



MONEYBALL LEADERSHIP

**Growing Leaders from Within
the Organization**

|| DONN LEVIE JR.
STRATEGIES, LLC

LEADERSHIP EXCELLENCE and ACCELERATED PERFORMANCE FOR ANTI-FRAUD PROFESSIONALS

Moneyball Leadership©: Growing Leaders from Within

Leadership is part art, part science and perhaps a bit of alchemy. Selecting individuals to become corporate leaders has become more complex for boards of directors. CEOs must address the interests of all stakeholders — not just shareholders. Organizations should consider grooming honest and proven emergent leaders and managers from within for many reasons.

As some executives climb corporate ladders, the harder it might be for them to maintain an ethical grip. Boards invest time and money recruiting leaders with the hope they can set visions, increase revenues and boost shareholder value.

Sometimes that doesn't work out so well, judging from these recent headlines:

- “Ex-Pharma CEO Gets Over 2 Years in Prison for Bribery Scheme”
- “San Rafael Biotech Firm’s Former CEO Convicted of Fraud, Money Laundering”
- Former Bumble Bee CEO Lischewski Sentenced to 40 Months in Prison”

Sometimes those hires backfire

The U.S. 2002 Sarbanes-Oxley Act tightened corporate governance by prohibiting CEOs from loading boards with friends and associates. But legislation and corporate policy can't prevent human behavior subtleties from intervening.

Bias in board decision-making

“Choice-supportive bias” is the tendency to stick to bad choices, such as hiring flawed CEOs, even as situations worsen. Boards can use this bias as a self-preservation mechanism to strengthen their resolve if they choose to stand by failing C-suiters. Board members can selectively recall positive accomplishments of CEOs' tenures while hoping the fires in the boardrooms extinguish themselves.

We'd all like to think that opposing hard facts would adjust our thinking and challenge us to change our strong beliefs and opinions. Apparently, not so. Contradictory evidence tends to strengthen our deepest convictions — not reverse them. This suggests our brains prefer to set aside critical thinking in favor of faulty positions or beliefs.

Organizations compound their problems when they hire outside CEOs and other C-suite executives without appropriate due diligence.

Risks from hiring outside the organization

In his seminal book, *Governance, Risk Management, and Compliance*, Richard Steinberg (John Wiley & Sons, 2011) writes that S&P 500 non-financial companies, in a 20-year study, appointed internal candidates to CEO positions who “significantly outperformed those that bring outsiders to the job.” The study also showed that the cost of attracting external candidates was much higher — by as much as 65 percent — than for internal CEO hires. Four in 10 CEOs recruited from the outside leave their companies after two years and nearly two-thirds exit by their fourth year with expensive golden parachutes easing the descent.

Organizations still debate the pros and cons of promoting managers to CEO positions or hiring externally. But if an organization needs a turnaround specialist or crisis management expert at the helm, the board might search the open market for likely candidates with those unique skills and experiences.

A major challenge for outsiders is building credibility, trust and rapport with individual board members. There's likely no previous history of working together or existing relationships to help fast-track engagement. Incoming outsiders must be sensitive to how every early decision or initiative will be subject to internal and external scrutiny. According to an article in the October 11, 2018 issue of *Chief Executive*, it's much easier for an incoming outsider to overhaul or replace prior decisions or people who may have had a hand in implementing them.

Risks from promoting inside the organization

Incoming insiders have their own set of challenges to address especially when it's necessary to change members of the management team they may have enjoyed positive working relationships with. The incoming insider has to be sensitive to how those decisions may be perceived by colleagues yet conveying the importance of having the right team in place and getting alignment from the rest of the executive team and/or board.

Remember as a youngster being the “new kid on the block”? Or, one day going from being a team member to becoming the new manager the next? People who related to you as a peer had to adjust their perceptions of you in your new role. For some, the adjustment to perceiving you as a highly capable leader may require 1:1 conversations to recalibrate relationships or about mutual expectations.

Let's talk baseball for a minute

Board members who opt to hire CEOs from outside their organizations should read Michael Lewis' 2003 book, *Moneyball* (W.W. Norton & Company) or see the Brad Pitt movie of the same name. This is the story of the Oakland Athletics' baseball team that exploited — *disrupted* is a better descriptor — industry market inefficiencies to experience one of the best seven-year runs in franchise history.

