

Business Continuity Preparation: Three Steps to Outperform in Uncertain Times

As Boards and CEOs, the task is clear: To lead organisations – teams – that will outperform in uncertain times. When faced with volatility, leaders that take initiative and move rapidly will succeed more. Whilst every external challenge may be unique, every leader's toolbox needs a ready prepared response to radical change: **A business continuity plan that is effective and can be executed faster than your competitors.**

The required initiatives and execution speed will come from a plan that is properly specified and a leadership team at ease with uncertainty. Forming an effective response, before disruption hits, is critical if your leaders are to be ready to move fast whenever conditions demand: to lead your teams and care for customers, to protect the business and to make positive changes for the future. Working through this three-point plan with your leadership team, will ensure they are ready when conditions demand. So your team will outperform, when it matters most.

The Way Ahead Series, by Mercuri Urval

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Advice focussed on how leaders can ensure their organisations – teams – outperform.

1. Leading Your Teams and Customer Care

To look after your people and customers, the better prepared you are the, the more resilient your response will be:

- Develop a contingency communication strategy and channels to employees and customers: Open, empathetic and clear messaging. What is the one main channel you will use to communicate to ensure alignment?
- Know which leaders and experts will be in your rapid response team and establish policies that will guide proper 'crisis' decision making. How exactly will you adjust management and decision practices to enable higher speed?
- Keep colleagues, customers and suppliers safe and well informed with key leaders ready to focus on continuity by applying new working practices. What new working practices will you need?
- Explain new working practises repeatedly. Make new tools rapidly available to colleagues, customers and your supply chain. What new daily work habits will your team need to adopt?
- Digital education of employees. In the face of most disruption remote working will be a core capability. Customers and partners need to practice using technology for continuity when business conditions are 'normal'. Beyond the tools themselves, how well practiced in remote and digital working are your people, your supply chain, your customers and your leaders?

2. Ensure a Robust and Agile Financial Plan

To protect your business, a solid buffer, cost flexibility and swift action is key:

- Assess your balance sheet and develop scenarios to safeguard your business financially – before and during any future disruption. Based on these know what necessary steps will allow you to rapidly adapt your business to new conditions. The ability of cost to co-vary with income is a central priority for all leaders now. How much cost can you adjust with 1 month, 3 months or more than 6 months? And so, what size of buffer do you need?
- You may have to remove cost, scale-up for a sudden spike in demand or work harder to keep the continuity of supply – or a combination of all three. If you have to take drastic steps to serve customers differently, what is your access to flexible workers, technology solutions and extra 3rd party capacity?
- Plan to defend against short term revenue decline and retain power for increased growth in the future – or refocus and energise your front-end teams. How will you protect your revenue generating core?
- Know how you will monitor liquidity and manage working capital forecasts. What contingency plans and reporting will show you quickly when reality deviates from your scenarios? Which measures are most predictive?
- Be ready to review government and regulatory changes and secure further funding as required. How will you rapidly analyse funding and regulatory opportunities and threats?

3. Instigate Changes That Will Turn the Disruption to Your Advantage

Even in the darkest or most distracting moments, focus on growth and innovation:

- Know what advantage you will seek when barriers to change are reduced. Who will work on what comes next and be ready for the rebound or next stage challenges that will come? What opportunity does disruption create that enables you to reposition or strengthen your organisation for the future?
- Review your geographical footprint and market focus. Where should you focus your more limited resources, or where will scale up be required? Who will take care of it?
- Understand your current change and business programmes in depth. In the face of disruption what strategic projects will you stop, start, accelerate or mothball?
- Analyse how you will and develop the core revenue creation of the company long-term. How will you grow, whilst others struggle to survive?
- Renew your organisations purpose and direction as required, so it fits an altered reality once the disruption has passed. If you should reposition, how, where and when?

**This three-point plan will secure a solid base and swift response to disruption.
By being ready, your team can stay ahead. And that is vital if your
organisation is to outperform through uncertainty.**

Leading Innovation: Four Lessons to Outperform in Uncertain Times

As Boards and CEOs, the task is clear: To lead organisations – teams – that will outperform in uncertain times. And that requires leaders to think afresh. As Peter Drucker wrote “The greatest danger in times of turbulence is not the turbulence, it is to act with yesterday’s logic.” When faced with volatility, **effective leaders innovate to take advantage of new realities.**

Even if the current disruption we face is unique, we have seen instability before. The past shows us that success in developing new approaches comes from a way of thinking that, besides handling risks, also takes advantage of the opportunities that uncertainty gives. **Working through these four lessons from the past will ensure that your team innovates effectively, when it matters most – now.**

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Lesson 1:

Build in Flexibility, Everywhere

In the face of higher uncertainty, flexibility has a higher value. Flexible organisations are prepared for what leaders know they cannot see, and flexibility needs to be found in all the most important dimensions of your set up. A central question each leader needs to address now is: How can we increase flexibility in all five key dimensions of our organisation?

1. **Flexibility in cost base**
2. **Flexibility in strategy execution**
3. **Flexibility in structure, processes and supply chain**
4. **Flexibility in technology**
5. **Flexibility in leadership behaviour and culture**

In times of relative stability, it may be enough – or even all that is necessary – to focus on cost effectiveness and proper organisational development routines. In times of turbulence it is those that are able to react with rapid and effective change in all major dimensions, that are best placed. The first lesson from the past, is to assess your organisation’s flexibility in all dimensions – and create action plans to increase it as is needed. **The adaptable thrive, but only if they are adaptable in all dimensions.**

Lesson 2:

Look Ahead for What Comes Now, and Next

Harvard Business Review assessed responses from leaders facing crises some years ago, analysing those that did well after previous shocks. Unsurprisingly the most successful had the clearest short and long-term plans in balance from the start. They and their teams quickly modelled and prepared for what may happen in a year or two – as well as in the next quarter. To look up and look ahead effectively, asking questions and listening are essential leader behaviours in turbulence:

- ✓ Periods of accelerated change can be used to create urgency and energy for broader participation and shorter time frames in strategy development. People will ‘open up’ about ideas and challenges that in normal times they may keep to themselves. Existing data can be understood in new ways.
- ✓ It is not only about change. Effective innovation often leverages current strengths in new ways. Your loyal colleagues and customers will have excellent insights, and change can also help renew confidence in your organisations core value and values.
- ✓ Big ideas are realised when many people make smaller steps together. Fast implementation of change requires buy-in, and openness builds trust. This means developing the future is an inclusive act – listen to your people, listen to your customers and read the data on your business with fresh eyes.

Successful change is forged on a basis of continuity as well as new ideas. Inclusive dialogues about changes for the short term and the long term, inspire colleagues to join in and shape the future. This helps employees get ready to move when organisations need to act differently. A second lesson from the past is that in times of change, barriers to innovate are reduced. Leaders should use the uncertainty to prepare colleagues for change and to include them in forming the best ideas. **In carefully considering all options, look ahead and listen actively.**

Lesson 3:

A New Situation, a New Solution

In the Nobel museum, Stockholm, a video used to play on a loop. It tells the stories of those great minds that came with ideas that changed the world. They report that their ‘big idea’ came not when they were hard at work but when they stepped back – in the bath, working in the garden, catching a bus, whatever. There are good explanations for this in psychology of course, that doing something different may release constraints and help you think differently. In the same way turbulence itself can help leaders and their teams unfreeze what they think they know and create space for brand new ideas to form.

