



More Thoughts on Selecting the Right Chief Executive - Review Article

Warren Bennis and James O'Toole: 'Don't Hire the Wrong CEO'. Harvard Business Review, May-June 2000, pp. 171-176

Research in the US suggests that the tenure of chief executives is reducing. This confirms the impression gained in our own work where we have been increasingly invited to assist boards in chief executive 'transition management'.

Increased chief executive turnover can be traced to a number of factors. In part it is because good chief executives are in high demand and are susceptible to being attracted to new, more demanding and better rewarded positions. Just when things seem to be going well, therefore, a board may well face the sudden, unplanned need to replace an effective chief executive.

It is also a reflection of the pressures on all organisations today whether on the commercial, governmental or not-for-profit sectors. Just to survive, let alone thrive, an organisation and its leadership needs to be very dynamic and adaptive. In this situation many boards are having to face the harsh reality that even a chief executive who has served an organisation well in the past is not necessarily the person best suited to take the organisation through its next stage of development.

For these and other reasons boards have to face, more often, the challenge of appointing a new chief executive.¹ The direct costs of replacing a chief executive can be very expensive; the cost of a poor decision is incalculable. The recent article by Bennis and O'Toole – entitled Don't Hire the Wrong CEO is, therefore, very timely.

The underlying theme of this article is that boards often go about the chief executive selection process all wrong. According to Bennis and O'Toole the underlying culprit for increased CEO 'churning' has been the self-defeating way in which boards select leaders. They pick the wrong chief executives because they pay no heed to real leadership as the selection criterion.

What then are Bennis and O'Toole's views on what is real leadership? To them, leadership is a combination of personal behaviours that allow an individual to enlist dedicated followers and create other leaders in the process. Good leaders they say demonstrate integrity, provide meaning, generate trust and communicate values. In doing so, they energise their followers, humanely push people to meet challenging business goals, and all the while develop leadership skills in others. To Bennis and O'Toole real leaders move the human heart.

Therein lies the board's challenge - the ability to move the human heart is, as the authors say, 'nebulous and squishy', tough to quantify. Understandably, therefore, even boards that value such leadership abilities tend to shy away from an assessment of these 'soft' elements. Instead they go looking for hard facts (e.g. for evidence of a big decrease in operating costs or staffing levels) and proof of technical skills.

In doing so, as Bennis and O'Toole illustrate, boards often get it wrong. In one example they refer to the appointment of someone who had been an indisputably successful number two to a legendary chief executive. However, while he was a "number cruncher supreme" he was not "a people person" and in the CEO job he proved to be "emotionally inept". Subsequent accounts of his follies may have surprised external stakeholders but people who had worked closely with him knew full well that he lacked the human touch, that his political skills were underdeveloped, and that he was a one-man band who seldom involved others in big decisions. Had the board bothered to ask it would have quickly discovered his colleagues considered him an excellent CFO (chief financial officer) but that few considered him a leader.

In a contrasting example Bennis and O'Toole refer to a very successful chief executive who has extraordinary drive and technical know-how but also something far beyond that. He demonstrates passion - love for his work and his people. His direct reports speak of his warmth, empathy and inclusiveness.

Bennis and O'Toole suggest that if boards followed the following guidelines they are much more likely to hire the right chief executive.

1. Come to a shared definition of leadership - a board should generate a shared definition of what leadership means in the context of current organisational challenges before it goes out to recruit a new chief executive. It must do this before it engages the services of outside executive recruiters.
2. Resolve strategic and political conflicts - the authors acknowledge that board members often have hidden agendas, differing world views, and unspoken disagreements about corporate purpose and strategy. It is important that a new chief executive does not walk into a situation where they are expected to lead the organisation in a fresh direction but are unlikely to obtain adequate support for whatever direction they chart. The authors state unequivocally that all chief executives deserve consistency and clarity of purpose from their boards. They

say that chief executive turnover is directly linked to unresolved conflict within boards and suggest that boards can solve this problem by engaging in the same kind of teambuilding they often prescribe to top management. For example, boards should routinely meet 'offsite' in order to build informal relationships and nurture trust. Even if honest differences remain a board must learn how to bring disagreements to the surface and deal with them in productive and non-disruptive ways. Failing that a way must be found to replace board members whose personal agendas are at odds with the good of the organisation. A board should not assume that a new chief executive can come in and put the board's own house in order.

3. Actively measure the soft qualities in Chief Executive candidates - Bennis and O'Toole suggest that most board members know how to measure financial results, market share and so forth but are simply not comfortable assessing factors such as integrity, the ability to provide meaning, and talent for creating other leaders. They are optimistic, however, there are techniques and approaches for measuring such qualities, particularly through interviews and they offer suggestions on the types of questions that might be asked in Chief Executive interviews (See also Good Governance #18 "Selecting the Right Chief Executive - Questioning the Candidates").

4. Beware of candidates who act like Chief Executives - Bennis and O'Toole suggest that boards are often seduced by candidates who are little more than articulate, glamorous and charismatic dreamers. As they say - appearances are often deceiving. You cannot tell a leader by what he or she looks like, or by what they say, in "staged encounters". They quote Peter Drucker's view that the one sure way to spot a leader is by the presence of willing followers and urge boards, therefore, to find out whether a candidate has a track record of creating followers and other leaders.

5. Recognise that real leaders are threatening - Bennis and O'Toole suggest that, without realising it, many boards are averse to outsiders who threaten to shake things up. Given the opportunity, they say, a sufficient amount of dirt, gossip, and speculation can be adduced to undercut any truly exciting candidacy. Real leaders are threatening to those intent on preserving the status quo. A leader who can motivate people to make changes, is by definition, a destabilising force. They note that small, insider dominated boards are particularly resistant to "the contagion of leadership".

6. Know that insider heirs usually aren't apparent - The authors express the strong view that no one should inherit a chief executive position. Organisations should be meritocracies not monarchies. Boards should, therefore, give 'Crown Princes' the same vetting treatment as 'Commoners'. On the basis of their

analysis particular scrutiny should be given to internal candidates if they are to follow highly successful predecessors.

7. Don't rush to judgement - along with picking too quickly, boards can sometimes mistakenly select a candidate who comes with a detailed plan to "turn things around". Bennis and O'Toole suggest that such a candidate is seductive but dangerous. What boards should be looking for, they say, is a candidate who has a broad (and long-term) perspective, a set of convictions about the organisation's strategic direction, a clearly thought out managerial philosophy, and an understanding of how to galvanise the entire organisation towards change. Throughout the selection process boards should remind themselves of the truth of the oft-quoted bromide that effective leadership entails doing things through other people.

Bennis and O'Toole conclude this very valuable article with the telling comment that "boards have no one to blame but themselves if their CEOs disappoint them." While Bennis and O'Toole have focused in this article on leadership recruitment criteria their observation is equally applicable to other dimensions of the board's role. Chief Executive performance management, in particular, is one that we will explore in a future article.

1 In the previous issue of Good Governance (Number 18, November-December 2000) we dealt with the potential impact of the transition process and offered some thoughts on the chief executive recruitment process.