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The leadership premium
How companies win the
confidence of investors



March 2012

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Foreword

We had a simple goal when we started this research. We wanted an easy-to-understand and unambiguous metric for the effectiveness of leadership. Our aim was to enrich the debate on how we can measure something that's been left in the bucket of “intangible assets” for too long.

In developing *The Leadership Premium*, we've combined survey data and perspectives from interviews with investment bankers, private equity companies, and analysts around the world with our own expertise and experience of helping leaders to deliver successful transformation.

Our research into what analysts are looking for in leaders suggests that they focus on three core tasks: setting direction, executing strategy, and creating an environment for innovation. This has elegance. It also sounds simple. However, as we know, these are not simple tasks. They are tough ones. The challenge for leaders is balancing current and future needs. They must keep business as simple as possible—so that they can focus on creating the conditions for their organizations to succeed in the long term.

We hope that this paper will help companies to understand the material impact that leadership can have on their performance, in terms of both the bottom line and equity value, and set out a compelling vision of effective leadership in the 21st century.



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Introduction

The past few years have been tough. Few businesses were untouched by the late-2000s worldwide slowdown. For many, the dust has yet to settle, and the impact of ongoing financial turmoil in Europe threatens to dampen global growth in 2012 and beyond.

The crisis has created numerous challenges—mergers, acquisitions, retrenchment, organizational restructuring, and a reappraisal of strategic priorities. Yet even before the credit crunch, organizations around the world were facing major structural changes in the way that they do business. Increased media scrutiny, evolving regulatory requirements, demographic change, demands for greater sustainability—these elements are creating a tough new set of challenges for businesses as they move through the 21st century. Added to these is the digital revolution, which is fundamentally altering the way that most companies interact with their suppliers, customers, and wider stakeholders.

The recent global downturn has added to the pressures created by these structural changes, draining balance sheets of cash and organizations of the resources to effect change.

That said, many companies have asked themselves some fundamental questions—about their positioning, the needs of their customers, and their business model. Many have indeed taken action.

The challenge for today's leaders is managing the turmoil of the present while creating a sustainable future and protecting—or in some cases re-establishing—the identity of their organizations.

Specific problems and agendas vary. But the same priorities apply in almost every case—consistency of communication, infusing a distinct culture, delivering change, and rallying people for common goals.

Most businesses would recognize that leadership is important to their performance, yet leadership strength is often seen as intangible. We sought to challenge this idea and measure the impact that effective leadership can have.



In many organizations, leadership remains a neglected area. In a Deloitte survey last year, only 4.3 percent of executives rated their organization's leadership development as "very effective"—and less than 2 percent strongly agreed that their succession planning was what it should be.¹ The development of leaders is often looked after by someone several reporting lines beneath the HR director—and seen as discretionary spend, cut during downturns.

It's notoriously difficult to measure the impact of successful leadership development, and many organizations have given up trying to do so. In the research for this paper, we wanted to find a quantitative metric for the value of leadership. We set out to understand the impact of leadership on long-term equity value—its relative importance compared with other aspects of company performance, and the size of the potential uplift (or discount) it can deliver.

We interviewed and surveyed leading market analysts in the United Kingdom, the United States, China, India, Japan, and Brazil about the impact—both good and bad—that leadership can have on share price. We believe the results help quantify the risks of a leadership deficit to an organization.

As a firm, we believe that leadership can be developed, that organizations can be set up to create long-term, sustainable leadership capability, and that doing so can improve bottom-line results and increase shareholder value.

Based on our research, we have developed some practical recommendations for businesses on how they can enhance their leadership effectiveness and demonstrate it to the financial markets, their shareholders and, ultimately, their wider stakeholders.

As a firm, we believe that leadership can be developed, that organizations can be set up to create long-term, sustainable leadership capability, and that doing so can improve bottom-line results and increase shareholder value.

In compiling *The Leadership Premium*, we've combined survey data and perspectives from interviews with analysts with our own expertise and experience. We hope that the result is a blueprint for successful leadership.



