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The C-Suite Skills That Matter Most

More than ever, companies need leaders who are good with people.

→ by RAFFAELLA SADUN, JOSEPH FULLER, STEPHEN HANSEN, and PJ NEAL

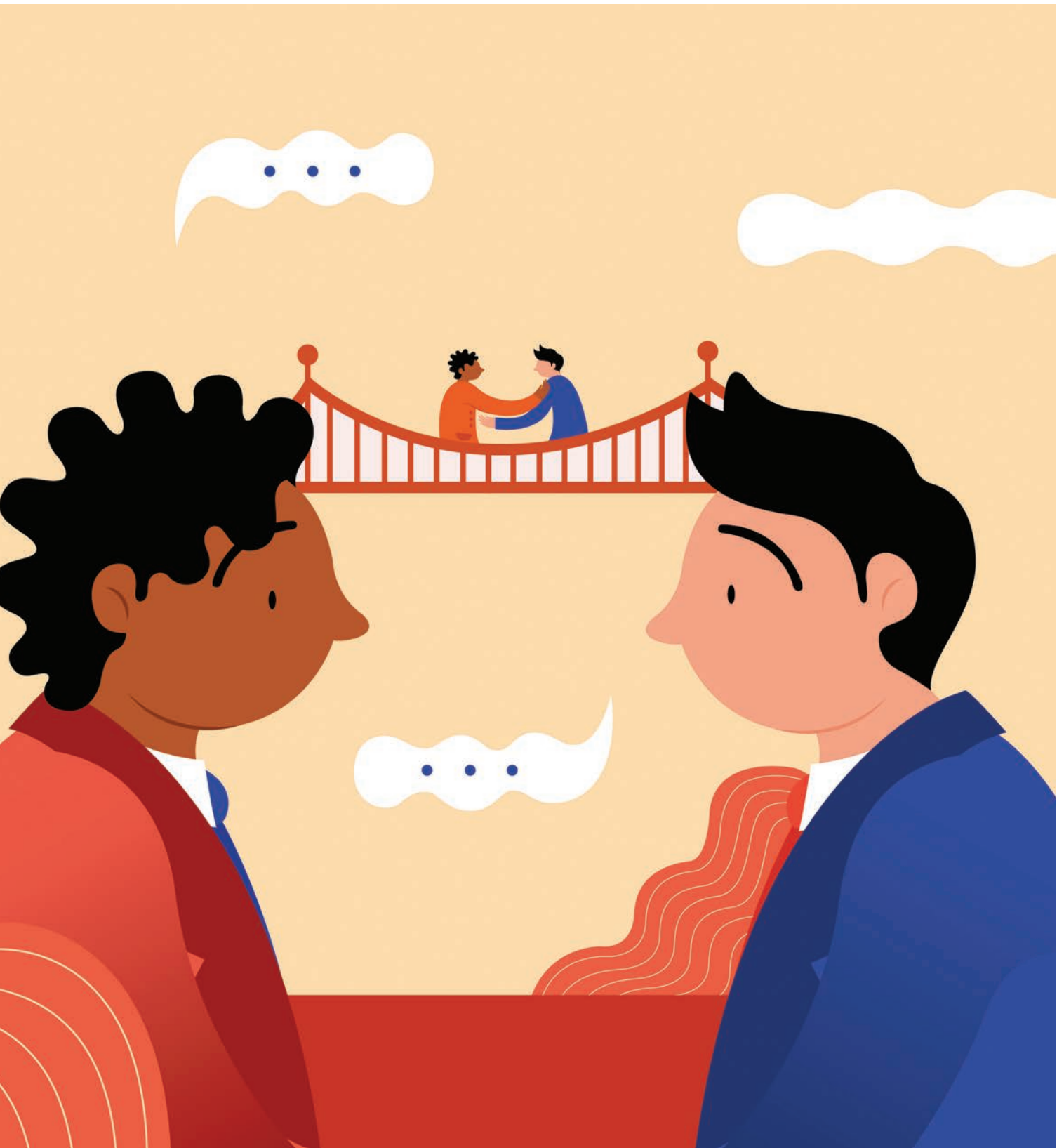
FOR A LONG time, whenever companies wanted to hire a CEO or another key executive, they knew what to look for: somebody with technical expertise, superior administrative skills, and a track record of successfully managing financial resources. When courting outside candidates to fill those roles, they often favored executives from companies such as GE, IBM, and P&G and from professional-services giants such as McKinsey and Deloitte, which had a reputation for cultivating those skills in their managers.

