Caldwell

CRACKING THE TALENT ACQUISITION ALGORITHM:

How companies can create value quickly in recruiting executives

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INTRODUCTION

As Voltaire long ago observed, the perfect is the enemy of the good. Yet in recruiting top executives, many companies forget this still serviceable bit of wisdom. They develop an inflexible profile of the ideal candidate for a role and, believing that the ideal person exists, they reject or drive away candidates who would have brought the company maximum value.

Early in the recruiting process, when companies have seen few candidates, they are especially prone to pursue the perfect, passing on candidate after candidate. They might then find themselves having to settle for someone who brings less to the table – and brings it later because of the protracted process, both delaying and diminishing the creation of value in a critical role.

A more nuanced and effective approach to making key hiring decisions may be found in the principle of "satisfice." A combination of the words "satisfy" and "suffice," satisfice provides guidance through complicated decisions characterized by multiple criteria and competing objectives. It's important to understand that "satisficing" is emphatically not about settling for the merely sufficient. Rather it's about choosing the option that has the maximum chance of being satisfactory – which is as close to the ideal as possible when making complex decisions.

> **A more nuanced and effective approach to making key hiring decisions may be found in the principle of "satisfice," which advocates choosing the option with the maximum chance of being satisfactory.**

In the case of executive recruitment, calculating which option satisfices is doubly difficult because companies and candidates calculate differently. Candidates have one set of criteria, each of which they weigh according to their individual circumstances, while companies have another, which they weigh according to their business needs. Companies that want to escape the trap of the perfect without settling for the merely sufficient must understand the candidate's calculus and find a way to harmonize it with the company's calculus – in short, to reach a decision that satisfices and thereby creates maximum value quickly.

THE CANDIDATE'S CALCULUS

The relative weight that candidates give to specific factors in considering an opportunity will differ from individual to individual and for individuals at different times of their lives. But it is possible to generalize about what most candidates we encounter are ultimately trying to determine – which choices are most likely to make them happiest. They may weigh such considerations as geography, family issues, compensation, and numerous other factors differently, but most take a holistic view driven by their desire for happiness as they define it. They do this by deriving happiness from the behaviors they most enjoy or gravitate towards most naturally: do they like to collaborate or drive decisions, talk things through or think them through, do they need stability or variety, and can they be flexible or do they require more structure?

Balancing all the factors that go into one's happiness can be complicated and wrenching. A candidate may desire the lifestyle afforded by a particular geography – whether it's the cosmopolitanism of the city, the excitement of the outdoors or the calm of the country – but they may also be reluctant to disrupt their children's schooling or they may wish to be near aging parents. They may be in a dual-career marriage that is difficult to transplant, or they may simply be comfortable in their present role.

All those factors must be weighed against the appeal of the position – from the nature of the opportunity to compensation or numerous other factors alone or in combination. We have found that two factors weigh particularly heavily for most executives. First, almost all focus very sharply on the content of the role: will it challenge me, will I be able to make a genuine contribution to the success of the business, will it develop me as a leader? Second, but equally important, they strongly consider whether the company has a culture in which they will thrive.

In making their calculations, candidates can be just as bedeviled by the perfect as companies. This perfectionism may manifest itself in one of two ways. They may reject opportunity after opportunity or, conversely, they may jump from opportunity to opportunity in the hope that surely the perfect is just over the next horizon. Sometimes this pursuit of the perfect can lead them to unrealistic expectations as, for example, when they wish to jump to an exciting industry for which they are poorly suited.

In our experience, the most successful executives have been able to apply something like the principle of satisfice to their careers. Well before an opportunity appears, they have reflected long and deeply about their motivations and their goals. Rather than simply reacting to things as they occur in their careers, they've thought far ahead about their companies, their industries, and lives and made deliberate decisions based on that forward look. They change companies or change industries for good reasons, and they take advantage of unexpected opportunities that also fit with their deep self-understanding. They instinctively know that in balancing the many factors that go into their happiness - and that of their families - perfection is unattainable. But they also know that they can make the choice that has the maximum chance of being satisfactory.

