

Executives - Trouble at the Top

By Peter Crush



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Incredibly HR is not always involved when hiring top senior executives, say some specialists. Are troubled times a good opportunity for HRDs to regain this lost ground?

Corporations are plotting a headcount cleanout of senior staff. At last month's Leaders in London International Summit 2008, 36% of the

1,000-plus leaders polled publicly revealed what many might have privately feared: executive-level jobs will be scythed, with 10% also suggesting senior management will get the chop.

There are other indications of this depressing outlook. The Chartered Institute of Management reports senior UK management is twice as likely to be sacked this year compared to last year, with the redundancy rate for this group rising to 3%. Outplacement, also a barometer of top-level instability, is also seeing a return, reports Reed Consulting.

Yet while the obvious worry for HR directors might be dealing with the exodus, some believe there is a much more pressing concern to confront: getting HR professionals back into a position of authority when the time comes to recruit top-level talent into the company. According to Anthony McAlister, managing director of career advisory company Accipitor, which helps senior executives from the likes of KPMG find new employment before they are passed over or made redundant, HR is simply not involved. "We normally go straight to the CEO to introduce people. That's where decisions are made, where business gets done. HR is out of the loop. We would like to do more through HR, but we find this just isn't how senior-level recruitment is done."

At the top end of the recruitment tree McAlister believes the 'old boys network' is alive and well - hiring decisions are made unilaterally by well-networked CEOs who bring in their own circle of associates or former acquaintances. This obviates any HR scrutiny. "There is far less rigour with senior appointments," he adds. "There is little or no reference take-up. Only one CEO we have placed this year has undergone any psychometric testing."

Recent appointments that suggest it is the CEO who does the hiring include Sir Richard Branson who appointed his daughter Holly, 26, in August to launch a new health division. She had no business background, but had been studying medicine for five years.

According to McAllister, companies are storing up problems if HR is not fully involved in giving CEOs a reality check as an impartial onlooker who thinks about the business and culture-fit of the boss's executive choices. He also says the situation will worsen if more experienced people become jobless: "I see problems coming if there are more talented people hitting the jobs market. There are only about 20,000 new jobs in the salary range £100,000-£500,000. There could be a new pool of 160,000 people going for them, forcing talented people to apply for lesser MD or board-level roles. If these people are not chosen properly, there could be serious implications for how these people get on with the rest of the company."

Empirical studies analysing the effect of CEO-driven recruitment choices are thin on the ground, but in the more niche area of so-called 'scion CEOs' (bosses who keep hires in the family), a study by Danish academics looking at 5,000 firms between 1994 and 2002 found that the performance of companies with \$1million in assets improved by 1.3 percentage points after the succession of outside-the-family CEOs, while it declined 0.1 percentage points when scion CEOs were chosen.

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Mark Goodridge, CEO of ER Consultants, specialises in organisational behaviour change. He assesses senior management on behalf of headhunters and says it is not uncommon for boards to have set ideas about where the next execs should come from. He has often seen them split into two distinct camps - those who want internal candidates, and those who prefer external candidates - despite both sides not having a clear idea of the talent they have internally. He says only in the public sector is assessment routine, while virtually nothing happens in the private sector. "This is a pity," he adds. "Notions of what success is in senior management are changing. But recruitment at higher levels is still dominated by old-boy connections. I do think CEOs still have defined views on who they think 'fits' a company - usually someone like themselves - which isn't always the best. The only way for HRDs to have influence is to impress upon CEOs the need for independent assessment."

So is the situation quite really quite as bad as the one painted? Dona Roche-Tarry, formerly head of human resources, commercial banking, Barclays, now at global search firm CTPartners, says her experience was different, but only at the insistence of her HR team. "At Barclays HR worked very closely with the CEO making him aware of the overall talent programme. They acted as advisers, hand-in-hand." She adds: "Even if names

were already suggested to us, we tended to ensure that a balanced list of people was put forward."

Roche-Tarry admits she has seen hiring decisions go both ways - where pre-named candidates may get the job - or not. But she also notes too few HR directors network enough in their industries to know who's the next big thing. "CEOs are very good at this, and they'll know their industry and competitors very well. They know the top people. The same cannot be said for HR professionals - which is why they use search firms - but they could be more proactive in widening their knowledge."

Roche-Tarry argues that the best CEOs will always make room in their diaries to meet new executive-level talent, and says HR professionals should be actively setting up - and sitting in on - such exchanges: "CEOs will always welcome new names. They'll probably gain some industry knowledge, while a connection will be made for a potential future appointment even if there is nothing available now. HR, meanwhile, will have someone new to consider in their talent pool. It's a win-win situation all-round."

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