
THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Jefferson Partners



MICHAEL A. WELLMAN is Chairman & Managing Partner Jefferson Partners. With more than 18 years of senior executive search experience, Mr. Wellman founded and leads Jefferson Partners LLC. He combines astute executive assessment skills with unique business insights to match candidates who truly make a difference with his clients and their business pursuits. He began his professional career in executive search after several years as a strategy consultant with Bain & Company. More recently, he served as Chief Talent Officer for Comstellar Technologies Inc., a private equity and venture capital investor in communications technologies. He has conducted over 400 senior executive searches, serving Fortune 500, middle-market, and emerging new businesses. His client industries encompass venture capital, private equity, communications, advanced technology, manufactured goods, biotechnology, consumer

products and services, financial services and professional services. He enjoys tackling the “tough” search assignment, and prefers to work with clients where a beneficial long-term relationship can be mutually built through satisfying service and results. Earlier, Mr. Wellman was Board Member and President of Worldwide Specialty Practices for Korn/Ferry International (NYSE), the largest global search firm. In this role, he managed and developed professionals delivering revenues exceeding \$650 million. He also led Korn/Ferry’s New York flagship office and its Northeast Region (New York, Boston, Toronto, Stamford, Philadelphia and Princeton). Mr. Wellman earned his B.Sc. Commerce and MBA from the University of Virginia in 1975 and 1979, respectively.

TWST: Michael, could we start off with a brief historical sketch of Jefferson Partners?

Mr. Wellman: Certainly. Our firm had its first start back in 1991. That is when I first hung out a shingle as a boutique firm and decided to name it after one of my favorite historical figures, Thomas Jefferson. Jefferson Partners, the executive search firm was born. It lasted in its first configuration for just over a year before I was recruited to be a senior partner for Korn/Ferry International in New York.

TWST: Did you work for the New York office?

Mr. Wellman: I did. I worked in New York, and actually I had the pleasure of managing that office for over four years. I also managed the Northeast Region of six offices, including Canada, and in my last role, served as President for Global Specialty Practices and Major Accounts. And then I left Korn/Ferry in 2000 and went to a venture capital firm, Comstellar Technologies, with offices in New Jersey and California. I felt it would be beneficial for me to get involved in search from yet another perspective. After doing venture capital search work from the inside for a couple of years, it was time to get back to consulting. I reopened Jefferson Partners and re-hung my shingle.

TWST: Can you explain to our readers the difference between executive search and a run-of-the-mill employment agency?

Mr. Wellman: A firm like mine is categorized as a retained executive search firm. The word “retained”, as well as the label “executive search” confirms that we work on a consultative basis with clients, as opposed to a broker or a transaction-driven basis. There are two types of search firms, retained and contingency. Each relates to the character of the fee arrangement and that determines the true nature of the services provided, and the skills and experience of the people involved in each. Retained executive search is focused on the senior end of talent, the most critical key positions, starting with the Board of Directors and, from there, the Chief Executive, the direct reports to the Chief Executive, and depending upon the size and character of the company, one or two senior management layers. Contingency primarily deals with middle levels of management recruitment.

TWST: Has the Internet had a great effect on Jefferson Partners?

Mr. Wellman: The Internet is a beneficial tool of ours, a technology that we put to great use executing our engagements more productively. There are Internet-based job boards, such as Monster.com and HotJobs, but these services operate more in the space of contingency recruiting. They substitute and are most effective in place of the traditional classified employment ad. The internet recruiting sites cut only a slight amount into our senior search market, as they do not bring the consultative dimensions and subtlety often required to recruit and appoint the best senior executive leadership.

TWST: Michael, there are several companies that do what you do. What is Jefferson Partners’ competitive advantage? What do you think you have over them?

Mr. Wellman: We distinguish ourselves in several ways. First and foremost, just to be in the game, one has to have the right experience base and professional relationships. The quality of our work is at the top of our profession, partly due to our native skills and my 20 years of experience. It also happens that in the retained executive search community, a smaller firm has a true advantage, and that advantage is greater access to talent. Allow me to explain that further. When a retainer firm works with a client, that client provides confidential information that allows us to work at our best. This includes organization structure, and inside understanding about their senior people. Ethically, we must treat that client organization as “off-limits”, that we can not recruit out of that client on behalf of other clients for at minimum a year, sometimes as long as two years. So that client and all the other clients of the firm for the past one to two years are blocked as sources of talent for other clients. It becomes a simple matter of mathematics. The larger you are, the more clients you serve, and the larger the block you have from talent. As a smaller firm, we simply don’t have that issue. We have many more places that we can recruit from. There is a second, more subtle element where a small firm has an advantage regarding talent access. On open engagements, the candidates that are active are reserved for that one

client search until such time as the client or the candidate stops their explorations. In the larger firm, there are many more assignments underway, and an internal block on all active candidates. So an additional population of talent is unavailable, on top of the already restricted “off-limits” talent. Retained executive search is a rare profession where larger scale becomes a true disadvantage in terms of service quality. The ideal service provider is a firm such as Jefferson Partners, where clients get senior professional counsel, yet have extraordinary access to the talent market. The quality of our services is much higher in each engagement.

