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HK|HUMANCAPITAL

THE EXECUTIVE SEARCH INDUSTRY IN 2008 AND 2009

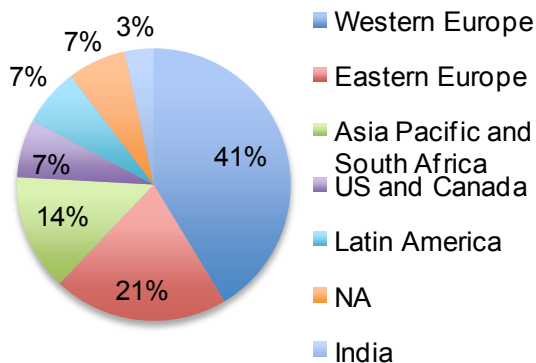
Report issued by HK Human Capital Chile¹
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I. Survey description

During the first week of November 2008, HK HumanCapital Chile sent an online survey to one recruiter from each of the 38 *InterSearch* partner offices². The questionnaire explored their executive search practices and the type of assignments received during 2008. It also presented a series of open questions about the challenges faced by the executive search industry in 2008 and the outlook for 2009. Twenty nine consultants³ of partner offices (76% response rate) completed the survey representing the following regions of the world:



The report that follows is designed to give insight into where the executive search industry is today and where it is heading, in the view of members of the *InterSearch* network. It is the first issue of what HK Human Capital Chile hopes to become an annual initiative.

II. Results

1. Our search

To find out more about who were *InterSearch* clients and candidates in 2008, consultants were asked to provide information about the type, size, industry and novelty of their 2008 clients.

Notes

² Contact details listed on the *InterSearch* official website were used to contact each office.

³ Members from the following partner offices participated in the survey and disclosed information regarding the location of their offices: Argentina, Australia, Bulgaria, Canada, Chile, Czech Republic, Denmark, Finland, Hungary, India, Italy, Malaysia, Netherlands, New Zealand, Norway, Russia, Singapore, Slovenia, South Africa, Spain, Sweden, Turkey, Ukraine, United Kingdom and United States.

They were also asked to describe their 2008 assignments in terms of the positions and functional areas they sought during the year. Finally, they were asked about the employment situation and attitude towards job change among interviewed candidates.

1.1. Type of businesses demanding services from *InterSearch*

InterSearch clients preferably come from the private sector, particularly from large corporations. When asked about the type of businesses frequently demanding the services of an *InterSearch* partner office, 79% of respondents declared these to be large corporations with over 250 employees and 62% declared them to be medium-sized companies.

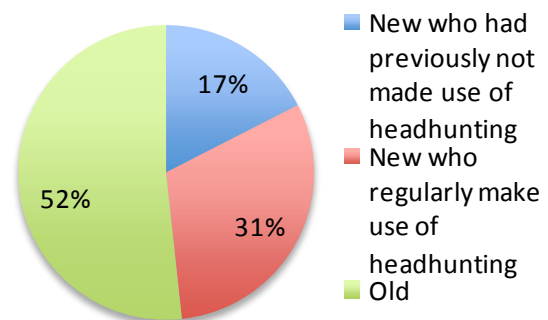
Exhibit 1. Types of businesses demanding *InterSearch* services

Small-sized companies (fewer than 50 employees) tended to occasionally or rarely require the services of an *InterSearch* partner office. Finally, public sector and non-governmental organizations (NGO) tended to rarely or never demand services.

1.2. Who our clients are

Roughly one half of all *InterSearch* clients in 2008 had demanded services in the past (old clients). 31% were new to an *InterSearch* office but had made use of headhunters in the past and 17% were first time users of executive search services.

