

# Are you hiring your leaders right?

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Our research shows that success in hiring leaders from the external market has been a mixed bag for corporates. Only 30-40% deliver a 'wow' performance. Yet new leaders from outside the organization infuse fresh perspectives and are crucial – so, what can organizations do to get the external hiring right? In this paper, we present our findings and best practices that can help to improve hiring outcomes.

## The Problem

Over the last 15+ years, Indian executive search industry has boomed, initially fuelled by the heady days of 2004-08 and subsequently by the tough times following 2008 global financial crisis that necessitated tougher leaders. Clients have continued to hire from outside to augment in-house talent pipeline. How successful have these leadership additions been?

Hard, time-series data is not easily available for a completely data-led analysis. However, our deep discussions<sup>1</sup> with clients indicate that only about 30-40% of the hires at senior level are a "wow" (i.e., met all or almost all objectives and hence a benchmark for new hiring), while another 40-50% were "reasonable" (i.e., not fully satisfied but did not have enough reason to terminate), with the remaining ~20% being clear failures.

We know<sup>2</sup> that wow hires have the capability to transform the trajectory of the organization on multiple dimensions. On the flip side, studies show the true cost<sup>3</sup> of a bad hire can be significantly higher than just the visible costs, which are estimated to be 30%- 80% of the first year salary.

When the stakes are high and clients invest enormous resources to hire, why is the "outstanding" percentage low and not much higher? Why are the new hires not "wow"ing more often?

## Reasons and Solutions

At the core of the problem lies the mechanical view of hiring vs. a strategic view. Success today is defined more by whether the vacant slot has been filled or not, rather than by whether the business goals have been met.

For instance, if a CMO is hired specifically to achieve a market share goal within a year, strategic view of the hiring process would mean that the hire would be declared a success only if the new CMO actually achieved or bettered the market share objective – on the contrary, in a mechanistic view, the hiring is a success when the new CMO joins. This mindset gap is the most important issue that needs to be addressed.

This mechanistic view has led to four key gaps, which we collectively call the "EVIL" challenge – gaps in how we engage with the candidate and discover fit (Engagement), in how we assess or validate 'discoveries' about the candidate (Validation), how much and what type of effort we put in to integrate the new leader (Integration), and how we course-correct (performance Lifting). A part of the problem lies in the fact that talent acquisition is done by one person and performance management and development by another. Growing formation of CoEs (TA, L&D etc) only exacerbates this problem.

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## Engagement

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Interview and selection process, even in well-oiled situations, is today a rushed affair, lasting about 75-90 minutes – too little to really bring out depth in the conversation. Multiple such rounds may help to quickly probe different facets yet do not provide depth to any one conversation.

Consequently, important dimensions that require significant time - such as defining shared understanding of “wow” performance<sup>4</sup>, potential action plan, challenges/constraints, and, support required - do not receive adequate investment. Nor do candidates get to adequately discuss their own expectations<sup>5</sup>, both due to a fear of looking inadequate for the role as well as a lack of time.

Yet, a career move at the senior level is an inflection point for both the candidate and the client, and requires a lot more time investment than it currently receives. The crucial aspect of expectation setting evolves or is set after the candidate joins, when it is too late – the options, then, are to fight or to flee. Expectation setting, at the minimum, must have been achieved as a part of the engagement process itself.

Good practices that step-up candidate engagement levels effectively include:

- a) Initial, long conversation with the CHRO to lay out the expected role deliverables at 3-months or a point in time (let us call this the first base point or FBP), key constraints and organizational dynamics to bear in mind, and key information or insights that can help the candidate prepare for the long discussion (see next point)
- b) Opting for a panel-based interview instead of individual interactions, wherever possible, to be able to invest sizeable time (2-3 hrs) in one sitting, for a longer and deeper conversation
- c) Some organizations require the candidate to formally present<sup>6</sup>, covering their research-led insights and key issues to solve to reach FBP, and a plan of action to get there. This provides a base for healthy discussion and creating a shared appreciation of issues, while providing the organization some early pointers on depth of strategic thinking and leadership engagement skills
- d) Quite often, assessment is interviewer-dependent. Hence, it is not uncommon for parts of must-have basics assessment to slip through the cracks, especially if there was no prior discussion on what these are. Having a well thought-out must-haves is crucial for a robust calibration
- e) Moving away from a scoring-led calibration or decision process to one that identifies (i) strengths and key support that must be extended to the candidate to set her/him up for success, if brought on board, and (ii) any flags or concerns that must be specifically validated in the next step – validation or reference checking process

## Validation

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In most cases, validation is limited to checking with the referees provided by the candidate. One good practice is where the organization uses independent referees beyond those provided by candidate, leveraging internal connections.

While the above are good, these miss a key intervention that can make a significant difference. Post-interview Internal Calibration process typically yields significant insight into what support the candidate will need to be effective and where the team believes potential fault lines could be.

