

Executive Search: Trends in Talent Acquisition



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Contact Information:

Scott A. Scanlon
Editor-in-Chief
(203) 252-7203
scott@huntscanlon.com

Stephen Sawicki
Managing Editor
(425) 252-8181
steve@huntscanlon.com

Chase Barbe
Director, Media & Digital Content
(203) 249-5316
chase@huntscanlon.com

Christopher W. Hunt
President
(203) 252-7302
chris@huntscanlon.com

Dale M. Zupsansky
Contributing Editor
(719) 644-0263
dale@huntscanlon.com

Tripp Revson
VP Marketing & Brand Development
(203) 252-7302
tripp@huntscanlon.com

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PREFACE

Which Way Forward?

The maze depicted on this year's report cover suggests that for the executive search and talent management sector a collection of convoluted paths lies ahead. Like any maze, there is a single entrance point – but finding the best route through is often twisted with fixed walls, barriers and unintended pathways. A maze is anything but linear; loops and traps can constrain and divert movement ahead. Often, those confronted with the puzzle of a maze turn solely to their intuition to solve it, and this can lead to unforeseen consequences. What's needed is a roadmap. The problem is, few mazes come with one.

In the leadership solutions field, 'Which way forward?' is now the defining question being asked among corporate talent acquisition professionals and the executive recruiters who service their leadership needs. Both sides remain locked in the same battle: To find the best and the brightest in the most efficient, cost-effective manner.

The talent sector is now at an inflection point and pressure is mounting for everyone to adapt. Talent acquisition professionals today look at the hunt for leadership as an ongoing, never-ending corporate enterprise offensive. "Sit back, lay idle and the competition will gladly eat your lunch," said one Fortune 100 CHRO respondent to a blind survey conducted for this report. Demand for great people is once again at a point where it is far outstripping supply. And that has clearly caught many talent acquisition professionals off guard in the early years of the 21st century.

But one big outcome has resulted: The talent management sector is thriving. The fortunes of the larger, global search firms are rising as they diversify their talent management platforms and offer more in the way of related and, presumably, much-needed services. This is examined in good detail among three of the best known search providers – Egon Zehnder, Heidrick & Struggles and Spencer Stuart – in the 'Diversification and Growth' section of our report this year.

The talent business, however, no longer revolves around the biggest providers. Boutique recruiting specialists have been in hot demand the last few years and their good fortune is only expanding. We take a look at a number of them in this year's 'Game Changers' section.

The fight for talent is drawing companies from all walks of life into the competitive race for business leadership – and this intense demand is driving all sorts of change in the talent solutions sector. Every organization is locked in the same battle searching for qualified leaders who possess a diversity of skill sets, who are forward thinking, who can drive change and who can lead new generations of workers in the advancement of their companies. Two fascinating industries – healthcare/life sciences and

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sports – are worth taking a close-up view this year. While the two sectors could not be more different at first glance, they are, in fact, very similar in one important regard: Both are starving for innovative, transformative leaders. Our 'Finding Transformative Leaders for Healthcare/Life Sciences and Sports' section is specialization at its best.

Recruiting's New Golden Age

This year's report is designed to serve the informational needs of the talent acquisition professionals serving these organizations and the executive recruiters who service them. Primary analysis this year is based on input from over 800 leading U.S. and international executive recruiters. Additionally, more than 650 chief talent officers, CHROs and talent acquisition professionals completed surveys for this report and the results form the basis of the trends that are presented in our 'Survey Methodology and Results' section.

To round out our study this year, we invited 18 leadership advisory specialists to bring us into their recruiting specialty domains. This 'Industry Viewpoint' section covers the gambit of industry sectors. If you're interested in reading about what ingredients go into a successful search, and what delineates success from failure, and who the leading boutique specialists are, we encourage you to take the time to read this outstanding section of the report. It is required reading.

The talent acquisition sector is undergoing massive change and transition. Some days it seems to be evolving right before our eyes. Everyone is busy and times are good and getting better. But let there be no mistake: It hardly means things are getting any easier. Welcome to the recruiting industry's new golden age.

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SECTION 1

Executive Summary

SECTION 1

Executive Summary

It would be too simple to cite any one reason for why the biggest executive recruitment firms have shifted toward a diversification of services. The economic havoc wreaked by the great recession certainly led to considerable change throughout business. As corporate budgets tightened, search firms were among the first consultants in the direct line of fire. But other factors have been at play as well. The rise of social media technologies, websites like LinkedIn, and any number of other sources have made information about prospective candidates available to everyone. That's helped feed the rise of boutique recruiting rivals. It's also been a driving force behind more and more companies eschewing external executive recruiters and starting in-house recruiting operations en masse.

As any number of recruiters will agree, the ever changing business landscape has revealed client dissatisfaction with the old transactional model of executive recruitment. Clients want greater insight, more control, and stronger assurances that the leaders they hire are in fact the best ones for the important jobs they have been given. The price of failure for a top leader, they know, is simply too great. These days, more sophisticated talent acquisition leaders want to know more about the underlying factors that make their senior leaders, teams, even entire organizations thrive – or struggle. Those in charge of hiring clearly are taking a more holistic approach to staffing their businesses, from the top down, along a much broader talent management continuum.

Major executive search firms are breaking away from their reliance on recruiting itself. Their new offerings are natural extensions of executive recruitment, but based more on a metrics-driven approach. There are assessments of all kinds, from CEOs to boards of directors to teams within an organization. Succession planning. Onboarding. Cultural analysis and culture shaping.

Diving Into the Pool

Today, search firms are providing more than just their expert insights and instead are backing up their evaluations with research, often by academics, and science. The big search firms have developed proprietary methodologies and processes for this work – tools, they are often called. And though there are surely sound business reasons behind keeping one's approach proprietary, much of that seems to be a nod to clients, giving these offerings an air of gravitas and uniqueness.

All of the top search firms are diving into the pool of diversified services. And no one seems more committed to the strategy than Korn Ferry's CEO, Gary Burnison. Turning to non-recruiting services has been his mantra since brining back the firm from near bankruptcy slightly less than a decade ago.

Korn Ferry now offers an array of additional services. In large part, its strategy has involved a continual acquisition of companies to broaden its services beyond just identifying talent for companies. In a *Harvard Business Review* article, Mr. Burnison compared a search firm to a hospital emergency room, writing that people only go to the ER – and an executive recruitment firm – in an emergency. His mission was for Korn Ferry to do more than fill jobs. "In medicine, big businesses are built around wellness and prevention," he wrote. "I wanted to diversify Korn Ferry in the same way – to enable us to help clients with all their talent needs, so they wouldn't think of us only in moments of crisis."



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To that end, this year Mr. Burnison orchestrated the largest acquisition the search industry has ever seen, purchasing Hay Group for just under a half billion dollars. It was a prescient move by Korn Ferry. Today, searching for people provides a diminishing percentage of the profits for Korn Ferry while non-search services revenues are growing exponentially, to upwards of 40 percent of the total. And the future seems to promise more of the same.

Competitor Russell Reynolds Associates, for its part, has three lines of business: board advisory services, executive search & leadership assessment, and culture assessment. The firm has a proprietary offering called the Culture Analyst that, it says, “comprehensively measures culture across more than two dozen variables, giving leaders objective, quantitative information to help them make critical leadership decisions.” The Culture Analyst gives boards and CEOs ‘actionable insight’ that can lead to better decision making in evaluating candidates for key roles, integrating business units and organizational goal setting and strategic planning.

Predicting Success

Innovative approaches to diversified services and the commitment that the top search firms have to integrating them within the framework of their offerings can be found with Egon Zehnder, Spencer Stuart and Heidrick & Struggles, which we detail in our report this year.

Among all of them, Egon Zehnder is the trailblazer. Zehnder was the first search firm to acknowledge that management appraisal was a natural addition to its search offering. The firm’s talent appraisals are now widely sought-after management ‘tools’ used by clients like Citibank and they have formed a mainstay of its overall leadership strategy business.

Clients now say Zehnder’s assessments of executives and senior leadership teams are invaluable in and of

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themselves – game changers when major change is afoot for a business, be it the arrival of new leadership or a merger. And with the increasing recognition of culture’s role in driving a company forward, nothing matters more than people appraisal.

It is here, in fact, with Zehnder’s leadership and development services, that a scientific approach – created with the help of academic researchers – comes into play. Simply put, it’s not enough for a top-tier executive to have had success in his or her career. A more telling predictor of future success in a top leadership role is the personality and behaviors that signal how an executive will respond to the unique challenges of the new position. Zehnder has a proprietary offering for team evaluations as well.

Egon Zehnder’s other diversified offerings – board consultancy, CEO succession planning, integration help for new CEOs, and accelerated integration for senior leaders –all fall in line with the search firm’s efforts to do more than simply identify leaders for crucial roles. The idea is to help companies operate more effectively – and discussions with Zehnder’s clients reaffirm the strategy is holistic and well worth the investment.

Gauging Executive Intelligence

Spencer Stuart more or less followed in Zehnder’s footsteps. Its executive assessment and board services practices set the ground work for a well-thought out diversification strategy that has effectively allowed the firm to reach for a deeper understanding of how individuals, as well as teams, even entire organizations, think and behave in an effort to move them forward.

The firm’s board assessment service, for example, is grounded in achieving a thorough grasp of how individuals work together as teams and in analyzing its practices in relation to the boards of other

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companies. It is a personal approach that combines individual interviews – meeting the special needs of boards with an in-depth analysis not typically seen at other search firms, except a few direct rivals.

So it is with the search firm's CEO succession planning offering. Spencer Stuart's proprietary assessment tool, ExI, helps gauge executive intelligence when a new leader steps into a top job. With ExI, potential leaders are interviewed to better understand their cognitive and problem-solving skills, which come into play when running a company in an ever-changing, fast-paced, and oftentimes ambiguous business climate. By understanding an executive's practical, social and emotional intelligence, Spencer Stuart's consultants say they can give companies insight into how individuals will perform in leadership roles.

The firm also offers leadership advisory services, in which cultural assessment plays a key part. By looking at how a company manages external change as well as the interrelationship behaviors between individuals within the organization, Spencer Stuart's consultants can help set the groundwork for how best to choose leaders. It also offers a merger integration support service as well as leadership team analysis.

For Heidrick & Struggles, one need look no further than its acquisition three years ago of Senn Delaney,

a well-established culture shaping firm, to understand not only the direction the firm is talking, but the general direction in which the industry is heading. Senn Delaney accounted for a third of Heidrick's growth last year. The search firm's leaders are banking on culture shaping to be a major contributor in the future. And, like so many of the diversified services now being built out, culture shaping can be a complementary service tagged on to the firm's search or assessment assignments as the need arises.

Senn Delaney's efforts clearly add value to Heidrick's search process, among its other services. The subsidiary developed an analytic tool, Executive Culture Profile, that provides a "snapshot" of an organization's culture in order to help focus the search process and to find candidates that are most likely to fit in that culture and drive a particular business forward.

In its culture shaping work, meanwhile, Senn Delaney uses a proprietary process to help client firms and their executives operate more effectively. And while companies do indeed change with culture shaping, Senn Delaney's job revolves more around providing insights and suggestions about behaviors and habits among leaders that set the tone for everyone in an organization. It's also an ongoing effort. Senn Delaney often continues working with clients for three or four years, some for much longer periods of time.

HUNT SCANLON "BIG FIVE" INTERNATIONAL SEARCH FIRMS

Firm	2014 Revenue (\$ millions)	Percent Change	2013 Revenue (\$ millions)
1. Korn Ferry ^a	1,008.0	+ 8.0	936.0
2. Spencer Stuart ^b	698.3	+ 10.9	629.5
3. Egon Zehnder ^c	692.1	+ 9.2	634.0
4. Heidrick & Struggles	494.3	+ 7.0	462.0
5. Russell Reynolds Associates ^d	490.7	+ 10.8	443.0

a) February 1, 2014 – January 31, 2015 b) As of 9/30/14
c) As of 10/31/14 (Hunt Scanlon Media estimate) d) Fees without allocated cost recoveries

Expanding its diverse offerings, Heidrick also released another analytic assessment tool, Leadership Signature, which focuses on leadership style.

How the Magic Happens

With so much depending on organization culture, companies must pay heed to whether they fully understand what culture, in fact, means. This summer, Bonnie Gwin, vice chairman of Heidrick & Struggles, who specializes in CEO and board director recruitment, said this: “In our experience, the benefits of fit don’t come when leaders seek to clone themselves but instead when they hire colleagues who complement one another through their differences.” Viewed this way, Ms. Gwin added, “Fit is not about finding colleagues who ‘fit in’ but about a would-be colleague’s ability to contribute to a team built upon a complex mix of skills, perspectives, thinking styles, and behaviors. Indeed, this conception of fit helps explain the magic that enables companies with diverse teams to outperform less diverse groups.”

A Heidrick survey of more than 1,000 top-level American executives at companies with upwards of 250 employees recently pinpointed eight key leadership styles, which can be applied when assessing individuals for top leadership roles. In a list that started with more collaborative leadership approaches and moved down to more independent styles, Heidrick identified these leadership styles: collaborator, energizer, pilot, provider, harmonizer, forecaster, producer, and composer.

“Combined with careful assessment, a more nuanced notion of fit could help organizations balance team leadership dynamics, determine what leadership styles best fit a particular role or business situation, and help leaders expand their leadership repertoires to match changing circumstances,” said Ms. Gwin.



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Firm	Revenue (\$ millions)	Percent Change	Number of Consultants	Number of Offices
1. Korn Ferry ^a	616.0	+ 8.0	326	38
2. Spencer Stuart ^b	424.8	+ 11.4	197	24
3. Heidrick & Struggles	260.8	+ 1.6	163	17
4. Russell Reynolds Associates ^c	254.0	+ 10.4	121	17
5. Egon Zehnder ^d	251.0	+ 20.0	118	19
6. DHR International	170.5	+ 10.0	133	37
7. CTPartners	116.2	+ 28.0	119	17
8. Witt/Kieffer	57.8	+ 9.1	94	17
9. Caldwell Partners ^e	45.1	+ 33.0	33	9
10. Diversified Search	33.5	+ 15.5	41	8
11. Kaye/Bassman - Sanford Rose Associates	33.2	+ 22.5	89	56
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13. Isaacson, Miller	23.8	+ 19.9	75	3
14. Herbert Mines Associates	21.0	+ 8.2	9	1
15. SPMB	18.3	+ 35.6	13	1
16. True	18.2	+ 90.0	26	5
17. JM Search	17.0	+ 31.0	29	4
18. Crist Kolder Associates	16.0	+ 6.7	4	1
19. Morgan Samuels	13.5	- 4.3	28	8
20. Ferguson Partners	13.3	+ 33.0	9	4
21. Hobbs & Towne	11.4	+ 31.0	25	5
22. Slayton Search Partners	11.0	+ 18.0	14	1
23. ON Search Partners	10.6	+ 17.6	11	5
24. Odgers Berndtson	9.9	+ 25.0	13	5
25. Reilly Partners	9.8	+ 8.5	17	1
26. ZRG Partners	9.4	+ 45.0	18	8
27. Chartwell Partners	9.0	n/a	9	5
27. Calibre One	9.0	+ 35.0	8	3
28. Bench International	8.9	+ 17.0	11	3
29. Charles Aris, Inc.	8.6	+ 11.7	34	1
30. Strawn Arnold Associates	7.7	+ 11.0	7	4
30. Howard Fischer Associates	7.7	+ 6.8	10	3
31. Battalia Winston	7.3	+ 2.8	12	5
32. Greenwood/Asher & Associates	7.1	+ 15.0	34	3
33. Kensington International	6.6	+ 4.8	7	2
34. North Line Partners	5.8	+ 11.5	7	1
35. Pearson Partners International	5.6	+ 2.0	15	4
36. CarterBaldwin Executive Search	5.4	+ 5.0	5	1
36. Preng Associates	5.4	+ 2.0	5	1
37. Hanold Associates	5.0	+ 3.0	3	1
38. Gilbert Tweed International	4.8	+ 15.0	11	4
39. Slone Partners	4.7	+ 18.0	8	4
40. Tyler & Company	4.6	+ 12.0	10	4
41. Taylor Winfield	4.4	+ 2.9	4	3
42. Lochlin Partners	4.2	+ 54.0	4	1
43. Career Smith	4.1	n/a	10	10
44. Martin Partners	3.9	+ 25.0	3	1
45. Ross & Co.	3.5	+ 15.0	4	2
46. Alta Associates	3.4	+ 64.0	5	1
47. The Human Capital Group	2.4	+ 14.2	6	4
48. Coleman Lew & Associates	1.8	- 12.3	6	1
49. Baker & Associates	1.7	+ 85.0	2	1
50. Vetted Solutions	1.5	+ 25.0	5	2

a) February 1st, 2014 – January 31st, 2015 b) As of 9/30/14 c) Fees without allocated cost recoveries d) As of 10/31/14 (Hunt Scanlon Media estimate) e) As of 8/31/14

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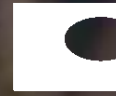
Diversification of services, however, is not restricted to the big firms and indeed client companies may soon have access to more offerings, in one form or another, through medium and smaller recruiting outfits as well.

Last fall, Sheffield Haworth in New York brought in Rob Sloan to head its executive talent advisory practice, a newly created position. Following his tenure at Egon Zehnder, where he helped build that firm's financial services practice, Mr. Sloan's new mission was to expand Sheffield Haworth's menu beyond recruiting executives, be they full time or hired on an interim basis. His focus is on talent management services, namely executive benchmarking, assessment, succession planning, and team effectiveness consulting.

"It's really about the effectiveness and capabilities of executives and teams," said Mr. Sloan. "You use assessment tools as part of that service, but that's really the discovery part, the data gathering part, because you need to know in granular detail elements of an individual's personal characteristics, experience, and behavior during those past experiences to get a full picture of the executive or team you're seeking to help improve."

The Talent Management Continuum

Mr. Sloan said that it's critical for companies to have a deeper understanding of a potential senior-level leader than just his or her background, however laudable it may be. "Often the mistake is made that you take a star performer in one area or function or business, and because they were so great you elevate them to a broader role and they fail," he said. "That's typically because the assessment part wasn't done to fully understand what you have to work with. And all those same things can be true for teams, though teams are much more about communication, alignment, and behavior. Obviously a team that works together and is pulling in the same direction can



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Mr. Sloan sees the shift toward more diversified services as a natural course of events for the recruiting industry. “Search firms are going in this direction because it’s along the talent management continuum,” he said. “There’s the recruiting part, which is the initial bring ‘em on part; then there’s onboarding – the integration of the person; ongoing assessment and development; career planning and making sure that people develop the appropriate critical experiences.” At the other end of the spectrum, he said, is succession planning. “It’s perfectly natural that search firms, which are in the people business, could and should travel up and down that entire value chain.”

That, in turn, is interrelated with the changes wrought by the rise of boutique search firms and more companies going to in-house recruiting, said Mr. Sloan, whose corporate resume includes stints at the Dexia Group, UBS, and Credit Suisse. The reasons behind those changes in the search industry are many, but they ultimately boil down to simple economics.

“This is what I learned as a banker,” he said. “The products become more commoditized and so you move on to the more sophisticated products, the higher value-add product, which of course drives profitability. The world of search or headhunting that everybody is used to is a highly commoditized, low-barrier-to-entry activity. So naturally fees available in that area fall over time.”

According to Mr. Sloan, then come supply and demand curves. “There’s plenty of supply for those services and lessening demand. So just with that simple economic model it becomes a strategic imperative that to survive, one must move up the food chain. Otherwise the cost structures of search firms, big firms, are going to be under a lot of pressure. You could argue that the small boutique shops or

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single proprietor shops can withstand that because they have low overhead. So it's the bigger models, the P & L driven firms, that face enormous pressure if their primary service is the headhunting part."

Some of the smaller search firms, meanwhile, may not have diversified service offerings within their own businesses but instead enlist partners in those areas. Robert Nesbit, managing partner of Nesbit Partners in Chappaqua, New York, says that 85 percent of his firm's revenue comes from traditional retained search and that the other 15 percent comes from additional services.

"If I'm talking to a head of HR and if I can do a retained search with them, terrific," he said. "But they might come to me and say, 'I need a coach or two,' or, 'I need to put in a quick executive comp plan.' Well, I have a series of partners that are boutique firms like myself that do everything but recruiting and I refer to them." In the process, Mr. Nesbit's partners pick up a piece of business and he receives a referral fee. "I want to be able to not only monetize my name, my reputation, my brand – but I also want to develop other sources of income."

Avoiding Conflicts of Interest

One major issue that ancillary services raise for search firms is the potential for conflict of interest. Would-be clients have questioned whether assessment work might be biased toward moving companies on to paying for executive search services, said Brian Reinken, who heads Egon Zehnder's global assessment and development practice. Or, he said, they ask how the search firm ensures that it won't come back and poach their people for a competitor based on knowledge gleaned during talent assessments.

Egon Zehnder tends to have longstanding relationships with clients, which ameliorates most of those doubts, said Mr. Reinken. Those clients



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understand the long-term, holistic nature of the work the search firm is engaged in, he said, be it executive search, assessment, board succession, or whatever. "Our clients understand that we come at this with a long-term view and that our assessments are completely objective," he explained. "More importantly, our clients recognize that we get it right in terms of our recommendations."

Mike Marino, a partner and executive vice president for Senn Delaney, the culture shaping firm, says he's unaware of any client raising such concerns in the three years since Heidrick & Struggles acquired his company. "That may exist but we've not experienced it," he said. If anything, he goes on, clients develop such a close partnership and trust in the firm that they feel it only makes sense to go with someone close to Senn Delaney for other services.

Trust Becomes Your Brand

Still, Mr. Marino conceded, the potential for a conflict of interest is there and prospective clients may want assurances. "We have all those agreements in place with clients, operating agreements, that we make with them on these issues," he said. "We have Chinese walls between our businesses if that's important and we respect that. But basically we are open with our clients and talk about it and put in arrangements that make them comfortable."

Even under the best circumstances, some talent acquisition leaders for companies say search firms still come in and collect valuable knowledge about their personnel and the workings of their businesses. Perhaps a search firm will never use that information directly, but it's still useful in an untold number of ways.

Rob Sloan of Sheffield Haworth is sympathetic with clients who are wary about potentially conflicting overlaps between a search firm's services. "I agree

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with them,” he said. “They should have concerns. And that goes to the core of the search industry. There’s an enormous trust deficit between clients and recruiters, and it is completely driven by the behavior of the headhunters.”

Though there are certainly actions that search firms can take to calm those fears, from written

agreements to putting the new services into separate, independent entities, Mr. Sloan said that the very best response is to earn a client’s trust. “The primary differentiator is trust. Can people trust you? As a consultant your primary job is to develop trust over a long period of time – that, then, becomes your brand.”

SECTION 2

Diversification and Growth

SECTION 2:

Diversification and Growth

Talk to any longtime executive recruiter and he will tell you of the not-so-distant days when his Rolodex was one of his most valuable tools. With the arrival of the Internet and services like LinkedIn, the game has irrevocably changed. Corporate in-house recruiting is growing. Nimble-footed boutique search firms are on the rise. The major search firms in particular have responded by increasingly diversifying their services, both to keep revenues growing and to better serve their clients.

For some of the big search firms, diversification is simply an outgrowth of services they have offered for years. But in large part the newer services demand a deeper understanding of personality and behaviors, fit and 'culture shaping' – not easily mined through traditional recruiting methods. So it is that proprietary tools involving psychometrics and well-honed interview questions have become integral parts of the assessment process. The old business of simply identifying talent is now practically an afterthought.

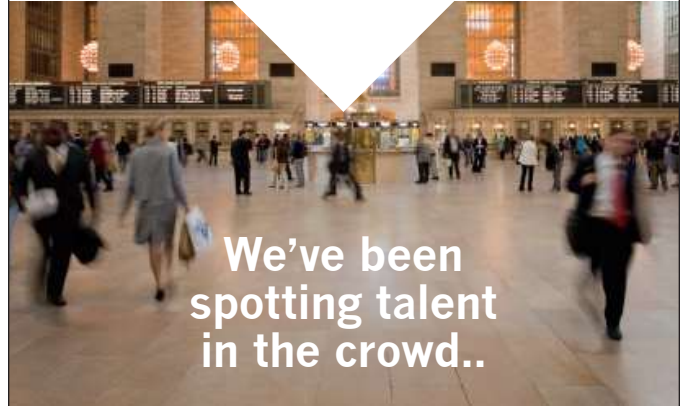
We've surveyed the landscape at three of the largest executive recruitment outfits – Egon Zehnder, Heidrick & Struggles, and Spencer Stuart – to better understand where the trends have brought us. Across the board, the big firms say that their clients are smarter. And in these challenging days, in a volatile, constantly changing business environment, they want more from their leaders -- and they want more from the search firms that are helping them succeed. Be it leadership assessment, succession planning, CEO integration, changing a corporate culture or more, these search firms are setting a new talent management pathway to the future.

EGON ZEHNDER

As service diversification becomes an increasingly important part of business for the major search firms, perhaps none is better positioned to set the pace for the industry than Egon Zehnder. The global recruiting firm saw the potential for services outside talent identification long before anyone in the industry. It started its leadership assessment and management audit businesses decades ago in Europe and over the years began spreading those services to more of its worldwide outposts. Though it's usually search firms in the U.S. that set trends for the industry, in this case the winds blew in from Europe. Egon Zehnder is now looking to take full advantage of its years of experience.

Founded in Zurich in 1964, Egon Zehnder would by the late 1980s break out of the traditional mold of a search firm by adding management appraisal to its repertoire. In 1992, with a surge in work from telecom companies in Argentina, that segment of the firm's business took off. Demand grew and Egon Zehnder parlayed its expertise and established its management appraisal practice group, now leadership strategy services, and never looked back. Three years later, it acquired PRO NED (Promotion of Non-Executive Directors), which the Bank of England had created to encourage bringing more professional directors onto corporate boards. That acquisition resulted in Egon Zehnder establishing its board consulting practice. By the late 1990s the firm began formalizing its sector practice groups, which ultimately led to its financial services, technology and communications, life sciences and consumer practice operations, and as demand grew, its industrial services, private capital and sovereign wealth funds practice groups.

"It started in Argentina when the government there was privatizing many operations and we needed



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to understand how to assess executives that were being sent into that new business environment,” said Brian Reinken, who leads Egon Zehnder’s global assessment and development practice. “We have long been focused on developing and evolving the competency model, on a scale of competencies. In today’s environment there’s a common language in which most companies are very comfortable with an approach of assessing experience, competencies, and past behavior as a predictor to future performance. It is an area that has long been a focus for our firm and one that we’ve continued to invest in.” Over time, the firm has evolved its approach, methodology, and offerings along the way.

BY THE NUMBERS

Egon Zehnder: Focus On CEO Talent

1,000 CEO appointments over the last **5** years

Egon Zehnder declines to say how much of its overall business is devoted to search and how much goes to other services. But Mr. Reinken agrees that diversified services have been and continue to be a major part of its business. “I would say that for our firm this has always been a significant part of our overall offering,” said Mr. Reinken. “In the last three years we have assessed over 10,000 executives around the world and we’ve produced results for 300 of the world’s top 1,000 companies.”

And though much has been made of search firms having to find new revenue streams to make up for the exodus of business to boutique firms and more companies bringing recruitment in-house, a major reason for the growth of diversified services is that the actual work of the search business has evolved and clients these days expect more from their external executive recruiting providers.

“The reality is that executive search has matured, especially candidate identification,” said Mr. Reinken. “Clients today are much more sophisticated in their needs when they deploy an executive search firm. You could also argue that assessment has also matured, especially in the U.S. market to where there’s a lot of commonality in how clients think about an approach or a language or methodology for assessing future performance. All of that implies that for an executive search firm there are different ways to add value and how you help clients answer some of their key strategic questions.”

That sophistication, meanwhile, is hardly limited to American companies. “The same trend applies across Europe and Asia,” Mr. Reinken said. “The markets globally are maturing. The U.S. tends to lead the way in some of that maturation, especially on the assessment and development side, but we’re seeing a very consistent level of sophistication with our clients around the globe.”

Tailored Client Solutions at Egon Zehnder

- Executive Assessment
- CEO Succession
- Leadership Development
- Team Performance
- Accelerated Integration
- Culture Assessment
- Private Equity Portfolio
- M&A Team Integration
- Family Business Advisory
- Organizational Effectiveness

Driving that evolution is an ever-changing, unpredictable business climate, which has led Egon Zehnder to seek answers beyond the obvious. “Today’s business environment is different,” Mr.

Reinken explained. "If you think about the amount of volatility, uncertainty, complexity, and ambiguity that's in today's business environment, it really says that the traditional approaches to predicting future performance are not sufficient. So we have shifted our focus with clients to understanding potential. So in addition to the foundation of the traditional predictors, we are focused with our clients today on the potential model and really understanding an executive's ability to adapt to an ever-changing business environment and grow into bigger challenges and roles."

A Shrinking Pipeline of Executives

It's a business dynamic driven by change on several fronts. "There's a number of factors you can point to," said Mr. Reinken. "One is just the factor of globalization, which drives a broader set of competitors, a different set of volatility and uncertainty in markets. There's also an area of demographics which just says that the reality is that as the Baby Boomer generation reaches retirement we have a smaller pipeline of executives in the talent pool in this next generation. And the third is just from a pipeline perspective, ensuring that there are executives that can succeed in these new challenging roles by better understanding elements of curiosity, insight, engagement, determination, motivation. There's a number of different attributes that really have to be understood to best predict whether an executive will be successful in a more challenging role."

Among its diversified services, perhaps Egon Zehnder's most significant response to the changing landscape is its leadership strategy services, which involves working with both individuals and teams. These evaluations address talent management needs, but can also prove invaluable at critical junctures for a company, like when a merger or acquisition occurs. As the firm tells its clients, having the best teams possible in place during those

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“We’re finding that whether it’s a board, a new CEO, or a company that’s seen a very rapidly changing competitive landscape, the big question that we’re helping our clients answer is simply, ‘Can we achieve this transformation?’” said Mr. Reinken. “And there are a number of questions that go underneath that but the main answer always evolves around leadership and not just leadership but great leadership.

“So as we think about the questions that we’re helping our clients answer, they range from how do we know

How Data Analytics Drives Better People Decisions at McKinsey

McKinsey & Co. is still developing its understanding of how data analytics drives better people decisions – and the management consulting powerhouse is now actively using these techniques to improve everything from talent acquisition to performance management, diversity hiring and retention.

“Our work confirmed that while top-notch technological capabilities are critical, they are not a silver bullet,” said Bruce Fechey-Lippens, a leader in McKinsey’s people and organizational analytics efforts based in Brussels. “Getting the right talent – be it experts in risk, marketing, or behavioral economics – to interpret and act on the data is just as important. So are leadership engagement and alignment.”

McKinsey will be the first to say that HR analytics is no substitute for engaging directly with employees in an effort to understand their mindsets, challenges and needs. But if done well, human resource analytics can generate data-driven, organization-specific insights for executives and human capital professionals to make more strategic decisions about their people. Welcome to the brave new world where human touch meets data-driven algorithm.

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we have the right leaders in place in our top 20, top 50, top 100 to drive this transformation, to how can we identify which high potential leaders to invest in, to questions around succession, which is how will our most accomplished executives perform when they're elevated to more challenging roles in the C-suite? Our focus, which has intensified around those questions, is helping our clients answer those questions with certainty and helping them make their most important leadership decisions with accuracy."

In its leadership assessment and development offerings, Egon Zehnder brings something of a scientific outlook to the fore, using a methodology designed to plumb the depths of executives' capabilities and gauging their past and current capabilities along with their potential. Developed with the help of academic experts, it's a methodology that brings together old-school approaches, like competency-based assessment and referencing, with psychometrics and specially-crafted interviews designed to reveal personality and behavioral tendencies. (It is an approach similar to that which McKinsey & Company has developed and used for years as its internal hiring model. McKinsey executives say that it has been a solid talent predictor for them). The goal is to foretell an executive's likelihood to grow and respond to the challenges of a senior-level role, which tends to be completely unlike any position they have held previously. "The same way we would go through a behavioral-based interview to assess competencies, we're going through the same type of interview to assess potential," said Mr. Reinken.

Four Predictors of Potential

And though performance at every stage of an executive's career is important to take into consideration, indicators of an individual's potential loom large when assessing someone for a top job.

Board Succession

Egon Zehnder's board consulting practice has helped hundreds of boards across multiple geographies and industries to be rigorously proactive in serving their companies, shareholders, and other key stakeholders. Here's what they offer:

- Thoroughly align director succession criteria with your company's key needs
- Proactively adapt director requirements as company needs and strategy change
- Maintain a pipeline of qualified director candidates with a diverse range of profiles to meet every contingency

As the firm crafts a board succession plan, these issues are commonly addressed:

- Gaps that may arise due to emerging needs and unexpected events, as well as anticipated vacancies, ensuring you sustain the right blend of industry, functional, and experience skill sets on your board
- Committee assignment rotations and committee chair nominations, with forecasts to reflect your evolving requirements
- Diversity and globalization needs, so you can maintain the optimal blend of gender, cultural viewpoints, market perspectives, and international skills on your board

"The attributes that we assess through an interview when looking at behavior are curiosity, insight, engagement, and determination," said Mr. Reinken. "Those are the four predictors of potential. We're looking at how someone learns, how someone approaches situations with curiosity, how they translate that to impactful solutions through insights and engagement, how they're able to influence and motivate an organization; and how one really pushes to overcome obstacles. It's a combination of those attributes that we're looking at to better understand,

to better predict, how an executive will translate into a new, bigger, challenging role.”

In Mr. Reinken's view, this is not a one-size-fits-all proposition. Egon Zehnder tailors its approach according to the client's specific circumstances. “We find that there are many approaches in the market that are based on having a product that you try to fit into each client's situation,” said Mr. Reinken. “We come at this with a very bespoke solutions-based approach. So there are always different scenarios. There are always different elements to fit a client's situation. And so we partner very closely with our clients and will apply different aspects to develop the right solution. In many cases that's partnering hand in hand with our clients through the assessment process to other situations where we're introducing new ways to thinking about assessing performance.”

Leadership Potential

10,000-plus senior executive assessments completed by Egon Zehnder over the last 36 months reveal that the strongest single predictor of leadership success in complex and ambiguous environments is leadership potential.

Pinpointing Talent

With its focus on personality traits and underlying behaviors, one might think that some people might take exception to the process or at least find it unsettling. But Mr. Reinken said that most executives embrace it. “We find that there is a strong receptivity by executives to go through this process,” said Mr. Reinken. “Inherently it is because as executives advance in an organization there is less direct feedback that he or she actually receives. So being able to sit down and have a pragmatic business-oriented discussion on behaviors, to focus on both behaviors to reinforce and areas that require



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Steven N. Schrenzel
Managing Director
sschrenzel@taplowes.com
1 (908) 517-7350

In the U.K:

Mark Firth
Managing Partner
mfirth@taplowgroup.com
+44 (0) 1442 219210

In the EU:

Carmen Alarcon
Managing Partner
calarcon@taplowgroup.com
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development we find executives really engage and are very immersed in that discussion, mainly because it's something that they don't often receive as directly or with the view of how to maximize their future potential."

In explaining its assessment process to potential client companies, Egon Zehnder lists three main benefits:

- Provides you with a richly nuanced, sophisticated understanding of executive strengths and potential.
- Helps your executives understand themselves better, which can lead to a productive resetting of expectations around their future ambitions.
- Provides an objective and reliable basis for realistically focusing each leader's development plans on the one or two areas where improvement will make the most difference.

Egon Zehnder offers a proprietary methodology for team assessment as well, with a focus on strengthening the team members' joint understanding of their current strengths and weaknesses and how they might improve their working together. The firm cites six main forces behind how well a team does its job – alignment, balance, efficiency, resilience, energy, and openness – and works not only to identify its traits but build on them, too.

Like other top search firms, Egon Zehnder maintains a strong board consultancy service as well. It's rooted in evaluating, partnering with the board to find answers to problems, and pinpointing talent for director roles. The firm touts its board effectiveness review as customized, with "a richly qualitative, high touch approach." The firm concentrates on in-depth, direct discussions with board members to understand its workings, paying special heed to "collaboration, inclusiveness, interpersonal trust, and mutual respect" – all hallmarks of the most effective boards.



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Egon Zehnder's board assessment includes makeup of the board, processes and information flow, how individual behaviors and relationships among members influence the board's work, and how well the board takes on critical governance issues. The firm also offers director appraisals, board succession planning, and chair searches.

Bringing on New Leaders, Maximizing Results

Another service on Egon Zehnder's diversified menu is CEO succession planning. The firm emphasizes getting a solid handle on what the client seeks in a new leader, which involves in-depth, individual interviews with board members and other key personnel as well as rating what qualities in a leader matter most for the particular client. Egon Zehnder's consultants then evaluate candidates in terms of experience, competencies, and personal characteristics. Interviews with candidates, in turn, help to assess those candidates in relation to the client's specifications as well as for potential.

Accelerated Integration

Five decades of experience partnering with clients to build their businesses through assessment and recruitment of top-level executives and teams gives Egon Zehnder consultants unique insight into the integration challenge.

And when the new leader is hired, the firm provides a new-CEO integration service. It involves Egon Zehnder's consultants working closely with the new CEO, board, and, if need be, the human resources leader, over a course of 90 days. The goal is to maximize the results of a new leader's beginning, both in taking command and establishing relationships with key players within the organization and within the culture as a whole. Egon Zehnder seeks to differentiate its CEO succession service by stressing

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its pulling together of academic research, theory, and understanding of the real-world needs of businesses, as opposed to other firms that know only about the academic research side or that take a cookie-cutter approach to addressing client needs. Egon Zehnder emphasizes that its processes depend on the special needs of each company it's been hired to help.

Along similar lines to its new-CEO integration service, Egon Zehnder offers what it calls accelerated integration, which helps companies bring new senior leaders into the fold. As the search firm points out, it can be challenging for newly-arrived senior executives to get their feet beneath them in the new job. For some, stepping into a C-suite job for the first time takes some adjustments. For others, it might be a different industry. Or, the newly hired executive can just be walking into business problems that take some navigating. Nor is it ever easy to assimilate to a new culture.

Egon Zehnder's accelerated integration service starts as soon as the hire is made, if possible, and runs over the first few months of the newly hired executive's tenure. Working in conjunction with the client company as to its expectations and needs, Egon Zehnder's consultants give the new executive advice on early communication and dealings with key players and situations. Within the first month of starting the job, they also facilitate team workshops to build relations and affirm a joint sense of purpose with the new hire and his or her people. Over the first 90 days, Egon Zehnder reaches out to other executives for their input about the new hire's early performance, then breaks down the feedback for the executive to consider and to make adjustments. It's an approach designed to advise and answer the types of questions that new executives everywhere face, address sensitive relationship matters as soon as possible, and simply get the executive off to the fastest, best possible start.

