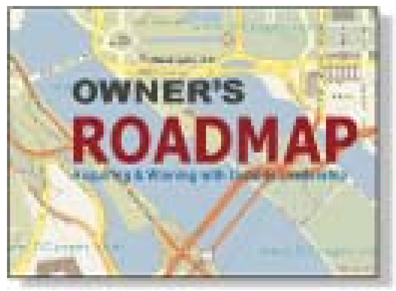

Owner's Roadmap

How to Acquire & Win with Outside Leadership

December 2008

EQUITYCORPS
PROFESSIONAL MANAGEMENT — ON DEMAND

Contents

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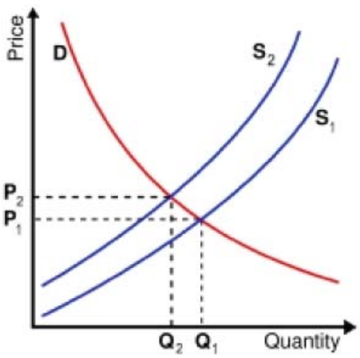
So You Need a C(x)O…

How do we avoid a costly hiring mistake and ensure that our investment in talent pays off? What experience and qualities are essential to fulfilling our business mission? Is “top talent” worth the expense? What does it take to land a top prospect? Can we compete against big companies? What will it take to be successful post-hire?

These questions have always confronted companies setting out to make a key leadership hire. But today, coming up with answers is harder than ever. Over the past 20 years, the executive talent market has structurally and permanently changed. Today’s challenges are particularly acute for independent companies, which often lack the luxury of the sophisticated talent acquisition, development and retention systems used by big companies.

In spite of the challenges, independent companies possess a significant competitive advantage in the quest for top talent. Unfortunately, this competitive advantage is rarely understood or effectively deployed.



Consequently, there is an opportunity for forward-thinking leaders of independent companies to win the battle for top talent against competitors both large and small. For these forward-thinkers, the talent advantage can drive company outperformance and shareholder returns.

This paper provides an overview of today’s executive talent market, offers concrete recommendations for making your C(x)O acquisition a win, identifies seven common mistakes to avoid, and suggests an alternative way of thinking about talent.

Understanding the Executive Talent Market

The Executive Talent Shortage

The executive talent market is experiencing a negative shock to supply. This is driven primarily by demographics. The mean retirement age has declined from 67 in 1950 to 62 in 2007. The first of the Baby Boom generation turned 62 and began to retire in 2008. McKinsey estimates that the number of future executives, the cohort aged 35-44, will decline 16% from its 2000 peak to its nadir in 2016. All this adds up to considerably less executives in the employment market. The Aspen Institute estimates that there will be a shortage of 14 Million skilled workers by 2020. Of these, Equity Corps conservatively estimates that more than 200,000 will be C(x)Os of independent companies.

We acknowledge that the demand for executives will rise and fall with the overall economy. Nonetheless, the trend indicates continued high demand at the C(x)O level over the long term. This will be especially true of top performing executives.

Executive Free Agency

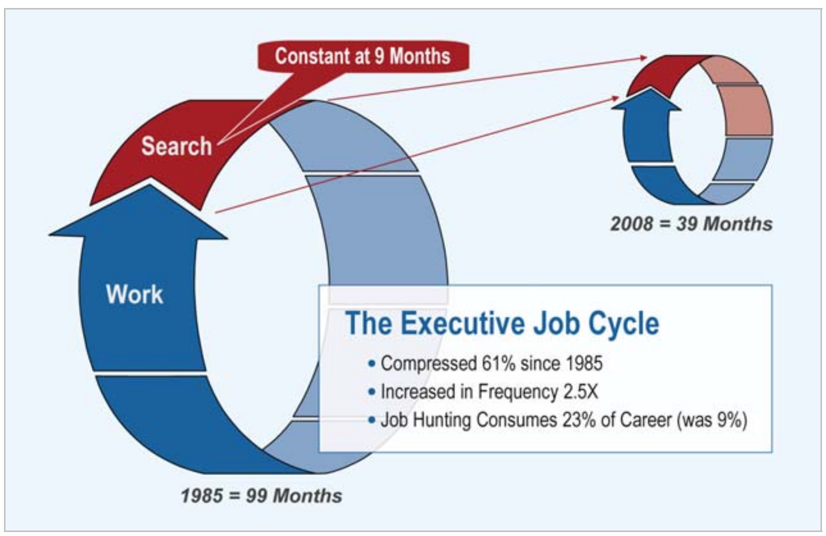
The shortage of executive talent notwithstanding, executive tenures have been declining.