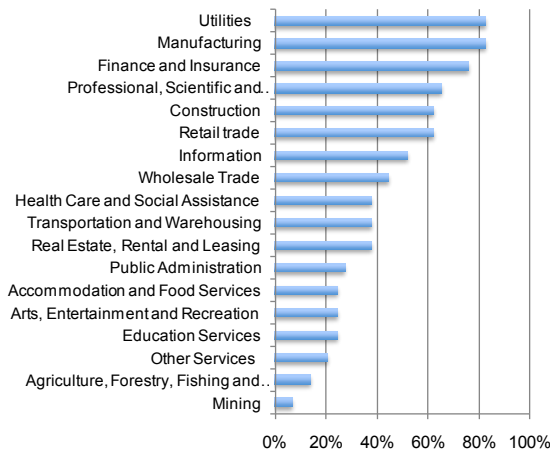
Exhibit 2. Type of clients demanding *InterSearch* services



1.3. Industry sector demand

83% of *InterSearch* consultants identified the utilities (electricity, telecommunications, natural gas and water) and manufacturing as the sectors to which most 2008 clients belonged to. The financial and insurance sector was identified by 76% and the professional, scientific and technical services sector by 66% of consultants. The retail trade, construction and information sectors were all identified by over 50% of consultants.

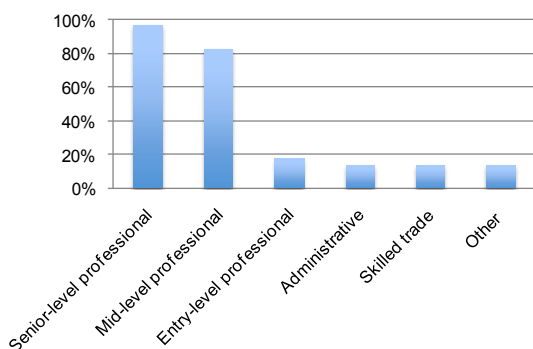
Exhibit 3. Type of industry sectors demanding *InterSearch* services



1.4. Positions demanded

Analyses of the survey data show *InterSearch* clients to preferably seek senior and mid-level professionals. 97% of consultants reported to have recruited senior-level professionals and 83% to have recruited mid-level professionals in 2008.

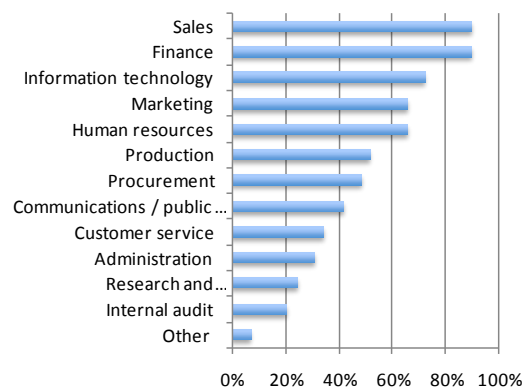
Exhibit 4. Level of position sought by *InterSearch*



1.5. Areas demanded

When asked to identify the functional areas sought in 2008, *InterSearch* consultants reported a wide variety, being sales and finance the most frequent. 90% of consultants reported recruiting sales and finance executives during 2008. 72% reported recruiting information technologies executives and 66% reported to have sought human resources and marketing executives.

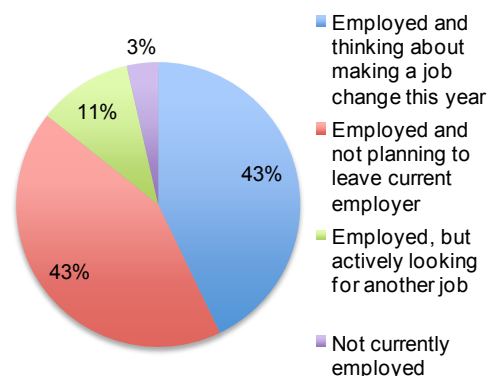
Exhibit 5. Type of field sought by our clients



1.6. Employment situation of our candidates

The large majority (96%) of executives hired in 2008 were employed when contacted by an *InterSearch* office. However, a differentiating factor among them was their attitude towards a job change. According to what consultants' report, 43% of candidates were thinking about making a job change within a year, 38% were not planning on leaving their employment and 17% were actively looking for another job when contacted.

