

Executive Search

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Overview

Over the last decade in Central and Eastern Europe, the term Executive Search has been used in the widest sense, sometimes pushing the boundaries of its definition. In order to fully utilise the potential this service has to offer, it is necessary to understand what the term means.

Executive Search (ES) has evolved in the western markets over the last 50 plus years. During the last 10-20 years worldwide market leaders have evolved, as have regional players and “boutiques”, small local organisations focused on a particular sector or functional area.

As the name itself indicates, the service means finding executives matching a particular client’s need. Since then, and particularly in Europe, the service has evolved to focus not only on senior executive positions, but also on senior management as such.

Effectively, wherever there was a hiring need that required a specific profile and experience, and where the hiring company was not prepared to rely on the chance that a suitable candidate could be found through other sources (internal candidates, advertising in the press, etc.), the ES service could be applied.

The process in itself is not a complex one, but definitely has specific requirement of the persons and companies that carry it out. Unlike some of the other recruitment tools, it is not a transactional, but a consultative and pro-active process.

In order to draw a direct comparison, consider a recruitment that is carried out by companies, which focus on database and advertising. Their proposition is that based on the client’s need, they will publish an advertisement, today including online variations, and look through their database of applicants. The result will depend on the response to the advertisement and the content of the database, which is tantamount to saying “...if a suitable person replies to the ad, or we have met someone in the past, we will propose him or her to you as candidates...” The key word here is “if” – the outcome will depend on factors such as the season (does the target group of candidates read adverts during the holiday season?), the media chosen (does the publications chosen to display the advertisement target the right market), and the inevitable question – will the right candidates read the ad at the right time? Generally, this question is offset by the method of payment for the service – quite frequently, the fee is referred to as

“success” based, in other words only if the recruitment company finds a candidate, the client will pay.

This is not to say that classical recruitment is not a valid tool – on the contrary. With the growing use of electronic media, with the support of printed publications, a quality recruitment company with a good database should be able to help the client in filling a wide range of positions, from specialists to junior management. It is safe to assume that persons for such roles are relatively abundant, are more mobile in terms of employment, and may respond more spontaneously to the solicitations of the recruitment companies.

A line of thought says, however, that the factor, which determines how to approach a particular recruitment, is not the level of the position, but its importance in the organisation and the urgency with which it needs to be filled. To take the “if” analogy further, it will inevitably lead us to the next question – when will the hiring be complete using classical recruitment? If the client is lucky, the recruiter has some relevant CV’s in the database and can send them to the client. If not, they will need to generate some, with the means within their grasp...

Effectively, these may be the factors that in a bigger extent influence a client to use the ES service – the importance and urgency of a position, regardless of which functional area the position addresses (sales management, marketing management, finance management, etc.)

The value proposition of the ES service is designed to address these factors – the ES firm will make a contractual commitment to pro-actively “scour” the market in order to deliver the expected result – which is mostly a candidate, but sometimes alternative advice on how to solve the recruitment issue.

The Processes

In order to be able to offer this value added, ES companies must approach each recruitment case as a totally new project, not relying on past searches. While a certain know-how is accumulated from past experiences, the market changes enough to warrant a fresh approach each time, never assuming too much.

In order for the project to be successful, it is necessary for the client and the ES consultant to have a symbiotic relationship based on trust: they are partners for the duration of the project.

First of all, detailed planning needs to be carried out, defining the business need and the context of the search. During this phase, it is advisable the client disclose all relevant facts to the ES consultant, as details can often make the difference – what is the business objective of the position? Why is the manager being replaced? Are there internal candidates for the position? How many persons will be involved in the final decisions and who are they? The questions are many and should all be answered prior to the start.

This phase should result in a clear definition of the role and the candidate profile, referred to as the brief. Also, a search plan should be drawn up, defining who the search will target, the timing, key event during the project, the roles of the client and the ES company, etc.

Once the search has started, it is usual that the ES consultant and their researcher first consult their database of past candidates, ascertaining if based on past searches, they

can partly define who they wish to contact and who not. It should be pointed out, however, that in the ES process, the database is only one of the tools and should not be treated as more than that. The quality of this tool, however, can greatly influence its usefulness.

A large part of the work now consists of defining the list of companies to search in, taking care to remove from that list any companies that are off-limits, whether because they are clients of the ES company or because of a business relationships with the client.