A few years ago, a colleague and I ran an innovation programme with leaders in a company that today works hard to chase down a vaccine to this pandemic. They knew that new solutions would require their leaders to think differently. To facilitate this, as they did, take your leaders out of their day-to-day context and put them in a different setting, so they can think more freely. Create demands to work hard and quickly, by putting talent in the spot-light and ensuring people who don’t work together normally can form temporary teams. The pressure of turbulence clarifies problems and diverse thinking reveals new options that were previously obscured by the status quo. The third lesson is that leaders can create the conditions to get people to think different. **New realities need new solutions. New solutions come from different thinking.**

Lesson 4:

Become Clearer, Build Confidence

Only when leaders have listened, analysed and thought properly, can they provide the clarity colleagues and customers need. Organisations that have succeeded through rapid change before, have made sense of the disruption and created a purpose that others could follow. Faced with fight, flight or freeze; leaders that succeeded controlled their thinking and put discipline into their message. For some leaders it was to find a new purpose, for others it was to create a new business model and for a few it was a more minor repositioning. Whatever change it entailed, the message was sharp enough to galvanise a workforce and a customer base. A fourth main lesson from the past is that providing confidence is key. When your Way Ahead is formed, give a distinct direction that allows people to focus on what can be achieved. **To turn ideas to action, confidence and clarity are both required.**

Few businesses fail because they changed too much. The past shows us that success in the next decade won’t be based on the economic power your organisation had in the last one, rather your ability to lead change and be relevant in the next one. After all, another lesson from the past, is that the mighty also fall. Having applied these lessons your leaders will be better prepared to innovate effectively. Right now, selecting the right Way Ahead, is what truly matters. And getting that right requires leaders to innovate now.

Outperform in Uncertain Times: 15 Questions for Boards and CEOs to Keep Asking

As Boards and CEOs, the task is clear: To lead organisations – teams – that will outperform in uncertain times. And that requires leaders to continuously understand changed conditions and new opportunities. When faced with a new reality, effective leaders will ask the right questions of themselves and others – more frequently. The good news is, that even when conditions change fast, the most essential questions to address are enduring.

Answering these 15 questions effectively – and frequently – will ensure your leaders plot the best course through any uncertainty.

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A.

Questions That Create Clarity About Your Situation

As any navigator facing a thick fog knows, the pre-requisite for a successful course is to be sure about your start position. Without that being correct, no plan will have value. What matters in a period of rapid change is live and accurate data keeping you updated on your business context and reality:

1. What does your data tell you about where your organisation stands now?
2. What is different from where you stood last time you reviewed the data?
3. Listening to customers and colleagues, what are the themes?
 - New
 - Altered
 - Constant

Especially in times of change, hunches and anecdotes are risks to clear analysis that any leader can ill afford. Outdated realities from your organisation's context in the prior era also have no value. The right Way Ahead, like all journeys, starts with certainty about precisely where you begin.

B.

Questions About What You Can Achieve

Knowing whether you are best to maintain your direction through uncertainty, or should plan to alter course, can be assessed through answering these questions.

4. How are the customer needs your organisation addresses affected by change?
5. Which customer segments and locations will you prioritise next?
6. Should your future market goals change, if so how?
7. What competitors will you face?
 - Old
 - New/emerging
8. What position will you take towards stakeholders?
 - Shareholders and/or owners
 - Employees
 - Regulators and authorities
 - In broader society

Whether the answers to these questions lead you to moderately adjust or radically change direction, making a clear decision about your future position in the market and towards stakeholders is essential. Establishing or renewing the best possible direction creates the understanding needed to confidently orientate your team. If you need to think big, modelling 4 or 5 scenarios can be valuable before moving forward.

C.

Questions to Set Result Ambition and Identify Risks

With a clear purpose and goal towards the market and stakeholders decided, an ambition level must be set and agreed with key stakeholders. What result will you produce on the market and for stakeholders?

9. What type of financial performance will you plan to achieve?
 - Profit
 - Revenue growth
 - Cost-effectiveness
 - Cash-flow
 - Development of assets
10. How will you foster organisation strength?
 - Position towards customers
 - Enhanced competitiveness
 - Mitigate weaknesses
11. Which stakeholder relations will you develop?
 - Shareholder satisfaction
 - Employee value proposition
 - Compliance to authorities' regulatory requirements
 - Societal fit and purpose

Now your market and stakeholder goals are defined, your results ambition is set, and the main risks are understood. It is time to move on and describe the necessary effort and action required.

D.

Questions to Decide the Actions Needed From Your Team

Any plan should be based on practical actions that will be taken by leaders and employees. A good plan is a simple as possible. What will you adjust in practice that will ensure needed changes come to life?

12. Adjustments to vision, mission, value proposition and goals
13. Changes to operating model, organisation structure, leadership and management
 - Agility
 - Values and culture
 - Operations, processes and tasks
 - Competency and capability
 - Business model
 - Risks: What action might you regret taking – or not taking?

With the best possible main actions decided, the final and most defining element becomes clear. Who will lead the effort and execute the plan effectively?

E.

Questions About the Leadership You Must Secure

Leaders define success, look after people and ensure results are achieved – or not. Their impact is both large and immediate.

14. What leaders do you need to achieve the results required?
 - How should leaders perform and engage others to achieve the result?
 - Which key skills will be essential for leaders to successfully achieve the expected results?
 - Which leaders must you select to realise your Way Ahead?
15. Where in the organisation should leaders be placed so they perform optimally?

With these 15 questions answered effectively, your leaders can keep navigating the best course and realise the opportunities that change always brings. And by following the data closely, and listening constantly, they can course-correct as needed. As any navigator will tell you, the more uncertain the waters, the more navigation effort is required. In times of change, only a frequent navigator, solid facts and frequent reviews will suffice.

Outperform in Uncertain Times: Four Principles for Leaders Rethinking Their Organisation

As Boards and CEOs, the task is clear: To lead organisations – teams – that will outperform in uncertain times. Leaders know that an organisation that succeeded in an old situation has no given right to do so in a new one. Some change will be required. As Albert Einstein is widely credited with explaining – foolishness is “doing the same thing over and over again while expecting different results”. Disruption creates a golden opportunity to rethink how we should organise, from outside to in. **But how do you know the most important considerations which will influence how you should organise?**

Today we know the principles that underpin effective and healthy organisations. Beyond zeitgeist, these principles give a valuable provocation and guide to rethink afresh. Here are the most important 4 principles to apply when you rethink your organisation:

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1.

Your Organisation Needs Ruthless Focus

Results come from a moment or point of value being created – where a need is addressed, and revenue or service is initiated. Is the value you provide a product, a service or a relationship – or a combination of all three? Is it changing over time?

If you design your organisation around your future value creation point, where you meet the customer, you will have proper focus. And this generally leads to a simpler, leaner and more focussed organisation.

The first principle to apply is to have **ruthless** focus, to know what you must be great at and place it at the heart of your organisation. Only when your resources are concentrated on where you create value, is your organisation set up for success.

2.

Extreme Flexibility Is a Must

Full flexibility demands speed and ready adaptation in your cost base, supply chain, people, strategy and organisation structure. An organisation that cannot rapidly change will become weaker because technology and competition move customer and supplier realities faster than ever before. If you need to move from just-in-time to just-in-case; from face to face value creation to digital; from Europe to Asia. Can you learn fast enough?

Businesses fail where their ability relative to others to adapt is the lowest. There is no reason for that weakness to be in organisational agility. Fewer layers, devolved decision making, smart use of technology all increase flexibility. And selecting leaders that can adapt, act fast to achieve new results is vital. Flexible organisations need leaders that make things happen through influence and relationships rather than formal hierarchical power. The second principle therefore is **extreme flexibility**.

3.

If You're Not Completely Sustainable You're Temporary

A focused and flexible organisation may survive for some time. But long-term prosperity requires sustainability. The bedrock of sustainability is economic strength and resilience. This requires the ability to create and control financial performance and manage cash and resources through the highs and lows of economic cycles.

Sustainable organisations also require an intent – a clear vision and values – that give meaning to employees and stakeholders beyond financial performance.

Finally, clear governance and leader accountability is also needed to create stability. Only sustained and responsible management of engagement, performance, strategy implementation and risk control will ensure longevity. The third principle to apply is **complete sustainability**. This requires resilience in economy, a meaningful purpose and effective leader accountability.

4.

