

HOW TO DO AN EXECUTIVE SEARCH

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How to do an executive search. This is the sixth article I collaborated on developing with Christian Muntean in his executive succession planning series following Western Manufacturing's board and senior management team as they plan for their founder, William's, successor. To read Christian's series of 7 articles, email him at Christian@christianmuntean.com. Be sure to let him know I sent you.

This article outlines what to expect when undertaking a typical executive search including how to engage a firm, what the process looks like, timeframes and costs.

[Join Western's search team as they begin the search.](#)

Ernie, the CFO and board treasurer, was meeting with Stephanie, the Director of Human Resources. They were on a video conference call with Adrian, their business consultant.

Carla, the COO, would normally have been on this call. But she recused herself from chairing the succession planning process when she announced her interest in being considered for the role of CEO.

This helped relieve the tension some of the leadership team's members were feeling. Everyone respected Carla. For a few members of the team, her announcement was exciting. In part because they hoped it meant they would not have to proceed with the search process. They liked Carla. And the search process felt long and more formal than what they preferred. It was nice to think that they might be able to find closure more quickly.

Other team members, however, felt frustrated about "skipping steps." They were concerned about a rush to make a quick and easy decision vs the right decision.

Either way, it was difficult to have these conversations with Carla sitting there, chairing the meeting, and having a vote. Her recusal alleviated that discomfort and allowed for a more open conversation among the team. The remaining group had voted Ernie and Stephanie to lead the process.

"Thanks for meeting with us, Adrian," Ernie began. "We've always done our hiring on our own. But we've never hired a CEO before. You mentioned that there might be value in using an executive search firm. We'd like to learn more about that."

"Also, Carla has thrown her hat into the ring for consideration. We all know and like her, is there any reason why we wouldn't just hire her and skip the search steps?"

Why Do an Executive Search?

"Good questions," said Adrian. "Here's the simple fact with this, and really most, leadership decisions. There are rarely 'right' and 'wrong' decisions. Usually, there are just 'better' or worse decisions."

"In this case, a formal executive search process is a much 'better' decision-making process. Unless the successor is a previously anointed family member or one who has been well prepared to ascend to the CEO position, the general practice has been to conduct the search. Even if it is assumed the internal candidate will be the chosen candidate, conducting the search confirms this assumption."

"Given that selecting your next CEO is the most important strategic decision facing the company, it's worth investing the time and resources into getting it right. My suggestion is you proceed with the search."

“There are at least five ways an external search firm will help do that:

First, *people who are too close to the situation are notoriously poor judges of quality candidates.* They also may be biased toward selecting an internal candidate. Retaining a search firm often helps overcome bias and enables optimizing the selection of a candidate who best meets performance expectations of the CEO position.

The 66% failure rate of successors of most small and midsize businesses indicates this. It’s not a random failure rate. It’s reflective of the tendency of organizations to make immediate and easy decisions. Much of that failure in choosing a successor is avoidable. The work you’ve done helps put you on the right side of that success ratio. Bringing in a reputable search firm will also contribute to this.”

“It’s worth acknowledging that William, who has so much of his legacy tied to this decision, has recognized this and completely removed himself from the search process from the beginning.”

“That’s true,” Stephanie agreed. “That must have been difficult for William. But it has really forced us to own the decision. I respect him for how he’s related to this.”

“Exactly,” Adrian continued. “Whether he learned it somewhere or instinctively recognized it – stepping aside from CEO succession decision making is considered a best practice, in most situations, for retiring CEOs.”

*“And **second**, while Carla may be a strong candidate, you really don’t know if she is the best candidate available.”*

Carla may be the best choice, or she might only look like it within the context of not considering anyone else. Casting a wider net, with the objective support of a search firm, gives you a more accurate sense of who is actually available and attracted to this position. There may be stars out there that you aren’t aware of. And doing so also is the means to confirm Carla is the best fit.”