- Decline in Fortune 1000 Executive Tenure = 40% since 2002
- Mean Executive Tenure = 34 Months
- Mean CFO Tenure = 28 Months

Meanwhile, the cycle time for executive searches has not changed significantly. Bottom Line - The number of empty C(x)O chairs is increasing. C(x)O positions are turning over at an accelerating rate. Open C(x)O positions are not getting filled any faster.

Figure 1

The Executive Job Cycle



Sources: CFO.com, Heidrick & Struggles, Execunet

These changes have profound implications for professional operating executives. Since 1985, the executive job cycle has compressed 61%, from 99 months to 39 months. This means operating executives are looking for jobs 2.5 times as frequently, and that they are spending 23% of their professional lives in search of their next career engagement, up from 9% in 1985.

The most talented of Baby Boomer executives will have a choice as to whether they continue to work or not. In a world where tenure is compressing, turn-over is frequent, and searches remain lengthy, many will simply opt out. These executives will make this choice not because they don't want to work. They will opt out simply because the effort and hassle involved in continuing to work becomes greater than the reward.

The Impact on Independent Companies

Independent companies are poised to bear the brunt of the executive talent shortage. The principal reason is failure to treat company leadership and succession as issues of critical strategic importance.

In 1998, McKinsey published *The War for Talent*, which has spurred significant growth in corporate spending on talent acquisition and management systems, largely by the large companies that are McKinsey's primary constituents. McKinsey reports in a December 2007 update study that companies ranked competition for talent number one in importance among global business trends for the next five years.

This is in stark contrast to the *laissez faire* approach of many independent businesses, as evidenced in the recently released *2007 Mass Mutual American Family Business Survey*. Although Owner-CEOs are rapidly approaching retirement, 80% have neither successor nor succession plan. These same companies ranked finding qualified talent third among important challenges.

Challenge & Opportunity

Challenge - Conventional Search Underperformance

The central challenge in filling any leadership position is simply getting it right. This seems obvious enough, but the numbers suggest that execution – actually winning with outside leadership – is more difficult than apparent.

Consider the case of CEOs recruited from outside. A 2007 study by Booz Allen reported as follows. 57% of departing outsider CEOs were forced out by the Board. Insider CEOs outperform outsider CEOs in shareholder returns by nearly 2:1. Insider CEO tenure is two times that of outsider CEOs. Overall, the research suggests that companies that recruit outside executive leadership endure failure nearly twice as often as companies that promote from within.

These failures occur after an executive search of 4 - 6 months that is administered by Human Resources professionals who often employ an outside recruiter – a recruiter that is paid regardless of the business impact or tenure duration of the new executive.

It is hard to win with outside talent.

Winning at Search

- ❑ Consider Top Performers
- ❑ Take Ownership
- ❑ Define Your Target with Care
- ❑ Prospect Full On
- ❑ Vet Vet Vet

Opportunity – Executive Free Agency

As executives spend an increasing portion of their time in the incessant search for their next career engagement, they are becoming *de facto* Free Agents. For many executives – even the most highly motivated – the new environment can be exceptionally frustrating. As a result, many executives would welcome the opportunity to return to a smaller independent company, where they can have a large impact.