Key findings

According to the analysts we surveyed, senior leadership team effectiveness is more important than both earnings forecasts and ratio analysis² as a measure of success. Financial results were still the most important factor—cited by 60 percent of analysts—but the quality of senior leadership has a tangible, measurable impact on analysts’ opinions as to whether companies have been successful and, crucially, will be successful in the future. (See Figure 1)

The following four quotes are typical.

“I don’t view financial performance as that important because I think it is only a result. Take Amazon as an example. Although it was in the red for years, real investors focused on the long-term potential value. I think all good performance is from good leadership.”

Analyst, China.

“If the company has an effective leadership, it becomes a target for us, if not we do not invest.”

Asset manager, Brazil.

“We look at the management qualities [of the company] and the track record of the people who are leading it and what they have done in the past. I would say [they can] add another 25–30 percent to the value of the company.”

Analyst, United Kingdom.

“I look at factors that go beyond specific financial factors. I can look at ROE and I can look at financial ratios as much as I want. But when you’re looking at reputation you generally look on a broader scale. So I look at media presence around the company, what people are saying, governance. I look for leadership factors in the CEO and the top leadership management.”

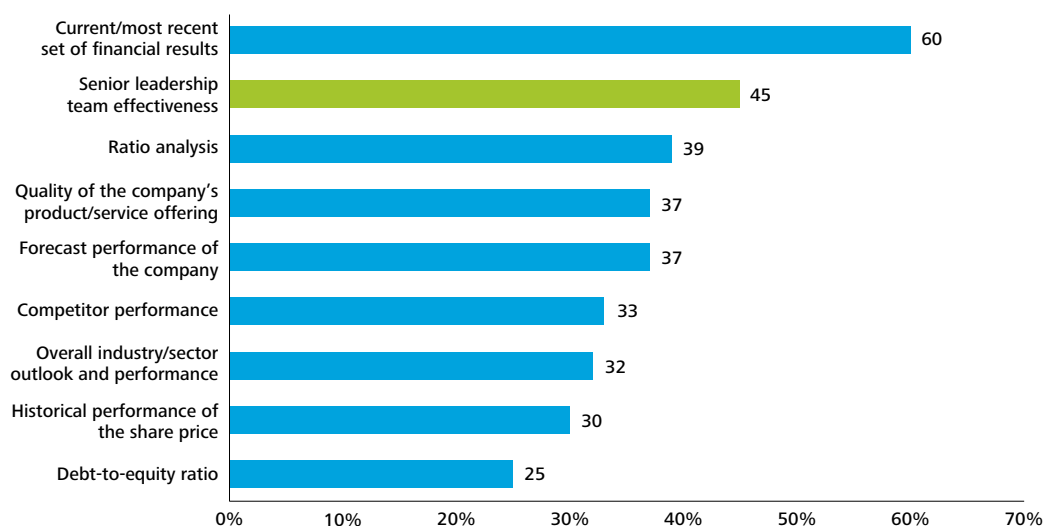
Market analyst, United States.

The majority (52 percent) of analysts told us that they routinely factor an assessment of senior leadership strength into their company valuations. This is in addition to analysis of financial results and performance forecasts, which many analysts cited as already providing a reflection of the effectiveness of senior leaders.

Even many of those analysts who do not routinely ascribe equity value to senior leadership would place a premium valuation on an exceptional team. Overall, 80 percent of analysts surveyed said that a company with a particularly effective senior leadership team would receive a premium valuation. The inverse is also true: 80 percent of analysts also said that they would place a discount on a company that they perceived to have a particularly ineffective leadership team.

Figure 1. Criteria that analysts use to judge company success

Percent of respondents who cited each factor



The gap between the value of a company with good leadership and that of a company with weaker leadership could be more than 35.5 percent. On average, we discovered a premium of 15.7 percent for particularly effective leadership—and a discount of 19.8 percent for its opposite.³ (See Figure 2)

Some analysts stated that concerns about the quality of a senior leadership team would be enough for them to avoid investing in that stock at all.

It's hard to think of more compelling reasons for a leadership review.

Figure 2. Average premium and discount placed on effective/ineffective leadership



About the methodology

The findings of this report are based on online surveys and interviews with analysts from leading investment banks, private equity investors, hedge fund executives, and portfolio managers in the United Kingdom, the United States, China, India, Japan, and Brazil. The research was conducted between August 2011 and January 2012.

