Cracking the code: Five imperatives for executive assessment success

"If it's not Boeing, I'm not going." This iconic phrase once represented the unwavering trust and confidence that people had in the Boeing brand. However, the company's reputation has faced some challenges of late, leaving many people wondering how such a trusted name with a stellar history could find itself in such a reputational bind. The answer lies, in part, with Boeing's executive hiring strategy.

The responsibility for selecting new executives falls squarely on the shoulders of board members. When they make the wrong decision, the consequences can be devastating. This has become painfully evident in the recent shareholder lawsuit against Boeing, where the fallout from poor executive hires has led to public outrage. One of the main reasons for this debacle is that some of these new executives failed to uphold the company's long-standing commitment to a culture of quality and safety.

Even Warren Buffett, the renowned investor, recognizes the immense risk involved in assessing and selecting executives. He believes that this is one of the riskiest decisions that organizations and boards must make. This underscores the critical importance of getting executive assessment right.[1]

In our recent *Global Talent Trends Study*, which draws insights from C-suite executives, HR leaders, employees and investors across industries and geographies, talent assessment emerges as one of the top 10 HR priorities shaping the people agenda this year. This highlights the growing recognition of the significance of evaluating and selecting talent and, more specifically, how vital it is to identify and appoint executive talent who possess the right skills, values and mindset to drive an organization and society forward.

The amount of market value wiped out by badly managed CEO and C-suite transitions in the S&P 1500 is close to *US$1 trillion* a year.

Harvard Business Review, "The High Cost of Poor Succession Planning"

By prioritizing executive talent assessments and ensuring the methodology underpinning them is fit for purpose, organizations can mitigate the risks associated with poor executive hires. In turn, leadership teams will be better equipped to navigate the complexities of today's business and governmental landscape.

The consequences of getting an executive hire wrong

The consequences of selecting the wrong executive can be long-lasting. There are three major cost effects:[2]

- **Direct financial impact**, which amounts to approximately three years of the executive's total compensation.

- **Organizational costs** that arise from missed opportunities and innovation, loss of momentum and morale, and the erosion of trust. These costs can be far-reaching and can persist long after the transition. They can affect the organization's ability to compete in the market and can hinder its long-term success.

- **Damage to the company's reputation, market capitalization and stock stability**, which can take a business years to build back.

Despite the damage if executive selection misses the mark, the process often falls short of the rigorous scrutiny applied even to young graduates. While the latter often undergo a methodological research-based assessment involving psychometrics, interviews, role-play scenarios and business cases, the former often find themselves merely having a conversation with board members who've had varying degrees of training in objective assessment methods.

This reliance on intuition and luck rather than a thorough and scientific approach contributes to the alarmingly low success rate of executive selection, which fluctuates between 40% and 60%. The *Harvard Business Review* estimates that there is a 50% chance that the appointed executive will depart within eighteen months, equivalent to flipping a coin.[3]

However, amid these challenging realities, there is a better way. Well-designed executive assessments have the potential to create enormous value. To achieve a successful executive assessment, we have identified five imperatives to follow. Each one ensures a thorough and comprehensive evaluation process that increases the likelihood of selecting the right executive for your organization's needs.

The five imperatives of executive assessment in a complex world

1. Embrace the paradoxes of leadership

Which leadership paradigm is best suited to assess executives in our complex business landscape?

To answer this question, it is crucial to understand the challenges faced by executives. Today, senior executives are confronted with a rising tide of complex or "wicked" problems. The World Economic Forum's 19th annual *Global Risks Report*, developed in collaboration with Marsh McLennan and Zurich Insurance Group, outlines the major risks that lie ahead according to experts across academia, business, government, the international community and civil society.

Global risks ranked by severity	
In the next two years	**In the next 10 years**
Misinformation and disinformation	Extreme weather events
Extreme weather events	Critical change to Earth systems
Societal polarization	Biodiversity loss and ecosystem collapse
Cyber insecurity	Natural resource shortages
Interstate armed conflict	Misinformation and disinformation

Each of these risks fall under one of five categories: economic, environmental, geopolitical, societal and technological. These problems are *complex* and extend beyond singular domains, with the consequences of changes in one area rippling unpredictably across the others. Complex problems are nonlinear, irreducible, uncontrollable and fundamentally unknowable, unlike *complicated* issues that can be solved with algorithms or formulas.

