



FARM CREDIT CEO SELECTION

Systematic approach delivers strong outcome for Cape Fear, Western AgCredit, Farm Credit of Florida and FCS Financial Board

Overview

A CEO's role is diverse and demanding. To direct an organization's performance well, ensure its ongoing operation and deliver appropriate returns to ownership demands effective decisions daily. *And it doesn't end there.* He or she also must establish new strategic alliances, manage mergers, approve new technology and guide human resource policies—all the while embracing and communicating the strategic direction set by the board.

Those dynamic demands make choosing the right CEO one of the most critical decisions any Board of Directors can make. A well-managed selection process—one taking into account the organization's current situation, challenges and future goals—can prove invaluable, as can the support of an insightful external search firm.

Defined Needs, Disciplined Approach

Identifying critical competence and experience is the first step any board should undertake in CEO selection. This process, in part, describes the ideal candidate, and will support objective decision making during candidate screening, interviewing and the final hire decision. Board consensus is important at this stage, both to support the selection process and to confirm confidence in the final decision. Some organizations, particularly those working with an external search firm, utilize a formal survey of all board members to ensure objectivity and clarity.

Such a survey focuses on requirements specific to the organization. Seeking a candidate able to surmount challenges and capitalize on opportunities, the board will target characteristics to achieve that goal. For example, if the organization is considering a merger, *Earning Trust* will likely be a competency priority. If it's facing an economic downturn, *Financial Acumen* might rise to the top.

"We came up with the 10 top qualities we were looking for, but there was a lot of variability among the directors on what those top 10 were," says Andy Lowrey, board chair of Cape Fear board and former AgFirst CEO. An external facilitator can help directors reach consensus.

Identifying and Assessing Candidates

While turning first to an internal candidate—the heir apparent—is natural, taking a broader view and conducting appropriate due diligence can prove far wiser.

"The Board is accountable for CEO selection, and has a fiduciary responsibility to assure a robust selection process even though there may be a comfort level with an internal candidate," says Jay Lux, Vice President of Organizational Effectiveness Consulting at FCCS. "Using a thorough, consistent, competency-based approach to selection with the right assessment instruments assures the board has meticulously evaluated each candidate and tested them against the Association's needs, even when an internal candidate is selected."

Soliciting external candidates can take several routes. The priority should be to ensure there is a broad enough field of candidates so the board can be confident it's done its due diligence and ultimately selects the best possible leader.

"We knew we wanted a candidate with Farm Credit experience, and we believed that FCC Services would come to us with a better field of candidates because they're active within the System."

—BILL MELTON,
CAPE FEAR FARM CREDIT

Once the candidate field is determined, competency assessments are in order to measure leadership capacity, critical and strategic thinking and emotional intelligence, and to provide statistically reliable results to support the CEO selection. Board chairs such as Farm Credit of Florida's Bobby Sexton confirm the value: "It took a lot of the guess work out of the decision. When we got down to the final two and then looked at assessments, the right decision was clear."

"As a candidate going through the selection process, it was certainly very thorough, and having come from a previous CEO position, I could see the benefit of the assessments I completed," says Greg Cunningham, who was selected in 2012 as Farm Credit of Florida's CEO through an industry-leading selection process.

For initial and final interviews, it's important to have a list of questions prepared in advance to ensure that the hiring organization obtains what it needs to make an informed decision.

Another benefit of a comprehensive, objective CEO selection process is the confidence it inspires in the selected candidate. Upon starting his new position, Cunningham says, "When I walked in the door, I felt that I had the board's confidence because I knew how thorough their selection process was, knew they'd put all their final candidates through the same process, and that they'd selected me because they believed I was the right person for the job."

Beyond the board, the new CEO can also realize stronger support from internal candidates who were not selected but respect the selection process and more likely to stay with the organization.

Overcoming Board Inexperience

Most CEOs tend to stay in their positions for a long time, striving to deliver on the charge given to them when they were hired. This is especially true in Farm Credit, where tenure for many employees is beyond the norm.

"It had been 30 or more years since we'd hired a CEO," says Mark Pierce, vice-chair and search committee member for FCS Financial during its CEO search. "Making a bad decision at that level can have a huge impact on the organization, so it's important to find the right leader the first time." An effective CEO selection process provides structure and guidance to the board, supporting a process many have not previously undertaken.

"Our outgoing CEO had been in the position for the full tenure of all of our directors," says James Nivens, chair of the FCS Financial Board, which selected FCCS to assist with their CEO search. "Very few were familiar with hiring employees at all, let alone hiring a CEO."

External Search Support

Whether a board has experience with executive level hiring or not, working with an outside search firm can help guide the process from identify needs through the final selection, offer negotiations, and even on-boarding.

"We wanted the board to have an independent resource that would help look for different traits and attributes in a new CEO," says Western AgCredit's Weathered of his board's decision to work with FCCS for the organization's next leader.

Cape Fear's Melton adds, "Our board is also always cost conscious, and compared to a search firm that's going to charge 25 percent of the first year's salary and bonuses, price did come into the equation."

At the end of the day, the biggest decision factor in which search firm to utilize comes down to the process the Board is comfortable following and how well the outside firm can support it. Moreover, the selection firm should provide an unbiased resource to allow the board to make the best final hiring decision.

"Having gone through a formal selection process myself, and also having participated in a number of executive searches while on the Funding Corporation board, I supported using an outside firm for Cape Fear's search as well," says Lowrey. "We decided to go with FCCS because they have a solid process, positive feedback from others in the System, and because Jay Lux was extremely knowledgeable and was a great fit for our board."

For more information about FCCS CEO Selection services, contact **Jay Lux**, FCCS Vice President of Organizational Effectiveness Consulting, at **651.982.4568**.

FCCS CEO Selection Client List

FCS MidAmerica
Farm Credit Florida
FCS Financial
Western AgCredit
Cape Fear Farm Credit
Yankee Farm Credit
COMPEER Financial
Farm Credit Foundations

