

**Leadership Transitions**

## **Who New CEOs Fire First**

by Sarah Green Carmichael

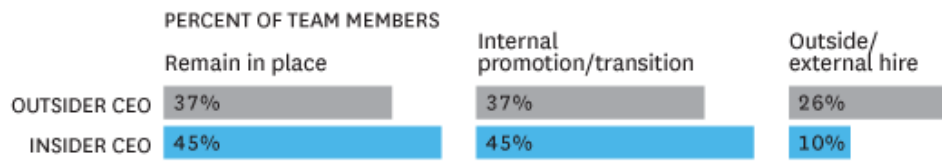
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*New research by RHR international shows which executives incoming CEOs are likely to replace, and highlights some differences between first-time CEOs and more seasoned chief executives. I interviewed Dr. David Astorino, Global Practice Leader for Senior Team Effectiveness, about the findings. Below is an edited version of our conversation.*

**Your survey showed that as much as CEOs had shaken up their senior team, looking back on it they wished they'd moved even faster. Why?**

When they look back, and you ask them what you would have done differently, they almost always say, "I knew in my gut that was not going to work with that individual, and I wish I had trusted that gut feeling and made that decision faster." By delaying the transformation of a particular function or business unit, they're now six months behind. That's often where that comment comes from. There are some other factors, but that's the main one.

## AVERAGE CHANGES IN SENIOR TEAM BY NEW CEO



SOURCE RHR INTERNATIONAL, 2013

HBR.ORG

### What are some of those other factors?

A lot of it relates to organizational knowledge. They hesitate because they don't feel like they know enough about what's going on. You'll also see a real difference between first-time CEOs and people who've been a CEO before, especially if that first-time CEO is coming from outside the company. They don't trust themselves as much, and they tend to not be as suspicious, frankly, as CEOs who have been there, done that before. They tend to wait too long. CEOs who've been around the block a bit more say, "I'd rather risk losing institutional knowledge and get someone in there I trust."

**HBR has published research suggesting that insider CEOs are more effective than outsiders. Could part of the reason be that outsiders replace so much of their staff with other outsiders, lacking that institutional knowledge?**

It could be. But why do you hire an outsider? Either you couldn't develop an insider, or the external environment has shifted enough that you need someone who can come in and really drive transformational change. So either way, outsiders are often coming in to a tougher job. They're going to be driving change, and so they're going to need new people with new skillsets to drive the business forward.

**So to that point about skills, how much of this is really about bringing in new skills, and how much of it is about what you mentioned earlier — just looking for people they can trust, people they're comfortable with?**

It's really both. Every good seasoned executive will do two assessments of people. One is, they'll look at you and evaluate, "Do you have the right values and motivations for what I need on my team and what we need moving forward?" Can they trust you? The other big piece of it is, "Are you going to put the enterprise before your self-interest?" And that one is big. They need their senior team to make big decisions about where resources go, and sometimes that may disadvantage you. You may have to be selfless, give up some of your budget. So after they've looked at those two things, then they might go down that more methodical path of, "Do you have the capabilities to do what I need in your function?"



**Speaking of functions, it wasn't terribly surprising to me that the CHRO and the CMO are two that are likely to leave. But why the General Counsel?**

That was an odd one, and I don't have a great answer for that.

Certainly we know that heads of finance and HR tend to move around a lot more because the skills are very transferrable, and in fact it looks better for an HR executive or CFO to show a breadth of industry. You actually get a bit disadvantaged if you've been in the same company or the same industry your whole career, as an HR person. But general counsel is a little different, because legal issues are often more specific to the industry. So I don't really understand that one.

**What about the difference between insider and outsider CEOs — they really seem to replace different functional heads. Insiders are much more likely to replace the COO, for instance, while outsiders are more likely to replace the CFO. Why the discrepancy?**

When a new CEO gets that [internal promotion], they want to be closer to the business than not, and boards usually want them to have their thumb on the pulse of the organization, rather than someone else. But CEOs do need to be less in the day to day operations, and become more externally focused. So they need to have the right person in that COO role.

When you're coming from the outside, the CFO role and the head of HR are the right and left wing of a CEO, they're the people CEOs come to trust most for obvious reasons. The CFO in particular is one where outside CEOs really need to get the person they trust.

If a CEO has been around the block before, they seem more likely to bring in the people they know can get the job done and they have a bigger and better network at the c-level they can bring in and rely on.

New CEOs don't have a good a sense of what good looks like. They don't necessarily know what a great CFO really looks like. They rely more on search firms.

**What are some of the other differences between first-time CEOs and more experienced CEOs?**

There are such differences. The leap is so great, especially if you're going into a very tough situation. You learn so much, so fast that when you get that next CEO job, you are so much faster in making decisions. You almost have a template.

That has pros and cons. The pros are that certain types of people really want to follow that kind of leader with confidence and declarativeness. Boards like that, too. The downside is — well, take your first-time CEO, who doesn't have the templates. The pros are

that they often form really strong teams to go on a journey with them; you're going to help define the path. So those CEOs really get people to follow them who want to have impact, who want to shape the future, and who want to create those templates together.

Both can be very successful, but at different times you really want different types of leaders.

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