

NPS Interview Transcript

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Client: Stephen Zelkowicz, DLH Holdings

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FULL TRANSCRIPT

INTERVIEWER

So, yeah, if we could start off with you just explaining your role and your relationship with Korn Ferry,

SPEAKER2

sure, sure. So I'm chairman of the compensation committee for DLH, which is a government contractor here in the States. It's a, it's a public, publicly traded company on NASDAQ. Actually, my day job is as a portfolio manager for an investment firm. So as a function of having a large investment in DLH, we have board representation. So I've served on the board for five years, and so since joining so when I first joined the company, DLH, I started serving on the audit committee and the compensation committee, and then three years ago, I became chairman of the compensation committee, which I feel is like the job no one wants. Frank frankly, it's like, I feel like I showed up to a poker table, and everyone's like, who's who's a new guy. And you know, it's like, you don't know what's going on. You're the sucker, but it's a tough position, because you want to make sure that you're being fair to management. On other hand, you have your responsibilities to the shareholders. So I think I look as no one's happy with me. I'm probably doing a decent job. So if the management's not happy, hey, you're not paying them enough, or then the shareholders say, Hey, you're paying them too much. Maybe I found the right medium. So Korn Ferry was already our outside compensation consultant when I joined and when I first became the chairperson, I said, Hey, they've been our consultant for quite a few years now. I think we should it's time to just do a really good sort of look around again, just to make sure we're paying the right amount or they're giving us what we need. So we did some we met with four other conversation consultants and ended up being that the committee wanted to stay with Korn Ferry. I think a lot of it does have to do with comfort, and we know that we've been working with them, they're doing a great job, but it's good that we did the right thing, and did an outside search just to and we should do this every couple of years. So we, we work on a retainer where, so it's not like on an hourly, you know, project by project type of relationship, I kind of like that, and they, I'm happy they agreed to do that, because it's more like, I feel it's more of a partnership. It's more of, hey, I need you. Can you help me out, like now, you know, or tomorrow and and I think they, they take that approach, and they did whatever they could to keep our business, which I appreciated. So they were, they were very competitive on the pricing side. They wanted to just, even though we're a smaller company, and I think they work with us, which I really appreciated. So there's one main person that I deal with, and I think, I think what's good about Korn Ferry so large, they always can bring in outside or internal experts, or they can bring in other resources to help us on things that kind of come up that you don't see coming. So when they probably come to at least six to seven meetings a year, then I have my own individual discussions with the team before and after meeting. So I always appreciate the time, you know, they provide to us. So I mean, and again, it's the whole gamut of compensation, you know, again, for

public companies, for the board, for the senior executive team, how we should look at, you know, they help us with our proxy statements. It's the whole gamut of services. So it's been a good relationship from that perspective. So that they kind of go all over the place. Or is that helpful?

INTERVIEWER

No, that's this is how these interviews go. It's really good. It gives me, it gives me a good understanding. Have you? Did you have previous relationships of working with Korn Ferry prior to them? Is this your first kind of experience?

SPEAKER2

Yes, yes, at least on the by compensation consulting side, I know they have, I think they're probably well better known as a search and employment consultant. And in previous lives, I've dealt with that side of their business, but I didn't even know they really had a compensation service until I joined the board of DLH.

INTERVIEWER

So Okay, that's interesting, if we can just dwell a little bit on this. Suppose the kind of pitch for a better word. So when you put it back out there to kind of tender, you said that they were, they were flexible and competitive on price. What primarily were you looking for? What, what was the kind of the biggest factor for you?

