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COVER STORY

The Global CEO

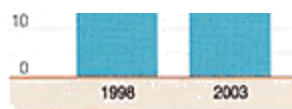
Overseas experience is becoming a must on top executives' résumés, according to this year's Route to the Top.

BY JUSTIN MARTIN

When Henry McKinnell was 28 years old, Pfizer sent him to Iran to serve as a country manager. McKinnell arrived in 1973—wife and three small children in tow—for one of the company's grittier international gigs, one that promised culture shock aplenty and required travel into the country's lawless tribal regions.

During his assignment, McKinnell became acquainted with an army general who owned a large turkey farm. (At the time, Pfizer's Iranian operations did a larger business in animal health products than human pharmaceuticals.) When a disease outbreak threatened the farm, the general called McKinnell directly, appealing for help. McKinnell dispatched a veterinarian who saved the general's flock. To repay the kindness, the general promised McKinnell two fresh-killed turkeys each year.

McKinnell eventually lost track of the general, and the turkeys stopped coming following the Iranian revolution. But he has not forgotten the lessons he learned from his 14 years overseas while stationed in Iran, Japan and Hong Kong. Each assignment helped build his understanding of other cultures, while at the same time preparing him to become CEO of Pfizer, a \$45-billion company with operations in 60 countries. His experience in Iran, for example, gave him a flavor for the emphasis many Middle Eastern cultures place on customer relations. And his time in Japan taught him about the importance of building consensus. "I've had hundreds of experiences I'll never forget," says McKinnell. "They were invaluable in shaping me into the manager of a global company."



It is a small world after all—whether your company is Disney, Pfizer or Merrill Lynch. For CEOs, international experience is not only recommended nowadays, it's fast becoming requisite. This is the 7th year that Chief Executive and the executive search firm Spencer Stuart have teamed up for the annual Route to the Top survey, and this time the big finding is that an increasing number of CEOs assume the post having garnered international experience. Survey results are drawn from the CEOs of the 700 largest U.S. companies and their answers to a lengthy questionnaire. A variety of other themes were also evident this year, for example, an increasing number of CEOs have experience in multiple functional areas, as opposed to just one.

But this year's billboard finding—put it in big, bright lights—is the need for some global seasoning. For the 2003 survey, the percentage of top 700 CEOs with international experience rose to 30 percent, from 21 percent the previous year. "The value is clear: For CEOs, an

COVER STORY



experience overseas can provide a real competitive edge," says Tom Neff, U.S. chairman of Spencer Stuart.

To be sure, going abroad continues to carry potential career hazards, even in this globe-trotting age. Off of site can still mean out of mind: Executives in foreign postings still have to worry about becoming isolated, no longer privy to the corporate scuttlebutt, their home office contacts fast winnowing. And executives contemplating overseas gigs continue to face the very real possibility that their job will have evaporated upon return to the U.S. The plain truth is that these risks have not disappeared, though they are somewhat mitigated by more enlightened companies, improved telecommunications and faster international transit.

An overseas assignment remains a gamble, in other words, but one with rapidly improving odds. Increasingly, international experience is coming to be seen as a real career booster. It provides managers with broader responsibilities than would have been available at the home office. It's an opportunity to make key contacts, a chance to get a flavor for the business customs of other cultures. Maybe most importantly, the very foreign-ness of an overseas posting prepares executives for another job with nonstop culture shock: becoming a CEO. After all, the modern day chief executive has to communicate with a vast array of constituents, make sense of a slew of bewildering regulations and assess the competitive climate on a moment-by-moment basis—all tasks that are strangely similar to negotiating a foreign culture. The bottom line? An overseas posting broadens one's perspective, something that's vital for chief executives. "The hallmark of a great CEO is the ability to see an issue through a variety of lenses," says Roselinde Torres, president of the U.S. operations of Mercer Delta Consulting. "International experience is one of the surest ways to add some new lenses."