Your Organisation Is Already a Network of Teams – Encourage It

Team based set-ups cope well with rapid change in the environment – better than traditional functionally based bureaucracies. New opportunities and challenges are normally best reached with teams. Small teams are the most close and agile but lack resources and connections that bring power to solve problems. Large teams can become distant with members disconnecting. And ineffective teams can be opportunistic, lose focus and become prone to weak cost control without enough governance.

Effective teams have shared goals and purpose, well-selected specialists, the right dynamic and are well led toward measurable results. Trust within teams is vital – but so is trust between teams. Trust between teams enables collaboration, effective specialisation for a given situation, rapid deployment and empowered problem solving. Networking across teams reduces silos, accelerates learning, allows knowledge to flow more freely and creates more opportunities. The fourth principle to apply in organising for success is **well networked teams**.

All of us operate amidst unique opportunities, challenges and constraints right now. And tomorrow. Even so applying these 4 principles that underpin effective organisation to your situation – ruthless focus, extreme flexibility, complete sustainability and well networked teams – will increase your organisation's success.

Outperform in Uncertain Times: Organise to Be Ready for When the 'Next Normal' Arrives

As Boards and CEOs, the task is clear: To lead organisations – teams – that will outperform in uncertain times. Leaders know that an organisation that has succeeded previously has no given right to do so in a new situation. Some change will be required.

Disruption creates a golden opportunity and some clear risks. How can you organise to ensure outperformance in your 'next normal'?

Previously in our Way Ahead series we addressed the most important **4 principles to apply when Leaders rethink their organisation:**

- **Sharp focus:** Only when your resources are concentrated on where you create value, is your organisation set up for success
- **Full flexibility:** Speed and readiness for leaders to adapt cost base, supply chain, people, strategy and organisation structure
- **Complete sustainability:** Resilience in economy, in organisation purpose and in leader accountability
- **Networked teams:** Networking across teams reduces silos, accelerates learning, allows knowledge to flow more freely and creates more opportunities

But how in practice should any organisation design review be conducted?

Applying these 4 principles to your situation requires you to continuously review structural, cultural and leadership dimensions. Here, to help, are the key questions to answer – in order to analyse the move from what you are, to what you need to be. To provide additional perspectives, each question set is accompanied by the main themes defining the 'next normal' reported by CEOs and Executives amongst our clients.

Structural

Purpose, organisation design, operating model, strategy and processes will affect performance

1. **Purpose and direction:** What is your organisation's commonly understood basic idea? What is your strategy to create value? How clear are your organisation's objectives and performance expectations?
2. **Organisation design:** How should responsibilities and tasks be allocated within your organisation? How can your processes be more efficient? Does your set-up enable effective sales, delivery, communication and operations?
3. **Decision making:** How do employees in your organisation participate in making the decisions that affect them directly? How much decision power do you delegate and to whom?
4. **Strategy communication:** How are your employees informed on essential areas in relation to their job and the organisation in general? What technology and other methods do you use?
5. **Reward and recognition:** Are your reward allocations (i.e. salary increases, promotions) based on employee performance criteria? How transparent and consistent are these? Does the way you reward reinforce desired changes and behaviour?



Structural: Perspectives on the 'Next Normal' from leaders in our client group.

Purpose: Purpose-driven leadership, where making an impact and inspiring others to do so will be even more important in the future war for talent.

Digital: Remote working, 'work from anywhere' and 'hybrid' become ubiquitous in many sectors and/or role types. Online education and E-Commerce reshape learning and shopping behaviours (but not for all – see digital inequality below).

Resilience rather than efficiency: Many companies move away from 'Just-in-time' to 'Just-in-case' supply chains and inventory strategies.

Local as the new global: Global trends and 'tech' may still prevail, but people are more local; the return of nationalism with new face – even health and resource nationalism? In some region's nationalism views with post-war alliance thinking and changes previously settled relationships (e.g., but not only, Brexit).

Cultural

Employees values, vision and engagement will release or restrict the potential of your organisation

6. **Employee co-operation:** Do your team members identify with the organisation as a whole or only with their particular workgroup or field of professional expertise? Are colleagues working to fulfil the needs of the organisation or the needs of themselves? How do they co-operate?
7. **Employee commitment:** Do employees have their own high-performance standards towards efforts and results? Are colleagues motivated and able to initiate and take on extra tasks?
8. **Employee motivation:** Are your employees encouraged to seek or avoid risk? How is risk evaluated and controlled by managers in your organisation? How are new ideas collected and processed?
9. **Risk and innovation management:** Do your employees trust your leaders? In which areas is confidence least and most? Is direction clear? How confident are your stakeholders in your leadership?
10. **Conflict management:** How do leaders and managers provide assistance to colleagues? What is the best way for your managers to pursue targets and achieve results? Is there the 'right balance' between standards, cost control, authority and specialisation versus opportunism, engagement and team spirit?



Cultural: Perspectives on the 'Next Normal' from leaders in our client group.

Diversity in all dimensions – from adapting to the "gig economy" to handling old gender inequalities in new and better ways – society and business rightly puts more attention on diversity.

Digital inequality: Access to digital tools and skills is a new and profound source of inequality that compounds existing social injustices.

Innovation abounds. Vaccine development, medical advances, digital remedies for physical challenges. As with severe previous shocks, new ideas flourish in the wake of the initial crisis. Green tech, fin-tech, health tech, and more. Incumbents prior strength no indication of future success. Some anxiety also abounds.

Mindset change is underway. Shifts occur in humans' attitudes and behaviour – at work and in life. Basic questions about how we all want to live our lives come to the fore and change how people make decisions about jobs, work and society.

Leadership

Leaders' ability to formulate strategy, implement strategy, manage operations and manage stakeholders will determine your organisation's success

11. **Strategic insight:** Which leaders really understand the situation your organisation and the individuals within it face? How do your leaders measure performance, understand the customers' voice and learn?
12. **Envisioning ability:** Does your leadership have a clear view of the future? What is it? How aligned are your leaders to your strategy and to each other? How do they innovate?
13. **Decision making:** To what degree do your leaders make fact-based decisions? Are your managers able to decide and act effectively?
14. **Implementation skill:** Do your employees trust your leaders? In which areas is confidence least and most? Is direction clear? How confident are your stakeholders in your leadership?
15. **Operational management:** How do leaders and managers provide assistance to colleagues? What is the best way for your managers to pursue targets and achieve results? Is there the right balance between standards, cost control, authority and specialisation versus opportunism, engagement and team spirit?

Whether you need to grow, change or improve leader performance, these questions on structure, culture and leadership are the most important to organise for success. The answers will help you decide what should be kept, enhanced, completely changed or started anew in your organisation.



Leadership: Perspectives on the 'Next Normal' from leaders in our client group.

Fresh Leaders(hip) needs new capabilities – the critical capabilities leaders must have change. Uncertainty is a normal state in which the leader must thrive – no longer something to be managed in phases or avoided. Leadership complexity increases. Generalised ideas of 'good leadership' are questioned, instead a more precise match between leader and task is needed. Providing purpose and learning faster is often raised.

Sustainability: Climate and social responsibility takes the centre stage. As emissions bounce back opportunities for smart, clean, inclusive growth abound. Organisations, even whole sectors, that aren't sustainable become weak more quickly – regardless of their former might.

Data-centric people and management practices – the impact of people on results, and the elevation of people resource becomes more evidence based and transparent. Metrics become more commonplace.

Humanity to the fore and AI in flux. "A predictable world can be dealt with by algorithms and equations. A messy world cannot, even in an age of increasingly intelligent machines". Humanity more firmly shapes technology and human intelligence is needed to augment data.

Old ideas of re-organising every few years don't fit the future of work. Rather leaders must always be agile and constantly organise for success. The next normal is in constant flux. If you need to find out more about how to objectively evaluate the performance of your organisation and the changes you may need to make, contact our team.

Outperform in the Next Normal: Four Golden Rules for Successful Implementation of Change

As growth opportunities emerge, how will you lead change effectively?

