

Improving CEO Selection

Michael Lee Stallard (*President, E Pluribus Partners*) explains how Boards of Directors can select the best CEO if they understand a few key issues that are not always obvious

■ Qualities to Analyse in CEO Selection

THE present deep recession, hyper-competitiveness of markets, anxiety of employees and general distrust of business leaders makes this an especially challenging time to lead an organisation. And yet, it is precisely times like this, when the headwinds of adversity are blowing hard, that truly great leaders are necessary if an organisation is to thrive.

Having served as a leader, a board member, and an advisor to leaders, I have learned from experience that boards of directors are much more likely to select the best CEO when they understand a few key issues that are not always obvious. Astute heads of HR will help their boards by laying out these considerations and working closely with board members to understand and apply them to the CEO selection process.

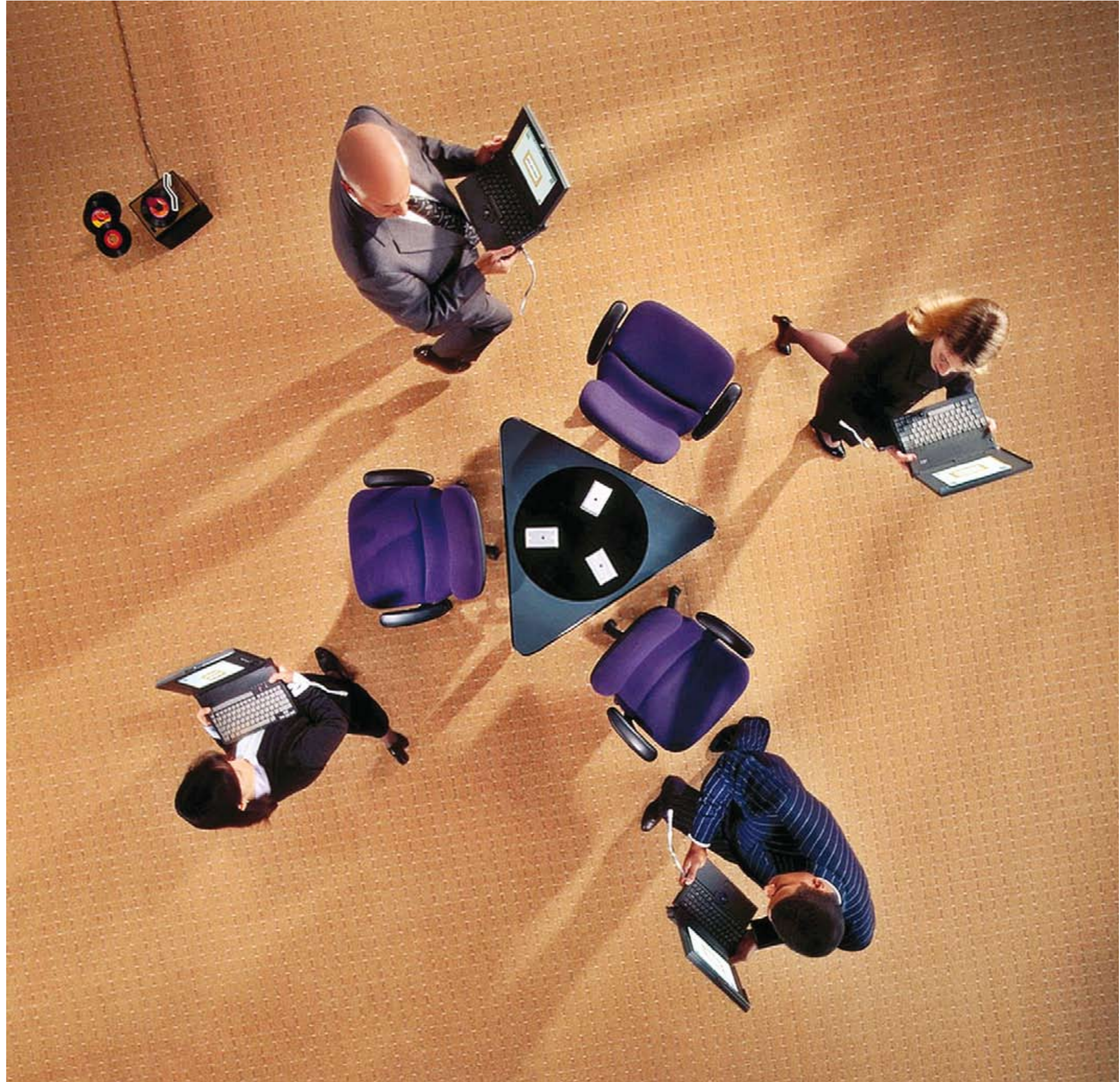
It goes without saying that all boards understand the importance of a CEO candidate's reputation in the industry as well his industry knowledge and connections. These considerations can be easily gleaned from a candidate's resumé and media appearances, internet searches and conversations with industry participants.

