
International Association of Corporate and Professional Recruiters 2003 Survey

Best-Performing Search Firms of 2003

Top 45 Executive Search Firms receiving votes. Based on responses from corporate human resources executives surveyed by IACPR:

AT Kearney Executive Search
Battalia Winston
Bergen Briller Group
Chase Winters
Christian & Timbers
Coleman Lew & Associates
Cromwell Partners
DeLoughrey & Co.
DHR International
Doug Johnson
Egon Zehnder International
Heidrick & Struggles
Herbert Mines Associates
Jack Hurst & Associates
James Mead & Co.
Jay Gaines & Co.
J. Robert Scott
Kelly & Co
Kleinstein Group
Korn/Ferry International
Koste Forbes
Lantern Partners
Martin Partn

Morgan Samuels
Muller & Associates
Polachi & Co.
Prince Goldsmith
Raines International
Ray & Berndtston
Resource Systems Group
Russell Reynolds Associates
Savoy Partners
Sextant Partners
Spencer Stuart
Susan Shay
The Alexander Group
The Exeter Group
The McAulay Firm
The McCormick Group
The Whitney Group
TMP/Highland Partners
TNS Partners
Trilogy Venture Search
Virnig & Devine
Whitehead Mann

5-Year Trend Lines Underscore Shifts in Executive Recruiting Patterns

For the past 18 years, IACPR has conducted an annual survey on executive search activity, and for the past 5 years the surveys have used many of the same questions, providing an opportunity to look at larger-than-one-year trends.

Looking way back

In the initial survey in 1986, IACPR found completion rates for retained searches at 92% to 95%, fees averaging 30% to 33%, expenses averaging 10% to 15% of the fee, 90% of search consultants offering off-limits of at least 1 year and often 2 years but most clients (58%) not requiring a formal off-limits pledge.

Some things change and some stay the same!

For 2003 we have 21 executive search consultants and 43 Human Resources executives responding. Among key findings and comparisons over 5 years:

Companies go outside more often than not in filling executive-level jobs. Before the late 1990s, surveys indicate, this was not the case. As recently as 2000, survey respondents said they recruited externally at the executive level less than half the time (44%) they had vacancies there. But, perhaps contrary to conventional wisdom, things changed in 2001, when respondents reported recruiting externally 54% of the time for jobs paying above \$150,000, and the trend has stuck. In 2002 it was 53% and this year 54% again.

Retained search is losing its lead as the top vehicle. When going outside, companies still rely on retained search more than any other means to fill executive positions. As recently as 2001, this was overwhelmingly the case, with nearly half (48%) of all executive recruiting being done by retained firms.

But since then, the tide has turned. Employee referral is closing in as the most popular mechanism, followed closely by direct recruiting by HR, followed by direct recruiting by hiring execs, and contingency recruiting, which has pulled ahead of the use of Internet services.

Companies are doing more themselves. The trend above was reinforced when we asked HR execs if they plan to rely relatively more or less on retained search in 2004. As search activity increases overall, twice as many companies (14) say they will use relatively less retained search next year than more (7), while 18 expect to use retained search at about the same level.

Completion rates, having fallen and then climbed back, are slipping again. As noted above, the 1986 survey showed 92% to 95% of all retained searches being completed successfully. By 1999, that figure had fallen to 77%. In 2001, completion rates cited by HR execs rebounded to 85% but they have slid since to 83% in 2002, and 82% this year.

Search consultants, meanwhile, report completion rates averaging 87%, a 2% drop from last year's result. This represents near-agreement between clients and consultants now for 3 consecutive years after years of wide splits in estimates by the two sides.

Nevertheless, **the split reappears when assigning blame for failures.** HR execs take even more of the heat this year, accepting blame for failures 56% of the time (up from 47% last year). Meanwhile, search consultants take responsibility for only 4% of failures (way down from 13% in 2002) – about 1/9th of what clients think is the case. One or the other of these groups needs new glasses.

Searches are taking longer than ever. Clients report an average cycle time of 4.25 months, up noticeably from 4.0 in 2002, and the estimate from search consultants has also risen, to 3.9 months from 3.6 in 2002. These numbers are above those of the heat of the War for Talent in 1999.

Reference-checking remains a hot button. Some 90% of searchers label their reference-checking work at least “generally complete” and 50% rate it “exceptionally thorough and exacting.” HR execs see things differently, rating 53% of search firms’ work at least “generally complete.” That’s up from 48% last year. The trouble is, just 1 of 43 HR execs rates search consultants’ reference-checking as “exceptionally thorough and exacting.” Meanwhile, 12% say they are doing it themselves or engaging a 3rd party. Search firms seem to be missing an opportunity to add greater value here.

Perceived integrity among search consultants is not improving. This year, just 5% of clients give search firms an “A” for integrity, down from 8% last year. Most (57%) rate searchers’ integrity as “B” with over a third (35%) giving recruiters a “C”, up from 31% last year. The “good” news is that 3% of clients rate search consultant integrity a “D” but there were no flunking grades for 2003, which beats the 4% that got “F” in 2002.

Percentage fees are in free fall. Clients report paying search fees based on 30% or more of total cash comp 60% of the time. This is down from 70% in 2002 and 96% in 2000. Search consultants don’t agree, of course. 86% of the sample say they typically charge more than 30%, up from 84% in 2002.

Fixed fees are more popular than ever. 81% of search consultants (up from 62% in 2002) and 74% of clients report using them (up from 65% last year & 57% in 2001). This is a huge jump from 1999, when just 28% of companies reported using fixed fees.

Best companies in executive recruiting effectiveness are GE (3), Pfizer (3), IBM(2) and Pepsi (2), which each got multiple mentions; 9 other companies were named once by search consultants.

2004 looks so bright you gotta wear shades! 85% of HR execs say search activity will at least maintain its current pace, while 44% foresee an increase in 2004. Search consultants have an even rosier outlook: 100% say search activity will at least stay the same, and 85% project a stronger 2004. All of these numbers are higher than they were a year ago.