



The Abridged Guide to Hiring a Chief Operating Officer

*Top Considerations
for CEOs and
Business Owners*



KAPLAN
EXECUTIVE SEARCH

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Introduction

You have an ambitious vision for your company. The question is: How will you turn that vision into reality?

Hiring a strong Chief Operating Officer is your answer. This second-in-command, also commonly referred to as a President, General Manager, Integrator, etc. will help translate your vision into an action plan for success. Set ambitious but achievable quarterly goals. Hold your people accountable to results. Run the day-to-day aspects of the business.

There is a delicate balance between hiring a COO and recruiting and retaining the right leader to act as the glue of your operations. Rushing or mismanaging the hiring process can lead to hiring the wrong individual. The cost of a bad hire affects more than the financial bottom line. These individuals can negatively impact employee morale, productivity, and performance. This guide will help you in mapping out a hiring plan that will yield results.

Five Signs it is Time to Hire a Chief Operating Officer

Are you considering hiring a COO, but not quite sure that you are ready to bring on a second-in-command just yet? Here are five signs that you may be in need of a Chief Operating Officer:

Time is Scarce

As a CEO, when you have too much on your plate, you may find it hard to delegate, meet expectations, and maintain balance in your personal life. We will go into each of these topics below to provide more clarification:

Delegation

Delegation may be a difficult task for the CEO who does not have a second-in-command as they typically struggle with handing off important business initiatives and priorities to their team. Too many high-level tasks will begin to burn out the CEO who lacks a Chief Operating Officer, and in turn, the CEO will spend more time 'in' rather than 'on' the business.

Meeting Expectations

When a CEO is spending more time 'in,' rather than 'on' the business they may begin to underdeliver on expectations from various investors, customers, and staff. When this happens, the CEO may feel immense pressure to meet the expectations of these individuals. Most often, once this takes place the only thing for the CEO to do is to spend more hours working in, as well as on the business.

Five Signs it is Time to Hire a Chief Operating Officer

Balance

Like the 'domino effect,' time is constant and the only way to gain time for one area is to eliminate it from another area. Unfortunately, more than likely a CEO who is facing time management issues will pull time away from their personal life.

Profits are Down

Is your revenue steadily decreasing and you cannot seem to narrow in on the cause? A strong Chief Operating Officer will be able to pinpoint profit loss and initiate a plan to turn it around.



Three Traits to Seek in a Chief Operating Officer

When seeking a second-in-command, consider the following key characteristics of high-performing Chief Operating Officers.



- 1. Humble Confidence:** Your Chief Operating Officer needs to be both comfortable and confident while engaging with customers, employees, and other stakeholders.
- 2. Quiet Passion:** You should seek a COO that has a hunger for the business the way you do, all while approaching it in a manner that does not draw too much attention to themselves. This passion should be contagious and focused on the business.
- 3. Goal Orientation and Discipline:** Your COO needs to buy into your vision and should be committed to executing the business plan.

Recruiting a Chief Operating Officer

Many small and medium-sized enterprises (SME) question whether or not they should partner with an executive search firm, or use their in-house team to recruit for the COO role. Here are a few things keep in mind when faced with this consideration:

Cost

Keep in mind that the upfront cost of engaging with an executive search firm will always cost your organization more than it would if you used your in-house team. However, not all search firms are alike - some agencies will charge a percentage of first-year's salary for the new hire, while others, like us at Kaplan Executive Search will charge a fixed-fee.

The biggest cost to your organization will not be the fee of the search firm, but rather the fee associated with making a wrong hire. In fact, you should expect to see this cost made up in the first one to two years when the right operations leader is hired.

Expertise

While your in-house recruiters will be experts in your organization, they are typically not specialist in recruiting for a specific function, such as the COO. In addition, is your internal team prepared for the hiring process that is involved with such an important hire?



Recruiting a Chief Operating Officer

Reach

1. **Tools:** An executive search requires extensive research and sourcing. These efforts will involve a number of tools and techniques. Often times, in-house recruitment teams do not have access or experience with the tools used in executive search firms.
2. **Network:** Executive Search Consultants are known for building a strong network. These individuals rely heavily on their network during each search to source out referral sources, as well as candidates. This is not to say that an in-house recruiter will not have a vast network. However, one thing to keep in mind is that most recruiters are people-focused, where executive search consultants are sales-focused. This differentiation makes a big difference in how one builds and manages their network.
3. **Engaging Passive Candidates:** It may take 300 or more applicants to yield 2-3 highly qualified candidates, most of which will be passive candidates. Executive search firms specialize in outreach methods to engage passive candidates, also known as top performers that are not looking for another opportunity. Does your in-house recruiter have the capacity to build and maintain this number of candidates all while delivering an exceptional candidate experience?
4. **Competitors:** Frequently, we speak with CEOs who are interested in recruiting talent from their competitors, however, they are not compelled to "poach" the talent themselves.
5. **Rich Database:** By partnering with an executive search firm that specializes in a specific function, such as the Chief Operating Officer, your search is given access to a deep database of candidates. Executive recruiters have access to a stronger talent pool built through networks and relationships rather than relying on a pool of applicants that is made up of those scanning job boards.

Executive Search: Retained vs. Contingent Firms

If it has been determined that you are going to partner with an executive search firm to hire your next COO, you may now be questioning whether you should work with a retained or a contingent search firm. Here are the main differences between these two search firms:

Retained

Retained searches are exclusive, and most often used for higher level searches. A retained model allows the search consultant to spend more time understanding the client business and needs. These searches are typically charged on a flat fee basis or a percentage of first year's salary for the new hire.

Contingent

Contingent searches allow the client to work with multiple recruiting agencies. These searches are very competitive as there is more pressure to present a candidate sooner, rather than later. Contingent searches are best suited for lower level positions.



Checklist for Hiring an Executive Search Firm

Business Model

- Retained**
(Highly recommended for an executive-level search) A predetermined fee that is set in advance and paid at notable milestones or intervals during the search process.
- Contingent**
These firms only earn a fee when your company makes a hire.

Functional Knowledge

- Expertise**
Some consultants have held the position to which they recruit for in the past. Do you want a search consultant who was a COO in the past conducting your Chief Operating Officer search?
- Market**
What market does your search consultant serve? You want to work with a search consultant who has identified a clear target market and understands their customer.

Candidate Presentation

- Presentation**
How are candidates presented?
- Timeframe**
When should you expect to see your first candidate?
- Quality Candidates**
How many qualified candidates should you expect to review?

Process

- Understanding Your Business**
Gather information from the search firm to better understand how they plan to get to know your business. The search consultant should seek to understand what the position is and why it is needed within the organization.

Communication

- Expectations**
How often should you expect communication?
- Updates**
How frequently do update meetings take place?
- Meetings**
Does the search consultant hold regularly scheduled weekly meetings with you?

Metrics

- Time to Fill**
On average, how long does it take the agency to fill the search?
- Retention Rate**
What is the average retention rate of placed candidates?

Payment

- Fee**
What is their fee?
- Terms**
How is the fee expected to be paid?
- Additional Hire**
What is the fee for an additional hire?
- Expenses**
What expenses should you expect to be billed for?

Guarantee

What guarantee does the search firm offer?

- Guarantee**
- No Guarantee**

References

- Relevant References**
Request up to 3 relevant references.



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