As Boards and CEOs, the task is clear: To lead organisations – teams – that will outperform, whatever conditions are faced. Leaders know that an organisation that has succeeded previously has no given right to do so in a new situation. As fresh growth opportunities emerge – and some new threats appear – change will be required for success.

Previously, our Way Ahead series of articles addressed the most important questions for leaders analysing required changes to their organisation's structure, culture and leadership:

[Organise to Be Ready for When the 'Next Normal' Arrives](#)

Having answered these questions and determined what change is necessary, your leaders will need to decide and execute an effective change implementation. We all know from experience that implementation is the most common failure point in any change. To revitalise your organisation successfully – and take advantage of fresh opportunities – you will need to make the right decisions and have leadership that is willing and able to make it happen. **These four golden rules will steer you towards an effective implementation:**

1. Be guided by relevant data
2. Measure more frequently than before
3. Do much less, but better
4. Select more able leaders

1.

Be Guided by Relevant Data

Effective decisions require data that you can use to make sound assessments and judgments. Often you can conclude on data yourself but sometimes it is important to get help from an expert. Balancing facts with your perceptions, to make objective decisions based on the most relevant possible data, is never easy. Even if avoiding personality derived preferences, existing group behaviours, flawed data skewed by reporting issues (and not real organisational problems) are obvious risks to write about, they are hard to avoid in practice.

- ✓ Make sure data is current and predictive – a leading indicator of what might come based on the latest possible insight
- ✓ Have the patterns in the data are assessed by leaders or independent experts with enough distance to be free of personal bias
- ✓ Be sure your interpretations are not personal, but rather factual

The most relevant and up to date data on your organisation's market context, structure, culture and leadership – objectively assessed – will form a compelling and logical chain of arguments for change. It will also scrutinise if a change is even needed – perhaps you have the right organisation set up already, but with the wrong leadership capabilities? Only by getting the analysis right, will leaders know precisely what to change, how much to change and how fast. **Be guided by relevant data (only).**

2.

Measure More Often Than Before

To successfully adapt through periods of accelerated change, your leaders need to create a clear framework to measure your organisation more frequently. The most effective measurement approach will help you to the right analysis and regulate implementation speed, act as a communication tool and allow for both focus and course correction as needed. If the change you need seems hard to measure, it is even more important to find a way. It's time for leaders to think deeper about measurement methods and priorities. Measuring both leading indicators (that predict what might happen) as well as economic outputs (that ultimately prove success but may indicate a problem too late) is important. However, the commonly used structure for measuring strategy implementation – the balanced scorecard – needs careful design if implementation of change is to be measured more frequently. In rethinking what you measure in times of accelerated change, take care not to skew measures too much towards the economic – in most organisations, these lagging indicators are already well reported. Your leaders purpose in this setting is rather to measure the implementation of change and find reliable and stable measurements that look forward – measures that will prognose future results in the four key areas:

- ✓ Predictive **Economic** Measures: e.g. Effect of digitalisation on your future transaction costs or supply chain effectiveness
- ✓ Predictive **Customer** Measures: e.g. Effect of change in your customers future behaviour or on new growth opportunities
- ✓ Predictive **Internal Process** Measures: e.g. Effect of innovation or organisational adaptability on future results
- ✓ Predictive **People and Growth** Measures: e.g. Effect of the ESG agenda on your future attractiveness to employees

Whatever change you need, start with a clear picture of the new ways – and some old methods – that you will use to measure progress effectively. The next normal requires a new balance to leader's scorecards. More forward looking, and most importantly – as change is a process not an event, and as events turn faster – **measure more frequently than before**, or better still, measure continuously.

3.

Do Much Less, but Better

Rather than an overarching strategic refresh to cope with new conditions, consider how to develop your organisation in singular and narrower focussed sprints. Do one thing at a time, quickly and for long enough that predictive measures indicate accomplishment – before taking more on. Your team's capacity to accept, adopt and succeed with change will be your limiting factor:

- ✓ Choosing what not to change becomes a vital leader performance area
- ✓ Whenever your leaders have a choice between being comprehensive or focussing on the vital few things that matter most, guide them to choose fewer
- ✓ Simplify change focus onto the fewest most important actions only. Teams will implement few things more effectively than if they try to make many changes at once
- ✓ If there is a performance problem but no clear data-based gap between the organisation you have and what you need, don't change it. Look at your leadership afresh – instead of your structure

In change the solution must obviously match the need – but just because change is needed does not mean it's the most important thing to act on. Think with care, and think continuously, about how much your people can absorb. Then put all you focus, most powerful resources and leadership effort into changing the fewest things that matter most. To achieve more, help leaders cut through the complexity, and **do much less, better**.

4.

Select More Able Leaders

Your leaders have an existing organisation to protect, nurture and develop whilst they build new capabilities for the future and make change happen. It's a demanding task that underlines for itself why this implementation phase is the normal failure point in change. Right organisation and strategy, wrong leaders. So, when you know what organisation you need and how to measure it, and the change you will bring in is focussed, you are still only halfway to success – having effective leaders will now determine success. Leaders with the right capabilities won't be derailed. They will take care of your people and ensure what needs to be achieved is realised. And as the change you implement changes the work context for leader and colleagues alike, it's necessary to look afresh to predict if the leaders you have will succeed in their new task.

- ✓ Whilst many matters compete for attention, your leaders will define your success
- ✓ Securing leaders develop – and when needed bringing in new, sustainable leadership for a changed situation – is essential for success
- ✓ More frequently than before, make fresh decisions about the performance of your leaders and understand your internal and market talent opportunities. Consider immediate performance and longer-term potential

Making sure you have the most effective leaders in place, for a future that has yet to unfold, requires a solid prediction about what is required and who is able. To outperform, **select and re-select the most able leaders**, continuously.

The Way Ahead Series, by Mercuri Urval

Our team advise and support thousands of leaders across all sectors.

In this series of articles our CEO, Richard Moore, distils practical advice from real leader successes and challenges.

Advice focussed on how leaders can ensure their organisations – teams – outperform.

In the coming articles of our series on your Way Ahead, we'll outline how to make more reliable predictions about the leaders you need.

Outperform: What Leadership Do You Need, Precisely?

In a world full of general ideas about leadership, how do you secure the right leader in practice?

As Boards and CEOs, the task is clear: To lead organisations that will outperform.

Success of organisations relies on effective leaders. The demands on modern leaders are considerable, and they will increase over time.

Requirements of leaders on what to do and what to be able to do differ depending on organisational context and situation. Despite many well-researched theories, there is no standard profile of an effective leader. **It is very difficult to predict who will succeed in practice.**

More than ever – you need leaders who will succeed. Now and for the long run.

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Effective Leadership: An Ever-Bigger Challenge

An effective leader correctly understands their current conditions, determines the right opportunities and decides how to organise for success in a given context. They will stick to the things that need to be done and secure the most able and willing followers. By doing so they will have a large and immediate impact on results.

In contrast, an ineffective leader will decrease the company value, undermine your culture and as a worst-case – given long enough to do their work – erase your enterprise altogether. Today, the task of securing effective leadership has become more difficult:

Leaders are in high demand: Leaders who know what they are doing, who can take care of your people and achieve results are in high demand in times of change. It's not only you that are in need. Volatility and uncertainty mean fewer leaders will perform well. *Demand increases, but not supply.*

Change is faster (and more uncertain in character): New risks, opportunities and problems come and go at breakneck speed making the job more difficult and more critical. At the same time demand on your leader's performance increases, their contribution is ever more obvious, and they may prefer a change themselves. *Predicting correctly and continuously which leaders to select defines success.*

Precision is needed: Acquiring the leaders that will be highly effective in your specific real-world context becomes more important, urgent and demanding. It is arguably your greatest opportunity and your largest business risk. To ensure you acquire and appoint effective leaders, you will need to see past complexity and distraction, and *identify precisely what you need.*

What Do You Need, Really?