Instead of traditionally loading the team with superstar athletes, the Athletics focused on developing the existing roster of lesser-known talent that could play more than one position well, and had overall position-by-position balance and depth off the bench (all players at one specific position have equal talent. The Boston Red Sox and Houston Astros followed the same strategy, and each won World Series championships. (However, both teams were later caught cheating.)

Bringing talent up through the ranks

Baseball teams have learned to develop talent by bringing players through minor league teams. They learn systems, work with teammates and team coaches, improve technical skills and increase knowledge of the game.

Baseball players mature in structured environments. Their organizations mentor them to handle fame, fortune and distractions of the big-league bright lights. Individual players function better as a cohesive team rather than relying on the one or two home-run sluggers or the pitching ace throwing physics-defying sliders and curve balls at helpless hitters.

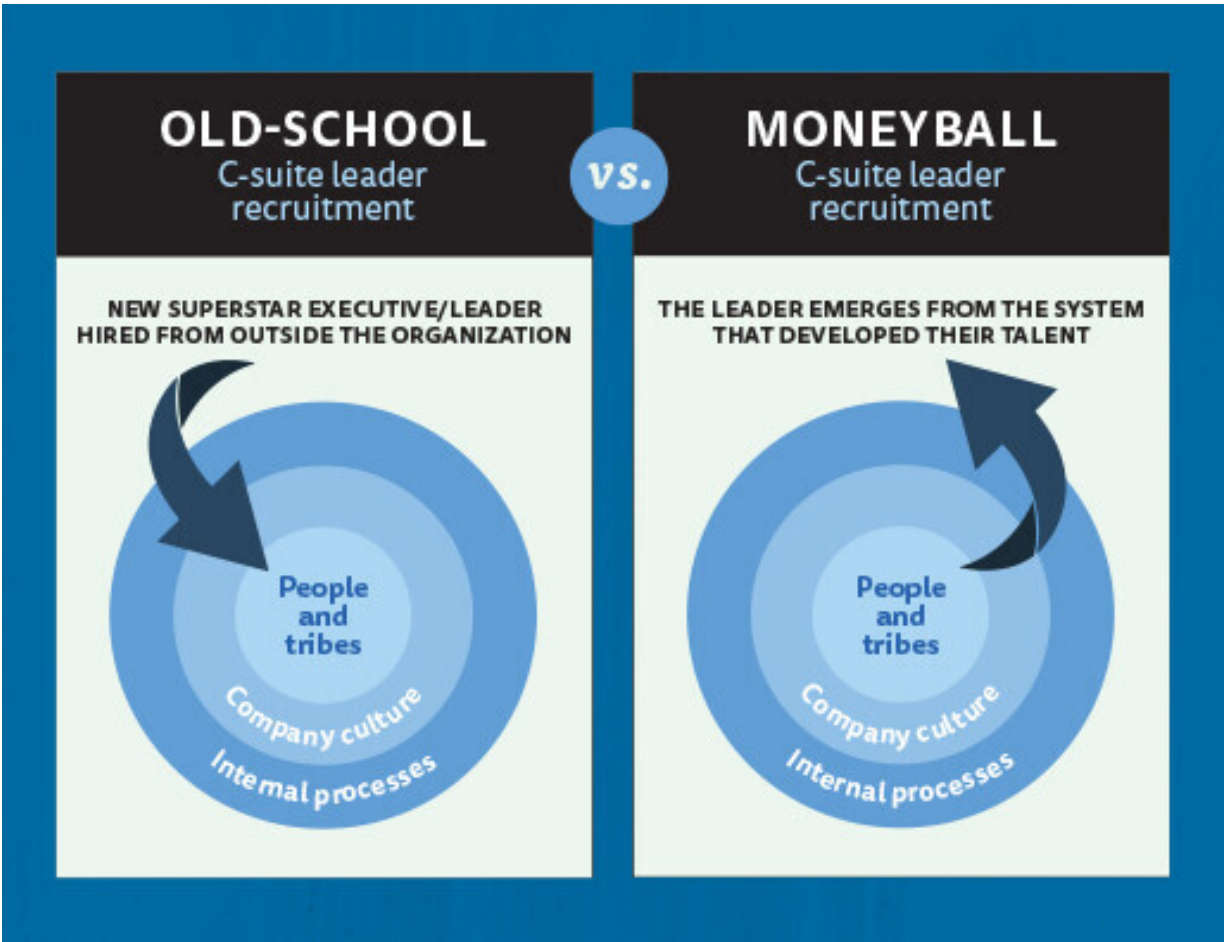
The baseball analogy parallels what happens when some organizations go outside their corporate walls to reel in superstar C-suite executives by dangling excessive compensation. In “Moneyball,” author Lewis tells of the relationship of “insiders” versus “outsiders” (people brought up through the organization and being paid less than people brought in from outside the organization) and the ever-increasing capitalist demands of market efficiencies — to which professional baseball isn’t immune.