For forward thinking leaders of independent companies, there is an opportunity to harness the considerable energy and expertise of a generation of exceptional leaders to expedite your business to the next level and beyond.

Winning at Search

Winning at search means arriving at the offer stage with two or more highly capable and qualified candidates, each of whom is excited about the prospect of serving your company. Achieving this means that you have a back-up plan in the event your top prospect does not close. Here are some tips for getting there that will simultaneously increase the probability of landing your ideal target and help establish the foundation of a productive working relationship.

Consider Top Performers

Do I really need (or want) to hire a top performer? Only you can answer that question. Top performers can be a pain. They challenge conventional wisdom. They slaughter sacred cows.

They are demanding in terms of resources and compensation. They also produce exceptional results.

McKinsey conducted over 13,000 interviews with managers at 112 companies and “found repeatedly that having strong talent in key positions creates huge improvements in performance. For instance, in a manufacturing company…the best plant managers grew profits 130% while the lowest performing managers achieved no improvement. In an industrial services company, the best center managers grew profits 80% while the lowest performers achieved no improvement. And… [top performing] portfolio managers in a financial services institution…grew revenues by nearly 50% while average performers’ portfolios remained flat.”

Take Ownership

If an independent company Owner is not also serving as CEO, his #1 job is putting the right CEO in place. The CEO’s #1 job is putting the right team on the floor to run the business. That means taking personal responsibility for recruiting your direct reports – your leadership team. Building your C-Team is too important a job to delegate to the Human Resources department – or anyone else. Jack Welch estimated that as General Electric’s CEO he spent over 40% of his time directly engaged in personnel issues - *human resources issues*. If Jack can find the time, you can.

Run It Like Your Most Important Project

Think about how you manage a mission-critical company project. A C(x)O search should command at least that level of organization and intensity. Select your hiring team. Map out your hiring process from position specification to on-boarding. Determine the key functions – search administration, candidate prospecting, vetting, compensation design, etc. – and assign responsibility. Develop a project timeline and schedule weekly (or more frequent) follow-up meetings. Keep your project on track.

Define Your Target with Care

Writing a useful position spec entails developing a deep understanding of the answers to some simple but important questions. Unfortunately these questions are often overlooked in the rush to describe attributes like education, credentials, and years of experience – attributes which do little to further the understanding of what is required to impact your business. Answering the following questions is an essential first step towards a full understanding of your ideal prospect.

- What are the five most important job responsibilities? The tasks on which the executive will spend most of their time?

- What is required to perform each task? What experience? Skills? Domain expertise? Specialized knowledge?

- At what companies (or types of companies) are you likely to find suitable candidates? In what jobs? Describe their likely career paths.

- What impact do you expect this person to have on your business over the next year? Two years? Three years?

- What type of person would be able have that impact at your company? What types would likely fail? Focus on personality and soft skills.

- What are the must qualifications - the three qualifications upon which you absolutely cannot compromise?

Prepare for Interest

If you were a top candidate for this job, what would you want to know? Work with your hiring team to build a list of the smartest questions you would ask, and develop some strong answers. The result will be that not only you, but also your entire hiring team – every point of contact with your top prospects – will be on the same page. This sends a strong positive signal to prospects; a signal that top performers will immediately recognize as a sign of excellence. Excellence with which they will want to be a part. Here are a couple examples to get you started.

- Why is the position open? Why did the prior C(x)O leave?

- Where is the company going? What is the vision?

- What are the opportunities for professional growth?

- To whom would I be reporting? What team would I inherit?

- Are you profitable? What is your cash situation? Your debt situation? How are your vendor relationships?

- Who are your customers? Why do they buy from you? Who are your competitors? Why are you better?
- What is the compensation package? Is there equity?

