

Engaging an Executive Search Firm: What your Non-Profit Needs to Know First Part I

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The need to identify and hire strong leadership is greater than ever

Strong non-profit organizations are built on a number of ingredients. The need for strong senior leadership is among the most important. Many organizations equate strong leadership solely with the presence of a talented, accomplished chief executive. But at the best organizations, strong leadership extends beyond the CEO. Many organizations say that people are their most important asset. Nice tag line but not entirely accurate. The *right* people in the *right* seats are organization's most important asset. Non-profit boards and senior leadership need to be diligent and committed to ensure this is the case. Given the impact they can have and the difference they can make, it is vital for organizations to invest the time and resources necessary to attract and assimilate those leaders.

When the opportunity to add talent at the leadership level presents itself, organizations have the option to conduct their searches internally (i.e., through personal networks, job postings, board and staff referrals) or to engage professional assistance. In choosing the latter, there are a number of things to know and steps to take that can help boards and executive directors in how to select and successfully utilize an executive search partner.

What is the role of an executive search firm?

An executive search firm provides seasoned search consultants who have proven experience and expertise in the range of recruiting activities involved in a successful search engagement. They will be adept and efficient at managing the structured approach to the search process, including:

- Consulting with your Board or Executive Team on the candidate success profile, search strategy, organizational issues, compensation expectations and search management process
- Creating a detailed search spec including role and responsibilities, necessary experience, qualifications, and desired personal and professional competencies
- Building a customized Target Company list and sourcing strategy
- Connecting and engaging quickly with leadership professionals, especially those "passive" ones not actively looking for a new position
- Promoting your organization, mission, strategy and target position in the marketplace
- Developing a diverse group of fully screened, vetted and qualified candidates
- Providing advice on and handling the offer and negotiation process with the final candidate

In addition to these critical components, the most important aspect of a search firm's role is the ability to assess a candidate's motivation and interest in the position, their alignment with and belief in your mission, vision and values, and their cultural fit with your organization.

Working with the right search partner can free up valuable time of the board and/or executive director and other internal resources, improve candidate selection quality and create a better outcome to your search effort.

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What are the benefits of working with an executive search firm?

Industry experts and leading non-profits recognize the value of engaging the expertise of an executive search partner in most instances when in need of replacing or adding a member to a senior leadership team. In a replacement situation, non-profits and their boards can ill-afford an extended vacancy in a key leadership role while the organization tries to save money on a search fee by attempting to do it on their own. Similarly, in adding on a new role, generally the reason for its need is compelling enough to dictate a sense of urgency in filling it. In both cases, an experienced executive search firm can hit the ground running and expedite the hiring process without the sacrifice of a comprehensive search effort or quality candidates. Listed below are a number of the benefits in partnering with a search firm.

Identification of Highly Qualified and Motivated Candidates

A search firm will develop a sourcing strategy to identify candidates outside an organization's personal contacts and network or the low hanging fruit represented by job posting or ad responses. This will include focused activity to promote the organization and position in the market, and networking and sourcing efforts targeted at identifying qualified, desirable candidates with an emphasis on leaders in similar roles currently but not actively considering a new position until contacted.

Generalist Firm vs. Specialist Firm

Many search firms have a particular "specialization" or area of expertise. This might be an industry or segment focus such as healthcare or educational organizations, a specific type of position or compensation level, or functional specialty such as marketing, communications or development. Generalist firms will have experience across a variety of industries and functional areas and therefore a greater understanding of organizational cultures and access to a broader range of leadership talent. This enables them to provide a client with a more diverse selection of senior level candidates.

An Objective Consulting Partner

A search firm can be an objective participant in the process thereby providing an unbiased and balanced assessment of candidates and the identification of issues as they arise. This can be helpful in cases where the search committee cannot agree on the position's responsibilities, qualifications and the qualities required in the new executive or on the evaluation and selection of final candidates. Neutrality and objectivity are also serious considerations during the reference checking, vetting and providing feedback on prospective candidates.

Confidentiality and Protecting your Relationships

Occasionally a search must be confidential in order to avoid publicity over an impending CEO or senior executive termination or departure. In many cases you cannot afford to delay the initiation of search activities because of these circumstances. You may also not want to deal with having to engage with and turn away peers, colleagues or others in your local community or network; those who believe they would be a great candidate but would not meet your requirements for the role or someone you would ever want working for you. In the case of the former, a search firm can conduct a search without sharing the name of the organization, and with the latter, can deal with your handoffs appropriately as part of the process.

