European Conference on Management Leadership and Governance

Dr Amanda Goodall

www.cass.city.ac.uk
What I will present

1. The case for ‘expert leadership’ from different settings

2. Why experts might make better leaders
How much core-business knowledge should leaders have?
Does it matter to the performance of Mercedes-Benz that the head of the company trained as an engineer and worked in the company for many years?
How important is it that the CEO of a hospital is a doctor as opposed to a non-medically trained manager?

Toby Cosgrove MD, CEO of Cleveland Clinic
Why are the most successful consulting firms (Deloitte, E&Y, KPMG, PWC) led by their top consultants?

Punit Renjen, CEO Deloitte
Been at Deloitte since 1989
MY KEY IDEA
Successful leaders are those who have a deep understanding of the core business of their organization.
‘Expert leaders’

Being a capable general manager alone is not sufficient
Leaders matter

I believe leaders (and managers) affect performance and create large spill-over effects on employees
Leaders matter

- I believe leaders (and managers) affect performance and create large spill-over effects on employees.

- There are 1000s of books and articles on leadership, yet generalisable evidence, is, I believe, still lacking.
Leadership is difficult for social scientists to research
We use longitudinal data (fixed effects analysis) where possible to look at the change in leader and the change in performance.
Unlike a randomized control trial (RCT) with placebo, we cannot randomly assign a leader to an organization.
But what if we could?
Boris Johnson
Boris Johnson

Official Rupert Bear Society
Boris Johnson

Official Rupert Bear Society

Melania Trump
Boris Johnson

Official Rupert Bear Society

Melania Trump

Mensa
Radical Feminist Organisation ‘Left Hook’

Boris Johnson

Kim Jong Un

Melania Trump

Official Rupert Bear Society

Weight Watchers®

Mensa
Now let’s take a run through the evidence for expert leadership
Research universities

Goodall, A.H. Research Policy, 2009
My research question was
Who should lead research universities?
Who should lead research universities?

Good managers?

Good scholars?
My key findings

1. The best universities are led by top scholars
My key findings

1. The best universities are led by top scholars

2. Top scholars seem to improve the later performance of their university
A Cross-Tabulation of Presidents' Lifetime Citation P-scores by World University Rank (in quintiles)
The findings are statistically significant
What evidence is there that scholar-leaders improve performance?
In part 2 of my study

Time lags and controls have been incorporated
In part 2 of my study

I look at the performance of a university 10 years after a leader is hired
I mainly use multiple-regression equations to control for other variables
Conclusion

The higher a president’s lifetime citations, the more likely it was that their university improved its research performance.
Socrates in the Boardroom

Why Research Universities Should Be Led by Top Scholars

Amanda H. Goodall

Princeton University Press, 2009
In a recent study

We go inside universities …
Do Economics Departments Improve After They Appoint a Top Scholar as Chairperson? with John M. McDowell & Larry D. Singell. 2017 in Kyklos
Do Economics Departments Improve After They Appoint a Top Scholar as Chairperson?

- We look at the change in performance of 58 US economics departments over 15 years.

- After adding controls for Chairs’ characteristics and institutional factors, we find:
That departments go on to improve when they are led by Heads of Departments whose own research is well cited.

In other words, they are core business experts.
In which other settings have we identified the ‘expert leader’ finding?
Professional basketball

- Work with Lawrence Kahn and Andrew Oswald.
- In longitudinal data we used information from 15,000 basketball games.
- We controlled for a number of factors (team payroll, position played, etc).
We found that star basketball players make better basketball coaches.

Basketball teams in the NBA won more games if led by coaches who were star players or had long playing careers.
Team Playoff Success Before and After Arrival of New Coach (2 year moving average)

Notes to Figure: 1=average of first and second year after new coach is hired, etc. Playoff success takes on 5 values: 0=missed playoffs; 1=lost in first round; 2=lost in second round; 3=lost in third round; 4=lost in finals; 5=won championship. For negative years, values are the average of that year’s playoff success and the previous one; for positive years, values are the average of that year’s playoff success and the subsequent one.
Sports data are interesting for leadership researchers
Formula 1 racing

In work with With Ganna Pogrebna at Warwick University.

