

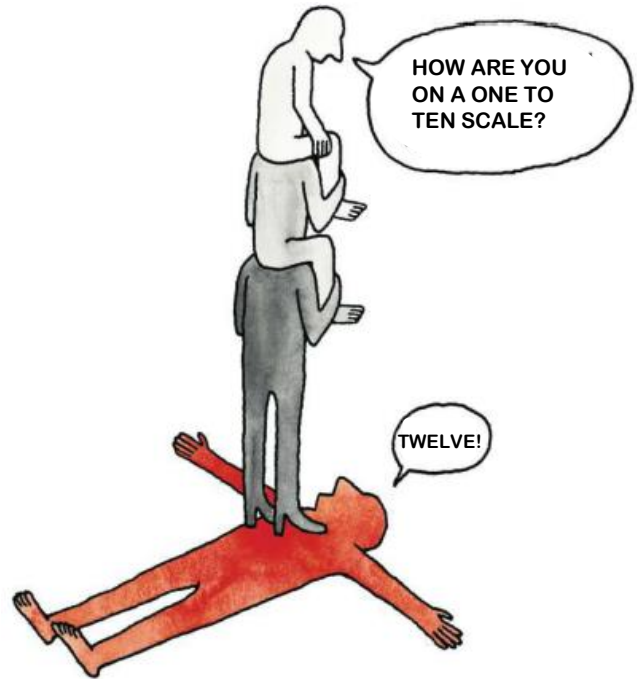
Looking for Mr Right

It feels like an acid test for the ambitious: a Zurich-based company taking potential leaders through a demanding and focussed selection process. While successful candidates are going to qualify for the corridors of power, others may realise they are not even fit for their current job.

Marco Sanchez' face has turned red, he looks like he has just finished a half marathon. Sitting in a bent-over posture, his right hand fingers stretched out, he sorts through the documents on the table; Sanchez is under pressure. As the newly appointed CEO of a Swiss family company, he has been asked to bring the head of its foreign subsidiary to his senses. The latter had behaved in an unprofessional way, he had delivered his high-level ideas on cost reductions late and even managed to hang up on his boss during a telephone conversation. Sanchez had started the conversation with clear goals in mind. He was determined to show appreciation and support for his direct report and understand the reasons for his behaviour. That said, he also wanted to make clear that things could not continue like this. Sanchez does not do a bad job.

The head of the foreign subsidiary tries to change topics and complains that the company culture has changed and that the CFO would be on his back all the time, but eventually he agrees to play by the rules again. Sanchez managed to achieve his goals without being too tough.

It was all a role play. Sanchez is not the CEO, although he might be one day. As Marketing and Sales director, he is currently the No 2 in a medium-sized engineering company with more than 1000 employees. The owner of the company has turned 58 and would like to be less involved in daily operations, focusing more on running the board. In this 100 years old family company, loyalty is more than a word. The owner would love to see an internal candidate step into his shoes and carry the company's philosophy forward into the future.



WILLPOWER

The question is: is the next generation ready? In order to find out, the owner asked the Zurich-based executive assessment firm XCG for help in deciding. XCG has been tasked to put candidates through the acid test of its one-day assessment process. In addition to Sanchez, the owner also nominated his COO Johann Heiniger for the assessment. Both names have been changed to protect confidentiality.

It's a quartet that decides

The assessment Pros reside in a four-storey building in Zurich Wollishofen. Fine wood parquet floors, black leather chairs and mirrored sideboards show that the firm obviously deals with executive clientele when evaluating senior leaders. While Marco Sanchez and Johann Heiniger may be at the same place and time, they do not know about each other. The XCG crew has a lot of experience in managing up to four candidates in parallel through the process. This is done in a way that candidates never run into each other. Even car parking is organised with military precision.

