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top-tier talent

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hiring success

—
Gain insider secrets
to hire the optimum fit

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International Executive Recruiter



Executive Recruiting

by David E. Perry and Mark J. Haluska

FOREWORD BY Timothy Keiningham, PhD

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Executive Recruiting For Dummies®

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Contents at a Glance

Foreword	xiii
Introduction	1
Part 1: The World of Executive Recruiting	5
CHAPTER 1: 3, 2, 1, Blastoff! Getting Started with Executive Recruiting	7
CHAPTER 2: Talent Show: Why Talent Matters	13
CHAPTER 3: Rock and Role: The Role of Recruiting in Business	21
CHAPTER 4: Key Club: Identifying Key Personal Characteristics	29
Part 2: Planning Your Search	39
CHAPTER 5: Plan Do! Devising a Plan	41
CHAPTER 6: Team Up: Assembling Your Search Team	51
CHAPTER 7: Dividing to Conquer: Parceling Out Your Process	69
CHAPTER 8: Don't Be a Tool: Exploring the Tools of the Trade	85
Part 3: Doing the Pre-Search Prep Work	99
CHAPTER 9: Resign of the Times: Reacting to a Resignation	101
CHAPTER 10: Documentation Station: Generating the Necessary Documentation	109
CHAPTER 11: Research Party: Conducting Candidate Research	147
CHAPTER 12: What Is This Sourcer-y? Sourcing Candidates	159
Part 4: Locating and Evaluating Candidates	175
CHAPTER 13: Recruit Reboot: Recruiting Top Candidates	177
CHAPTER 14: Interview Interlude: Interviewing Top Candidates	197
CHAPTER 15: Point of Reference: Checking References	223
CHAPTER 16: Happily Ever After: Sealing the Deal	239
Part 5: The Part of Tens	257
CHAPTER 17: Ten Key Principles of Effective Executive Recruiting	259
CHAPTER 18: Ten Keys to Working Successfully with the Search Committee	263
CHAPTER 19: Ten Reasons to Use a Professional Recruiter	269
Glossary	273
Index	281

Table of Contents

FOREWORD	xiii
INTRODUCTION	1
About This Book	2
Foolish Assumptions	2
Icons Used in This Book	2
Beyond the Book	3
Where to Go from Here	3
PART 1: THE WORLD OF EXECUTIVE RECRUITING	5
CHAPTER 1: 3, 2, 1, Blastoff! Getting Started with Executive Recruiting	7
What Is Executive Recruiting?	8
Ace of Case: The Business Case for Executive Recruiting	9
A Demanding Supply Issue	10
Oh, Grow Up! The Growth of Executive Recruiting	11
CHAPTER 2: Talent Show: Why Talent Matters	13
Value Pack: Redefining Value in the Knowledge Economy	14
Paradigm Shift: Understanding the New Recruiting Paradigm	15
Triple Play: Three Steps for Tapping Top Talent	16
Step 1: Figure out what you're looking for	16
Step 2: Find people with the knowledge and qualities you seek	18
Step 3: Hire the person who best matches your needs	18
CHAPTER 3: Rock and Role: The Role of Recruiting in Business	21
That'll Cost You: The High Cost of Poor Hiring	23
Hocus Focus: Putting the Focus on Hiring	25
Fitty Cent: Fitting In ... and Fading Out	26
CHAPTER 4: Key Club: Identifying Key Personal Characteristics	29
Work Your Core: 28 Attributes of Successful Executives	30
Character	31
Intellect	32
Business intelligence	33

