



# The perils and pearls of searching

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## Setting the scene

*"All personnel selection is actually a matter of trying to minimize the risk of error."*

When it comes to locating ideal candidates for a senior role in an organization or a Board position companies often turn to search firms to aid them in this endeavor. But alas, there are many train wrecks on the journey to success. Over the last 30 years, we (the authors) have developed a friendship and trust with one another in providing such services to a range of global and local clients. Each of us has witnessed real benefits accrue to clients by using a thorough and competent search firm to locate the ideal candidate for a senior role. We have equally seen inexperience, hubris, naivety, and defensiveness (both on the part of the client and the search consultant) compromise the result at a number of points along the way. This short paper seeks to help potential clients have a successful search experience and find a pearl of a candidate whilst avoiding the perils and pitfalls.

## Premises

All search is based on two premises. First, that there is an ideal candidate for the role "out there" and it would be wise to look beyond in-house possibilities and beyond combined social networks for this person. Second, that a search firm has access to a wider pool of possibilities and better discernment processes than "we" to sift among these possibilities. The client assumes the search firm has industry-specific knowledge and expertise to do this. For government or quasi-statutory organizations there may be a third premise – an imperative of public accountability to display due process in the endeavor. Whilst these premises are rational and probably relatively easy to garner agreement around, there is a fourth unstated and false premise: years of experience and/or seniority of position makes one good at personnel selection, and therefore the views of such people should be given weight and importance. Boards ALL (without exception) claim to be great at selection. They can't be or search firms would be out of business! Moreover, decades of research put the





lie to this hallucination. Age and experience do not protect individuals from unconscious bias, suggestibility, or an innate drive to homosocial replication. It needs to be said that the same is true of those who provide a search service!

**Scenario 1:** The client was a very large organization with origins arising from the public sector decades before. The HR executive considered several search firms that could do the work of finding a senior executive and chose one based on industry experience, global reach, and brand. The search was undertaken, and the final two candidates recommended. Along the way many Board members and senior executives had a lot to say about potential candidates, and behaved as if they were the client, not the CEO.

The search firm itself accepted and then ignored many suggested possible candidates, was hostile to independent in-depth psychological evaluation of their final two candidates and was less than thorough in its reference checking. The Chairman and key shareholders were on the point of endorsing the chosen

candidate someone sounded the alarm about the chosen final two candidates – the wild and erratic decision-making patterns of one candidate and the bullying and misogynistic patterns of the other. The appointment was halted and a new search with a different firm initiated.

**Scenario 2:** A large Tier 2 manufacturing organization sought a new CEO. The chairman of the board reached out to a consultant in a global search firm with whom he had previous encounters. He had known this consultant for many years and, on his journey to being the Chair, had been placed by this consultant into executive positions in two previous organizations. The Board had discussed at length the current and future situation of the organization and had deep dialogues with this search consultant in the process.

The contract was signed, the full Board stepped back and allowed the consultant to do the research, prioritize the candidates, and come back to a subcommittee. The final two candidates were presented to the subcommittee and one of them was well known to the Board.

In fact, in the eyes of many on the Board he could do no wrong; and they assumed that would be the view of the Chairman as well.

The Chairman asked for an independent psychological evaluation of both candidates for there was something about this apparently perfect candidate troubling him that he couldn't quite articulate. The independent psychological evaluation showed that the preferred candidate had some very disturbing and well-developed psychopathic tendencies. Like many such people he presented impeccably at first blush. The Board was shocked by this information and found it hard to accept. Nevertheless, the second of the two recommended candidates was appointed and has been extremely successful in the role.

Within the real-life context of these two scenarios (suitably disguised to protect the guilty) there are a number of lessons related to how to find the pearl of a candidate for a senior role, and how to avoid perils along the way.

## What are we doing here?

It is an unfortunate truth, but senior executives and boards spend a lot of their energy and time focusing on the ideal characteristics and experience of a successful candidate. Much debate, conversation and lobbying go into specifying this perfect person, the "Ken or Barbie we want". And this tends to be the basis on which hiring choices get made.

We find they tend to spend far less time focusing on the deliverables of the role and what the successful candidate will be measured against – these will inevitably be far more important when it comes to firing the person. So, clients often hire on looks and fire on results; in between they spend a lot of energy trying to either direct or measure what the person should be doing and how they should be doing it, far less on what the person is actually achieving, i.e. results.

This inability to specify deliverables comes from a seemingly ubiquitous inability to *really, really* know how to separate an accountability from a responsibility. Very, very few people get the real distinction between these two concepts. The scarcity of such people also extends into search firms as much as it does client organizations and represents the first major peril.

