



How the Executive Search industry is failing its clients

And a common-sense FACTSM-based approach to doing it better

With surprising regularity, there comes news of a high-profile industry executive hired just months before with a glowing press release, who is now being shown the door because of “poor fit” or “strategic differences” with the Board or Chief Executive.

But as it is with icebergs, these high-profile dismissals are merely the most visible signs of a much bigger problem that lurks just just below the surface. Data examining the private equity industry shows that 50+ percent of portfolio companies’ CEOs are replaced within 2 years of an investment. Outplacement firm Challenger, Gray & Christmas recently reported that in 2019, CEO turn-over in both public and private companies reached its highest level since they began tracking that data in 2002. According to their research only 25% of those CEO departures came from planned retirements.

As a proud executive search industry veteran, I’m certainly not laying all the blame for these problems at the feet of my profession. However, I will assert that search firms should and can do more to help reverse these trends.

Jay Hussey

CEO, North America & President,
Global Search Practice

Boston: +1 617 936 5898

New York: +1 212 471 5016

Mobile: +1 650 787 3075

 **SRI.**

Data examining the private equity industry shows that more than 50 percent of portfolio companies' CEOs are replaced within 2 years of an investment.



The fundamental pivot from “Search” to evaluation

To help make my case for where the executive search industry needs to go, allow me a quick look back at where we come from. In the late 1950s and early 1960s, industry pioneers like Russ Reynolds, Spence Stewart, Dr. Egon Zehnder, and others created a new breed of executive search firm to identify and recruit top end management roles.

As the post-war economy boomed and multinational corporations and banks developed voracious appetites for growth, finding qualified executives to fill senior positions became a daunting task. These search firms built large research teams to figure out who held what roles, where, and built proprietary databases to track those executives. The industry moniker really says it all. They became known as “search” firms because the primary value driver was searching across an industry to identify potentially appropriate candidates.

Fast forward to 2011, and the executive search industry, which had not changed all that much over the previous 50 years, hit an inflection. Not coincidentally, 2011 is the year that LinkedIn became a publicly traded company on the strength of its 90+ million user base. (That user base has since grown to over 660 million worldwide.) The reach of LinkedIn, and

other business information services like Dun & Bradstreet and Standard & Poor's and companies' own websites, turned the data about who had what job, where, and for how long into a public commodity. “Search” in that respect no longer required a large research organization or a home-built data repository. All you needed was a computer and a monthly subscription.

Needless to say, LinkedIn and the visibility it created, did not kill the executive search business. It has, however, fundamentally shifted the value proposition for search firms. Even as candidate identification has become a commodity, figuring out which among dozens, if not hundreds, of potential candidates are qualified and suitable for a given role, remains a stubbornly difficult puzzle to solve. In today's world the core value of an executive search firm is evaluating which one individual candidate will be the best ‘fit’ for a given role. ‘Fit’ in this context refers to the person who will most successfully deliver the hiring organization's goals and not to homogeneity with the existing team.

“LinkedIn and the visibility it created, did not kill the executive search business. It has, however, fundamentally shifted the value proposition for search.”

In the wake of this industry inflection, most of the big global search firms responded by building or acquiring “add on” services that they could offer their clients to supplement executive search. These have included executive assessment, psychometric testing, personality inventories, and the like. All of these can be useful tools that add insight to lead to a better understanding of a candidate’s motivations, drivers, and potential derailers. Still, these add-on options, also cloud the fact that the executive search process itself must be able to answer the fundamental question of fit: does this candidate have the experiences and skills required to be successful in the role they are being recruited to fill?

“These experiences and accomplishments may be critically important to finding a candidate, but they only tell half of the story.”

Fit = What + How

Most executive search mandates come with a long list of requirements. Typically, things like x number of years of industry experience, y number of years managing teams of at least z number of people, a track record of success increasing revenue, improving profit margins, etc., etc. This is the stuff of which executive resumes are built – records of experiences and accomplishments that come with metrics that can be quantified and, hopefully, verified. These experiences and accomplishments may be critically important to finding the right candidate, but they only tell half of the story.