Exhibit 6. Employment situation of candidates when recruited



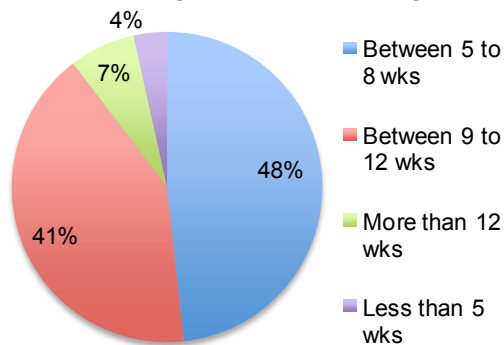
2. Our practices

Practices of different *InterSearch* offices was explored in terms of the duration of the assignments, research tools used, use of Internet and strategies put in place for data protection. Consultants were also asked if they offered additional services to executive search.

2.1. Timing

A large majority (89%) of consultants reported to have taken between 5 to 12 weeks in their placement processes, from the moment contacted by the client to the moment when the selected candidate was hired. 48% declared their timing in 2008 to be between 5 to 8 weeks and 41% between 9 to 12.

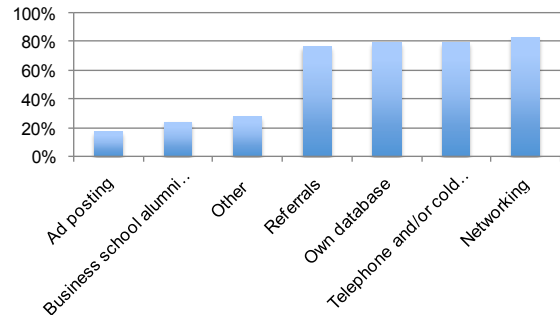
Exhibit 7. **Average duration of assignments**



2.2. Recruitment methods

InterSearch consultants tend to use a wide variety of recruitment tools in a simultaneous way. The top ones mentioned were networking (83%), telephone calls (79%), own database (79%) and referrals (73%). 24% of consultants declared using business schools alumni networks and 17% posting advertisement. Among other methods which 28% of consultants declared using, external databases and Internet social networks were the most mentioned.

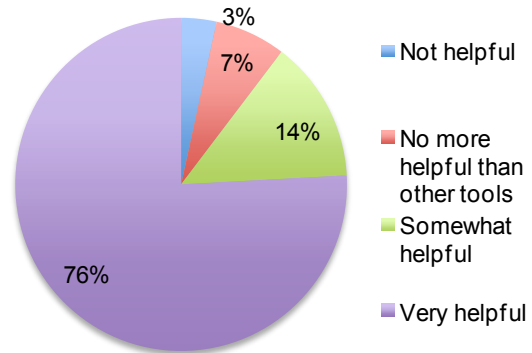
Exhibit 8. **Recruitment methods used**



2.3. Internet use

Data analyses show an overall agreement about the opportunity that Internet provides for recruitment purposes. 76% of consultants considered it to be very helpful in their work.

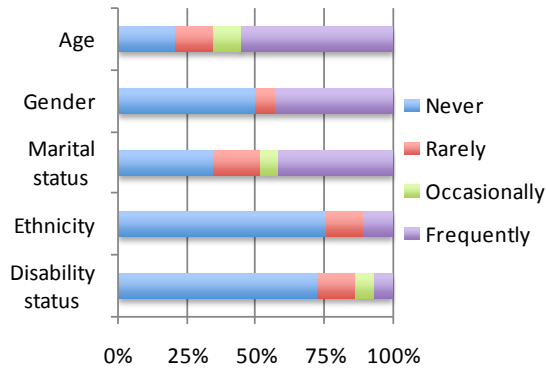
Exhibit 9. **Helpfulness of Internet**



2.4. Information disclosure

Age was the personal information that *InterSearch* offices most frequently required their candidates to disclose. Ethnicity and disability status were the least frequently asked to provide. 76% of consultants declared to never ask candidates to provide information regarding their ethnicity and 72% regarding disability. Information regarding gender and marital status was inconclusive.

Exhibit 10. Disclosure of personal information



2.5. Data protection

When asked about the ways in which their data was protected, the large majority of consultants referred to the initiatives they had taken to assure security of their databases. Most commonly mentioned was the use of passwords and firewalls to protect electronic data.