That practice now feels like ancient history. So much has changed during the past two decades that companies

can no longer assume that leaders with traditional managerial pedigrees will succeed in the C-suite. Today firms need to hire executives who are able to motivate diverse, technologically savvy, and global workforces; who can play the role of corporate statesperson, dealing effectively with constituents ranging from sovereign governments to influential NGOs; and who can rapidly and effectively apply their skills in a new company, in what may be an unfamiliar industry, and often with colleagues in the C-suite whom they didn't previously know.

These changes present a phenomenal challenge for executive recruitment,







because the capabilities required of top leaders include new and often “softer” skills that are rarely explicitly recognized or fostered in the corporate world. Simply put, it’s getting harder and less prudent to rely on traditional indicators of managerial potential.

What should organizations do to face this challenge? A critical first step is to develop greater clarity about what it now takes for C-suite executives to succeed. Yes, the range of necessary skills appears to have expanded—but how exactly? For example, what does the term “soft skills” really mean? And to what extent does the need to hire executives with more-expansive skills vary across organizations?

Remarkably, even though almost every aspect of leadership has been scrutinized in recent years, rigorous evidence on these crucial points is scant. To find out more—about the capabilities that are now in demand, how those have changed over time, and what adjustments companies are making to their process for selecting candidates—we recently analyzed data from Russell Reynolds Associates, one of the world’s premier executive-search firms. Russell Reynolds and its competitors play an essential role in managerial labor markets: 80% to 90% of the *Fortune* 250 and FTSE 100 companies use the services of such firms when making a succession decision that involves a choice among candidates. (Disclosure: Russell Reynolds has recently conducted executive searches for Harvard Business Publishing, which publishes *Harvard Business Review*.)

For our research, Russell Reynolds gave us unprecedented access to nearly 5,000 job descriptions that it

had developed in collaboration with its clients from 2000 to 2017. The data was sufficient to study expectations not just for the CEO but also for four other key leaders in the C-suite: the chief financial officer, the chief information officer, the head of human resources, and the chief marketing officer. To our knowledge, researchers had never before analyzed such a comprehensive collection of senior-executive job descriptions. (For more about how we worked with the data, see the sidebar “About the Research.”)

Our study yielded a variety of insights. Chief among them is this: Over the past two decades, companies have significantly redefined the roles of C-suite executives. The traditional capabilities mentioned earlier—notably the management of financial and operational resources—remain highly relevant. But when companies today search for top leaders, especially new CEOs, they attribute less importance to those capabilities than they used to and instead prioritize one qualification above all others: strong social skills. (See the exhibit “Help Wanted: CEOs Who Are Good with People.”)

When we refer to “social skills,” we mean certain specific capabilities, including a high level of self-awareness, the ability to listen and communicate well, a facility for working with different types of people and groups, and what psychologists call “theory of mind”—the capacity to infer how others are thinking and feeling. The magnitude of the shift in recent years toward these capabilities is most significant for CEOs but also pronounced for the four other C-suite roles we studied.

Our analysis revealed that social skills are particularly important in settings where productivity hinges on effective communication, as it invariably does in the large, complex, and skill-intensive enterprises that employ executive search firms. In such organizations, CEOs and other senior leaders can’t limit themselves to performing routine operational tasks. They also have to spend a significant amount of time interacting with others and enabling coordination—by communicating information, facilitating the exchange of ideas, building and overseeing teams, and identifying and solving problems.

Intriguingly, the evolution of skills requirements in the C-suite parallels developments in the workforce as a whole. At all employment levels today, more and more jobs require highly developed social skills. Harvard’s David Deming, among others, has demonstrated that such jobs have grown at a faster rate than the labor market as a whole—and that compensation for them is growing faster than average.

Why is this shift toward social skills taking place? And what implications does it have for executive development, CEO succession planning, and the organization of the C-suite? This article offers some preliminary thoughts.

The Chief Reasons for Change

We’ve identified two main drivers of the growing demand for social skills.

Firm size and complexity. The focus on social skills is especially evident in

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large firms. Additionally, among firms of similar size, the demand for social skills is greater at publicly listed multinational enterprises and those that are involved in mergers and acquisitions. These patterns are consistent with the view that in larger and more complex organizations, top managers are increasingly expected to coordinate disparate and specialized knowledge, match the organization's problems with people who can solve them, and effectively orchestrate internal communication. For all those tasks, it helps to be able to interact well with others.

