

# The Job No CEO Should Delegate

by Larry Bossidy



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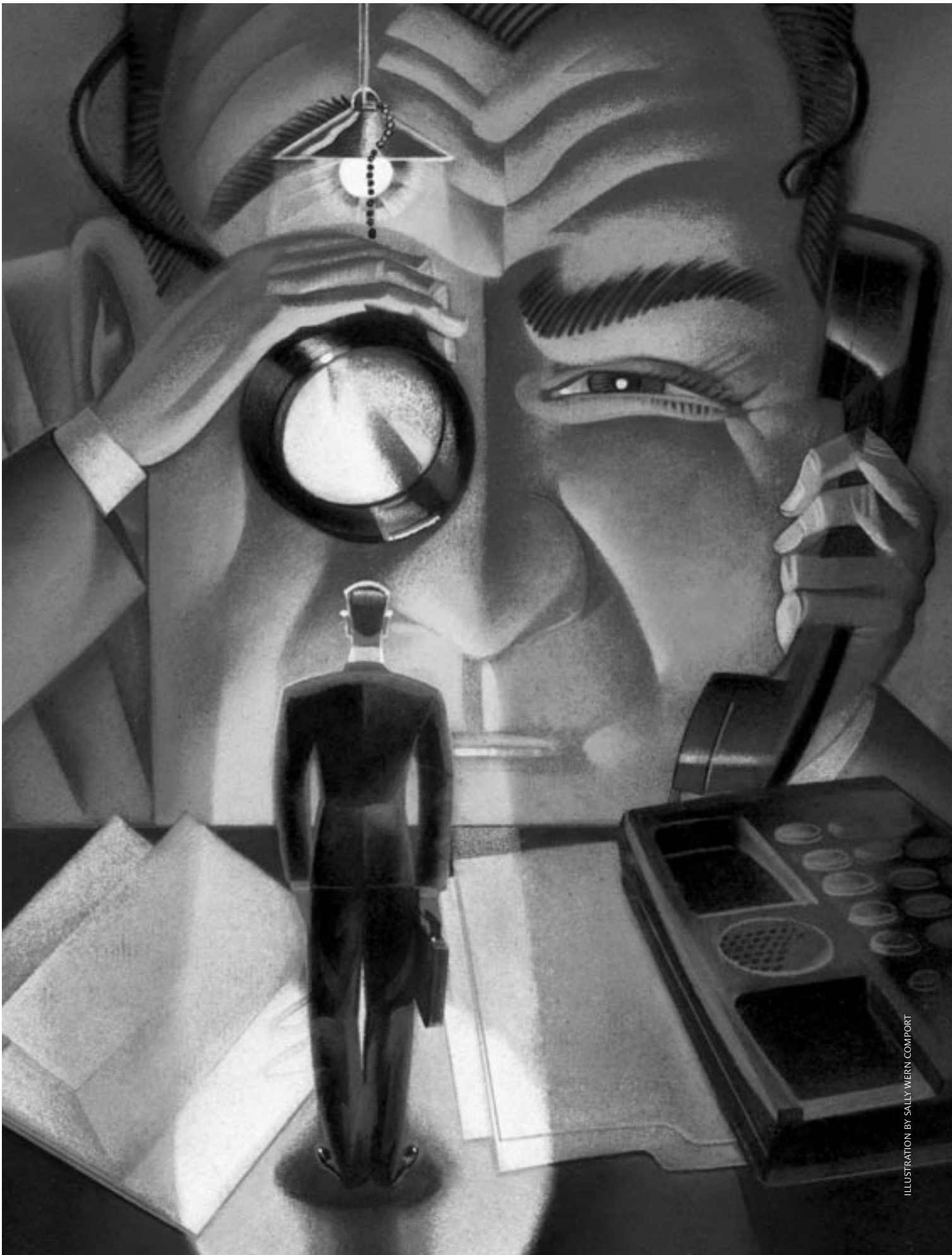


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# THE JOB No CEO *Should Delegate*

*How does Larry Bossidy explain the turnaround of AlliedSignal? He never let go of a grueling job that many CEOs simply delegate – finding and developing great leaders.*

by Larry Bossidy

THE ALLIEDSIGNAL I JOINED as CEO in 1991 was in poor shape by any measure. Morale was low, the stock price was depressed, operating margins were lower than 5%, and return on equity was only 10.5%. But most troubling to me, as I tried to envision our course to recovery, was the weakness of our operating management team. It wasn't up to par with our competitors, and we were unlikely to produce future leaders because we didn't have any bench strength.

Fast forward to 1999. By the time we merged AlliedSignal with Honeywell, it was a strong and thriving business. We had delivered an almost ninefold return for shareholders, and we had tripled our operating margins. Return on equity stood near 28%. Quite honestly, though,

what I consider the greatest sign of our success was the extraordinary quality of our management group. At the end of the day, it's top-flight leaders who make a business great. The best measure of that quality may be the number of top executives who have been recruited in the past three years to lead other organizations.

