# HOW TO HIRE GREAT LEADERS

By William Hendricks and Marlys Hanson

**THE DIFFERENCE BETWEEN A GREAT HIRE AND A BIG MISTAKE LIES IN THE ABILITY TO UNDERSTAND (AND THUS PREDICT) HOW A PARTICULAR INDIVIDUAL WILL CARRY OUT A PARTICULAR ROLE.**

## A ROLL OF THE DICE?

Jack Welch revealed a dirty little secret about executive hiring a while back in *Business Week* (January 2007). In the article, "Hiring Wrong—and Right." Welch estimated that managers make good hiring decisions only about 50 percent of the time. In other words, America's favorite CEO concedes that traditional executive hiring is basically a roll of the dice!

Gallup Research confirms that Welch's estimate of executive hires succeeding only half of the time is right on the money. In fact, Welch is probably being generous. So why do boards and CEOs make so many wrong decisions in the selection of key managers and leaders?

## "GUT" DECISIONS

Let's face it…almost all hiring decisions end up being made on the basis of somebody's intuition. Oh, sure, resumes, references, background checks, credit reports, responses to interview questions, and other pieces of data are scrutinized. But in the end, somebody takes all of that "objective" information and mulls it over. Then they say *yes* or *no*. In the typical scenario, hiring is still a subjective decision.

What's especially subjective is the decision-maker's "read" of the person.

*Is she a "team player"? Can he really build participation? Will she be able to "cast a vision"? Is his view so "global" that he won't get the job done?* These are all questions about *how the person operates* that the typical candidate assessment process does not adequately address.

Many CEOs, board members, and investors claim to have an eye for "intuiting" such talents. Their instincts may be above average, but the miserable 50% success rate says there are many things their instincts simply can't tell them. Some of those undetected elements become painfully obvious—and disastrous—once the new executive is on the job.

> "Does a great interview predict great job performance?"

## Predicting Performance

Executive job-fit is all about understanding (and thus being able to predict) precisely *how* a particular individual will carry out a particular role.

For most decision-makers, it is far easier to understand *what* a candidate has accomplished than *how* s/he accomplished it. Yet by far the *how* (i.e., How does this person perform his/her leadership responsibilities?) is more important to the hiring decision than the *what* (i.e., industry and marketplace knowledge, functional expertise, results achieved, etc.). **If you don't know *how* a person functions when accomplishing his/her role, you have no way to know *how* that person will function in your**

**particular organization.** You only know *what* you want or expect the person to do.

The point is that the most important things you as a decision-maker would want to know when hiring someone— *viz.*, how the candidate will do the job— cannot be learned by quizzing the person about his/her resume or work experience. Instead, to fully understand him/her, you need to know precisely *how* (or *if*) the person is *motivated* to perform specific leadership responsibilities.

## Understanding Leadership Motivation

The illustration presented below helps to delineate and contrast the three types of competencies that should be carefully examined during the executive selection process:

### ALL EXECUTIVES NEED THREE KINDS OF COMPETENCIES

LEADERSHIP MOTIVATION

JOB FIT

FUNCTIONAL EXPERTISE

INDUSTRY KNOWLEDGE
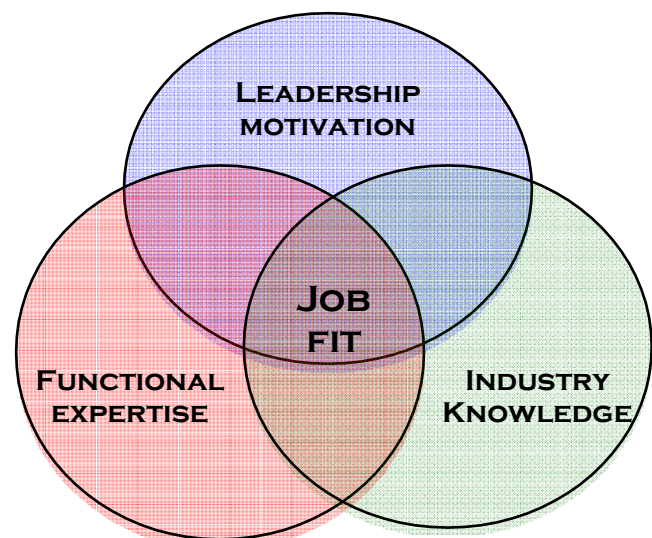
The first circle represents *functional expertise*. This is the skill set that the role demands. For example, the functional expertise required for a CFO's position might include P&L responsibility, risk management, forecasting, familiarity with Sarbanes-Oxley and other compliance issues, accountancy qualifications (e.g. CPA), auditing, budgeting, receivables and payables, etc. Functional expertise comes from a combination of education/ training and experience. A candidate's resume will reveal the nature and extent of functional expertise they bring to the job.

