



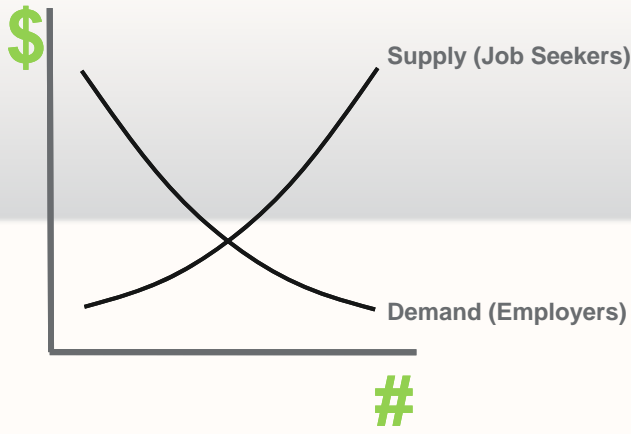
## What Executive Selection Committees Want, for Better or Worse

Robert B. Kaiser  
KAPLAN DeVRIES INC.


Presented in  
R. Hogan (Chair)  
Who can get and keep a job? Understanding employability  
Symposium, April 14, 2011



## Executive Labor Economy a demand-side perspective


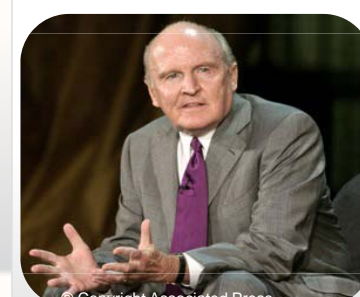


The graph shows a coordinate system with a vertical axis labeled with a green dollar sign (\$) and a horizontal axis labeled with a green hash symbol (#). An upward-sloping curve is labeled "Supply (Job Seekers)" and a downward-sloping curve is labeled "Demand (Employers)". The two curves intersect in the middle of the graph.







## Estimated hit rates in executive selection

Peter Drucker	Jack Welch
	
<b>1 in 3</b>	<b>1 in 2</b> <b>3 in 4</b>
	rookies    savvy


Drucker (1985) How to make people decisions. *HBR*  
J. Welch & S. Welch (2007) Hiring wrong—and right. *Business Week*



**“There is so much money and ego involved in these decisions that no one cares what I think.”**

— Selection consultant on why clients did not take his hiring advice

Hogan & Kaiser (2008) Learning a lesson in executive selection. *CCL LIA*





## What we know...

D. DeVries (1993)



We need to raise the bar on executive selection

Decisions involve subtle judgment of the match between the job, team, org, and person

The worst selection systems are those driven by HR... the best are driven by line management

Execs need a language and decision-making architecture for big-bet people choices

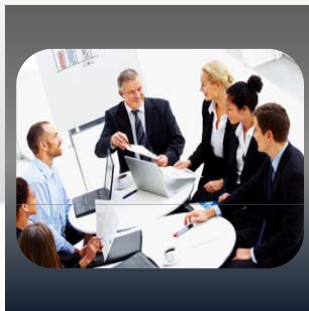
Selection researchers have indispensable tools, but need to be more flexible and savvy

Devries (1994) *Executive selection: What we know and what we need to know*. CCL press



## What's wrong...

G. Hollenbeck (2009)



I/O Psychologists don't have a seat at the table—statistical significance, practical irrelevance

Search firms and recruiters get most of the exec selection action

We have it backwards: selecting for competencies first, then results, then character; it ought to be character, then results, then competencies

Individual assessment with clinical insight is the best bet, but I/Os insist on the standard, large sample, statistical forecasting model

Hollenbeck (2009) *Executive selection—what's right... and what's wrong*. I-OP





## What's up? Rob Kaiser (today)



High churn-rate: CEO turnover = 14.3% annually  
CEO avg tenure: ~6 years (vs 12 years 1950-1999)  
~50% of executives eventually derail  
Cost of a derailed executive: ~USD\$1M to \$2M  
"When Boards choose CEOs, the process resembles a junior high school class election."  
— Jeff Sonnenfeldt, CELI @ Yale

Favaro, Karlsson, & Neilson (2010) CEO Succession 2000-2009. S+B  
Kaplan & Minton (2008) How has CEO turnover changed? CRFE Working Paper  
Hogan, Hogan, & Kaiser (2010) Managerial derailment. APA Handbook of I-O Psych