Understanding the leadership you need can be made simple. Effective engagement and selection of a new leader requires a clear understanding of precisely what you need from the start. To begin, decide on your most important **(A) expected results, (B) the context in which the leader must perform and (C) the tasks they must succeed in.** Then by connecting these three, you will create the profile of the leader you need for your organisation.

A.

Start With Needed Results

Fortunately, although every leadership challenge is unique, the scope of results your leader must achieve is not. Analyse the scope with a proper structure, and then decide what matters most:

- Customer (or citizen for public sector):** Lead value creation, innovation and alignment to common purpose and direction
 - What result do you need to achieve for customers?
 - How will you relate to customers, stakeholders, competitors and society?
- Economic:** Lead actions to set goals, achieve income and make the right decisions about capital, resources and costs
 - What financial results do you need to achieve?
 - What assets do you need to develop?
- Organisational:** Lead the right organisation design, select able people who can perform, grow and shape your culture
 - What organisational vision and goals do you need to reach?
 - What people, set up and process will work best?

Within this scope, the essence of superior leader performance for a specific job in your organisation can be crystallised. Is it a transformation of how you already operate, or to drive out costs? Is it a repositioning towards your customers or growth through organic means or by acquisition? Once you know precisely which results are most important and agree it with all key stakeholders, the context in which your leaders must perform can be considered. The more focussed the result requirement, the better.

B.

Understand the Leader's Performance Context

The main reason why there is no single profile for effective leaders is that each context in which leaders must perform is unique. The environment in which the leader must succeed needs to be properly understood, in order for the right leader capabilities and behaviours may be selected:

- Context and ecosystem:** Customers, suppliers, partners and society
- Colleagues:** People, teams and culture (including how the new leaders own personal characteristics may impact on these)
- Organisation set up:** Structure, systems and processes
- Future:** Possible changes and known strategic goals and plans

In the future, post Covid-19 every leader's context has changed of course. When we asked leaders in our clients what may affect their context in 2021, the responses were multi-layered:

- ✓ **Culture change – we are all in this together. Or are we?**
The experience of living through and beyond Covid-19s impact has been very different for every leader and follower in your organisation. Some have been furloughed, others have been given more work to do with the same or less reward. Many are back to normal, and many are not. There is naturally some process of readjustment when your colleagues come back together. And for some organisations solidarity, team spirit and cultural bonds have been able to be strengthened. What scars will need to heal, and how will leaders support the process? *Culture will need high attention.*
- ✓ **Working practices change – we are all digital now. Or are we?**
When and how will we meet again? To what extent has your employee, customer and stakeholder behaviour changed? Have new digital working habits been formed? What about traditional pre-19 offices, do you need those? Whatever else has happened, a lot has been learned and a lot of new ways of working have been made possible. And some will like it, and others will not. If you have operated satisfactorily or even very well with home working, on what grounds do you expect buildings to be important in the future? If people need to meet at your workplace still, how will that be different now? *New ways of working should be established.*
- ✓ **Environmental change – some are homeworking, others are at home trying to work**
Domestic realities and individual family situations are now workplace issues. Whilst some are lucky enough to be able to work productively at home, many others are at home with full hands desperately trying to be productive. What is work-life balance post-19 for those that need to attend a workplace, and those that do not. *The key to future productivity and flexibility is not the same.*
- ✓ **Supply chains change – just in time or just in case**
Is it more valuable and cost-effective to reduce inventory and have a 'Just in time supply chain', or rather is greater resilience required? *The balance between lean and resilience shifts.*
- ✓ **Management change – harnessing the breakout of innovation whilst maintaining control**
We should expect, after rapid change and disruption, to see a period of innovation. At the same time, many organisations need to control and manage costs, resources or supply chains with closeness and detailed follow up that is unprecedented. Leaders need to ensure innovation is captured and great ideas are put to use – whilst not becoming distracted from the results and task that matter most. *The balance between inclusive innovation and disciplined focus changes.*

But what about for you? Only by understanding the unique context for your leader, and how it is changing, can the most important leader tasks and the effort required to accomplish them be determined.

C.

Define the Necessary Tasks

When the key tasks and capability requirements of a leader should be specified it has to be done considering the result needs and the context evaluated. To succeed your leaders will rely on relevant functional expertise and will need to perform well in the most vital leader tasks. What are those? Well even if they are unique, covering the answers to these questions will help:

- Strategy:** What strategic choices does your leader need to make and when?
- Execution:** What change does your leader need to secure and how?
- Operations:** What must your leader make happen, how and with who?

Summing It Up: The A, B, C of Understanding Precisely What Leadership You Need

In summary, to create the profile of the leader you need, these are the essential points to work through:

Your expected results:

- What result(s) must be achieved in this position?
- Which result(s) are most important?

Your leader(s) performance context:

- What is the culture to fit and shape?
- What is the organisation to perform within?

Your required leader(s) task:

- What is the size of this leader position?
- What are the most important tasks in this position?
- How will the demands of the position change in the future?

With these essentials in hand, you will know precisely what leader you need to find and attract. Now the search for relevant candidates moves your focus on to the next stage.

In the next article in the series, we'll address

how to analyse the market and attract

the most relevant leaders.

Outperform: Attract the Most Relevant Leaders in 5 Steps

It's not what or who you know – it's how you reach who you need.

As Boards and CEOs, the task is clear: To lead organisations that will outperform. As the success of organisations relies on effective leaders, it stands to reason that searching for them and attracting them is extremely important.

Apple founder and former CEO, Steve Jobs put it simply: "Go after the cream of the cream". But once you know which leaders represent 'the cream of the cream' for your business **how can you find and attract them?**

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Disruption Exposes Two Significant Flaws in the Old Leader Search Model

CASE STUDY: LEADING GLOBAL LAW FIRM

A few years ago, a well-respected global law firm set up a new business unit. In a conventional approach to attract a new leader, executives running similar business units in peer firms were approached – starting with those connected to the search consultant and hiring firm. The approach work found other connected candidates with similar roles. An attractive résumé emerged, a candidate who was available and lead a similar business unit for a high-profile competitor. The deal was brokered – but less than 12 months later failure led to a large severance cheque.

What went wrong?

In the 'old normal', many thought it was enough to have leaders with similar leadership experience who would take on the job. Your personal network, or the network of a contact or search consultant, was regarded as enough to find a new leader. But as many suspected for some time, this conventional approach to search was always flawed. Today, advances in business and HR practices – widespread use of data, greater transparency, and increased expectations – have highlighted the conventional network-based recruitment model's major problems.

- The first flaw relates to success of newly appointed leaders. It turns out that experience in a similar past job does not translate to performance in a new job and that personally known contacts of a search-consultant or executive do not make more effective new leaders – especially where change is fast, and roles are complex.
- The second flaw relates to diversity of newly appointed leaders. Through an excessive focus on prior connections and resume similarity, similar people are put forward for jobs and so similar people get jobs. The restrictive effect of the conventional search model reduces leader diversity, a major problem that is widely observed by researchers, industry bodies and businesses alike.

It is now clear, to attract the most effective leaders a more analytical approach is needed.

