



CHRONICLE

Dedicated to bringing interesting leadership trends to senior executives focused on integrity and values.

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“Conditions are never just right. People who delay action until all factors are favorable do nothing.”
 William Feather, Author
 1888-1981

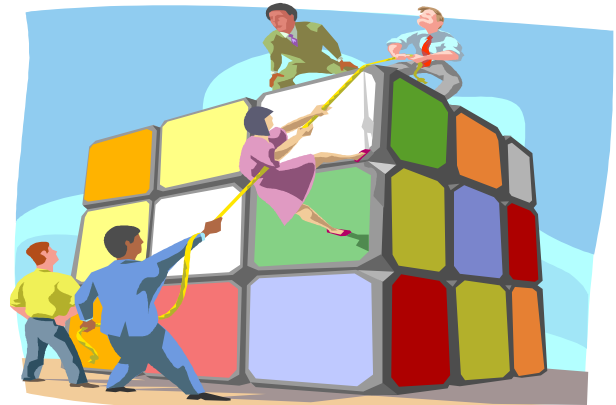
CEO SUCCESSION CRISES

“The CEO succession process is broken in North America and is no better in many other parts of the world. Almost half the companies with revenue greater than \$500M have no meaningful CEO succession plan. A CEO or board that has been in place for six or seven years and has not yet provided a pool of qualified candidates, and a robust process for selecting the next leader, is a failure.”

“The result of poor succession planning is often poor performance, which translates into higher turnover and corporate instability. Booz Allen Hamilton reports that the global CEO tenure average is now just 7.6 years, down from 9.5 years in 1995. Two out of every five new CEOs fail in the first 18 months. Directors considering outside candidates should be exacting, informed drivers of the executive search process, leading recruiters rather than being led by them.”

“More than a third (37%) of the Fortune 1,000 companies are run by external recruits. Outsiders are generally chosen because they can do a job – turn around the company or restructure the portfolio. But the job is to lead a hugely complex organization over many years through an unpredictable progression of shifting markets and competitive terrains. Unfortunately, the requirements for that larger job are often not well defined by the board, which may be focused on finding a savior.”

“In North America, 55% of outside CEOs who departed in 2003 were forced to resign by their boards, compared with 34% of insiders.



Company leaders should be as well defined as puzzle pieces; their strengths and experiences must match the shape of their organizations’ needs. As they wrestle with requirements, committee members must constantly keep in mind the company’s changing circumstances, so that an understanding of what currently works doesn’t congeal into what works, period. With good direction, search firms can be a valuable source of objectivity – benchmarking internal candidates against outsiders and making sure that board members consider all possibilities, even if they prefer an insider. Some companies even bring in recruiters to do independent assessments of insider candidates. Their concurrence with a board’s judgment carries weight with shareholders and potential critics.” Excerpts taken from Harvard Business Review article by Ram Charan

As the job of a CEO grows more challenging, a diverse portfolio of experience in functions, companies and global locations is almost mandatory. Boards have higher expectations in their selection. They are setting a higher bar and they are quicker on the trigger when things are not going well. If the board members do not zero in on underperformance, shareholders will do it for them. This means boards are more willing than ever to consider outsiders when shopping for a new CEO.

See the article on Page 2: **Independent Board Members**

Ram Charan is a highly acclaimed business advisor, speaker and author. Ram has coached some of the world’s most successful CEOs. For 35 years, he has worked behind the scenes at companies like GE, DuPont, Novartis, Pharmacia, Warner Lambert, Duke Energy, Bristol-Myers Squibb, Schering-Plough, Smith-Kline and Verizon

Independent Board Members

Looking to the outside to find independent board members is not new. However, public company directors for the first time must apply the new New York Stock Exchange and NASDAQ independence rules. As a consequence, public companies must follow at least three general standards for director independence:

- the overarching standard for all board members set forth in the listing rules*,
- the higher standard for audit committee members imposed by Congress and the SEC under Sarbanes-Oxley (SOX), and
- the criteria established by courts under state law for purposes of special board committees or board approvals.

