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A catalyst for connection

WHITE PAPER

> The ROI of Making The Right A-player, Transformational Hire

Ropella 360 transforms companies into market leaders, unlocking Scalability through Transformational PEOPLE. Driving ROI through the Right Hire is the first step in going from Good to Great, while ScalingUp your Company.

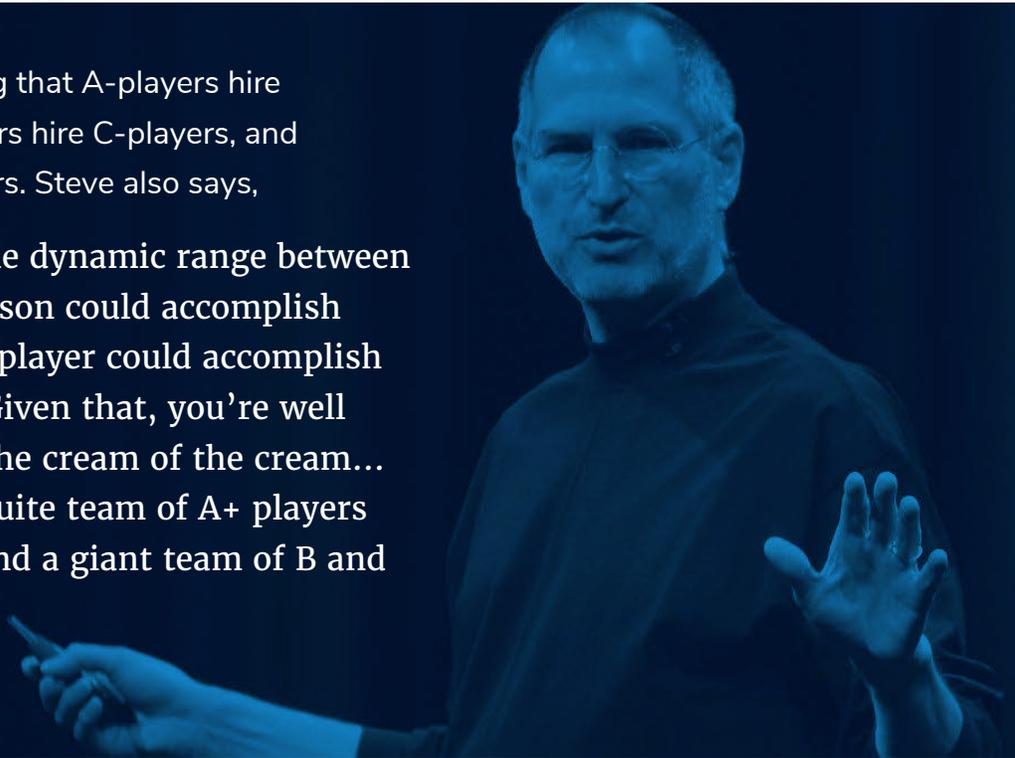
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*“The most important decisions that business people make are not **what** decisions, but **who** decisions.”*

Jim Collins, Author of Good to Great: Why Some Companies Make the Leap...And Others Don't

Steve Jobs has a saying that A-players hire A-players. But B-players hire C-players, and C-players hire D-players. Steve also says,

“I’ve noticed that the dynamic range between what an average person could accomplish and what a great A-player could accomplish was 50 or 100 to 1. Given that, you’re well advised to go after the cream of the cream... because a small C-Suite team of A+ players can run circles around a giant team of B and C-players!”



> Three main stages of growth in **Good to Great**

Jim Collins the author of *Good to Great*, confidently claims that good companies can also become great. Throughout the book, he describes a framework of concepts that lead to breakthroughs, consisting of three stages:

1. **Disciplined People**
2. **Disciplined Thought**
3. **Disciplined Action**

Bottom line, great companies are made by great PEOPLE.

The climb to business success starts with the right people – especially so with Level 5 leaders... commonly defined as A-players and/or Transformational Leaders. It is worth mentioning, it’s not always the Founder or Board Members that take a company from really good to truly great. This transformation can occur with either original or current leadership, but more often than not, it’s the influx of new leadership that moves the needle driving small mice-sized companies from Good to Great, turning them into Gazelles and ultimately into Elephants.

