

# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

## Executive Leadership in the Chemical Industry



As Managing Director of The Hennessy Group, **ROBERT D. HENNESSY** offers extensive experience in executive search specializing in the chemical industry. Mr. Hennessy's career has been dedicated exclusively to managing retained search projects and developing "best-in-class" search processes. His experience has been gained in both small and large firms. He has worked in boutiques as well as serving as a key account executive for Korn/Ferry International, one of the world's largest search firms. While there, Mr. Hennessy started and built a highly successful office in the fifth largest business center in the US. Following that, as a Senior Partner and Corporate Officer, he was instrumental in the startup and explosive growth of a global search firm that specialized in the chemical industry. Having managed hundreds of search projects, The Hennessy Group offers one of the search industry's most successful fulfillment records.



**TWST: Would you begin with a description of your firm and the services you provide — specifically to the chemical industry?**

**Mr. Hennessy:** As a retained executive search firm, our expertise focuses on executive and management resources. Most often, we are providing executive search services for Director-level, Vice President, and above positions for all functions within the chemical industry. In addition to our core search business, there are times when clients ask us to assess internal executives or their entire management team. This can happen for a number of reasons, including a reorganization or the hiring of a new Chief Executive Officer. Clients who are expanding through acquisition may utilize our

executive assessment as a highly confidential service when they want to review the management team of a new acquisition. When you consider the importance of executive leadership in industry today, we can be a very valuable partner to chemical companies, both in acquiring and evaluating new talent.

There are times when a client needs to significantly enhance their leadership team beyond the selective use of executive search for specific situations. In these cases, we manage talent identification programs where the intent is to seed an organization with high potential talent at either the middle management level or, for larger organizations, the senior executive level. This type of program can be implemented when we are targeting a specific function or, more broadly, when we identify "best in class" executives with the potential to become P&L leaders. In these situations, a client keeps us on a monthly retainer so that we are continually managing a search for high potential individuals who can ultimately run a business.

As you can see, all of our work involves the competitive assessment of leadership talent in the chemical industry. Most of the time, we are managing executive searches for chemical clients in need of a functional executive, a General Manager, or even a new executive to add to the Board of Directors.

**TWST: Which types of companies retain your services and what positions are they typically looking to fill?**

**Mr. Hennessy:** Generally speaking, we serve three types of clients. We have an impressive fulfillment record serving large multinational chemical companies. However, over the past few years, we have been working increasingly with smaller specialty chemical companies. In particular, the smaller companies appreciate the fact that we have an in-depth knowledge of the entire industry. We also work with select venture capital firms that, like us, specialize in the chemical or related industries. When we work with a venture capital client, we are typically searching for a new leader to run one of their portfolio companies.

tion, the pressure on markets and pricing, the demands of supply chain management, and environmental issues, you can readily understand why the availability of Class A talent will be in short supply.

While total demand for executive recruiting may be flat or even decline somewhat, the need for top-level leadership will escalate. Furthermore, retaining a company's top talent will become ever more challenging.

So while the 1990s may have been the expansion period for the executive search business, today and in the immediate future, the business will be confronted with more intense competition and a more demanding clientele. Top-line growth may not be as robust as in the past.

*“Given this ever-changing nature of the industry and the demands of global competition, the finding, acquiring and retaining of world-class leadership will be much more challenging than the industry has faced heretofore. In addition, other industries that are greatly influenced by the chemical industry will be seeking the same leaders. Typical of this are the pharmaceutical and food industries.”*

Search projects for large clients tend to cover the entire management spectrum. For smaller, often high-growth companies, the type of executive being recruited usually depends on where the company is in their business plan. Certain companies need development executives with specific product, market, or technology expertise to help guide new programs. A company with a new product or business may require a new leader to help them prepare for commercialization or drive growth in a new market. Most companies require leadership teams with a broad base of skills. In particular, public companies in the chemical industry must manage and develop their internal operations, while also presenting the best possible face to Wall Street, the external market, and of course the environmental community. It is very clear that the global chemical industry is more competitive than ever. These companies need leaders who can help them compete.

**TWST: How do you see the environment now for recruiting and how does it compare with trends you have seen over the last 10-15 years?**

**Mr. Hennessy:** For the last two years, the executive search business has been semi-flat to flat. In fact, many of the bigger search firms have resorted to downsizing, similar to many of the industries they serve.