Not all international experience is equal. According to Torres and other experts interviewed for this article, it is not enough for an executive to simply jet from the U.S. to various overseas destinations. To have a truly career-altering experience, it is necessary to be stationed abroad. And not only for a brief stint; a true international assignment should last at least a year. Done properly, it can really broaden one's management skills. McKinnell refers to the overseas units he ran as "mini-Pfizers." Ideally, an overseas gig will give one far greater responsibility than would a similar position in the U.S., at a far younger age. "This can be a real résumé builder," says Mike Kelly, chairman of the search firm Highland Partners, "provided you're not merely managing some piece of the global portfolio from Franklin Lakes, New Jersey."

Bill Zollars is CEO of Yellow Roadway, a transportation services company headquartered in Overland Park, Kan., with 50,000 employees and \$6 billion in revenues. The earlier part of his career was spent with Kodak, and he had foreign postings in Canada, Japan and Europe. He found these experiences invaluable preparation. By the time he assumed the top job at Yellow in 1999, Zollars already had ample experience running businesses. "From a career-development standpoint, working overseas was probably my best experience," says Zollars, "especially at a big company like Kodak. I got my hands on the wheels and levers at a younger age. I got to be a general manager while I was lower down in the organization."

The best overseas assignments, according to the CEOs and experts we interviewed, feature what might be termed full-cultural immersion. Certainly, it is important to learn as much of the local language as possible. While stationed in Paris, Zollars took a three-month crash course in French. A highlight of his visit: Two French executives were discussing who would drive him to the airport. Zollars cut in to tell them—in French—that he would take a cab. This was a small episode, but according to Zollars it worked wonders in earning him the respect of his hosts. Similarly, McKinnell picked up a fair amount of Farsi during his time in Iran. "I have found that language is a great window into culture," says McKinnell. "Most expatriates aren't in a country long enough to become fluent, but it's certainly worthwhile to make an effort to learn the language. It becomes a way to understand a country's customs and gain some insight into how things work."

Beyond learning at least some rudimentary foreign phrases, it is crucial to avoid becoming insulated. Upon arrival in a foreign city, there's a tendency to take up residence in a section favored by visitors from the U.S. Many executives also travel everywhere by chauffeured limo with an English-speaking driver. As well, foreign cities frequently have no shortage of stores, restaurants and bars that cater to Americans. As a result, some executives end up becoming what might be termed "Teflon expatriates": They are living abroad, but nothing sticks.

Tackling the Teflon Challenge

Kathleen Ligocki is CEO of Tower Automotive, a \$2.8-billion automotive supplier headquartered in Novi, Mich. She has done several overseas assignments, has visited some 180 countries (Cuba and Afghanistan remain on her wish list), and has scrupulously avoided becoming a Teflon expat. At the outset of many of her various foreign postings, she has made a point of visiting museums to get a sense of the host country's culture. She was also careful to live in "normal" neighborhoods as opposed to those favored by U.S. expats. While working for United Technologies, for example, Ligocki was sent to Paris to serve as director of manufacturing for the European operations of Carrier air conditioners. "I moved into a very French area near the Sorbonne," recalls Ligocki. "I think it's imperative to get outside your comfort zone. CEO-type personalities are seldom self-reflective. One thing that international experience does is it forces introspection and self-analysis because everything is so foreign."

Prior to joining Tower Automotive as CEO in 2003, Ligocki also did a stint as CEO of Ford Mexico, a business that at the time had \$6 billion in revenues. She was the first woman ever to head up an auto company in Mexico and was one of the most senior female executives in Latin America. Ligocki speaks fluent Spanish. During her assignment, once again, she made an effort to take things a step further and become truly immersed in local culture. Ligocki volunteered at a children's hospital in Mexico City, for example, and was involved in a program that built schools in rural areas. "I wanted to make sure I was involved with the people of Mexico," she says. "This wound up being far more than a strict work experience, which made it far more valuable as an international experience."

So what are the best countries in which to be posted? Among the choicest gigs nowadays is China, with its gargantuan population and torrid 10-percent GDP growth. Certainly Europe remains a lure for expats. Economic growth is a bit slower in Europe (more like 1.5 percent), but there's the advantage of being exposed to a variety of distinct cultures bunched tightly together geographically. There's also a familiarity factor in Europe that's lacking in more adventurous postings such as Africa or the Middle East. Japan is coming off a drab decade, but lately showing signs of recovery. As the world's second largest economy, it remains an attractive place to do business. "I think we're beginning to see a better economic picture," says McKinnell, whose company has been the fastest-growing pharmaceutical firm in Japan for the past 10 years, outpacing local rivals such as Takeda and Daiichi.