But the importance of social skills in large companies arises from more than just the complexity of operations there. It also reflects the web of critical relationships that leaders at such firms must cultivate and maintain with outside constituencies.

The diversity and number of those relationships can be daunting. Executives at public companies have to worry not only about product markets but also about capital markets. They need to brief analysts, woo asset managers, and address the business press. They must respond to various kinds of regulators across multiple jurisdictions. They're expected to communicate well with key customers and suppliers. During mergers and acquisitions, they have to attend carefully to constituents who are important to closing the transaction and supporting the post-merger integration. Highly developed social skills are critical to success in all those arenas.

Information-processing technologies. "The more we automate information-handling," the manage-

ment guru Peter Drucker wrote several decades ago, "the more we will have to create opportunities for effective communication." That has turned out to be prescient: Companies that rely significantly on information-processing technologies today also tend to be those that need leaders with especially strong social skills.

Here's why. Increasingly, in every part of the organization, when companies automate routine tasks, their competitiveness hinges on capabilities that computer systems simply don't have—things such as judgment, creativity, and perception. In technologically intensive firms, where automation is widespread, leaders have to align a heterogeneous workforce, respond to unexpected events, and manage conflict in the decision-making process, all of which are best done by managers with strong social skills.

Moreover, most companies today rely on many of the same technological platforms—Amazon Web Services, Facebook, Google, Microsoft, Salesforce, Workday. That means they have less opportunity to differentiate themselves on the basis of tangible technological investments alone. When every major competitor in a market leverages the same suite of tools, leaders need to distinguish themselves through superior management of the people who use those tools. That requires them to be top-notch communicators in every regard, able both to devise the right messages and to deliver them with empathy.

In sum, as more tasks are entrusted to technology, workers with superior social skills will be in demand at all



Idea in Brief

THE SHIFT

It's no longer safe to assume that leaders with traditional managerial pedigrees will succeed in the C-suite. An analysis of executive-search data shows that companies today are prioritizing social skills above technical know-how, expertise in financial stewardship, and other qualifications.

THE EXPLANATION

Large companies today have increasingly complex operations, heavier reliance on technology, more workforce diversity, and greater public accountability for their behavior. Leading under those circumstances requires superior listening and communication skills and an ability to relate well to multiple constituencies.

THE PATH FORWARD

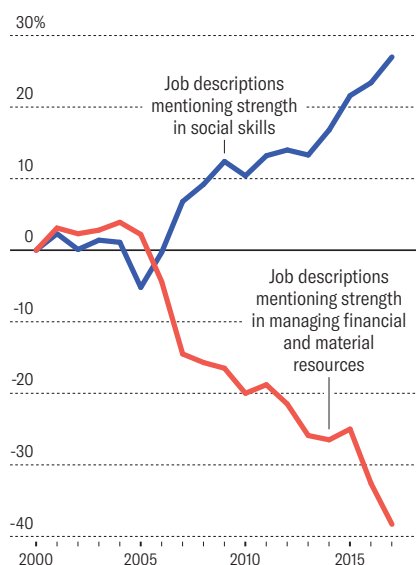
To succeed in the years ahead, companies will have to figure out how to effectively evaluate the social skills of job candidates. They will also need to make such skills an integral part of their talent-management strategies.



Help Wanted: CEOs Who Are Good with People

Since 2007, companies advertising C-suite openings have increasingly emphasized the importance of social skills and deemphasized operational expertise.

Change relative to 2000



Note: Job descriptions were for nearly 5,000 C-suite positions advertised by the executive-search firm Russell Reynolds Associates. The data points were estimated in a regression model that controls for industry differences and other variables. The coefficients after 2007 are significantly different from zero across both skill clusters.

levels and will command a premium in the labor market.

Other Factors

Our research suggests that the growing interest in social skills is being spurred by two additional drivers. These are harder to quantify, but they nonetheless may play an important role in the shift that's taking place.

Social media and networking technologies. Historically, CEOs didn't attract much popular notice, nor did they seek the limelight. While other businesspeople, investors, and members of the business press paid attention to them, the public generally did not, except in the cases of "celebrity" CEOs such as GE's Jack Welch, Sony's Akio Morita, and Chrysler's Lee Iacocca.

That era is over. As companies move away from shareholder primacy and focus more broadly on stakeholder capitalism, CEOs and other senior leaders are expected to be public figures. They're obliged not only to interact with an increasingly broad range of internal and external constituencies but to do so personally and transparently and accountably. No longer can they rely on support functions—the corporate communications team, the government relations department, and so forth—to take care of all those relationships.

