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**AN INQUIRY INTO THE NATURE AND USE OF
EXECUTIVE RECRUITMENT CONSULTANCY IN GLOBAL
CITIES**

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Department of Geography

A thesis submitted to the University of Bristol in accordance with the requirements for the degree of Ph.D. in the Faculty of Social Science.

July, 1996

ABSTRACT

The executive recruitment industry is comprised of two key sectors, executive search (or headhunting) and executive selection. Both these professions have emerged in the last 30 years as important mechanisms for the recruitment of executives in business. In spite of the growth of the executive recruitment industry in the UK and world-wide, there has been limited analysis of nature and structure of search and selection within geography and social sciences more generally. Therefore, this thesis explores the role of executive search and executive selection within global cities, and assesses their influence on three particular areas - individuals, companies and the labour market in aggregate. The findings are based on a series of semi structured interviews from three case studies : firstly, executive recruitment consultants in the City of London; secondly, executive search consultants in New York and; thirdly, human resource directors of financial service companies in the City of London.

The thesis makes four key conclusions. Firstly, the executive recruitment industry continues to grow in size, in spite of the corporate restructuring and the recession. In particular, many executive recruitment firms have joined affiliate organisations to strengthen their ability to operate on an international basis. Secondly, the usage of executive recruitment consultancy differs amongst companies. Within the financial services sector, it was found that investment banks were the most frequent users of headhunters. Thirdly, there is a trend of specialisation amongst many recruitment firms which, it is suggested, will lead to a gradual demise in the demarcation of the recruitment hierarchy. Fourthly, global cities are the most important locations for executive recruitment organisations. By locating in such cities, companies benefit from economies of scope and are able to access domestic and international markets.

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* * *

Sadly, three of my four grandparents have died since I started university. They were all so interested in my education and encouraged me to succeed at school. I wish to dedicate this thesis to them.

DECLARATION

This thesis is the original work of the candidate except where acknowledgement is given and has not been submitted for a higher degree in this or any other university. The views expressed within it are my own and not of the university.

Neil Andrew Cuthbertson

July, 1996

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ABBREVIATIONS

CBI	Confederation of British Industry
CoL	Corporation of London
DoE	(Former) department of employment
DfEE	Department for Education and Employment
ERM	Exchange Rate Mechanism
EU	European Union (formerly the EC)
ELM	External Labour Market
FDI	Foreign direct investment
FOREX	Foreign Exchange
FRES	Federation of Recruitment and Employment Services
FT	Financial Times
FTSE	Financial Times Stock Exchange 100 Index
GATT	General Agreement on Tariffs and Trade
HR	Human Resources
HRM	Human Resource Management
IOD	Institute of Directors
ILM	Internal Labour Market
IMS	Institute of Manpower Studies
LCE	London Commodity Exchange
LIFFE	London International Financial Futures Exchange
LSE	International Stock Exchange
LTOM	London Traded Options Market
MBA	Master of Business Administration
MNC	Multinational Corporation
NEDs	Non-executive Directors
NYT	New York Times
PM	Personnel Management
PRP	Performance Related Pay
SIC	Standard Industrial Classification
TNC	Transnational Corporation
WSJ	Wall Street Journal

REFERENCING CONVENTION

Throughout this thesis the Harvard system of referencing has been employed e.g. Garrison Jenn (1993).

Where notes have been used, they have been denoted by a subscript number with remarks at the bottom of the respective page.

1. INTRODUCTION

'Headhunting is a serious, growth business, which - until now - has not had the serious study it deserves. The pace of the internationalisation of companies is quickening; take-overs and deals are the order of the day. The impact of the globalisation of markets means that management are on the move, East and West. And in all the turbulence, the quality of managers is critical. The boom business of search involves at its best professional judgement based on skilled and thorough research. The prizes for the best placement may sometimes seem glittering and spectacular, but if the appointed person delivers the goods, the search company's human contribution to success and prosperity is decisive. The modern corporation knows the value of this exercise in seeking quality in the internationally competitive world.'

Sir Peter Parker (1989)

1.1 Introduction

At its best social science research is a creative process of insight and discovery. There are no rules about what to study, so that the choice of research topic is often personal or idiosyncratic in origin. My personal interest in the recruitment sector dates back to 1989, when I obtained my first full-time position through a City recruitment agency. Since then, I have always been interested in the impact and influence that recruitment consultants have on the labour market. How was it that I was recruited through one company for another? However, besides satisfying individual curiosity, any research project should also 'make a specific contribution to an identifiable scholarly literature, by increasing our collective ability to construct verified scientific explanations of some aspect of the world' (Kane, 1990 : 15). This I also hope to have achieved.

