



ASSESSING EXECUTIVES FOR CRITICAL POSITIONS

BY RON ROBERTSON

Regularly, we are asked by Boards and CEOs to assist in assessing executives for senior positions. The reasons they wish to have an outside assessment are twofold: To ensure a sound decision is made, and to demonstrate to all concerned, including Board Directors and external auditors, that due diligence was exercised in making the appointment.

HOW SHOULD CANDIDATES BE ASSESSED?

Whether the candidates to be assessed are external or internal, one core step is involved: *The candidates must be rated against the competencies needed to succeed in a specific position.*

What exactly is a competency? The word seems to mean different things to different people. We define a competency as *a personal attribute that enables an organization to accomplish something of significant value.* A competency may be either: a) specialized knowledge, or b) the ability to do something, or c) a personal trait.

How should an organization determine the competencies that are important in a position? We begin by asking our client to describe the organization's strategic goals and priorities. We then ask: *"For this position, what core competencies — in other words, what knowledge, abilities, and traits — must a candidate have for the organization to achieve its strategic goals?"*

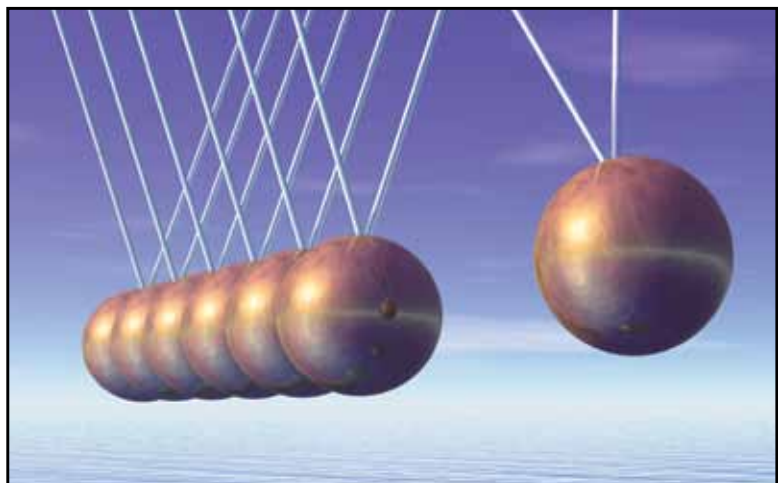
To be most useful in assessing candidates for senior executive positions, competencies should be specific to the position, to the culture, and to the organization's goals. They should also be stated as exactly as possible, so there can be no mistake about what they mean. (For an illustration

of this point, please see the section "Competency Definitions: The Importance of Context" in this article.)

Once a list of competencies is assembled, it can be sorted by importance. We recommend creating three lists — A, B and C:

The "A" list should contain the competencies that are critical to the organization's strategic priorities over the next 3 to 5 years. To distill this list, the following questions may be helpful:

- If the person in this position were to accomplish just one goal in the next 2-3 years, what should it be? What competencies would the person most need to accomplish this goal?
- If this role were abolished or left unfilled, what important contributions would be lost? With these in mind, what human qualities are needed to ensure these contributions are not lost?
- Which of the competencies are already present among the other executive team members? Do they really need to be duplicated in this position?



As a rule, we try to keep the “A” list to 4 to 6 competencies — those that are truly critical. The “B” list should contain attributes that are important, but not as critical and may be needed in practically any executive role. An example might be the ability to utilize the information in financial statements. This “B” list is usually not longer than 4 to 6 competencies.

The “C” list should contain attributes that would be nice to have, but are not essential. Typically they do not become part of the assessment exercise, although they *could* be assessed if desired.

COMPETENCY DEFINITIONS: THE IMPORTANCE OF CONTEXT

To illustrate what we mean by ‘context’, consider the following example. Suppose that you have been asked to determine the competencies that are critical in the position of CEO of a large branded food products company. All Board Directors agree that the ability to create a strategy for the organization is important. Is it sufficient to say that one of the critical competencies is: “The ability to create a corporate strategy?” We think the answer is “No”. The definition is too general. Anyone with the ability to create a corporate strategy for a lemonade stand would technically meet the requirement.

