

Why Assess Internal Leadership Talent?

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Five scenarios in which a rigorous assessment of management talent can help ensure that the right people are put into the right jobs — an ideal resource for evaluating the quality of your leadership pipeline.

Matching the right people with the right jobs is key to a company's success — especially in the executive ranks, where jobs demand leadership in all of its forms. Even the best-run companies can come up short in the talent crunch if management is uncertain whether the right people exist internally to fill top positions now or in the near future.

Executive search firms do quite well helping companies fill these top slots, despite the discouragingly high failure rate of executives brought in from the outside¹. Internal hires tend to be more successful², but disappointing performance is still commonplace. Boards of Directors of many prominent corporations recognize the risks associated with executive promotion or replacement, and they are worried over the lack of a validated, tested internal talent pipeline³.

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Companies can address these concerns by employing an independent and thorough executive assessment process to identify high-potentials, make major promotion decisions, bring new C-level executives into position, and build the top management team by helping its members understand their own capabilities and appreciate each others' strengths. Senior managers feel they know their people well, and are good at "talent-spotting" among internal candidates. However, important information is missing from their evaluation, especially in the case of high-level leadership positions where the candidate has not yet been tested. This is exactly where a formal executive assessment can provide vital insight into a candidate's potential for future success.

Is a formally conducted executive assessment process always a good thing? Not necessarily. It can be costly, time-consuming, and, if managed improperly, can create unrealistic expectations. Furthermore, if the process only succeeds in generating a report to senior management but does not help the participants leverage their strengths and develop new skills regardless of their potential for advancement, the investment lacks value.

1 In an interview with the *Financial Times* (March 30, 2009), the CEO of global executive search firm Heidrick & Struggles revealed that, based on an internal study of 20,000 executives recruited by his firm, 40 percent of executives hired at the senior level are pushed out, fail or quit within 18 months.

2 Ken Favaro, Per-Ola Karlsson, and Gary Nielson, "CEO succession 2000-2009: a decade of convergence and compression." *Strategy + Business* (Booz & Co.), issue 59 (Summer 2010).

3 Joseph L. Bower, "Solve the succession crisis by growing inside-outside leaders." *Harvard Business Review*, 85, no. 11 (November 2007).

Our Approach

When we speak of executive assessment as a *process*, we do not mean that the assessment should be generic or include a standard set of tests and interviews. What we know is, for the process to be effective, you need to be sure that you are assessing the “right stuff,” assembling the most appropriate set of assessment tools, and presenting the results in a way that is understandable and is directly connected to business requirements.

Here are the steps we follow to develop customized assessments that give our clients what they seek.

1. Understand the business requirements in depth

Assessments should be made against particular leadership challenges and strategy requirements. These provide the context for identifying the most critical competencies and the best means of assessing them.

2. Focus on the most critical competencies

The process should be focused on the fewest and most important competency requirements. Select the most relevant assessment methods for the purpose at hand and avoid extensive batteries of tests that create confusion.

3. Assess “failure factors” as well as “success factors”

In addition to looking for positive leadership skills and traits, assessing “derailers” (e.g., inflexibility, lack of respect for others) reveals the missing pieces of the puzzle that can spell disaster in creating followership or a lack of culture fit.

4. Keep the findings relevant to the business

Reports and recommendations should be written in business (not psychological) language. The results should also be presented in a way that communicates the key messages for the candidate as well as for the organization.

We believe there are five scenarios in which a thorough and independent assessment of current and emerging leadership talent is called for and will result in time and money well spent.

1. You're uncertain whether senior management is making the best succession decisions.

Some senior executives have a great track record of spotting and grooming top talent. Others don't. Their success depends on their capacity to be objective, to avoid favoring people just like them, and to identify clear criteria for leadership potential against the backdrop of business requirements.

Is the sitting senior management of a company always “good enough” to be making succession decisions? Most of the best-run companies are headed by “A” players. With the board's involvement, these CEOs tend to select other “A” players for key executive roles, among whom might be the future CEO

of the company. However, many organizations have “B” players in the top spot: solid performers but possibly considered placeholders for the next “A” player. Or they might be operating in maintenance, steady state or hold-and-defend mode. The problem is, while “A” players tend to favor other “A” players, “B” players tend to promote other “B” players — or even “C” players that won't threaten their position. Considering this, can you really be confident in their judgment of talent?

If the board is knowledgeable about their organization's next tier of talent, an independent assessment might not be an urgent consideration. Unfortunately, most boards aren't even knowledgeable enough to judge the top players, much less the up-and-comers one or two levels below them. Aside from occasional presentations and informal gatherings, these individuals have not sufficiently displayed their abilities to board members who may have personal opinions about them but have trouble clearly identifying their strengths and limitations as potential successor candidates.

