

Hiring a New Boss? Look No Further

By Alison Leigh Cowan

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Gerard R. Roche and Thomas J. Neff could not exactly be called birds of a feather. While Mr. Roche is a registered Democrat, Mr. Neff is a staunch Republican. A former McKinsey consultant, Mr. Neff approaches his craft like a scientist, while Mr. Roche is a born storyteller who came close to becoming a Jesuit priest.

But there is one thing on which Mr. Roche and Mr. Neff firmly agree: When it comes to recruiting the nation's chief executives, they own the market -- and would rather not have to share it.

"Neither one of us is about to leave anything behind," said Mr. Neff, acknowledging a rivalry that extends to the last crumb of the recruiting cake.

On a short list of people who compile short lists each time companies trade in underperforming chief executives for sleek new models, Mr. Roche and Mr. Neff are kingpins. While other C.E.O. headhunters have carved out niches in, say, retailing, few recruiters have as broad a sweep in chief executive searches as Mr. Neff and Mr. Roche. Between them, the biggest rainmakers for their respective Park Avenue recruiting firms, the two have placed 300 chief executives.

And with more companies pushing ill-performing chiefs overboard and replacing them with outsiders, their brand of recruiting is becoming ever hotter. Though Mr. Neff is newer to the game than Mr. Roche, with a mere 19 years of experience to his rival's 29, he says he takes the lead on half a dozen high-profile assignments, 15 to 20 board searches and 15 to 20 others at any given time. Mr. Neff says he bills \$2.5 million to \$3 million a year and brings in another \$5 million to \$6 million in business for SpencerStuart, of which he is president.

"We use a lot of specialist, but when it comes to general executive searches, they are the obvious choices," said Walt Burdick, recently retired senior vice president of the International Business Machines Corporation. The Tom and Gerry Show

Mr. Neff and Mr. Roche take more swipes at each other than their cat-and-mouse cartoon namesakes, Tom and Jerry. Mr. Roche, who is chairman at Heidrick & Struggles, was not sure he could squeeze in an interview last week. "I'm in over my head," he apologized. Then he learned Mr. Neff had already cleared time. Talk he did.

That made their agreement earlier this year to work together on a historic search to replace John Akers at the I.B.M. extraordinary. While Mr. Neff says they "couldn't have gotten along better," both insist they will never participate in such an experiment again. They resented

splitting the fee, which they were paid even though I.B.M.'s own search committee suggested the winner, Louis V. Gerstner Jr.

Needless to say, the dinner they had planned with their wives never happened.

Now, with teamship behind them, both are gunning again for King-of-the-Hill status. Mr. Roche could hardly keep from crowing in an interview about two high-profile C.E.O. searches he completed in mid-August for General Instrument (for which he will reportedly clear a record \$1 million fee) and at Blue Cross/Blue Shield of New York. Those followed a request by the Eastman Kodak board to find a successor for its C.E.O., Kay R. Whitmore.

Not to be outdone, Mr. Neff recalled his victory in a recent "shoot-out" with Mr. Roche over an Upjohn job. Mr. Roche insists he lost because, unlike Mr. Neff, he would not promise to handle it personally, while Mr. Neff says he won for his superior proposal.

Neither Mr. Neff nor Mr. Roche is exactly underemployed these days. In a remarkable acknowledgment that the old-boy network has failed to produce adequate leaders, one after another American corporation has tossed out its chief executive and hired search firms to fill the vacancies. *The Outsider's Edge*

For better or worse, boards from Kodak to I.B.M. seem convinced that their troubles can be fixed only by outsiders, despite their lack of knowledge about the business and the organization. "Boards are much more actively involved in C.E.O. searches," said Mr. Neff. "They're much less tolerant of mediocre performance."

The revolving doors at American corporations due to downsizings have made recruitment that much easier. In addition to the thousands of talented castoffs, survivors tend to be less loyal to institutions, knowing that they may be the next to go. In fact, some clients now keep Mr. Neff or Mr. Roche on retainer to keep their managerial ranks from being raided.

And they are handsomely paid -- in part because of Mr. Neff's and Mr. Roche's lock on the business. "Our average compensation for assignments in the U.S. is over \$200,000," Mr. Neff readily admits. But his own paydays often exceed that, since recruiters are entitled to one-third of the one year's cash compensation for the chief executive, which averaged \$1.4 million last year.

Mr. Neff continues to reject clients who ask for discounts for repeat assignments, caps on fees or greater control over reimbursable expenses. Mr. Roche, meanwhile, thinks it's time for a raise, and would like to re-examine whether his compensation shouldn't reflect the stock-based compensation that most chief executives get.

