

Chapter 47

Making Recruitment Part of Your Talent Management Process

Randy Jayne, Ph.D., Managing Partner
Global Aerospace, Defense, and Aviation Practice
Heidrick & Struggles

The What and Why of the Recruitment Challenge

This chapter examines the bottom-line business importance of executive recruiting in businesses today, treating both the substance of recruiting and its value to the organization, and the trends that make recruiting both more important and more challenging to today's executive and human resources leadership. We define "executive recruiting" as applying to senior management positions, and do not treat in this discussion the recruiting strategy and process for lower-level management and staff of typical corporate structures. The discussion that follows seeks to help organizations position recruitment as a priority corporate strategy at the same level as it treats other performance-driving strategies.

We will discuss executive recruitment as a talent management strategy, perspectives on the corporate environment today regarding this recruitment requirement, observations about issues in some company cultures and approaches, dos and don'ts for successful recruiting strategy and execution, and finally, some current marketplace trends that represent both further reasons to improve organizations' executive recruiting and challenges to success in those efforts.

Recruitment as Strategy: A Proactive Approach

For the world's highest-performing businesses, the great majority of the decisions that deliver financial benefit and competitive leverage are truly strategic in nature. As we address recruitment here, we are focused at that strategic level, and not on the "this week's emergency" recruiting challenge generated by a previously unexpected need to replace a key executive.

That recruitment capability can and will be needed even in the best of company cultures. Often at the most inopportune time, a company experiences the reality of a new leadership need, based on new strategy, product, market location, acquisition, or divestiture, and so on, or the unanticipated loss of a key executive when the best of succession plans simply suffers a "gap." When these executive recruitment situations arise, they demand prompt and efficient approaches by the company and its leadership. In our view, a strategic perspective and long-term plan for such processes is a genuine competitive discriminator in the world marketplace.

Today's Corporations "Get It" Regarding Recruitment

Few companies today in highly competitive markets lack for strategy and process for new product development, operational performance improvement, supply chain excellence, information technology, and the like. One might imagine, therefore, that we would see the same strategic focus and skill in the marketplace regarding executive recruitment. In fact, many otherwise high-performing organizations seemingly "don't get it" and are surprised and not at their best when faced with the reality of the kind of new leadership need. Often, otherwise high-performing companies manifest one or both of two equally dangerous modes.

"Executive Recruiting Isn't a Priority Here" Syndrome

My colleagues and I are surprised by situations where the executive search client interaction leaves much to be desired regarding the company's grasp of the basics of the search process, and of the market realities that define the current environment. The most prevalent aspects of this lack of awareness include the following:

- Lack of understanding of the overall market, particularly for highly skilled functional or business unit general management executives. This can lead to over optimism or overconfidence as to the time required or degree of difficulty for a specific search. An example of this in the past decade has been the failure by some larger public companies to recognize the degree of attractiveness and "pull" generated by the literally hundreds of executive opportunities in businesses acquired by private equity funds. The opportunity for subsequent wealth building through the equity component of compensation for these private equity situations was and continues to be a substantial draw for talent, and some companies seem not to appreciate that trend, and its negative manifestations of lost leadership from their own ranks.

- Insufficient appreciation and factual knowledge of the market levels of compensation—base, bonus, equity participation, fringe benefits—for each category of executive sought. Again, the equity element of private equity or venture capital-owned opportunities has impacted the market, as have tighter “golden handcuffs” in the form of deferred equity earn-outs for many executives.
- Uncertainty or inflexibility regarding “desired” or “nice to have” versus “must have” executive characteristics. Things as simple as “more than 15 years in this function” or “technical masters degree” can have significant impact in a particular search if they are made to be “essential” as opposed to “desired.”
- Inflexibility regarding “already done it” and “ready to step up to the next level” judgments about specific candidates. Here, the company in search of a new executive sometimes insists on assessing only candidates who have “been there, done that.” In some markets and for some roles, this is quite reasonable, given the availability of talent with that qualification. Even then, though, this posture has a sort of inherent logical inconsistency. The inconsistency is found often in the very best of corporate cultures that prepare and hire from within. These organizations are generally able to promote from within, and in doing so, advance dozens of executives each year into demanding new levels of responsibility where the new person has not done it before at that level—for example, new CFO, new business unit P&L general manager, and so on. Top companies, and the executive recruiting profession in general, always strive to identify, assess, and consider the best available candidates in both logical categories—for example, the person who has already been a corporate CFO and the person who has excellent financial background and accomplishment and is clearly ready to be a CFO. To *not* approach searches this way can and does lead to less optimal search outcomes for some companies.
- Unrealistic or over optimistic perceptions on the company’s part regarding their organization’s comparative and competitive attractiveness in the recruiting marketplace. Every opportunity has pluses and minuses, and the most effective recruiting is characterized by open and balanced communication to candidates, as opposed to overselling the opportunity and avoiding negatives. Issues of less desirable locations, team and leadership situations where excessive conflict is evident, poor market position versus other companies, below-market executive compensation levels, or financial problems that affect ability to invest properly in the business are all unfortunately common and need to be addressed proactively and honestly by companies.
- Excessive reticence in considering outstanding candidates who are at the moment not employed, or involved in unusual career situations. Our own natural comfort with executives who are currently working in a role similar to our own search need is certainly normal, and understandable. However, they greatly increase corporate churn of acquisition, divestiture, roll-ups, private equity transactions, and venture capital situations for exciting new organizations result in a number of excellent candidates being on the sidelines at any given time.