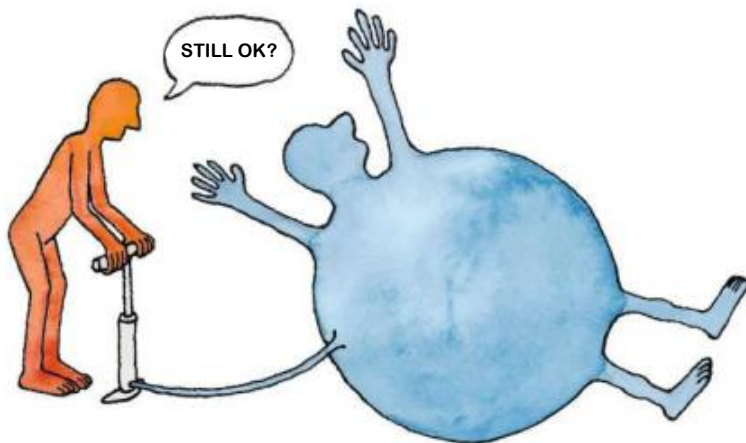
A Schefflera plant reaching the ceiling dominates the meeting room where the assessors gather around an oval-shaped table: psychologist and XCG partner Doris Keller Creus, XCG CEO Udo Ender, Daniel Abatemarco, expert for HR and change management, and Frank Seelig who holds a degree in business administration; he was an entrepreneur in a previous life. They all understand the nuts and bolts of the client's company and tailored the assessment day to the requirements of the CEO position in question. Obviously, due to its high quality product range, the company is actually well positioned to succeed in the European market. That said, the company feels the pressure from the strong Swiss Franc and also from aggressive local and foreign competitors. Turnover and profit have eroded significantly over the past years. "This is unfortunately a situation our mid-cap clients in Switzerland are quite familiar with," says Udo Ender. There is no doubt that a new

leader will not only need to drive efficiency, but will also need to recalibrate the company's strategy while trying to make sense of the impacts of digitisation. Is Marco Sanchez the right man for the job? Or would Johann Heiniger be a better choice? Internally, both had expressed an interest in the CEO position. Today, the focus is on determining whether one of them could be a good fit with this key position. In parallel, the owner does not want to promise too much, because losing his long-standing confidantes, in case both don't qualify, is an unpalatable option. That's why the owner is also expecting to see how both could develop further in their current positions. Most XCG assessments will also include a client representative at the table. Not today though, because the owner knows his managers very well.

Both candidates are in their mid-forties and are about to set the course for their future careers. Other than this, they do not have much in common. COO Heiniger has been with the company only since 2012. He kicked off his career through an apprenticeship as design draughtsman, later became a qualified engineer and acquired an MBA. He has gained vast experience leading the production facilities at large companies, a smart all-rounder delivering robust project work. Whereas current Marketing and Sales director Sanchez had started 20 years ago as an electrician and then worked his way up the ladder. "He feels like the classic bottom-up guy with huge practical experience," says Udo Ender, "a down-to-earth personality with a lot of passion and emotions, but without academic background." Today, Sanchez leads a couple of hundred people. That said, the question whether he has the ability to think holistically about the business, to develop a vision and define a strategic roadmap to get there, remains open.

Endearingly old-fashioned

This afternoon, his presentation on "strategy and organisation" is going to provide one answer to this question.



