

Rebuilding Executive Management Teams: The Question of When

Most companies that went through a downsizing and/or didn't fill critical executive positions over the past 12-18 months increase the risk of losing their best executives. The reason is simple; fatigue, flat compensation programs, and uncertainty make the lure of opportunities elsewhere appealing. Recent conversations with CEOs and Senior HR Executives reveal that the timing of when to bring on talent has become a delicate balancing act between pushing their existing executive teams in order to maximize margins and the risk of burnout and loss of these same valued executives. Ironically, for many companies the decision to delay the rebuilding process will cause the loss of some of their best executives.

From Presidents down to Directors current stressors include:

- **Added** pressure as executives take on the roles and responsibilities of one or more co-workers or subordinates;
- **Shaken** confidence in the CEO and/or the company's direction;
- **Reduced** or flat compensation;
- **Longer** hours away from their families;
- **Poor planning** and communication around the strategy and timing to recruit additional executives.



Since top ranked executives take a recruiters' calls in a strong economy, what happens in a post recessionary economy? In my experience, top ranked executives will be more likely to *seriously consider* an opportunity if they feel the CEO is not sending the right signals that he is rebuilding the management team. This is especially true for companies that are marginally profitable at best and have struggled over the past year.

Why? Because a recession, with its necessary layoffs demands more work from the remaining executives which in turn stretches their capacity past its limits for an extended period of time. The result is a fatigued management team that feels isolated because of the long hours, uncertainty, and lack of control that often accompanies a recession. These executives are perfect targets when recruiting heats up.

These days I am often asked when recruiting will pick up. I believe that in Q4 '09' we will experience a steady amount of recruiting and that it will increase well into Q1 of '10'. But, that answer is different

from the real question a CEO or a Senior HR Executive needs to ask. That question is “When should we begin recruiting to rebuild our management team?” Provided your company is at least marginally profitable or will be marginally profitable by year end, my answer is to begin recruiting now. This guarantees that most of your team will be in place for the New Year, signals to your existing team that positive change is happening, thus reducing their likelihood of leaving, and reduces your chances of competing simultaneously with other corporations for the same executives.

Despite this advice, here is how I see most corporations plan their strategy to rebuild their executive management teams post-recession:

- **A hesitancy to start the hiring process** until “the numbers” are firmly heading upward; *(timing is everything)*
- **The misconception that it will be easy** to find the best talent because unemployment rates are high; *(false)*
- **Underestimating the time** it takes to complete an executive search or fill a vacant position; *(Common mistake)*
- **The belief that no one will leave the** current executive team for another opportunity. *(wishful thinking)*

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Most likely the above sounds familiar to most of you so let’s look at each point.

1. Starting the hiring process:

It is human nature to try and time the market perfectly so that everything is in place before recruiting executives into vacated positions. But in a competitive market where the landscape may have changed, especially a recovering one, and delay may not be the wisest move. If your revenue and costs are under control and you want—pick a number—one, two or three quarters of stability before you begin hiring again you may run the risk of trailing in your market because you don’t have the team in place needed to take advantage of the recovery. Additionally, the added months of pressure placed on the remaining team members may cause a loss of some key executives.

I have interviewed hundreds of executives who were recruited away for more money, better staffed organizations, bigger upside, less travel and more security. The truth is, in the end many of those opportunities were perceived rather than real but the executives didn’t know it until they had spent time in their new companies. By then, the setback caused by their departure had already impacted their old firm. Remember, the best executives know their worth and are often the first to leave.

My advice:**When deciding to start hiring again:**

1. **Weigh** the one-time costs associated with hiring an executive against the monthly loss of revenue, product/services development, and competitive position vis-à-vis your industry if that person was not on board;
2. **Calculate** what additional damages and costs your company will incur should any members of your current executive team leave for another opportunity because postponed the rehiring process.
3. **Envision** a full team in place and the revenue generated by that team.
4. **Base** your go to market recruiting strategy on the above; it should also give you a reasonably accurate risk profile.
5. **Know** which executives you don't want to lose and make sure they understand that the rehiring process is underway.
6. **Communicate** with your team that the rehiring will commence on a specific date and stick to it;
7. **Outline** which positions you will fill first, why that is so and the direct impact the new hires will have on the company and the executives who have been covering the positions throughout the recession.

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2. Finding the best talent:

If you think you will find a plethora of talented unemployed executives because of the recession, you're wrong. Despite a recession, the best executives in your industry always find an equally good opportunity. Yes, you will find some strong unemployed executives on the market today, but that pool will be absorbed quickly once companies return to recruiting on a regular basis. It is false to assume that there is a pool of highly effective unemployed senior level candidates just waiting to be recruited by your company.