Add to that the huge corporate downsizings driven by sector crises (think automotive, the tech crash of 2001, or the financial markets more recently) or global recessions such as we have seen too frequently in the past two decades. While hiring organizations should carefully question why an executive is not currently employed, the fact is that the market always has truly outstanding candidates in this transitional circumstance. These people can be and are excellent hires in many situations.

“Executive Recruiting Isn’t a Priority Here” Syndrome—Version Two

Another frequent and clearly suboptimal situation that reflects lack of company priority on executive recruitment can be given the tongue-in-cheek label of “Human resources is supreme” or “Even though the new hire will be my direct report, I’m too busy to lead the search process.” Following are some specific characteristics of this syndrome:

- Highly bureaucratic human resources style and approach to executive recruitment, with little or no real partnership with others in the organization, or with external search resources
- Absence from the recruiting process, or high indifference to it, by the executive—often the CEO or COO—who will be the person to whom the newly recruited executive reports
- Inflexibility regarding either or both search process or substance—from development of the position specification to selection of candidates to interview, to the interview process, to the checking of references and generation of the offer letter, and finally, to closing the deal. For all of these search process elements, the most effective organizations are also the most creative, open-minded, flexible, and partnership-oriented as they recruit.

In order for an organization to make recruiting a genuine and effective part of overall talent management, there needs to be active participation, and commitment, on the part of the executives who will be the new person’s boss, peers, and direct reports. The absence of this participation, and overly bureaucratic approaches by staff managing external search, often leads to unsuccessful searches, or at least to long and drawn-out processes where the actual perspectives of the hiring executive are brought into the process late, incompletely, in a “second-hand” manner, or, sometimes, they are not at all involved.

Recruitment as Strategy—Some Key Dos and Don’ts

Our discussion here assumes that a company already has a strategy for talent management and executes a program of strong performance accountability and assessment for its executives. Assumed too is a company system of professional development, mentoring, career-broadening assignments and outside educational opportunities, and focused annual succession planning. That succession planning is crucial, in that it

should in turn drive individual decisions on all the other talent management tools and actions noted here.

Assuming that these key elements are in place and effective, we can then characterize a number of dos and don'ts for external recruitment as it plays its integral role in talent management:

Do plan ahead, and build your "bench" in each key functional and market area. Create a corporate culture where cross-training and diversity of all sorts, including experience, functionally and geographically, are fostered and valued.

Don't automatically assume that your top internal succession candidate is the best you can have, or even that the person is competitive with the outside market's alternatives. The more you look externally in executive searches, the more sophisticated and current your understanding will be of what the total market's "best" look like.

Do stay current on your options regarding outside executive search firms and key partners in those firms able to lead search assignments for you. Update your knowledge of which firms deliver regular and frequent successes for the positions you need, at the level you operate, and in your relevant markets.

Don't assume that an outside search resource who is expert and did, for example, an excellent job for you on a finance role is necessarily the best, or even competitive, to do the same level of search a year later in a different function. In our executive search profession, the days of the highly successful "generalist" are behind us, given the sophistication of executive roles and competencies across each organization chart.

Do develop ongoing and regularly updated descriptions of the key responsibilities, executive competencies, and style aspects needed for success for each executive role. Use these both in your internal benchmarking and succession planning, and in getting an external executive search off to a focused and prompt start. If you can simply and accurately characterize your company culture and the way people at the top interact, you are much better positioned for successful searches.

Don't use peers or direct reports to the position being recruited as substitutes for the supervisor/boss of that role in selection interviews of external candidates. While it can be useful at a later point in a candidate's assessment to meet these other internal players, they can and do sometimes disrupt or even derail executive searches.

Do use your partnership with outside executive search firms to obtain or update your knowledge of talent in competitors' organizations and the broader market, compensation trends and levels, and other factors influencing the current search market.

Don't assume that your highly capable in-house recruiting team, who regularly fills large and demanding needs for lower-level sales, technical, manufacturing, and other skills can successfully do the same for senior executives. The trends outlined in the next section of this chapter underline the extreme difficulty faced by in-house recruiters, and some outside firms, in recruiting senior executives today.

Do create a culture where the CEO and the other top leaders in the company are actively engaged in the most senior searches. This is in our view absolutely correlated to search and corporate success.

Don't assume that your decision to conduct an external search in turn warrants leaving out search process consideration and assessment of your top internal candidates. As part of the search engagement, executive recruiters can and will assess your internal succession candidates, providing both those executives and top management a professional appraisal of how each stacks up on key leadership, know-how, strategic thinking, and other key competencies. For example, a current CEO of a major technology organization—a person now nationally recognized as outstanding in his marketplace—was politely dismissed several years ago as an internal candidate by the board of directors during the search as being “a wonderful guy, but not really ready to lead this complex operation.” The executive recruiter, having interviewed and assessed that same person, was able to help the board see that the internal candidate was indeed stronger than the best outside candidates available.

