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## High Tech and High Touch: Headhunting, Technology, and Economic Transformation

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## High Tech and High Touch: Headhunting, Technology, and Economic Transformation

### Abstract

[Excerpt] In *High Tech and High Touch*, James E. Coverdill and William Finlay invite readers into the dynamic world of headhunters, personnel professionals who acquire talent for businesses and other organizations on a contingent-fee basis. In a high-tech world where social media platforms have simplified direct contact between employers and job seekers, Coverdill and Finlay acknowledge, it is relatively easy to find large numbers of apparently qualified candidates. However, the authors demonstrate that headhunters serve a valuable purpose in bringing high-touch search into the labor market: they help parties on both sides of the transaction to define their needs and articulate what they have to offer.

As well as providing valuable information for sociologists and economists, *High Tech and High Touch* demonstrates how headhunters approach practical issues such as identifying and attracting candidates; how they solicit, secure, and evaluate search assignments from client companies; and how they strive to broker interactions between candidates and clients to maximize the likelihood that the right people land in the right jobs.

### Keywords

Headhunters, recruitment, social media, technology

### Disciplines

Human Resources Management | Technology and Innovation

### Comments

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# HIGH TECH AND HIGH TOUCH

*Headhunting, Technology, and  
Economic Transformation*

JAMES E. COVERDILL  
AND WILLIAM FINLAY

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## INTRODUCTION

### *Headhunting in an Era of Digital and Economic Transformation*

“Well, I think you know I wasn’t out looking,” Tom said. “Their headhunter came to me, and, what can I say? It’s an offer I couldn’t refuse. . . . I’ve been very happy here,” he said. “The people are great. I’m not running away from anything. It’s just that a fantastic opportunity came along at a good time.”

—STYLIZED CONVERSATION PRESENTED AS A CASE STUDY IN  
LAWLER ET AL., “WHY ARE WE LOSING ALL OUR GOOD PEOPLE?”

“Didn’t LinkedIn kill ’em off? What about the Great Recession? My friend was a headhunter, but he’s now with an insurance agency—says his entire firm was flattened in 2009 because nobody, but nobody, was hiring.” Questions and comments of this sort become easy conversation starters after you write a book about headhunters. In 2002, we published a book on headhunting, which was, and remains, a largely overlooked occupation. Headhunters identify and present job candidates to firms that pay a fee if a candidate is hired. It is an unusual sales job, one in which they sell a person on considering a job change, on a job and company, on the offer the company extends, and then on the wisdom of turning down a counteroffer. All the while, they sell the company on the need to be attractive to the candidate, on how the candidate will meet its needs, and on sweetening the offer so that the candidate jumps ship and joins the company. In short, they accomplish a double sale—the candidate is sold on

the client, the client on the candidate (Finlay and Coverdill 2007, 26–30). As students of labor markets, organizations, frontline service work, and economic sociology, we found the work of headhunters brimming with grounded insights into those areas of scholarship.

Time passed, and attention turned to other topics. But we could not shake our growing curiosity about how the economy and social media affected headhunting. Was LinkedIn an existential threat? What about the Great Recession? Two of the industry's leading lights suggested choppy if not perilous waters. In February 2009, L. Kevin Kelly, then CEO of Heidrick & Struggles, claimed that the search industry's business model had been "broken" by the rise of free online networking services like LinkedIn (McConnon 2009, 80). Gary Burnison, CEO of Korn Ferry International, likewise argued in 2013 that social media was a threat: "Unquestionably, some companies have taken their recruiting in-house by having HR people troll for candidates on LinkedIn" (Burnison 2013, 47). Each CEO described building consulting capability and diminishing previous reliance on headhunting. Our book drew on evidence from 1993 to 1996, a period with a buoyant economy and a society still untouched by the explosion of technology to come. Landline telephones and fax machines still reigned supreme. Had things changed?

Historians believe that the dead talk, but sociologists do not. Our first step was to phone a few of the headhunters we had done fieldwork with and interviewed two decades ago. We heard voices and concluded, as empirical sociologists, that some headhunters had survived. Further evidence of the industry's vitality was that its longtime newsletter, the *Fordyce Letter*, was still being published. No host industry, no newsletter. Estimates of the number of headhunters, firms, placements, and use by client companies have always been in short supply and flimsy, as solid sources like the Bureau of Labor Statistics pay no attention to headhunting. Industry-produced materials suggest that about 90 percent of large firms make use of headhunters and that they are used for 7 to 10 percent of external hires (BountyJobs 2016e; CareerXroads 2016). Since headhunters usually focus on a small segment of labor—highly skilled and specialty jobs critical to company success, where talent is in short supply, where there is a need to fill the job quickly, and where base salaries average \$104,214 (BountyJobs 2016e)—those figures are sizable.



Several potentially countervailing forces (Hafferty and Light 1995) had also surfaced over the past few decades. A first is the rise of the external labor market. Waves of corporate downsizings, reengineering, and mergers have left employment less stable and predictable than in the past. Internal labor markets, where workers enter a firm as raw talent at the bottom of a job ladder and climb the rungs, have waned, taking many training and development opportunities with them. Gaps between ladder rungs are now so large that internal transitions require leaps, not steps, as “job requirements for the next level could be dramatically, rather than incrementally, greater” (Cappelli 2008, 61). About two-thirds of all job vacancies are now filled by outside hires, up from about one in ten in the 1950s, the heyday of internal labor markets (Barbulescu 2015, 1040; Cappelli 2013, 26; Cappelli 2015, 57). Outside hiring has become a strategic way to buy expertise (Cappelli 2000, 104–5), even though external markets pose vexing information problems: Who’s available to fill the job? Are they capable? Will they join us?

