategy is to find a CEO who fits.

- **A balanced team isn't necessarily an advantage:** There's organization folklore that claims that a more diverse team will deliver a superior result. So you might think that there's a benefit to having your executives spread across the grid.

In reality, a more aligned team will make faster decisions and execute those decisions more effectively. A team with more diverse opinions will produce less risky decisions but more slowly.

A More Thoughtful Approach

Too often we see senior leaders fail because their organizations didn't consider how they would perform in the face of new strategies and increased change. When we consider fit we recognize that an individual's success depends on more than just their unique capabilities. The business context and challenges in which they operate are powerful predictors of how well they will fit, engage and perform.

Evaluating fit, not just individual capabilities, provides a more accurate measure of an individual's potential and ensures that we manage our most valuable talent in the most productive possible way.

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