- The online surveys were carried out by YouGov on behalf of Deloitte between November 2011 and January 2012, based on a question set written by Deloitte. The sample sizes were: United Kingdom: 202; United States: 202; China: 24; Japan: 17.
- Face-to-face and telephone interviews were carried out by YouGov and Deloitte in the United Kingdom, the United States, China, India, Japan, and Brazil between August 2011 and January 2012. The questions asked reflected

those in the online survey, but also probed respondents in more depth about their valuation decisions. The sample sizes were: United Kingdom: 50; United States: 19; China: 38; India: 15; Japan: 37; Brazil: 14.

All responses were given on the condition of anonymity, both for the respondents and their employers.

This report builds on previous research carried out by Deloitte for earlier papers in the “Digital Leadership” series. Deloitte and Spencer Stuart interviewed leaders from some of the world’s largest TMT firms and asked them about their views on leadership and the challenges facing TMT businesses.

The views expressed by third parties in this report are not necessarily those of Deloitte Touche Tohmatsu Limited and its member firms.

Implications for companies

The findings of our research do not differ materially by country and region. We did, though, uncover some significant variations by size and type of company.

Leadership premiums vary across industries

Our results suggest that assessments of leadership capability have a bigger impact on company share price in some sectors than in others. Of the analysts we surveyed, those focusing on consumer goods ascribed an average of 21 percent of company equity to the senior leadership team, compared with 14 percent for TMT analysts. (See Figure 3)

This implies that in the eyes of the financial markets, good leaders can make a bigger impact in sectors where the product range is, to a large extent, standardized. These sectors require low levels of R&D spend and see their performance reflected in financial results almost immediately, making it relatively simple for analysts to assess the impact of a new leader or of a change in leadership style.

By contrast, industries such as TMT are undergoing rapid and radical structural transformation and are subject to constant innovation. The impact of performance on results is often delayed. Consequently, financial analysts may find the contribution of leadership harder to quantify.

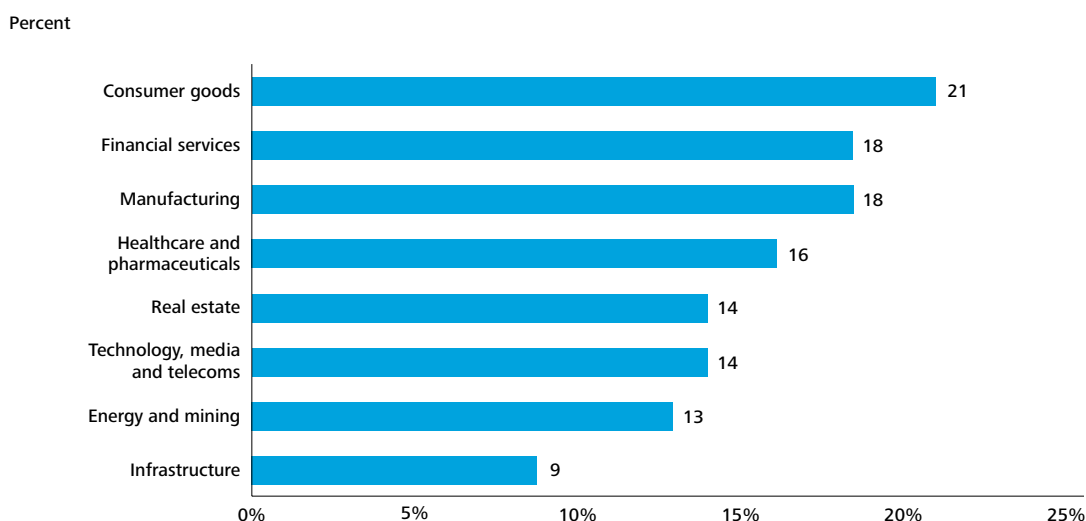
Leaders of smaller companies command bigger premiums

Many analysts cited potential premiums in excess of 20 percent. By far the biggest consideration when determining both the proportion of equity ascribed to leadership and the potential premium on high-performing leaders was the size of the company.