Leadership	34
Emotional intelligence.	35
Super Fly: Avoiding Superficial Evaluation Factors.	36
Flew the Coop: Building a Cooperative Culture	37
PART 2: PLANNING YOUR SEARCH	39
CHAPTER 5: Plan Do! Devising a Plan	41
Plan Up: Putting Your Plan Together	42
Sharing your plan	45
Looking at a sample plan	46
You SLA Me! Hammering Out the Service-Level Agreement.	48
Defining expectations in an SLA	48
Looking at a simple SLA	49
CHAPTER 6: Team Up: Assembling Your Search Team	51
Who's on Your Executive Search Team?	51
The hiring team	52
The recruiting team.	52
The support team	53
Search Me! Assembling a Solid Search Committee	54
Chair-y Picking: Selecting the Search Chair	55
External Affairs: Choosing an External Recruiter	56
Budgetary considerations	57
Retained recruiters versus contingency recruiters.	58
Niche recruiters versus generalists.	59
Big firms versus boutiques.	60
Critical questions for external recruiters.	61
The recruiter scorecard	65
CHAPTER 7: Dividing to Conquer: Parceling Out Your Process	69
Analyze This: Performing a Needs Analysis.	70
Confirming the need.	70
Defining the requirements.	71
What's Up, Doc? Generating the Necessary Documentation	71
Research Engine: Researching the Market	72
Source Code: Sourcing Candidates.	74
Recruit Pursuit: Recruiting Candidates.	74
The Big Short: Interviewing Your Short List.	75
Point of Reference: Checking References	76
Sound Off: Making an Offer	76
All Aboard: Onboarding the New Hire	77
Get Your Kicks: Hosting a Kickoff Meeting.	78
Here Comes Trouble: Troubleshooting Your Hiring Project	80

	When your search hasn't yielded enough qualified candidates	80
	When your hiring process takes too long	83
	When good candidates drop out after the first interview	83
	When good candidates refuse the offer	84
CHAPTER 8:	Don't Be a Tool: Exploring the Tools of the Trade	85
	Daily Digest: Our Everyday Tools	86
	Tools for connecting with professionals	86
	Project-management tools	87
	Assessment tools	87
	Communication tools	88
	Recruitment Rock Stars: Following Top Thought Leaders	89
	Even More Recruiter Tools	90
	Leading social networks	90
	Recruiter associations	94
	Mobile recruiting apps	95
	Miscellaneous recruiter resources	96
	PART 3: DOING THE PRE-SEARCH PREP WORK	99
CHAPTER 9:	Resign of the Times: Reacting to a Resignation	101
	Lizard Warning: Getting Control of Your Lizard Brain	101
	What not to do	102
	Reprogramming the simulator	103
	Next Steps: Key Decisions after a Resignation	104
	Do we really need a replacement?	104
	Can you use the succession plan?	105
	What level of competency is required?	106
CHAPTER 10:	Documentation Station: Generating the Necessary Documentation	109
	First Things First: Who Is Your Client?	110
	Order Up: Writing the Job Order	112
	What is the job title?	114
	Where is the job located?	114
	Who will the new hire report to?	114
	What does the position entail?	115
	What kind of compensation are we talking?	116
	Why is the position open?	116
	What type of educational background is required?	116
	What type of experience are you looking for?	117
	What type of management style would you prefer?	118
	What personality type would be the best fit?	119

How important is executive presence?	119
What is the pattern of growth or decline for the company, division, and/or group during the last two years?	120
How quickly does the client expect the new hire to make a contribution and what results does the client expect?	120
What is the key to success for this position?	120
Detail Work: Detailing the Job Description	120
Performing a SWOT analysis	121
Drafting the job description	124
Comparing apples to apples	127
Finding wiggle room	127
Soliciting input	128
Styling and Profiling: Composing the Position Profile	129
Ad It Up: Writing a Solid Job Ad	132
Bad job ad.	132
Attention-grabbing ad.	133
No Résumé? No Worries! Collecting a Confidential Candidate Brief	138
Building the form for a confidential candidate brief	139
A sample confidential candidate brief for a CFO	140
Reviewing a confidential candidate brief.	143
Guidance System: Creating a Detailed Interview Guide	143
Contents of the interview guide	144
Sample questions	145
CHAPTER 11: Research Party: Conducting Candidate Research	147
Hope Is Not a Strategy: The Importance of Candidate Research	147
Texas Hold 'Em or Fantasy Football?	148
Your Step-by-Step Research Guide	150
Meeting with the search committee.	151
Meeting with individual committee members	151
Seeking help from former candidates and from colleagues.	154
Scouring public databases for candidates.	154
Researching companies	155
Researching industries	157
CHAPTER 12: What Is This Sourcer-y? Sourcing Candidates	159
Back to the Future: Modern Sourcing.	160
Sock It to Ya: Sourcing's One-Two Punch	161
High-level sourcing	162
Ferreting out the details by phone	164

