Companies Beware— Executive Candidate "Shelf-Life" Expiring Sooner Than You Think

September 11th, 2014

By: Clark Waterfall, Managing Director/Co-Founder of BSG Team Ventures

The term "shelf-life" was coined to refer to expiration dates on perishables in the super market. However, a different market—the executive talent market—is increasingly one where the same term can be applied.

Allow us to explain, and set the framework for this claim. In the US, the market for executive talent suffered as the country struggled through the financial crisis in 2007 and 2008, and the post-crisis recession stretching in some industry sectors into 2011 and 2012. For these 5 to 6 years, employers developed a sense of caution when looking to hire new executives. What might happen if there were a "double-dip," the country slipping back into recession? What might happen when low inflation interest rates hit 0% and the country still wasn't growing as the Federal Reserve and other government agencies had hoped? When companies looked to replace or add a new executive, not only did they wait until the very last minute to give the green light, but then they would take their time interviewing as many candidates as they could.

This was all under the assumption that candidates for executive positions would remain "on the market" for 6 months or more, that supply of executive talent outstripped demand and therefore the company was in the power position.

Starting in 2013, and definitely now into 2014, this has changed. The market for executive talent has shifted from a buyer's market (those hiring executives), to a seller's market (those selling their talents to companies in exchange for a paycheck).

While the below evidence is anecdotal, these examples are from a collection of retained executive search firms who created Partners Search Alliance in 2006. The mission of the PSA is to help all member search firms to share best practices, market conditions, and refer clients to the best search solution in the alliance.

All of the below examples are from Q2 2014:

EVIDENCE EXHIBIT 1

INDUSTRY SECTOR: SaaS software

LOCATION: New England

POSITION: SVP Sales

CASE STUDY: The company waited to bring 2 short list finalist candidates in for face-to-face interviews with the CEO and the board of directors. For one candidate, they did a series of 3 separate phone calls to interview over a week or more. For another candidate, they decided to put in a "phone screen" step before flying the candidate in for final interviews. In both cases, the candidates called the day they were supposed to fly in to let the company know that they had accepted another position and would be canceling the interviews. One of these candidates had the competing company that was courting them work through the weekend on employment terms, using the other company's upcoming interview as a stalking horse to accelerate their offer negotiation process with the hope that they could trump the interview process of the competing company. They succeeded.

EVIDENCE EXHIBIT 2

INDUSTRY SECTOR: Healthcare IT

LOCATION: Southeast

POSITION: COO

CASE STUDY: Search firm had to convince client to make offer contingent on references and background or risk losing candidate to competing company that was moving fast. Client did, and beat the other company to the punch, and closed the candidate

EVIDENCE EXHIBIT 3

INDUSTRY SECTOR: Energy

LOCATION: Southeast

POSITION: VP Engineering

CASE STUDY: Candidate declined extremely competitive offer indicating it was not enough to motivate him to make a change. In a red-hot market candidate expectations are outpacing market-based compensation packages.

EVIDENCE EXHIBIT 4

INDUSTRY SECTOR: Wealth Management

LOCATION: West Coast

POSITION: Private Client Advisor

CASE STUDY: Boutique search firm assisting client in the acquisition of new Private Client Advisor learned that they were in competition for a sought after candidate with a much larger and better financed competitor. Chosen path was to clear potential counter offer obstacles by ensuring that the boutique firm's value add was the breadth and depth of the position and the stretch factor for the incoming executive. They stated they would not be able to compete in counter offer scenario and stated their approximate compensation constraints. Candidate accepted offer from boutique firm. In today's competitive market, career growth is often a more critical catalyst than compensation.

EVIDENCE EXHIBIT 5

INDUSTRY SECTOR: Medical Devices

LOCATION: Upper Midwest

POSITION: Director, Sales Operations

CASE STUDY: Hot marketplace for executive talent—sales operations AND medical device in the Twin Cities. The candidate was working as a consultant for a company in a Sales Operations management capacity. The client company was aware that moving fast was critical - that the candidate's consulting assignment (the company she was consulting for) had an interest in making her fulltime if they could get the budget (and the position approved)

Due to travel delays, the client company took over 45 days from initial interview to the scheduling of just 'one more' interview. The candidate ultimately received and accepted the other offer.

There is a saying in the investment banking industry that applies to executive talent in today's market—"Time kills all deals."