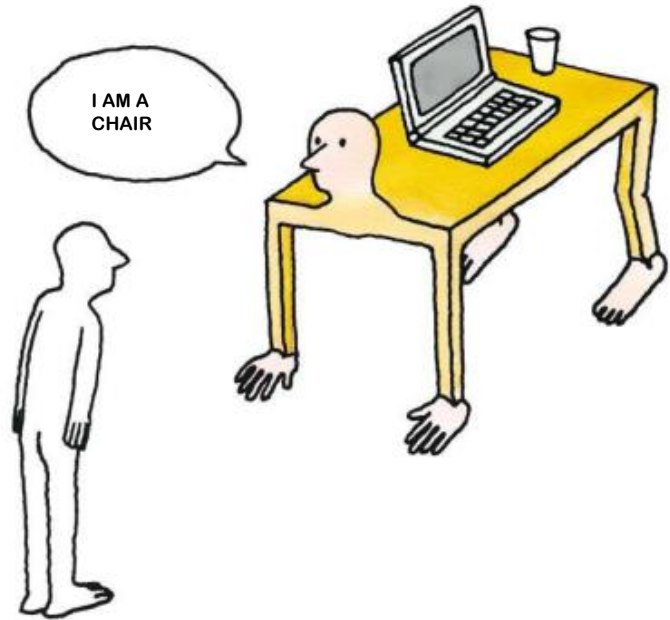
RESILIENCE

Sanchez had spent two hours in the morning preparing this presentation. Before and after, he was involved in interviews with consultants and provided self-assessments of his motivation and personality. Standing in front of a flip-chart, he explains his hand-written thoughts about his company's strengths (strong image, good know-how) and weaknesses (too dependent on the Swiss market). His take on the vision: the company needs to remain the undisputed No 1 in Switzerland while continuing to grow in the EU. The presentation then is followed by a round of questions. What would make us realise in 2020 that, as the CEO, he had managed to put his stamp on the business? Sanchez hesitates for a long time before saying: "Because I would have ensured that we continue to have a clear and unique company culture evidenced by very low employee turnover." He would continue to produce in Switzerland, China would not be an option. How would he cut selling expenses by 10%? Sanchez proposes to put more focus on indirect sales channels via distributors outside Switzerland. Why is this not happening today already, as such a change would be within his remit? His answer remains vague. While Sanchez leaves the meeting room, the XCG consultants discuss his performance. His paper-based presentation and his focus on employee satisfaction came across as endearingly old-fashioned. But the consultants are

a bit worried that a seasoned sales professional hardly talks about quantitative goals and completely ignores digitisation. "I am not sure whether he is able to live up to the challenges of today's job," throws in psychologist Doris Keller Creus. "He has an engaging personality, but I miss his desire to take leadership," says Frank Seelig, while Udo Ender sees a lack of assertiveness. Daniel Abatemarco, consultant No 4, states: "he can't provide guidance, but needs guidance from above."

350 leaders per year

The assessment industry is a booming business, there are dozens of members in the corresponding industry association. The XCG consultants belong to the few in Switzerland who have a solid understanding of what makes the group of leaders who all hold economic and political power, really tick. Every year, there are about 350 business leaders, but also civil servants, leaders from universities, industry associations or leaders from companies associated with the government who participate in management audits and assessments. Quite often, well-known local or foreign business leaders, senior politicians and civil servants gather around the oval-shaped table to watch whether their candidates, who were either recruited internally or were recommended by head hunters, can withstand the XCG test. "Everybody who we see is a sea



CREDIBILITY

soned leader, but, obviously, nobody has the perfect profile for every position," says Doris Keller Creus.

It is a company's life-cycle stage that influences what kind of leaders are the best fit. Is the company a start-up, an established, growing business or confronted with a downturn? Zeitgeist also plays a role: towards the end of the 1990s, when the dotcom hype was in full swing, strategy consultants devising high-flying plans were much sought-after. In 2008, when the mood had turned sour, seasoned operations people, "turnaround managers" as Doris Keller Creus calls them, came into strong demand. Public authorities look for top people with integrity and security clearances who have the ability to think long-term, not in quarters. "However, they often are quite adverse to change and lack entrepreneurial courage."

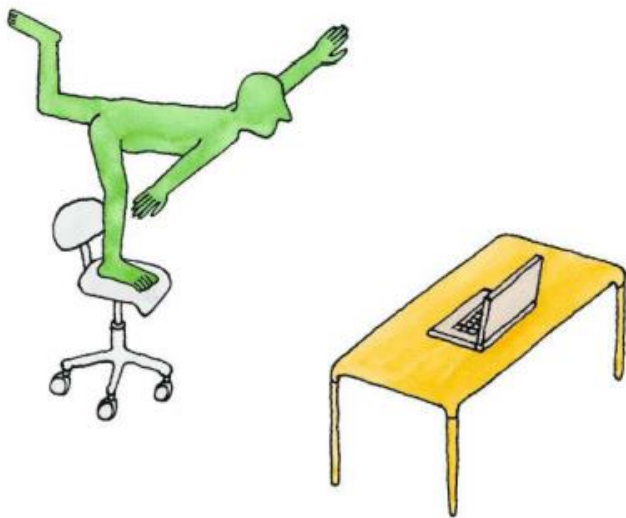
It is the strategy exercise where Johann Heiniger clearly outpaces his rival. Using Powerpoint, he presents his ideas in an easy-going way carving out in detail his employer's pain points: Things are not moving fast enough in the family business, there are too many passengers. There is a core of about 20 people who really run the business. His colleagues usually emphasize that also the business leaders had made similar points in the past. "I just can't take it anymore!" The org chart was created around the people available, not the other way round. Heiniger also sees the risk of being locked into the quality segment, where prices and margins are under pressure. Eastern European competitors can produce at a fraction of the cost, that's why Heiniger could see moving parts of the production to these countries. "I'd like to quit Switzerland, but we may never forget where our roots are." He had worked in a start-up company before, but did not like it. "My strengths really are around taking over an established business and smell out hidden potential." A mistake he would never make as CEO? "I'd never stifle motivation for change through insisting on routine."