Prospect Full On

For every successful search, there is a single point person who is responsible for finding qualified candidates, getting them into the process, and ensuring that the candidate pipeline remains full. This is a full time job for 30 – 90 days (or more, if you need to reboot your search). Make sure that you have this individual on your team, supplied with the necessary resources, and properly motivated. Your point person should be experienced, energetic, and have the gravitas to gracefully interact with top prospects. Since many top prospects are found through networking, consider using a point person whose professional network is likely to connect them to a large number of suitable prospects.

There are many different ways to source candidates – cold calling, job postings, newspaper ads, networking. Whatever methods you use, you are well advised to err on the side of aggressive prospecting. You cannot have too many qualified candidates.

Vet Vet Vet

The process of discovering your ideal prospect is like peeling an onion. Each step in your vetting process – phone screen, live interviews, psychological profiling, background check, reference check, golf – should be designed to explore specific candidate attributes and qualifications.

A candidate who seems brilliant during a phone screen will not necessarily make it past the first round of live interviews. This is not because the phone screen failed. It is because the first interview, by design, revealed additional information about the candidate. This is exactly as it should be. It is also why you must commit to thoroughly complete every step in your vetting process. Short cuts and half measures will undermine your results. There are few failed executives, but many failed hires, spawned by poorly conceived searches and failed vetting.

Closing the Deal

Closing the deal means getting your man. It means that after investing scores of man-hours researching, networking, schmoozing and vetting, you put the executive you want on your team. Here are some tips for closing the deal that will simultaneously strengthen your foundation for success together.

Align Economic Incentives

Incentives matter. When it comes to driving results, few things matter as much, and nothing matters more. Get your executive incentive compensation right, and you can create a mean, lean wealth producing machine. Get it wrong, and you will undermine even the most motivated executives.

Closing the Deal

- ❑ Align Economic Incentives
- ❑ Offer Due Diligence
- ❑ Request a First Year Plan
- ❑ Make Your Offer Serious
- ❑ Seduce Your Target

Salary – Top performers will usually command a top salary, although occasionally not. Pay what you need to pay, but no more. Focus your creative powers and your negotiating skill on incentive compensation.

Short-Term Incentive Comp – This is typically an annual bonus. Take a page from the Private Equity playbook and pay bonuses based on EBITDA. This accomplishes several things, all good. First, your company is likely to be valued at a multiple of EBITDA. That multiple will increase as your company's EBITDA grows faster, aligning your interests with your C(x)O's. Second, EBITDA is - more or less - clear and unequivocal. Consequently, it is perceived as a fair performance standard. This is smart, as few things undermine performance faster than an ambiguous performance standard. Finally, EBITDA is one of the few metrics upon which you can (and should) base the incentive compensation of everyone on your leadership team – from CFO to Sales VP. Having your entire management team incentivized to achieve a common goal will focus and compound their individual efforts, further accelerating growth and shareholder returns.

Long-Term Incentive Comp – Managing well means always having a foot in two worlds – the current financial period, and the big bright future. There is an absolute trade-off between earnings today and investment in tomorrow. As an owner, you calculate that trade-off every day. "If I forgo earnings today and invest, will my company be worth enough more tomorrow to make the investment worthwhile?" Your leadership team should be thinking exactly the same way. The way you get them thinking that way is with equity participation.

Again, take a lesson form the best in Private Equity. Firms like KKR and Bain take pride in enriching the corporate leadership at their portfolio companies. This is not a philanthropic gesture. Their investment in management compensation pays a high rate of return. Yours can too. Sharing equity with management helps – 1) attract top talent, 2) align managements' financial interests with yours, and 3) make more money. There are many ways to structure equity participation. Find one that makes sense for you. Private Equity sponsors typically set aside 15% - 20% of portfolio company equity for management. Up to half the pool may go to the CEO. A third may go to the leadership team, with a preference for the key contributors. The balance goes to middle management, and sometimes further downstream as well.

The Escalator – Top performers believe that they will outperform. Use this to your advantage by accelerating incentive compensation rates as performance increases, especially for performance that exceeds annual plan.

