



DOES ANYONE HAVE THE RIGHT STUFF?

• Companies seek new leadership in light of downturn

More than anything else, the C-suite demands leadership. Effective leaders are able to shepherd their organizations both through prosperity and through the dark. That much of the business world happens to be in the dark right now simply means that companies have become keenly aware of whom their leaders are and are not—and whether or not they even have many (or any) leaders at all. Crisis has a way of revealing a lack of leadership. It also has a way of bringing true leaders to the fore.

Economic conditions decline

Economic conditions have continued to worsen in the first quarter of 2009.

The news from 2008 seems an ancient history relived: In the third quarter of '08, U.S. gross domestic product “contracted at an annualized rate of 0.5 percent,” notes CTPartners’ *Regional Trend Talk North*

America 2009. Across North America, the circumstances have been equally grim, the report further observes. “Mexico’s IPC All-Share Index declined 24% while Canada’s S&P/TSX Composite was down by 35% during 2008. And after unprecedented swings

“There are some CEOs who have adapted quickly and have made very difficult decisions required to save their businesses. There are others who seem to still be in ‘shell shock’ about what is going on external to their own companies.”

– Rick Slayton, President, Slayton Search Partners

in the U.S. markets, the S&P 500 was off 38.5% for the year.”

“Boards realize that the CEO has two jobs,” says Brian Sullivan, CEO of CTPartners. “One is to grow the assets of

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HIGH-PROFILES CEO ILLNESSES KEPT UNDER WRAPS PROMPT DEBATE

• When does a CEO’s illness threaten the health of an organization?

Much rides on whether or not a chief executive officer is fit to serve, and his or her health is one important criterion that determines this. Suddenly leaderless, an organization can become rudderless in short order. Even the mere appearance of a vacancy at the helm, whether or not that appearance reflects reality, can be devastating.

The search consultant’s role as succession planning advisor moves to the fore as these issues gain traction. Clearly, a strong succession plan is the best offense against shareholder angst. And succession planning should be foremost on the minds of directors at all times. That question, “What if our CEO gets hit by a bus?” always looms over the boardroom, but for companies that have solid succession plans in place, it need not be cause for unrest.

Sudden succession

In the case of a sudden CEO vacancy – temporary or permanent – shareholders, staff and countless other constituencies grasp for a compass, and doubt soon surfaces. The C-suite has every good motive to handle news of a CEO’s illness with

tact. The temptation to be furtive looms. But ultimately, transparent and swift communication of the details and succession plans does far more to defuse an inevitably volatile scenario and mitigate damage to the organization.

A prominent example of this situation is the announcement earlier this year by Apple that CEO Steve Jobs would be taking a medical leave of absence through June 2009 due to health problems. The development conjured memories of Jobs’ bout with pancreatic cancer, news of which Jobs revealed long after learning of his illness in October of 2003.

There is research showing that the death of a CEO often leads to “negative mar-

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ket reactions.” The evidence for the same phenomenon related to CEO illness, however, is largely anecdotal. News accounts have noted changes in stock prices due to rumors of CEO illness. An earlier incident involving Apple, for example, saw the firm’s value drop by \$16 billion over rumors about Steve Jobs facing another battle with cancer.

Is further SEC involvement wise?

Some would advise SEC guidance and oversight. The Securities and Exchange Commission (SEC) “should directly classify the health of a firm’s CEO as a material fact requiring disclosure,” says Alexa A. Perryman, assistant professor of management in the Neeley School of Business at Texas Christian University in Fort Worth. “The SEC lacks specific guidelines regarding executive health disclosures. This leaves companies to decide what does and does not constitute material information.”

Dr. Ferry is lead author, along with Frank C. Butler and Gerald Ferris of Florida State University and John A. Martin of the U.S. Air Force Academy, of “When the CEO is Ill: Keeping Quiet or Going Public?,” a paper re-

cently published in the journal *Business Horizons*. Among the criteria, they argue, that the SEC ought to require disclosure when a condition has the potential to shorten the lifespan of the CEO, or impacts the CEO’s ability to reliably perform his or her job.

