

# How to Select Your Next CEO

By John M Simonds



If your firm is hell-bent on selecting the person who most resembles your current CEO in style and persuasion, you could be heading over a Cliff. On the other hand, if your firm recognizes the need to select the “right general for the next war, not the last war,” then there are lessons to be learned from within the A/E industry. From the most logical process to follow to the most helpful tools available, there is a slate of smart ways to help your firm make the right selection.

Our recent experience in helping firms design and implement a process that ensures a high degree of objectivity offers many lessons—both positive and negative—that will help you minimize the risk of making the wrong decision. In this article, we will share some of the most salient lessons from our experience.

## THE SEARCH FOR MR./MS. RIGHT

How do you select the right CEO? The glib answer is like the answer to the question, how do you make love to a porcupine? Answer ... very carefully.

Too often there is enormous pressure to select the person who has shown unflinching loyalty to the current CEO: the person who has been a stellar manager and a standard bearer of the company’s values and beliefs, through good times and bad, as well as the person who gets along well with everyone (or almost everyone except with those who see the need for a change in direction). But can this person reposition the firm when the dynamics of the marketplace change, and can he or she take the risks required to stay ahead of the new competition And does he or she possess the managerial courage to stand up to those who oppose change?

If you are inclined to believe that the future is going to be just like the past, than selecting Mr./Ms. Safe may be the right course of action. However, if you believe that the future will likely be fraught with surprises, new competition, and untold uncertainty, then you may want to take a more deliberate approach to identifying candidates who possess a different skill set than our Mr./Ms. Safe. It all begins with an appreciation of the challenges the next CEO is most likely to face in the future.

## THERE ARE NO LEADERS WITHOUT FOLLOWERS

**#1** Step I. The first step in the process is to determine the challenges the next leader is most likely to face in the future. There is a very strong case to be made for involving your senior staff in this first step by forming an Advisory Committee that is charged with identifying and articulating not more than the 20 challenges the next CEO most likely will face. (We believe that the more you can involve your senior staff in the process, the more likely you are to win support for the next CEO.)

Here are few examples of possible challenges that we've gleaned from our work with other A/E firms.

- Increase the value of the firm's stock.
- Develop and implement strategies for profitable growth.
- Decide in which new technology to invest.
- Build a strong team of business oriented leaders.
- Communicate the firm's values and beliefs to a diverse audience.
- Close down unprofitable operations.
- Face new global competition.

Not only should the Advisory Committee develop the Top 20 list of challenges, but it should go through an exercise to rank order the list from top to bottom. With proper preparation, this first step involves only one long day of each member's time.

If your senior staff is anything remotely like the people we have worked with in the past, you can expect a very wide range of viewpoints and a diversity of opinions about the future. This is why it is important to allow each member to have his or her day in court before rendering a judgment.

**#2** Step II. The next step in the process is to translate the challenges into **NONNEGOTIABLE** criteria. These criteria will be used to evaluate the candidates along the most critical dimensions.

In a recent article in Fortune magazine, author Ram Charan says, "Until the list has been pared down to three or four things—the **NONNEGOTIABLE** criteria—you're not done." His point is that "when the criteria are too comprehensive, they eliminate people who may in fact be the best choice in favor of people who are so-so in many categories, a recipe for mediocrity."

Here are few examples of **NONNEGOTIABLE** criteria:

*Strategic Agility:* Demonstrated ability to grow a profitable business by developing and implementing strategies that create competitive advantages. The ability to anticipate changes in the dynamics of the marketplace and to reposition the business ahead of the competition.

*Leadership:* Demonstrated ability to win and keep the respect of –high-level professionals in an engineering environment. The ability to inspire people to higher levels of achievement, and the ability to lead by example. The ability to develop teamwork among diverse groups at all levels of the organization.

"Until the list has been pared down to three or four things-the nonnegotiable criteria-you're not done."

Other common dimensions include communication skills, management vision and purpose, managerial courage, interpersonal savvy, and financial management.

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As a footnote to Step II, we are inclined to stipulate that our candidates be honest, professional, and ethical without including these “givens” in the nonnegotiable criteria category.

If your Board of Directors is going to make the final decision in selecting the next CEO, it is a good idea to have them sign off on the nonnegotiable criteria before proceeding.

**#3** Step III. Using the nonnegotiable criteria as the touchstone, the next milestone along the critical path to selection is the process by which you nominate candidates. (Thank goodness your process does not have to be as lengthy, expensive, and convoluted as the nomination process for the 2008 presidential candidates!)