Wooly Boolie: Using Boolean Logic to Simplify Sourcing.....	164
Sample Size: Conducting a Sample Search	166
Searching on LinkedIn	166
Searching on Google.....	170
Keep It Going: Sourcing on an Ongoing Basis.....	172
Cruising alumni networks.....	172
Reaching out to your extended network.....	172
Keeping track of the competition	172
Building your brand	173
Stacking your bench	173
Powering up HR.....	174

PART 4: LOCATING AND EVALUATING CANDIDATES..... 175

CHAPTER 13: Recruit Reboot: Recruiting Top Candidates..... 177

Passive Aggressive: Passive versus Active Candidates.....	177
A-Listers: Paring Down Your List.....	180
Assessing your farm team	180
Sifting through résumés and online applications.....	181
Evaluating referrals from your network.....	181
Checking the hot list	183
Following up on your targeted list	184
Bench Press: Benchmarking Your Search	184
Choosing the benchmark candidate.....	186
Approaching and interviewing the benchmark candidate	186
After the interview.....	187
Head Case: Headhunting Prospects	188
Making initial contact	188
(Dis)qualifying the candidate.....	192
What's next?.....	196

CHAPTER 14: Interview Interlude: Interviewing Top Candidates..... 197

Stage Right: Understanding the Progressive Two-Stage Interview Process	198
Stage 1: Identify, evaluate, engage	199
Stage 2: The five-part robust interview	199
Preppy Handbook: Prepping for Each Interview.....	201
Sending the itinerary.....	201
Reviewing documentation about the candidate and position	202
Getting the hiring team up to speed	203
Preparing documentation for the candidate.....	203
Afterburner: After the Interview	204

Face Time: Conducting the First Face-to-Face Interview	205
Getting the candidate's story (again)	205
Fact-checking the candidate's story	208
Closing the interview.	209
Chair Up! Conducting the Search Chair Interview	209
Getting the candidate's story (yet again)	210
Assessing whether the candidate can deliver the desired outcomes.	210
Determining whether the candidate has solid interpersonal skills	212
Answering the candidate's questions and wrapping up the session	212
Closing the interview.	213
Next steps.	213
Hire Rise: Handling the Hiring Manager Interview	213
Assessing the candidate's systems thinking	214
Gauging the candidate's creative thinking.	214
Evaluating the candidate's leadership style.	214
Closing the interview.	215
Finishing the Search Committee Interview	215
Prepping for the interview	216
Conducting the formal interview.	217
Meeting informally	217
Next steps.	217
Present Tense: Carrying Out the Candidate Presentation Interview.	219
Candidate as Customer: The Importance of Candidate Experience	220
CHAPTER 15: Point of Reference: Checking References	223
Identifying the Two Big Questions Reference Checks Will Help You Answer	224
Can the candidate do the job?.	224
Is the candidate a danger to others or to your company?	225
Who Should Do Reference Checks? (Hint: The Hiring Manager)	226
Formulating a Plan	227
Who You Gonna Call?	228
Direct references.	230
Indirect references	233
Steering the Conversation	234
CHAPTER 16: Happily Ever After: Sealing the Deal	239
Pay Up: Calculating Compensation.	240
Compensation tips	241
Assembling a compensation checklist	242

Everything's Negotiable: Negotiating Like a Pro	245
Preparing for negotiations	246
Choosing the negotiator	247
Projecting a positive attitude	248
Breaking an impasse	248
Special Delivery: Delivering the Offer	249
Counter-Intuition: Dealing with Counteroffers	250
Agree to Agree: Composing a Solid Employment Agreement	252
All Aboard! Onboarding	253
Finders Keepers: Retaining Top Talent	254
Challenge	254
Communication	255
Compensation	256

