

## CEO Insights

# Formative experiences may be key for CEO readiness

**CEO candidates deemed most effective underwent the most developmental assignments, Korn Ferry data show. They also suggest that formative experiences heavy in strategic and people demands may have greater potential to develop leaders.**

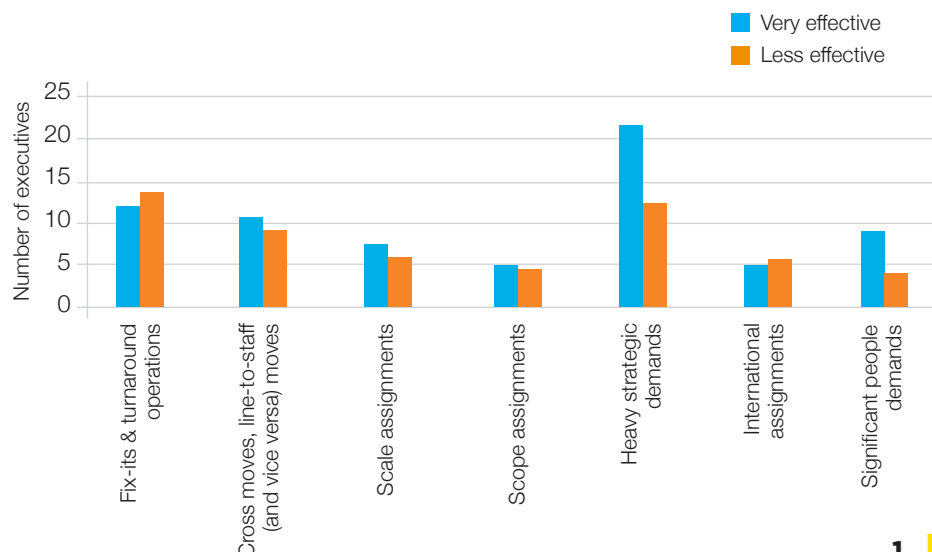
CEOs, compared with leaders at other levels, are more likely to have taken a wide range of developmental, career-building experiences in financial management, strategy development, and external relations (Sevy, Swisher, and Orr 2013). But within a group of high-level executives on track to become the next CEOs, which formative experiences differentiate between the most effective and the least effective?

A Korn Ferry analysis of data<sup>1</sup> on more than 60 executives—evaluated for CEO roles by completing Korn Ferry’s CEO Readiness Assessment—shows that those deemed most effective underwent:

- Formative experiences heavy in strategic and people demands.
- Extensive formative experiences.

Figure 1

**Very effective executives took on more formative assignments with heavy strategic (91%) and significant people (86%) demands.**



Seven categories generally encompassed all of the formative experiences rated by executives in this study: fix-its and turnaround operations, cross moves, scale assignments, scope assignments, heavy strategic demands, international assignments, and significant people demands.

Most executives in this sample said they had experienced heavy strategic demands at some point in their career, and the types of experiences were similar (e.g., change management strategy, divestiture, mergers and acquisitions). What differentiated very effective executives from those executives who were less so was the overall number of heavy strategic demands they had experienced: 91% of very effective executives said they had experienced heavy strategic demands, whereas only 55% of less effective executives said they had this kind of formative experience.

Significant people demands were the second formative experience that separated very effective and less effective executives. The kinds of experiences were similar (e.g., developing people, building cross-unit teams, interacting with a variety of people). The number of such experiences, again, differentiated the two groups: 86% of very effective executives said they had experienced significant people demands, compared with only 57% of less effective executives.

Not all experiences are equal—and not all formative experiences develop highly effective CEOs. Some formative experiences may have the potential to create more effective leaders than others, and a track record of the right formative experiences is an indicator of leadership potential (Sevy, Swisher, and Orr 2013).