The second circle represents *market or industry knowledge*. That is, how much does the candidate know about the issues, trends, and factors that drive the space in which your company competes? Examples include topics such as suppliers, customers, competitors, global markets, economic trends, technological advances, historical realities, recruiting challenges, governmental policy, and political dynamics. A candidate's network of relationships within the industry also fits into this area. Industry knowledge is usually ascertained through interviews in which the candidate is given an opportunity to demonstrate what s/he knows.

The third circle has to do with the question raised above: *How is this person motivated to perform leadership responsibilities?* There's little doubt that, for most decision-makers, this is the most difficult question to answer. But there can also be no doubt that this is the most valid and vital question. Indeed, assuming the candidate passes muster on

the questions of functional expertise and industry knowledge, the success of the hire depends on *how* the candidate performs his/her leadership responsibilities.

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**WHAT YOU NEED TO KNOW ABOUT YOUR CANDIDATE**

Based on 40+ years of executive assessment, SIMA® International Inc. has identified these ten leadership motivations as the most frequently recurring themes in leaders/managers who are viewed as effective by both their superiors and their subordinates:

**VISIONARY**
How does this person formulate a vision? Does she use that vision as a mechanism for leadership? Does he intentionally transfer his vision, spirit or drive to others?

**ACTIVELY COLLABORATIVE**
Does this person lead by genuinely building a grass-roots approach? Are they eager to draw out the ideas of others and couple them with his/her own? Or do they get others involved to carry out their own agenda, designs and decisions?

**PROACTIVE**
Does s/he take action and develop an agenda without requiring support from others or cues from upper management? Does she require clear directions or a plan in order to proceed? How does he handle ambiguity?

**CONCERN FOR MULTIPLE APPLICATIONS/RESULTS**
Does the person focus on function or project results – or is there concern for broader scope and multiple applications? Or is there so much focus on generalized conceptual or long-range concerns that it is difficult to engage others?

**PERSEVERING**
Does s/he press beyond obstacles and find satisfaction in dealing with problems and difficulties? Is there evidence for ability to build persevering attitudes amongst others? Or is the emphasis on overcoming personal obstacles?

**SEEKS TO INFLUENCE AND EMPOWER**
Is there evidence for building momentum through participation? Is there evidence of strong influencing and communicating?

**BOTH A LEADER AND A "DOER"**
Does he make things happen at the detail level without being preoccupied by details? Does she recognize where action needs to be taken?

**CUSTOMER-FOCUSED**
Is there evidence of strong customer interface? Does s/he make sure that results are generated that will satisfy customers?

**PIONEERING SPIRIT**
Does he want to press past the limits of previous accomplishments and knowledge? Does she want to operate at the cutting edge and involve others in doing the same? This means more than just an interest in movement and growth.

**ENTREPRENEURIAL DRIVE**
Is there a drive to build businesses and make them profitable? Or is the focus on other types of business results such as savings, improving margins, building customer relationships?

Take a close look at the items in the sidebar on this page. Listed there are ten leadership behaviors found to be critical to effective leadership. Now, think about your current process for assessing candidates for leadership positions. Do you know *how* your candidate performs in each of these areas? If you cannot answer with an emphatic *yes*, then you need to read on!

**IDENTIFYING LEADERSHIP MOTIVATION**
As noted above, figuring out the nature of the candidate's leadership motivation is typically (and erroneously) approached as a matter of subjective perception. But there is a very valid and reliable way to determine precisely how a particular person will perform a particular task.

