



Book The Right Leader

Selecting Executives Who Fit

Nat Stoddard and Claire Wyckoff
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Recommendation

Forty percent of new CEOs and other senior executives in the U.S. fail to hang onto their jobs for more than 18 months. The costs of such failures are heavy, from lackluster stock prices to dwindling morale. Considering the toll, you’d think companies would follow fail-safe methods for identifying the right high-level talent. Think again. Most organizations focus on selecting new leaders with exceptional business skills, but don’t really consider whether candidates fit into their corporate cultures. Transition management expert Nat Stoddard addresses this growing problem in this book, developed with business writer Claire Wyckoff. They offer a logical, systematic – if perhaps labor- and time-intensive – approach to finding CEOs and other senior executives who will have the best chance of still being around for a second or third annual company picnic. *BooksInShort* appreciates that this cogent, informative report on leadership selection problems comes with a thoughtful, step-by-step solution. Anyone who participates in hiring executives will benefit from this detailed guide. Candidates for senior positions also will find it eminently useful.

Take-Aways

- The usual executive selection process overemphasizes capability and talent, to the neglect of culture, character and personality. This leads to hiring failures.
- Inability to align with a corporation’s culture is the main reason new leaders fail.
- Hire objective outsiders to study your culture so you can identify executives who will fit. They should pinpoint the company’s “executional,” “directional” and “actional” needs.
- The 25-step “Leadership Selection Process” formalizes the process of identifying the right leaders for your company and culture. It includes these steps:
 - Secure background, cultural and strategic information from current insiders who will report directly to the new senior executive or CEO.
 - Give your board enough hard data to make good executive recruitment decisions.
 - Base executive job interviews on character and behavioral traits.
 - Ask prospects how they handled tricky situations in the past. This is the “best predictor of future performance.”
 - For a seamless transition, prepare a package of crucial operational data for new hires.
 - Provide coaching and progress reports for the new executive’s first months in office.

Summary

Cultural Fit Is Everything

In 2004, William D. Perez, former CEO at privately owned S.C. Johnson Company, became Nike’s new president and CEO. Phil Knight, Nike’s chairman and founder, was very pleased about Perez’s arrival and called him a “highly regarded and deeply talented leader.” Sadly for Nike, Knight and Perez, he never fit in; the

cultural gap between S.C. Johnson and Nike was too large to bridge. When Perez resigned after a year (ultimately going on to succeed as Wrigley's CEO), Knight explained that adapting to Nike's overall personality had proven too challenging. Perez, he said, had failed "to get his arms around this place." While the two leaders' ideas on corporate growth were at odds, the main problem was cultural discomfort, as revealed in "lots of little incidents" that finally eroded Perez's position at Nike.

"The higher in the organization the position, the greater [the] pressure to fill it rapidly because the selection receives more attention from insiders and outsiders alike."

Didn't Nike do all it could in advance to determine whether Perez's persona would fit its culture? Alas, apparently not, but such a "debacle" is not uncommon. Many firms do little ahead of time to ensure that a new leader's "abilities, personality, energy and character" match their corporate cultures. Indeed, corporations seldom analyze how their cultures may affect executives coming from other companies or even insiders who advance, leading to unhappy, failed CEOs, disgruntled boards and leaderless companies. The fact is, when it comes to senior executive success, culture is everything.

"If the situation the company is in was created by the failure of an executive to meet...expectations...the most important issue facing the hirers is to make sure that it does not happen again."

CEO turnover in the U.S. climbed nearly 50% from 2002 to 2007, creating a hugely expensive personnel churn. During this period, nearly 40% of new CEOs and senior executives were out the door within 18 months. In 2007, the CEO turnover rate was 15.2% in the U.S. and 17.6% in Europe. To correct this problem, companies should assess their cultures as carefully as they do their candidates. Certainly, most firms work hard to vet potential executives, but they do not examine their own corporate environments or define what incoming leaders will encounter. Job descriptions focus on desired outcomes (such as increasing sales) instead of on the actions that a new executive must pursue to realize those results. Additionally, few companies interview the people who will report directly to a prospective executive, even though these individuals know precisely what they will have to accomplish, working under the direction of a new leader.

