

## The right assessment(s) for picking a CEO

As a non-executive Board chair, choosing a CEO is an infrequent but immensely important moment. The person you select is someone who needs to be able to do what the Board knows the company's leader needs to do and also someone who has a good chance of handling whatever unknowns turn up next (pandemic anyone??)

It's wise to consider looking beyond a prospective CEO's performance history. A strong track record is wonderful, but past success before doesn't mean future success for you, because circumstances may differ. You might also care about **how** candidates achieve results: are they likely just to hit the targets or hit them in a way that leaves the company stronger for the long run. Is working closely with them like to be pleasant or will it feel like a medium-term penal sentence? You may put up with a jerk to succeed but it might be worth considering if you have any more attractive options.

### LESS THAN THE BARE MINIMUM

When you pick a CEO, the bare minimum is someone who can do what needs to be done. In a well-foreseen transition, those challenges will be clear from your current strategy. In less anticipated transitions, the new CEO may need to do what the previous CEO was unable to do, or even dig the company out the hole the previous sold dug it into. One way to determine their capabilities is to check track records to see that they've done the needed tasks before. But that's not enough.

For example, in a private equity example, Toys R Us' board of directors chose Dave Brandon to be CEO in June 2015 based on his track record of leading Domino's Pizza and Valassis Communications to IPO's. They thought he had the skills for the challenge – stimulating unprecedented growth and gaining digital experience at Domino's suggested that he could get Toys R Us ready to compete with Amazon. David Brophy, director of the Center for Venture Capital and Private Equity at the University of Michigan's Ross School of Business stated, "He's experienced. He's done it before. He's a known quantity to them." The Board hired Brandon, and in September 2017, Toys R Us filed for Chapter 11 bankruptcy. Past is not necessarily prologue. Maybe you know some other stories like this, perhaps some uncomfortably close to home.

### THE BARE MINIMUM

In fast-moving or uncertain markets, expecting the unexpected makes sense. You need to know how candidates will cope with what none of you had imagined. Executives need technical skills and industry knowledge and also the ability and willingness to deal with whatever obstacles and opportunities they will face. Understanding candidates' underlying motivations and coping capabilities is key: how willing and able they will be to learn and to shift strategies in accordance with the opportunities and risks.

### CRISIS IS ONE TIME WHEN GOOD COPING CAPABILITIES ARE CALLED FOR

**Poor Coping in a Crisis.** Dennis Muilenberg at Boeing is a good case of not active coping. According to reports, after the 737 MAX crashes, Muilenberg minimized the problems, initially blamed the pilots, made unrealistic promises about when the 737 MAX would return to service, and seemed to lack empathy for the victims' families. Yet as CEO of Boeing he needed to take responsibility for the deaths of the people involved, acknowledge the loss of the victims' families, and show that he was taking steps to ensure such losses do not recur. He also had to rally the company to fix the problems. By denying there was a problem, Muilenberg lost the confidence of the public and shareholders.

Another example of poor coping might be Mark Fields, who tried to blame his COO Joe Hinrichs for Ford's problems.

**Active Coping in a Crisis.** Most companies didn't plan fully for a global pandemic, so their CEOs have to figure out what to do when it happens. Arne Sorenson, Marriott's CEO, appears to be figuring that out. He is a good example of active coping. Sorenson directly and clearly communicated with his team in this [video](#). He defined the situation as clearly and honestly as he could without ignoring or minimizing uncertainties. Unlike Mulenberg, he did not make unrealistic promises about the future. He instilled trust and inspired confidence by handling the crisis with upfront transparency and intelligence.

But active coping isn't just dealing with problems – it is also seizing opportunities. At least as he tells the story, Sorenson's team thought buying Starwood was too expensive, but then conditions changed so they whipped together an acquisition proposal. As the prospective buyers changed and jockeyed, he continually looked for where the opportunity was – putting together the best offer they could even when it looked like it wouldn't be enough. But another suitor with a higher bid dropped out, so Marriott was glad to win the prize that originally they were not even going to pursue.

By the time he was made CEO, perhaps one could say he had the track record. But he was hired originally by Marriott for something else – because as a lawyer he had no track record in the industry. And Marriott made him CFO later even though he didn't have the background. So technical knowledge is useful, but maybe not most important, especially often at the top.

One way to learn how candidate will likely act in unknown circumstances is to assess them psychologically. There are clues to be detected by the appropriately trained eye and brain. What are the motivations that drive them? What are they eager to do, and what do they fear doing, being or becoming? As a result, what kinds of changes will they cope with well, and from which kinds of challenges will they shy away from. These attitudes could be detected by a psychological assessment, and their implications understood.

The good news is that you can tell who is built to change and cope (and who is not) but you have to do the work to do it.

## **MORE THAN THE MINIMUM – SOME CONSIDERATIONS**

Do you care much if your Board leadership service is enjoyable or painful? You can know whether your relationship with the CEO is likely to be enjoyable or not, and how you can work with him or her to make it as productive and as enjoyable a relationship as is possible. Your relationship and enjoyment is beyond the bare minimum but is also obtainable.

Or you may have some stewardship goals that you would like to see reached in addition to the financial goals you must meet to reward shareholders. Besides hitting financial goals, the CEO is going to do something to the organizational capabilities of the organization and to its strategic position: he or she may move it forwards, may move it backwards, may not move it at all. If you have stewardship goals, then picking a CEO who can achieve them would be better

## **DOING THE BARE MINIMUM OR MORE**

Detailed analysis of a candidate's business track record is necessary but not all you can reasonably consider doing. Psychological assessment is another tool. It raises the odds of successfully hitting your financial targets, and greatly enhances your chances to hit non-financial goals and to make the experience more enjoyable for all.

A range of people provide this kind of service to companies. A smaller group have deep experience in psychology, leadership, and in business. For a company led by a CEO and a Chairman working together, doing more than the bare minimum will be a good investment with high returns.