PART 5: THE PART OF TENS 257

CHAPTER 17: Ten Key Principles of Effective Executive

Recruiting	259
Remember It's Always a Seller's Market	259
Sell First, Buy Later	260
Be Opportunistic	260
Use a Boutique Search Firm	260
Be the First to Walk Away	261
Build a Farm Team and Draft Only A-Players	261
Seal the Deal with Psychic Cash	261
Leverage Your "Manning Factor"	261
Qualify for Integrity	262
Don't Hire a Liar	262

**CHAPTER 18: Ten Keys to Working Successfully
with the Search Committee 263**

Identify a Clear Agenda for the Board	263
Agree on a Prioritized Sourcing Strategy	264
Articulate the Organization's Return on Investment for Recruiting	264
Set Realistic Expectations	264
Do a Reality Check	265
Be Consistent with the Messaging	265
Create an Emotional Link	266
Conduct a Discerning Candidate Analysis	266
Negotiate a Successful Offer	266
Let the Search Chair Close the Sale	267

CHAPTER 19: Ten Reasons to Use a Professional Recruiter	269
Satisfying Stakeholders	269
Easing Your Burden	270
Reducing Opportunity Cost	270
Being Nimble	270
Building Trust	271
Being Discreet	271
Inviting Continuous Improvement	271
Bringing Competitive Intelligence	272
Increasing Retention	272
Getting Your Money's Worth	272
 GLOSSARY	 273
 INDEX	 281

Foreword

When I first spoke with David Perry, it wasn't by choice.

David had been harassing me on LinkedIn for weeks. Finally, I gave him two minutes. I figured he'd do his spiel, I'd get bored, and then we'd be done. I get a lot of calls from recruiters, and they're typically over before they begin. Typically, they're far more focused on selling an opportunity than on truly understanding the role their client is looking to fill. I assumed that when I spoke with David, it would be more of the same.

I was wrong. Those two minutes soon turned into more than an hour.

David's approach was different. I could tell the minute he sent me the position profile, which was a detailed document that he himself had created, outlining the perfect candidate for the opportunity. The role he was recruiting for was in my wheelhouse, so he was talking to the right guy, but it was extremely rare to see it framed the way his client wanted.

David had already burned through nearly every company in the Fortune 500 without finding anyone qualified for the position — and now he was talking to me. I suggested my head of research and consulting — my second in command — for the job. I knew full well there was no chance he'd take it, and I told David just that. He must have taken that as a challenge, because within a few months — and after really getting to know the what's-in-it-for-me (WIFM) that made my head of research really tick — he'd won him over.

David's brand of raw determination shines through in *Executive Recruiting For Dummies*. This book is a game changer for anyone who hopes to attract top talent to their organization, but who doesn't necessarily want to engage an executive recruitment firm themselves or, if they do, who wants to extract maximum value from an executive recruiter. David and his co-author, Mark J. Haluska, step readers new to the world of recruiting through some of its most important elements, including why talent matters, the importance of research and of properly defining a position, and key personal characteristics that will ensure a good fit not only with the position, but also within your organization's culture.

Hiring the wrong person — especially for an executive role — is a critical mistake that at best can torch deals and at worst can sink a company. For proof, look no further than the anecdote relayed in this book about a meeting between Nike and basketball star Steph Curry, who at the time was a member of the company’s stable of athletes. Curry was set to re-up with Nike, but the meeting went badly. When the Nike official displayed a PowerPoint slide featuring another athlete, things went from bad to worse. Curry went on to sign with Under Armour, resulting in a \$14 billion boost to that company’s valuation — all because of a (seemingly) incompetent executive at Nike.

This kind of result simply doesn’t happen with David’s executive searches. There’s a reason why the *Wall Street Journal* nicknamed him the “Rogue Recruiter.” It’s because his approach is refreshingly different. He’s not just concerned with ticking a box and filling a role; he’s also concerned with the long-term fit of the candidate he eventually puts forward. It’s why he guarantees his placements for one year after the hire date.

Even though it took David 11 attempts on LinkedIn to finally get me to agree to a call, I’m now very happy I did. Sure, he coaxed my second in command away. But he also made me realize that there are good recruiters out there — and if you read his book, you’ll realize it, too.