Across all markets and industries, analysts agreed that senior leadership exerted a far stronger influence—either good or bad—on small companies than on their larger counterparts. In small and early-stage, high-growth companies, the level of risk is higher than in large mature organizations, and the decisions made by senior leaders will ultimately determine whether a company is able to navigate that risk successfully. Furthermore, leaders in small companies tend to be less constrained in their actions by long-established processes and protocols, giving them more freedom to alter the direction of the company.

This also means that the quality of leadership in small companies can be easier to recognize. As one analyst put it, “large companies are super tankers, so if they are going wrong it’s going to take a long time to notice.”

Figure 3. Equity value ascribed to senior leadership team by industry



How do organizations get the premium?

Our results show that the market is “leadership sensitive,” and that most analysts—80 percent in our survey—reward organizations that demonstrate particularly effective leadership compared with their peers. There’s also evidence to imply that both company size and industry characteristics affect the amount of value the market places on senior leadership teams.

It is imperative that senior leaders recognize their importance to the market and the impact that their actions can have on their company’s share price.

Leaders must also be aware of precisely how the market measures their leadership performance.

Four-fifths, 80 percent, of all analysts cited face-to-face meetings as one of their preferred ways of finding out about leadership capabilities, with 56 percent ranking it as their first choice method. (See Figure 4)

“To me, it’s very important to see and listen to them, so I put enormous value in the analysts’ conferences they hold. This is when they meet investors, talk to us and try to tell us what they do and why they’re good at what they’re doing.”

Financial analyst, United Kingdom.

Skill as a communicator, though, is secondary.

Analysts are actively looking as far inside organizations as they can:

“When I attend exhibitions, etc., I try to communicate with the junior members to check whether the message of the CEO [has] penetrated ... All employees should have the same goal and process in mind ... the same direction.”

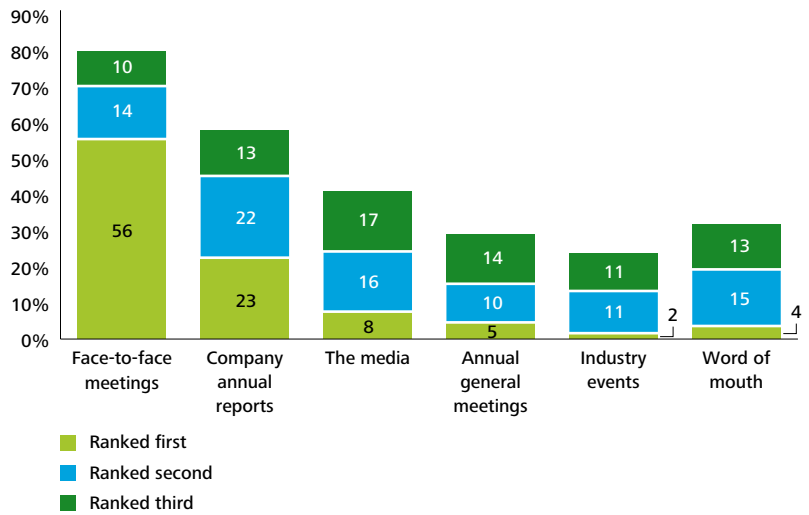
Investment analyst, United States.

“It is quite easy to read signals from employees—whether they trust their leader, whether they are willing to support the CEO, and whether the organization is united, with all members moving in one direction.”

Analyst, Japan.

Figure 4. How analysts gather information about leaders

Percent of respondents who cited each factor



The challenge: Maximizing shareholder return through leadership

The challenge for any CEO or chair is to maximize stakeholder and shareholder returns in the long term.

So what is the leadership model our research uncovers?

In our previous research, we discovered that many major corporations had found that orthodox management practices and organizational principles were not well suited to the modern era. However, our view is that current conditions don't demand a revolution so much as a renewed focus on the fundamentals of leadership.

Leading an organization in uncertain times requires leaders to adopt different strategies to ensure their organizations are successful. Leaders need to lead in the way that works in their own organization. By this we mean that the "how" is entirely dependent on context. There is no one right way to lead an organization. However, certain principles apply irrespective of sector and circumstances. The basic tasks haven't changed: all leaders have to set direction, build commitment among the workforce, execute strategy effectively, and find new products, services, and ways of working.

