

L.J. Doherty & Associates

The Executive Selection Process (ESP)

A proven methodology to help hiring managers define, identify, evaluate and select candidates for leadership positions.

Executive Summary

After more than 30 years in corporate staffing, retained executive selection and employment advisory roles, I have concluded that employers, whether at the board or manager level, too often fail to recognize the importance or value of a formal hiring process. They typically spend less time analyzing the need for and scope/qualifications of a new position than they do justifying a capital acquisition of similar cost. As a result, they frequently make decisions based on “gut feel” or related subjective factors rather than on evaluative information. This in turn can lead to costly turnover or underperformance.

*The Executive Selection Process (ESP) is intended to **increase awareness** of the factors that lead to sound employee selection decisions and **enhance the skills** of those making these decisions.*

Overview

There is no shortage of books and articles espousing the need for, and importance of, a formal recruitment and selection process for employees at all levels of an organization. This need is particularly critical at executive levels due to the complexity of these positions and the cost to the organization if people hired into them don't work out. However, various studies seem to support the view that involuntary executive turnover is not improving, but rather getting worse.

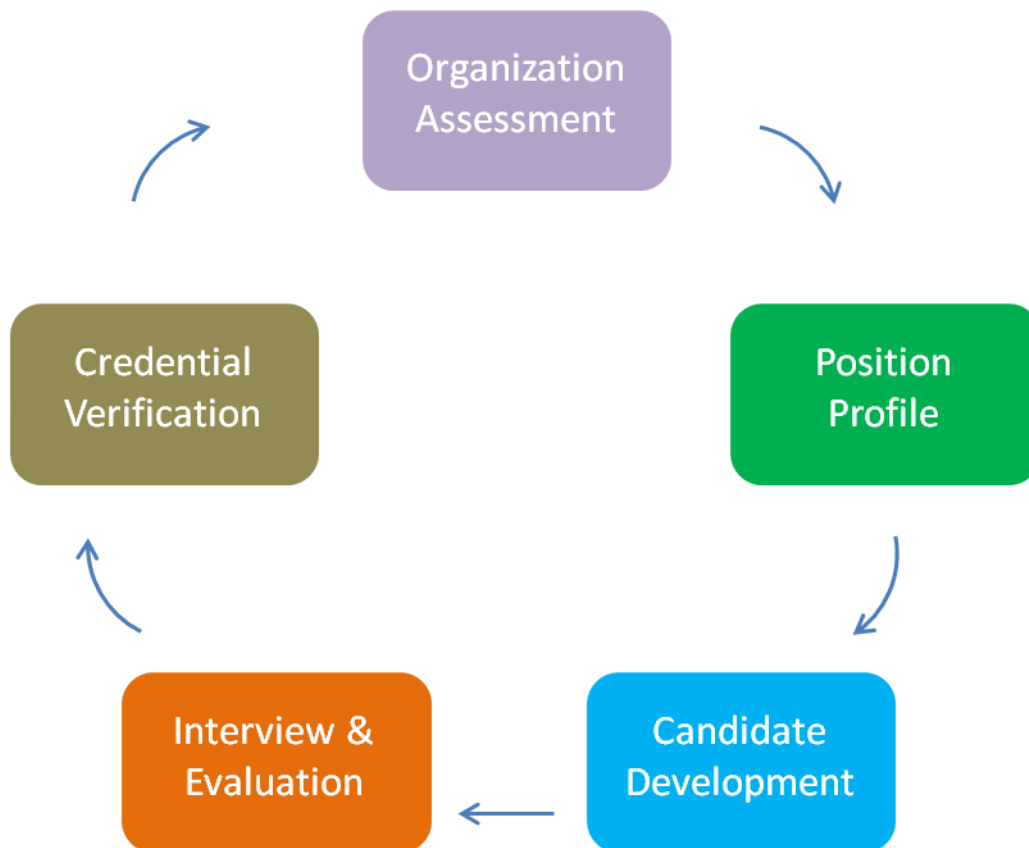
In a 1985 Harvard Business Review article entitled ***Getting Things Done: How to Make People Decisions*** noted management consultant Peter Drucker observed “*executives spend more time on managing people and making people decisions than on anything else....and they should. No other decisions are so long lasting in their consequences or so difficult to unmake. And yet, by and large, executive make poor promotion and staffing decisions. By all accounts, their batting average is no better than .333: at most one-third of such decisions turn out right; one-third are minimally effective; and one-third are outright failures. In no other area of management would we put up with such miserable performance.*”

