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Selecting the Right CEO - Ensuring boards consider all the crucial elements

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Arguably the most important job for any board is selecting the CEO. The CEO is the visible leader of the organisation. The board entrusts the care of the enterprise to the CEO and everything the CEO does has a major impact on the board, the marketplace and the people employed. The board's ability to make the tough decisions when necessary, and then select well, will ultimately determine the image, performance and health of the organisation.

What goes through your mind when you realise it's time for a new CEO will largely be influenced by the circumstances that give rise to such a situation.

Is it a CEO who has decided to move on for personal reasons? Or one who has completed what they came to do? Or have you come to realise your current CEO is not, or is no longer, the right fit?

Maybe the situation is more difficult. Your CEO may have made a great contribution in the past, but the board has realised he or she has significant limitations that are now impeding growth. Or perhaps you are replacing the start-up entrepreneur with the first independent CEO. Or is it the worst case scenario: you have discovered your current CEO has become a rogue and must be terminated?

Getting clear about what the organisation needs is central to your success in making a sound choice of successor.

What the board needs to discuss include:



1. Stage of development – At what stage of development is the organisation? Early start up, late start up, consolidation, growth, reinvention? Different phases require different demands and suit different people. Early start-ups require a different risk tolerance from more consolidated organisations. Consolidation requires someone who likes to stabilise and bed down systems and processes. You might even need a hybrid of these things.

2. Purpose – Why does the organisation exist beyond profit or not-for-profit? For example it may be to meet consumers' needs in various markets, industries, government services, professional services, community service, health and welfare, member services. The purpose of the organisation has a great bearing on how it is structured and the demands created by those structures. Some are well resourced; others require the ability to make do with less than ideal resources. The purpose can affect the level of commitment a CEO has for the work.

3. Guiding philosophy – If there is a guiding philosophy of the business, it is crucial the CEO understands, owns and embodies that philosophy, clearly demonstrating more than lip service to it. For some businesses, such as Whole Foods Market, this is the key ingredient to the organisation's success. The guiding philosophy will include the values that are central to the business and can be the most critical ingredient.

4. Vision – Having a clear picture of what the CEO wants to create with the organisation and being able to communicate that in a way that engages people's hearts and minds both inside and outside the organisation is essential. There are CEOs who have a great vision but have difficulty in gaining the commitment of others, which is a fundamental failure in leadership. What is the evidence your candidate can do this effectively within the context of the role?

5. Strategy – What does the strategy call for in the CEO? If brokering is required, is the CEO skilled and experienced in brokering? If building a high profile of the organisation is necessary, is this a right fit? If making tough decisions and reshaping the organisation is required, can they do this without creating unnecessary fallout? Does this mean their season will be short or long? Are they likely to let go when the time comes, or will their ego take over?



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6. Values – The CEO needs to be a role model for all the values required to execute the strategy. Does your strategy call for high performance standards that must be reflected in the values? Does it call for close relationships? If so the CEO needs to be able to model this with the staff as well as in the marketplace.

7. Outcomes – What are the top three crucial outcomes for the organisation and is this the candidate's strong suit? It is critical to ensure the CEO will deliver in these areas as a priority. A candidate may have many good qualities. The key is to make sure he's got the critical ones that the organisation needs for its stage of development.

8. Capability – A significant determinant of success in leadership roles is the capability of the person to think at the level of complexity required, as well as the skills and experience they bring. Does the candidate show that he/she can deal with the complexities in a way that respects everything that is important, while being able to juggle the priorities in their thinking, and at the same time respond in a way that makes sense to whomever they are speaking? Do they have a track record of proven deliverables in the areas of importance? Past performance is one of the best indicators of future success.

9. Leadership Competencies – It is not enough to be good at strategic thinking, influencing or developing people. The measure of leadership effectiveness is the ability to successfully materialise the vision for the organisation, drawing on a range of competencies. For this it is critical that a leader has a well-balanced and integrated mix of task orientation and people orientation. If one is lacking it will be the limitation of the other.

10. Effective Bridge between Chair/Board and the Executive – The CEO is the bridge between the board and the body of the organisation. His or her advocacy skills for the executive are just as important as the CEO's role in implementing board decisions. The relationships need to be healthy, constructive and respectful in both directions. Identifying what is required in the CEO to be an effective bridge will serve you and the organisation well.

To discuss how Sarah Cornally can customise a leadership effectiveness program for your team or organisation please email info@sarahcornally.com

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