The Leadership Paradox

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As a "headhunter" intensely engaged in a war for talent over the past two decades, I struggle with how inconsistent the quality of senior leadership is throughout Corporate America and have long observed how pervasive this leadership shortage truly is. Most personally challenging is how difficult it has been to address and solve these problems.

The vast majority of corporations and institutions that have engaged in the "war for talent" have not been successful and in fact have caused considerable damage to their organizations. Too many new executives fail to live up to their promise. Our observation is that one-third to two-thirds don't pass muster as measured by their performance evaluations two to three years after coming on board. That's a huge number, considering that one of the executive's most critical functions is to hire or groom his or her successor. Why is this most critical job often least well done? Why is what is most important least successful?

We attribute much of the reason to three fundamental problems we encounter repeatedly: (1) misguided and ineffective hiring practices, (2) unrealistic expectations, and (3) the haphazard integration of new leadership. At the heart of the problem is the all-too-familiar gap between espoused corporate values and goals and day-to-day organizational behaviors. Leadership talks meritocracy but rewards familiarity, loyalty and sycophancy. Leadership talks investment growth and transformation but hoards cash and rewards short-term actions. Leadership asks to be challenged but rewards risk aversion. Common failings, but when pervasive and pronounced, they create confusion, particularly among new executives, as to the behaviors and performance that are valued in the enterprise.

Misguided Hiring Practices

At many companies, both internal and external hiring tends to be treated as the province of the individual executive-in-charge rather than that of the enterprise as a whole. Latitude in hiring and selection is considered almost a birthright of a senior executive. Consequently, there is relatively little organizational learning, wisdom, or strategy passed on to or pursued by the executive engaged in hiring. Where corporate disciplines around hiring do exist, they tend to be focused more on protocol rather than strategy and integration.

Hiring and selection are more personal than other business decisions. Companies apply their cumulative experience and expertise to the handling of customers, suppliers, and the financial markets. They measure and benchmark their performance in these areas. Yet the market for executive talent, perhaps the most critical and complex from a corporate standpoint, is approached in an individual, one-off fashion. Additionally, there are few checks and balances once new hires are empowered within the entity.

The personal motives of hiring executives vary and are not always aligned to what's best for the enterprise. Not all executives relish the tension, subtle competition, and necessary delegation of empowerment that a close succession candidate or high-powered subordinate would require. Some under-hire based on their desire to control and avoid competition.

Others use hiring to make a corporate statement: "Look at the attractive credentialed senior people I can bring." In this case over-hiring pays up for seniority, credentials, and "face skills", usually accompanied by ego and a sense of entitlement. The problem arises when the individual hired lacks the hunger or adaptability to truly work the integration, particularly when it's not working as anticipated (almost always the case).

"Presence," "face skills," and written credentials are almost always overvalued. The underlying traits and behavioral patterns — more critical to the match, difficult to assess in the best of circumstances — are often glossed over. How many executives embrace their own "special way" of measuring talent? How many executives come away with impassioned opinions of a candidate after an interview during which they have done 75% of the talking?

Jack Welch and his predecessor, Reginald Jones, believed that GE needed several years to evaluate which of three to five accomplished and proven finalists would succeed them. What does that say about the frailties of the interviewing process, which can culminate in the hiring of a top person after only a few hours of undisciplined inquiry?

And even when there are management teams to review the candidates recommended by the hiring executive, how many do so with a shared view or definition of the most

critical criteria for employment, a shared basis on which assumptions and assessments are based, and any sort of benchmarking of a given interviewer's track record?

Selecting within one's comfort zone, using what we refer to as simple pattern recognition, accounts for an enormous percentage of hiring decisions. Pattern recognition, in concert with "wish fulfillment," creates an overwhelming urge to "buy the package" at the expense of a real, incisive probe of the individual's strengths and weaknesses and overall fit.

Too many executives feel they are good at selecting people and building teams but have very little basis for this self-assessment. Some avoid the process altogether, relying on others in the organization whose judgment and savvy in team building have never been tested. Recruiting and internal selection are often delegated with the goal of insulating the top decision maker from the travails of the selection process. Yet it is precisely those with the requisite scar tissue, and who have built successful teams, who should be the most engaged in the hiring process.

Larry Bossidy, recently retired Chairman of AlliedSignal, states in The Harvard Business Review that the interview process is the most flawed process in American business. I agree.

Unrealistic Expectations

Every organization speaks of attracting excellence and so-called "A" players. Let's start with a given that only 10% of the entire universe of individuals fit in the "A" category to begin with. In addition, the top performer is typically so embedded and has so much momentum in his or her current environment that there should be little logical impetus to consider a lateral move. Even when the individual can be drawn into the recruiting process and becomes a serious candidate, there is the risk that his or her current employer, aware of the imminence of flight, will make a counteroffer. Indeed, the absence of a counteroffer is often prima facie evidence that the candidate is not an "A" performer at all.

The delusion that one can consistently hire "A" players can prove costly. The hiring company may underperform at critical moments when its allegedly "A" hires are put to a test for which they are unprepared. In addition, these hires may themselves hire sub-par people. Thus, a key hiring error can spawn a succession of errors that greatly enfeeble the organization.