More recent research by Dr. Brad Smart (***Topgrading***), Nat Stoddard (***The Right Leader***) and the outplacement firm Challenger, Gray and Christmas indicates involuntary executive turnover at U.S. corporations had increased dramatically over the past ten years to the point that almost two-thirds of CEOs fail to achieve their objectives and are let go within four years of being hired; up to 40% are gone within eighteen months. Smart and Stoddard estimate that the cost of replacing

senior executives, other than the CEO, can range from two to ten times total compensation. For CEOs, the cost rises dramatically depending on the size of the company and whether it's public or privately held; estimates range from \$12 million to over \$50 million.

The Executive Selection Process (ESP) is intended to assist executives or boards of directors by increasing their awareness of the factors that go into making sound employee selection decisions, whether for a new CEO or a non-management professional. The Process is comprised of *five discrete but interrelated components*, each of which addresses a specific topic. A client can choose to work with L.J. Doherty & Associates on any one or several of these segments, or incorporate all five through a full engagement. Depending on the position to be filled, some components may involve a more detailed level of discussion and analysis than others. However, short-circuiting the Process by eliminating or minimizing steps increases the chances of making a poor hiring decision.

The Executive Selection Process consists of the following elements



The primary purpose of this initial step is to give the employment advisor or hiring manager a comprehensive, realistic perspective of the company's business and organization structure. It seeks to gain a solid understanding of key facts that will likely be relevant to constructing a compelling position profile as well as identify selling points for potential candidates.

Key business information includes: product/service offerings, target markets, competitive situation, distribution strategy, funding/financial data and any other metrics that help build the case for the company as a desirable place to work.

In addition to business data, this assessment seeks to gain an understanding of the purpose and structure of the organization and its interrelationships. It's essentially a modified SWOT analysis, but focused more on the strengths and weaknesses of the current leadership team. If the company is considering hiring a new "C" level executive, this step would entail in-depth interviews with the CEO and current functional heads in order to gain their perspectives on the overall organization as well as suggestions regarding the scope/qualifications of the new position. Lower level positions would likely require fewer such interviews and focus more on department-level issues. However, regardless of level, the organization assessment should yield valuable information that enables the advisor/hiring manager to better define the duties and responsibilities of the proposed position. It may also help answer questions such as:

- Should we hire a head of Sales before a head of Marketing?
- Should we promote an internal candidate vs. hiring externally?
- Is it preferable at this time to hire an interim vs. a full-time CFO?

Another benefit is that it gives the advisor a good sense of the corporate and/or departmental culture in which the new person will be immersed. Corporate culture is an often misunderstood term, but awareness of it is critical to the success of any newly-hired employee, especially executives. Melvin Goodes, former CEO of Warner Lambert, had a succinct **definition of culture**, calling it "*the coding of values and deeply held beliefs that mold an organization's decision patterns, guide its actions and drive individual behavior.*" In startup organizations, the values and beliefs of the founder(s) usually define the initial corporate culture. As companies grow, however, this culture can and usually does change due to the influence of new leaders.

Much of the corporate, departmental and cultural information gathered during the organization assessment stage can be invaluable to a new member of the executive team during his or her transition and onboarding.