Paul Norris was recruited from our specialty chemicals business to become CEO of W.R. Grace in 1998. William J. Amelio ran a very successful automotive business unit for us before becoming COO of NCR in 2000. The list goes on: Gregory L. Summe, CEO of Perkin-Elmer; Frederic M. Poses, CEO of American Standard; Daniel P. Burnham, CEO of Raytheon. We weren't happy to see any of them leave, but at the same time,

it was a testament to our efforts at AlliedSignal.

That level of excellence didn't happen by accident. I devoted what some people considered an inordinate amount of emotional energy and time – perhaps between 30% and 40% of my day for the first two years – to hiring and developing leaders. That's a huge amount of time for a CEO to devote to any single task. It wasn't easy to hold to that discipline, especially when you consider that I'd inherited a company whose investors, analysts, suppliers, customers, and top executives all cried out for attention. But I knew it was essential. I'm convinced that AlliedSignal's success was due in large part to the amount of time and emotional commitment I devoted to leadership development.

## The AlliedSignal Experience

In my 34 years at General Electric, I learned that paying attention to recruiting is a crucial part of leadership. So when I joined AlliedSignal as CEO, one of my first acts was to visit plants, meet the managers, and get a feel for their individual capabilities. In the course of these meetings, I realized that the company's inattention to leadership development was a major problem. While I was impressed with my half-dozen direct reports, I was much less impressed with the heads of our operating units and the teams they had built.

Certainly, there were managers that I thought should stay. Many simply needed seasoning in a few more assignments in a few different businesses. Too often, though, I was disappointed with our operating people. They lacked a well-rounded business foundation, so they set priorities from a purely functional standpoint. They didn't demonstrate basic skills like understanding the competition or developing their people. I'm not saying that they weren't smart or didn't work hard. They had good ideas and knew how to present them, but they had not been prepared to execute. So we tried to give them generous severance packages and help them land on their feet. Nevertheless, the experience was painful for everyone involved.

The next step was to vigorously recruit more able people—hundreds of them—not only to run our businesses but also to ensure that we could develop talented leaders in the future. Executive development needed to be a corporate core competency. At GE, 85% of executives are promoted from within—that's how good the company is at developing

*Larry Bossidy was chairman and CEO of AlliedSignal from 1991 to 1999. Prior to joining AlliedSignal, he was vice chairman of General Electric and COO of GE Capital.*

leaders. By contrast, we had to go outside for nearly all of our early hires at AlliedSignal—mostly to companies that I thought had people-development processes at the level of GE and Emerson Electric.

Eventually, our efforts were successful enough that we could fill most jobs from within, which had always been my goal. But it didn't happen without a lot of personal involvement.

## The CEO Commitment

Throughout my career, I've been directly involved in developing leaders, which begins with interviewing and assessing candidates. And not just for my direct reports. I evaluated the direct reports of direct reports, and I sometimes went even further down the



LARRY BOSSIDY

organization. For example, in my first three years at AlliedSignal, I personally interviewed and evaluated many of the 300 new MBAs we hired, whom we considered our future leaders. I couldn't interview everybody, but I knew the standard I set would be implemented in the rest of the organization: you hire a good person, they will hire a good person.

I'm not talking about overseeing our HR department and interviewing finalists; I'm talking about hands-on hiring. Evaluating candidates is more than conducting interviews. In fact, I feel strongly that the interview is the most flawed process in American business. Sure, I do them. And I might find out something about the person that I either like or don't like; I might get clues as to how he or she will behave or fit in. But the fact is, some people interview well and some people don't. And a person who doesn't interview well may be the best choice for the job. That's why it's so important to get supplemental data about each candidate.

It takes time and effort to drill down further—but it's always worth the trouble. When assessing internal candidates, I look carefully at the 360-degree

reviews by peers and direct reports to give me an impression of how well they lead, motivate, and develop the people surrounding them. The feedback is also an indication of the quality of our own leadership development processes.

With outside candidates, it's essential to talk directly to references. When I arrived at AlliedSignal, I personally checked references for dozens of candidates. I remember fellow CEOs asking, "Why are *you* calling?" I would answer that it was a personal concern of mine. If I am going to hire someone, I don't want only HR people checking them out; I want to check them out myself. And I don't talk to just one reference and leave the rest to HR; I try to talk with two or three—even when it feels like there's absolutely no time to spare. There is no way to spend too much time on obtaining and developing the best people. Many CEOs told me that my reference calls were different from most because of how much I focused on the

*I feel strongly that the interview is the most flawed process in American business.*

candidate's energy, implementation, and accomplishment: how does she set priorities? How is he at including people in decision making? Those types of questions get at the real potential of each candidate.

