# Do Stars Make Companies or Do Companies Make Stars?

*She had graduate degrees in business and management science, including one from MIT. She progressed rapidly and consistently over a 16 year period through the sales and marketing ranks at AT&T. She helped lead the spin-off of Lucent Technologies in 1996. In 1998 she became president of Lucent's global service provider business and set it off on a 'bold new course'. In 1999, at the age of 44 she was appointed the first outside CEO in the history of Hewlett Packard. The Wall Street Journal lauded her as 'a star - unshakable, self-reliant, fond of the dramatic gesture, impervious to criticism, passionate about the big picture; the kind of person who bounds from project to project, embracing change as a way of life'. To Hewlett Packard's Board of Directors, her vitality and charisma seemed to be just the tonic needed to shake up and revitalize the venerable technology icon. To some, she was the perfect mirror opposite of the incumbent at the time, 30 year operations veteran Lew Platt.*

*In February 2005, the Board of Directors of Hewlett Packard asked for Ms. Fiorina's resignation citing a lack of the 'requisite skill sets' to move the company forward. Rear-view pundits immediately lambasted her as a 'deeply divisive figure', 'a raw irritant who battled Hewlett Packard's storied culture from the day she arrived'. She was maligned for being non-technical, a 'fatal flaw' in an engineer's organization. Others vilified her 'self-centred, narcissistic, autocratic style'. The New York Times called her a 'change junkie' while BusinessWeek suggested that 'she resisted changing course – a dangerous trait in an industry in which the most successful leaders have been those who don't fall in love with their strategies'. She was concurrently accused of selecting the wrong strategy and stubbornly resisting the need to appoint a COO to implement her strategies. She was called a 'celebrity CEO', whose 'self-serving' acquisition of a corporate jet was in clear contradiction to the 'HP Way'. The Economist described her performance as 'horrid' and trumpeted the need to hire a 'details guy'.*

This article will neither trivialize the immense task of leading a

legendary $80 billion technology giant through unprecedented turbulence nor will it cast aspersions on a talented executive whose performance will best be judged with the benefit of time. Instead, it will use the hiring of Ms. Carly Fiorina into Hewlett Packard as a vehicle to explore the seductive, yet dangerous obsession with heroic leadership and the instructive value it holds for all organizations seeking to add key talent to their executive ranks. It will also ruminate on why so many so-called 'can't miss' star performers fail to shine in their newly adopted environments.

**Our Obsession with Star Gazing**

In hiring Ms. Fiorina, the Board of Directors of Hewlett Packard expressed a clear desire for radical change. The company's storied culture, once considered a source of its great strength, gradually came to be viewed as rigid, engineering-driven, and too insular to adapt to a rapidly changing world. It became a question of considerable debate as to whether someone from the 'inside' could embolden this 'pocket-protector paradise' in the face of unprecedented industry turbulence. In the end, the Herculean task of revitalization fell on the shoulders of a relatively unknown, supremely confident outsider from the telecommunications sector.

There is an undeniable seductiveness to the heroic notion of the archetypical 'star' performer whose sheer radiance promises to illuminate and invigorate the organizations fortunate enough to employ them. It is an image cultivated by legions of legendary figures that, lore would have it, single handedly performed acts of near religious resurrection. Lou Gerstner remains the tech sector's prototype of such an individual, an outsider with little industry experience who eschewed 'the vision thing' yet created a powerful overarching strategy for IBM and transformed it into a high end services giant. By proving that he could 'teach elephants to dance' he joined figures such as Chrysler's Lee Iacocca in the pantheon of urban legends.

The business literature's relentless hero-worshiping fuels the intuitive belief that star performers deliver significantly greater value than mere mortals. Stars see what others cannot, they work smarter, harder, they revitalize, mobilize, fix what is broken. They are modern day alchemists who transform base metal businesses into gold. Stars sit comfortably atop the 80/20 model of performance skewing everyone's output upwards. Hitch your corporate wagon to their glowing tails and they will lead you to wherever you want to go.

The outsider is also an equally appealing abstraction, the hero who rides in from afar, bringing an untainted purity of perspective and resolve to a set of complex issues. Unencumbered by the existing culture and business strategy, the hero corrects, redirects, tunes and fixes with objectivity and impunity. The hero also resonates with our western devotion to the power of individual rather than collective action. Whether on the theatrical or business stage, we like our stars and the bigger the better. Furthermore, as Conrad Black, Martha Stewart, Frank Dunn and others demonstrate, we are as fascinated by their spectacular tumbles as by their triumphs.

If asked, we will confidently list the qualities which make up the prototypical 'star' performer: ambitious, brainy, decisive, aggressive, charismatic, hard-working, proactive, over-achieving and on and on and on. We regularly glean the latest celebrity CEO biography for additional tips on the more subtle spices in 'the' recipe for greatness; perhaps a strong, dominant mother figure, a childhood filled with adversity, birth-order, high emotional intelligence etc etc. While we may hesitate if asked to articulate exactly how these ingredients interact to create greatness, we sense that excellence is the sum of individual characteristics with more of each being better than less.

