

THE EXECUTIVE INTERVIEW (A ROADMAP – PART II)

Preface – As we shared in the preface to part I of this two-part article, we are distilling the executive interview process. We have prepared this article in two parts in order to compartmentalize the different components of the process. If you need us to resend part I, please let me know. We hope you enjoy the read.

The marketplace for talent remains extremely tight, with candidates continuing to hold the leverage. Along with an increase in demand for talent, prices for that talent has increased, as have the stakes. In recent history, it has never been more important for companies to remember that they are “recruiting” these candidates. This means rolling out an interview process which is engaging, compelling, comprehensive, and most importantly, cohesive. Put another way, this is the courtship before a marriage. Both parties have to have mutual attraction, and the proverbial love connection must grow.

As an overview of part I of this article, we distilled the executive interview process into a three-stage framework. Herein, we look at the **situational variables** which can apply during a given search process, including relocating from out of area; managing internal candidates; how to keep pace with multiple candidates; and a deeper dive on the offer process. This is certainly not an exhaustive list, but these are the issues which we encounter most frequently.

RELOCATION

Whether a relocation is appropriate for a given search needs to be assessed on a case-by-case basis. However, given the demand for talent, outside of roles where existing geographically-specific relationships are paramount, looking at out-of-area candidates has become a necessity. There are obvious inherent risks with a relocation, so we advise a careful assessment of your strategy on candidate identification, and the recruitment process to ensure their commitment to the interview process, and ultimately the new geography and institution.

The first step in any search is to assess the local marketplace for talent. The definition of the local market is the radius marking what is considered a reasonably commutable distance to your office, thus not necessitating a relocation for candidates within that area. If there are less than 100 viable candidates in the local market, then we advise expanding the geography of your search. The decision to move outside of your market can be made at any time and does not need to occur at the front end of your search process. However, with the right guidance and counsel from a search firm, or your in-house recruiting department, you should have a strong talent map to assess local viability quickly. If such a mapping doesn't exist, in the interest of time, we advise running a parallel path – local candidates in one filter; and out of area candidates in another.

When interacting with out-of-area candidates, the topic of relocation must be front and center from the very beginning of the dialogue, and must continue to be a consistently revisited matter throughout the entirety of the search. Keeping relocation top of mind keeps the dialogue going and forces the issue for the candidate and their family. We find that typically it is the trailing spouse that struggles more with the idea of relocating. And rightly so, as they are being uprooted completely and do not have the prospect of an exciting career move for themselves.

While relocation needs to be discussed up front, we would advise that it is only assessed on a cursory level to ensure that for the right opportunity, the candidate would contemplate a move. We find it is unfair to ask a candidate to commit to a relocation until they have had the opportunity to truly consider the institution and opportunity. However, we do seek

to understand the candidate's comfort with moving. Specifically, we are curious to learn if (a) they have any connection to the company's geography; and (b) if they and their family have ever relocated before. In both instances, we gain comfort. If the candidate has a connection to the location (i.e., they grew up there, went to college there, or have family there), then we gain comfort with their commitment to the location. If they have moved before, this too provides comfort as we know that the candidate and their family understand what such a move would entail.

We advise our clients to have candidates visit the geography as many times as possible (without it putting a hardship on them with their current role). And we suggest that spouses join at least once. Typically, we see out-of-area candidates visit twice during the interview process, with their spouses joining for the second trip. We suggest our clients roll out the red carpet for these visits, showing the candidates the best parts of the city. Putting up candidates in centrally-located hotels is ideal, along with recommendations of places of interest. And when the spouses join, we advise bookending the trip over a weekend. This allows the candidate and their family to absorb more of the city. We also would have your candidates set up with a realtor who can serve as their tour guide to discuss housing, schooling and neighborhoods. The realtor is seen as a third party and thus they can be instrumental in having the candidates feel they are getting an authentic assessment of the city. We implore our clients to ensure that these realtors understand the context of the situation. If the realtor can be an insider of sorts, they can help sell the city. Lastly, given that trailing spouses traditionally struggle with the move, we suggest the spouses of our client's executive team join for a dinner during the spousal trip to visit the city.

