



## TEL EPISODE #023:

***It's Not the How or the What but the Who* with Claudio Fernandez-Araoz**

Show Notes: <http://www.theelpodcast.com/tel-023-claudio-fernandez-araoz/>

*Welcome to The Entrepreneurs Library, the only book-centric podcast that reviews all the top-selling business books and shares author's perspective, firsthand. This is your resource to finding the next great book that will enable you to grow personally and professionally. Welcome your host, Wade Danielson.*

**WADE:** Thank you for joining us on The EL. Today we have Claudio Fernández-Araoz, author of *It's Not the How or the What but the Who*. And yes, we had Claudio chime in on that himself, because I didn't want to mispronounce his name. Welcome, Claudio, and thank you for joining us on The Entrepreneurs Library.

**CLAUDIO:** Thanks very much, Wade. A true pleasure being here with you.

**WADE:** Thank you. Will you take just a moment to introduce yourself and tell us just a little bit about you personally?

**CLAUDIO:** Perfect, wonderful. I'm a global expert on hiring and promotion decisions and leadership development. I'm also a frequent keynote speaker at business gatherings in the Americas, Europe, and Asia.

I've been working for almost three decades as an executive search consultant for the leading executive search firm Egon Zehnder, and I'm also a regular guest lecturer at Harvard Business School. And I am the author of *It's Not the How or the What but the Who*.

**WADE:** Great, thank you for sharing that. I want to do that, I want to jump right into your book that you were just speaking of, *It's Not the How or the What but the Who*, which was just made available for purchase on Amazon June 3rd, 2014. Claudio, we're going to move quickly, but here are some of the top questions that our listeners/readers would love to get answered.

The first one was, what was the inspiration behind writing your book?

**CLAUDIO:** As I said, for almost three decades I've been working as an executive search consultant. Seven years ago, I published another book; its name is Great People Decisions. That was basically about hiring.

As a result of that book, that was a global success with 15 international editions, I circled the world up to 10 times a year, visiting very frequently 42 different countries, and I really became convinced that all over the world, in all sorts of organizations, small and large, for profit, not for profit, even for governments, the key for organizational success, the key for individual success, and the key even for building a powerful nation is to surround ourselves with the best.

So I decided to write a book about how to succeed by surrounding ourselves with the best and helping them thrive. That was the passionate guide in my writing the book.

**WADE:** Excellent. What makes your book different from others regarding a similar topic?

**CLAUDIO:** From the point of view of the validity of the message, I think it's a unique combination of experience, research, and passion for the topic. Experience – as I said, I've been working almost three decades as a search consultant; I have interviewed more than 20,000 candidates in 42 different countries. So I have a unique experience in helping people surrounding themselves with the best.

But I also have deep passionate research into the topic. In our firm, which has 69 offices globally, I founded our management operational practice, I led globally our professional development. I was also the leader of the development of our intelligent company, as I said. I also teach at Harvard Business School. So I have quite a unique combination of practical experience together with deep research.

And finally, I do have this passion, because I have seen that the key for individual and personal success is really surrounding yourself with the best. I start the book, for example, by telling a tale of two CEOs. They are the parallel lives of Jeff Bezos,

the founder and CEO of Amazon.com, and someone very few people would know – his name is Roger Agnelli, and he was the CEO of Vale, a Brazilian mining company.

Those two individuals are considered by Harvard Business Review as two of the three best leading CEOs in the world, and in completely different countries, the U.S. versus Brazil. In completely different industries, basically high tech industries, services, and sophisticated customer approach versus mining. In completely different strategies – Amazon started at the top and basically grew domestically in the U.S., while Vale was a formerly state-owned, privatized company that grew through a position globally.

In completely different fields, those two leaders' key to success was exactly the same: they had a very high hiring bar, they were passionate about surrounding themselves with the best, and they went out of their way to find the best candidates, to assess them deeply, and to help their best become even better through great development.

So this passion is what finally decided me to write the book.

From the point of view of the format of the book, it's very engaging. It's 44 very short chapters, each one of which starts with a fascinating personal story or engaging piece of research from which I draw the bigger picture, and they come with very practical recommendations on how to succeed by surrounding ourselves with the best.

