How can businesses stop getting the big decisions about people wrong?

Hakluyt partner Matthew Pettigrew talks to psychology professor Adrian Furnham about how to make the right – and wrong – decisions about people

Adrian Furnham

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Matthew Pettigrew

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Matthew: You and I have been talking about destructive behaviours and personalities in business for nearly ten years, and you've been studying them for much longer than that. It's no secret that they can be an issue, and yet here we are, at the beginning of 2023, bemoaning the negative impact that individuals continue to have on high-profile businesses. Recent examples include Elizabeth Holmes at Theranos and Sam Bankman-Fried at FTX, but there are many others. The obvious question is: why do we keep falling for these people and, worse, giving them our money? Why don't we see through them?

Adrian: Leadership failure and derailment, rather than success, is a relatively new area of study. A US psychologist called Robert Hogan developed a very influential theory and psychological test 30 years ago that has a lot of followers today. Hogan's work gives clues as to what 'dark side' traits or 'derailers' we should be selecting out for, as well as the 'bright side' traits to select in for. More recently, there's been a great deal of academic research into 'dark side' traits and what's sometimes referred to as the 'dark side' triad – narcissism, Machiavellianism and psychopathy – which are a particularly potent combination. Someone who has these three traits in abundance, particularly if they're articulate and attractive, is going to be remarkably good at selling their strengths, while hiding their weaknesses.

M: OK, let's pause there. Many of us have heard of the 'dark side' triad and have at least a rudimentary grasp of what it means. And yet we still struggle to avoid leaders with some or all of those tendencies. Why is that?

A: It's tempting to go straight to failed selection processes, but I would start with an even broader observation, one championed in the work of another American psychologist, Tim Judge. He points out that problems in an organisation's culture and processes can not only permit but encourage leadership failure – if employees are unwilling or unable to challenge a derailing leader, for example. Leadership failures are often not just down to 'a few bad apples' – sometimes the whole 'barrel' can be rotten. Judge argues that, just as you can't get fire without heat, oxygen and fuel, you don't get management failure without a bad leader, a corporate culture that doesn't challenge him or her, and willing followers.

M: Culture's clearly important, but let's go back to the individual for now. Why do we sometime fail to screen out bad business leaders, when we know that failing to do so has such serious consequences?

A: A good process will look for evidence of both 'select in' and 'select out' traits, and it's the failure to look closely for evidence of the latter that's often the problem, with assessment processes focusing on 'what we need' and neglecting 'what we need to avoid'. Some organisations, particularly in the security and intelligence fields, however, have always taken 'select out' seriously: looking for evidence of things they don't want in an employee.

M: Why have these organisations focused more on 'select out'?

A: Mainly because the consequences of failure are so serious: we're talking about people dying rather than merely a reduction in the share price. That's why assessment processes in the security and intelligence services put as much effort into identifying 'select out' as 'select in' traits and experiences.

A particular challenge for those running selection processes, though, is that derailment is often a reflection of a leadership trait that an individual has in excess. Strengths can become weaknesses if over-done or used to hide other deficiencies: self-esteem can tip into narcissism; the ability to work in teams can manifest as risk aversion or decision-making paralysis; and someone who 'gets things done' can also turn out to be impulsive or a bully. Too much of a good thing can be a bad thing, and selection processes need to go beyond a simplistic analysis of competencies and experience.

M: That's really hard. We know that some very dysfunctional leaders are fantastic storytellers, and very good at obfuscating their weaknesses. And these types of leaders are often particularly compelling at interview, or pitching to investors looking for the next big thing. So how do you get to the truth about someone, and the reality of what they're like to work with?

A: The best thing you can do is speak not only to them, but also to those who've worked with and for them over the years. And I don't mean referees suggested by a candidate, of course. You need information from multiple people who really know the candidate. When leadership failures occur, the risks were often widely known in some communities, but those who ran the assessment failed to consult the right people.

M: I've seen that many times. I remember one client that, much to the embarrassment of the CEO and HR director, had to sack its new CFO after less than a month. He quickly turned out to be a bully, and what was extraordinary was that, when they finally looked more deeply into his track record, it was clear that this was far from being a well-kept secret.

Over the past five years, we've built a successful business around the idea that these insights are entirely discoverable. Members of our global network talk to their contacts, discreetly and off the record, about what a candidate is really like. In total, they'll have conversations with 40 or 50 people, which enables us to get a broad perspective on someone. The contacts who members of our network speak to are not just the candidate's peers, but juniors, competitors, investors, fellow board-members, regulators, and sometimes social acquaintances. And people who knew them in the past as well as today, of course – because going back to an earlier period in a candidate's life can be highly instructive, if done with care and an understanding of the context. This methodology can help you learn what someone has really achieved, as opposed to what the market says they've done – and about their personality under pressure, their motivations, and their values. It's fascinating – and remarkably powerful.

A: This makes a great deal of sense if you're trying to build a complex and accurate picture of what someone is really like. You have to be a detective seeking and synthesising information about an individual, trying to understand what makes them tick. You can also look for clues online, be they articles people have written, interviews they've given, or their social media profile – although most people are now careful managers of their public-facing presence.