SPEAKER2

Well, again, I think, well, it's that balance of of feeling you're getting good services with Not, not paying too much. And again, we're a, we're a small cap company, so we have limited resources. So I was sort of at a it's interesting, because when we went out and received, you know, these types of proposals. I mean, the numbers were all over the place. I mean, he was really astonishing. And there were a few competitors that were pretty much, you know, pretty below them. And I was, I was pretty surprised, and it was interesting, because the committee we consider price, but the same time, we were considering the quality of the relationship, and it was helpful to know that, hey, so and so is offering, you know, 30% less than what you are Korn Ferry. And again, they're there, there. They never went that low. And I wasn't going to say, hey, you know, match it, or we're walking. And, you know, I try to be reasonable. And I, like my dad, always said, you get what you pay for. So it's always kept that in mind. So, you know, yes, pricing was important, like, we weren't going to pay double of what we were paying, but the same time, we wanted to at least keep it sort of honest. So again, it was that balance of, hey, let's try to get the best. We established we wanted to keep working with them, but let's try to get the best deal we could just kind of leverage that a little bit without being obnoxious, because I do believe you know that these relationships are important. I don't want to go in with any sort of resentment from either side, from either side, because we gotta have to live, live together, and I just want to be professional about it, and I believe, you know, things go on for a long time, and it's karma and all that stuff. So I just it was that balance of, okay, what's fair, and I think we got to it, and I think they were very reasonable about that, and for the last few years, they haven't changed their fees, and I think it's come from them recognizing, hey, the you know, again, we're a government contractor, and under this administration, is not a good has not been a good place for this company, for DLH, because when you know, a lot of our clients are government agencies, and this administration has cut back on that, and I

appreciate that they recognize that, and they've been proactive about that. So, yeah, so it's always that balance to me, I think, and the committee

INTERVIEWER

right in terms of, I suppose, communication. Do they? How do they? How do they meet your expectations there. Do you mean, do you have a regular check in with them, or is it more ad hoc? Are they proactive in reaching out to you with ideas or information?

SPEAKER2

Yeah, they're pretty proactive. And I think one of the first things I did to like refresh in the relationship, and this came from them was, hey, let's, let's put a calendar together. This is what public companies do. This is the, this is the natural cadence or natural timeline of a public company. And the first quarter you need to do this. The second quarter you need to do that. So we had that conversation, and they put it in, you know, down on paper, you know. So it was something that we distributed to the whole committee, and we agreed to it, and we adhere to it. And very often I, what I do appreciate is that if I'm not checking or I'm falling behind on something, they will reach out and say, hey, just so you know, these are even they'll reattach it and say, Hey, these are the things that we talked about. I feel like I'm going to the principal's office, yeah, like, this is what's due. Like, this is what, this is what you said you were to do. And, but so I do appreciate their proactivity and and they do reach out to say, Hey, this is what you should be thinking about. This is what we talked about last year. This is where we were there. They kind of, which is, which is really helpful. So it's really good. So I'm really, it's never really me who's like, Hey, we gotta talk about this. It's, it's usually that which, which I appreciate they bring the agenda

INTERVIEWER

and then in terms of, I suppose, their knowledge and the relationship that you have. So you know, the both personal interaction, but also the kind of the expertise that they bring. How does that meet your expectations?

SPEAKER2

No, it definitely. Well. What I appreciate about them too is that, and this came up when we were looking around at other consultants, something that came up from other committee members. And again, a lot of the other committee members come from the industry. Again, I'm, you know, I'm more of an investment professional, you know, I know what I know, and I know what I don't know, and I definitely stay in my lane. But the other three committee members come from the industry. They understand the industry. They have vast networks. So one thing that came up was like, hey, they, they know the industry. So LB, who's our main point of contact, you know she, she knows the industry, but also she has colleagues who come from the industry. So when it comes to specific issues that come up about talent retention, or, how do you incentivize, you know, certain professionals within the you know, as you go down below the senior level, you know, it gets, it gets very, you know, detailed, and I'm not as familiar with it, but I think, because they have other clients also in the industry and bigger clients than us, they they bring that expertise and knowledge. And sometimes it's not, it's not appropriate for us, just because we just don't have the resources to to to hire that type of caliber or that sort of function. But it's good to know, and I think that expertise is is helpful in I suppose,

INTERVIEWER

in terms of your expectation of a consultancy leaning into data driven kind of insights, benchmarks, the use of tech. How do they fare there? And how does that kind of, you know, is it, are they doing what you would expect them to, or is there, is there a gap?