**WADE:** How would you suggest the reader engage with your book? Is this a book that the reader should read from beginning to end, or is this a book that they should really cherry-pick and use as a resource for information?

**CLAUDIO:** It's an outstanding question, and obviously you have read the book, Wade. While the book has a logic if you want to read it from the first to the last page – and in a minute I can summarize what each of the six sections is focused on – it can really be read independently, where you can look at some of the funny titles of each of these chapters, such as one that for example is titled "Fat Calves

and Falling Stars,” in which I explain the theory of the [...], or another, “From Survivor to CEO,” where I tell the drama of the accident of the Uruguayan team in the Andes in 1972, from which I derive the elements to predict potential in an individual.

So you can read them sequentially, but also independently. And it’s really read for ADD type of readers, as we all are these days, so that it is a very short read, which is slightly longer than a book. You really get inspired, you get what you need to surround yourself with the best and helping them thrive, and you get some practical recommendations on how to achieve this.

**WADE:** Excellent. Okay, thank you for sharing that. Claudio, now this is my favorite part. This is the part where I’m not going to interrupt you and basically just let you roll through and give us a deep dive of your creation. So yeah, take a couple minutes and give us a great summary of what your book’s all about.

**CLAUDIO:** Perfect. As I said, the book has an introduction, a conclusion, and 44 short chapters grouped in six sections. I will highlight what each of these sections is about and maybe illustrate it with one or two messages from the sum of chapters in each one of them.

First, the book telescopes from the inside out. It starts with The Enemy Within: all of these biases that we have inside of us that sabotage our people decisions. In the six or seven chapters of that first section of The Enemy Within, I will highlight the first one, which I titled “Prehistoric Hardware; Victorian Software.” What I say here is that we are ill-prepared, Wade, to make great people decisions, because unfortunately we have the wrong brain and the wrong intention.

Our brain is basically a piece of hardware that hasn’t had a major upgrade for the last 10,000 years. We know that the human animal is 2 million years old. Evolution has worked, but it is very slow. Our brain is not significantly different than that of the primitive mind that 10,000 years ago was chasing animals in the savannah. Now, when that person was making people decisions, if he was sitting by the campfire and a stranger approached, how would he decide whether to fight or flight or welcome the stranger? Well, if the person was similar to me, I



would welcome a likely member of the same tribe. If the person was familiar, I would welcome someone who had not attacked me in the past, if I felt comfortable and welcome.

So we made it to these days by making our people decisions based on those three criteria: similarity, familiarity, and comfort. And you know how evolution works; evolution generates variety within a species, and then the members of the species that better adapt to the environment cope with it and survive, pass on their genes to the later generation.

So most of us are having these conversations, and our listeners are able to listen to us because every single one of our ancestors through the millennia made every single time the right people decisions. So we became hardwired to unconsciously, very fast, make these people decisions based on similarity, familiarity, and comfort.

Unfortunately, this set of criteria is not sufficient to what we need today to build great teams. Great teams need complementary skills, which implies variety and diversity, which are the opposite of similarity and familiarity. And great teams need to challenge each member, which is the opposite of comfort. So we are hardwired to make wrong people decisions.

Therefore, in the first section, I make the readers aware of all of these biases, because if you can avoid the traps, you have won half of the battle. That's the first section.

Second section is Outside Obstacles and Opportunities, and here I summarize many of the challenges that we face when making people decisions. One of the chapters, I labeled it "Bad Candidate, Great Reference." I start with a humorous story of a book which is titled LIAR, which means Lexicon for Intentionally Ambiguous Recommendations. I describe the dramatic problems taking references when people afraid of being sued sometimes sugarcoat their references.

This is a fascinating book that I'm referring to, full of funny phrases such as "you'd be lucky to get him to work for you," meaning that either that candidate is great or he's a very lazy person. Or "I am so pleased to report that he's a former colleague of mine," indicating in an ambiguous way that you are proud about working with him, but you're also relieved about working with somebody else. But out of these funny stories, I really illustrate what are the best practices to getting references right, because references, in my view, are even more important than interviews.

The third section continues telescoping out to The Right People, and then I describe what are the right people made of? How many candidates should we consume? What type of checklist should you work from? Nature versus nurture, how much can we change?