How to Attract the Most Relevant Leaders in 5 Steps

To be able to employ the most effective leader possible, you will need to know which relevant leaders are available. This necessitates a profound knowledge of where such leaders can be found and an analytical and systematic approach to map them. The candidate market approach must focus on track record elements that predict task performance – not recycling of candidates found in similar roles or industry verticals. Follow these 5 steps effectively, for better leader attraction outcomes:

- 1. Set the research strategy by precisely analysing the required leader results and attraction arguments first.**
 - Based on the vital tasks and performance context, what leader profile is searched for? How might this evolve over time?
 - Targeted attractive offer. Why should the right leader be open to join you?
 - How will they be appreciated?
 - What is appealing in your culture and team?
 - What is worthy about the challenge?
 - What impact will they be able to have?
- 2. Document and verify the most important performance-predictors and the track record evidence** for plausible candidate to be included.
 - Track record: What experience and prior achievements are necessary for short-term success?
 - Demonstrated competence: What skills and abilities are needed?
 - Culture impact: What organisational contribution, and leadership impact is required?
 - Evidence of further potential: What abilities beyond short term requirements are desirable?
 - Motivation: What aspirations would ensure a fit for this opportunity?
- 3. Systematically appraise the candidate market by conducting a fresh inclusive analysis** of the candidate market – within, and broader than, existing networks.
 - Leader mapping and analysis. Where are the leaders you need?
 - Who knows the network of leader talent you need to target?
 - What is the best way to map relevant talent?
 - What similar roles and organisations are irrelevant and so should be discounted?
- 4. Regardless of any prior connection, benchmark candidates' positions and career progression through fact-based track record evaluation** (to ensure high objectivity).
 - Business context
 - Organisation
 - Role and function
 - Geography
- 5. Engage and attract the most relevant candidates** based on arguments that come from a very detailed understanding of the specific job and context (exactly what is the opportunity and how the needed result can be achieved – Step 1) and a deep insight into the candidate (beneath the surface of the résumé – Step 4).
 - How to make contact in the most interesting and attractive way?
 - How to influence your target to be interested in you?
 - What messages to communicate, when and by who?

CASE STUDY PART 2: LEADING GLOBAL LAW FIRM

Returning to our well-respected global law firm. The relevant track record that would have predicted success was the ability – in this new firm's context – to set up a new business. The selected leader that failed, had run an established practice – but had never started one and built it from scratch. Their track record was not precisely relevant to the result needed. To compound this start-up error in step 1 and 2, the search lacked systematic rigour and was skewed to known contacts and certain narrowly defined résumés (in step 3 and 4). The approach lacked necessary diversity – the wrong candidates were addressed, the method lacked analytical thoroughness and so an unsuccessful outcome ensued. Before step 5 was reached, the flaw was already built in.

Today, only an effectively targeted, engaging, and inclusive search will work. Thorough enough not to miss suitable candidates, focussed enough to not waste time on those who cannot perform the vital tasks you need. Using a skilful expert team that follows a structured and broad approach will increase success chances.

With a systematic and complete mapping – focused on required leader results and the specific context in which they must be achieved – you will consistently identify and engage candidates with relevant professional background and track-record to succeed. Following this a thorough evaluation can be made so you know which candidate will be most successful and suitable shorter- and longer-term.

Outperform: Three Steps to More Successful Leader Selection

As Boards and CEOs, the task is clear: To lead organisations that will outperform. As the success of organisations relies on effective leaders, it stands to reason that selecting them well is extremely important.

However, recruitment predictions are difficult at the best of times – research indicates that around 50% of leader recruitments fail. Fortunately, science can guide us to better understand what is going wrong – and how to fix it.

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Why Do So Many Leader Appointments Fail?

When it comes to leader appointment, you can dramatically increase the probability of a successful outcome. The secret is to overcome the three fundamental flaws in the common approach to leader selection, the conventional Executive Search model:

1. **Over-reliance on impression-based** considerations leads to including candidates in selection procedures based on superficial resume similarity, reputation of prior employers' firm, attractiveness of educational history (e.g., "That firm was the clear industry leader back then, they should be good").
2. **Stereotyping** because assessments are based on generic beliefs – general models of leadership or imprecise general role descriptions (e.g., leaders should be empathetic, charismatic, and good communicators, etc) – these are descriptive but not specific enough to predict success in a real-world job.
3. **Subjectivity** of involved search consultants, HR professionals and decision makers (e.g., "I know what a good CFO is when I meet them"). Random and uncontrolled errors in selection – everything from personal opinions to mood – means decisions are often very subjective and adversely impacted by irrelevant factors: "Noise".

The science is clear. Any one of impression-based inclusion, stereotyping or subjectivity will decrease leader selection accuracy. Place these errors in combination, and it is no wonder that an alarmingly high number of leaders – 50% – fail soon after appointment.

Choose Science Over Chance To Improve Leader Appointment Outcomes

Every new executive is a very important leadership asset for your organisation. Accurately predicting whether they will succeed requires controlling the errors found in the conventional approach to Executive Search and leader appointment. A clearer picture of what is needed, a more structured approach to evaluating it and the use of a suitably experienced selection expert will dramatically increase prediction accuracy in leader selection. Guided by science, there are three steps to follow:

1. Step One: How to overcome impression-based decisions? *Factfulness*

To overcome impression-based considerations, use role specific criteria generated from an objective business analysis of required results. This fact-based analysis of what competencies and abilities are needed will prevent reliance on personal impressions. The more the requirements on the leader can be described in an observable and measurable way, the more factual decisions can be. Focus on a small number of the most contextually important facts to limit the amount of distracting information and zone in on the core criteria.

2. Step Two: How to stop stereotyping? *Relevance*

To make an accurate prediction, selection must effectively forecast a leader's behaviour and performance in relation to your precise result need, context, and leader tasks. When analysing what competencies are needed, look closely into the unique context of your organisation and determine what is required in the role now, and in the future:

- What are the immediate results and task performance that is required?
- What environment must success be achieved in?
- What future changes in the task or environment are envisioned?

Precision analysis that secures selection decisions are not based on stereotypical considerations or general models of leadership, but rather on predictively relevant specific criteria.

3. Step Three: How to reduce noise? *Structure*

When assessing the candidates, make sure that you are evidence-based and systematic to avoid subjectivity and "noise". In a situation like matching a leader to performance demands and context, it is necessary to handle large amounts of information. Structured methods and predictively valid tools allow for the processing of data in a way that minimises error. The data will then need to be augmented by a person able to understand it fully, weight it correctly and apply it effectively to the situation the leader will face and must perform in (as defined in steps one and two). This expert will need to perform a structured assessment and make a specific prediction. A prediction that is documented for scrutiny, transparency and follow up.

These three steps will guide you to select an effective leader with a dramatically higher probability of success. And in following them, make sure your approach avoids a few increasingly large pitfalls by ensuring your way of working is properly regulated, data compliant and ethically sound.

Whenever you need help our selection experts are at hand, delivering a proven science-based service that dramatically increases success in leader appointment – wherever in the world you need them.

Outperform: It's Time to Improve Leader Development in Your Organisation

The task for Boards and CEOs, is clear: To lead organisations that will outperform.

As the success of organisations relies on effective leadership, and change is all around, it stands to reason that leadership development is a necessity. After all, in a fast-changing context, your organisation needs leader capabilities that develop continuously.

With this in mind, it is alarming that most leadership development initiatives are reported to have very low business value, and the problem has been getting worse.

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“Only 7 percent of CEOs believe their companies are building effective global leaders, and just 10 percent said that their leadership-development had clear business impact”¹

“The good news is that organizations seem to recognize that there is a leadership crisis and are willing to invest resources to address it. The bad news is that despite a decade and a half of increased spending, the problem seems to be getting worse. This raises serious questions about the efficacy of leadership development, questions that go straight to the core of the [leader development] industry.”²

Fortunately, emerging research can guide us to better understand what is going wrong with leader development. Understanding these problems means you can avoid them when developing your leaders.

How Can You Learn From Failed Leader Development to Reliably Improve Your Leader's Success?

Problem 1: Generic leader development interventions utilise stereotypical leadership behaviours that are considered attractive or generally positive but don't meet specific individual or organisational needs.

- **Flaw:** Even if such stereotypes are based on data, in leadership advisory and development, 'one size' does not fit all. Stereotypical models used in leader development reduce opportunity for diversity of leadership behaviour and fail to provide advice to leaders that is specific to them and their context.
- **Solution:** For leadership effectiveness to be increased and leadership diversity to be assured, development must be tailored to each leader. Each leader works in a unique context. Each leader has a unique motivation and skill set. This means a unique approach to each leader's development is required. A focus on practical actions that will improve their results and enable their behaviours to change will be most effective. Actions rooted in self-awareness that match each leader's sense of purpose and motivation to learn will further increase the chances of success. Leaders improve by developing a few carefully selected and already existing capabilities in real life. Leader development should be precisely tailored.

