

Managing Execution Risk in Senior Executive Hiring

By Aidan Kennedy and Dr. Paul Aldrich

The closing stages of any senior executive hiring are understandably the most critical. Far too many processes fall over in the closing days, right at the decisive moment. The consequences are frequently surprise, bitterness, anger at the time lost, recrimination, or an unwillingness to analyse the reasons behind the failure or to learn from them.

Some of the seeds of a failed senior recruitment are sown early; others come out of the blue. With the highest completion rate of any major international executive search firm, CTPartners is well placed to discuss this topic. This article seeks to address some of the most common risk factors that occur and some techniques to anticipating and managing them.

Here are the top ten critical risks that can lead to late stage failure and ways to address them.

1. Lack of internal consensus

Without broad consensus from all the relevant stakeholders involved in the recruitment process, on the specification, the commitment of their time to interview or on reporting lines, senior executive recruitment is frequently doomed to failure. In addition, it can lead to inconsistency of messaging to candidates, confusion and credibility issues. Shared agreement on what is being sought is the bedrock on which all successful searches complete.

Of course, not all internal interview processes are simple and there may be inescapable diversity of opinion or internal complexity. The key here is to make sure that the candidate is clearly briefed on what to expect.

2. Lack of momentum

In many industries, talent pools are shrinking. Meanwhile in many markets, role specifications and job descriptions have become even tighter, a product of an increase in the

level of specialisation required, particularly in the nature of previous experience (e.g. previous Board experience) or due to regulatory stipulation. In markets where this has been compounded by weak growth environments or recession and departures from the industry, the consequence has been a further narrowing of talent pools. In emerging markets this is an even more significant issue as the pools of experienced talent are often exceptionally thin. As a consequence, in many industries, talent pools are shrinking.

When the long-list of potential candidates looks more like a short-list, and the ancillary issues of cultural fit, willingness to move and affordability are factored in, the reality may be that there is only one or, at best, a few genuinely suitable contenders. The wooing process is thus critical and demands momentum. Without it, candidate interest and motivation can easily wither.

Corporates and institutions with sophisticated HR organisations have become practiced at maintaining fast momentum through the interviewing process. However, particularly in industries with increased regulatory oversight, it is exceptionally difficult to avoid the required internal administrative hurdles.

Insure against this inhibiting momentum by drawing up a checklist of internal requirements early in the process and addressing the easier components as soon as possible, even before completion of the interview stage. Maintain an awareness of the schedules of stakeholders with key sign-offs, and brief them on upcoming approvals so that they can reflect and act more quickly when their signature is actually required.

The capacity to react quickly can also be important particularly in counter or competitive bid situations. Key internal stakeholders should be informed ahead of time if they need to be on standby, whether it is to mark up an offer to persuade or to motivate, or just to offer advice on a last minute query.

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3. Misunderstood candidate motivations

It seems almost obvious to point out that the identification and analysis of the lead candidate's motivation to move is critical to a successful recruitment, yet it is frequently overlooked and interest itself is taken as a sufficient indicator of motivation. Surface motivations may be very obvious and are as varied as they are numerous – excitement at the potential of the role; a desire to join a superior franchise or platform; dissatisfaction with their current position due to a change in leadership, reporting, resourcing, strategy or compensation issues; feeling complimented by getting the call, to be entertained, to find out competitor information – yes, candidates do this too! - or just boredom and the need for a fresh challenge.

Identifying mercenary attitudes where a guarantee or upward movement in compensation or title is the sole motivating factor is largely well understood by most experienced hiring managers; and some general analysis of the motivations behind previous career moves usually brings such characteristics to light quite quickly.

However, it is the more subtle motivational factors that can be harder to tease out: A desire to leave that is born out fear of declining relevance, or success, or a need to move location for personal reasons.

Structured formal interviewing should uncover most, if not all, professional motivations, but accessing these personal motivations requires the investment of time, preferably in a lighter social setting, both by the search professional and hiring manager, to get under the skin of the individual.

Decrease execution risk by ensuring that only candidates with a compelling reason to move, and that can be satisfied by your unique hiring proposition, enter the process.

4. Poor compensation expectation management

Outside of those candidates of independent means, it is exceptionally rare for candidates to move for lower levels of absolute compensation. Indeed, even during the global financial crises, the best candidates that had lost their jobs were snapped up at historic market rates and some with guarantees.

The compensation mix between basic salary, bonuses, long term incentives and compensation models can be radically different or geared to different time horizons, but at some level, there must be parity or upside. Some hiring managers hope to bridge any gap through force of argument, but success is rare.

Make an effort to understand the compensation priorities of the candidates early and their inevitable connection to their stage in life or personal circumstances. Most critically, understand their compensation structure and begin discussing expectations as early as practicable in the process. Presenting an offer without a convincing understanding of the qualitative and quantitative components of the candidate's best alternative to a negotiated agreement (BATNA) is a clear mistake, and remains too common a reason for late stage collapse of senior hiring processes.