Two demographic patterns increase market challenges. A first is that baby boomers have begun to retire, taking with them general skills along with firm-specific or legacy skills that are difficult to find on the external market (Cappelli 2008, 7). A second is that fewer Americans are working or even looking for work (Aaronson et al. 2014; Executive Office of the President of the United States 2016). In 2016, about one in eight men and one in four women between twenty-five and fifty-four years of age are not working or looking for work. The causes of this fall-off, and whether it will continue, are complex. But it clearly compounds shortages of experienced hands in many labor markets.

The rise of the market also heightens concerns about employability. If employers cannot be trusted to provide continuous employment, training and development, and promotions, then responsibility for career development falls to workers in what amounts to a free-agency model (Cappelli et al. 1997, 15). Careers unfold across organizations in a “boundaryless” fashion as workers strive to nurture their employability (Arthur and Rousseau 1996). But how are workers supposed to know whether and when to enter and navigate the external labor market? What new job and company might be reasonable? When should a jump be made? As Cappelli (1999, 229) noted, “Once career planning starts encompassing movements across employers, most employees are completely at sea.”

These changes might well bolster the business prospects of headhunting. For employers, diminished investments in worker training and the erosion of internal labor markets increase the need to hire at a time when most human resource departments are not exactly flush with staff and resources (Cappelli 2015). For workers, concerns about employability and pressure to personally manage one's career increase the need to stay abreast of alternative opportunities and employment trends. Is it possible, we wondered, that the dire warnings of the CEOs of Heidrick & Struggles and Korn Ferry International were wrong?

Labor market intermediaries—who aim to facilitate the matching of workers and jobs—have drawn the attention of researchers (Autor 2009; Benner, Leetz, and Pastor 2007; Bonet, Cappelli, and Hamori 2013). There have been studies of headhunting industry characteristics and growth (Beaverstock, Faulconbridge, and Hall 2010; Britton and Ball 1994; Feldman, Sapienza, and Bolino 1997), how headhunters assume some of the search and screening responsibilities of clients (Britton and Ball 1999; Khurana 2002), how headhunters might perpetuate patterns of inequality (Judge et al. 1995; Dreher, Lee, and Clerkin 2011), who is hunted by headhunters (Hamori 2010; Cappelli and Hamori 2014), and the pay, performance, and career patterns of candidates placed through headhunters (Bidwell 2011; Hamori and Kakarika 2009; Hamori 2014). Those studies, however, focus overwhelmingly on high-level retained search, and thereby overlook the larger domain of contingency headhunting. They also tend to treat contingency headhunters, when they are considered at all, in a rather wooden way. For example, the otherwise excellent overview of labor market intermediaries by Bonet, Cappelli, and Hamori (2013) conceptualizes headhunters and “information providers” (e.g., social media and online job boards) as distinct labor market intermediaries. That conceptualization fails to recognize that headhunters make extensive use of information providers, thereby blending the categories, or how that use might shed light on the promise and limitations of technology for solving information problems in labor markets.

In light of these gaps, we once again dove into the data and the issues, and we tell the tale here. We begin by presenting a few contemporary portraits of headhunting firms to illustrate the industry's distinctive combination of breadth and specialization. All were featured in the *Fordyce Letter*,

rode out the Great Recession, and are doing business today. Importantly, none of these firms contributed interviews drawn upon in subsequent chapters, which means that in this introduction we present only public information from the *Fordyce Letter* and firm websites. There is thus no need to engage in the normal subterfuge of masking firm names or omitting details. We then describe our evidence and present an overview of a few of the ways a study of headhunters informs issues that are important to scholars, employees, and employers.

### **Contingency Headhunting Firms: Aggregate Breadth and Individual Specialization**

To say that headhunting firms vary is an understatement. Some are solo operators, working a local or national market from a home office with a telephone and a laptop. Others are part of international, multi-office, and in some cases franchised operations that employ hundreds if not thousands. Larger firms typically employ recruiters, researchers, support staff, and managers. Firms of all stripes tend to specialize, which can be by occupation, industry, corporate function, region, or any number of other dimensions. We focus on those who work primarily on contingency as opposed to a retainer. Contingency firms outnumber retained firms, and dominate the market for positions below the top rungs of the corporate ladder, where the prestige of retainer firms like Korn Ferry International remains alluring. Smaller, less known retainer firms such as CarterBaldwin (2016) also compete eagerly and successfully to fill top corporate positions.

Traditionally, those who work on contingency earn a placement fee from a client company only if a candidate they present is subsequently made an offer that is accepted and honored. Impressive second-place candidates generate no revenue unless they are hired for other openings the headhunter is trying to fill. In contrast, a headhunter working on a retainer receives the placement fee whether or not a suitable candidate is identified, presented, and hired. With a retained search there is thus less risk of making an investment in a search that produces no revenue. However, contingency headhunters do not universally yearn for retained arrangements, using expressions like “retained—or chained?” to suggest

that retainers can be fool's gold. Retainers assure payment, but they also bind headhunters to clients who may waffle, seek a “purple squirrel”—a candidate with exceptionally rare qualities—or otherwise consume too much time. As we describe in chapter 2, contingency headhunters often abandon searches when a placement seems, or becomes, overly difficult or unlikely. Although the two forms of headhunting have begun to meld, with cash-in-hand options becoming more common for contingency firms (a development we discuss in chapter 6), they remain distinct and warrant separate consideration.

Four examples illustrate the aggregate breadth and specialization of contingency headhunting firms that were doing business as of the summer of 2016. We include a few “in their own words” extracts from their web pages to provide a feel for how they market themselves.