Timothy Keiningham, PhD
New York Times Bestselling Author of *The Wallet Allocation Rule*
J. Donald Kennedy Endowed Chair in E-Commerce
The Peter J. Tobin College of Business
St. John’s University

Introduction

When we told our peers in the recruiting industry that we were writing this book, they said, “You’re crazy! Why would you give away your secrets?” But we felt differently. We believe anyone tasked with hiring *real* leaders should have access to a handy reference filled with expert-driven insight and information. And that’s precisely what *Executive Recruiting For Dummies* is.

These days, strong leadership is more important than ever. Companies with great leaders significantly outperform their peers. At the same time, globalization, attrition, and changing demographics have led to a scarcity of executive talent. As a result, the competition for top leadership talent is fierce.

In spite of this, most recruiters attempt to draw the best talent by focusing on people who are currently looking for work — the ones posting on job boards or responding to job ads. But your goal in an executive search isn’t to find the best talent currently looking for work; it’s to find the best talent, period. And trust us: The best talent *isn’t* looking for work. They already have a job — a *good* job.

All this is to say that you need to look at executive recruiting a little differently than the average recruiter. That’s what this book is for: to help you make this important shift.

If you want to ensure your company’s survival by hiring great leaders, you’ll need some effective way to find them, to hire them, and to ensure they stick around. This book outlines everything you need to do to achieve this.

But that’s not all. Before you can hire well, you need to take a page from the play-book of the ancient Greeks and “know thyself.” That is, you must know who you are and what you want as an organization. You can’t give proper guidance to an executive recruiter until you truly understand your business. This book will help you clarify your needs.

If you’re ready to build a winning executive team, stocked with the best talent money alone can’t buy, then *Executive Recruiting For Dummies* is for you!

About This Book

The structure of *Executive Recruiting For Dummies* is designed to help you get in and get out of the text with just the information you were looking for. Consider this book your ultimate executive recruiting reference tool. Read it in any order you want and bookmark sections you expect to return to again and again.

You'll notice several sidebars sprinkled throughout the text. (You can identify these by their gray shaded boxes.) These are simply extra tidbits that are interesting but not critical to your understanding of executive recruiting. You don't have to read them if you don't want to!

Within this book, you may note that some web addresses break across two lines of text. If you're reading this book in print and want to visit one of these web pages, simply key in the web address exactly as it's noted in the text, pretending as though the line break doesn't exist. If you're reading this as an e-book, you've got it easy — just click the web address to be taken directly to the web page.

Foolish Assumptions

As we wrote this book, we initially viewed it as a desktop and online reference for our clients. But we realized it would also serve the following types well:

- » C-level executives and search committees who want to understand how to best maximize their leadership recruitment return on investment (ROI)
- » Hiring managers responsible for building high-performance teams
- » Recruiters, both corporate and third party, whose mission is to keep up with the recruiting best practices that will enable them to deliver value to their clients and advance their careers

Icons Used in This Book

The little pictures in the margins throughout this book are designed to highlight information that's special and important for one reason or another. *Executive Recruiting For Dummies* uses the following icons:



REMEMBER

This icon points to pieces of information you shouldn't forget.



TIP

Wherever you see this icon, you're sure to find a good idea, trick, or shortcut that can save you time and trouble.



WARNING

Make sure to read the paragraphs marked with this icon; it indicates information that can help you avoid disasters.

Beyond the Book

In addition to the material in the print or e-book you're reading right now, this product also comes with some access-anywhere goodies on the web. Check out the free Cheat Sheet for info on conducting your own executive search, tools worth your time, and other handy info. To get the Cheat Sheet, simply go to www.dummies.com and type **Executive Recruiting For Dummies Cheat Sheet** in the Search box.

You can also go to www.executiverecruitingfordummies.com/downloads for templates and tools you can use in your next executive search.

Where to Go from Here

Where you start reading *Executive Recruiting For Dummies* is up to you. You can begin by perusing the table of contents and then hitting sections of interest. Or you can head to the chapter that addresses an area of executive recruiting you're currently struggling with. If, however, you're brand new to executive recruiting, we suggest you begin with Chapter 1. It provides an overview of why executive recruiting is important and how you can use it to connect with top talent and crush your competition!

1

The World of Executive Recruiting

IN THIS PART . . .