If you can't specify what the deliverables of the role are in terms of goals and outcomes (accountabilities) then you will be building hiring choices on extremely shaky foundations. If, on the other hand, the deliverables are clear then the consultant firm can focus on the question of whether the candidate can deliver the results sought.

On this question, decades of social science research have unequivocally shown that the best predictor of future outcomes is past success, i.e. the candidate's track record.

## Boundaries

Boards exist for four main reasons:

1. Macro strategy,
2. Risk management,
3. Financial oversight and
4. Selection of the CEO – the board's only officer.

Somehow when faced with a search for a senior executive they come to believe their view of the ideal candidate should be considered above all others. We have both known cases where Board members have played out their hidden agendas (in the guise of well-intentioned "advice") by lobbying either the Chair, the CEO or another designated role about their view of the best candidate.

The process becomes politicized within the client organization and the final result is inevitably inferior. And of course, it is undermining and disrespectful of the position of the CEO – the Board's only employee.

Our experience tells us the client organization



and the search firm will deliver a better result when one designated person within the organization and one key consultant within the search firm build a relationship based on total transparency and trust and all other players are treated as important stakeholders to the outcome.

Getting Board members to respect these boundaries can be a challenge at times, can compromise the result and inevitably leads to unfortunate consequences down the track. This pattern is also indicative of how really functional and well formed the Board might be.

## Real reach?

Search firms build over time a vast network of contacts and potential candidates. Apart from research for a specific assignment to narrow the field of contacts, one core thing that attracts clients to use search firms is this very fabric of possibilities they build over time. They develop reputations for knowing particular industry sectors very well – again a positive attractor.

But the more a firm may specialize in an industry and the longer they have done so, what

was once a selling point can quickly become a limitation and hindrance.

This was the case in Scenario 1 above where, in the industry concerned, the firm had such vast reach that many high potential candidates were just “off limits” to them as part of the firm’s contractual arrangements with other clients. Their failure to disclose this to the client contributed to the bewilderment many felt when suggested potential candidates were accepted but then ignored by the consulting firm.

The dilemma lies in the fact that the more, the longer and the better a search firm becomes expert in a particular industry the quicker they encounter relative candidate pool dilution. The peril lies in clients either not understanding this nor the search firm being up front about it.

One way around this is to think of a search process as divided into a number of phases each or some of which can be contracted by a client separately; specifying, researching, short listing, evaluating, deciding, and checking.

Most search firms will seek to sign a contract that allows them to manage and control all steps in this process. Going along with this is not necessarily in the client’s best interests.

The more ethical ones will, at the outset, be up-front with the client about the extent of off-limit candidates in the chosen industry, and form relationships with the client where they segment their services into groups of these 6 steps and thereby allow the client to use other providers.

One client, in seeking to fill a critical CEO role, sought to give the first three steps in this chain to three different search firms and asked each to produce a short list of 5 candidates.

There was not one common name on any of the three shortlists, yet all three firms had deep experience in the client’s industry.