Books such as *Good to Great* challenge our world view of heroic leadership and may even give us cause for momentary pause. Yet, rather than wrestle with excellence of leadership as contextual, nuanced, or even performance art, we retreat to the safer conceptual cocoon of applied science. By likening management to a context-free profession, much like engineering or medicine, we allow it in the words of Henry Mintzberg, 'to be codified and certified as to its effectiveness'. And, like in any trained profession, the 'expert' can always outperform the layman.

When we abstract the capacity for high performance into a universal, certifiable set of traits, we set the table for convincing ourselves that it should be possible to list and rank the requisite attributes of 'excellence', and hire against them. We also lay the groundwork for the logic that a 'star performer' can be transplanted from one organization or industry into another without compromising their effectiveness. Unfortunately, as the countless Carly Fiorina stories illustrate, the irregularly shaped reality peg doesn't quite fit into the theoretically square hole we have constructed for it.

Last year, the Harvard Business Review reported on an eight year study of Wall Street investment banks and their recruitment practices. Preferring where possible to 'buy a book of business' rather than build it, these firms zealously plunder each other's top performers along with their valuable customer lists. The study tracked the performance of the newly hired 'stars', noting the time it took them to integrate and become top performers in their new organizations. The study's surprise finding was that an alarmingly high percentage of these 'stars' failed when they moved to their new organizations. In many cases, the transplanted individuals' tenure was abruptly short, in other cases they simply never came close to the level of success they experienced in their previous employers. In yet other instances, there was a sharp decline in the functioning of the group or the entire department which the star joined. In its conclusion, the study makes the point that while stars may well make organizations decidedly better, to a significant degree, organizations play a key role in making those stars. The distinction is critical for organizations seeking to hire high performers into their fold.

**Stars in Context**
The difficulties in generalizing an understanding of 'star' performers become evident when we consider the subject as a subset of the broader debate on 'leadership' – an equally elusive notion which cheats clear definition and is thus fertile soil for consultants and academics alike. Entire sections of bookstores and libraries are devoted to the subject of leadership. While leadership experts ranging from Jack Welch to Machiavelli to Homer Simpson feed our insatiable appetite for understanding, books such as the recently released, *The One Thing You Need to Know* quench our thirst for formulaic over-simplification. However, try as we may, as with anything pertaining to the human condition, the subjects of leadership and high performance confound efforts to put them into neat little boxes of analysis.

It is perhaps more apt if we consider the construct of 'star performance' not as a universal abstraction, but rather as an output, one which is heavily influenced by a constellation of variables. In other words high performance and the individuals who deliver it, should be understood in the context in which that output took place. Stars shine in companies and markets, each with distinct characteristics and environmental influences. They outperform at different times in their lives, with changing motivators and personal circumstances. They excel when surrounded by other people, supported by certain

systems, processes and resources. Thus, without questioning the importance of intellect and personality in contributing to high performance, the HBR article asks us to consider the possibility that other factors enable, mitigate, form and perhaps even limit the expression of those talent-based inputs. It makes the case that these context factors should have standing in any discussion on the matter of hiring 'stars'.

Context factors incorporate such considerations as the markets and environment in which a firm competes, its systems and processes, resources, people and culture. A careful assessment of a firm's context is an important exercise for any organization contemplating hiring a new executive. Such analysis is useful both in predicting the likelihood that an individual will succeed in a new company and in suggesting where transitional support will be most beneficial. Though a detailed discussion of context should include a consideration of the individual level variables which affect success, this article will restrict itself to the influences of environment, process, people and culture at the organization and industry level.

### Environment

Consider the many ways in which the experiences and perspectives of high performers cultivated in small, entrepreneurial companies differs from those of individuals groomed in large multinational concerns; or monopolistic versus highly competitive sectors; or large, tendered systems versus consumer commodity businesses. In each of these comparative situations, it is reasonable to ponder the degree to which individuals migrating from one such environment to the other can expect transitional challenges. For example, few employees and shareholders of RIM would likely be comforted if told that their beloved co-CEOs/founders were being replaced by the CEO of the LCBO, notwithstanding Mr. Brandt's level of effectiveness in his current role. Similarly, what magnitude of adjustments could a career executive from the Royal Bank anticipate in moving to a small venture capital backed technology firm? Yet moves not unlike these are endorsed by boards every day on the assumption that the star performer 'will figure it out'.

An organization's life-stage, place in time and market conditions are also significant variables. For example, the metrics of performance during the high growth 'dot com' era were very different than in the more operationally focused period that followed. Individuals who thrived in a company or period of unfettered growth or little competition cannot be assumed to be effective in a company facing industry consolidation, pressures for operational efficiency or intense competition.