Position Profile

Incorporating information gleaned from the organization assessment, the ESP now shifts to developing a comprehensive yet succinct profile that addresses the scope, desired qualifications, compensation and other pertinent aspects of the new position. This profile begins with a statement describing the primary mission (e.g., “the VP Sales will be responsible for doubling revenue in eighteen months through the expansion of domestic sales offices and establishment of an overseas distributor network.”) This is followed by a delineation of expected outcomes/accomplishments (e.g., “growing revenue from \$1.5M to \$3M by opening a southern regional sales office and establishing distributor relationships in Western Europe and Japan.”) A key component of the position scope is a projection of how the role will expand, contract or stay the same over time. Consideration should be given to any temporary overlap with duties of other functional areas that sometimes occurs with early stage companies as they build their leadership team.

Other components of scope that should be addressed include budget, direct reports, strategic vs tactical dimensions and primary internal and external relationships.

It is my experience that qualifications usually entail few “musts.” The reason is that “must” implies a binary decision...if a candidate lacks a specific type of experience, education or personal attribute, he or she will no longer be considered. What usually replaces “musts” is a list of “wants” of varying degrees, ranging from “strong want” to “nice to have.” Qualifications are further defined by “hard” and “soft” skills, the implication being that hard skills such as work experience and education are more readily quantifiable while soft skills relate to personality traits and values such as integrity, maturity, flexibility, etc. that are more difficult to measure. In reality, hiring decisions often end up involving some form of tradeoff between a perceived “want” and a particular attribute/ experience brought by the selected candidate that wasn’t previously considered.

In developing the position profile, it is critical that relevant cultural information obtained during the organization assessment is incorporated into the soft skills component of the qualifications, and subsequently explored in detail during the actual candidate interview process.

Compensation information should also be addressed in the position profile and will likely include: projected base salary range; bonus plan with details on how it can be earned; stock options describing type and vesting period; and other perks such as company car, club membership, etc. If applicable, attention should also be given to relocation policies and projected travel requirements.

Candidate Development

With a solid understanding of the position scope and qualifications, the advisor/hiring manager should now have a clear sense of how and where to generate qualified candidates. A well-defined candidate development strategy targets sources most relevant to the position being filled while also taking into account both time and cost factors. Time factors include things such as the existence of internal recruiting resources, the willingness/availability of the hiring manager to actively engage in candidate development, and the length of time the position has been open. Cost factors are both direct (use of third party recruiters, job board postings, advertising, etc.) and indirect (opportunity costs associated with the position not being filled.) Indirect costs, which can range from lost revenue to increased work load on current employees, are often underestimated or discounted entirely.

Multiple studies have confirmed that the resource most commonly used by hiring managers/boards of directors is what's generally referred to as "*the network.*" It is comprised of both primary (friends, family, business associates, former employees) and secondary (friends of friends) contacts who are thought to be either prospective candidates or leads. Many entrepreneurs and early stage company executives consider networking their most reliable source of candidates, even though it often produces a small number of candidates.... sometimes only one. Extensive use of networking also runs the risk of creating a "group think" environment that may discourage innovation.

A multi-pronged candidate development strategy entails the use of other sourcing options in addition to networking. These may include internal candidates, employee referrals, internships/co-op programs, job board postings, print advertising, executive recruiters, professional organizations and others. Each has its strengths and should be evaluated in terms of its likely effectiveness in generating qualified candidates.

Interview & Evaluation

Once the candidate development process has generated a number of potentially qualified individuals, the ESP moves to the actual interview process.

Many hiring executives, including board members and CEOs, are uncomfortable interviewing candidates for employment. Reasons range from not knowing what types of questions to ask to concern they talk too much. This discomfort has its root in the fact that most hiring managers were never formally trained in behavioral interview techniques and, as a result, develop their own, often inefficient methods.

In this segment, conducted either one-on-one or in a group setting, we discuss a variety of subjects that are intended to increase the **awareness** and **ability** of hiring managers to conduct structured interviews and make selection decisions based on facts rather than opinions or emotion.