Despite the prevalence of complex problems, many leaders instinctively approach them with a mindset suited for dealing with complicated issues. This approach, while effective for implementing new systems or processes, falls short when it comes to navigating complexity. Treating a complex problem as if it were a complicated problem sets leaders and their companies up for failure.[5] Recognizing and navigating complex problems requires distinct mindsets, behaviors and a moral compass that differ from those needed to address complicated issues.

People who excel at handling complexity transition seamlessly between opposing demands. Successful leaders exhibit rapid adaptation between contrasting leadership styles, demonstrating what neuroscientists refer to as "brain flexibility."[6,7]

Adopting a paradoxical mindset does not advocate for mediocrity, though; rather, it involves wholeheartedly embracing both ends of the spectrum. For example, a leader may enthusiastically advocate for new technology while also considering its impact on people. They may embrace and capitalize on cultural tensions while recognizing the benefits of stability. In other words, these leaders accept and are energized by cultural differences while still staying close to their own cultures and worldviews. Leaders with a paradoxical mindset envision leveraging new technology to advance humanity simultaneously or navigate cultural differences smoothly. It is about embracing "both/and," not "either/or."

The concept of leadership paradoxes is not new. In the 1980s, Lego[8] recognized the power of paradoxical thinking, and leadership scholars like Quin[9] highlighted that skillfully reconciling extremes is a hallmark of advanced leaders. With the advent of the COVID-19 pandemic, more companies and consultancy firms have embraced leadership paradoxes. Growing research indicates positive correlations between leaders with a paradoxical mindset, including creativity,[10] job performance[11] and business outcomes. As the shape and size of the workforce changes, and as we embrace technological advances in artificial intelligence, businesses need to redefine the new leadership equation.

Dealing with paradoxes and solving complex problems is becoming increasingly prominent in the everyday reality of executive leaders. Managing paradoxes requires awareness of these contradictions and a high level of self-awareness to be conscious of one's own natural tendencies and preferences for one side of the paradox.
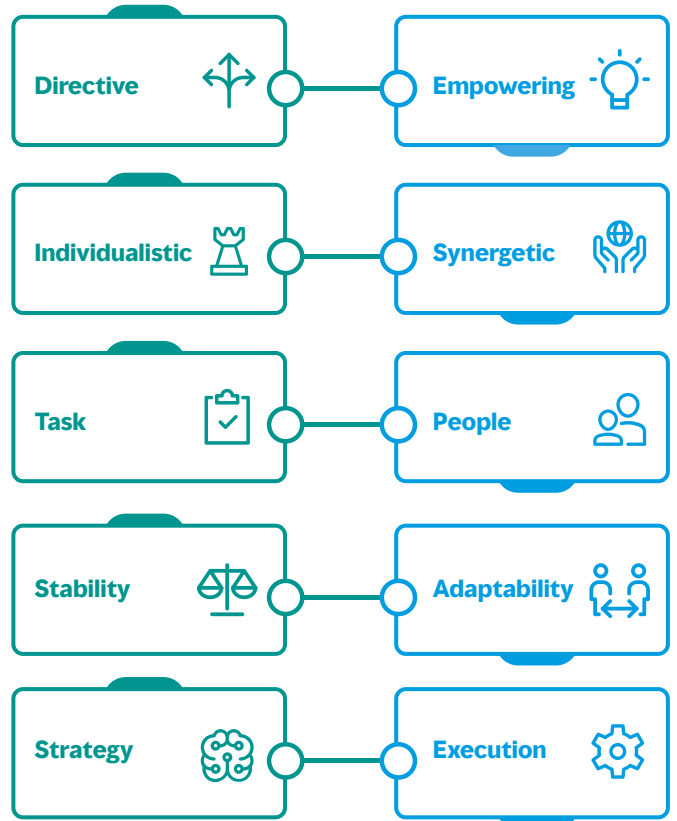
Paradoxical thinking is a rarity

Based on our research, there are five pivotal leadership paradoxes consisting of two leadership attributes positioned at opposite ends of the spectrum. Mercer's proprietary psychometric assessments focusing on strengths, personality attributes and leadership derailers help assess these paradoxes among executives and leaders. Only a small percentage of leaders can balance opposing perspectives exceptionally well. And, according to our Overall Leadership Paradox Index, which represents a leader's adeptness at managing all paradoxes within our framework, only 18.6% of leaders score highly on this measure. Given that a paradoxical-thinking leader is a rare gem, organizations and boards can instead consider the collective paradoxical strength of the senior leadership team, where various leaders may complement and balance each other's mindsets and derailers. Stronger paradoxical thinking ultimately means better decision-making.