Within the target companies, the researcher will identify and screen potential candidates based on their current roles. Simultaneously, the consultant will go through a network of contacts, asking for recommendations and tips for candidates – this can often bear fruit and is a reliable source. At this stage, it is usual that the ES company does not disclose the name of the client – this is left until after interviews and generally only to candidates that are considered for the short-list.

Through the above ground work, the researcher and consultant build a list of persons with whom the consultant can conduct a brief telephone interview, in order to ascertain whether to invite the candidate in for a meeting or not. When conducting interviews with those candidates, the consultant also adds to that pool any eventual internal candidates the client may have suggested.

The tasks defined in the last four paragraphs generally takes 4 to 5 weeks, during which regular contact with the client is necessary in order to inform the client of progress or of any unforeseen difficulties.

Once the ES consultant has carried out these interviews, a short-list can be made, which will typically contain only the 3 to 5 candidates that fit the profile and are willing to discuss the position further. The consultant then writes assessment report, which contains not only the career history of the candidate, but also the opinion of the consultant on the candidates' personality, experience, compatibility with the position and details such as compensation, or notice period.

These reports are delivered to the client and interviews arranged with the short-listed candidates. It is usual in senior management positions that the client will have three or four members of management interview the candidates, of course not at the same time.

After the client has met the short-listed candidates for a first round of meetings, the conscientious ES consultant will collect informal references on the candidates, in confidence and without mentioning who the client is, in order to avoid that any undesirable facts come to light later in the process or even after hiring. These references are of particular value in a relatively young market like the Czech Republic, where the track record of managers is not long enough to guarantee their suitability.

Once the client has carried out all the interviews, and has chosen the candidate that suits them best, the ES consultant's job is not done. A skilled and experienced consultant will be of valuable assistance even during contract negotiation and final discussion between the client and the candidate, acting as an independent third party, conducting further formal reference checks, and generally following the process closely to ensure it ends successfully. It should be noted that not all clients like to see this close involvement of the consultant at this stage; it is of course a matter of opinion if the client is then not taking full benefit of the service.

Even after the candidate has signed on, the ES consultant's role in this hiring does not end. Due to notice period and a possible hand-over, there can be a period of several months between the date when the client and the candidate agreed on the contract and

the physical start day. From experience, even this is a time when things can go wrong, so the consultant will keep in regular touch with the candidate to ensure that all is in order and to catch any issues early, should they arise.

After the candidate's start date, it is wise to continue the follow-up, keeping in contact with the client and the candidate, following the integrations and progress, and being ready to mediate and advise if need be.

Generally, the ES companies offer a guarantee ranging from six months to one year, which commits them to carry out a new search free of charge and replace the candidate should the initial recruitment not be successful – due to length of the guarantee, it is also important to the ES consultant that the recruitment be done well.

In the light of the above description, and bearing in mind the complexity and value-added of the ES process, it is then no surprise why ES consultants like to differentiate their work from the classical recruitment process, why they expect and get exclusivity on individual recruitments, and why they will insist on working under a retained contract, collecting their fee in three installments – at the beginning of the search, upon the presentation of the candidates to the client, and when the client and the chosen candidate agree on terms.

The Last Few Years of Executive Search in Central & Eastern Europe

Traditionally, Central and Eastern Europe has been a fertile ground for the recruitment business, the Czech Republic being no exception, in fact it was Prague that hosted some of the first launches. This was understandable as western companies setting up in the region were in need of talent, which in the early 90s was more noticeable for its potential than for experience, and needed advice on how to recruit this talent.

Through the nineties, a number of recruitment companies set-up in the Czech Republic, some local start-ups, and some branches of large multinationals that were following their clients east. If the recruitment business was remarkable by two things in those years, it was its rapid growth and a certain lack of standards, occasionally ethics.

The ES business was not exception, and as the sector matured, the market developed a structure and order. There were the large multinationals, such as Korn Ferry, Heidrick & Struggles and Egon Zehnder. There were the regional players, some licensed by or part of international networks. And last but not least, there were the local companies among which the most diversity was noticeable.

Since business could generally be termed as booming in the mid-90s, there wasn't a significant pressure on quality, or certainly not to the extent it exists today.

At the end of the nineties, however, and more significantly at the start of the new millennium, the market order was significantly shaken by worldwide events. Business became tougher for the ES companies, as their clients, very often subsidiaries of multinationals, followed their western counterparts in slowing down investment and generally putting more pressure on reducing costs.

