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# High-stakes hiring: a new approach to the new normal

Never before has the selection of a new executive leader been such a high-stakes, high-risk event. As the velocity and complexity of businesses around the globe accelerate, certain new-world competencies such as “ability to deal with complexity” have risen to the top of the job criteria. However, many organizations still overrely on one primary data source in assessing a job candidate: the interview.

But the interview focuses the hiring organization’s attention squarely on the individual’s past performance—typically with consideration of little else.

Such a unidimensional approach can cause boards and CEOs to overlook equally important variables such as organizational culture fit, ability to manage change, and skill in adapting quickly to new circumstances. In reality, leadership competence is not always entirely portable. To find the right candidate not just for the role but also for the organization, assessors need to take a more multidimensional approach.

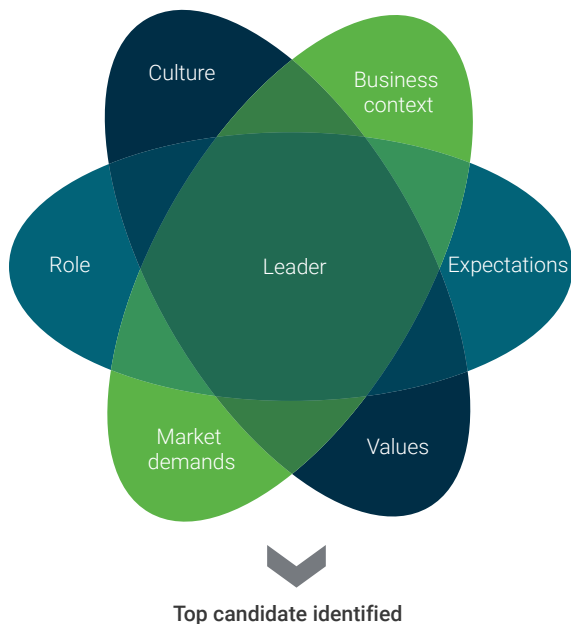
## **TAKING A SYSTEMIC VIEW**

Research<sup>1</sup> demonstrates that the most robust and most reliable way to predict performance goes beyond both past performance and the individual. Clearly, an in-depth interview is a critical component of any selection process, but a multidimensional approach brings additional value. It takes into account not only the individual’s career history and past results but also (1) how the individual would function in the unique context of the organization, (2) the specific mandates of the role, (3) the team the individual would become a part of, and (4) the board the individual would report to (if a chief executive).

<sup>1</sup> For example, Groysberg 2010.

The multidimensional approach moves beyond the timeworn, limiting, and limited conventional guidance that says the best predictor of future performance is past performance.

**FIGURE 1: A LEADER'S PERFORMANCE IS IN THE CONTEXT OF A DYNAMIC ECOSYSTEM**



This systemic perspective has significance because it recognizes that the organization and its own broader environment create a dynamic ecosystem in which each role—and therefore each individual—is embedded. Such a systems view is grounded in behavioral and organizational science as well as business and market intelligence; and applying a suitably multifaceted assessment approach serves to increase the reliability of the selection process.

### NEW-WORLD COMPETENCIES IN CONTEXT

As executive jobs have evolved, so too have predictors of success. C-suite roles today require greatly different and broader skills than they did merely a decade ago.<sup>2</sup> Functional expertise, although still important, has taken a backseat to behavioral competencies such as collaboration, change leadership, building and leading high-performance teams, influencing without authority, and driving innovation.<sup>3</sup> And as leadership models continue to become more complex, so too does the interplay between the individual, the role, the organization, and the external context.

Assessing those critical competencies through the ecosystem lens generates several questions that need answers in order to accurately predict a potential leader's performance, such as:

- What are the market conditions the new executive is entering? How competitive is the market environment? how stable? how complex?
- What is the candidate's experience in dealing with such environments? How does the candidate think about and manage complexity? How adaptive is the person? How quickly does the person learn?
- What about the organization itself: How is it performing compared with expectations, with its competitors, with its own past? At what stage is it in its life cycle? Is the new executive's mandate to start something new? turn a business around? expand into emerging markets?
- What experience does the individual have that is relevant? Depending on the life cycle and mandate, which kinds of competencies are the individual's strong suit, and does the person have enough range and resilience to manage through the next business stage?
- How does the current organization's design in terms of structure, processes, management practices, and talent support the business strategy and objectives? Would major change be required to transform the organization? Who would lead that change?
- What is the current organizational culture, and would it promote or inhibit behaviors critical to future success? Does the culture need to change, and what would a future culture be?
- How would the individual lead an organization through change—if required—and go on to create the desired culture that would move everyone in the right direction? (This area of leadership itself is a complex interplay of competencies that are informed by experience but that involve personality, skills, and adaptability.)
- What is the individual's leadership style, and how would it interact with the business strategy, organizational design and culture, and inherited talent?
- How is the broader management team performing? What would the new executive have to take on in terms of talent challenges? Does the candidate manage performance to high standards? What experience and personality would be most helpful in that area: hard-nosed and execution oriented? developmental and learning oriented? a combination? something different?

<sup>2</sup> Groysberg, Kelly, and MacDonald 2011.

<sup>3</sup> Martin 2007.

## MINING POTENTIAL

As alluded to previously, a contemporary model for predicting an executive's success in a new role is necessarily more sophisticated than it used to be. The reason is in part that a leader's circumstances change so rapidly these days, and so that leader's potential must be considered very prominently. More questions to answer are, What is the candidate's *potential* to effectively meet the new and as yet unclear challenges that come with, say, rapid geographic expansion? How might the person manage in an evolving regulatory context? and, What about new technology? disruption? information overload? integrating new cultures postmerger?

A business leader will face much that is not yet known and that he or she likely will never have experienced. That's why an in-depth assessment of the individual must also illustrate potential for learning, growth, and adaptation. That potential consists not of one skill or even one set of skills but, rather, a combination of cognitive, behavioral, and emotional competencies that involve openness to change, a learning orientation, the ability to apply old learning to novel situations, flexibility, a talent for managing oneself under stress and conditions of ambiguity, and the skill to maintain a relatively calm, positive, and clear environment for those one leads. Past experience in *specific contexts* is instructive in informing that assessment, as are cognitive testing and situational-judgment tests that evaluate critical and strategic thinking, decision-making ability, and so on. And just as important is an understanding of the candidate's personality, learning orientation, and emotional resilience.

An integrated-assessment approach that measures such things as learning agility and resilience sheds light on an individual's adaptability and potential for success in navigating future, as-yet-uncharted territories (i.e., business challenges).

## ACCOUNTING FOR THE UNIQUE DEMANDS OF THE ROLE TYPE

A final consideration for increasing the accuracy of executive selection involves recognizing that the target role may vary in its dependence on the organizational context. Research by executive search consultant and leadership expert Claudio Fernández-Aráoz<sup>4</sup> has shown that some executive positions are less dependent on

firm-specific knowledge and on integration with other internal functions—for example, the functions of the chief information officer or chief financial officer. This means that technically experienced leaders entering these roles are more likely to be able to hit the ground running than are those who enter more-context-dependent roles, although less so than in previous eras.

Roles like these, with the chief operating officer at the extreme, may involve execution through people and systems that are highly specific to the organization. The roles may also require a broader set of competencies—including higher levels of inherent learning ability and agility—in order to move beyond technical capabilities and general leadership competencies.

So, effective executive assessment needs to consider so-called contextual intelligence: what Harvard Business School professor Tarun Khanna defines as “the ability to understand the limits of our knowledge and to adapt that knowledge to a context different from the one in which it was acquired.”<sup>5</sup> And that should be weighted based on the specific role and the extent to which the role is dependent on context and culture.

## CONCLUSION

We know that predicting whether an executive will succeed or not is a highly complex equation, given the unprecedented demands leaders face. An *integrated, systemic perspective* is vital: it is a perspective grounded in the fields that inform the organization's whole ecosystem—for example, in the areas of business and market intelligence, organizational science, and behavioral methods.

The final goal of such a process is to cut through complexity with a straightforward recommendation based on a solid framework, on broad and deep data collection, and on wise insight. Communicated in a clear, unambiguous, and compelling way, the results of an ecosystem-based, analytic approach lead to more-effective decision making, improved predictions, reduced risk, and more-successful financial and nonfinancial outcomes for global businesses. **A**

<sup>4</sup> Cited in Groysberg 2010.

<sup>5</sup> Khanna 2013, p. 60.



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