Both the NYSE and NASDAQ now require (subject to transition rules) *all listed companies to have a majority of independent directors on their boards. They also require all listed companies to have only independent directors on their audit, nominating/corporate governance and compensation committees.

NASDAQ requires a board to determine that an independent director does not have a relationship that would “interfere with the exercise of independent judgment” in carrying out the responsibilities of a director

Other aspects of SOX brought the compliance issue center stage for manufacturing executives. The act requires that officers of all publicly held companies sign off on the veracity of financial information about their companies—and be able to document how they know their numbers are valid—a requirement that reaches into almost every corner of the manufacturing operation.

Many manufacturers don't quite know how they're going to do it, starting with the \$6.1 billion that Boston-based AMR Research says companies will spend this year to comply.

All these issues highlight the importance of finding board members with the highest integrity, sincerest dedication and outspoken professionalism to regain the trust of the shareholders and the employees.

Segments taken from . From Morrison & Foerster LLP <http://72.3.133.113/news/updates/files/update1200.html> and Manufacturing business Technology magazine http://www.mbtmag.com/current_issues/2005/feb/busperf1.asp??

“Widen your definition of ‘right people’ to focus more on the character attributes of the person and less on the specialized knowledge.”

Jim Collins

Seven Ways of Leading

The April edition of the **Harvard Business Review** has an article on Seven Transformations of Leadership which lists different kinds of action logic that people exhibit when reacting to power or safety challenges. The types of action logic include:

<i>Opportunist</i>	self-oriented and manipulative
<i>Diplomat</i>	wants to belong, obeys the group norms, rarely rocks the boat
<i>Expert</i>	seeks rational efficiency
<i>Achiever</i>	effectively achieves goals through teams while juggling managerial duties and market demands
<i>Individualist</i>	creates unique structures to resolve gaps between strategy and performance
<i>Strategist</i>	exercises the power of mutual inquiry, vigilance and vulnerability for both the short and long term.
<i>Alchemist</i>	integrates material, spiritual and societal transformation

Their survey indicated that the majority, or 38%, came in as Expert. Those coming in as Opportunist or Diplomat were the least effective for organizational leadership while those coming in as Strategist and Alchemist were considered the most effective. The most encouraging find from their research is that leaders can transform from one action logic to another. It is not easy, but those willing to work at developing themselves and becoming more self-aware can evolve overtime into a truly transformational leader.

Workers Seeking That Loving Feeling

In recent issues we reported that it will soon be an employee's market in the work force and the war for executive talent is on the rise. Employers eager to keep their employees should start reviewing their current relationships, benefit packages and retention effectiveness. The following excerpts were taken from a recent article in the Cleveland Plain Dealer.

"Have you hugged your employees today? If you haven't, you might want to, or, if you're not the cuddly type, at least congratulate them on jobs well done and reinforce how valuable they are to the organization. Why this need for public displays of employee affection? Because your best performers, even your middling performers, could be getting ready to walk out your door en masse.

As the economy and job market continue to improve, 75 percent of U.S. workers are considering switching jobs this year, according to a survey released late last year by the Society for Human Resource Management. Even if only a fraction of them decide to jump ship, it will cost companies billions in hiring and training expenses and lost productivity....

While pay, benefits and other economic factors influence the decision to change jobs, the relationship between supervisor and employee remains one of the most important determinants of job satisfaction... Improving the employee-manager bond doesn't have to be difficult or costly. It's mostly a matter of avoiding common mistakes.

During economic downturns like the one we've just been through, employers often get accustomed to the luxury of knowing their employees don't have other job prospects... That can lead companies to pile too many projects onto their employees, leading to longer hours, higher stress and, ultimately, employee burnout. It can also cause breakdowns in some of the basic components of good employee-supervisor relationships: open lines of communication, clear performance guidelines, rewards for good work, regular opportunities for advancement, etc....

