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## The Objectives of Leadership Selection

Conflict over leadership selection signifies the growing importance of global economic institutions. The importance of the top leaders in these organizations, however, depends on one's model of these organizations and how they function. Two images of global and regional institutions have dominated debate in the 1990s. On the one hand, the management and staff of the international financial institutions (IFIs) and the World Trade Organization (WTO) are portrayed as organizations that pursue their own bureaucratic interests (or the interests of multinational corporations and private investors) at the expense of their member governments and national electorates.<sup>1</sup> On the other hand, the same organizations are pilloried as pawns of their most powerful members, particularly the United States. In some cases, the same institution is accused of *both* self-interested and independent decisions by management and staff and disproportionate influence by national governments.<sup>2</sup>

The leadership and staff of international and regional organizations enjoy some measure of autonomy from national governments. That autonomy will vary across institutions and across issues within institutions. The authority of management and staff is delegated, however, and their autonomy is circumscribed by that delegation. Through asymmetric control of information in particular, top management and staff may tilt the

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1. For example, Lori Wallach, director of Public Citizen's Global Trade Watch on the WTO, said: "Between someone who actually got elected, and the director general of the WTO, there are so many miles that, in fact, he and his staff are accountable to no one!" Naím (2000, 37).

2. For an example, see De Gregorio et al. (1999), chapter 4.

balance of decision making in their favor, but member governments can revoke or narrow their sphere of action if desired. This view of delegated authority is now a familiar one in the study of international organizations. It clearly diverges from the two competing views described above: international institutions as either pawns of national governments or runaway bureaucracies.<sup>3</sup>

This model of international governance accepts that the quality of organizational leadership can make a difference. How much difference a leader can make in what circumstances is a point of controversy among observers of the global multilaterals and other large organizations. For those who view these organizations as sharply constrained by their member governments, one managing director, president, or director-general is likely to be as effective as another. A more useful generalization holds that the top executives in these organizations will have greater or lesser influence according to the political and organizational context.<sup>4</sup> Martin, for example, suggests that management and staff will enjoy more autonomy when the preferences of member governments are diverse.<sup>5</sup> This hypothesis appears to be confirmed by the role that managing directors of the International Monetary Fund (IMF) have played in protecting minority shareholders (i.e., the developing countries) against initiatives backed by the industrialized countries (majority shareholders). Per Jacobsson worked to ensure that the Group of 10 (G-10), a rich country club that threatened the IMF's global monetary role, was aligned with the Fund. Pierre-Paul Schweitzer resisted the G-10 on the issue of Special Drawing Rights (SDRs), and Johannes Witteveen refused to buckle under pressure when the British government pressed for IMF concessions during the 1970s.<sup>6</sup> In each case, action by the managing director appeared to make a significant difference in the outcome.

Given the authority that is delegated to the management of these organizations, member governments will have a strong interest in that leadership and whether it performs in accordance with their policy preferences. That interest is confirmed by the process of leadership selection itself. Member governments guard their choice of the top executive at the IMF, the World Bank, and the WTO as closely as any area of decision making.

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3. For a discussion of delegation in the context of international institutions, see Keohane and Martin (1999) and Martin (2000). Kahler (1993) discusses delegation as one institutional device in the adaptation to large-number multilateralism. A more expansive view of the autonomy and influence of international organizations, based on their bureaucratic character, is given by Barnett and Finnemore (1999).

4. A skeptical view of "supranational entrepreneurs" in the European Union is given by Moravcsik (1999a). For a debate on the circumstances in which leadership matters, see Moravcsik (1999b) and Young (1999).

5. Martin (2000).

6. Written communication, 18 June 2000.

In only one documented instance, described in chapter 2, has an incumbent executive attempted to intervene in the selection of his successor. The conventions of these organizations stand in stark contrast to most private corporations where chief executives groom their successors, and candidates from inside the organization are often the front-runners for the top position. In none of these organizations has an insider risen to the top. One plausible explanation for this pattern is a desire on the part of member governments to discourage collusion between top management and staff over time.

## Evaluating Selection Outcomes

One set of objectives for leadership selection measures selection practice against the performance of the executive selected. On this measure, an ideal selection process produces leadership that effectively advances the collective interests of the organization's membership. Even this broad objective suggests certain desirable characteristics: clear criteria for the selection, established in advance of the search; competition among the largest pool of eligible candidates (an active market for managers); and transparent comparisons among those candidates in reaching a collective choice.

