

COMMENTARIES

Executive Selection as a Strategic Business Decision

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We join Hollenbeck's (2009) timely call for focus on the realities associated with selecting executives, who must lead their organizations through the unprecedented uncertainty, complexity, and yes, opportunities to thrive in today's turbulent global business environment. Given the virtual apocalypse of global markets since September 2008, we offer the following three self-evident truths about executive selection:

- It is more important than ever before.
- The cost of leadership failure is higher than ever before.
- Every choice is a high stakes decision for organizations, their shareholders, and associates.

High stakes decisions are best informed by the most accurate information and nuanced insight available. Accuracy is a longstanding interest of industrial–organizational (I–O) psychologists and prompts our dismay at the lack of validity evidence for executive selection. However, nuanced insight raises questions about what's missing in the traditional selection approach. Over many years of collective experience,

we have observed the unique demand characteristics that have pulled executive selection away from the mainstream influence of I–O psychology practice and research.

The classic selection tools and statistical rigor that fuel I–O psychologists' predictions of individual success against job requirements offer value in executive selection, but the process is equally guided by other contextual factors. These include C-suite confidence in and ownership of the process, candidate fit with the organization and executive team (in addition to role), and alignment of recommendations to timing and organizational circumstance, such as a crisis, focus on growth, business model shifts, turnaround, startup, and so forth. These contextual variables support Hollenbeck's proposition that executive selection demands more judgment than statistical significance.

We agree with Hollenbeck as well that I–O psychologists have much to offer organizations to help make these judgments. However, we do not agree that the reason they have failed to earn a seat at the decision table is because they have their priorities backward and place too much emphasis on competencies. Our observations of the demands of executive selection compel us to offer an alternative framework to Hollenbeck's "backwards CCC" model, one that repositions executive selection as a core business decision central to strategy execution.

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We also provide candid reflections about why psychologists are too often left out of executive selection and suggest practical strategies for enhancing our value by bringing structure, analysis, and relevant language to the process. Finally, we introduce an alternative “validation” approach that demonstrates the value and impact of executive selection in a manner better aligned with what really matters to organizations.

Selection as a BCCCB Cycle

Executive selection can more appropriately be seen as a strategic business decision than a human resource recommendation or a judgment process. Frankly, executive selection is most accurately described as a risk mitigation strategy. We fear that depicting executive selection simply as a judgment inadequately portrays the value of high integrity evaluation to business decisions with such crucial strategic importance.

Hollenbeck (2009) posits that I–O psychologists have erred in ordering the importance of the “CCCs” of selection backwards: instead of prioritizing them as competencies, competence, and character, he suggests character, competence, and competencies. However, elevating executive selection to a strategic business decision implies a holistic, dynamic process rather than a linear consideration of sequential thresholds. We make this explicit by describing best practice executive selection as a BCCCB cycle, where synthesis is more important than cutoffs.

(B)usiness context. If you accept the premise that executive selection is best viewed as a strategic business decision, the process must overtly *start and conclude* with the “end in mind,” namely the bottom-line business challenges (B) that are top of mind for executive decision makers. Those of us who regularly provide selection data to C-suite decision makers know how quickly they gravitate toward scenario questions and “what ifs.” Who is best suited to drive an organizational

integration? Enter a new market? Enhance process efficiency? Implement a new global segmentation strategy? These are more typical executive inquiries than “How moral are they?” or “How strong are their delegation skills?”

Psychologists advising on executive selection are not relevant without speaking directly to candidate readiness for specific and sometimes volatile business challenges. However, sooner or later, bottom-line predictions of candidate readiness to step up to strategic business challenges must be substantiated by linkages to a logical composite of skills and behavior (competencies), personality traits (character), and knowledge/experience (competence). Business challenges are too abstract to be a primary measurement target.

(C)ompetencies. Once business challenges create the stage for interpretation, I–O psychologists demonstrate their relevance by tightly pulling this thread of business context all the way through interpretation of the three Cs. For example, given the reality of ongoing acquisitions, do candidates have the leadership and interpersonal skills required to drive organizational integration?

