



**C-SUITE HIRES:
HOW TO TURN YOUR
BIGGEST RISK INTO YOUR
BIGGEST REWARD**

C-Suite hires are important. The right executive-level hire can make a tremendously positive impact on the future of their business and industry. C-Suite hires are also difficult. The wrong hire — even one who seems perfect on paper — can have just as big a negative impact on a company's success and culture over an extended period of time.

A bad hire at any level can be tremendously costly in terms of both money and time: The U.S. Department of Labor estimates that the average cost of a bad hiring decision can equal 30 percent of the individual's first-year potential earnings. Naturally, those numbers increase exponentially as you move up the leadership chain, since hiring costs, compensation, and severance expenditures are all higher at the executive level. And that's not even factoring in the many intangible costs related to morale, reputation, productivity, and so on, which can add up to several times the bad hire's salary.

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However, the benefits of making the right hire at the C-suite level more than justify the risks. The broader scope of skills required at the executive level — technical knowledge, business acumen, and management capabilities — means that a successful hire can have a hugely positive impact on a company's culture and strategic direction.

The higher risk combined with the potential for greater impact means that companies hiring at the C-Suite level should approach the process thoughtfully and systematically. While many companies experienced in the intricacies and pitfalls of C-suite hires employ executive-search firms to help navigate those tumultuous waters, others opt to go it alone via in-house recruiting. Both approaches have their merits, depending on the company's culture and needs, but there are some important factors to keep in mind when implementing a recruiting strategy.

Here are four key questions to ask before beginning the executive recruiting process:

1. WHAT IS MY HIRING APPROACH?

The most common approach to hiring is selection, where candidates are chosen from a pool of applicants. This approach puts the impetus on the prospective candidate to identify the position for which they think they're a good fit. Thus, the candidate pool is limited to those who a) are looking for a job, b) have decided they match the job requirements, and c) take the time to apply. Employers have a certain amount of control in this process through what they choose to include in the job description, and of course through the interview and hiring process; but their candidate pool is dependent on the self-identification of those seeking a job.

Selection is the recruitment approach most people are familiar with, because it's the way most jobs are filled. And for low-risk hires, it usually is the most cost-effective and efficient approach for companies to take. But for executive hiring, it can result in a candidate pool that is far too shallow to accommodate an effective C-level hire.

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This is where active recruiting comes into play. Active recruiting is the process of searching for a candidate who fits the job profile, regardless of that person's current employment status. Many times, the best candidate for a C-level hire is one who isn't actively looking for a new position. Identifying, pursuing, and assessing candidates in this manner requires a much bigger investment in terms of both time and resources, and shouldn't be delegated to an HR staff that isn't used to recruiting at the executive level.

Because active recruiting takes

much more time and rigor than the selection approach, it doesn't make sense for most positions. But it is the best approach for C-suite hires, allowing you to engage only those individuals that have been determined by you (not by themselves) to fit the position's qualifications.

The vast majority of successful candidates are those who were recommended by those who have worked with them before, and are therefore familiar with the personal attributes, competencies, and experience that the candidate would bring to the position. Leveraging such a network into successful candidate identification is a key component of active recruiting, and one of the primary benefits of working with an executive search firm.

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Regardless of the approach taken, though, it's crucial to have a substantial pool of options to choose from — never hire from a pool of one, no matter how "flashy" that candidate may be. Hires that draw a lot of outside attention or look good on a press release happen often at the C-suite level, but whatever visibility is gained by a high-profile hire will quickly be undermined if they're not a true fit for the position.



2. HOW WILL I DETERMINE AND MEASURE COMPETENCY?

Not all C-suite positions are equal — the most important competency of a CMO may be very different than that of a CFO, for example. Therefore, it's crucial to establish a system that identifies and weights the specific competencies required for the role that's being filled.