Less obvious is how a candidate uses hard and soft power, his leadership giftedness, how his personal identity and values will fit with the organisation's desired identity and values, and his degree of moral maturity.

Ability to Employ Hard and Soft Power

In most organisations, only 20-25% of employees feel included and committed to the organisation's success, typically management and those perceived to be stars. The remaining 75-80% do not feel the same sense of connection and they are likely not giving anywhere near their best efforts at work. The key to unlocking this potential in organisations lies in a leader's use of soft power.

Political scientist Joseph Nye first coined the terms 'hard power' and 'soft pow-



er' to name concepts that have been around since the dawn of humankind. Hard power involves the use of rewards ('carrots') and punishment ('sticks'). Hard power moves people to do what you want, but it fails to inspire them. Soft power is the leader's ability to attract people so that they are emotionally engaged and want to help the leader achieve strategic priorities.

Here is one of my favourite examples. Admiral Vern Clark was appointed the Chief of Naval Operations (CNO) for the US Navy in 2000. The CNO is on the Joint Chiefs of Staff, reports to the Secretary of the Navy and advises the American President on the conduct of war. At the time of Admiral Clark's appointment, the Navy was not meeting its sailor retention goals, which is a problem when you consider that the Navy needs people with the right skills to run its sophisticated navigation, surveillance and weapons systems. Admiral Clark made winning the war for talent his number one priority. He strongly supported an increase in pay for sailors that was approved by the President and Congress. In other words, he used hard power in the form of an inducement or carrot.

In addition to the pay raise, Admiral Clark travelled worldwide to meet with the Master Chiefs who lead the enlisted sailors. Over the years, the Master Chiefs have at times felt like second-class citizens to the officer class. When Admiral Clark met with them, he told them a story about when he was on his first ship following officer candidate school. "I didn't know the pointy end of the ship from the blunt end, it was scary really. But about a week on the ship, a Master Chief named Leedy put his arm around my shoulder and said, 'Mr. Clark, I like you and I'm going to help make you into a fine officer.'"

Admiral Clark told the Master Chiefs that the advice and encouragement of Master Chief Leedy helped him become a better officer. He appealed to the Master Chiefs and said that these young sailors promise to support and defend the US Constitution and that as leaders they, himself included, needed to promise the

sailors that they would give them the training and jobs so that they could learn and grow and have the opportunity to show the Navy what they were capable of doing. He told the Master Chiefs that he needed them and was counting on them and that their country needed them to do this too because it was imperative to achieve the Navy's mission.

Following Admiral Clark's talks with the Master Chiefs, they knew that he appreciated them and was trusting them to mentor the sailors under their command. What stunned the Navy was just how fast the Master Chiefs made a difference. Within a little more than one year, the US Navy was breaking all-time sailor retention records.

Admiral Vern Clark is a talented leader who effectively used hard power (*the pay raise*) and soft power (*the talks with the Master Chiefs*). His sincere, candid nature and steadfast dedication and commitment to the US Navy helped him gain the trust and respect of the Master Chiefs. The former head of all of the Master Chiefs recently told me that he often heard Master Chiefs say they did not want to let "old Vern" (*Admiral Clark*) down. Rewards and/or punishment alone would never have motivated them like Admiral Clark's sincere praise and appeals did.