TWST: Is there any way, Michael that you can gauge the retention rate of the people that you recruit?

Mr. Wellman: There is history that you can track. I’ve got placements of mine who have been in their current organization for 20 years. We’ve got many examples of that, and keep track of retention as an element of our quality review. There is another measure related to retention as well. All retained search firms by professional practice offer a placement guarantee, meaning that if within the first year a placement leaves or is terminated for lack of performance, the firm has an obligation to replace that individual for no additional fee upon client request. This is called a “redo” in industry lingo, and is an unpleasant occurrence for all. Having been in search now for almost 20 years, and having completed over 400 searches, I can count on one hand, on only two occasions, have I had to “redo” one of my searches. One of those was an issue of company relocation, and the other was a change in supervisor and poor chemistry. This is my own personal track record, one that I’m proud of, and one my clients appreciate.

TWST: Michael, what do you see as some of the challenges facing you the next 12 to 18 months?

Mr. Wellman: I think the general economy is still a bit unsettled, and so we have not had the hiring rebound post-recession that we enjoyed the last time. Part of that is due to the fact that companies are being a bit more conservative about hiring, and are enjoying increased productivity. We do sense that there is a positive trend showing during the first part of 2004, but I don’t think it will be a sharp rise in demand. This is a wonderful time, the best time, for companies to look for talent. One should think about upgrading or having the right horses in your stable given the prospects for future demand. If you don’t have the right people, you’d think a company would be smart to fix that so that they can ride the updraft, ride the wave with better people.

TWST: Michael, I was wondering if I could have your take on some of the key issues affecting your whole space.

Mr. Wellman: There has been a redistribution of talent in my profession over the last several years. Many of the larger search firms hired aggressively in the late 1990’s, thinking that the world would always be growing. Then the economic bubble broke, and they had to cut back dramatically. That naturally caused a lot of stress and a drop in morale. I also believe it may have caused quality of service issues as some companies focused on booking searches, not ex-

ecuting them. You've got folks like me who believe that the better service platform is not a big, multi-office environment, but the smaller, independent environment. We have to reestablish ourselves, to remarket our presence as new, smaller providers. It is likely to be a time of innovation, as new firms go to market with different offers. I think clients have to be attentive to quality; quality of service, quality of representation. They need to look carefully at performance. There has been a large shift of the best search professionals into new start-ups, like Jefferson Partners.

TWST: Michael, does the international market play any role in Jefferson Partners?

Mr. Wellman: It plays an active role in the fact that there is one big global community of talent. There are certainly times when the client's needs can not be fully addressed with U.S.-based talent. There are terrific leaders offshore, whether they are in Europe or Asia, in Latin America or in Canada. But you have to look at each search on its own merits, and determine what is best for that client and position. I'm doing a search right now for a Chief Financial Officer where the local talent pool is really deep. The post does not require international experience. It would be wrong and expensive of me to look for candidates in places far, far away. So it must be managed case by case. Because of the Internet, because the world has truly gotten smaller and more connected, the fact is one can reach talent all around the world easily. But that step is taken only if it is relevant to the engagement.

TWST: Michael, where do you see Jefferson Partners being in the next two to three years? Can you let our readers know a little bit about the strategic direction of the company?

Mr. Wellman: We are organized by a matrix of specialty practices, on an industry axis as well as by the main functional axis. We have specialists who focus on high tech, financial services, consumer products, and industrial, for example. We also have senior specialists who focus on Board search, Financial Officer search, chief sales and marketing executives, for example. To fill out our capability, I want to bring together highly qualified senior search profes-

sionals in each specialty bucket. We should be large enough to provide these specialties well, but small enough to maintain open access to a well-organized, large pool of senior executive talent.

TWST: Is Jefferson Partners doing anything at the moment to get their message out to the rest of corporate America?

Mr. Wellman: We do a bit of advertising in the professional journals and newsletters that relate to our business. But our best advertising is word-of-mouth about the quality of our work, and how we service our clients. Our web site is an important statement of our purpose, and supports our interest in being known as the premier small firm in our profession. Mr. Jefferson's values and leadership profile are important to us, and form the core of our operating principles.

TWST: Michael, you are going to get the last word. Is there anything you'd like to add?

Mr. Wellman: Jeff, I will just end with the comment that it is an exciting time to do what we are doing. The ultimate caliber of people in an organization is directly critical to business performance and long term organizational health. In my 20 years, I have learned it is the best investment, and the one with the greatest ongoing returns. We just love helping our clients achieve the best through their leadership investment.

TWST: Thank you.

MICHAEL A. WELLMAN
 Chairman & Managing Partner
 Jefferson Partners, LLC
 230 Park Avenue, 10th Floor
 New York, NY 10169
 (646) 827.8275
www.jeffersonsearch.com