Offer Due Diligence

No executive worth their salt is going to come on board without conducting some financial due diligence. Welcome it. Better still, why not prepare a due diligence pack to offer a top prospect at the appropriate stage in your dialogue? Openness sends two strong messages. The first is that you have nothing to hide. This is obviously good from the target's perspective. The second is that you expect preparation and performance. Sharing the detailed information necessary to understand your business makes it reasonable for you to expect a higher level of insight, understanding and preparation. Lastly, you will positively differentiate your company, as companies almost never do a good job of this.

Request a First Year Plan

Once you have shared financial and market information with a prospect, it is reasonable to request a game plan. This accomplishes a couple things. First, the quality of the follow up questions you receive will reveal much about their understanding of your business. Second, you will be able to assess their written communications skills. These are mandatory at the executive level, but are often less than stellar. Finally, you get a hard look at what they would do.

Make Your Offer Serious

What is a serious offer? A serious offer is one that clearly states to your target "we want you on our team right now." and makes it easy to say "yes." This is a matter of both form and substance. Here are some guidelines.

Make your offer in writing. Make it detailed. Be sure to include - start date, responsibilities, reporting relationship, salary, bonus, equity, required confidentiality, non-compete, or work products ownership provisions, and terms of separation. Eschew contingencies, loopholes, and punitive provisions. Include a detailed first year bonus plan. Do not include an offer expiration date. If time is of the essence, just say so. And be patient, your target has been.

A serious offer says - *"We want you on our team right now."*

If you use a formal employment agreement, advise your lawyer, preferably an employment lawyer, to draft a fair and balanced agreement. Be particularly mindful of excessive or unenforceable non-compete clauses, liquidated damages provisions, and vague definitions of cause. These will be seen for what they are – attempts to extract unfavorable terms – and are a red flag to top talent.

If you make an oral offer, follow it up immediately with a written offer. Do not delay.

Seduce Your Target

Consider how firms that rely heavily on intellectual capital – law, investments banking, management consulting – behave when recruiting undergrads. These firms' business models depend upon having a perpetual supply of top talent. No expense is spared on recruiting events, summer associate programs, first class travel, and wining and dining; and that is to attract kids just out of school.

This is not to suggest that you should benchmark your efforts to these firms. What might well be emulated, however, is the superb job these firms do of making their prospects feel wanted. The value in this should not be underestimated. A small and relatively inexpensive gesture - a fine meal out with spouses, a trip to a ball game - can make a big difference in the way you and your company are viewed, and can differentiate you from competitors.

Winning Post-Search - Driving Shareholder Returns

Driving shareholder returns means increasing the equity value of your company, preferably at a rate that places you among the top companies in your industry.

Define Roles

There can be only one Chief at a time. If you are currently serving as CEO, and are beginning a quest for your replacement, your first order of business is to figure out what you are going to be doing with yourself. Get clear before you launch your search. If you intend win with your new CEO, here's what you will not be doing. -- Working as a Co-CEO. Mentoring an "apprentice CEO." Coming to the office every day. Taking meetings or lunching with your legacy team. These models and behaviors foreshadow failure. It is imperative to find a constructive new way to spend your days that you are passionate about.

For Owners serving as CEO who are bringing in a COO or CFO to share the management load, the same basic idea applies. Likely you have been doing some portion of this person's job. Some of your former reports will now report to your new C(x)O. Make the transition instantaneous. Do not allow subordinates to "end around" their new boss. Clearly define your and your C(x)O's responsibilities in writing. Stick to your game plan.

Establish Performance Expectations

Annual Plan - The new C(x)O should present their First Year Plan, including performance commitments and budget, well within the first 90 days on the job. The plan should be reviewed, revised and edited, as necessary, and then signed off on by both parties. Requiring a draft Plan as part of the vetting process should expedite this.