CEOs need to be able to discern when to effectively use hard power and when to use soft power. Interviews with individuals who worked alongside CEO candidates and multiple interviews with the candidate himself over time will provide some insight into the candidate's ability in this critical area.

Leadership Giftedness

Another perspective that boards should consider is a leader's giftedness. Typically, we are naturally gifted and more developed in some areas than in others. It is part nature and part nurture that develops our giftedness. I think of giftedness in three ways, based on the

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works of Sigmund Freud and my friend, the anthropologist and psychoanalyst Michael Maccoby. The first type of giftedness is in knowledge accumulation, "integrative thinking" (*as Roger Martin has described it*), and inspirational communications. The inspiring strategic leader has this cluster of gifts. The second type of giftedness is in the organisation and oversight of tasks. The task leader has these gifts. The third type of giftedness is in empathising with and gaining the trust of employees, aligning employees' goals with those of the organisation, helping employees connect with one another, and resolving conflicts that arise. Connector leaders have these gifts. They tend to be culture carriers and have significant influence on the informal network, prevailing attitudes and culture in organisations.

There are a couple of points you should know about leadership giftedness. First, no organisation can thrive for long with-

out leaders who have these three types of leadership giftedness. Second, often-times when an individual is extremely gifted in one of the three areas, he is largely deficient in another. For example, Steve Jobs of Apple is a remarkably talented visionary leader but considerably lacking in his ability to connect one-on-one with employees. Fortunately for

Apple, there are other members of the senior management with complementary strengths to offset Job's weakness. Finally, leaders may have more than one of these forms of giftedness but rarely do they have all three.

Wise boards view the leadership team as a human system that requires several individuals with complementary leadership gifts and the ability to work well together. Heads of HR need to see themselves as human systems engineers who understand what mix of people with the

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three types of leadership giftedness are required given the context the organisation operates in, the strengths and weaknesses of the present leadership system, how the leadership system might change in the years ahead and what type of CEO is required to optimise the leadership system in the years to come.

Identity and Values Fit

The CEO should embody the attributes that make up his organisation's desired identity. Consider Richard Branson and

his company, Virgin. From an identity perspective they are identical: innovative, customer-oriented and fun.

I have seen newly hired leaders fail simply because they were too different from the organisation's identity and values. The people in the organisation did not accept them and isolated them relationally. It gave the leaders two options: leave or replace a significant number of people. I am not saying that you should not hire a CEO who represents an identity and values you aspire to. I

am merely cautioning you to be aware that if the new CEO's identity is too far from that of the organisation's, then the risk of acceptance by the organisation is low indeed.

Moral Maturity

Another important factor to consider is moral maturity. I have seen leaders who make a great impression and yet were morally immature. Put in a position of leadership, these individuals may thrive for a time but eventually they make expedient decisions that are damaging to others and ultimately to the organisation's longer-term health.

The mark of moral maturity is demonstrated when an individual values the interests of his family, organisation, community, nation and humankind rather than myopically focusing on self-interest alone. Psychopaths and sociopaths are extreme examples of moral immaturity. Sometimes experiencing adversity in one's life – for example, illness, death of a loved one, etc. – leads to self-reflection and moral growth.

In recent years, management writers have been picking up on this theme. Michael Maccoby wrote in 'The Leaders We Need' about the moral journey from unproductive to productive leadership personalities. Bill George described a shift from a "me" to a "we" mindset in 'Authentic Leadership'. Jim Collins wrote in 'Good to Great' about adverse events as helping to shape the character of the Level 5 Leader. In 'Fired Up or Burned Out', my co-authors and I pointed to the universal character strengths of leaders who helped develop healthy work environments. Many of these character strengths reflect moral virtue.

The Role of the Head of HR

The considerations I have touched on above will be familiar to some board members and alien to others. The head of HR can add considerable value to the CEO selection process by framing these issues and weighing in on their application with respect to each candidate. The risks of selecting a poor CEO are far too high to leave it to chance. 