"Anyone who strives to lead from good to great would do well to grow by delving into Claudio's work, for he is a true master."
—Jim Collins

It's Not the How or the What but the Who

Succeed by Surrounding Yourself with the Best

Claudio Fernández-Aráoz

HARVARD BUSINESS REVIEW PRESS

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Boston, Massachusetts

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Introduction

I'd like to begin with a tale of two CEOs. They have very different backgrounds. They lead very different companies. But they are united by two things: extraordinary leadership success and the relentless focus on talent that helped them achieve it. Both are committed to hiring only the best, to developing their brightest stars, and to uniting them all in exceptional teams—and, as a result, they boost not only their own careers and organizations but also society.

In my twenty-eight years as an executive search consultant, working across all major industries in more than forty countries, I've discovered that the key to outstanding performance and fulfillment—in both work and life—is the ability to surround oneself with outstanding people. This isn't always easy, of course. But these two men have learned how, and my aim with this book is to help you do the same. With the right knowledge, training, and practice, everyone can master the art of great "who" decisions. First, the CEOs' stories.

Jeffrey Preston Jorgenson was born in Albuquerque, New Mexico, in 1964. His mother, the daughter of a US Atomic Energy Commission official, was a teenager at the time; she'd married young and started work as a bank teller in the city, no doubt full of hopes and dreams. Unfortunately, little Jeffrey's childhood started on a sad note: his father left the family not long after he was born. But his mother quickly found love again with a colleague at the bank, Miguel Bezos, a Cuban immigrant who had come to the United States alone at age fifteen, then worked his way through the University of Albuquerque. The two soon married, and Miguel legally adopted Jeffrey, giving the boy his last name.

Little Jeff Bezos showed an early interest in how things worked: He turned his parents' garage into a laboratory, rigged electrical contraptions around the house, and experimented with other projects on the twenty-five-thousand-acre Texas ranch to which his grandfather had retired.[1] As a teenager, he excelled at school, but somehow also found the time to launch his first business, an educational summer camp for fourth-, fifth-, and sixth-graders, which he called the Dream Institute. Fascinated by computers, he went on to study electrical engineering and computer science at Princeton University, then ventured to Wall Street, where he became D.E. Shaw's youngest vice president at age twenty-six.

That's when the idea for Amazon came to him. Bezos had been looking at new ventures in which the company might invest when he came across a startling statistic: the World Wide Web was growing by 2,300 percent *per month*. He drew up a list of twenty potential products he thought might sell well on the internet and quickly settled on books. He quit his job in 1994 and started working out of his own garage with a few software developers.[2]

While most dot-coms launched in the early 1990s went bust, Amazon flourished, with sales jumping from just $500,000 worth of books in 1995 to $61 billion in dozens of product categories by 2012.[3] The company now employs 88,400 full- and part-time workers and, in terms of customer satisfaction, it is consistently rated among the top ten companies in the world, across all sectors. Writing in *Harvard Business Review* in early 2013, Morten T. Hansen, Herminia Ibarra, and Urs Peyer ranked Bezos as the best living CEO in the world (and second only behind the late Steve Jobs) thanks to the $111 billion increase in Amazon's market capitalization up to August 31, 2012, their last day of data collection. And if you think that was due to the good times in the United States and/or the good times for internet companies, think again: Amazon's country-adjusted returns during that period were 12,431 percent, while its industry-adjusted returns were 12,266 percent.[4]

Roger Agnelli was born in 1959 in São Paulo, Brazil. His father, Sebastião, had grown up in the interior of the state, alongside ten brothers and sisters, near the coffee plantation where their own father, an émigré from Italy, had toiled long hours in the hot sun. Although Sebastião had only one day of formal school (he was expelled on his very first day after a teacher broke her finger trying to stop a fight between him and another student), he diligently studied his arithmetic at home with a tutor and eventually found success in adulthood as the inventor of an amazing wood dryer and a top exporter of industrialized wood.[5]

From an early age, Roger loved to visit his father's factory, soaking in its technology, efficiency, and cleanliness. He became passionate about mechanical engineering and planes, but ultimately decided to study economics at the prestigious FAAP in São Paulo. After graduation, he joined the investment banking department of the Bradesco Bank, and eleven years later, at age thirty-three, he was appointed general manager (the bank's youngest ever) of the capital markets unit.