5. Missing details

Many senior hires have fallen over on small or forgotten clauses in employment contracts. The obvious details to identify early are notice period, restrictive covenants, visa or right to work issues, any deferred compensation requiring buyout, and the full extent of benefits. Equally any tax implications should be examined early, particularly if the candidate is expected to move geography.

Look also for less obvious issues. Firms frequently employ different valuation methodologies for stock options,

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resulting in disparities between the candidate expectation of value and that of the hiring firm. Where particular qualifications or educational standards are required, make sure the candidate's statement of attainment has been verified with the educational establishments or regulatory bodies. In some markets, notably in Financial Services, some of these checks cannot be fully performed until after the candidate has resigned. Ensuring that the parameters and expectations of compliance are understood by the candidate is particularly critical in these cases.

6. Inadequate referencing

While perhaps the most obvious, this is the simplest mistake. The catastrophic fact discovered at the last minute is the most likely to cause rancour. It is the executive search professional's responsibility to insure that the widest and most appropriate referencing has been undertaken to insure there are no skeletons or glaring issues waiting in the cupboard. There may be market sensitivities as to the appropriate timing to undertake detailed referencing, but there are several techniques that can be employed to ensure discretion, and the approach should be discussed and agreed upon between the search professional and client in advance.

7. Change in personal circumstances

Often in senior executive recruitment, the focus on the professional issues at hand leads to a relegation of the personal factors that influence the candidate. Yet, these are frequently the aspects that matter most. Identifying and understanding the impact any locational change might have on their family, the opinions of their partners or dependants, and any health issues that could be impacting any family member is extremely important. If there are red flags, address them. We can be sympathetic with the candidate who turns around at the final hurdle to say they have to withdraw to attend to a chronically sick family member, but it still leaves the hiring process incomplete. Not all eventualities can be mitigated against, but many can once they are identified.

8. Counter-offer

The resigning candidate's response to the question "what will it take to convince you to stay?" is a complex one. If the candidate's motivations to move have been correctly understood; the offer is appropriately compelling and he or she has been adequately prepared to resist the emotional pressures of the resignation process, the candidate should, of course, be resolute in their decision to leave. However, ALL candidates have their price, either financially or through the changed position, that would convince them to stay.

If a candidate is turned around based solely on an economic counter offer, one of the following has occurred: the economic and/or professional motivations of the candidate were not correctly understood, the offer did not reflect the candidate's BATNA to move, or their employer has paid wildly above market to retain.

Most candidates will understand that a retention guarantee for disloyalty is usually followed by a sting in the tail in subsequent years; yet, if the number is significantly higher than anything they would have expected their employer to propose, they may engage.

Equally dangerous, however, is the counter-offer that successfully addresses the professional motivations of the resigning candidate. This can be the clearing of a reporting line issue, the offer of the increased responsibilities they wanted, or a very different but highly attractive role elsewhere in the organisation. The hiring manager and search consultant must understand the unique hiring proposition and the execution risk as it pertains to the role. It is incumbent on the head-hunter and hiring manager to understand, ahead of resignation, the capability of the candidate's organisation to address his or her professional concerns, and to engage on these issues head on with the candidate. If the candidate's mindset is not firmly out the door already when they go into resign, the risk of successful counter-offer is always high.

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In situations where the candidate has been at their employer for a long time, the push factors are weak, and he or she would call many of their colleagues or bosses personal friends, the emotional pressures through the resignation process can be very high. For the hiring manager it is very important that they have a line of communication to the candidate while they go through the process, to encourage, react and offer supporting argument where required. As resigning candidates can be bombarded by calls from colleagues looking for explanations and frequently switch off their phones, it can be helpful to supply them with a separate mobile which only the hiring manager and/or head-hunter have access to. With the candidate tasked with returning calls to this phone at the earliest opportunity, it can prevent those long silences where the hiring manager is left in the dark about the progress of the resignation process.

9. Competing bids

Never assume you are the only one courting the candidate at any point in the process. Talent is always in demand, and understanding and discussing the complete panoply of options in front of the candidate and their opinions of them is vital. Try to be objective for them rather than just market your own opportunity. Attempting to insure that the candidate compares and contrasts on the basis of career rather than economics is, of course, the first defence, but equally be prepared for competing bids to inevitably shift candidate BATNAs.

It is also important to note that this ongoing dialogue with the candidate does not end with their resignation from their current employer. Other institutions may be happy to attempt to attract candidates away with other opportunities through the gardening leave period.

10. Leaks

The final great killer of senior executive recruitment is lack of discretion. The imperatives around maintaining confidentiality are critical. Particularly in processes where extensive interviewing is required. The urge to openly reference mutual contacts in an ad hoc manner is a sure-fire way to encourage rumour and destabilise a process. A candidate confronted by his employer on whether he is leaving will nearly always deny it and feel compelled to disengage. The quieter and faster the process, the more likely it is to be successful.

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