Perhaps few would disagree that the need to bring an outsider into the top role signals that something is wrong with the company's leadership and "succession DNA." Recent organizational studies, including James Collins's Good To Great, cite a high correlation between top performing companies and internal CEO succession.

In IBM's case, Louis Gerstner's arrival was a late but fortunately successful attempt to revive the inwardly focused IBM culture of the seventies and eighties. Unfortunately, for every Louis Gerstner and IBM, there are multiple cases where a revered outsider dramatically fails or produces lackluster results. Was this the case at Xerox, Kodak, AT&T, etc.?

In those rare instances when a Gerstner or someone of comparable talent becomes available, or when, in fact, the company has no choice except to look outside for leadership, it is imperative to recognize and be prepared to mitigate the high degree of hiring risk by a well-defined and agreed-to integration plan. Too often, victory is declared when the person is hired. But the battle has usually just begun.

The Integration Challenge

As senior players in the executive search arena, we recognize that our most prized assignments are those that pose the greatest risks to our clients' well-being. This realization impels us to ask clients about the steps being taken to maximize the successful integration of newly hired executives.

However, we find that, far from assuring that success, many organizations strive, albeit inadvertently, to derail the people they hire. Some circumscribe the freedom of action of new hires, contributing to paralysis. Others simply turn these people loose, giving them carte blanche.

Organizations sometimes expect the stranger they have hired to earn trust, traction, and accomplishment in a short period of time. I am reminded of a World War II phenomenon where U.S. soldiers would risk desertion and return to their old units rather than be transferred to a new unit, where they knew they would be the first to be put at risk in battle.

Having gone through an intensive process to land a particular individual and having "paid up," the organization in effect says: "O.K., now show us what you can do." This pressure on new hires can lead them to take prematurely bold, short-term actions before they have formed relationships, built trust, or learned how the organization operates.

The risk becomes much greater if the new senior executive is made to feel isolated. Excluded from the core circle of insiders, the newcomer may respond by building his or her own team with the appropriate loyalties. An entire unit may be created which views itself apart from the core enterprise management team, and perhaps apart from the culture and values of the entire corporate entity.

We have repeatedly witnessed the following scenario in the information technology world. A relatively new Chief Information Officer finds integrating and partnering with the business units difficult or blocked and so proposes an enterprise technology solution that can be developed and managed more independently. The new solution might require an investment from $50 million to $1 billion. Most managements that have acceded to these programs end up regretting them.

The most destructive instances occur when a newly appointed top person acts with either deliberate or unconscious disdain of or arrogance toward the existing culture, believing that he or she will rapidly change what has existed for decades. In this scenario, newly empowered individuals swagger in and precipitously derail the activities or careers of some part of the existing leadership team. The results are almost always destabilizing and sometimes irreparable.

One of our clients, the CEO and Chairman of a financial services entity known for its demanding and entrepreneurial culture has it right. He believes that the new hire's overwhelming priority in his or her first six months on the job is to learn the organization and build credibility before attacking the major initiatives.

What Works Best

Notwithstanding the challenges described here, there are notable instances of hiring success. Successful hiring, succession, and leadership development are achievable though proven to be far more difficult and transitory than most managements or boards anticipate.

This is extremely hard. There is no one proven or right set of prescriptives. Success rather, is driven by behavior: work ethic, integrity, discipline, consistency, and wisdom of the core leadership team. This has to be lived; it cannot be superimposed and is more spiritual than intellectual.

We have attempted in what follows to distill a set of precepts from analysis of the cases that we have found inspiring and instructive.

◆ Recognize how critical a priority doing this right is. Systematize the interviewing and integration processes, bringing to bear on them the full strength and weight of the collective corporate experience.

- Understand the values, competencies, and personalities that propel your organization. Hire individuals whose skill sets and personas allow them to enhance those values and competencies and work harmoniously in the enterprise. Achieve a better balance in matching values, competencies, and personalities along with whether the candidate is uniquely qualified to fill a given position.
- Acknowledge the risk in senior level hiring. Review the record of recent hiring failures and anatomize the ingredients of failures. Was the wrong person hired? Or did the organization fail the man or woman?
- Encourage candor and truth in interviewing. Truth and intellectual honesty energize these discussions. Don't hide defects. Tell executive candidates: "Here's what's wrong with our structure. Here are the issues. Can you handle this?"

- Make successful hiring, integration, development, and objective evaluation a priority for which every hiring executive and overall corporate leadership is accountable.
- Manage to the long term. Adopt a portfolio management logic to building a leadership team. Not every selection will be right, but focus on the continuous management of the portfolio and improve its rate of return over time.
- Architect the integration of new hires, allowing six months to learn and two to three years to have a measurable impact on the organization.
- Be prepared to acknowledge hiring mistakes. Regardless of how senior they are, individuals that fail to live up to expectations after a fair trial should be terminated or reassigned to a position where their chance of success is greater.
- Embrace and nurture the talent you already have. Accept the responsibility to make your subordinates succeed. Optimize their strengths; invest in and stretch these individuals to the limits of their capabilities.
- Pay close attention to the strength of the middle and upper-middle ranks. This is where the bench is being formed. It represents the greatest potential long-term payback to the organization. Continuously hire and experiment at these levels to better determine which individuals and structures work best.

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