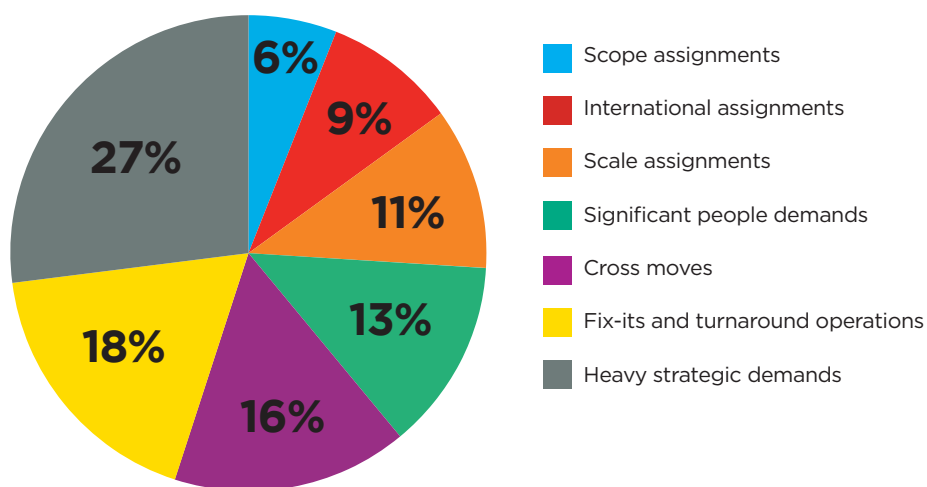
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<sup>1</sup>Sixty executives were evaluated for CEO roles using Korn Ferry's CEO Readiness Assessment (see box below). It provided measures of their formative experiences and effectiveness in CEO roles. Details of formative experiences and key learnings were obtained from self-reported career history questionnaires and career interviews, with qualitative content analysis techniques then applied to the information.

## More effective executives, more formative experiences (72 in total).

Figure 2

**Executives report having experienced a wide variety of formative experiences, ranging from scope assignments (6% of all formative experiences reported) to heavy strategic demands (27% of all formative experiences reported).**



The executives in this study were rated as very effective or less effective. Executives who were rated less effective reported 56 formative experiences in total, whereas executives who were rated very effective reported 72 formative experiences in total.

The two executives who reported the most formative experiences, six and five respectively, were both rated as very effective. The four executives who reported only one formative experience were all rated as less effective. This suggests that effective executives undergo more formative experiences.



**Executive insights on formative experiences.**

As many of the executives noted, diverse experiences in less-than-favorable conditions led to greater learning and future leveraging of those lessons. One participating executive, who noted that his English degree sometimes made him a less-sought choice for corporate assignments in comparison with colleagues holding business degrees, observed:

*"I learned a tremendous amount and sometimes in relatively unpleasant circumstances, yet the diversity of experiences is extraordinary and the fact that some of them were very difficult in retrospect, I am very grateful for. [...] Despite being the last pick, I worked with good projects, learned an incredible amount about how to structure projects, solve problems, and use different analytical frameworks to get different views on things."*

While some executives had these experiences early in their careers, they occurred later for others, after they had acquired functional expertise in their own areas. This demanded flexibility to accommodate, adapt to, and learn from differing perspectives, expertise, and interest under conditions of high visibility. An executive who successfully made the transition from one function to another explained:

*"When I was general counsel, I was asked to lead a review of the corporation's strategic options for presentation to the board. This was a significant initiative undertaken in consultation with many outside advisors and a large team from the organization. This was the first time that I was to step outside of the legal framework and assume a leadership role in the corporation's strategy. This initiative gave me an opportunity to contribute to the strategic direction of the organization beyond the general counsel role. After this experience I was asked to take on more responsibility for other functional areas."*

**CEO simulation assessments**

Korn Ferry CEO simulation assessments are designed to represent a year in the role, focusing on hyper-realistic business challenges that elicit the specific competencies crucial to success. Executives are required to familiarize themselves with industry and company data to complete, among others, an operations review of a business unit, an analyst meeting, a town hall meeting, and a financial review of the health of a company. Several executive assessors interact with and score candidates, and scores are compiled algorithmically. Also included are psychometric assessments and in-depth interviews. The process is standardized worldwide so that executives get the same experience and receive the same rating for the same level of performance.

### **Why formative experiences are key.**

Formative experiences are more than just skill-building events. They are important markers in an executive's personal development journey. Executives wishing to reach the top may want to seek formative experiences heavy in strategic- and people-related demands. Companies seeking highly effective executives and supportive of developing their own also may want to consider the number and type of formative experiences that elite talent takes on.

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### **References**

Sevy, Bruce, Vicki Swisher, and J. Evelyn Orr. 2013. *Seven Signposts: The Unmistakable Markers That Identify High-Potential Leaders*. Minneapolis, MN: Korn Ferry Institute.

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The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books, and a quarterly magazine, *Briefings*, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth, and success.