This system can be as simple as making your own assessment via the interview process and then documenting that assessment within a scorecard. As with the selection method of recruiting, this can be a straightforward and cost-effective approach — but it also invites the potential for human error and subjectivity, particularly if the hiring committee isn't deeply familiar with the intricacies of the position being filled. If rigor and consistency are a concern, the utilization of an assessment tool should be strongly considered.

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An empirically based tool can help counteract the subjectivity inherent in the interview process, providing a balanced perspective of a candidate's strengths and development opportunities. Determining which selection tool to use — Meyers-Briggs? DISC? A customized option? — and how to best utilize it in the recruitment process can be a challenge in its own right, but it's helpful to have impartial comparison points, and something other than your own instinct to guide you. An executive-search firm can be a tremendous asset in terms of identifying and deploying an assessment tool that fits the specific needs of your search.

The right assessment tool can

reliably predict a candidate's job performance, leadership capabilities, capacity for teamwork, creativity, and emotional stability—all of which need to be thoroughly analyzed in potential C-suite hires. When dealing with positions that encompass such a wide range of responsibilities and have such a high potential for company-wide impact, it's imperative to gain a holistic view of a candidate's capabilities and personality; the right assessment tool will be able to do exactly that.

3. WHICH REFERENCES SHOULD I CONTACT?

Formal reference checks are another aspect of the recruitment process where a proactive approach will be more valuable than the more commonly practiced passive approach. Oftentimes, candidates will be asked to provide their own references, which a hiring committee will then follow up on. As with the selection approach to recruitment, however, this can be limiting, providing a shallow reference pool over which the candidates have ultimate control.

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The right references should be capable of speaking at length about the competencies, experience, and personal attributes you seek in a candidate—and such references may not always be the ones a candidate wishes to share.

Therefore, don't idly request the references a candidate prefers to provide; instead, carefully choose the most appropriate people from the candidate's career history and inform the candidate of your desire to speak with them. Though this approach requires more effort on the part of an employer (or a recruiter), it will provide a more accurate and useful account of a candidate's history and potential.

4. SHOULD I ENGAGE AN EXECUTIVE RECRUITER?

Those hiring at the executive level, and who will therefore need to take a more aggressive and proactive approach to their search, will likely find themselves answering “yes” to this question. Because of the time, effort, and rigor required to make a C-suite hire the right way, many boards, investors, and CEOs opt to engage an executive-search firm to tackle the process for them.

Engaging an executive-search firm is like hiring in miniature: Knowing your company’s needs and how to best address them is crucial to finding the firm that will do the best work for you. Any executive-search firm worth its salt will be happy to answer your critical questions (see sidebar for our recommendations) before taking on a C-level recruitment project. Finding the right executive-search firm for your company can take some time and effort, but has the potential to save you a lot more time and effort down the road.

Whether you’re going it alone or outsourcing your C-suite search, the basic principle remains the same: Knowing what to look for is the first step to finding what you need.

In order to ensure you’re placing the trust of your organization in the right hands, consider this checklist when researching an executive-search firm:

Experience

Has the search firm worked in your sector/industry before? For how long? Do they demonstrate a knowledge of the business and the best types of individuals to lead within it?

Seniority

Who within the firm will be handling your search? What activities do the partners/executives take part in, and what’s delegated to contractors or junior-level associates?

Assessment tools

Which assessment tool(s) does the firm use? Are they statistically valid? Why and how were they chosen by the firm?

Communication

How often will you be provided with an update on your search? What kind of candidate report should you expect to receive?

Restrictions

Can the firm recruit from companies they’ve worked with in the past? Will the search firm’s experience working in your sector paradoxically limit the candidate pool due to “off-limits” agreements?

Guarantee

What level of guarantee or recourse can the search firm provide if a candidate doesn’t work out?

Fee structure

What is the fee structure? Are there performance metrics that must be met?

Post-hire services

Does the search firm assist with on-boarding? What other services, if any, does it provide once a hire is made?



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