

From the **Outside In:** **Integrating** *New Senior Talent* **Successfully**

MDA Leadership Consulting & Schall Executive Search Partners
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by MDA Leadership Consulting & Schall Executive Search Partners

The stakes are incredibly high today for organizations hiring a new senior executive. Boards and shareholders scrutinize company performance more closely and hold a company's leadership team more accountable for growth and profitability than ever before. Failure in hiring and assimilating a new executive leads to a lack of confidence from multiple stakeholders. Furthermore, this is occurring at a time when many business analysts and CEOs believe there is a shortage of "ready" leadership talent in the country.

Recent research has also documented reality: executives hired from the outside are more difficult to integrate or more likely to fail than those brought into the upper ranks through internal promotions. Such researchers as Dowell (2002) and Ciampa & Watkins (1999) have laid out the facts and speculated on the reasons.

Whether candidates are promoted from within or hired from the outside, industry sources estimate that replacing a senior executive can cost between *1.5 and 3.5 times* that executive's salary. These figures take into account not only salary, moving,

and outplacement fees, but also time for training, dissatisfied customers, employee turnover, and missed business opportunities. It can cost the organization upwards of \$700,000 for the failure of an executive who earns \$200,000 annually.

Creating even higher stakes is the loss of credibility for the CEO who brings in an executive who

fails. And while we cannot put a price tag on employees losing confidence in the company's most senior leader, research by Watson Wyatt & Company shows a direct correlation between high employee confidence in senior leadership and an increased shareholder value.

Given such significant risks, MDA Leadership Consulting and Schall Executive Search Partners conducted qualitative research to better understand the factors influencing the ultimate success of a newly hired senior executive. The existing literature documents the problem, but not the causes or solutions. We set out to discover what

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happens between the decision to hire and the executive’s ultimate success or failure.

Our Research Design

Our goal was to learn through the experiences of CEOs and presidents who have been responsible for hiring and integrating senior level talent. We conducted in-depth interviews in two-person teams with more than 40 prominent CEOs and presidents of companies that ranged from public to private, profit to non-profit, and government to small business. (For a listing of the organizations represented, see Appendix A.)

Our interviews were qualitative but also included a brief quantitative questionnaire. During the interviews, we used a critical incident technique to gather stories of success and failure. In digging beneath the surface of those stories, we investigated three key areas: 1) courtship and selection, 2) transition and integration, and 3) outcomes that signaled success or failure. We hoped to learn about the best practices in

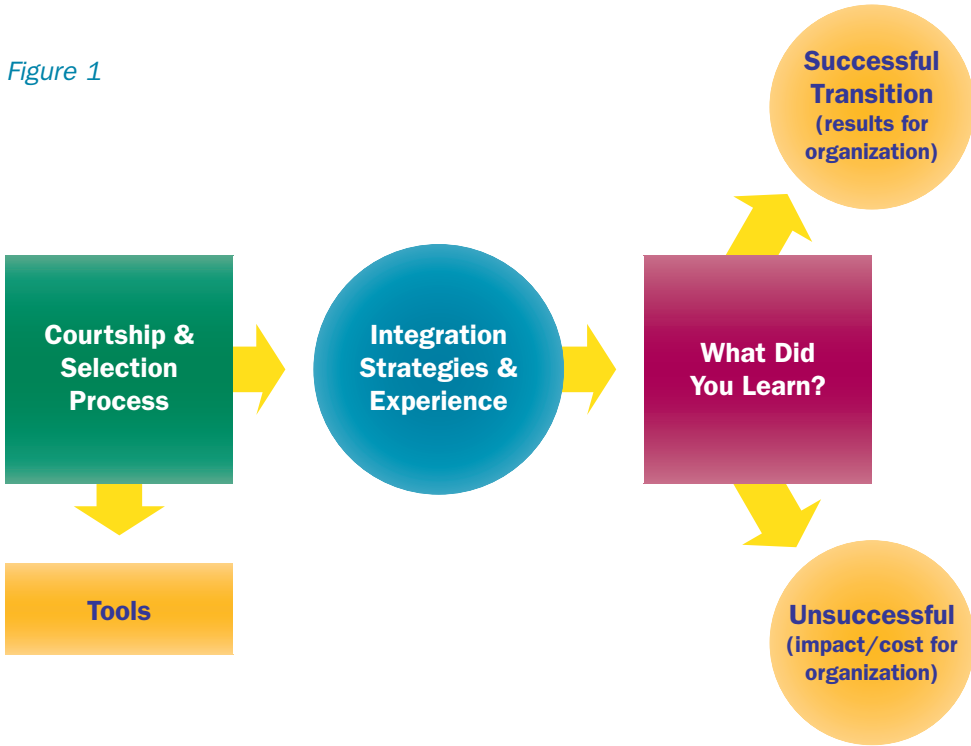
each of the first two areas, and we also wanted to discover what constituted a successful outcome beyond the obvious one of achieving results for the business.