In the immediate future (one to two years), I believe industry, in general, will continue to downsize while increasing productivity. This has been the pattern in the US, and I believe it will continue. When you couple this situation with the influence of global competi-

tion, the pressure on markets and pricing, the demands of supply chain management, and environmental issues, you can readily understand why the availability of Class A talent will be in short supply.

**TWST: What do you see as the greatest challenge in recruiting for this industry now?**

**Mr. Hennessy:** The chemical industry is generally divided into two broad segments, commodity and specialty. In Europe, these categories are often referred to as “heavy or light.” While my response is directed to the chemical industry as such, I should mention that there are understandable differences involved between commodities and specialties, particularly in the sales and marketing functions. When we are recruiting in staff related areas, more similarities exist.

Clearly, over the last few years, the chemical industry has been undergoing a considerable transformation via mergers, downsizing, strategic re-focusing, etc. This restructuring is occurring and will continue to occur not only in the US but also globally.

Given this ever-changing nature of the industry and the demands of global competition, the finding, acquiring and retaining of world-class leadership will be much more challenging than the industry has faced heretofore. In addition, other industries that are greatly influenced by the chemical industry will be seeking the same leaders. Typical of this are the pharmaceutical and food industries. Both have many challenges quite similar to the chemical industry; hence, they will be competing for similar talent, thereby increasing the competition for experienced talent.

Although there may not be much of an increase in demand for search firms in the chemical industry, I think our biggest challenge will come from these competing needs for top leadership.

**TWST: What is the supply/demand balance now for the types of executives you are recruiting?**

**Mr. Hennessy:** Certainly, there can be no doubt that there is always a shortage of available Class A or “best-in-class” talent. Given the competitive landscape in the chemical industry, clients are continually looking for leaders who can help move their company to a higher level of performance.

Keep in mind, any company’s executive team is in a continuous state of flux via retirements, resignations, sicknesses, etc. It is seldom if ever stable. So there is a need for ongoing vigilance as to the quality of a company’s management team. Chief Executive Officers and Boards must take a hands-on approach to the succession issues and the depth of the company’s talent. Fortunately, I believe this is becoming a regular agenda item at Board meetings.

Recently, a Chief Executive Officer of a global multibillion-dollar company told me he only needed 20 to 25 top executives to be the leading company in the industry; however, he could not secure the 20 or so he needed. He is not satisfied that his team is the best, so he keeps looking.

In this rapidly changing global economy, the competition for executive talent will become more intense than in the past, and the supply will always be a moving, short supply.

**TWST: How well must you know the client company — their corporate culture, philosophy and their products — to find, attract and place the best people?**

**Mr. Hennessy:** It is clearly important to know a client’s competition, financial position and business strategy in any professional search. But just as important is the internal climate of the company or, put another way, the “chemistry” of the company. All too often, this aspect is overlooked. In my opinion, a client’s culture has more to do with a successful placement than any other single factor. Is the company risk-tolerant or risk-averse? Is it top-down driven? Does it have a “can do” attitude? All these factors have a direct bearing on the type of candidate that should be presented to a client.

It is also important to understand the management styles of those executives around the position being searched. This is especially significant in team-based work cultures.

So to answer your question, knowing as much as you can about a client certainly helps to make successful placements. In fact, we follow the rule that you can never know too much about a client simply because their status is always undergoing change. At all times we must stay current on our client’s activities.

**TWST: How specific are clients in their search criteria and do you have examples to illustrate them?**

**Mr. Hennessy:** Unfortunately, confusion or misunderstanding can develop between a client and a search firm simply because of the lack of specificity. Of course, this issue is further complicated if

the search firm does not have a good working knowledge of the company, as explained in my previous reply. When specifics are lacking at the outset, you will find the “specs” keep changing during the search process, thereby putting considerable strain on the time factors. Quite honestly, if there is a lack of specifics at the beginning of any search, it is clearly the fault of the search firm. It is the search firm’s responsibility to dig for the specifics that make for a successful search. It is an intrinsic part of the consultant’s job.

However, I should point out that when there is a long, successful relationship between a client and a search firm, you might get a call from a Chief Executive Officer saying, “Get me another John Doe, and I need the spot filled by the end of the year.” While this situation may be rare, it can happen if there is a good working relationship and trust between a client and the search firm.

When we start a new search, our firm makes it a practice to meet with the hiring management team and, if possible, we do so at their location. Following this planning meeting, we submit a Search Strategy that the client approves in the first week of the project. We find that this usually helps our clients to focus on the critical selection factors required for success in the position.

To be sure, the need for exactness is crucial and such exactness should be agreed upon early in the process.