As it is, there is no such thing as a money-losing C.E.O. search. The universe of candidates qualified to run an I.B.M. or an Apple is small and more obvious than that for middle management, narrowing research time. And fees roll in even if the board rejects the their first choice, or finds the winning candidate internally, as happened at American Express.

A fringe benefit: there is no guilt associated with a mismatch. "All the evidence is never in," said Mr. Roche. "What's in people's bellies and hearts, we'll never know. We're dealing with imponderables, human nature. It's a very inexact science."

Larry Fish left as head of the troubled Bank of New England within a year of taking the job at Mr. Neff's suggestion. "Guilt? No," Mr. Neff said.

Despite their titles, neither Mr. Roche nor Mr. Neff has run his firm in some years. They both relinquished the administrative duties to concentrate on what they both do best: searches. Mr. Roche, who is 62, was pushed out of the leadership role in 1981 by his partners when he allowed costs to run out of control. He still owns a 15 percent of Heidrick & Struggles, however, which had revenues of \$80.8 million in 1992 to SpencerStuart's \$86.4 million. Who's Got First?

Pinpointing their exact market share is difficult, since C.E.O. searches are only one line of business for their firms, and since many searches are shrouded in secrecy. The best available data from Executive Recruiter News in Fitzwilliam, N.H., suggests that they are neck-and-neck this year, each handling a half dozen or so high-profile searches.

Mr. Roche begs to differ. "We have never done as much top level work as we do now and we do more than anyone else," he asserts. "We just did PPG, Westinghouse, I.B.M., American Express and General Instrument. And I've got Kodak," he said, padding the list in his next breath with nonprofit clients like the New York City schools. "And we're working on three we can't talk about."

And what about Mr. Neff? "He certainly hasn't done as many top-level C.E.O.'s as this firm," said Mr. Roche.

Mr. Roche has still not forgiven Business Week for putting Mr. Neff on the magazine's cover in 1989, implying that Mr. Roche was a has-been. He considered having to share the spotlight with his younger rival, a relative Johnny-come-lately, as an affront. Likewise, the "Tom and Jerry Show" jokes that he and Mr. Neff heard during the I.B.M. contest might have irked him less if his name came first.

And neither is above nitpicking each other's marketing claims. Mr. Roche lists the Mellon Bank search, which led to Frank Cahouet's hiring, on a client roster. "Gerry probably said he did it, but the board did it," said Mr. Neff.

Indeed, apart from some shared backgrounds, they are studies in contrast. Mr. Roche is a walking contradiction, lusty and yet learned, while Mr. Neff is hard-working and regimented.

Mr. Roche attends mass many mornings before work and occasionally refers to himself as Gerry (Aristotle) Roche when he says something that borders on the profound. (His designs on his wife's legs, he kids, ended his career as a priest). But his wife, Marie, says, "In his heart he wants to help people."

He likes to think he helped Robert Allen, the head of A.T.&T. "I want you to know," confides Mr. Roche, seated at his kitchen table in Chappaqua, N.Y. "The proposed A.T.&T. and McCaw merger would not have happened if we had not put Hal Eastman into McCaw as its president. We put him in and he introduced Craig McCaw to Bob Allen of A.T.&T." In the Beginning . . .

Mr. Roche's crowd-pleasing skills were honed early as the poor son of a grocer in Scranton, Pa. The silver scoop he used to dole out sugar, for six cents a pound, sits proudly on his desk as a reminder of how he got his start.

A master ice-breaker, Mr. Roche recently regaled the directors of Kodak with a little ditty about how he once got a little too familiar with Roberto C. Goizueta, the aristocratic chief executive of Coca Cola Company, by calling him Bob. Affecting the Spanish accent of Mr. Goizueta, Mr. Roche, from his town car en route to Manhattan, recalled what the Coke chief said: "Gerry, I don't look like a Bob. I don't talk like a Bob. You and I gonna get along, don't call me Bob."

As it turns out, Mr. Roche redeemed himself when Mr. Goizueta asked him to find Coke a chief financial officer and Mr. Roche told him to save his money. The best man for the job, Mr. Roche opined, was right under their noses: Doug Ivester, who has since risen to the No. 2 position at Coke.

It is Mr. Goizueta who urged his fellow directors at Kodak to award Mr. Roche the delicate job of finding Mr. Whitmore's successor. "The people I was courting 15 to 20 years ago as hotshots are now running the country and that's a prime source of business," admits Mr. Roche.

