



FORETHOUGHT CANDIDATE ASSESSMENT

Picking the *Right* Insider for CEO Succession

by Dennis Carey, Dan Phelan, and Michael Useem

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GlaxoSmithKline let the three internal candidates compete very publicly—and invented a parallel process that few outsiders were aware of.

GlaxoSmithKline's daring decision to let three internal candidates very publicly compete to become CEO generated a lot of chatter last year, but the media overlooked a part of the transition process that has important implications for succession at big companies.

As reported, all three candidates were well qualified to run the business. So GSK arranged to have them take on yearlong CEO-level projects under the discerning eyes of the directors and chief executive Jean-Pierre Garnier, who had announced he would retire in 2008.

The idea was to gather comparable data about the candidates. But because no two projects are alike—the candidates' tasks were to rethink supply chain management, improve product safety, and redefine sales and marketing—GSK also invented a parallel process that few outside the company were aware of. It consisted of a completely confidential, outsider-led appraisal of the candidates from 14 internal executives who had worked directly with all three. One of us, Dennis Carey, conducted the interviews with the executives and provided feedback to Garnier and the board. The company also conducted the usual 360-degree assessments, but those reviews were deemed less helpful because they drew on the views of each candidate's particular direct reports and bosses.

The 14 executives were asked the following questions: What were the candidates' best and worst decisions? What are their strongest and weakest leadership qualities? Whose capabilities are the most suited to meet the company's strategic needs? Whose temperament, passion, and work style best match the company's culture and strategy?

These interviews, which were collectively termed "450 degree" analyses to distinguish them from 360-degree reviews, yielded the hard-hitting, comparable data that Garnier and the board had been seeking about the candidates' leadership strengths and short-

comings. The interviews reinforced the findings from the yearlong projects and led the company to select European pharmaceuticals head Andrew Witty in late 2007. He had been considered a somewhat unlikely winner, in part because he was the youngest—he became CEO at 43.

Much of the media attention focused on the aftermath of the highly visible competition—would the losers stay or go? Indeed, retaining unsuccessful job seekers is an important issue for any company with internal CEO candidates. The two GSK contenders who didn't get the post were offered substantial shares in the company and seats on the board as inducements to stay; nevertheless, both of them left last year.

What was missed in the articles and blogs is perhaps the key lesson for corporations: A company would do well to establish parallel approaches to succession. Insiders often get the corporate top job—in fact, more than 80% of the current *Fortune* 100 CEOs were selected from within the companies' ranks—yet the high turnover among CEOs is testament to the frequency with which companies pick the *wrong* insider. A set of parallel approaches allows a company to gather comparable data about internal candidates, with each process filling in the informational gaps left by the other.

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