We examine the performance of every team in the six decades of Formula 1 championships between 1950 and 2011.
After adjusting for a number of factors, we find that the most successful team leaders in F1 motor racing are more likely to have started their careers as drivers.
Ten years driving experience was equal to a 16% higher probability that the leader’s team gained a podium position (1-3)
What about Football?
The managers of the 92 clubs in the Premier League and English Football League played an average of 16 years in senior clubs.
Alex Ferguson, arguably Britain’s best football manager, played for both club and country, and had average scoring success of 1 goal every second game in his professional career.
Arsene Wenger  

José Mourinho
Arsene Wenger
José Mourinho
ARE OUTLIERS
Hospital CEOs

• Hospitals were traditionally led by doctors but that has changed in the UK and US.

• In the 6,500 hospitals in the US, only 235 (4%) were led by physicians (Gunderman & Kanter, 2009). This figure is now rising.

Goodall, A.H. Social Science and Medicine, 2011
Clinical leadership in hospitals has received a lot of attention.

Many journal articles have debated the merits of clinical leadership.
But until recently there has been very little evidence showing that physicians are associated with better-performing hospitals
In my study I asked a simple question:

Are hospitals ranked higher when they are led by doctors or professional managers?
My data


- CEOs in the top-100 hospitals in three specialisms: Cancer, Digestive Disorders, and Heart & Heart Surgery.
I separate the hospital CEOs – physicians or non-clinical professional managers?

As a proxy for size of hospital, the study includes a variable for the number of beds in each of the 100 facilities.
My results
There is a positive cross-sectional association between hospital performance and physician-leadership (P<0.001).

This remains significant after controlling for potential confounders: hospital size and university affiliation.
Mean Index of Hospital Quality (IHQ) Score of Hospitals Led by Physician CEOs and Manager CEOs in Three Specialty Fields

Index of Hospital Quality (IHQ) Scores

- Physician CEO
- Manager CEO

<table>
<thead>
<tr>
<th>Specialty Field</th>
<th>Physician CEO Score</th>
<th>Manager CEO Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>CANCER</td>
<td>32</td>
<td>25</td>
</tr>
<tr>
<td>DIGESTION</td>
<td>27</td>
<td>20</td>
</tr>
<tr>
<td>HEART</td>
<td>31</td>
<td>22</td>
</tr>
</tbody>
</table>
The statistical analyses reveal that hospital quality scores are approximately 25% higher in physician-run hospitals.
A new study builds substantially on my early paper

Tasi et. al. (2017) examined whether hospital systems led by physicians were associated with better quality ratings, financial performance, and operating efficiency compared with those led by non-physician managers.
The authors found

- Hospitals systems (n=115) that were physician-led had higher quality ratings across 12 medical specialties.

- They also had more inpatient days per hospital bed than did non-physician-led hospitals.

- There were no differences in the total revenue or profit margins between the groups.

- The analysis included 34 physician-led hospitals and 81 non-physician-led hospitals.
Possibly this is more interesting

When we consider that only 5-10% of all US hospital systems are led by doctors
In new work with two Iranian co-authors
Edris Kakemam & Mobin Sokhanvar

- Data include senior managers in 72 general hospitals in Tehran in 2015 & 2016

- Hospitals include public, private & NGOs (Social Security Organization)

- Hospital senior executives were divided into two groups: clinical and non-clinical managers
Mean Performance Score of Hospitals led by Clinical Leaders and Non-Clinical Leaders

HOSPITAL SYSTEM

HOSPITAL PERFORMANCE

- Clinical Lead
- Non-Clinical Lead

Public SSO Private

Mean Performance Score of Hospitals led by Clinical Leaders and Non-Clinical Leaders
More evidence about the effectiveness of doctors as leaders is coming out all the time
With these kind of statistical analyses

- It doesn’t mean that EVERY doctor or basketball player or lawyer is going to be a good leader

- But on average this pattern is found and is reliably statistically significant after including a number of confounding variables
Naturally …

Being a doctor (or scientist, lawyer or engineer) is not a proxy for having management experience or leadership skills
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Being a doctor (or scientist, lawyer or engineer) is not a proxy for having management experience or leadership skills
Most experts (medics, lawyers, etc) in senior leadership positions will have worked their way up and led departments or other units
Leadership and management training is critical and it is now widely recognized as being important.