#### Bayside Search Group

Bayside Search Group places candidates nationally in the retail, e-commerce, and consumer-products industries. Clients include widely recognized companies such as Dick's Sporting Goods, Macy's, Staples, Home Depot, Meijer, and Amazon.com. Positions include, for example, product development, brand management, merchandising, buying, planning and allocation, supply chain management, distribution, marketing, digital and loyalty marketing, human resources, and all levels of corporate and field operations.

Whether you are top-grading your current staff or building a new team, we will listen and offer solutions that will meet your unique business needs.

Not only have we worked in the industry, our retail recruiters are backed by outstanding research capabilities, technological support, and resources. . . .

Our firm specializes specifically in the retail industry, so we can assure you access to the best available candidates in your market niche. We recognize that no two clients are alike therefore we tailor our search to meet your specific goals, corporate culture, and technical requirements. (Bayside Search Group 2016)

Founded in 1997, the firm has seven recruiters and is located in Tampa, Florida.

## Ag 1 Source

This firm works with agricultural businesses and makes placements domestically and in Canada, Latin America, Asia, and Europe. The range of businesses it services is wide, including agronomy and seed, agricultural equipment, grain and biofuels, animal health and nutrition, food and produce, and livestock production. Within each broad area, the firm targets specific subsectors. For example, within “agronomy and seed” (the firm’s top placement area), its work covers retail agronomy and seed, fertilizer and crop protection, manufacturing, crop and food production, biotechnology, credit and finance, and crop insurance. Positions span the vertical range, and for “agronomy and seed” include the following: CEO; general and division management; sales and operations management; technical agronomy and research; agronomy sales support; farm management and production; and marketing and training.

Our recruiters truly are industry experts, which is an essential point of differentiation between Ag 1 Source and other search firms. Our true industry experts have worked within the industry in many of the very same roles being recruited for and with some of the very same reputable manufacturers, dealers, and distributors. Our experience, reputation, and industry contacts are unmatched. (Ag 1 Source 2016)

Headquartered in Hesston, Kansas, the firm was founded in 2002 and has eighteen recruiters in various domestic locations.

## Smith & Associates

Located in Savannah, Georgia, Smith & Associates has been staffed most often by one recruiter who worked a health care market in other firms before going out on his own in 1996. It is characteristic of many firms in that it focuses on a very narrow specialty—in this case, nurse practitioners (NPs) and physician assistants (PAs). It works with many practice settings, including family practice, urgent care, and hospitals, and covers the full range of specialty practices. Candidates are placed nationally. Smith & Associates is distinctive in charging employers a low and flat placement fee, as fees are typically calculated as a percentage of the candidate’s

first year salary, while offering the conventional “replacement guarantee” should the new hire leave within 90 days.

Filling out your current staff with some of the most qualified candidates in the country just got a whole lot easier. With our contingency fee system, you only pay for our service if we successfully fill your physician assistant or nurse practitioner jobs.

Should you hire a candidate we present to you, our fee is \$12,000, payable 30 days after the employment start date. With all our candidates, we provide a 90-day replacement guarantee. (Smith & Associates 2016)

Like most firms, Smith & Associates notes that it has established an impressive contact network, with a database of forty thousand NP and PA candidates, along with fourteen thousand employers.

### **Barr Associates**

Established in 1987, Barr Associates concentrates on the electronics industry, targeting areas such as power management integrated circuits, laser and optical devices, light-emitting diodes (LEDs), and renewable energy technologies. The firm works vertically within those areas, placing a wide range of candidates into the following positions: corporate and business unit management; operations management; engineering management; sales and marketing management; all types of engineering; and equipment-maintenance technicians. Like many contingency firms, it also does some retained searches and provides in-house support for clients, such as outplacement workshops, staffing consultation, and recruiting programs.

With over 20 years dedicated to sourcing the highest caliber of professionals, we have built an extensive in-house database, allowing us to network directly with candidates across a broad spectrum of skills and experience. Beyond our proprietary in-house resources, we subscribe to online professional and social networks, we partner with other recruiting firms and we belong to several professional, industry specific organizations. We pride ourselves on identifying the best available talent for our client companies. Our successful metrics and long term clients support our claim to excellence. (Barr Associates 2016)

The firm is located in Slatington, Pennsylvania, and is staffed by two recruiters with over sixty years of combined electronics industry experience who draw on an in-house candidate database containing more than eleven thousand active records.

## Evidence and Analysis

Our evidence takes two main forms: articles by headhunters and semi-structured interviews with practicing headhunters. The articles were published in the *Fordyce Letter*, long the main industry publication for contingency headhunters. Articles were written by and for headhunters; some also included reader comments. We identified and examined 1,106 relevant articles that span the years from January 2003 through September 2015. Although we have subscribed to the printed edition of the *Fordyce Letter* on and off for twenty years, we made primary use of articles on their web page, as they could be copied and imported into MAXQDA (software for the analysis of text) to read, code, and analyze. Some articles are short, offering a few paragraphs of observations about topics such as working with clients and candidates, managing a headhunting firm, and the promise and problems of the industry more broadly. Others are more akin to academic articles, where a topic, such as “how to qualify (assess) a client’s job order,” is explored in a largely didactic way at some length. We found these articles insightful. They also help ensure that the practices and patterns we cull from interviews are not idiosyncratic local variations that do not speak to headhunting more generally.