Problem 2: Leadership development without properly defined impact measures leads to unclear results and differing opinions of business value.

- **Flaw:** Without clear agreed goals and follow-up measurement based on evidence, subjective opinions of participants and programme sponsors are inadequate to sufficiently evaluate impact.
- **Solution:** Effective leader development must be quantified beyond satisfaction measures to determine if business value is created longer-term. Fact-based measurement and follow up will keep development actions connected to important business requirements. Goals and their measurement should relate to real observed changes in the leader's behaviour and the results of their team and organisation (for example, productivity, engagement, or retention). Leader development should operate against clearly defined goals and verifiable facts.

Problem 3: Quick wins in leader development are an illusion. Focus on individual or organisational development activities that can be quickly and cheaply delivered, often called 'sheep dipping' e.g., one-off training workshops, ad-hoc digital modules, annual leadership team events, etc. will not lead to sustained leader development or performance improvement.

- **Flaw:** There are no shortcuts when sustainable leadership development is required.
- **Solution:** Effective leader development requires that each leader has good advice from an expert they trust. It should start with a high-quality analysis of their work situation and required results, valuable personal feedback, and provide sufficient opportunity to think and plan sustained change. Leaders must know how to change and be convinced about the need to change and have the opportunity to change. To effectively transfer learning into their 'real-world' work context the work-system around your leader must also be in scope for development (e.g., some changes to role and tasks, team, organisation design or KPIs, etc. will need to be made). Only systematic development that encompasses change in the leader's behaviour and their work-system will succeed sustainably.

Conclusion:

Addressing these common problems in leader development will create better results for your organisation, it's leaders and your teams. Leader development must relate to specific changes that can be measured, are valuable to the individual and their followers and are realisable in the needed timeframe. Through precisely tailored leader development interventions – that include systematic action plans and clear business impact measures – it is possible to develop leaders to perform in their new situation. As change is ever faster, leader development is ever more important. Getting leader development right for each leader in your organisation will accelerate – perhaps even define – your team's success.

¹ Claudio Feser, Nicolai Nielsen, and Michael Rennie "What's missing in Leadership Development?", McKinsey Quarterly, 2017, McKinsey.com

² Robert Kaiser and Gordon Curphy "Leadership development: The failure of an industry and the opportunity for consulting psychologists", Consulting Psychology Journal: Practice and Research, 2013, Vol. 65, No. 4, 294–302

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What Is the Real Cost of Failed Leader Recruitment?

By Richard Moore, CEO & Partner, Mercuri Urval

We all have vivid stories about inspiring leaders and the remarkable things they achieve. Leadership matters. Alarming, widely cited research confirms 50% of leaders fail soon after appointment. But at what cost?

To understand the real cost of failed leader recruitment, we need to add together the direct, human, and lost opportunity costs. The result is shocking.

Direct Costs:

What is the direct loss caused by a failed leader recruitment?

Wasted money and resources are the most immediate costs of failed leader recruitment. Hiring costs, compensation while on the job, investment in the executive, severance and a new Executive Search can easily get you to a cost of failure at three times the intended salary.

Human Costs:

What is the people and productivity cost of incompetent leadership?

Failed leadership has also been found – through applied research and practical experience – to damage productivity, mis-control costs, and lead to low morale and high employee turnover. A recent survey of Chief Financial Officers ranked a bad hire's morale and productivity impacts ahead of direct monetary losses. That's why organisations like "The Conference Board" point to a significant slice of profits being at stake. Researchers typically cite at least six times salary is lost when the human cost of failed leadership is considered.

Opportunity Costs:

What are the market and reputational losses incurred by the wrong leader?

Reduced competitive advantage, failure to open new market opportunities and reputational damage are other consequences of recruiting the wrong leader(s). A failed leader recruitment impacts the performance, reputation, and image of a brand severely. Researchers estimate 45% of a brand value, is directly associated to the leadership in place.

The Real Cost of Failed Leader Recruitment

Add these costs together, and researchers estimate that failed leader recruitment costs at least thirty times the leader's annual compensation, rising to half of an enterprises operating profit for CEOs. So, in most instances, not less than 15 million dollars.

But the real cost is this: High-performing leaders add millions of dollars to their firms' bottom lines and inspire people to achieve great success. Without high performing leaders, you limit people's potential to achieve results and lose vast sums of money.

Increase Success and Reduce Risk

Imagine another kind of business decision facing a board or CEO. Perhaps, to invest in a new product, technology-system or marketing campaign. Make the right decision and the upside for your people and their results is huge. But the chance of success is around 50/50, and the cost of getting it wrong is at least US\$15m, and probably much more. Would you take a major decision based on those odds, or would you take measures to reduce the risk?

Probably, in such a situation you would want an evidence-based assessment before deciding what to do. No doubt you'd look for an expert working to a properly structured, recognised, and quality assured method. An expert with track record of increasing successful outcomes, able to give clear advice based on your unique situation and precise need. Our experts are ready to help you dramatically increase success in leadership appointment, wherever in the world you may need us.

Richard Moore
CEO & Partner, Mercuri Urval

The Conventional – But Peculiar – World of Executive Recruitment

An Open Letter From Richard Moore, CEO of Mercuri Urval

It's an everyday story. A well-respected firm is looking to strengthen its team. On the same day a new graduate trainee and a new board director are employed. Expectations for the latter are surely higher than for the former, 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 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 leader's story

Meanwhile, in the boardroom, a new director with 'the right résumé', 'the right connections' and 'good fit' is swiftly ushered into post after discussions with the executive search consultant, interviews with the CEO and selected senior colleagues. With an impressive résumé of prior roles and references from contacts in the new director's network the move is decided. A personnel assessment of the leader using psychometric tools describes the leader's style and a report is written. Based on résumé, personal contacts and affinity the employment is confirmed.

For over 50 years the well-respected firm in this story has used the conventional way to appoint a new leader. The idea was that experience in a similar past job will translate to performance in a new job, and that preferred contacts of search consultants or executives can be placed with the highest confidence of success. But even if the approach is familiar, it is peculiar. Leaders 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 leader more scrutiny – not less – is needed. In any event, the real issue is this: Does the familiar story of leader appointment lead to successful outcomes?

Stories of leadership failure are common and costly

The chance of a successful ending to this leader's appointment story is the same as a coin flip. Recent repeated studies have found that placed leaders often fail, and worryingly, that success rates in the VUCA world are declining. A few years ago, a well-known and leading global executive search firm, studied 20,000 senior executive placements. The researchers discovered a 40% failure rate within 18 months of a leader's appointment, despite utilising extensive 'talent data' and the 'latest leader assessment' tools. In a meta-analysis of recent studies into executive appointment success rates this woeful performance was found to be the norm.



In a similar study of 20,000 executive hires, conducted in 2015, the failure rate was 46%. Similarly, the Corporate Leadership Council reported a failure rate for new executive hires of nearly 50% in 2017, Harvard Business Review estimated the failure rate to be between 40 and 60% in 2016

(Kiefer, Martin & Hunt, 2020, p. 2)

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 staggering cost – to people, to leaders and to organisations' results.

Why do so many leader appointments fail?

Selecting effective leaders 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 HR experts, business executives and executive search consultants working in leader selection, conventional approaches to executive appointment are being undermined by their own poor performance.

Change is needed

Today and in the future, more effective leader selection is imperative for success. In an ever faster changing world shaped by technology, complexity and pandemic, conventional approaches no longer fit. The performance problem must be addressed by recognising each organisation and leader 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 open process. To be more successful in executive appointment a more scientific and tailored method for selecting leaders is required.