If you're a supervisor, it's time to climb back into the trenches with your workers and reconnect with them. It's also time to ratchet up the praise, something that's often far too infrequent during lean years... Crafting an effective dialogue with your employees, however, takes more than doling out praise. You have to be willing to accept feedback, too. That means taking your share of lumps through suggestions and criticism...

Human resource experts said employees are likely to remain in the driver's seat even after this current economic expansion has subsided. It's basic supply and demand: With the massive baby boomer generation set to retire in coming years, the number of available jobs will dwarf the number of available workers."

To read the complete article go to: <http://www.cleveland.com/search/index.ssf?/base/business/1105871513326564.xml?bxbiz>



ASLON Recent Search Successes

CEO, Lorain National Bank (one of the largest full-service community banks in Northeast Ohio)

Director of Marketing, Brush Wellman (only fully-integrated producer of beryllium alloys in the world)

Corporate Controller, Chart Industries (largest manufacturer of cryogenic products)

Managing Director NA, M. J. Maillus Group (manufactures and distributes secondary packaging material)



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“You are never too old to set
 another goal or to dream a
 new dream.”
 C. S. Lewis

Mission Statement

Our mission is to be the leading integrity-based retained search firm focused on identifying, assessing and delivering world class leaders.

ASLON Board Services Practice

In the past, corporate management filled board seats through their acquaintances with other chief executives, company insiders or through a rolodex of social and business contacts. They chose people like themselves or notable names in sports or government that had little resemblance to corporate oversight. This created a network of interrelated connections and the temptation to scratch one another's back on compensation and perquisites. Add to that the people trying to accumulate as much wealth in as little time as possible and companies trying to meet ever-demanding quarterly goals set by analysts in whatever unethical way possible and you have a recipe for the disasters that were to come.

Governance, transparency and accountability reforms that followed the recent corporate scandals have dramatically changed today's business environment. The Sarbanes-Oxley Act (SOX) requires public company executives, boards of directors and independent auditors to take specific actions to achieve greater corporate accountability and transparency; in other words, to restore public trust in US business and corporate reporting. These changes have forced boards around the world to re-examine their make up and to hire more independent, competent directors with integrity. This has also placed an exceptional burden on the importance of board director recruitment than ever before.

Successful director recruiting requires an understanding of the specific needs of the board and an insight into the unique nature of the company and its culture. The ability to read an individual's character and bring only those of the highest integrity to the board is of top priority. It is ASLON's responsibility to assure that the board directors we recruit not only reflect this new focus, but serve selflessly as the corporate and investor protectors they should be.

It is critical to have a board that can really make a difference.

Considerations when looking for a new board member

1. Consider the diversification of the current board. Not only gender, culture, age and race but diversity of expertise, character, abilities, education, experience and enthusiasm which all make up the psychographics of the board.
2. Don't just consider CEOs from large corporations who are often overextended. Consider adding retired CEOs, COOs, CFOs and executive VPs who have more time to focus on the respective client's boardroom requirements.
3. Consider a director free of any ties to the company who possess the character to exert their independence and tackle their responsibilities with skepticism.

ASLON has over 20 years of experience in providing board counsel and recruitment services to a diverse group of clients.

Behavioral Flexibility = Competitive Edge

Emotional Intelligence is the ability of a person to control their behavior and emotions in relationship with others. This is not an instinctive trait restricted to an elite few...it's developed. Honing emotional intelligence is critical for anyone wanting to succeed in any area of life.

When people interact, the person with the widest range of flexibility in behavior will always have the upper hand. The top people in any given field are those who have the most diversity in their behavior. Any time your behavior is limited, you are letting others get the competitive edge.

Likewise, the person with the strongest control over their emotions will also have the upper hand. It does not matter if you are at work, at home or with friends. Behavior and emotion go hand in hand -you can't have one without the other. The knowledge you gain from studying your emotional intelligence quotient will change the way you look at yourself and others forever.