

## **How much core-business knowledge should our leaders have?**

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One of the unanswered questions in business is how much a leader needs real hands-on, nut-and-bolts knowledge of the core business. Does Ian Powell, chairman and senior partner at PwC, have to be a decent chartered accountant, or would it be OK if he had a great suit and had run an oil company? Could Robert Elliott perform the role of senior partner at the law firm Linklaters without being a competent solicitor? Might former HBOS CEO Andy Hornby have fared less badly if he had spent more years in actual banking rather than Asda supermarkets? What about high-tech firms -- should they be led by technical experts or just smooth-talking generalists?

New research shows that genuine expertise matters. Generalists lack that. The top-team at Google all have degrees in computer science, which explains why Yahoo has just chosen one of them, Marissa Mayer, to be their new CEO. We all admire German cars. These firms perform well because their engineers are on the shop floor and in the boardroom. An equivalent issue in medicine is whether doctors should replace professional managers in key leadership positions in hospitals. More common still are debates between sports enthusiasts about whether the coach of their beloved football team should have been a good player (the current manager of Spain used to be a brilliant midfielder for Real Madrid, by the way).

My research finds that leaders should be experts in the core business of their organizations. Being a capable general manager alone is not sufficient. This is a hot topic - there is recent evidence that major firms have moved away from hiring CEOs with technical expertise, towards hiring leaders who are generalists. Fifty years ago, as society switched from family-owned businesses and employment through entitlement, to a more meritocratic and efficient approach to enterprise, good management was crucial—as it still is today. But the pendulum may have swung too far towards general management functions and away from core business functions.

Although we admire entrepreneurs, scientists, engineers, artists, and others with ideas, we typically assume that they're no good at actually running a business of any real size. I have found these assumptions to be wrong. For example, in professional basketball, we

found that teams that win the most are those led by former star-players. Most hospitals in the United States and the United Kingdom are led by managers with no medical training. Yet I found that the most outstanding hospitals in the US were led by CEOs who are doctors. Similarly, the most successful universities in the world are led by Presidents who are also highly respected academics.

My most recent study, with co-author Ganna Pogrebna from Sheffield University, looks at one of the world's most competitive high-technology sectors - Formula 1 competition. Our study collects and analyses 60 years of F1 data from which each organization's performance can be measured objectively. We find that the most successful team leaders are more likely to have started their careers as drivers or mechanics compared with professional managers or engineers with degrees. We find a notable association between driving and later success as a leader. Within the sub-sample of former drivers, those with the longest driving careers go on to be the most successful leaders. Prominent examples include former top drivers like Jean Todt of Ferrari, and comparative newcomers like Red Bull's leader, ex-driver Christian Horner.

So why might experts, like former drivers, make better leaders?

We believe that hands-on experts have a deep intuition and wisdom that helps inform their decision-making. The understanding expert leaders have of a core business gives them better strategic vision, helping them to identify more business opportunities and challenges. Having been on the floor, they know how to create the right work environment and command greater respect having proved they can 'walk the walk'. The long period of training or on-the-job experience required of experts may endow them with a longer view, both to success and to income and profit generation. And as leaders in a specific field, experts model excellence, inspiring the people who work for them to go above and beyond in their own quest for quality.

Let's be clear: to be an expert leader one also has to be an expert manager. But we're accustomed to seeing Fortune 500 firms choosing charismatic general managers for senior leadership positions over core-business experts. We're also used to seeing CEOs flit back and

forth across industries, becoming jacks-of-all-trades, masters of none. Might our organizations be paying the price?

If we want to boost our economies and our companies through innovation and entrepreneurship, and if we want to solve major global problems like climate change, we need more specialists and fewer generalists running the show— real experts not managers.

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