To determine whether a candidate will truly fit with a role, you need to understand not just what they’ve done, but how they’ve done it. Did they exceed revenue goals by relentlessly driving a sales force or by creating a new go-to market strategy? Did those improved profit margins come via top down cost-cutting mandates or by empowering front-line managers to innovate operational processes? Does this executive lead by command and control or through collaboration and consensus building? Are they a blue ocean innovator or a LEAN process maven? These are all measures of “how” or in HR parlance, “critical competency traits”

- CRITICAL COMPETENCY TRAITS:**
- Drive for results
 - Strategic skills
 - Drives innovation
 - Customer focus
 - Team leadership
 - Entrepreneurial skill
 - People development
 - Process orientation
 - Market focus
 - Ability to collaborate
 - Promotes diversity & inclusion

If you want to evaluate fit, know the FACT’s

To understand fit, we need to understand both the what and how of performance. At SRI, we created the FACTSM framework to bring these critical dimensions together in a comprehensive candidate evaluation process. This process combines an assessment of the candidate’s Functional Accomplishments with the Competency Traits that underlie them.

The idea of executive competencies is certainly not a new one. The academic foundations of this lens on performance trace back to the 1970’s and ’80’s and the work of Harvard professor

FACT - Functional Accomplishments + Competency Traits

Fit for role =

Functional Accomplishments

Where they’ve been

- Title & level
- Industry/Domain experience
- Scale of leadership (P&L, FTEs, other)
- Functional background
- Career progression
- Location
- Compensation needs

What they’ve done

- Grew revenue
- Boosted profits
- Gained market share
- Increased customer engagement
- Streamlined operations
- Drove innovation

+

Competency Traits

How they’ve done it

- Developed new strategies
- Built cross-functional collaboration
- Raised team performance
- Removed barriers
- Shown relentless persistence
- Modeled positive cultural attributes
- Created strength through organizational diversity

David McClelland and his many collaborators. Many companies and organizations have developed their own list of critical competencies and how they apply to the various functions and levels within their organizations. Over the years, we have worked with dozens of these models and have seen that while the nomenclature may vary, most rely on a relatively small number of vital skills.

“To avoid mismatches, the culture question needs to be unpacked honestly and specifically.”

Central to the SRI FACTSM framework is the recognition that the competencies required for a given role are entirely contextual. A CEO leading a business through a turnaround will likely require a very different portfolio of competencies than the leader of a fast-growing start-up. Likewise, competencies are not binary, they exist on a continuum. It's not very instructive to say a CEO “needs to be strategic”. Of course, they do. The more relevant question is what elements of strategy are critical for success given the organization's current and future business environment, and what are the observable “markers” of that behavior. For our turnaround CEO, those strategic skills may center on things like the ability create a framework that synchronizes operational improvements with financial re-engineering. The strategic imperative for our start-up CEO, on the other hand, may be more about formulating a plan to ensure product/market fit and leveraging a partner ecosystem to help scale.

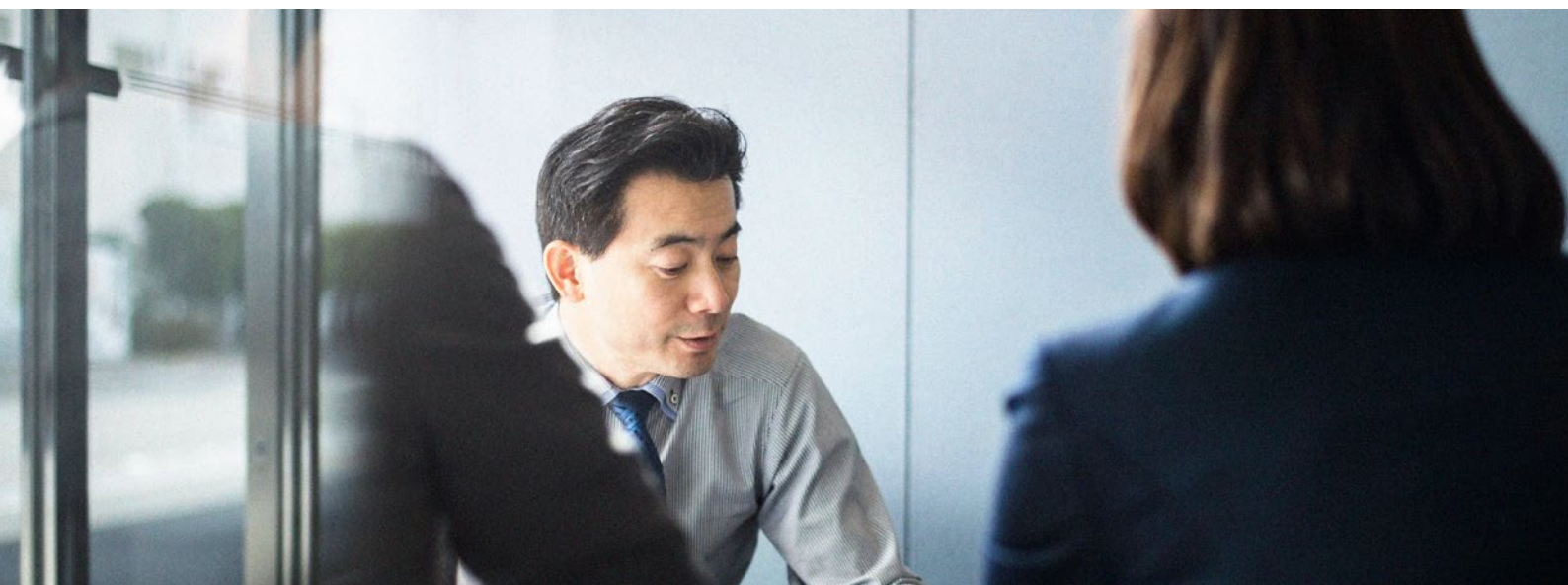
To execute a successful executive search, the client and their search partner must identify these