Our Premises, Hypotheses, and Initial Model

All research has a point of departure. We held certain premises and beliefs based on our collective experience with executive recruitment, selection, and integration. We shaped the following hypotheses with the intention of proving them right or wrong:

- Integration is often not well planned
- Failure is expensive in terms of money, time, lost opportunities, and personal credibility
- External hires are successful less often than internal promotions
- A successful outcome is the result of several successful linear processes

Figure 1



We developed a linear process model (see Fig. 1) and showed it to our interviewees, telling them that we wanted to learn as much as possible about their best practices and experiences after the hiring decision was made.

The Implications of the Numbers

We posed several quantitative questions. The results show the range of the CEOs’ opinions and experiences.

The value of an external hire. The quantitative data point out that hiring from the outside is a prevalent practice. Over half of our interviewees indicated they go to the outside more now than they did even three to five years ago. They told us that, at this moment and in the foreseeable future, some percentage of their senior team is not and would not be homegrown. Our interviewees received many benefits from tapping external talent, which included adding experiences and skills that are important to the organization’s strategy but do not exist in-house; bringing in new thinking and energy; ensuring the organization does not become too arrogant and insular; deliberately jump-starting a turnaround; and providing a catalyst for needed strategic change (see Fig. 2).

Figure 2

What tangible results have come from bringing in talent from the outside?

Tangible Results (interviewees could mention more than one)	Percent of Interviewees Mentioning
Challenged existing culture/avoided complacent thinking	33
Added special skills/talent to jump-start progress (not “learn as we go”)	33
New thinking/new ideas/new energy	24
Grew quickly through adding from the outside	17
The organization made more money and did so more efficiently	10

The risks of failure. The CEOs also recognized the downside, however. More than half evaluated the risk of bringing in external talent as “high” or “very high” (see Fig. 3). The risks they saw were many, including lost time, foregone opportunity, diminished personal credibility, increased friction in the senior ranks, heightened conflict about business direction, and an inability to predict with 100 percent accuracy whether the unknown talent could be successful.

Figure 3

How do you rate the degree of risk in bringing in senior leadership talent from the outside?

Very Low	Low	Medium	High	Very High
0%	18%	26%	44%	13%

A critical discovery. While we began with a focus on acquiring talent from the outside, we also discovered a surprising fact. From our interviews and survey questions, we learned that the success rates for executives promoted from within were no better than the success rates of those brought from the outside. In both instances, our CEO interviewees indicated that about 6 in 10 had a “high” or “very high” success rate. While there was a slightly higher percentage in the external hire failure rate, the

Figure 4

What percentage of success has your organization experienced with internal promotions and external hires?

	Very Low	Low	Medium	High	Very High
Internal Promotions	5%	10%	21%	33%	31%
External Hires	10%	15%	15%	31%	28%

differences were minimal (see Fig. 4). What we heard led us to conclude that the principles inherent in a successful outcome are virtually the same for internal promotions and external hires.

Success is quickly known. Despite the inherent risks, many perceived bringing in external talent at the top as a business necessity. Deciding to shoulder the risks, they embarked on recruitment and integration. Interestingly, the success or failure of the external hire was readily apparent (see Fig. 5). On average, our CEO population needed a mere three to six months to know whether the new hire would be successful.

Since most businesses do not turn around or show real results in three to six months, we wondered what criteria they were using to reach their conclusions. Intuition? Rumors and gossip? Behavior in important meetings? Self-fulfilling prophecies? Direct observation? Mistakes?

To answer this question, we turned to their critical incident stories we heard about success and failure.