Paradoxical leaders do not take their own logic for granted.

Steven Poelmans, *Paradoxes of Leadership*, Pelckmans Press (2020)

Mercer's Leadership Paradox Framework

Directive	—	Empowering
Individualistic	—	Synergetic
Task	—	People
Stability	—	Adaptability
Strategy	—	Execution

Based on our research[12] into executives worldwide, we found that:

- Individualistic-Synergetic Paradox: 48% of leaders rank high on the Individualistic Focus, and 58% rank high on the Synergetic Focus within the Individualistic-Synergetic Paradox. However, only 40% of the leaders are high on the overall paradox, which indicates their ability to balance both these focus areas.

- Stability-Adaptability Paradox: 46% and 63% of leaders are high on the Stability Focus and Adaptability Focus, respectively, but only 42% of leaders can balance both these focus areas.

2. Collaborate with leadership experts

The responsibility of hiring top executives rests on the shoulders of an organization's board of directors. However, selecting top executive talent can be daunting. One key issue is the infrequency of executive succession processes, even in today's world of shorter tenures for executive leaders. With executive recruitment being a rare occurrence, even seasoned board members may have limited experience with succession transitions. This lack of exposure, combined with inadequate training or lack of experience in assessing top executive talent, adds to the challenge for board members.

Nonetheless, hiring a top executive is a pivotal decision for the board, with far-reaching implications for the company's performance and global standing. A collaborative effort is the best way to navigate this challenge. Directors and an external leadership advisor are typically the best combination and can benefit from planning board succession one to two years out, with a strategic plan to close gaps in nominees' capabilities before final appointment decisions are made.

Directors bring valuable insight into the company, from its strategic needs to its unique company culture and the contextual factors behind it. In turn, they can approach candidate selection with an open-minded perspective, focusing on identifying the few critical specific capabilities required for success. Meanwhile, the external leadership advisor brings expertise in methodology, leadership concepts and behavioral assessments and can guide the board through the whole selection process. Combining internal perspectives with external expertise leverages each other's strengths and elevates the selection process to ensure the best possible outcome.

By embracing this collaborative approach, board members can select top executive talent more effectively, contribute to long-term business success and strengthen the company's position in the global marketplace.

3. Seek clarity and alignment on the success profile

The responsibility for executive hiring may lie with the full board or a dedicated committee. Either way, it is crucial to establish clarity and alignment on a success profile to increase the likelihood of finding the right person for the job or developing the right incumbent application. Unfortunately, this step is sometimes overlooked or can remain anchored in what was fit for purpose in the past. It can also be bypassed, because navigating how to ensure the alignment reflects the current and future demands of directors is a challenge. However, working through these issues is of utmost importance in facilitating candid discussions, getting everyone on the same page and making sure that the right criteria are measured.

In today's dynamic business landscape, priorities, goals and strategic objectives are evolving constantly. Boards must be prepared to anticipate these changes and adjust accordingly. Unlike other hires, executive appointments cannot be standardized or scaled. Each hiring process requires a thorough analysis of an individual's critical experiences, business mindset, skills and behaviors. This level of analysis is possible only when board members are willing to engage in candid dialogue about emerging business challenges to define which skills are must-haves and which are developable. Relying on outdated job descriptions, often written by colleagues unfamiliar with the future internal and external dynamics of the organization, may lead the board

to select an incumbent similar to the predecessor or a leader who doesn't have the skills, mindset and capability to steer the organization forward.

To achieve this, it is essential to address three core areas of alignment:

Breadth–of–business thinking

Commercial thinking, strategic awareness, customer orientation, a risk management mindset and even the understanding of cultural norms are all areas critical for an executive appointment. The challenge is that what is necessary for success in a role needs to be based on the challenges the incumbent will face. For example, while all stakeholders may agree that customer experience should be the primary focus for the new chief customer officer (CCO), individual board members may interpret this differently, ranging from operational excellence to digital transformation. For this reason, it is important to agree on what customer experience entails, the impact of the organization's acquisition strategy on the customer experience and determine whether the new executive should have experience/breadth of thinking in this field specifically.

