Job-Hopping to the Top and Other Career Fallacies

by Monika Hamori

CLIMBING THE HIERARCHY used to be a reward for loyalty. But in the 1980s, as firms stripped out layers of management, promotions became fewer and farther between. To get ahead, executives started moving from company to company. A 2009 survey by career network ExecuNet found that executives now stay with an organization for only 3.5 years, on average, before moving on. Outside job changes outnumber internal ones by about two to one.

But is it true that switching employers offers a fast track to the top jobs? According to my research, the answer is no. In fact, that's one of four career fallacies I identified in a study examining how managers get ahead. Understanding the reality behind job moves gives executives a leg up when planning for the future.

FALLACY 1

Job-Hoppers Prosper

The notion that you get ahead faster by switching companies is reinforced by career counselors, who advise people to keep a constant eye on outside opportunities. But the data show that footloose executives are not more upwardly mobile than their single-company colleagues.

Originally published in July–August 2010

My analysis of the career histories of 1,001 chief executive officers who lead the largest corporations in Europe and the U.S. reveals that CEOs have worked, on average, for just three employers during their careers. And although lifetime employment is increasingly rare, a quarter of the CEOs I looked at spent an entire career with the same firm. Overall, the more years people stayed with a company, the faster they made it to the top.

CEOs are arguably a special population, so I also analyzed the job changes of 14,000 non-CEO executives to compare the outcomes of their inside and outside moves. Again, inside moves produced a considerably higher percentage and faster pace of promotions.

One likely reason that internal candidates do better is that companies know more about them; promoting an insider poses less risk than hiring somebody from the outside, no matter how extensive the CV or how detailed the reference. Executive search firms show a preference for stability as well—which is ironic, given that they're the ones in the business of shuttling professionals from job to job. One U.S. boutique firm specializing in IT evaluates candidates on two axes: stability and "performance and capability indicators." Candidates have to score well on both to be selected for interviews. A consultant at another firm told me that a short stint—less than three years or so—probably wouldn't be sufficient to produce any meaningful contribution to a firm and thus wouldn't do much to demonstrate a candidate's value. Search consultants also tend to interpret frequent moves as a sign of bad decision making, whereas long organizational tenure is rarely seen as reaching a plateau.

There are exceptions, of course. In smaller industries, for instance, where "everybody knows everybody," companies that recruit from competitors can be stigmatized as poachers. And frequent moves are unacceptable in certain countries. A midcareer Spanish manager who has worked in Japan for almost 10 years told me that leaving a job is culturally seen as treachery. Expat professionals are particularly limited in their movements because their working visas are sponsored by their employers.

Lessons for executives. First, know that search firms are looking for résumés that demonstrate a balance between external and internal moves. One finance-search-firm recruiter I interviewed put it this way: "We like people with two or three companies. And then you look at the patterns: ideally, 10 years in one employer, two or three years in the next, but then we want to see another eight-year run." Many search firms are looking for evidence that an executive is integrating with and being rewarded by the people who work with him or her.

Second, remember that a significant proportion of executives succeed by sticking it out with one company, so consider

About the Research

THESE FINDINGS on career fallacies come from my eight-year research project using four sources of data:

- 14,000 career histories of executives in four sectors of the financial services industry, drawn from the records of one of the largest multinational executive-search firms;
- the career histories of the CEOs of the 2005 *Financial Times* Europe 500 and the U.S. Standard & Poor's 500 (a total of 1,001 CEOs because one firm has co-CEOs). The CEOs are located in the United States and in 21 European countries;
- semistructured interviews with 45 executive search consultants at both large, multinational search firms and specialized boutiques (all U.S.-based);
- interviews and online discussions with more than 20 alumni of IE Business School's executive MBA program. Interviewees were typically mid-career professionals (late thirties, early forties) living in Europe, Asia, or North or South America. Their work experience ranged from 10 to 20 years.

cross-employer moves only if they'll considerably increase your employability.

FALLACY 2

A Move Should Be a Move Up

A job change, whether internal or external, doesn't necessarily mean a promotion, despite the perception that careers generally follow an upward trajectory. In reality, many changes are lateral moves, even among relatively successful executives.

In my research, the moves that constituted promotions met at least one of two criteria: They resulted in a better title with more responsibility or propelled the executive to a larger firm. Such job changes represented about 40% of the data set. Lateral moves—across division, geography, or industry—were equally common. And 20% of the job changes reflected downward moves—a lesser title or narrower scope of responsibility or a lateral move to a much smaller organization. (Smaller size implies less managerial complexity.) I found that large promotions (that is, considerable jumps in both title and employer size) were relatively uncommon—less than 5%.

While step-downs generally detract from a CV, a lateral move is by no means a career killer. It may in fact prove beneficial in the long run if done wisely. For instance, a lateral move may be justified by the prospect of a promotion in the near future.

One employee I'll call Robert, for example, recently made a lateral move, from a managerial position at one industrial maintenance company to a consultative role at another. (All names have been changed for purposes of privacy.) But the new job offers the potential for entry into the executive ranks. His new boss is the VP for strategy, and Robert works with high-potential employees on projects that involve the COO and the CEO. He is now tied to the most important work and has become visible to top management. After 18 months, the company intends to reassign the high potentials, and Robert is in line for an executive post.

Lateral moves often enhance CVs when the new company conveys brand value. Robert's new firm has networks in many growing or high-profile industries like environmental protection and oil and gas—giving Robert a valuable set of contacts and a variety of learning opportunities. A lateral move into a different industry can broaden and deepen expertise, as well.

Lessons for executives. Fast upward leaps may not secure long-term success; often, a slower ascent that includes a mixture of lateral and upward movement is what pays off. One multinational food company with more than 60,000 employees constructs a personalized, 10-year development plan for each high potential. A strong generalist view of the business (including knowledge of finance, marketing, and how to manage people) is the determining factor in making it to the top executive ranks. Many companies share this belief, valuing employees who switch between functional tracks and general management.

To be sure, those who remain in a single function may move faster in the first part of their career, but they soon reach a ceiling because they're too specialized. One of the top executives at the food company has been an employee for almost 20 years, having held one- to three-year stints in nine countries, worked in three functional areas, and switched several times between managerial and consultative roles. Although his moves always bumped him up in the company's job grade system, not all may have seemed like advancements on paper.

Also bear in mind that a move that's technically a promotion may turn out to be a detour. Another executive, Michael, worked in the corporate legal office of a multinational tech company with more 20,000 employees; when he was offered the chance to become the head of the legal department in one of the firm's seven business units, he jumped at the opportunity. He got a title change and new managerial responsibilities, and he reported directly to the business unit CEO. But it turned out to be a dead-end job, because Michael didn't work well with the chief executive. His compensation took a severe hit. Although his base salary stayed the same,

The Real Story

AS THE data show, some career moves make more sense than others and the conventional wisdom doesn't necessarily hold true.

FALLACY 1

Job-Hoppers Prosper

30% OF MOVES FROM ONE ORGANIZATION TO ANOTHER ARE DEMOTIONS

10% OF INSIDE MOVES ARE DEMOTIONS

FALLACY 2

A Move Should Be a Move Up

4% OF JOB CHANGES ARE LARGE PROMOTIONS

34% ARE MODEST PROMOTIONS

he suffered a substantial cut both in his bonus and in his stock option plans.

It's easy to be distracted by a better title, a bigger pool of direct reports, or other trappings, so when making a switch, always consider what the next move might be and to what extent the current move will help or hinder your ability to achieve longer-term goals.

FALLACY 3

Big Fish Swim in Big Ponds

Big-name companies like Goldman Sachs and Morgan Stanley often appear to "swap" professionals. They have similar cultures, so people believe they recruit from their peers in order to get high-quality employees. They're also looking for valuable insider expertise.

But the data show that when executives leave well-known companies, they more typically trade down to smaller, less-recognized firms. In my data set, 64% of executives who left an admired company—as measured by its presence on *Fortune*'s Most Admired or a similar list—transferred to a firm not included on the list. (Of course, one reason people trade down is that there are fewer and fewer positions available at big-name companies as they climb the ranks.)

Those who leave for lesser-known or less highly regarded companies often gain in terms of title or position. In other words, they cash in on the brand value of their former employer. On the flip side, those who transfer to organizations with stronger reputations seem more willing to take a step down in position—to pay a price to acquire some brand value.

Lessons for executives. Obviously you should do your best to join well-regarded companies as early in your career as you can. Future employers and search firms tend to equate corporate brand names with knowledge and skills. Said one consultant at a large multinational, "You can tell what competencies senior executives have just by looking at which organization they belonged to." A headhunter at a smaller, boutique firm told me: "If you know that a person is with that company, you have already made a step in the right direction in terms of qualifying them."

You should transfer to a lesser company only if the career opportunity is very attractive, beyond a jump in title and salary; otherwise it can limit your prospects down the road. Back to Michael, described earlier—he joined a big law firm after passing the bar but left to follow his boss to a niche firm that specialized in legal advice to the maritime business. He received a 50% pay increase with the move.

Soon, however, he regretted his decision, and after only two years he wanted to move again. This time he had trouble finding a suitable job and realized that his stint at the niche

AT A GLANCE

THE IDEA IN BRIEF

Professional advancement can be derailed by any one of four career fallacies: Job hoppers prosper; a move should be a move up; big fish swim in big ponds; and career and industry switchers are penalized. Contrary to those beliefs, Monika Hamori's research shows that:

- Many search firms look for executives who have a balance between internal and external moves.
- A strong generalist view of a business, often gained through some lateral moves, is more important for advancement than fast upward leaps.
- If you transfer to a lesser company, make sure you gain more than just a jump in title and salary.
- If you make an industry switch, look for a place where your skills represent a genuine asset.

Because every career is different, you will best safeguard your future by looking critically at each move and making the choice that fits your own ambitions.

FALLACY 3

Big Fish Swim in Big Ponds

8% OF MOVES FROM A BIG NAME TO A SMALL NAME INVOLVE A STEP DOWN IN TITLE

24% OF MOVES FROM A SMALL NAME TO A BIG NAME INVOLVE A STEP DOWN

FALLACY 4

Industry Switchers Are Penalized

10% STARTED CAREER WITH NO INDUSTRY EXPERIENCE

17% HAD EXPERIENCE IN THREE OR MORE INDUSTRIES

49% OF CEOS AT THE LARGEST FIRMS IN EUROPE AND ASIA HAD EXPERIENCE IN MORE THAN ONE INDUSTRY

firm had damaged his prospects. Michael said that potential employers "looked down on" him and saw him as unable to fit in at a large firm. He knew that the training and professional development he had received in the large firm from his boss had continued in the new position. But that didn't matter to recruiters—it was the firm name that counted. He eventually found a job in the public sector, but to this day he feels that his move limited his options.

FALLACY 4

Career and Industry Switchers Are Penalized

While you'd think that changing industries or careers (a function change, for instance) would set you back, switchers don't fare worse in terms of promotions than those who stick to one field or specialize. Changing to a new area is relatively common—29% of moves take people across industries and another 23% across different segments of the same industry (going from a consumer finance company to a bank, for example).

Why would a firm hire employees from a different business? In some cases, another industry might simply offer superior human capital. One consultant at a search firm specializing in the hotel, gaming, and restaurant industries told me that 40% of his work involved recruiting from outside that world. "I am looking for companies that continuously produce high quality. If the client wants somebody who has classic marketing skills, I go to Procter & Gamble. For a very aggressive P&L background, I may go to PepsiCo."

Another executive search consultant, this one in financial services, had a similar experience: The paucity of talent in the private equity arena made hiring overly expensive. Most industry candidates came from just two major investment banks, and those executives commanded outrageous compensation. By looking at adjacent industries—pension funds, for instance, or asset management—he could produce candidates who had, as he put it, "the right wiring and intellectual capability to learn the private equity product," at a cheaper price. He could hire an executive from a global asset firm for about $800,000 to $1 million. The same person coming from the private equity space would have cost two or three times as much, maybe more.

Even candidates who lack industry experience may match the hiring company's needs at other levels. An executive we'll call Steven made the switch from textiles to chemicals because he had a strong track record in sales and his new company had a sales-driven culture.

When hiring companies are not sufficiently attractive to job seekers, they often need to expand their searches. In one instance, the majority owner of another sales-driven company required that all professionals—even those entering at a managerial or executive level—spend some four to six months in the sales organization. That was unappealing to many applicants; half the candidates dropped out right after their interviews because the job didn't seem to match what they saw as their strengths. So to find the best people, the company had to broaden its searches.

Lessons for executives. Look strategically for industries where your skills represent a genuine asset. Some specializations are very difficult to find and thus worth a premium to those seeking them. A former navy pilot, Marcus, got a job as a financial analyst with SunTrust at a 50% salary increase despite having no industry expertise, because the company was looking for knowledge of the defense sector. Three years later, he headed the department.

Consider, also, a transitional job. One manager I met recently moved from a law firm, where he was marketing director, to a consultancy specializing in relocation, expatriation, and cross-cultural training. His goal was to become a consultant—a change in both industry and function—but he knew it would be almost impossible to do both at once. So he accepted the marketing-manager position at the consulting firm. He even took a pay cut, but the job allows him to learn about cross-cultural management and, he hopes, ultimately achieve his career goals.

* * *

Every career is unique, and a move that's right for you might turn out to be disastrous for your colleague, even one whose résumé and career goals are similar to yours. The fallacies I've identified are based on the experiences of real executives making real choices—but it could be that, for instance, job-hopping is the quickest way to the top in your case. What's important is to look at each move with a critical eye, putting aside conventional wisdom and other people's assumptions to make the choice that fits your own ambitions. ▽

Monika Hamori *is a professor of human resource management at IE Business School in Madrid. She is the coauthor, with Peter Cappelli, of "The New Road to the Top" (HBR January 2005).*

Reprint R1007Q To order, go to www.hbr.org.

FURTHER **READING**

ARTICLE

Five Ways to Bungle a Job Change
by Boris Groysberg and Robin Abrahams
HBR January–February 2010
Product no. [illegible]

The authors have identified senior managers' five most common career missteps: not doing enough research, leaving for money, going "from" a position rather than "to" another, overestimating oneself, and focusing too much on the short term.

More Reading
at hbr.org