

# Deciding on the Right CEO Role for Yourself

As a CEO, the decisions you take are numerous and extensive. Many of your decisions have a major impact on other people and on your organisations results. None-the-less one decision is more important than all the others.





## What is the most important decision any CEO must take?

Whilst the Board are formally accountable for the appointment of a new CEO, it is the CEO that decides to accept the CEO job – or not. This is the most important decision you will ever take as a CEO, and to be a successful CEO you must get this decision right. Alarming, nearly half of new CEOs get this decision wrong and don't survive past 18 months.



*Widely cited research indicates that nearly half of new CEOs don't make it past 18 months, and the costs of replacing them are staggering*

— (AESC 'Minimize Risk', retrieved 2021, para 1)

As **Christian** puts it when summarising scientific research and his own practical experience:

*"Whichever organisation you take on the CEO role challenge in, congratulations on your new appointment. The bad news is that there is only about a 50% chance your appointment will succeed, so a very good chance you won't be in the role in 18 months. That is basically a coin-flip."*

The good news is, and **Christian** goes on to say:

*"Despite the alarming frequency of failure in new CEO appointments, with all the damage it does to you as a CEO and the organisation you serve, there are concrete steps you can take to dramatically increase the probability of success."*

To get this decision right, understand it for what it really is, comments **Christian**:

*"Deciding to take on a CEO role is to get a very important and difficult prediction right – to determine if you are the best possible choice for the organisation. Rather than sell your credentials, analyse the situation and yourself. Start with what must be achieved."*

## What does a successful CEO need to achieve?

**Richard** comments that CEOs must succeed in multiple dimensions:

*“A newly appointed CEO needs to achieve in three dimensions. Firstly, they must achieve results. Secondly, they must positively impact the culture – the collective values, beliefs and principles of leaders and colleagues in the organisation. Only by delivering results and making an effective organisational contribution, does a new CEO create the opportunity to succeed in the third dimension – to develop themselves, their team, and their leaders longer-term.”*

Even though each CEO role is unique, these three dimensions are always present: short-term results, impact on culture, develop self, team, and leaders for the longer term. **Christian** adds:

*“To beat the odds, and succeed as a CEO, you’ll need to achieve in all three dimensions – and know that success in one at the cost of the others will not be sufficient. That makes it essential to take a balanced analytical approach to what is required, and objectively evaluate your suitability.”*

## How to get the most important CEO decision right in three steps

**Christian** is used to helping Boards and CEOs address this question. At a point when it may be tempting to sell yourself, step back and look at the facts:

*“You will need to follow the steps you would use for any other important decision. A thorough analysis of the CEO task you are considering, getting advice from suitable expert, and evaluating your own suitability objectively and based on facts. Doing this well will enable you to make a valid prediction – will you succeed in this CEO task, or is someone else better suited to it?”*

**Richard** comments that much is known about the science of human error in recruitment decisions, but what science tells us is not always followed when CEOs decide which role to take:

*“Accurately predicting whether you will succeed requires that you control the errors found in conventional approaches to CEO appointment. It’s these errors that lead to the coin-flip outcomes Christian described. If you allow yourself to be guided by science – to use knowledge and facts to make evidence-based decisions – you will make more sound career choices. In that case of taking a new CEO role, there are three main errors often found – to overcome them be precise, be systematic and be objective.”*

## Step one: Don't generalise – be precise

To make an accurate prediction about success in a new role, you need to effectively forecast how you will behave and perform in it. **Richard** remarks:

*“Each CEO role has a precise result need, context, and CEO tasks that you have never experienced before. So, when evaluating if you have the competencies needed, look closely into the unique context of the new organisation, and determine what is required in the CEO role now, and in the future. Just because you have been a successful CEO before, does not mean this role is a good match for you. Science guides us that in this decision, context is the key.”*

**Christian** continues that there are a few key questions any prospective CEO needs to answer thoroughly:

*“The best way to think about a new role is to use the three-dimensional framework for leader success that Richard commented earlier. I express them in three questions you should answer thoroughly:*

- ▶ *Short- and longer-term achievements: What are the immediate results and task performance required of the CEO?*
- ▶ *Impact on culture: In what environment must results be achieved and how should the new CEO impact the organisation's culture to ensure its success?*
- ▶ *Develop self, team, and leaders for the longer term: What future changes in the task or environment are envisioned and so what long-term development will be required?”*

**Christian** summarises that a key point is to know that success in one CEO role, does not directly translate to success in another:

*“The fact you have been a successful leader or CEO before does not mean you will succeed in this new role. Only a precision analysis that secures your self-selection decision is not based on stereotypical considerations or general ideas, but rather on predictively relevant specific criteria will suffice.”*

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## Step two: Don't shortcut – be systematic

**Richard** comments that the way to avoid missing important information in any decision – including vital career moves – is to stick to a sound structure in analysing the new role and its requirements:

*“When assessing the new organisation you may join, make sure that you are systematic to avoid irrelevant information and analyse the role and its context thoroughly. Although every CEO challenge is unique, the scope of what organisations need to achieve is not. Analysing these 5 areas effectively will ensure a systematic analysis of the organisation and dramatically reduce the chance of a shortcut that will lead to a decision error:*

- *What is the market and context, now and in the future?*
- *What results need to be achieved and how ambitious are they given historical performance and context?*
- *What efforts are required in terms of both shorter- & longer-term strategies?*
- *What organisation is needed, for success, and what is the gap to the current setup?*
- *What leadership and people capabilities are needed in this organisation to create success at all levels, and what is the size and nature of the gaps?”*

**Christian** goes on to underline that this form of analysis is common practice to CEOs but is often not used when your own career decisions are made:

*“Systematic analysis makes sure information is properly understood and the decision is well underpinned. As a CEO you use these methods all the time to decide on investment cases, buy new IT platforms, make large risk calculations, etc. What is important is to do likewise in the decision about your career, a systematic analysis of the organisation you may join as CEO is vital to making a good decision. So, collect industry analysis reports, interview Board members and leaders in and around the organisation and consult experts. Don't shortcut just when effortful decision-making is most important.”*

## Step three: Don't trust your gut – be objective

When researchers study selection errors, especially at a senior leadership level, they discover that more experienced leaders like CEOs typically perceive their instincts have improved with experience. **Christian** comments simply:

*“They are wrong, instinct does not improve with experience.”*

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**Richard** adds that after you have accepted your gut instinct is likely to be a source of error, you have to be objective and thorough in your own self-appraisal:

*“To overcome impression-based decision making – gut instinct – you’ll need to assess yourself as accurately as you have analysed the new role. A fact-based evaluation of what competencies and abilities you bring to the CEO role – in relation to your analysis of the specific role requirements – is a vital step. Whether you like the people you meet at the interview or respect the Board chair based on their reputation or feel an affinity to the brand is not important. What is important is to be able to understand and clearly describe if you factfully match the performance requirements on the CEOs task.”*

**Christian** adds that a common source of error at this stage is a failure to define the few most important decision criteria:

*“Focus on a small number of the most important facts to limit the amount of distracting information and zone in on the core criteria. What vital few result capabilities are required for success, and do you have them? And use an independent expert able to understand the business situation and CEO role requirement – so expect, even demand, your new employer to have you properly assessed.”*

To sum up, **Christian** concludes:

**“In all our lives science helps us so much. Through applying science to your most important CEO decision – do I take the CEO role or not – you will be more assured to succeed. After all, the only CEO that can succeed is the CEO that is in the right role for them.”**

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