The world-wide executive recruitment industry is worth at least \$3 to \$4 billion a year (ERN, 1994; Garrison Jenn, 1995). The industry is comprised of two main elements¹. Firstly, there is *executive search*, which is carried out by a consultancy working on behalf of a client and involves the identification of prospective employees through direct and personal contacts. Secondly, there is *executive selection*, which involves the identification of prospective employees through advertisements. Once again, the consultancy works directly for a client.

¹ Comprehensive definitions of the various parts of the executive recruitment industry are presented in *chapter 4*. At the end of the thesis I have included a glossary to clarify the more technical terms and those phrases that are not in every-day usage.

Executive search and, to a lesser extent, executive selection have emerged in the last thirty years as important mechanisms for the recruitment of senior management and professionals in business. For some employers, the headhunter (or consultant) is an essential part of the recruitment scene because it is his or her expertise which ensures that the best people are identified and then persuaded to join a different organisation. For other more sceptical observers, the consultant represents an unnecessary cost, collecting enormous fees for moving 'old school buddies' around corporate boardrooms and resembling no 'more than sophisticated body-snatching [with a] race to pirate an executive at one firm to another for a fee' (McKinnon, 1982 : 223). Whatever one's opinion, there can be little doubt that executive search and selection consultants are now often used as frequently as management consultants, auditors and lawyers.

The executive recruitment industry is, therefore, an industry worthy of closer scrutiny, not only because of its sheer size, but also because of its potential influence on corporate activity. As such, this thesis presents an exploratory study into the nature of the executive recruitment industry within the global economy, focusing primarily on the City of London.

1.2 Research problem

Unlike, for example, accountancy, commercial property broking, banking and estate agency, the executive recruitment industry is a sector which has not received much attention within geography, in spite of the fact that it expanded very rapidly in the mid 1980s reflecting both the boom period in executive labour demand and the enterprise philosophy of the Thatcher era. The rapid transformation of the industry in this time resulted in an influx of foreign multinational firms into the UK (for example, Russell Reynolds, Korn Ferry and Egon Zehnder) as well as the establishment of large multinational British firms (for example, G.K.R, Norman Broadbent, Michael Page). However, although the industry has experienced foreign representation and capital concentration, it is largely still populated by small independent firms (Clark, 1994; Garrison Jenn, 1993).

The last ten years have witnessed a series of changes in the global economy which are associated with corporate restructuring and globalisation. For example, as markets become more international and thereby competitive, firms are increasingly externalising services to reduce costs, introducing less hierarchical management structures and also developing a 'multi-skilled' group of staff who are central to the day-to-day operations of the business. There has

also been a switch to more customer-focused patterns of both service and manufacturing organisations (Storey, 1992; Trompenaars, 1993). In such environments, companies are placing a higher premium on recruiting not just *good* but the *best* people. Clients are increasingly recognising the benefits of using external recruitment organisations, not only to access better candidates, but also to save time and reduce costs (Clark, 1994; Sarch, 1991). Therefore, executive search and executive selection consultants are playing an ever more important role in structuring the work-forces of companies.

Although considerable work has been undertaken on the structure of executive search industry in the UK and Europe (Jones, 1989; Jones and Sarch, 1993; Clark, 1994; Watson *et al.*, 1990; Garrison Jenn, 1993), there has been little attempt to assess the importance of the executive selection sector. Furthermore, there is a need to explore how and why companies use executive recruitment consultancies. In spite of the growing usage of executive search and selection by business, there has also been limited analysis of what the potential impact has been for individuals, companies (clients and non-clients alike) and the labour market as a whole.