Ultimately, we care most about what someone actually says or does. Therefore, we contend that the primary C should be demonstrated behavior (competencies), not indicators of character, or what might happen. We in no way want to diminish the role of personal attributes as a crucial complement to behavioral data at the executive level; however, we strongly believe that there are more opportunities for behavior-to-behavior prediction in practically crafted executive selection than does Hollenbeck (2009). Our experience in obtaining samples of executive behavior across a spectrum of assessment approaches continually reminds us that hard evidence of “can do” is superior and more realistic than “might do.”

For example, a highly introverted leader can cover her natural shyness with learned behavior. She can develop and use strong interpersonal skills, a highly trainable

domain. She can mitigate a tendency to retreat under pressure (personality) by pushing herself to reach out to subordinates and colleagues when under stress. This scenario assumes self-awareness and effective self-management, both of which can be predicted. Of course, other traits are harder to mediate and present knockout factors; for example, a candidate might not be sufficiently creative for a role in which personal innovation is essential. However, if the real requirement is to drive a culture of innovation, even a totally pragmatic individual can be a catalyst for others' creativity through strong leadership.

In sum, we sanction the evergreen relevance of Wernimont and Campbell's (1968) signs versus samples continuum—even in the executive space. In our experience, when evaluation of competencies and personal attributes are in conflict (e.g., strong executive disposition in the face of poor adjustment scores), actual behavior rules!

(C)haracter. The use of personality measures, tapping into both character and other enduring traits, is enjoying a revival in executive selection for a number of very good reasons. We think Hollenbeck's treatment of character is too narrow, overemphasizing traits (integrity and morality) that are value laden and infrequently present problems for organizations. However, as practitioners (and employers), we cannot conceive of an adequate senior leader evaluation without consideration of a broader spectrum of potential personality derailers and enablers.

Executives face immense pressure and are certain to become "more like themselves" under stress and increased scrutiny. As psychologists, we can anticipate potential scenarios in which candidates are most likely to exhibit previously unseen dysfunctional behavior or simply to overuse traits that may have served them well earlier in their careers (e.g., passion dissolves into volatility, confidence turns to arrogance, creativity threatens timely shifts into execution). We can also pinpoint enabling patterns (e.g., conceptual orientation) that

identify promise to grow, such as operational leaders likely to mature into strategic leaders with the right support.

So even though "behavior rules," we believe personality measures add essential nuance to the strategic business decision-making process. Executive failure is a very costly proposition to organizations; thoughtful selection balances consideration of candidate strengths and vulnerabilities. Derailers do not always emerge until a leader is pressure tested, as when transitioning to a role with greater scope, visibility, and/or consequence of failure. Personality measures are our most effective sign of what has not yet been observed and thus explain or challenge perplexing observations from simulations or interviews. Personality insights, when coupled with strong business acumen, also maximize our ability to anticipate, with confidence, what might happen against a range of future scenarios.

(C)ompetence. For the purposes of our BCCCB model, we'll define competence as experience (results and achievements) as well as knowledge prerequisite to success. Conventional wisdom about competence suggests the following:

1. Higher levels of risk make consideration of competence more important.
2. Some roles are more suited to developing competence than others (most organizations have "developmental roles" rich in opportunity, lower in risk).

Of course, as Hollenbeck noted, the order in which experience or knowledge must be considered is situation-specific, but this is just one of many examples of how readily linear consideration of decision factors, in whatever order, falls apart. In one situation, knowledge and experience are the price of entry (chief surgeon). In others, experience may compensate for skill or knowledge deficits. For example, health care organizations are clearly benefiting from integration of lean practices and outside perspectives from leaders who

transferred into the industry, and *lack of* health care experience has even become desirable when there is a need for an unbiased lens to look into deeply entrenched issues.