Culture and values

Assess how the new executive aligns with the organization's culture and values if they are an external appointment. It is important to identify what is missing and what needs to remain to preserve the organization's identity. Consider questions such as:

- How important is it for the executive candidate to visibly demonstrate their own or the company's values?

- Is there a need to challenge or even disrupt the existing culture to be successful? If so, what needs to be different in the candidate's skill set or mindset?

- What role, if any, does the new executive need to play in driving cultural change?

The critical few behaviors

Identify the five or six critical behaviors that the new executive must possess to have the most significant impact on achieving the organization's strategic objectives.

An alignment meeting on the aforementioned areas is essential to clarify expectations for the new executive. This dialogue bridges gaps in understanding of goals, objectives and priorities, along with the level of business acumen and experience required. Facilitated by an external leadership consultant who is proficient in team dynamics, it ensures a neutral and effective discussion. Relying on existing competency frameworks may lead to defining success criteria that look back on the past or focus only on the present. In our experience, many of our clients continue to use competency frameworks that are outdated and not fully future-proofed. To avoid this pitfall, we recommend working with external advisors that can challenge current assumptions and models in the search for the next CEO or senior leader.

When conducted effectively and honestly, these alignment meetings can bring about positive disruption. For instance, during IBM's CEO search in 1993, despite suggestions to hire a technologist, some directors recognized the need for an executive with business acumen, customer orientation and execution skills. Their decision to bring in Lou Gerstner led to a remarkable turnaround, transforming IBM's US$8 billion loss into a US$3 billion profit.[13]

By prioritizing clarity and alignment in the executive hiring process, boards can increase the likelihood of selecting the right executive who will drive the organization's success in a rapidly changing business landscape.

4. Eliminate bias and noise

Bias and "noise" can have a significant impact on hiring decisions, undermining diversity and fairness. Biases, such as favoring candidates with similar backgrounds as the current board members or those with a tenure with the firm, for example, can unfairly influence the selection process. "Noise" refers to the unwanted variability in an individual's or a board's judgments of a candidate, leading to inconsistent and unreliable conclusions.[14]

For instance, interviewers may unintentionally assess candidates differently based on their moods, which can be influenced by anything from the weather to the results of their favorite sports teams, leading to unreliable conclusions.[15] Unlike bias, which can be addressed reactively, noise requires proactive prevention due to its unpredictable nature. It is important to address both bias and noise in the executive hiring process to ensure a fair and effective evaluation of candidates.

To overcome bias and noise, consider implementing the following practical process:

1. **Establish a rigorous process with multiple data points.** This could be in the form of multiple short assessments and/or in an executive–assessment–center context. A mix of psychometrics and exercises to gain a better understanding of a candidate's critical thinking, paradox perspective, leadership skills, values, experiences and breadth–of–business mindset will be the strongest predictor of their future performance. See Figure 1. A comprehensive process should challenge candidates while adhering to agreed-upon criteria and promoting a thorough and robust evaluation process that they also feel is fair and stretching.

2. In addition to the multiple data points, **select board directors to independently evaluate specific agreed-upon criteria.** This approach allows for diverse perspectives and a broader range of information to be considered in the decision-making process. Consider potentially adding an additional "nominated assessor" to fill obvious gaps in background, generational, gender or ethnic representation that are missing in the group.

3. To assist the directors, **establish interview guidelines** that include a predetermined rating scale for each criterion, with consciously assigned weight and, ideally, a discussion beforehand to calibrate goals. For example, you might consider a scale that gives more weight to cross-cultural experience than experience with digital transformation, depending on your requirements. Consistently applying these guidelines to every candidate ensures rigorous, objective data collection rather than being steered by vague impressions or overwhelmed by deep expertise.

4. After collecting data from various validated assessments and various directors, the **hiring committee convenes to decide who to hire based on the preestablished decision–making criteria**. This approach ensures a more balanced reflection of diverse opinions and prevents the dominance of the loudest or most powerful voice in the room.

5. **Rank the candidates**, and make comparative judgments based on their relative strengths and gaps as per the success criteria instead of absolute ones. By creating a rank order of options through comparison, the decision-making process becomes more objective and less susceptible to bias and noise.