In-depth look at how exec selection really takes place

### • Interview study

Brainchild of Richard J. Campbell

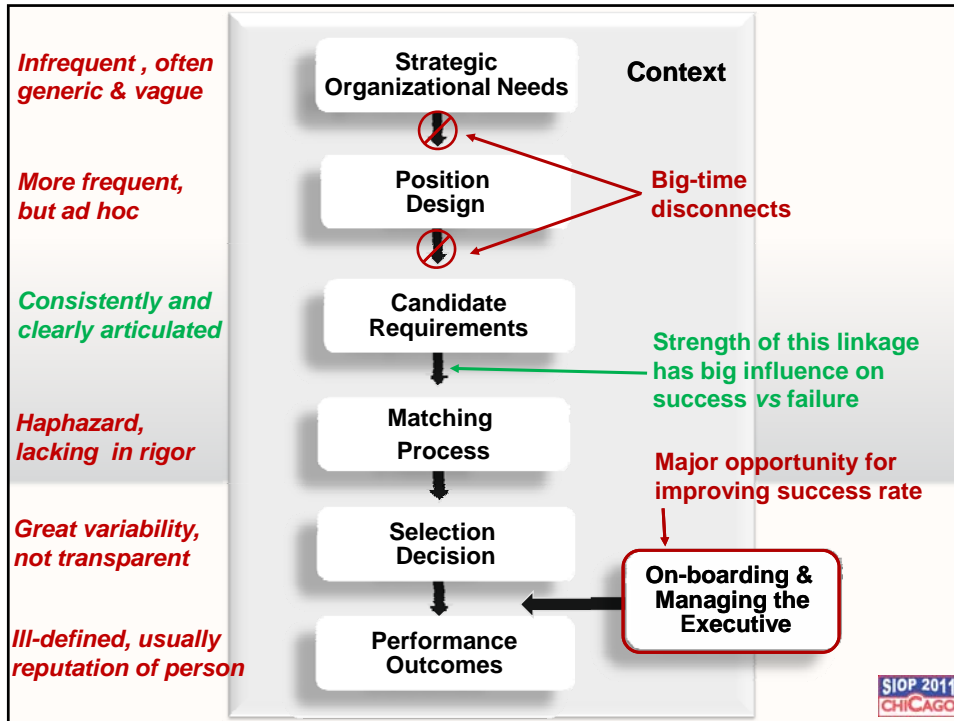
- How does exec selection take place?
- How are execs defined as "successful" or "not"?
- Why do companies pick an internal vs external?

### • Method

Structured interviews based on process model (taped)  
325 senior people involved in a C- to VP level appointment  
Transcribed interviews (20 days worth of audio!)  
Content analysis of transcripts

- Inductively coded themes
- Non-parametric stats

Sessa, Kaiser, Taylor, & Campbell (1998) *Executive selection: What works, what doesn't*. CCL press  
Sessa & Taylor (2000) *Executive selection*. Jossey-Bass



**Hogan's question**  
*Who can get and keep a job?*

- Reflected on my practice
- Re-analyzed ExSel data

The slide features a blue header with the text 'Hogan's question' and 'Who can get and keep a job?'. To the right is a photograph of two hands shaking. Below the header is a graphic with the word 'RESULTS' in a circle, a pen, and a bar chart. A list of two bullet points is at the bottom. The SJOP 2011 CHICAGO logo is in the bottom right corner.



## Key Questions

From a demand-side perspective



- 1. Candidate qualifications**  
*What do committees look for?* (Job Seekers)
- 2. Candidate source**  
*Does looking inside or out differ by quals?*
- 3. Reasons for getting hired**  
*What drives the ultimate decision?*
- 4. Decision quality, outcome**  
*How do 1-3 impact success rate?* Demand (Employers)



## 1. Candidate qualifications

What do committees look for?



Top 20  
Qualifications





## 1. Candidate qualifications

What do committees look for?



Hard skills predominate

~1/2 emphasize hard skills

~1/4 emphasize soft skills

~1/4 emphasize both





## 2. Candidate source

Does looking inside or out differ by quals?

- For the most part, no.
- Six exceptions...







## 2. Candidate source

Do quals differ for internals vs externals?