Even foreign assignments with very low exoticism quotients can prove worthwhile. In other words, don't turn up your nose at the chance to work in Great Britain or even Canada. "This is going to sound crazy," says Zollars. "The thing I learned from doing a tour in Canada is that it's a completely different country. Americans tend to think of Canada as an appendage to the U.S. and that really pisses off Canadians. Living in Canada, you realize the arrogance of most U.S. companies that have operations in Canada."

Here's another caveat, offered by Nariman Behravesch, chief economist of Global Insight, a forecasting firm located in Lexington, Mass. When considering a foreign assignment, think hard about whether your company has legitimate business prospects. For example, China may have a tantalizing population of 1.3 billion, but there are only 120 million people in the country who could be deemed middle class. Japan, by contrast, has a population roughly one-tenth the size of China's, but its middle class is almost exactly the same size. If you're selling soda in China, this might be a non-issue. For a more upscale item—a camera, for example—you'd have to work a lot harder to crack the Chinese market than the Japanese one.

Fear of Rocky Repatriation

Location, location, location. For an overseas posting, it is a legitimate issue. You certainly don't want to be set up for failure. But experts and CEOs alike urge people to dismiss a second common concern: fear of a rocky repatriation. With regular flights to most any destination and the advent of email, it's certainly easier than ever before to stay tethered to the home office. There are additional steps that can be taken by an executive stationed overseas.

Before departure, insist that your company spell out the terms of the assignment in a formal letter. What will your responsibilities be? What metrics will constitute success or failure? How might benefits such as your pension be altered? Crucially, when can you expect to return? Generally, a posting of one to three years is considered ideal, but there's no set rule. It's a matter of the assignment, your company's culture and your personal preferences. The letter should also have wording that guarantees that a job will be available upon your return, commensurate with the experience gained on the international assignment. Ask a lawyer to review the letter. "Even before

you leave, you need to be thinking about the day you return,” says Robin Pascoe, an expert on expatriates, who consults regularly with the human resources departments of companies such as Citigroup, Ford and Shell Oil.

Once overseas, you might think about selecting someone to act in the informal capacity as home-office confidante. This person can keep you up to date on changes to policy or alterations to the org chart. Keep your contacts fresh by dropping into the home office whenever you're stateside. Should any company personnel visit your country, even if it's for vacation, encourage them to visit. It's a great way to keep up with corporate gossip. But don't limit yourself only to staying current with your company. Maintain your membership in various professional societies; keep getting various trade newsletters because you will also want to stay on top of changes in your industry.

Taking these steps should improve your chances of successful repatriation. Nevertheless, many companies remain remarkably ambivalent toward expats. But there's an upside. This may be a global era; however, it's also a post-paternalistic era in which people are encouraged to manage their own careers. It's also worth noting that many CEOs have cut their international teeth at companies other than the ones they've gone on to lead. There's something to be said for treating an overseas assignment as career development in an exciting new setting, all expenses paid. If you're able to successfully repatriate, great. If not, the assignment will have made you vastly more marketable. “I would encourage people to dive in,” says Ligocki. “From my experience working at several different companies, people who have taken the risks are often the people who wind up successful.”

As a CEO, an overseas assignment can be a kind of career touchstone, returned to again and again. It's been a couple of decades since Pfizer's McKinnell had his last overseas posting. But he continues to draw on the experiences. “These were lessons in diversity,” he says. “If there's one thing that's valued at Pfizer, it's people from diverse backgrounds bringing diverse perspectives.”

The exposure to diverse cultures has helped McKinnell introduce and incorporate into Pfizer best business practices from all over the world. In the early 1970s in Japan, McKinnell observed a consensus-building management style that allowed ideas to flow from the bottom up. “That became the basis for our emphasis on teamwork at Pfizer,” he says, adding that employees are encouraged to openly debate their ideas to develop concepts that are mutually acceptable. “As I like to put it, ‘All of us are smarter than any of us.’”

McKinnell says he learned a lot about relationship marketing in the Middle East, where he spent time traveling around, visiting customers, having dinner with them. There, he says, “you do business with people you trust.”