Our survey data and our interviews show analysts look for three core components:

- Strategic clarity—a clear vision of what the organization needs to achieve.
- Successful execution—proven ability to meet objectives.
- A culture of innovation—commitment to enterprise; an environment for ideas.

In addition, they look for two things that support these components:

- Effective corporate governance.
- Effective leadership characteristics.

Strategic clarity

"Clear strategy is the greatest premium that a company can provide. You must know the market well."

Financial analyst, Brazil.

"I check whether they have a unique and well-conceived strategy, not something similar to what their competitors' are doing ..."

Analyst, Japan.

If modern leadership is all about driving transformation and moving forward in a dynamic and uncertain environment, defining organizational strategy is arguably the most important task of any leader. For many businesses today there is no predefined destination, which makes setting strategic direction all the more difficult.

Organizations need to decide where, and on what basis, they will compete. Clarity on this is critical. Virgin Media's decision to focus on its network as its core strategic asset was the beginning of an impressive corporate turnaround. Southwest Airlines' early use of the Internet and online booking and check-in has helped consolidate its position as a low-cost, low-fares carrier. Apple's relentless focus on "insanely great" products allowed it to transform consumer electronics. FedEx Ground's emphasis on service and its early use of tracking systems (as RPS in the 1980s) enabled it to challenge UPS.

More than one-quarter—26 percent—of analysts we surveyed cited clear strategy as the factor that best describes effective leadership—compared with just 13 percent who cited delivering strong financial results. (See Figure 5)

Correspondingly, a lack of strategic clarity is the characteristic most likely to signal ineffective leadership, and hence to lead to a discounted market valuation. (See Figure 6)

“In the past 10 years, China has been booming, and some companies perform just by luck ... their earnings can go up by 40 percent in a year; but everything is changing – we need to see clear strategies for success.”

Senior investment manager, Hong Kong.

“I do not appreciate companies that diversify their business domain without any clear corporate philosophy or [clear idea of] risk-return balance.”

Analyst, Japan.

Establishing the strategy

Our conversations with analysts and our experience with clients suggest that many TMT companies are still unsure about where to focus.

So how can leaders arrive at good strategy?

Firstly, they must have a clear vision of where they want to be and want to achieve. The plan, though, must not be too prescriptive: it must provide a framework that leaves enough room for people to create the future.

Secondly, they must make sure the strategy reflects the circumstances they face, the markets they’re operating in and their overarching objectives.

Thirdly, they must demonstrate consistency and commitment. Many analysts cited examples of companies that failed to “go the distance,” that set targets that they were unable to meet, or that quietly ignored previous targets that had become unrealistic.

Figure 5. Analyst definitions of effective leadership

Percent of respondents who cited each as a top factor

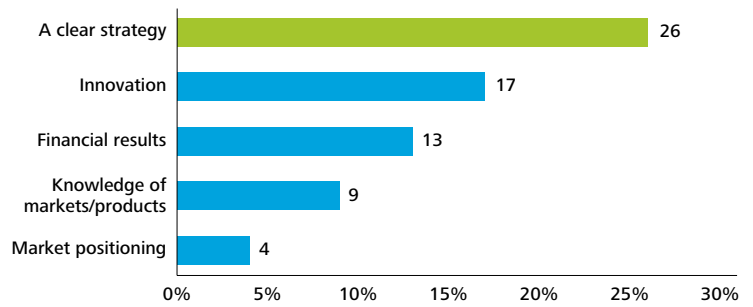
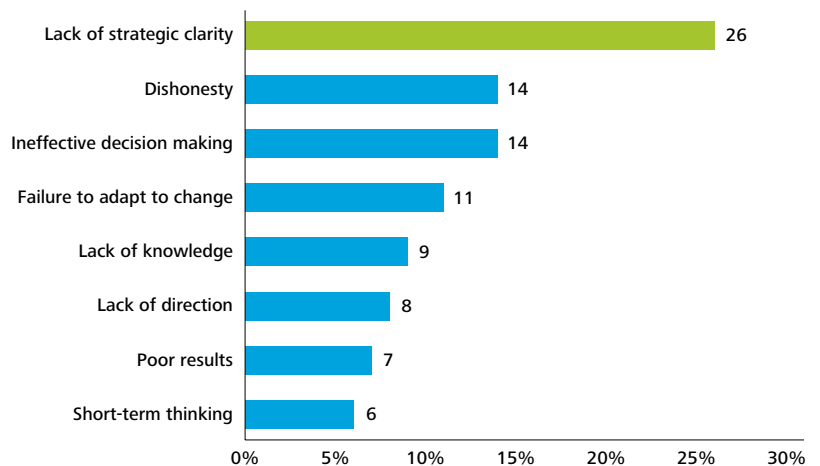