As the candidate interview process matriculates on, your recruiting partner should continuously be assessing the candidate's interest in, and ability to, move. This can be an organic conversation where the candidate is asked whether they've looked at neighborhoods, and if they have gravitated towards any; what they think of the real estate market; or what important community attributes need to be present. All while continuously asking about how their spouse is feeling.

In order to soften the blow of a move, recognizing that timing is often an issue, especially with school-aged children, many companies offer a stipend for temporary housing. Additionally, they will offer flights to and from the candidate's home during the course of the move, or their trailing spouse's move. The days of large corporate relocation packages are behind us, save for a few multinational corporations. Most community and regional banks, as well as credit unions, offer a lump sum payment for the candidate to apply to out of pocket moving expenses.

MANAGING INTERNAL CANDIDATES

In certain instances when a company is filling an executive level role, they may have candidates internal to the organization who may be a fit. Surprisingly, this happens less frequently than it should which is another sign that financial institutions do not do an adequate job of engaging in success planning (we've already written an article on this topic), but I digress. When there are internal candidates who feel they may be a good fit, we are proponents of having them work through the interview process. A key point in this is that the candidate feels they are ready to make that jump. If they feel they are realistically ready for the role, then they should be given the opportunity to compete for the role.

Enabling internal candidates to engage in the interview process is a positive thing for all involved. First and foremost, it sends a message to the balance of the company that upward mobility is available. Second, should the internal candidate not be chosen, it provides a greater likelihood they will remain with the organization. And not breed ill will towards either the senior team, or the incoming external candidate.

Internal candidates, while having not held the role for which a company is hiring, do bring a number of positive attributes. Specifically, they bring tremendous tribal knowledge of the institution, and how to navigate its unique corporate culture.

This means that disruption is typically lower when internal candidates are elevated into new roles. Of course, if there are two competing peers, then disruption can occur. In sum, the analysis comes down to the diversity of thought and best practices from external candidates versus the tribal knowledge of internal candidates.

Companies need to anticipate the outcome of an external hire when internal candidates are in play. The best case scenario when hiring an external candidate is that the internal candidate concludes the company made the right decision by hiring the better qualified candidate. Moreover, when accompanied by the proper messaging, the internal candidate can realize that they too are better under the tutelage of the new leader. However, internal candidates don't always feel this way. As such, companies need to prepare for the fallout of an internal candidate not being chosen. There is a chance (we'd handicap this at about 25%) the internal candidate will leave within six months of the external hire. This possibility can be reduced by ensuring open communication with the internal candidate is had as to the reasoning behind the ultimate choice of hiring an external candidate.

KEEPING PACE WITH MULTIPLE CANDIDATES

A good search results in hiring the strongest candidate in the market who aligns with your cultural values and the technical skills necessary for the role. In order to ensure you have hired the right candidate, comparing and contrasting a slate of qualified candidates is a necessity. Of course, the timing of executives contemplating making a move is never completely in line. As such, managing multiple candidates through multiple rounds of interviews can be difficult.

As such, following the comprehensive but concise roadmap we provided in Part I (or something similar which you have devised) is your first step. While this roadmap is comprehensive, because there are only three steps it allows flexibility between steps. Please note, that the few steps in the roadmap can be few because the interviews are comprehensive and are significant investments of time for the candidate. Because of the few number of formal steps in our roadmap, candidates entering the process two weeks apart can keep pace relatively easily.

Note that the candidate mindset is fragile. There are the mixed emotions of their loyalty to their current company, contrasted against the excitement of a new role, with an overlay of needing to feel "wanted" by the hiring company. It's delicate. As such, setting expectations is of the utmost importance. Meaning, regular touch points with the candidate to let them know feedback of the interviews and setting expectations for the next round. An early stage candidate will have their interviews spread out, whereas a candidate entering later in the process will have a more compressed timeline.

