

# EXECUTIVE RECRUITING FIRMS: WHO NEEDS THEM NOW?

A GUIDE FOR STARTUPS FACING A SEARCH

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Competition for the most-talented technology professionals is always brutal, regardless of the business climate – particularly for startup firms. Today the tight job market driven by the bubble of irrational exuberance is over. So now some startup CEOs and Boards think that top human capital will come to them easily and cheaply. It will not.

Astute founders, investors and CEOs realize that great people always have great opportunities to choose from – opportunities without the uncertainties of a startup. It's true that now and then a small number of quality professionals will be temporarily in play. Most of the best, however, are consistently gainfully employed. This pool of 'A-list' talent – those with the right skill set and a successful track record across all cycles – is very limited. Furthermore, those top executives are buried in their jobs, hidden from the open job market.

Finding these winners, and coaxing them from their comfort zones to join your startup, requires a fully committed, working partnership between your startup's core executives (those who best know the company's needs) and a reputable executive search firm (those who best know how to capture the needed talent).

A reputable search firm should bring these qualities and more to your search for high-caliber executives:

- Long-term, firsthand understanding of the startup world.
- The discipline to dig into your startup's industry, analyze its special promise, and create and tell its story in a compelling way.
- Intuitive judgment that can lead your executive team from confusion to clarity, from indecision to action as the search evolves.
- Vast quantities of persistence and patience.
- A global, proprietary database of outstanding candidates (a broad reach) and the credibility to get a response from those people (greater pull).

## THE DO-IT-YOURSELF APPROACH

A casual, undisciplined, do-it-yourself approach to attracting high-caliber executives to your startup is a recipe for failure in this job market, as in any market. Startups need a unified vision and a cohesive executive team to progress from brilliant idea to successful competitor. Without dynamic leadership, a new company drifts into mediocrity and its funding slips away. Finding that level of leadership requires a professional strategy.

Sometimes former colleagues make excellent recruits or referrals. But that's a narrow field. And spending the necessary time for deeper candidate research takes your eyes off your core business for too long.

Conversely, Internet or print ads cast a wide, indiscriminate net, while making the company look unsophisticated and making the opportunity look unimportant. Plus, such ads attract the unemployed; the "A" players do not read want ads.

Bottom line: self-search efforts limit your access to the best talent. Why hamper your success in this way? Your startup would expect to spend money for wider access to new customers, new technologies, new products or new markets. In the same way, a firm very often needs to hire outside recruiting expertise to expand its search beyond a convenient circle of contacts or a stack of unsuitable resumes.

## SEARCH FIRMS DEFINED

So you've decided to hire an executive search consultant. First, you should know that there are typically two types of search firms: contingency and retained.

A contingency firm is best suited to searches for individual contributors or managers. These firms collect resumes and then shop the candidates among many companies seeking a fit. The contingency recruiter receives a fee from a company once the candidate and client find each other, and the position is successfully filled.

Retained firms specialize in executive positions, from the Vice President to the CEO and Board Director levels. The number of retained firms has grown steadily for 40-plus years because their focus on the hiring company succeeds best in the fierce competition for top leadership material. The retained search consultant begins to receive service fees – and most importantly, becomes committed to your company’s search – on the day the search contract is signed.

A retained consultant firm earns its fees by providing your firm with multiple services during the course of the search:

- Becomes well schooled in your company’s business and culture.
- Creates, refines and redefines the search’s strategy and tactics.
- Taps into its proprietary database of contacts and a broad cross section of employed and temporarily unemployed talent.
- Applies thought and imagination to the search strategy.
- Intelligently “sells” your company and the opportunity.
- Projects the credibility that gets a response from top people.
- Brings in candidates only after they clear highly selective and objective hurdles.
- Submits frequent detailed reports of candidate interviews, filling in the story behind the resume with specific details about how candidates’ strengths and limitations relate to the ideal profile.
- Provides new market intelligence gleaned from sources and interviews.
- Prepares the candidate and your executives for all interview rounds, ensuring open and candid dialogue.
- Conducts post-interview debriefings with both candidates and interviewers.
- Shields your executives from the delicate business of releasing candidates who do not fit the opportunity.
- Conducts reference checks that will reveal the strengths, limitations and character of all finalists.
- Negotiates a win-win compensation package, helping to preserve a positive relationship between your company and its future team member.
- Coaches the candidate through resignation from his/her current position, and handles any potential counteroffers from that employer.
- Maintains close communication with the candidate from the time of resignation through the start date at your firm.
- After the new executive is on board, makes regular contact calls that can help ferret out miscommunication and pre-

vent small problems from escalating during his/her integration into your team.