The Stories of Failure

Nearly every CEO we interviewed could relate at least one, and sometimes several,

stories of external hires who failed. They candidly described what went wrong, and we could only imagine how painful this was for the person who did not succeed, let alone for those who hoped he or she would.

We sorted the critical incident stories of failure according to the primary themes about what went wrong. While some stories had multiple themes, there were eight common issues that led to a failure:

- Assumption about the new hire’s skill set was wrong—the new hire had a fatal flaw
- Mistakes were made in the hiring process
- The new hire was unwilling to adapt or learn
- The new hire failed to build relationships
- The organization failed to make use of the new hire’s strengths
- The existing team put up barriers
- There was a poor fit with the culture
- The top executive was not involved after the hire

At least half of the stories we heard pointed to outright errors in the selection process itself—he believed the resume, she accepted

Figure 5

How long does it take you to know whether the new executive will be successful?

	0–3 Months	3–6 Months	6–12 Months	More than 12
Percentage	31%	43%	12%	10%

the Board member's recommendation, the candidate wowed the team on first meeting, or the person had "all the right credentials." The other half of the stories highlighted oversights during integration—poor cultural fit, deficiencies in the new hire's actions, or actual barriers put up by peers or other senior team members.

The Stories of Success

Analyzing failure teaches invaluable lessons, but the CEOs' stories of success were also enlightening. We sorted the critical incidents about successes according to the

themes that contributed to success, and found several common themes:

- The new hire had the right skill set
- There was an urgent need or special task the new hire became involved in immediately
- The top executive was active in facilitating the integration
- The senior team was actively involved in ensuring the new team member's success
- The new hire showed patience and a willingness to learn

Failure: The case of the talented executive who left in frustration

The CEO hired an extremely bright individual to join our senior team (a peer of mine) to help with legislative relations. There was no question about his skills; he was extremely well connected in Washington, D.C., very bright, and knowledgeable about the business. He spent his first two months shuttling between Washington and the various businesses to learn their needs and create a plan to attract increased federal funding.

The plans and the recommendations he made were exceptional. However, in the process of integrating the individual and his new role, the CEO never made it clear who held responsibility for the plan's implementation. Therefore, nothing happened. It was a terrible waste. After three months, the individual left in frustration. This was an example of taking what could have been a very strong hire and relegating him to the sidelines, giving him limited resources and little authority, while letting his peers off the hook in terms of making commitments to his success.

Success: The case of the new talent brought in to lead a change effort

Our business had been successful through implementing one kind of business strategy: We recognized a need to create an Internet-based business to extend our ability to serve customers. We hired a new executive to build that business first as a stand-alone and then to integrate it with the rest of the organization. Because we did not have experience in this area, we created a scorecard so we could all see his ongoing accomplishments.

Then we "married" him to 15 to 20 other top leaders in the organization. He was quick to realize that he needed their help, even though he is a very competitive guy. And they knew they were expected to help him. As the CEO, I had several private conversations with him to emphasize the importance of integration. He saw that he needed to engage with and learn from others. And he had the personality to do just that. Ultimately, he created and followed a plan to approach and engage everyone he needed to be successful.

Figure 6

**Successful outcome:
It was the person we hired**

Trait or Characteristic	Percent of Interviewees Mentioning
Influence skills	63%
People skills	48%
High level of drive	45%
Willingness/openness to learn	45%
Intelligence	40%
Team attitude	38%

Figure 7

**Successful outcome:
It was the action I (we) took**

Action	Percent of Interviewees Mentioning
Provide coaching from the CEO	85%
Set clear goals and expectations	53%
Explain/interpret the organizational culture	48%
Sell the need internally for the new position and/or the new person	33%
Give the new hire autonomy	33%
Follow a detailed integration plan	15%

Figure 8

**Successful outcome:
It was the support of the rest of the team**

Action	Percent of Interviewees Mentioning
Interact with/reach out to the new hire	58%
Develop working relationship with the new hire	38%
Communicate candidly	35%
Explicitly take some responsibility for the new hire's success	28%

CEOs' Opinions— Why the New Hire Was Successful

Never short of ideas and opinions, all of the executives we interviewed articulated numerous reasons for the ultimate success of some of their hires. Three common themes emerged in their answers about what constituted success.