Keep in mind that the majority of unemployed, probably 95%, are not senior enough to be a part of your executive team. Out of the remaining 5% most will not fit your specifications because their experience is not relevant or their industry knowledge is wanting. Therefore, don't count on an abundance of talent waiting to be picked up for little cost. While that may be the case for specific functional roles within certain industries on the low to mid-level end of the recruiting ladder, it won't be true for the senior ranks.

My advice:**When evaluating potential talent post-recession:**

1. **Keep in mind**, for senior executives the recruitment process remains the same in any economy because top rated executives are always in demand.
2. **Be decisive**, if you are thinking about rebuilding your management team do it sooner, rather than later. Those who wait for Q4 '09' or Q1 '10' will find a tighter more competitive market than those who begin the process earlier.
3. **Remember**, no matter when you begin the process don't anticipate that there is a robust talent pool of unemployed executives waiting to be picked-up; the talented executives I know are engaged in multiple conversations with multiple potential employers.

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3. Estimating the duration of a search:

When you build in a realistic timeline you will be able to accurately project the positive impact the new hire will make; underestimate the duration of the search and the new hire will already be "under the gun" on day one. Because the majority of searches are launched well past their optimal time, hiring managers are under pressure to get the new executive on board and want to hear how the best candidate will be recruited within a tight timeline.

With close to 20 years of executive search experience I have listened to all types of pitches to potential clients by search professionals and they almost always include some sort of "speed of delivery" component. The problem is we are dealing with humans, geographic limitations, compensation parameters, interview dates of availability for the candidate and client alike as well as the relative attractiveness of the opportunity. Each search is different even with the same client because the search parameters vary for each position. Even though a consultant's pitch might boast two to three months to fill a position a better bet is to plan for it to take longer.

My advice:**To ensure that you estimate the duration of your search accurately you should:**

1. **Target three to four months** as the base time line for an executive search and adjust according to the parameters i.e., location, compensation, competitive positioning of the company vis-à-vis your competitors, and your ability to make yourself available to interview candidates.
2. For most searches, the outside window for planning purposes should **not exceed six months**.
3. **Avoid, at all costs, doing business with the largest search firms and/or highly specialized boutique firms** because they will have the highest number of “Off-Limit Clients” and the highest likelihood that potential candidates will be excluded from your search because of “Candidate Contention”.

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4. “No one on my executive team would consider leaving.”

Don't believe it. Overworked executives are the most susceptible to a recruiter's call. There has to be a reason why an executive will leave his/her current company. Sometimes it's money, but most of the time a senior executive departs a company because two or more components of their last role were less than fulfilling so they decided to listen to the recruiter's opportunity. Once executives look seriously at one opportunity they will certainly look at others; rarely do they examine just one. It is human nature to see what is out there despite how busy their schedules may be. With each investigation of an outside opportunity, their current positions looks less appealing and they will certainly exit their respective companies within a year.

My Advice:

In order to retain the best executives the CEO needs to:

1. **Identify** the three executives that are indispensable to him/her and understand what drives them. (By the way, they may not all be direct reports)
2. **Find out** what is lacking in their positions and come up with an action plan to make them better. If they are overworked, let them know when they can realistically expect relief through new hires.
3. **Communicate**. Lack of communication is one of the prime reasons senior executives decide to move on to another opportunity.

4. **Make sure** you have a strong succession plan in place. It is surprising how many companies don't fully appreciate the importance of succession planning until it is too late. Each Vice President should identify the top three people in their organizations and keep these employees actively involved through the recovery.
5. **Don't forget** it is a lot easier and cheaper to keep a talented executive than have to recruit someone from the outside; don't take them for granted.

To sum it up, all is not lost if you follow these simple steps:

- a. **Identify**, include and protect your indispensable executives;
- b. **Carefully calculate** the time it takes to complete an executive search by understanding all the variables that pertain to specific assignment. Be wary of large search firms (because of off-limits and candidate contention issues) or boutique firms that quote "fast searches" in order to get the assignment. After all every search professional has completed fast searches before but not all have off-limit and candidate contention issues;
- c. **Be decisive** and plan to begin hiring sooner rather than later. Don't count on an abundance of candidates just because there is a recession. The search for top talent is always competitive, but it is even more so when everyone decides to jump back in at the same time;
- d. **Remember** that people drive the success of a company and great companies tend to have bold, decisive and smart leadership.

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With close to 20 years executive recruiting experience Brian has focused on CEO, COO, CFO, CMO, and most Vice President level positions in Consumer, Industrial, and Technology companies. He has conducted numerous recruiting assignments in the areas of manufacturing operations, industrial products, consumer technology, and emerging technologies. Additionally, he has strong experience conducting cross-border searches. Clients range in size from start-up to Global 500.