THE STONEWOOD PERSPECTIVE

Improving Hiring Effectiveness

The Role of Organizational Context

Suppose for a moment you are the board member charged with recruiting a new CEO into IBM. The executive search firm that you retain presents a slate of candidates featuring two CEOs of very successful small start-up software companies. Do you seriously consider the candidates or fire the search firm? Why? Now consider you are a board member of an early stage start-up and you face the same challenge of finding a new CEO. The search firm presents a slate of candidates from very large, mature companies such as IBM, all career professional managers and all experienced in the start-up's technologies and target markets. Do you consider them seriously or fire the search firm and again, why?

While most would think it absurd that a start-up CEO could lead a complex multinational, multi-billion dollar corporation such as IBM, many would look very seriously at the IBM manager to lead a start-up. In fact, firms do it all the time, often to somewhat underwhelming effect.

Welcome to the world of organizational context, one of the most misunderstood and underestimated considerations in the recruitment and performance of management talent. It is also a world-class killer of companies and executives alike.

What is Organizational Context?

Organizational context is typically described rather than defined. It refers to the conditions or circumstances surrounding a company which give

it individual meaning. It is the base ingredients if you like, from which the concoction known as your company is brewed. It includes such variables as location, structure, culture, political environment, competition, employee demographics, ownership, technology, financial resources, markets and strategy. Contextual variables may or may not stand out individually but combined they create the energy field, texture and even taste of a given organization. And context is dynamic, changing over time, sometimes silently and slowly, other times violently and with haste, to the benefit or detriment of each and every organization.

Context affects attitudes and behaviors. Branch office attitudes typically differ from those in head office. A company starved for cash behaves differently than one rich in financial resources. Family businesses have decidedly different dynamics than professionally managed organizations. The cadence of aerospace/defense organizations differs from Web 2.0 companies. Context constrains and enables organizations and shapes the responses to it. And while combinations of contextual variables allow for generalizations across companies, organizational context has to be respected as somewhat idiosyncratic at the firm level.

Different contexts call for different leadership. Consider for example the same senior level role in two companies distinguished by dramatically different contexts. A Vice-President at Bell Canada operates in a very complex, highly political organization in which gaining consensus on any

given initiative can be as difficult as conceiving the initiative itself. This is a mature company constrained by matrix structures, multiple business units, political, geographical and historical considerations, regulatory and union issues, internal coalitions of interests, technology issues and remnants of a monopolistic culture. Irrespective of the functional brilliance of the executive, the context threatens to overwhelm anyone who is not schooled and skilled in similarly complex environments. Now contrast that to an executive working at Globalive, a young, founder-managed entrepreneurial company that plans to build a green-field wireless operation after acquiring a number of spectrum licenses. It is almost certain that measures of success along with the attributes required to deliver them will differ from than those coveted by 'The Bell'.

Context affects leadership in all walks of life. The neighborhood or community largely determines the best means by which to deliver educational or policing services in that community. The context of a city, province or country at a given point in time frames the skills needed to lead them. Even the context of a war determines how it must be fought. Last month for example, US Defense Secretary Robert Gates ousted the Air Force's two top officials as part of a plan to shake up the US military. One newspaper explained that Gates took the steps, in part, because he believes the US military has failed to adapt conventional tactics and strategies to the context of Iraq and Afghanistan which have proven to be anything but conventional theatres of war.

How Context is Overlooked in Hiring

If leadership requirements are intertwined with organizational context, then surely it is extensively considered in executive hiring. Think again.

Consider the true saga of this Canadian start-up. Two years ago, as a condition of securing a large round of financing, U.S. based investors insisted that the founder be replaced by a more seasoned CEO. With aspirations of selling its wares into the U.S. media market, the board reasoned that an executive intimate with that sector was needed. It

recruited the divisional President of a very large, well-known media company, an executive with 25 years of varied sales, marketing and general management experience, all within 'big media'. The executive knew 'everyone' in the sector, was well-regarded as an effective manager and came with an excellent track record of driving results for his employers. Based in Manhattan, the new CEO assumed management of the young thirty-five person company whose employees were all based in Canada. Sound familiar?

Now what do you suppose the freshly minted CEO did first? He did what every professional manager does best; he hired a team that he could professionally manage. While that proceeded glitch-free, what followed did not. The CEO's coveted relationships, tied to the large, prestigious corporations he had worked for in the past, proved to be far less transferable than expected. Doors did not automatically open, and deals did not magically appear. Having spent his career leveraging well-known brands, he struggled to build a new one. Several of his new team members, notably the New York based Vice-President of Sales, quarreled openly with leaders of the engineering organization in Canada and dangerous 'us versus them' dynamics emerged. With very little 'street-fighting' experience or even proclivities by which to scratch and claw his way to some market traction, the CEO tried to spend and manage his way to success, burning through the company's cash while missing most of the deliverables and milestones along the way. The investors, programmed as they are to never admit error, rationalized that the market was simply not ready for the firm's offerings, and moved to temporarily downsize the firm. Fortunately, the firm's founder had not been 'retired' with the changing of the leadership guard, and after the CEO was released along with his hired guns, the founder was given 'another chance' at the helm of his company. The market's readiness has coincidentally strengthened as has the company's performance.