I–O Psychologists in Executive Selection

As Hollenbeck (2009) notes, executive selection decisions are often wrong: Estimates of executive failure average about 50%, and the decision-making process has been called illogical and slipshod. Realistically, the decision makers are untrained amateurs (boards of directors and other executives), and executive recruiters over-rely on unstructured interviews and reference checks, tools that inhabit the low end of the validity continuum (Howard, 2001). Surely with our array of selection methods and evidence-based understanding of selection processes (the things Hollenbeck notes as *What's Right*), I–O psychologists can bring rigor and discipline to a failed process with such a powerful impact.

However, repositioning executive selection as a strategic business decision shines a bright spotlight on the BCCCB requirements for I–O psychologists who seek more meaningful participation. Weak business savvy or executive insight will quickly reveal itself in high-level selection and become a knockout factor for future engagements. Yet few I–O psychologists devote themselves to reading the *Wall Street Journal* in the same manner that they follow I–O or HR publications. Nor do many define themselves as business advisors rather than behavioral scientists. However, if we want to meet the needs of our business clients, we need to reconsider our brand and elevate our performance.

Several simple things can be done to showcase the unique value a business savvy I–O psychologist can offer to the decision process.

1. *Become bilingual.* English (or your primary language) and the language of business are a powerful combination! Speaking the language of business demands that we rise above restricting our evaluations

of human potential to the skills, abilities, psychological attributes, and even knowledge/experience domains of qualifications. It's often a matter of translating what we know best into language that answers executives' fundamental questions. An example will illustrate how business-driven, holistic executive selection speaks to boards and other executive decision makers.

Savoreez is a large global producer of gourmet-prepared foods and beverages. During the past 5 years Savoreez grew rapidly; demand for its grocery products soared, and hundreds of new gourmet cafes were constructed. John, the CEO, was credited for stimulating this growth by cultivating an entrepreneurial culture. However, by October 2008, the world economy was cycling downwards and taking Savoreez with it. John decided to retire, and the board contacted a local I–O psychologist, an executive search firm, and a global talent management company to find his replacement.

The local I–O psychologist recommended Arnold as CEO on the grounds that he is highly intelligent, scored high on Conscientiousness, and was better than other candidates at planning and organizing, delegating, and team building. The psychologist understood Arnold's talents well but ignored the shifting economic context that framed the company's current challenges and was unable to answer the board's "what if" questions.

The executive search firm recommended Bruce, a candidate who impresses customers and gets results, according to extensive reference checks. For example, "The customers bring his name to me" and "It's a tough job dealing with [a major customer] day in and day out, and [s]he's done a fabulous job" (executive suite language cited by McCall & Hollenbeck, 2007). The board understood this language; what they did not understand was what Bruce actually did to earn these accolades and whether

his approach would be effective in their current downturn environment.

The global talent management company analyzed what was currently driving Savoreez's business and its talent implications. They recommended Charlie to the board with statements like the following: "To manage in the current downturn, one of the CEO's key challenges will be taking operational control; Savoreez needs to create efficiencies, streamline processes, and leverage resources to cut costs. Flawless execution is critical in times of crisis because things easily get out of hand when change comes rapidly. Charlie understands that merely communicating a cost control strategy is not enough to make it happen. He will assign accountabilities and institute measures to monitor the company's progress in cutting unnecessary expenses. He is naturally pragmatic, and his focus on processes will help him keep the company on track during these rocky times."

In the foregoing passage, the talent management company built their description of Charlie from a competency (driving execution) demonstrated in simulations and a personality test pattern (pragmatic and process-focused). However, the board heard, in the language of business, what Charlie was likely to do as CEO of Savoreez in the current downturn and why that would help him be successful carrying out their strategy.

2. *Know your audience.* Some of our most fascinating and rewarding selection discussions have been with senior decision makers who disclose their anxiety about making such a critical decision. Incredibly, one of the authors has had two different CEOs liken their angst to the risk they felt serving in Vietnam. These situations, in our view, reveal an appropriate humility and appreciation for the business impact associated with the choice at hand.

Given this backdrop, I–O psychologists are far more likely to be solicited as business

advisors when we demonstrate readiness to enter our clients' worlds and understand "what's keeping them up at night." With a deep understanding of their practical and personal needs, we can more effectively simplify and weigh the complex variables associated with selection decisions.