John Sculley is chairman of Apple Computer Inc., thanks to Mr. Roche. "If you get a call from Gerry Roche you return it promptly," said Mr. Sculley, who thinks enough of Mr. Roche's counsel to have secured the permission of his board to discuss his options with Mr. Roche.

Mr. Roche said he made at least one misjudgment. He failed to hire Mr. Neff in the 1970's because he thought the mild Neff manner might make him a poor pitchman.

Today, Mr. Neff, who is 55, reads five newspapers a day and seven or eight magazines a week. He speaks at conferences on corporate governance to put him in touch with directors and chief executives who then ask his help in finding directors.

With any luck, his recruits end up on a nominating committee or two, and may someday hire him to find their company's next chief executive. "Once you've placed someone on the board," said David A. Lord, editor of Executive Recruiter News, "it's quite likely you're going to be used to find the new C.E.O."

Mr. Roche admits that such techniques might do wonders for business, but professes to have no interest in copying them. "I'm too busy doing search work," he said.

Trim at 180 pounds (his resume says 175, but never mind), Mr. Neff is holed up for the summer at the 120-year-old horse barn in the Hamptons that he and his wife Sally renovated. A retrievers and a labrador lounge in the front yard. One had just killed a rabbit.

As he discusses his career, it is clear that, unlike Mr. Roche, with his fascination with the imponderable, Mr. Neff works all possible angles and leaves little to chance. "Sometimes it feels like I'm married to the C.I.A.," said Sally Neff, his wife. She calls him the Big Cheese.

The job that catapulted him to the front of his field, Mr. Neff said, was the snaring of Henry Kravis as a client. As a wealthy industrialist, Mr. Kravis had lots of search assignments, and his work was up for grabs: his longtime recruiter was moving on.

Mr. Kravis was pleased with how Mr. Neff handled an initial assignment for Safeway Stores, and had a partner call him the night they signed a deal to buy RJR Nabisco, knowing they would need a chief executive. Mr. Neff produced Mr. Gerstner, now at I.B.M. Mr. Kravis has since thrown five or six juicy assignments Mr. Neff's way.

Mr. Roche said he could not possibly have competed for that piece of business because of his longstanding relationship with Theodore Forstmann, Mr. Kravis's biggest rival.

It is all a long haul Easton, Pa., where Mr. Neff was the youngest of five boys and worked in the local Binney-Smith crayon factory. Long after, Mr. Neff joined McKinsey, the elite consulting firm, after a stint in the Army, and also tried his hand at being an entrepreneur.

He uses that consulting background to advantage in dealing with clients. "We're not in the headhunting business," he said, dressed in an elegant navy pinstripe suit that sharply contrasted the silver in his hair. "We're in the problem solving business."

Still, he has not let success go to his head, his wife reports. In Antigua in January, all his friends wanted to speculate about who would and should take over I.B.M. "Everybody had an idea," said Mrs. Neff, marveling at how her husband politely listened without adding his

two cents. "There's a point at which Tom can talk about it as if he's not the one doing it."

ROCHE'S SECRET WEAPON

HOW do recruiters weed through the hundreds of candidates to arrive at a handful of finalists? Gerard R. Roche's secret weapon is Anne Lim O'Brien, 35, who left her job as an executive recruiter in Singapore nine years ago, put herself through college at night (magna cum laude in accounting), and now is Mr. Roche's chief researcher. It is she who retrieves clips about a client, taps into a customized data base for leads on candidates and supplies Mr. Roche with the names and background of key players at the client company and marked-up financial statements. (That's where the accounting comes in handy.)

Later, she helps draw up the specs for the search: expertise the client is looking for, how big the current employer should be -- even age, if the client insists. The computer digests all this, checks its 148,893 names and spits out 300 to 400 suggestions. Ms. O'Brien whittles that down to 100 or so, and Mr. Roche, to 15 to 18 semifinalists, none of whom have the slightest idea they are in the running.

Mr. Roche may call on the prospects to gauge their interest. Ms. O'Brien, meanwhile, is checking degrees, and making other discreet inquiries to make sure candidates "are who they claim they are."

Half the prospects generally survive the next cut and go on to what is, of necessity, a confidential interview, conducted in the back of a limo or in the private rooms of private clubs like the Sky Club in Manhattan. Aliases are sometimes necessary.

By now, there is a short list of four or five names for the client to pick from. Start to finish, the process can take as long as six months.