Define and make the business case for executive recruiting.

Gain an understanding of the knowledge economy and its implications on executive recruiting.

Grasp the high cost of poor hiring.

Identify core attributes of top leaders, as well as attributes that don't matter as much.

- » Defining executive recruiting
- » Making the business case for executive recruiting
- » Understanding why top executives are in demand
- » Tracking the growth of executive recruiting

Chapter **1**

3, 2, 1, Blastoff! Getting Started with Executive Recruiting

If you ever studied the American Revolutionary War in history class, you may remember reading about Baron Friedrich Wilhelm von Steuben, a military leader recruited by General George Washington to serve as the drillmaster of the Continental Army. Incredibly, von Steuben managed to turn a ragtag collection of farmers and stable boys into an officer corps that led the Americans to victory.

“Okay,” you’re thinking. “But what does that have to do with executive recruiting?”

Simple. General Washington’s forces faced a well-trained army of British conscripts and Hessian mercenaries. If Washington was to level the playing field, he’d need to recruit a skilled outsider who knew the enemy and what it would take to defeat them — namely, Baron von Steuben. Washington knew he couldn’t achieve victory with second-rate people — and neither can you.

In today's hyper-competitive environment, business is war! If you're going to win, only the best executives can lead the charge. Locating and enlisting these executives is what executive recruiting is all about.

What Is Executive Recruiting?

Executive recruiting is the act of locating, evaluating, assessing, and attracting a top-performing executive to an organization or company. Executive recruiting applies when

- » The search for a new executive hire must remain confidential.
- » The search is for an executive who will serve on the board or sit in the C-suite.
- » The skillset needed is rare or in short supply.
- » The annual salary is \$150,000 or more.
- » The position is in another country.

Most business decisions are small. A single sale, choice, or interaction doesn't add much value to a company — or damage it much if it goes wrong. Recruiting an executive, however, is a *big* business decision — one that can add tremendous value or destroy a company altogether.

Recruiting an executive — the *right* executive — is the single greatest opportunity an organization has to improve both performance and culture in one stroke. The fresh thinking brought by a skilled leader can unleash innovation, empower employees, and generate wealth for the company.

Hiring the *wrong* executive is another story altogether. A bad hire can mortally wound an organization and cause ripple effects throughout the entire economy.



REMEMBER

Recruiting an executive can make or break an organization.

Given its importance, it should come as no surprise that executive recruiting is, well, hard. Indeed, few initiatives are as demanding, disruptive, or strategically challenging as a leadership search. But when it's successful, executive recruiting is the only initiative that can move an organization or group to the next level.

Ace of Case: The Business Case for Executive Recruiting

According to a study by BTS Group and the Economist Intelligence Unit called “Cracking the Code: The Secrets of Successful Strategy Execution,” companies with great leaders significantly outperform their peers. Great leadership is also a prerequisite for strong employee engagement. That’s a big deal, say David MacLeod and Nita Clarke, authors of a report called “Engaging for Success: Enhancing Performance through Employee Engagement.” Here’s why:

- » Companies with low engagement scores earn an operating income 32.7 percent lower than companies with more engaged employees.
- » Companies with a highly engaged workforce experience a 19.2 percent growth in operating income over a 12-month period.

A study by the Corporate Leadership Council called “Driving Performance and Retention through Employee Engagement” revealed similar findings — most notably that companies with engaged employees grow profits as much as three times faster than competitors with a nonengaged workforce. And a 2013 report by Gallup, “State of the Global Workplace,” finds that engaged workplaces

are engines of job creation around the world. Companies with highly engaged workforces outperform their peers by 147 percent in earnings per share so it should come as no surprise that the companies with the most engaged employees have excellent leadership.

The point here is that hiring the right executives can reap tremendous benefits. And yet, all too often, it’s the *wrong* executive who gets hired. No one knows this better than Kevin Kelly, CEO of one of the world’s best-known executive search firms. Kelly’s firm studied 20,000 executive searches and discovered, as he informed the *Financial Times*, that “Forty percent of executives hired at the senior level are pushed out, fail, or quit within 18 months.” This, he says, is expensive in terms of both the costs associated with hiring the individual and lost revenue. It’s also, says Kelly, “damaging to morale.”