Interviews, conducted between 2013 and 2016, are the second main source of data. Since we had an interest in exploring changes in headhunting due to economic turbulence and the rise of technology, we re-contacted headhunters we got to know while crafting our earlier book. Those headhunters, we surmised, would offer an unusually good window onto change, as we could review our interviews and field notes gathered with them and use that as a springboard for questions and comparisons. Many had retired or were otherwise unreachable, but we were able to interview seven of those original participants. Importantly, all continued to work in what we call Southern City, a large metropolis in the southeastern United States. In addition, we reached out to headhunters we did not know. Of

those, most (eighteen) were located in the Southern City area, like our original participants, while a few (eight) were scattered across the country. The “new” Southern City headhunters were identified through the membership roster of the Georgia Association of Personnel Services (GAPS), an industry association for contingency headhunters. Those located elsewhere were recommended to us by headhunters we interviewed or identified from their contributions to the *Fordyce Letter*. A slight majority were male (61 percent), with firms ranging from several solo practitioners to one with a roster of thirty-eight.

The thirty-three interviews were conducted over the telephone and were recorded (with permission) and transcribed verbatim. The typical interview lasted from forty-five minutes to an hour. Most interviews explored whether and how the three traditional pillars of headhunting—establishing business relationships with client companies, identifying and presenting candidates for positions, and facilitating encounters between clients and candidates—had been altered or upended by economic shifts, the rise of social media, or other changes. In a few cases, when the headhunter was relatively new to the business and would thus lack insight into historical change, the interviews omitted some questions, such as how economic or technological changes might bear on headhunting. In a few others, the interviews were designed to flesh out our understanding of a piece that the participant had contributed to the *Fordyce Letter*.

In a supplementary way, we collected and analyzed training materials produced by and for headhunters and engaged in some fieldwork. With respect to training materials, one example is a five-hour CD series on how to deal with a slow market by Steve Finkel, a widely respected practitioner and industry trainer. The series, titled “Turbulent Times! A Manager’s Guide to Navigating Difficult Markets,” is based on interviews with managers who experienced economic downturns (Finkel, n.d.). No doubt, the series is produced with an eye toward practical matters, but Finkel—like several others who offer training material for the industry—has the mind of an accomplished academic. Other material was drawn from the websites of headhunters, such as Mike Gionta’s (2016) “The Recruiter U,” that offer observations and advice. Practicing headhunters told us that they used and learned from these sources. We also attended a few headhunter events, one of which offered tips for using social media. We typed



up field notes for those events, but they were largely occasions to meet new headhunters, rekindle relationships, and talk about the business.

Our analysis rests primarily on the articles from the *Fordyce Letter* and interviews. The articles corroborate our interviews. What differed was that the interviews offered a chance to ask our pet questions—“Could you describe an example of that?” and “Could you say more about that?”—that encouraged headhunters to articulate details and action sequences. When headhunters write for other headhunters, they have a tendency—as we all do when addressing fellow insiders—to breeze by what they see as mundane aspects of their work that everybody would know. The pages to follow offer a mix of extracts from interviews and articles, where we drew upon what best conveyed the understandings and practices of headhunters in a general way.

Two final points about the data and analysis merit attention. First, the overview of headhunting firms presented earlier underscores our claim that firms vary substantially. Headhunters with backgrounds in agriculture and retail, who now place candidates in those areas, are often different. The way they talk about some of their recruiting strategies differs too. What we listened and looked for, however, were common threads in their work practices that we could portray more generally without overly homogenizing their words and deeds. The portrait we provide is akin to an ideal type, much like a study of bureaucracy based on organizations that more or less resemble bureaucracies. We note important junctures where headhunters diverge, but we do not clutter the analysis by noting minor variations. Second, we often present quotations without noting the headhunter’s specialization. We provide that information only when we believe it is important to understand a particular issue. Our main motivation for that practice is that details increase the likelihood that participants could be identified, at least by peers. We aimed to provide, and to honor, confidentiality for the headhunters we interviewed.

### **Headhunting as a Strategic Research Site**

Our consideration of headhunting follows a venerable tradition in the sociology of work—the occupational case study. Much has been learned from studies of lawyers and paralegals (Epstein et al. 1999; Pierce 1995),

wildland firefighters (Desmond 2007), managers (Blair-Loy 2005; Jackall 2009), and physicians and surgeons in training and practice (Bosk 2003; Freidson 1988; Haas and Shaffir 1987), to name just a few. Explorations of single lines of work permit grounded insights into work practices, challenges, and opportunities. What is grasped and conveyed is not an average or composite based on different types of work, but rather something much more specific and detailed. While valuable as portraits of work, occupational case studies hold out the promise of doing more—of shedding light on substantive and theoretical issues that transcend the occupation itself.

In this section, we highlight a few of the ways an analysis of headhunters has broader value and relevance for academics, employees, and employers. We argue that the analysis sheds light on hiring processes, information challenges in labor markets, technology, and economic shifts. In addition, headhunters, and the analysis we offer, continue to be an extraordinary case of third-party impression management. Simmel's (1950) notion of *tertius gaudens* (the "rejoicing third"), where one party (headhunters) benefits from a tension-filled relationship between two others (employers and candidates), is a cornerstone of the industry (Finlay and Coverdill 2007).