**TWST: How do you track and rate your client’s level of satisfaction?**

**Mr. Hennessy:** I am glad you asked this question, because at the end of the day, this is the real test of a successful search firm.

We do, indeed, track all placements for a considerable period of time after they start their new assignment. If the candidate is not with the client after a specified period of time, we consider the assignment a failure — regardless of the reasons involved. I am quite happy to say that our placements have over a 90% success rate — which is noteworthy because the fulfillment rate in our industry is typically between 50% and 70%.

After we place an executive, we follow up with both our client and the placed candidate at 30, 90 and 180 days after the start date. We are essentially serving as a liaison for our client as the placed executive becomes comfortable in his or her new work environment.

Due to our results-oriented approach and our understanding of the chemical industry, we have developed a good track record of turning new clients into repeat clients. I consider this to be another good indicator of client satisfaction.

**TWST: What kind of process do you have candidates proceed through before you submit them to your clients?**

**Mr. Hennessy:** The finalist candidates that we present to clients often tell us that we have the most thorough and demanding search process they have ever experienced. It is pleasing to me how often we get this feedback. Our recruiting process enables us to selectively identify individuals who are “best in class” executives. As we assess potential candidates, our clients receive detailed evaluation reports on those executives who are truly the best fit for their specific needs.

Once the client meets with our candidate and moves them forward as a finalist, we provide more documentation in the form of a Candidate Self-Evaluation. This is an additional step in executive search assessment; however, our clients tell us that it adds value to the selection process.

Through the Candidate Self-Evaluation form, candidates can differentiate themselves from other finalists. Clients can learn how candidates approach strategic issues and can evaluate their written communication skills. Although I won't go into full detail, candidates submit in writing ideas for career development, an action plan for the position, anticipated obstacles for success in the position, and challenges to accepting an offer. By this time, we have also documented the candidate's compensation history in detail, including all option package information and any special incentive arrangements. Generally, candidates comment on our thoroughness during the search process, while clients compliment us for our quality and diligence once the project is concluded. We have also won new clients due to our thoroughness in conducting reference checks.

**TWST: What sets your company apart from your competitors and what specific advantages do your clients derive from your services?**

**Mr. Hennessy:** Before building this firm, I had gained experience and had some level of success working for four different search firms, ranging in size from a small boutique to one of the world's largest executive search firms. Consequently, I gained a good diversity of experience and a wide range of knowledge on how the search industry functions. It also became apparent to me that there was a need in our industry for a firm that truly committed itself to delivery and results.

Regardless of size, I learned that the competitiveness of the search industry forces most firms to focus more on their sales and top-line growth rather than putting the emphasis on their clients' satisfaction. To me, this focus is misplaced. In fact, I believe passionately that our firm is at the front of a paradigm shift in which our industry will become re-committed to customer satisfaction. Client delivery should never be sacrificed for top-line growth.

In my opinion, our firm goes against the tradition of the search industry because we focus on client satisfaction and delivery. From our inception, we decided that our unique appeal would be our underlying commitment to the quality of our search process. You will not find a more client-focused and results-oriented firm. Our team consists of high potential consultants who enjoy hard work and who approach client projects with a sense of ownership.

We are in our fourth year of business, and these interviews with your publication are the only public announcements we have made. Our existing clients have helped us to develop new clients, which has been very satisfying. We devoted the time to develop a staff and build an infrastructure that not only outperforms our peers but also strives to present a transparent process to clients. Using our Website, clients can actually enter our database to get project updates, review candidates, or print reports. As you can see, we have taken some of the mystery out of the executive search business.

Given our experience serving the chemical industry, we are able to help our clients save time and money when they need to hire the best new leaders. However, the real advantage for our clients is an intangible but very special feeling of trust that develops when a true partnership exists. Why? Because we deliver. We offer an open platform where our pricing is published in advance and new clients are informed of existing client relationships. We work as a strategic partner whereby we expect to share risks and rewards based on our performance.

Quite honestly, everyone should recognize that the search process is not an academic pursuit; it is a hands-on, attention-to-detail, time-consuming, step-by-step process. If any of the steps are not addressed properly, the end result is questionable. To me, each step is a key link in a quality chain; if any of the links are approached without due care, the quality chain is subject to breaking.

In an industry where it is difficult to differentiate, The Hennessy Group stands out because of our underlying commitment to the quality of our process. Over time, the quality of our work will differentiate us from other search firms. Quality is our hallmark and will remain so.

**TWST: Thank you.**

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