



SURVEY REPORT

HR EXECUTIVES AND RECRUITMENT METHODOLOGIES

2013

INTRODUCTION:

The Retained & Executive Search industry is an integral part of modern corporate life and it commands a healthy chunk of corporate spend. As a guide, the Association of Executive Search Consultants (AESC) estimates that 2012 annual net revenues for this global industry totalled US\$9.74 billion.

There are many reasons why companies utilise the services of retained search firms, in their quest to find and recruit the best people for middle and senior management roles.

Regardless of these reasons, we were keen to understand more of the relationship between search firms and the HR community.

So, we at Carter Morris have commissioned this survey with a two part focus:

1. to explore the extent of search firm use from an employer client perspective
2. to understand from a HR job seeker's view the perceptions of search firm service compared to other recruitment methods

EXECUTIVE SUMMARY OF FINDINGS:

Most HR candidates surveyed have received approaches directly from employer companies and felt those approaches were handled appropriately. This was equally the case for candidates who had been contacted by, and placed by, search firms.

However, concerns have been raised by the failure of companies to properly acknowledge candidates who have approached them directly. Additionally, and compared to search firms, a discouraging number of HR executives did not believe that the company handled communications well through the actual job application process.

These aspects are worrying because the short term financial benefit of direct sourcing models could be wiped by the lifetime value of a disenfranchised potential customer.

The vast majority of HR executives surveyed wanted to know more about practical ways to consolidate their search activity and reduce their budget and only half believed they were getting value for money from their search firms. Further exploration of this will be required but it indicates that a change is needed to the traditional search firm offering.

METHODOLOGY:

The survey was sent to 2,948 individuals in the HR profession across multiple countries. These were a very select community within the Carter Morris international network, typically with “Head of”, Director or VP job titles, and extensive international markets work experience. Over 21% of the target group responded, which was well above expectations (typical response rate for surveys generally is apparently just 7-8%).

The survey was emailed to the community who had to complete their responses online, and in confidence. All responses were received over a 2 week period during September 2013.

It was assumed that respondents clearly understand and differentiate between retained/executive search firms and contingency recruitment firms.

Questions were relevant to search firms as a whole rather than to specific agencies.

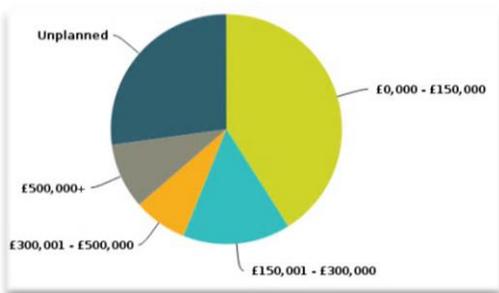
Some respondents chose not to answer one or more questions. Feedback suggests this due to a lack of personal experience of a particular situation. Percentage figures in the results section will therefore, represent those who responded to each specific question rather than to the survey as a whole.

SURVEY RESULTS IN DETAIL AND WITH NARRATIVE

QUESTIONS 1 - 9 EMPLOYER CLIENT PERSPECTIVE

Question 1 – Do you know your company’s / division’s annual budget allowance for retained search fees?

Just under 47% of respondents were aware of their company’s budget for retained search. This seems low, but may be due to respondents having no responsibility for this area of work, or to budgets being held by business units directly without line of sight for HR teams. It may also mean that respondents use search firms on an unplanned basis without any pre-allocation of budget.



Question 2 – What is your annual company / division budget for search fees?

Nearly 56% of respondents noted their budget for retained search was less than £300,000 although nearly 27% of firms had no planned budget at all.

Question 3 – Do you know how much your company / division actually spent for retained search fees in 2012?

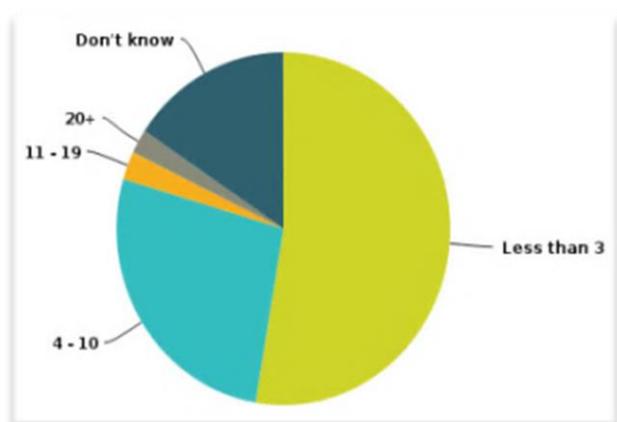
Just over 73% of respondents knew how much their firms actually spent. Taken with Q1 where just under 47% of respondents knew their annual budget, it raises a question over how much search firm engagement is happening for unplanned hires.