A Variety of Disciplines Helps

There are other ways to build a diverse résumé, without even leaving the good old U.S. of A. For example, a person can get exposure to a variety of corporate disciplines. This year's survey found that the percentage of top 700 CEOs who remained in one functional path for an entire career has dropped from 20 percent to 18 percent. The modern CEO job is simply too complex for narrow casting.

Because CEOs have to sign off on financial reports nowadays and cannot simply delegate to the CFO, some experience in finance—a classic functional line—is valuable. Given the spate of recent business scandals, some legal experience can't hurt. More than one-tenth of the top 700 CEOs have law degrees. With the economy recovering, many companies are shifting from cost-cutting mode to growing the top line. Here it helps to have marketing experience.

“Think of the variety of issues that come up in a company within a day,” says Wayne

Murdy, CEO of Newmont Mining. “There's no perfect way to prepare for a CEO's job. It spans everything. I was fortunate to have a variety of different functional experiences during my career.” Prior to becoming CEO of Newmont, a \$2.75-billion metal mining company headquartered in Denver, Murdy got experience in finance, marketing,



production and strategic planning.

Murdy gained this experience while working for a variety of companies including Getty Oil and Arthur Andersen. And that's another finding of this year's survey: CEOs who have worked their entire career at the same company are becoming increasingly rare. For the latest survey, the percentage of top 700 CEOs with a single employer on their résumé dropped from 25 to 23 percent. "To gain the kind of varied experience necessary for today's CEO, our clients often prefer someone who has worked at more than one company," says Dayton Ogden, chairman of Spencer Stuart.

One final survey finding worth highlighting is that the percentage of CEOs with Ivy League educations continues to decline. The number fell from 11 to 10 percent in the latest survey, part of a long-term trend. In 1999, the percentage was 13.

This finding is particularly interesting because it also has everything to do with the diverse experiential background demanded of today's CEO. No longer is it sufficient to rise through the ranks in one function for one company in one country. By the same token, the preference for Ivy League-educated executives—once a genuine corporate bias—is coming to be seen as a vestige of an earlier era.

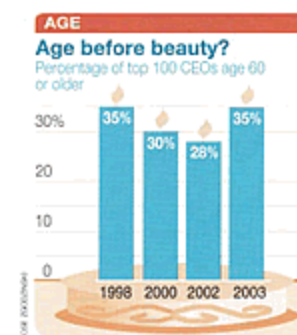
The best way to look at it: The world of work is getting more complex and this demands CEOs who are comfortable with complexity. The most effective leaders are able to relate to a variety of different constituents. Yellow CEO Bill Zollars, for example, is a graduate of the University of Minnesota. He sees an advantage in having gone to a state university with a broad mix of students, where once upon a time he might have rued his lack of Ivy League connections. "The CEO job today is one where you have to be able to relate to people from all different walks of life," says Zollars. "In a job like this, you've got to be able to relate to teamsters on the dock as well as members of the board. You've got to be able to talk to individual investors and you've got to be able to go on CNBC, talk with Kudlow & Cramer."

Ode to Wisdom

WHEN TROUBLE HITS, WE BRING IN THE VETERANS TO CLEAN UP THE MESS.

One of the findings for this year's Route to the Top took us by surprise. Among the top 100 companies, the percentage of CEOs aged 60 or older rose to 35 percent in 2003 from 28 percent in 2002—returning the number to 1998 levels (see chart). The recent headlines support this trend; troubled companies are calling in retired leaders to lead them back to relative safety. Boeing's appointment of Harry Stonecipher, 67, and Delta Air Lines' pick of Gerald Grinstein, 71, are the most recent examples.

True, it could be something of an anomaly; no one would argue that 2003 wasn't an especially tough year for American business. Right now, it pays to be risk averse. But the current attitude is a far cry from the go-go days, when investors and analysts spent the better part of three years enamored with younger and younger go-getters, cheering them to lead the companies they started in their basements to ever greater heights. In the youth-obsessed dot-com era, media pundits regularly fawned over 20-something "gurus" while breathing down the necks of older CEOs, wondering loudly when they'd let go the reins and shuffle off to the golf course. Their insights and advice—particularly when they warned of an inevitable implosion—sounded irritatingly rational and grandfatherly. Youth was rewarded, in America's boardrooms and in its markets, causing some older veterans of business, like Frank Lanza, then 68 and CEO of aerospace and defense company L-3 Communications, to bemoan the mandatory retirement of talented executives, as a "uniquely American tragedy."