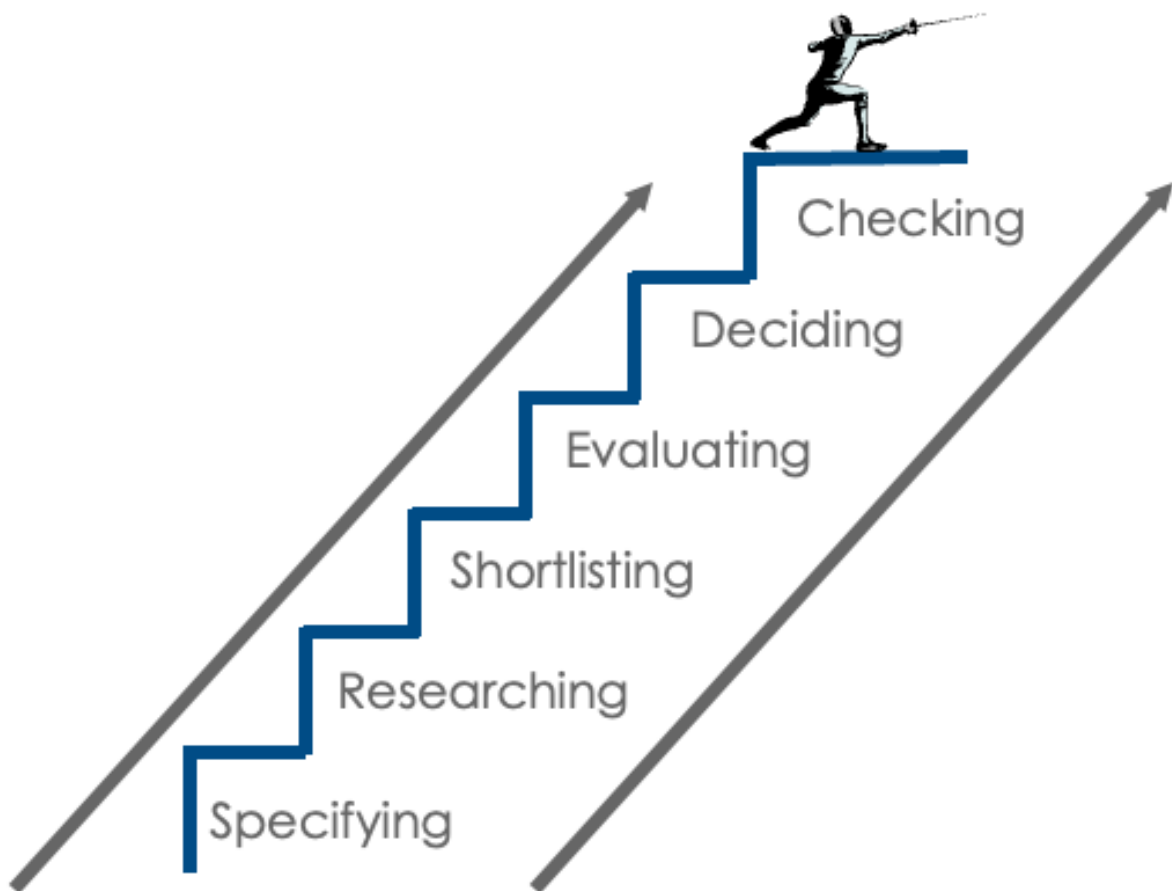
This is an increasingly common practice, with clients more often hiring at least two firms in

this manner up to and including the Shortlisting phase.

It is also incumbent upon clients to require a chosen search provider to declare the names of any competing companies or organizations within the client's industry into which they cannot search. Search firms should be ready to declare that conflict and back away from an assignment where it exists. A search firm that is reluctant to make such disclosures is immediately suspect.

they lead and guide people (**the how**) and who they really are as a person (**the who**) are just as important considerations.

In Scenario 1 above it emerged over time that neither of the preferred candidates was without significant blemish. One was found to be extremely erratic in her decision-making and strategy formulation, and the other managed by belittling and intimidating subordinates and disparaging women in particular. None of this was discovered by the search firm before



## The how and the who

When a search works well the placed candidate will not only deliver the desired outcomes but will do so in a manner that is a good fit for the prevailing organizational climate. Moreover, they do it in a manner that preserves and enhances the individual and social functioning of their newly acquired employees.

In other words, we might be considering someone who can do the job (**the what**) but how

recommending them both to the client.

In Scenario 2, whilst the chosen candidate was successful in the role, the Board-preferred candidate suffered from severe psychopathy and the most cursory of checks uncovered a trail of traumatized individuals who had worked with him in previous organizations.

The antidotes against such perils lie in three steps undertaken with diligence and thoroughness.

## Step 1: Independent deep check

*"He is a charismatic leader who inspires people to follow him. A strategic thinker who can master the details. A tireless worker with incredible focus and problem-solving skills. He is well-liked by his employees but is also able to make and execute unpopular decisions. Above all, he is an exceptional communicator who can convey a vision to any audience, from Wall Street to the most junior employee."*

The quote above could describe an ideal CEO. But it's actually a portrait of a corporate psychopath. Roughly 4% to as high as 10.5% of CEOs exhibit psychopathic traits<sup>1</sup>, according to some expert estimates, many times more than the 1% rate found in the general population and approaching the 15% rate in prisons<sup>2</sup>.

The more senior the position and the greater the consequences of a wrong choice then the more an in-depth psychological evaluation is required. It should be commissioned independent of the search firm.

The vast majority of psychological screening tests used by search firms and HR departments only distinguish among normals. One of us has over thirty years experience in evaluating psychological screening regimes across a range of industries. Whilst such testing may be useful to help in charting development activities for individuals, it tends to not add real and significant value to selection choice-making. Knowing someone's DISC profile, Hogan Profile, MBTI type or equivalent may be interesting but they do not reliably identify potential underlying and deep mental illness.

Moreover, individuals with certain types of mental health problems (e.g. psychopathic or sociopathic tendencies) will not only get through the vast bulk of psychological screening tests unidentified, but will present at interview very credibly. The downstream cost to an organization of employing such people can be eye watering in retrospect.