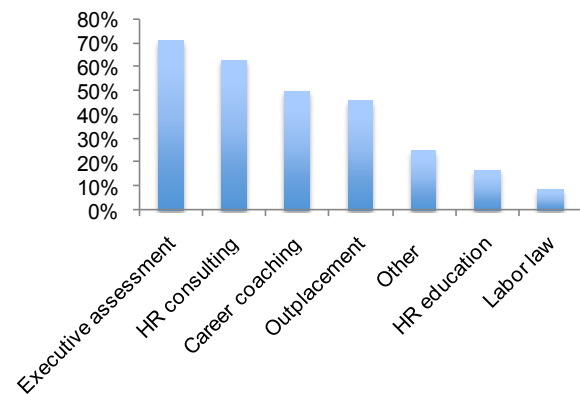
Some of the respondents also referred to abide by the laws and regulations of their country while a small number additionally mentioned confidentiality agreement between the agency and the employees.

Additional initiatives include fire-safe closets for paper, management of data in areas closed for public access and lack of remote access to data.

2.6. Additional services offered

83% of *InterSearch* consultants reported offering services in addition to executive search. Exhibit 11 illustrated how executive assessment (71%) was the most mentioned additional service, followed by human resources consulting (63%), career coaching (50%) and outplacement services (46%). 25% of consultants mentioned offering other services such as: salary surveys, executive health and wellness assessment and talent management.

Exhibit 11. Services offered additionally to executive search



3. Our views

We finally asked consultants to share insight on the challenges they faced in 2008 and on how they would advise their clients to benefit more from the services provided by *InterSearch* partner offices. We also asked their views about the future challenges for the executive search industry and possible changes the workforce.

3.1. Challenges faced in 2008

InterSearch consultants faced many challenges during 2008, including increased competition, management of multi-country recruitment projects, the need to speed up processes and to adapt research methodologies to suit different sectors. However, one challenge stood out from the rest, with over 42% of consultants highlighting it: finding qualified candidates and getting them to change positions. This situation is best illustrated in this comment: *“One of the major challenges we faced was talent shortage as some clients tend to apply 20th century hiring expectations to 21st century industries... we consistently had to address the gap between perceived skill set necessary to succeed in a position and the market reality.”*

When describing the 2008 challenges, over one half of respondents referred to the impact that the recent economic crisis is having on the industry as they see clients and candidates not progressing as quickly as in the past. This was best expressed by the following comment: *“We feel (the financial crisis) during*

the last two months - the number of assignments has been getting less, the positions we have been working on are frozen even on the final stage.”

3.2. Challenges anticipated for 2009

Consultants' predictions were much more diverse when predicting the future challenges than when assessing the past.

Most *InterSearch* consultants expect 2009 to be characterized by unexpected changes in the market and a climate of insecurity. They predict the economic crisis to continue, competition to increase and a decrease in the number of executive search assignments. Some expect less recruitment cases on middle management level and more searches at the top.

In such a market, concerns about balancing job offers and candidates' expectation, dealing with excess mature candidates and maintaining acceptable pricing levels remain high.

3.3. Advice to our clients

Asked about what advice they would give clients in order to benefit more from *InterSearch* partner office's services, most consultants emphasized communications and trust. First, clear communication about the demands and expectations of the process and more time spent on briefing headhunters. Secondly, building a relationship based on trust. This was expressed in the following comments:

“Trust me as your consultant, not a vendor” and “truly treat me as an extension of you”.

More detailed advice included having more flexibility on the competencies required, engaging consultants early in the process and “ensuring that all internal managers buy in to the process and understand the timescales involved”.

3.4. Temperature of sectors

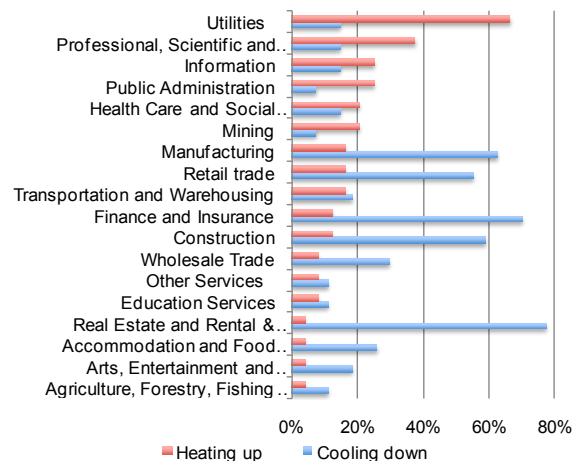
Analyses showed agreement among consultants about the sectors likely to slow down in the year

ahead and in the identification of the utilities sector as the recruitment hot spot for 2009.

