



STANFORD
GRADUATE SCHOOL OF BUSINESS

STANFORD SOCIAL INNOVATION *review*

Upfront

To the Top: How to hire the best leaders for your organization. By Marguerite Rigoglioso

Stanford Social Innovation Review
Spring 2006

Copyright © 2006 by Leland Stanford Jr. University
All Rights Reserved



STANFORD
GRADUATE SCHOOL OF BUSINESS

Stanford Social Innovation Review
518 Memorial Way, Stanford, CA 94305-5015
Ph: 650-725-5399. Fax: 650-723-0516
Email: info@ssireview.com, www.ssireview.com

To the Top

How to hire the best leaders for your organization

David Bell has hired his share of executives. Not only is he director of people for the media giant Pearson, whose divisions include Prentice Hall, Penguin Books, and the *Financial Times*, but he is also chair of a number of nonprofits and selection committees for the British Civil Service.

"In one of the nonprofits I've chaired," he recalls, "we conducted an exhaustive set of interviews for the top job on both sides of the Atlantic. We chose the person we thought was tailor-made for the position. Nine months later, he quit."

In a summer 2005 MIT *Sloan Management Review* article, Claudio Fernández-Aráoz, a senior partner at Egon Zehnder International, elucidates why executive hiring is so difficult. He also suggests how companies and nonprofits can choose better bosses.

One obstacle to making wise hires, Fernández-Aráoz notes, is that the distribution of talent in any executive pool is highly skewed toward mediocrity. The best executives – who can outperform average executives by as much as 1,000 percent in real dollar terms – are few and far between.

"That's why it's worth spending a lot of time and effort to find, assess, and retain good people," says Fernández-Aráoz. "Huge amounts of money are at stake – even the life of the organization itself."

Hiring committees typically make the mistake of focusing on measurable factors, such as IQ, at the expense of "soft" qualities, such as emotional

intelligence, notes Fernández-Aráoz.

On the other hand, he says, it's easy to mistake a candidate's commitment to a cause for true managerial skill.

Other hiring hindrances include making snap judgments and sticking with the familiar. "We tend to choose those who are like us," he says, "but nonprofits especially need diversity,

Leadership" (2002) and "Resonant Leadership" (2005), agrees that "the point is to get the list right." In the case of nonprofits, he says, search committees are less likely than corporations to identify what's missing in the current executive – and thus what's needed in the next. "The other extreme," he says, "is to seek someone who is completely different from the previous executive. Either approach is wrong. You obviously need a mix of competencies."

Fernández-Aráoz urges executive search committees to cast a wide net, and to consider both internal and external candidates simultaneously. "Nonprofits usually don't have the resources to groom internal candidates properly, so the chances that they have the best performer in-house are lower than for a large company with an elaborate employee development program."

He also stresses the need for thorough interviews and reference checks. "Interview questions should focus not on people's strengths and weaknesses, but rather on how candidates have handled situations that are similar to those they would face in your organization," he says. Reference checks should be conducted in person whenever possible, and should similarly focus on how the candidate met specific challenges.

Bell adds a final good interview practice: "Listen to what the candidate *doesn't* say." In the case of the executive who quit after nine months, Bell says that "if we had listened harder, we would have realized that the field the job was in was not the candidate's first love." —*Marguerite Rigoglioso*



"These? Oh, just the red flags I wear to every job interview."

because it generates the kind of creative tension and innovation that is required when you're working with limited budgets."

A "best practices" approach to hiring, says Fernández-Aráoz, starts with carefully defining what the organization needs in an executive. "It's not just about getting someone who fits with your values, but about deciding what core competencies are needed," he says.

Psychologist Richard Boyatzis, co-author of the best-selling "Primal

© 2003 Ted Goff