What is a Level 5 leader in **Good to Great**?

A Level 5 leader exhibits a combination of strong personal humility and professional will. This top-level leader is incredibly driven and ambitious, maintains a healthy sense of self-awareness, and can put the needs of others above their own.

In my own experience, Level 5 Leaders bring fresh ideas, break old mental models, and create new processes for doing things at a higher quality level and much faster. They instill energy in their teams to tackle goals thought impossible. They show fearlessness towards making core decisions quicker and driving teams to create powerfully united cultures that crush the competition. These traits are what make Level 5 Leaders so obvious and easy to identify.

Verne Harnish is the Author of Scaling Up: How a few companies make it, and others don't. Verne is also the CEO of a leading consulting firm by the same name. Through Scaling Up and his previous fast-growth consulting firm, Gazelles, Verne (and his team of CEO coaches) has advised thousands of companies on growth-related issues.

Verne describes the life cycle of most businesses as they move up the S-Shaped Curve of Growth... and says the KEY to Scaling this growth curve is:

1. **Attracting and keeping the right People;**
2. **Creating a truly differentiated Strategy;**
3. **Driving Flawless Execution; and**
4. **Having Plenty of Cash to weather the storms.**

Millions of people start new ventures, and those that survive the first few years (only about 10%) are described as Mice. 96% of all companies are stuck being small, very vulnerable mice. Only a few – the “Gazelles” actually leap beyond the Start-up stage and rapidly Scale Up beyond \$10 million, \$100 million or even to \$1 billion in revenue sometimes they then become Elephants.

So how do you identify Level 5 Leaders and hire them so you, too, can ScaleUp faster?

Focus your interviews on assessing how your candidates **ACT**. If you want to know who Level 5 Leaders

are – when you are interviewing, address your questions about how they **ACT**. So gear your reference calls (to their past and present superiors, peers, and subordinates) around how they **ACT** and your assessments on how they behave.

ACT stands for **Accountability, Communication, and Trust**. What you want to confirm is this; is this a Level 5 Leader involved in your interview process? And can they **ACT** like a level 5 Leader under stress, during severe pressure, and/or in a crisis? If yes, how they **ACT** day-in and day-out will drive your company's growth faster than any other ordinary leader.

You must also have a world-class **Sourcing, Marketing, Assessing, Recruiting, and Transformational** system in place for Hiring and Onboarding Level 5 Leaders. Good news the **SMART Search System** for hiring Level 5 Leaders is available to you right [here](#), on Ropella 360's website.

The SMART Search SystemSM, described as “6 Sigma for Executive Search” created by Ropella 360, has been practiced and polished for over 35 years. Applied to many Fortune 500, mid-market leading companies, PE firms, and startups alike.



SMARTSM
Search System

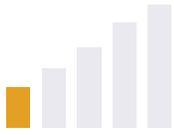
Recruit smarter. Not harder.

“Smart CEOs never want to be the smartest person in the room. That's why they hire the best people, get out of the way, and let those top performers perform.”

Warren Buffett, Businessman, Investor, and Philanthropist

> The Right Hire is **Critical to ROI:**

Level 5 leaders (A-Players & Transformational Leaders) drive ROI and simply accomplish more!



Consider a **LEVEL 1** performing CEO generating \$100 Million a year in Revenue and a EBITDA of 10% and has a valuation factor of 6X.

**Company Value =
\$60 Million**

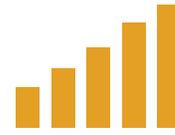
CEO Value = C-Player



Versus a **LEVEL 3** CEO generating \$100 Million a year in Revenue and a EBITDA of 20% and has a valuation factor of 8X.

**Company Value =
\$160 Million**

CEO Value = B-Player



Versus a **LEVEL 5** CEO generating \$100 Million a year in Revenue and a EBITDA of 30% and has a valuation factor of 10X.

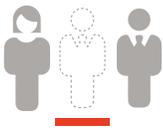
**Company Value =
\$300 Million**

CEO Value = A-Player

Same sized company, but the company's valuation is remarkably different! With this in mind, there should be no excuse why all Leaders, Board Members, and PE Investors don't take very seriously the importance of sourcing, recruiting, interviewing & on-boarding A-player, Transformational Leaders.