This should lead to two actions: a) a discussion with the candidate, either by the reporting manager or the CHRO, to validate the team's assessments and generate alignment with the candidate, and b) working with the search partner to specifically incorporate the flags that come out of the interview process into the reference checking process.

## Integration

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As pointed out earlier, the first quarter is the golden quarter to get a 'wow' performance. Yet, mostly, this golden quarter is wasted in doing what could have been done *earlier before the new leader joined* – developing a plan of action to achieve the 6-month or 12-month business goals. Firms *waste* the time before the new leader joins.

This is driven by the belief that, with some introductions to smoothen the entry into the firm, the new hire will and should be able to leverage his past experience and emerge a winner. In short, the new leader is 'handed over' to the business.

Often, for the new hire to leverage his past experience and contribute, a lot more needs to be done – a) developing a really deep understanding of the issues at hand, b) developing and aligning on priorities along with what can be expected when, in a realistic scenario, c) articulating and marshalling the required support from others at peer level as well as from the reporting teams, and, d) developing the social and professional networks within the organization. These four key pieces that needs to be in place for a 'wow' performance. Current induction programs address a small portion of these and hence fall short by a considerable margin.

We believe that firms need to shift from *induction* to *integration*, to be able to improve hiring success rate. Induction today is about a standard protocol of get-to-know-each-

-other sessions along with some field visits. Integration, on the other hand, is business-goal led and focuses on steps that the candidate must take to to achieve defined objectives by x-months after joining.

## Lifting Performance

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Our discussions with key CHROs indicate that most companies have check-in meetings, initially frequently but with dwindling frequency. This is understandable as the purpose is to check comfort levels.

If the 100-day integration plan discussed in integration above, is well crafted, it would have built in adequate and periodic review points and deliverables there in. In the absence of a formal 100-day integration plan, a good practice observed includes having pre-identified meetings at the end of first month and say, third month, with the immediate manager and/or members from the Board, to enable a more formal stock-taking and course correction.

## Conclusion

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We recognize that the above measures will call for more time and resource investment. Is it worth it?

We believe it is – assuming the wow candidate proportion moves from 40% to 60% (best performance in the companies we studied was 75% wow hires), then for a typical CxO hire, the investments could pay off 2:1 i.e., potential payoffs are about Rs 2 to every Re 1 invested, even after providing for unproductive efforts.

Given this, it makes economic sense to invest to establish a wow hiring system. We do not claim that these measures are the only ones required, as individual contexts will necessitate tweaks, but these provide a base set of initiatives that can be customized to build a great hiring program.

## Key take-aways

- Only 30-40% of the external hires are a ‘wow’ i.e., they deliver or over-deliver on expectations.
- There are gaps on all four parts of the onboarding process – however, the biggest gaps are in **Candidate Engagement** and **Integration** (not induction).
- A new leader gets two quarters before being judged – the first quarter is the golden quarter
- For the golden quarter to be optimally utilized, firms need to have an integration plan that works back from what needs to be achieved from a business perspective at the end of two quarters. An induction plan is not a substitute.
- Adopting the best practices will increase investments on onboarding a new leader. The payback of 2:1, however, makes it worthwhile i.e., every one Rupee invested returns two
- These best practices cited are not necessarily the only ones but provide a good starting point on the journey to deliver outstanding hiring outcomes

**Note:** Based on our experience and discussion with the firms, we have developed a handy guide for new leaders (“*Setting Yourself Up for Success*”). If you would like to obtain a copy of this guide, please contact [ideas@resource-bridge.com](mailto:ideas@resource-bridge.com). Alternately, you can download this from here - <http://resource-bridge.in/setting-yourself-up-for-success/>.

### Footnotes:

- 1) We interviewed CHROs of large, medium and small firms, belonging to both Indian companies as well MNCs. These discussions were carried over two months across India in late 2017
- 2) <https://hbr.org/2015/12/its-better-to-avoid-a-toxic-employee-than-hire-a-superstar/>
- 3) <https://www.forbes.com/sites/falonfatemi/2016/09/28/the-true-cost-of-a-bad-hire-its-more-than-you-think/#7abcc8874aa4/>
- 4) Almost all organizations that we spoke to had a window of two quarters or less, before they pass judgment on the new hire; if the performance is off the mark, the firms may not terminate the new hire then, but the organizations seem to give up and wait for the hire to leave or a miracle to happen
- 5) It is a different matter that clients find that even at senior levels, the candidates are found not to have not invested adequate time before the process to understand the prospective employer and prepare for a productive set of engagements
- 6) Presentation allows a structured discussion and lets the candidate present thoughts completely. Where a formal presentation is not possible, a discussion using the plan is still a good option.

### About Resource Bridge

*Resource Bridge is a specialized executive search firm with offices in Mumbai and Chennai, with exclusive focus on 4 leadership roles – CEO, CFO and Finance Leadership, CTO/CDO and Head of Strategy. Across these 4 horizontals, we have delivered on a wide variety of mandates, across sectors, geographies. To know more about us, reach out to [client@resource-bridge.com](mailto:client@resource-bridge.com).*

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