On the essay "From Survivor to CEO," as I said, I introduce the concept of potential, and I tell this story of Pedro Algorta, a survivor of this dramatic accident back in 1972. A team of Uruguayan rugby players and several friends crashed in the Andres; 45 people were on that plane, 15 died instantly, 20 died in the following days due to their injuries. Others died later on due to the avalanche. They had no food, no warm clothes. The days were frozen, the nights were frigid. Anyways, they had to make dramatic decisions to the point of finally deciding to eat the dead bodies of their companions in order to survive.

Pedro Algorta was one of the survivors. I hired him 14 years after the accident, and he was able to have an extraordinary career, being promoted twice in just 2 years, becoming the CEO of one of the most professionally run companies in those days in Latin America. Why? Because he had all the potential. In that chapter, I describe what are the indicators of potential and how you can measure them.

In Part 4, I move from The Right People to The Bright Future. In the essay titled "Teaching a Turkey to Climb a Tree," I explain how some cynic people say that you can't train a turkey to climb a tree, but I would rather hire a squirrel. Well, despite the fact that I've been working for almost three decades as a search consultant, I think that organizations do frequently hire from outside, and they should invest

many more resources in identifying their high potentials and helping the best become even better.

I am convinced that we can change and advance and progress much more than we used to think, and in the book I explain, and particularly in that chapter, what are the best practices for development [inaudible 00:13:35] and how we can help the best become even better.

In the fifth section of the book, Teams That Thrive, I move from individual greatness to collective greatness. As a search consultant, Wade, many times I had been approached by a human resources leader contacting me for a search, and when he or she starts going through the list of specifications, it looks like an impossible combination of Superman, Batman, and Spiderman, or their equivalent female counterparts, for a salary that was super low. Neither myself nor any of my colleagues are able to solve that search.

The same thing happens because you cannot get the perfect individuals; you should be able to make the best out of your individuals by setting up highly effective teams. In that section, which has, again, some six or seven chapters, I introduce the six dimensions for team effectiveness, which are: balance in a diversity of skills, alignment – everyone pulling in the same direction – energy, resilience, openness, and effectiveness. I explain how different challenges require different team compositions, and I explain how to achieve this.

Finally, in the sixth part, I move from collective greatness at the team level to A Better Society with applications of all of the above at the highest levels. One chapter titled “Russian Roulette at the Top” speaks about CEO succession. Then I also speak about true leading boards. Then I speak about thriving on crises. I am originally from Argentina; Argentina is a country that has plenty of crises or catastrophes in its history. I’ve lived a few of them, and each of these crises has been an extraordinary opportunity for growth and learning, and therefore I explain how we can really profit from these opportunities.

I also speak about sustainability and the virtuous circle. I have a couple of essays on electing country presidents and building powerful nations, in which I contrast

the case of Singapore and Jamaica. Singapore and Jamaica, back in 1956, were identical twins. Both former British colonies recently emancipated; both tropical islands with the same population. Very poor nations.

Now, the founding fathers of Singapore realized that the only way out without any natural resources, a tiny red dot in the market, in the economies of scales, their only way out was to invest in Thailand. So they found the brightest young poor students, they gave them fellowships, and they had them study at Oxford, Cambridge, Harvard, Stanford. They brought them back into the government and the civil service, and as a result, they built one of the most powerful nations in the world.

So the book starts, again, inside of us with *The Enemy Within*, and then moves to the *Outside Opportunities*, then *Great People*, the *Bright Future*, *Teams That Thrive*, and finally *A Better Society*.

**WADE:** Excellent, Claudio. You just gave a great summary of really the entire book. That's what makes this next question almost impossible, and that's if the reader could only take one concept, principle, or action item out of your entire book, what would you want that to be?

**CLAUDIO:** Well, Wade, the point that whoever you surround yourself with should not be left to chance. Even people who study business – as I did; I did my MBA at Stanford – you spend years studying finance and accounting and marketing and strategy, and you spend no time learning how to choose the people who will be working for you and who will in the end be making those people decisions.

So the most important factor for our success once we become a manager is to make great people decisions. Because everything you do will depend on that: our results, our performance, our success, our chances of failure.