*The context in which the person acquired the competency is extremely important. From our research, for example, we know that the success of a new CEO depends in part on whether he or she had previous experience in the same sector: The absence of sector experience correlates with rapid departure. The Board of Directors may be well advised, therefore, to define the *degree of tolerance* it will have for the context in which the executive’s competencies were acquired. Using the example of a branded food products company, the Board might establish a basic requirement:*

- Candidates for the position of CEO must have acquired experience at the C-level or greater in a private sector environment that reflects, at least to a minimal standard, the business conditions in which the company operates. The Board believes the minimal standard would be employment experience in an environment that: a) employs at least 1,000 people, a substantial percentage of which are unionized, and b) operates a competitive branded products business involving product creation, marketing, manufacturing and distribution.

- Within this context, the CEO must be able to create a corporate strategy that realistically takes into account the competitive differentials and economic drivers of a large branded products business.

The foregoing example illustrates how competencies must always be specific if they are to be valuable.

BENCHMARKING AN INTERNAL CANDIDATE AGAINST EXTERNALS

Several times per year, we are asked to benchmark an internal candidate against individuals from outside the organization. The purpose of the exercise is to answer the question: “*How likely is it that we would be able to recruit someone from outside who would be clearly better than our internal person?*”

Answering this question helps the organization to ensure a sound decision is made, and to demonstrate to other stakeholders that due diligence has been exercised if the internal candidate is appointed.

The benchmarking process is straightforward. Essentially we compare the internal candidate with the resumes of qualified individuals who are currently employed elsewhere, and estimate the odds of being able to recruit an outsider who is clearly superior. We are aided in this task by having a database that contains the resumes of several hundred thousand Canadian executives, which in most cases enables us to examine a sizeable set of individuals who meet or exceed the qualifications being sought.

For example, in a recent benchmarking exercise in which an internal candidate was being benchmarked for a CFO position, we reviewed 136 individuals who met the qualifications: a CA designation, coupled with CFO level experience, coupled with industry experience in the same sector as our client. From this group, we removed all those who were over qualified or under qualified. We then examined the exact experiences of those who remained, and their compensation levels. Applying statistics that are common in many searches, we were able to issue a statement of probability of being able to successfully hire an external candidate who was superior to the internal candidate.

HOW OUR APPROACH DIFFERS FROM OTHERS

Our approach has three distinctive features:

- First, we work with our clients to develop competencies that are *very specific* to their positions and the achievement of clear goals in their unique cultures. Checklists of generic competencies are helpful to us as a starting point. We then refine the definitions to our client's needs.
- Second, we use multiple Raters to assess candidates against the competencies. We do not rely on a single source of information, such as a test or a single interviewer. Typically, the Raters include members from our client's selection team and from our firm. Where relevant, we also contact external referees.
- Third, wherever possible, each Rater provides ratings that are *independent* of the ratings of others. This approach seems to us to be more objective. It offsets the bias of 'group think' by helping to ensure, for example, that the most assertive Rater does not dominate. At the same time, it keeps open the option of discussing the independent ratings as a group, at a later time, once the ratings are collected independently.



ABOUT THE AUTHOR

Ron Robertson is Chair of Odgers Berndtson in Ottawa. He has over thirty years of experience in recruiting CEOs on behalf of Canadian organizations. Odgers Berndtson is Canada's largest executive search firm.

WHAT ABOUT TESTS?

During the past three decades, we have noticed that some organizations prefer to have a test, or a battery of tests, to help them decide whether a person is right for a role. Generic testing provides some additional insight that may be useful. In our firm, for example, we may supplement our assessment by using an instrument called ASSESS to further explore a candidate's competencies.

If an organization wishes to have a candidate complete a battery of generic tests, our advice is to engage an experienced career psychologist to help interpret the test results. In this instance, definitions of the specific competencies will still be useful in helping the psychologist to be aware of what is most important in the position.

IN CONCLUSION

Because the assessment service we provide is customized to our client's needs, it is necessarily more expensive than an off-the-shelf generic test, for example. It may therefore be more applicable to senior positions that are critical to the success of an organization: those at the CEO, C-suite and Vice-Presidential levels.

For more information, or additional copies of this article, please contact:

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