SPEAKER2

Um, yeah, I don't think there's a gap. I think it's not, you know, that complicated, actually, because I just feel it's like we when we benchmark, we use public data. It's just a matter of, you know, you know, getting it right or massaging it to for it to be, you know, appropriate, you know, for us again, we're usually the smaller company within the larger group of benchmarked companies. So I think it's, it's nothing super complicated. I think it's helpful that they're able to do it so so quickly, like they have a team of, you know, other professionals that can just, you know, do something in a couple of days and make it look very easily to to, you know, to digest and easy for the other committee members. That's what I've found, is that, you know, as chairperson, I definitely get into details a little more. And again, frankly, as an investor, I pay attention to compensation more, you know, like, you know, that really appropriate, or is that the right company to use? And I think, for the other frankly, they do. They're older, you know, some of the other committee members, and they're more, like, semi retired, or they've done this, done that. They just want, like, just give me the facts, and let's make a decision move on. And I think that simplicity of a presentation, you know, is important, but, you know, I always trust their work. But I will say, if I had to give some sort of constructive, you know, feedback, there are times where I have found mistakes, you know, in some presentation material, like I again, I always want to go through everything beforehand with them and say, Okay, let's before we circulate this to the rest of the committee. Let's just go through it ourselves. And sometimes, when I'm alone and I go through certain things, I'll find mistakes, which is, I'm kind of surprised about here and there and again. It could be like, maybe, you know, a certain formula wasn't used properly. Or there's like, I'm not even talking about, like, typos, something like that, but like, something's like, that doesn't the meat. That's not right, like, that's not the median, whatever. So I think that's a little bit of, maybe they can go through some sort of quality control, you know, process before they present something. And I think it's, I get the feeling it's on, like, the lower, like, level, whoever's some young kid who's doing this, maybe just missed something, or did it? Probably do we a million things and just to get it done, and LB's yelling at him to get I have no idea. I'm just, you know, totally speculating. But I think sometimes it's happened, and I just think that sometimes that could be just kind of checked on. It's not a big deal, but I, you know, I catch it and I shouldn't, I shouldn't be so, yeah, because that's

INTERVIEWER

because then it creates a, is it? Is everything else, right? Right? It's a, it's a trust thing, isn't it? Confidence get I mean, I suppose, given your role in your broader role, kind of, you know, in pay an investor, would you look to use them for things like, I suppose, operational efficiencies, so restructuring more, more on that side, or you very much kind of like, this is, this is what I use them for. And you've obviously kind of talked about search,

SPEAKER2

yeah, that's a good question, actually. And I know I probably would, because there are times when I would use them for something on the operation side, because when I know based on experience in the past, when we've had these, you know, let's say level down, you know, decisions to make on compensation for, you know, a role that I never was familiar with, and we're in a committee sort of grappling with it. And there aren't any pure, you know, let's say no. Or any pure, you know, peers, let's say yeah. Like they go, they look into the private sector, they'll say, Listen, this is the data we're able to generate. This is from the private sector. I forget their sources, but they have been helpful with that, and I think they've also been helpful with giving some sort of perspective of, okay, this is from the private sector, but this is what you're looking for. So maybe it's not perfect, but we can use this as a guide. You know, this person has X amount of experience. You know the candidates you're talking about, so maybe you know they're coming from big companies, so that you should be aware of this, or they'll have as much experience. Maybe you want to help, you want to coach them. Or so they come with all these ideas that, again, I don't always you know, think about and and I appreciate, and I have to say, I have introduced them to people I know who are in the more private sector. I've done that two or three times. Hey, you know you should talk to. I've made introductions, so to me, that's, you know, I'm recommending them, and I think they could be helpful that way.

INTERVIEWER

Great. Aside from, I suppose, the accuracy, the detail. Is there anything else that you would like to see them improve on?

