



# In or Out?

## Perspectives on internal and external CEO appointments

by Nick Harris

---

Appointing a new CEO is likely to be the single most important people decision that most Boards and owners will ever have to make. And the choice on whether to make an internal or external appointment is often a difficult, and sometimes a highly emotional, dilemma.

Below, we give some summary perspectives on the relative merits and considerations of internal vs. external candidates. We have deliberately not referenced the many published studies on this topic, but rather have drawn on our own observations from previous C-level succession projects.

### Internal Appointment

- + Conveys a sense – particularly internally – of stability/continuity rather than disruption (i.e. ‘evolution not revolution’)
- + Sends a message that the company develops/promotes from within, up to the top level
- + Candidate is a well known commodity (i.e. you know exactly what you are getting)
- + Candidate already knows the organisation (therefore, no/little risk in terms of cultural fit)
- + Candidate’s learning curve is less steep (i.e. he/she knows what they are getting into; can be mentored ahead of time by the current incumbent)
- Less likely to act as a change agent; more likely to bring incremental – rather than break-through game-changing – improvement
- May be less likely to challenge and ‘stand up to’ the Board



### External Appointment

- + Conveys a sense – particularly externally and to the markets – that the company is continually striving to out-perform and is not ‘resting on its laurels’
- + Sends a message that the company is committed to recruiting the best-in-class, global talent
- + Candidate brings in new knowledge and best practices from other organisations
- + Candidate will bring a fresh perspective, likely spotting both weaknesses and opportunities more readily
- Steeper learning curve; candidate must learn about a new environment and adapt to the culture (a comprehensive onboarding & integration programme is indispensable to mitigate the risk)
- Risk that internal candidate(s) become demotivated or leave

Thus there are pros and cons to both kinds of appointment. Appropriateness is situational: dependent on the current and future/looked-for state of the company, and the type of mission (both the ‘what’ and the ‘how’) which the CEO must accomplish.

External appointments are, by definition, riskier... However, (successful) external appointees typically drive greater value over time... So, the risk with externals is higher, but so too is the potential upside.

In conclusion, considering both internal and external options – objectively and rigorously – is best practice. And ultimately, the ‘right answer’ is the ‘right candidate’!



**THE TRUSTED ADVISOR** sind regelmäßig erscheinende Artikel von AvS – International Trusted Advisors. Wir möchten Ihnen sowohl Einblicke in unsere Beratungspraxis ermöglichen, als auch durch Gastbeiträge und Interviews Denkanstöße und praktische Hinweise zu vielfältigen Themen rund um Führung, Ownership Advisory, Governance und Strategie geben.

Möchten Sie **THE TRUSTED ADVISOR** gerne regelmäßig und automatisch erhalten, so schreiben Sie uns bitte eine E-Mail an: [tta@avs-advisors.com](mailto:tta@avs-advisors.com)

Gerne können Sie unsere Artikel auch weiterempfehlen. Alle bisher veröffentlichten Artikel finden Sie auch auf unserer Internetseite unter: [www.avs-advisors.com/trustedadvisor](http://www.avs-advisors.com/trustedadvisor)

## Office Frankfurt

Untermainkai 31  
60329 Frankfurt  
Deutschland

[frankfurt@avs-advisors.com](mailto:frankfurt@avs-advisors.com)



## Office Genf

Rue du Mont-Blanc 19  
1201 Genf  
Schweiz

[geneva@avs-advisors.com](mailto:geneva@avs-advisors.com)

## Office Zürich

Tödistrasse 36  
8002 Zürich  
Schweiz

[zurich@avs-advisors.com](mailto:zurich@avs-advisors.com)

## Office Hamburg

Neuer Wall 80  
20354 Hamburg  
Deutschland

[hamburg@avs-advisors.com](mailto:hamburg@avs-advisors.com)

## Office Paris

7, rue Georges Ville  
75116 Paris  
Frankreich

[paris@avs-advisors.com](mailto:paris@avs-advisors.com)

## Office London

9 New Square  
Lincoln's Inn  
London WC2A 3QN  
England

[london@avs-advisors.com](mailto:london@avs-advisors.com)

## Office Bogotá

Edificio Bogotá Trade Center  
Cra. 10 No. 97A-13, Torre A,  
Oficina 701  
Bogotá, Kolumbien

[bogota@avs-advisors.com](mailto:bogota@avs-advisors.com)