Both contingency and retained firms can vary in size. Large search companies might employ 70 or more partners worldwide. These often include professionals whose main purpose is to sell the search, typically leaving your search’s crucial research and legwork to less-experienced employees.

A retained or contingency “boutique” firm can also be a sole practitioner plus support staff. These small firms have the advantage of giving you continual access to the principal consultants. Such firms also have a smaller number of client companies that must be “off limits” as a source for candidates in your search.

Firms both large and small, both retained and contingency, have their place within recruiting. But your startup usually needs the depth and focus of a retained firm. Having a compatible and competent, well-spoken and well-informed search consultant on call is as important to you as the right VC, accountant, attorney or investment banker. Read on to learn how to recruit the right retained recruiter for your firm.

## **HIRING A SEARCH FIRM**

Simply hiring a retained search firm is no guarantee of a high-quality search result. Almost anyone can hang out a shingle claiming to be a qualified executive search consultant. The industry doesn’t require lengthy, specialized training or education. There are virtually no barriers to entry. So you must scrutinize the search consultant’s qualifications, and you must remain fully engaged throughout the life of the search.

The length of the search firm’s experience in the business is certainly one very valid sign of its ability as a search consultant – and of its stability as an organization. But there are other steps to take and criteria to apply when sorting through and selecting a reputable search firm:

- First and foremost, seek referrals from trusted colleagues. Resist publicity, ads or the Yellow Pages as primary sources. And don’t be oversold by a high-pressure sales approach.
- Request three references from the recruiters you are considering. These references should be people who have worked with the consultant recently, as well as clients from years ago. Look for consistency in their responses to determine the quality of the firm’s track record. Also listen for or ask about the characteristics that are most important to you and to the upcoming search.

- Create a short list of firms and set up an introductory meeting of at least one hour with each one. You'll want to sound out their areas of expertise. You'll also get a sense of the intangible characteristics – such as style and values – that will affect every aspect of the search process.

## QUESTIONS TO ASK A POTENTIAL SEARCH FIRM

### 1. *Who will manage the search from start to finish?*

This should be your first concern. Some firms send in a charismatic consultant to sell the contract, and then turn the search over, in part or entirely, to a much less experienced researcher – someone you may never meet.

### 2. *Who will make the introductory calls to candidates?*

Remember that whoever makes the initial call makes the first impression on your behalf. Know who will represent you and your company. Top-tier professionals will not waste time with anyone who is ill informed, unnecessarily pushy or unprofessional.

### 3. *What relevant assignments have you completed?* Ask for a description of those searches and a list of those clients.

### 4. *What knowledge do you have of our firm and our industry?* No one can have lengthy experience in all aspects of the rapidly changing, multi-faceted technology market. But you should be comfortable with the consultant's ability to grasp the most-significant issues facing your particular industry and your company. A search consultant with a list of varied technology placements will have the broad vantage point your search needs. You want a recruiter who is comfortable talking about complex technologies, not one who recites one nearly identical pitch over and over.

### 5. *What knowledge do you have of this position's functional area?* The consultant needs to know the typical challenges inherent in your search's specific function, and how the position works with other functional heads. Today's environment demands an understanding of cross-functional responsibilities, so make sure that your recruiter makes team building a serious concern.

### 6. *Who are your client companies?* This will be the firm's "off limits" list – present and recent-past clients that cannot be solicited for candidates without disrupting the relationship. Mid-size and larger recruiting firms may have an extensive off-limits list, creating a significant obstacle. Have in mind the first and second tier companies you'd like to approach, and avoid consultants that are shut out from approaching many of those firms.

### 7. *What is your search process?* Ask each firm to outline exactly how it handles a search from beginning to end. Is it a thoughtful and thorough process? Does it demonstrate knowledge of the latest industry standards? Does the firm have a well-developed, proprietary database, including relationships of a decade or more? Does the recruiter use the most-relevant Internet research tools? Ask to have these described to you.

### 8. *Does the consultant prepare thorough, yet succinct written candidate evaluations and associated search reports?* Some recruiters limit their service to the delivery of resumes, leaving you to screen them and weed out the chaff. You are paying top dollar for a search. You should receive reports with specific insights about the candidates and clear-eyed assessments of how they fit or don't fit the ideal profile.

