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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.