In certain situations, there needs to be significant attenuation between a candidate's interviews. In this instance, we recommend that a company reach out with informal touches to the candidates. Perhaps it's just a call, or a social lunch. This keeps the candidate connected to the process and the institution while other candidates are playing catch up.

This is a good place to remind our readers, that they are the best recruiter. They are the candidate's potential future colleague and partner. And reaching out the candidate can go a long way in making the candidate feel like the company cares about their candidacy.

Lastly, there comes a time in any search when it is time to make a decision. This can be difficult for companies to do, as they are seeking consensus from their stakeholders on the hire. There is often a desire to "see more people." However, much like residential real estate, you never know what the market has to bear, and time is never your friend as there are always others in the market. There is no science to making the final determination. It is come to by running a robust process and then being realistic in your expectations, and asking yourself, "what is it that we really need, and does this

person align with that profile?" If the answer to that question is, "yes, they align" then you have your person. Don't delay,

make the offer.

THE OFFER

We wrote a section on offers in Part I, and here I restate the pertinent portions of that. The first step is to make a verbal offer to the candidate. We suggest this is delivered by your recruiting partner, acting as a middleman, to ensure the waters don't get muddied by any negotiation between the candidate and their new boss. Moreover, your HR or legal team won't be used until each party agrees that: "if the verbal components end up in a written offer, we have a deal." After the candidate accepts the verbal offer, the company should prepare a formal offer letter. This letter should be contingent upon receiving satisfactory references and a clean background check.

What we have shared is the overview of the offer process, but there is certainly the art that goes along with making the offer. In most states across the country legislation has been passed, or is in the process of being passed, prohibiting companies and their recruiters from asking candidates how much money they make. Instead, we can only ask a candidate of their expectations for compensation. They in turn have the right to ask for the range of the role. This conversation should have happened earlier in the process and should have been had by your search firm, or recruiting department.

Presuming these conversations around expectations have been had (and they should have been had), the company should have an idea of how to proceed. Given the current market, we strongly advise that companies not be pennywise and pound foolish. Candidates have options and market rates are rising. We are of the mindset to proceed with the highest offer you are comfortable making. You'd be surprised when a candidate gets a good offer and simply accepts without push back. When our clients don't bait a negotiation with an initially low offer, candidates typically follow suit. Remember, you should have their expectations, and they have your range. I don't mean to make this sound so simple, it is still delicate, but it doesn't have to be as difficult as most think. A strong initial offer from a company reflects a sincere interest. A candidate may accept, or may make a reasonable request. If a candidate makes a reasonable request, and the client can find a solution, a single back-and-forth can close out the negotiation. While also leaving both sides feeling positive about the experience.

To close, there are so many situational variables which may come up. I find each search offers a new and novel predicament through which to work. It's what makes this job so fun. I said it in our last piece and it bears repeating, when recruiting we're dealing with the most unpredictable things – people. Putting yourself in the shoes of the person on the other side of the table is the best approach. Put another way, anticipation is the best preparation. Think about how a candidate will react (for example) to being put "on ice" during a search process. If you think they might be the right fit, but you have candidates who are further behind in the process, just tell them. Not telling them is only going to let their mind run wild. It's better you control the narrative – "We are huge fans of yours and you are moving forward in the next round. As you know, it's good corporate governance to assess a slate, and I'm excited to know you'll be a part of it." That's all they need to hear.

About the Firm and the Author

McDermott + Bull is a full-service retained executive search firm with a dedicated Financial Institutions practice. The firm's Financial Institutions Practice Group partners with boards and senior leadership teams to align talent strategies with business strategies for banks, credit unions, investment banks, asset managers and investment advisory firms. Clientele include the likes of Columbia Bank, Golden 1 Credit Union, First Republic Bank, Silicon Valley Bank, SAFE Credit Union, First American Trust Company, Bank of Marin, Technology Credit Union, Wescom Credit Union, Western Federal Credit Union, Luther Burbank Savings, East West Bank, Houlihan Lokey, Washington Trust Bank, Exchange Bank, Opus Bank, Banc of California and United Capital.

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