### Cultural Matching and Emotions in the Hiring Process

The prevailing view of hiring emphasizes *skills* matching, where organizational characteristics and needs, job requirements, and applicant capabilities combine to determine who gets the nod (e.g., Tilly and Tilly 1998). Residual variance in hiring is commonly thought to stem from assessment errors and discrimination by characteristics like sex, race, ethnicity, and age (Pager and Shepherd 2008). We join those who argue that hiring—as a fundamentally interpersonal process—also involves the *cultural* matching of candidates, the managers who hire and supervise them (normally referred to as the hiring managers), and the companies that employ them (e.g., Neckerman and Kirschenman 1991; Lamont 1992; Bills 1999; Rivera 2012, 2015). Cultural matching involves things like shared tastes, experiences, and leisure pursuits. Recent research suggests that cultural matching influences perceived fit with future coworkers and the company, the merits of a candidate's qualifications, and the excitement and

enthusiasm (“emotional energy”) that turns interviewers into advocates and candidates into new hires (Rivera 2012, 2015).

We add to this stream of research in two ways, methodologically and substantively. With respect to methods, previous studies have explored the lower end of the labor market (Bills 1999; Neckerman and Kirschenman 1991) or entry-level hires for elite professional service firms (Rivera 2012, 2015). Evidence on cultural matching for the large middling segment of labor, and especially for positions with substantial skill and experience requirements (i.e., not entry level), is scant. We fill that gap. In addition, we view the hiring process through the eyes of third parties who have access to the impressions and behavior of both employers and candidates. Employers can speak for their own understandings and behavior, but must often guess, or remain silent, about candidates. They can also be guarded or vague because of the many legal minefields that surround hiring. As third parties, headhunters are well positioned to grasp these processes and are forthcoming when speaking about them. They also profit from successful placements, which makes them highly incentivized students of hiring processes.

We make three substantive contributions to the cultural-matching literature. First, we temper recent results (Rivera 2012) by suggesting that both fit *and* skill play substantial roles in hiring. Skill has not been dismissed in previous research, but it appears less important than we find, quite possibly because pools of candidates for entry-level and low-skill jobs are more homogeneous than is the case for those that require both skill and experience. Importantly, cultural matching plays a substantial role in this middle section of the labor market. Second, cultural matching has thus far been described mostly as a static, ascriptive process, where candidates either have or lack the qualities in question. We find that headhunters learn about hiring managers, companies, and candidates in order to engage in cultural matching. But they also attempt to manipulate the process by sharing inside information that allows both candidates and clients to establish commonalities and generate the enthusiasm and excitement that Rivera (2015) describes as key to selection. Headhunters thus suggest that cultural matching is in part an interactional accomplishment. And third, our results suggest that cultural matching and emotion in the hiring process play critical roles past the hiring decision itself. For headhunters, a candidate and client that fall in love is just the start of the

journey—details need to be worked out, offers extended, and negotiations and counteroffers managed. Prized passive candidates often respond badly to delays and a lack of wooing on the part of the hiring company. These issues point to the continued significance of cultural matching and emotion past the hiring decision itself. We probe these issues in chapter 3.

### Headhunters versus DIY Search

How can headhunters flourish in a world in which any employer with access to LinkedIn can easily identify potential job candidates? Potential candidates also have ready access to information about job opportunities, as company websites and job boards like Monster are a click away, and unsolicited news about “jobs recommended for you” via social media and e-mail is commonplace. One answer to this question was foreshadowed by Rees (1966) and his insightful distinction between “extensive” and “intensive” search. Extensive search identifies large numbers of potential employers (for job seekers) or job candidates (for employers). Intensive search, in contrast, involves learning more about particular buyers or sellers of labor. Barbulescu (2015, 1042) describes this as “in-depth information” that is “sensitive and difficult to formalize.”

Technological intermediaries like LinkedIn and job boards increase dramatically the ease, speed, and breadth of extensive search. In seconds, not weeks or months, headhunters, employers, and job candidates can learn about who is hiring and who may be available. In chapter 4, we describe extensive searches that are, in a word, astonishing. Undoubtedly, technological intermediaries have unveiled much of the formerly “hidden” job market. Intensive search, in striking contrast, continues to be a challenge, as much of the information about people and employers available through information intermediaries is limited. People and companies can and do posture, stretching the truth if not dodging it entirely, and information is often incomplete or out of date. Old-fashioned conversations, in which headhunters speak directly to prospective candidates and clients, are needed to entice a passive candidate to consider an opportunity or to excite an employer about a candidate (see also Rivera 2015). Talk still matters in a high-tech era.

A second answer to the “why headhunters?” question is that they alleviate the problems of information asymmetry and adverse selection that

bedevil the labor market. Information asymmetry means that one party—a worker interested in changing employers, for example—has more information about her track record and promise than do employers who might want to hire her (Autor 2009). Employers also know more about themselves, their economic prospects, and the characteristics of the job, boss, and working environment than any job candidate possibly could. Adverse selection centers on unobserved characteristics of job seekers (Autor 2009; Cappelli 2008). Someone who is actively searching may be doing so because he or she is poorly regarded by a current employer owing to any number of undesirable yet difficult-to-discern traits. In contrast, those who are not seeking new jobs may be highly regarded and valued by their current employer. These notions involve tendencies: an active job seeker is on average thought to have a greater risk of negative unobservable traits than a candidate drawn into the labor market through persuasion.

Headhunters interpose themselves between workers and the market, becoming in some ways like a “career counselor” or “coach” who identifies and recommends opportunities and prepares candidates to compete for them successfully. While no headhunter mentioned Barbulescu’s (2015, 1054) five-item “knowledge of selection criteria” scale, they routinely prepare candidates so that they can answer affirmatively and confidently its constituent items: “What recruiters for this job are looking for is very clear to me,” “I know how to present myself in interviews for this job to make the right impression,” “I know what specific skills and experiences I should highlight in my CV for this job,” “I know what to expect in interviews for this job,” and “I have a compelling story for why a company should hire me for this job.” Barbulescu shows that knowledge of selection criteria generates job offers and fully mediates the effect of informal contacts on job offers. In short, contacts matter because they provide inside information. As we describe in chapter 3, headhunters do the same thing as a market-based alternative to informal contacts, thus overcoming some of the information asymmetries candidates face.

