For Senior Leaders, Fit Matters More than Skill
by Jean Martin  |  9:00 AM January 17, 2014

A recent CEB survey of C-suite executives indicates that organizations will require significantly higher performance —23% improvement, on average, in performance ratings— from their executive-level direct reports in the new year. How well are executives prepared to rise to that challenge? Less than 20% of C-suite leaders had confidence their executives could stand the test.

A large part of the problem, our research suggests, has to do with the high failure rate of outside hires. Intuitively, people know it takes longer for outside hires to come up to speed than internal candidates. But our research shows just how dramatic the problem really is. Outside hires take twice as long to ramp up as a leader promoted from within. Astoundingly, C-suite executives report that only one out of five executives hired from outside are viewed as high performers at the end of their first year in house. And ultimately, of the 40% of leaders who are hired from outside each year, nearly half fall within the first 18 months. The direct and indirect costs of the failures are staggering, far exceeding the cost of the search that found the executive.

Why do leaders hired from outside fail so often? And why do they struggle to reach rising performance expectations? Do they lack the requisite skills? Do they struggle to integrate into the organization’s culture? Studying more than 320 leaders in 36 organizations, we found a surprising answer: External leaders fail because they just don’t work well with the people on their teams.

We’ve seen this problem before – a new executive arrives at the organization, and a mismatch between his work style and priorities and those of his new colleagues, together with his inability to tap into informal and formal sources of organizational power, prevents him from being as effective in his new role as he was in the last. Within months, he is excluded from key networks and loses valuable information and leverage, quickly reducing his chances of succeeding. Isolation starts the downward spiral of underperformance.

Two new tools for recruiting may help solve this problem. First, leading companies are changing their hiring criteria — focusing not just on skills and cultural fit but also on network fit—how well the potential hire will fit with the way his or her new colleagues work. Hiring for this more colleague-centric type of fit can improve performance at the two-year mark by 30%, our research shows. It has more than twice the impact of assessing only for general culture fit.

One company that successfully developed an objective definition of “executive fit” is Ingersoll Rand. Newly hired leaders at the global manufacturer had all scored high on tests of leadership competencies but had struggled to apply those skills within the specific dynamics of their new teams and peer groups. So Ingersoll Rand shifted its approach to assessing potential leaders, focusing not just on qualifications but on four new “fit categories” — knowledge, values, career experience, and leader behaviors — which in combination produced a more complete view of the executive’s style and how she is likely to approach work.

Ingersoll Rand recognizes that to fit, an executive does not always have to have the same style as the team.
company has two types of fit: “conformist,” same as the in-house team, and “complementary,” which might be called for when the purpose of bringing in a new executive is to spark some productive disruption in the way the current team is working.

In addition to changing how candidates are assessed, leading companies are also changing the way they think about the recruiters doing the assessing. We’d expect to see in-house recruiters having a clear advantage in selecting for network fit since they live in those networks in their own work lives. Yet, according to our study, less than one-third of in-house recruiting teams did better than outside firms at predicting a successful fit. In the rush to fill open positions, many in-house recruiting departments are not incorporating their knowledge of how existing teams work in making final selection decisions.

Coca Cola asks in-house recruiters to take responsibility for network fit. The company requires them to report to management on not just how fast they are filling positions but also whether the external hire’s performance is up to expectations after they’ve been in role for one year. By reporting this “quality of hire” performance metric the recruiting team ensures that, in all selection decisions, recruiters and managers ask not just “Is the individual right for the job?” but also “Can the individual perform on the job?” The lessons learned by reviewing this metric have made Coca Cola’s in-house recruiters more effective than outside search firms in guaranteeing that new executives perform well.

Not surprisingly, these efforts by leading companies to beef up the effectiveness of in-house recruiters is reflected in a general decline last year on spending on outside search firm services (which was down 40% in 2013, on top of a 25% drop in 2012). Top companies are now using outside firms less for identifying specific candidates and more as consultative experts, to help them define appropriate skill requirements and cultural and network fit factors for consideration in a given industry or market. Like Coca Cola, many companies are now realizing that only internal staff know their working environment well enough to pick the best fit executive to lead the business.

In the new work environment of 2014, success will be driven even more by teamwork and collaboration. If you are not evolving your organization’s approach to recruiting to keep up, you’ll find your new leader hires may do more harm than good.