Question 4 – What was your actual retained search spend in 2012?

Over 80% of respondents report spending up to £300,000 on retained search fees with nearly 10% spending half a million or more. Further exploration will be needed to ascertain whether this is total company spend, business division spend, or only HR department spend. We would also like to understand whether this spend is in addition to the costs of running an in-house search team, or whether it is due to lack of internal search expertise.

Question 5 – How many retained search firms do you typically use in a year?

Just over 52% use less than three search firms and 2% use more than 20 firms. This fits with the commentaries we get from our networks on a daily basis - managing a small number of suppliers makes sense. It is hard to see the value in using more than 20 unless the search firms are highly specialised and the job seeker market is fragmented.



Question 6 – Do you have dedicated in-house resources for managing search activity?

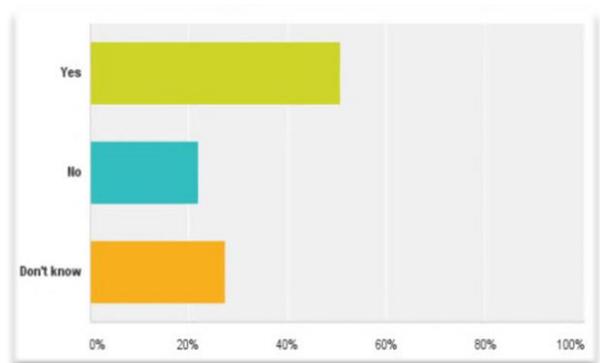
77% of respondents confirmed they have dedicated in-house resources. This is at odds with the feedback we receive daily from our networks who bemoan having no in-house search service. If so many companies have this resource, why is there still so much being spent on external search firms? We will need clarification on whether this “resource” has been interpreted as companies having their own recruitment teams and/or HR leaders co-ordinating all external search activity.

Question 7 – Do you use any metrics to monitor retained search activity?

Just under 60% of respondents operate with some metrics. This is a lower than anticipated figure given the high emphasis in HR teams for measurements of both value and performance across their organisation.

Question 8 – Do you think you get value for money from your retained search firms?

Just over half of our respondents believe they get value for money. We acknowledge that this question does not define ‘value for money’ as the concept is inevitably relative to the demands and requirements of the client, but it nevertheless indicates some lack of service delivery.



Question 9 – Would you consider consolidating all your search activity if it could reduce your overall budget?

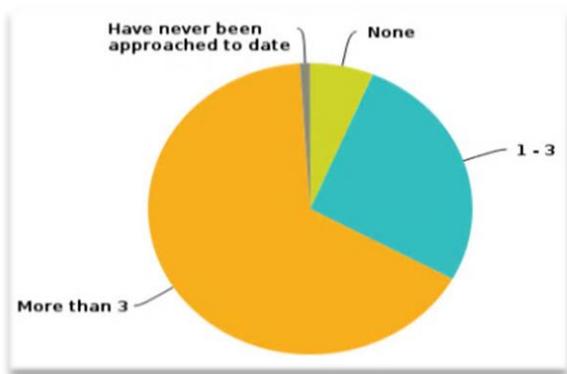
Nearly 70% of respondents would be interested. Taken in conjunction with Q8 this indicates a potential lack of satisfaction with current retained search firm arrangements.

QUESTIONS 10-18 HR JOB SEEKER PERSPECTIVE

Question 10 – As a job seeker have you experienced a service difference between contingency and search firms?

Nearly two thirds, 66%, have experienced a different level of service. Further exploration will be required in this area to pinpoint the service differences, and whether search firms were regarded as “better”, but it is interesting to note that HR professionals are certainly differentiating between the hiring agency models.

Question 11 – How many search firms have approached you in the last 12 months?