When you consider the cost of using a world-class Talent Mgt. Advisor – their fees aren't a cost... they are an investment opportunity! Clearly there is a correlation between the ROI of Making the Right Hires, while applying the SMART Search System... in order to Grow Great Companies.

Three Primary Costs That Follow A Poor Hiring Process



The Cost of **Vacant Positions**

Some managers believe leaving a position open can save money by having less salaries to pay, while others believe if they lose a key employee, they can always find another one.



The Cost of **Rejected Offers**

An offer rejection knocks your hiring process back to square one; it adds even more stress to human resources, hiring managers, and the departments covering for job vacancies.



The Cost of **Bad Hires**

Some managers believe that if they lose a key employee, they can always find another one, but they aren't always the ideal candidate. We've created valuable tools to help our clients calculate the real cost of bad hires and see how they impact the health of their business.



Hiring mistakes are expensive — get it right the first time.

Calculate your costs at
ropella360.com/calculators

> The SMART Search System[®] has revolutionized the hiring of A-players and transformational leaders.



SMARTSM
Search System

Recruit smarter. Not harder.

Ropella 360 has become the world's leading executive search and consulting firm specializing in the chemical, consumer products, general industrial, and futuristic technology industries. We attribute our 35 years of success growing great companies to our proprietary, 3-stage recruitment process, The SMART Search SystemSM.

The SMART Search SystemSM has revolutionized hiring in the same way Six Sigma revolutionized manufacturing. We've invested over 35 years into researching and creating best hiring practices, developing our own unique tools, and continuously improving our SMART Search SystemSM. — The goal to provide our clients precise and predictable hiring results — unparalleled in the search industry.

The SMART Search SystemSM drives a highly productive experience for our clients and the A-player candidates alike and then speed. It helps us find highly specialized executives you can't effectively recruit on your own, typically in about 10 business days. It impacts an organization's long-term success, enhances their employer brand, and yields a A-player hires.

SMART Search System

STAGE 1:

SMART Strategy & Launch

1. Aligning Expectations
2. Search Strategy Conference
3. Opportunity Marketing Piece
4. Skill Survey
5. Scorecard
6. Assessments

STAGE 2:

Recruiting & Interviewing

7. Recruiting
8. Interviews
9. Hiring Team & Candidate Debriefs
10. References & Background Checks

STAGE 3:

Hiring & Onboarding

11. Compensation, Benefits & Relocation Assessment
12. Onboarding

> Take the Next Step

Contact us today, and put us to work for you.

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> From Good To Great: **What Defines A Level 5 Leader?** *(a deeper dive)*

By Steve Burns



Jim Collins' seminal work, "Good to Great," delves into the qualities that differentiate merely good companies from truly great ones. One of the core findings was the concept of Level 5 Leadership. In the vast landscape of leadership literature, few concepts have sparked as much interest and reverence as the one uncovered by Jim Collins.

Delving deep into what separates ordinary companies from outstanding ones, a distinct pattern emerges, anchored around unique leadership characteristics. This isn't about the leaders who chase the fleeting limelight or those who prioritize self over service. Instead, it's about a rare breed of leaders whose attributes might surprise you. Discover what's central to transformative leadership and why this insight might be the game-changer in your understanding of organizational success. You won't look at leadership the same way again. Let's explore this idea and understand what sets these leaders apart.

The Level 5 Leadership Concept

At the heart of company transformation from good to great is the role of the leader. Every company that transitioned to greatness had one thing in common: Level 5 Leadership. This isn't merely a top leadership position title but a holistic blend of skills, attitude, and vision.

The Hierarchical Levels Of Leadership

The term “Level 5” isn’t arbitrary. It represents the pinnacle in a hierarchy of leadership capabilities, with each preceding level providing the foundation for the next. As Level 5 is at the top, it embodies the best aspects of all the other levels and adds a unique blend of personal humility and indomitable will.