We tend to favor using the Advisory Committee for guidance in selecting the people to be nominated since the members are most familiar with this process, as well as the process used to create the nonnegotiable criteria.

After reviewing and discussing the nonnegotiable criteria to gain a common understanding of the meaning and proper interpretation of each of the criterion, we suggest using a secret ballot, with each member of the Committee voting for three candidates in rank order of preference.

This information is then passed on to the Selection Committee for a final determination. Because each firm is different and its structure is different, it is difficult to say who should be on the Committee that recommends a candidate to the Board. We prefer three members, one of whom might be an outside Director who will devote the time and energy to reviewing the candidate’s qualifications, but that is arbitrary. (If you chose to use an outside consultant to lend objectivity to the process, the Selection Committee would work with the consultant in the evaluation process.)

**#4** Step IV. “Mirror, mirror on the wall, who is the fairest of them all?” The next step in the process is to assess the candidates.

We like to use a combination of written “instruments” and in-person interviews with both the candidates and a sample of those who have had an opportunity to see the candidates in action.

We are guided and influenced in our methodology by the well-documented fact that the most reliable indicator of future behavior is past behavior, not what people say they will do in the future. What people say they will do in the future is a little like a New Year’s resolution (e.g., “I am going to get up and work out four times a week in 2007.” Yeah, right.)

What you want to dig for is concrete evidence of what the candidates actually did in the past that most closely relates to the nonnegotiable criteria (for example: How did the candidate handle the challenge of mediating between diverse points of view; how did he or she handle the challenge of growing the business profitably, etc.).

The written instruments give us a 360-degree view of the person in terms of the perception of others toward his or her leadership attributes. A second instrument tells us something of the candidate's work style, while the third instrument reveals relevant information about the candidate's behavioral preferences. But the heart of the process is the personal interviews with the candidates and those who know them best.

One more screen is to ask the candidates to prepare and give a presentation to the Board on why they are qualified for the job of CEO, before the Selection Committee makes its final recommendation.

There you have it—a step-by-step process for helping your firm make the right decision on who will take the reins as the next CEO.

As a final note, a Harvard Business Review article reported on a similar topic, noting that in the 13th century, it took the College of Cardinals three years to select a successor to Pope Clement IV, so the church slowly withdrew the Cardinal's rations until they made a decision. We hope our tips and techniques help keep your firm from having to resort to such drastic measures.

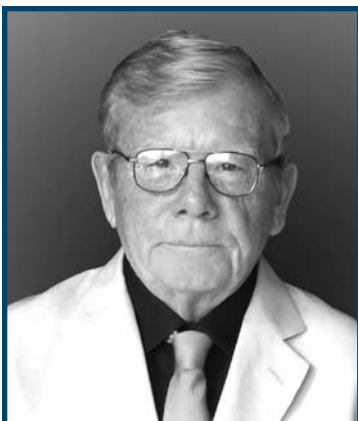
## THE CRITICAL ASSUMPTION UNDERPINNING THE SELECTION PROCESS

Behind all that we have said about the selection process is the critical assumption that your firm has been thoughtfully and systematically developing the knowledge, skills, and abilities of your high-potential future leaders.

We would like to assume that your firm embarked on a leadership development program at least three to five years before entering the selection process and that your firm has recognized that developing business leaders is more than on-the-job training. Furthermore, we fervently hope that your firm has dedicated at least two percent of its net revenue to training and development activities so it will have a pipeline of talent from whom to choose "when the moment is right."

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### ABOUT THE AUTHOR



John Simonds is the Chairman of Martin-Simonds Associates, a management consulting firm that specializes in serving the A/E industry since 1978. The focus of his practice has been on strategic planning, leadership development and succession planning. He has worked with over 200 of the ENR Top 500 during his long career.

In 2002 Martin-Simonds launched a 7-module, in-house, Leadership Development Program, designed to help A/E firms identify and develop future leaders. The curriculum includes such critical topics as Managing People, Business Finance; Team Building, Leadership, and Strategic Thinking. Since it was first introduced, nearly 500 future leaders have participated in this flagship program.

Other articles authored by John Simonds, and more information about his firm and its programs can be found on its website [www.martin-simonds.com](http://www.martin-simonds.com). If you would like to contact John directly please send him an email at [jsimonds@martin-simonds.com](mailto:jsimonds@martin-simonds.com).