Schumpeter | The wheel of fortune

The latest crop of bosses will have short and troubled tenures

FOR a company, no decision matters more than picking the right chief executive. A good boss can turn a so-so company into a scorcher. A bad one can turn a successful firm into a flop. Last year about 350 of the world's 2,500 biggest public companies appointed a new head honcho. What is to be expected from this brave new band of bosses? Booz & Company, a consultancy, has produced an annual survey of **CEO** turnover in these firms for the past 12 years. The latest survey offers a welcome chance to speculate.

The omens do not look good. In appointing the boss class of **2011**, company boards appear to have made two big bets. The first is that the world economy is about to grow briskly. Judging by the past decade's data, companies tend to hold on to their chief executive when the economy is doing badly and appoint a new one when they feel that spring is in the air. In **2011** they appointed a lot of new bosses. A hefty 14.2% of firms made a change at the top, up from 11.6% the previous year.

The second bet is on hiring from outside. Outsiders are 22% of the class of 2011-a big increase from the 14% in 2007 and a sharp reversal of a decade-long trend towards recruiting insiders. There are many possible explanations for this. Perhaps companies now think that breadth of experience matters more than depth. Perhaps they think that outsiders will be better at managing the convergence of different industries: a retailing company might gain an edge by recruiting somebody with a background in information technology, for example.

Both bets look rash. First, the economy. The euro crisis has paralysed Europe. America's recovery has proved shakier than expected. And growth in the **BRICS** (Brazil, Russia, India and China) is slowing. Storms are brewing, and it is seldom wise to switch captains while waves are sweeping the deck.

Second, the rush to hire outsiders. Booz's research has consistently shown that insiders do better, because they have a feel for how the firm actually works. A big firm is a complicated organisation. It has a culture that cannot be understood simply by reading the accounts. That is why a typical insider **CEO** lasts a year longer and produces better returns for shareholders: an average of 4.4% for insiders who left their jobs in 2009-u compared with 0.5% for outsiders. Insiders are much less likely to be sacked, too.

The new bosses will receive intense scrutiny. Even their private lives are no longer off-limits: the boss of Stryker, a medical-devices firm, recently resigned after a kerfuffle over when exactly he should have told the board he was dating an employee. More important, the days when bosses could mark their own exam papers are gone. In 2011 only 14% of **CEOS** were also appointed to chairmanships; a decade earlier, 45% were. Boards are more professional (and more regulated) than ever before. More firms ask their outgoing **CEO** to become chairman: 37% of outgoing North American bosses and 63% of Japanese ones stay on as chairman. The idea is that the chairman will act as a mentor to his successor. But he may end up constantly second-guessing him.

The new **CEOS** will have less room for mistakes than their predecessors. The professional life-expectancy of a chief executive has fallen over the past decade from 8.1 years to 6.4. It would have fallen further were it not for China, where bosses are lasting longer than they used to. (There are many more Chinese firms in the global top 2,500 than there were ten years ago.)

Boards are showing more appetite for risk and less tolerance of failure. This could make for some swift defenestrations from the top floor. Bossicide is especially likely in Europe, where the economy looks darkest, where boards are the least forgiving and where a hefty 31% of incoming **CEOS** are outsiders.

What can members of the class of 20u do to succeed in such difficult circumstances? Booz has distilled some interesting advice from interviews with established **CEOS**. New bosses need to rearrange their senior teams quickly, to put allies into key positions and remove potential troublemakers (such as rivals who have been passed over or stick-in-the-muds who have outlived their usefulness). Andre-Michel Ballester, the boss of Sorin Group, an Italian medical-device maker, puts it neatly: you need to decide who are the "keepers" and who are the "leavers" in your first few weeks.

At the same time, new bosses need to take a while to make strategic decisions. This is obviously true of outsiders, who need to learn the lie of the land. But it is also true of insiders, who need to learn that the view from the top can be very different from the view that they were used to as the head of a department or a region. A new **CEO** should not become a "superboss" of her previous territory. She must grasp that she has an entirely new job.

Find a spouse and a sparring partner

The two most difficult things that new bosses have to deal with are isolation and pressure. The best antidote to isolation is to listen to the right people. Ian Livingston, the boss of **BT** (formerly British Telecom), says that the best source of advice is not a shareholder or a broker. Rather, it is a chief financial officer or a human-resources director, because these executives have an overview of the entire business. Several **CEOS** in Booz's survey talked about the importance of finding a "sparring partner"—someone you can shoot the breeze with without worrying that he is pursuing a personal agenda. The best antidote to pressure is to have a supportive family. Experienced **CEOS** say that little can prepare you for the relentlessness of the pressure at the top, nor for the bewildering variety of jobs that confront you.

There will never be a shortage of people jostling to be the boss. But the wheel of fortune is spinning more quickly than ever, and the knives and arrows are flying more thickly. ■

Fonte: The Economist, London, v. 403, n. 8786, p. 70, 26 May/ 1 Jun. 2012.