SPEAKER2

Um, see, I don't think so. I mean, I think they're, they're, they're good, you know, I think they play a good role within the dynamics, you know, of the committee. I think they understand, but I do appreciate them. They understand the personalities of our committee. I'm sure that's different for every client they have, you know, I have the, I gotta have the nice person on the committee. I have the hard ass. I got the, you know, the person who sees it both ways. So I think it which is, I think typical and some, the person who asked the hard questions, the person who doesn't ask any questions.

And I just want to get out there, but the person who's going along, and so you have the, I mean, so it's besides the data, but besides the facts, besides knowing industry, you have to, you have to manage personalities, and I do my best to do that, but I feel their experience with other clients is helpful, because I think they see when I'm sort of going a certain direction, or I need some help, or they realize we're not getting anywhere. They really jumped in. And they don't, I think they know how to do it, like they'll say, hey, this these are the facts. This is how you can look at it. Here's the data. Here you guys have your discussion, and we start having a discussion, and then they come in and say, Okay, well, I see it sounds like you're here. Have you looked at it this way? And I think it just helps us get to where we need to be. But so I guess that's a compliment. It's not really something. I don't really answer your question, but, yeah, I don't know. I could definitely think about that some more, and I can always,

INTERVIEWER

if you think, I mean, if you do think of anything you've got, you've got, you've got my email, so just ping it over to me or give me a shout, I guess. Then just finally, kind of looking at the wider view of kind of people and skills and how you know the world is changing. Do you have a view of what you need from a consultancy, I suppose, moving forward to future proof, things like kind of, you know, compensation benchmarking, but also what's meeting, kind of, the skills gap of tomorrow. The AI challenge is that something that Korn Ferry aside, is that something that is on your radar, and I suppose in your broader role as well, not just in this particular engagement,

SPEAKER2

yeah, I think just in general, like, AI, you know, awareness, I guess, is something that it's, you know, it's always on my mind in terms of the, you know, the workforce, and how it's playing and how younger generations are developing within the workforce, and the skill sets that they bring. And to me, it's all very, you know, confusing again. I feel like I wish I was born some ways. I wish I was born 20 years earlier, but some ways, but not

in the middle. I know exactly what you mean, because I feel like, even like, I can't like my mind can't even get around it sometimes. And I have one of my kids is in high school, and actually, this past weekend we there was a meeting at his school, and they were talking about, you know, the use of AI and education. And there's one perspective which I believe, it's like, it's, to me, it's like cheating. It's like, AI, it's like, if you're using it for school or even to a degree work, it's like, are you then kind of like not developing, you know, you're continuing to develop intellectually, or you're using your brain or something. But then, of course, there's the idea about using as a responsible tool, and I get that, and then when I started using a little bit like, oh, wow, this is great. This definitely saves a lot of time for me. So I think just in general, in terms of, like, how AI is affecting the workplace and and, you know, human capital, like, it's actually kind of scary, I don't know, like you read about all these entry level jobs are now not, like, don't exist, because AI can play that role. So I just think it's a general understanding of AI within the human capital structure. I think is it's just, for me, is something that I think will be, will be helpful going forward.

INTERVIEWER

great. I mean, I think that's it from me. And unless there's anything else that you feel that would be useful to cover.

SPEAKER2

No, I think that's, I mean, again, I think because we're a smaller company, I don't think we're anything like super, you know, complicated. I think on some ways, like we have, you know, we want to, you know, sort of mature. We start, sort of want to modernize, but the same time, we got to keep it simple and be cost efficient. And I think, you know, I think Korn Ferry is there for us as we grow, you know, and I think that, but at the same time that media is where we need to be. And I think that's, hopefully we can, we can grow. So that's, that's the idea, but I think that's for that, for those reasons. I think they're, they've been a good, a good partner with us. I will, I will think of some stuff I do want to be helpful. And I do believe that, you know, having some sort of, you know, constructive comments, or, I'm sure, are usually more helpful. So I'll definitely let you know,

INTERVIEWER

to be honest, just getting your view like, kind of having this time to dig into it, even if it's, you know, just all positive is helpful, right? Because it gives a balanced view across the board and demonstrates how people are doing a good job. So that's as good as it's better than not having that view at all. So it is helpful.