Insights

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In this issue, you'll read:

From the President

In our last issue I stated, "The financial markets have been riding a roller coaster in spite of a reasonably healthy underlying economy." Now, just four months later, it seems that the roller coaster has been in a bit of a freefall, and the recession debate--a continuum that ranges from "Can we avoid a recession?" to "Are we already in one?"--is center stage. I've grown numb to the market dropping several hundred points and often seek solace from Larry Kudlow as he attempts to paint a brighter picture of this economy on his evening cable program.

Since Carlson Search Group specializes in serving the financial services industry, many of our clients are suffering earnings problems and considering selected staff reductions, while others are delaying or reconsidering their growth plans. However, many of our clients had very good results for 2007 and are optimistic about 2008 and beyond. This debate regarding hunkering down during difficult times, yet being ready to grow once the economy inevitably improves, is a topic that I know many of you are examining in your world during this challenging period.

I am reminded of an earlier stage in my career when I had moved to Des Moines and was serving as the head of human resources for several growing businesses at Wells Fargo & Company. One of the senior leaders that I supported was Mark Oman, who back then was leading a small, but rapidly growing mortgage company, and who today leads the 60,000+ employees within WFC's Home and Consumer Finance Group. There was a market downturn during the period that I was working with Oman. Although he was under the same type of expense and earning pressures as all executives, he had the foresight to understand the opportunities that exist during this type of economic difficulty. Oman understood that not only was this the time to adjust business strategies and pare out lower performers, but it was also likely the absolute best time to recruit top performers and industry leaders from the competition. It was a strategy that has worked for Oman throughout the years, and I am sure that it is one he is utilizing today. I can't help but think that there is a lesson in this approach for me to consider here at Carlson Search Group. How about with you and your business?

In this issue we explore the changing dynamic of the "off-limits" issue, and offer our take on Fulmer and Bleak's new release: *The Leadership Advantage*. Enjoy the issue, and feel free to share your thoughts with us. We look forward to hearing from you!

Gregg Carlson
President, Carlson Search Group

Why Off-Limits Should Matter To You

At a recent industry meeting, I was having lunch with a very senior consultant with one of the nation's largest international search firms. I asked him how big a deal off-limits was for his company and how they generally handled this issue. I was not prepared for his reply: "Gregg, surprisingly we hear very little about the whole off-limits concern; much less than we did, say, 10-15 years ago. This just doesn't seem to be a very big concern for clients as we market our services or launch a search."

I'll ask you the same question I asked this consultant: *"How can this possibly be?!"*

What is Off-Limits?

Simply stated, "off-limits" means that an executive search firm will not solicit candidates from a client organization for a certain period of time following the conclusion of the last engagement for that client. Over the years the off-limits issue has changed dramatically.

- Historically, the industry standard was that the off-limits agreement was for up to two years and included the entire organization. (Example: If search firm x was hired by Citigroup, then for the next two years firm x would not recruit any employee out of any part of Citigroup.)
- More recently, one year has become the standard, but some firms have begun using 3-, 6-, or 9-month time frames.
- Even more dramatically, the scope of the agreement has shifted from all of a company, such as Citigroup, to just an affiliate, or a business line, or a division, or even just a small department.
- It's gotten to the point where some agreements don't even include an off-limits feature.

Why is Off-Limits Important?

There are two primary reasons why off-limits should matter to you. First, companies usually want to select a recruiter with experience and contacts in their industry. Unfortunately, if the search firm has worked recently with some of your closest competitors, those companies will probably be "off-limits" for your immediate assignment, thereby limiting the available field of candidates. Hiding off-limits blockages is perhaps the most significant violation of ethics existing in the marketing of executive recruitment services.

Second, as a retained search consultant, I expect my clients to treat me as a trusted partner, sharing key company strategies, priorities, and broad information. I have a duty not to recruit their employees, thereby weakening the client organization that I have partnered with and been paid to strengthen.

Larger firms with many consultants located in offices across the nation or around the world often have a difficult time even assessing what companies are and are not off-limits. Obviously, the greater the number of client companies a firm has, the fewer places their consultants have to recruit from. This shrinking pool of non-client companies has been an encumbrance for many large firms and has helped fuel the trend toward using smaller, more flexible firms. As a smaller, boutique firm, this is one our marketing points here at CSG--not only do we know your industry, but we have access to almost all potential candidates.

How can your company avoid off-limits issues?

What can you do to protect your company? Begin by treating the issue seriously and ensuring that your search firm understands the importance that you place on the off-limits topic. Be very specific in your contract about the nature of the off-limits agreement, regarding both the time frame and the breadth of your company that will be treated as off-limits. For example, maybe two years is too much to expect, but certainly a one-year hands-off agreement is reasonable. And, back to the Citigroup example, it is unlikely that the entire organization should be off-limits in many cases; however, one function or division is likely too narrow. Establish a reasonable balance in your agreement, and find out specifically from the firm what companies are on their off-limits list. If appropriate, you might want to consider a direct question, such as, "So, if I were to contact the head of human resources for (some other large, key competitor), would they be surprised to learn that they are not on your off-limits list?" You should not be timid in gaining a clear understanding regarding off-limits problems.

This type of dialogue will ensure that you have a clear understanding of the access that your search firm has to top talent in the industry. If a search firm is vague and downplays the off-limits issue, treat this as an important red flag because in a few months your company will be treated in just the same manner. Again, much of this issue comes down to business ethics, as off-limits continues to be redefined. Whether the issue is moral or practical, it needs to be carefully explored at the time the search firm is selected.

Recommended Reading

The Leadership Advantage: How the Best Companies Are Developing Their Talent to Pave the Way for Future Success

Robert M. Fulmer and Jared L. Bleak

"Perhaps the most critical change facing senior executives in global organizations today is the task of preparing a new generation of leaders who will extend the strategic reach of the organizations they lead," say Fulmer and Bleak, who together have written this valuable resource for leadership development.

Robert M. Fulmer, Ph.D., is academic director at Duke Corporate Education, visiting professor of strategy at Pepperdine University, and respected author of many books including *The Leadership Investment* and *Growing Your Company's Leaders*. Jared L. Bleak, Ed.D., is an executive director at Duke Corporate Education, where he designs educational programs that meet clients' strategic challenges.

Companies endure as leaders continue to develop themselves and their successor generation, and organizational capability comes from talented, competent individuals working collectively as one to meet the organization's strategy. With these facts in mind, the authors set out to discover the best practices for

- tying leadership development to business strategy
- creating strategically relevant, collective learning opportunities
- integrating development initiatives for maximum impact
- simultaneously developing individual competencies and organizational capability.

Part One, "Leadership Development as a Strategic Force," discusses how to build, implement, and leverage strategic development and evaluate its success. Part Two, "Detailed Case Studies of Best-Practice Companies," offers compelling research regarding the following five companies and their success in leadership development: Caterpillar University College of Leadership, Cisco Systems, PepsiCo Inc., PricewaterhouseCoopers, and Washington Group International. These companies excelled in at least one of the aspects mentioned above.

Hot off the press, and the culmination of extensive, collaborative research, this book presents a concise overview of these companies, including their specific strategies for effectively developing leaders, as well as individual steps they took toward building an integrated leadership roadmap. Each company's success is also evaluated, and critical success factors and lessons learned are listed in bullet points--a convenient snapshot of what each company is doing well. By revealing exactly how some of the best companies are developing their talent to pave the way for future success, Fulmer and Bleak have paved the way for other companies to follow suit.