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THE COMPANY'S CALCULUS

Companies, by contrast, are in the business of pursuing profits, not happiness. Their decision criteria will be much more narrowly focused on business issues. Though narrower, those criteria will be as numerous and complex as the issues that candidates must consider. Just as with the candidate's decision, perfection is unattainable and companies that are unable to address the complexities in an efficient way are likely to suffer significant opportunity costs the longer a position goes unfilled or gets filled by a superficially 'perfect' candidate.

Further, while candidates tend to think about the appeal of industries, companies tend to focus on the candidate's domain skills – the finance skills of a CFO candidate, the leadership skills of a CEO, and so on. They may segment the criteria even further – defining a sales role, for example, in terms of whether it involves products or services or multiple channels. In focusing

on skills, companies sometimes downplay the candidate's character, including such things as leadership potential and raw intellectual power. Similarly, the emphasis on domain expertise tends to make companies weigh work experience (where the candidate has worked) over competence (what the candidate has done and thus can do). This "fit-to-role" equation has a behavioral component as well. Given, also, that happiness is what ultimately drives candidates, too few companies seriously ask themselves if the company is a good place to work from the outside looking in.

Being a good place to work has many facets. Is the culture one that empowers leaders by providing access to the various resources necessary to achieve success; is there a well-defined growth path; can executives create long-term wealth; is the company a leader within the industry; is there a clear strategy (product or service suite) that differentiates the company from competitors; does the company's financial position provide a solid foundation for growth? In sum, the drivers of the candidate's calculus starkly contrast with those of most companies:

- Pursuit of happiness v. pursuit of profits
- Industry excitement v. domain expertise
- Character v. skill
- Competence v. experience

Not surprisingly, the more rigidly that companies cling to these decision criteria, the more likely they are to miss out on the best possible – as opposed to the perfect – candidate.

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DIFFERENTIAL EQUATIONS - PRINCIPLE TO PRACTICE

At the heart of most methods for evaluating candidates there lies a qualitative and quantitative 'formula' for assessing or ranking them either against the position, other candidates, or both. Adopting the principle of satisficing, however, does not mean adopting some new formula - there is no "HR algorithm." Rather, satisficing does mean that the approach to evaluating candidates will be more subtle, nuanced, and appropriate. By understanding the behavioral tendencies of both candidates and current employees, companies can better match individuals to roles that fit their natural strengths and preferences. The key lies not in a mathematical formula but in adopting practices that make such nuanced evaluation possible and increase the likelihood that the selected candidate will succeed.

The most important of these practices include:

- **PICTURE SUCCESS AND WORK BACKWARDS**. Instead of developing a rigid job specification, begin with a picture of what success in the role would look like in one year, three years, five years. And be sure to define success in a wide range of key areas, not just revenues, profits, or the like, but also in such things as customer and employee satisfaction, continuous improvement, career development, and succession planning.

- **KNOW THE TALENT MARKET**. Realistically assessing candidates requires a realistic picture of the market, including internal and external candidates. In our work with clients, we provide a comprehensive "talent map" of leading and promising executives across an array of geographies and careers. Such a map allows you to benchmark your internal talent against the best talent anywhere, not just against each other. And it helps avert the trap of the perfect, but nonexistent, candidate. At the same time, by including talent both inside and outside your industry and company, it expands the possibility of achieving maximum satisfaction with the ultimate choice – and achieving it faster.

- **HIRE FOR CHARACTER AND TRAIN FOR SKILL**. Over-emphasizing experience and domain skills at the expense of leadership potential and competencies is not only going to lengthen the time to value in the role, but also likely to result in a less than satisficing choice. Being quick off the starting line (domain experience) does not necessarily ensure a win, place, or show outcome in a marathon.

- **MAKE DEVELOPMENT A PRIORITY**. Of course, hiring for character and training for skill is pointless unless you maintain a robust program of development. As we've noted, opportunities to grow and develop figure highly in the calculus of most executives today. As part of a comprehensive talent management system, development should include 'in-role' development opportunities, developmental assignments, mentoring, and executive coaching. Secure in the knowledge that such a program is in place, you then have far more flexibility in finding the candidate that satisfices.

