

TORONTO LEADERSHIP SUMMIT

The Toronto Leadership Summit Dinner held in 2007 yielded thoughtful and diverse dialogue on issues surrounding CEOs, chairmen and executive leadership within Canadian businesses and beyond. David Kimbell, co-leader of Spencer Stuart's European Board Services Practice, spoke about challenges facing CEO recruitment on both board/company and candidate fronts, addressing specific concerns of Canadian businesses. As the evening progressed, Wayne Sales, current vice chairman and former president and CEO of Canadian Tire, punctuated the evening with his personal accounts of ascending to the C-suite as well as his advice regarding Canadian leadership. Here are highlights from both speakers' presentations.

NUANCES OF SUCCESSION PLANNING

As there is more accountability required of the executive team, as shareholders are becoming more involved and as CEO tenure is becoming shorter — succession planning is moving to the forefront of boards' agendas. Yet, while it is becoming a priority, the process is quickly changing, leaving some confusion about which responsibilities belong to the CEO and which belong to the board. Planning for a capable successor to the CEO now is considered so critical to the ongoing success of the enterprise that it is no longer deemed proper or prudent to leave it completely in the hands of the CEO.

"If the boards are functioning properly and the incumbent chief executive also is doing his job properly, then succession planning has to be an agenda item for the board, making it their business to get to know the prospects well ahead of any changeover date," said Kimbell. Executive search firms can assist in the process by conducting benchmarking exercises with the board. "In these exercises, we will provide the board and the chairman with candidates, not just a list, but real people," Kimbell said. "The list typically has six names on it and each

is constantly reviewed; the list is altered according to the prospects' status." The prospects are unaware that they are being reviewed for the chief executive position. As the process progresses, there will be opportunities for the chairman to meet those in the pipeline; this should be an informal meeting without any mention of the ultimate purpose.

Succession planning should address companies' different potential succession needs, including a long-term plan that looks ahead to the CEO's eventual retirement as well as an accelerated process that can be put into place if the CEO has to be replaced in an emergency or at an accelerated pace. A logical succession plan is suitable for a situation in which the board has ample time in advance to create a plan to replace the CEO. Whether the plan is created the day the CEO starts or the day he or she announces his or her retirement, the current CEO may work with the board to identify prospective candidates and ultimately choose a successor. However, when an emergency or accelerated succession plan is called for, the board needs to examine how active the current CEO should be in naming the successor.

"Everybody has a slightly different view about how best to plan for succession. Some do it seamlessly; others do it in full glare of the flood lights like some ancient gladiatorial contests," said Kimbell. However, it is often helpful for boards to view succession planning as an ongoing responsibility closely tied to management development.

Moving into the C-suite

"The search is commissioned by the chairman of the board; the nominations committee is lurking in the background, but the chairman is really in charge," explained Kimbell. "He or she sets the candidate profile and says whether there are internal candidates to be considered." Kimbell further explained that the role of the search firm is to discuss the specifications of the CEO role in detail with the chairman and many of the board members. He identified commonly sought-after skill-sets and other qualifications required for executive leadership positions, specifically the CEO role, challenging the audience to assess themselves against the following criteria to determine whether they are ready for the C-suite:

- > Vision, creativity and entrepreneurial spirit
- > Confidence without arrogance
- > Broad and lofty intellect
- > Charismatic demeanour
- > Good communications skills
- > Visibility within the community and company
- > Committed to continual learning
- > Demonstrated track record of successful achievement

After a prospect has been identified with all the specified qualifications and skill-sets for the role, often an interview follows, first with the search firm, then the chairman and finally the nominations committee.

Taking over the boardroom

The board is much less opaque today than it was 10 years ago. “Everywhere in Canada and the U.K., genuine efforts are being made to have a proper nominating process to define what is meant by independence around the boardroom table and around an identification selection process that produces a good result,” said Kimbell. Boards benefit from engaging an executive search firm’s services because they strengthen their commitment to a more transparent process by gaining a greater insight into the marketplace, prospect availability and conflicts.

Regarding the chairman role, Kimbell explained that the search to fill that spot is often more difficult than recruiting for the chief executive role. “Boards want the very best and frequently can’t attract them,” he said. “The candidate population is also quite small, meaning those who have time and no conflict of interest to meet the specifications.” Kimbell outlined five considerations for filling the chair position:

- > **Avoid parachuting a new chairman into a boardroom.** It is such a critical role that both sides must have sufficient time to assess whether the fit is there.
- > **Make sure the new chairman has board experience.** Chairing the board is no job for someone unfamiliar with board responsibilities and processes.
- > **Consider the chief executive vote.** However, the chief executive does not always have a veto over the appointment; in some cases he or she has 50 percent of the hypothetical vote.
- > **Be patient in naming a new chairman.** Take time to find a candidate who is the right fit. He or she should be able to manage meetings well, listen effectively, give sound advice, be open-minded and capable of being tough and decisive.
- > **Ensure the new chairman’s schedule allows time for the board.** Becoming a chairman requires an ample time commitment.

“It’s important to recognize what a significant role the chairman plays in the boardroom,” said Kimbell. “This is someone who must ensure the business strategy has the support of the board and is understood and supported by the major shareholders.” He said that the chairman also is largely responsible for ensuring the company has the right CEO, noting that often good candidates for chairman are existing or former chief executives. “Retiring CFOs can prove another rich source of chairman candidates,” he said.