According to Heiniger, the business should continue to be owned by the family over the next 150 years. During the discussion, this is the point that least convinces the consultants. "He focuses too much on what there is today," finds Daniel Abatemarco. Frank

Seelig seconds that: "He is selling himself short by thinking in terms of financial constraints, instead of coming up with the big ideas needed to still be successful in ten years' time." Only Udo Ender believes Heiniger could make it: "He is an entrepreneurial thinker, has extensive experience, is agile and a lot less professionally blinkered than other family members who have been around for a long time." Psychologist Doris Keller thinks Heiniger is "a great guy, fully committed, a personality you would want to have in the company," but there is a huge question mark concerning his ambition. "Is he really hungry enough for the job?" She believes this is a hypothesis which needs to be checked during the next module "leadership and change management."

15'000 Swiss Francs per Day

XCG invests a lot of resources in finding the right man or woman for a position. Prior to the assessment day, the consultants spend time doing extensive research and getting client briefings. "We need to understand an organisation from scratch, the environment, the culture, the strategy, the future business or people challenges the company anticipates," says Keller Creus. It is a luxury solution which comes with a luxury price-tag. XCG charges 10'000 to 15'000 Swiss Francs per candidate and assessment day. Udo Ender concedes this is quite something. "That said, it pays off, because, through the assessment, clients avoid or significantly reduce the chances of hiring the wrong person into a key position." We all know this can quickly cost two or three annual salaries, and, in the worst case, even threaten the existence of the company. Interviews may often not be enough for both the candidate and the business leadership or board, says Keller Creus. Sometimes managers do have the tendency to overestimate their capabilities. However, it often is not in their best interest to pretend something in order to take over a key position and realise after a short period that they are not ready for the job. In the same vein, it does not make sense to change into a business culture one does not really fit into. At the end of the day, it is their own career that is at risk. That said,



PRESENTATION

also at this level, there are dazzlers and relentless self-marketers. "The façade starts to crack after a few hours," asserts Keller Creus. Johann Heiniger is eight hours into the assessment when he presents his ideas on leadership. He is a very demanding boss, but grants his employees a lot of freedom. He does not like micro-managing them. "My high performer sometimes works in the middle of the night and just does not make any mistakes, but getting him to attend a meeting at 8 o' clock in the morning is just impossible." Heiniger is laughing as he says this, he still seems relaxed. And he also knows where his deficits are: "My style does not really work with people who are a bit timid, I am just a bit too much on it." In case he should make it to the top, he would worry about one thing most: missing out to identify potentially lethal developments, like for example new technologies that could shake up the whole industry. The consultants now ask him about the development areas he needs to address on his journey to CEO. "I do not have enough experience in leading seasoned leaders at an international level." Udo Ender then asks him about his views about other members of the leadership team – Marco Sanchez in particular. "He is a very good salesman, but his leadership of the sales team is not really efficient. We are losing money because of his hesitation to take decisions and he is not prepared to make badly needed but tough calls on the sales reps," answers Heiniger ignorant of the fact that his colleague is sitting round the corner. Moving on, the consultants get an explanation why he seemed a little bit hesitant to take the next step: his son still deals with the consequences of a serious accident. "In case his condition gets worse, I would like to take the time to take care of him myself more." So Doris Keller Creus' hypothesis was correct. "It takes a lot of courage to say something like this, many candidates would never admit this," says Frank Seelig. The debrief around the oval-

shaped table takes less time than the one after the first exercise. The picture has become quite clear. The COO is only able to effectively deal with high performers; he could not do this as the CEO within the family context. Doris Keller Creus comments: "He takes a take-it or leave-it approach, I am who I am." She does not think he is prepared to work on his improvement areas.

Full of spelling errors

Now it is Marco Sanchez' turn again who in the meantime has taken up Powerpoint. When asked to describe his leadership style he says: "open and direct" and continues to emphasize how important trust and loyalty are to him. "I'd like to support my people as much as I was supported." He is also convinced that he has the energy needed to motivate his team. That said, he actually comes across as being up against the ropes. Most of what he says, he literally reads off his presentation which contains many spelling errors. He stresses the importance of the CEO being a team player and sees himself more as a colleague or "primus inter pares". In terms of development areas, he mentions strategic thinking and conceptual tasks. "Today, our boss takes most decisions himself, he has everything in his head."