It's About Hiring the Right Person

Many of our interviewees were impressed by the skills, competencies, and characteristics the new executive possessed. They looked for and admired several traits and capabilities, including the characteristics shown in Fig. 6.

It's About What I (or We)

Did During Integration

As we explored what occurred between the decision to select someone and the ultimate outcome of that hire, we asked what the CEOs did during integration. While all recounted things they did during integration, only a very few paid close attention to the integration process itself. Most noted that they provided coaching, some wished they had been more helpful, and a few expressed the opinion that a seasoned senior executive would need relatively little coaching because he or she should be able to figure things out. See Fig. 7 for the most common actions they took.

It's About the Team and What They Did

All spoke either directly or indirectly about the importance of building relationships with the other senior team members. See Fig. 8 for how the rest of the team supported new hires.

The Elements of Success

Based on stories we heard, we discovered that every reported success included four factors. These factors can be thought of as target outcomes for a good selection and integration process. Our analysis

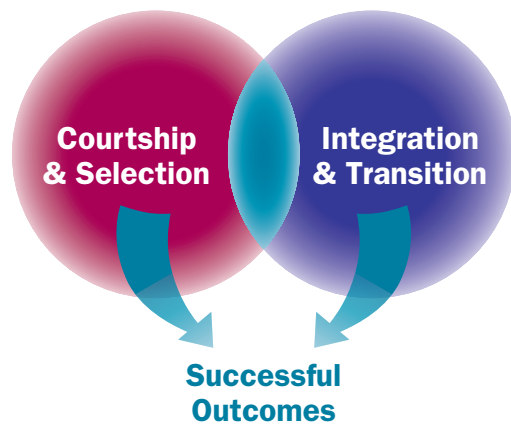
showed that a senior level hire’s success depends on his or her ability to accomplish the following:

- 1) achieve business results;
- 2) gain acceptance with other senior team members (i.e., cultural fit);
- 3) establish credibility and respect among “followers”;
- 4) deliver long-term contributions to the organization.

A New Model for Bringing in Senior Talent

While our linear model served as a good starting point, the experiences our interviewees described caused us to change the model substantially (see Fig. 9). A handful of CEOs even redrew the model for us—on napkins, paper tablecloths, and the handouts we gave them. We learned that they saw selection and integration as inseparable and overlapping. The target outcomes play a role in both processes, and when sufficient attention is paid to them, the chances of success increase.

Figure 9



The Missing Link—HR Involvement

Two of the CEOs invited their senior HR leader to the interview. While that was not surprising, later we wondered, “Where was HR in the stories of success and the best practices related to integrating senior level talent?” No critical incidents—and only a few of the actions the CEOs described in how they integrated senior talent—included an HR partner. It was as if HR had finished the job when the selection process was done. We know this is not true, but our interviews convinced us that, as a strategic business partner, there is much more that the HR executive can do to jump-start the success of the new senior level hire.

We learned that selection and integration are inseparable and overlapping.

Using the Target Outcomes in Blended Selection and Integration

A CEO, senior team, HR executive, or potential new hire can focus on our four target outcomes to dramatically increase the chances of success. Below are some examples of actions our CEOs took that directly influenced the success in both selection and integration efforts.

Target Outcome:

Achieving Business Results

The ultimate outcome of a successful hire is visible—business goals are achieved or challenges are met. Obviously, every CEO wants the selection process to result in hiring someone who has the capacity to deliver. Search firms expand the candidate pool and help to find the best talent. Internal interviews, reference checks, and external assessments provide more data about capacity. Digging for information and taking the time to be sure that the candidate is more than an impressive resume or a good

recommendation from a Board member makes a difference. Most individuals at senior levels of an organization come across as confident, sometimes charismatic, accomplished, and influential. Appearances can be deceiving, as many have found out. “Do your research,” they say. “A mistake is too costly.” The CEOs’ warning was clear: Not everyone who looks as if they can deliver business results for you really can!

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So how does this target outcome play out in the integration process? Some CEOs dealt with this deliberately and cleverly. They structured the role so the newly hired executive could deliver on a “quick win” that was visible to everyone in the organization. By assigning a specific business deliverable that the new executive could achieve, the CEO helped the new executive prove himself or herself to others. In contrast, other CEOs gave the new executive explicit instructions not to do anything major for the first three months. They set up a deliberate learning period that was well communicated throughout the organization. At the end of that time period, once the new executive was familiar with the company’s culture, they met to discuss priorities for him or her. The key—no matter what approach may work best for your company or circumstance—is to focus on this target outcome in your transition planning.