This is the right time to invite an outside perspective on the people in the C-suite to help determine whether they have what it takes to progress to the next level, or whether an outside search is justified.

2. Your organization has just undergone a major strategic shift.

A new strategy means new challenges, new organizational structure, new expectations of the market — and a new mix of leadership characteristics and skills. Strategy firms are often contracted to help clients grow by identifying new markets and new approaches to those markets, and to determine where core capabilities can be leveraged against a new strategy. However, these firms frequently overlook the new elements required in the talent equation.

As a case in point, a Fortune 200 client decided to enter a new segment in the electronic communications market. Their expertise in imaging seemed a natural fit in the rapidly accelerating digital world. Yet their executives, who had vast marketing experience but little understanding of the underlying technology, were put in charge of rolling out new products to their customer base. We learned, to their chagrin, that these executives were not accustomed to the rapid technology changes they were about to embrace. Neither were they prepared to meet aggressive and disruptive competitors in a space that is governed by rapid innovation in software rather than by long-term equipment leasing arrangements. We advised them to either put people that are more knowledgeable in charge, or reconsider their strategy. They decided to do the latter, and eventually exited that business.

In situations like this, it makes sense to align executive assessment and talent review with discussions of business strategy. All too often,

organizations recognize the talent implications of strategy shifts too late in the game. It is crucial for companies to have a clear-eyed view of their new strategy, in light of their available talent.

3. You aren't sure about your emerging leadership talent.

Organizations are notoriously poor at what the Navy calls “deep draft selection” of future leadership talent from the lower ranks. These “sleeper” high-potentials are often unknown to top management and to the Board. Furthermore, middle managers and supervisors are often not very good judges of leadership potential and may be reluctant to endorse people who might then be promoted ahead of them. Compounding these problems is the absence of a consistent definition of what “high potential” means, especially in large corporations with global presence. As a result, when individuals reach a level in the organization at which they can be considered for an enterprise position, they may not have the necessary qualities to perform those roles successfully.

Though senior management may have a good sense of the quality of emerging talent, an agreed set of criteria is usually missing for making judgments.

Cambria implemented a solution at a major oil company that included the development of a customized set of assessment criteria for key general management roles. The assessment process involved facilitated sessions with panels of senior managers in each region. These managers were asked to make comparative assessments of promotable candidates one level down on a competency-by-competency basis, with an agreed-upon “gold standard” candidate as an anchor for the ratings. Candidates receiving consistent ratings were classified as “ready now,” “ready later,” or “not ready” according to their assessment results. However, candidates receiving significantly different competency ratings from different senior managers were discussed

individually, with each senior manager citing specific examples to justify his or her ratings until an agreed-upon rating was determined. In this way, all managers utilized a consistent set of criteria to benchmark all promotable candidates. One result of this process was that the company discovered that it had fewer true high-potential managers in certain regions than expected, necessitating some cross-region relocation of general management talent.

As noted earlier, though senior management may already have a good sense of the quality of emerging leadership talent in the ranks, what is usually missing is an agreed set of assessment criteria against which to make informed judgments, as well as a rigorous process for making informed judgments based on those criteria. As the example above illustrates, people who may be high performers in their current roles may not have all of the capabilities required to graduate to the next level. Naturally, it is best to know this before a good person is placed into the wrong job.

4. You're considering promoting leaders to significant stretch assignments.

First-time assignments that differ in content, scope, and scale from an individual's current job are an essential component of a leadership development program. Putting high-

potential managers into jobs that take them out of their comfort zones can be a powerful and rewarding developmental experience for those individuals and a boon to the company's talent bench. However, to ensure success in the transition, it is important to understand the challenges of the new assignment, the skills and mindset the executive will need to utilize, and the executive's readiness to take this next step. Insufficient preparation or a competency mismatch may cause you to lose a valuable player to failure.

This is particularly true of international assignments, where success in one region does not necessarily translate to success in another. A multinational oil company client was distressed about the failure of some U.S.-based operating managers to translate their executive excellence to the Middle East and Asia-Pacific. They commissioned us to study the operating line managers who made that transition successfully versus the ones who didn't. We learned that a one-size-fits-all approach to global leadership appointments would not suffice. Although track record, experience, and business and technical acumen were critical baseline requirements, we found that soft skills like open-mindedness, political savvy and the patience to learn a new culture separated the successes from the failures. Understanding and adapting to the cultural context was all-important.

Frequently Asked Questions

What is executive assessment?