Sanchez' performance today was not fit to positively surprise the XCG crew. But the last exercise he handles really well, as he convincingly deals with the quite opinionated head of a foreign branch which is played by Udo Ender. Compared to the botched strategy presentation, Sanchez obviously demonstrates a much higher energy level. "We've just witnessed his true strengths," says Doris Keller Creus. "One can see his leadership experience, he knows how to connect with people."

She also mentions that the role play has been designed to demonstrate how short a fuse a candidate really has and to what level he can mobilise his



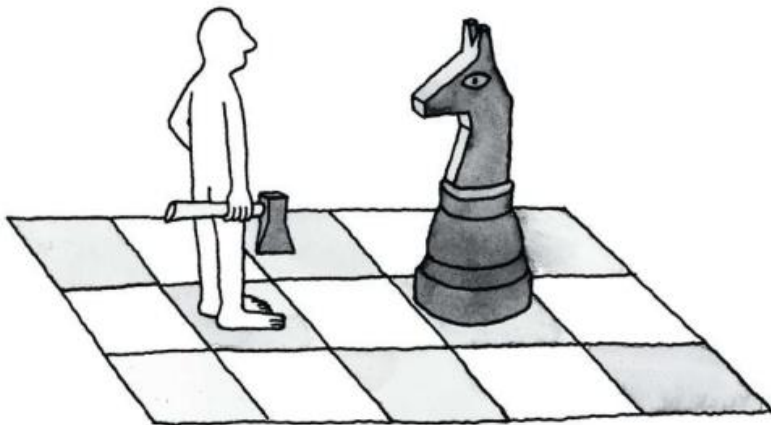
FLEXIBILITY

resolve. Up to now, Johann Heiniger has left a stronger impression than Sanchez. But the conversation with the headstrong colleague who complains about not having the freedom he needs does not go as well as planned. "I actually am a simple guy," says Heiniger, "if I visit quite often, I have the impression there is something going on and I don't have enough trust in a person. You need to convince me about the opposite." He does not really get his colleague's buy-in, perhaps also because he did not go into the discussion with clear goals. Later, Heiniger says that, if asked to do it again, he would conduct the conversation in exactly the same way, because he just did not like conflicts. "I'm quite sensitive, I really want to understand the reasons why someone responds negatively." But the consultants don't believe him. Heiniger had not succeeded in connecting to his colleague, says Udo Ender. "He drives a hard bargain, but never showed appreciation by saying something like: you are one of my most important employees. He hardly asked any questions." Heiniger is a challenger, not a motivator. Evening has come and both candidates, who had never met during the day, have left. Doris Keller Creus and her colleagues unanimously agree not to recommend any of the two candidates for the CEO position. "The current owner is an icon. Neither Heiniger nor Sanchez would be able to fill the vacuum after his departure," she says. Both lacked charisma and assertiveness. Heiniger has potential, and he managed to maintain a stable performance during the day, but he needed to work on his next step from manager to leader.

The consultants believe there are tough times ahead for Sanchez. "He has been rewarded for his loyalty, but now he is up against the wall," says Udo Ender. "He needs strategy training and a larger toolbox, otherwise things might really become difficult for him, as a new CEO joins the company." So this assessment has not accelerated a career, rather to the contrary. That said, candidates usually are grateful for wake-up calls, even if receiving such feedback might be painful, says Frank Seelig. Both candidates are going to be invited to a feedback session where they will receive a detailed written report plus tips concerning their personal and professional development.

An External Person needs to fix it

The owner now needs to accept that there are no obvious internal candidates. "I believe he actually knew this before, he was just looking for validation," says Udo Ender. So the owner is going to look for a CEO outside the company. Doris Keller Creus recommends to hunt for a seasoned, charismatic leadership personality who is used to working in a mid-cap family enterprise. You might call this type "an entrepreneur with an employment contract." In addition, the ideal candidate is an integrative personality with change management experience and who also needs to show true commitment to performance. Now it is the headhunters' turn. Any person they identify is first going to undergo the acid test in this office in Zurich Wollishofen.



STRATEGY