Target Outcome: Gaining Acceptance with Other Senior Team Members

During our research, it became evident to us that a newly hired executive’s chance for success increased when both the selection and the transition processes involved the new hire, the CEO, and the leadership team. As mentioned earlier, several of the CEOs we interviewed redrew our linear model (i.e., first you select, and then you integrate) by overlapping selection and transition. And a key to that overlap was their existing senior team. Who else but those working most closely with the new hire are better equipped to give input into the hiring decision? The entire executive team can offer opinions on cultural fit. Even when someone is being brought in specifically because he or she is different from everyone else, the CEO should engage the senior team in the selection activities.

Once hired, the new executive develops relationships with the senior team and vice versa. But who has the accountability for gaining his or her acceptance? The leader-

A very few (and too few, in our opinion) of the CEOs we interviewed charged the existing team with accountability for the new executive’s initial success.

ship team needs to interact with and reach out to the new executive, just as he or she needs to do the same. Strong team relationships don’t just happen through one-sided effort or time alone. A very few (and too few, in our opinion) of the CEOs we interviewed charged the existing team with accountability for the new executive’s initial success. Those who involved the team expected the team members to tell the truth about the organization, guide the new hire through potential mine fields, provide

insights about the culture, teach the person about the company and its customers, and give feedback when missteps occur. As one CEO said, “They don’t get to stand back, observe, and only help after the person has proven herself. I won’t allow it.”

Target Outcome: Establishing Credibility and Respect Among Followers

Establishing credibility was a target outcome we anticipated hearing about before we launched our research. Indeed, all of the success stories we heard contained this element. After all, the true test of whether someone can lead is whether anyone wants to follow! A great leader has followers. So, what led to success or failure in gaining credibility? Isn’t this just a function of time and individual effectiveness?

The greater the change anticipated, the more important it is for the CEO to set the stage for the executive prior to his or her arrival.

The answer is “no.” Some CEOs were explicit about how they “give” credibility to the new person even before he or she walks in the door. For example, they make the strategic case for why the new position is needed or why it is necessary to go the outside, thereby giving the new executive’s credibility a jump-start. The greater the change anticipated, the more important it is for the CEO to set the stage for the executive prior to his or her arrival. Others articulated how they work to “give” their own credibility to the individual during integration. They accompany the new person to major events, introduce Board members or customers, and continually communicate about the value that the individual brings to the organization’s strategy.

Target Outcome:

Delivering Long-Term Contributions

This target outcome came as a surprise to us. Some CEOs told us about a failure that occurred only after the individual had achieved some initial success.

“He had an Act One but no Act Two.”

The statement we heard was, “He had an Act One but no Act Two.” Paying attention to this outcome during *selection* means digging deeply enough to know that the individual has the capacity for other roles or broader responsibilities beyond the specific one for which he or she is hired. Paying attention to this outcome during *integration* means giving assignments to the

individual or exposing him or her to multiple parts of the business. Using the organization’s leadership development resources from the outset can make the difference between having a one-shot wonder or someone who adds value over the long term.

**The Bottom Line—
What Should the CEO Remember?**

You can achieve success relative to the four target outcomes if you remember these points: involve others in the hiring process, don’t leave the new hire alone, and don’t take selection and integration for granted. Just as you would not consider shortchanging new product development and roll-out, give your new executive the same deliberate attention and support.

Pulling together the best practices we heard, the four critical target outcomes, and the contributions of various players, we developed a chart of selection and integration responsibilities to help guide the process. We hope these elements will help you integrate your new senior talent successfully!

