

Seeking a CEO? Search inside your company

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Guido Stein and Álvaro San Martín recommend an internal management development plan to promote leadership at all levels of the organization, which will, in turn, pave the way for the selection of its next CEO.

CEOs seem to be lasting far less than they once did. According to the consulting firm Booz Allen Hamilton, the annual turnover rate for CEOs worldwide rose by 59 percent between 1995 and 2006. Perhaps this is why some argue that finding a successor for the incumbent is among their greatest headaches.

Knowing what an arduous process it can be to get an executive settled in, companies would much rather avoid looking outside the company to fill the position. A true internal job market that allows the company to identify, train and evaluate possible CEO hopefuls within the organization would be infinitely preferable, say researcher Álvaro San Martín and IESE Prof. [Guido Stein](#).

Yet, as another survey carried out by the consulting firm DMB, involving 200 human

resources professionals, has pointed out, over 90 percent of companies lack any kind of program to prepare their junior executives for positions of greater responsibility. San Martín and Stein attribute this to two things: first, competency traps, or getting used to the routine and losing one's motivation to improve procedures; and second, behavioral biases, which cause individuals to act on their emotions and make such mistakes as overestimating their own capabilities and underestimating those of their competitors.

In their paper, "[Convertirse en CEO: Internal Labour Market. Fases de un Proceso](#)" ("Becoming a CEO: Internal Labor Market, the Phases of a Process"), the authors suggest how to design, implement and monitor a much-needed company-specific executive development program. Not doing so, they say, could seriously compromise the company's performance.

Initial phases of the program

The first stage of the internal executive development plan entails defining the ideal candidate for the CEO position. This is a tricky task, since the required skills will vary according to the circumstances.

It is the CEO's job to develop the effectiveness, attractiveness and unity of the organization through his or her decisions. In other words, the CEO must design strategies that create economic value, develop workers' capabilities and generate greater confidence within the organization. The duties of both the CEO and other executives depend on the previously defined organizational framework. Those functions also serve to determine management activity on the whole.

In this, developing "transcendent leadership" is key, stress the authors, for two reasons: first, by being able to adequately weigh the financial, sociological and ethical consequences, the CEO is better able to make decisions that are highly beneficial for the future.

Second, being committed to the company mission makes the program work more effectively. "Without it, the plan would become ungovernable and it would be harder to reap benefits from the executive development, which could be capitalized on by a future CEO coming from outside the company," say the authors.

Implementing the plan

An internal executive development program has many phases — design, launch and follow-up of various measures — which could take years to implement. This fact alone might

dissuade some companies from making a commitment to internal development of talent, and instead they will hand the task of finding a successor over to headhunters. However, making permanent investment in people brings about benefits that far outweigh the possible drawbacks.

According to the authors, a talent recruitment agency will never know the company's business as well as the board does. Nor will it be familiar with the candidates' competencies and, consequently, will not be able to evaluate how they might fill the needs of the company.

For the plan to be viable, its design and implementation should uphold the principles of transparency and promotion for objective merits.

The authors recommend creating training and apprenticeship positions that allow CEO hopefuls to combine technical and managerial training and adopt a broad, integrated approach. This requires more than simply devoting great energy to specific tasks; there needs to be a rotation among all the various departments of the company.

Also, companies should test the usefulness of the executive development program. The authors recommend full corporate support, follow-up by company management and a clear commitment from the current CEO.

Some companies have opted for assigning an expert executive to each candidate. Others complement this approach with a mentor network made up of upper-level executives, or by getting together a group of high-potential candidates. Another alternative is to have an outside coach for personal tracking.

The authors stress the importance of getting the entire organization involved in this undertaking, which requires having various control groups for each stage of the process.

The plan's final phase will be supervision of the program by the board of directors, when the moment nears for succession of the CEO.

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