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“The lone wolf type is being superseded”

**A conversation with
Raoul Nacke**

CEO of Eric Salmon & Partners



HBm editor Christiane Sommer

"The lone wolf type is being superseded"

Top managers don't just have to produce good figures; they have to make sure that digitalisation is running smoothly, employees and customers are happy, and the company is growing as sustainably as possible. How can it be done? A conversation with Raoul Nacke, CEO of global leadership consultancy Eric Salmon & Partners.

Has the job description for executive directors and board members changed in the last 15 years? Do today's top managers have to be able to do different things than in the past?

NACKE The actual responsibility has hardly changed at all – if you're an executive officer, you're still fully responsible for profit and loss. But the circumstances are different today. It starts with the fact that we're now living in a truly globalised world. On top of that, technology and digitalisation are playing an ever more important role. So while profitable, growth-oriented economic activity always was and still is the goal, how a company gets there has changed significantly.

So how has the "how" changed?

NACKE The shareholder value maxim of the 1980s and 1990s has been superseded by the approach we refer to as stakeholder consideration. Besides the shareholders, the stakeholders are made up of employees, customers and society as a whole. The current way of looking at things no longer focuses exclusively on the purely financial gains a company makes in the short term, but on a mix of success factors. And that mix includes the needs of all stakeholders, i.e. sustainable gains not just from a financial perspective but from a social standpoint as well.

But even in the past, there were still companies that didn't elevate shareholder value to a quasi-religion – unlike General Electric (GE), which led the way in that respect.

NACKE GE was certainly a very consis-

tent proponent of the shareholder value approach. But other companies' executives had to go along with it as well. If you're an executive board member and your pay is based on how much shareholder value you generate, you can't detach yourself from it. If things shift in the direction of stakeholder value as they are now, that has an impact on the way you lead your company. If only because the factors that your success is measured by are different. Just think about the ESG criteria in connection with business valuations, for instance – that will have a considerable influence on executive compensation. And the job requirements for those at the helm are changing accordingly. Sustainability, employee and customer satisfaction, digitalisation – nowadays those are all factors that need to be given much greater consideration.

The role of employee satisfaction will increase significantly, for example, if only because demographic developments are making it increasingly difficult to recruit junior staff. That's why you should make sure you retain and develop your existing workforce. In the 1980s and 1990s, hardly any attention was focused on that aspect.

So you're saying that today's executives have to be able to do more than in the past?

NACKE Yes – because the way results are achieved has changed considerably. Today success is essentially based on team achievements and performance. The lone wolf type of executive is being superseded and being replaced by circumspect leaders who are good at and enjoy working in a team and don't claim to be solely responsible for the resulting success. That's why

team players are so sought after. And that doesn't only apply to the top of the company, it's true of all other levels as well. Employees want a sense of belonging. And that's based on shared values and a corporate culture that reconciles striving for success with appreciation of the individual. That's another reason why today's executives need different personal qualities as compared to 20 years ago.

Just to make sure there are no misunderstandings: the ability to set a direction is still very much in demand. And setting an example through your own actions is an indispensable requirement. But nowadays, correcting your own course when the facts change because you're willing to listen to alternative arguments is seen as a strength rather than a weakness.

What exactly do you mean by that?

NACKE The people at the helm have to facilitate an environment that attracts and retains talent. Movers and shakers are still sought after – but the kind who can get other people excited about the journey ahead. That's why, now more than ever before, it's essential for top executives to be able to communicate credibly. What's more, they have to master the art of listening. And it's more important than ever before to be open to arguments. In the past, correcting a plan step by step after it had been announced tended to be seen as a kind of admission of failure. Nowadays, there's no shame in doing that. On the contrary – just look at all the different trouble spots that companies are having to deal with right now – all at the same time. It goes without saying that you're going to have to make corrections and adjustments from time to time.

And not single-handedly, but as a team. In order to make that kind of course correction, the person at the top has to engage in intense dialogue with their colleagues on the leadership team in order to find the best direction for the company.

Let me give you an example: a travel accessories manufacturer who had always relied heavily on bricks-and-mortar retail. Because of the corona pandemic, the company faces the challenge of either adjusting its business model or capitulating. The new plan: concentrate on a few international flagship stores, reduce the number of high street stores significantly and implement a systematic switch to an e-commerce business model. Everybody involved has to do their bit: the supervisory bodies, the executive board, as well as the company's managers and employees. That's the only way for a restructuring on this scale to succeed. Wise guys who think they know everything better aren't much help in a situation like that. Solidarity is crucial for that kind of undertaking.

So executives have to be secure enough to admit mistakes and ask for advice, and also be persuasive enough to be accepted by the other people at the highest level of the company?

NACKE Exactly. It's often a case of new qualities being expected from leadership. In the past, those responsible often decided in favour of candidates who personally stood for certain things. I'm thinking of personalities like ruthless restructurers or restless slave drivers. Just a few years ago, being polarising was still considered *de rigueur*.

Nowadays, there's a demand for personalities who are capable of creating a well-functioning team out of very different temperaments. And that's necessary: these days, nobody can cope with all the different challenges on their own. Companies are having to deal with very complex and changing markets. Consumers' habits aren't the same any more either. On top of that, there are geopolitical, climate- and pandemic-related crises to deal with as well. Keeping track of all that and responding in a forward-looking way calls for teamwork. And ideally, the next generation of upcoming executives should be integrated into the whole process too. That's key, because they think and act differently.

