

Characteristics of Competent CEOs

Relevant industry experience, charisma, leadership style and cultural fit are just some of the necessary selection criteria for CEO succession planning. But, as the stock-fund prospectuses always note, past performance is not an indicator of future results.

By Marlene Prost

Charisma, credentials and vision can dazzle a corporate board of directors who are looking for a new CEO. But the single best indicator of future success is the candidate's track record as a CEO in his or her industry, according to a new study by researchers at Georgia State University.

Great CEOs manage resources efficiently and consistently pull distressed companies out of trouble more quickly, while poor CEOs do the opposite, according to the survey, which tracked the performances of CEOs in 12,000 companies in the product-liability insurance industry from 1989 to 2000.

Researchers found that the most efficient CEOs moved their companies out of regulatory scrutiny eight to 16 times faster than the poor CEOs.

The message for boards of directors and HR executives involved in CEO succession planning is to look at the candidate's past success in managing companies in your own industry, says Martin Grace, professor and associate director of the Center for Risk Management and Research at GSU's J. Mack Robinson College of Business.

"I looked at a lot of discussion about leadership, charisma and vision," he says. "All are important characteristics for managers. I said, 'I can't measure them easily across companies, but I *can* look at results,' " ... [The study looked] at one simple thing, marshaling resources [to make a profit]. That's what managers are supposed to do, and if they can't do that, they're not going to succeed."

Warren Cinnick, director of People and Change with PwC in Chicago, acknowledges that there's no doubt past performance is "still the most important characteristic to consider."

"However, to select CEOs or other leaders based totally on the past is to lock yourself into a model that succeeded in the past, but may not be the most successful criteria [today or in the future]," he says.

Cinnick says boards of directors have "to outline the strategies of the company going forward and consider what characteristics of a leader would support [that growth]."

Grace chose the insurance industry because distress is relatively frequent and severe in that sector and because it is scrutinized by regulatory agencies, so data was available. He chose the decade before 9/11 because it was a robust period of growth.

In planning succession, no one disputes the importance of a track record. But sometimes CEOs are fired despite their performance because they aren't a good fit with a company.

Grace would agree. "People know not everybody is going to fit in every job. If you got fired from your last job, you could still have a good track record," but may have experienced some conflict with the board.

Bob Wilson, CEO of Chicago-based OI Partners Inc., a global talent management firm, says the best way to evaluate a candidate's competencies is not by asking them to recite their resume.

"Most companies frankly do a lousy job interviewing people ... [and] getting behind the resume points. Everybody has a great resume. They have the patter down. They've been coached. It's up to the interviewer to dig behind that. ... There are functional traits, a hit list of items you absolutely need to have," he says.

A good interviewer asks "competency-based questions like, 'When were you at your personal best?' or 'Tell me when things didn't work out?', forcing them to give you an anecdote to back up the competency."

Even a CEO with a top-flight performance record might not be the right fit for a company's culture.

"When you have a new executive, what you look for isn't just the resume or accomplishments. [It's their] style and cultural fit to the organization," Wilson says.

"Frequently we [at OI] find ourselves retained to assess the fit. ... [You] have to be satisfied that their skill sets are harmonious with the culture of the company."

Leadership style is an aspect of that -- and it's not always self-evident.

In a 2010 survey, OI Partners asked chief HR officers at 243 major companies how they would advise former CEOs and other chief officers to improve their chances of landing another top executive position.

Six of 10 (59 percent) respondents agreed executives need an impartial evaluation of their leadership styles and behaviors. And more than half said executives need coaching in new management styles and techniques (53 percent), and need work on motivating and engaging employees (51 percent).

Other skills top executives most need help with, according to the survey, are communicating effectively, strategic thinking, leading change, team building and leadership.

Flexibility and emotional intelligence are also crucial. Wilson offers the example of an HR professional who left a job with a hospitality organization, where he worked with sales and service employees, to take a job with a manufacturing company, where he would work with engineers.

"He knew his strengths. He was able to survive. Engineers are all about process, a lot of detail. ... He had that ability to understand what he was good at and found his [new] approach. He had the emotional intelligence," Wilson says.

Relating to others also means having media savvy and charisma, Cinnick says. Today, corporate information is delivered in many media, from blogs to Twitter, and a strong CEO needs to be effective in all those media.

"Charisma [matters] in today's world because we're such a media-drawn culture," he says. "It's a facility with, and comfort with, multiple media as a way to communicate."

Cinnick says boards and HR leaders should also look for non-U.S. experience if they want an edge in today's global marketplace.

"One characteristic I see consistently as a gap in U.S.-based companies is, do CEOs have sufficient non-U.S. experience in their background?" That could include time abroad as an expat, or work with a foreign alliance or trade partner, he says.

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