### 9. *How does the consultant validate finalist candidate choices?* What guarantee is there that the finalist you select is all he/she claims to be? The consultant should verify finalists through interviews with people who have had a suitably long working relationship with that person. Don't accept the argument that stringent employment laws make quality reference-checking impossible; any seasoned consultant can overcome that obstacle. Expect at least 10 and as many as 20 references for each serious finalist. In order to avoid costly and time-consuming hiring mistakes, it is absolutely imperative to solicit and listen to objective and varied feedback.

### 10. *Does the recruiting consultant stand behind his/her search results?* There are no guarantees. Find out the recruiting firm's contingency plan, if any, to cover the possibility that the new hire doesn't work out.

## BEFORE SIGNING A CONTRACT

- Be completely satisfied with the answers to all questions.
- Feel completely comfortable with the consultant's process, knowledge, approach and interpersonal style.
- Make sure you understand all details of the contract's fee structure.
- Be aware of provisions for additional hidden costs. Some firms charge extra for outside research and for hourly work done by contract recruiters. Specify which out-of-pocket costs require your advance approval.
- Request frequent and regularly scheduled invoicing with pertinent documentation.

## HOW TO WORK WITH THE CHOSEN ONE

You've put your chosen search firm through a rigorous selection process. Now is the time to show confidence in your choice.

- Commit to maintaining a mutually respectful, open and trusting relationship – it's crucial to the success of the search.
- Participate fully in the development of the job specification. Your job spec is a living document that will very likely be modified over time, as you and your recruiter understand more about your true needs. From Day One, the job spec must reflect the main characteristics, both professional and interpersonal, which represent the ideal candidate profile. Distinguishing the "must haves" from the "nice to haves" is all part of refining the search process.
- Communicate clearly about your target companies, your criteria for their selection, and any market conditions that change those choices. Prioritize them into A, B and C categories. You can expect to receive additional suggestions from the consultant, including pragmatic, strategic approaches you may not have considered.
- Delineate your respective roles: the areas you and your consultant are each accountable for. It's very important that you not step on each other's toes. Agree which of you will take the lead at various stages of the game: which interviews you'll want to conduct personally; what reference checks you'd prefer to make yourself, etc. As with any process, expect changes as you move forward; but always communicate with one another. An open, synergistic process impresses candidates, giving them confidence that your startup's investors and executives are organized and professional.
- Take full advantage of the consultant's expertise. Be open to objective feedback based on that expertise every step of the way. Draw upon his/her experience with organizational structure and team building, as well as recruiting.
- Expect to receive useful information about your firm's competitive position in the marketplace. Top prospective candidates will have a broad and deep perspective in their

market sector (and yours). A competent consultant will accumulate valuable insights from interviews with these candidates, and feed the information back to you.

## IN CONCLUSION

In the post-bubble market, the competition for good candidates is as strong as ever, but the attraction of a startup is weaker than before. Successful people have learned a lot over the past five years – sometimes the hard way – and have become very skeptical about the startup opportunity. To overcome that initial resistance, you should not conduct your search alone.

Create a partnership with a credible, trusted consultant. Add to your strengths by putting a proven professional in your corner who can be convincing about your corporate prospects. The thorough recruiting process outlined here should give you confidence that your recruiter will be discerning and aggressively persistent in identifying and pursuing the person who fills the need and fits your culture.

Finally, use your search consultant wisely. Make a thorough assessment of your existing team before picking up the phone to fill an executive vacancy. After completing that internal homework, be ready to move forward decisively as an active, receptive and responsive partner in the search process. Your executive search firm requires nothing more, and your startup deserves nothing less.

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## STORM & COMPANY

*Storm & Company (storm1.com) is a Silicon Valley-based retained executive search firm. Founded nearly a decade ago, the firm provides recruitment consulting for high technology and life science companies, with a special emphasis on venture capital portfolio startups. The principal and founder, Danelle Storm Rosati, launched her recruiting career in 1978. Prior to forming Storm & Company, she had worked in large corporate environments and international search firms. Lucy Sonsini Romoli joined the firm in 2000. Ms. Romoli has nearly 20 years of experience in recruiting and organizational development for major corporations and young startups. These two senior consultants are thoroughly involved and readily accessible in all phases of every search.*