Today's greatest challenge is building a team that consists of people whose strengths and weaknesses are often the exact opposite of your own. That's not easy. A generous dose of self-analysis is called for. Where are my strengths, where are my weaknesses? Who can I put at my side to compensate for my weaknesses? Obviously that entails accepting the idea that you have your own weaknesses.

How can you ensure that somebody will bring those skills to the job?

NACKE It calls for profound analysis that gets to the bottom of a crucial question: What kind of executive does this specific company really need? This is where experience comes into play too – and yes, a good dose of gut feeling as well. In addition, of course, as consultants, we also use psychometric tests. They help us round out our personal impression so that we can arrive at an overall assessment. The whole thing is backed up by references. That way, you gradually get a picture of a candidate that's very close to the subjective truth that becomes apparent later on.

Even if executives are increasingly operating in teams, the tasks the individual has to deal with seem enormous. Is it actually doable?

NACKE In the meantime, a lot of top-level people have realised that they don't have to do everything on their own – and that they can ask for help. There's a lot more demand for coaching nowadays. And you're right: although executives are working as part of a team much more than they used to, they're often very lonely from a certain level on. Accompanying, professional support can often help relieve the strain – simply because it's easier to order your thoughts when there are two of you.

Are the candidates who are interested in top jobs different than they used to be? Are they perhaps more likely to have more of the necessary qualifications and personal qualities required?

NACKE Candidates' profiles have changed a great deal over the last 20 years: the length of time people stay in leadership positions has shortened considerably. A lot of them have already worked for several companies and got to know different business models. The classic 1990s

Profile

RAOUL NACKE

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the assessment, recruitment, and development of leadership teams. The 50-year-old German-Spanish consultant has more than 20 years of experience in advising supervisory boards and CEOs on all aspects of leadership.



manager who worked for one product division in the same company for years on end is becoming increasingly rare. Today, product divisions are sold, reincorporated or spun off, or sold to private equity firms. In cases like that, managers have learned to hold their ground in a drastically changing context. On top of that, they've gained experience of different situations and circumstances, even if they haven't actively changed jobs. As a rule that has a very positive effect on their personal maturity, which is a benefit when serving in a leadership position after an actual change.

How do managers below executive board level deal with the growing demands they're facing from both above and below?

NACKE Similarly to executive board members and directors. Although they have less exposure, the challenges are nevertheless comparable in terms of content. They have to demonstrate leadership intelligence and deliver obvious added value in a substantive sense. Ideally, that added value is related to the individual themselves and results in a kind of personal brand.

How are managers at the upper levels and below supposed to lead and coach empathically when they're judged by short-term results but the wellbeing and personal development of their staff

are irrelevant to their own career? And on top of that, those aspects are neither factored into the compensation system nor rewarded.

NACKE. That's not possible. That's why executives should be evaluated by different criteria that essentially shine a light on the sustainability of their actions. The main assessment criteria should therefore be: consistent succession planning, the ability to act as a talent engine, medium-term earnings development and a social contribution. We're well on the way. But it will take time for this logic to take root in people's minds.

In addition to everything else they have to deal with, how can managers at the various levels establish a personal brand?

NACKE To put it very simply: they have to say what they're doing and do what they're saying.

Is there a rule of thumb for how an executive should allocate their time? And if so, does it change in the course of their career and as they rise up the ladder? I'm thinking of things like what percentage of their time they should use for networking in order to ensure their visibility among upper management. How much time should they spend with their own team? And how much on content-based work?

NACKE It's basically true to say that, at the beginning of my career, I have to

prove myself in the areas you mentioned in equal measure. The content of my work has to be convincing, I need to learn and successfully apply leadership skills, and I need to network to a reasonable degree. As a career develops successfully, there's a clear shift in focus towards leadership and stakeholder management. You move away from content-related details and concentrate on the overarching direction you want the content to go in. However, really good managers continue to make valuable contributions in terms of actual content, even when they've risen to the position of CEO.

Are there any requirements that turn up in job descriptions and profiles again and again?

NACKE There are certainly overlaps in terms of qualities that turn up in all job profiles: almost every leadership role calls for the ability to work under pressure and be a team player, as well as inner drive and the ambition to motivate both yourself and the associated team to achieve excellence.

Has the motivation for wanting to get to the top changed?

NACKE The candidates still want to play an active role in shaping things. However, the possibilities for participating have changed. Twenty years ago it was all about the reputation you could build for yourself. You were in the spotlight. Today it's about participation in the form of shares, equity or virtual stock options. Managers increasingly want to make a social con-

tribution as well. Today a lot of success is being achieved in areas like sustainability or inclusion, but it all happens a lot more quietly than the kind of success we focused on in the past.

Test yourself: how many executive board members of Dax companies can you name today? I'm pretty sure it will be fewer than 20 years ago. That's partly because they think very carefully about seeking publicity nowadays rather than seeking it at any price – but it's also got something to do with the fact that a lot of things can't be attributed to a single person any more, only to a team.

Does power still play an important role?

NACKE Obviously an executive board member still has the power to make a difference and shake things up. But it's more a question of convincing others – and not just by means of the authority your position gives you. The days when CEOs used their power for self-aggrandisement are over. Today, power is a tool for putting together the best team so that you can achieve sustainable growth together. That obviously doesn't mean disagreements and competitive situations have ceased to exist. But working together can no longer be a case of A against B against C. That was always unproductive, but today it can actually endanger a company's future. Most people have realised that by now.

Raoul Nacke spoke to HBm editor Christiane Sommer.