Over 92% of respondents have been approached by at least one search firm in the last 12 months, with the overwhelming majority experiencing multiple approaches.

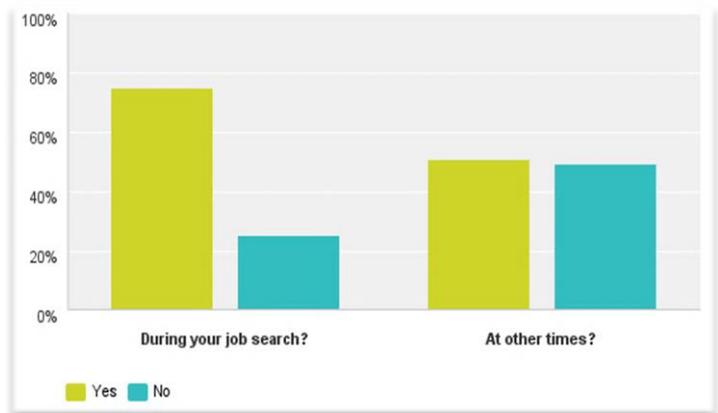
Arguably this is not surprising as our survey population is of the right calibre to attract such attention. However it may be a contributing factor to any growth of the “hidden” talent pool – people who do not/no longer welcome unsolicited contact.

Question 12 – Have you ever been placed in a new job by a search firm / head-hunter?

Over 77% of respondents have been placed in at least one job by a retained search firm. Again such a high percentage is expected given the calibre of the survey population. It is however an alarming confirmation of fees being spent on retained search firms. Taking into account the responses for Q1-4 it could indicate that there is an anomaly between the budget/spend perception by our surveyed population and the reality of a much higher company spend with search firms. We wonder whether search fee allocations are “hidden” in other expense categories, making the cost harder to isolate and identify.

Question 13 – Do you think the head-hunter / search firm communicated with you sufficiently / appropriately?

Three quarters of respondents felt they had the right level of communication during the search process. Outside an actual job search, half of respondents believed that communication levels were appropriate. It could be assumed from this that search firms know the importance of staying active and cultivating their networks even when not actually hiring.

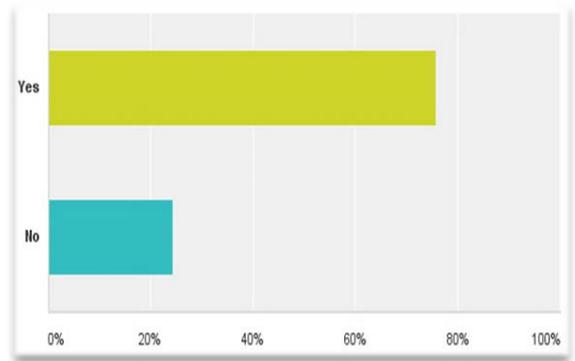


Question 14 – In the last 2 years have you been contacted directly by a company about working for them?

Just over 62% of respondents have received a direct approach from an ‘employer company’. Assuming that candidates can be “found” and are happy to take this direct approach, this is potentially great news for employers adopting an in-house/direct/embedded search model.

Question 15 - Do you think the company communicated with you sufficiently/appropriately?

Three quarters of respondents felt communication was at the right level – very similar results to those achieved by search firms with their communication. Arguably this company figure should be higher – employers who make direct approaches to potential candidates should have an absolute stake in keeping job seekers engaged, given the company brand is out in the open and fully exposed.



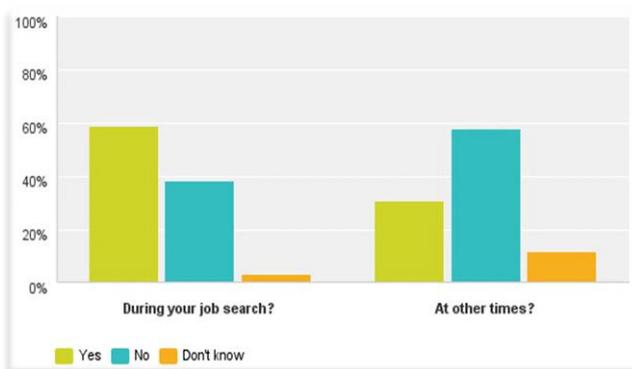
Question 16 – In the last 2 years have you ever applied directly to a company for a senior role?