HEIDRICK & STRUGGLES

Like the other top search firms, Heidrick & Struggles knows that it must move past the talent identification business to stay competitive. Under the command of CEO Tracy R. Wolstencroft, the firm seems determined to carve out its own place in the new landscape of non-recruiting services. At the fore is Heidrick's foray into culture shaping.

More than ever, companies and their talent acquisition teams are paying attention to culture. Three years ago, when Heidrick acquired the culture shaping firm Senn Delaney it seemed a statement of where the future of the search firm – and the industry – was headed. Culture shaping was thought of less as an additional line of business and more as a complement to the services Heidrick was already providing, like search and assessment.

Premium Leadership Service

Heidrick acquires Co Company, a London-based advisory boutique specializing in leadership services that accelerate organizational performance.

From Heidrick's viewpoint, the \$53.5 million acquisition fit in well with the idea that clients want more – and the firm wanted to give them more – than a simple search transaction alone. Businesses wanted help in making sure senior hires succeeded in their jobs. They wanted help in assessing individuals and teams. And they wanted maximum effectiveness across their entire companies, which is where culture shaping comes in.

The acquisition of Senn Delaney now seems prescient. Last year, the subsidiary represented one-third of the search firm's growth. And though it is true that Senn Delaney brought in but seven percent of Heidrick's revenues last year, it expects that number to grow. Senn Delaney, which employs about 100

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people, some 40 of whom are consultants, was adding staff just this summer.

Senn Delaney, which operates out of Huntington Beach, California, calls itself the “original culture shaping firm.” Founded in 1978, it grew out of a more traditional management consulting firm, Senn Delaney Management Consultants. In the course of working with companies to improve their processes, as Senn Delaney’s corporate history tells it, the firm’s consultants began to take notice that organizations, like people, had personalities and behaviors that contributed to their success or failure. Larry Senn’s subsequent doctoral dissertation into the matter solidified that thinking and helped pave the way for the new culture-shaping company. Starting with retail companies as its clients, Senn Delaney grew. Before long the firm would be instrumental in helping shape the culture of new telecom companies that had been created after the breakup of AT&T.

In many ways culture shaping was a field ahead of its time. And if Heidrick & Struggles’ reasoning behind the acquisition is any indicator, it seems likely to be the way of the future for executive search firms and their clients. “This acquisition is a significant milestone in our strategy to build the premier professional services firm focused on serving the leadership needs of the world’s top organizations,” said L. Kevin Kelly, Heidrick’s chief executive officer at the time. Mr. Kelly saw the merger as a marriage of two premium brands that both pioneered their industries and served the top executives of leading organizations. Culture shaping clearly appealed directly to Heidrick’s target market – C-suite and board-level executives – making it a highly complementary offering to its premium executive search and leadership consulting services.

Defining What Culture Means

Like Heidrick itself, Senn Delaney’s culture-shaping service crosses all industries. Recently, the firm’s

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consultants have been busy with clients in the financial services sector. But it also has clients in energy, healthcare (from hospitals on through insurance), retail, industrial, and the logistics sectors. “The demand for our services has never been higher,” said Mike Marino, a partner and executive vice president for Senn Delaney.

For all that the word “culture” is bandied about these days in the world of executive search, Mr. Marino likes to make clear what exactly the word means and how his company helps organizations and their leaders get better results through the shaping of culture.

“The technical definition of a culture is a set of attitudes, beliefs and behaviors that define how a body operates,” said Mr. Marino. “But I tend to like ‘personality’ or the very simple idea of ‘how things get done around here.’ For example, in our early days at Senn Delaney we had a number of

clients in the department store business. They’re a good example because you can pick almost any department store and they all have a similar structure. They all have a headquarters that do all the classic functions. And they all have stores. Some of them even sell the same products. But if you walk into one store it’s a very different experience than another store. They all have their own unique personalities, even though they’re fundamentally the same thing.”

As for the term ‘culture shaping,’ Mr. Marino explained that his firm’s work is not necessarily about changing a culture in any given business. “It’s more about shaping and adding new processes, new things that you want to do,” he said. “First of all, changing a culture is a very difficult thing to do. It can be done and I have to admit that there are many times when we actually do change culture. But we don’t think of it that way. We think of it more as shaping culture.”

Culture Shaping

Senn Delaney, a global leader in new cultural change management, became a Heidrick & Struggles company in 2013, providing an important new service offering to complement the firm’s senior level executive search and leadership consulting services.

Heidrick has worked with thousands of companies, including hundreds of Fortune 500 and Global 1000 organizations, to shape their organizational cultures to deliver measurably better results. Its comprehensive, insight-based methodology engages leadership at all levels of an organization to create measurable, sustainable cultural change and improved performance.

Cultures happen by either default or design. An organization’s culture plays a significant role in its ability to successfully execute strategic plans. Heidrick works with the CEO and senior team to create a comprehensive, culture-shaping program customized for each organization’s needs. CEOs seek the firm’s guidance to create thriving organizational cultures in a variety of business situations, including:

- Aligning executive teams when there are new leaders and/or new roles
- Integrating cultures following mergers and acquisitions
- Shaping the culture to support new strategies and structure
- Helping minimize cultural barriers to change when implementing major, organizational systems or processes
- Creating greater organizational agility to meet the challenges of a changing marketplace

Diagnosing the 'Culture Problem'

Senn Delaney brings a proprietary process to its work. It starts, Mr. Marino said, with four basic principles. First, leadership must be purposeful about shaping the culture. Second, an organization, especially at the executive level, must undergo some level of personal change in how the organization is being led so as to be in alignment with the culture it wants. Next, a company requires a critical mass of people who think and see the same way in regard to how they want the culture to be. "Typically, that's the top two or three levels in an organization depending of its size," said Mr. Marino. "In a very large organization – we have some clients that are over 300,000 people – the critical mass might be 500, 600, or 800 people, maybe 1,000 people that you've got to make sure align on the same principle." And last, there must be a sustainable strategy. "If we're going to articulate a way of operating that we want, how do we embed that description into everything we do?" asked Mr. Marino. Who a company hires, how it manages performance, who it rewards, who it promotes, are all a part of sustainability, he says.

With those principles in mind, Senn Delaney implements a five-step process to shape culture, which it encapsulates in an acronym DURAM, which stands for diagnostics, unfreezing, reinforcement, application, and measurement.

"It starts with a diagnosis, to say what are our cultural strengths, what are our cultural challenges?" said Mr. Marino. "And we have a tool kit for that. We also work with what we call an unfreezing session, typically with an executive team or that critical mass of people, which is an off-site workshop, that helps them articulate the type of culture they want by getting experience in what high-performance cultures look like. That's an education process we do with executive teams. Then you have to reinforce anything you've



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decided you want to pursue. You have to use it and apply it to business issues so it's not this stand-alone thing over here – you know, culture is over here and the rest of the company is over here. Now it's got to be part of everything. And then finally, measure it.”

Shifting Behaviors, Recalibrating Thinking

Getting anyone to revamp their behavior can be difficult. For Senn Delaney, it's critical that clients be in touch with the reasons that new habits are necessary. “When the need is great enough people find a way to operate differently,” said Mr. Marino. “If they don't feel there is a strong need to change then it's more difficult to get them to shift some of their behaviors. So what we really try to do is to help our clients in a path of discovery as to why we need to operate just a bit differently and in that sense shape the culture.”

And that's just part of the firm's overall offering. “It's part of the whole skill-set that we bring and that is our unique offering in the environment. It's always a challenge to help not just individuals but teams and entire organizations over time to see the need to operate differently. But it really is directly related to how much they feel the need to do that. Competition often drives that. Clients might say competitors are making inroads into our business. There are many other external factors that drive the need for change. What we try to do is make sure that they match those to the internal need for them to operate a little differently themselves. Once that case is made, I'm not going to say it's easy, but it's much more achievable.”

Culture shaping is not about providing a detailed list of actions leaders should take to effect change. It's more about recalibrating how they think and behave, and in turn how everyone in an organization thinks and behaves. “We don't come in and tell people to do this or that behavior,” said Mr. Marino. “What we try to get them to do is to create a mindset that helps

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them decide on which behaviors are best for them in different situations. We think that's more powerful."

8 Archetypes of Leadership:

1. **Collaborator:** Empathetic, team-building, talent-spotting, coaching oriented
2. **Energizer:** Charismatic, inspiring, connects emotionally, provides meaning
3. **Pilot:** Strategic, visionary, adroit at managing complexity, open to input, team oriented
4. **Provider:** Action oriented, confident in their path or methodology, loyal to colleagues, driven to provide for others
5. **Harmonizer:** Reliable, quality-driven, execution focused, creates positive and stable environments, inspires loyalty
6. **Forecaster:** Learning oriented, deeply knowledgeable, visionary, cautious in decision making
7. **Producer:** Task focused, results oriented, linear thinker, loyal to tradition
8. **Composer:** Independent, creative, problem solving, decisive, self-reliant

Source: Heidrick & Struggles

Here's an example. "I had a client once in the retail industry," said Mr. Marino. "In retail your product life cycles are very short and so sometimes if it's not a new product you have to have a variation on a product on the shelf to attract customers to new things every quarter. And this leader basically said, 'Can you help us with innovation because we have to be innovative and I don't know if my team is that innovative.' We went out and we did our process, we talked to the team, and when I went back to this leader with some results I engaged her in a conversation about her leadership philosophy. And what she said at some point was, 'If you're going to get something done right, do it yourself.' Now that's a mindset that says the

leader is taking over a lot of the thinking for the team. And that's actually what was happening. The team was saying, 'We always have these great ideas but she has a better idea so we always do her idea.'"

Mr. Marino then asked that leader to shift her thinking. "I said, 'I can't say you're wrong but I think you would be better served if you embraced the mindset that says there's wisdom in my team and how do I catch the wisdom in my team?' She created her own approach to doing that. I called her a couple weeks later and she said, 'You wouldn't believe what's happening; I'm asking questions that I never would have asked before; I'm getting ideas I never heard before. And the only thing I really did was change my belief in my thinking about this whole idea of doing it yourself.'"

Culture shaping is more than an in-and-out type of service. The firm has worked with some clients now going on 12 years. Most relationships with clients run two to four years. "Culture shaping does take that time," he said. "It takes a good intense effort in probably the first 18 months and then really beyond that to sustain it we stay engaged with our clients especially at the executive level."

As expected, Heidrick and Senn Delaney have found synergy in the acquisition. Referrals play an important part in the relationship among the two firms. There's also interplay between them. Senn Delaney, for example, can provide Heidrick's search consultants with insights into the types of candidates that would be best for any given role, said Mr. Marino.

For example, Heidrick's analytic assessment tool, Executive Culture Profile, springs from the culture-shaping mind of Senn Delaney. It focuses on evaluating both values and leadership behavior styles of an organization to better grasp its culture and as a result have a better idea of what candidates will fit best in that environment. It has a variety of uses, but can be a great help with board and succession planning. New

CEOs and directors can also make use of the tool as they begin navigating their new work environment. Mr. Marino explained it as “a tool that supports our search partner in understanding the culture of our client in a quick snapshot and then being able to assess one of two things: Either you want somebody who matches the culture that you have now because you’re happy with that, or you want a change agent who’s going to come in and shape the culture.”

“What we’ve heard from clients all along is, ‘We know that you can find people who have the technical skills and we know you can find people who can be very competent at whatever role it is that we’re searching for. We want to make sure that they have a fit with the culture or that they’ll be a change agent we need, and can you help us with that?’ And the answer is, yes we can. We’ve taken some of our culture tools and adapted them for search. So we do participate in the search process but more in a support role to the partners that are doing the search process.”

Given it’s specific role, Senn Delaney’s consultants would have no part in recommending, for example, that a client company part ways with any of its senior leaders. That’s more in the line of the partner that is assessing the organization, and in many cases would involve the approval of a client’s board of directors. But that’s not to say that culture shaping has no impact on some people’s ultimate departure from a company. “From the culture-shaping work

what happens is this,” said Mr. Marino. “If we create a compelling enough picture of ‘the way we want to operate’ – i.e., ‘how we want to do things’ – for those individuals that are not really fitting in, it becomes pretty obvious. Our experience has been that many people will self-select out of an organization, frankly, because they will be asked to operate in ways that either they don’t agree with or are uncomfortable with or they don’t want to change their ways.”

Beyond culture shaping, Heidrick has also made room in its repertoire for predicting how well individual candidates would do in leadership roles, going beyond traditional methods like experience and referrals and focusing on psychometric analysis. Like Egon Zehnder, Heidrick points to a more complicated, volatile, and ambiguous business environment that requires leadership skills and behaviors not found on resumes or that were even necessary in their previous roles.

Last year Heidrick rolled out a proprietary assessment tool called Leadership Signature, which opens a window on an executive’s particular leadership style and his or her ability to take on a different approach if necessary. In designing Leadership Signature, Heidrick called in experts from its executive recruitment, culture shaping, and leadership consulting functions to better understand how prospective hires go about the business of leading and how their behaviors affect others in an organization. The tool is now in use worldwide.

Analytic Tool Addresses Questions of How an Executive Will Lead In a New Role

How does a growth-minded corporate board select among several qualified candidates to be the company’s next CEO? Or how does a CEO choose the best leader for a key C-suite role? Evaluating candidates’ leadership styles has largely been an intuitive process. To add an analytic perspective, Heidrick & Struggles has introduced a new analytic tool to help.

Leadership Signature is designed specifically to evaluate candidates’ leadership styles and to help answer important questions related to how an executive would lead in a new role. This proprietary tool assesses the primary leadership styles that executives use, and the degree to which they are able to flex to other styles. Introduced worldwide in 2015, “Leadership Signature will help Heidrick & Struggles consultants better advise our clients in choosing the right leaders for their organizations,” said Heidrick CEO Tracy Wolstencroft.

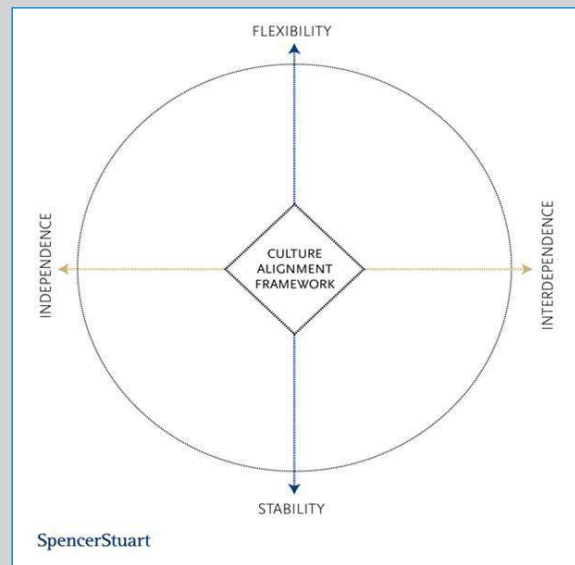
SPENCER STUART

Spencer Stuart's diversified services are in many ways an outgrowth of its core business of finding and assessing executive talent. Skills and knowledge acquired over the years prove valuable when applied to evaluating and making recommendations about key roles, teams, or even the cultural environment within a company.

Some would say it's a direction the firm has long been headed. Founded in 1956, Chicago-based Spencer Stuart was one of the pioneers in bringing research to the fore of recruitment, including what was known as "the environmental study," making sure its consultants had a thorough understanding of the client company's business and strategies before setting out to identify its key leadership management. In 1998, the firm launched an assessment function, originally called Global Intelligence and later, Executive Assessment Services, to evaluate leadership teams at vital junctures like establishing a succession plan, bringing in a new CEO, or mergers and acquisitions. In was in the nineties, too, that some noteworthy corporate failures led to tougher rules for how boards of directors operated, which in turn fed the growth of Spencer Stuart's board consulting and C-suite recruiting services.

Those offerings have become more critical than ever as the search industry continues to transform with changing times. More corporations have started in-house recruiting functions, so search firms are looking beyond search alone to boost revenues. At the same time, client companies are demanding that their recruitment partners do more than just fill position openings. They want to know how to maximize the potential of their executives, teams, boards of directors, and organizations as a whole. Everyone, meanwhile, is talking about the importance of culture within an organization as the main pathway to finding success.

Cost/Benefit Analysis of Culture



Despite its influence on business performance, culture is notoriously difficult to manage because the underlying drivers are usually hidden.

Spencer Stuart's framework for assessing organizational culture is rooted in the insight that the two most important dimensions for understanding culture are how an organization responds to change — especially in the external environment ("orientation toward change") — and how individuals within the company interact and coordinate to accomplish their work ("orientation toward people").

A company's culture is defined by where an organization falls on these two dimensions, and this reflects how thousands of employees make individual decisions to manage the costs and benefits associated with those tensions over time. Cultures can be more independence-focused or more group-focused (more or less collaborative), and cultures can be more comfortable with stability — focused on maintaining consistency and predictability — or flexibility, where being adaptable is emphasized.

Spencer Stuart, it seems, was well positioned for the new day. Today, board assessment is a mainstay of the firm's offerings. Behind it, of course, is the idea that an experienced, outside group can help raise a company to new heights by delving deep into the workings of the board, to review, analyze, and in the end provide insights and suggestions for change.

Drawing on Field Work

Spencer Stuart's board assessment offering involves taking a hard look at the client company's governance, keeping in mind that each client's corporate makeup and situation differs. The process involves in-depth conversations with the client company's directors on an individual basis. Among the subjects included in its board assessments are: composition of the board, roles and responsibilities; culture, dynamics, teamwork and leadership; processes, reporting & agendas, director development; organization of the board and committees; overall board effectiveness; quality of debate and strategic input; relations between board and management; shareholder communication and accountability; and succession planning processes.

That information is then analyzed and evaluated in relation to best practices both in the U.S. and around the world. Having conducted hundreds of board assessments, including upwards of 150 in Europe alone over the last five years, Spencer Stuart has significant history to draw upon. It also emphasizes that it pays special attention to boards that have never been through an assessment before, gearing its approach to whatever uncertainties directors might express.

CEO succession planning is another option that is proving popular for Spencer Stuart's clients. These days, as the firm points out, corporations are increasingly aware of how critical it is to know who will be leading their operations in the years ahead. More



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organizations have already been hard at work at the process, implementing state of the art succession processes, for example, and strengthening their talent management efforts. But the business landscape is always shifting. And as Spencer Stuart reminds companies, the high cost of failure, or even mediocrity, in the top job makes improvement in succession planning an ongoing effort.

CEO Succession Planning

Spencer Stuart has conducted nearly 700 CEO search and succession assignments globally in the past three years.

To that end, Spencer Stuart's biggest selling point is experience. Globally, the firm says, it has performed some 700 CEO search and succession assignments over the last three years. That, combined with its other senior-level search background and expertise in governance and best practices, help position the search firm as a natural choice in the succession planning arena. Spencer Stuart's consultants work directly with an organization's board to establish a plan that is "effective, fair and credible," both for the near and distant future.

Included in its approach, Spencer Stuart offers a proprietary executive assessment tool that goes beyond analyzing basic indicators like performance and experience alone. ExI, as it is called, for "executive intelligence," takes into consideration more innate attributes that executives might have (or lack) – analytical skills, social intelligence and self-awareness – that can make a critical difference in how he or she handles the unique demands of leading a company.

Executives partake in an hour-and-a-half-long interview in which they respond to different situations, opening a window into their cognitive and problem-



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solving abilities. It's based on the idea that the challenges of leadership call for different skill sets than those that the executive needed to rise through the ranks. Expertise in his or her area, knowing how to navigate within the business, and building strong relationships help individuals succeed early in their career. But at the most senior levels, the challenges become more complicated and ambiguous. The decisions top-level executives must make are more far-reaching. Oftentimes leaders have to respond more quickly, and with less knowledge at hand.

Getting Below the Surface

Spencer Stuart's executive intelligence assessment focuses on three areas, which the firm lists as "problem-solving capability (practical intelligence), understanding of people (social intelligence) and self-evaluation and adjustment skills (emotional intelligence)." In measuring those traits, the firm feels it provides deeper, more dependable insight into how would-be leaders will perform in the most senior roles, as opposed to relying on a performance history that seldom has much to do with the challenges ahead. The resulting data is then benchmarked against results from executives from around the world.

As more organizations are coming to understand and embrace the holistic nature of their companies, Spencer Stuart also offers what it calls leadership advisory services to address needs that ultimately ripple throughout an organization. The firm's organizational culture assessment, for one, fits in well with the growing recognition of the part culture plays in how a company operates and the business's ultimate success on a number of levels. In its culture work, Spencer Stuart employs an assessment model to get below the surface to understand how any given organization works on a cultural level as well as the part that individuals and their behaviors play.

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For cultural assessment, Spencer Stuart considers two main areas: the first is how an organization deals with change, particularly change from outside the business. The other is how people within the company relate and work with one another. In the end, the coming together of those factors shake out to determine whether an organization has a culture that encourages independent-mindedness versus a group- and collaboration-outlook and if that environment tilts toward stability, consistency, and predictability, or if it's more open to flexibility, in which adaptability on the job matters most.

Executive Intelligence: What All Great Leaders Have

Finding and assembling the very best people should be the first priority of every business, but what is it that makes executives perform at the highest level—and how do you recognize it? Spencer Stuart set out to identify the core aptitudes that all great executives share:

- Practical intelligence skills—the ability to appropriately define a problem; question underlying assumptions; anticipate unintended consequences; and differentiate primary objectives from secondary concerns.
- Social intelligence skills—the ability to recognize underlying agendas; understand multiple perspectives; anticipate likely emotional reactions; and identify core issues within a conflict.
- Emotional intelligence skills—the ability to recognize personal biases; pursue constructive criticism; recognize flaws in own ideas and actions; and recognize when to resist objections and stand one's ground.

The goal of the assessment is to get a full understanding of the company's culture and to pinpoint those behaviors that work best with its strategies, structures, practices, and plans. That



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How Top Leaders Shape Culture

CEOs and other top leaders tend to have a disproportionate influence on the culture through what they emphasize and the examples they set. For this reason, applying insights about culture to critical leadership decisions is one of the most effective ways to reinforce the elements of culture that are working well and evolve those that are not. Spencer Stuart's culture model and diagnostic tools help companies understand their current culture, identify the cultural styles that support their strategic imperatives and use these insights to make the most important leadership decisions, including:

- CEO succession and talent development
- Leadership selection, hiring and onboarding
- Developing effective top leadership teams

information and knowledge can then help inform decisions having to do with matters like CEO succession and talent development; leadership selection, hiring and onboarding; and developing top leadership teams, according to the firm. Applying insights about culture to critical leadership decisions

is one of the most effective ways to reinforce the elements of culture that are working well and evolve those that are not. Spencer Stuart's framework makes this much easier to do because it uses the same model to evaluate both organizational culture and the personal styles of individuals.

Among its other leadership advisory services, Spencer Stuart offers merger integration support, to assess what individuals in the joined companies offer and how they will fit in (or not fit in) and best be brought into the fold of the newly formed company.

In a separate offering, the firm also provides evaluation and recommendations to maximize the effectiveness of leadership teams. By zeroing in on the elements that most affect those senior leaders, including cultural and team-dynamic issues, Spencer Stuart's consultants aim to boost a team's effectiveness and help it stay on track with overall strategic goals. The firm also provides customized services, which also play off of the search firm's long experience and insights, for any number of circumstances that a company might be facing, including the bringing aboard of a new senior leader or changes to its business plans.

SECTION 3

The Game Changers

SECTION 3:

The Game Changers

The executive search industry's largest player, Korn Ferry, announced recently that it was acquiring the management and compensation consulting giant, Hay Group, for \$452 million. Founded in 1943, Hay Group has been a stalwart player in its field for decades. So it came as a great surprise to many industry watchers that its suitor would be a firm rooted in talent identification and recruitment.

The recruiting sector is undergoing a seismic shift that is causing the industry's largest firms to broaden their focus to include services they hope to offer to long-standing clients who are looking to their talent providers for 'one-stop shopping' in the burgeoning field of talent management.

Acquisitions like Hay Group as well as organically developed service offerings that are designed to complement the recruitment process are providing an insurance policy of sorts for the largest recruiters who are unsure which direction their industry is heading into.

To complicate matters, a growing number of companies are using their own in-house recruiters to find talent. At the same time, smaller, more agile boutiques are making inroads into what was once the exclusive domain of the big firms. It is a shift that not many years ago would have been unimaginable. We examine 15 of those small but rising boutique firms that in many ways are part of the vanguard changing the industry from the bottom up.

Big change has come, and continues to come, to the search industry. The biggest firms in particular have shown a growing shift toward diversification of services, in no small part because more and more companies are doing their own recruiting and smaller, more specialized boutiques are proving themselves more than worthy competitors for recruiting assignments right up to, and including, positions at the C-suite level.

The main cause for this change is the rise of social media platforms and its many sources of information about candidates. This technology has, in effect, completely leveled the playing field among executive recruiters. Now, LinkedIn and other online sources of information make it possible for anyone to find potential hires at all levels. In-house recruiting, which is costing the industry upwards of \$500 million in annual fees, has been a particular challenge for the industry's giants, especially those operating increasingly at mid-market levels where most of the in-house recruitment action is now taking place.

The Real Winners

These days, 'cultural fit' is the mantra of leaders at so many companies looking to hire top-level executives. And indeed there's a certain irony to the shifting ground in the industry in that regard. Corporate leaders say that outside search firms could never understand the true personality and environment of their companies as well as those who live it and breathe it. More and more, they would rather have their own in-house recruiters handle their searches. Yet the big search firms, while perhaps losing ground on the recruiting side of their business, are diving deep into big-picture areas like culture shaping and assessing the psyche of corporate leaders. Outsiders they may be, but the big search firms continue to have a huge – and perhaps greater – impact on matters like corporate

culture, how companies are run, and ultimately how they will grow, compete and succeed.

For the big firms, acquisitions like Korn Ferry's purchase of Hay Group are already bearing fruit. The five largest firms this year reported combined revenues of more than \$3 billion. But when it comes to actual assignments, it is the smaller firms that are making the biggest waves. With virtually little to no off-limits issues, specialized boutiques are beginning to catch up to their larger rivals at warp speed. Today, it is not uncommon to see dozens of completed C-level assignments dotting the websites of search firms that had previously been largely invisible. Quick turnaround times and an attention to service, combined with creative pricing structures, have put thousands of small or specialist recruiting providers in the viewfinder of clients today.

While in-house recruiting teams have become far more adept at locating talent on their own, their desire to save talent acquisition fees might actually benefit small firms which are better able to offer reduced fee arrangements and increased quality metrics. Feeding into the importance of understanding cultural fit, many companies are using fewer search firms. When they use them at all, they increasingly consider those they do retain as close and loyal partners. Enter the boutiques.

Shift in Client's Use of Search Firms

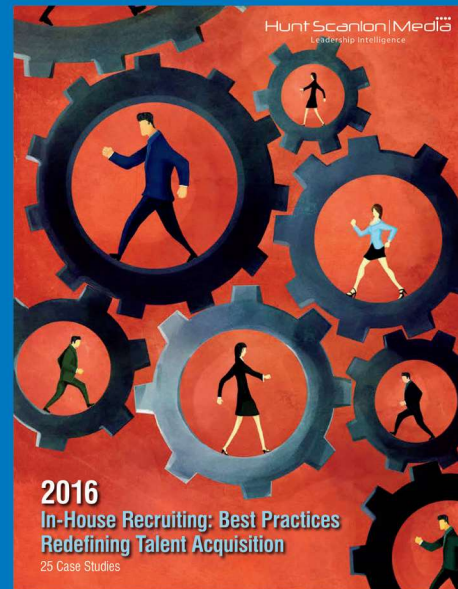
As the largest firms redefine and retool their cadre of services, corporate clients today are becoming far more accepting of smaller and more specialized firms managing their external search initiatives. As LinkedIn and Indeed advance further into the recruitment arena, the boutique search providers are far better positioned than ever to take on their large rivals. They promise more attention to client's needs. They are far more nimble and creative. And, most importantly, many are comprised by seasoned consultants who learned the profession within the big firms.

Many feel that boutiques bring something unique to clients: Big-firm training and small-firm personal attention. Those boutique firms that can prove their mettle in handling unique, challenging and difficult-to-fill assignments are the ones now sought out more often by clients.

Never in the history of executive search have so many boutique firms been formed. In the U.S. alone, Hunt Scanlon Media has identified and now tracks more than 3,000 retained search firms. What is most striking: 30 percent have been created in just the last several years.

Hunt Scanlon Media takes a look at 15 of the more compelling boutique firms – what makes them tick, where they focus their professional sights and who are the key people behind these unique brands. They are not alone by any means. But they are among the game changers. And their success is changing how even the biggest firms do business.

“In-House Recruiting: Best Practices Redefining Talent Acquisition”



Hunt Scanlon’s team of editors and industry analysts compiled 25 in-depth case studies on major global companies including Microsoft, Coca-Cola, Nike, Walmart, Deutsche Bank, Philips, PepsiCo, Standard Chartered, The Cleveland Clinic, CBS, Unidine, Time-Warner, plus many more. It also includes data polled from over 650 TA professionals in a highly substantive survey.

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TRUE

Increasingly, top consultants at large search firms are breaking ranks and setting out to build and develop new brands in unique ways by embracing cutting-edge strategies to best serve a demanding client base. Once partners with Top Five search firm, Heidrick & Struggles, Brad Stadler and Joe Riggione, who co-founded True in 2012, are leading a dedicated team of consultants which has catapulted True to the 16th largest among U.S. search firms, reporting \$18.2 million in fee revenue. The firm reported the highest growth rate in Hunt Scanlon's Top 50 ranking this year posting a 90 percent gain.

Today, True is working with some of the most innovative private equity and venture capital firms in the world. With a laser-like focus on just two sectors, technology and life sciences, the firm embodies the focused, innovative and passionate approach future search specialists are likely to emulate. Recently the firm placed top-level candidates at Square, LendingClub and MongoDB. True has 24 partners working in eight offices: Boston, Philadelphia, New York, Silicon Valley, San Francisco, Berlin, London and Stockholm.

ZRG PARTNERS

Up 45 percent this past year, ZRG Partners is another success story found among the Hunt Scanlon boutique brackets rankings. Like True, ZRG represents a new breed of talent management provider – small, more intensely focused, with global reach. Unlike any of its boutique rivals, ZRG is one of the first talent providers of its size to obtain capital funding by using its growth story to attract investment dollars.

Earlier this year, West Orange, NJ-based ZRG Partners obtained capital funding with Northcreek Mezzanine to allow the search firm to pursue strategic acquisitions

Q & A

Engineering & Construction Sector Experiences Talent Shortage

The engineering & construction sector continues to grow all over the world. The demand for talent is expanding with it, but there seems to be a shortage of senior-level executives. CareerSmith's president and founder, E. Brian Smith, gives his reasons why the talent shortage exists and also why diversity is important to his firm

Tell us about the talent shortage in the senior-level management ranks of this sector.

There is definitely a talent shortage in the senior-level management ranks within the engineering & construction industry. The reason is two-fold: First, a talent shortage occurs when a company's succession planning does not produce an acceptable candidate. Second, when a company changes its organization, such as developing a centralized sales organization (from decentralized sales), the internal candidates do not always accept the change. Both of these are currently happening in this sector.

What percentage of assignments require candidates with global experience?

Approximately 30 percent of our search assignments at the present time require a candidate with global experience. That figure increases to 35 percent if we include all searches that require global sourcing. So about one third.

To what extent have women moved into some of the more senior-level roles in the sector?

Most of our searches require us to find diverse candidates, which may or may not be a woman. Women are increasingly moving into the C-suite of major companies. However, in absolute numbers, there are more male candidates. It takes time to enlighten selection committees to require that search consultants produce qualified diversity candidate slates (including women) in order to increase the number of diversity candidates that are placed.

and attract key executive recruiters to fuel its growth. ZRG, named to the Hunt Scanlon Media Top 50 U.S./Americas recruiter rankings for the first time this year, recorded \$9 million in U.S. revenue – making it one of the fastest growing search firms of its size. Globally, the firm grew by 29 percent, to \$13 million.

“The time is right to accelerate our pace of growth,” said ZRG CEO Larry Hartmann. He said that he is now finding a market driven by candidates and that clients are seeing the true value of retaining outside, expert recruiting advice. “Landing top talent takes hard work, persuasion and influence,” said Mr. Hartmann, who noted that the return of long term incentives and equity schemes to attract key leaders is pointing back to the value of a solid search partner to manage the talent acquisition process effectively. “We believe the best solution for clients is a mid-size global search firm.”

ZRG plans to use the proceeds from its investment partner to pursue strategic acquisitions and attract key executive recruiters to fuel its growth. One likely outcome is that more mid-sized players will line up similar financing which, in turn, will push growth levels among this group to new highs.

Mr. Hartmann and his team excel in finding leaders across a broad spectrum of business markets, including aerospace, consumer, education, healthcare services and solutions, industrial, life sciences, non-profit, private equity and venture capital, and technology.

ROSENZWEIG & CO.

For Jay Rosenzweig, president of Rosenzweig & Company in Toronto, starting his own business seemed inevitable. “I’m an entrepreneur by nature,” he says. “It’s in my blood.” But it didn’t happen right away. He started out as a lawyer but eventually joined a boutique firm, which in turn was acquired by Korn Ferry. So it was that Mr. Rosenzweig learned what he needed to know in both the big and small search environments. “The key partners from the boutique firm that I originally joined had a little bit more tenaciousness than some of the influencers at the big firms,” he says. “The hunger that entrepreneurs

Q & A

Gender Diversity in Boardrooms

We are still a long way from significant gender diversity in the corner office, but moving in the right direction. In the following interview, Patricia Lenkov, founder and president of Agility Executive Search, discusses topics ranging from diversifying boardrooms to recruiting in the area of corporate governance.

What has been the biggest change in recruiting board members in the last 10 years?

Today, the door to the boardroom has been swung open and there is enormous scrutiny on both the functioning of the board and its composition. As such, the role of the board director is more challenging than ever both in terms of time required and effort. Nevertheless and despite popular belief to the contrary, there are still aptly qualified and available board directors who are earnest in their desire to serve.

As a woman, has it been easier for you to identify and recruit female professionals to the boardroom?

Unfortunately we are still a long way from significant gender diversity in the corner office, but we are moving in the right direction. The solution is complex and multifaceted but I believe it starts with the education of young girls and continues from there. There has been more progress in the boardrooms of the Fortune 500. Today less than five percent of Fortune 500 companies are still run by all male boards of directors. Again, moving in the right direction. Now mid and small cap companies should follow suit. Not because of pressure but because it actually improves results.

bring from a professional services standpoint to high end recruitment can often be superior.” Even the training he gained at the boutique was, in some ways, superior. “But the thing I will say is that having worked at the larger firms becomes a fantastic calling card from a business development perspective, because when you’re talking to a client you’re able to say that you’ve been to the big firm, you’ve had the exposure, and you’ve had the training. So if that’s something that’s important to them, you’re able to tell clients you bring the best of both worlds: we’ve been trained at the big firms and we have the exposure and now

we can combine that with the kind of boutique firm rigor and tenacity that combined will yield far greater results over the long haul.”

When he first started talking about starting his own firm, Mr. Rosenzweig’s advisors urged caution: “They were telling me, ‘Jay, you’re crazy. You’re a young partner at the world’s largest firm. You’ve got three kids and a mortgage. Why rock the boat? Hang in. Leverage off the brand. Leverage off the resources of the big firm. Life will be comfortable.’” But in 2004, he did walk away from Korn Ferry and started his own firm. “I just felt it was the right time,” he says. “It was inevitable that I was going to ultimately try to build a business and innovate and bring something different to the table. At the same time, I wanted to build a firm that would be so deeply service-oriented that it would blow the clients away.”

One of the biggest challenges the firm faced, and to some degree continues to face, is name recognition. “Firms like Egon Zehnder and Russell Reynolds Associates have been around for a long time,” he says. “They’re well known universally and the knee-jerk reaction is to call the usual suspects when you’re doing a search. One of my big challenges was getting our name out there so that companies would think about our firm within the same breath as the bigger firms and know to call us. Our name obviously has grown and we’re known in many circles, but certainly our name isn’t as well known as Korn Ferry to this day, and we continue to fight that battle.”

Mr. Rosenzweig calls the decade since he started the business “the most gratifying 10 years of my career.” Between interesting assignments, the ability to choose what clients to accept or turn away, and the financial rewards, he has no complaints — which is not to say it’s always been easy. “We’ve certainly had our ups and downs,” he says. “2008 was extremely difficult. We weathered the storm, but it wasn’t easy.”

Q & A

Resounding Success for European Boutique Search Firm

Most European countries have by now left the financial crisis behind, opening up fresh opportunities for boutique specialists serving the sector. Jorg Stegemann is CEO of Kennedy Executive Search & Consulting, a partner network of independent boutique firms with offices in Amsterdam, Copenhagen, Frankfurt, London, Milan, Paris and Prague. Mr. Stegemann has been working in recruitment and executive search since 2001. In the following interview, Mr. Stegemann provides an update on the search industry from an European perspective.

As a network of boutique search firms, how do you position against the big firms?

We face the traditional search firms in several aspects, including for search assignments and for new partners. The reason why we are chosen is the same: Our clients say that we are very client-centered, fast in delivery and decision-making. With offices of six to 12 employees, we are small and the partners take over from the researchers early. We follow an assignment from A to Z. Typically, we also work on fewer assignments. All we do is highly flexible, we tailor make our service and our clients like that. We fly under the radar shield of the big firms yet we hear their names frequently when pitching for searches.

What are your clear advantages?

One of our biggest assets is diversity based on common values. We will not compromise on ethics and professionalism yet the owners decide locally how to run their business. We can adapt very quickly. Customers come first and reporting last. I see much maturity, experience and self-control in our partners. Having survived several booming and declining economies, I am confident we are very well prepared for 2016 and beyond.

When sourcing candidates, how broad do you look?

We are able to fill most searches with candidates in Europe. If the position requires us to look broader, we do so: I recently had a search where my client estimated that there were 10 potential candidates in the home market. Then, we went European, then international.

JBK ASSOCIATES

Today there are more female-managed search firms than ever before and one of the most well-known is led by Julie Kampf, the CEO of JBK Associates. A generalist firm which has a strong focus on healthcare, consumer packaged goods, retail, luxury, financial services and the life sciences, it expanded at a rate of 30 percent this past year.