- **UNDERSTAND THE CANDIDATE'S CALCULUS.** It is critical to know what really motivates candidates, what worries them, and how they weigh the factors in an opportunity. Otherwise, you could find yourself selecting someone who quickly derails or who is simply jumping into the role without having genuinely calculated its personal and professional attractions and drawbacks. However, surfacing those issues with a candidate usually requires a skilled interviewer – many candidates may have only half articulated the issues to themselves.

- **BE FLEXIBLE**. Once you understand what weighs most heavily with a candidate you can then determine whether the answer that satisfices is to adjust your requirements. Relocation, for example, is increasingly a concern for candidates today, as is the ability to work remotely if the role allows such an opportunity. Instead of rigidly insisting that the candidate relocate right away, if ever, you can find a mutually satisfactory solution that meets the needs of both the candidate and the company.

- **ESTABLISH A COMPREHENSIVE ONBOARDING PROGRAM.** To ensure the effectiveness, satisfaction, and retention of new executives – and to ensure that the company captures a return on its investment in them –a comprehensive onboarding program should begin well before the start date of the new hire. Companies that believe they have found the 'perfect' candidate often make the individual entirely responsible for making the new situation work and are surprised when the candidate derails. The chances of success are far greater when the company consciously creates and consistently executes an onboarding program for senior hires that explicitly integrates the firm's culture and the interests of the new executive – in effect, helping harmonize the calculus of the candidate and that of the company.

PUTTING IT ALL TOGETHER – MAKING THE DECISION

Bringing together the company calculus and the candidate calculus is a mix of science and art. A combination of behavioral and competency-based assessment can be used to complement the principles of "satisficing," as both seek to discover the option that has the maximum chance of being satisfactory in aligning the needs of the candidate and the company.

For example, a company might use the Predictive Index (PI) assessment to assess a candidate's dominant traits to determine whether they have the assertiveness and drive needed to succeed in a leadership role. By also considering the candidate's personal motivations, such as their desire for challenging work and a supportive company culture, the company can create a more holistic view of the candidate and identify whether they are likely to be satisfied with the role in the long-term.

In addition to executive recruitment, PI can also be used to construct employee development and team building activities or initiatives. By understanding the behavioral tendencies of individuals, managers can tailor training and coaching programs to help employees develop in areas that align with their natural strengths. This approach can lead to more engaged employees and more effective teams.

With the principle of satisfice in mind and the practices in place that support it, companies can free themselves from the tyranny of the perfect in executive recruitment. The paradoxical result: better hiring decisions, more successful executives, and a reputation as a great place to work, which in turn attracts more talent. In an age when talent has become the ultimate source of competitive advantage, nothing less satisfices.

ABOUT THE AUTHOR

DAVE WINSTON is a visionary leader in the world of executive search, combining over two decades of experience with a relentless passion for his craft. As the head of Caldwell's Industrial Practice and Dallas office, Dave brings a diverse background and a wealth of expertise to the table, having successfully placed nearly 500 C-suite, finance and P&L executives, with a focus on PE-backed manufacturing companies. Dave truly enjoys recruiting transformational executives, and particularly doing it at Caldwell with his team who have been together for over 15 years.

Dave's story goes beyond just his corporate career - before embarking on his journey in executive search he spent 20 years as a Marine officer. In addition to turning jet fuel into noise, he honed his leadership skills and developed a unique perspective on the importance of building relationships and providing solutions.

For Dave, executive search is more than just a job, it's a calling. His commitment to helping clients and candidates, combined with his passion for search and his diverse background, make him an asset to the private equity community and a true thought-provoking leader in his field.

A lifelong athlete, Dave played NCAA Soccer and served 20 years as a FIFA referee. He is an avid outdoorsman who photographs, hunts and fishes around the world. He enjoys travel and has set foot in over 41 countries so far. He holds a bachelor's degree in accounting from Villanova University and has served as chairman of Heroes on the Water, an organization that helps wounded warriors heal through kayak fishing and the outdoors.

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