

CFO Leadership with Business Analytics - Nature or Nurture?

Gary Cokin's

Knowledge Series:

*Analytics-based Enterprise and Risk Performance
Management*

By

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At a conference of The Association for Operations Management (APICS) where I was a presenter I attended a provocative talk by Alan G. Dunn, President and founder of GDI Consulting and Training Company. He questioned if leaders are born or can be grown. It is the classic “nature versus nurture” debate. It got me to thinking about whether business analysts within an organization can be more than a support to others. Can they be leaders? I share some of Alan’s thoughts.

What distinguishes strong from weak leaders?

Having all the knowledge means nothing without the right types of people. One person can make a *big* difference. They can be someone who somehow gets it altogether and changes the fabric of an organization’s culture not through mandating change but by engaging and motivating others.

For some leaders irritating people is not only a sport but it is their personal entertainment. They are rarely successful. Dunn referenced studies that conclude that the three primary success factors for effective leaders are technical competence, critical thinking skills, and communication skills.

You know there is a problem when a leader says, “I don’t do that; I have people who do that.” Good leaders do not necessarily have high intelligence, good memories, deep experience, or innate abilities they are born with. They have problem solving skills.

The Ford Motor Company’s CEO Alan Mulally came to the automotive business from Boeing in the aerospace industry without deep automotive experience. He has been successful. Why? Because he is an analytical type of leader.

Analytical leaders are adaptable and possess systematic and methodological ways to achieve results. It may sound corny but they apply the scientific method that involves formulating hypothesis and testing to prove or disprove them. They rely on searching for root causes and understanding cause-and-effect logic chains. Ultimately a well-formulated strategy, talented people, and the ability to execute the executive team’s strategy through robust communications are the key to performance improvement.

Key characteristics of the analyst as leader

The popular *Moneyball* book and subsequent movie demonstrated that traditional baseball scouts methods (“He’s got a good swing.”) gave way to fact-based evidence and statistical analysis. Commonly accepted traits of a leader, such as being charismatic or strong, may also be misleading.

The most scarce resource in an organization is human ability and competence. That is why organizations should desire that every employee be developed for growth in their skills. But having sound competencies is not enough. Key personal qualities complete the package of an effective leader. For the analyst as a leader three personal quality characteristics are needed: curiosity, imagination, and creativity. The three are sequentially linked. Curious people constantly ask “Why are things the way they are?” and “Is there a better way of doing things?” Without these personal qualities then innovation will be stifled. The emergence of analytics is creating opportunities for analysts as leaders.

Weak leaders are prone to a diagnostic bias. They can be blind to evidence and somehow believe their intuition, instincts, and gut-feel are acceptable masquerades for having fact-based information. In contrast, a curious person always asks questions. They typically love what they do. If they are also a good leader they infect others with enthusiasm. Their curiosity leads to imagination. Imagination considers alternative possibilities and solutions. Imagination in turn sparks creativity.

Creativity is the implementation of imagination

Good analysts have a primary mission: to gain insights relying on quantitative techniques to result in better decisions and actions. Their imagination that leads to creativity can also result in vision. Vision is a mark of a good leader. In my mind, an executive leader has one job (aside from hiring good employees and growing them). That job is to answer the question, “Where do we want to go?” With that answer managers and analysts can answer the follow-up question, “How are we going to get there?” That is where analytics are applied with the various enterprise performance management methodologies, such as strategy maps, scorecards, customer profitability analysis, risk management, and driver-based rolling financial forecasts and plans. It is too fully execute the strategy.

In Dunn’s studies other perceived characteristics of a good leader are over-rated. These include ambition, team spirit, collegiality, integrity, courage, tenacity, discipline, and confidence. They are nice-to-haves but pale compared to technical competency and critical thinking and communications skills.

Be analytical and you can be a leader.