That changed, of course, with the market, with the crash of the dot-coms, with the exposure of illegal goings-on inspired by an era of excess. When the proverbial excrement hit the fan at some of the biggest companies, investors clamored not for fresh-faced, fast-talking software salesmen nor for technology whiz kids from the West Coast. Instead, they sought out the kind of wisdom

and integrity, and certainly credibility, that can only come from years of hard won experience.

So do these numbers mean that in coming years, age and experience will trump youth and the dynamism and fresh thinking that often come with it? Probably not. And, of course, they shouldn't. With all the challenges U.S. companies face keeping up with global competitors, the latest technology and the demand for fresh, new ideas, they can't afford to hang on to the past. As the economy stabilizes, board members will again let younger executives take their shots at the top, agree CEO headhunters Tom Neff of Spencer Stuart and Peter Crist of Crist Associates.

"A lot of this is generated by external pressures, the market grasping for credibility," says Crist. "If the markets were stronger, you would see boards being more comfortable taking risk and saying, 'We have a 45-year-old COO who's never been in the chair, but we have great confidence in him. Let's do it.'" At the moment, however, the gap is still too wide at many companies between where their ponies are and where they need to be. To be sure, one of the biggest lessons of 2003 is the lack of succession planning and frightening dearth of bench strength in U.S. companies (see Thought Leader, page 14).

But another lesson emerges as well: If it's true that we cannot live in the past, then neither can we afford to ignore it. Those who have weathered the storms—including this most recent one—have a unique perspective that has no expiration date. The bearers of history's lessons have much to teach current and future CEOs—who might just want to write it down in their PDAs before they forget it.

— C.J. Prince.

Leading Abroad

Henry McKinnell is CEO of Pfizer, a \$45-billion pharmaceutical company. His 14 years overseas included posts in Iran, Japan and China. These days, he maintains a vigorous international schedule, but contributing editor Justin Martin caught up with McKinnell at Pfizer's New York headquarters.



How does international experience help with career progress?

Overseas, you tend to get more multifunctional experience at a younger age. You have much more latitude. If you're a product manager in the U.S., it's very hard to do anything other than product management. But overseas organizations tend to be smaller, so you get a chance to work in different areas.

In my case, I was a country manager at 28 years of age. It was a small operation and it happened to be in Iran. But I had manufacturing, I had sales, marketing and clinical development and was running a business. I was running a mini Pfizer. That experience was very helpful for later in my career.

What advice would you give a manager considering a global assignment?

I don't think people should hesitate. Your foreign experience is pretty much what you make of it, both personally and professionally. I would also seize the opportunity to expand your job responsibilities. You tend to paint on a blank canvas overseas. When I joined Pfizer in Japan, it was officially as an assistant to the president, but the job involved a variety of responsibilities. Titles aren't terribly important overseas.

I would also suggest that you spend sufficient time in the job. Some people look at these as six-month assignments. That's really not enough. To get the benefits, you need to stay long enough to make some mistakes and correct those mistakes.

You were gone a long time, 14 years. How was it readjusting to the U.S.?

The most difficult move I made was from Hong Kong back to America in 1984. I'd never lived in New York City before. I met with one of the people in human resources, who handed me a copy of The New York Times and said, 'Now find a home.' There was no support at all. It was by far the most difficult move I'd ever made.

How has your overseas experience helped you to confront anti-American sentiment?

It's probably helped me to understand it better. Because I have lived abroad, I understand that people look at things differently. Last year, I was co-chairman of the World Economic Forum at Davos. Many of my fellow CEOs and American government officials sensed a very strong anti-Americanism. On one level, that was true. But I viewed it more as disagreement with American policy.

Rather than react defensively, I feel it's much better to engage and reach a common understanding on what we are trying to accomplish in terms of global economic policy. We're going to have to just keep doing what we're doing and do it well. This is the surest way to demonstrate that belief in open markets and representative government really is the way to create wealth and prosperity and freedom.

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