picture, if you will, a monthly board meeting of a typical electric co-op. Discussion of the last agenda item has just ended. The nine men and women seated around a long, oval conference table shift in their seats as the board president, a silver-haired owner of a local farm supply store wearing a light-blue polo shirt, asks if anyone has new business. He goes around the table—“Bob? June? Chuck? Doc?”—before turning to the CEO, a much younger man seated to his left. We’ll call him Michael.

Michael thanks the directors for their hard work: “As usual, you’ve made it easier for me to serve our members effectively.” Then he drops a bomb. He’s been offered the top job at a bigger co-op in a neighboring state. They want him to start in 60 days. He’s accepted the position.

After recovering from the shock of losing a solid, proven leader, the board reconvenes a week later to discuss how to go about replacing him. Should they hire from within? Two departmental vice presidents look like chief executive material.

Or should they do a national search like their sister co-op on the other side of the state did last year? And if they go outside, should they oversee it themselves or hire a search firm? What’s actually involved? How long will it take? How much will it cost?

“Those are questions every co-op board faces when assuming the greatest responsibility and confronting the most important decision it will ever make: hiring a new CEO,” comments Ken Holmes, director of NRECA Executive Search, a division of National Consulting Group (NCG). “I always tell co-op directors that, after the new man or woman has been hired, you want to be able to look your members, employees, and stakeholders in the eyes and tell them, ‘We did the very best we could to select the most qualified individual to lead our organization.’”

Tracey B. Steiner, NRECA senior corporate counsel, believes that a board of directors or trustees can’t make that claim if they don’t conduct a thorough search, one that exercises the appropriate level of due diligence, good governance, and fiduciary duty. “CEO selections are undoubtedly high-risk, high-impact, and highly visible decisions to members. When a board searches on its own, it will inevitably turn away or miss some of the best prospects.”

In 2008, a typical year, 58 electric co-ops nationwide hired new CEOs or general managers. Thirty-eight did not use a search firm, and 85 percent (32) of that group promoted from within.
Holmes and two other veteran consultants who work for him, Gary Hobson and Geoff Smith, handled the search for nine co-ops, while seven different companies oversaw searches for eight others.

“Law firms that work with electric co-ops sometimes take the lead,” Holmes notes. “A few generation and transmission co-ops will help a member distribution system with a search as well. However, some systems prefer to use a ‘less interested’ party.”

For its part, NRECA Executive Search has placed more than 470 CEOs, general managers, and other executives at co-ops, public power districts, public utility districts, and related organizations over the past 30 years. Many were repeat customers.

“We maintain the largest and most comprehensive database of candidates in the electric cooperative utility industry,” Holmes indicates. “We certainly have the broadest network of relationships within the cooperative family and our contacts in the municipal electric system and investor-owned utility worlds continue to grow.”

For a beginning-to-end effort, the NRECA Executive Search professional fee remains extremely competitive.

“It’s an investment in the co-op’s future,” remarks Holmes. “When compared with the rest of the search industry, we’re at the low end. But we provide the most comprehensive services. And nobody knows electric co-ops better.”

If the new CEO proves a bad fit and leaves the co-op during his or her groundbreaking year, NRECA Executive Search will complete a new search without an additional professional fee. “Obviously, it’s in our best interest to do everything we can to make sure the new CEO is successful,” Holmes insists. “We have a lot of skin in the game. The members own us, meaning we are accountable and will always be there for them.”

**From resume to offer**

Most NRECA Executive Search projects begin with a visit from a consultant who listens to a board’s concerns and issues, answers questions, and outlines steps involved with the search. Holmes refers to this meeting as a “dues presentation” because it’s dues supported—a benefit of being a member of NRECA. The meeting can last up to several hours depending upon the number of questions and the level of detail desired.

If the board takes the next step and hires NRECA Executive Search, each director continued on page 38
fills out a “CEO Leadership Profile Questionnaire” designed to elicit more specifics about the skill sets, educational requirements, past experience, and personal qualities sought. According to the signed contract, questionnaires establish “the criteria that will help guide resume screenings.”

Donald Kolb, president at Steele-Waseca Cooperative Electric in Owatonna, Minn., worked with Hobson in 2008 when the distribution system went out to find a new general manager. “Our board felt that instead of looking for engineering ability—our distribution system is built well; we’ve made a lot of improvements—we wanted to emphasize management and accounting. We identified that at the outset when each of us filled out the survey. And we were presented with candidates exhibiting those strengths.”

Holmes points out that for many boards, the questionnaire turns out to be a soul-searching exercise as much as a CEO-search tool. Directors receive the opportunity to think long and hard about the style of leadership they want for their hometown utility.

Sometimes the endeavor proves painful. “The scary part is when directors start seeing that, maybe, they haven’t been on top of things as well as they should have; that they don’t have the proper checks and balances in place,” Holmes explains. “They might discover, for example, that they don’t have an up-to-date delegation policy or current job description.”

On the positive side, many directors find the process increases board cohesion. “It really brought us together,” asserts NRECA Board President F.E. “Wally” Wolfski, board treasurer at Wyrulec Company, a distribution co-op in Lingle, Wy. “We had talked informally, and we had a lot of ideas. But what we did with NRECA Executive Search was create a plan.”