From that perch, Agnelli led more than five hundred IPOs, supporting the local and international development of Brazilian companies, and became deeply involved in the massive privatization of the country's steel, telecommunications, mining, and energy sectors. That's how he came to run Vale. In 2000 Bradesco asked Agnelli to head the administrative council of a privatized mining company in which it had a major share, CVRD (Companhia Vale do Rio Doce, known as Vale). He got to know the people at the company, led a strategy study, and a year later was appointed managing president and CEO. Then, in just one decade, this grandson of a poor immigrant led one of the largest value creations in corporate history.

Agnelli dreamed of the day when Vale would compete with industry giants and, within a decade, he had achieved it. Vale was the largest non-state-owned company in Latin America and one of the twenty largest global corporations. In 2011, the last year of Agnelli's tenure, income was $23 billion on revenues of $59 billion, up from income of $1 billion on less than $4 billion revenue in 2001.[6] Research from The Boston Consulting Group confirms that the company achieved the highest productivity and profitability in the world in the 2000s. Its employment swelled from 11,000 to 190,000, including third parties. It resurrected Brazil's railroad sector and revamped its shipping industry. And it did so while caring for the environment—by, for example, planting or preserving 3 billion trees.[7] The same Hansen, Ibarra and Peyer study ranked Agnelli as the fourth-best CEO in the world, thanks to a $157 billion increase in Vale's market capitalization during his tenure. And if you think that was due to the good times in Brazil and/or the high commodities prices, think again: Vale's country-adjusted shareholder returns were 934 percent, while the industry-adjusted figure was 1,773 percent.[8]

Jeff Bezos and Roger Agnelli have both thrived as CEOs, presiding over monstrous value creation during their tenures. But consider the contrast between their two companies:

- Amazon was a start-up; Vale was an old, formerly state-owned company.
- Amazon was in a hot, new high-tech industry; Vale in a traditional, historic one—mining.

- Amazon was born in the United States, by that time the most competitive, developed nation on earth; Vale is based in Brazil, perceived at the time to be a volatile, high-risk emerging economy.
- Amazon grew organically and mostly in the United States; Vale grew both organically and through M&A and expanded around the world very rapidly.
- Amazon is an extraordinary B2C company delivering incredible customer service and now also sophisticated consumer electronics for personal use; Vale is a classic B2B, a producer of commodity raw materials for industry.

So how did these two men from such different backgrounds lead such dramatically disparate companies to such similar success?

Of course, both are incredible leaders—amazingly bright, hugely ambitious, and strictly disciplined in pursuing their well-crafted strategies.[9] However, in the corporate world—and most other realms of life—no one triumphs on his or her own. Success is rooted in relationships, in the people around you. Bezos and Agnelli recognize this fact, understand it, embrace it. And, in my view, that's the most important trait they have in common. They know that, in order to succeed, *it's not the how or the what but the who.*

In fact, the title of this book paraphrases an answer Bezos gave to an HBR interviewer in 2007.[10] Asked how he'd handled the transition from entrepreneur to manager and leader when so many others fail, he said: "When you start out, it's a one-person thing . . . you're not only figuring out what to do but actually doing it . . . The company gets bigger, and . . . you're mostly figuring out what to do but not how it's done. Eventually you get to the point where you're mostly figuring out who is going to do it, not even what to do. So one way to think about this is as a transition of questions, from "how?" to "what?" to "who?" As things get bigger, I don't think you can operate any other way."