Furthermore, top leaders must manage interactions in real time, thanks to the increasing prevalence of both social media (which can capture and publicize missteps nearly instantaneously) and network platforms such as Slack and Glassdoor (which allow em-

ployees to widely disseminate information and opinions about their colleagues and bosses).

In the past, too, executives were expected to be able to explain and defend everything from their business strategies to their HR practices. But they did so in a controlled environment, at a time and a place of management's choosing. Now they must be constantly attuned to how their decisions are perceived by various audiences. Failing to achieve their intended purposes with even a handful of employees or other constituents can be damaging.

So social skills matter greatly. The occupants of the C-suite need to be adroit at communicating spontaneously and anticipating how their words and actions will play beyond the immediate context.

Diversity and inclusion. Another new challenge for CEOs and other senior leaders is dealing with issues of diversity and inclusion—publicly, empathetically, and proactively. That, too, demands strong social skills, particularly theory of mind. Executives who possess that perceptiveness about the mental states of others can move more easily among various employee groups, make them feel heard, and represent their interests within the organization, to the board of directors, and to outside constituencies. More importantly, they can nurture an environment in which diverse talent thrives.

New Areas for Focus

Given the critical role that social skills play in leadership success today, com-

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panies will need to refocus on the following areas as they hire and cultivate new leaders.

Systematically building social skills. Traditionally, boards and senior executives have cultivated future leaders by rotating them through critical departments and functions, posting them to various geographic locations, and putting them through executive development programs. It was assumed that the best way to prepare promising managers for a future in the C-suite was to have them develop deep competence in a variety of administrative and operational roles.

With this model, evaluating success and failure was reasonably straightforward. Processes ran smoothly or they didn't; results were achieved or they weren't. Social skills mattered, of course: As up-and-comers moved through functions and geographies, their ability to quickly form constructive relationships with colleagues, customers, regulators, and suppliers affected their performance. But such skills were considered something of a bonus. They were a means to achieving operational objectives (a prerequisite for advancement) and were seldom evaluated in an explicit, systematic, and objective way.

Companies today better appreciate the importance of social skills in executive performance, but they've made little progress in devising processes for evaluating a candidate's proficiency in those skills and determining aptitude for further growth. Few companies invest in training to improve the interviewing skills of staffers involved in

recruiting—least of all senior executives or independent directors, who are presumed to have the background and perspective necessary to make sound judgments.

Getting references is also problematic: Companies typically conduct senior-level searches with a high degree of confidentiality, both to protect themselves (a leak could cost them the best prospect) and to protect the candidates (who might not want their employers to know that they're open to job offers). Moreover, the people conducting C-suite interviews and those providing references are likely to be part of the same small, homogeneous networks as most of the candidates, which significantly heightens the risk of bias in the decision-making process. For example, board members tend to support candidates who are referred by friends or have backgrounds similar to their own. They might mistakenly assume that those individuals possess broadly applicable social skills simply because they connected easily with them in interviews.

To better evaluate social skills, some companies now run psychometric assessments or simulations. Psychometric tests (which are designed to measure personality traits and behavioral style) can help establish whether someone is outgoing and comfortable with strangers, but they shed little light on how effective that person will be when interacting with various groups. Simulation exercises, for their part, have been used for some time to evaluate how individuals respond to challenging circumstances, but they're usually designed around a specific sce-

nario, such as a product-integrity crisis or the arrival of an activist investor on the scene. Simulations are best at assessing candidates' administrative and technical skills in such situations, rather than their ability to coordinate teams or interact spontaneously with diverse constituencies. Even so, these exercises are not widely used, because of the time and money required to run them well.

In their executive development programs, companies today need a systematic approach to building and evaluating social skills. They may even need to prioritize them over the "hard" skills that managers presently favor because they're so easy to assess. Companies should place high-potential leaders in positions that oblige them to interact with various employee populations and external constituencies and then closely monitor their performance in those roles.

Assessing social skills innovatively. The criteria that companies have traditionally used to size up candidates for C-suite positions—such as work history, technical qualifications, and career trajectory—are of limited value in assessing social skills. Companies will need to create new tools if they are to establish an objective basis for evaluating and comparing people's abilities in this realm. They can act either independently or in conjunction with the professional-services firms that support them, but in either case they'll need to custom-design solutions to serve their particular needs.