This method is based on the evidence that every human being has an utterly

- Visionary
- Actively Collaborative
- Proactive
- Concern for Multiple Applications / Results
- Persevering
- Seeks to Influence and Empower
- Both a Leader and a "Doer"
- Customer-Focused
- Pioneering Spirit
- Entrepreneurial Drive

unique way of functioning that manifests itself through a lifelong, highly consistent pattern of *motivated* behavior. We call that pattern a Motivated Abilities Pattern, or MAP®.

Every person has his/her own unique MAP® that reveals what the person is naturally *motivated* to do. This is not just what they *can* do, but what they enjoy doing and do well. This MAP® describes the person's core, essential drive…what s/he seeks as an outcome of his/her efforts. It also reveals what they should avoid doing. The MAP® is invaluable in hiring because it not only pinpoints what the candidate loves to do and does well, but it also describes *how* they go about doing what they are *motivated* to do.

So how does one come to understand just how a candidate will perform leadership responsibilities?   At SI Inc., we rely on the two-hour MAP® Achievement Interview.  During this interview, candidates are asked to recall stories from throughout their lives about activities they have enjoyed doing and felt they have done well. They are asked how they got involved in the activities, what role they played, what specifically they did, and what they enjoyed most about the activity.  The details of these stories reveal recurring *patterns* in their behavior.  That pattern begins in early youth (some of us believe it is essentially inborn) and carries forward virtually unchanged throughout a person's life.

Even if the activities themselves are highly diverse, *how* the person operates turns out to be highly consistent.   By analyzing the details of the achievements selected from their life/work by the candidate, you can discover the common threads in how they operate. *What* s/he does may continuously change, but *how* s/he functions never fundamentally changes.  This recurring behavior creates the MAP® that repeats throughout life. That's why the MAP® is so remarkably powerful in predicting how someone will perform if hired into a given assignment.

By identifying the candidate's *pattern* of performing, you will have *evidence* of how this candidate does (or does not) exercise leadership motivation.  Using this evidence of recurring behavior, you will be able to make a more informed (and accurate) decision as to whether or not the candidate is likely to satisfy the expectations you have for the position. *

* This type of evidence has been demonstrated by research conducted by American Psychological Association standards to be both valid and reliable in predicting performance.

## PREPARING THE DECISION-MAKERS

Executive hiring is something in which most boards and chief executives do not have expertise.   But much like executives can be prepared for other specialized tasks (e.g., designing a corporate headquarters, creating a compensation structure, or acquiring another company), they can learn how to make more informed hiring decisions. Just developing their awareness of the *existence and recurring nature of these leadership motivations* can be a major step toward more accurate decisions.

Getting the "people part" right is the key to a company's success—no matter what business it is in. For the past thirty years, we have used this expertise to work on behalf of chief executives, boards, and investors. We help them do what best-selling author Jim Collins so strongly advocates – *get the right people in the right seats.*

BILL HENDRICKS

Bill Hendricks is a Managing Director of SIMA® International, Inc. based in Dallas, Texas. He specializes in organizational design, retained executive search, and strategic people management. His practice focuses on executive team performance, with a variety of clients in fields as diverse as financial services, real estate, law, agribusiness, and the venture capital community. Bill is the author or coauthor of seventeen books, and his writings have appeared in *The Wall Street Journal, The Dallas Morning News, GAMA International Journal,* and numerous other publications.

SIMA® is a proprietary and copyrighted assessment system that SIMA International developed in 1961. The system and its many applications have proven to provide invaluable knowledge for thousands of organizations around the world.

MARLYS HANSON, M.S.

Marlys Hanson is a Senior Associate with SIMA® International, Inc. For 25 years, she has provided "job-fit" products and services to Fortune 100's, top government agencies, and entrepreneurial teams, both domestic and international. Clients include BP, ExxonMobil, the Defense Intelligence Agency, the Department of Energy, DuPont and Merck (Australia). Several of her clients have received national awards for excellence in their job-fit management systems. Marlys has received several national awards for her leadership in the profession.

After nearly twenty years of leadership in the Society, Marlys served as National President of the American Society for Training and Development (ASTD). She has been a frequent conference speaker and radio talk show guest; she has presented hundreds of job-fit workshops for both domestic and international clients. Her book PASSION AND PURPOSE has received outstanding reviews in national publications

Marlys has a M.S. in Counseling Psychology with Distinction and a B. S. in Business Education/Administration awarded Summa Cum Laude.

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