Definition of Failure – A clear, mutual, written, up-front, quantitative definition of performance that would constitute failure goes a long way to ensuring that it never happens; and limits acrimony in the event that it does. Have your C(x)O propose a standard of failure as part of their First Year Plan.

Focus on Enterprise Value

In many independent companies, the most significant challenge to building Enterprise Value is simply a lack of focus. This can be cured with an annual professional valuation. Once you have the first valuation as a benchmark, you can start running the business to create shareholder value. You and your leadership team will be able to develop a realistic understanding of the impact of specific management decisions on the future value of your enterprise. This is particularly useful if your intent is to build the business to sell.

Grant Resources & Control

To succeed, your C(x)O requires your support. This means giving them the information, authority, and resources to deliver on their operating commitments. This should include -

Decision Rights – Give your C(x)O span of control over the piece of the business for which you are holding them accountable. This means giving the authority to make decisions within their area of responsibility, particularly personnel decisions.

Hiring & Firing – If you want your C(x)O to succeed, give them the final say in all hiring and firing decisions for their team. There is an inverse correlation between the creation of wealth and preservation of sacred cows. Let your C(x)O kill the cows.

Full Budgetary Control – Just that; and the budget should match the mission.

Ensure Accountability

Establish a formal reporting structure, which reviews progress against plan no less than quarterly. For a CEO a board meeting might be appropriate; for a C(x)O a one-on-one might make sense. Consistency is key, so meet like clockwork. Consider using a self-review format for the meetings, where the individual reports their progress against their plan, along with plan updates for the coming quarter and proposed remedial action, if needed. 95% of people are harder on themselves than you would be.

An informal reporting mechanism – drop-ins, lunch, or drinks after work, for example – can complement the formal system, and give you the opportunity to develop a strong working relationship.

7 Common Mistakes to Avoid

Failure to Do the Work

Executive search is hard. The work involved can be boring and repetitive. There is a widespread tendency, even at some of the most prestigious retained search firms, to delegate the work to junior people. You may feel like doing the same. Or skipping steps. Or "going with your gut." Don't. Every failed search and bad hire can be traced back to a failure to understand the requirements, or a failure to execute. Do the work.

Overpaying a "Super Star"

Beware the "rainmaker" who promises to bring a large book of business, or other highly valuable assets, relationships or knowledge. These claims are almost always accompanied by a large price tag; a price tag that is not contingent upon performance. Do not fall for it. It never works. True top performers may be expensive, requiring a salary at the top end of the range, but they are always more focused on sharing in the wealth they help create. That is what you want.

Gut Hiring

Every great business leader, from Sam Zell to Jack Welch, will tell you that there is a decision point at which they rely upon their gut instincts. The place in the recruiting process to deploy your finely honed executive instincts is at the offer stage, when you will be selecting among 2 or 3 terrific candidates, all of whom your team loves and is convinced could do the job. And all of whom have been fully vetted. Gut instinct is a necessary complement to a robust hiring process; not a shortcut to recruiting win.

Flying Solo

Different people bring different perspectives to the assessment of a candidate. Junior members of your hiring team can come up with surprisingly valuable insights – insights that you missed. Even the most seasoned hiring managers are susceptible to "falling in love" with a candidate from time to time. Use a team to help ensure a home run search. Don't fly solo.

Zero Sum Negotiation

Founders and owners often take rightful pride in their abilities to drive a hard bargain and control expenses. The thinking is that there is a fixed amount of money, and that every dollar gained by a negotiating counterparty is a dollar lost. Mastery of *zero sum* negotiation can be important to financial success.

In compensation negotiations with top performers, it is important to understand *positive sum* negotiations. Top performers by definition make the pie bigger. Both parties become collectively better off. Top performers take pride in wealth creation and rightfully want a bigger piece of the pie. The reflexive zero sum response is to aggressively negotiate lower incentive comp; or to attempt to install unobtainable performance milestones. This behavior is destructive and advances neither the negotiation, nor the cause of shareholder wealth. A wiser tack is to focus on increasing the pie, and negotiate for higher performance as opposed to lower incentive compensation.