Others paint an even darker picture. For example, according to one study by the Corporate Executive Board, 50 percent to 70 percent of executives “fail within the first 18 months of promotion into an executive role, either from within or coming from outside the organization.” Of those, the study revealed, “about 3 percent fail spectacularly, while 50 percent quietly struggle.”

In a word, “Yikes!”

A Demanding Supply Issue

In the early 1800s, our forebears witnessed the beginning of a colossal economic transformation with the onset of the Industrial Revolution. Within a single generation, old city neighborhoods and rich farmlands were cleared out to make way for the construction of steel mills, rail yards, warehouses, and office buildings. To fuel this economic boom, people migrated from the far reaches of rural America to take on jobs they would hold for the rest of their working lives.

Today, old city neighborhoods and rich farmlands are *still* cleared to make way for trade and industry. (China and India are prime examples.) But now, businesses exist in a completely different environment than they did during the Industrial Revolution. The tidal wave of economic change, pressure to increase shareholder value by the quarter rather than the year, outsourcing and right-sizing — all these trends have greatly increased the demand for top talent.

Recruiting top executives is hard. And in the years to come, it will only get harder. This is due to three key trends:

- » **Demographics:** A lower birth rate in North America combined with the aging of the Baby Boomer generation has resulted in a contraction of available executives. In other words, when an older executive retires, few younger workers are qualified to fill his shoes.
- » **Brain drain:** In the 1980s and 1990s, companies may have saved money by trimming senior management ranks. But that brain drain coupled with attrition robbed them of their ability to grow the next generation of leadership.
- » **Globalization:** Companies in first-world countries have expanded their market around the globe. At the same time, countries that were once considered third-world nations have become economic powerhouses. As a result, the global need for executive talent has been pushed beyond our capacity to produce it.



REMEMBER

Over the last three decades, demographics, attrition, and globalization have profoundly affected the labor supply — particularly for executives. The result: a scarcity of executive talent. This global shortage of leaders drives organizations to aggressively seek the best.

In this talent-hungry environment, the rules of recruiting have changed. It's no longer enough to passively collect résumés. The people who have the talent you need — who can design a top product, manage complex projects, perform marketing miracles, sell new customers, or lead your organization — are already employed, can take their pick of top opportunities, and will make a career move only if the opportunity is truly compelling.

WHERE ARE THE YOUNG UP-AND-COMERS?

We mention that a lower birth rate — at least in North America — has made it difficult to fill the shoes of older outgoing executives. But that's not the only reason. Another cause is that few companies provide young workers with the training they need to advance. In fact, according to a ten-year study of executive performance by a leadership consulting firm called Navalent:

- Seventy-six percent of respondents indicated that “the formal development processes of their organization were not, or at best minimally, helpful in preparing them for the executive role.”
- Fifty-five percent of respondents indicated that “they had minimal, if any, ongoing coaching and feedback to help them refine their ability to perform in an executive role.”
- Forty-five percent of respondents indicated that “they had minimal understanding of the challenges they would face in an executive role.”

Although young executives have begun to assume senior and C-suite roles, according to Navalent, they lack the “experience, knowledge, relational [maturity], and emotional maturity necessary to sustain success.”

Waiting around in the hopes that your ideal executive will miraculously become available precisely when you need her is foolishness. You can satisfy your requirement for people with talent, tenacity, and dogged determination only by pursuing them.

This is the impetus for executive recruiting.

Oh, Grow Up! The Growth of Executive Recruiting

Executive recruiting is a specialized branch of management consulting. The mission of an executive recruiter is to bring your opportunity to a candidate's attention and assess his fit. That means reaching out to anyone the recruiter feels fits your needs — regardless of his current “availability.”

Back in the mid-1980s, when we launched our careers as executive recruiters, the profession was still in its infancy. Few people understood what it was. Honestly,

we spent more time explaining to clients what an executive recruiter did and why they should use one than we did actually conducting the searches!