Executive assessment is a systematic process of gathering and evaluating information about an executive's knowledge, skills, experience, personality, leadership style, behavior, and personal characteristics.

How are executive assessments used?

Executive assessments are used to identify high-potential talent, guide promotion and succession decisions, diagnose performance problems, facilitate executive onboarding, and provide appropriate development opportunities.

What do executive assessments involve?

Executive assessments typically involve a combination of techniques, including in-depth incumbent interviews, validated tests and inventories, interviews with peers, direct reports and other stakeholders, and multi-rater feedback.

What do executive assessments reveal?

Executive assessments tell us about the executive's career aspirations, current capabilities and weaknesses, career derailers, development recommendations, and potential for future roles.



Conducting an executive assessment as part of an individual's preparation for new assignments can help that person anticipate his or her blind spots, onboard more effectively, receive just-in-time coaching to build on his or her strengths, and learn how to tailor those strengths to the new situation. Done well in advance, an assessment can even help determine which first-time assignments would be the best fit for the person's interests, inclinations, and potential, thus avoiding a "crash and burn" or a "right person/wrong job" outcome.

5. You're selecting the next CEO.

Nothing can fully prepare someone for what it's like to be a CEO of a major enterprise. Even though progressively more demanding assignments with P&L responsibility are necessary elements of preparation, the role of a CEO is more complex than any other. Moving into the CEO position is like stepping out of a moving car. You have to get up to speed quickly, and the forgiving "honeymoon period" can be surprisingly short. In addition, the CEO must deal effectively with constituencies like Wall Street analysts, shareholders, local communities, and the board — constituencies he or she has heretofore never dealt with in as much depth. Clearly, a company should know about the candidate's learning agility, stamina, adaptability, ability to judge talent and create followership, as well as other competencies associated with top-level leadership. Equally important, however, are the character traits and motivations that are not easily detected in day-to-day behavior, the kind of traits that can derail even the most competent executive.

In one case, a company renowned for its talent management prowess promoted one of its business unit managers to CEO, understand

ing that some of the other candidates would leave to seek their fortunes elsewhere. One of these other candidates did resign and became a highly successful CEO in another Fortune 500 company. A second candidate, who was also a top contender for the top job, was asked to leave two subsequent CEO positions, partly because of inconsistent performance but mainly because of his arrogance. This character flaw would certainly have been revealed in a rigorous executive assessment. His former company narrowly dodged a bullet — and in retrospect, it is surprising that he rose as far through the ranks as he did.

There is a well-known phrase in the executive search business: "People are hired on experience but fired on personality." Besides needing to know whether an internal candidate can step into the current CEO's shoes, board members want to know how the CEO designee will properly exercise the power that comes with the job. An in-depth executive assessment can give the board and the current CEO the confidence that there will not be any unfortunate surprises in their choice of an internal CEO successor and whether an outside search should be considered instead.

A rigorous executive assessment program, calibrated to the individual and the role, can add a valuable independent view of leadership talent.

Lastly, some companies want the next CEO to replicate the success characteristics and personality of a highly effective current CEO. This is neither entirely possible nor necessarily healthy for the organization. Instead, the most successful companies have continuously re-invented themselves through new leadership — leaders with the ability to orient the organization to new ways of thinking about the business. A thorough executive assessment can give boards the information they need to make good strategic choices about the next direction the organization should take and the person who should lead it.



The Bottom Line

Too often in corporate life, an organization's talent bench is caught short, with no successors in place for key jobs. Early identification of high-potential employees often emphasizes the most obvious characteristics and misses other essential ones, one result being that people of great potential and promise are overlooked, underutilized, or matched with roles ill-suited to their capabilities. Or the new CEO has the right experience but the wrong mix of leadership skills to create or sustain a high level of organizational performance. There is a clear need to cast aside the assumptions and biases about what it means to be considered "high potential" or what it will take to be effective as an executive leader. As we've discussed here, much of the information about current and future leadership talent is already in the organization, but often it is neither complete nor in a form that lends itself to the best talent decisions.

No assessment process is perfect. There is no magic formula that will remove all uncertainty or ambiguity about who should ascend to the next rung of leadership. Nevertheless, a rigorous program of executive assessment, calibrated to the individual and the role, can add a valuable and independent view of the capabilities of the people designated for higher levels of responsibility and leadership. An assessment is not, of course, a replacement for judgment by those who know the individuals and the context in which they operate, but it can substantiate existing beliefs about who should be next in line. It can glean critical insight about candidates that can change the course of their career development and succession. It can be an important and significant catalyst for accelerating the development of high potentials. And it can provide more effective governance through a more complete and nuanced view of the executives under the board's watch.