### Have New Hiring Procedures Corralled Headhunters?

In our earlier book we examined at length how headhunters got job orders, developed relationships with hiring managers, found candidates, and made matches between clients and candidates. We noted the tactics that

headhunters used to get around the human resources (HR) department in order to gain direct access to hiring managers. Those issues remain pertinent, but have shifted because most companies have embraced various electronic human resource management (e-HRM) technologies designed to formalize and rationalize hiring processes (Marler and Fisher 2013; Robb 2013; Stone et al. 2013; Stone et al. 2015). One prominent e-HRM tool is an electronic portal to which all applications must be submitted. It is an organizational system for tracking, directing, and to some degree evaluating applications. Portals, as we describe in chapter 4, often become formidable buffers between headhunters and hiring managers, amplifying noise and creating challenges that counter, if not outweigh, their alleged efficiencies.

Another innovation is the electronic marketplace, which brings together headhunters and companies who wish to engage them to fill positions. Marketplaces are created and administered by third parties, with the stated objective of rationalizing encounters between headhunters and clients. We introduce the marketplaces in chapter 1 and revisit them more fully in chapter 4. Like portals, marketplaces constrain if not thwart the best efforts of headhunters. They hamper a headhunter's ability to grasp what a client truly seeks and to then identify, present, and secure exceptional candidates. From an employer's perspective, marketplaces might seem efficient and rational, but they undermine the effectiveness of headhunters because of a lack of information and feedback. They illustrate well how rational systems "inevitably spawn irrationalities that limit, eventually compromise, and perhaps even undermine their rationality" (Ritzer 2013, 123). In this case, the marketplaces prompt inefficiencies and a lack of control (Ritzer 2010). What headhunters need in the way of information and access to hiring managers—and why—is developed in chapters 2 and 3, which lay the foundation for understanding the technological challenges presented in chapter 4.

### Why Hire—and Use a Headhunter—instead of Promoting?

Bidwell and Keller (2014) argue that firms make staffing decisions at the level of the job. Promotions are more likely when performance depends on firm-specific skills, when information about the capabilities of

outsiders is especially difficult to obtain (called “information impactedness”), and when a firm has employees poised to move up a promotion ladder. The argument twists the logic of transaction-cost economics because it directs attention to *ex ante* rather than *ex post* evaluations, as the chief difficulty lies in evaluating workers before they are hired, not after. The theoretical picture is similar to that offered by Williamson (1981, 1985): decision making takes job attributes into account, weighs costs and benefits, and renders a make (promote or transfer from within) or buy (hire) decision. Hiring or promotion routines are invoked, and the process begins.

We argue that hire-or-promote decision making is but one moment in a hiring routine that is unstable and subject to change. As we argue in chapter 1, headhunters are in a perpetual sales mode, with the aim of wresting positions away from internal processes and from other external approaches (e.g., job boards and a company’s own recruitment efforts). Headhunters probe and question the effectiveness of those approaches, create doubt, and encourage companies to consider additional candidates, often with the claim that “you owe nothing” if the headhunter-provided candidates are not hired. Headhunters do not stop there, as they also entice firms to make an opportunistic hire, where an attractive and available candidate is hired even though there is no obvious vacancy (see also Bidwell 2011, 373; Bidwell and Keller 2014, 1037), or to “top-grade” their workforces (Smart 2005)—the practice of replacing lesser performers. These practices, reviewed in chapter 1, induce demand for labor and derail deliberations as to whether there is a real need for a new hire, a problem with existing employees, and so forth. As an industry, headhunting devotes itself to upending the hiring routines companies attempt to enact.

Evidence on those issues should help advance our understanding of multiple, interdependent routines, what Feldman and her colleagues (2016, 509) called “an exciting new direction for research” in their introduction to a special issue of *Organization Science*. Most research on routines has been inward, exploring so-called “endogenous” stability and change in a single routine (e.g., Dionysiou and Tsoukas 2013; Feldman 2016). We instead look outward, exploring how organizational hiring routines are situated within an “ecology of routines” (Howard-Grenville et al. 2016, 12; Spee, Jarzabkowski, and Smets 2016, 762) that lack

coordination and generate tension because headhunters and companies have different agendas.

### Have New Technologies Changed Headhunting?

Much of our analysis probes how the work practices of headhunters might have changed with the explosive growth and diffusion of technology. Those who study technology have gone through several transformations, with pioneers such as Woodward (1958) and Perrow (1967) casting technology as an independent variable that changes work practices and organizational structures. Deterministic relationships were disavowed with the rise of the technology-in-practice approach (Orlikowski 2000), but a soft form of determinism has reemerged (e.g., Leonardi 2007, 2013; Volkoff, Strong, and Elmes 2007; Svahn, Henfridsson, and Yoo 2009). This approach focuses on how technology itself can allow users to do “old things in new ways” and “things they could not do before” (Leonardi and Barley 2008, 161).

We offer both descriptive and theoretical contributions. On a descriptive level, we explore the loss of conversations and the rise of e-mail, the widespread use of software that manages and analyzes records about job candidates, the use of social media like LinkedIn, the need to interface with e-HRM, and the rise of online marketplaces where headhunters and clients do business. In sum, we explore how technology has entered and shaped the work practices of headhunters, and thereby provide support for Pinch’s (2008, 468) argument that “technology is something nobody can afford to ignore.”