Since then, the profession has grown by leaps and bounds. Indeed, as the Association of Executive Search and Leadership Consultants notes in its report “2014 State of the Retained Executive Search Industry Part One: An Overview of Retained Executive Search Worldwide”:

The success of this professional service has been exponential in the past 50 years as the global economy has developed, industries have become transformed, and mobility has made executive talent available to all organizations as a key facet of competitive advantage.

According to that same report, what began as a \$750 million industry in 1978 has exploded into one that pulled more than \$10 billion in 2013. And projected numbers for 2016 were even higher: more than \$12 billion.

Those numbers pertain to external executive recruiters — those providers hired by companies to help fill open positions. But in-house talent-acquisition teams are also on the rise. This is thanks in part to the cost of external recruiters, but also to the plethora of recruiters jettisoned by search firms during the Great Recession that began in 2007. These in-house teams have greatly lowered the cost of hiring executives under the \$150,000 to \$200,000 range.

IN THIS CHAPTER

- » Redefining value in the knowledge economy
- » Understanding the new recruiting paradigm
- » Tapping talent in three broad steps

Chapter 2

Talent Show: Why Talent Matters

In Chapter 1, we talk about how demographics, a brain drain, and globalization have led to a scarcity of talent. But that's just the half of it. Just as top talent has gotten sparse, it has also become increasingly important!

In recent years, we've entered an economic phase that's entirely new: the knowledge economy. In the knowledge economy, organizations rely on intellectual capital — knowledge — to achieve both tangible and intangible results. Indeed, companies in the knowledge economy often derive their value from intellectual capital — in other words, from the value of the knowledge possessed by their employees.

That's not all, though. As this new economy has evolved, it has also placed a premium on people's traits. According to Dov Seidman at *Harvard Business Review*, these traits include “creativity, passion, character, and collaborative spirit — their humanity, in other words.” Seidman continues, “The ability to leverage these strengths will be the source of one organization's superiority over another.”

In this chapter, we tell you more about the knowledge economy and how it has affected the world of executive recruiting.

Value Pack: Redefining Value in the Knowledge Economy

In 1994, Steven Spielberg, Jeffrey Katzenberg, and David Geffen formed a new Hollywood studio: DreamWorks SKG. Although each invested \$33.3 million, that was nowhere near enough money to get the venture off the ground. That meant the trio would need to attract investors — *fast*.

There was just one problem. As noted by Richard Corliss in an article published by *TIME* in 1995, “DreamWorks, which plans to make movies, TV shows, records, toys and computer software, has no film studio or recording studio, no products — indeed, no pedigree but its owners’ résumés.”

But oh, what résumés they were! Steven Spielberg was, of course, *the* Steven Spielberg — Oscar-winning director of such film classics as *Jaws*, *Close Encounters of the Third Kind*, *Raiders of the Lost Ark*, *E.T. the Extra-Terrestrial*, *Schindler’s List*, *Saving Private Ryan*, *Jurassic Park* . . . the list goes on. Then there was Jeffrey Katzenberg, who was credited with turning around Walt Disney Studios between 1984 and 1994. Films produced during his tenure included such family favorites as *The Little Mermaid*, *Beauty and the Beast*, *Aladdin*, and *The Lion King*. David Geffen was no slouch either, having launched several record labels during his career, including the eponymous Geffen Records.

DreamWorks SKG may not have had hard assets. But it did have the intangible value of its founders. Because of what these visionaries had done in the past, and because of what promise DreamWorks might hold for the future, investors from Seattle to Silicon Valley to Wall Street and beyond lined up — to the tune of \$2 billion.

We’re not saying hard assets are no longer relevant. But today’s new knowledge economy is built more on the intangible value of people — who they are, what they know, and their ability to apply that knowledge. Instead of resources or land, *capital* today means *human capital*.

Unlike resources or land, however, human capital has control over its own worth. That is, human capital — knowledge workers — can continuously invest in their skills and training to drive up their price. In a world where practically every organization has access to a certain baseline level of technology, *people* are the difference maker. They’re the value adder. As a result, the best people are highly sought after. If they choose to leave a company in the morning, they’ll be hired by someone else by noon. They’re in the driver’s seat — and they know it.

You’ll find that today’s top performers have a couple things in common: