

THE SEARCH COMMITTEE AGENDA[®]

Four Steps To Better Results

By
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Most Search Committees empowered by the board or senior management to recruit the company's senior executives, are often subjected to unnecessary trauma and time-consuming steps. This is simply because they are unfamiliar with some fundamental issues that need to be addressed before an executive search firm is selected or candidates are called in. With a modicum of advance thinking and preparation, Search Committees can greatly increase the likelihood of a problem-free selection process, and stand a far better chance of attracting a candidate who is right for the organization.

The reason for difficulties in finding an "ideal" candidate are numerous, and often legitimate. A major obstacle frequently cited by Search Committees is lack of time. However, the most significant cause of frustration is the failure to establish at the outset a set of shared understandings and expectations among the members of the Search Committee and the rest of the board. Achievement of a consensus viewpoint on key issues is the Search Committee's single most important task. The scope of a Search Committee's advance planning should be determined jointly. Most frequently it covers review, analysis and agreement in four major areas: the organization, the role, the package, and the candidate.



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STEP 1: Define the Organization

The Search Committee should first define what the organization is now, and what it expects to be in the future.

In practical terms, this involves a review of the following:

- *Mission Statement.* A well-conceived and up-to-date mission statement is the most essential tool in an effective search. Serious, qualified candidates will request this information and are likely to base their initial level of interest on how well the company articulates its *raison d'etre*.
- *Strategical and Financial Objectives.* The committee should clearly define what measurable goals the new senior executive will be expected to achieve. Are they realistic, or do they represent a wish list likely to discourage potential qualified candidates?
- *Current Operating Performance.* The most current information on company operations should be available to all parties involved. To get the most accurate viewpoint, consider going beyond written reports by speaking directly with senior line management.
- *Scope and Nature of Current Challenges.* A thorough examination of current conditions will make the company's challenges readily apparent. These conclusions are extremely important, because they help to objectively define the background and qualifications of the most appropriate candidates for the position.
- *Organizational Structure.* Determine whether existing lines of responsibility are based on sound strategic planning or historical circumstance. The committee needs to know if the company's chain of command is likely to be (or should be) altered significantly as a result of the senior management change. The new senior executive will want to know how much autonomy he or she will have in restructuring the organization.
- *Culture and Traditions.* These "warm and fuzzy" issues, sometimes discounted in importance by Search Committees, are as significant as more tangible matters and have been the Achilles' heel at many companies. Examine institutional values and style in an effort to create a broad list of personal, intellectual, and social characteristics the company should be seeking in a candidate.

STEP 2: Define the Role

With an accurate analysis of the organization's condition and charter, the Search Committee is now prepared to define the specific role the new senior executive will assume. To assist the committee with general guidelines for discussion, we have designed a Position Information Form and a Compensation Review Sheet.

This definition should cover:

- *Reporting Relationships.* In addition to specifics about board-level reporting, clear explanations should be provided for all reporting relationships within the company. Sometimes, this information is far more complex than what's depicted on an organizational chart.
- *Qualifications of Staff.* The Committee (as well as the prospective candidate) will need to know the backgrounds and accomplishments of those who currently report directly to the senior executive. Is the candidate inheriting a crew of top-notch performers, or will it be necessary for the new senior executive to make some management changes?
- *Major Objectives.* The Committee should define its tangible expectations as precisely as possible. These will serve as the foundation for how the senior executive's performance will be measured. Anticipated benchmarks or progress should be quantified and timeframes for accomplishment should be set.
- *External Involvements.* The Committee should be prepared to discuss secondary responsibilities involving existing or anticipated "outside" relationships, ranging from the senior executive's role in civic and social functions to participation on other corporate boards.



STEP 3: Package the Opportunity

With the organization and the role well defined, the Search Committee is prepared to evaluate and “package” the employment opportunity in a manner that will fairly portray the situation. It will also increase the likelihood of capturing the interest of qualified candidates, and ensure the long-term success of the company’s new senior executive.

This packaging of the opportunity involves evaluation of:

- *Compensation Elements.* The various elements, including salary, bonus, long-term incentives, perquisites, and benefits need to work together. Each element should have a specific purpose, and the total program should be directed toward broader organizational objectives.
- *Compensation Range.* The committee needs realistic parameters, based on the company’s stated goals and on the availability of qualified talent. Consider how this range compares with others in the industry with similar situations.
- *Performance Links.* The committee needs to be prepared to elaborate on how and when performance ratings, salary increases, bonus payouts, and other “deliverables” are expected to be made. Even if these elements change over the course of negotiations, discussing a specific offer at the outset usually puts the process on a proper footing.
- *Tangible and Intangible Benefits.* A decision which will significantly affect the lives of a candidate and family members is often based on far more than compensation. Motivation for accepting a new position can range from quality of life issues, to prestige, to desire for change or challenge. The committee has to evaluate and present all appropriate factors which could be used to attract the proper candidate.

STEP 4: Define the Ideal Candidate

The Search Committee can now begin to develop a description of the “ideal” candidate for the position.

This characterization should include a loose profile of: personal characteristics, professional background, education and training, established track record and reputation, industries and/or specific companies where the candidate may currently be working, and organizational “fit” (e.g. marketing/financial/technical).

Although development of a specific image of the ideal candidate is important, the Committee needs to understand that this is just a wish list; they will have to be prepared to make some real-world compromises in the selection process. Flexibility is essential for successful completion within a reasonable time frame.