*“**Third**, a search firm will help you review what is truly needed and what your expectations are from the CEO position.* This is particularly true for companies where it’s the founder being succeeded. They often create a role that is custom fit to them and has very informally defined roles and responsibilities. Regardless, this is an opportunity to evaluate what is needed and wanted from the next CEO.”

*“**Fourth**, opening this position up to other potential candidates, particularly internal ones, increases the sense of transparency and fairness.”*

Obviously, only one person will be chosen. But you want the process to feel right and be understandable for everyone involved.

*“**Fifth**, and related to the above, let’s imagine Carla is ultimately chosen. This process will validate that decision.* Also, if the role is tightly defined in advance, both she and the board will be realistic about what ‘is expected from’ versus what ‘was expected from’ William.”

“This way, it won’t feel like this was a “backroom” decision. If she were chosen, she’ll be able to begin leading freely without needing to deal with any cloud that might detract from her or the selection process’s credibility.”

“To summarize, it helps to use an executive search firm because it can:

- Improve the quality of the search and selection process

- Cast a wider net than what you are able to do on your own
- Validate and clarify the performance expectations of the position as well as the mutual expectations between the board and the CEO
- Increase the credibility of the process
- Increase the acceptance and credibility of your choice

Ten Factors to Consider When Choosing a Firm

“That makes sense,” said Ernie. “How do we find a good search firm? Are they all kind of the same?”

“Not at all,” said Adrian. “You should look for one that is both qualified to serve your need and is a good fit for you. I’ll give you a list of three executive recruiters who I recommend. But you can contact others as well. Here are ten items to look for:

- *Their process includes how they get to know you, your needs, and how they search, screen, and present candidates.* You want to understand and be comfortable with their process. You want to be confident that they aren’t treating you with a cookie-cutter approach.
- *Are they credible? Will they be taken seriously by ideal candidates?* If they don’t have a good reputation or have a poor one, they may scare off quality candidates.
- *Who will do the search?* For many firms, the person you initially speak to may seem very understanding and knowledgeable. But they may not be the person who will actually do the search. Make sure you know who will be doing the search and that you are comfortable with that individual.
- *Do they understand you? Do they understand the size of your company? Are they familiar with your geography and industry?*
- *What’s their approach to evaluating soft leadership skills?* Much of what makes or breaks a new CEO is how they interpret and manage priorities as well as how they relate to and communicate with others. How are these traits evaluated by the search firm?
- *What are their performance goals?* How long does it typically take them to bring a candidate to you? (Two to three months is common). What is the average time to fill a position? What is their success rate in filling a CEO position? What has been the average tenure of the CEO candidates selected by their clients?
- *Do they offer post-placement (on-boarding) support services?* There are often little wrinkles that need to be ironed out with a new placement. Do they offer any type of support, for a set time, to help the new CEO transition smoothly into Western’s CEO position?
- *What do their references say?* Ask for references from organizations who needed the same kind of position filled as you do. It helps if those organizations have similarities to you as well.
- *What are their payment terms?* Some firms operate on a retainer, meaning you commit to only working with them and they commit to finding whom you need. This is more common for executive search firms. Others operate on a contingency basis; they are only paid upon success. This is more common with firms that focus on staffing. There are pros and cons to both. But you should ask. Whatever the process is, it should be clear to you.
- *Do they offer a guarantee?* You should expect some kind of 6-month or 12-month guarantee. This means that whomever they place with you should work out for at least that amount of time.

What The Search Process Looks Like - At a High Level

“That’s helpful and makes sense,” Stephanie said. “But what does a search process typically look like?”