The anecdote illustrates how easily contextual considerations are sacrificed in favor of addressing immediate points of pain or realizing visions

of a glorious tomorrow. But as the ill-fated U.S. media executive shows, context cannot be ignored. Leaders who thrive in certain contexts easily flail and fail in others. Competence is contextual, not universal and organizations ignore this at their considerable peril. While executives undoubtedly drive the performance of companies, the performance of executives is also driven by companies and their circumstances.

Context Driven Hiring

Management changes are usually undertaken in response to changes in context. Growth stretches a company's financial resources and processes. A firm wavers under the weight of currency exchange pressures and struggles to restore itself in the marketplace. A private equity firm introduces a new vision and strategy to its newly acquired corporate asset. In each instance, changes in context drive the need to re-align the leadership of the business.

Unfortunately, context isn't easy. The many interweaving variables affecting an organization are difficult to sort out, rank, weigh in importance, and hire against. It demands an investment of time and effort to be understood and because of this, context is often ignored or subsumed as a background issue. Simplifying the issues is also extremely tempting, oversimplifying even more so. And this is where companies, even the brightest and best, get themselves into trouble.

Home Depot, GAP and Starbucks are all well-known examples of firms that became global powerhouse brands in a relatively short period of time. In each instance, rapid growth begat issues of increasing organizational complexity and the need for ever-more sophisticated coordination and efficiency of operations. The boards of each of these firms wrestled with whether the brilliant entrepreneurs who built them were best suited to deal with these challenges and in all three instances professional managers were handed the leadership batons.

Curiously, all three of the external executives who replaced the founders failed, not because they failed to implement the rigorous systems, controls or processes needed to effectively manage these global businesses. In fact, each of the CEOs was hired specifically because they were quite accomplished in each of those areas. Rather, they failed because the context was oversimplified and over weighted towards efficiency at the expense of the intuitive, creative and design elements that made these retail businesses great. Managing creativity by the numbers is a dangerous endeavor and it was not long before the GAP lost its design mojo, Starbucks the intimacy of its famous 'third place', and Home Depot its acclaimed customer service.

This is precisely why context can be such a subtle killer. It is a system level construct which must be respected as such and examined from a perch far above the fray. When this is underestimated, it is the points of greatest pain, throbbing as they do, that attract the management balm, often to the detriment of the organization's overall health.

Context should be the first consideration when a decision to hire is made. It is embedded in traditional environmental scans, SWOT analyses, PEST (political, economic, social and technological) analyses and a variety of other off-the shelf methodologies by which to capture a macro-level understanding of a business and all of its moving pieces. Sites such as Wikipedia provide a range of frameworks and links to undertake basic context analysis.

At a minimum, context analysis ensures a measure of objectivity to a hiring process. It puts an array of factors on the analytical table for scrutiny and in the process improves the overall situational assessment. Once context has been mapped out, organizations can then extrapolate to the leadership attributes and experience most likely to be successful in that situation. Organizations can then focus their recruiting efforts on finding executives experienced and successful in similar contexts.

Timelines are an important consideration. On the one hand, organizations have pressing issues today which must be addressed. At the same time however they must be able to anticipate and adapt to the changes tomorrow will bring. This is why organizations ideally hire executives with experience in the entire journey before them. This is the essence of the leadership trap for many firms. Lacking the courage, vision or wherewithal to hire someone with experience in the today and tomorrow, organizations hire at one end of the spectrum and cross their fingers that the executives can scale up or downwards as it were.

Good selection decisions also incorporate an understanding of the adaptability and versatility of candidates as well as the range of contexts their experience spans. Anything less than that is guessing and praying. What have they done, where have they done it, what context did they do it in, who did they do it with, what role did they really play, why did they do it that way and how would they do it differently if they did it again? In addition to a behavioral journey down memory lane, good selection decisions incorporate an understanding of motivational factors (ie. Will an individual strive to overcome and succeed? What drives them, and what does this drive them to do?); intellect (still the single biggest predictor of executive success); interpersonal style (how will they interact with others in doing their jobs?); and self-awareness (an indicator of the likeliness that the individual will continue to learn and grow). A detailed discussion of these must be left to another day.

Conclusion

Peruse any newspaper, on any given day and you will find a story from some far away land that will leave you scratching your head. How could that have happened? Why would someone do something like that? Why would someone think that way? Ponder these questions for even a few moments, and it becomes clear that they cannot be answered in the absence of context.

Context gives meaning. And in the same way that we struggle to make sense of news without context, so it is senseless to make hiring decisions without careful consideration of those things that give meaning to that business.

About the Author

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