Apprenticeships

The notion of an Apprentice CEO is absurd. There are names for executives in training to be CEO – Vice President Sales, Chief Financial Officer, and Chief Operating Officer. If you need one of those, hire one. If you need a CEO, hire one prepared to serve on day one, and let them serve.

Dilly Dallying

Finding the right addition to your team rarely happens overnight. Take the time you need to build your slate of candidates, thoroughly vet them, and make your decision. Once you have selected your primary target, close the deal fast. Dragging the process out – unintentionally or otherwise – will significantly decrease the probability of getting your man. It can also undermine the goodwill you have built up with your target during the recruiting process. Move fast to close.

Self Questionnaire: Are You Prepared to Win with Outside Leadership?

How well are you and your company prepared to win with outside executive talent? Ask yourself the following questions:

Yes/No

1. Have you taken personal ownership of your search? Is filling your leadership gap on *your* To Do list?

Yes/No

2. Is your train running on time? Do you have a search schedule? Have you set a start date? By when must you have a candidate slate? By when must you be extending and offer?

Yes/No

3. Does your team add value to your decision process? Does each member of your recruiting team understand the value that you expect from them? Does each have clear responsibilities?

Yes/No

4. Do you have an *effective* position specification? Do you know the two or three key characteristics your C(x)O *must* possess; and the characteristics on which you can compromise?

Yes/No

5. Do you have a strong point person? One whose job is building you a pipeline of top candidates? Do they possess the professional network, executive credibility and communications skills necessary to quickly bring in top talent?

Yes/No

6. Is everyone on your team on the same page? Can you clearly explain your hiring process and company vision? Have you prepared to answer tough questions from a top prospect? Will they get the same answers from everyone on your team?

Yes/No

7. Have you prepared clear performance expectations? Are they written and realistic? Do past performance, business status, market conditions support the desired performance?

Yes/No

8. Have you drafted the compensation plan? Does it provide the type of rewards that will attract a top performer? Have you included both short-term and long-term incentive compensation? Is it clear and unambiguous? Can you discuss it in detail?

Yes/No

9. Have you considered due diligence? Do you have a Confidentially Agreement ready to go? Have you prepared a list of due diligence items? Is your package ready to FEDEX?

Yes/No

10. Are you prepared to make a winning offer? Have you drafted an offer letter? Is your Employment Agreement *fair and balanced*? Does your legal counsel for contract negotiation have a strong history of getting executive employment deals done?

Yes/No

11. Do you have a high probability of closing? Does your corporate vision for the future pay out for a top prospect? Will your vision withstand scrutiny? Are you thinking *positive sum?*

Affirmative responses indicate strong preparation to win with outside leadership. Each time you answer “no” you have uncovered a vulnerability. Equity Corps can help you land a terrific new C(x)O and simultaneously build a stronger foundation for winning with top talent.

The Outsourcing Options

Conventional Search

There are three main conventional options for filling an empty C(x)O chair – retained search, executive interim management, and contingency search. And there is a new alternative to conventional search - *Professional Management On Demand*. Different options will make sense for different companies at different times and under different circumstances. Figure 2, below, presents the pros and cons.

Equity Corps – Professional Management On Demand

Equity Corps developed Professional Management On Demand as an alternative to conventional search. Two simple observations were the impetus for introducing a new offering into an industry crowded with competitors and services. The first observation is that the apparatus for matching executives with companies had failed to evolve with the executive talent market, and makes little sense in a short tenure world.

