

The Impact of Succession on Global Performance and Shareholder Value

An Interview with Clarke Murphy, CEO of Russell Reynolds Associates



There is a growing number of examples where the decisions of senior management affect the competitiveness and stock price of the corporation. We interviewed Chief Executive Officer (CEO) Clarke Murphy of Russell Reynolds Associates, a major US executive search consulting company.

What management talent is being sought by corporations promoting globalization?

Economic growth is sluggish overall, centering on the developed countries. The qualities and decisions of senior management are important factors in differentiating your company from the competition. Three qualities of leadership stand out in such a situation: the ability to run the business efficiently, the ability to respond quickly to changes in the operating environment, and finally, the ability to utilize the wide-ranging tools available for communicating with the Board of Directors and shareholders, consumers, regulatory authorities, etc.

What is the biggest management problem for major corporations around the world?

It is choosing a successor. Corporations whose top management can transition smoothly are able to maintain positive assessment from the public and the market. On the contrary, those corporations that are in disorder over the selection of a successor lower their valuation.

Apple, Walt Disney, United Technologies and Caterpillar can be cited as representatives of the former in the United States. Unfortunately, one can only say that Yahoo and Hewlett Packard (HP) are examples of the latter.

Why is the selection of successors increasingly important?

First of all, there are many more instances in which leaders see abrupt changes in their operating environments. Moreover, the US Securities and Exchange Commission (SEC) is asking listed corporations to establish their procedures for selecting successors in their senior management. The importance of choosing successors has also increased in terms of shareholder protection.

Explain the importance of seeking strong leaders for Japanese corporations who are looking to make acquisitions overseas.

To acquire an overseas entity and merge it seamlessly, it is important to study the mutual strengths [of both corporations]. It is best to leave the tasks that your corporation cannot handle on its own to the partnering or acquired entity.

English as a tool of mutual understanding is indispensable. The language that mediates communication between a pair of corporations from the non-English speaking world is ultimately English.