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Factors to consider in selecting the right executive search partner

Once a decision has been made to engage the services of a search firm there are several factors to consider in selecting the right one. It really comes down to two things, due-diligence and trust; not size, brand name, "specialization" or trappings. Your due diligence should cover the following:

- Type of search firm (retained or contingency)
- Location and ownership
- Ability to recruit effectively in your market (and beyond if necessary)
- Length of time in business
- Position levels they work at and recent placements
- Background and expertise of the consultant who will lead your search
- Do they display the knowledge/confidence to successfully conduct *and* complete your search.
- The background and experience of the consultant that will lead your search.
- Current clients that are "off-limits" to them (a major issue with specialist firms)
- Speaking with several current clients for a reference professionalism. performance and results.

Finally, an often overlooked factor is, do you like them? Do you think you can work well with them? and, do you trust that they will get the job done, no matter what?

Retained Search Firms

Retained search firms provide the full range of search services as a package. This includes every aspect of the search process from the initial kickoff meeting through closing the deal and candidate on-boarding. The fees for a retained search are paid on an installment basis over a set amount of time or billing period. These fees are committed to by the organization without a guaranteed outcome to the search effort. This reason alone is cause for careful due diligence into the reputation of the search firm for a successful placement record called a *Search Completion Rate (SCR)*. An SCR of less than 90% should be an immediate and serious red flag.

Retained search fees can vary among firms. Large, brand-name national firms charge at the top of the scale which is one-third of the position's total annual compensation, and will also include billing for administrative expenses related to the search of up to 12% of the total fee. Smaller firms or "boutique" search firms typically charge less than the big firms with the exception of many specialist firms which charge rates as high as the larger firms. In the non-profit world, this fee and the structure of how it is paid are always negotiable. If a search firm is unwilling to be flexible on the fee they charge or the payment terms, that should be a major red flag. That says they are more interested in their revenue than in their support of the industry and a relationship with your organization. A reputable retained search firm will also provide an unconditional placement guarantee period which is typically 6 months but can be negotiated up to one year period for Executive Director or CEO searches.

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Retained firms have a strong motivation to work on even the most complex or challenging searches until they are completed because their reputation as a firm is dependent on their clients' satisfaction. In a retained search, the client also commits to work with only that particular firm on the search and to not conduct any recruiting activities on their own or employ the use of an additional firm. Some retained search firms may offer a la carte services. This means, for example, that depending on the needs of an organization, it could hire a firm to provide consulting on initiating the search and/or to solely manage the search process or select components of it. The prices for these a la carte services are almost always more flexible and negotiable.

Contingency Placement Agencies

Other search firms work on a contingency basis. These firms do not utilize a structured search process or strategy and do not generally provide consultative or other services that are standard fare with a retained search firm. An organization may use multiple contingency recruiters for the same position, and only pays a fee to the agency whose candidate is hired. This is often referred to as a "horse-race" to get paid a fee. As a result, contingency placement firms focus on generating potential candidates as quickly as possible to fill a position ahead of the competition or the client themselves. This means doing a far less thorough candidate sourcing, screening and assessment effort than a retained search firm.

When deciding between a retained search firm and a contingency placement agency consider the position to be filled and the expertise required to identify and work with the level of candidate needed. Retained firms have more experience with senior-level executive searches, while contingency firms focus more on junior- and mid- level manager positions. Most senior level candidates prefer to work with a consultant leading a retained search assignment believing the retained approach is a validation of the organization as a serious suitor; as well as, one committed to a professionally managed search process where their confidentiality as a prospective candidate will be protected.

Another consideration is having a one recruiter consistently representing your organization throughout the search speaking with a single consistent voice to senior professionals in the community or broader recruiting area. This avoids the embarrassment and confusion of executives receiving multiple calls from several recruiters for the same position. Working with the right search firm and consultant is important as they will be your organization's proxy in the marketplace. Since a search process can be a valuable time to cultivate new and existing relationships, carefully consider how the search consultant will represent your organization.

Summary

Recruiting the right person into the right senior leadership role is critically important but not easy; it is a process that requires serious investments of time, money and other resources. Using the services of a retained search firm certainly won't be an inexpensive investment; but trying to do it alone or using the wrong firm and making a bad hiring decision will cost far more in the long run. Partnering with the right search firm will help ensure that those investments pay off with a result that can have a significant impact on an organization's mission and long-term success.