Committed to workforce diversity and inclusion, JBK Associates was recently named as one of the 'Top 500 Women Owned Businesses in the United States.' Ms. Kampf is honored by the recognition. "Well if you look at the landscape of women-owned businesses in the country, there are about 8.6 million women-owned businesses that contribute about \$1.3 trillion to the U.S. economy. And if you think about the fact that only three percent of those businesses ever do more than a million dollars in revenue, it really is quite extraordinary. I think number one, we were chosen for the fact that we have built a really solid, consistent, and sustainable business. We are focused on diversity, and we also give back to the community in a significant way. We're big on mentoring. I was just selected one of five women in business that was given the Highest Leaf Award, which recognizes that women in business need support. I think that it is a question of where we are in terms of our scale and what we do with community and how we do our business. I would say those are the primary reasons we were selected."

Women in search have progressed in recent years and in fact there are now several hundred women-owned and managed firms in the industry today. At the largest firms, women have not advanced at the CEO level for the most part. Ms. Kampf believes that there still is an 'old boys network' within the search industry. "If you look at business across a wide spectrum, I think it is still very male dominated

Q & A

Bridge Between Search and Private Equity

While more search firms are entering the private equity arena, there is no substitute for the experience and knowledge of countless projects maintaining the balance between investor and investment in order to achieve a successful outcome. In the following discussion, Mark HuYoung, managing partner of NorthWind Partners, says that interaction with sponsors is and always will be part of NorthWind's DNA.

You work very regularly with private equity firms. Will this continue to be an active sector for NorthWind Partners?

Definitely. I've maintained meaningful relationships in private equity since leaving corporate strategy almost 15 years ago. It's been a privilege to work through the financial crests and nadirs of that time period with clients. While more search firms are entering this arena, there is no substitute for the experience and knowledge of countless projects maintaining the balance between investor and investment in order to achieve a successful outcome. Interaction with sponsors is and always will be part of our DNA.

As a boutique firm, do you think your firm is better positioned to work with the P.E. community versus a large, generalist firm?

As a focused boutique with a deep network of, and predominant focus on, working with deal-proven executives, I do think we are better positioned to address the nimble pace and expectations of a PE firm in our core verticals. We don't purport to be all things to all organizations (and, by default 80 percent of our client base is low-mid to mid-market). However, the selection of a firm like NorthWind really depends on how the prospective client fundamentally defines mitigation of risk when considering a search. If the risk profile favors greater firm size and scope of focus, we won't be the right choice. However, if the risk profile is based on success in our areas of focus, it ought to be reasonably difficult to discount NorthWind when considering options.

in most regards and search is no different. For example, at the Fortune 500, there are something like 55 women serving as CEO which is, of course, a disproportionate number leading those companies."

"I think it would be very wise on the part of a major firm to consider a woman for the CEO position.

There are statistics that point to enhanced ROI when there are teams of diverse leaders in place that are

culturally, ethnically and broad as well as from a gender standpoint.”

CATALYST ADVISORS

As one of the larger boutique firms at an estimated \$10 million in revenue, Catalyst Advisors is turning into a powerhouse recruiter. It grew by 50 percent this past year and should eclipse the \$13 million mark turning into 2016. Founded by long time Russell Reynolds Associates partner, John Archer, it has the look and feel of a larger firm with offices in New York, London and Los Angeles but maintains a smaller, more entrepreneurial culture.

Catalyst’s blend of management reflects the sector it serves, recruiting leaders for life sciences clients. In addition to Mr. Archer, Catalyst’s other partners have deep life sciences and healthcare backgrounds, including Simon Bartholomew (ex-Reynolds and Miles Partnership) in London, Christos Richards (former Levin & Company CEO) and Stephen Williams (former Bench International president), both in LA.

According to Catalyst Advisors’ Annual Review and Outlook on the biopharma industry, the new and more competitive environment of the sector has had significant implications for biopharma boards of directors and CEOs looking to fill key board and management positions.

Within the sector, Catalyst Advisors has taken a leadership position as a search firm of choice, recently recruiting the chief medical officer for biopharmaceutical company AveXis, board members for Momenta Pharmaceuticals and PDL BioPharma, and CEOs for Faraday Pharmaceuticals and The Learning Clinic.

Q & A

Evolving Technology Could Have Unintended Consequences

This is the age of technology; we’ve all gone digital. But could we be losing touch with how important it is to have a good old fashioned personal interaction, building healthy relationships face-to-face in thought provoking conversation and healthy dialogue? Bo Burch, CEO and founder of Human Capital Solutions, gives insight into how the world of technology is shaping the search industry today and what benefits and consequences it brings.

Looking ahead five years what most excites you about the search industry?

Looking ahead, I’m excited about the advancement of psychometric tooling and testing as a predictive measure of future performance and fit. Improving the objectivity and results of an inherently subjective process will continue to benefit organizations and candidates alike. Our firm has partnered with EASI Consulting as these tools are quite effective at drilling down into a candidates’ core competencies, values and strengths. This knowledge helps our clients not only reduce the amount of subjectivity, it also greatly assists with the onboarding process and improves retention.

What most concerns you?

One thing that concerns me a bit as we look towards the future is the potential lack of personalization and relationship building. This is the age of technology; we’ve gone digital with more and more electronic communications being the status quo. I fear we may be losing touch with how important it is to have a good old fashioned personal interaction building healthy relationships face-to-face in thought provoking conversation and healthy dialogue. Some believe that evolving technology will make everything more effective and efficient, I am afraid that it may have an unintended consequence. It may get to the point that it is actually more difficult to find the right people because a candidate may meet all of the qualifications on paper, may assess well under psychometrics testing, but misalign due to values, cultural fit and limited communication skills.

ALTA ASSOCIATES

Executive recruiters are reporting that high profile data breaches at well-known companies have induced demand for cyber security talent, namely chief information security officers (CISO), at a time when IT security executives are being elevated to the C-suite. "This convergence is a highly visible response to what is now seen as a highly visible issue," said Scott A. Scanlon, founding chairman and CEO of Hunt Scanlon Media. "Competition for cyber security experts is tighter than ever." JPMorgan Chase, Anthem, eBay, Home Depot, Sony, and Staples are among the many companies reeling from recent ruptures to their digital security.

"Security breaches are a C-level problem," said cyber security recruiting specialist Joyce Brocaglia of Flemington, NJ-based Alta Associates. "I've been in the business since the inception of the CISO role and I have never seen it as active as it is now."

When the Russians hacked into Citibank in 1994 Alta Associates was retained to help build the first ever information security organization. Twenty years later, the firm is recruiting chief information security officers and their teams for companies that are the targets of sophisticated cyber attacks. While other specialist firms have moved into the cyber security space, Alta remains a dominant and trusted recruiting advisor. Founded by Joyce Brocaglia in 1986, Alta has played a significant role in both defining and elevating the role of cyber security professionals.

Alta has expanded its recruiting specialties to include IT risk, privacy & governance, and risk & compliance. Will cyber security recruiting remain in demand? Definitely. Alta grew by 64 percent last year. Its most recent placements include CISO's for a retail giant, a global payment processor, an insurance provider, and a major auto manufacturer.

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Pamela Ruebusch
Founder & CEO

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VETTED SOLUTIONS

When most people think of executive search it's generally the mainstream world of business. But, today, search firms are tapped by all types of organizations to find leadership and the not-for-profit sector is no exception. Colleges and universities, cultural institutions, foundations and associations all use recruiting firms today. All of the major search firms maintain multi-million dollar practices in this sector, but it's the boutique specialists that are gaining the most ground.

A clear leader is Vetted Solutions which, according to Hunt Scanlon's rankings, grew by an impressive 25 percent and is expected to expand by another 35 percent this year. Jim Zaniello, the firm's president and founder, oversees a boutique operation specializing in serving non-profit organizations.

"In this sector, we need to find individuals who are not only incredible leaders with a track record of ensuring success on the revenue generation/business side but who are also excited by the mission of the organization," said Mr. Zaniello. "Boards of directors want to see and hear a candidate's passion for the work they will be engaged in – whether that is advancing the industry or having an impact on the lives of those served by the organization. We are also incredibly focused on the personality and behavioral traits that enhance success in the non-profit sector. Non-profits, as you can imagine, seek consensus builders who enjoy motivating others and who take greater pride in organizational success than their own."

A member of the panorama search consortium, Vetted Solutions' roster of completed assignments is impressive: The Foundation of Financial Planning (FFP) tap the firm to recruit its executive director, while the Pediatric Cancer Foundation (PCF) and Society for Marketing Professionals Services (SMPS) retained the firm to find its CEOs.

Q & A

New Technologies Redefining the Search Industry

When it comes to being online and going digital, no industry has been left behind, especially the recruiting sector. Chris Pantelidis, global vice president of marketing at EMA Partners, discusses how search firms like his are a part of the digital revolution employing different strategies through the adoption of technology.

As a digital expert how do you think these new technologies are helping to redefine the search industry?

Today, every industry has a presence online and through digital media. Internal HR teams use digital channels to identify and acquire talent, and as a result they are able to bring some outsourced talent services in-house. As search practitioners we are a part of the digital revolution and firms employ different strategies through the adoption of technology. While we utilize the newest technology, software and apps to help manage our business, our clients and our candidates, our success is rooted in human relationships. As specialists in payments & digital, success has, and will always come from, the core competencies that we strive to identify in leaders – honesty, integrity, transparency, excellent communications, and the desire to innovate, transform and exceed expectations.

What do you see changing in the digital space?

We are witnessing non-digital companies, particularly banks and retailers, undergoing digital transformation. To gain the agility to deliver products quickly, organizations are building accelerator labs and innovation centers. For traditional organizations these labs circumnavigate the confines of legacy platforms and processes. Often we are asked to assist with organizational design and to identify leaders who can drive product development and delivery. Another rising trend is specialized skillsets and roles in cyber security and biometrics, where companies examine ways to validate and protect customer data, and develop new forms of personal and transactional authentication.

DAVID BARRETT PARTNERS

In all the excitement of finding faster and more efficient ways of identifying top talent what is getting lost is how important executive recruiters are to the business of building world class teams of people. LinkedIn and other social media identification platforms might be the rage today, but headhunters generally say that technology in and of itself can only go so far – especially the higher up the corporate ladder one ascends.

David Barrett, a managing partner with New York-based David Barrett Partners, a boutique specialist search firm which recruits senior and C-level professionals for the investment and wealth management sector, has been a leading recruitment advisor in this sector for nearly 20 years.

“Recruiting top talent in our space has always been challenging and even with ongoing advances in technology and the proliferation of third-party candidate databases, it will not get easier,” said Mr. Barrett. “The investment and wealth management area is a very high paying industry and if someone is successful in it, there will often be little incentive or reason to consider a move.” That means recruiting in the sector can be fraught with obstacles, bumps in the road, and more likely than not – pure frustration.

In an increasingly competitive marketplace, Mr. Barrett believes, the challenge for recruiters will be to demonstrate that they have the relationships, the market credibility, and the industry knowledge to not just serve up candidates, but to deliver the right ones. It is something electronic databases struggle with and will likely never overcome.

“As we tell prospective clients, a successful search is not dependent on whether you use a large or boutique recruiting firm; the more important facet is the focused, hands-on involvement of senior level recruiters who are credible in the space, actually executing the work themselves, and who are not subject to large firm off-limits constraints. We feel our boutique structure offers clients the highest probability for success on any given search.”

At Barrett Partners, seasoned recruiters, in teams of two, personally execute all aspects of the search process. They do this without junior recruiter execution leverage or, more importantly, the financial need. “It is that alignment of interests between the

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recruiter and the client that motivated us to commit to the boutique model,” he said.

“As a boutique, our goal is to do as much work as possible for as few firms as possible, thereby maintaining our competitive edge in terms of off-limits and access to talent. Being the only global boutique firm dedicated solely to the investment space hopefully differentiates us in that context.”

MARLIN HAWK

Today’s CHROs face an enormous challenge. As catalysts for change, their goal is to evolve companies away from hierarchical command & control models toward more collaborative models that drive innovation, engagement and customer service.

People – and particularly new blood – are critical to their game plan, yet many CHROs are disenchanted with the outdated practices of their executive search partners. The business world is changing fast, they contend, but the business of recruiting leaders is lagging.

So, what is it that chief human resources officers want from their executive search partners? Mark Oppenheimer, a managing partner for the Americas at Marlin Hawk, a leadership advisory and executive search firm with offices in London, New York, San Francisco and Hong Kong, has been exploring the evolving relationship between CHROs and executive recruiters for a number of years.

“CHROs want a sophisticated partner that can deliver strategic insight and competitive advantage,” said Mr. Oppenheimer. “That demands fresh thinking, sharp market intelligence and an open minded approach to where the next generation of leaders is coming from. It is no longer enough to pitch in with fragmented examples of what is going on within a client’s industry – CHROs want the full jigsaw.”

Q & A

Game-Changing Market Intelligence Function

One firm’s belief is that market intelligence should come before executive search. In the following interview, Mark Oppenheimer, managing partner for the Americas at Marlin Hawk, discusses this game-changing ideology and how it has led to successful growth in the U.S.

Describe Marlin Hawk’s U.S. market intelligence function which you personally launched and now spearhead?

Research lies at the heart of what we do. Too much executive search happens in a vacuum, without market context. That makes it tactical, which is limiting. The purpose of our market intelligence function is to apply strategic thinking, to explore the strengths and weaknesses of our clients’ organizations in relation to the external market. That might involve a realignment of business goals with organizational structure and talent strategy. Or a benchmark analysis of the existing senior team against peers elsewhere. It might result in an upskilling and succession planning initiative, or a gap analysis and heat mapping exercise to identify the geographic hot spots for missing talent. Our firm belief is that market intelligence should come before executive search.

How do you position Marlin Hawk against the industry’s largest search firms? What clear advantages do you bring?

If you want game-changing talent, come to a game-changing executive search firm. We pride ourselves on being a bunch of mavericks in a very conventional industry and our mantra is to throw away the rulebook. As a boutique firm, we believe that we offer closer, deeper client relationships. We certainly invest a great deal of time getting to know our clients’ markets, cultures and challenges. We are small and agile enough to know every colleague across our international network and to work in-sync across different time zones, but large enough to have the delivery engine horsepower to drive the research, identification and onboarding of the highest flying executives.

The best executive recruiters, he said, do not limit their scope of research to the client’s sector. They dig deep into other sectors, often with parallel functional disciplines, and “bring to the table the best athletes, the rising stars, and the unexpected discoveries that can make a radical difference for an organization.”

“CHROs want deep rooted recruiting partnerships, not vendor relationships. That means a holistic,

intelligent approach to executive search, one that helps shape the environment for new hires to maximize successful outcomes,” said Mr. Oppenheimer. Active involvement in the on-boarding process is vital to promote positive assimilation and search partners should play an ongoing role in after care, ensuring that the successful candidate’s performance matches expectations, he said. “They should take a pro-active interest in the client even when there is no search work going through the books and they absolutely must honor off-limits agreements at all times.”

Many CHROs are in the throes of revolutionizing organizational design and talent management, said Mr. Oppenheimer. “They can’t do it alone.”

MARTENS & HEADS!

The exclamation point at the end of their name says it all – Martens & Heads! is an exciting place to work. The firm’s creatively-driven culture, combining 10 consultants and a youthful staff under the careful eye of founder & CEO, Maxine Martens, has driven this luxury and retail search specialist to new heights.

Fashion, luxury and retail companies have been using search firms for their hiring needs for several few decades now. Since Ms. Martens began her executive search career in 1989, clients have been partnering with key search partners for brand transforming talent.

Martens & Heads! recruits internationally for clients because as America remains a key market on the global stage, experience in the U.S. is highly desired in global roles. “Merchandising talent from the US, particularly in vertical retail, is highly valued. However, many U.S. merchants and retailers lack the desired global experience. In luxury, Italy, followed by France, provides the most global brand leaders, on every

Q & A

The Power of Content

As global competition intensifies and ready access to ever expanding product offerings explodes, the challenge of remaining relevant and innovative to a highly educated, savvy consumer is ever more pressing. The search for leaders who can strengthen the unique selling proposition, further develop authentic brand values, and engage consumers will remain the key to success. Maxine Martens, CEO of Martens & Heads!, discusses recent recruiting trends in the fashion, luxury and retail industries.

Do you typically recruit from within the sector or does some of the talent you seek for your clients cross over from other industries?

Until the last three years, it has been challenging to encourage luxury brands to consider out-of-industry leaders, with a few notable exceptions. Marketing and communication roles have been more frequently filled by consumer marketers from other sectors. More recently, with increased emphasis on multi channel and digital, in direct to consumer roles, our clients have been open to candidates from outside fashion and luxury. Personal style and taste, key intangibles, are ever more important.

Where do you see the fashion, luxury and retail sectors heading in the next 10 years?

In this time of change, as global competition intensifies and ready access to ever expanding product offerings explodes, the challenge of remaining relevant and innovative to a highly educated, savvy consumer is ever more pressing. The search for leaders who can strengthen the unique selling proposition, develop further the authentic brand values, and engage consumers will remain the key to success. We believe there will be continued and even increased demand for talent with cross functional expertise. It is how our ‘must haves’ have changed from single function expertise to multi layered career building roles. The power of content, not just for consumers but clients require this in the leaders they hire. People who bring multi-faceted experience and outstanding people skills remain in high demand. The need for leaders, for brand renovations, startups and building teams to leverage growth will continue.

continent. The Scandinavian and British retailers and design talent, travel well.”

In one nine month period, the firm placed 30 retail and fashion executives from eight countries of origin in Germany, France and Belgium. Half were

Americans, primarily already working abroad, 40 percent European and the balance Asians.

In 2014 the firm's topline revenue was \$6 million, up from \$5.2 million -- an impressive 15 percent gain. Headquartered in New York with a second location in Paris, the firm has closed some impressive searches including chiefs at Baccarat, Jimmy Choo and Diane von Furstenberg.

STRAWN ARNOLD

Managing director Jeff Ashpitz has spent the last 17 years with Strawn Arnold & Associates, a leading life sciences recruiting specialist based in Austin. But it was his earlier corporate experience in life sciences, which lasted nearly 30 years, that set the groundwork for a storied career in executive search.

How Mr. Ashpitz made the transition sheds light on the high growth recruiting sector and offers some simple guidelines when considering a job switch from corporate life to talent leadership advisor.

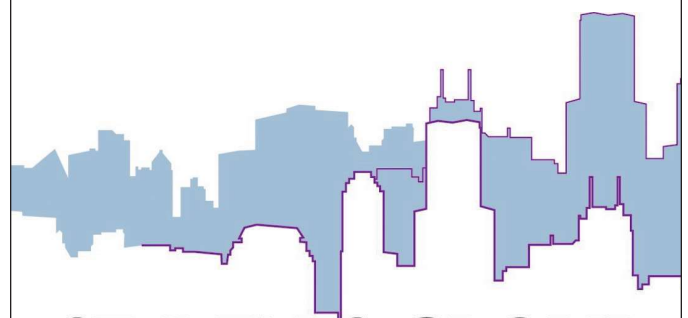
First and foremost, he and his partners run a boutique search firm – they are recruiting specialists in the life sciences industry. For anyone considering a career switch to executive recruiting, deciding to work for a specialist brand like Jeff's or one of the large, multinational search platforms like Korn Ferry or Heidrick & Struggles, is the very first decision you need to make. Both have their particularities – but working for a specialist is likely the most demanding, and rewarding, choice.

Strawn Arnold, like many of its specialist kin, stands for results and personal service. Speed, agility and adaptability typically define the boutique search specialist. Maintaining strong, specific niche networks in a particular field of interest is critical – you will use these connections to open new doors for every

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new assignment you undertake. "It is our relentless focus on results and personal service as to why our clients beckon from deep within biopharma, medical devices, generics, diagnostics, healthcare services and life sciences organizations."

As a boutique firm, Mr. Ashpitz and his partners personally handle every aspect of the search — from developing the position profile; identifying a pool of qualified candidates; contacting, screening and interviewing potential candidates; preparing interview reports and recommendations; providing counsel to the client and mentoring to the candidate; completing reference checks; working with the hiring team to negotiate compensation and finalizing the job offer; and to sealing the deal and bringing the candidate on board. "We do not have a junior recruiting staff working on any of our assignments. The partners do 100 percent of the work on every assignment and provide their personal service to each and every client. This 'boutique' approach has served our firm, our clients and our candidates very well for over 40 years."

CARTERBALDWIN EXECUTIVE SEARCH

It is a complex time to be in the talent management business, whether you're serving the needs of clients as an executive recruiter or you've been charged with reclaiming the oversight of your company's talent initiatives in-house. Today is one of the most destabilizing periods in this field in generations. And whenever there is a paradigm shift in any industry, winners and losers emerge.

On the winning side right now are boutique search firms — and their growth in the last six or seven years has been nothing short of staggering. It is a transfer of power in a hugely important industry, and it is setting in motion a series of changes that still are not quite fully understood. In the next few years the upshot will



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be that every search firm, big or small, will succeed. But right now, it is boutiques like CarterBaldwin Executive Search that are emerging.

Who better to ask about boutique search firms than David Clapp, the firm's managing partner. Mr. Clapp leads an active client portfolio that ranges from Fortune 100 global brands to high-growth PE backed companies. His clients are predominantly focused in the distribution, technology, consumer products and professional services sectors. He sees a range of dilemmas coming to the headhunting sector, including: the broad industry shift, the turn by larger firms to broadening their service deliverables, and the expanding trend by companies to use in-house recruiting teams to identify and recruit their next generation of talent.

As a generalist recruiting boutique, CarterBaldwin's distinct practice areas have grown out of the firm's partners individual backgrounds and experience. "We believe our size, resource model and partnering approach is what has fueled our growth," Mr. Clapp told us. "We are also ridiculously process-oriented which brings heightened predictability and visibility into our searches. I truly believe that too big and too small puts limitations on a search firm's ability to deliver exceptional client outcomes."

One thing CarterBaldwin does not do is cloud what they do best: "We are search and pure search only." The firm's clients span Fortune 50 global MNC's, pre-revenue start-ups, universities and large non-profits. Its partners try to follow the market in determining strategy, but they don't see the market or their client base wanting them to veer from their core deliverable: identifying management talent.

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BERT DAVIS ASSOCIATES

The landscape of traditional publishing is changing, as companies are now re-engineering themselves to become global media companies, serving digital audiences and consumers. While many of the senior-level positions companies fill still maintain traditional titles, the criteria has changed. Companies are no longer seeking professionals to move from one publishing company to another, but rather seeking strategic hires that are 'born digital' from companies like Microsoft, Google or Yahoo, Oracle, etc. in areas of marketing, sales, finance, content development, new business development, content creation, etc.

One firm that makes these sorts of matches is Bert Davis Associates. While the Manhattan-based publishing and media recruiter recently celebrated its 35th anniversary it is hardly old school. Recently, the firm placed the director of content acquisition at Scribd as well as the SVP product development at Liaison International and the vice president/ chief product officer for international at McGraw-Hill Educational. The firm posted a 16 percent gain last year and expects to be up 20 percent this year.

RSR PARTNERS

When Russell S. Reynolds Jr. set out 46 years ago and launched the global search firm that today still bears his name, he unlikely imagined how influential he would ultimately become as the leader of a boutique search player. Exiting the big firm, but not the big stage in 1993 when he split from Russell Reynolds Associates, he has since joined the ranks of small and influential specialist search firms that dot the globe. Today, RSR Partners is one of the few generalist boutiques that carries the cache of the big firms, but with a small firm culture.

The 30-consultant firm brings in an estimated \$20 million in annual fees and is highly sought after by

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banks, gaming companies, media organizations, and a host of others to identify their C-suite executives and board directors from six offices in the U.S.

HOBBS & TOWNE

The alternative energy and cleantech sector is growing like never before and growing right along with it is the largest specialist boutique serving this burgeoning industry. Hobbs & Towne, co-founded by Andy Towne and Bobby Hobbs, is the 21st largest U.S. recruiter, turning in \$11.4 million in revenue, up 31 percent.

The cleantech sector, which is defined broadly as clean technology, and often used interchangeably with the term greentech, has emerged as an umbrella term encompassing the investment asset class, technology, and business sectors which include clean energy, environmental, and sustainable or green, products and services.

Hobbs & Towne has become the premier firm in the sector, having completed more than 200 CEO searches and averaging more than 150 executive search assignments per year.

SECTION 4

Finding Transformative Leaders

SECTION 4:

Finding Transformative Leaders

Specialization is driving growth in the executive search business today. The industry's largest recruitment providers might be currently fixated on service diversification, but for the better part of the last 15 years the big global generalists have been developing a fine-tuned set of specialty practice groups focused on every sector imaginable, including consumer, retail, private equity, financial services, energy, media & entertainment, and technology, among a host of others. Specialization is also now offered in every functional discipline, including sales, marketing, human resources, finance, investor relations, information technology and cybersecurity, to name just a few.

The boutiques have always been in the specialization game. From the very beginning, boutique recruitment providers have made specialization their particular mantra – and that calling card has now become one of the key differentiators in the search industry. All of this, of course, has been driven by clients eager to save time and expense on their talent acquisition initiatives. Their key demand has been clear: They want professional consultants who can quickly dissect their talent needs, and to do so with pinpoint accuracy and a personal touch. Specialist recruiters – whether at large firms or the boutiques – seem to provide this more than their generalist brethren once did.

Two industries – healthcare/life sciences and sports – are worth taking a close-up view this year. While the two sectors could not be more different at first glance, they are, in fact, very similar in one important regard: Both are starving for innovative, transformative senior-level executives to lead the organizations within them, across their entire value chain, into the future.

HEALTHCARE AND LIFE SCIENCES

Although most global industries have now bounced back since the Great Recession, no industry has grown as much as healthcare. In a recent Hunt Scanlon Media poll of executive search consultants, the healthcare sector ranked No. 1 for growth over the last three years. The reasons are clear: An ever-expanding portion of the population is aging and this is inducing increased demand for best-in-class healthcare services, which include innovations in technologies, diagnosis & prevention, treatment and management of disease, and improved drugs. All of this has resulted in the need for more doctors, nurses, lab technicians and administrators – but also a growing and urgent demand for professional management who can propel the industry forward.

The Affordable Care Act is also driving sweeping change throughout the sector – and the need for more talent. There are electronic medical records to be updated, collated and digitized. Just this past year, employment growth in the healthcare sector averaged 26,000 jobs per month as compared to 17,000 per month in 2014. According to Georgetown University's Center on Education and Workforce, the healthcare industry will create 5.6 million more jobs by 2020. The Bureau of Labor Statistics (BLS) predicts a 19 to 25 percent growth in healthcare jobs in the next seven years.

Supply and Demand Gap

What's resulted are a host of new positions: chief patients' rights and safety officers and chief clinical officers are just some of them. New subsectors are also creating additional opportunities, particularly in life sciences, which includes the pharmaceutical, biopharmaceutical, medical devices and diagnostics fields. These are some of the fastest growing sectors for specialist recruiters who are now scrambling to fill key roles globally.

Q & A

In the Midst of a Biopharma Boom

For the past five years, the biopharma sector has been experiencing a historic growth period, stepping out from the shadow of the traditional pharmaceutical industry to drive many of the therapies that are exciting physicians, patients and investors alike. Catalyst Advisors, a global search firm focused on C-level and board assignments for biopharma companies, has played a key role in helping many of them find the leaders they need to run visionary enterprises. John Archer, president and founder, discusses how he serves an industry undergoing transformation while managing his own firm's global growth.

What types of positions are in the greatest demand in the biopharma industry today?

The biopharma industry is in overdrive, which has led to a shortage of top talent across the board. Today, there are three roles in particularly high demand that reflect the state of the industry. With so many biopharma firms going public, first on the list are chief financial officers who can navigate the company through its IPO, successfully tap the public equity markets, align the financing strategy with the business strategy and build bridges with a range of corporate stakeholders. Second are chief medical officers, who are in charge of designing the clinical trials that a new drug has to pass through to get regulatory approval. The third category is focused on scientific leaders who can direct the research and development process, taking the discoveries being made today and translating them into new products that leverage the company's market strengths and fit with the company's business strategy.

Why does Catalyst Advisors focus its recruiting efforts on the highest echelons of this sector?

Simply put, it's where we add the most value. Since we focus our energy exclusively at the senior levels in our industry, we have insights about, and trusted relationships with, this group of executives. As a result, we give our clients the extra firepower to get the transformational leaders they need.

Under what circumstances does your firm work with venture-backed start-ups?

Venture-backed startups are a core client base of ours; they represent the forefront of innovation for the industry. Engagements for these enterprises come to us from our long-standing relationships with the blue-chip biopharma funds. The leaders in the best biotech venture funds aren't just writing checks and taking board seats—they are innovative thinkers who work closely with their portfolio companies and who play a critical role in turning science into therapies which address unmet medical needs.

But healthcare employers and recruiters representing them in the marketplace are experiencing difficulties identifying qualified people. Fifty four percent of employers in a recent CareerBuilder survey identified a major gap between the skills needed and the skills candidates actually possess. CareerBuilder reports that healthcare job vacancies are remaining open for longer periods of time than ever before; this gap between supply and demand is creating intense hiring challenges for both healthcare employers and recruiters.

And yet we see demand everywhere: The biotechnology sector is booming; specialty, rare diseases, and orphan drug companies are becoming very strong niche players and growing; generic drug companies are also in significant growth mode; while VC-backed medical device startups are surging – and along with that expansion comes the need for more and more specialized talent.

Candidate Driven Market

“Technology advances are transforming the entire healthcare industry,” said Jeff Ashpitz, managing director of healthcare and life sciences recruiting specialist Strawn Arnold & Associates. “The need for top talent has never been greater. Experienced C-level executives with the ability to transition from big pharma or big medical technology companies to smaller, entrepreneurial, fast moving and non-bureaucratic players are in great demand. Scientific and medical advances drive the need for R&D executives with a demonstrated track record of success in discovering, developing, and obtaining regulatory approvals – and ultimately bringing new products to market to improve the health of patients and, in many cases, save lives.”

There are additional trends in life sciences. “With an increase in M&A activity, more NDAs submitted and the patent cliff scenario seemingly behind us,

Q & A

Dynamic Change in the Healthcare Industry

The healthcare industry is undergoing dynamic change and with it has come some turnover – but more often it has meant job creation. With healthcare reform, search firm's clients are changing through consolidation of hospitals, physicians and sometimes insurers. In the following interview, Chuck Wardell, president and CEO of Witt/Kieffer, provides insight into the healthcare industry's transformation.

The healthcare recruiting sector has just exploded in the last five years. What do you attribute this growth to?

As health systems consolidate, the new corporate structures create executive level positions in functions such as supply chain, revenue cycle, patient experience and performance management. The industry transformation towards population health and value-based care is creating new C-suite roles, dramatically modifying others, and encouraging late-career CEOs to retire. It's time for many baby boomers to retire anyway, so disruption in healthcare is only encouraging them to do so. A confluence of trends has spurred executive recruiting in healthcare.

Life sciences has been a sub-sector of healthcare that had also seen great growth. What are the key positions there that you are most focused on?

Globalization, regulatory change, outcomes-based healthcare, big data utilization, competitive pressure and industry consolidation are some of the forces that drive talent needs in the life sciences industry. By combining unhindered access to top talent with sector-specific experience, knowledge and expertise, Witt/Kieffer has successfully partnered with organizations across the life sciences to recruit exceptional leaders. We conduct searches for board members, CEOs and other C-suite executives, with additional focus on functional leaders for some of the most complex and strategic roles in the industry, including executives in research and development, regulatory, clinical and medical affairs.

How do you effectively manage off-limits within the healthcare sector as the firm has expanded?

The short answer is that our growth has derived from a business model that prioritizes strong partnerships to do quality work and get repeat business, as opposed to a more transactional approach. The majority of our work is repeat business, and at any given time only a small fraction of institutions is considered “off-limits.” We communicate very closely and clearly with clients and candidates, and this tends to eliminate most off-limits concerns.

life sciences companies including biopharma and medtech are investing in innovation and development again,” said Tom Bradley, senior partner of Euromedica in London. Mr. Bradley said that mobility is higher and client organizations are more flexible to accommodate candidates’ wishes on geography, but it remains a candidate driven market which, he contends, “are why in-house talent professionals are still dependant on executive search consultants to engage and present a realistic value proposition and act as a representative for both parties, client and candidate, not just the client organization.” Mr. Bradley said that functions such as RA, MA, supply chain and market access are much more specialized than before and this is likely why demand for search boutiques remains high.

At the professional levels, which start at \$125,000 to \$150,000 in compensation, industry changes are creating more jobs there as well. Additional employees require additional professionals to manage them. “Examples of these might be positons like chief quality officer or chief information officer of a physicians group. None of these positions existed before,” said Andrew Chastain, vice chairman at Witt/Kieffer, the eighth largest U.S. search firm and the largest global healthcare specialist. “So it’s creating this executive level infrastructure around that integration.”

Mr. Chastain said that another factor leading to a spike in executive level hiring is that the government is placing a greater emphasis on quality. “Our clients are investing heavily into who can help them manage that quality, which, in many cases, is a physician executive,” he said. Up to five or six years ago there might have been one physician executive or a chief medical officer. Now, Mr. Chastain explained, they want to have that position in the infrastructure that might include a vice president of quality, a vice president of safety, a chief medical information

officer, a chief nursing information officer and a vice president of medical affairs for each of those facilities. “So what used to be one executive might be a dozen now,” said Mr. Chastain.

Q & A

Key Nuances of Recruiting for Large Health Systems

As health systems grow, generally their in-house capability for recruiting talent follows suit. Acting as extensions of an internal department, more recruitment firms are expanding their competencies to service a wider assortment of needs. In the following interview, Dennis J. Kain, president of Tyler & Company, discusses the movement of health systems towards clinical integration and how his firm finds executives to fit that transformation.

Assuming that the majority of your recruiting efforts are U.S.-based, do you ever recruit healthcare leaders from outside of the U.S.?

There are a number of ex-patriots who are hoping to re-enter the U.S. healthcare market. We have proposed leaders with successful domestic and international track records. Not only must skills, experience, accomplishments and education be taken into account, but also whether the leader will match the organization’s culture.

The healthcare sector has grown significantly in recent years. What positions do you see being most in demand in the next 10 years?

Popular positions tend to involve one of retail, risk or reduction in clinical variation. Preferably, future leaders should have experience across the healthcare continuum; that is, in acute care, physician practice, and ambulatory care and health insurance. Although it may seem like a somewhat pixilated outlier today, having retail experience is coming into clear focus.

How did your career as an executive in the hospital management sector prepare you for a successful career in search?

Serving as a health system CEO strengthened my understanding of the qualities, knowledge and vision needed to create and lead a successful executive team. Since no two organizations are alike, it’s important to embrace clients’ unique mission, culture and strategy, so as to find best-matched candidates. For CEO searches, my experience taught me the importance of the relationship between the CEO and board chair. We are focused on the match between the candidate and the board chair.

A look at some of the top search firms that specialize in the healthcare and life sciences sectors supports the notion that recruiting in the area is spiking. Witt/Kieffer has been growing exponentially for years. Bench International increased by 17 percent, Strawn Arnold was up 11 percent. And one of the most active firms in the sector is also one that seemingly remained below the radar for years: AMN Healthcare. The publicly-traded staffing giant provides interim healthcare leadership, executive search, and advisory services.

Big Growth Curves

In October AMN acquired MillicanSolutions, a physician and executive leadership firm focused on serving academic medical centers and children’s hospitals nationwide. Susan Salka, president and chief executive officer of AMN Healthcare, said that as health systems accelerate their transformation into clinically integrated networks with changing care delivery models, “the role of the physician leader is becoming even more critical for success.” In November AMN Healthcare made its largest acquisition, purchasing B.E. Smith for \$160 million in cash. With revenues of approximately \$100 million annually that included other leadership healthcare solutions, the deal signaled that healthcare recruiting is following an aggressive growth curve. Because the sector is among the most rapidly growing employment fields, more consolidations are expected. “The healthcare industry is in the midst of a turbulent transformation,” said Scott A. Scanlon, founding chairman of Hunt Scanlon Media. “That makes the need for proven and experienced boards and executive teams with vision more important than ever.”

The biggest challenge, say most recruiters, is the deep-seated supply and demand issue. Although the demand for qualified executive level professionals to manage the growing infrastructure within the healthcare and life sciences sectors has grown



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exponentially, the supply has not changed – in fact, if it has changed at all, it has diminished. As a result, many recruiters now look to other industries for talent that can transfer over. A recent LinkedIn survey found that many professionals are transitioning to jobs in the healthcare industry. In medical sales, where there has been a significant shortage of talent, professionals from other industries have flooded in. They might lack specific industry experience that healthcare companies have looked for traditionally but they do have sales skills. In a recent survey conducted by Jobvite, 56 percent of recruiters surveyed said that the lack of skilled and qualified talent throughout the sector is a major hiring stumbling block; respondents said they now consider talented professionals from every industry.

Implications for Search Firms

“The life sciences sector has changed beyond anyone’s expectations over the last two decades,” said Bianca Coulter, chief executive of Coulter Partners in London. “Vast volumes have been written about changes in understanding of disease progression and causes, gene and cell therapy approaches, the role of the immune system in cancer treatment, the rise of the rare diseases and personalized medicines business models, the power that technology advances have brought to scientific and medical endeavor, the patient journey, and pricing & reimbursement,” she said. “And advances in science and technology obviously cause the bio-pharmaceutical and medical devices sectors to evolve at a pace that outstrips most others.” This, she said, has major implications for search firms serving the life sciences field. “Specialization as a search firm in this sector involves keeping very close to a host of scientific, technology and market trends, and requires deep understanding and access to leaders across the whole of the sector’s value chain.”

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Over the next five years the healthcare and life sciences sectors will likely continue to lead all industries in hiring – at all levels. The big winners will be recent graduates considering careers in healthcare and its related sub-sectors; a cradle to grave career trajectory is as real as ever with millions of younger

and professionally-minded people taking a hard look at this very broad industry. At the middle professional to C-level, new opportunities are creating fresh demand and that in turn is forging new career paths and unlimited job possibilities.

SPORTS

Few industries have enjoyed such explosive growth in the search industry as sports. In the last five years most of the major U.S. search firms have developed single standing practices in the sports sector. At one time, this field rarely went to the outside for help in filling key coaching, athletic administration and C-level executive positions. That's all changed now.

Sports Recruiting on an Upswing

In just the last two years the executive recruiters have filled some of the most prominent jobs in all of sports. Major League Baseball itself has turned to the search industry for recruiting and talent management assistance. In August, MLB tapped Korn Ferry to provide league-wide talent support services, which includes assisting candidates who reach the interview process for baseball operations positions. Among a number of high profile searches, Korn Ferry placed David Stearns as the Milwaukee Brewers' new general manager. The firm also assisted Major League Baseball in the recruitment of Rob Manfred into the commissioner's post recently. The Atlanta Braves retained Millman Search Group to hunt for a leader for its mixed-use development property adjacent to SunTrust Park, home of The Braves. Executive recruiter Eastman & Beaudine recruited Sam Torres as chief sales officer of the Frisco RoughRiders, the Double-A affiliate of the Texas Rangers.

While the sports industry maintains only a fraction of specialist search firms as compared to healthcare and life sciences, it is growing just as rapidly. Outside of the Big 5 search firms – Korn Ferry, Spencer Stuart, Heidrick & Struggles, Russell Reynolds Associates and Egon Zehnder, which maintain standalone sports practice units – there are a number of smaller, more specialized boutiques that have launched in just the past 10 to 15 years. These include Collegiate Sports Specialists, Prodigy Sports, Sports Group International,

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Sports Recruitment International, and Teamwork Consulting, to name a few. Twenty-two firms are now strictly sports specialists, and of this group, 13 launched after 2001 including Hartmann Mason, a U.K.-based talent provider that combines the practices of sports with media, a common coupling of practices.

Teams hiring search firms isn't unusual (the Jets paid for one to find John Idzik for them in 2013), and Lions owner Martha Firestone Ford made it clear upon firing Tom Lewand and Martin Mayhew that she was beginning a national search. Last year the Atlanta Falcons hired Korn Ferry to identify head coaching candidates. But it's at the college level where most of the action has taken place and search firms, large and specialists alike, have gotten into the action.

Rise of Women in the Sector

Jed Hughes, who joined Korn Ferry in 2012, was brought in recently to identify a replacement for SEC (Southern Eastern Conference) commissioner, Mike Slive, who had held that post for 13 years. Gregory Sankey was selected to fill the post. The SEC is college football's largest division. Mr. Hughes was an obvious choice as the recruiter. Last year, he assisted Major League Baseball in its search for a new commissioner. Mr. Hughes represents a new breed in the search field, hiring recruitment consultants directly from the sports world to spearhead a growing sports practice area. His background is impressive. He initially worked as a graduate assistant for Stanford University's football program, he then joined the University of Michigan staff as a linebacker coach. In 1977, he joined the staff at UCLA where he was defensive coordinator. By 1982, Mr. Hughes was hired as the secondary coach for the Minnesota Vikings. Subsequently, he joined Chuck Noll's staff as the linebackers coach for the Pittsburgh Steelers. After five years with the Steelers, he finished his football coaching career with the Cleveland Browns in 1989.



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Female search consultants have also entered the sports realm and, in recent years, one in particular has made a huge impact. Betsy Alden, who had previously served as athletic director at several colleges and universities before entering the recruiting field, launched Alden & Associates. Ms. Alden and her team have developed a hugely successful recruiting practice around finding coaches, athletic directors and other related management for intercollegiate athletics. When a top college or university needs to fill an opening for these positions they often turn to her firm, which has found athletic directors at colleges like Nebraska or head football coaches at top-ranked schools like DePauw University. But when it comes to career mobility, college athletics administration is a more circumscribed world. There is less room for cross-pollination from other jobs or industries.

Although openings for college athletic directors draw a lot of applicants, the only viable candidates tend to be those who have been actively recruited. And while that may be true for a lot of jobs it's almost endemic when it comes to college sports. Recently, Alden & Associates was retained by Colgate University to hire a new athletic director. Sixty two people applied for the post which was whittled down to a final candidate pool of eight. "Schools generally want candidates who are very familiar with their particular NCAA division," said Dr. Alden. "It's tough to move between divisions because they are very different animals and nearly impossible for a high school candidate to break into the college ranks," she added.

Few firms have enjoyed the burgeoning growth in sports recruitment than Eastman & Beaudine. Located in Texas, the firm has taken on some of the more marquee assignments in recent years. The firm's placements read like a Who's Who in sports: Major League Baseball, National Hockey League, Professional Golf Association, USTA and the National

Q & A

Sports Organizations Sees Increase In Accountability

In professional sports, the growth of media coverage and higher levels of finance involved has led owners and CEO's to recognize the need to employ the best talent possible. This cannot be achieved from just employing people who are supporters and want to work for an organization or from a contingent/database recruitment approach. Daryl Mason, head of sport at executive search firm Hartmann Mason, uses the combination of his passion and knowledge of the sporting world with his ability in the executive search profession to recruit talent to sports organizations. Here's how.

What was the impetus that led you to focus on sports as a specialty practice area in recruiting?

I graduated with a degree in sports management and I was an international swimmer in my younger years with a love of all sport. While working at a large executive search firm in London, I was given the opportunity to develop a sports practice from scratch and transition from the work I was doing across the consumer sectors. My affinity for the sector combined with 15 years of executive search experience produced a winning combination. My partner had founded a search firm called Hartmann Mason, which specialized in media, and we decided to set up a sports practice within the firm. I believe we are the only sports media search business and the results so far have been great to see.

What types of athletic organizations do you deal with?

While we search into international sports clubs and organizations, our customer base is generally U.K.-based at the moment. However, we would like to work with more overseas sports businesses and we see this area developing for us. Our existing clients come from national governing bodies and professional sports clubs and organizations. We also work with major venue operators and in niche areas such as sports nutrition.

Does your practice in the U.K. have a wide range of functional disciplines from athletic directors to coaches?

Yes, it does. We are sector specialists and have conducted search for niche roles across the full breadth of well-known sporting organizations. Some of the positions are newly created as the sport develops. The quality of our search process and our experience allows us to produce results in positions across corporate and performance.

Basketball Association. The firm's flashy website, complete with a video endorsement from Hall of Fame quarterback, Archie Manning, and a testimonial from NFL commissioner, Roger Goodell, boasts some of the firm's top recruitments: from the Women's Basketball Head Coach at Fresno State to the chief revenue officers for the Atlanta Hawks and Miami Heat as well as the director of athletics for colleges at the University of Alaska at Anchorage, Southern Miss, and Louisiana Tech.

Mindful of Brands

"Clearly Eastman & Beaudine found a key niche at the right time," said Christopher W. Hunt, president of Hunt Scanlon Media. "The firm understood that sports was becoming big business 20 years ago and latched on to that accelerating trend." Revenue among college and professional athletics bears this out: the sports industry in the U.S. and abroad generates billions of dollars annually and the need to manage that growth with fine-tuned talent has grown exponentially. As with any major global corporation any missteps in recruiting sub-performing talent to teams, like the New York Mets or to soccer teams like Manchester United, can turn a winning organization in the wrong direction quickly.

"Running a professional sports team today is no different than running IBM or General Motors," said Mr. Hunt. "These are organization comprised of thousands of employees, not just a handful of athletes on the field of play." Many experts look at the top positions in sports organizations as some of the most critical because their brands are so visible and identifiable with millions of consumers. "It's not just about recruiting the best athletes to a team – it's about managing a global brand," added Mr. Hunt.

Another reason why colleges and professional sports teams have turned more regularly to external search firms is the changing nature of how these

Q & A

The Competitive Recruiting World of Sports

The sports industry has become big business and the demand for top-level talent to manage this expanding industry has reached a fever pitch. In the following Q&A, Len Perna, founder, president & CEO of Turnkey Sports & Entertainment, discusses this growth and how he and his firm are addressing clients' talent needs where the spotlight can be intense.

What are the two primary factors that have led to colleges and professional sports organizations to increasingly look to recruiting firms to fill key positions?

College sports and even pro sports and live entertainment have historically been run as mom-and-pop small businesses. With the explosion of media and the 900-channel universe, audiences have become very fragmented. Sports content – college and pro – has become more and more valuable as the only types of entertainment that are TIVO-proof, and that can consistently attract larger audiences. These industries are no longer mom-and-pop enterprises; rather, they are big, sophisticated enterprises, and they need specialized and sophisticated talent at the top. For these reasons, investment in a comprehensive executive search process is more warranted than ever.

Because sports is such big business today are you having to look increasingly to the traditional business world to identify and recruit talent to your sports clients?

Yes. We constantly recruit executives from the corporate world into sports and entertainment... but not everybody is a good fit. In order to know who will fit well in the sports and entertainment industry, a search firm has to have intimate knowledge of the culture, business and holistic "ecosystem" of the space. Turnkey Search has a platoon of recruiters who have all worked in sports and entertainment before they became recruiters, making us very good at figuring out who will fit well and stick in this industry.

Sports is very much in the media spotlight. How does that affect how you approach a search, particularly with an organization or college that's very visible?

The common perception – misconception – is that it's super easy to recruit for college and pro sports positions. The reality is the opposite. Because so many candidates think sports is a glamorous business, and so many candidates appear to be qualified, there are a ton of mistakes made when hiring for these positions. Our job is to help our clients not get fooled and to make sure a hire is the very best fit in every possible way.

organizations are run. With an increased emphasis on fundraising and managing billions of dollars in revenue, the management dynamics have changed considerably. As a result, more leaders are being hired with deep business and legal backgrounds. “It’s just like running a corporation,” said Wisconsin athletic director Barry Alvarez. “You have to know how to deal with people. You’re making decisions on a daily basis, whether it’s setting ticket prices or dealing with licensing and marketing. There’s so much involved with it now. There’s not just one background that works.”

Being Quiet By Design

In a recent interview with Jeanne Branthover, a managing director at Boyden, Dawn Hudson – the NFL’s new chief marketing officer – agrees that a broader set of skills is needed today in the sports sector. “The negative of it is that you get a lot of people who have only known and done one thing. I believe that teams are most effective when you have diversity of thinking and experience in the room. It’s important to me that I build a team where people haven’t all done the same kinds of things, and they have permission to speak and share their different points of view. A diverse team with diverse experience will solve a problem more creatively and faster than a team that looks the same and has the same experience base.”

“It’s a much more complicated job than it was 25 years ago,” said Barry Alvarez. Looking more broadly for talent, many experts contend, will mean more search firms will be required. “If sports organizations are going to look at management talent from mainstream business they will have to turn to the recruiting sector because search consultants know that talent landscape better than anyone,” said Mr. Hunt.

Landing top talent in the sports sector can be a challenge and recruiters, like Bob Beaudine of



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Eastman & Beaudine, have to work carefully. “I have to work behind the scenes,” explained Mr. Beaudine. “There’s no press following me around. No one knows who I am. That’s intentional. It’s by design. My clients and candidates appreciate confidentiality. These days, with 24/7 sports radio and ESPN and the like, names get leaked and people drop out of consideration. If they have a job, it’s like they’ve been caught cheating on their spouse.”

The quick growth of recruiting in the sports sector has, of course, had its share of misfires. Eastman & Beaudine was hired by the Chicago Bulls to vet Manhattan basketball coach, Steve Masiello, who was being considered for the head coaching job in Chicago. Despite what Mr. Masiello’s coaching bio page said, he did not graduate from the University of Kentucky. In fact, he left there prior to completing his college degree in communications. None of this information reached the surface until he applied, and was then offered, the head coaching job at the University of South Florida. The Bulls offered Mr. Masiello \$1 million per year. He never started his new job. Instead, USF pulled its offer after ESPN and The Tampa Tribune reported that “a previously undetected discrepancy” was discovered in a background check. The background check, which was performed by Eastman and Beaudine, revealed that Mr. Masiello lied on his resume, never finishing his degree.

Parker Executive Search was caught in the middle of a similar situation recently when it was hired by Rutgers University to fill the athletic director position at the New Jersey college after video footage of former basketball coach, Mike Rice, berating players with anti-gay slurs, was made public. Mr. Rice was subsequently fired. Julie Hermann was tapped for the job by Parker Executive Search but in the vetting process it was not discovered that, in 1996, the entire women’s volleyball team had written a letter to the university complaining that Ms.



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Hermann humiliated them and mentally abused them. Controversial hires including their recruiting of Billy Gillespie to the men's basketball coaching spot at Kentucky in 2007 proved problematic: earlier he had been arrested for DUI's in 1999 and 2003. In 2010, Pittsburgh coach, Mike Haywood, was arrested on a domestic violence charge three weeks after Parker Executive Search was retained to hire Gillespie.

But the Atlanta-based search firm has seemingly been unaffected by the bad publicity. In just the last year, Parker Executive Search has been retained by the University of Central Florida and Villanova to lead searches for athletics directors; the Tennessee Titans, Iowa State, Fordham, and the University of Oregon have also turned to the firm to find key coaching and management talent.

SECTION 5

Survey Methodology and Results

SECTION 5

Survey Methodology and Results

Survey respondents participating in this year's report say overwhelmingly that business in the talent management field is booming – and that finding just the right leadership to manage existing corporate initiatives, or to oversee the launch of new ones, is getting more challenging. Hiring, they say, is generally on the upswing.

To help better understand what's at work in this sector, why changes are occurring and how the new realities of the marketplace are being embraced by both talent acquisition professionals and executive recruiters Hunt Scanlon Media turned to the leading practitioners once again for their insight and perspective. No one knows the talent management business more than these people who are on the front lines day in and day out, hunting down candidates, assessing them and determining what value they can add to the multi-dimensional workplace that is emerging from the post-Great Recession days.

More than 1,000 human resource professionals and executive search consultants participated in *Executive Search 2015/2016: State of the Industry Report (U.S./Americas)*. Many participants completed structured survey questionnaires designed to elicit a broad set of insights; a number of participants provided their observations and wisdom on telephone interviews; still others provided in-depth feedback via email. Many invited us in to see up close how the talent management sector operates from both the buy and sell side.

This survey section is divided into two parts:

Part 1: Responses from Human Resource and Talent Acquisition Professionals

Part 2: Responses from Executive Search Consultants

Human resource and talent acquisition professionals responding to this year's survey questionnaire represent a large demographic swath of companies that actively source, and competitively bid for, business leadership. More than 650 of these senior-level executives, representing 40 states and more than 34 industries, answered in-depth questionnaires relating to: search firm use, satisfaction metrics, recruiting budgets, preferred provider arrangements, culture fit, fee structures, social media technologies, in-house recruiting, emerging talent management solutions, complementary services required, and areas of improvement. Twenty-nine percent of corporate respondents indicated their title as chief human resource officer, 11 percent held the title of EVP or SVP of HR, and 60 percent served as director of talent acquisition or head of talent management.

Public and private companies ranging from Fortune 1000 to small-caps and startups were included as were non-profit organizations, foundations, universities and cultural institutions, as well as hedge funds, commercial & investment banks and private equity firms. Talent demand from all of these constituencies has been building for at least the last decade and their diversity and demographic range have added substantially once again to this year's findings.

Executive search consultants responding to this year's separate survey questionnaire represent every demographic cut in the recruiting business: private firms, public companies, solo practitioners, search firms with less than 10 recruiters, industry and functional specialists, mid-sized boutiques employing more than 25 recruiters and leading global search brands with a strong U.S. presence. More than 800 participated in the survey and their observations have been equally helpful to this year's report findings. Executive search consultants are facing a host of pressures – realigning themselves with a rising economy is one of them. Competitive social media technologies and rival in-house recruiting initiatives at client companies continue to be destabilizing concerns for many recruiters, but managing growth is front and center for most search firms, especially the boutiques. Most of this was focused on in a long questionnaire that included: assignment turnaround time, fee structures, search assignment size, off-limits policies, recruiter compensation, marketing plans, internal recruitment activities, consultant-to-researcher ratios, search consultant tenure, complementary services offered, tenure of candidates placed, and the top industries and functions served.

Part 1: Responses from Human Resource and Talent Acquisition Professionals

Human resource and talent acquisition professionals responding to this year's survey questionnaire all have been long time and steady users of external executive search services. Some employ executive recruiters for nearly all of their senior-level staffing requirements, others use recruiting firms sparingly for specialized leadership searches, and others now use a combination of external search providers and social media technologies to find their candidates. Generally-speaking, companies that participated in this year's survey used on average about three search firms annually to address their hiring needs.

And more of them reported turning to boutique specialists for reasons outlined in the survey results. Because of the broad demographic group included in this study, annual search budgets of those companies included in the survey represented a wide range, stretching from \$150,000 to more than \$10 million. Several budgets exceeded \$15 million annually, but these were the exceptions. It generally took external search vendors about four weeks to present the first slate of candidates to clients and, on average, eight candidates were on that list. Here are the rest of this year's report findings:

Does your company require its external search vendors to sign off-limits agreements?



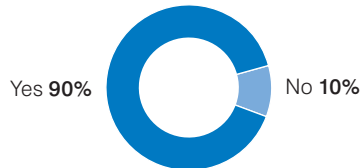
Does your company maintain preferred provider agreements with external search firms?



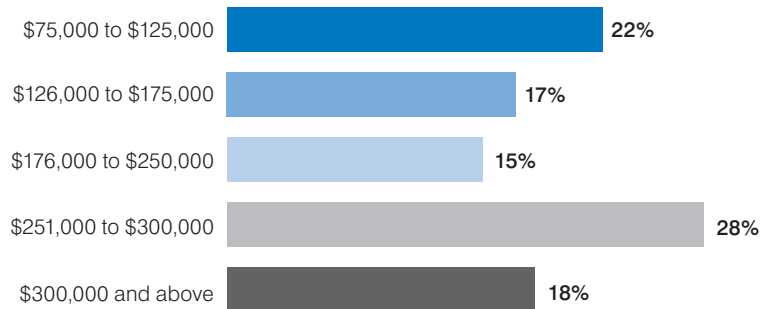
Under what fee structure do you pay your retained external search firms?



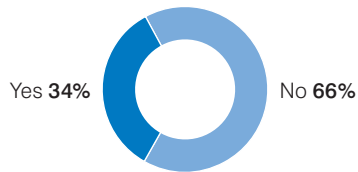
In the last five years has your company been able to negotiate more favorable fee terms from your external search providers?



What is the average compensation range for assignments completed by your search firm providers?



Do you require your search firm providers to submit a post-assignment audit?

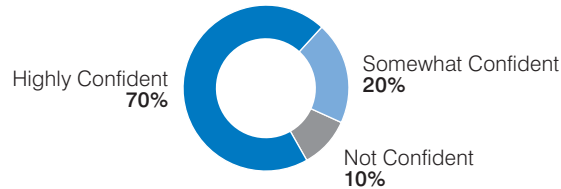


Does your HR staff conduct its own in-house search assignments for professional level positions?

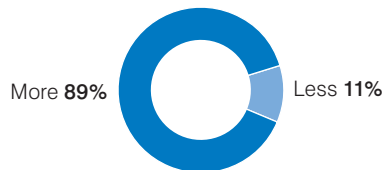


Of all open positions in 2014, 76 percent of respondents said these positions were handled internally. Over the last five years those respondents reported a 40 percent increase in the use of in-house recruiting to fill professional level positions. In the next 10 years, these same respondents expect 87 percent of all open positions to be filled internally or by in-house recruiting methods

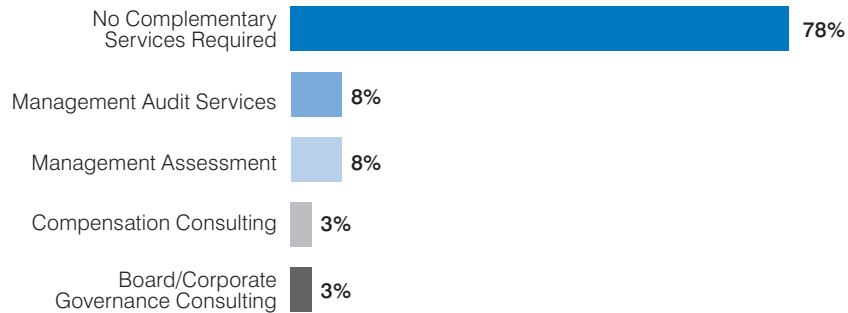
How do you rate your in-house ability to attract, recruit and retain senior management over the next two years?



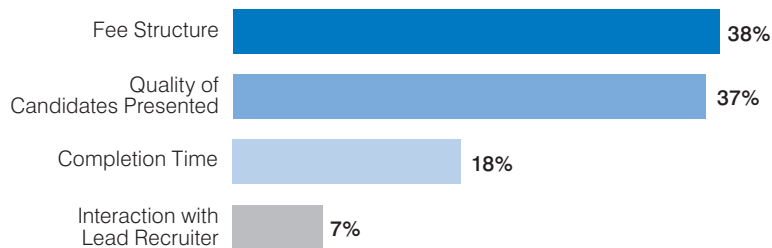
Will you spend more time and money or less time and money to develop your senior-level employees over the next five years?



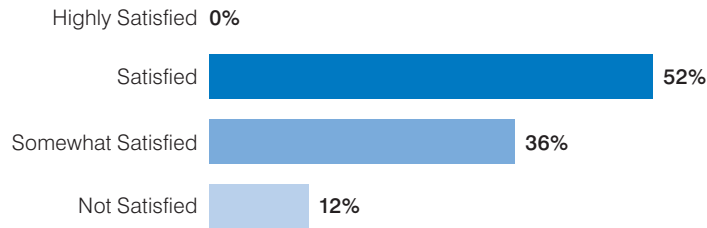
What other services do you retain your external search providers to perform?



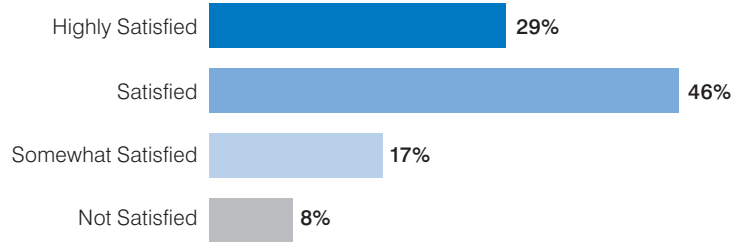
What areas of service do you feel your external search providers need to improve the most?



Are you generally satisfied/dissatisfied with your external search providers?



How satisfied are you with recent hires via search firms?



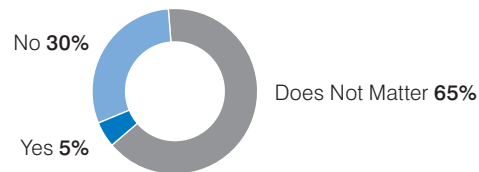
Do you prefer to retain a boutique/specialized search firm or larger generalist?



With the advancement of technology can a small search firm, with an office just in the U.S., effectively conduct a multi-country search?



Do you think retained search firms should be publicly traded?

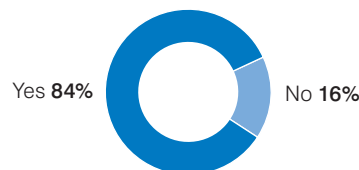


Do social media sites offer you the ability to side-step or bypass recruiters in your hiring process?



When asked to rate social media technology on their recruiting efforts, 86 percent of respondents said it was very important. When asked to rate the importance of social media technology in five years this number jumped to 95 percent. In 10 years every survey respondent said that social media technology would enable them to bring a significant part of their recruiting function in-house.

Do you think search firms will lose a competitive edge to social media sites?

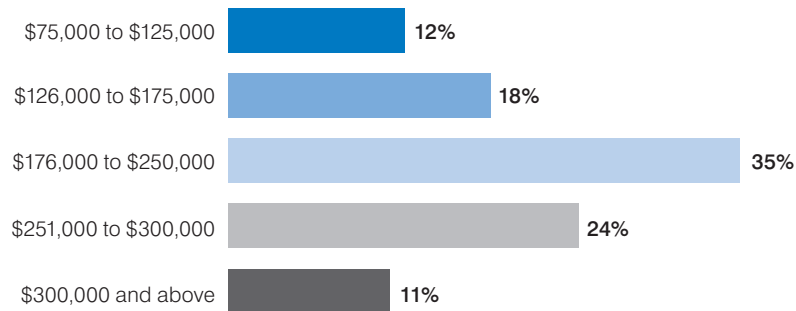


Part 2: Responses from Executive Search Consultants

Executive search consultants responding to this year's survey questionnaire represent all facets of the recruiting business: private firms, public companies, solo practitioners, search firms with less than 10 recruiters, industry and functional specialists, mid-sized boutiques and global search firms with a strong U.S. presence. Some respondents are new to the executive recruiting business while many surveyed have been involved in the senior staffing sector for two decades or more. All in all it is a highly-seasoned group of veteran recruiters that participated in this year's industry study, a third of whom now belong to some form of international group or consortium. Executive recruiters who completed this year's survey questionnaire represent an aggregate number of firms that completed more than 26,000 search assignments

last year in the U.S./Americas region; according to the recruiters, they enjoyed a completion rate of more than 74 percent. Significantly, this group accounted for more than \$3 billion in revenue. According to the recruiters, final candidate slates arrived on their client's desks within 90 to 110 days, a significant increase over last years 65 day cycle time. The average tenure of placed candidates, according to the recruiters surveyed, was four and a half years, a slight decrease from last year. To help complete assignments research staff continues to play an important supporting role for recruiters: the consultant-to-research professional ratio now stands at 2.5 to one. The average tenure of recruiters, standing at nearly eight years, should give clients a greater sense of service consistency from their search providers. Here are the rest of this year's report findings:

What is the average compensation range for assignments completed by your firm?



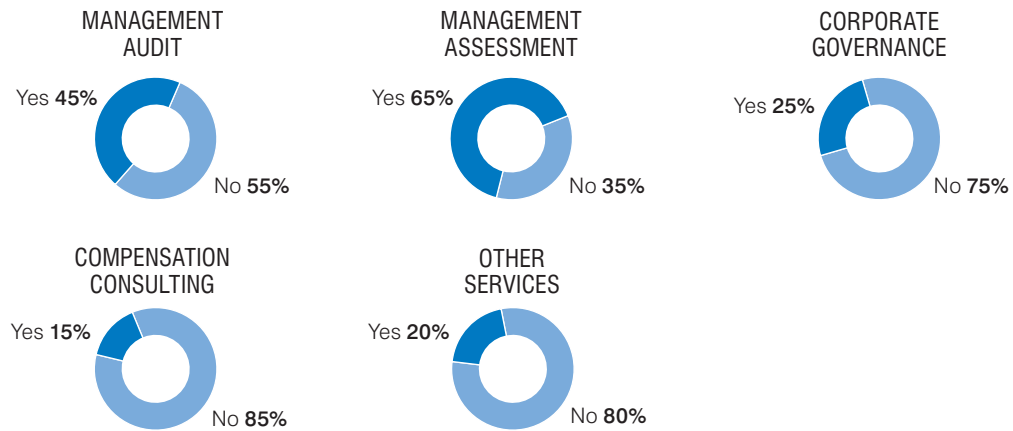
Does your firm offer retained search only?



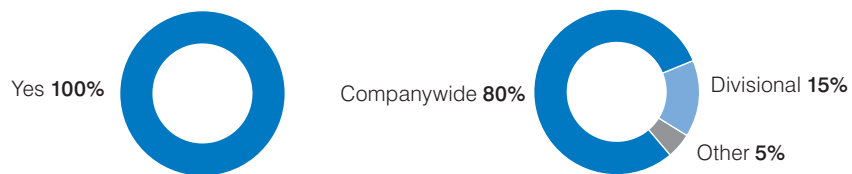
Does your recruiting firm offer complementary services other than executive search consulting?



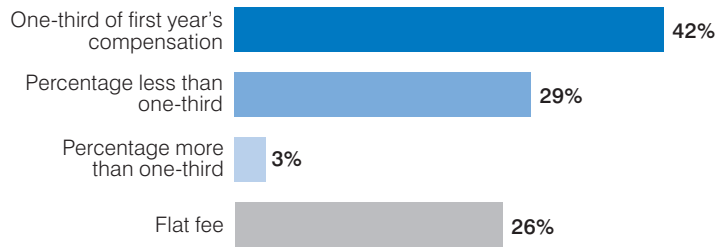
Search firms that responded 'Yes' offer these additional services:



Does your firm have an off-limits policy with clients?



Under what fee structure is your search firm compensated?



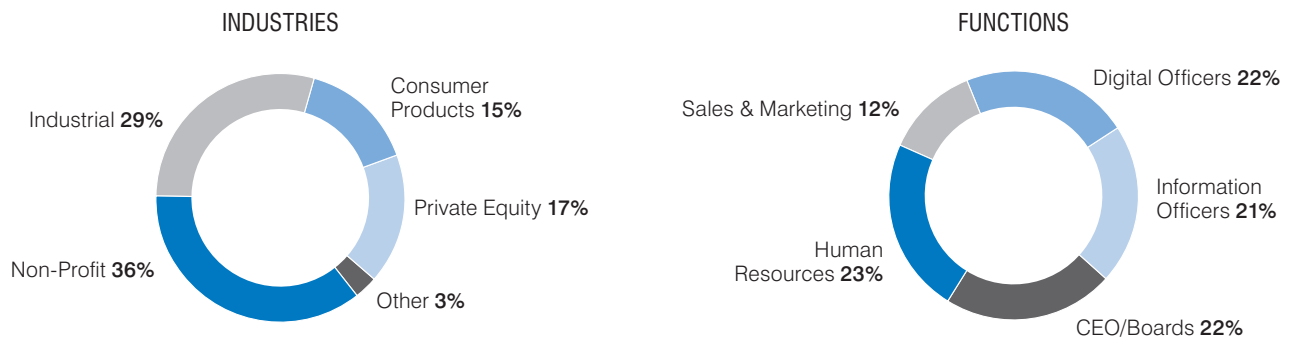
Does your firm conduct audits of each assignment that it conducts?



Does your search firm offer equity participation?



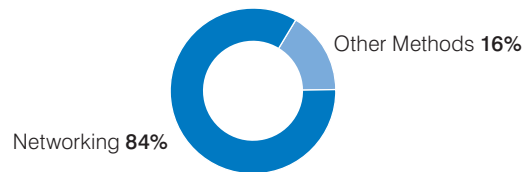
In which industries and functions did your search firm experience the most growth in the last three years?



How does your firm compensate its executive search consultants?



How do you recruit consultants to your firm?



Respondents reported that 'other methods' include retaining a search firm specializing in recruiting search consultants

Does your firm have a formal marketing plan?



SECTION 6

Industry Viewpoints

SECTION 6

Industry Viewpoints

Hunt Scanlon keeps tabs on an ever-expanding executive search and talent management sector that far exceeds where the industry was just a decade ago. Today, Hunt Scanlon tracks some 15,000 executive search consultants at more than 3,000 recruiting firms in North America and another 3,500 overseas, spanning Europe, Asia, Africa and the Middle East, and everywhere else in between.

To round out our study this year, we invited 18 leadership advisory specialists to bring us inside the inner workings of their organizations, to discuss their search assignments and to help us better understand the process they use for identifying, and convincing, talent to move from one company to the next. It is a skill these particular recruiters have honed best.

Search consultants face a host of challenges on their way to finding the right talent for a particular job – and here they tell us how they do it. Their 'Viewpoints' cover a multitude of industries, from healthcare and life sciences to private equity and information/cyber security, among others – to topics including culture shaping, CEO succession, diversity, and the use of technology & cloud-based software. They guide us always with an eye to the future and with recruiting best-in-class talent in mind.

So, if you're interested in hearing from the industry's most trusted and respected leadership advisory professionals, we encourage you to take the time to read this outstanding section of this year's report.

WHERE GAME CHANGING, LEGACY AND ROI MEET

How One Search Specialist, Denise ‘DeeDee’ DeMan – CEO of Bench International – “Walks the Talk” of Creating Game-Changing Legacies



Bench International is committed to long term client partner relationships. The firm’s commitment is to indemnify risk by finding the most relevant leaders for the most complex of roles. What Bench does each day ultimately yields game changing events that matter enough to produce both legacy and ROI. Known as the oldest, most deeply involved, full-scope life science headhunters, Bench does not define the new paths that mitigate or eradicate diseases. Rather, the firm does have the honor of finding, assessing and delivering leaders who have dedicated their lives to doing just that.

Denise DeMan is founder, chairman and CEO of Bench International. With an entrepreneurial spirit, Ms. DeMan has taken the firm from its founding in 1974 to its eminence today as one of the premiere specialized retained executive search firm focused on life sciences. She is deeply committed to properly ‘shattering’ the glass ceiling for women in the life sciences, having spent more than a quarter century developing and promoting a network of women leaders in the biotechnology and pharmaceutical sectors. To that end, she has been a Hall of Fame Inductee of the National Association of Women Business Owners, board member for the West Coast Chapter of the Healthcare Businesswomen’s Association, founder of The Forum of Global Pharmaceutical Diversity and Inclusion (FRxDI), member of the board of Learning Forum International, as well as board member for Israel Cancer Research Fund (ICRF). In addition to her leadership and management roles, Ms. Deman recruits in the areas of research and development; corporate leadership; clinical development; regulatory affairs; science and medical advisory boards; and boards of directors.

“Everyone must leave something behind...something your hand touched. It doesn’t matter what you do, so long as you change something from the way it was before you touched it into something that’s like you after you take your hands away.”

- Ray Bradbury, Fahrenheit 451

This quote about legacy written by the famous science fiction novelist defines truly transformative game changing and its tangibility translates into achieving ROI.

Our Bench International team is known as the oldest, most deeply involved, full-scope and span, life science headhunters. While we won’t define the new paths that mitigate or eradicate diseases, we do have the honor of finding, assessing and delivering leaders who have dedicated their lives to doing just that.

Our Bench Team, “walks its talk,” of creating game-changing legacies. Our internal rules of engagement

require us to stay focused on our “target,” being our client partner, not the transaction. We embrace our “target,” by delivering the leaders who change the course of companies, products and diseases. The money simply follows. It is never the target.

To ensure our walk and our talk are congruent, we live with a business ethic of, “One Global Team, One Global Budget, No Borders and No Boundaries,” meaning we have no competing P&Ls by office or region. No team members are, “benched,” all team members are able to, “play,” no matter where a client project is. They do so based on their capabilities to serve and to troubleshoot on behalf of a client partner, as well as offer the industry access they can provide. By staying true to this model over the past 40 years, we have had the honor of bringing thousands of leaders to our clients, who in turn, have profoundly “touched,” literally millions of patients and their loved ones around the globe, exemplifying Mr. Bradbury’s perspective on legacy.

One of our team's mantras is, "Go for the 'fit' and don't quit." "Fit," is a tipping point in our client partners' ability to reach their greatest potential by leveraging their human assets, in conjunction with their product assets. ROI for our client partners and for our firm comes with leaders Bench places who stay and build their companies, owning their own decisions, over an average five years. In most cases, companies have to plan that a newly hired leader will take a minimum of a two year tenure to create the sustainability of "legacy," to achieve their highest ROI. Not, "quitting," is an essential element to our search mission and to earning our clients' trust as a true partner. We continue recruiting new candidates for our clients until their fully vetted New Hire walks through their door. We never stop. Clients often wonder why we are vetting new candidates while they are in the midst of extending an offer. My response is, "A deal is never a deal until it's a deal."

Supporting Game Changers

There have been moments in time where our Bench team has looked back and said, "What we did really mattered." One of those times occurred in the 1990s when Sandoz had a mission-critical need to bring a number of disease-changing drugs to the global market. It took two men, Dr. Tom Koestler and Dr. James Shannon to create the most prolific drug development machines of its time that not only withstood, but thrived within the merger known as Novartis. When we look back on the courses of the lives of these two men and we witness the rippling effect of all they, "touched," it continues to validate that one or two human beings really can make a difference, can effect change, create legacy, drive ROI, even in R&D where the P&L is not directly evident.

Bench supports game changers without a lot of fanfare. It is not our job to be a central focus. It is our job to ensure that at all times our clients are our

central focus. Our deliverable is to deliver the leaders to our client partners who will continue to carry them down the courageous and harder roads less traveled to become disease and illness game changers.

At a time when our world so desperately seeks heroes, all one has to do is look at the journeys of some of the pharma and biopharma companies to find true heroes who have changed the courses of illnesses and diseases.

The life science sector has often been vilified for how it prices products. At times it has deserved it, but most times, it absolutely has not. When we or those we love have a disease and the course that disease can be altered by leaders with the courage to change the rules of the disease, what is that worth?

Two such men are Dr. Sol Barer (former CEO, Celgene) and Dr. Francois Nader (Former CEO, NPS Pharmaceuticals). Celgene was a pioneer in changing a form of cancer from a death sentence to a chronically managed disease with an average length of life of 10 years, post diagnosis. NPS sought to bring relevance to disease states called, "orphans," for a reason. Because of men like this, "orphans" and the scariest of diseases are now some of the "Coolest" investments in the sector. These men and others like them have brought life to patients and wealth to investors. What these two men "touched," and "left behind," before moving on to their next chapters, were quintessential game changers that led to both legacy and ROI.

Bench is committed is to long term client partner relationships. Our commitment is to indemnify risk by finding the most relevant leaders for the most complex of roles. We never forget that one day we, or those we love, will be patients. What we do each day ultimately yields game changing events that matter enough to produce both legacy and ROI, both at home and in the world we serve.

PRIVATE EQUITY FIRMS HONE IN ON HEADHUNTERS TO GROW PORTFOLIO COMPANIES

A Discussion With George Corrigan, Managing Partner and Founder of The Corrigan Group, On Why the Private Equity Sector Is So Active Today



The private equity sector is now considered one of the fastest growing practice segments in the executive recruiting industry, with an expanding number of boutique recruiting firms now servicing it coast to coast. Private equity firms have been involved in some of the most notable business deals of the last two decades, but where the action seems to be centered for the boutiques is around smaller, less well-known portfolio companies that make up a widening universe of investment vehicles for private equity firms like TPG, Bain Capital, Silver Lake Partners, Carlyle Group, Kleiner Perkins, Huntsman Gay, Blackstone Group, General Atlantic, Khosla Ventures, and a slew of others. One of the leading professionals in this space

is George Corrigan, managing partner of The Corrigan Group who, in the following interview, addresses why this sector has become so active today and how tapping this talent has changed in the last decade. He touches on why search assignments for PE and VC clients has become so demanding and how the 12 years he spent at Korn Ferry helped shape his career.

A 25-year veteran of the search business, Mr. Corrigan founded the firm in 2012 with a focus on transformational recruiting to build world-class management teams for founders, entrepreneurs, and PE/VC investors in the retail and consumer products industry. Prior to starting his own firm, Mr. Corrigan was the chief talent officer & head of talent acquisition for Burch Creative Capital. Earlier, Mr. Corrigan spent 12 years as a partner at Korn Ferry.

Given that you are both an investor in PE funds and also an active early stage investor in growth companies, as well as a recruiter, how does this impact your executive search business and how do these activities coexist together?

I have always been a direct early stage investor in growth companies and PE funds dating back to the early 1990s. Some of these investments have fared incredibly well, while some have been less successful. This ability to work with entrepreneurs as an investor (and to be clear, in all cases I wrote a check with my own capital) alters your thinking about executive hires in a significant way. You start to think about each hire more like an investor and less like a 'headhunter.' Each time you recommend a candidate or get into a serious conversation about making an offer or pulling the trigger on a key hire, you ask yourself, "If my family owned this company, would I choose this candidate to be our CEO?" This creates a powerful shift in mentality as you think about each candidate and how that person might, or might not, be able to create enterprise value for the company over time. It also creates a higher bar and establishes a deeper level of respect with your clients and candidates.

The other interesting dynamic is when I am working on a search on behalf of a PE fund of which I am a limited

partner (an investor). When I get on the phone with a CEO candidate and I tell this person that I believe so strongly in the PE sponsor for which I have written a check with my own capital as an investor, it has always made a strong impression on the candidate. It introduces an entirely new dynamic when the candidate knows that you have your own money at risk, a fact that instantly takes the conversation to a deeper level. There is an immediate degree of respect generated when the candidate understands that you are extremely serious about the search as a part owner of the company.

One great example would be my investment in Milestone Partners in Philadelphia which is a middle market PE fund led by John Shoemaker and Scott Warren. I have now completed three CEO searches for Milestone Partners -- Martex, Avure, and IDI -- all three of which were highly successful. I was very quick to share with the CEO candidates that I am an investor in the fund and, once again, it gave a higher level of integrity to each call and ultimately led to a successful project. The team at Milestone Partners naturally felt very comfortable knowing that I was going to go the extra mile on every recruiting call in order to supercharge my investment with top talent to lead and grow each company, subsequently driving added investment

returns for me and all of the other investors in the fund. This in many ways is the ultimate alignment of interest and incentives when the headhunter/recruiter is also an investor in the PE fund which owns the portfolio company -- it is good for the client, the candidates, as well as the recruiter.

Your firm works almost exclusively recruiting for portfolio and venture backed firms. In the last five to 10 years how has recruiting top talent for this sector changed?

As these PE and VC investors have become much more specialized over the years in a particular niche sector, e.g., beauty, fashion, consumer, food & beverage, PE firms have developed a high level of expertise in their specialty area. This includes an intimate knowledge of the key players and top talent in their space through extensive networking and the vast information accessible via LinkedIn and other recruiting tools. Hence, the candidate identification component of the process (once the 'trick' many years ago in the search business) isn't as important as being able to attract and pique a candidate's interest, and importantly to provide a deep and detailed assessment of his/her skills and cultural fit with the portfolio company. As we have learned time and time again, the chemistry and personal fit with an entrepreneur/founder is critically important to any executive's ability to succeed and lead in a growth business backed by a PE sponsor. Many of our clients are high growth consumer brands which were started by an entrepreneur/founder, and later attracted an investment from a PE sponsor as a result of the early growth and success of the company. Understanding this unique relationship between an investor, an entrepreneur/founder, and an incoming CEO/president has taken many years to perfect, and this nuance of leading PE backed searches is critical and only comes with many years of experience.

Another dynamic is the rise and importance behind the role of the human capital partner who are all specialists at organizing the recruiting efforts at the general partner and portfolio company level. Almost every PE firm views this as a critical role for identifying top talent and maintaining a pipeline of candidates for current and future business needs. Cultivating and maintaining these relationships can also lead to future acquisitions and investment opportunities. We believe that the human capital partner

role is here to stay and that all firms will have a specialist like this someday soon.

Is recruiting second generation talent for successful start-ups and high growth companies something your firm is focused on? If so, please explain why it's sometimes necessary to replace founders owners and who do you typically recruit into these senior management roles?

Actually, the bulk of our work is not replacing founders/owners; we are focused on identifying and hiring business leaders to partner effectively with a founder/entrepreneur to help drive growth for the company going forward. Many of our clients are consumer businesses that were started by an entrepreneur with a dream and later grew to a size that required growth capital to fuel the next stage. Often these businesses reach a size and stage when it makes sense to hire key senior executives who have had the prior experience of growing a consumer brand and driving scale. A crucial component of recruiting these types of executives is without any question the chemistry and fit with the entrepreneur/founder. Without a trusting relationship between the founder/chairman and the incoming president/CEO, there is no way that these two people can ever succeed together. We spend an immense amount of time working very hard to assess the chemistry fit (and personality fit) of our candidates and their prospective new partners.

Several examples of entrepreneur/founders we have worked with recently include: Alexis Bittar; John Reed at Arhaus Furniture; Lyn Kirby at Beauty Brands; Chris Burch at Burch Creative Capital, C. Wonder, Poppin, and other ventures; Damany Weir at Flight Club; Yves Potvin at Gardein; Jamie Kern and Paulo Lima at IT Cosmetics; Dr. Harold Lancer at Lancer Skincare; Dr. Nicholas Perricone at PerriconeMD; Ben Kaufman at Quirky; Yael Aflalo at Reformation; Freddy Bensch at SweetWater Brewing Company; Ben Lerer at Thrillist Media/JackThreads; and Chuck Esserman at TSG Consumer Partners. This experience has provided us with a very unique view as to the type of executive who can succeed with an entrepreneur/founder to drive significant scale, growth and ultimately lead to a successful exit for the PE sponsor.

I imagine the demand by the PE firms you work with is quite intense. In these situations do you have to turnaround an assignment more quickly than a standard C-level search?

Almost without exception, our PE clients all tend to work at a faster pace than their public company counterparts and want to drive hard for results quickly. As you know, each PE investment has a time horizon and expected return profile within that time horizon. This means that the faster our clients can put in place a superstar leadership team, the faster that team can begin to drive results, create scale, and ultimately drive enterprise value and a successful exit. Because each fund has a limited lifetime and each investment is measured by IRR within a time frame, this set of circumstances puts pressure on recruiters to deliver results quickly.

The other unique request/requirement on behalf of our PE clients is a strong tendency to vigorously check references early on in a process. Many of our PE clients have unique access to senior business leaders as a result of the chair they sit in and they are quite accustomed to having access to the best information. This dynamic remains the same when it comes to evaluating and assessing senior leadership talent. We are acutely aware of this dynamic and accordingly we try very hard to get ahead of this by checking and confirming references in advance of presenting any candidate to a PE client. If there is ever any question about a candidates' skill level or background, we want to be able to quickly say that we have done our due diligence on each candidate so we are aware of the history and circumstances surrounding their background.

By delivering quality candidates to the table quickly and making certain that we have done the required homework and due diligence on each candidate presented, we have been able to consistently meet the unique search requirements of our PE clients.

You work for some exceptional clients including Tory Burch/IT cosmetics. How did that relationship start and are they a prime example of how you work today in your specialty practice?

The IT Cosmetics story is an incredible one, and we are proud of the work we've done for them in helping to build

out the senior management team. IT Cosmetics was started by a husband and wife team, Jamie Kern and Paulo Lima, when they met at Columbia Business School here in New York. While it would be inappropriate to discuss EBITDA numbers in public, it is worth noting that the EBITDA of IT Cosmetics has grown almost 20X over the last four years and the company is growing exponentially. This is an incredible success story already and IT Cosmetics has a significant runway looking forward to continue growing globally. We first met Jamie and Paulo as a result of our relationship with TSG Consumer Partners, a significant client of our firm. TSG, along with Guthy-Renker, made a growth equity investment in the company and they maintain a strong role on the board. We have worked with TSG on numerous searches since 2012 to help identify and hire key leaders for TSG's portfolio companies across their beauty, fashion and food/beverage categories. This experience has allowed us to sharpen our skills and expertise in the beauty and cosmetics space, along with identifying candidates who can thrive in a standalone business, as opposed to a big company with global resources and large infrastructure. The skill to identify candidates who have the background and ability to work successfully in a standalone 'get it done' business culture is crucial when working with entrepreneurs like Jamie and Paulo.

Today, IT Cosmetics is poised to grow internationally and expand their footprint to multiple channels of distribution across North America. Jamie and Paulo have spent a lot of time in the last year building a senior management team that has the skill level and drive to scale this company, and their efforts are paying off already. We feel very fortunate to be able to work with entrepreneurs like Jamie and Paulo – and many others – as we can feed off their energy and share in their dreams and excitement to build truly great companies. With that said, these kinds of searches are difficult and challenging, and the added dynamic of finding candidates who have a personality/chemistry fit with our entrepreneurial clients adds a higher degree of difficulty to each search. My recommendation to clients in this category is to partner with a specific search firm to work on multiple projects. You will find that the second search is always better than the first, and the third search is better than the second. The experience of working together and learning which specific

personality types fit with a founder/entrepreneur is incredibly valuable as you look toward building a full team.

Does the standard one-third search fee apply when recruiting for the portfolio community or do you charge differently such as taking an equity stake in lieu of a fee?

Starting my own firm in 2012 has opened up a whole new world in terms of flexibility around fees and proposals. As a long-time equity investor myself in PE funds and also individual growth companies, I am always interested in taking equity in lieu of cash for executive search work, particularly given the state tax rates in New York and California where I have lived since 2004! Whenever a recruiter (or any close advisor) has some form of equity instrument in a client company, this provides the purest and best form to align incentives, goals and objectives. This has become much clearer to me since I left a large, global search firm in 2010, because we were not able to accept equity or other unique forms of compensation from our clients. Working with one entrepreneur (Chris Burch) for all of 2010 and 2011 certainly changed my thinking very significantly about investing, equity, and taking risk. Chris started his career with no capital, and by taking risk and investing alongside early stage entrepreneurs, he has become highly successful. Having worked with him exclusively and traveled extensively all over the world for two years, this has helped shape my thinking about equity in lieu of cash compensation.

Can you discuss how you helped build C. Wonder from inception to successful operating businesses?

Looking back on that time in 2010-2011 when we were building C. Wonder, a number of us at CW used to joke that we were 'building the plane while the plane was already flying through the air.' We were working at breakneck speed both here in NYC and – very regularly – in China and Hong Kong to build and staff the company quickly. CW was founded by Chris Burch in early 2010 and the first store was miraculously opened by October 2011 with thousands of SKUs and proprietary products spanning from apparel to home goods to gifting items and many other categories. It was also a place of significant discovery with a whimsical, colorful sensibility and the initial reviews were excellent.

Chris Burch provided the funding and the inspiration to build and launch this company just as he has built and launched other brands in his career.

In terms of building the team both here and in Asia, here were the key steps on the path. First, we needed a brand president to lead the business and own the action from day one and help to build the team, build the business plan, create the assortment, identify the categories and styles where we wanted to play, identify needs and challenges, and own the overall project. This person became Amy Shecter who had over 25 years of experience in retail with companies like Tory Burch, Cole Haan, Liz Claiborne, and DKNY. The next steps were to build out the executive team, starting with the key senior positions in each functional area to include merchandising, production, product development, sourcing, design, marketing, PR, finance and operations, and very importantly to build the sourcing/production team in Asia as we did not want to use 'agents' such as Li & Fung or William E. Connor to source and manufacture our products. I went to Asia over 10 times in 2010/2011 to interview hundreds of candidates who had specific domain knowledge in their specialty area such as apparel or hard lines or shoes, etc. I was also very fortunate to travel with Chris Burch to countless factories all over Asia and to learn the production/sourcing side of the business from Chris – who has been sourcing products in Asia since the 1970's. It was an incredible experience and while the work was difficult and we worked very long hours, it was a unique opportunity to build a brand from scratch and we learned many lessons along the way.

Some of the key lessons learned were: First, not everyone is built for a start-up and you need to be careful who you hire into a company operating at this pace and level of focus and intensity. Second, in retrospect, we probably moved too quickly and we were running 24 hours a day and seven days a week – and this kind of pace can lead to mistakes both in hiring and strategy. While it was not in the DNA of our founder to slow down, we might have been wise to slow down and observe the reaction to our concept from consumers. Third, we learned over time to be careful around cost control and the cost of building a large global team, and the challenges of many meetings with the USA team

and the China team, and the complications that occurred over time zones and meeting times. I also learned a lot about the mentality of the entrepreneur during this period of time and how to work with highly creative entrepreneurial types which has served me well in the years since 2012. The global experience and the extremely hands-on experience in China and Hong Kong was also incredibly valuable as today we work with many product driven companies. I can honestly say to our clients that I was on the ground for weeks at a time in Asia and I have toured countless factories in the region. In fact, we built an entire mock-up store at full scale inside a warehouse in China – all incredibly valuable experiences, all of which serve me well today.

You were a senior client partner with Korn Ferry for many years specializing on PE and VC assignments. How did that experience prepare you for when you launched your own firm?

Korn Ferry is an excellent firm that provided me with the opportunity to learn a great deal and meet many interesting and incredible people throughout my time with the firm. I was there from 1998 to 2010, which took me from the age of 34 to 46, which are critical years in anyone's career. I am incredibly grateful to everyone at KF for everything I learned and for some truly great years. With that said, I think that having your own firm is a completely different animal, and I'm not certain that working in a large scale global firm prepares you to lead and run your own search firm. The pressure on every search is very different when you have your name on the door, and you don't have the benefit of a 'bulge bracket' brand name to save you in the

event of a mistake or a failed search. I find that my focus today has shifted much more to the execution side of our business as opposed to the sales/origination side. I would also add that almost all of our PE and VC clients like the way our engagement letters are structured today, as opposed to my former life. Our clients are fundamentally professional investors who take risk for a living and 'back' management teams and companies. They like working with recruiters and other service providers who will similarly take risk in the way fees are structured and compensation is awarded. Conversely, they don't like rigid agreements that demand a full fee even in the event that the search is never successfully filled. As an investor myself, and many times invested alongside our PE clients, I like the flexibility we enjoy today around fees and payment terms, and I would add that this formula has been very successful so far for us and our clients.

Having my own company has been a truly rewarding (and challenging!) experience to be able to see the direct impact of our successes with clients, candidates and companies we have become very close with. I have also noticed that since starting the firm in 2012, we have developed much deeper personal relationships and, in fact, friendships with our clients. We feel very fortunate that we have been able to meet and work closely with some amazing entrepreneurs in the consumer space who have started and built incredibly cool companies. Helping these growth companies by adding a critical senior executive at an important inflection point has been very rewarding, and we look forward to many great years ahead.

THE EVOLVING WORLD OF RECRUITING

Jeff, Kaye, CEO at Kaye/Bassman-Sanford Rose Associates, Takes a Look at Recruiting – Past, Present and Future



Most people had no clue what a recruiter or headhunter was and many organizations had never used them. Then something changed! Core competencies and outsourcing emerged. In the following article, Jeff Kaye, CEO of Kaye/Bassman-Sanford Rose Associates, breaks down the history of the recruiting industry and what the future might hold.

As CEO, Jeff Kaye helped Kaye/Bassman-Sanford Rose Associates grow into the 10th largest search firm in North America and Next Level Exchange into the world's largest training firm exclusive to the recruiting industry with over 2,000 recruiting firm clients in 30 countries. His organization has won national awards for philanthropy and workplace flexibility and has been named the No. 1 "Best Company to Work for in Texas" for four consecutive years. During his 25 year tenure in the industry, Mr. Kaye was named one of the most influential leaders in the staffing industry. He is considered an industry expert having appeared on CNN, FOX, Bloomberg and NBC; he is quoted regularly in publications including USA Today, The Wall Street Journal, Business Week, Time and Fortune. Mr. Kaye is also a frequent speaker within the recruiting and human resources community and has been featured in dozens of international training meetings and videos.

Search, recruiting, human capital management, staffing, talent acquisition, headhunting, and even flesh peddling are all simply words. Each word conveys a different image, however, they all are about securing talent. Recruiting is therefore the profession in which we all participate. Why should the process that one uses or the contractual payment structure of an agreement be used to classify our industry? Are law firms not just law firms, or are they listed by whether they are contingent or retained or represent the plaintiff or the defendant or by the way each lawyer conducts a potential trial? Ultimately, should an approach dictate a classification?

I would submit that, as in all professional service firms, there are a wide variety of firms in our industry. And while some do retained, others do contingency work, some do permanent, some do temporary, and some do a hybrid of all. Some specialize by function, others by industry, others by level or geography and some, again, a hybrid of all. In all cases, an employer is paying a firm to secure or 'recruit' talent for their organization (the exception is an applicant paid firm which is not recruiting but instead helping someone find a job). So, my first contention is that the evolution in our industry is one that began with very rigid lines of demarcation that have since been blurred and will continue blurring until finally our industry will simply be known as the recruiting industry. At that point, a firm's classification will no longer be placed into such limiting

categories. And while certain divisions, practices, or recruiters may be categorized, the organizations themselves will not be. To create an equal playing field in terms of revenue, contract or temporary firms would need to show their revenue by adding the net margin on their contract or temporary work to their permanent fee revenue to get an accurate comparison.

Essentially, the real benefactor of this simple system for classifying firms are the client organizations. To truly be client focused, it is my belief that organizations must be prepared to offer solutions that are appropriate for each specific client and even each specific client need. Why should the level of a search determine whether it should be contingent or retained? Wouldn't the urgency and the critical nature of the assignment be a better qualifier? If a construction firm needed to hire a senior executive to replace a retiring executive in the next year or two, might they be better served by utilizing a few recruiters to keep a 'look out' for potential talent over the next year and present candidates when appropriate?

Perhaps as time evolves a different solution would be more suitable. Now, if that same firm needed a superintendent to build a new 20 story office building or a hospital to replace an employee who left at a critical time, wouldn't they be better served by partnering with a firm that will be held accountable to identifying, evaluating, attracting, and landing the best possible talent for that urgent and critical

need? In that case, it may require a financially committed relationship to achieve that result. With that said, should that same client have to work with many different firms because a single firm cannot be client focused enough to offer unique solutions most appropriate for each search?

While this industry change will not happen overnight, new words like container and retency only add additional ways of labeling firms by their financial agreements. Many organizations do offer these full service approaches and try to separate their style of work by utilizing different brands. This is also done to combat 'blockage' issues that larger organizations face. This dilemma will continue to be an issue in the future. It will also be an interesting trend to monitor as firms try to grow exponentially.

So, When Did It All Start?

I believe this evolution began in the early 90's. Prior to this, there were temporary firms that provided short term recruiting challenges, contingent firms that worked on positions below a certain level (usually under six figure salary levels), and retained firms that worked only above a certain level. Most people had no clue what a recruiter or headhunter was and many organizations had never used them. Then something changed! Core Competencies and Outsourcing emerged. This resulted in the staggering growth in our industry to the tune of several billions of dollars through the 90's! Companies scrambled to take advantage of the trends in the information age and began creating a variety of divisions in response. Some succeeded but almost all who created approaches and models based on disintermediation of the human touch of recruiters failed miserably.

The old lines of distinction were blurring. Traditional retained search firms were doing large scale project staffing business. Temporary firms began building permanent divisions and vice versa. In the end, many firms moved too quickly or ineffectively and failed. Then the same employer driven market of the early 90's emerged following the dot com bubble burst.

Ultimately, the industry fell victim to its explosive growth and the length of that particular cycle. However, in the past few years, the pendulum has swung back to a candidate driven market and a war for talent. Having learned from the last

build up, clients and recruiting organizations alike are now realizing the importance of certain criteria in recruiting firms and the fee agreement is but a small part. Effective results based on market knowledge is the mantra of all.

The biggest criteria companies seek now is the specialization of the firm or recruiter in their area. This means the recruiter knows not only the industry but also the functional area of the search, the level of the position, and the geography of the assignment. Gone are the days of simply selling a generalist mentality of a great search process. If a hospital needs a new CFO, they don't just want a recruiter who knows healthcare or one who knows accounting and finance or one who works only on senior leadership positions. They want one who specializes exclusively in healthcare finance, knows the geographic area and the position level well in their market. The second criteria that companies are demanding is flexibility. They want firms to work at various levels and want flexibility in their agreements (terms, fees, and guarantees).

Many understand the need for an up-front financial commitment and additional progress payments for performance milestones. However, they do not feel that it is always appropriate to potentially pay 100% of the service charge and get no results and have no flexibility in offering other solutions. This time around, they will not only have the needs but also the knowledge of what not to do. The third major criteria that clients want is a track record of previous success. If a pharmaceutical company needs a vice president of clinical research, they want someone who has successfully completed a similar search and will want to conduct a reference.

Only when clients conduct their due diligence will they ultimately learn who truly delivers. Perhaps then the classification of firms will be based on specialization, flexibility, and track record. Perhaps in addition to overall revenue, firms would list the revenue in each industry and/or function as well. If a firm has too much volume in any area, then perhaps they won't be able to take on more clients causing other firms to grow their capabilities.

Although heresy to some I am sure, I do believe bigger retained firms could serve their clients better by offering

contingent solutions without compromising the integrity of their brand. After all, if calling a company and telling them about a talented individual who you truly believe could make a profound impact on the bottom line of their business is an approach that a current or potential client could benefit from, then why not do so? If letting clients know that they would only have to pay you if the candidate is a good fit and this is an approach clients want (as evidenced by their willingness to do so again and again) then why not offer these options as well.

In those situations when a client wants to engage a firm to operate in a true management consulting function when the firm is 100 percent paid for the conducting of the search and not results, then search professionals should learn how to respond as such. However, paying part of a fee for results (like second payment or short list or final payment on hire) is partial contingency and partial retained. Again, the labels do not matter. What does matter is the ability to educate the client as to the different approaches and guide the client in making a professional recommendation that best suits their needs.

We all have so much to learn from one another. I have talked at staffing conferences, retained search conferences, permanent search conferences, human resource conferences, and human capital conferences. While there are many differences in the process, relationship, and terms, there are also many commonalities and opportunities to learn from one another. Our Next Level Exchange recruiting training organization is dedicated to doing just that by aggregating best practices from the industry's leading trainers and top performers around the globe. We all have our achievement that is reflected in where we are today, but more exciting is our potential of where we will be in the future. This gap between achievement and potential is the journey that every practitioner and every organization is perpetually closing. This is what our organizations Kaye/Bassman International, Sanford Rose Associates, Next Level Exchange and Next Level Marketing Communications have been doing for decades. Regardless of one's opinion, perspective, or paradigm, the most important type of focus is always what is best for the candidates and clients we serve.

A RETAINED SEARCH MODEL FOR THE NEXT GENERATION

Co-Founders of Corbett Search, William and Kevin Corbett, Reveal Their Secrets on How to Use Technology As An Advantage



William P. Corbett



Kevin Corbett

Having launched their search firm, Corbett Search, just three years ago, Bill and Kevin Corbett have quickly proven that in today's results oriented environment a talented boutique with a niche focus, intelligent outreach strategy, and consistent process, can thrive. Focusing exclusively on recruiting VP of sales, chief revenue officers, sales-driven president/CEO's, and high impact individual sales contributors, the firm has positioned itself well for a long term command of the marketplace. Their exclusive focus on revenue-driving, client-facing, deal-making executives has helped them earn the respect and trust of many high growth organizations and their investors. In the following interview the Corbett brothers discuss why they launched their firm in this space and why it has accelerated so quickly. They also provide their views on the industry's shift towards diversification of services and what lies ahead for their enterprise.

What led to your focus on the sales side of the spectrum?

Bill Corbett: When we started the firm, we all agreed that to really thrive, we needed to focus on an area of search that we totally understood and could relate to. Our father (also named Bill Corbett) runs a very successful business in the commercial interiors space, and his distributors were always having a tough time finding great sales executives, so even though this isn't the industry we play in, the pain point sparked some of the early thinking. As Type A, tenacious, and intense guys ourselves, we wanted to zone in on those key/high impact positions that can truly add immediate value to an organization, and where the ROI is clear. Not that other positions like CTO or CFO aren't absolutely paramount - because they are - but without a great sales & marketing team you've got nothing, and so we wanted to master this category. In the beginning, we handled everything from inside sales positions to mid-level and of course from there referrals started to come our way and a few companies gave us a chance to show our stuff in the VP and C-suite. Kevin also stepped up in changing our course a few months in, and loading us up with lots of intelligence on recently funded tech companies that – coming off a series A or series B round of funding – needed an executive level sales leader to build out the team. From there we were introduced to a lot of VC firms and PE firms who needed game-changing executives to come in and drive towards a major liquidity event, and the rest is history. Our sweet spot now is VP of sales, chief revenue officer, sales-driven CEO's, and even high-level individual sales contributors for VC or PE backed technology companies. We're also

starting to carve out some relationships in the sports and entertainment industry, which was always a goal of ours. We do take on VP of marketing and CMO searches because sales & marketing are so inextricably linked these days.

What would you consider the one or two biggest reasons you've been able to jump out of the blocks so quickly?

Kevin Corbett: I think like most successful early stage businesses, we've been able to really utilize our inherent skills and 'feel' for the business, and combine that with all of the power that technology provides. When I was coming out of college and Bill and I talked about the vision for the company, I knew I would need to totally dive into the business of recruiting, and become a student of the game. From immersing myself in all of LinkedIn advanced tricks and tools, to slicing and dicing every single city in the U.S. for the best sales-driven executives, to understanding things like the consumerization of the enterprise and the difference between a sales leader who can take a company from \$0 to \$10M and one who can scale a business from \$25 to \$100M. I think technology and all of the information at our disposal has allowed us to cut through the clutter and build up a rolodex in three years that might have taken 10 to 15 years to amass in the old days. When our clients ask us about our 'network' today, we can confidently tell them it's wide and deep in our area of expertise. But even before we had a 'network,' we were smart enough to identify the 'right' candidates quickly, and like analysts setting price targets on a stock or VC's evaluating a new portfolio company, we were able to

determine the right companies to work with, and the right candidates to map to their search.

Why would an organization consider your firm over a large or even mid-sized firm? Certainly there's a trend to go with niche focused firms in today's environment, but are you big enough to handle more demand?

Bill Corbett: It's obvious that the big firms and other mid-sized outfits have done extremely well over the years. And we have no doubt they will continue to thrive because the talent war will only intensify. But the reality is that there are plenty of searches to go around, and we don't want all of them, or even most of them. What we want to be known for is our ability to find and deliver the best revenue-driving, glass-eating, client-facing, deal-making VP of sales, CRO, and sales-driven president/CEO candidates in the industry. Because we're small, and because we will probably never be bigger than seven to eight people (by choice), we need to continue to stay focused on the searches where we know we can thrive. With a lot of hard work and a little luck, we've been able to prove that we can exceed expectations in a big way. This is not the 'better, faster, cheaper' phenomenon or a desire to 'commoditize' the search industry. Quite the opposite actually. We have a great level of respect for all of the firms who have come before us, and we're really not trying to 'grow up and be like them.' We're a firm that's focused on a niche within a niche within a niche. If a company or a VC/PE firm has a need in the areas we know and love, then we believe – pound for pound – we're the best choice for the challenge.

What do you think clients want these days from a search firm, generally speaking, and how have you been able to deliver on these wishes?

Kevin Corbett: In feedback (and validation) we've received, we know that clients want to be well represented in the market, given an unbiased/objective view of the candidates they're considering, and shown a window into the overall search at large. They want to pay a reasonable fee, and have a finalized hire within a reasonable time frame, with a confidence that the market was truly diagnosed and canvassed in a comprehensive fashion. I wouldn't want to give out all of the details on our process or fee structure

here, but we have been known to deliver a shortlist of three to four pre-screened, fully vetted, 'hire-ready' candidates fairly quickly, and our weekly recaps have been extremely well-received by our client base. Also, while we're retained and place a major value on the services we provide, we don't expect a massive sum in the beginning of a search, and aren't as front-loaded as most traditional retained search firms. There's a level of trust we like to put in place early on, but we also want to make sure our skin's in the game. We're also very candid with our clients, and will often challenge them on certain things (sometimes I need to calm Bill down when it comes to this).

A lot of the larger firms now offer assessment consulting and other related services to their client base. Is this something you think makes sense for search firms?

Bill Corbett: I think it's critical for a search firm to be much more than just a recruitment partner, but I think there's a few ways to look at this. If the larger firms have the capacity and expertise to consult with their client base on overall 'people strategy' and bill for this service as a true 'management consultant,' then why not?! I think for us though, the main focus is to deliver a great impact hire to our client in a timely fashion, and the other added consulting is just a natural, no-cost addition to the search process. We will challenge our clients on things related to 'how this hire will affect/ impact the rest of the organization,' recommend personnel moves given our expertise, and touch on various other aspects like compensation, culture, etc. throughout the search, but – to us – this is what they're retaining us to do as a search firm. We do actually utilize / offer (by request) a behavioral assessment of finalist candidates (a personality assessment that benchmarks inherent traits) and can match those up with other executives within the organization. Typically an A player is where they are for a reason, so a 'personality test' doesn't make or break their candidacy, but it can help a client better understand 'who' they're getting. I think sometimes companies too often hire for the 'what' (accomplishments, accolades) versus the 'who' (the inherent traits that make someone successful). This is in line with Gerard Roche's famous 'transferability of management' philosophy. You can't always judge or exclude a great executive based solely on the names of the companies

they've been with. If they have it, they have it. We always try to help our clients identify the 'it' factor.

What's next for Corbett Search?

Bill Corbett: For us, it will be more of the same. The plan is to continue to focus on our sweet spot, and also to parlay the same success we've had with sales & sales leadership executives in technology to potentially the business side of sports and entertainment. We're wrapping up a search now (still confidential) where a few of the leading candidates have run sales & marketing for successful sports organizations, and from validation we've received, it seems like a natural fit. We also plan to hire a few rock stars in the coming months. Again, the plan is to stay lean and mean, because the minute a B player comes on board and disappoints just one client, the brand will never be the same. We promise our clients that they will NEVER have a discussion or meeting with a candidate that they don't at the very least find productive, and so we're not willing to water

down the experience just for the sake of additional revenue. I look at sports agencies as a similar business to niche executive search and like him or not, Drew Rosenhaus has been very successful. If you look at his website, it's a few people with an unwavering focus on a few things they do really well. That's us in a nutshell.

Kevin, do you agree?

Kevin Corbett: I don't always agree with Bill on everything, but when it comes to this firm, yes. We want to continue to innovate and push beyond the status quo of executive search. It's not about mimicking what the other successful firms are doing, it's more about coming up with ways to elevate the industry and slating ourselves as a search firm that will dominate for the present and next generation of leaders. As younger guys with a growing network of the 'right people,' a lot of tenacity, a command of today's technology, and a major commitment to this industry, we think we represent a retained search model for the next generation.

THE FOUR PRINCIPLES OF CULTURE CHANGE

Dr. Larry Senn, Chairman and Founder of Senn Delaney, Provides a Blueprint to Shaping Culture From the Top Down



Today, organizational culture has reached a tipping point. In fact, culture was named the most popular word of the year in 2014 by Merriam-Webster. It has now become one of the most important words in corporate boardrooms, and for good reason. Most CEOs know that culture matters and can have a strong impact on business results. Companies that focus on culture are becoming icons for job seekers, especially the future generation of leaders, who place a premium on work-life balance and culture fit in choosing where to work.

Culture is driven from the top down. Yet most executives cannot even define their organization's culture, much less figure out how to disseminate it throughout the company. Although culture and engagement plays such a critical role in business performance, most organizations do a poor job of measuring their achievements or shortcomings. Only 12 percent of those surveyed believe their organizations are excellent at effectively driving the desired culture. By focusing on driving engagement through the right corporate culture, companies can improve execution, retention, and financial performance.

Senn Delaney, an international culture shaping firm, has shown through its work with hundreds of companies around the globe that successful culture transformation is possible. How is this done? There are four key principles that must be followed for this to occur.

*Dr. Larry Senn is a pioneer in the field of corporate culture. He is the chairman and founder of international culture shaping firm Senn Delaney, a Heidrick & Struggles company. Dr. Senn's vision and leadership for more than 37 years has helped Senn Delaney become widely recognized as the leading authority and practitioner in the field of culture shaping. Dr. Senn has led culture shaping engagements for the CEOs and leaders of numerous organizations, including dozens of CEOs of Fortune 500 companies, state governors, members of two U.S. president's cabinets, deans of business schools and the presidents of major universities. He has authored and co-authored several books, including *Winning Teams*, *Winning Cultures*, *The Human Operating System*, *21st Century Leadership*, and *Up the Mood Elevator: Living Life at Your Best*.*

Every company has its own unique culture, defined by a collective set of values and habits that condition actions of people within the organization. Cultures happen either by default or design. Successful leaders shape their cultures instead of allowing their cultures to shape the company. Leaders who do this best treat culture as a business strategy, with an ongoing commitment to continually refine the culture in response to major changes within the organization to strategy and structure.

A Journey, Not an Event

Leaders who have successfully, measurably, and sustainably shaped their cultures know that culture transformation is a journey, not an event or a series of trainings on how people need to behave and interact. It is a journey that has a destination but no real end point where you can stop and say, "I've arrived at my destination and can now relax."

Culture shaping does have a starting point that can be defined and a desired direction to head toward — along with a road map to follow. Then there are checkpoints along the journey to see whether you are on the right path or need to alter course a bit. But there is really never a true end if culture change is done correctly. Because just when you think you have changed the culture and made the measurable improvement you set out to achieve, things change again.

There might be a new CEO who wants to change things, or a new strategy may be necessary to respond to a rapidly changing market condition. Perhaps the company made a major acquisition or was taken over by a very different parent company with a whole different culture.

These events can cause a culture to be derailed, or the leaders can use them as an opportunity to reinforce the

foundational culture they have built or to tweak it to realign with the new situation.

Needed: An Integrated Approach

CEOs who have been most successful at shifting their company culture have an acute awareness of and focus on the following four key principles for successful culture change.

A successful culture shaping process requires an integrated approach that must begin at the top of the organization and be embedded throughout the company.

1) Purposeful Leadership

- The CEO and senior leadership team must own and lead the culture-shaping process.
- Leaders need to have a clear, compelling purpose for themselves and their organization, coupled with a strong business rationale to inspire a thriving organizational culture.
- The process needs to be supported by resources and a systematic execution plan, like any other business strategy.
- Leaders cast a powerful shadow; therefore, the culture needs to be explicitly defined through values and behaviors and modeled by members of the senior team.

2) Personal Change

- True and lasting change occurs only through our personal insights.
- People need to unfreeze existing habits and make personal behavior changes. This occurs on an emotional (not intellectual) level, can only develop through insight-based learning, and is best accomplished in natural work teams to shift thinking and reinforce change.
- The more companies focus on shifting their employee's mind-sets and behaviors in a desired direction, the more successful they will be.
- People need to understand the purpose/reason for shaping their culture. They need to be clear on the "from and to" of the journey. They need to understand what's in it for them to make a personal connection to the desired change.

3) Broad Engagement With Energy, Momentum, and Mass

- An integrated process to shift behaviors, reinforce principles, apply learning, and measure culture changes should be implemented across the organization.
- Momentum, energy, and critical mass are needed to engage people in the culture at all levels of the organization because cultures resist what is most needed.
- The change process should move as quickly as possible from the CEO team to next-level teams to the whole organization.
- An active, visible group of senior leaders and culture champions who get the culture, demonstrate it, and communicate it in actions and words will ensure the culture remains in use.

4) Focused Sustainability

- Systematic reinforcement is needed at the individual, team, and organization levels.
- Institutional practices, systems, performance drivers, and capabilities need to drive toward the desired culture — including, but not limited to, communication, training, measurement, rewards and reinforcement, performance management and HR practices, and physical layout.
- Visible application, measurable results with feedback and coaching, rewards, and consequences are needed to make the culture real and create accountability.

Embracing the Principles of Culture Change

Our work with USAA, the top-rated financial services company serving military members, has been inspirational and gratifying.

General Joe Robles took the reins as CEO at USAA in 2007 during the severe economic downturn. USAA had a tremendous track record before he arrived, but he recognized that even with its great culture, the company needed to take it up another level. Robles focused on creating a culture that fosters learning, growth, and innovation, all with the goal of making things simpler, better, and easier for USAA's customers and employees.

As the self-described "chief culture officer," Robles understood that it is USAA's committed and engaged

employees who make the difference every day in the lives of its members. USAA is now a well-documented perennial leader in customer and member satisfaction and loyalty. The “secret sauce” is that more than 23,000 employees serve more than 9.1 million members with compassion and a deep sense of purpose.

One of the things that you learn from Robles is how important it is for a leader to have a compelling purpose for the organization in order to inspire employees in their relationships with customers. Serving the military and their families exclusively is a unique strategy, but what drives its implementation is the company’s commitment to helping those members in all aspects of their financial security.

Robles was zealous in living the key principles of culture shaping, particularly in how he served as the highly visible leader of the culture. His leadership from “the front,” grounded in that higher purpose, inspires and drives the employees.

Robles attributed a big part of USAA’s success to the passionate commitment of leaders and frontline employees to USAA’s six “My Commitment to Service” cultural pillars. He understood the importance of bringing USAA’s six core values to life, with everyone from top to bottom living and modeling them.

He also knew that the journey is never done and that cultures need to be sustained and invested in, just like every other business strategy. That is why new employees spend as much as four days in an orientation, and a big part of that is being grounded on USAA’s purpose and values.

By having a clear focus on the four principles of culture change, Robles led USAA to become one of the most

successful and highly rated financial services companies in America. Under his leadership, USAA grew 53 percent in members, 45 percent in revenue, 68 percent in net worth, and 59 percent in assets owned and managed — all during one of the worst U.S. economic downturns in recent history. During that same period, which included some of the costliest catastrophes in USAA history, the company returned \$7.3 billion to members and customers through dividends, distributions, bank rebates, and rewards and remained among just a handful of companies to earn the highest possible ratings for financial strength from Moody’s, A.M. Best, and Standard & Poor’s.

USAA also receives consistently outstanding awards and ratings for member service, employee well-being, and financial strength. It has become a model of a customer service culture that drives business success. This was again demonstrated in the prestigious 2015 Temkin Group ratings for customer experience. USAA ranked number one in banks, number two in insurance carriers, and number five in credit cards.

When Robles retired in early 2015, he looked back on his 20 years at the helm, writing a poignant parting column where he stated, “If I’ve had a guiding principle in my career, it is this: Take care of your people, and they will take care of your customers. I hope I’ve fulfilled that leadership mandate.”

Too many organizations neglect the role that organizational culture plays in business performance. Through a combination of purposeful leadership, personal change, broad engagement, and focused sustainability, smart leaders help shape their company’s culture — instead of allowing the culture to shape the company.

NEW TALENT RELATIONSHIP MANAGEMENT PLATFORM HELPS MANAGE THE SEARCH PROCESS

J. Reed Flesher, President of Thrive, Introduces New Cloud-Based Software



Over the last several years there has been an array of software products that have been developed to help the executive search industry better address client relationships and the assignments they manage. One new product developed by Thrive creates talent networking and recruitment applications for executive recruiters, for venture and private equity firms, and for enterprise environments. In the following interview, J. Reed Flesher discusses the introducing of Thrive TRM, the talent relationship management (TRM) platform built to drive collaboration, streamline workflow and produce consistently better hiring decisions. He outlines why Thrive TRM folds the best elements of ATS and CRM systems into a single, seamless cloud-based system and how it deepens the talent

pool, connects with top candidates and manages searches in real time. He discussed why he developed this technology and why accountability is so critical in managing the search process.

J. Reed Flesher is the president and head of product at Thrive; in this role he drives the development of talent, networking, and recruiting applications. Mr. Flesher designs products that enhance collaboration, productivity, and user experience. Prior to Thrive, Mr. Flesher managed the consumer product division at International SOS, where he also led the development of a web portal that assisted global organizations in increasing their utilization of the International SOS program and mobile tracking tools. Previously, Mr. Flesher served as director of marketing and later director of product development at Berlitz, where he worked closely with a number of subject matter experts in the fields of cultural consulting and diversity to create innovative training solutions for face-to-face, online, mobile, and blended learning environments.

What is a talent relationship management (TRM) platform and when did it enter the search market?

In 2014, we coined 'TRM platform' to address the gap that had existed between commercially viable software offerings and the talent relationship management process. Essentially, our TRM platform folds the best elements of applicant tracking and relationship management into a single system. It goes further than simply tracking the hiring process, however. Thrive TRM enables recruiters and team builders to deeply connect candidates with search teams and other stakeholders. We do this with first-ever, real-time search industry collaboration tools such as activity tracking, candidate prioritization, and live communication.

Search firms have used software products prior to Thrive TRM entering the market. From your perspective, what has been missing?

Historically, firms have developed their own platforms, which are expensive and limiting, or they've used a variety of ATS/CRM systems, which are dated, difficult to use, and inefficient. We think the market is ready for a new approach that upgrades user experience and improves the way hiring teams and others manage talent networks. What's been missing is a completely automated, collaborative client

reporting process that brings recruiters, and frankly anyone who has a need to manage groups of people, or for better intelligence.

What was the impetus behind the development of Thrive TRM?

Having been around the recruitment business, executive talent, and product development my entire career, it became clear that the search industry is ripe for disruption. For example, look at the typical client update process - weekly conversations around static, manual reports that cover old ground. We see an opportunity to advance the weekly call to collaborative, consultative discussions about how to move a search to closure. By sharing information, and using customer-facing systems, the industry can benefit from the consumerization trend emerging in enterprise software.

As far as we can discern, your product creates a greater interface between the search firm and the client. Please explain this.

It's our experience that the buyers of search services are starting to demand transparency and access to candidate intelligence, which is why we built Thrive TRM. Further, given the competitive landscape of executive search, firms need

to add more value to their clients and close searches faster. Our TRM platform helps remove the constant need for search firms to be in defense mode regarding the previous week's activity and strategy for the next. We want to remove trust barriers and elevate relationships with an efficient process at their core. Successful firms that intend to be around for a while understand this.

Your background is not in search so why did you feel you could successfully build a platform for recruiters?

My whole career I've been building software to help manage and train top talent. These platforms helped managers and executives lead high performing teams and manage across cultures, specifically navigating complexities related to geography, gender, job function, and ethnicity. Not only do I bring that cultural lens, but my expertise in user experience-oriented platforms enabled me to see weaknesses throughout the broader recruiting industry. This was the perfect time to marry those experiences to help disrupt a market. It used to be that software was a supplemental tool in search. Now it's essential and I'm excited to be a part of driving this change.

How many search firms today use TRM technology and is its usage more designed for larger or smaller firms?

Well today, Thrive has the only TRM platform on the market so the only firms using TRM technology are our customers. Initially, we launched with two mid-sized firms and those first customers helped us refine the product. Demand has since grown so we have been adding customers and the response has been incredibly positive. Thrive TRM is a cloud-based system so firm size is not an issue. Clients of boutique firms and global, publicly traded companies all have access to the same collaborative, efficient, and transparent experience.

Why is accountability so critical in the search process today, especially between clients and their search partners?

Accountability is critical for two primary reasons: First, it is necessary in order to identify any issues such as a misalignment within the search committee or unrealistic expectations. Second, search firms and clients need to work together to make good hiring decisions. An open search process sheds light on everyone's effectiveness. Both of these issues need to be addressed as early as possible, which is much more likely to happen through an open, accountability-focused process.

Do the "real time" aspects of managing a search accelerate the time a search is performed from inception to completion?

Yes, in fact the efficacy of the platform is quantifiable. So far we have found that, on average, our customers close their searches 10 to 15 percent faster than those who don't use our platform. This percentage is likely to increase as firms and clients become more adept at using the system.

With so many companies by-passing the search process today and recruiting in-house, can your product be tailored for strictly that type of usage?

Absolutely. While most of our customers are in the executive search and VC/PE spaces, our platform can be configured for the enterprise as well. Our collaborative tools are multi-purposed and work very well for hiring managers and other stakeholders with internal needs.

Most successful technology launches require the backing of investors or a VC firm. Is Thrive going that route?

Our current focus is on delivering our product (ThriveTRM) and developing others and, at the moment, existing customer traction fuels our R&D and product improvements. We're a bootstrapped business and while we've already had interest from investors, we won't go down that route until the appropriate time.

ATTRACTING THE BEST TALENT IN THE MIDST OF INTENSE COMPETITION

John Marshall, Founder and CEO of JM Search, Discusses Engaging A-Players and the Advantages of Experience



For John Marshall, it all comes down to network, reputation, and experience. Engaging A-players, he says, is all about striking the right balance as an executive recruiter – and it often depends on the first call with a potential candidate, assessing fit, and exhaustive due diligence.

Mr. Marshall founded JM Search in 1980 and has been helping companies build exceptional management teams for over 35 years. Under Mr. Marshall's leadership, JM Search has grown to become one of the 20 largest retained search firms in North America and the premier firm dedicated to serving private equity and venture capital firms and their portfolio companies. Throughout his career, Mr. Marshall has executed over 500 searches across many industries. Despite his responsibilities as CEO of the firm, Mr. Marshall actively recruits on a select number of searches each year. He is a noted speaker and writer on assessing, attracting, and retaining top talent, particularly in the private equity space. He has recently been featured in publications and media outlets, including Mergers & Acquisitions, Privcap, and ACG's Middle Market Growth.

In today's environment, A-players are inundated with potential job opportunities and are rarely actively looking to leave their current posts. How do you initially reach these individuals and get them to have a conversation?

Experienced recruiters that have expertise and a substantial network in an industry are best positioned to access top executives. With so much competition for elite talent, a recruiter needs to cut through the noise, and the ability to do so often comes down to their network, reputation, and experience.

When we start recruiting on a search, we utilize our network to identify and connect with key players in the industry. Getting referred to someone through a mutual relationship drastically increases the likelihood that they will have a conversation. If you need to connect with an individual that cannot be reached through your network, reputation and experience become critically important because they validate you to the prospective candidate. When a person is familiar with your firm or understands that you are a seasoned recruiter with expertise in their space, they will likely take your call. C-level executives are more willing to engage with recruiters of comparable seniority.

Experience plays a crucial role in connecting with senior executives. What does someone with your experience bring to the table that sets you apart from consultants with less expertise?

It takes years of outstanding work to build your network, reputation, and expertise in a particular sector. Once you are established in a market, it becomes easier to reach the right executives to begin a search. But the real advantage that someone with my experience has in the initial recruiting phase is the ability to engage A-players during the first discussion, which is more challenging than simply getting them to take your call.

Your initial conversations define the candidate pool. Executives will decide if they are interested in the opportunity or not based on the way that you represent your client and the role during the first discussion. A recruiter's ability to immediately capture a prospective candidate's interest is vital to the search and ultimately determines if your client will be in the position to make the best possible hire.

For this reason, there is so much riding on the first recruiting call with each potential candidate. Properly executing an initial recruiting call is a skill that develops over many years and countless calls. On the first call, you need to find a balance between learning about the individual and getting them interested in the opportunity, and you need to do so in a brief, ten minute conversation. Successfully engaging potential candidates through an initial call is directly correlated to experience. It is one of the most difficult things for young recruiters to master.

How do you get a potential candidate interested in the opportunity?

Before we try to get an individual interested in the opportunity, we need to determine if they could be a fit for the role. And in order to assess fit, we must have a complete grasp of our client and the opportunity before we start recruiting.

We begin each search by going through an in-depth kickoff process with our client to fully understand the company and opportunity. When we start recruiting, we are determining how each potential candidate meets the requirements of the role. If we identify a fit between a candidate and our client, then we'll begin getting them more interested in the opportunity by focusing on the aspects that they find appealing.

Your ability to get an executive interested in an opportunity stems from exhaustive due diligence on both sides – first on your client, then on the candidate.

What are you looking to understand about your client's organization during the kickoff process?

The short answer is everything. We need to truly be an extension of our client, so our kickoff process is designed to get the most detailed view of the company as possible, taking into account perspectives from the board, investors, and senior management.

We need to understand the culture, the vision, the goals, the financials. Most importantly, we must understand how the role being hired will impact the company. We work with our client to determine how success will be measured in the role and outline what the individual needs to accomplish, both short- and long-term.

Being thorough in client discovery is critical to determining the type of leader that the company needs and assures that we are representing our client in the best way possible.

I imagine a client would be willing to share the requested information since it is beneficial to the search, but getting to know a candidate must be more difficult. How do you get a complete understanding of a candidate and their capabilities?

Before we present a candidate to our client, we want to get a 360 degree view of that person. To do so, we need various perspectives on the individual. We go through multiple conversations with the candidate, check formal references that they provide, and reference others that they

have worked with – former bosses, peers, subordinates, customers, board members, investors and so on.

We piece everything together to understand the individual's qualifications for the role, as well as their motivation, drivers, aspirations, character, and any intangibles that are not readily apparent. This allows us to determine fit with our client and can indicate why a candidate would or would not ultimately accept an offer.

We complete our due diligence on a candidate before presenting him or her to our client because we need to make sure that the executives we present are both capable and viable. If they aren't viable, they aren't a candidate.

Is there a point when you transition from evaluating a candidate to trying to get them interested in the role? When do you "sell" them on the opportunity?

We want to get a potential candidate's interest from the first conversation, but we do not attempt to sell them on the opportunity until we recognize a potential fit. In fact, we are never really selling an opportunity. Instead, we are looking to find the right match for our client and the candidate.

As soon as we identify a fit, we make it very clear that they should be accelerated through the process. We need to be sure that we do not lose a strong candidate because the process drags on.

Once you identify and vet the best candidate and you are ready to make an offer, how do you close the deal?

Throughout the recruiting process, we learn about the candidate's motivation and what they find most compelling about the opportunity. When our client is ready to make an offer, we are sure to stress the aspects of the opportunity that appeal to the candidate to help close the deal, but at that point the mutual benefit for both parties is obvious. If we truly believe that the situation is best for both our client and the candidate, we are relentless about getting the ball over the goal line.

The client must be heavily involved in the offer. At this stage, we should be intermediaries, advising both parties to make sure that it does not fall through for the wrong reasons. Client involvement extends beyond the management team to the board and investors. Having all

key stakeholders involved makes it clear to the candidate that they are considered crucial to the company's success. Also, investors and board members are well-positioned to articulate the vision and goals for the company, which often helps close the candidate.

Are offers usually accepted immediately?

In an ideal world, the offer stage would be painless because both parties clearly want to work together. But we are recruiting highly successful people out of great companies, so getting them to take a new opportunity is rarely an easy proposition. If the recruiting process is executed properly, the mutual benefit of the candidate joining the company will be clear to both sides. If there is misalignment around compensation, we are able to reach a resolution nearly 100 percent of the time.

Your firm focuses on recruiting for private equity and venture capital portfolio companies. When you are recruiting for a private equity or venture backed company, do you approach candidates differently than you would if you are recruiting for a public company?

The way we approach prospective candidates is always tailored to the specific opportunity. The selling points differ for each search, as do the types of individuals that will thrive in the role.

In general, private equity and venture capital portfolio companies require and attract different types of executives than public companies, so we approach candidates and position the opportunity differently.

When working with a private equity firm, we might be recruiting a CEO for a turnaround or corporate carve-out where the company does not have a track record of standalone success. In these situations, we need candidates that are entrepreneurial and are not afraid of risk. The appeal is the chance to build a company and the past success of the private equity group helps validate the opportunity.

In venture, you might be recruiting for a startup that is well-funded with strong investors, but the best executives are approached about similar opportunities all of the time. They try to evaluate the viability of each company to determine which has the best potential to scale. Here, you need to

know your client cold because your ability to articulate the company's growth potential will make your search stand out above other opportunities.

Do you find it more challenging to recruit for publicly traded companies?

It depends on the company and the individual you are recruiting. Entrepreneurial executives can be biased towards private companies that are earlier in their development because they perceive a greater opportunity to be a catalyst for growth. They also see an opportunity for significant personal wealth creation if they are able to help scale the business. An IPO can be seen as the finish line by some executives that would prefer the opportunity to join a company with a lot of upside. Particularly in the technology sector, it can be difficult to attract elite entrepreneurial talent to a publicly traded company because it lacks the appeal or intrigue of a company that is perceived to have significant growth prospects. Known commodities can have less allure, especially to risk-tolerant executives.

Competition for talent in the technology industry seems to be particularly intense. Is technology significantly more competitive than other industries when it comes to recruiting executives?

At the levels that we recruit, there is always heavy competition. When recruiting for private equity and venture capital portfolio companies, we are often targeting leaders that have realized success in the past – a CEO that has led a company through an IPO, a CFO that has integrated mergers and positioned a business for sale. The pool of top tier executives that have achieved the desired success in private equity or venture capital situations is relatively small, so these individuals are always in demand, regardless of industry.

Attracting executive talent in the technology space is obviously hyper-competitive and the industry cluster in the Bay Area heightens that competition. But at the C-Level, competition is comparably intense across industries. Whether we are recruiting in technology, healthcare, retail, manufacturing, packaging, or any other space, we are always trying to engage the best leaders in that particular industry. Without question they are being presented with a number of other opportunities simultaneously.

With significant competition for A+ executive talent across industries, what would you say is most important to engaging and attracting the best candidates?

In order to attract the best talent, you need to be extremely thorough about client discovery and candidate due diligence. If you know your client inside and out, you will be able to quickly determine if an individual is right for the role and you will know how to position the opportunity in a way that is appealing to the candidate. Having a complete

grasp of both your client and the candidate enables you to align that individual's strengths and interests with the company's needs.

Experience is as important as ever. With A-players becoming increasingly difficult to engage, established recruiters with industry expertise are best suited to reach, assess, and attract the most talented leaders. Having experienced recruiters represent you in the marketplace is absolutely critical.

IS DIVERSITY WORTH THE INVESTMENT?

A Candid Conversation with Raymond Arroyo, Diversity Practice Head at Reffett Associates, On the Benefits of Diversity In the Workplace



Many companies believe that having a diverse workforce is important but they can't articulate clearly the reasons why. Raymond Arroyo, managing director and head of the diversity practice at Reffett Associates, thinks that most companies are not able to make diversity a top priority, given the conflicting demands for resources, ever-shrinking budgets, pressure for immediate results, and ongoing changing priorities at work. Mr. Arroyo tells us that diversity can be a superb asset – a key differentiator, an operating advantage, a phenomenal instrument to engage employees, a low-cost brand strengthener, and a strong business driver – but only if it is resourced and managed well and on an ongoing basis.

Raymond J. Arroyo is a managing director and the head of the diversity practice at Reffett Associates, a certified, veteran-owned, executive search and professional services firm, founded in 1994. Reffett Associates has deep connections in the African-American, Hispanic-American, and veteran communities. Mr. Arroyo also serves as the chairman of the U.S. Hispanic Chamber of Commerce, representing more than 3.1 million Hispanic-owned businesses. He is a former Fortune 100 executive in the fields of human resources, marketing and sales. Having worked at Aetna for more than 10 years, and served on the boards of the Hispanic Medical Association and the Wheeler Clinic, he has a strong knowledge of, and connection to, the healthcare, insurance and financial industries. He has been recognized with numerous awards, including being a Top 100 Hispanic in the U.S., for two consecutive years.

Mr. Arroyo spends a significant amount of his time talking to clients about diversity in the workplace. It's not where he prefers to allocate his time, but it is where the need and his national brand intersect. Many of his clients believe that having a diverse workforce is important but they, Mr. Arroyo says, can't articulate clearly the reasons why it is so. And, he thinks that most are not able to make diversity a top priority within their companies, given the conflicting demands for resources, ever-shrinking budgets, pressure for immediate results, and ongoing changing priorities at work. He also says that those who don't believe diversity is not a top priority don't always feel comfortable saying so for fear of the potential internal repercussions, accusations of being insensitive and being associated with one or more of the "isms" that still exist in the workplace and in society (e.g., racism, sexism, ageism, and heterosexism, to name a few).

He believes both views should be acceptable in the workplace. After all, "it would be consistent with the acceptance of diverse viewpoints, even if not necessarily agreeing to them." He tells us that diversity "can be a superb asset – a key differentiator, an operating advantage, a phenomenal instrument to engage employees, a low-cost brand strengthener, and a strong business driver – but only if it is resourced and managed well and on an ongoing basis.

Mr. Arroyo says that it isn't easy to prove the true business case, and financial rewards, for diversity. He continues: "many people believe that one of the key benefits of diversity is that different people bring different perspectives to discussions, which presumably lead to better ideas. Even if this point were true, would today's CEO consider that a good enough reason to invest in a diversity program?" He argues that the statement is only partially true. According to published research, he cites, "members of a social majority are more likely to voice unique perspectives and critically review task-relevant information" at meetings where diverse representation was present. In other words, "because of people from many backgrounds were participating in the meeting, people with different points of view, even if coming from the same race or gender, were motivated to express their views more freely and the participants were more willing to listen to them. In the end, the entire team benefits, but perhaps not in the same way it was expected."

Many organizations are actively recruiting underrepresented groups for their workforce, but they do so from the same places they typically recruit from: the so-called best and brightest from the Ivy League schools. This recurring recruiting strategy produces temporary improvements in the number of Hispanic or African American employees, for

example. However, these new recruits are likely to share a similar social and educational background than the majority employees from the workplace. Look different, think alike. Take Goldman Sachs, for example: as arguably the best Investment Bank in the world with incredibly high standards, Goldman Sachs regularly recruits the top students from the best colleges. While they welcome new hires from all types of background, when these hires join the company, they are all expected to deliver on the high expectations. Whether they are white, black, Hispanic or Asian, they'll all be supported and embraced by the Goldman Sachs culture.

According to DiversityInc, the premier organization that objectively measures the results from companies that invest in diversity on an annual basis, there are some organizations which consistently rank high on the Top 50 Companies for Diversity annual survey. Take Wells Fargo, Kaiser Permanente, PricewaterhouseCoopers, or Sodexo, for example. These organizations rank at the top year after year because they consistently understand the importance and leverage all available levers to achieve meaningful results – both internally and externally.

Excluding the perennial best diversity performers, virtually all companies have not achieved parity in their workforce representation numbers. Yet, the vast majority of these companies are not willing to make the necessary investments to improve the numbers in a meaningful way. A few of them may implement a mandatory diversity training, or enact a diverse slate process in their recruitment process, or establish a modest incentive pool to reward managers with better results or leverage a diversity task force to drive their initiatives forward. But only a few, the best of them, have a comprehensive, cohesive, and aligned-to-the-business diversity strategy. To be fair, it is not easy to manage diversity effectively, particularly when there is an uncertain outcome. That's why most companies neglect to make a big bet when they can't be assured about the returns or the timing on that investment.

Most Fortune 500 companies claim that diversity is a key priority for them. But, "how can these companies say that diversity is a top priority and maintain a three to four person department that manages diversity for an organization of 25,000 or 50,000 employees?" He believes

that it's unrealistic to expect three or four people, no matter how talented they might be, to significantly impact an organization's culture, without direct authority, ample resources or meaningful budgets. The reality is that most companies haven't harnessed the real potential of diversity because they either can't see it or don't believe it. So, they're content to have a small department with a modest budget act as their spokespeople on all matters related to diversity.

Companies that are seriously committed to promoting and maintaining a diverse and inclusive workplace understand, clearly, the line of sight between diversity, employee engagement, and business growth. They worry less about political correctness and focus more on existing and emerging opportunities. Decisions are made by business leaders and not by the General Counsel's office. These companies make a serious investment in the infrastructure required to win, have long-term plans and measure progress on an ongoing basis. The measures include workforce representation, but also include other important metrics, like employee engagement and job satisfaction, by employee segment, sales and growth, by market segment, and supplier diversity.

Is diversity worth the investment? "For virtually every Fortune 500 company the answer will be a resounding yes. But, companies can't expect to get strong and sustainable results with an indecisive commitment."

We had the opportunity to do a follow-up interview with Mr. Arroyo to delve a little deeper into some of his comments:

Why do you say at the onset that you don't like to talk about diversity to your clients?

I like to discuss diversity and inclusion strategy with people who 'get it'; I absolutely enjoy discussing diversity strategy and goals because I think it's very important to the long-term success of just about any company. The challenge is that diversity and inclusion can mean many things to different people, each with their own agenda, restrictions, and goals. And you have to make adjustments based on what the client wants, even if the chances of success are low and not sustainable. There are no shortcuts when running a successful diversity program. You can't achieve

success without leveraging all the areas that impact diversity and inclusion. Generally, when I speak to clients I find them interested and willing to learn and execute strategies that are known to work – the frustrating part is getting the organization to buy in and put their commitment and resources behind the initiative over the long term.

What's the right staff size for a diversity department?

Clearly it depends on the size of the organization, but any Fortune 500 company should have no fewer than 10 employees fully dedicated to developing and executing diversity and inclusion strategy across the entire enterprise. As an example of a well-staffed organization, Sodexo has one of the best-run diversity and inclusion programs in the world and has one of the best integrated strategies with a staff, led by Rohini Anand, that's respected for their workforce and business contributions. They align their strategy with many aspects of the enterprise vision and business priorities. They believe that "diversity and inclusion differentiates [them] in the marketplace and contributes to a culture of inclusion in the workplace. It drives [their] ability to identify and develop the best talent, create an engaged and committed workforce and enhance quality of life for our clients, customers and the communities we serve. [Their]

commitment to diversity and inclusion promotes growth within Sodexo and cultivates external partnerships." It doesn't get much better than that.

Should the chief diversity officer report to the head of human resources or directly to the CEO?

If the focus is intended to be comprehensive and grounded on business, it could report directly to the CEO. However, because there's so much work on diversity aligned to human resources I recommend a dual-reporting relationship as the perfect balance. That is, reporting to the CHRO on human capital-related issues and to the CEO on everything else.

Any parting thoughts?

Diversity issues have evolved significantly since I first entered the field a couple of decades ago. They are a lot more sophisticated with more visibility, accountability and competition. But the core issues that started this profession decades ago still remain: How can companies recruit more African-American and Hispanic professionals? What do they need to do to retain them? What's the business case for diversity for each company? We can help answer these questions for our clients.

THE LISTENING PARADOX

TRANSEARCH International Leadership Advisor, John Burdett, Tells Us Why Successful Leaders Are Inherently Better Listeners



Why are successful leaders inherently better listeners? At no time in the past have leaders been faced with today's volume of background noise, the present level of complexity, and the reality that to lead often means being less knowledgeable than those being led. Although listening is more important than ever, at no time have there been more barriers. Listening mastery means constantly striving to reach the next level. Masterful listening is to listen without judgment and to be receptive not just to new knowledge but to be open to new ways to being receptive. Listening without judgment means that we must first strip away our own mask of self-judgment. Coaching, selling, mentoring, negotiating, interviewing talent, running a meeting, leading a team, working with customers and

taking on a new role...these all demand mastery in listening. Here's how one leading consultants has concluded that if leaders don't listen, then they can't lead.

John O. Burdett has a wealth of business experience as a senior human resource executive on both sides of the Atlantic. As a consultant he has worked in more than 40 countries for organizations that are household names. The founder of Orxestra Inc., he is the leadership advisor to TRANSEARCH International and strategic partner to the Bedford Consulting Group. He is best known for his 4-D approach to leadership; strategy as story; and wide-scale, organization culture change. A recipient of the prestigious "Coach of the Year" from FINTRA (Finland), Mr. Burdett received a teaching excellence award for his work on the executive programs at the University of Toronto. His teaching on the Executive MBA at the Helsinki University of Technology and senior executive programs at the Helsinki School of Economics received like feedback.

He has published nine best-selling books on leadership and organization culture. His new writing venture is the 'Talent Trilogy.' The first in the series, 'Attract, Select, Develop & Retain TALENT,' was published in 2013. The second book, 'TEAM: Align, Build, Connect and Develop,' came out in early 2015. 'The Empty Suit, 2016,' is the final book in the trilogy. See also 'The A-Z of Coaching 2016.' It is part of a new series of "one chapter books" focusing on critical leadership issues.

Neils Bohr, the eminent, Danish, pre-World War Two physicist, was fond of saying, "a paradox, now we can really learn something." Business life is full of paradoxes: think long-term while, at the same time, respond to the aggressive, short-term demands of the capital markets; reduce costs, but grow the business; nurture diversity, but build a common culture; be tough on those who don't live the values, but give people the freedom to act and be focused, but strive to create agility; demand more by way of performance, but be conscious of the need for balance in peoples' lives.

The learning that Mr. Bohr spoke of comes from seeing a paradox not as a binary choice between opposites, but as an inherent challenge about a need to see the overall challenge from a new perspective. By replacing the "but" with an "and" one is forced into not just a creative solution, but a different mindset.

Nowhere is this more apparent than in the need for successful leaders to both move quickly and take the time to listen. Or, as Peter Drucker points out, "Fifty years ago a leader knew the answer...today, he/she asks great questions." Asking a great question without stopping to listen to the answer is, of course, about as useful as throwing an anchor over the side without a rope or chain attached with which to retrieve it.

The dilemma: at no time in the past have leaders been faced with today's volume of background noise; with the present level of complexity; with the reality that to lead often means being less knowledgeable than those being led. Although listening is more important than ever, at no time have there been more barriers. The good news; opportunity beckons. The not such good news: when we look back five years from now, today will seem like the good old days. Every decade or so,

those smart enough to design the protocols necessary to conduct listening “tests” with leaders, announce that our listening proficiency is, more or less, dysfunctional. Numbers that describe overall listening proficiency of 30 percent, or less, are commonplace. Put another way, in relation to its importance, our listening efficiency goes down every year.

There is a positive side. In much the same way that we know most of us are poor listeners, we know what outstanding listeners do that makes them special. We know the difference that makes a difference. And lest we forget, if you want someone to listen to you, first you have to show that you can, and do, listen to him/her.

Why don't we listen? We don't listen when we make subconscious choices about who we perceive as being worth listening to. People who we deem to be less intelligent, less experienced, who have only tangential knowledge of the issue, those from a different culture, those who don't share our beliefs, those whose use of language is less developed - particularly when lack of time and a surfeit of complexity frame our lives - can be easily tuned-out as being of “marginal value.”

Any latent sense of superiority is compounded by an educational system that tends to present listening as the passive communication role. When, for example, did you last read a school report that made comment on your child's skills in listening? All relationships ultimately are about power. Unfortunately, the “power role” is mistakenly assumed to be the one in the spotlight, the actor who delivers the soliloquy, the leader presenting the information. Nothing could be further from the truth. The appearance of power is not the same as really having power. A professional actor will be quick to point out that delivering the lines is the easy part and that the real “art” lies in how the other players listen. If you are still in doubt ... go watch a truly skilled salesperson do his/her thing.

If you have eight people on a team and they all think the same way, seven of them are redundant. We invariably gain most by listening to those who are most unlike us. Personal breakthroughs happen when we afford others the opportunity to challenge our way of thinking.

We tend to avoid those who make our life difficult, those who make us angry, and those who ask the questions that make us uncomfortable. To be a leader is to actively seek out those who disagree with us. To be a leader is to make the first call of the day to the person you least want to talk to. To be a leader is to listen hardest to the person on the team who frustrates you the most. To be a leader is to know that followship is a choice and that leading a team is both a privilege and an act of service. To listen is to serve.

Becoming a Better Listener

Someone who comes to the issue for the first time brings not just a fresh perspective but, as often as not, a new way to see what is possible. The customer that we can learn from isn't defined by those we currently serve. Important as it is, new insight isn't limited to listening to the customer we lose. It is the customer we have never landed, the one who rejected our offering out of hand, that often offers the most compelling evidence of new opportunity. The paradox: the people we reject as being those who offer little value are invariably those who we can learn the most from.

How do we become better listeners? Getting rid of distractions is the start of it; using our whole body as an antenna is part of it; but mindset is the heart of it. We listen when we make an emotional commitment to be there. We listen when we put a hold on likely interruptions and spend a few moments clearing the clutter from our mind. We listen when our self-talk moves to full volume with a message that emphasizes, “the next few minutes provide an invaluable learning opportunity.” We listen when we put the needs of others ahead of our own needs.

The average person talks at a rate of about 125-175 words per minute. Meanwhile, we can listen at a rate of up to 450 words per minute. We fill that “vacuum” by daydreaming; attempting to both be in the conversation and elsewhere; by thinking about how we are going to respond when the other person has stopped speaking (script writing). Listening isn’t a spectator sport. Listening is an intense, full-bodied, emotionally involved, empathetic experience. Simply put, listening is hard work.

We improve the quality of the listening experience immeasurably when our body language says to both the speaker and those present, “what you are saying is important to me.” When we lean in slightly and maintain good eye contact we signal that we are fully present. When we reinforce key statements with positive body language, such as a slight nod of the head, we are letting the speaker and everyone else present know that the message is landing. And when we allow the speaker to pause and we resist the temptation to jump in, what we are projecting...is respect.

Listening Mastery

The intensity described comes with a soft edge. When we appear relaxed we make the speaker more comfortable. Our willingness to smile is a measure of our openness. When we use a “gentle voice” we are emphasizing that this is a shared experience. When selectively we paraphrase, restate and, as appropriate, summarize what the speaker has said, we are projecting that we care. Even when it is clear that the speaker has concluded, when we wait two beats before giving our own response (or question) we give emphasis to the speaker’s message. (Interviewers on television please take note!)

Masterful listening is to listen without judgment. It is to be receptive not just to new knowledge, but to be open to new ways to be. Listening without judgment means that we must first strip away our own mask

of self-judgment. It is a level of listening that draws on a willingness to be vulnerable. It is a level of attentiveness that is only possible for those who have the capacity to be emotionally “still.”

Listening mastery means constantly striving to reach the next level. It is ongoing learning that starts with a simple question, “What is the one thing that I can do which will make the greatest difference to my listening?” To grow as a listener is to write at the top of every page on the note pad you are using, “I will listen.” To grow as a listener is to self-rate oneself at the end of every key meeting or coaching session. Learning also means feedback from others. It means a willingness to appear vulnerable. It means being humble. It means asking others on the team how he/she would rate your listening skills. It means seeking input from the customer. More than anything else, of course, it means acting on the input.

Great listeners are no less skilled in promoting listening when they themselves are speaking. Starting with a smile, building rapport, eye contact, a relaxed posture, putting the key idea at the beginning of the sentence, weaving in relevant stories, using the language of the listener, pace, tonality and an ability to step outside of the communication dance and, in doing so, observe how the interaction is unfolding all have an impact on how the audience’s listening experience unfolds. Great listeners know how to work the room!

The questions we ask can also go a long way to promoting listening. Long, convoluted questions that contain several ideas work against listening. Questions that begin with “why” invariably trigger a defensive reaction that, in turn overpowers the intent and meaning that lie behind the question. Questions intended to open up dialogue but which contain the advice the speaker wants to introduce into the conversation signal a “power-over” mindset and, in doing so, turn off the listener’s attentiveness gene. A

great question, one that provokes listening, zeros in on what the listener is passionate about, it paraphrases the conversation the listener is silently having with him/herself, and it anticipates the objections that would otherwise be a barrier to understanding. Questions that focus on what the speaker wants - as opposed to what he/she doesn't want to happen - that tap into those things the listener is proud of, that speak across rather than speak down to the listener - all, serve to make the act of listening far more likely.

A selling situation that focuses the conversation on you and your "great product," is a surefire way to prompt the customer to look out of the window and think about the next meeting. Essential as it is to present a great product and/or unique service experience, even more important is to draw out (listen to) the customer's story: What do they believe in? Where are they heading? What makes the organization special? In what ways does the business create value for their customer and their customer's customer? Much that is described as "marketing" works on the assumption that success is about having a winning value proposition. What is missing from that equation is that the final "buy-decision" is largely emotional; it is ultimately about how the customer feels about your value proposition and the people who stand behind it. The problem: orchestrating the right emotional

"connection" is all but impossible if the customer's story remains untold. The big mistake is to assume that selling is actually about selling. A winning sales person understands that landing the order is far more about listening to why the customer wants to buy than it is about simply "selling" an "unbeatable" offering. If you don't listen you can't sell!

None of this implies that to listen we must lose, or mask, who we really are. Listening isn't an act of manipulation. When someone else turns up, when any attempt to listen more effectively distorts our sense of self we take away from, rather than add to, the listening experience. To become more effective as a listener is not about learning how to act in a way that contradicts our sense of identity. It is far more about reaching inside and amplifying qualities we already possess. The paradox: listening is fundamental to discovering our own sense of authenticity; when we listen with intensity to someone else we also listen to ourselves. The corollary, of course, is also true ... poor listeners invariably struggle when the topic is leadership of self.

Coaching, selling, mentoring, negotiating, interviewing talent, running a meeting, leading a team, working with customers and taking on a new role...all demand mastery in listening. The conclusion: if you don't listen, you can't lead! And what sort of listener are you?

MANAGING TALENT IN CHALLENGING TIMES

Michael Cripps, Managing Partner of Cripps Sears & Partners, Gives His Insights Into Evolutionary Psychology In Business



As a leader in the search industry, Cripps Sears & Partners hopes to enlighten and stimulate discussion through sharing views and trends. In challenging market conditions, such as those created in the oil and gas sector and in the mining sector currently through low commodity prices, companies tend to default to cost-cutting, capital security and reducing headcount. This may be necessary, but actions through this phase can affect the long term success of the company. In the following article, Michael Cripps discusses with their partner in business psychology consulting, Organisational Edge, how the insights that emerge from current thinking in evolutionary psychology can help them to steer businesses through turbulent conditions.

Mr. Cripps is managing partner of Cripps Sears & Partners and head of the firm's energy practice. Educated in the UK, Mr. Cripps spent his early career in industry/industrial management and then he founded Cripps Sears while still in his 20s. Initially based in London's upmarket Knightsbridge, its target market is fairly broad and was not initially focused on the oil and gas sector. However, by the late 1970s Mr. Cripps' interest had turned in that direction, with regular visits to Aberdeen. Over time, the focus of the company narrowed and by the early 80s it had become well known in the oil sector, concentrating largely on the business areas of energy/infrastructure and the energy finance/legal sectors, in which it is still involved.

What is Evolutionary Psychology (EP)?

At the very simplest level EP is the application of evolutionary theory to psychology: How and why, over time, people have learned to behave the way they do. The basis for this is how we adapt to enhance survival and success.

Throughout our evolutionary past we have been an adaptive breed, forming the alliances and allegiances necessary for the survival of the species. EP links evolutionary theory with psychology to explore insights into how we behave in business, especially during challenging market conditions. Modern research is showing that a very significant proportion of our behaviour is genetically dictated and can be 'switched on or off' by environmental conditions.

What has our evolutionary history got to do with the way we behave in modern business? Do we really understand why we make the decisions that we do in our working lives? By doing things that are natural to us and which we are hardwired to do because of our evolutionary history, are we potentially damaging our business today? If we understand what we are doing and why, we can work to reduce some of the trappings of the past.

Over the millions of years that we have been evolving, a tiny proportion of our evolutionary journey has been spent in the environment that we now recognise as 'business'. We have evolved and adapted in an environment where survival

has been dependent upon our quick reading of risk and opportunity, the agility of our growing mind, and our ability to organise ourselves as a cohesive focused group.

As an applicable study, EP is still in its infancy. Yet, just as the notion of emotional intelligence became mainstream when assessing leadership skills at the turn of the 21st century, EP is establishing itself more and more strongly in the way we think about how organisations operate. It is shaping and extending our knowledge to the point where we begin to ask, "How can we apply it?"

Survival of the Fittest

In evolutionary terms we can broadly categorise a challenging market as a time of 'scarce resources.' It is directly akin to the stimulus caused to businesses by the credit squeeze and economic stagnation. The consequence is that it causes behaviours in us that may not be beneficial to us, our people, our businesses or, indeed, the economy itself. It is primarily based around a knee jerk reaction and becoming too short-term in our thinking.

Over the last couple of years we have seen the dangers of behavioural responses of executive boards as the 'scarce resource condition' has come into play. The focus shifts from strategy and direction to the immediate tactical operation of the business, which is often critical to the short term survival of the business. The long term strategy that

has been formulated across the business is forgotten. Be cautious of defaulting to the natural reaction of cut back, do less. Consider instead, remaining investment focused, whilst modifying the nature of the investment and focus.

Particularly during periods of economic downturn, people adjust themselves all the time to survive. If we can discover the motivators required to get the best out of people in challenging market environments, businesses can address survival issues such as a reduction in headcount and capital spend whilst keeping its key long terms strategy and objectives intact.

Retaining Talent

As well as investing in people companies can create interesting opportunities for its leadership and high performers to invest in themselves. Why? Because we find it harder to turn our backs on things we have invested time, effort and energy into.

In order to retain its best talent and leadership, business can involve its employees in problem solving and idea generation – essentially, it's about giving people space to exercise the mind, and enabling a feeling of adding value to the business. As well as the participation impact people receive from being involved, the symbolic power of the business making things happen in challenging times sends a signal and sets a tone that the business is aware, responsive and constructive. It also lifts the positivity of the organisational climate.

Stretch and challenge talented executives to deal with a downturn situation, and the impact on the business, in ways that may not automatically occur to them. Challenge them on using their leadership skills to motivate their teams, communicating more frequently and in compelling ways, involving their teams in processes, thinking about how things might be done differently, more efficiently etc. At these times more than ever there is a need for creativity and differentiated alternative thinking

There can be a tendency for the most senior executives to lock themselves away and to try to come up with solutions, as opposed to involving and utilising the talent they already have. Also, involving future leaders in scenario planning to

cope with the changing market place, to develop strategies and tactics, will boost self-esteem and sense of worth, usefulness and the ability to add value. Whilst people are involved this way they are less likely to walk away. Left to their own devices however they may feel underutilised, have too much time to think negative thoughts and automatically start to conclude that things might be better elsewhere. Talented people are usually the independent career managing types. These people will make choices for themselves and will not expect organisations to give them the breaks. So if left too much alone your talent is likely to take charge of the situation and consider moves.

Headcount Reduction

Let's consider headcount reduction as one of the typical direct reactions to difficult markets (revenue reduction). In the first instance, headcount reduction can cause understandable division in organizations. The process of reducing head count must be seen to be transparent in operation and fair in selection. It is often the case however that because of the fear generated, cost saving is seen to be more important than strategic thinking. So the process causes division, low morale, poor trust and lowers performance.

By developing a well-constructed communication programme that is not just about information giving but about interaction, dialogue and feedback, one can directly influence what people think, feel and do in line with business needs. This process can allow people to contribute and lead the way that the business evolves and go a long way to removing the divisions created and in turn retain a motivated workforce.

So where does all this take us? The answer lies in knowing and assessing our stereotypic behavioural responses, and in controlling the 'natural' response. Instead of behaving the same way as other businesses, and especially competitors, this may be an opportunity to resist the inherited behavioural response and to consider alternative adaptive behaviours.

Metaphorically, this may mean enabling, allowing and guiding our businesses to 'mutate', which, because it goes against what seems natural, won't feel comfortable.

PERSPECTIVES FROM THE FRONT LINES

Jay Rosenzweig, Founding Partner of Rosenzweig & Company, Provides Insight Into How to Add Best In-Class Talent



In the following interview, Jay Rosenzweig, founding partner of Rosenzweig & Company, discusses the common mistakes companies face when attempting to beef up their executive ranks. He describes his real life experiences and uses those lessons learned to outline best practices for adding talent. He also pinpoints important skill sets needed for 21st century leadership. He then provides some critical advice to young entrepreneurs who want to build great companies in the dog-eat-dog world of start-ups and venture capital.

Mr. Rosenzweig consults to a wide range of public and private companies including large global corporations; small to medium-cap businesses; and private equity and venture capital firms in the development of world-class leadership teams and boards. He offers deep cross-functional and cross-sector experience, with a track record of having successfully recruited general managers, “C” level executives, and professional services partners for his broad client base. Mr. Rosenzweig founded his firm after many years in the search business, beginning in research, and progressing to partner-level roles both in boutique and global, public firm environments. Prior to joining the search industry, he was in the field of law, which included exposure to corporate/commercial litigation, criminal defense, and human rights work.

What are the common mistakes growing companies face when it comes to beefing up their executive ranks?

One of the paradoxes regarding start-ups is that they typically benefit from having a hard-driving, entrepreneurial leader – a person with enough ego to launch a new venture, often against real odds. When they start to succeed, this only tends to reinforce their self-image. In reality, at some point the leader of a successful, growing company typically has to accept the fact that he or she can’t do everything – they need to learn to check their ego at the door and see that the ability to accept help is a strength, not a weakness.

This is not a new phenomenon. I grew up in Montreal, home of one of Canada’s iconic home-grown technology companies, CAE. The company was founded in 1947 by a brilliant engineer, Ken Patrick, who saw a future in electronics. The company achieved some modest product success early on, but lacked both capital and managerial skills. In the early 1950’s two young lawyers, Fraser Elliott and Heward Stikeman, became aware of the fledgling firm, thought it had promise and decided to invest. They soon realised that Patrick, while a good engineer, lacked the general management capabilities to make the firm successful. They had the good sense to raise the issue with Ken Patrick and he – albeit reluctantly – finally agreed that a new CEO was needed. As we all know, the company

went on to become the world leader in flight simulation, and Mr. Elliott and Mr. Stikeman, in addition to founding a pretty successful law firm at around the same time, reaped financial rewards a thousand times greater than their initial investment.

One common mistake companies make is simply waiting too late to add needed executive talent. If a company is perceived as having crossed a point of no return, where the odds of turning things around are overwhelming, it can be impossible to find a candidate. After all, you want someone who has excellent business judgment – and that same excellent judgment may signal to the individual that he or she is looking at a lost cause.

I had the privilege of doing some search work for a great venture capital firm a number of years ago. I had placed three CEO’s at the firm’s companies with success. Out of the blue they called me one day with what I can only describe as a colossal challenge – they had a \$10 million company on the verge of bankruptcy. The banks wouldn’t lend any more money and they needed to have a new, credible CEO within a week, someone who could come up with a road map to recovery.

Oh, and by the way, because the company, a contract manufacturer, was broke, they couldn’t really afford search fees. In short, they were looking for a savior, a serial entrepreneur with a track-record of turnarounds.

Obviously because I am telling this story now, it all worked out. Thanks to the type of deep, advanced research we do, we did have a candidate... and he did take the job. After a few weeks he was able to secure a second source of funding; within nine months things were turned around; and after two years the firm was successfully and profitably sold. But my advice is to not try this trick at home – it is best to find talent in anticipation of need, not in response to need.

It is also important to remember that every situation is unique. Think about Apple. The company's co-founder, Steve Jobs, was by 1985 problematic in the eyes of some on the board. So they replaced him with John Sculley, the head of PepsiCo, thinking that Sculley's marketing background was what Apple now needed. By the early 1990's this was clearly seen to have been a mistake of the first order – and Jobs, rough edges and all, was brought back.

On the other hand, at about the same time, IBM was struggling, facing catastrophic market share erosion and multi-billion dollar loses. The board let the CEO, John Akers, go – and brought in a former McKinsey partner who admitted all he knew about technology was as a customer while heading up American Express and RJR Nabisco.

My point is that there are no cookie-cutter approaches here. Each situation has to be assessed taking into account the company's culture, immediate and long-term needs and tolerance for change.

What are best practices in terms of adding talent? Who does a good job of it?

I suppose if I were to pick one company that hit a home run in terms of talent acquisition, it would have to be Ford with the hiring of Alan Mulally from Boeing. What makes this example so relevant to our topic today – forgetting for a moment that Ford is huge and over 100 years old – is that Billy Ford, who was CEO and board chair, as well as great-grandson of the founder – had the good sense and humility to realise that he could not save the company on his own. As it happened, he added just the right talent at just the right time – and saved an American icon.

Another company that seems to do a very good job of adding talent more generally – at all levels – is Google. They have created a sense of excitement that draws

talented individuals to them. And they seem to have the right hiring screens in place to identify individuals who will thrive in their culture.

In terms of Canadian companies, I am reluctant to single out one or two for fear of leaving out others. But most of the banks do a good job of recruiting and developing talent, as do many of the mining and forest product companies. We are leaders in those areas for a reason.

From a recruitment perspective, what particular insight can you bring to young entrepreneurs who want to build a great company in the dog-eat-dog world of start-ups and venture capital?

First of all, there has to be an understanding and acceptance of each other's interests. Venture capitalists and private equity managers don't just care about the latest software application or most elegant widget – they naturally care about whether that app or widget can actually turn a profit. Ideally, the entrepreneur has the savvy to build his or her company organically, attracting the right talent – including especially talent that might shore up their own or the company's weaknesses. For example, you might have the greatest technology or product in the world, but if nobody knows about it, due to poor marketing, you're probably going to fail. Same is true of financial controls, regulatory compliance – all of the elements need to be covered off. Ideally your venture capital or private equity firm will be seen as a resource, not just a writer of checks. Having reputable partners can actually help build your talent pool because they give you credibility.

How can entrepreneurs best deal with venture capitalists and the specialists they parachute into companies?

As with any relationship, a critical element is communication between the venture capital firm and the entrepreneur. Much as employee appraisals, if done correctly with on-going feedback, should never surprise, the need to parachute in some help should come after on-going discussion and analysis.

It is easy to find cynicism on both sides of the entrepreneur-venture capital relationship. For some there is an almost Faustian aspect to accepting capital – a selling of the soul.

For others the relationship is more akin to the parable of the scorpion and the frog – they both need each other to cross the river, but that doesn't stop them from getting caught up in their own narrow interests.

In truth, venture capitalists and private equity when partnered properly with entrepreneurs can work economic wonders. In those cases, the parachuting in of needed talent will be less about a failure to find the talent within and more about achieving mutual success. Having the right talent at the right moment can make all the difference. But it must be done with sensitivity.

What do you think is the single most important skill an individual needs to bring to the CEO suite in addition to their technical and financial expertise?

In today's business environment, successful CEO's must have the ability to not only formulate and communicate broad strategy and objectives, but need to possess the flexibility of mind to quickly alter course as market conditions warrant. He or she needs to be a good communicator in the fullest sense of the word – which means being a good listener as well as a good speaker. CEO's are typically successful when they attract, motivate and leverage a high-performance team. The selection of that team is important – but leveraging their skills and capabilities is critical. The ability to fostering open, two-way communications is a key enabler and a necessary skill.

THE GROWING STRENGTH OF BOUTIQUE SEARCH FIRMS

A Discussion on Boutique Search Firms with Dave Clapp, Managing Partner – CarterBaldwin Executive Search



Boutique search firms are continually gaining ground on their larger recruiting counterparts signaling a major shift in how sophisticated corporate clients are viewing these focused specialists or small-to-mid-sized boutiques who are, as many see it, better able to service their clients' human capital needs. In the following interview Dave Clapp, managing partner for CarterBaldwin Executive Search, discusses why his firm fits that trend today. He touches on his firm's growth and discusses an array of the key issues facing firms like his today such as the impact of social media, how his firm approaches

branding and business development as well as reflecting on his reasons for maintaining a practice that delivers just pure play executive search.

In addition to his leadership responsibilities at CarterBaldwin, Mr. Clapp leads an active client portfolio that ranges from Fortune 100 global brands to high-growth PE backed companies. Mr. Clapp's clients are predominantly focused in the distribution, technology, consumer products and professional services sectors. Before joining CarterBaldwin, Mr. Clapp was SVP & GM for Thomson Reuters Corporation with P&L responsibility for a B2B software and service business portfolio serving Global 2000 and mid-market customers. Prior, he was VP of business development for Thomson where he led strategy and acquisitions for the company's corporate tax & accounting software division. Earlier, he held senior brand marketing roles with Coca-Cola. Mr. Clapp started his career in sales with Xerox Corporation.

CarterBaldwin is one of the search industry's most prominent boutique firms. But the firm is comprised of various specialty practices. How did you decide on which industries to focus on and how many? Do you consider yourself a generalist or a specialist firm?

This question often comes up, and the best answer I have is that our practices really chose us versus us defining them. Each of our partners has a pretty broad practice; certain client types seem to seek them out. My background in B2B has created a real theme for me in the technology, distribution and professional services world. Dave Sobocinski's experience in the consumer and industrial space has caused these sectors to really bubble to the surface for him. Jennifer Sobocinski has tons of experience at the mid-market CEO level and this has resulted in her being a go-to person for those searches. Price Harding and Bill Peterson have both evolved into the unequivocal national leaders in faith based non-profits and universities.

And, importantly, while we certainly have some distinct practice areas that have grown out of our partners' individual backgrounds and experience, we span every continuum in search. As a result, I don't focus on defining us as a generalist or a specialist only. We believe our size, resource model and partnering approach with clients is

what has fueled our growth. I truly believe that too big and too small puts limitations on a search firm's ability to deliver exceptional client outcomes. We are constantly hearing from clients that they are moving more and more of their work to 'mid-market' sized search firms. For that reason, we work hard as a partner team to manage our growth and our team so that we just get better and better vs. bigger and bigger.

Large search firms today are becoming increasingly handcuffed by off-limits constraints as they expand. As a boutique how do you manage the number of clients so off-limits does not become an issue at your firm?

Candidly it has not required much management. We are committed to not recruiting from our clients and have solid ground rules around that. On the rare occasion that we feel off limits could impact our ability to serve a client we disclose our boundaries up front so everyone is on the same page. I honestly cannot remember a time where there has been an issue in this area.

Certainly we're growing, so this may become more of a topic down the road. However, we have no plans to really make this firm too big. We have three primary criteria around our growth plans. First, we will continue to expand as long as we believe it is good for our clients. Off limits is part

of what we look at there. Second, we will grow only to the extent that our core values and culture are strengthened. Finally, and closely related to No. 2, we will never allow growth to get in the way of our 'no drama' rule. We are so fortunate to have a low drama organization and we will not let this creep in. It zaps everything including the experience we're trying to provide for our clients and the candidates that we work with.

As a smaller firm how do you approach the execution of assignments with your clients?

I love that question. It is a huge core of our value proposition. As partners we all do research, recruit, write bio's, etc. We don't throw our searches over the fence to junior people. But we do use leverage in our model. Every search gets a dedicated research consultant, a dedicated recruiting consultant and a scheduler/coordinator... as well as the partner. We work as a close team throughout the process... which is 27 engineered steps that we have defined and refined over our 15 year history. We have customized search software that gives us incredible transparency and workflow management. So it's a really best of both worlds scenario. Small enough that the partner that sells the search runs it and rolls up their sleeves and gets all over execution... but big enough that we put significant resources alongside the partner to bring added muscle, visibility and speed.

Candidly, all the partners at CarterBaldwin have had the opportunity to join the major firms. I've got close friends at the big firms and my Dad was a partner at both Spencer Stuart and Heidrick, so I'm not being critical, but they are different. We almost NEVER talk about revenue at CarterBaldwin. And we sure don't worry about or ever have to make decisions based on quarterly earnings reports. Our focus is on our clients, our partnership, and our people. We have a very special firm and we remind ourselves of that all the time. Sure we're growth oriented but we won't take a search we don't think we can crush and we really live by the credo that growth in this business comes from being amazing at search... not great salesmanship.

The search industry has enjoyed double-digit growth rates for the last four years. How does a successful

boutique firm like yours refrain from the urge to grow in times where the work is very plentiful?

I guess it depends on what you're in it for. At the end of the day, our partners and I believe our team are here because we really love CarterBaldwin. It sounds so corny, but as owners, we are ridiculously committed to each other, our futures together and the people that work with us at the firm. Part of that is about growth and profits and those matter as enablers, but they are not the 'sole solve for' here. We're just not going to chase growth at the expense of our core values, our ability to get better at search or at the risk of creating drama. Life is too short. We want to grow and are fortunate to be experiencing that. We are adding people and our practices have grown as well. But our primary filter on all of this is 'does it deliver more to our core values around 'positive people,' 'performance matters,' 'time is precious' and 'we strive for 100 percent trust.'

Boutique search firms have not traditionally been awarded marquee assignments such as Fortune 500 CEO positions and other high visibility assignments. Companies have traditionally awarded these to the "Top 5" in particular as they are viewed as "the safe choice." Do you think this trend to use only the largest firms for these types of assignments will change?

We compete with the largest search firms all the time, but you are right that we are not getting the F500 CEO calls. I think it's quite possible that medium sized firms will become a more significant force in the F500 CEO search market one day as the market continues to embrace the 'boutique' firm, but I would not begin to predict when that might happen. From our firm's standpoint, our core business has always been building out the core management teams for mid-market and F500 companies. We also do a significant amount of mid-market CEO searches. Frankly, I think these searches require more work than the big CEO projects because they are less 'public' and need more research, more hustle and a more intensive vetting process. Firms often tout their CEO and board practices as the reason they're special. I think that's great for them, but we're very proud of our ability to roll up our sleeves and build great management teams. We love this part of the market, and are very focused on having that continue to be our core.

We have seen a lot of large firms diversify into ancillary services like management audit and assessment among others. As a smaller firm do you think this is a wise decision or does it cloud the relationship you have with your clients?

We don't cloud what we do...we are search and pure search. Our clients span Fortune 50 global MNC's, pre-revenue start-ups, universities and large non-profits. I try to follow the market in determining our strategy and I don't see the market or our clients wanting us to veer from our core. Whether or not that changes over time is hard to predict.

As a partner team we've talked about adding adjacent services but we are all completely aligned that our investments will continue to go towards becoming better and better at our core business of executive search.

Are there inherent conflicts of interest that exist with clients when trying to cross over and diversify services?

At the highest level, I think there is...just by definition, conflict of interest is a situation in which a person or organization is involved in multiple interests, financial or otherwise, one of which could possibly corrupt the motivation of the individual or organization. It is hard to see how one side of an organization can authentically and unbiasedly assess a leadership team when they know their colleagues are paid to fill roles of those vacancies. That said, I think the market is the ultimate arbiter here. I'm confident that companies are hiring firms to do both management assessment and search. Whether this changes over time due to increased board scrutiny or other factors is yet to be seen.

Social media technology, like LinkedIn, have significantly impacted the search industry. For boutique search firms this has been a key development because it has 'leveled the playing field' so to speak and will allow you to more effectively compete against larger firms and produce a better slate of candidates. Do you agree?

Totally. One of my partners is fond of saying that there is nobody that the majors can talk to that we can't and don't.

Let me bend this a different way though for a bit. I think LinkedIn and social media tools are great and we use

them. But I also believe that the proliferation of technology causes researchers to get lazy. Primary company research, sourcing and other creative techniques are crucial to move from being good to being outstanding at this business.

We are constantly reinforcing that with our team. LinkedIn is great, but it's just NOT ok to rely solely on LinkedIn as your research tool and tell a client that you've scoured the market. Sorry to rant and rave on that one...it's a sensitive topic for me!

Business development and branding have always been a challenge for boutique firms. How have you been able to effectively put CarterBaldwin's brand out to prospective clients and differentiate it at the same time when other firms may look very similar?

As a marketer, creating a differentiated story is a challenge in professional services and in search. What are there now, something like 6,000 retained firms in North America?

We redid our branding three years ago and moved away from the more formal look we originally had. We've tried to brighten and lighten our look and feel and to highlight the things that make us special – our clients, our process, our core values and our people. We're such a performance driven and high hustle firm that we wanted that to stand out.

The people are so key in this equation and we have really focused on making our team and our "personality" stand out in our branding. If you look at the team section of our website you can see that we have such bright, positive and engaging people at our firm. Search is hard. Clients don't pay six figures for easy projects, so the team that gets behind our client's leadership needs is so key. As partners, we're ultimately the ones that look our clients in the eye and tell them we will deliver. Having a committed and engaged team behind us allows us to commit to our clients with downward voice inflexion.

Search firms work more globally today. How does a one-office firm located in Atlanta work overseas where the firm has no recruiters or office locations?

We've done more and more global work as the world has flattened. Technology certainly helps. We've employed Spanish and French speaking consultants that have been a great resource for us with global clients. We're very

careful to only accept searches where we feel we can be successful, so our overseas searches have really been limited to Australia/New Zealand, Europe and Latin America.

We've had great success in these markets. On global searches we evaluate each separately, allowing each of our partners to weigh in.

STATE OF RECRUITING: HEALTHCARE IT

Witt/Kieffer Recruiting Specialists, Chris Wierz and James Utterback, Discuss the Dramatic Changes Underway in the Healthcare Sector



Healthcare IT recruiting has changed dramatically in recent years. Not only have the traditional responsibilities of CIOs evolved and mushroomed, but new titles – Chief Information Security Officer, Chief Medical Informatics Officer, Chief Data Analytics Officer, and so forth – have cropped up and are dynamic career opportunities with no blueprint for growing into these positions. Though healthcare IT executive search is undergoing tremendous change, this does not mean that recruiting should be haphazard or scattershot. If anything, executive search firms have their work cut out for them to broaden their horizons of what candidates are possible for given positions, and pragmatically counsel clients on how to recruit exceptional IT executives in a very challenging and uncertain market. Best practices for recruiting IT executives include using more creativity and due diligence in sourcing candidates; conducting original research; networking inside and outside healthcare; using progressive interviewing and leadership assessment techniques; and providing frequent and expert counsel to clients.



Chris Wierz brings over 30 years of healthcare experience to her executive search practice, including 20 years in healthcare information technology. She is a principal based in Witt/Kieffer's Oak Brook, Illinois office, identifying leaders on behalf of hospitals and integrated delivery networks, academic medical centers, managed care companies, physician organizations, healthcare associations, vendors, consulting firms and universities. Prior to joining Witt/Kieffer, Ms. Wierz served as partner and Epic service line executive for Encore Health Resources (now a Quintiles company). Previously, she was principal of the Courtyard Group, an international healthcare transformation company, and has also served as a client services principal with IBM Global Business Services where she managed business consulting services for large academic health centers and integrated delivery networks. She is also formerly assistant head nurse of Northwestern Memorial Hospital in Chicago and staff nurse at Northwest Community Hospital in Arlington Heights, Illinois.

James "Jim" Utterback is a principal with Witt/Kieffer and leader of the firm's information technology practice. He has more than 30 years of diverse and dynamic executive leadership and consulting experience in healthcare, academic medicine, information technology and entrepreneurial, private equity and venture capital backed endeavors. During this time he has gained a deep appreciation for the transformative power of technology and the vital importance of great leadership to organizational growth, value creation, and shareholder returns. Mr. Utterback's leadership roles have included serving as president/CEO of several dynamic health and health technology firms. He has also held corporate officer positions with publicly traded Covance (now LabCorp) and Rhone-Poulenc Rorer Pharmaceuticals (now Sanofi).

Healthcare IT recruiting has changed dramatically in recent years. Not only have the traditional responsibilities of CIOs evolved and mushroomed, but new titles – chief information security officer, chief medical informatics officer, chief data analytics officer, and so forth – have cropped up and are dynamic career opportunities with no blueprint for growing into these positions.

It's a bit of a Wild West within healthcare IT, says Jim Utterback, leader of the Information Technology practice at Witt/Kieffer. The rules have changed or

in some cases there are no clear-cut rules. Take, for example, the role of the CISO. Where does a health system or other organization look for ideal candidates? Within healthcare? (The pool of qualified applicants is not large.) Within technology and telecommunications companies? IT consulting firms? From the military or government sector? In some cases it is all of these possibilities. Information security has become a major area of emphasis for healthcare organizations, and the best, most innovative candidates are not always right before our eyes.

“This is an era of recruiting nontraditional candidates,” says Mr. Utterback. “There are dynamic IT executives in the healthcare space, but the pool is limited while the demand for IT leaders is expanding. Great new talent has to come from somewhere else.”

Sometimes health systems and networks are looking to newer, high-tech healthcare startups and technology companies, Mr. Utterback notes. These include those that serve hospitals and systems (eg, telemedicine firms), doctors (eg, mobile health companies), patients (eg, wearable technology firms), or life sciences companies. All of these health/technology companies have become fertile recruiting ground for up-and-coming executives for traditional providers and payers. These are also firms that are seeking top-level talent themselves, Mr. Utterback notes, and so Witt/Kieffer’s IT practice continues to expand to conduct searches for growing technology and venture capital backed enterprises.

With the rise in population health and a great focus on catering to patients, families, and communities, some healthcare organizations are looking to industries such as retail and hospitality for executive talent. While it is still unusual, who is to say that a good CIO can’t come from a major consumer goods company or hotel chain?

“As recruiters, we are always asked by clients to be innovative in our sourcing,” says Chris Wierz, a Principal with Witt/Kieffer’s IT practice. “In many cases the client might not be ready to hire that outsider, but it is healthy to consider a truly wide-ranging and diverse list of candidates. And more and more, we see clients taking these nontraditional candidates seriously because they really do want to shake up the way that they are approaching IT as an organization.”

What CIOs Think

Mr. Utterback has been spending a good portion of his time in 2015 speaking directly with healthcare

CIOs about their needs and concerns. The role is definitely changing, he says, as health systems get bigger, information technology gets more complex, and the stakes get bigger. Now that most systems are following government mandates regarding health data and security and have implemented electronic medical records (EMR) systems, the challenge is leveraging technology, information, and data for competitive advantage. This takes a top-notch CIO with vision and leadership savvy.

“The CIO as only a technology guru is a thing of the past,” Mr. Utterback says. “They need to be business leaders, regulatory experts, partnership creators, and process improvement and change management experts. They need to communicate effectively and influence colleagues across their own organizations, as well as in communities and circles of power.” It is not unusual for a top healthcare CIO to gain an audience with a governor or senator, for instance. Not surprisingly, a good CIO can almost name a salary during a recruitment.

Some CIOs are not cut out for the rigors they now face. As their roles and responsibilities expand, CIOs will seek to delegate to subordinates and new colleagues to oversee informatics, innovation, security, and other areas. Some of these emerging roles may even outgrow or parallel that of the CIO. One CIO that Mr. Utterback spoke to noted how the CISO had been given a direct reporting line to the board’s audit and compliance committee and a dotted line to the CIO.

Mr. Utterback has been asking CIOs what they would secretly like to tell their CEOs. Related to the above, one thing is that they need help and good IT people around them. Here are a few of the other responses he received:

- “We need more capital.” Investments to date have to be maintained and upgraded.

- “We deserve a seat at the table.” CIOs need to be heard in regards to the business side of the enterprise.
- “Learn about technology.” CEOs might not be technical experts but they can familiarize themselves with the key technology drivers in the industry today.
- “Don’t be afraid to take risks.” A quick-changing, technology-driven future is fraught with risks, so CEOs and organizations need to do their homework, make the best decisions they can, and move forward.

These are not new issues and requests, Ms. Wierz says. While not always in agreement, CEOs and CIOs are communicating and collaborating more than they ever have in the past. “So much of a CEO’s strategic goals depend upon what can be accomplished from a technology perspective,” she says. “And CIOs know that their options are limited without the confidence and support of the CEO.”

Emerging Healthcare Trends That Will Drive IT Recruiting

As one might imagine, the recruiting wars for CIO talent are brutal. The same can be said for virtually every health IT executive role. The reach, contacts, and expertise of search consultants go a long way towards recruiting difference-making executives. Search consultants need to know, intimately, the new frontier they are dealing with, say Mr. Utterback and Ms. Wierz.

When asked to list the key underlying trends that are shaping health IT executive recruiting, the two consultants from Witt/Kieffer offered the following:

1. **Consumerism.** The “customer experience” in healthcare is becoming critical to organizations’ success, as patients’ options increase and their savvy in seeking out appropriate care increases. Mr. Utterback likes the term “health consumers” to describe patients. People are patients only part of their lives, he notes, but they are health consumers their whole lives. Health IT leaders will need to understand this new consumer orientation, and organizations will look to hire IT execs who understand data and how it can be leveraged for efficiency, lower costs, and greater insight into consumer habits. Moreover, consumer health technologies from apps to wearable devices to self-diagnosis tools are broadening traditional notions of healthcare delivery. Patient care is more participatory than ever before, for the benefit of all. Health IT executives must know how to tap into this widening sector.
2. **Consolidation and Integration.** Very few organizations are standing pat in size and structure. For resource sharing and market efficiencies, they are partnering and joining forces in other creative ways. Health IT leaders had better be ready to partner as well, Ms. Wierz says. “Systems need to integrate and organizations need to freely share patient and health data. CIOs and other executives must get comfortable with this concept and reach out rather than retreat.” Thus, today’s IT executive must be more collaborative and entrepreneurial than in the past.
3. **Need for Better Informatics and Data Analytics.** How information technology is designed, applied, and analyzed are critical aspects of health IT, and several subspecialties have grown for clinicians and others with IT expertise – chief medical informatics officer, chief nursing informatics officer, chief research informatics officer, chief data analytics officer. These will be hot areas of recruiting in the coming years, Mr. Utterback and Ms. Wierz say.
4. **Cybersecurity and Patient Rights.** Security breaches, in healthcare and other industries,

are daily news and no one questions that healthcare organizations need more robust and resilient security technologies and measures—to protect their own interests, of course, as well as patient data and rights. The industry is also prioritizing information security expertise and is looking to the military, government and finance sectors, for instance. Health IT execs should have relevant security certification and Common Security Framework (CSF) designations, as well as knowledge in risk management, state and federal regulation, compliance and privacy. Ideal candidates will have some past healthcare experience or at a minimum be very quick studies of the healthcare landscape, says Mr. Utterback.

Recruiting Best Practices

Though healthcare IT executive search is undergoing tremendous change, say Mr. Utterback and Ms. Wierz, this does not mean that recruiting should be haphazard or scattershot. If anything, they say, executive search firms have their work cut out for them to broaden their horizons of what candidates

are possible for given positions, and pragmatically counsel clients on how to recruit exceptional IT executives in a very challenging and uncertain market. Best practices for recruiting IT executives include:

- Using more creativity and due diligence in sourcing candidates
- Conducting original research
- Networking inside and outside healthcare
- Using progressive interviewing and leadership assessment techniques
- Providing frequent and expert counsel to clients

To this last point, both Mr. Utterback and Ms. Wierz note that client organizations need to step up their games as well. Whoever has the hiring authority needs to keep an open mind about how and where to find difference-making IT executives. And boards, CEOs and other senior-level executives with input into hires need to educate themselves on the shifting IT landscape. Healthcare-related organizations that hire great IT executives, they note, will have a major competitive advantage in the marketplace.

AGE OLD LEADERSHIP PARADOX DESPERATELY SEEKS UPDATE

**Dale E. Jones, President and CEO of Diversified Search,
Explores How Best to Get Chosen for Top Jobs**



There is an old paradox in need of an update. It varies based on who you talk to but goes something like this: leadership remains in short supply. The ‘War for Talent’ is either over or just getting started. At the same time, there is an abundance of eminently qualified managers achieving results. Yet while many are called, few end up being chosen when it comes to the top job. Even fewer succeed or move from good to great. Why is this so? In the following article, Dale. E Jones, president and CEO of Diversified Search, tells us why.

Before joining Diversified, Mr. Jones served as vice chairman and partner of the CEO and board practice at Heidrick & Struggles, where he consulted CEO and corporate boards on human capital issues including recruiting, retention, succession planning, and corporate governance. He also served as one of the firm’s leaders in the global communications and the global consumer practice at the firm. He concurrently served as managing partner of the firm’s Atlanta office from 1999 to 2007. He was later asked to oversee the CEO and board practice in the Americas. Mr. Jones originally joined Heidrick & Struggles in 1999, following a four year tenure with another leading search firm.

Prior to entering search, Mr. Jones held a series of positions in business with increasing responsibility. He has also taken on special strategic roles to serve Steve and Jean Case, founders of AOL and CEO of Revolution Ventures. He brings many years of longstanding relationships to his clients from his involvement with YPO, the CEO Forum and the National Association of Corporate Directors. He is an experienced and sought-after advisor on leadership issues for Fortune 500 Companies.

There is an age old paradox searching for an update that unfortunately isn’t as easy as downloading an app. It varies based on who you talk to but goes something like this: Leadership used to guide and manage large organizations remains in short supply. The War for Talent is either over or just getting started. At the same time, there is an abundance of eminently qualified managers achieving results, some of which have been incredible considering economic conditions of the past five years.

Yet while many are called, few end up being chosen when it comes to the top job. Even fewer succeed or move from good to great to quote what now is a dated book title. Why is this so?

The first reason has always been pretty obvious but never completely accepted despite factual basis. Not everyone can be a chief executive or even a C-suite member. Sheer geometry and career progressions

don’t always lead straight to the corner office. Many executives are simply living and working longer, making the coveted prize of a previous generation now simply a stopping off point along the career journey.

Every year hundreds of CEO jobs are filled yet more than four times that number are seriously considered only to fall short based on the situation at hand. Do the math and it’s not difficult to see why the numbers create scarcity. This helps explain, in part, the disparities in pay but only from an analyst point of view.

The paradox is compounded by a second reality. While a large percentage who does secure the top job succeeds, more attention is paid to the ones who get paid a lot, and more importantly, the ones who fail. Why do they not succeed? In his capstone work, “The Fifth Habit,” the late Stephen Covey attributed three-quarters of all failure to character flaws, or

serious errors in judgment based on lost values. This conclusion was based on researching nearly 50,000 examples over the course of a long career.

Success is not final; failure is not fatal. It's the courage to continue that counts.

- Winston Churchill.

There's another more complex reason why leaders don't fulfill their potential, and it's one, that I and my colleagues at Diversified Search see regularly when we review the market for talent. While someone may be qualified or even have strong relevant experience, they do not have the core required for what organizational psychologist and writer Tim Irwin calls "leading with great impact." This is perhaps most applicable in mission-critical organizations, such as not-for-profit relief groups, colleges and universities, foundations, and health care providers as well as hospital systems.

Irwin defines the core as the third level below style or typical actions or behaviors. It's a metaphor for the person or voice inside us, according to Irwin. The inner person acts, feels, thinks, speaks, has desires, makes decisions and has identity based on an intentional spirit. How our voice dictates beliefs that are sound and true make the results of our actions sound and true, says Irwin. Vice versa, when those beliefs are errant or not aligned with the right behaviors, the results can be very damaging. Following 9/11, which proceeded the heyday of large corporate business activity, headlines were filled with examples that reinforced this truth. Many boldfaced names either didn't know or lost their sense of right or wrong, or True North compass as Bill George coined the term.

What's been historically referred to as the other, non-essential talents, or soft skills, are now primary needs when an organization is going through change and transformation, which a majority now face via digital transformation. Egon Zehnder's Claudio Fernandez-

Araoz in his book, "It's Not the How or the What but the Who," restates an age old truth: We hire based on the hard skills, but we fire for failure on the soft.

Put in our own words, it's called leadership from a forgotten place called the heart. Character or heart issues aren't generally discussed until after the fact, but that seems to be changing. Boards may express a desire to know a leader's core, but far too often expediency and willingness to overlook the soft vs. hard for the sake of performance rule the day. Our future state as trusted advisors will rely on whether we can adequately report on issues related to core, or voice.

Compassionate Leaders

How can you spot someone with eminent qualifications that also has a record of leading from the heart? The first indicator is authenticity or what's real about their purpose that manifests itself throughout a career narrative. Can the individual connect their story with THE story that has gone on around them? Do they have courage of their convictions? Are there experiences and achievements closely aligned with beliefs and desires that exceed their own interests?

Second, leaders from the heart are compassionate and relational. What types of relationships have they held throughout life? Who were what Irwin calls their background influencers, such as parents and teachers? Incredible pressure exists today to transact business vs. relate to the source of the business. It's a pressure that has to be alleviated in the short term to avoid long-term relationship break down. Leadership is personal, management is positional.

How has resilience played (or not played) a role in their trajectory? When they've failed, and we all have in this life, how did this manager or leader respond? Granted interviews are rarely places where failures are shared, but in this new model of increasingly

transparent decision-making forming around us, there needs to be safety created to share openly and honestly. Otherwise we're never going to be as real as what we seek. Remember we generally judge others by our own intentions not necessarily their actions.

In his 2008 campaign for president, then candidate Senator Obama talked about being the change in addition to the change to believe in. We must now be

the change in leadership hiring and retention circles. Old behaviors need to renew, adapt or give way to new ones.

Or to quote an older president that the younger generations may not recognize:

"We either need to lead, follow or get the heck out of the way."

- Harry S. Truman.

THE CHANGING NATURE OF HEALTHCARE EXECUTIVE SEARCH

Five Search Consultants at Isaacson, Miller Discuss the Shifting Landscape of Healthcare



John Isaacson



David Bellshaw



Denise O'Grady
Gaffney



Philip Jaeger



Stephanie Fidel

The past decade has seen tectonic shifts in the healthcare landscape that have dramatically changed what it means to be a successful leader in that field. With the move toward fully integrated healthcare systems and increased financial pressures at all levels, leadership in both hospitals and large healthcare systems today must bring an understanding of how to align the many aspects of a great medical center.

It has become essential—and increasingly challenging—to find and engage the right people for leadership positions. Because those roles are growing more complex and the required skill sets more difficult to find, identifying such leaders now more than ever requires assistance from those who understand the health landscape and what makes a great healthcare leader.

In the following panel discussion, search consultants from Isaacson, Miller discuss the changing landscape of healthcare and what it means for hospitals and healthcare systems which have high-level leadership roles to fill.

Here are the five panel participants:

John Isaacson founded Isaacson, Miller in 1982. Following his education at Dartmouth College, the University of Oxford, and Harvard Law School, he chose a career in public service. Over the course of eight years, he served three governors and five secretaries of human services for the Commonwealth of Massachusetts. By the end of his years of public service, Mr. Isaacson had benefited from working with senior colleagues who had gone on to successful careers in higher education, academic medicine, public authorities, and national foundations. In the early 1980s, these colleagues became the founding client base of Isaacson, Miller. Mr. Isaacson has conducted searches in many areas of the firm's practice with a focus most recently on university, college, and medical center leadership.

David Bellshaw joined Isaacson, Miller in 1992 in Boston and founded the firm's office in San Francisco in 2003. He has deep experience recruiting for the most senior leadership roles in all of the firm's practice areas.

Denise O'Grady Gaffney helped Isaacson, Miller launch its healthcare practice and has also led executive searches for higher education institutions, and professional associations. Her healthcare practice is focused on academic medicine, teaching hospitals, post-acute providers and includes the recruitment of chairs, deans, chief executive officers, and senior administrators.

Philip Jaeger joined Isaacson, Miller in 2003 with experience in higher education and human resources consulting. His practice at the firm is concentrated in academic healthcare, the biological sciences, and professional schools in higher education.

Stephanie Fidel joined Isaacson, Miller in 1995 and has led searches for leadership in academic medical centers, including dental and nursing schools, as well as in higher education institutions.

What are some of the unique challenges that hospitals and healthcare systems face today when searching for the right leaders to carry them into the future?

John Isaacson: Overall, the biggest challenge is how dramatically the healthcare world is changing, both on the

economic and care delivery fronts. Usage of healthcare is increasing—because our population is aging and because the Affordable Care Act (ACA) is driving an increase in patient volume—and revenue per patient is decreasing. That creates strong pressure to reduce costs over time,

or to bend the cost curve. In order to remain financially viable while still achieving their missions in this context, healthcare organizations will have to undergo major structural changes.

David Bellshaw: For academic medical centers (AMCs), these pressures create additional challenges because their work is so cost-intensive. Their multiple missions—clinical care, education, and research – are supported significantly by clinical revenue, so decreases in that revenue affect all aspects of their work.

Isaacson: Care delivery models are moving toward team-based care. The goal is to increase quality, by coordinating and streamlining care, and decrease cost, in part by maximizing the procedures allowed within each licensed class of providers. However, the healthcare system is still dominated by physicians and has not traditionally valued complex teams, so building such teams effectively will require a major cultural shift. Leaders are tasked with managing both the economic and the cultural shift.

Denise O’Grady Gaffney: Specialty care is moving out of tertiary hospitals to community care in hospitals and ambulatory clinics in order to provide care closer to where the patient resides. Additionally, the ACA and payers are driving increased preventive care in outpatient clinics, which reduces visits to emergency rooms with preventable episodes, such as asthma exacerbations or diabetic emergencies. So as specialty care moves out of teaching hospitals and into communities and as revenue per patient falls, hospitals must find a way to both serve their patients and manage their margins.

Isaacson: In some cases, that means they have to either build or partner with primary care networks or community hospitals who do provide that specialty and primary care.

Bellshaw: It can also mean thinking about how to leverage other assets, such as technology, to provide or bolster care. For example, it’s increasingly possible to provide care outside of the bricks-and-mortar facility, whether by diagnosing a child’s ear infection via an iPhone photo, monitoring chronic illnesses remotely, or offering a video consult instead of a clinic appointment. Hospital leadership needs to think about how to adopt new techniques and,

most importantly, make certain that their physicians, nurses, administrators, and staff are prepared to change the way they deliver care.