We have launched a new Masters degree for doctors at Cass this year.
Executive Masters in Medical Leadership

This two-year part-time degree has been designed exclusively by Cass researchers to train doctors in leadership and management.
Is this ‘expert leader’ finding only relevant in settings with doctors, scientists and other professionals?
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No
Boss Competence and Worker Well-Being

In a random sample of 35,000 UK and US employees matched to their firms, we found that the single strongest predictor of job satisfaction is boss competence or expert leadership.
The research identified three critical influences on job satisfaction

1. When employees were managed by a supervisor who could perform the employee’s job

2. If the line-manager worked his or her way up the company
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1. When employees were managed by a supervisor who could perform the employee’s job.

2. If the line-manager worked his or her way up the company.
3. A supervisor’s level of technical competence, as judged by his or her employees

All three of these are predictive of substantially greater levels of happiness among employees
Longitudinal effects on job satisfaction

Note: values are computed by differencing the effects at the 10th percentile from the 90th percentile of each variable. The public sector value is the difference in effect between the public sector and private sector, the tenure value corresponds to differencing the 90th percentile from the 10th percentile, and the education value is the difference in effect between a college degree and a high school dropout.

Artz, Goodall & Oswald, 2016. Fixed-effects estimates; US data.
In new research with Agnes Bäker (Zurich University)
600 faculty reporting on their department Chair in UK research universities

350 doctors reporting on their immediate manager (also doctors) in 3 Zurich hospitals
We find a link between expert leaders, who were middle managers, and high job satisfaction and low intentions to quit.
The competence of your boss will determine your job satisfaction!
Healthcare workers’ well-being is linked to patient outcomes
Job satisfaction and worker well-being are important to individual and organisational productivity.
Organizational Climate and Company Productivity: The Role of Employee Affect and Employee Level  M. Patterson, P. Warr, M. West, JOURNAL OF OCCUPATIONAL AND ORGANIZATIONAL PSYCHOLOGY, 2004

Does the Stock Market Fully Value Intangibles? Employee Satisfaction and Equity Prices  A. Edmans, JOURNAL OF FINANCIAL ECONOMICS, 2011

The Link Between Job Satisfaction and Firm Value, with Implications for Corporate Social Responsibility  A. Edmans, ACADEMY OF MANAGEMENT PERSPECTIVES, 2012


Happiness and Productivity  A. J. Oswald, E. Proto, D. Sgroi, JOURNAL OF LABOR ECONOMICS, 2015

Companies now understand the value of happy workers
Companies now understand the value of happy workers

Best Places to Work 2017 Employees’ Choice

The Sunday Times Best 100 Companies
So how might expert leaders influence the job satisfaction of employees?

Theory of Expert Leadership (TEL) in Psychiatry, Australasian Psychiatry June 2016
In work we are writing up:

Our evidence suggests the mechanisms are through expert leaders’ manager practices and the work environment.
From interview evidence:

- Better feedback
- Better consultation
- Greater understanding about the nature of the work
Managers are more likely to be rated as a ‘good leader’

Morale is rated as ‘excellent’
The doctors also reported:

- They have trust in the hospital’s management
- Feel safe from bullying
How else might expert leaders influence performance beyond job satisfaction?
Theory of Expert Leadership (TEL)

1. Credibility
Why is expertise important?

Dr. Toby Cosgrove, CEO of Cleveland Clinic

“credibility … peer-to-peer credibility.”
The Theory of Expert Leadership (TEL)

2. Organizational strategy – knowledge based strategy
The Mayo website notes that it is physician-led because “This helps ensure a continued focus on our primary value, the needs of the patient come first.”
Theory of Expert Leadership (TEL)

3. Signaling expertise to key stakeholders
e.g. donors, shareholders, potential new hires, etc.
The Francis Crick Institute is a biomedical discovery institute dedicated to understanding the fundamental biology underlying health and disease.
Led by Sir Paul Nurse, English geneticist, Nobel Prize winner 2001 in Physiology and Medicine
4. Hiring other outstanding experts (the expert leader becomes the standard bearer)
“Rosten’s Law”

"First-rate people hire first-rate people; second-rate people hire third-rate people” Leo Rosten 1970
Why am I trying to convince you of something that surely seems logical?
Why am I trying to convince you of something that surely seems logical?
Expert leadership was the norm years ago – but maybe good management was less common
But the pendulum has swung too far towards general management functions and away from core business functions.
In summary

This kind of research aims to find generalizable patterns in the study of leaders and their effects
The growing evidence points to the value of ‘expert leaders’
Thank you

My work is available at
www.amandagoodall.com