



The Exact Expertise to  
Ignite and Sustain Performance™

## LSA Global | White Paper



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## Recruiting: Credentials, Competencies, and Common Sense

**A**n **Anyone with some common sense and basic interviewing skills knows the importance of describing a successful candidate before trying to fill a position.**

That means defining required competencies, not just credentials, and determining what's needed for a candidate to successfully fit in and perform.

But the chairman of the New York Stock Exchange (NYSE) never learned the basics of Recruitment 101. And he and his fellow directors failed to exhibit even a modicum of common sense when they nominated Sandy Weill, CEO of Citigroup, as a "public director" to represent the investing public.

There are two reasons why Weill's nomination is wrong. The first has to do with ethics, and the second with the board's myopic focus on Weill's credentials, rather than his competencies.

Let's look at the ethical considerations first. Citigroup owns the Salomon Smith Barney brokerage unit, and Weill violated securities law when he personally asked Salomon analyst Jack Grubman to re-evaluate his bearish rating on AT&T. Grubman followed Weill's directive, and Salomon won a lucrative underwriting assignment from AT&T. Innocent investors, on the other hand, got an overly optimistic and skewed stock rating.

Because of Weill's involvement in this scandal, New York Attorney General Eliot Spitzer called Weill's NYSE nomination "an outrage and a gross violation of the public trust." Spitzer went on to say, "Weill's company is paying one of the largest fines in history for perpetrating one of the largest frauds on the investing public. To imagine he should be the voice of the small investor is ludicrous."

Under this kind of scrutiny from outside the board, Weill finally removed his name from further voting consideration. But that doesn't let the board off the hook—the same board, by the way, that selected Martha Stewart (since resigned from the board amid stock-trading scrutiny), Jean-Marie Messier (later fired as CEO of Vivendi) and Linda Wachner (later fired as CEO of Warnaco). All of which brings us to the second problem, which is the board's failure to follow the most basic tenets of recruiting.

You would think one of the main qualifications for a public director hired to represent small investors would be a record of serving, or at least not conspiring against, the interests of those investors. Even a short list of required competencies would include perception, empathy, and commitment to the interests of the people served.

But not one of these is included in the board's rationale for selecting Weill. Instead, he was chosen for his "long-running experience on Wall Street and as someone who was capably running a big operation like Citigroup, a guy who has spent 40 years in the business and has one of the most profitable operations in New York City."

Let's get real. Selecting Weill to represent small investors on the NYSE board is like selecting Ken Lay, former CEO of Enron, to be on the board of an organization that represents homeowner's rights with regard to their utility bills and citing his many years of experience running a big energy company as his greatest qualification.

Weill's nomination occurred at the highest levels of corporate governance. This suggests that competence needs to be clearly demonstrated and not assumed at any level of hiring. Anyone involved in a selection decision can help

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the team, group or board think through objectively what's needed to fill an open position and to define required competencies, not just credentials.

When these recruiting basics are ignored, we're in danger of "putting a fox in the chicken coop," which leaves none of us safe.

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