Do recognize the value of diversity in people, in backgrounds, and in career roles as you go outside to recruit executive talent. Use your external recruiting strategy to emphasize bringing in new breadth, different perspectives, and a more diverse executive team. This is an especially important talent management strategy in the twenty-first century, in that your ability to recruit and retain diverse new hires is greatly influenced by those new young men and women being able to see people like themselves already in management roles. If you do not have a sufficiently diverse middle and senior leadership team, you risk that both your entry-level recruiting and your retention of earlier diverse hires during their fourth to sixth years will suffer as a result.

Don't wait too long to fill vacuums in your annual succession plan. Consider a proactive strategy to bring in one or more new executives who could move up in a relatively short time to a top role.

Current Trends That Make Executive Recruiting Even Tougher Going Forward

If all the elements described here are not challenging enough, there are in the marketplace at least three mega-trends that are complicating successful executive team building and search, and that will likely increase the degree of difficulty even more in the years ahead. A successful talent management strategy can and should recognize and strive to account for these factors, even as they complicate executive recruiting.

Post-Baby Boomer Demographics

It is well documented that talent management faces the highest annual retirement rate of senior executives now compared to any prior decade. Driven by the the giant Baby Boomer generation born in the two decades following the end of World War II, this

reality affects organizations well beyond the executive ranks. In many companies, years of succession planning were complicated by the “age bunching” of key succession candidates for most top roles. As Baby Boomers retire, these companies see holes appear not only in the top boxes of the succession planning chart but in the “ready to step up to the lead role” boxes as well.

Today there is a total population of qualified individuals for executive succession that is profoundly smaller than its predecessor. Beyond the simple numbers, there are also factors of educational choice, early career selection, and perceptions regarding life in corporate or other large institutional settings that make qualified and interested pools much smaller. While executive recruiters have not necessarily been able to quantify the exact magnitude of this reduction, anecdotal evidence regarding length of time to complete searches, number of fully qualified candidates able to be attracted to an opportunity, and greater degrees of difficulty in closing the deal all support this premise.

The Increasingly Sophisticated and Technical Nature of Corporate and Other Large-Scale Organizations

For most Baby Boomers, in their early careers, there were no computers, cell phones, Internet sales, MRP systems, ERP systems, global supply chain operations, or just-in-time manufacturing. A generation of successful executives came into the marketplace, developed, and grew in their chosen functional area and market, and ascended to senior management often without any technical or business training in their academic past. Currently all businesses involve much more sophisticated management tools, products, services, and market environments, all demanding a higher entry-level baseline of both technical and business savvy and competence.

To the extent that many Generation X members chose, in the unique cultural setting of the 70s and 80s, to study things not well-aligned with this new business environment, the pool today of fully qualified individuals for next-generation executive recruitment is reduced even further. While the number of students trained in science and engineering at both the undergraduate and graduate levels has slowly risen for the past 30 years, that growth rate has not come close to keeping pace with the entry-level, middle management, and executive needs for these skills. Technical competency is a baseline talent management requirement for every organization today. Gone are the days where executive recruiters could simply “use their network” to bring forward strong lists of qualified candidates.

When Technical Competence and Performance Count: U.S. Brain Drain

A broad range of organizational leadership requires significant technical skill. For the three decades since the Baby Boomers finished college and the Generation X and Y members made their higher-education choices, we have seen science and engineering students/graduates at both the undergraduate and graduate levels characterized by an ever-increasing percentage of non-U.S. citizens. For years, this trend benefited U.S. industry, even as other nations complained vociferously about their “brain drain.”

In the 80s, 90s, and first decade of this century, leading technology markets were able to benefit from this strong pool of non-U.S. citizens graduates in building their technical, management, and executive teams. More recently, the U.S. Census Bureau has documented a much higher rate of these foreign citizens returning to their home countries. As economies improve globally, as countries help develop their own businesses and other institutions that have technical skill requirements, and as other nations' political stability and standards of living improve, more people decide to return home after short working stints in the United States.

Hiring in the Dual-Income Family: Relocation and Other Issues

Over three-fourths (77 percent, per the U.S. Census Bureau) of the top income families in America are dual-income households. Because these families depend on the two incomes, or at least place high value on the standard of living afforded by that circumstance, the two people are much harder to recruit if and when the new position requires relocation. So significant has this challenge become in some situations that high-performing companies actually have developed strong capability to conduct their own "parallel search" to help place the spouse in an acceptable new position—either in their organization or elsewhere in the community—as part of the recruiting process. Ironically, success by these firms in this dual-recruiting strategy creates issues on the other end. The company that faces the potential loss of a key player may be faced with trying to counter not just their executive's offer and lure to leave but the corresponding new attractive situation offered to the spouse.

Conclusion

With the discussed constraints, roadblocks, and trends making executive recruiting increasingly more challenging and crucial, we hope the guidelines and suggestions set forth enlighten your understanding of the value and need for talent management strategies that include truly "best practices."