Figure 6. Analyst definitions of ineffective leadership

Percent of respondents who cited each as a top factor



Successful execution

“When we talk about strategy, it is not only about having a clear strategy at an executive level, but being able to implant and execute it. Those are the main factors that assure a financial result.”

Asset manager, Brazil.

“Effectiveness, their ability to deliver what they’re committed to, through their people [this is what matters].”

Analyst, Hong Kong.

To execute a strategy successfully, companies must ensure that they have the right conditions and systems. Common to the organizations we’ve spoken to is a belief that the only long-term differentiator they have is their people. The priority for any organization, therefore, has to be getting the best out of its people, by ensuring that they are willing and able to fulfill its aims.

Research by Deloitte⁴ has highlighted the factors that give organizations a head start when implementing strategies—and its findings are echoed in the views of analysts.

There are four essential imperatives for effective collaboration and the successful execution of strategy.

1. **Believe.** The senior leadership team must have a compelling reason for the strategy and they must communicate it effectively to every single individual involved in its implementation; they must build a strong sense of commitment in the workforce.

“The ability to draw a vision and to show specific milestones and the process to achieve the goal ... to build effective teams, lead all employees in one direction, is required.”

Analyst, China.

2. **Belong.** People must identify closely with the organization or the part of it responsible for implementing change. They must connect with the organization emotionally—and feel they belong.

Further research by Deloitte, presented at the 2012 World Economic Forum in Davos, suggests that in creating a strong and lasting sense of identity, leaders need to articulate a long-term purpose beyond just making money.⁵ Investors told us they are also looking for this.

“A company should not only seek short-term profit, but should always have long-term vision and seek to contribute to society.”

Senior analyst, Japan.

3. **Behave.** Good leaders adapt their styles according to the particular challenges they’re facing – while remaining true to their values. Analysts are looking at whether the leadership style is suitable for the organization.

More than this, they’re looking for a culture that’s strong on team building—and respect.

“He’s not a big boss type, but rather an amiable and reliable young leader. What is good about him is that he has firm conviction in himself, and also a strong and logical mind ... He is good at nurturing subordinates. He trusts his team and delegates authority. From my perspective, employees are highly motivated and devoted in his organization.”

Analyst, Japan.

4. **Able.** People must have the capabilities, resources, and infrastructure to deliver; there must be a structure that supports strategic goals.

“To me, effectiveness is their ability to deliver what they’re committed to, through their people.”

Analyst, Hong Kong.

A culture of innovation

To become market leaders, companies should strive to perform above and beyond market expectations. During our research, innovation emerged as one of the key things that, for analysts, differentiates a company from its peers. In fact, it was the aspect of effective leadership most prized, after strategic clarity.

“Clear strategy and innovation are imperative for the long-term strategy and sustainability of the company.”

Equity analyst, India.

“Continuous innovation is mandatory for the growth of the company.”

Senior analyst, Japan.

In organizations that innovate successfully, great ideas are generated and developed through interaction. People are given the freedom to experiment—and, crucially, the freedom to fail and start again. Continuous innovation is not about continually hiring radical new thinkers; it’s about realizing the potential of the thinkers you’ve got.

An innovation culture is a collaborative culture. It requires openness to the ideas of others. And it requires a corporate structure where people can work together, without being impeded by the organization’s silos.

Effective corporate governance

“Integrity and being responsible to shareholders [are crucial].”

Analyst, Hong Kong.

“... I will be very sensitive to market rumours around fraud or weak governance.”

Analyst, Japan.

Governance is arguably the element that underpins all other factors. The UK phone hacking scandal, the global financial crisis and debates about the use of customer data, have highlighted the need for organizations to be effectively governed.

Good governance protects an organization from reputational and downside risks—while, at the same time, allowing it to make informed decisions about entrepreneurial risks.

But what exactly is good governance in the eyes of analysts?

Independence and lack of self-interest in decision making are key. This is seen in the following responses to questions about causes for concern.

“... removing people from the board who have offered a sort of independence.”

Equity analyst, United Kingdom.

“... not being focused on shareholder interest.”

Equity analyst, United States.

“... decisions that may [enable leaders to] enrich themselves at the expense of shareholders.”

Equity analyst, United States.

One of the most interesting results of our research, however, was this: only 8 percent of analysts said they took the roles of chairman and non-executives into account when making an assessment of leadership effectiveness.

Why might this be the case? Perhaps non-executives are not expected to have day-to-day involvement in the running of the business and are therefore not “exposed” to analysts and the media to the same extent? Or is it also because non-executives have failed to avert some of the recent failures of large corporations—and their roles are, in effect, seen as sinecures?

Either way, the message being sent by the analyst community is that they are finding it hard to judge the contribution of non-executives and translate that into market value. Compliance with a code of best practice, for example, is too superficial a measure: it’s not the same thing as commitment to best practice.

In the best organizations, governance systems are not imposed as a superstructure. They’re an integral part of the corporate culture.

The challenge for companies is to improve and secure good governance without creating excessive bureaucracy or stifling innovation. This returns us to the need to create the right conditions.

Effective leadership characteristics

Our research suggests analysts’ expectations of leaders fall broadly into two categories: capabilities and personal qualities.

Capabilities

There’s a big overlap between the capabilities analysts look for and research into effective leadership.

Deloitte research, corroborated by comprehensive data from Kaisen Consulting,⁶ reveals six core capabilities:

1. Driving competitiveness and innovation.
2. Providing direction and purpose.
3. Making effective decisions.

4. Inspiring others to act.

5. Developing people.

6. Building high-performing teams.

These capabilities are consistent with analysts’ demands for strategic clarity, successful implementation and continuous innovation. They also reflect another key finding of our survey: recognition of the importance of the whole of the leadership team and the senior management of the organization. The analysts we spoke to reject the idea of the “hero CEO.” Their definition of leadership is much broader.

“If you’re going to operate effectively you need to have good senior management and middle management as well.”

Analyst, United States.

Consequently, they look for the organization’s ability to build teams, develop people, and “achieve results through the performance of others.”

“There are many different types of leader, and I wouldn’t ascribe any one trait over another ... [But] If [I had to name just one] I would say the ability to recognize their own weaknesses and supplement those with other people ... Building up the senior leadership team’s confidence allows the strategy to be implemented effectively, and improves the execution.”

Analyst, China.

The importance that analysts placed on leadership roles when assessing their contribution to company success differed for the C-suite team/executive board (40 percent) and the CEO (47 percent). Among those who said they would look predominantly at the CEO, however, there were concerns that he or she should not hold excessive power. (Similar concerns, of course, are voiced in the UK Corporate Governance Code, annexed to the London Stock Exchange Listing Rules: “No one individual should have unfettered powers of decision.”)

Personal qualities

The analysts in our survey value integrity, probity and—as can be seen in the quotes above—humility. They look for what might be termed “moral courage”—the ability to recognize personal weaknesses and remain unthreatened by the ideas of others.

How do they judge whether someone has these qualities?

There’s no doubt that the way leaders communicate with them is key.

“Managements’ attitude towards investors—openness and honesty—matter. There are managements that are reluctant to be in front of investors ... A CEO of a client was always absent in the financial results briefing meeting. An attitude like this shows that the CEO or the company has some severe problem they need to keep secret.”

Analyst, Japan.

“Poor communication with the investment community is a major destroyer of trust in the leadership team.”

