
Increasing the Odds of Success with Outside Experienced Hires

A Case Study of Competency-based Assessment and Selection

Although it can be beneficial for companies to hire experienced managers from outside organizations, these transplanted executives often fail.

Resumes and traditional interviews are often not sufficient to uncover the characteristics that make for a good fit.

Competency-based assessment and selection techniques significantly improve the odds of success.

HayGroup[®]

**WORKING
PAPER**

Increasing the Odds of Success with Outside Experienced Hires

A Case Study of Competency-based Assessment and Selection

Executive Transplants: Risky Business	1
Identifying Executives Who Could Succeed	2
Cultural Competencies: Companies Will Reject Executives Who Don't Fit	3
In Conclusion	4
About Hay Group	5
About The McClelland Center	5

Executive Transplants: Risky Business

A volatile economy over the past few years has permanently changed the social contract between employers and employees. As business conditions improve and businesses prepare for recovery, signs of the “free-agent” job market will resurface as recruiters again begin to fill key positions. As we saw in the late 1990’s, we expect companies striving to compete in intensely competitive markets to continue to look to experienced executives from outside of their organization to fill new strategic roles.

In many cases, this makes perfect sense. Outside hires can bring the expertise, experience, and relationships needed to enter new markets or launch new products. It is now very rare that companies rely exclusively on “home grown” executives to fill new strategic positions without at least first scanning the open market.

However, hiring experienced outside executives, especially for key strategic positions, can create a potentially costly dilemma. While outside hires bring insight and expertise that would take too long to develop in-house, these transplanted executives often fail. And, failures are expensive—often well into six figures for the executive search fees alone.

This case study is about a company faced with this dilemma and the process it is using to manage the inherent risk. The company needs over 100 new executives each year to meet its worldwide growth objectives. However, the average tenure of the executives it hired from the outside was only about three years. People who grew up inside the company and made it to the executive ranks typically lasted four years, only a slightly better record.

The company was very aggressive in the market and extremely results-oriented. It had a reputation for chewing people up and spitting them out once it ran them ragged. Yet even top-level executives, those who had a strong track record throughout their careers at other “aggressive” companies, could not make it here. This resulted in substantial hard recruiting costs and tremendous frustration toward implementing the company’s strategy and achieving growth targets.

While outside hires bring new insights, transplanted executives often fail.

Identifying Executives Who Could Succeed

The company's challenges were twofold. Their first challenge was to identify the characteristics of those executives with the skills to implement the company's growth strategy and at the same time succeed in their unique corporate culture. Their second challenge was to accurately identify and select executives that possessed these capabilities. The company retained Hay Group as a partner in their efforts.

We compared assessment data from the "outstanding" group with that of the "typical" group to identify the characteristics that led to success.

To solve the first challenge we formed a team of seasoned consultants and internal stakeholders from throughout our client's organization, and conducted a comprehensive executive leadership study. Our first goal was to identify the different kinds of situations that future leaders would need to successfully manage to support the company's business. Our team facilitated a day-long session with the company's chairman and the presidents of the divisions to have them agree on a list of the most critical situations future leaders would need to master. We also had them agree on a list of situations that current executives already handled well and those they did not.

The company was fortunate to already have a considerable number of executives who were good at the things that the top team identified would be critical for the future. The chairman and fifty of the most senior executives nominated twenty executives (out of the top 250) who were "outstanding" examples of the kind of leadership needed to execute against their growth strategy. Our team then identified a sample of twenty executives whose performance would be considered more "typical" for the organization. In selecting the "typical" group, we also attempted to match the profile of the "outstanding" group to control for factors such as gender, nationality, type of business, length of service and job level.

These forty executives became the focus of our study. Each executive participated in a three-and-a-half hour Behavioral Event Interview (BEI) and completed a full assessment battery to measure their underlying motivation, level of optimism, leadership style, and the organizational climate they created. Their direct reports also completed surveys to describe how executives led their teams and the impact that they had on the business. We then compared the data from the "outstanding" group with that of the "typical" group to identify the characteristics that led to the successful implementation of the company's strategy.

Cultural Competencies: Companies Will Reject Executives Who Don't Fit

The results of the study were very surprising. While the “outstanding” executives were driven by constantly improving the bottom-line results, they were not the ruthless, aggressive, “churn and burn” group as known by the marketplace. As a group, the “outstanding” executives had incredibly positive respect for individuals. They were very optimistic about what they and others could achieve, and were motivated by forming strong personal relationships. They scored high in measures of “ego maturity” — that is, they knew their own limitations and the limitations of others, and they saw people issues in their full complexity and avoided stereotypes. They also scored high in measures of “genuineness” indicating that they acted consistently with what they thought and felt.

