

# CORPORATE ACCOUNTABILITY

## Director Recruitment Sees No Slowdown Despite Bad Economy, Top Search Firms Say

By Tina Chi



Beth Solomon

While recent economic turmoil has affected the hiring of corporate directors in certain ways, other factors have had an even stronger impact on the hiring process, a practice leader for an international executive search and leadership consulting firm told BNA Sept. 23.

"Heidrick & Struggles has not seen a decrease in director recruiting despite the current faltering economy," Randy Jayne, practice leader

for Heidrick & Struggles International Inc., said in a BNA interview. "This is because many director types actually thrive on the challenge of rejuvenating a struggling corporation, and are not unwilling to take on the responsibility."

*Meanwhile, Beth Solomon, a principal for CTPartners in Washington, D.C., told BNA Sept. 26 that in the wake of the failing economy, her firm has not seen a significant increase or decrease in director recruitment, and that business has been steady.*

**Factors Other Than Bad Economy Affecting Hiring.** Jayne acknowledged that while he has not seen a decrease in director recruiting, hiring directors has become more difficult because of factors such as the implementation of the Sarbanes-Oxley Act, increased scrutiny over corporate governance, and the growing role of institutional investors and watchdog groups. Jayne emphasized, "Boards need good directors for guidance in times like this."

Jayne also pointed out that with the recent onslaught of corporate scandals involving major companies such as Tyco International Ltd. and WorldCom, Inc., boards have been pressured to improve performance.

"Director candidates who are otherwise wellqualified for positions with several boards now must limit the number of offers they accept not only because it is required by most boards, but also because the demands of the job are higher," Jayne said.

**Boards Demanding More Expertise and Experience.** *Solomon reported that the director recruitment process has grown more complicated in the recent years due to increased demand for more experienced and specialized directors.*

*"The major change we have seen in director recruitment has been in the type of directors boards have been requesting. They want candidates with more finance expertise and international experience," Solomon noted.*

Jayne also reported a similar hiring trend. He added that boards have increasingly shown interest in candidates with knowledge and experience, particularly in the Chinese market.

Jayne mentioned that because boards are more eager to attract experienced directors with special focuses, they have also revised director compensation packages to match increasing demands.

*Solomon said, "Boards have offered more benefits to director candidates in hopes of attracting the attention of the limited number of highly qualified individuals."*

**Director Recruiting May See Increase.** Jayne forecasted that director hiring will likely grow in the near future as the large pool of baby-boomer generation executives retire.

According to Jayne, many boards have started setting mandatory retirement ages, often 70 to 72, which indicates search firms will be conducting increasingly more director searches in the years to come.

**Recommendations for Hiring Directors.** Jayne offered two recommendations for companies currently in the search to hire or replace a board director.

"First, the governance committee should generate a well thought out plan for strengthening the board that spans the next five to ten years." He added that this plan should include a list of top priorities that aim to make the board an even better asset to its corporation.

"Second, seek the aid of an independent, top executive search firm

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## CORPORATE ACCOUNTABILITY: Director Recruitment Sees No Slowdown (Continued)

that has the expertise, outreach capability, and time to devote to finding the best candidate." According to Jayne, the support of a search firm is key in a new economic era where boards are engulfed in more responsibility than ever before.

*Solomon noted that in the current economic state, more boards are indeed looking to independent, professional search firms to find quality director candidates.*

*She concluded that in hiring a professional search firm, boards are taking an extra step in exercising due diligence. Solomon said, "This a small price for a board to pay to find a leader who will improve the board, and ultimately the corporation."*