It sounds like the job of leaders in healthcare is expanding on all fronts.

Philip Jaeger: Yes, the healthcare organization’s scale and mission are increasing dramatically and their traditional roles are expanding. They are delivering care—the right care in the right setting—in increasingly expansive networks, and even moving to add insurance products to cover an entire population.

Isaacson: We see a wide range of such experiments in risk taking, such as shared risk contracts with payers, bundled payments, and population health. Many providers are building information systems and bioinformatics capacity that will allow them to predict patterns of use, direct “value”-based care, and estimate cost for whole populations. As that predictive capacity increases, providers will have the option of taking over the “risk” portion of the insurer role. Today, here in Massachusetts, the largest teaching hospitals have 30 to 50 percent of their patients covered in risk-bearing contracts. We expect to see similar movement in the rest of the country.

This is a major change for organizations that traditionally defined themselves as providers, strictly separated from risk-bearing insurers. With these shifts underway, the leadership will need to incorporate a completely new set of skills and incentives into every part of their organization. It will give integration a whole new meaning.

Gaffney: The more traditional skill sets are still essential, though. For example, leaders will need to manage increased competition among AMCs for research success. For nearly a decade, funding from the National Institutes of Health - a primary source of support for medical research - has been flat or declining, at a time when fundamental biological science research has created immense opportunity for success. We have powerful research enterprises that are starved for funding. That means that AMC leaders are expected to have a very strong research portfolio themselves or a very strong track record of having mentored and grown research in their enterprises. They want to see a lot of collaboration

between basic science and clinical research and a rare skill in building alternative funding for research, from industry or philanthropy.

With so many major changes affecting the healthcare landscape – economic changes driven by the ACA, changes in care delivery, shift toward population health and providers taking risk, and decline in federal funding for research – what skills must a successful healthcare leader have today?

Jaeger: Healthcare leaders must be able to drive and manage all of these changes effectively: They need to reduce costs, keep quality high, serve more patients, take insurance risk, and drive culture change toward team-based care.

Bellshaw: Experience with change management is essential. And in an environment where economic pressures can quickly trump the mission, it is also essential to have leaders who can focus on and balance both, without distortion. Only that balance can propel mission-driven organizations forward.

Today's leaders must truly understand and believe in what the organization is trying to accomplish. Because the mission is what brings talent to their organizations, leaders can only manage change if they are able to galvanize their workforce to that higher purpose. When they talk about increased efficiency, for example, they must do so in the context of a more global, universal goal: working to improve the human condition.

Do these changes mean that health systems are willing to look outside traditional pathways for candidates?

Jaeger: Healthcare organizations are increasingly sophisticated, and the industry has worked hard to create new pathways for leaders. Still, the stakes are high, so in evaluating candidates, our clients are rigorously seeking people who are already innovators – who know the history, can see the future, and have begun the work.

Stephanie Fidel: So in that context, then, would a candidate be less attractive if they haven't spent their whole career in healthcare?

Isaacson: Yes. Healthcare is increasingly sophisticated, and the field has invested enormous intellectual energy to

master its own limitations. The country has great research and experimentation with new models. If someone does not know that work they will not compete effectively. The best candidates will be people who are mission driven, are intellectually sophisticated about both care and economics, and have a track record of innovation that has built a high-“value” system.

Jaeger: Exactly. Although the pipeline for traditional CEOs is large, these leaders need to do so much more than that. For example, a new leader would need to merge the traditional silos of cardiology and cardiac surgery, which are usually two separate departments, into a single service line. They need to think comprehensively about a much larger population than a hospital may have historically thought of serving. That requires a different, and more scarce, set of skills than hospital leaders used to need.

Given all of those elements, what would you say is the key to successful leadership in this field?

Gaffney: In an AMC, the health system and affiliated schools must be incredibly interconnected and integrated: The health system often supports the schools. If we want to see a vibrant, research-driven healthcare sector, with all the scientific innovation that implies, we will need to see an equally successful clinical enterprise that can sustain it.

Isaacson: As Denise explained, in these increasingly interdependent, integrated systems, the physician and hospital side must collaborate and be totally aligned, both economically and culturally. That means that leadership at the most senior levels must be focused on the whole integrated system – or, in the case of a standalone hospital, must approach the role from the perspective that it may become part of such a system.

Our work with AMCs allows us to approach a search for that kind of leader from a particular perspective: They must understand how to align a great medical center's missions and goals. That alignment will produce a bend in the cost curve in the direction of population health and the redesign of care, all of which are crucial to prosperity in the next generation.

Fidel: That seems like a very particular skill set and perspective, and one that people have not specifically

trained for in the past. Where do we find people with that ability within healthcare?

Bernard Jones: Our healthcare delivery system has a long history of federally funded research, data collection, and innovation. There are leaders in every corner of the country and across every tier who are experimenting in this highly competitive environment. Out of this context emerge leaders who are theoretically grounded, empirically supported, and experienced, who understand where we came from and where we are going. Part of the challenge is that many of them are embedded in organizations that incubate talent internally, which can make them more difficult to find. An effective search firm knows where to look for and how to identify those leaders.

What makes a search firm effective? Or, more precisely, what is required for a successful search?

Bellshaw: Much like the leaders you are looking for, you have to really understand and be committed to the mission of these organizations in order to find the right people – the ones who understand the motivations of their workforce and who can effectively balance mission and economic pressures. Finding the right leader takes time and investment, and the ability to appropriately ‘disrupt’

a successful potential candidate’s life to get them to think about the potential of a new opportunity.

Gaffney: As the criteria become more stringent and the competition for top candidates more intense, organizations feel strong pressure to accelerate a search. There is a drive to narrow candidate pools earlier and move to a finalist rapidly – sometimes too rapidly, considering the amount of referencing and due diligence required. This is a tension in these searches, and we have to manage it carefully.

Jones: That intensity means that, to conduct these searches successfully, it is essential to engage a full staff of professionals – from consultants to logistics experts to reference and background checkers – who understand today’s healthcare context. We know what it takes to succeed in that context, and we know how to find the people with the skills, knowledge, and experience to become the great healthcare leaders of tomorrow.

Bellshaw: Our placements are the people who will defend and strengthen the organizations involved in these mission-driven activities. This work is not for the modestly talented or the faint of heart; this is tough stuff. And finding the right leaders can help organizations thrive. This is what we do.

DO YOU HAVE THE RIGHT CEO FOR YOUR CURRENT BUSINESS CLIMATE?

Mercedes Chatfield-Taylor – Managing Partner at Caldwell Partners – Outlines Leadership Qualities for Business Cycles



Some private equity firms make investments that span a variety of industries, while others may focus on one specific sector. Each sector has its own defined expansion and contraction periods, and a CEO who excels at managing their companies during one phase of the cycle may not be the best person for the job in a different cycle. In the following article, Mercedes Chatfield-Taylor, managing partner at Caldwell Partners, answers some pivotal questions that are being asked about business climates and how leadership models are being challenged.

Ms. Chatfield-Taylor is the leader of Caldwell Partners' venture capital practice and a member of its technology, consumer digital and media teams. She focuses on executive level search for high growth technology companies with deep expertise in software as a service, social, ecommerce, gaming and other transformative technologies. Prior to joining Caldwell, Ms. Chatfield-Taylor held leadership positions at executive search firms including Heidrick & Struggles where she helped re-establish and run its global venture capital practice, Highland Partners, and iCOM Consultants, an emerging technologies boutique she co-founded in 1999 to address the unique hiring needs of venture-backed technology companies. Before founding iCOM, Ms. Chatfield-Taylor was vice president of VF&Co, a Silicon Valley-based HR consulting firm where she established and managed their executive search practice. Prior to that, she was vice president of marketing for XL Insurance, a global excess insurance, reinsurance and financial risk-management company, with holdings of over \$13 billion. Ms. Chatfield-Taylor managed XL's marketing efforts at their head office in Bermuda before moving to Sydney, Australia to open the company's first office in the Pacific Rim and lead its efforts to impact the difficult Asian/Pacific insurance and financial risk management industry.

Global economic factors such as energy prices, geopolitics, industry maturation, obsolescence through disruptive business models as well as general microeconomic factors may dramatically change the original thesis used to make the initial investment and thereby challenge the leadership model of a portfolio company.

"There is no one current business climate/cycle for portfolio companies, as each is different," stated Brent Williams, managing director and member of the Investment and Management committees of The Halifax Group. "Some are cyclical, some counter-cyclical and all with different drivers."

Where Some Sectors Blossom, Others Slump

Although the common belief is that periods of economic expansion are good for business across the board, this isn't the case - and, conversely, not every company and industry suffers during tough times. In a white paper published as part of Fidelity Investments' quarterly Leadership Series Compendium, the financial services company's Asset Allocation Research Team broke down the different phases of the business cycle:

- Early cycle, a.k.a. the preliminary recession recovery phase
- Mid cycle, a.k.a. the momentum-gathering phase that culminates in peaking growth
- Late cycle, a.k.a. the pre-recession phase when profit margins deteriorate and growth rates stall
- Recession

The team went on to offer examples of industries that flourish and wane during each period:

- **Early Cycle:** Interest-rate-sensitive industries such as the financial sector perform well, benefiting from increased borrowing. Meanwhile, IT and industrial areas tend to experience boosts in anticipation of economic recovery. The energy, telecommunication services and utilities industries typically lag in these circumstances. Expansion-minded, innovative CEOs thrive during the early cycle.
- **Mid Cycle:** The IT sector performs best during this phase - particularly the software and hardware markets - thanks to companies' increased willingness

to make capital expenditures. The utilities and materials industries usually top the list of laggards. With business chugging along in the mid cycle, CEOs who refuse to rest on their laurels and instead look for ways to improve upon the current status quo can take their companies to the next level during this phase.

- **Late Cycle:** In response to inflationary pressure buildup, the energy and materials sectors flourish, alongside health care. IT stocks, however, often take a dive. Pragmatic CEOs who do what it takes to ready their companies for the inevitable recession phase are extremely valuable during the late cycle.
- **Recession:** Industries that provide staples on which consumers are less likely to cut back tend to do best in a recession, such as healthcare, telecommunications and utilities. The technology and industrial industries are typically hardest hit, while the financial sector also experiences a downturn. This is the phase within which “wartime” leaders excel.

Companies in some sectors come into their own during recession conditions, while others blossom during the different phases of recovery.

What is the Current Business Climate for a Portfolio Company?

Although enterprises may reach their peak performance during different points in the business life cycle according to which sector they belong to, it is still possible to make industry-agnostic assertions about today’s corporate climate. In a word, it can be described as “positive.”

“The economic environment has been very favorable over the past several years,” said Tim Meyer, co-founder and managing partner at Angeles Equity Partners. “Those portfolio company CEOs [who] used the recession to strategically reposition their businesses are benefiting from the growth and expansion cycle that we are now experiencing, particularly in North America.”

Peter Stein, managing partner at Trinity Hunt Partners, echoed Meyer’s sentiments.

“For the most part, we are in a climate of expansion as most of our portfolio companies operate in industries outside

of the oil patch,” Stein stated. “Whether [our companies operate within the areas of] dog food, depositions or eating disorders, we are seeing continued demand for our services and expect this environment to continue for the next several years.”

Meanwhile, Dominic LaValle, managing director of the Private Equity Group at Sowell & Co., was more cautious in his assessment, describing a “generally ‘stagflationary’” economy.

“In commoditized industries, it’s difficult to grow revenues via volume increases, although price increases have been available,” he elaborated. “Innovating new products and services that meet customer demands for more speed, ease of use, quality, and/or customization has been a better source of growth.”

Do Companies Have the Right Leadership for Their Current Business Cycle?

Leadership can make or break a company. As The Halifax Group’s Williams put it, “The governor to prudent growth is managerial talent.”

Different types of leaders come into their own during different stages of the business cycle. Ben Horowitz of Andreessen Horowitz authored a defining blog post on the subject in 2011 that still holds relevance today. In the post, Horowitz defined the “wartime” and “peacetime” styles of management, noting that peacetime leaders excel at culture-making, working toward corporate goals, boosting innovation, empowering the workforce, etc. Meanwhile, wartime leaders are much more outwardly focused and must set aside blue-sky thinking in favor of a more survival-based mentality that’s necessary during periods of instability.

Wartime and peacetime CEOs have very different skill sets, goals and management techniques. For Trinity Hunt’s Stein, the current climate is ideal for growth-focused peacetime CEOs to excel.

“In most cases, we have CEOs in place that are focused on growth of our businesses, whether organically and/or through add-on acquisitions,” he said. “This is the right time to be aggressive and our CEOs are pursuing those types of strategies.”

Sowell's LaValle asserted that determining if a firm has the right leadership in place goes beyond simply assessing whether the standing CEO is a good fit for the job.

After all, good CEOs know when and what to delegate, and engage in astute executive recruiting to build strong, qualified teams. In this regard, the question of whether a company's leadership is optimal given today's business climate can only be answered by looking at the C-suite as a whole.

Keeping Up With The Shifting Tides

Of course, no phase of the business cycle lasts forever. Myriad factors affect the length of the stages, but Fidelity's Asset Allocation Research Team ballparked each one's duration:

- Early cycle: Approximately one year
- Mid cycle: Roughly three-and-a-half years, significantly longer than the other phases
- Late cycle: About 18 months
- Recession: Less than a year, on average

Given the fact that PE firms typically invest in companies for three to five years, it's reasonable to assume that the enterprises will experience at least a portion of most - if not all - of the cycle phases during this time.

So, if CEOs tend to be more predisposed to lead during some periods than others, does this mean businesses should replace their leaders every couple of years?

"Some private equity firms look to match CEO talent to an investment, depending on where the business is in the economic cycle (e.g. growth CEO, wartime CEO, etc.), [and] some firms have even gone so far as to transition CEOs as the business moves from one stage of the cycle to the next," observed Meyer of Angeles Equity.

"In my opinion, this creates a lot of unnecessary and unproductive churn. At our firm, we are most concerned about finding CEOs [who] have the right mix of capabilities and personality to execute the investment 'full potential' blueprint throughout the entirety of our hold period."

The Bottom Line

A core tenet of quality leadership is flexibility and the ability to roll with the punches. With this in mind, PE firms attempting to assess whether the companies in which they're investing have the right leadership for the current business cycle should consider "zooming out" to instead consider whether the enterprises have the right leadership, period.

At Caldwell Partners, we can help you find the right CEO pre-deal, midstream or when preparing for an exit.

Some companies prefer to make a long-term bet and stick with the same CEO through changing economic conditions and phases of business, while others are open to the idea of bringing aboard someone new once their focus shifts.

Either way, turning to an executive search firm tends to deliver better results than adhering to the "hope and pray" approach.

BIG DATA, BIG RISKS, BIG OPPORTUNITIES

Joyce Brocaglia, Founder and CEO of Alta Associates, Examines the Evolution of the Information Security Sector



Twenty years ago the world was really a different place in terms of technology and the amount of data that employees, customers, and partners had access to. At the time, recruiting information security officers was very focused on securing main frame systems and the perimeter. Companies looked for people that were highly technical. In the following interview, Joyce Brocaglia, founder and CEO of Alta Associates, discusses the substantial pickup in recruiting when companies started to replace their existing technology leaders. Ms. Brocaglia outlines how the “new” executive CISO evolved; one that had a much more holistic approach to risk management and who really enabled businesses by

providing value and articulating solutions in a language that made sense to business leaders.

Since its founding in 1986 Alta Associates has become a prominent boutique executive search firm specializing in information security, IT risk management and privacy. Ms. Brocaglia is a strategic advisor to her clients. She founded the Executive Women’s Forum on Information Security, Risk Management and Privacy. She has acted as the career advisor of CSO Magazine and author of the monthly “Career Corner” column for the Information Systems Security Association (ISSA) Journal. Ms. Brocaglia also served on the board of advisors for the ISSA and International Information Systems Security Certification Consortium (ISC2). She also tells us why the financial services and healthcare sectors are focusing in on information security.

What events led you to settle on recruiting talent for the security and IT risk sector? I know that you were retained by Citigroup in 1994 after the Russian incident where they had hacked into the bank’s computers.

Brocaglia: I actually founded Alta in 1986 and, at that time, one of our largest specialties was IT audit. Believe it or not, that was a hot growth area at the time. Then, in 1994, the Russians hacked into Citigroup’s computers and the bank then hired their first ever chief information security officer, Steve Katz. Steve contacted Alta to build his information security organization. We knew that IT auditors were already looking at data centers and applications controls, and those people combined with folks coming out of the government and military made ideal candidates for what became the first ever information security organization for Citi. So fast forward 20 years and we are the leading boutique firm specializing in cyber security and IT risk management. That’s why when a major retailer was breached last year, they came to Alta to perform what was probably the most high profile CISO search ever conducted, and that was just one of many CISO searches we did last year. What I can tell you is by the end of the search quarter this year we have been retained for over 50 searches specifically in information security and IT risk.

How active were companies 20 years ago in this functional discipline and at what point did you see a substantial uptick?

Brocaglia: Twenty years ago when we were recruiting information security officers the world was really a different place in terms of technology and the amount of data that employees, customers, and partners had access to. At the time the role was very focused on securing main frame systems and the perimeter. So we looked for people that were highly technical. There was a substantial pickup about four years ago when companies were starting to replace their existing technology leaders. A “new” executive CISO evolved; one that had a much more holistic approach to risk management and who really enabled businesses by providing value and articulating solutions in a language that made sense to business leaders. Companies were asking us to find executives for them that really could become the face of their information security organization; who could increase the credibility of their department; who could influence their culture; and then constructively partner, sell and deliver their security initiatives globally to diverse businesses with various risk policies. So I would say, initially, that was the push of having a kind of an “Ah ha” moment where companies realized, the position itself needed to be elevated. I also think another driving force was the increased volume and complexity of cyber threats as well. So many companies were starting to see these types of attacks on their organizations. The result was that senior-level positions were being created because the board and the

audit committee were starting to ask harder questions and regulatory requirements were demanding more compliance. These newly-created positions, therefore, began to really take more of a front office spot as opposed to just a back office technology function.

Obviously industries like financial services that need to protect the personal records of millions of individuals is clearly a prominent sector in need. What other industries are active?

Brocaglia: Financial services is probably the most evolved for obvious reasons: They have been moving large amounts of data and money for years and are huge targets to nation states and individual hacker attacks. There have been many high profile breaches where millions of credit card customers' information has been compromised. These breaches were a wake-up call to many major retailers who thought that being compliant to regulatory requirements like PCI was enough to be secure. But now they are dealing with enhanced PCI requirements and they have received advice from consultants and auditors who were quick to point out there were vulnerabilities and risks in their policy-oriented security programs. So they advised them to build more robust and formalized security organizations that quite often required them to bring on a first time CISO or elevate their current role by hiring someone who has much more strategic and leadership skills. Healthcare is another industry that has had a huge uptick in terms of their focus on information security, governance, IT risk, compliance and privacy. We are working with a number of healthcare organizations and technology healthcare companies that are making very dramatic changes in enhancing and increasing their budgets specifically around information security and IT risk. With the threat of cyber-attacks on the U.S., the importance of protecting our energy grid and other utilities is more important now than ever. So the energy sector is really increasing its focus on information security as well.

What types of positions are most sought after by companies today in security and IT risk?

At the senior levels it is the chief information security officer which is, by far, the most senior position in demand in information security. A lot of companies have developed

what we call business information security officers. In essence it's akin to being the right-hand person to the CISO and aligned to each of the business lines for that company. We see a lot of companies utilizing that person as a liaison relationship manager as a means by which to get security embedded into organizations through various business lines in kind of a partnership approach. For example, we are currently working for a financial services company, conducting a search for their chief information risk officer and, at the same time, we are currently placing candidates as business information risk officers in each of their divisions. We also are seeing a lot of companies that are looking for very strong architects – not architects from the general IT area – but carrying a specialty network security or applications security. So these are people who have both deep technical expertise and are actually able to design the framework and define the technical requirements to effectively drive a solution across the enterprise. These are some of the top positions that we are most frequently asked to find.

Have there been many newly-created positions as a result of this activity, and if so, what are they?

Brocaglia: Recently for a large Fortune 100 healthcare organization, we conducted a search for a chief data officer. They work cross-functionally throughout an organization to re-evaluate the data as an asset, versus a side effect of the business like finding a timeline to store data, how to classify the data, how to share it, how to store it and how to leverage it. And, as you can imagine, they will work closely with the CISO, with the chief privacy officer as well as with the digital marketing team, enabling them to securely leverage the information. With a new value placed on data analytics, companies are hiring data scientists as part of the overall information security strategy around big data. Due to very stringent regulatory requirements, some of our clients are now separating the role of the chief information security officer and the head of IT risk. Many companies are now hiring an enterprise technology risk officer who manages the strategies, programs, governance and the oversight of everything to do with IT risk. So, again, they would partner with the information security officer. But I think it is important to note that it is not as much the newly created position

that is important but, rather, the elevation of the roles in IT security and risk. These are positions that were once VP or director are now being graded as a senior vice president and those that were senior vice president are now being extended the opportunity to move into a C-level position. The majority of the head of the security and risk roles that we are placing all have the responsibility to present to the board of directors and to their risk and audit committees and they actually lead task forces or committees themselves.

What differentiates your firm from others?

Brocaglia: I love this question because I don't think there's another firm out there that's like us. I'll give you a couple of words that I think describes us and then I'll tell you how I think that those are truly values of our firm as well as why I think we are different. First, is just simply the knowledge that we possess. We were really the first firm to build teams of information security officers and those that support them. Our recruiters are all seasoned professionals and work every single day with security and risk leaders and hiring managers and candidates. They live, eat and breathe this industry and they know the players; they know the nuances, and they know the function inside and out. They are not just looking at the resume; they are looking at what is behind it. The second word that best describes us is 'trust.' Clients do business with people they trust. We are not just a recruiting firm, but rather truly a trusted advisor. Since we've been placing these professionals for so long we have relationships with industry leaders because we've placed them a couple of times in the course of their career progression. We've built their teams at various companies. We've earned their trust as their career coach personally. And professionally they know that we deliver. They know that we deliver in 'building world-class organizations.' I think what's really cool, and incredibly satisfying, is that the information security industry itself recognizes us in ways that most search firms are not. I was named as one of the 25 most influential women in information security. In 2014 *CIO Review* named Alta to their top 20 most promising enterprise security consultant firms. This year SANS Institute gave me a "Person Who Makes a Difference" award and *CSO Magazine* honored me with their very prestigious Compass Award, which is given for

outstanding achievement in security and risk management leadership. So, I don't believe there are any other recruiting firms that are recognized by the industry for their specific contribution to the industry they serve. So we are truly a part of that community and not just a vendor. I know we're not specializing in security because it's the new 'hot' thing that we could make a lot of money at. We're vested in this. And then when you talk about being vested and why they choose us, they do so because we're more efficient and we're a better value than our big box competitors. During a launch call we are already thinking of people who we know we are going to reach out to. We're not pushing it down to some researcher who's 'screen scaping.' We know these people. And our team utilizes something that we created called the Alta Advantage Framework. It's basically a process that includes a system that we have developed to assist our clients that includes job descriptions, identifying and preparing interviewers, determining what the market value is (because so many times people come to us without really knowing what it's going to cost to hire someone. Or, if I have \$300,000 to spend what kind of CISO can I get versus \$700,000 to spend). So they look to us as a subject matter expert. We include compensation estimates around real market data, and we help them define a timeline for the interviews to streamline the process which is very important in this incredibly competitive market. In most cases we are able to deliver our first qualified slate of candidates within the first 21 days from the launch of the search. Our goal is always to complete a search within 90 days. We don't charge a lot of administrative fees or anything like that. Our clients get highly customized service with the personal commitment of our recruitment relationship manager that they will own that search from beginning to end. We also stay up on all issues within this sector by attending and participating in major conferences. For example, at RSA, the industry's largest security conference, I spoke on a panel, led a peer discussion group, we hosted a cocktail party for industry VIP's and hosted a meet and greet for over 200 women where the CEO of RSA did our kick off.

Alta Associates is also a strategic advisor to companies on security and risk issues. Please give me an example of a typical scenario where a company would call you to advise them.

Brocaglia: I'll give you a couple of examples. I think the most prominent example was in 2014 when a major retail company had a very high profile breach. They turned to us and retained us to find their first executive-level CISO. We met with their head of HR, their general counsel, and their executive team and we worked with them to define the role and responsibilities of this newly elevated position. This organization was really in the news spotlight. So not only did they have to deal with the financial and the legal ramifications of their breach, they had concerns over the damage to their reputation and how that might affect their relationship with their customers. We knew that time was of the essence so we went right to work. We partnered with a great team of their top executives and, together, we were able to identify and interview a very high quality slate of candidates. So, from the launch of the assignment to acceptance took 60 days. I am proud to say that that CISO we put in is doing extremely well today and the company has recovered and is much healthier almost a year later. Another example was from this year. We were contacted by a Fortune 500 manufacturer who reached out to us with the consent of their board of directors and their audit committee. This was a priority initiative in which they wanted to hire their first CISO. Prior to the decision to create a CISO position, the company's information security was very decentralized through the CIO's organization. They recognized that they needed to bring in a cybersecurity executive at a much more advanced level who could set strategy and direction and then define the overall security posture by creating a centralized function. So, we were retained, not only to place that CISO, but to also build a team of over a dozen sitting members in areas such as security architecture, project management, IT risk, incident response, access and identity management. And then, as is often the case, our success led to another search opportunity: the CIO retained us to fill positions outside of information security including the global head of infrastructure and operations and a couple of others. Therefore, not only do we conduct search assignments in information security, often times they lead to assignments that are outside of security but are still technology related. We are also often retained by companies who already have a CISO but want to bring an executive on board who has

either a stronger leadership presence or stronger strategic ability. As an example, a major financial services company retained us last year because they wanted to elevate their CISO role with someone who could also be accountable for IT risk and who really had the ability to manage key relationships with regulators. We have vast experience in the financial services industry and that allowed us to fill that role with someone who really elevated the status of the role within that financial services company. A number of our financial services clients ask us to perform searches for security and risk executives that also have experience in managing relationships with key regulators as compliance is becoming an increasingly more important and complex part of their jobs. We are also working with two clients now who are looking to bring in their first-ever CISO. One is a software company that has a very strong technical team and recognizes that they need to hire someone to develop a formal overarching security strategy. The other is a healthcare company that understands that they have data and legal obligations and they want to make IT security a competitive advantage. Up to this point security has been a less important subset of their culture. But since they are a healthcare technology company they wanted to find somebody who was immediately credible to the existing team but could also help them on this vision that they have of being stewards of personal information.

Where do you see the future of security and IT risk in the next five to 10 years? How much will it expand? And how will companies approach talent in this area?

Brocaglia: Well, our theme for the Executive Women's Forum National Conference this year is 'Big Data, Big Risks, Big Opportunities.' I think that really highlights the future of security as well. There is currently what I would describe as negative unemployment in our field, which reflects the current demand for cybersecurity professionals. The estimates are about 1.4 million information security jobs will be in existence by 2020, and there are statistics that show the demand for information security is growing 12 times faster than the overall market demand. This year alone there was a 46 percent increase in the number of breaches and 43 percent of companies were hit by an attack. And 60 percent of those companies were hit twice or more. There

is a saying that there are two types of companies: Those that have been attacked and those that don't yet know they've been attacked. I don't see that as changing but only increasing. As I mentioned earlier, with the Internet and the connectivity of the world today, the complexity of the role of the information security officers and their teams is only going to continue to expand and grow. So I'm glad that my firm is helping to be part of the solution.

Information security is a male dominated field. I understand that you are passionate about advancing women in your industry. Why?

Brocaglia: As a leader in information security I have had the pleasure of working with so many exceptional women in our field. Although I knew most of these women they really didn't know each other. My idea of hosting a cocktail party for amazing women I knew turned into a three day conference in Florida for over 100 women. From that base the Executive Women's Forum on Information Security, IT Risk Management and Privacy was born. That was 13 years ago and we are now the largest member organization in our field for prominent influential leaders as well as those with high potential. We host a conference each year that gathers over 300 of our female thought leaders. And aside from the conference our members also participate in an online community and in many programs throughout the year. Today we have over 25 Fortune 500 companies that serve as corporate benefactors and who are active partners in helping us achieve our mission: advancing women through education, leadership development, and creating trusted relationships. There is something magical that happens when we get these women together. We are also involved in two philanthropic initiatives. We have just given our tenth full master of science degree scholarship to Carnegie Mellon for a young woman, and the second is the 'Cyber Security School Challenge' which I created. We have now educated over 100,000 kids on how to be safe online. So I believe that's my legacy.

What led you to launch a leadership development program? How is the leadership journey helping companies throughout the U.S. to advance and retain women and minorities in all fields?

I decided to develop this because so many women had expressed to me that they were really dissatisfied with their leadership training that they were being offered where they worked. They would attend a workshop and perhaps even an inspirational speaker would come in to address them. But at the end of the day went back to their desks with a binder full of information and, even if it included a really great speaker, they still had no practical information of how to get things done. At the same time my clients were telling me that women, especially in technology, were opting out. They were really good at starting things and they had plenty of programs for women and minorities, but nothing that had the pull-through and stickiness that they wanted. So we met with about 30 women over the course of a few months and we asked them 'if you had no limits what would you create as an ideal program?' And basically they told us they wanted a program that mirrored a lot of what they valued the most about the Executive Women's Forum. Being part of the community was important to them. They liked interacting with their peers. They wanted it to involve action learning. They wanted a program that was interactive and not just be lectured to like many of the speakers who came to their companies. At our conference, I often get on stage and I tell these women that I love them, and I do, because I care not only about achieving their professional goals but their personal dreams. So they wanted this program to be holistic and address their personal and professional needs which they wanted to expand over a period of time. So we put all that together and developed the Leadership Journey, which is really a comprehensive virtual leadership program that equips women with the skills and competency to lead at a senior level and focuses on self-awareness, personal capacity and the resilience to flourish in critical roles. Our inside-out approach to leadership is based on positive psychology. This model is focused on improving on the person's strength and it's also aligned with current research that highlights the importance of a leaders self-awareness, emotional intelligence and ability to connect and engage. Companies all over the U.S. are launching the Leadership Journey program for high potential women. Participants are led by an executive coach over a 12-month program that increases their personal leadership capabilities. And, companies are benefiting by developing a bench of readily

promotable leaders and an internal network of alumni. This fosters a much more positive culture that is aligned with their corporate goals. We are seeing a transformation and it's very, very exciting. Not only are companies utilizing the Leadership Journey for women, but they are utilizing it for their employee resource groups. They are taking the leaders of these groups and putting them into cross cultural cohorts who share best

practices along the way. We have a client right now that has 15 employee resource groups that represents about 10,400 employees in their company. So we are taking the leaders of these employee resource groups and putting them through a Leadership Journey together. Part of their class project will be to see how they can create a more cross functional minority/diverse organization. It's got a far reaching impact.

LEADING TRANSFORMATION AND MANAGING CEO SUCCESSION

Geoffrey M. Champion, Chairman & CEO of ChampionScott Partners, Outlines the Stages of Company Transformation and CEO Succession



Companies evolve through natural stages of development and transformation – from start-up to market penetration, market acceptance, growth and, finally, sustained growth and continuous innovation. Each stage has different business dynamics that can define success or failure, and therefore require different leadership skills to achieve critical objectives. Geoff Champion, chairman and CEO and founding partner of ChampionScott Partners, believes that the most successful companies for each stage of development often have CEOs with core attributes that match to archetypal personalities which are uniquely distinct, albeit possessing similar characteristics, from one of these stages to the next. Public company boards and private equity firms prioritize recruiting exceptional talent to their portfolio companies as a critical responsibility as investors and board

members. Acting as highly effective mentors, advisors and coaches of the CEO or as succession managers, the board of directors deliberates, analyzes and diligently manages important issues and constituencies to support the evolution of their companies through these phases, to ensure the success of the company for all stakeholders.

Geoff Champion's industry experience entails working at the most senior "C" levels for large scale and middle market companies in the U.S., Europe and Asia. He has conducted board, CEO and senior executive appointments for leading edge companies in the digital media, business to business services, telecommunications, consumer, educational services and financial technology sectors throughout the world. Prior to his career in executive search, Mr. Champion was executive vice president of client sales & services for the AC Nielsen Company. He also held positions with Dataquest as vice president and managing director of Europe. Prior to Dataquest, Mr. Champion held senior management roles at McDonnell Douglas Information Systems. Prior to co-founding ChampionScott, Mr. Champion was president of the advanced technology practice of Korn Ferry.

The stages of company transformation and CEO succession are:

Stage: Start-up The Visionary CEO

At this stage in a company's development, the key business issues revolve around defining the product, qualifying and quantifying the market opportunity, and identifying competitive threats. Typically, the team being built is almost 100 percent focused on research and development, engineering and product development and producing the right product for the targeted buyer or user.

The skills needed by a CEO for a company at this stage are creativity, vision, and the passion to attract others to buy into the dream. The CEO's focus is on defining and validating the market opportunity, product features and functionality.

Stage: Market Penetration The CEO Quarterback

Companies at this stage are facing commercial issues: launching the first product and evangelizing the product in

selected markets. The focus of the entire company at this stage is on customer acquisition, creating early sales wins, and developing case study client successes that can be leveraged for further market penetration.

The skills needed by a CEO at this stage are heavily weighted towards business development and sales. The CEO often is the most effective salesperson in the company – and a hands-on approach is critical to creating initial sales wins. The CEO at this stage must still have many of the qualities of a visionary – particularly when it comes to being a "magnet for talent" to build out the team. Thus, the American football quarterback as an archetype: a great all-around performer who leads the team by example.

Market Acceptance and Growth The CEO Coach

At this stage in a company's development, it is no longer a question of whether or not the company will be able to achieve success. The question is how much, and how quickly. The key goals for the CEO are to build sales and services infrastructure, enter new geographies and

markets, and manage for rapid growth. The skills needed are experience in professionalizing sales, marketing and services to create repeatable processes, and building a corporate structure to support growth. The company's growth is now not merely confined to a local geography. The CEO must have a global mindset, and must infuse that throughout the organization. While the CEO is likely to still be involved in critical sales situations and partnership negotiations, at this stage the CEO's role must evolve into coaching others, and making sure the best performers are given the opportunity to succeed, or fail, on their own merits. The CEO must possess the ability and capacity to understand the firm's customers and partners and translate them into business opportunities and profitable revenue.

Sustained Growth and Continuous Innovation The CEO General

Companies that reach this stage of development face the issues of managing for efficiency and profitability, extending or paring product lines, and defending existing positions. The skills needed are professional management – with a focus on managing to maximize the bottom line, and delivering new products and services in a repeatable fashion. CEOs at this stage will ideally have merger and acquisition experience, and strong experience managing global operations. The CEO is likely to have strong “lieutenants” reporting to them – with the CEO responsible for devising the overall strategy and picking the right lieutenants to lead divisions or functional groups within the overall company.

When and How to Manage CEO Succession

The requirements of each stage of development are so different that it is very unusual to find one person who can effectively lead an organization through more than two or three of those stages. It is equally unusual to find one person who truly enjoys the issues related to a very early stage start-up and a much larger, more mature organization. In addition to the skills required being different for each stage, the personality types that are attracted to different stages of company growth are quite distinct. The only individuals that tend to remain passionately involved in a business across all stages of a company's development are

founders, and they typically lack the critical skills necessary to be an effective CEO.

A key tenet in managing CEO succession is that sooner is typically better than later; most boards change CEOs too late. The ideal time is often just prior to or just after a company moves from one stage in the lifecycle to another. Of course, a change should be made immediately if the CEO doesn't show passion for leadership, and unfortunately, this happens frequently. Sometimes their passion wanes because the CEO becomes burned out from the pace and challenge of building a company, and sometimes it is because they are personally motivated by building, rather than managing. In either case, a quick change is critical.

CEO leadership change is difficult under any circumstance with the potential to be massively disruptive or a motivating shot in the arm. The best way to minimize the potential for disruption is to be clear, sensitive and transparent. In closed settings, discuss the potential for change with the incumbent CEO, board and management team from the onset – using a company's potential lifecycle issues as the basis for those discussions. By applying the lifecycle needs of the company against the human capital skill sets needed to make the company successful at each stage, everyone involved can realize that success is measured by achieving the goals of one or two of the stages – not by tenure. At the start-up stage, it is important to show founders that they can have an important role in the company other than CEO, and that their success is measured not by their own title, but by the success of the organization they created.

Managing CEO Succession

In order to effectively manage the CEO succession process, the board of directors must prepare diligently to manage the most important issues and relevant parties that can make the process a true success for the company. The watch words of “Communicate, Communicate and Communicate” cannot be over-emphasized. Directly aligned with these watch words, the axiom coined by Lee Iacocca of:

1. “Tell ‘em what you're going to tell ‘em”
2. “Tell ‘em” and then
3. “Tell ‘em what you told them”

It is superb advice on how to manage the actual communication of the messages around the succession process. The process should be managed by:

1. Designating one person in leadership, preferably a board member, to speak to any and all stakeholders, clients, management team and media for the first 48 to 72 hours after announcement
2. Having a system in place to direct all calls to the designated leader – proactively and immediately answer all requests for information
3. Developing a sound and comprehensive media list in the sector (especially people that have covered the company in past six months)
4. Calling those media contacts and key clients directly the morning of the announcement (provides them control and creates enormous good will)
5. Making sure the severance agreement ensures the departing CEO does not make disparaging remarks about the decision/company/leadership (if the departure was not amicable)
6. Developing a press release that is short and sweet (five W's who, what, why, etc) regarding the departing CEO
 - a. Great guy wish him the best re: company
 - b. Confident in future and strategy of business and...
 - c. Utmost confidence in the experience and ability of interim leadership (underscore confidence in leadership)
7. Be prepared and practiced (rehearsed) in speaking to the alignment of the decision with the strategy of the company

How to Work With an Executive Search Firm When Changing CEO's

Ideally, bring your search firm into your confidence as soon as possible – well before a change must be made. Searches take time – typically three to six months at the CEO level.

If you have a true partnership relationship with a good search firm, they should be able to help you think not only about when and how to change the CEO, but also whether or not the CEO should be changed. Sometimes CEOs just need the right lieutenants to backstop them with skills they don't have – with the right team, you may be able to avoid a change. Have the search firm assess the entire management team, not just the CEO.

If change is inevitable, but you want to keep the current CEO in the organization, have the search firm work with the incumbent to help them understand how they can take on a new role in the company. Whenever possible, make the incumbent CEO part of the solution.

Most importantly, get buy-in early on from the board and executive team that changes likely will be made as the company evolves. This makes changes infinitely easier when they inevitably do happen.