## Step 2: Precision questions

In a 2012 update to the famous Fortune 1999 article on why CEO appointments so often fail (over 70%) the key was put down to

- Poor execution,
- Poor communication skills,
- An abrasive management style, and
- Subsequent wholesale defection of unhappy executives.

This all boils down to **the how**. In Scenario 1 above, a few simple phone calls combined with precision questioning skills uncovered the bullying and misogynistic behavior of one of the final two candidates. Most referee and reference checking is done, unfortunately, by individuals not trained in how to ask high quality questions and elicit specific and relevant information. In our view this is a significant peril in the search journey.

But a person skilled in precision questioning will be able to engender rapport and trust quickly in others and at the same time garner very pertinent and relevant information about a candidate's efficacy, lived values, style, temperament and demeanor.

## Step 3: Verification

When one asks a board or group of executives to look around the room at each other as they contemplate that one quarter of their number almost certainly were placed in their roles on the basis of false or misleading information, they tend to be quite shocked and defensive.

It is an unfortunate fact that 24% of all CVs (from Board member candidates all the way down) contain false or misleading qualifications or information. This is a staggering data point, but nevertheless true. No search is done well without a very detailed background check.

1) [https://en.wikipedia.org/wiki/Psychopathy\\_in\\_the\\_workplace](https://en.wikipedia.org/wiki/Psychopathy_in_the_workplace)

2) McCullough, J.: The Psychopathic CEO. Fortune. December 9, 2019.



## The whether

In the specific case of CEO appointments there is also a fine collective judgement to be made about a candidate's experience, world views and business models that they might bring to the role if chosen.

Questions as to whether such world views and approaches will work in the particular industry and market context for any given client should be addressed as part of the search process.

At the heart of such questions are beliefs and perspectives that arise over time and constitute a core part of an organization's culture.

Management literature is replete with stories of CEOs appointed to companies who revolutionized ways of thinking, and helped companies reinvent themselves to even greater success.

For each one of these stories, there are at least 10 more where a CEO was appointed who brought with them a set of perspectives and ways of approaching problems that were never going to work in that company's sector.

These views represented a fundamental misconception on the part of the appointed CEO on how the particular company creates value in its world.

Discerning the fit between a candidate and the company must consider this critical dimension and it is, in all honesty, as much an art as a science. But a successful search with a sensitive and experienced consultant will help the client and candidate explore this honestly and openly.

## Gut feel

When the activities described above are complete, and all key stakeholders actively consulted along the way the most crucial test of all should then be taken: the tummy test. This is the point where everyone takes a big deep breath, steps back and asks themselves honestly "Does *this* feel right?".

There is really only one rule to cover doubts or



questions during the whole selection journey, but especially as it comes to a conclusion. One of us always advises Boards: "If you rub your tummy and it doesn't feel right – it won't be. That's all you need to tell us and we will put the candidate aside."

In other words, the client should never push perceived risk, even when those "above" (e.g. a Chair, board members, other executives or stakeholders) are gung-ho on one particular candidate.

## Stepping back

It is possible to identify required conditions where using a search firm will improve significantly the chances of finding a pearl – a successful candidate who delivers the results and fits the style of the organization. These include:

1. One person in the client organization is given personal responsibility for owning and

managing the search and the relationship with the search firm (usually a chairman or CEO)

2. Other key stakeholders (e.g. Board members and others) actively participate in building the ideal candidate's profile
3. Clear and rigorous specification of the deliverables (accountabilities) of the role is given priority.
4. Other players at whatever level in the client organization respect and support the assigned person in this role and do not lobby or seek to influence outcomes
5. A deeply ethical, thorough and experienced consultant in the search firm is sought.
6. A relationship based on full transparency and trust between the client and the consultant, including declarations by the consultant of off-limit boundaries and limitations.
7. Time and effort is invested to build a rich shared context between the client and consultant related to the organization and its future. The search consultant should be treated as a trusted personal advisor to the main client contact,

working in the "office next door", so to speak: totally aligned to the needs of and immersed in the organization.

8. The client owns the process throughout including asking more than one search firm to contribute to the specifying, researching and short listing steps.
9. Clarify explicitly the industry context, business models and underlying strategy assumptions between possible final candidates and the client organization.
10. Ensure independent, in-depth psychological evaluation of the one or two final candidates where the cost or consequences of error are significant for the client.
11. Precision questioning and comprehensive data gathering related to efficacy of execution, communication skills and style, leadership style of the preferred candidate
12. Thorough and detailed CV and background check.

## Reprise

These are minimums, but then there an X factor – clear evidence of the candidate's passion and desire for the role, for the organization and for its future.

This goes to the nexus between the organization's point in history, its future, the motivations of the candidate and their desire to marry these together to create a future with their colleagues.

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