Organizations also boast a certain cadence or tempo specific to their industries. For example, the rapidly moving graphics industry boasts extremely short product life cycles and leapfrogging innovation. A career aerospace sector executive might thus find the rapid pace of a company such as ATI to be a significant adjustment.

Several recent articles have questioned the degree to which a career spent entirely at AT&T, however successful, prepared Ms. Fiorina for success at Hewlett Packard. With its monopolistic roots severed and its highly regulated industry shattered, AT&T had itself become an organization searching for a place in an unfamiliar world. While Ms. Fiorina may well have been a vibrant instrument of change in that organization, she was herself born and educated to its culture, one which proved to be a formidable adversary to Michael Armstrong and other outsiders who joined AT&T with similar mandates given to Ms. Fiorina at Hewlett Packard. While this is not to suggest that a career spent entirely at AT&T was a variable in equipping or hindering Ms. Fiorina at Hewlett Packard, it does point to the importance of considering how one's past forms and equips them going forward.

### Resources and Support

The Harvard Business Review article noted the example of an individual who 'assumed' he would have the same level of support in his new firm as he had come to expect in his previous employer. He mistakenly took as a 'given' that all brokerage houses shared a similar quantity and quality of analysts, researchers, support staff and others who could be counted upon to enable him to 'do the things that really mattered'.

Resources allude to the collection of marketing collateral, technical resources, IT, human resources, administrative assistance, processes and money which support employees in their roles. It extends to a range of subtle, yet important enablers, such as organizational brand recognition and company reputation which can aid in someone's success.

The Harvard Business Review study makes the observation that, 'although most companies overlook this fact, an executive's performance depends on both her personal competencies and the capabilities, such as systems and processes of the organization she works for. When she leaves, she cannot take the firm-specific resources that contributed to her achievements. As a result she is unable to repeat her performance in another company; at least not until she learns to work the new system, which could take years'.

Understanding the characteristics and dynamics of individuals' previous work environments, how they performed in each, how they transitioned from one to the other, their preferences, and the learned assumptions they bring to their new employers, can pay large dividends in avoiding hiring mistakes.

## People

Individuals leaving larger organizations often assume a base level of individual competence across their organizations. When they join smaller firms they bring expectations regarding team composition, capabilities and even dynamics. This can present challenges when those assumptions are not met, as they often are not.

Transitioning into a new organization also comes at a cost of existing relationships. A person moving to a new organization needs to develop new relationships. This cannot be assumed to be inconsequential as co-workers may resent the new 'star', his or her pay, or the process by which that person was brought into the company.

Relationships also extend outside the organization to include customers, channels, industry influencers, experts, as well as other key stakeholders. The 'star' generalization often devalues these relationships and assumes they will be replaced or rebuilt. While this may be true, the transition comes at the cost of time which must be granted to individuals relinquishing their key relationships in order to change industries or organizations.

## Culture

Culture is the context of the work life, the set of formal and informal rules that guide the relationship between the organization and the people working there. It encompasses the set of understandings about membership, rules of behavior, thought and feeling that govern social relationships in the workplace. These include the amount of structure, informality, initiative, risk-taking, bias for action and other norms. In instances where these rules are so strongly embedded so as to be institutionalized into the 'HP Way', culture goes deeper to thoughts, beliefs and mindsets. In the modern workplace, culture is a powerful instrument by which the corporations seek conformity to their will.

High performers are hired into organizations with the often implicit expectation that they will either 'fit into' an organization's culture or the explicit desire that they will change it. Corporate culture raises questions about the manner by which high performers do what they do. Cultures are dynamic, with varying degrees of elasticity, at times intransigent and rarely simple to change. Stars, charged with affecting an organization's culture may bring a veritable tool box of sophisticated instruments to the task. Or, they may simply bring a collection of hammers. Understanding the range and quality of tools individuals possess, their experience in deploying them in various circumstances and their own predispositions in how they will affect organizational change is an important consideration.

## Wishing Upon a New Star

On March 29, 2005, Hewlett Packard announced the hiring of twenty-five year NCR veteran, Mark Hurd as its new CEO. During the inaugural press conference, one board member stated, 'we were impressed by his operational and execution skills and by his emphasis on developing internal talent. He is very likeable, yet the kind of guy who will be a change agent. He is a strong match with the company's traditional culture, which has been both collaborative and low key." One analyst commented, "Unlike Carly, who was the Queen, this guy is a kind of worker bee… he's the antithesis of a superstar, which is what they need right now".

As Hewlett Packard wishes upon its newest 'star', let us hope they have considered carefully and chosen wisely based on the experiences which formed him and the requirements of their organization going forward.

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## About the Author

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