Using Four Key Target Outcomes to Plan Selection and Transition

	Individual Candidate	Search Firm	Consultant or Coach
Business Results	<p>Prepare resume</p> <p>Ask questions about the role</p>	<p>Assist the senior team and the CEO to identify expectations for success</p> <p>Create a pool of candidates with the right track record</p> <p>Check references</p>	<p>Assess for job competencies</p> <p>Assess execution skills and action orientation</p>
Credibility	<p>Find out how willing others are to follow or be influenced by the new hire</p> <p>Discover what role the CEO will play in establishing credibility</p>	<p>Check references deeply from individuals who know the person's leadership style</p> <p>Find out from HR what kind of followership the new person will encounter</p>	<p>Provide data from the assessment about how the individual likes to lead and how he or she can best enter the system</p> <p>Coach on how to be an effective change agent</p>
Acceptance/Cultural Fit	<p>Treat the new organization as if it is a new culture/country</p> <p>Ask questions before making claims</p> <p>Show respect for how things have been done in the past</p>	<p>Render an opinion about cultural fit</p> <p>Provide the candidate with extensive information about the company's culture</p>	<p>Evaluate adaptability and willingness to learn</p> <p>Assess fit with the rest of the senior team</p> <p>Coach the new hire on fitting in</p>
Long-term Contribution	<p>Learn about the whole organization, not just one business unit or function</p>	<p>Look for evidence of skills beyond the first assignment</p>	<p>Assess long-term potential</p>

HR	Senior Team	CEO
<p>Develop the selection and transition process, and get others' buy-in</p> <p>Actively give feedback to all players</p>	<p>Help the CEO establish the desired results from the role</p> <p>Interview candidates</p> <p>Talk with people who may know the candidate</p>	<p>Specifically define the initial tasks</p> <p>Set check-in dates to talk about results or goals</p>
<p>Help assess and develop the willingness of others in the organization to follow the new hire</p> <p>Partner with the new hire to help build follower acceptance</p>	<p>Teach the new hire about the history of the organization and the culture of the unit</p> <p>Help sell the position and the person to the organization</p>	<p>Communicate about the strategic value of the position</p> <p>Introduce the new hire to key constituents</p> <p>Praise the new person publicly</p>
<p>Engage informal leaders who can help the new hire be successful</p> <p>Facilitate a transition meeting for the new executive and his or her team</p>	<p>Interview candidates and evaluate cultural fit</p> <p>Engage with the new hire to help him or her be successful</p>	<p>Explain the culture to the candidate</p> <p>Hold the senior team accountable for the success of the new hire</p> <p>Conduct a transition meeting</p>
<p>Define roles into which the new hire might move in the future</p> <p>Work with the new hire on creating development plans</p>	<p>Introduce the new team member to all aspects of the business</p>	<p>Get the individual involved in some cross-functional or cross-business effort</p> <p>Work on development planning from day one</p>

Appendix A: Companies Represented in our Research

ADC Telecommunications	Marvin Windows and Doors
Allianz Life	Metro Sales
Ault Manufacturing	Minnesota Orchestra
Best Buy Company	Minnesota Public Radio
Bremer Banks	MGI Pharma
C.H. Robinson	Northcott
Cigna Behavioral Health	O.G. Partners
Ecolab	Pentair
Graco	Plato Learning
Greater Minneapolis Convention and Visitors Association	Pro Staff
Heartland Health Systems	Red Wing Shoe Company
Herc-U-Lift	ReliaStar
Highland Bank	Room & Board
Honeywell International	Select Comfort Corporation
Imaginet/digital@JWT	Space Center Ventures
Infrared Solutions	Stylmark
International Dairy Queen	UnitedHealth Group
J & B Group	City of Minneapolis
Jostens	U.S. Bancorp Piper Jaffray, Inc.
Lifetouch	Wells Fargo
	Winmark Corporation

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About MDA Leadership Consulting

Founded in 1981 and based in Minneapolis, MDA Leadership Consulting's professional staff of 30 psychologists, organizational consultants and executive coaches have been dedicated to helping senior leaders grow and develop their organizations through talent management and planning, organizational change strategies, and leadership development coaching.

For more information, contact Paul Batz at 612.332.8182 or pbatz@mdaleadership.com.

About Schall Executive Search Partners

Schall Executive Search Partners' focus is on identifying and attracting leadership talent from the outside. The firm has particular expertise in finding top executives regionally and nationally who fit into the cultures of Midwest companies and organizations. The firm of 10 collectively has more than 80 years of recruiting experience and more than 25 years of corporate human resources experience.

For more information, contact David Lyman at 612-338-3119 or visit www.schallpartners.com.



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