

Single tender case justification for actions between £10k and £50k

(To be sent with Requisition)

<u>Date:</u>	18 July 2014
<u>Item:</u>	Initial scoping exercise for recruitment of new CEO
<u>Supplier:</u>	Egon Zhender
<u>Estimated cost:</u>	£20,000 (fixed price)
<u>Customer:</u>	Shareholder Executive, BIS
<u>Council:</u>	n/a
<u>Institute:</u>	n/a

Background

ShEx is considering replacing the CEO of one of their higher profile businesses. This is highly confidential, and the incumbent is unaware of this action (although this has the full support of the non-executives on the Board, including the Chair).

Before taking action, we wish to engage Egon Zhender to undertake a study of the market to map out the likely pool of candidates available given the likely maximum level of remuneration that we could offer any new candidate, to help ShEx and the Board make an assessment of the likely success of any recruitment exercise. ShEx and the Board do not consider that a suitable internal candidate exists.

The role of the CEO is very complex, combining the commercial acumen required to drive the business through a period of significant transformational change, whilst also having the skills to manage and balance the varied stakeholder environment which is highly unionised, has strong special interest groups, and a high degree of political focus. The organisation concerned receives hundreds of millions of pounds in Government funding, and we are seeking to maximise the value of that investment by putting in place the best management team that we can.

Should the exercise demonstrate that suitable candidates exist (for the level of remuneration we can offer), we would seek to progress to the next stage and commence a recruitment exercise (subject to the views of ministers). Conversely, this study may well demonstrate that the chances of landing the right candidate are very slim, to the extent that ShEx and the Board consider the risk of removing the current CEO exceeds the risk of keeping them in place.

This work will take place over the remainder of this month and August.

Justification

There are a number of reasons for this STA with this specific supplier:

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- This is a highly confidential exercise. Going to competition would carry significant risk that our planned actions became public, which would be highly embarrassing for the company concerned, for Ministers, and for the individual. In those circumstances it is highly likely that the current CEO would leave before a replacement was in place, leaving the business without any leadership during a time of significant change, and putting Government's sizeable investment at risk.
- Egon Zhender know this organisation well, having been used to recruit a number of non-executive directors and executives. As noted above, this organisation is multi-faceted and facing significant challenges, and Egon Zhender have the best understanding of that environment given their previous work.
- Given the confidentiality of the situation, this will be a "desk-based" exercise that utilises Egon Zhender's existing knowledge of the market, rather than going out widely to discuss the opportunity with potential candidates. The Board, and ShEx, consider that Egon Zhender (and the specific recruitment consultant) have the best knowledge and database in the market for this particular role.
- We have negotiated what we consider to be a competitive fee for a piece of work of this nature. Egon Zhender were initially reluctant to do the work for this price, and are undertaking it to maintain their relationship with the organisation and are taking risk that there will be further work forthcoming.

In terms of the value we expect to extract from this engagement, the report issued by Egon Zhender will allow ShEx and the Board to make an informed assessment of whether we should seek to find a replacement for the current CEO or not. The current CEO is adequate, but not as high performing as we would like, making this a "judgement issue". However, we currently do not have enough information to be able to make a judgement about the risks of removing the current CEO vs keeping them in place. Establishing the likely success of finding a replacement will inform that debate considerably, allow us to make recommendations to Ministers, and will ultimately guide ShEx and the Board in the action it decides to take or not take.

Conclusion

We cannot proceed on an informed basis without this study.

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