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WITH P.J. HARSTON

Jul 31, 2007

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CEO selection news

TORONTO, July 31 /CNW/ - Beyond strategic direction and governance, one of the most important roles a corporate board of directors plays is selecting a new CEO when the time comes.

The board needs to identify potential CEOs who are best suited to lead the company to future growth. Yet, according to Caliper Canada, boards generally do a less than stellar job of knowing and reaching out to high-potential internal candidates.

"When it comes to finding a new CEO, more often than not, the search committee picks up the phone and calls a head hunter," says John Szold, managing director, Caliper Canada. "And head hunters do what they do best - look for external candidates."

However, an external candidate may or may not be the best choice for the organization. Outsiders are more likely to import disruptive change and the cost/benefits of this change are often outweighed by the advantages of an internal candidate who already understands the organization and its goals.

The Center for Creative Leadership reports that fully two-thirds of senior managers hired from outside fail within their first 18 months. And, when an external hire fails, the failure can often be linked to either the persuasive influence of fee-driven head hunters or the isolation of the board from senior management team.

Boards can be prepared for an inevitable shift of leadership by ensuring a consistent and rigorous succession planning process is in place long before a new CEO is required. Such an effective process helps the board know, prepare, and challenge internal candidates. And, when faced with selecting a new CEO, the board is well-positioned to make the choice between internal and external candidates.

- To ensure an effective process Szold suggests:
- Starting the planning process early. For example, in an industry with a six-month product development cycle, Intel thinks about succession ten years out;
 - Creating the conditions for candidates to develop integrative thinking; the type of thinking that allows them, for example, to balance Sales' needs for more variety with Manufacturing's desire to rationalize production;
 - Providing an opportunity for candidates to appreciate and utilize the value added by staff resources groups like finance, HR, and



[P.J. Harston](#)

More than anything else, P.J. Harston likes a good story. The 16-year journalist, who is Sun Media's National Business Editor, is based in London, Ont.
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market research in making informed decisions;
 - Engaging the board in the creation of cross-functional learning opportunities, like national or international assignments, and keeping the board involved in the evaluation and the outcomes.

"By taking a more proactive, up close and personal role in the care and feeding of potential CEO successors, the board will not only retain a pool of great talent, but will provide insurance against organizational turmoil and loss of shareholder value," Szold says.

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