Jim Collins’ book “Good to Great” introduces a hierarchy of leadership levels that describe the progression of leadership capabilities. Each level builds upon the previous one, culminating in Level 5 leadership, which Collins argues is crucial for transforming a good company into a great one. **Here’s a breakdown of all five levels:**



Level 1

Highly Capable Individual

Definition: At this level, individuals possess the knowledge, skill, and work ethic required to contribute productively to the organization.

Key Characteristics:

- Relies on personal competency
- Produces high-quality work
- Is a solid contributor



Level 2

Contributing Team Member

Definition: These are individuals who, beyond their capabilities, work effectively and harmoniously as part of a team.

Key Characteristics:

- Collaborates well with team members
- Uses individual capabilities to achieve group objectives
- Is committed to the team’s goals and the company’s overarching purpose



Level 3

Competent Manager

Definition: Managers at this level efficiently organize people and resources toward completing specific organizational goals.

Key Characteristics:

- Capable of organizing a group effectively
- Demonstrates strong management skills
- Allocates resources efficiently to achieve objectives



Level 4

Effective Leader

Definition: Leaders at this level can stimulate high standards and galvanize their departments or the organization to achieve a compelling vision or higher performance standards.

Key Characteristics:

- Catalyzes commitment to pursue a clear and compelling vision
- Drives the organization to higher performance standards
- Stimulates higher organizational performance through motivation and determination



Level 5

Level 5 Executive

Definition: At the top of the hierarchy are leaders who possess all the abilities of levels 1 through 4 and have an exceptional blend of humility and professional will.

Key Characteristics:

- Puts the organization and its success above personal accolades
- Possesses a unique blend of personal humility and professional will
- Leads with ambition for the organization and not for themselves
- Sets up successors for even greater success in future
- Takes responsibility for failures and credits success to others

It’s important to note that while the hierarchy represents an ascending order of leadership capability, not every leader necessarily progresses through each level sequentially. Some may jump levels, and others might exhibit characteristics of multiple levels at once. However, Collins’ central argument is that to transition from an excellent company to a great one, Level 5 leadership is indispensable.



Characteristics Of A Level 5 Leader:

These leaders possess a paradoxical combination of humility and determination. While they are incredibly ambitious, their ambition is directed toward the organization's welfare rather than personal gain. They prioritize organizational success over personal accolades.

The Humility And Will Of Level 5 Leaders

In stark contrast to the bold, ego-driven leaders that sometimes dominate the business landscape, Level 5 leaders are marked by compelling modesty. They are self-effacing and understated, never seeking the limelight for personal glory. Instead, they are driven by a deep-seated desire to see their organization thrive.

Differences Between Level 4 And Level 5 Leadership

Level 4 leaders, while competent, often let their egos steer the ship, which might set their successors up for failure. On the other hand, Level 5 leaders set the stage for even more significant successes in the subsequent generations, ensuring the organization's longevity and prosperity.

The Role Of Professional Will In Level 5 Leadership

Beyond humility, Level 5 leaders exhibit an unyielding resolve. This passionate drive is marked by a relentless need to achieve enduring results. Their approach is work-

manlike, reminiscent of a plow horse's steady grind than a show horse's fleeting brilliance.

Why Level 5 Leaders Prioritize Organizational Success

For these leaders, success is always an external factor. When success is achieved, they look outside, attributing it to their teams, luck, or other factors. Yet, when faced with failures, they introspect, taking personal responsibility. This accountability contrasts sharply with many other CEOs, who often reverse this attribution.

Level 5 Leaders Are Usually From Within

Historically, many companies have undergone transformative changes under the guidance of Level 5 leaders. Most of these leaders, interestingly, emerged from within the ranks of the company. This internal rise is notable, especially when contrasted with the frequent boardroom trend of seeking out celebrity external CEOs.

The Journey: Cultivating Level 5 Leadership In Yourself

Believe it or not, Level 5 leadership isn't a trait reserved for the chosen few. Many possess the latent capabilities to evolve into such leaders. The key lies in self-awareness, constant growth, and an unwavering focus on organizational well-being over personal gain.

Challenges And Criticisms Of The Level 5 Leadership Concept

Like any theory, the Level 5 Leadership concept isn't without its critics. Some argue the scalability of such leadership or its applicability across sectors. However, the empirical evidence supporting the benefits of Level 5 leadership is solid and hard to dispute.