This simple principal-agent frame provides a benchmark for private corporations, at least in the Anglo-American world: good management acts in the interests of the shareholders. A transposition to intergovernmental organizations, however, requires at least two revisions. That most shareholders will hold the same objective for a firm's management is not an unreasonable assumption. In the case of international organizations, discerning a common set of goals is far more difficult, apart from the bland "mission statements" that characterize these organizations' charters. Multiple principals are a given in international institutions. National governments may not share the same goals or weight them in the same way. As a result, members find it far more difficult to evaluate managerial performance. Establishing clear qualifications for top managers—difficult even in the private sector—becomes controversial. Often, a detailed description of qualifications is simply omitted. Leadership selection, as described in subsequent chapters, may also become a proxy for defining the agenda of an organization.

Even in other organizational contexts, the interests of shareholders may be weighed against the interests of other stakeholders in the firm: workers, suppliers, consumers, or the public. Although national governments "own" the international organizations that they establish by treaty or agreement, activist nongovernmental organizations (NGOs) claiming to represent an international civil society raise the question of additional stakeholders in these international institutions. In other public organizations,

such as universities or public agencies, a larger group of stakeholders, beyond the formal governing body, will often be consulted or engaged in the selection process. Whether these new international stakeholders should be directly involved in leadership selection or whether their participation should take place through national representatives is yet another point of potential controversy.

## Evaluating the Process of Selection

In addition to an objective of effective leadership for collective ends, member governments may also advance objectives for the *process* of selection. Transparency has become the most prominent of these objectives, particularly for outside critics of these organizations. The clubs of industrialized countries that long dominated international governance displayed little interest in a transparent selection process. As the narratives in chapters 2 and 3 illustrate, leadership selection was virtually invisible to the public before the 1990s. Recent criticisms of the major multilaterals, however, have centered precisely on an absence of transparency in decision making.<sup>7</sup> Internal discussions of reform in the selection process have included greater transparency as a goal, for the benefit of outside stakeholders as well as member governments.

The experience of international institutions closely parallels that of private corporations in this growing emphasis on transparency. The same logic applies: increasing visibility and power of CEOs raises the stakes of leadership succession, and higher stakes have meant greater scrutiny from a larger number of interested parties outside the organization. Corporate boards now must “ensure that the [selection] process is rigorous, careful, and—perhaps most important—defensible.”<sup>8</sup> The goal of transparency, which contributes to the legitimacy of these institutions in the longer term, may conflict with other objectives in the selection process, however. If the process is too public or contentious, the pool of candidates may be restricted. In other organizations, the risk of public humiliation for obvious also-rans and the threat to current employment for some candidates have imposed confidentiality in the early stages of recruitment and selection. International organizations also must grapple with the conflict between transparency and confidentiality, which serve different organizational interests and different constituencies.

In the eyes of member governments, another flaw in current selection procedures is delay. As described in the following chapters, few recent selections have met the objective of timeliness. Repeated deadlines for

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7. Woods (2001, 88, 90-91); De Gregorio et al. (1999, 84-85); Williamson (2000).

8. Lorsch and Khurana (2000, 136-37).

the appointment of a new chief executive have been violated. Considerable costs are imposed on an organization by such delays. Leadership gaps at the top can thwart important activities. The inability of the WTO to agree on a successor to Renato Ruggiero, for example, impeded preparations for the Seattle ministerial meeting. The mere fact of repeated delays raises questions about the organization's ability to reach consensus on more important, substantive issues. Deadlock over selection of a new top manager may predict a future in which other important decisions are delayed, and the organization drifts.

Finally, member governments value a process of leadership selection that minimizes prolonged conflict and its effects on other arenas of foreign relations. This goal depends on the transparency and timeliness of the process. To the degree that consensus cannot be reached in an open and timely process, governments will be tempted to exercise leverage through issue linkage by trading concessions (or attempting to extract them) in unrelated policy arenas. If successful, such linkage could force movement toward a resolution of the original conflict, but such attempts also might diffuse conflict into other areas of bilateral or multilateral relations.

## **National Governments and Their Goals in Leadership Selection**

Most members of international institutions have an interest in the good management of these international institutions as an instrument of good global governance. The interest of some members in undermining these institutions, at least temporarily, should not be dismissed, however. If a member prefers to thwart a prospective organizational agenda, weak leadership is one means of ensuring that the agenda fails.

Even in the absence of such calculations, however, national objectives in the selection of a managing director or director-general may diverge from the global criteria given earlier. National goals will probably include leadership that promotes the agreed aims of the organization. Since the common goals of the organization may be broadly or vaguely defined, however, each member government will promote candidates for the top position who promise to pursue policies close to its own national preferences or its own interpretation of the organization's goals. As described earlier, a leader's actions will be constrained by the organization's membership. Delegated authority and the existence of multiple principals creates some agency slack, however, and could permit the top leadership to align itself with other national governments and their goals rather than one's own.

National governments, who are the members and governors of these organizations, will therefore pursue a mix of objectives in selecting a

new leader for these organizations. Members will to some degree seek the most effective leader in the interests of good global governance or the stated aims of the organization. Good global governance also encompasses goals for the process itself—transparency, timeliness, and insulation from wider international conflict. A more transparent and timely process also may serve national interests by ensuring that other members cannot advance their national agendas behind closed doors. Given that the collective ends of these organizations are often broadly or vaguely framed, member governments also will promote candidates who appear likely to further their individual national agendas, within the bounds of authority delegated to the top executive. In some cases, national objectives also may include stalling an undesirable organizational agenda by promoting weak leadership.

## **The Nationality Principle and Leadership Selection**

This combination of collective organizational goals and individual national agendas parallels the mix of objectives that is likely to appear when other organizations, public and private, set out to find a new chief executive. The expressed objectives for leadership selection in international organizations stand apart from other organizations in one key respect, however. Many national governments set an objective that is not related directly to the performance of the individual who will be chosen or the goals of the organization. Instead they embrace the *nationality principle*: maximize “our” people in top positions. Its corollary is clear: the best leader is one of “us,” which can be defined in regional or national terms. The most important qualification according to this principle is a candidate’s passport.

The major economic multilaterals often are held up as examples of employment based on merit. Their personnel policies are contrasted implicitly or explicitly with those in many United Nations (UN) agencies, where national quotas may apply throughout the organization. The principles applied to staffing at the IMF, the World Bank, and the WTO have in general followed a merit-based approach with some attention paid to the diversity of membership in the organizations. Ironically, at the very top levels of staffing, however, the nationality principle has been as pervasive in the IMF and World Bank as in any other international organization. The convention that divides the IMF managing directorship and the World Bank presidency between Europe and the United States is a clear-cut and rigid application of this principle. For several decades under the General Agreement on Tariffs and Trade (GATT), the position of director-general was awarded by informal convention to the national

of a small industrialized country. At the WTO, however, some recent leadership battles have been organized along regional lines, suggesting that its top positions also may fall to the nationality principle—cast in terms of regional distribution.

The nationality principle is pervasive in the selection of heads of major international organizations. Few notice the underlying puzzle that it presents. The nationality principle represents a clear deviation from the result expected from a principal-agent perspective. Self-interested behavior on the part of national governments points to selection of a top management whose behavior will be aligned with their interests. The shareholders of the IMF, the World Bank, or the WTO should want a managing director, president, or director-general who faithfully reflects their interests, not his or her own interests or the interests of another government. The nationality principle is not framed in this way, unless one assumes that a fellow national will be a more compliant agent. The empirical evidence for such a conclusion is weak at best, and there is considerable evidence to the contrary. The strategy of the United States, virtually alone among the major capitals, has in fact been based on a very different logic of influence. Representatives of successive US administrations have argued that American influence in these organizations is best maximized if a non-American is appointed to the top position. The organization and its work are more credible to other governments if the chief executive can be seen to “stand up” to the United States from time to time. Of course, even this logic is based on the fact that the rest of the world follows the nationality principle and will accept that a non-American behaves more autonomously vis-à-vis the US government.

Throughout the leadership battles described in the following chapter, the citizenship of candidates often appears far more important than policy positions or prospective performance. There is no easy explanation for this pattern. Support for the nationality principle could be linked to a principal-agent model by treating nationality as a proxy for information: a government knows more about its nationals; therefore, their behavior will be more predictable, if not more easily influenced. In many of the selection episodes, national officials demonstrate that they still live in relatively parochial worlds, although reputations at the top of different policy realms often are clearly established. Governments also are unwilling to expend much effort in investigating nominees for these positions. Not only might governments know more about candidates who are fellow nationals, but also their hopes for enhanced national influence could be based on a national’s better understanding of local policy networks. Once again, information of a particular sort—an understanding of home policy networks—might suggest more attention to the wishes of the home government and a greater ability to anticipate its policy preferences. Nationals also may promise a degree of malleability because of career patterns in public service. If an individual plans to return to

national politics or a national civil service position after tenure in an international organization, then the national government might exercise some additional leverage. Other governments, concerned about this possibility, should press for the appointment of candidates later in their careers to counteract this avenue of influence. Little evidence exists of such calculations, however.

Some anecdotal evidence of close ties between international agency heads and their home governments does exist. In specialized UN agencies, home governments sometimes have been used as a last-resort control when an agency head's record is particularly poor, and direct action has been ineffective.<sup>9</sup> In the global multilaterals, however, the strength of the nationality principle cannot be explained by calculations that common nationality will serve as a conduit for influence between a government and the organization's head. Too much evidence exists to the contrary. A veteran observer of these organizations argues that it is hard to find a clear case in which a country's national at the top has served to advance national influence within the organization.<sup>10</sup> On the contrary, others have argued that non-American chief executives have accommodated American interests in an effort to demonstrate their impartiality.

The most plausible explanation for this persistent attachment to promoting one's own nationals for top international positions lies in domestic politics. One domestic political motivation is time-honored: patronage. Top international management positions are a valuable and convenient means of rewarding political supporters and exiling inconvenient senior colleagues. In addition to the specific patronage payoff, nationals among top international civil servants are portrayed as a symbol of international influence for domestic audiences. Those experienced in the mechanisms of international politics may discount the importance of the nationality principle, but the political and financial support of legislatures and publics often are believed to rest on such visible signs of a national presence. Even such sophisticated political arguments may overstate the calculations that lie behind this reflexive stance, however. Simple claims of national status—as reflected in the number of top international positions that are held by nationals—often seem to lie at the core of demands for representation at the top level. "What is left," one participant declared, "is national pride, and probably more often (misplaced) loyalty to the candidate one knows best."<sup>11</sup>

Whatever the precise sources of the nationality principle, it is deeply entrenched. The trading of positions according to the nationality principle remains a central feature of appointments to the European Commission,

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9. Interview P, 2 November 2000.

10. Written communication, 18 June 2001.

11. *Ibid.*

one of the supranational organs of the European Union. In the UN system the nationality principle, interpreted through the lens of budget contributions, is often used to award top positions. Representation of regional groups in a system of rotation has transformed and diluted the nationality principle rather than overcoming it.

Any system for selecting those at the top of the major multilateral organizations will face conflict over the qualifications of candidates, organizational goals that should be realized, and rules governing selection of these important posts. Procedures can be designed to increase the probability that this conflict will result in a leader who will enjoy broad support without great costs to the organization. Some defend the nationality principle as one means of building that broad coalition, much like ticket balancing among ethnic groups in domestic politics. Over time, top appointments should reflect the diversity of an organization's membership, and nationality defines that diversity in part. As a guide for national policies, however, the nationality principle does not incorporate an agreed, "fair" distribution of top positions. When it becomes a dominant or exclusive criterion for appointment, nationality also heightens the sense of winners and losers in a selection process. Although one candidate can satisfy a substantial range of policy preferences, few candidates can be at the same time American, French, and Japanese.

The nationality principle and its interpretation have been central to conflicts over leadership selection at the IMF and the World Bank; its promotion in regional form also has sharpened divisions within the WTO. It serves as the most powerful constraint on a selection process that might be directed toward broader organizational choices about the future. Given the powerful hold of the nationality principle, a central question in reforming the selection process is whether it can be modified or set aside to produce a more competitive, merit-based design. Conflict would not be abolished, but it would then center on issues of personality and policy rather than passport.

## **Leadership Selection: Competing Objectives**

Governments and interested constituencies have called for reform of leadership selection in the major multilaterals. Dissatisfaction with both outcome and process in the existing system of selection need not imply a misplaced criticism of past leaders. Many would have been selected from an even larger pool of candidates in a more transparent process. Nevertheless, continuing to select leaders according to the flawed processes of the past could eventually undermine their legitimacy and call their qualifications into question.

Competing objectives—global and national—drive leadership selection in the major economic multilaterals. A reformed selection process should

reflect the objective of effective leadership in the pursuit of organizational goals set by the membership. Member governments also have expressed support for a process that is transparent, timely, and does not transmit conflict to other arenas of policy. These objectives, combined and simplified, point to a selection process that produces *consensus on an effective leader through a process of restrained competition*, a benchmark that is elaborated further in chapter 4.

At the same time any selection process must recognize the conflicting national objectives that governments will bring to the process. Both disagreement over the collective goals of the organization and the promotion of national policy preferences is likely to produce conflict over leadership selection. Conflict in itself need not be destructive; it may accurately reflect legitimate disagreements about the organization and its agenda. A successful selection process must ultimately resolve those conflicts or encourage participants to set them aside in the interests of a broad base of support for the new leadership.

Common benchmarks help to evaluate leadership selection across these organizations. Those benchmarks cannot produce a road map for reforming selection practices that produce undesirable outcomes, nor can they provide an estimate of the feasibility of particular reforms. By themselves, they may partially obscure an accurate diagnosis of the reasons for flawed and conflict-ridden selection processes. Global changes underlie conflicts over leadership selection, but these international organizations also display distinct reasons for protracted conflict and delay in choosing new leadership. The next chapters diagnose the sources of their increasingly troubled leadership selections.