The Curious and Costly World of Conventional Leader Recruitment

An Open Letter from Richard Moore, CEO of MU

It is an everyday story. A well-respected firm is looking to strengthen its team. On the same day, a new graduate trainee and a new CEO are employed. Expectations for the latter are surely higher than for the former, which is why the **difference in the approach to each hire is as curious as it is costly.**

The graduate's story

The graduate's story started when the organisation planned the recruitment. They knew that to find diverse, plausible candidates they should reach out beyond people they knew – or the usual established business schools. So, they decided on role requirements and then planned and executed a targeting of relevant talent pools – various kinds of universities, alumni networks and other graduate employers were in scope. To secure candidates who met the role requirements and were also diverse, **they did not lower the bar – but they did widen the gate.**

From these targeted organisations, potential candidates meeting the track record and achievement requirements were included in the recruitment.

The prospective new employees who met these inclusion criteria were then subjected to a thorough and systematic selection method – tests, interviews, profiling and more. It makes sense. After all, it is important to include diverse plausible candidates efficiently and accurately, and then evaluate capability and potential based on role requirements.

In recruiting successful graduates, this organisation had learned to look beyond the obvious easy candidates and to select based on clear steps: First track record and knowledge, then skill and finally, the will and ability to perform and grow were scrutinised. Beneath the résumé and performance in an interview, they need to know how the graduate will really perform – and what relevant potential do they have?

The leader's story

The new CEO's story started somewhere else. Conventional Executive Search. People within the network and database of the chosen headhunter were approached. The job opportunity was pitched over the phone, over coffee or a cosy glass of wine. Uninterested candidates passed the Headhunter on to other candidates in their network, and the club of prospective candidates was enlarged but still closed – access was skewed based on who you know. Through these connections, candidates who had done similar jobs before or who were well-known to the recruiter were convinced and assembled.

One of those persuaded was available – and they had the "right résumé", "the right connections" and were perceived a "good fit". Through careful diplomacy and multiple meetings, all were convinced this was the right person for the job. Not only was he available, but he was also well-liked (and according to multiple recent studies by the likes of Mercer, Korn Ferry and McKinsey he was statistically, by a ratio of at least 3 to 1, likely to be a "he")[1]. Next, a personnel assessment of the favoured new CEO using psychometric tools was conducted, and the candidate was described based on a generic leadership "CEO" model – no specific prediction of future performance in this role, or challenge to the prevailing view that "he was the one", was provided. So, based on résumé, personal contacts, ready availability, and likeability the employment was confirmed.

For over 50 years, the well-respected firm in this story has used this conventional way to appoint new leaders. And still, it is how most Executive Searches operate today.

How does the leaders story end?

Sadly, the conventional approach to leader recruitment is unreliable in leading to a successful or diverse leader appointment. This is because the model has a **Performance and a Diversity Problem** at its heart. Today, advances in science, data and transparency shine a light on what many have suspected for years, that the probability of a successful end to this CEO story – hired through the conventional Executive Search model – is only 50–60%[2]. Too many leader placements fail soon after being made because predictions are unreliable. **As one team of scientists and researchers put it bluntly – success rates equate to "a coin flip"[3].**

This "coin flip" Performance Problem is not the only issue. With candidates lacking connections excluded, the conventional Executive Search model also has a Diversity Problem. Different types of people are not systematically included in the work. Significant skew is reported by scientists in both initial inclusion and later selection decisions[4]. **Access for diverse qualified candidates outside "the club" is restricted based on who they know – it is closed off.** As the Association of Executive Search Consultants highlights, the lack of candidate diversity is the other major problem their clients experience.[3]

Curios and costly

Selecting effective leaders is difficult, especially when change is rapid. Today we know, that the conventional Executive Search model, despite the many brilliant people working with it, has two major problems at its heart – the Performance Problem and the Diversity Problem.

Curiously, this common way of working is neither effective nor inclusive. And this makes it **costly.** After all, with "coin flip" success rates, the entire process probably has to be completed at least twice. And that cost is the tip of the iceberg. The actual cost of the Performance and Diversity problem is much higher. The Association of Executive Search and Leadership Consultants (AESC) describes it as "staggering"[3]. **For a leader appointment, research has shown, that you can take the year one total compensation, multiply it by 30 and have you a reasonable cost estimate for a failed hire**[4]. For a typical mid-sized company executive, using the conventional model stands for an eye-watering 15 million "coin flip".

To solve the Performance and Diversity problem, Executive Search needs to be performed differently. A more scientific and inclusive approach is needed.

MU Executive Search™ uses a tested and proven way of working – MU Leader Selection Science™ – to widen the gate, raise the bar and efficiently secure leaders that succeed at work. www.mercuriurval.com/global/our-services/executive-search/

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[1] Jonsson, E. (2023). Diversity analysis. Gender distribution in the MU Selection process 2019–21. The Mercuri Urval Research Institute.
[2] Kiefer, K., Martin, J. A., & Hunt, R. A. (2022). Multi-Level Considerations in Executive Organizational Transfer. Human Resource Management Review, 3 (1)
[3] AESC "Minimize risk" retrieved 10-04-2024. https://www.aesc.org/profession/minimize-risk
[4] Leadership Matters: The Cost of Failed Leadership (MU, 2024)