FROM RETAIL STORE ASSOCIATE TO CEO

Wayne Sales assumed the podium, introducing himself as the former CEO and current vice chairman of Canadian Tire, a company he has been with in varying roles for 15 years. “Most Canadians here think of Canadian Tire as being Canadian Tire stores,” Sales said. “And that’s fair because Canadian Tire Stores started out in 1928, and that’s how you grew up thinking about the company.” But in reality, Canadian Tire is more than just stores. Today, the company is valued at more than \$7 billion and comprises a network of interrelated

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— Wayne Sales, former CEO and current vice chairman of Canadian Tire

businesses that includes Canadian Tire Retail, Canadian Tire Petroleum, Mark’s Work Wearhouse, PartSource and Canadian Tire Financial Services.

The Kmart years

The C-suite was not part of Sales’ budding career aspirations; he set five-year goals and never looked beyond them. However, when he began his career at age 18 in the U.S. with Kmart, he fell in love with retail. “By the time I was in college, the district manager noticed that I had a knack for retail and enrolled me in a training program,” he recalled. However, the stipulation was that Sales must drop out of college. “In those days, you gave your life and soul to a company. So, I did.” By the time he was 21, he had managed his first Kmart store, located in Charlotte, North Carolina. He began to progress, leading more than one store, then eventually becoming a district manager, buyer and, finally, director of sales.

In 1991, Sales was a divisional merchandise manager, responsible for approximately \$8 billion of hard lines when he was approached by Canadian Tire to take on a senior marketing role.

“Kmart would always tell me that I was a fast tracker, but they never told me I would be CEO one day,” Sales said. But as he researched more about Canadian Tire and listened to what the company was offering, the opportunity became more appealing to him. “I felt as though it was an organization I could actually make a difference in,” he said. That year, Sales ended his 25-year career with Kmart.

Building on the Canadian Tire legacy

Sales joined Canadian Tire as a senior vice president of marketing, a position that had been vacant for two years prior to his arrival. He eventually led the company to greater heights and, as a result, he was promoted from executive vice president to president and chief executive officer and, finally, vice chairman. Additionally, he drove category differentiation, upgraded key leadership roles on the senior team and led the acquisition of Mark’s Work Wearhouse. With this acquisition, Canadian Tire became the second largest issuer of MasterCard consumer credit cards in Canada.

“It wasn’t until 1997 during a performance review that I wrote down my aspirations to become CEO of Canadian Tire,” he said. Although at the time of declaring his intent to assume the CEO role one day, the

board never acknowledged Sales as an internal candidate. However, the CEO hinted at it by indicating that he should agree to go to Harvard through the advanced management program. Six weeks after the CEO had announced his retirement, Sales began interviewing with the selection committee.

“‘We can read the numbers, and we can see very well what you’ve done, but we need to know other things,’ they told me,” said Sales. The committee probed into his leadership experience and capabilities, specifically asking about a time when he demonstrated courage. They also examined his attitude and commitment, asking him to identify a time when he exhibited the softer side of leadership. Soon after, the CEO retired and Sales took on the role.

What qualities define a successful CEO?

While Sales explained that the specific combination of personality traits is difficult to define, a strong character and impeccable ethics are essential. “As I think about successful CEOs, it’s pretty hard to define because I truly believe it’s about who the individual is, meaning personality traits and values that are programmed at a very early age,” Sales said. He believes strong character and ethics are key in a CEO’s makeup.

“There are certain things that leaders can do that will influence the values and behaviours of others in the organization. It’s amazing how an organization begins to take shape and resemble those things that CEOs stand for — even the little things.” A strong character and healthy attitude in the C-suite will trickle into many facets of the organization. “For instance, when I joined Canadian Tire, I wore a service pin when not many other employees did. Over time, more and more people started wearing them,” Sales said. “It’s little things like this, the softer side of leadership and the commitment and passion to influencing and developing others.”

Sales said successful CEOs should be able to answer “yes” to the following questions:

- > Can you introduce a topic during a presentation and then sit down and let your team take over?
- > Do you contribute to your department and the company overall, making decisions that affect the greater good of the organization?
- > Do you develop individuals in an organization?

Sales also outlined three key CEO responsibilities. The first is to develop a strategy. “Put into place a process that will lead you to ideally pointing the compass in the appropriate direction,” he said. Second, CEOs are responsible for and committed to developing employees at all levels. Thirdly, communication is vital. “Aligning 40,000 people to head in a common direction, versus 40,000 people in individual directions is very, very powerful and a necessary CEO responsibility.”

Sales compiled a team of Canadian Tire executives that he called the executive committee, comprised of those who exhibited an extra commitment to the company and its goals. “These were people who would eat, drink, sleep and dream Canadian Tire,” he said. The committee met to make decisions that would benefit the company as a whole, not just decisions that would influence each executive’s department. “Part of being a CEO means releasing the reins to allow divisional presidents to run their business and requires thinking in a different dimension by looking at the whole picture and getting out of the divisional operation mindset,” said Sales. “CEOs should think about their relationships with the board of directors, the financial community, shareholders, customers, employees and the media — all while being the guardian of the brand.” He urged executives who want to move into the CEO role to think about and get exposure within all those areas new to them.

Following Kimbell’s and Sales’ presentations, the audience participated in a lively question-and-answer forum, addressing a broad range of topics from private equity’s pressures on the CEO role to transitioning from CEO to board member. After an engaging evening, the 125 guests left inspired and looking forward to the next Spencer Stuart leadership summit.

Spencer Stuart

Spencer Stuart is one of the world's leading executive search consulting firms. Privately held since 1956, Spencer Stuart applies its extensive knowledge of industries, functions and talent to advise select clients — ranging from major multinationals to emerging companies to nonprofit organizations — and address their leadership requirements. Through 52 offices in 27 countries and a broad range of practice groups, Spencer Stuart consultants focus on senior-level executive search, board director appointments, succession planning and in-depth senior executive management assessments.

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