Evaluating Executive Search Firms

When evaluating executive search firms, it is critical that the Board understands what to look for and scrutinizes several key areas that will be critical in the decision making process and ultimately the success of the search. All firms are not created equal and the differences go far beyond cost. The experience, references, scope of the services and the firm’s stake in your cooperatives success are critical. The selected firm should facilitate a proven process where the Board is positioned to make the most educated decision possible. The consultant should facilitate a transparent, confidential, objective process where the Board makes the final decisions, not the consultant.

“It's not what you pay a man, but what he costs you that counts.”
Will Rogers

The selection of a Chief Executive Officer, CEO, is the most critical decision a Board may have to make. The decision will impact your system’s operations, reputation and financial viability of the cooperative for years to come. The wrong decision will cost the system far more than the investment in the search and selection process. The true cost can be far reaching and may potentially include the Board’s credibility and tenure as trustees.

Executive search industry best practices indicate that it is in the Board’s best interest to:

1. Work with established search firms with a good reputation. Check references from both other cooperatives and job seekers.
2. Choose search firms that have a passion for finding the best candidates possible.
3. Select a firm based on their knowledge of your organization's unique issues, mission and industry.

In the executive search industry there are two basic types of firms;

- Those who get into the business because the cost of entry is low. They're looking for a quick buck. They're in a big rush to close deals, and they aren't very concerned about what anyone thinks about how they're doing it. That's not to say they're all dishonest; just that they aren't taking the long view. You'll get pretty frustrated working with them because of the way they treat their clients, their professional community, and their job candidates.

- Those who are building a business based on reputation, relationships and trust -- and on making a contribution to their professional community. They're in less of a rush, are more willing to take time to establish long term relationships, and they seek to establish their credibility as much as to earn a buck. This doesn't mean they'll take anyone's call, but that they will act responsibly and professionally.

Which one best meets your Board’s and your key stakeholder’s expectations? These stakeholders include employees, members, peers, the community and government officials to name just a few.
It is the Board’s fiduciary responsibility to know who they are dealing with. To perform their “Duty of Care” and to insure they meet the obligations of the business judgment rule the Board should exercise sufficient effort to avoid and manage the risk associated with the hiring of a new CEO. As you review the qualifications of potential Executive Search Firms, keep these items in mind and research the following important areas and ask questions:

**Firm/ Experience and Structure;** who are you trusting your coop’s future to?

- How long have they been doing searches with electric cooperatives?
- How many searches have they facilitated in the industry and for the CEO position?
- What type of recent references from both cooperatives and job seekers are provided?
- What type and size of candidate databases do they utilize? How fresh is the data?
- How comprehensive are their networks within the industry?
- What is the ownership structure?
- What or who stands behind the consultant?
- Is there a team of consultants with support and research staff available?
- Does the firm have a business continuity plan?
- Is there a structure in place that provides long-term continued support?
- If the lead consultant is no longer available, what is the back up plan or support structure?
- What type of “guarantees are provided?
- What structure is in place that guarantees that the guarantees can or will be met?
- Is the firm structured to provide support beyond the search?
- Does the firm have a “vested” interest in the success of the search beyond the fee?

**Industry Knowledge, Involvement, Resources, Relationships and Understanding;**
It is critical that the firm you work with is deeply involved, tremendously knowledgeable and well connected to the utility industry. To be able to attract the best selection of candidates to your cooperative, **It truly is…. who you know.**

- Are they part of and intimately involved with the utility industry?
- Do they attend meetings, participate and build relationships that are critical to acquire industry knowledge, expand networks, and build trust and relationships to insure that they have the best database of qualified candidates?
  - NRECA, CFC, NWPPA, TVPPA, Federated, CoBank, NRTC, etc.
  - Annual Meetings, Regional meetings, Statewide meetings
  - Training Conferences
  - CEO Conferences
  - Director Conferences
  - Utility Functional Conferences: Finance and Accounting, Human Resources, Tech Advantage, Connect, etc.

- What level of relationship and involvement do the have with the primary stakeholders, key organizations and individuals?
  - National Trade Organizations: NRECA, APPA, EEI
  - Financial: CFC, RUS, CoBank
  - Statewides
  - Generation & Transmission systems
What level of relationships does the firm have with the key influential industry professionals across the country?

What level of access does the firm have to information specific to your cooperative?

What research and support capabilities do they possess to create and then communicate the various critical statistical data points and current issues specific to your system?

**Value, Scope of Services Offered;** How comprehensive is the search process, is there a proven structure in place that is objective and insures that the final decision is that of the Board’s?

*Price is what you pay, Value is what you get.*
Warren Buffett 1930

How detailed are the processes utilized and what steps are involved?

Are the individual Board members provided tools to evaluate the skill sets, characteristics and experience requirements?

Is the Board provided compensation and benefit data and analysis?

Does the Board select which candidates they will interview from a short list developed from their detailed and agreed to parameters?

What guarantees are included in the search?

Are the interviews facilitated professionally and fairly?

How are negotiations handled?

Are there services provided or available beyond the search process?

What technologies are utilized?

How widespread and wide reaching are the advertising and communication capabilities?

Does the firm’s website provide instantaneous notification of openings to hundreds of qualified candidates?

Can the firm electronically communicate your opening to thousands of cooperative leaders all at once?

What reference and background (criminal, credit, education) checking capabilities does the firm utilize?

Through relationships and trust can they get the honest candid confidential feedback from multiple industry leaders that goes beyond those listed and get’s to the core of the individual?

“Though the investment in a CEO search is an important consideration, it is the return on that investment that shows the value of the Board and their decision. To identify the individual that will provide the best return, you need to work with those that have the same vested interest in your success…. be there today, tomorrow, and into the future, working to find the best leaders that will build a stronger cooperative and enhance the cooperative network.

**NRECA will be there for you, our members, and our owners….your success is our success!**

Ken Holmes