Implementing this process should naturally lead directors to tackle or at least significantly reduce bias and noise. By proactively addressing these factors, the executive hiring process can become fairer, more reliable and more effective in selecting the best candidates for the organization.

Executive Leadership Impact

Five crucial dimensions for senior leader/executive success

An assessment of leadership impact is complex and multifaceted and requires a multi-modal approach to ensure an objective, robust and challenging process. Mercer's proprietary approach to assessing C-suite and executive leader competence focuses on evaluating their innate or inherent capacity to deal with hyper-complexity as well as their ability to demonstrate learning agility and balance the five paradoxical mindsets. In addition, our proprietary "talent to impact" approach clearly highlights that while leaders may have the inherent talent, they must also have the clear capacity to demonstrate long-term impact for their teams, organizations and greater communities as force multipliers and accelerators of growth. Hence, Mercer's approach also explores how the leaders are able to demonstrate their skills across a variety of criteria and business mindsets.

Figure 1. The Leadership Impact Score comprises:

Innate leadership

1 Critical thinking
A leader's ability to tackle complex problems and make decisions in the face of ambiguity. This includes a measurement of their conceptual and critical reasoning

2 Paradox perspective
A leader's ability to navigate the five leadership paradoxes without over–indexing toward a polarized viewpoint in any of these domains

Demonstrated leadership

3 Leadership skills
A leader's ability to demonstrate the necessary skills required for leading in today's management and regulatory environment as well as any company-specific competencies

4 Values and experiences
Insight into a leader's career experiences and how these have shaped them, from their values to their alignment with the organization's mission

5 Breadth–of–business mindset
An evaluation of a leader's thinking with respect to their commercial, strategic and risk–management acumen as well as other context-specific awareness

5. Set the executive up for success

Finding the ideal executive is just the beginning of the journey, and no candidate is perfect. Their first year in the role is probably the toughest and most decisive at the same time. It's during the onboarding process that new employees, especially top-level executives, decide whether they want to stay and make a lasting impact. It is here that insightful feedback and immediate coaching across their first 90 days can have the most impact — both in terms of guiding their business impact and in relation to their own transition into the leadership role.

HR certainly plays a crucial role in ensuring that a seamless onboarding experience helps the newly appointed executive integrate into the company culture, build networks and align with stakeholders. But to truly unlock the potential of a new executive, ongoing support is essential. The insights gleaned through the success–profiling process (such as why certain capabilities are prioritized or what challenges are foreseen) can be invaluable insights to help the candidate to partner with stakeholders and hit the ground running once they are appointed. These sessions, often kicking off with the CEO, can provide the necessary guidance and development opportunities to ensure alignment between the executives and the wider executive team.

Complementing individual sessions with further team coaching is often a parallel exercise that can further enhance collective synergy, particularly if there is a significant change agenda to execute.

The power of ongoing measurement

To ensure continuous improvement, it's important to regularly assess progress and refine strategies. Stakeholder effectiveness surveys tailored to critical dimensions like cultural integration and credibility provide valuable insights. These surveys are typically conducted at 90 and 180 days after the executive's appointment. The findings enable the measurement of an executive's impact and provide insights that can support the coaching process.
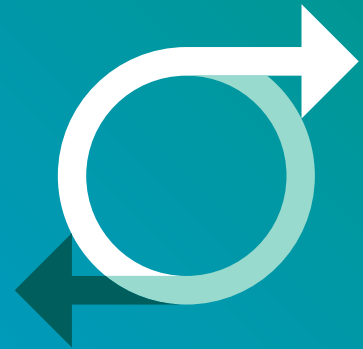
By prioritizing onboarding, providing individual and team coaching, and measuring executive impact, organizations are best positioned to set their executives up for success. It's a journey that requires ongoing support, collaboration and a commitment to constantly adapt in order to unlock the full potential of every executive and deliver high organizational performance.

Conclusion

Executive assessment is a complex issue. While achieving absolute precision may be elusive, cracking the code will rely on adhering to the five imperatives:

1
Embrace the paradoxes of leadership

2
Collaborate with leadership experts

3
Seek clarity and alignment on the success profile

4
Eliminate bias and noise

5
Set the executive up for success

Each one serves as a guidepost for a calculated strategy that enhances the likelihood of successful executive hiring and onboarding and, ultimately, positive change.

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Endnotes

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