The top areas that *InterSearch* consultants predicted to be cooling down in 2009 were manufacturing, finance and insurance and real estate and rental and leasing. Two other areas that consultants singled out as most likely to slow down were construction and retail trade.

The hot recruitment market for 2009 is expected to be in the utilities sector: electricity, telecommunications, natural gas and water. Other areas mentioned as recruiters' hot spots for 2009 were professional, scientific and technical services as well as public administration.

Exhibit 12. Projection of sectors heating up and cooling down in 2009



3.5. Desired attributes in a candidate

InterSearch consultants provided a wide variety of attributes when asked about what characteristics they would be looking for in candidates in 2009. The most desired attribute reported by consultants was flexibility to adapt to a tougher economical climate, to perform well under pressure and to lead teams in times of crisis. Two other top concerns were skills and solid track record and commitment, stability and reliability. Also mentioned were realism on salaries and benefits, true desire to change, maturity and commercial awareness.

3.6. Effect of the present financial crisis

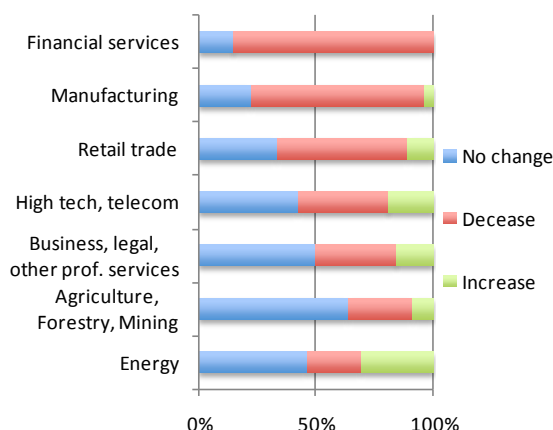
The majority of respondents estimated the effect of the current financial crisis for the executive search industry in 2009 to be large and negative. As one consultant put it: “*significant and potentially a huge impact on our industry*”. In the view of most respondents, this will translate into a reduction in the volume of activities, possible fee reductions and sharpened competition.

In terms of the recruitment process, many respondent mention possible delays in decisions to start searches and hire candidates. Some consultants also mentioned a decrease in the salary market and reductions in sign on bonuses.

3.7. Changes in the workforce

Exhibit 13 illustrates the perception *InterSearch* consultants have about the potential changes in the workforce size in the following 6 months. 49% of consultants projected an overall decrease in workforce size, particularly in the financial services, manufacturing and retail trade sectors. 38% of consultants perceived no real changes to take place and 13% expect workforce size to increase.

Exhibit 13. **Projection of changes in the workforce of different sectors**



III. Concluding comments

The information provided by consultants gives a panorama of the executive search practices of the different offices members of the *InterSearch*

network. Even if circumstances widely vary from country to country, some trends are visible.

In 2008, clients tended to be large and medium size private organizations, from the utilities, manufacturing and finance sectors, who mostly sought senior and mid level professionals for the areas of sales, finance and IT.

The executive search service offered tended to last between 5 to 12 weeks. For it, most consultants considered Internet to be a very helpful research tool, together with the use of networking, telephone calling, referrals and their own databases.

Most *InterSearch* offices tended to offer additional services to executive search. The services most frequently mentioned were executive assessment, HR consulting and career coaching.

The greatest challenge faced in 2008 was talent shortage. Nevertheless, in a time of financial crisis, consultants perceive that the main challenge for the coming year will be to adapt to uncertainty and changes in the market. Faced with a possible cooling down of many economic sectors, a decrease in the size of workforce, executive search consultants will not only see their own business affected but will also have to work under the pressure of clients taking more time to take hiring decisions, candidates avoiding risks and an overall increased competition.