After uncovering the characteristics of the “outstanding” performers in the company, it became apparent that many of the outside hires were mismatched with the company’s culture, and this contributed to a high turnover rate. Upon reflection of the results, the top-management team concluded that often executives that “grew up” in bureaucratic, political organizations did not fare well at this company because they focussed too heavily on managing process as opposed to managing the business. Experienced outside executives who came in and expected their position power to yield results, instead of person relationships, were often rejected. This is much like a body rejects a transplanted organ if the tissue is not a good match.

This finding changed the way the company recruited in two ways. First, they were able to give search firms a much more detailed description of the kind of executive that would fit into their company’s culture. This led to sourcing from less traditional companies within and outside the industry. Secondly, it enabled the company to implement a more precise process to assess candidates for key executive positions. Resumes and traditional interviews were not sufficient to uncover the characteristics that made for a good fit within the organization. Instead the company began using BEI and assessment batteries, similar to the methods used in the initial study, for selection.

Resumes and traditional interviews were not sufficient to uncover the characteristics that made for a good fit within the organization.

Organizations need to pay attention to their unique requirements to ensure that new leaders can be successfully integrated.

Using these cultural competencies as a screen has resulted in a much better “hit rate” among executive hires. In the three years that they have been using their new selection process, turnover for executives hired through this process has been less than one-fifth the rate of turnover for executives that have not gone through the process.

In Conclusion

By paying attention to the unique culture of the company and by applying a more flexible set of competency criteria, our client has been able to improve the likelihood that its newly hired outside executives will be successfully integrated. The experience has provided them with groundbreaking insight into how best to apply competency models in executive selection.

They are also making advances in using competencies and assessment data to help new executives understand their culture as well as job requirements. New executive hires who received advice from their assessment against competencies performed 10% better than executives who were assessed, but did not receive any advice.

Organizations need to be mindful of their unique requirements to ensure their new leaders can be successful. Some of the competency requirements are to do with the nature of the challenges that the leader will face at that point in time in the organization’s life. Some requirements have more to do with the culture of the organization and the behavior it will accept from its executives and what it will reject. The latter often is the bigger determinant of whether the executive will succeed and be worth the investment in an outside search.

About Hay Group

Hay Group is a professional services firm that helps organizations worldwide get the most from their people by creating clarity, capability, and commitment.

A research-driven firm, all Hay Group's work is supported by proven methodologies and global knowledge databases and is based on 60 years of specific, documented evidence that people, not strategies, drive long-term competitive advantage. Our areas of expertise include:

- Organizational effectiveness, role clarity, and work design
- Managerial and executive assessment, selection, and development
- Compensation, benefits, and performance management
- Executive remuneration and corporate governance
- Employee and customer attitude research

Founded in 1943 in Philadelphia, we now have approximately 1500 consultants and 700 support staff working from 72 offices in 37 countries worldwide.

According to Consulting Magazine, we are the 37th largest management-consulting firm in the world, and among the top five consulting firms primarily focused on human resources.

About The McClelland Center

The McClelland Center is the behavioral research division of the Hay Group. Located in Boston, it is named after its founder, Harvard University psychologist Dr. David McClelland.

The Center applies rigorous research techniques to create solutions that measurably improve the performance of human resources. It manages one of the most comprehensive and unique leadership effectiveness and competency databases in the world. Several leading companies use instruments invented at The McClelland Center to assess and select executives, and to develop outstanding leaders.



www.haygroup.com

Hay Group Headquarters
100 Penn Square East
The Wanamaker Building
Philadelphia, PA 19107-3388
USA

Tel +215 861 2000

Fax +215 861 2111

Argentina
Buenos Aires

Australia
Brisbane
Melbourne
Sydney

Austria
Vienna

Belgium
Brussels

Brazil
Sao Paulo

Canada
Calgary
Charlottetown
Edmonton
Halifax
Montreal
Ottawa
Regina
Toronto
Vancouver
Winnipeg

Chile
Santiago

China
Hong Kong
Shanghai

Colombia
Bogota

Czech Republic
Prague

Finland
Helsinki

France
Lille
Lyon
Paris
Strasbourg

Germany
Berlin
Frankfurt
Munich

Greece
Athens

Hungary
Budapest

Indonesia
Jakarta

Ireland
Dublin

Italy
Milan
Rome

Japan
Tokyo

Malaysia
Petaling Jaya

Mexico
Mexico City

The Netherlands
Zeist

New Zealand
Auckland
Wellington

Norway
Oslo

Poland
Warsaw

Portugal
Lisbon

Singapore

Spain
Barcelona
Madrid

Sweden
Stockholm

Switzerland
Zurich

Thailand
Bangkok

**United Arab
Emirates**
Dubai

United Kingdom
Birmingham
Bristol
Glasgow
London
Manchester
Windsor

United States
Arlington, VA
Atlanta
Boston
Charlotte, NC
Chicago
Dallas
Kansas City, MO
Los Angeles
New York Metro
Norwalk
Philadelphia
Walnut Creek, CA

Venezuela
Caracas

HayGroup[®]