Once a co-op has committed to do a search, Beth Wray, NRECA Executive Search coordinator, advertises the job opening via industry websites and publications such as RE Magazine, NRECA’s flagship journal, and Public Power Weekly, which reaches city-owned municipal electric systems. She also sends a letter to all incumbent CEOs in the state, region, or nation, depending on the co-op’s wishes, and alerts potential candidates included in NRECA’s database and through various contacts.

Next comes the heart of the search: identifying the best qualified candidates from piles of resumes, the NRECA database, and Executive Search’s extensive network of relationships, then boiling choices down to the most-qualified through interviews and references. This “initial cut” most often includes executives from all sectors of the utility industry. “However, there are some boards that will only consider candidates from the co-op world,” Holmes stresses.

The NRECA Executive Search consultant develops a customized screening matrix for each co-op based on the criteria identified in the leadership questionnaire. Holmes showed RE Magazine a sample that asked co-op directors to rate a candidate on each of 10 competencies using a 1—5 scale. These steps require a minimum of two months to complete.

“The clock begins running from the date a board wants the new CEO to start,” mentions Holmes. “We usually work backwards from that. The earlier everything starts, the more time we have to identify candidates.”

Co-op boards, by their nature, are not structured for such an intensive activity. “If we had received 100 applications and had to sort through all of them and then talk to people around the country to find out what they thought about each of the candidates, it would have been beyond our capability,” admits S. Eugene Herritt, board secretary at Adams Electric Cooperative in Gettysburg, Pa., which hired a new CEO/general manager in 2006.

At that point, each board member receives a confidential loose-leaf binder con-
Onemco-op’s experience

The fee for NRECA Executive Search also covers costs of a CEO’s performance appraisal, usually near the end of the first year. Many co-ops further ask the consultants to conduct a CEO-Board/Staff Transition Workshop after a few months. Holmes describes the workshop as “a very collaborative, open roundtable discussion” about communications, expectations, roles, and relationships—the keys to a successful transition.

Farmer and seed dealer Joel Bullard, board president of Boone Electric Cooperative in Columbia, Mo., remembers narrowing the CEO interview field to six or seven candidates during the distribution system’s screening meeting in spring 2007. More than 100 individuals had applied, 32 who were well qualified. It was the second time Boone Electric had engaged NRECA Executive Search during his 16 years as a director.

“We have a CEO succession policy with set guidelines, and we follow them to the letter,” Bullard relates. “The policy says we will find the best available candidate. We interpret that to mean a nationwide search.”

That result brought Todd Culley, then 39, down to the Show Me State from Albia, Iowa, where he had held the post as general manager of Chariton Valley Electric Cooperative since 2002.

“Gary [Hobson] was forward-looking, professional, and positive,” recalls Bullard. “He answered questions I didn’t even know I had.”

Boone Electric was seeking an experienced hand strong in four areas: financials, communications, community relations, and new technology. But the co-op also wanted something harder to measure: “We look for good moral character, honesty, integrity,” Bullard says. “Both times NRECA delivered candidates with these qualities. We could have hired most of those we interviewed.”

Culley vividly remembers the “meet and greet” reception the night before his interview as a high point. “It totally changed, in a very positive way, how my wife and I approached the job going forward.”

The reception, which NRECA Executive Search deems sufficiently important to write into its contract, had a similar effect on Bullard. “What sealed the deal for me was the impression I got from Todd’s wife—how much she supported her husband, how much she believed this was the right job for him, how family was important. We got two for the price of one.”

This comfort zone, or sense of trust, was echoed by Kolb from Steele-Waseca Cooperative Electric. “It was amazing how well the NRECA facilitator got to know us. I’m 63. I’ve seen a few things. But I have never seen a person who was able to detect what was going on in the heads of nine different people in just three months the way he did.”

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**THE RISKS OF GOING IT ALONE**

Many co-op boards decide not to hire a professional search firm when faced with replacing a CEO or general manager. Most hire from within or give the job to an outsider after undertaking only a perfunctory search.

This approach can work but comes with dangers. Directors may not know how to find the most-qualified candidates. They may overlook governance, transparency, and due diligence issues that will come back to haunt the co-op and harm its membership.

Ken Holmes, director of NRECA Executive Search, warns that some candidates will apply only to electric co-ops without a search firm, believing these systems unlikely to discover past job transgressions.

“What a search firm will do is help manage and mitigate risks,” he says. “It gives a board some legal protection in case something goes wrong.”

James Crawford, attorney for Owen Electric Cooperative in Owenton, Ky., for the past 21 years, argues that challenges facing electric co-ops today are too complex to get stuck with a poorly qualified captain at the helm.

“I cannot imagine in this day and age, when the business of generating and delivering electricity is so complex, why a co-op wouldn’t conduct a broad search,” he declares, his voice rising with conviction. “And I cannot imagine a co-op not utilizing the services of an executive search firm. You’ve got to look down the road five or six years and make sure you hire someone with the vision, communication skills, people skills, boldness, and competencies to handle whatever comes along. Doing an outside search is a great exercise for a co-op even if you ultimately hire from within.”