Introducing MU Leadership Assessment: A stronger prediction and more reliable leadership advice

Improving outcomes in leader selection takes a different approach

Mercuri Urval started with selection of specialists and business people in the 1960s. It was discovered that future success at work could be reliably predicted by a Mercuri Urval expert using a science-based method. Today Mercuri Urval has successfully developed and certified a new, more effective science-based alternative to conventional methods for selecting leaders. From a diverse pool more than 90%* leaders selected using Mercuri Urval's method succeed at work.

So, what is the secret?

Rather than starting with a relationship or a résumé, we found that recruitment must have the unique situation of an organisation and the result to be achieved, as point of departure. From a defined result that should be achieved, a method to reliably predict a leader's ability to perform a given result was developed. 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. In an MU Leadership Assessment the analysis of the organisational demand for the leader and the precise context in which they operate, is as extensive as the assessment of the individual. After all, a more reliable prediction is required, and context is critical. Leaders will succeed – or not – in a unique real-life situation, and not in a theoretical model of generalised leadership competencies.

Choose science-based over chance

MU Leadership Assessment 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. The approach is highly effective not only in selecting new leaders, but also in selecting what to do to improve leadership performance or to decide how to grow or change organisations. MU Leadership Assessment excels where roles are more complex and fast changing and success of appointment is essential.

By employing leaders 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 Leadership Assessment assures reliable advice on which leader will perform immediately and reliably projects their further potential. Effective leadership is best secured by using MU Leadership Assessment – a predictive, fair, and rational method that is consistently applied, regulated, and evaluated over the long term.

To find out more about how MU Leadership Assessment can dramatically increase the effectiveness of your leadership decisions, contact our team.

Richard Moore
CEO & Partner, Mercuri Urval

Outperform:

Research Shows That Only 10% of Leader Development Has Impact – We Share 3 Steps to Succeed

The task for Boards and CEOs is clear: To lead organisations that will outperform. As the success of organisations relies on effective leadership, and opportunities and demands change quickly, your organisation needs its leaders to develop continuously and successfully.

But leadership development initiatives usually fail. Research typically cites only around 10% of leader development effort has business value. (Read more about the reasons leader development fails in our article: "It's Time to Improve Leader Development in Your Organisation").

So how can you beat the odds and develop yourself and your leaders effectively?

The Way Ahead Series, by Mercuri Urval

Our team advise and support thousands of leaders across all sectors.

In this series of articles our CEO, Richard Moore, distils practical advice from real leader successes and challenges.

Advice focussed on how leaders can ensure their organisations – teams – outperform.

Three Steps for Successful Leader Development

Following these three steps will make sure your leader development is effective.

- 1. Know how you will measure the impact of development:** Precisely tailor development towards specific outcomes – and know how you will measure organisational impact.
- 2. Conduct an individual GAP analysis to select development actions:** Decide what development will achieve the required impact, and make sure it's achievable by the leader in their situation.
- 3. Act and follow up systematically:** Move into action and follow up impact measures long-term to ensure sustained focus and effort.

Development action that is focussed on measurable outcomes, that is tailored to the organisations needs and the individual's situation, and that is sustained long term is not easy. But it will increase success at work.

1. Know How You Will Measure the Impact of Development

Effective leader development must be quantified beyond satisfaction measures to determine if business value is created longer-term. For each individual leader, know what you need to achieve, and how to measure it:

- What specific organisational (or people) result should the leader's development achieve?
- Precisely how should the leader's performance impact result(s), and when?
- What are the most suitable impact measures to assess the leader's development?

As there is no general or stereotypical leadership behaviour that ensures success – each impact measure will be unique to each leader and their context. They will also change over time as circumstances change. This requires effective decisions to be made about what impact to focus on, and for those decisions to be continuously reviewed and adjusted:

- What should the leader do (tasks)?
- How should the leader work (behaviour)?
- What should the leader achieve (results)?
 - Shorter-term objectives
 - Longer-term objectives
- What organisational contribution (within and beyond their role) is required?

Useful impact measures should be quantifiable and relate both to observed changes in the leader's behaviour and to the results of their team and organisation (for example, productivity, engagement, or retention). Confidence in accurately predicting a return on development investment is increased when specific outcomes are set and measured.

2. Conduct an Analysis of the Gaps to Required Capabilities and Behaviours and Decide If They Can Be Closed and How

With a clear understanding of what impact should be achieved and how to measure it, the leader needs to be guided to select the most effective development actions. An individual GAP analysis specific to the leader's unique situation, capabilities and motivation should be agreed, documented, and used for later follow up.

The aim is that the leader and their manager both clearly understand how to build on strengths, mitigate weaknesses or change things in the leader's work system (e.g., changes to role, tasks or KPIs, etc.). Or as is often the case, all three. Selecting specific GAP closing actions that can be measured and are valuable to the individual requires addressing these key questions:

- What action(s) is the leader able to do?
- What action(s) is the leader willing to do?
- When will the action be completed (and what support is needed, if any)?
- How will the action impact the development result(s) to be measured?
- How can the leader's work environment be adapted to ensure action success? (To effectively transfer learning into their 'real-world' work context the work system around your leader must also be in scope for development).

Even if this GAP analysis work is comprehensive in scope, the outcome should be carefully refined into the fewest most important actions – with a clear prioritisation over time. What should be done now, and what later. Focus on one thing at a time.

Sustained leader development is achieved when a leader is willing and able to act on what is needed in an environment that facilitates repeated practice and change. Leaders must know how to change, be convinced about the need to change, and have the opportunity to change in order to improve their performance.

3. Act and Follow Up Systematically

With the leader's most important actions identified through an effective GAP analysis, development can now take place.

Leadership effectiveness is developed not learned. Expert leaders don't just know more than those with less competency. Their knowledge is organised differently, in structures that enable them to make better use of their knowledge, faster and 'on the job'. Experienced leaders develop in the context of their work situation by acting into new behaviours and they sustain these new behaviours by realising their impact on success. Efforts to aid and accelerate your leader's development should focus on using information from current or prior experience to act differently. Effective development action is:

- Result orientated: The leader must see the link between their effectiveness, the action, and the business result. Actions need to show a return greater than the effort to pursue. Actions must be relevant to the leader and focused on their situation. Focus on practical actions that will improve their results and enable their behaviours to change. Avoid excesses and distractions.
- Achievable, just: Actions should be reasonable, realistic but stretching, and agreed with others who can credibly give feedback. Actions rooted in self-awareness that matches each leader's sense of purpose and motivation to learn increase the chances of success. Incremental changes are more sustainable than revolutionary changes. To anchor new behaviours, leaders need to practice. Skills are acquired and expertise is built through repeated practice and experience. Avoid easy and avoid trying to do too much.
- Single action-focused: Planned achievements must be well defined and focused with an owner. Actions should be measurable to make objectives clear. A small action is better than no action. Avoid vague objectives and try to not pursue more than one action at once.
- Short-term: Actions need to have a deadline to secure urgency and monitor and be evaluated in an organised way to ensure they remain sound as conditions change. Use fact-based follow-up to keep development actions connected to impact measures. Avoid out-of-date goals and long-term dreams.
- Network-centric: In the past, it was often said that developing a leader was about the individual leader's leader competencies – their own skills and abilities. But the full impact a leader has relates as much to the network power they can bring to bear on problems and opportunities. Leader development must focus on strengthening their network. Avoid only developing what is inside the leader's own head.

Leaders develop through focus, self-awareness, specific actions, extensive practice, leveraging their network, and continual effective feedback. They develop 'on the job' by building on personal experience that was earned in current or previous leadership tasks.

Through precisely tailored leader development interventions based on clear business impact measures – that include systematic action plans and follow-up – it is possible for leaders to develop to perform more effectively in their new situation.

As change at work is fast, leader development is ever more important. Effective leader development for each leader in your organisation will define your team's success.

Whenever you need help our experts are at hand, delivering a proven science-based service that will increase success in leader development – wherever in the world you need them.