Now, the good news is that in spite of what most people think, making great people decisions is not an art. It's not the result of an intuition. It's not the result of that. It is a craft and a discipline that can be learned and should be learned, and in the book I explain how.



**WADE:** Okay, perfect. Do you have a favorite quote from your book?

**CLAUDIO:** Not really a quote, but a favorite anecdote. Would that count for you?

**WADE:** Yeah, let's use it.

**CLAUDIO:** I guess you probably now realize how passionate about this topic I am. Last year, I'm a committed Catholic, and last year when Pope Benedict resigned, I thought that this was the chance of my life. I said, "How can I possibly influence this monumental decision of the next leader?" Because regardless of our faith, it is clear that our world needs better leaders, and that a great pope can be indeed a great leader. Luckily, as you saw, Pope Francis was ranked by Fortune as a #1 leader in the yearly ranking of the Top 50 Leaders in the World.

So what I did was first I published a blog in Harvard Business Review about how to be the next pope. Then I realized that these electing cardinals, all in their 70s, are probably not going to be reading the blogs of Harvard Business Review. I sent mails to all my colleagues, 800 colleagues in 69 offices. But then I thought that that was not enough, so I went to see the Apostolic Nunciature, which is a diplomatic representative of the Holy See.

I presented him a letter with my suggested criteria for the electing cardinals so that they could assess their candidates, looking at the predictors of potential for becoming a pope. Because nobody is prepared to be a pope, in the same way in which nobody is prepared to be a CEO. But there are some indicators that allow you to predict who can be the best candidate.

So I made a list and I made three recommendations. The first one was to have the right motivation. In addition, of course, to the obvious – faith, love of God, and virtuous life – the right motivation is a paradoxical blend of fierce commitment together with deep personal [...]. The second were the indicators of potential, which I describe in the book, and the third was someone properly trained in the discipline of making great people decisions. I indicated the example of the Jesuits, which had been outstanding at this.

Well, I really don't know whether the cardinals read my letter or not, but in any case, I felt very good about trying to make this contribution to that very atypical and significant election.

**WADE:** That's excellent. There's definitely not a lack of passion in anything that you do, it sounds like.

Claudio, we have one more question for you before we actually depart, and that's if there was only one other book that you could recommend, outside of any of the books that you've written, but there was a book that created a paradigm shift for you either personally or professionally, what would you recommend?

**CLAUDIO:** There are many, but if I were to recommend one, I'd probably recommend Daniel Goleman's classic book Emotional Intelligence. It was published in 1995 as a book that really finds what it really means to be smart. The concept of emotional intelligence is a combination of self-awareness, self-regulation, social awareness, and relationship management as being the keys for success.

Before that, I used to think that experience and IQ were the keys for success. I did lots of research together with Dan Goleman – he was a consultant for 7 years in our firm, Egon Zehnder, for executive search – and I am convinced that emotional intelligence is the key for success for any leader.

**WADE:** Excellent. Claudio, before we depart, can you recommend the best way for our listeners to get more information on you and It's Not the How or the What but the Who?

**CLAUDIO:** Yes. You would be surprised about this, but I don't have a personal website. But what they can do is they can find me in the website of our firm, Egon Zehnder. It's a leading executive search firm. Also at Harvard Business Review website, HBR.org, they will easily be able to find lots of blogs and articles, and this book and videos I have also.



**WADE:** Excellent. Claudio, will you pronounce your full name? Because I feel like I might butcher it, and I want them to be able to look you up.

**CLAUDIO:** My first name is Claudio and my last name – it’s a compounded last name; it’s Fernández-Aráoz.

**WADE:** Okay, perfect. Claudio, thank you so much for coming on and sharing your creation, your baby, with us.

**CLAUDIO:** Thanks so much, Wade. It’s a big pleasure speaking with you, and I congratulate you for the work you do as well, and thank you so much for inviting me.

**WADE:** Definitely. Thank you. Thanks again for listening in today. If you would like to get your hands on *It’s Not the How or the What but the Who* or any of the other resources mentioned by Claudio, just look at the show notes at [TheELPodcast.com](http://TheELPodcast.com).

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#### **LINKS AND RESOURCES MENTIONED IN THIS EPISODE:**

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