

Singapore Management University

Institutional Knowledge at Singapore Management University

Knowledge@SMU

Office of Research

12-2007

Making Great People Decisions Is the Toughest Business Challenge Say Top Executives

Knowledge@SMU

Follow this and additional works at: <https://ink.library.smu.edu.sg/ksmu>



Part of the [Strategic Management Policy Commons](#)

Citation

Knowledge@SMU. Making Great People Decisions Is the Toughest Business Challenge Say Top Executives. (2007).

Available at: <https://ink.library.smu.edu.sg/ksmu/370>

This Journal Article is brought to you for free and open access by the Office of Research at Institutional Knowledge at Singapore Management University. It has been accepted for inclusion in Knowledge@SMU by an authorized administrator of Institutional Knowledge at Singapore Management University. For more information, please email cherylds@smu.edu.sg.

(<http://knowledge.smu.edu.sg>)

Making Great People Decisions Is the Toughest Business Challenge Say Top Executives

Published: December 03, 2007 in Knowledge@SMU

Where great people decisions are concerned, the right person put into position of leadership can take an organisation to greater heights but the wrong candidate can steer a path to disaster. Founding leader of global search firm Egon Zehnder International, Claudio Fernandez-Araoz, introduced his new book, "Great People Decisions" recently at a Singapore Management University Distinguished Public Lecture.

Despite the importance of great people decisions, he said, it is a blind spot across the commercial world as well as in the public sector. Fernandez-Araoz stressed that greater awareness of the subject among the population at large would help individuals be more successful, companies increase their value, and countries to be better governed. He warned against personal biases that could sabotage impartial decision making processes. These include a tendency to evaluate people in absolute terms, a preference to stick to the familiar rather than looking for a candidate who complements one's strengths, and making snap judgments before fully evaluating candidates.

The lecture was followed by a panel discussion led by Singapore Management University executive education dean and finance professor Annie Koh. The panel comprised: Claudio Fernandez-Araoz; Choo Chiau Beng, chairman and CEO, Keppel Offshore & Marine; David P. Conner, CEO and director, Overseas Chinese Banking Corporation (OCBC); Liew Mun Leong, president and CEO, CapitaLand Group; and Ong Ye Kung, chief executive, Singapore Workforce Development Agency (WDA).

An edited transcript of the panel discussion is included below.

Koh: You heard Claudio. What spoke to you?

Ong: Day to day, what I worry most about are people decisions. Business decisions are relatively easy to make; you get some data and you can analyse them. But the people decision is very much about your gut feel. There are some techniques [to get it right] but you get it wrong sometimes. At the CEO level, making a decision about bringing in a manager is like a bomb disposal unit. You are down to the two wires -- cut the red or the blue. If you do it wrong, it explodes. It's something we constantly grapple with.

Conner: The people decision is without question the most important aspect of running the business. Claudio has made it quite clear that it is not easy. But in fact from my vantage point Claudio made it look easier than it really is. To get people on and off the bus, so to speak, you operate within real live constraints such as the chairman choosing the board, the CEO dealing with the board and direct reports, and everybody down the line facing a set of constraints that is very real. One has to keep this in context and it is a real challenge because the decision-making process, whether it involves a new appointee or promotion, will inevitably involve consultation and inputs from others -- up, down and sideways.

Fernandez-Araoz: I agree 200%. When working on the book I spent significant time with Jack Welch who said that hiring people is hard, and hiring good people is brutally hard. He said that when he joined General Electric half of his people decisions were wrong and the best he subsequently achieved was 80%. It requires huge determination, discipline and courage to make people decisions without being affected by external pressures.

Liew: For each stage a person moves up, you probably need different skill sets. In other words, the higher you go, the higher the leadership skill sets required. And some will not go further, some will reach a plateau. So, eventually, the need to make people decisions is no longer about science but about inclusive skills sets and whether you can make the right judgment about a person. I probably get 80% right; nobody can get it 100% right.

Koh: Does it get easier with experience?

Choo: I agree with Claudio and David that it is extremely difficult to make people decisions. What I'd say is that success or failure doesn't depend on the person alone. Whether you have got the right guy or wrong guy, everybody has strengths and weaknesses. Success or failure at work doesn't depend on one person. The key is really to bring out the strengths; try not to emphasise the weaknesses and try to get somebody else who is stronger in the area that this person is weak in so that the team generally becomes stronger. Sometimes you make a people decision and you have to live with it. I'm sure everybody has some strengths so how do you use these strengths in the organisation? I think that is very important.