“Yes, another good question,” Adrian said. “Each firm’s process may be a little different. But generally, they’ll all go through these steps:

- **Assessment:** They’ll gain an understanding of you, your situation, your needs, and what you are looking for. They also will assist you in clarifying the position's profile for announcement purposes. This will help the search firm screen candidates for your CEO position.
- **Develop a search strategy & process:** The process should match your needs as well as the candidate you are looking for. Not all candidates can be found using the same set of tools. Highly competitive or niche markets need to be approached differently.
- **Conduct a search:** They’ll carry out the strategy and process.
- **Identify and qualify:** They’ll find, screen, and pre-qualify potential candidates and narrow that list down to the ones who are right for you.
- **Present candidates and set up interviews:** They’ll offer you a shortlist of candidates. From that, you may choose whom you’d like to interview.
- **Conduct reference, background, and behavioral screening checks:** References of the candidates whom you are interested in will be checked including confirming their credentials, employment history, verification of any irregular behaviors, credit records, etc. In addition, it is advisable to request the search firm facilitate communication and leadership behavioral assessments to determine a candidate’s fit with the position’s soft leadership skill requirements.
- **Extend offer and negotiate:** After you’ve chosen your preferred candidate, an offer will be given and the search firm may help with the negotiation process.
- **Seat the candidate and follow up:** Assuming acceptance, some search firms may offer support services to you and the executive to ensure a successful onboarding transition.”

How Long It Typically Takes

“Wow!” Said Ernie, “I had no idea that much was involved. I guess I was just thinking that they got on LinkedIn and asked people to apply for the position. I can see how this could be very helpful. How long does this process usually take?”

“I’d expect anywhere from one to two months to be presented with candidates,” Adrian said. “ plus up to a month for negotiation. Then whatever time frame is required for the candidate to relocate (if necessary) and join your team.”

What to Keep in Mind in Terms of Cost?

“That’s helpful.” Said Ernie. “I guess it helps me see that we shouldn’t wait too long to get the ball rolling on this.”

“That’s “right,” said Adrian. “However, the work that you’ve done up till now will actually help the process go much faster. You have a much higher level of clarity and certainty about what you are looking for than you did a few months ago.”

“Ok, one last question then,” said Ernie, “And as CFO I have to ask this, what does it typically cost?”

"Of course," said Adrian, "Very large search firms often charge more. Boutique or smaller firms may not charge as much. Generally, you should expect to pay between 25%-35% of the executive's starting salary including signing bonuses in addition to the search firm's out-of-pocket expenses (travel, facilitation of assessments, background checks, etc.). You'll want to ask the search firm to describe what you should expect."

The value of a formal search process

"That's a chunk of change," Ernie said. "Seems like we could save a lot of money and time if we just hired Carla."

"That might be true," agreed Adrian. "At least in the immediate term. Internal hires often prove to be the best hires. And, in my opinion, Carla has a lot going for her as a candidate."

"But going back to the highly dynamic and often emotional nature of this kind of search, it's worth following a solid process. That way there is a high level of confidence surrounding the selection decision and the new leader has fewer initial hurdles to overcome. If you end up hiring Carla the search process will enable you to confirm you made a good decision. It also will enable you to communicate your performance expectations of her."

Keep in mind, that many boards find the cost much higher to personally facilitate a CEO search process (and potentially go sideways) compared to using an unbiased search firm. The search process also is not just about selecting a new CEO. It's about reducing uncertainty and disruption within your organization and partners and enabling a smooth transition upon William's retirement."

"That makes a lot of sense," said Ernie.

"Could we get the contact information of those search firms you recommend?" Stephanie asked, "I'd like to start reaching out to them this afternoon."

Afternote

Conducting an executive search often is a daunting, unfamiliar, and infrequent, task. Harvey frequently is retained to facilitate the identification and selection of CEOs, CFOs, Directors of Finance, and Directors of Operations. The majority of his clients include cooperatives, food processing companies, American Indian Tribes, Alaska Native Tribes, Alaska Native Corporations, and mid-sized companies with revenues between \$10 million and \$1 billion.

Harvey's **guaranteed** results-oriented ten-step search process is tailored to meet each client's specific situation and needs. To discuss his process or to introduce him at www.harveymeier.com to someone considering an executive search, please call him at 509-458-3210 or email harvey@harveymeier.com.