Tactical Issues

This four-step analysis, designed to prepare the Search Committee for its assigned responsibility, should be supported by discussion and agreement on a number of tactical issues that are better addressed before any action is taken. These include: internal and external confidentiality, treatment of internal candidates, selection of an appropriate executive recruiting firm, arrangements for candidate introductions and meetings, protocol for communication with the full board and presentations of final candidates(s), arrangements for checking references, and target time frames for completion of various tasks and for final candidate selection.

Development of these shared understandings and shared expectations in the search for a new senior executive is no simple task, especially for busy Search Committee members with companies of their own to manage. However, those who make this up-front investment of time gain greater control over the selection process, and more significantly, accomplish in responsible fashion one of the most important roles of organizational governance.

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POSITION INFORMATION FORM

1. ORGANIZATION INFORMATION	
A. Contact name(s) / Title(s) B. Organization structure C. Key Executives (background, edu. etc.) D. Sales, revenues, earnings (historic, current & projected) E. Principal competitors F. Competitive position within industry	G. Short and long term strategies 1. Acquisition plans / Diversification plans H. Number of employees I. Other pertinent company information J. Description of organizational culture K. Human Resources internal contact L. Recruiting packets
2. POSITION INFORMATION	
A. Position(s) title B. Why position(s) open C. To whom will Incumbent report (name, title, experience, responsibilities) D. Who directly reports to Incumbent and who are principal associates? E. Description of Incumbent's Department	F. What are the immediate major challenges? G. What are other responsibilities to be assumed? H. What are, if any, opportunities for other responsibilities in the future? I. Extent of authority and budget/P&L accountability J. What problems will Incumbent face? K. What are the measures of success for this position?
3. IDEAL CANDIDATE INFORMATION	
A. Education B. Experience (type, level & minimum amount) C. Competencies required	D. Specific professional requirements E. Personal characteristics required for success
4. COMPENSATION CONSIDERATION	
A. Range of base salary B. Formula for incentive (short term) comp C. Formula for deferred (long term) comp D. Stock Option or other form of equity participation program	E. Employment contract//non-compete F. Fringe Benefits (i.e., healthcare, retirement, car, cell phone, club memberships, etc.) G. When reviewed (annually, semi-annually) NOTE: See CCG Compensation Review Form
5. RELOCATION POLICY	
A. Real Estate fees-Closing costs B. Temporary living expenses C. Movement of household goods	D. Family house hunting trips E. Mortgage assistance F. Home purchase
6. WORLD OF CANDIDATES	
A. Likely target organizations B. What should Candidate be doing if in target company C. Which companies are off-limits (due to client's negative bias or for any other reason)	
7. INTERVIEW AND SELECTION PROCESS	
A. Names / Titles of interviewers B. Backgrounds C. Responsibilities Role of CCG	D. Who are key decision makers E. Selection process: 1. Role of CCG/HR/Hiring Mgr./Board
8. COMMUNITY INFORMATION	
A. City in which position is located B. Where do most of his/her fellow executives live	C. Housing facilities D. Characteristics and attractions of community E. Location recruiting package



COMPENSATION, PERQUISITES, AND BENEFITS REVIEW

1. SALARY	
A. Base B. Vacation/Sick	C. Annual Bonus (Cash, Method/Date of Payout)
2. PENSION/RETIREMENT PLANS	
A. Defined Benefits Pension Plan B. Simplified Employee Pension	C. Supplemental Executive Retirement Plan
3. LONG TERM INCENTIVES (VESTING)	
A. Cash B. Stock/Stock Options C. SARS	D. Phantom Stock E. In-Kind (Vouchers, Trips, Property-Not Stock) F. Other:
4. INSURANCE (PERSONAL EXPENSE/COMPANY PAID)	
A. Major Medical - Dental/Vision B. Flex Plan C. Life	D. Split Dollar Life Insurance E. ST Disability / LT Disability F. Supplemental LT Disability
5. DEFINED CONTRIBUTION PLANS	
A. Money Purchase B. Profit Sharing	C. 401(k) Savings D. Stock/Bonus/ESOP
6. JOB PROTECTION/INCOME CONTINUATION	
A. Employment Contract B. Executive Salary Continuation Plan C. Severance Package	D. Golden Parachute Entitlement E. Out-Placement Assistance
7. TRAVEL & TRANSPORTATION	
A. Company Car/Allowance B. Cellular Phone, PDAs	C. First-Class Flight Privileges D. Airline Club Memberships
8. LEGAL & FINANCIAL COUNSELING	
A. Estate Planning B. Tax Return Preparation	C. Retirement Planning D. Legal Advise
9. NO-COST/LOW COST LOANS	
A. Mortgage B. Bridge Loan	C. Forgivable Loan D. Company Loan to Purchase Company Stock
10. ENTERTAINMENT	
A. Company Credit Card B. Discretionary Expense Account	C. Country Club Membership D. Lunch / Health Club Membership
11. OTHER PERQUISITES	
A. Professional Association Fees B. Paid Attendance to Professional Meetings	D. Discount Stock Purchase Programs E. Tuition Reimbursement
12. RELOCATION CONSIDERATION	
A. Own Sale of Current Residence - Market Value Movement of Household Goods	B. Rent - Deposit Remaining / Contract Issues C. Temporary Arrangements/Living Expenses D. Family House Hunting Trips