"Looking at their two most important functions – the hiring and firing of a CEO – it appears that boards are doing a much better job dealing with the second half of the equation."

The traditional leadership selection process focuses on the "match" and asks if the candidate has the skills and abilities to do the job well. However, companies pay little attention to the "fit" – the question of whether the candidate will be able to adapt to the position. Character often plays an outsized role in this equation, but few companies examine candidates closely to learn if their personal standards parallel the corporate culture's ideals and attitudes. In fact, many boards seem to expect, unrealistically, that the new leaders they hire will somehow magically – as if by osmosis – understand the internal complexities of their new companies.

The "Match-Fit Model"

To identify what new leaders must do to fit into your corporate culture and achieve your vital objectives, use the match-fit model. This leadership selection process outlines a job's tactical or "executional" needs, as well as its strategic or "directional" demands. It begins with an objective analysis of the corporate culture. Since insiders cannot analyze their own culture impartially, bring in an outside "Forward Assessment Consultant" (FAC) team to handle this crucial job and help you vet prospective executives.

"Ability may get you to the top, but it takes character to keep you there." (Stevie Wonder)

The FAC team gathers data and works directly with the firm's internal selection group, conducting "business terrain research" to identify the new leader's challenges. For example, FAC members extensively interview those who eventually will report to the new executive, since they have the best understanding of tactical and strategic needs. The FAC also evaluates "team topography" – the capabilities, strengths and priorities of each executive on the management team and of the team as a whole. This assessment can be invaluable in deciding which of two evenly matched candidates will be more compatible with the existing executive team.

"Trying to jam the wrong peg into the wrong hole has costly and painful consequences."

The FAC group also maps the "corporate lay of the land," pinpointing the company's "actionable" needs. It details the role culture will play when the new leader begins to take action. To capture this data in a big corporation, the FAC team surveys 100 to 200 of the organization's senior executives. The comprehensive "culture maps" developed in this part of the match-fit process benefit new leaders by defining their deliverables and offering a guidebook for their actions. The FAC team also prepares a "Field Guide of Vital Information," cataloguing essential business data. This covers the board, major players, finances, operational data, personnel, strategy, research, information technology, marketing and other primary fields to help an executive make a seamless, successful transition.

Interviews with a Behavioral Bent

To learn about an executive candidate's character, the person who will be his or her future boss should conduct a "behavioral-based interview" (BBI) – although a psychologist or a BBI expert could do it instead. Whoever administers a BBI should be properly trained in the right techniques. Setting a tone of openness, the BBI interviewer should discuss how the candidates' values, beliefs and business philosophies would fit into the company. Interview questions should spotlight how the candidates handled previous situations that parallel the circumstances they might encounter in the new job. Queries might include: "What did you think, feel or want to do in the situation?" and "What did you actually do or say?"

"The way up and the way down are one and the same." (T.S. Eliot)

The selection team also can use a number of assessment tools, for instance, the Hogan Motives, Values, Preferences Inventory, to identify candidates' basic values. In general, subjecting senior-level candidates to ability testing is not a good idea, but it is wise to use personality and behavioral tests (such as the Myers-Briggs Type Indicator and the 16-Personality Factors Test) to learn about candidates' personalities. Negative traits, such as volatility, aloofness and arrogance, can undermine an otherwise capable, talented executive.

The 25-Step, Match-fit Selection Process

The selection team needs a single leader to be totally in charge of the comprehensive decision-making process, detailed below. This regimen is designed to ensure that your new CEO or senior executive is the right person for the job. Its procedures involve top candidates as partners in the process, whether they originate from inside or outside the firm. The selection team can carry out two different versions of this routine: the commonly used “accelerated leader selection process” and the more time-consuming “extended leader selection process,” which companies can employ when the calendar is not a factor. Both processes incorporate the same basic ideas and approaches. The match-fit accelerated leader selection procedure follows these 25 steps:

1. **“Choose search firm, selection team and FAC”** – Often companies use a formal process to choose a search team, but not a selection team. Instead, formalize both processes so that your company establishes teams with sufficient knowledge and authority. Use the FAC group to develop research data about the firm’s needs and culture. Apply that data to give all stakeholders (including the selection team and its leader) an informed fix on the new executive’s “actions and deliverables.” Later, the FAC team will help the new leader use its data to organize and implement the best plans for the future.
2. **“Define process, protocols, dates”** – The FAC team leader and the selection team leader organize the candidate search and selection procedures, set dates for interviews and map out related logistics. This vital meeting establishes how the full selection and evaluation process will work. Participants also assign someone to develop a script that executive search professionals will use when they discuss the company with job candidates.
3. **“Create a job description”** – This is a “preliminary” step, pending additional research. Be specific. Avoid “nice to have” phrasing.
4. **“Conduct behavioral event interview training”** – Upgrade the interviewing skills of those who will talk to candidates about their credentials and leadership styles. Discussions should focus on instances where the candidates took action.
5. **“Target organization types”** – Identify the organizations and cultures from which you hope to recruit the best candidates.
6. **“Conduct business terrain research”** – Interview the individuals who will report directly to the new leader so that you can refine the scope of your search.
7. **“Review internal candidates”** – Test current leaders who want to compete for the job the same way that you test external candidates. Explain the process in the same detail.
8. **“Conduct...the external search”** – Executive search professionals should handle this step. Keep them fully updated on all important particulars, such as FAC findings.
9. **“First ‘sighting’ candidates”** – The search professional conducts initial candidate interviews and prepares detailed descriptions of each individual.
10. **“Complete team topography”** – For comparison purposes, test your current executive leadership team members the same way you test all your candidates.
11. **“Map...the corporate lay of the land”** – Interview the firm’s top executives to determine what truly takes place within the company. The results of this research will help define the organization’s most crucial strategic and tactical needs.
12. **“Revise job specs”** – Review the search professional’s “long list” of candidates and the FAC team’s “business terrain report,” based on its interviews with the company’s existing corps of executives. Modify the job specifications accordingly.
13. **“Complete candidate assessment instruments”** – Have a behavioral assessment expert (a psychiatrist or psychologist) who works for the FAC team test the candidates and inform the selection team of the results. This information will help the team assess which candidates are most likely to adapt well to the organization’s culture.
14. **“Conduct first short-list interviews”** – After receiving assessment results, the selection team interviews the candidates using behavioral-based interviewing techniques.
15. **“Conduct second short-list interviews”** – Take this step if necessary.
16. **“Create the field guide of vital information”** – The FAC team prepares a broad package of essential information for the new leader.
17. **“Final FAC report”** – Use the information from the corporate lay-of-the-land mapping process to help the selection team decide upon the best candidate or candidates. Later, the person who is hired will be able to use this information for transition planning.
18. **“Conduct character interview(s)”** – Carry out these interviews according to classic behavioral-based interviewing techniques. The interviewers can include a psychologist or BBI expert, and the new leader’s future boss.
19. **“Extend offer; negotiate and receive acceptance”** – Include an outline of the new leader’s terms of employment and a letter of agreement or a contract with your offer.
20. **“Conduct onboarding coach meeting”** – The FAC team’s leader often is the best person to provide a “briefing” and to serve as the new executive’s onboarding coach.
21. **“Complete fuzzy front end and transition planning”** – The fuzzy front end is the period of time between first contact and the new leader’s first day at work. To make the most of this time span, plan its activities carefully.
22. **“Make announcements and measure performance”** – Assess how the selection process has worked and suggest improvements for the future. Create a detailed communication plan to announce the hiring of the new executive. This may need to dovetail with the person’s departure from a previous post at another company.
23. **“Commence work”** – This comprehensive selection program prepares the new leader to implement a transition plan immediately. Thanks to extensive research and data gathering, he or she will already understand the company’s commercial standing, culture, priorities, and so on.
24. **“Provide onboarding and executive coaching”** – This is where mapping the lay of the land pays dividends. An executive coach is a must for at least “six to nine months.”
25. **“Provide three-, six- and twelve-month progress reports”** – Primary stakeholders, like board members, need to know how their prize recruit is doing.

About the Authors

Nat Stoddard chairs a career- and transition-management consulting firm, which is headquartered in New York. **Claire Wyckoff** is a faculty member at New York University’s Center for Publishing.