Fernandez-Araoz: Nobody is good for everything. Great managers are able to find out what is unique about each

individual and put this to productive use.

Koh: What happens if you find that a wrong recruitment decision has been made?

Liew: At this point what I'd say is that in making a people decision and you discover it is wrong, you should make a fast U-turn.

Choo: Basically we find that if a person does not fit in the organisation within the first six months, he will leave by himself. With those who are still in the organisation, the question to motivate them, deploy them. They may not work well in this team but can do better in another team. Say a person who is leading a strategic business unit, if he can't take the pressure as a head, there are options for a second or third line position.

Liew: Let me rephrase what was touched upon earlier about people who don't fit in. If it involves a person from outside, someone in a senior position, we terminate the services. But if it's an insider being promoted beyond his or her capability, we will find another role for that person.

Fernandez-Araoz: You are absolutely right. McKinsey has done research which shows that 90% of executives say that corporations are not good at removing poor performers

Koh: How much time do you spend looking for the right person?

Liew: We do use headhunters. I do have a record of headhunting myself. When I come to an event like this, I'm looking for people. I was addressing a society of project managers recently and I made it clear that I was head hunting. During normal interactions at events I attend, I meet and talk to people. If the vibes are right, well, I make a snap judgment.

Conner: I spend a lot of time trying to lift the bank as a more attractive employer. We do employee surveys every year, we have focus groups to talk about what we can change, we change our benefits plan, we change our share options plan and share ownership scheme, we double the investment in employees' training -- those kind of things. One must not forget that making ourselves more attractive as an employer will improve the possibility to pick better people. The point is that leaders should spend time making the organisation a better place, an employer of choice.

Koh: You said earlier, Chiau Beng, that you are looking for people in Brazil. Is this a problem for a Singapore-based company?

Choo: Once you are outside Singapore, the problems multiply. First of all culturally it's different, the people network is different. A Singaporean who may be a good manager here, it may not work when you put him in a foreign environment. It's important that while we cultivate managers for overseas postings we also draw upon people from overseas. There is no single solution. Our shipyard in Holland, for example, is run by nationals from that country and there is only one Singaporean stationed there.

Liew: Our experience is that people always want to join successful companies. When we were trying to build up our forces in Japan initially, there were issues as people were not familiar with CapitaLand. Our strategy is to do something that is highly successful first to capture the attention of the locals. It works in countries where you are not known, no matter how big a picture you project of yourself.

Koh: What is the mission of WDA now in growing a Singapore-based company?

Ong: We are more worker-based in terms of training workers. But just listening to the conversation, it reminded me of a recent 360° exercise where we had to rank the attributes of a senior WDA manager. Of course I listed organisational ability, people skills relationships. But the staff listed other attributes such as integrity and leading by example. That's what they see in a CEO.

I see a connection in this case with the [Singapore] public sector experience in hiring people. Through a programme called "green harvesting", students with three 'A's will get an application form for a scholarship together with their results. So, the public sector gets candidates into the service even before students go into university. Upon graduation, they are put into the system. What is most effective about it is the apprenticeship where they get to understudy ministers and permanent secretaries who are full of integrity and lead by example, and through sheer osmosis they just learn and so the process continues. Centrally, within the government, the process has been institutionalised and there is a system that selects people who are still green and makes them great.

Fernandez-Araoz: At the end of my book, I have a chapter which puts together feedback from my colleagues worldwide where I ask for worst examples of leadership. What surprised me was that half of the examples were from the public sector. Singapore [however] is an example of a country which focuses on talents and the decisions made in the public sector are probably the best in the world. One of the most inspiring speeches on management was by Senior Minister Goh Chok Tong when he spoke about the cost of good government and the cost of bad government.

 [back to top \(#top\)](#)

 [back to top \(#top\)](#)

All materials copyright of Singapore Management University (<http://www.smu.edu.sg>) and the Wharton School (<http://www.wharton.upenn.edu>) of the University of Pennsylvania (<http://www.upenn.edu>), Privacy Policy (<http://knowledge.smu.edu.sg/privacy.cfm>).