I've also learned that when I make the call personally, I'm more apt to get candid responses. The reference may even know me, and I'll feel confident that I'm not getting any filtering. In fact, after a particularly painful hiring mistake, I've come to only trust references from people I know. I'd had to let a relatively new senior marketing chief go and, as part of my follow-up, I checked back with his references. One of them said, "Well, he's had that problem all along." The reference, someone I didn't know personally, had thought that he couldn't tell me about this man's problem because of potential liability. Since then, if I can't get a reference from a person I know, I don't want to hire the candidate. But if you dig deep enough,

you'll always find someone in the evaluation process with a connection to a reference.

## Leadership Traits

Every company needs to identify talented people who can be groomed into future leaders—the men and women who can run businesses well and, in turn, develop their own people. It's not always easy to spot such potential, but here are the four qualities I look for when I evaluate job candidates.

**The Ability to Execute.** Ideas, analytical capacity, and education are important parts of a leader's makeup. But just as important is being able to implement those ideas. There are people in the world who are fulfilled by expressing big thoughts, but you'll be better served by hiring people with boundless energy who can execute the thoughts. And there is a remarkable correlation between performance in one place and performance in the next. If a person doesn't perform well, or if she exhibits some shortcoming in one job, she will likely have the same shortcoming at your company. Look for a demonstrated history—concrete examples—of real accomplishment and execution.

**A Career Runway.** Good leaders have plenty of runway left in their careers. I like to hire someone for this job and also the next job, never for the person's final position. I look for someone who isn't wrapped up in the minutiae of a job. People with perspective on their jobs give me an indication that they have not only the interest but also the ability to go further.

**A Team Orientation.** If someone is able to work through and with other people, he's got better potential than if he is essentially an individual contributor. I remember hiring one marketing executive from a smaller company who felt he was ready to join a larger organization. He had a lot of time to orchestrate what he wanted to do through other people at Allied, but instead, he did it all himself and he took all of the credit himself. When a project had to be done by others, he didn't handle the interaction with them very effectively,

and he wasn't viewed as an active contributor, which limited his ability to execute. To determine a team orientation, I talk to the people a candidate has worked alongside, not just to the people to whom he or she has reported.

**Multiple Experiences.** I've learned to consider carefully the dynamics of a candidate's past work experiences. People who come from quasi-monopolistic areas often have great difficulty moving into more competitive environments. Some of our hires from the hidebound automotive industry, for example, weren't able to run profitable business units. You have to understand the environment from which you're hiring; some kinds of companies are better than others at developing leaders.

*There is no way to spend too much time on obtaining and developing the best people.*

To make sure our future leaders have the right experience, I look for candidates who have operated real P&L units in two or three different industries or companies. That's how great leaders are grown. That's why we make sure our up-and-coming executives sit in many seats en route to leadership roles. We move people around to give them exposure to a range of business experiences to help build their skills.

## Mistakes Happen


Even with our rigorous evaluation process, we made some mistakes at Allied-Signal. Our success rate was roughly 70%—and we set a high bar for success—so that's a good percentage. Nevertheless, I had to replace a number of the executives I had hired. Some mistakes came from an overreliance on interviews. As I've said before, some people can be very effective at presenting their credentials but simply not be right for the job. Other mistakes came from assuming that people in one environment would be able to thrive in another.

When you make a mistake, the most important thing is to take corrective action. You have to give everyone a fair chance—talk through problems with

them, for example, or bring in executive coaches. But if it doesn't work out quickly, fix it before it makes a lasting impact on the organization. Let the person go; you don't have to rationalize your decision, it's for everyone's benefit in the end.

If you do have to let a new hire go, get together with your key people and ask, "How did we make this mistake? What didn't we see? Was the reference incomplete? Was it from somebody we didn't know?" There were times when, despite our attempts to be thorough, we somehow missed clues about a person's behavior. It's uncommon to take the time to learn from those errors by talking openly about them, and that's unfortunate. Such postmortems are done for many other managerial acts—losing an account, not getting a bid—but not in hiring. This feedback loop is what process improvement is all about.

I've personally hired and promoted about 1,000 leaders over the years at GE and AlliedSignal. That might sound like a large number. It is. There have been great hires—when the capabilities that I assessed turned out to be true, the adaptation to our environment went quickly, and they developed into great leaders—and there have been mistakes. I've improved my batting average over the years, but I still have a long way to go in order to reach perfection.

Hiring is like any other skill: you get better at it with practice. Of course you'll make some mistakes, but if you are willing to learn from them, you'll make better decisions the next time. The most important thing to remember is that the hiring and development process has deep ramifications for the future of your organization. Many executives have neglected a personal involvement, accountability, and initiative in developing leaders within their organizations. But because it is full of unknowns, of unpredictability, it deserves more time than anything else you do as CEO. 

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