Although appropriate tools have yet to be developed for searches at

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the highest echelons of organizations, considerable innovation is underway when it comes to ascertaining the skills of lower-level job seekers and placing them in the right positions. Companies such as Eightfold and Gloat, for example, are using artificial intelligence to improve matching between candidates and employers. New custom tools are also being used to identify skill adjacencies and to create internal talent marketplaces, helping companies assign qualified employees to important tasks more quickly. The underlying algorithms rely on huge data sets, which poses a technological challenge, but this approach holds promise for executive recruiting.

Similarly, pymetrics, among other companies, is mining world-class behavioral research to see how particular candidates fit with an organization or a specific position. Such an approach has proved useful in evaluating a broad array of soft skills and in reducing bias in recruiting. Recent academic work shows the utility of tapping into behavioral research: Harvard's Ben Weidmann and David Deming, for example, have found that the Reading the Mind in the Eyes Test, a well-established measure of social intelligence, can effectively predict the performance of individuals in team settings. If companies develop new tests based on the same design principles, they and their boards of directors should be able to gain a fuller and more objective understanding of the social skills of C-suite candidates.

Emphasizing social skills development at all levels. Companies that

About the Research

This article is based on a rich data set drawn from almost 5,000 job descriptions compiled by Russell Reynolds Associates and companies conducting searches for various C-suite positions. Translating that data into variables that were amenable to quantitative analysis was no easy feat, because the job descriptions did not follow a standard structure or contain standard content. Our approach involved two steps.

First we defined a distinctive set of skill requirements that were relevant

for chief executives. We started by combing through the U.S. Department of Labor's O*NET database (a repository of information about more than 1,000 occupations) to see what skills were listed for "chief executive" roles. We then sorted those into six clusters that included similar tasks: managing financial and material resources; monitoring corporate performance; tending to human resources; handling administrative tasks; processing and using complex information; and exercising social skills.

Our second step was to determine the extent to which each job description provided by Russell Reynolds was semantically similar to each O*NET skills cluster.

Both steps relied on a model of managerial language that we developed by applying cutting-edge machine-learning techniques (word2vec) to a corpus composed of every *Harvard Business Review* article published since the magazine's inception in 1922.

rely on outside hiring to find executives with superior social skills are playing a dangerous game. For one thing, competition for such people will become fierce. For another, it's inherently risky to put an outsider—even someone carefully vetted—in a senior role. Companies thus will benefit from a "grow your own" approach that allows internal up-and-comers to hone and demonstrate a range of interpersonal abilities.

Assessing the collective social skills in the C-suite. Increasingly, boards of directors and company executives will need to develop and evaluate the social skills of not only individual leaders but the C-suite as a whole. Weakness or ineptitude on the part of any one

person on the team will have a systems effect on the group—and especially the CEO. Companies recognize this: Social skills are gaining in relative importance in the search criteria for all five of the executive positions we studied. Moreover, as CEOs continue playing a bigger role in constituency and personnel management, the responsibilities within the C-suite may be reconfigured, and other executives will need strong social skills too.

The Way Forward

As we've established, companies still value C-suite executives with traditional administrative and operational skills. But they're increasingly on the lookout for people with highly devel-



oped social skills—especially if their organizations are large, complex, and technologically intensive.

Will companies, however, actually succeed in making different kinds of hires? That's an open question. The answer will depend in part on whether they can figure out how to effectively evaluate the social skills of job candidates, and whether they decide to make the cultivation of social skills an integral component of their talent-management strategies.

In our view, companies are going to have to do both those things to remain competitive. To that end, they should encourage business schools and other educators to place more emphasis on social skills in their MBA and executive-level curricula, and they should challenge search firms and other intermediaries to devise innovative mechanisms for identifying and assessing candidates.

Companies themselves will also have to do things differently. In recruiting and evaluating outside talent, they must prioritize social skills. The same is true when it comes to measuring the performance of current executives and setting their compensation. In addition, firms should make strong social skills a criterion for promotion, and they should task supervisors with nurturing such skills in high-potential subordinates.

In the years ahead, some companies may focus on trying to better identify and hire leaders with “the right stuff”; others may pay more attention to executive training and retention. But no matter what approach they adopt, it's clear that to succeed in an increasingly

challenging business environment, they'll have to profoundly rethink their current practices. ☺

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***Raffaella Sadun** is a professor of business administration in the Strategy Unit at Harvard Business School. **Jospeh Fuller** is a professor of management practice at Harvard Business School and a cochair of its Managing the Future of Work project.*

***Stephen Hansen** is a professor of economics at University College London. **PJ Neal** is the global head of knowledge and operations for the Board & CEO Advisory Partners practice at Russell Reynolds Associates.*

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