Nearly 60% of respondents have made a direct approach to an employing company. Again, this is potentially great news for employers adopting an in-house/direct/embedded search model. The key issue for employers, however, is how they manage multiple approaches that arrive simultaneously, or even multiple approaches by one individual. How does a company manage the quality and personalisation of acknowledgements and keep up with the volumes of screening required for current and future hires, all with limited in-house resources? How does a company build relevant talent pools from these applications, and keep them current?

Question 17 – Did you receive an acknowledgement of your application?

Just under 80% of direct applicants received an acknowledgement of their application. We will want to explore in future whether these were personalised or merely automated and to check satisfaction levels with the acknowledgement. It seems inconceivable that any individual applying directly to an employing company would not receive at least an acknowledgment of that application but, with a fifth of applicants hearing nothing, there is clearly some support needed for these companies to manage this process.

Question 18- Did the company proceed to communicate with you sufficiently/appropriately?



Just under 60% of direct applicants felt communication was appropriate whilst a job application was in progress; although almost the same amount felt it wasn't when the job application was over.

This is a poor result compared to satisfaction ratings achieved by search firms, and by companies approaching candidates directly. We will want to explore this in more detail.

CONCLUSIONS

HR candidates who have been approached for roles directly by companies, have on the whole reported an appropriate level of company communication during the hiring process. They have reported the same for contact by search firms.

Of concern however, is that 1 in 5 candidates have reported no acknowledgement of their direct applications to employers, and 40% of HR professionals did not believe that the company handled communications well through the actual job application process. Also of concern is that outside a job application process, 60% of candidates believed there was a lack of company communication, whereas the figure was significantly lower for search firms who arguably have a commercial interest in maintaining talent pools.

It is possible that other professional disciplines have completely different hiring experiences. HR professionals after all know the theories of recruitment and are likely to be the most particular on the candidate experience. However, we suspect from the anecdotes we hear daily that the experiences of our HR respondents could well apply across other occupations.

Most probably there is support needed for employer companies to manage internal processes. An employer's interest in a candidate will inevitably diminish when there is no active job to manage. Companies do not typically have the time/resource/funds to maintain talent pools or to manage unsolicited applications. However, if every candidate is a potential customer then it makes good commercial sense to do as much as possible to keep them engaged with the company brand at all times.

Perhaps there is another question for consideration. Are the monetary savings gained by not using a third party provider negated by the costs of a lifetime of negative brand impact from a dissatisfied job seeker?

Whilst candidate satisfaction levels with search firm communications measure the same as a company's own recruitment teams, there are still over 30% of HR applicants who feel improvement is needed.

We are surprised that metrics are not always applied for both internal search teams and for external search firms. We would urge all employers to have measurable processes in place to ensure that all forms of talent acquisition are undertaken with thought of time and cost and quality of hire, whilst maximising the candidate experience, and company brand protection.

A high level of respondents did not perceive value from their search firms and there is definitely appetite for more practical ways to consolidate search activity and reduce spend. It will be interesting to see whether more search firms will offer fees that are aligned to useful deliverables. Perhaps though there needs to be more discussion on the expectations of service over and beyond getting a newly hired bum on the seat.

We certainly acknowledge that this has been a preliminary study only, and several of the answers received from this survey require further explanation to be sure of the trends they're highlighting – we intend to conduct follow up research to better understand some of the perceptions uncovered.

However, these overall results suggest that much improvement remains for the art of talent acquisition. Continued use of search firms is expensive, and operating via a direct sourcing model comes with some dangers, especially if a company cannot always dedicate the resources and expertise to manage candidates across multiple markets and fluctuating economics.

Operating an embedded search model might be an answer. This model orientates towards all search activities being managed and resolved by one supplier, optionally working from your premises. You can still maintain relationships with your existing search firms, but would have your own dedicated search managers responsible for delivering a consistent quality and brand led service across all your search needs. This model has the added benefit of securing specialist search expertise that doesn't increase your headcount budget.

We all know about the “war for talent”. We suspect the companies who can successfully juggle candidate attraction, sourcing and then management in and out of a formal job process, are those who will maximise their marketing dollar and be the winners of each battle and, ultimately, the war itself.