We also pursue several theoretical issues. A first dovetails with Barley’s (1986) important study, which showed that new technologies were “occasions” that could change work roles, practices, and organization. Importantly, the same technology, introduced in different workplaces, could induce similar social dynamics yet lead to different outcomes. In chapter 6, we explore how the introduction of search technologies into headhunting has been an occasion in which some firms refined their division of labor, splitting “research” and “recruiter” roles, while others did not. The role of researcher is not new, but it has become more common and very high tech, the province of those who hunt via electronic technologies, not by



voice or meeting. Like Barley's (1986) results, change is occasioned, but not determined, by new technologies.

A related issue involves variation in the use of technologies. It quickly became apparent to us that the same technology was used in different ways within and across headhunting firms. While Orlikowski argued that the recurrent use of a technology "is not infinitely malleable" (2000, 409), her analysis of the use of development software showed two distinct forms, thus demonstrating that "people enact different technologies-in-practice with the same type of technology across various contexts" (2000, 430). In a very different work and technological context, we show something similar: with every technology we encountered, patterns of use varied, and *were often quite different from what was intended*.

A final issue involves the character of the technology. Leonardi and Bailey (2008) noted that some technologies create *efficiencies* in accomplishing workplace tasks, whereas others provide what amounts to *novel information* that cannot be acquired in other ways. An example of the latter is from finite element analysis (FEA), a technology that allows automotive engineers to simulate automobile crashes. The information provided by FEA is, practically, novel, as "an army of engineers with unlimited time and money might be able to produce a comparable dataset, but doing so would take years" (Leonardi and Barley 2008, 164). They argue that technologies that produce novel forms of information will have broader implications for the nature and organization of work than those that create efficiencies (166).

We address that prediction. LinkedIn is a clear example of a technology producing novel information (i.e., change "engineers" to "headhunters" in the quoted phrase about FEA and the situation is identical), whereas the online marketplaces are focused on efficiency. Our results do not support the prediction. We argue that the online marketplaces may well have a more profound, long-term effect on headhunting; LinkedIn has changed some work practices but has left the essence of headhunting intact. Online marketplaces, on the other hand, make headhunting more transactional and less likely to produce good matches of candidates and job openings. In chapter 4, we argue that the marketplaces produce a dumbed-down form of headhunting, much like what Orlikowski (1992) found among those using tools in application development.

### Why Recessions Hurt Everyone: Clients, Candidates, and Headhunters

One of the motivations for this book was to understand how the two post-2000 recessions, in particular the Great Recession of 2007–2009, had affected the recruiting industry. Headhunters who survived the bursting of the dot-com bubble and the Great Recession spoke like survivors of a war-time battle: relieved that they had lived to talk about it and still stunned by the carnage they had witnessed. In particular, the Great Recession had—and continues to have—a profound effect on the labor market, which is reflected in concern over issues such as labor force participation and long-term unemployment.

Our analysis of how headhunters coped with the Great Recession informs two areas of social-science research: the effect of economic downturns on hiring and turnover and why businesses seek “star” performers from the external labor market. These two areas are connected because, as we will show in chapter 5, during the recession clients assumed that stars were more available than ever and expected headhunters to be able to find and secure them. Employers assumed that the best candidates would be plentiful and eager to take new jobs; headhunters encountered a very different reality, however.

There has been considerable debate among economists as to the nature of the relationship between recessions, on the one hand, and wages and employment, on the other. The debate has focused on why wages do not fall during recessions, even though unemployment rises. Neoclassical economists have argued that this is because unemployment is voluntary; workers select leisure—that is, not working—over lower wages (e.g., Lucas and Rapping 1969). Consequently, downward wage rigidity—the failure of wages to fall during a recession—is actually an illusion. The rise in unemployment is actually caused by workers quitting to look for new jobs. Keynesian economists have challenged this argument, asserting that downward rigidity is real during recessions and that unemployment is largely involuntary, although Keynesians have offered widely varying explanations for these phenomena.

We find Bewley’s (1999) explanation, based on interviews at more than two hundred companies in the wake of the 1990–1991 recession, to be particularly helpful. He invokes morale, a concept seldom seen in

economic analyses, to account for wage rigidity: “What restrains employers from cutting pay is the belief that doing so hurts morale and increases labor turnover. . . . Pay cuts damage morale, because of an insult effect and a standard of living effect” (1999, 432). Bewley also examined hiring and quitting. He found that the recession had increased the number and quality of job applicants, reduced the stigma of unemployment, and made employees reluctant to quit in case the new job proved to be insecure (1999, 277–307).

We do not address the issue of wage rigidity, but hiring and quitting are central components of our study. Chapter 5 examines why employees are reluctant to quit their jobs during a recession and whether the recession produced more and better candidates. We show that employers expected to have higher-quality candidates as a consequence of the Great Recession and raised their thresholds of acceptability for external hires; the result was that they often rejected the candidates that headhunters produced on the grounds that the candidates fell short of their expectations. Employers believed that they should reap the benefits of what they believed to be a buyer’s market, which was how the recession-era labor market was often described. Employer expectations were not met, however, because the best candidates were reluctant to leave their current employers. The Great Recession thus produced a stalemate in the double sale: employers became picky buyers, candidates reluctant sellers.

Employers’ belief in a buyer’s market was buttressed by another questionable assumption: that the key to corporate success is buying individual talent—stars—on the external labor market. Groysberg (2010, 3) has noted that “the so-called war for talent . . . is the cornerstone of many companies’ people-management strategies.” Other research has confirmed that employers, faced with deciding whether to hire an external candidate or to promote an internal one, tend to underestimate the value of firm-specific skills and overestimate the value of outside talent (e.g., Bidwell and Keller 2014). During the recession employers became even more convinced that they could lure stars from other firms, and they expected headhunters “to find the perfect peg for the perfect hole,” as one headhunter aptly put it. But perfect pegs, when found, were usually content to remain in their current holes.