Externals sought for:

- **Management 101 skills**
- **Industry and business experience**

Internals sought for:

- **Culture fit**
- **Learning agility**

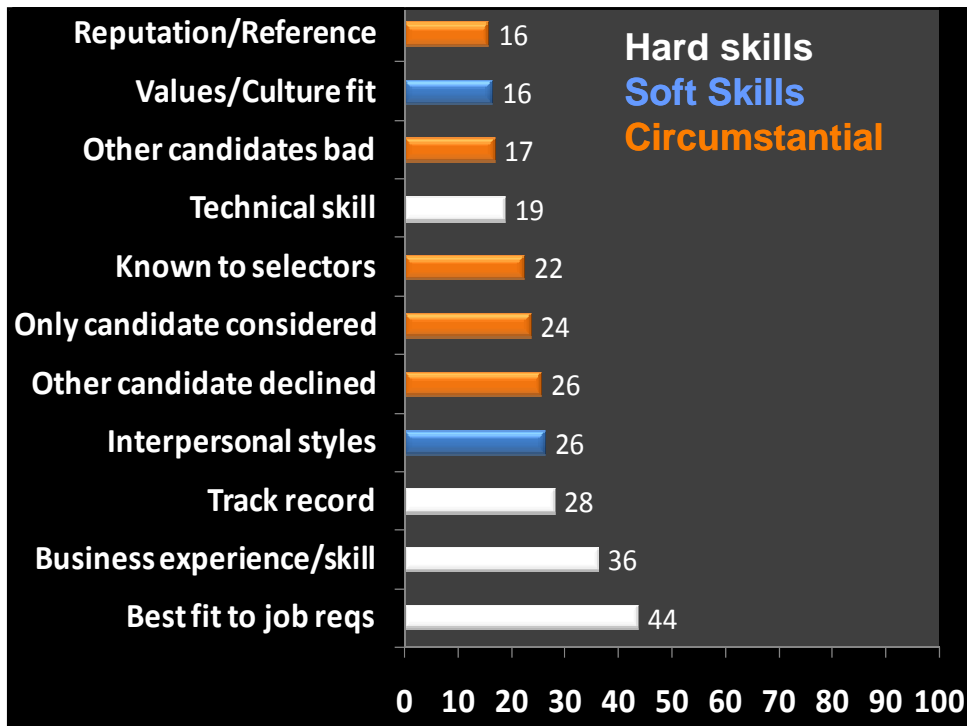


## 3. Reasons for getting hired

What drives the ultimate decision?

Top 10  
Reasons





### 3. Reasons for getting hired

What drives the ultimate decision?