Specifically, we believe that conventional search is -

> **Slow.** Conventional searches run 3 – 6 months and longer. Six months today is more than 20% of mean CFO tenure.
>
> **Inefficient.** 33% of retained searches fail. In 1985, when executive tenure was 7+ years, perhaps this was tolerable. In today's operating environment - characterized by a talent shortage and compressing executive tenure, it is not.
>
> **Ineffective.** Companies that hire outside CEO's endure failure nearly twice as often as companies promoting from within. These are failed conventional searches. They represent the tip of the ineffectiveness iceberg.
>
> **Mis-Priced.** In a world where tenure is compressing, a transactional pricing model – one that pays only for putting butts in seats, is highly unfriendly to hiring companies.

The second observation is that independent companies are both poised to bear the brunt of the changes in the talent market, and also have an unprecedented opportunity to compete against big companies for top talent. Big companies have the resources to tackle market challenges with elaborate talent acquisition and management programs. Independent companies rarely have the luxury of similar resources, but often have what top talent, disillusioned with big corporate America, most craves – genuine opportunity. Unfortunately, the available research suggests that most independent companies are unaware of this potential competitive advantage and are unprepared to exploit it.

Equity Corps helps independent companies systematically acquire and win with outside executive talent. Equity Corps outperforms standard C(x)O search in three important ways —

- Proven C(x)Os Fast (vs. months and months)
- Business Results Focus (vs. staffing focus)
- Win-Win Fee Structure (vs. lump sum fees)

Should it make sense, we would welcome the opportunity to speak with you. You can reach us at 202-449-8500, or via email at cxo@equitycorps.com.

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Figure 2 - Outsourcing Options for Executive Acquisition

	Pros	Cons
Retained Search	Executive Credibility – Possess the credentials and business experience necessary to attract top talent. Search Competence – Proficient at the nuts and bolts of specification, search management, vetting; etc. Commitment – Will commit to work on your search until you either cancel the project, or it is complete. Great Service – Firms are customer-centric and adhere to standards for professionalism and ethics.	High Failure Rate – 33% of retained searches fail to complete, according to the industry association. Most Expensive – 33.33% of first year compensation. No Performance Incentive - fees are paid regardless. One-Sided Fee Structure – 1/3 down payment; 1/3after 45 days; 1/3 due 45 days after that. Junior Staffing – Firms cut costs to by assigning inexperienced, junior people to your project.
Contingency Search	Hi Volume – Transactional model great for multi-seat assignments, like staffing a sales team or IT project. Specialization – Narrow functional or industry focus results specialized professional networks often useful for searches below the executive level. Contingent Fees – The firm only gets paid if the client hires one of the firm's candidates. Less Expensive – 25% - 30% of first year comp.	Low Executive Credibility – Unlikely to attract top talent. Lower Executive Search Competence – Minimal vetting; lower competence at search nuts and bolts. Requires Strong Oversight – Transactional mindset = No obligation to complete and short attention span. No Refunds – Non-Refundable Fees are paid at hire.
Executive Interim Management	Very Fast – Staffed within days or weeks. Pre-Vetted Executives = fast C(x)O acquisition. Maximum Flexibility – Executive does not become an employee, and can work month-month, fixed term, or *test drive* (to convert to employment). No Lump Sum Fees. Firm's economic incentives are aligned with the client's.	Can be expensive. Comparable to the fully loaded total payroll cost of hiring a top C(x)O. Typical range is $20,000 - $40,000 per month. Smaller Universe – Candidate pool is limited to executives available at moment of need.
Management On Demand EQUITYCORPS PROFESSIONAL MANAGEMENT – ON DEMAND	Highest Vetting Standards – Every executive is rigorously vetted prior to client introduction. Very Fast – Pre-Vetted Core Team = fast searches for permanent C(x)Os and fast interim deployment. Shareholder Value Focus – Establishes a foundation for driving returns during the search, and supports Owner and C(x)O performance *after the search*. Win-Win Fees – Month-to-Month fee structure aligns firm's economic incentives with client objectives. Competence, Service & Exec Credibility ≥ Retained.	A new approach offered by a start-up.