When it was clear that this was not a market glitch but a market downturn, the first to react were the stock market quoted companies, who were under pressure from shareholders to improve their apparent market value. As a result, in the Czech Republic and in some of the other CEE markets the two largest players world wide, Korn Ferry

and Heidrick & Struggles, trimmed their presence to a minimum and then closed shop completely.

While this may have been the most visible change, it was probably not the most significant. Over the last few years, a number of regional players closed their doors in some CEE countries; some went through bankruptcies only to emerge from the ashes like the phoenix. Some companies even managed to repeat this feat twice in succession, some even reemerged in two “flavours” with similar sounding names. At the same time, as some of the key players on the market disappeared, their consultants set-up their own operations, generally covering one country, occasionally two.

This change had, in my opinion, two major effects on the market: it became less clear to the clients where to turn for service, as the established order disappeared, and a significant pressure was put on fees to reflect the hunger and flexibility of some of the new entrants to the market. Naturally, as chaos breeds opportunity, the clients also sought to profit from the increased flexibility of the ES companies, sometimes benefiting in terms of savings, sometimes getting burnt by the lure of low prices with matching quality results.

Today, some order is returning to the ES market in the Czech Republic, although it will take some time to settle completely. The question is whether this will happen before some of the major players, now absent in the Czech Republic, look to re-enter the market by setting up offices or making acquisitions. One thing is certain, though, they will return, once again following their clients and seeking new opportunities.

With those days still ahead of us, it will be those ES companies that successfully weathered the last few years that will emerge as the winners in the future. In Central and Eastern Europe right now, it is visibly still possible to build a successful ES practice, in particular if it has a regional breadth and strong consultants.

What to Look for and What to Avoid

So how does a client choose their ES provider? What is the key factor that can somehow guarantee that the investment is effective?

While clearly the company name is still a useful guideline, it should not be the sole point of reference. One factor that differentiates the ES companies is the team that works there, so that should definitely be a point to focus on.

Try to choose a consultant that not only has strong track record of having worked on searches for positions of similar complexity and seniority, but also look for experienced individuals that have the seniority and business acumen that can provide real value added advice.

As a benchmark question, ask yourself if the consultant in question will be a peer to the candidates they try to approach. When recruiting general managers or senior level directors, clearly the consultant will have to be someone who has the respect of the candidates, who in turn will be willing to listen to what the consultant has to say.

Senior level recruitments often involve complex business situations and strategies, so the consultant should have the business experience to be able to understand the nuances and connotations of the recruitment.

When choosing an ES company, look for one that focuses on the Executive Search service only – in theory, they will have the strongest predisposition to really make use of

this business tool to maximum effect. A company who portends to mix and match a wide range of recruitment tools to solve a recruitment task may not have the focus necessary and may first try to use some of the more opportunist tools to solve your recruitment need.

Look for an ES company that has a breadth of experience, has proven to be stable and successful. Ideally, the company should be able to show lasting relations with clients, where the partnership has been rewarding for both parties.

You should certainly not hesitate to actively check references on the ES company you are thinking of using. When doing so, make sure that the references are on comparable projects at a similar level. A quality ES company will not hide what it does, for whom it has worked, who its team members are, in fact the “transparency” of the company overall is a good sign – it shows that the company has nothing to hide, that it is proud of its work and of its team.

Once in front of the consultant who is pitching for your business, assess the “feel good” factor – you are likely to cooperate for a period of time with this person, so you might as well enjoy the interaction, and the charisma and empathy that makes you feel positive about the consultant is likely to make them interact well with the candidates.

Naturally, at this point you should ask who will actually be working on the project – there is not much point in carefully choosing the ES company and consultant, only to find out later that it is in fact a different person actually carrying out the work, perhaps a far less charismatic and experienced one... So get to meet the consultant who will execute your project, and while you are at it, why not also meet the researcher who is an important part of the team.

There are many more points that you should examine, but this article is not meant to be exhaustive, rather to suggest a few basic guidelines. Remember, however, that once you have chosen an ES partner and the cooperation works well for both parties, bears the desired fruit and has created a smooth partnership, it is worth continuing in the successful business relation, in particular as Executive Search is a significant investment. Sure, there are temptations out there – can another company be cheaper? Faster? Those are of course possibilities, but are they worth the risk?

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