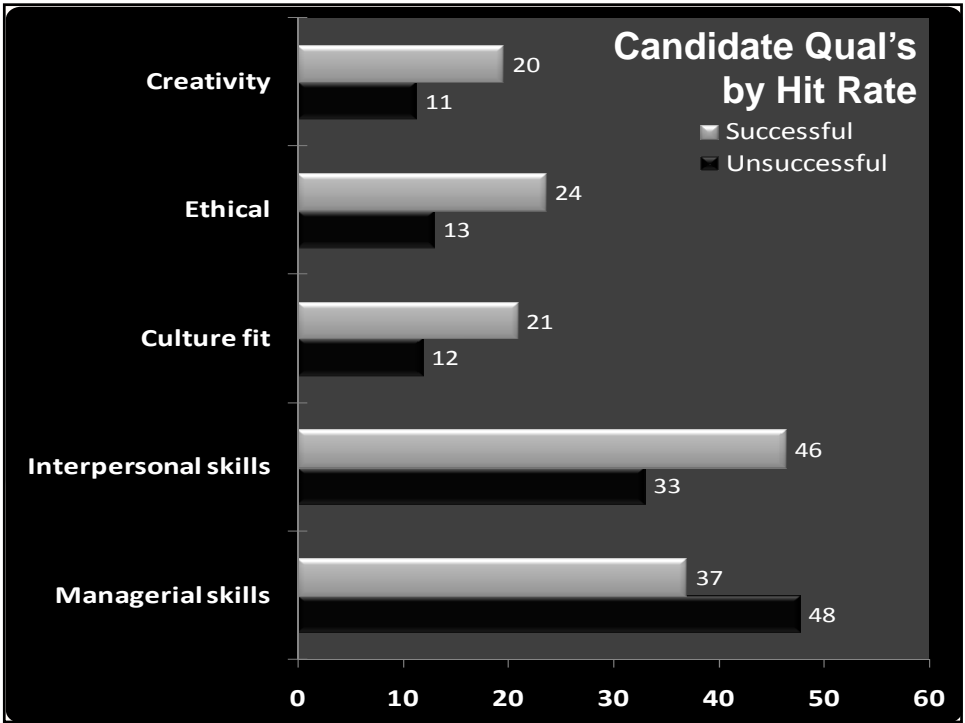




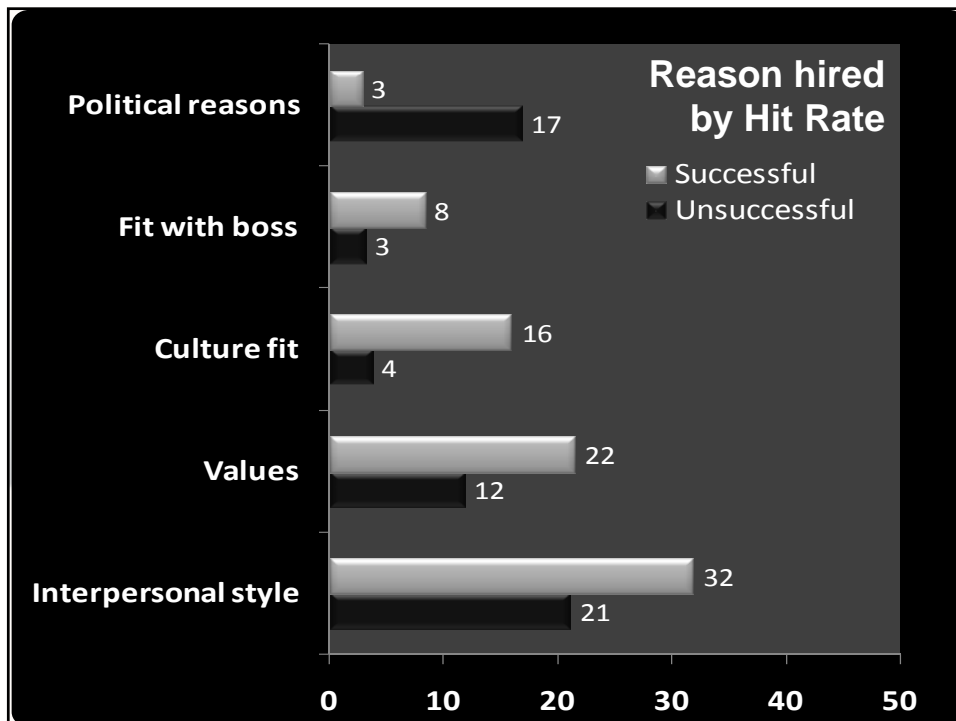
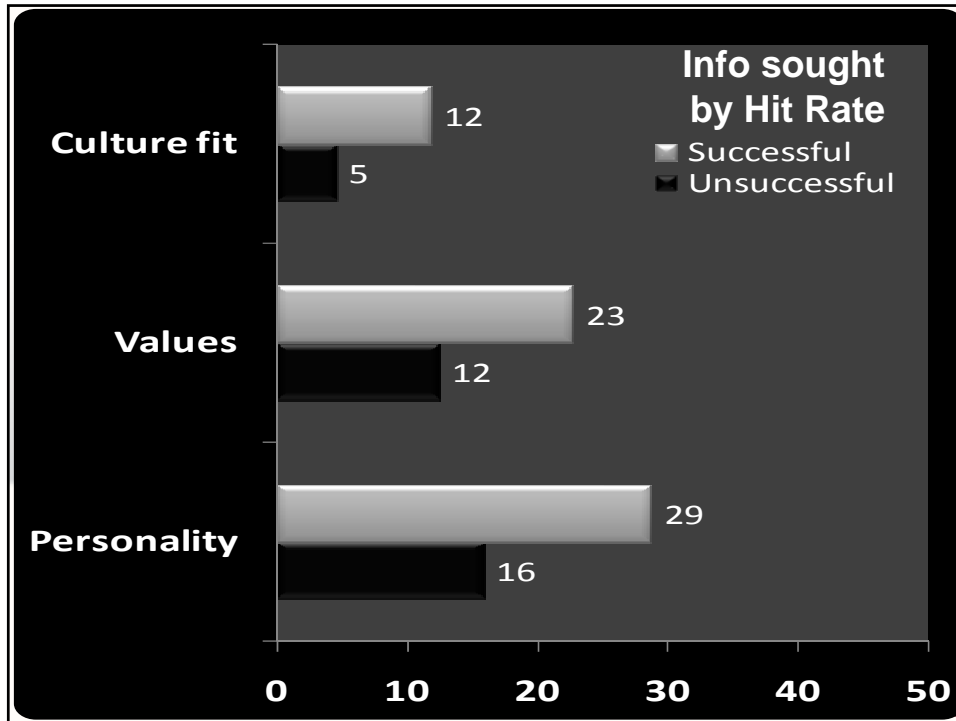
Executives are primarily hired for their hard skills, followed by circumstantial factors






**4. Decision quality, outcome**  
How does this all impact success rate?










**Soft skills**  
Overlooked, but key to success

Decisions much more likely to be considered “a success” when based on Soft factors:


- Candidate quals included ethics, people skills, fit
- Information included values, personality, fit
- Reasons for being hired included values, style, fit