In these and other ways, we believe that our case study of headhunters bears on a number of theoretical and substantive scholarly preoccupations.

But it should also have value for those in the working world, employers and employees alike, who navigate the choppy and often uncharted waters of the labor market. In the next chapter, we begin our exploration of the work of headhunters, focusing on how they sell search to client companies and secure job orders.

## GETTING CLIENTS AND JOB ORDERS

### *Selling Search and Securing Business*

I think that we are great at learning all about the hiring manager and their company and their culture. We're very fast. We make few mistakes. We can typically find talent that our client cannot find on their own. What we're offering our clients is a very efficient service with a very strong track record.

—A SOUTHERN CITY HEADHUNTER

Headhunters need clients and job orders. A client is a company that agrees to pay a headhunter a fee when a job candidate identified and presented by the headhunter is hired. A job order is a request for a headhunter to identify and present a particular type of employee to a client. No clients and job orders means no placement fees, the financial sustenance of headhunting. Cultivating clients and securing job orders are thus core activities for headhunters. Those activities can be analytically split into the two parts we explore in this chapter. We begin by exploring how headhunters pitch the value of their services to potential clients, most of whom have at least some capacity to find new employees on their own. Why use a headhunter instead of running ads on a company website, making use of one or another online job board, or in general having in-house HR staff recruit candidates? How do headhunters try to persuade potential clients to pay for the services of an external third party? In short, how do headhunters sell search?

A second section of our analysis takes us past the general pitching of search to where the rubber meets the road: How do headhunters identify prospective client companies and solicit business? The process of creating a roster of prospective clients involves researching companies, gathering insights from candidates, and quite frankly a good bit of guesswork. Once a roster of prospective clients is in hand, headhunters approach them for business in several ways. One classic approach is to simply contact clients, by phone or e-mail, to ask if they have any current hiring needs or an interest in learning about the types of candidates the headhunter routinely places. Another involves showing one's headhunting wares by describing a "most placeable candidate," or MPC. An MPC is an exceptional candidate in a high-demand field. Headhunters view MPCs as enticing examples of the sorts of candidates they can offer and believe they spur interest in a headhunter's services even if there is no interest in a particular MPC. A final traditional approach is to contact a prospective client in order to ostensibly conduct a reference check on a candidate under consideration. The goal here is to display a thoughtful and thorough process that can then be turned into an effort to solicit business. It *is* a reference check, but it is also a calculated display that precedes a sales effort.

A recent and potentially game-changing approach to securing clients and job orders involves the use of online marketplaces that bring together headhunters and clients. In these marketplaces, a company posts a job order, and headhunters on the marketplace can vie to fill that order. Getting a client and a job order, in this case, means going online and clicking a few buttons, not making repeated marketing calls, taking an MPC to the market, or turning reference checks into solicitations for business. These marketplaces, introduced here but explored more thoroughly in chapter 4, have the potential to upend many traditional headhunting practices because they radically streamline and depersonalize the process whereby headhunters secure job orders and interact with clients. They are, in a word, disruptive, but it is not yet clear that they will edge out traditional ways that headhunters and clients form relationships and do business.

We conclude by noting that many headhunters form tight business relationships with clients, who then use them repeatedly. In this case, the work of selling search fades into the background, as the headhunter has already established a reputation and value in the eyes of the client. The

work involved in securing job orders also wanes, as orders flow from the client on a regular basis. For many headhunters, this is the ideal situation, and some are much less active than others when it comes to seeking out new clients and securing job orders from them once they have a few who offer repeat business. There is risk, however, in that approach, as it is well understood that business can dry up instantly if key contacts leave a company, policies shift, or the economy tanks, an issue we take up again in chapter 5.

Our analysis bears most directly on two conceptual issues in the study of organizations and labor markets. First, the analysis sheds light on the dynamic character of at least some make-or-buy decisions, where organizations opt to either make or do something themselves or have another person or organization make or do it for them (e.g., Bidwell and Keller 2014; Cappelli 2008; Williamson 1981, 1985). Recruitment can be done in-house, through a third-party headhunter, or some mix of the two. The prevailing conceptualization in the literature is of a rational, largely centralized, and deliberative process, whereby pros and cons are assessed with care prior to a make-or-buy decision. Our evidence suggests a far more decentralized, ongoing, and much less deliberative process. Headhunters relentlessly call and e-mail hiring managers to describe their services, the availability of a dream candidate, and to cast doubt on the prospects of ongoing, internal efforts to promote or recruit. They aim to get the attention of, as one headhunter we quote later puts it, “decision makers with clout,” who then upend a “make” decision and secure authorization to “buy” from a headhunter. Our evidence shows that make-or-buy decisions can be highly dynamic, constituted more through interaction, persuasion, and relationships than internal deliberation. Our analysis also highlights how decisions are less tethered to the organization, as an abstract entity, than to particular people and relationships (see also Gouldner 1954 and Jackall 2009). For example, a headhunter’s success in securing business often has less to do with Georgia Pacific as a “client company” than it does with his tie to Bob in a particular unit. Scholars think and write about abstractions, but it is organizations at the level of flesh-and-blood people where decisions and action unfold, where headhunters concentrate their efforts, and where they secure business.

A second overarching conceptual issue involves the notion of a company “having an opening” or a “demand for labor.” Traditionally, labor