

## *Historical Lessons on Choosing a CEO*

# **Cultural Fit Vital to CEO Selection**

**By Sandra Davis, CEO, MDA Leadership Consulting**

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How important is cultural fit when selecting a leader? So important that at the start of our nation, in 1787, the framers of the U.S. Constitution specified that the U.S. presidency be limited solely to a “natural born citizen.”

Essentially, our founding fathers feared a poor cultural fit if we elected a president of unknown background and character. In the *Federalist Papers*, John Jay, the future first chief justice of the Supreme Court, wrote several times about the “dangers from foreign force and influence.”

### **Lessons for CEO Selection**

From Constitutional history to basic cell biology, we know that organizations have a remarkable capacity to reject a foreign organism. The same holds true with the leaders of modern-day corporations.

For all the time, expense and energy exerted by companies in selecting a CEO, you would hope the match would be a success, at least most of the time. Yet the reality – borne out by statistics on CEO longevity – differs.

Approximately 40% of new CEOs are fired or leave within their first 18 months on the job. And a shocking 64% of CEOs – nearly two out of three – don’t even make it to their fourth year in office (unlike our nation’s CEO).

For every long-tenured CEO such as Proctor & Gamble head A.G. Lafley (nine years), how do you account for CEOs such as Kevin Rollins (replaced at Dell after less than three years) or Harry Stonecipher (fired by Boeing after 15 months)? The answer is that ousted CEOs like these simply did not fit within the culture they were asked to lead. Thus, they were asked to leave.

CEOs don’t derail due solely to a lack of cultural fit. There are multiple other factors involved. Yet when times are financially tough, and push comes to shove, corporate boards are less likely to put up with leaders who simply don’t align with an organizational culture. And this culture can vary depending on an organization’s needs at a given time. Initially, HP believed it needed Carly Fiorina as a change agent CEO, but eventually ousted her in part due to her alleged ruthlessness and self-promotion – behaviors far-removed from the company’s revered founders.

Due to the prospect of cultural misalignment, and because of the potentially harmful financial and cultural toll a rapid CEO departure places on an organization, it’s imperative for boards to do all they can to ensure that a prospective CEO is the right fit. The need for caution is particularly acute for a new CEO arriving externally, as John Jay emphasized nearly 225 years ago.

### **Cultural Factors to Consider**

Perhaps the easiest way to consider the cultural appropriateness of a particular CEO candidate is to think of this person as if he or she is about to assume an expatriate work assignment – and then ask questions accordingly. For example:

**Will this CEO be able to learn and speak “our language”?** We’re not necessarily talking specific language skills (although in some companies this could be a factor) but rather the degree to which the candidate is able to align

his/her thinking and public statements with those of the organization. Michael Eisner began to stumble as CEO of Disney when he failed to inspire the kind of organizational creativity long part of Disney's culture.

**Will this CEO be able to adapt?** The adaptability of a CEO – to changing business needs, a new workforce, and other factors – can significantly impact his/her ability to succeed long-term. A subset of cultural fit is strategic fit, or alignment with an organization's long-term strategic goals. Former GM CEO Rick Wagoner left in part because others perceived he was too wedded to past GM practices to guide the company to a successful future.

**Will this CEO build relationships?** The dynamic of being at the top of an organization is not only that it's lonely, but at times, it can be difficult to get to know those who work for you. Gregarious, engaging CEOs, such as Charles O. Holliday Jr., who led DuPont for 11 years before retiring in 2009, may have an inherent advantage over CEOs who are more distant or intimidating.

**Is this CEO joining an aggressive or collaborative culture?** Some companies, such as Xerox and Kodak, are known for stressing collaboration and tolerance. Others, such as Microsoft and Motorola, have an aggressive culture that emphasizes confrontation. And then there are companies such as GE, which is perhaps the best-known example of a strong, top-driven business culture. A CEO who is ideal for one organization may be wholly inappropriate for another, due to cultural differences.

From these leadership lessons, we see a pattern emerge: of the inherent difficulty for newcomers to enter a "foreign" land – such as a new corporate culture, or a new leadership role – and succeed.

Ultimately, however, just as was sought by our nation's founding fathers, we'd like our chief executives to thrive in their roles. And they potentially will – once they've proven their ability to fit into the culture of the organization they're charged to lead.

**Sandra Davis**, founder and CEO of MDA Leadership Consulting, specializes in providing corporations with strategic succession planning, CEO selection, senior executive talent evaluation, corporate and non-profit board selection and development, and senior executive coaching. She has a Ph.D. in industrial psychology.