

MU



 **CEO SUCCESS**
EMYSTIFIED

everything
successful leadership
has taught us

Introduction

The Board and the CEO matter. Their impact is vast and everything from the result of their organisation to the individual success of its people depends on their effectiveness – short term and long term. Consequently, the cost of their failure is extraordinary, but so are the opportunities that can be realised by securing effective Boards and CEOs. And if these opportunities are to be realised, it is essential that the Board and CEO can be successful in the specific context of their organisation and its needs.

In extensive research conducted by MU, Board Directors and CEOs confirm that they expect and need more professional and objective service from their Executive Search partners and that the candidates put forward lack diversity. They also state most development work with Boards and CEOs does not offer business value. It is clear that a more reliable way of selecting and developing Boards and CEOs is required.

Conventional Executive Search approaches are not effective in predicting which CEOs will succeed or in assembling Boards that are successful. Only 50-60% of CEO and executive leadership appointments succeed.

In our “*CEO Success Demystified*” series, experts from the MU Board & CEO practice will advise you, step-by-step and based on personal experience, how to successfully select and develop Boards and CEOs.

MU provides a reliable alternative for Board and CEO acquisition and development. Our experts advice, based on MU Leader Selection Science[®], leads to improved performance and diversity of leaders. Your organisation will out-perform when an MU Expert partners with you to acquire your CEO and Board and advise on their effectiveness and development. Find out more about our science-based approach to the effective selection and development of Boards and CEOs at www.mercuriurval.com.



CEO SUCCESS
EMYSTIFIED

Demystifying Successful CEO Recruitment and Selection

It's an everyday story. A well-respected firm is appointing a new CEO. On the same day as the new CEO is appointed, a new graduate trainee is employed. Expectations for the former are surely higher than for the latter, that's why the difference in the degree of scrutiny each hire will receive is peculiar.

The Graduate's Story

The prospective new graduate is subjected to an extensive battery of selection methods and processes – tests, interviews, profiling and more. It makes sense. After all, it is important to evaluate the contribution and potential of prospective employees – to look beyond the obvious. Beneath the résumé, how will they really perform – and what potential do they have?

The CEO's Story

Meanwhile, in the boardroom, a new CEO with 'the right résumé', 'the right connections' and 'a good fit' is swiftly ushered into post after discussions with the executive search consultant, interviews with the Board Chair and selected senior colleagues.

With an impressive résumé of prior roles and references from contacts in the new CEO's network the appointment is decided. A personnel assessment of the CEO, using psychometric tools, describes the leader's style in relation to some executive competencies.

For over 50 years the well-respected firm in this story has used the conventional way to appoint a new CEO, and there have been many appointments. The idea behind the approach is that experience in a similar past CEO job will translate to performance in a new job, and that preferred contacts of search consultants and executives can be placed with the highest confidence of success.

But even if the approach is familiar, it is peculiar. Leaders – and CEOs in particular – shape organisations success or failure, and despite their résumé and relationships, just like a new graduate trainee, appointed leaders must perform in a new role and context they have never experienced before. Surely to select a CEO more scrutiny – not less – is needed.

In any event, the real issue is this: Does the familiar story of CEO appointment lead to successful outcomes?

Only a coin-flipping chance for the CEO

Alarmingly, for nearly half of new CEOs things go wrong right at the start:



Widely cited research indicates that nearly half of new CEOs don't make it past 18 months, and the costs of replacing them are staggering

— (AESC 'Minimize Risk', retrieved 2021, para 1)

Recent repeated studies have found that placed leaders often fail, and worryingly, that success rates are declining. Today, the chance of a successful ending to this CEOs appointment story is only 50-60%. Whether the candidate is internal or external, whether an executive search firm is involved or not and whether 'add on' personnel assessments are used or not the research is clear – the probability of a successful executive appointment these days is about the same as flipping a coin. This failure has a huge cost – to people, to leaders and to organisations' results.

A flawed and outdated recruitment model

Recruiting and selecting effective CEOs is difficult, especially when change is rapid. Unhelpfully it turns out that experience in a similar past job does not necessarily translate to performance in a new job, that known contacts of a search-consultant or executive do not secure selection of more effective leaders – especially where change is fast, and roles are complex. The extent to which the executive search consultant, hiring manager and candidate like each other is also highly unreliable in forecasting long term success at work (psychologists call this 'affinity bias').

Today, these flaws in the model are laid bare – with transparent measurement rapidly becoming the norm – risk and success rates in executive placement are well understood. Despite the many excellent Board Chairs, business executives and executive search consultants working in CEO recruitment, conventional approaches to executive appointment are being undermined by their own poor performance.

A more effective way to recruit your next CEO

Today and in the future, more effective CEO recruitment is imperative for success. In an ever faster changing world conventional approaches no longer fit. The performance problem must be addressed by recognising each organisation and CEO is unique. And amidst the difficulty of securing the most effective leader, it is essential to use a fair and ethical decision process. Organisations rightly demand better results, and leadership candidates expect a professional and inclusive process.

To be more successful in CEO appointments a more scientific, tailored, and inclusive method for recruiting CEOs is required. Rather than starting with a relationship or a résumé, recruitment must have the unique situation of an organisation and the result to be achieved, as a point of departure. Fact-based inclusion criteria must guide sourcing, to ensure a fair and inclusive procedure of diverse relevant candidates.

From a defined result that should be achieved, a method to reliably predict a plausible CEOs' ability to perform a given result should be used. The focus is put on determining predictive criteria, collection, and processing of data. This is accurate and disciplined work based on science – it requires an open and tailored approach in close partnership with decision-makers. Not missing or overlooking important details or being side-tracked by 'who likes who' or 'first impressions' – and it requires a systematic long-term performance follow-up.

MU Board and CEO Executive Search

In an MU CEO Executive Search, the analysis of the organisational demand for the leader and the precise context in which they operate, is as extensive as the identification of plausible candidates and assessment of the individuals. After all, a more reliable prediction is required, and context is critical. CEOs will succeed – or not – in a unique real-life situation, and not in a theoretical model of generalised leadership competencies.

MU Executive Search is a method used by our certified experts to effectively forecast a leader's behaviour and performance in relation to a specified result need, context, and leader task. MU Experts use a fair, fact-based, and inclusive recruitment service that is tested and proven to be effective. MU Executive Search excels where roles are more complex and fast-changing and success of appointment is essential.

By employing CEOs based on what they can do, matched to required results in a new role context, rather than on what they did before, who they know or how liked or 'generally talented' they are, MU Executive Search services assures reliable advice on including diverse leaders in the recruitment procedure and selecting the best possible candidate who will perform immediately. Further relevant potential is also reliably predicted.

Effective leadership and inclusive workplaces are best secured by using MU Executive Search for CEO appointment – a predictive, fair, and rational method that is consistently applied, regulated, and evaluated over the long term.

To find out more about how MU Board and CEO Executive Search can dramatically increase the effectiveness of your leadership decisions, contact our MU Board and CEO Expert team.



Richard Moore
CEO & Partner



Mieke Weijenberg
Global Head of MU Board and
CEO Practice



Christian Schaffenberger
Global Head of MU Board and
CEO Practice