Analyst, United States.

“I think a red flag is whenever there is a sense that the management has not been straight with you. It’s not that they have told outright lies, but they have suggested things are better than they are. The classic one is when you get an earnings disappointment—against the guidance recently given to you by the company.”

Financial analyst, United Kingdom.

Another important factor is leadership style. Despotism and autocracy are distrusted.

“I am worried if one person dominates the company.”

Financial analyst, Japan.

The challenge for companies is to improve and secure good governance without creating excessive bureaucracy or stifling innovation.

“[I] want leaders, not know-it-alls ... leaders who have employed the right team below them.”

Equity analyst, United Kingdom.

“[I look for] senior managers who work collectively well—teams rather than super-heroes.”

Equity analyst, United Kingdom.

“There’s a lot of people out there who are knowledgeable, but the question is, are they willing to give up power so that they allow others to step forward and make a mark?”

Wealth manager, United Kingdom.

The plain fact is that an egoist or an autocrat is not going to put the long-term interests of shareholders and stakeholders first. They’ll be unlikely to listen—and to develop the potential of others.



Conclusion

Analysts value effective leadership at a premium—and levy a discount for ineffective leadership.

They want to see leaders who have the mental agility to think clearly and quickly, the practical skills to implement strategy effectively, and the “softer” skills needed to build teams and relationships. They do not, though, expect to find all these attributes in any one individual.

Leaders who fail to communicate effectively and honestly lose the confidence of analysts. So, too, do those who take an autocratic approach to management.

In preparing for the challenges ahead, organizations need to be aware of the “leadership premium.”

Some of the key questions for leaders are listed, by theme, on the opposite page.

Endnotes

- 1 Deloitte Touche Tohmatsu Limited, *Head Start: A new approach to leadership development*, January 2012. See also IEDP, “Learning in Organizations—Survey Review,” 25 January 2012. http://www.iedp.com/Blog/Learning_to_Lead_Survey_results
- 2 Analysis of company financial ratios such as debt-to-equity ratio, return on capital employed and return on equity.
- 3 442 analysts disclosed a typical premium and 428 a typical discount.
- 4 The Deloitte As One research programme of 2008–10, the results of which were published in *As One: Individual action, collective power* by Mehrdad Baghai and James Quigley (Portfolio Penguin, 2011). See also: http://www.deloitte.com/view/en_GX/global/services/consulting/as-one-collective-leadership/index.htm. Further work was conducted by Deloitte’s LEAD team, set up in January 2011. Its research paper on the tasks of leadership will be published in April 2012.
- 5 Deloitte Touche Tohmatsu Limited, *Business: Society Point of View*, January 2012.
- 6 Kaisen Consulting’s database, which contains assessments of over 15,000 leaders from major global organizations.

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Questions for leaders

Strategy

- How do you compete currently in the market?
- What changes will you have to make to stand out from your competitors?
- Are you and your team fully committed to making those changes—and do you and your team fully understand their implications?

Execution

- Have you effectively communicated the strategy and your plans to achieve it to stakeholders?
- How strongly do people believe in what you're trying to do and identify with the organization?
- Do teams work together in a coherent way? Is there a conflict between leadership style and strategic goals? Or between different parts of the business?
- Where are the capability gaps that could prevent the organization from achieving its aims? Are they related to people—or processes and infrastructure?

Innovation

- Are you encouraging innovation at all levels?
- Do you accept that failure is an inevitable part of a culture of innovation?
- How is the development of new ideas reflected in your performance management processes?
- What mechanisms do you have to encourage cross-functional working?
- Where can you find the talent to realize new ideas?

Effective governance

- Is there the right balance of skills and experience on the board? Is there the independence to avoid “groupthink”?
- Do executive roles reflect the organization's strategic priorities?
- Does the non-executive team contribute sufficiently to the development of strategy?
- Does your governance model focus too much on processes and too little on principles?
- Does the organization understand its risk-management responsibilities?

Effective characteristics

- Does the organization manage teams effectively? Does it encourage leadership at all levels?
- Is there a culture of honesty and openness—or of politics and spin?
- Are you spending enough time meeting analysts face-to-face?

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