On this matter, others disagree. Their criticism is that the myriad possible manifestations and severities of illness would place unnecessary pressure on CEOs to disclose ailments that in fact have little bearing on their ability to perform the job. “What constitutes a ‘health’ issue?” asks Michael R. Littenberg, partner at Schulte Roth & Zabel LLP. “What about non-terminal conditions that may occasionally affect job performance such as debilitating migraines? Or perhaps medical issues that don’t affect job performance such as high cholesterol or high blood pressure? And, that’s just physical health issues. ‘Mental health’ issues would be even more problematic from a disclosure standpoint.”

During his 20 years of experience in representing public companies in disclosure matters, Littenberg has dealt with this issue. “The SEC should not adopt a specific rule mandating disclosure concerning the CEO’s health.”

Safety through planning

“Companies should disclose the serious illness of their CEO,” says Patricia Lenkov, president of the recently founded retained executive search firm Agility Executive Search LLC. “However, the fact that it is as great an issue as it is at Apple is the problem [itself]. In other words, shareholders do have a right to know significant details that may impact the CEO’s ability to run the company. On the other hand, if there is a strong senior team at the company and if the CEO has done their job, they will have several possible successors groomed to take over anyway. In this case, these individuals can almost seamlessly step into to the CEO role, at least temporarily. This can take away the crises nature of the CEO’s illness.”

Robust succession planning can remove a CEO’s current health or future health from the roster of variables that can adversely affect an organization. Weighing the many ethical issues that color CEO illness disclosure, Wharton School of Business faculty advice is that Jobs’ retreat from his post should prompt a very public succession process that benefits from vetting by the board. ☒

On the Move

Cook Associates Executive Search promotes **Eric Gustafson** to office managing director of the NY and Connecticut offices. He has managed client work and practices globally from NYC for 17+ years.

DHR International appointed **Margaret Dillon** as vp, Singapore office. She joined the firm in 2004. Prior, she spent over a decade with Australia’s largest telecommunications provider. Subsequent to this, she specialized in consulting to various industries.

Korn/Ferry International expands leadership roles for **Linda Hyman** and **Robert McNabb**. Linda will assume the position of sr. vp, global hr. She joined the firm in 1997. Prior, she spent 20 years leading hr in various organizations such as Corning Clinical Labs and Squibb Corp. Robert will assume the additional role of leading a new firm wide initiative – the office of the chief executive, Premier Client Partnerships. He joined the firm in 2001 from Corestaff Services.

Sarah K. Stewart has joined **Boyden World Corporation** as a principal in the firm’s global board practice. In her career with two other leading int’l executive search firms, she has placed more than 300 board members for major organizations. She has been a speaker on governance issues and has contributed to several large papers and magazines.

Chris Meyer joins **Mortgage Search & Acquisition (MSA)** as managing director, Phoenix office. His executive recruiting background spans 30 years, beginning in 1980 with the John Hancock Co; 1982 he started his own firm and joined Competent Search in 2002.

Pinton Forrest & Madden promotes **Shaun Carpenter**, **Shelina Esmail**, and **Allison Rzen** to the position of associate partner, and **Esther McGregor** to the position of sr. search consultant. Shaun joined PFM in ‘98 with experience as an hr leader in the health insurance industry. Shelina joined PFM in ‘98, initially as a

research director and quickly moved into search consulting. Allison has been with PFM for ten years and is highly regarded for her ability to work with large selection committees and boards. Esther joined PFM in 2005, bringing ten years executive search experience.

Dennis J. Kain has been named president of **Tyler & Company**. His career spans 30+ years and includes leadership experience in healthcare operations and national consulting. He joined the firm in 2000.

Witt/Kieffer welcomes **Katherine H. Will, Ph.D** as an executive search consultant, and **Jeanne H. Neff, D.A.** as a member of the firm’s education leadership council. Kate is the former president of Gettysburg College. Prior, she served as president of Whittier College and provost and professor of English at Kenyon College. Jeanne served as president of Sage College and vp for academic affairs at Susquehanna University.