3. *Offer a well-substantiated point of view.* The one absolute for our ability to optimize this decision process is conversation. Sometimes I–O psychologists are relegated to the backroom, limited to writing summary reports of assessment findings. This severely diminishes the contribution that business savvy I–O psychologists can offer. Therefore, we strive to earn the right to face-to-face conversations with senior decision makers to review findings against decision criteria. Few other business decisions of similar import would be made without an opportunity for further exploration of data and a follow-up discussion with the primary business analyst.

The BCCCB model can provide a business-relevant framework for rich consideration of multiple candidates in an efficient, consistent manner. Psychologists must avoid letting the session dissolve into a presentation and have the confidence to proactively engage in dialogue about the implications of candidate profiles for the business.

Strong facilitation often creates a fascinating, highly interactive forum for pooling decision makers' perspectives on candidate experience and knowledge (a topic they may know best) with the psychologist's systemic evaluation across the BCCCB framework. A holistic, nuanced profile of candidate readiness will naturally emerge; at this point, what decision makers want most is for us to express a point of view. This point of view should marry our insights with those of executive decision makers, ultimately transforming versus transmitting data and information. A valued point of view may include an overall thumbs up or down or may offer a broader perspective with specific caveats. For example, we might conclude that a highly entrepreneurial candidate will succeed as leader of the new ventures group

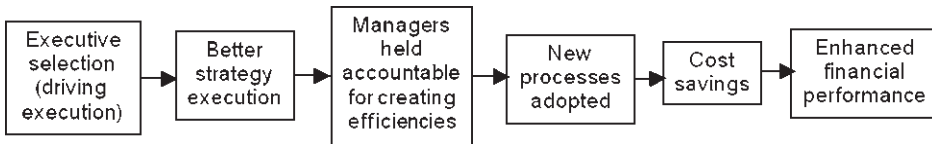


Figure 1. Logical path from one factor in executive selection to organizational performance.

ONLY if he has several execution-focused subordinates on his team. Our point-of-view in this case is that the “team mosaic” warrants as much consideration as individual role requirements.

Dynamic selection discussions that zero in on business can quickly turn senior decision makers into strong fellow assessors willing to fall into a structure and set of expectations, such as behavioral evidence. They also gain better understanding of and great respect for the tools, processes, and insights I–O psychologists can offer to guide strategic business decisions.

Toward a New Research Paradigm for Executive Selection

Demonstrating the effectiveness of executive selection requires going beyond the traditional validation model of correlating selection data with individual job performance. It requires exploring what happens in the organization after selection takes place and whether these various outcomes can be attributed to the chosen executives. A first step is to set up a logical path that traces how executives selected with the new method can be expected to affect organizational performance.

At Savoreez, one factor in the global talent management company's selection model was skill in driving execution. Figure 1 shows that if newly selected executives are better at driving execution, they will hold their reports accountable for carrying out a strategy that, in a downturn, includes streamlining processes. If their teams generate process efficiencies that are subsequently adopted, the organization should realize

some cost savings, which will improve its financial performance (profits, even if revenues fall in the downturn).

Each box in Figure 1 presents an opportunity for measuring the effectiveness of the selection method for improving the organization and its business performance. The accumulation of this kind of evidence of change is a better demonstration of the value of executive selection than the traditional model that seeks only a statistically significant correlation between the first box (rating of driving execution during the selection process) and the second box (rating of driving execution after the executive is on the job).

We believe that following the various approaches we have outlined here will go far in both enhancing I–O psychologists' role in executive selection and improving the quality of these strategic decisions. This is not to suggest that executive failure will suddenly disappear. Many factors beyond selection—onboarding, acceptance by other executives, relationships with the board, organizational and external constraints, and so forth—become executives' undoing. However, diagnostic research on each step of the logical path from selection to organizational performance can help uncover these factors and suggest a better course.

We encourage I–O psychologists not to give up on executive selection as a lost cause but instead learn how to grow and flex to earn a seat at the decision table.

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