essential FACTs (functional accomplishments + competency traits) for the role at the very start of the process and then commit to relentlessly evaluating each candidate in that context throughout each phase of the search. This includes the screening and vetting conducted by the search firm, the candidate interviews held by the company's selection committee, as well as through comprehensive reference checking.

Culture, diversity and inclusion

Culture is one of those terms that's ubiquitous in the conversations we have about organizations and individuals. “Poor culture fit” is one of the most common reasons given for not selecting a candidate or for rationalizing why a hired candidate didn't work out. But what does culture really mean and how do you assess it in a recruitment process? We know that strong diversity and inclusion are synonymous with high performance cultures. It's imperative that we avoid ‘fit’ becoming a proxy for ‘similar to us’ and SRI's FACT approach is designed to guard against this.

When applied to an individual, culture often relates to personality or personal style. When applied to organizations, culture is a way to describe the values and normative behaviors that are “the context for how decisions are made and how things get done”. In both cases, effective cultural assessment that guards against unconscious bias requires clear an objective evaluation of “how”, one fundamental element of FACT. For example, an individual with an arrogant or dominating personality is more likely to drive initiatives from the top down or simply go it alone. An organization that embraces a culture of inclusion, consensus and





collaboration, will quickly reject that type of personality (and vice versa.) Again, as it is in assessing competency traits, culture fit (or to use a more flexible term, “cultural alignment”) is contextual and driven at least in part by business goals. Our turnaround company may, in fact, require an executive willing to break glass and force their will over collaborative decision making in the service of speed and efficiency.

To avoid mismatches, and equally to promote diversity and inclusion, the culture question needs to be unpacked honestly and specifically. Key questions should include: How diverse/inclusive is the team today? How does the team/ group/organization make decisions? Does that mode best address the challenges facing the business? If not, how does it need to change? Is there a risk of ‘group-think’? With those answers in hand it’s possible to have a much more productive dialogue about the kind of individual personality types, characteristics and competency traits that will be effective in supporting cultural, diversity and inclusion goals and achieving business results.

SRI’s FACT methodology has been designed to support the kind of objective measurement and rigor needed to minimize implicit bias in the

candidate evaluation process and select the candidate likely to be most effective in delivering the business’s goals. In addition this approach helps open doors for qualified candidates even though they might not look like or think like the rest of the team.

“Stick to the FACTs and you’ll go a long way to avoiding those embarrassing “fired for fit” headlines.”

A path forward

If you’ve read this far, you’re probably thinking this is all pretty much common sense. You are absolutely right, it is! There is no dark art to the practice of effective executive recruitment, just the rigor to identify and translate business needs into a set of clear and concise position requirements and the discipline to keep those requirements front and center at every step of the candidate evaluation process. Stick to the FACTs and you’ll go a long way to avoiding those embarrassing “fired for fit” headlines.

About the Author

Jay Hussey, CEO, North America and President, Global Search Practice — SRI

Jay Hussey leads SRI’s North American business and specializes in C-level executive searches for public, Private Equity-backed, and growth-stage companies. Jay brings extensive expertise in technology, media & content, and data & analytics services. With more than 20 years of industry operating experience, and 15 in executive search, Jay has built broad expertise helping companies grow and excel in rapidly transforming and highly competitive market segments. Jay has spearheaded the creation of SRI’s FACT framework for candidate evaluation, founded in decades of research into leadership and executive search effectiveness.

About SRI

SRI is a talent partner for organizations competing in the attention economy. Our purpose is to deliver game changing people, team and organizational talent solutions for our specialist sectors.

www.sriexecutive.com

Contact



Jay Hussey
CEO, North America & President,
Global Search Practice
T: Boston, +1 617 936 5898
T: New York, +1 212 471 5016
M: +1 650 787 3075
E: jhussey@sriexecutive.com