



Change Leaders Will be the GCs of the Future

By Gilbert E. Forest and Stephen P. Kelner Jr.

WHAT DISTINGUISHES AN EXCELLENT GENERAL COUNSEL FROM A GOOD OR MERELY ACCEPTABLE ONE?

To answer that question we recently mined information about more than 300 senior legal executives from among the thousands of management appraisals that we have conducted over the past several years. These evaluations are designed to help companies take stock of their available talent, improve development programs, conduct succession planning and understand their human capital following mergers or acquisitions.

Evaluations are typically based on nine scaled leadership competencies: (1) Results Orientation, (2) Strategic Orientation, (3) Market Knowledge, (4) Collaboration and Influencing, (5) Developing Organizational Capability, (6) Team Leadership, (7) Change Leadership, (8) Customer Impact and (9) Functional Competency.

Together, these competencies provide a predictive model of leadership for top executives of all kinds.

The results of our analysis carry interesting implica-

tions for boards and CEOs that are thinking about how best to develop top GC succession talent, and for individual legal executives who want to improve their performance. We compared the legal executives ranked as “outstanding” based on their competencies compared to those ranked “good,” and “acceptable.”

Among the most striking findings was that, while functional competency (legal and regulatory knowledge in the company’s areas of focus) was what distinguished the outstanding general counsel 15 years ago, today the bottom quartile in our sample have functional competency scores similar to outstanding GCs. Our data showed the functional competency level of all GCs to be generally high.

Although CEOs have for some time been seeking more business-savvy GCs, the difference in market knowledge between outstanding and ordinary GCs is marginal. We would have expected outstanding GCs to be ahead of their peers in this competency.

We found that outstanding GCs are significantly more skilled than their peers across the remaining leadership competencies. In addition, we found a meaningful negative correlation between time in one's role and competency level. Legal executives who rank highest have been in their current role for the shortest time. This suggests that many chief legal officers are simply not able to maintain as competitive a skill set over time.

Their replacements are being promoted with competency levels higher than those of their predecessors. This might suggest that once in the top roles, legal executives are not able to keep up with rapidly-changing demand for leadership competencies, so companies benefit from replacing them. It also suggests that legal executives need to find ways to benchmark and develop their skills to keep pace with the best in class. We advocate that legal executives understand and benchmark these competencies early in their careers.

Trying to understand the gulf in skills between excellent GCs and their peers, we compared outstanding GCs to CEOs. The outstanding GCs have evolved leadership skills to the level of the average CEOs on almost every competency. They surpass the CEOs in collaboration.

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The three gaps are in strategic orientation, change leadership and market knowledge. We believe outstanding GCs are outstanding because they emulate CEOs in order to be the business partners they seek.

These competencies are put into action in concrete ways by outstanding GCs. The GC of a \$20B energy company has the lead attorneys sit down with their respective business executives annually and review the business plan, to determine where the legal department brings support and value. The lead attorney and the business leader agree on turnaround times, priorities and a cost/benefit analysis of the services provided, and they agree in writing.

Two or more of these competencies often dovetail. For example, a GC in an innovation-driven Fortune 100 company asks his attorneys to spend two days per week working on-site in research and development to discuss innovation, and determine how to support it. The organization's team rating of the legal group and the legal team's satisfaction have never been higher — results that affirm the GC's skill at combining customer impact with team leadership.

A comparison of outstanding GCs to outstanding CEOs provides a glimpse of the outstanding GCs of the future. Outstanding CEOs are seeking GCs whose com-



- Outstanding GC
- Average CEO
- Results Orientation
- Team Leadership
- Collaboration and Influencing
- Strategic Orientation
- Change Leadership
- Developing Organizational Capability
- Customer Impact
- Market Knowledge
- Functional Competency

petencies match theirs. Outstanding GCs already match top CEOs in collaborating and influencing, and are not far behind in developing organizational leadership.

Companies need to offer their legal executives development opportunities and establish development and leadership programs that will groom high potential internal legal talent for GC roles. Failing this, legal executives will continue to seek development opportunities by leaving their organizations.

Investment in top legal talent brings returns. Internal candidates with developed competencies clearly have the advantage in understanding the business. With an aging population and a complex legal and regulatory environment, companies not developing their internal legal talent will face an increasingly competitive environment for external recruits. Boards, CEOs and GCs must become aware of these competencies and establish plans that give their legal executives the opportunity to develop.

As the bar rises, today's outstanding GCs will likely strengthen their skills in the two areas where they lag outstanding CEOs: market knowledge, and change leadership. The outstanding GC of the future will be

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expected to perform on a par with outstanding CEOs in leadership competencies. As their work evolves, they are also likely to see new competencies emphasized.

Over the next decade, the "soft skills" – those that address issues of people and the organization – will constitute a much higher percentage of the GC role than they have in the past. As companies become increasingly diverse, international, and collaborative, the emphasis on engaging thoughtfully with a wide variety of people, in contrast to using simple command-and-control levers, will grow. With demographic changes decreasing the pool of currently outstanding candidates, the emphasis on "growing your own talent" will also continue.

We also believe that as outstanding GCs continue to develop their skills, they not only will come to resemble outstanding CEOs in their level of competency, but will increasingly often become CEOs themselves.



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LEADERSHIP COMPETENCIES DEFINED

- **Results Orientation:** Focusing on delivering and improving measurable business results. High performers improve the way things are done based on a thoughtful, calculated approach to risk.
- **Strategic Orientation:** Thinking long-term and outside one's own area. Requires business awareness, critical analysis and conceptualization of information in a way that defines the next steps. High performers challenge the current direction and propose new long-term direction.
- **Market Knowledge:** Understanding the market in which the business operates, including the competition, suppliers, customer base and regulatory environment. High performers segment the market and anticipate where it will go, based on understanding the drivers and the competition.
- **Collaboration & Influencing:** Working with and influencing those outside one's functional area to create a positive impact on business performance. High performers facilitate collaboration and partnerships.
- **Developing Organizational Capability:** Developing the long-term capabilities of others and the organization as a whole. High performers provide constructive behavioral feedback in a long-term career context.
- **Team Leadership:** Building effective teams in one's immediate organization. This applies to virtual or cross-functional teams, whether or not there is a formal leader. High performers build empowered teams that can develop and deliver on goals.
- **Change Leadership:** Transforming, aligning and energizing an organization. High performers create change leaders to propagate a new message.
- **Customer Impact:** Serving and building value-added relationships. High performers cultivate relationships and anticipate the customers' needs from their own perspective.
- **Functional Competency:** Mastering one's area of expertise, staying up to date, and sharing and disseminating that knowledge to drive business purposes. High performers act as business partners who can bring specialized expertise to the table when necessary.

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