Global leadership development is using Moneyball principles

According to a [TechNavio](#) market research report summary, the global corporate leadership training market from 2020 through 2024 is expected to post a compound annual growth rate of 14%, or about \$26.7 billion U.S.

TechNavio’s research also shows that organizations are increasingly spending on leadership training because it’s more cost-effective for organizations to fill senior positions from within their hierarchies rather than hire external resources.

That’s what I call “**Moneyball leadership**” (see the illustration on the next page), which is about building depth, creating engaging relationships at all levels over time and strengthening positive influence throughout organizations. Organizations are quickly recognizing leadership succession training is essential to efficient functioning and financial health.



However, all's not rosy for succession planning because organizations might not always find their managers are willing to move into top positions. In 2019, DDI, a global leadership consulting firm, developed its Frontline Leader Project. The endeavor, which surveyed more than 1,000 leaders and executives, found that only one in 10 wants a seat in the C-suite, 34 percent of managers would like to move up just one level into an operational leadership position and 11 percent had no interest in steering the ship in a CEO position. Organizations must recognize high-potential managers earlier in their leadership development processes, prioritize their growth into those ever-expanding roles and identify select candidates for leadership succession.

Batter up!

Apply the Moneyball leadership model within your organization to:

- Identify internal talent.
- Teach them your systems.
- Grow them into leaders who understand your people, culture and processes and let them shine.
- Share the why behind the how and vice-versa to help others get the clarity of vision for moving forward
- Keep asking others, “Are there any obstacles that may prevent you from achieving your objectives?”
- Listen and pay attention to the sights and sounds that will help prevent and deter threats to the enterprise (fraud).

Ensure they understand that building connections with others takes precedence over claiming authority over them. People can't have faith in your organization without believing and trusting in who you are. Take the time to nurture your own Triple-A talent so they can more easily put together consecutive winning fiscal seasons rather than using the Wall Street scorecard of quarter-by-quarter (the equivalent of inning-by-inning) results.

After all, it doesn't matter who's ahead at the seventh-inning stretch; what matters is who's winning and warding off fraud at the end of the game.

More eGuides at: donnleviejrstrategies.com

Donn LeVie Jr. is a respected leadership influence strategist/consultant, award-winning author, leadership coach and mentor, and global speaker who focuses on how people speak (**linguistics**), how they think (**cognitive psychology**), and how they make decisions (**behavioral economics**).

In his roles leading people and programs for Fortune 100 companies (Phillips Petroleum, Motorola, Intel Corp.), government agencies (National Oceanic and Atmospheric Administration), and academia (the University of Houston Downtown College – Department of Natural Sciences and Mathematics), Donn has been directly involved with global oceanographic research projects, multimillion-dollar offshore oil and gas exploration programs, high-tech chip design initiatives, and teaching fundamentals of petroleum exploration and production to undergraduate students.

Donn stepped away from the corporate world in 2013 to launch **Donn LeVie Jr. STRATEGIES, LLC**. Over his career he's spoken at more than 70 conferences and since 2011 has been a regular presenter and leadership strategist at the annual Global Fraud Conference sponsored by the Association of Certified Fraud Examiners.

Donn's client and audience list spans organizations from the public, private and education sectors, including the FBI, Dept. of Education Inspector Generals Office, New York Port Authority, National Science Foundation, FDIC, Enterprise Holdings, Ernst & Young, the City of Nashville, Franklin and Marshall College, and many more.

As an author, Donn's books have won the Global eBook Award and the International Book Award (*Confessions of a Hiring Manager, 2012, Strategic Career Engagement, 2016*). Donn's newly released books, *From the Underworld to the Boardroom: True Tales of Fraud, Corruption, Counterfeiting, and Cons* and *STACKING THE DECK: Career Strategies for Outsmarting the Competition* are available only through his programs.

UNAUTHORIZED COPYING OR DISTRIBUTION OF THESE EGUIDES IS PROHIBITED