The Lasting Impact Of Level 5 Leaders On Organizations

In the end, the legacy of Level 5 leaders is undeniable. Their emphasis on humility and professional will, combined with their penchant for setting up future generations of success, ensures that their organizations achieve greatness and sustain it.

> Benefits Of Investing In A Company Run By A Level 5 Leader.

Investing in a company overseen by a Level 5 leader comes with several distinct advantages:

- 1. Long-Term Vision:** Level 5 leaders are not about short-term gains; they prioritize sustainable success. This means investments in their companies' stock are more likely to grow steadily and consistently over time rather than experiencing unpredictable peaks and valleys.
- 2. Stability:** With their unique blend of personal humility and professional will, Level 5 leaders tend to foster a stable and positive organizational culture. Stability often translates to less internal strife, fewer unexpected business pivots, and more predictable financial outcomes.
- 3. Employee Loyalty and Productivity:** Such leaders often command genuine respect from their teams, leading to increased employee loyalty, reduced turnover, and higher productivity—all crucial indicators of a company's long-term viability and profitability.
- 4. Succession Planning:** Level 5 leaders focus on setting their successors up for more extraordinary achievements. This means that even after their tenure, the company is more likely to continue on a path of success, ensuring long-term investment returns.
- 5. Accountability:** Given their tendency to look inward during failures, Level 5 leaders are likelier to address and rectify issues rather than ignore them. For an investor, this translates to a higher trust in the company's leadership to correct course when necessary.
- 6. Informed Decision Making:** Their workmanlike diligence ensures that decisions are made after thorough research and consideration rather than on whims or incomplete information. This reduces the risk of drastic negative impacts on the company's value due to hasty decisions.
- 7. Focus on Organizational Health:** Level 5 leaders' commitment to the organization's overall health over personal gains ensures that decisions are in the company's and its stakeholders' best interest, including its investors.
- 8. Resistance to Trends:** While being innovative, Level 5 leaders are not swayed easily by every market trend. They understand the core competencies of their businesses and won't chase after every new fad, ensuring stability in the company's strategic direction.
- 9. Credibility with Stakeholders:** The reputation of Level 5 leaders can enhance the credibility of the company in the eyes of other stakeholders, partners, and the market at large. This can lead to better partnerships, deals, and business opportunities.
- 10. Consistent Performance:** Historically, companies run by Level 5 leaders, as identified by Collins' research, have shown consistent market-beating performance. For investors, this means better returns and a more predictable investment trajectory.

Investing in a company steered by a Level 5 leader increases the probability of enjoying consistent, long-term returns while minimizing potential pitfalls associated with leadership instability, poor decision-making, or short-term strategic blunders.

Key Takeaways

- **Leadership Pinnacle:** Level 5 represents the zenith in a tiered framework of leadership skills.
- **A Unique Fusion:** These leaders are defined by a rare interplay of deep-seated modesty and unyielding determination.
- **Company-First Ethos:** Their primary ambition is the organization's success over personal accomplishments.
- **Legacy Building:** Rather than setting successors up for pitfalls, they lay a foundation for ongoing organizational excellence.
- **Diligence Over Showmanship:** Their approach is consistent and steadfast, valuing substance over superficiality.
- **Success Attribution:** In triumphs, they highlight external factors; in setbacks, they turn inwards, holding themselves accountable.
- **Inherent Potential:** Many have the innate qualities to cultivate Level 5 leadership within themselves.
- **Empirical Evidence:** This leadership model stands firm against scrutiny, backed by data and real-world results.

Conclusion

The essence of a Level 5 Leader revolves around an intrinsic blend of humility and unwavering dedication, always prioritizing the institution's accomplishments above their own. While their modest demeanor might not capture headlines, their indomitable drive ensures lasting organizational legacies. Such leadership transcends fleeting business trends, offering an enduring blueprint for sustained excellence.

In today's rapidly changing business landscape, the timeless lessons from "Good to Great" and the Level 5 Leadership concept remain as relevant as ever. Jim Collins observed that the evidence for such leadership's effectiveness isn't ideological but empirical, making it a crucial blueprint for aspiring leaders everywhere.



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