The value of a well-defined position profile becomes apparent at the interview stage because it provides the interviewer with a template for the type information he/she needs to gather. On its surface, the interview process is fairly straightforward: obtain relevant information regarding a candidate's background, compare it to the previously defined position profile qualifications, and make an informed decision as to whether he/she is qualified for the position. However, as the expression goes, *"the devil is in the details."*

I encourage hiring managers to create a trusting environment in which a candidate feels comfortable answering probing questions truthfully, in detail and without fear of criticism or reprisal. I assist in defining the types of questions the interviewer(s) should ask, with an emphasis on obtaining information relating to performance/accomplishments rather than job duties or activities.

Once relevant information has been gathered, the real challenge is how it's evaluated. Although other methods can be equally effective, I suggest that interviewers catalog their findings under a **CIMM** format, which stands for

Character
Intelligence
Motivation
Maturity

In general, if the overall **CIMM** evaluation is positive and aligns with the hard and soft skills defined in the position profile, the candidate is likely qualified and worthy of further consideration.

Credential Verification

We prefer to call this final segment of the ESP “credential verification” rather than the more commonly used “reference checking.” This is because our concept of the term implies a wider review of a candidate’s background, ranging from verification of academic credentials or military service to financial and criminal background checks. Although we don’t conduct either financial or criminal checks, we encourage clients to seriously consider their merits, especially if any related concerns arise during the interview process. In some industries such as financial services, satisfactory background checks are often a requisite for employment. Academic degree verification is recommended for the simple reason that an estimated 40% of claimed credentials are misstated or were never earned.

The concept of contacting people who worked with or for a candidate for employment to verify and/or expand on information gathered during the interview process seems sound. However, the fact that most references contacted by hiring managers or their recruiters are provided by the candidate gives reason for caution. One can reasonably question the extent to which a candidate-provided reference is going to say anything that comes across as negative. In addition, some companies have strict policies prohibiting current employees from providing anything beyond basic employment data on former employees, for fear that additional information may invite legal action.

One strategy proposed by Brad Smart (*Topgrading*) and his son Geoff Smart (*Who*) is to employ what they call TORC (Threat of Reference Check.) This entails informing each candidate at the beginning of the interview process that every supervisor they worked for will be contacted. Furthermore, the candidate will be expected to arrange the contact. This approach, while apparently effective in some instances in eliciting truthful interview responses, contradicts my belief that creating a proper interview environment will encourage the same level of candor without the intimidation factor.

A recommended approach is to contact the references provided, while concurrently expanding the list through other sources, including asking the candidate-supplied references for additional leads. Questions should address topics relating to personality/cultural fit, accomplishments, failures as well as clarify any areas of confusion or concern that arose during the candidate interview. An ideal outcome is one in which the collective comments of all references support the evaluation and conclusions of the interview team.

Summary

It is my hope that this outline enables the reader to gain an appreciation of the real value, both financial and organizational, in utilizing **The Executive Selection Process** rather than a “hit or miss” approach. Our experience working with a wide range of clients has demonstrated that adherence to an integrated process results in higher quality employees and lower turnover. If you believe, as Peter Drucker suggested back in 1985, that only about one-third of your hiring decisions have turned out well, perhaps it’s time to have a conversation.

Biography

Len Doherty has been a retainer-based executive recruiter and staffing advisor since 1983. Since founding L.J. Doherty & Associates in 1991, he has conducted senior level assignments across all major functional disciplines for clients ranging from Fortune 50 to early stage, investor-funded startups. Targeted industry segments primarily include technology, financial services and manufacturing.

Prior to becoming involved in executive selection, Len directed staffing activities for a major division of Honeywell Information Systems. While in this role, he designed and conducted basic and advanced interview skills enhancement workshops for hiring managers. He has subsequently conducted similar workshops for a variety of participants, including managers/executives of rapidly growing companies, members of non-profit organizations and principals of a venture capital firm. Len also co-directed two innovative outplacement centers that provided career transition services to over 400 employees.

Len’s earlier career entailed manufacturing management and human resource/staffing positions with Honeywell and two small technology companies.

His academic background includes BS Business Administration (magna cum laude) and MBA degrees from Boston College.

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