M: Is there any value in using interviews to identify potential derailers? It's hard to imagine a world without them.

A: Interviews can be used to try to get at potential derailers, and will surely always be a part of selection processes; we just need to understand their limitations and conduct them appropriately. But there are two major limitations of what we call 'self-report', or what people say about themselves. First, people of all types, good and bad, tend to engage to some extent in impression-management and dissimulation, while the less scrupulous will simply tell lies. And second, some people suffer from self-delusion to the extent that they genuinely lack accurate self-insight, including into their own motivations.

M: OK, so you need to be careful and understand the limitations of self-reporting, but how can you make an interview valuable as a means of spotting a leader who's likely to fail?

A: If you really want to use interviews to probe someone's propensity to derail, I recommend focusing on three traits: relationship-building, self-awareness, and adaptability. Can the individual establish and maintain healthy, happy, long-term relationships with different kinds of people, in and outside the workplace? Are they ever rigid,

Getting individual assessment right

	Step 1: Tailored approach	Step 2: Rigorous execution	Step 3: Objective decision-making
What you need to do	• *Articulate clear job spec/ investment aims* • *Conduct desk-top analysis of career and potential issues* • *Identify issues to assess/ potential sourcing* • *Appoint the right external advisers to complement internal resource/networks, etc*	• *Test hypotheses and critical issues through comprehensive and discreet network-based exercise* • *Structured interview (when possible) for:* *(a) 'select in' and 'select out' traits; and* *(b) competencies and derailers* • *Conduct psychometric testing as appropriate*	• *Provide decision-makers with access to complete evidence base* • *Assess and weight value of different sources of insight, and look for common themes (across interviews, network testing, psychometrics, etc.)*
Questions you need to make sure you can answer 'yes' to	• *Is the proposed approach tailored to reflect the value at stake (e.g., size of investment/ importance of role)?* • *Is there sufficient time to do the assessment?* • *Are ingoing assumptions clear, and will the process challenge them?*	• *Is the human experience of working with this person well understood? Is it clear 'what makes them tick'?* • *Has the process gone beyond 'self-report' to incorporate the opinions and experiences of others? Is it of sufficient breadth and depth?*	• *Are the individual's strengths and weaknesses understood in their proper context?* • *Are risks identified (including the 'dark side' of 'bright side' traits) and actions in place to manage them?* • *Have different individuals contributed to the final, balanced judgement?*

defensive, suspicious, hostile or over-committed? And in the context of the interview, how do they talk about relationships? Do they have insight into themselves, and the impact they have on others? Adaptability is really about someone's ability to learn and move on, which is particularly important in this day and age. Can they demonstrate that convincingly, and can you corroborate their narrative by talking to others?

M: Much of what we've talked about focuses on recruitment processes. But what about a curious investor, trying to understand the individual behind a commercially intriguing business like Theranos or FTX? There's no interview process, a great deal of market noise, and the individual is likely to be in permanent sell mode. So what does a canny investor do?

A: You need to start with a sceptical – but not cynical – outlook, and in the first instance have an objective, even scientific, evidence base about their product. But an investor also needs to ask themselves what they really know about the person they're listening to. As we have found many times, if it looks too good to be true, it usually is. Beware of the hype around – and jargon

from – AI, neuroscience, and the like. Next, dig into the background of the entrepreneur and his or her staff: contact their university teachers, school friends, and so on. Ask questions about what really motivates them, and look for the tell-tale signs of risk: narcissism, Machiavellianism and psychopathy. Get to know them through the insights that only those who really know them can provide.

M: One last thing. Let's go back to the other side of the psychological equation and spend some time on our role in – you might say our culpability in – supporting and enabling destructive leaders. We've already noted how failed corporate cultures can provide fertile ground for destructive, unchecked leadership behaviours. But why do we sometimes fall in love with the people we should be challenging? Are we in some way wired to accommodate charismatic leaders, whatever their real merits?

A: Clever charlatans speak to our darker side and the things that motivate many investors: fear and greed. They know how to package their message to appeal to our deepest hopes and desires. The idea is to make us followers of their creed – investors in the dream. They speak to the heart as much as the head, and try to censor our scepticism and disbelief. Some people are more susceptible to these messages than others, and that's why making these decisions with inputs from different people can be very helpful. It might only take one brave individual to see through the emperor's new clothes!

M: We should leave it there, Adrian, though I'm sure we'll still be discussing this fascinating topic in ten years' time. Thank you for your time.

Hakluyt helps many of the world's most respected corporations and investment firms make better-informed hiring and talent-management decisions. Through our global network, we have open and honest conversations with a broad cross-section of individuals who have worked with and for candidates across their careers – thus building a rich and nuanced understanding of their commercial strengths, possible 'blind spots', personality, motivations, and likely cultural fit. The advice we provide based on these insights is unique in its breadth and depth, and complementary to the work of other advisers.

Hakluyt has offices in San Francisco, Chicago, Washington DC, New York, London, Frankfurt, Abu Dhabi, Dubai, Mumbai, Singapore, Tokyo and Sydney.

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