**And when trade-offs were explicitly considered**


**Highest hit rates when process is aligned & tradeoffs are considered**

Candidate Requirements	<b>Culture fit</b>	
↓		
Matching Process	<b>Values, fit</b>	
↓		
Selection Decision	<b>Because of fit</b>	<b>Success Rate</b>
↓		
Performance Outcomes	<b>Hard skills <u>also</u> assessed:</b>	<b>68%</b>
	<b>Hard skills <u>not</u> assessed:</b>	<b>41%</b>








**Highest hit rates when process is aligned & tradeoffs are considered**



<b>Candidate Requirements</b>	<b>Technical skills</b>	
↓		
<b>Matching Process</b>	<b>Functional skills, general mgt, exp</b>	
↓		
<b>Selection Decision</b>	<b>Because of hard skills</b>	<b>Success Rate</b>
↓		
<b>Performance Outcomes</b>	<b>Soft skills <u>also</u> assessed:</b>	<b>57%</b>
	<b>Soft skills <u>not</u> assessed:</b>	<b>34%</b>



**Be careful what you wish for... you might get it.**  
W. W. Jacobs, *The Monkey's Paw* (Harpers Weekly, 1902)





© Copyright National Public Radio.

FIND A STATION

home
news
arts & life
music
programs ▾

News > Business

Twitter
Facebook
Share
Comments (0)
Recommend (2)

### Stan O'Neal: The Rise and Fall of a Numbers Guy

by ERIC WEINER

Joe Raedle/Getty Images  
Merrill Lynch CEO Stan O'Neal, shown in a 2003 file photo, is a numbers person in what is, at its heart, a people business.

October 29, 2007 text size A A A

It's tempting to describe Stan O'Neal's journey from the grandson of a former slave to the head of a \$50 billion bank as the stuff of legends, but it's probably not the kind of phrase that O'Neal himself would use.

The CEO of Merrill Lynch, one of the nation's top investment firms, O'Neal is famously self-effacing, and something of a contradiction: a loner in a world that tends to reward glad-handers, a numbers person in what is, at its heart, a people business.

O'Neal credits his meteoric rise to a combination of gumption and luck. "Let's face it: If I had been born 30 years earlier, there's no way that we'd ever be sitting here, having this conversation," he said in a 2003 interview with *Newsweek*.

O'Neal's apparent demise, analysts say, can be attributed to the vagaries of the market, a few ill-conceived decisions and a long

Hired by the Board to deal with a single issue—**cut costs and tighten up management practices**

... hired based on his **technical skill** as an analyst and cost cutter, as a **“numbers guy”**

On the **bright side, he was tough, steely, no-nonsense, and doggedly determined**

But... every bright side has a corresponding **dark side...**

Tuesday, October 30, 2007; Page A15

### Wall Street's Expanding Universe

By EUGENE ROBINSON

Merrill's board of directors -- most of whose members were chosen by O'Neal -- has to share responsibility for that debacle; it's not as if the board was unaware of how O'Neal was investing the firm's money. Apparently, though, there was one thing that **O'Neal failed to tell the board: that he had approached the chief executive of Wachovia Corp. about a possible merger** of the two companies.

....

Now that O'Neal is on his way out, of course, people who worked for him are saying things to reporters -- **he was aloof, he was brusque, he didn't tolerate strong-willed subordinates** -- that they wouldn't have said to his face.

© Copyright Associated Press.

**“A loner”**

**“Mean-spirited”**

**“...rose to the top the old-fashioned way — fighting, scraping, biting, scratching.”**

Hogan & Kaiser (2008) Learning a lesson in executive selection. CCL LIA



© Copyright Associated Press.

**Unshakeable. Self-reliant.** Comfortable in the spotlight. **Fond of the dramatic gesture.** Passionate about the big picture. **Impervious to criticism.** The kind of person who bounds from project to project, **embracing change as a way of life.**

**Those traits helped** Carly Fiorina win the top job at Hewlett Packard... Now, with her sudden ouster from H-P, they are **sure to be seen as flaws.**

Hogan & Kaiser (2008) Learning a lesson in executive selection. CCL LIA

## So what?

*Data-based lessons for choosing executives more wisely*

- ✓ **1** Do your homework
- ✓ **2** Link job to strategy
- ✓ **3** Define job requirements
- ✓ **4** Derive qualifications from job req's
- ✓ **5** Be clear about trade-offs (the shadow)
- ✓ **6** Size up both HARD and SOFT skills
- ✓ **7** Robust assessment (include personality)
- ✓ **8** Robust process (include subordinates)