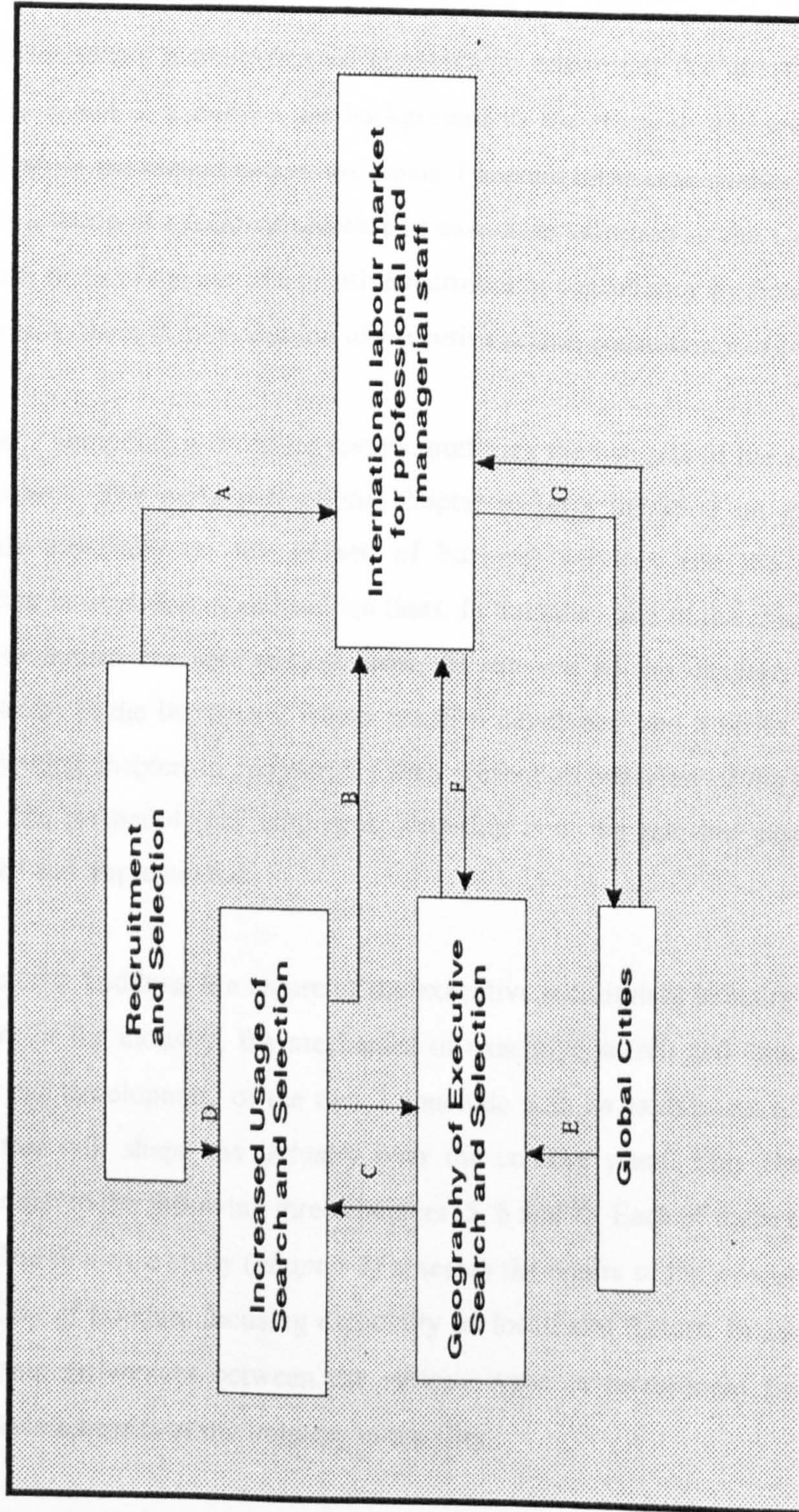
Therefore, this thesis explores a series of issues (*figure 1.1*). Of primary interest is the role of executive search and executive selection within the global economy. In particular, I focus on the relationship between search and selection and two key aspects of the global economy - the international labour market and 'global cities' (Sassen, 1991).

This relationship prompts a series of questions. Firstly, to what extent has there been growth in the usage of search and selection for professional and managerial staff ², and what have been the consequences of this use (*figure 1.1* - Line B)? For example, has there been an increase in the mobility of such staff in the labour market? Has any increase in the executive search and executive selection firms led to more countries and cities operating such recruitment services (C)? Secondly, what is the relationship between executive search and selection and global cities. To what extent are global cities important locations for executive search and selection (E and F)?

The importance of global cities as concentrations of skilled managerial and professional staff has already been recognised (Sassen, 1991; Beaverstock, 1994) (G) and is not investigated further here. However, a third area of interest is the extent to which the location of executive search and selection offices are influenced by the demand and supply of labour (F).

2 I use the term 'executive' throughout the thesis to refer to professional and managerial staff as a whole. Of course, there are problems about individual interpretations of what constitutes an executive.

FIGURE 1.1 : RESEARCH ARENA



The fourth area of focus is an assessment of the significance of search and selection as mechanisms for recruitment of executives. Do companies prefer using executive search and executive selection for *all* or just *specific occupations* (A)?

1.3 Thesis Outline

The thesis adopts a multi-faceted approach to answering the questions outlined above. In *chapters 2* and *3*, I outline the background to the research and explain the methodologies employed. In the second half of the thesis, I present three case-studies (see *figure 1.2*). Firstly, there is a study of executive search and executive selection in the City of London; secondly, there is a study of the use of executive recruitment consultancy by financial services companies and; thirdly, there is investigation of executive search consultancy in New York.

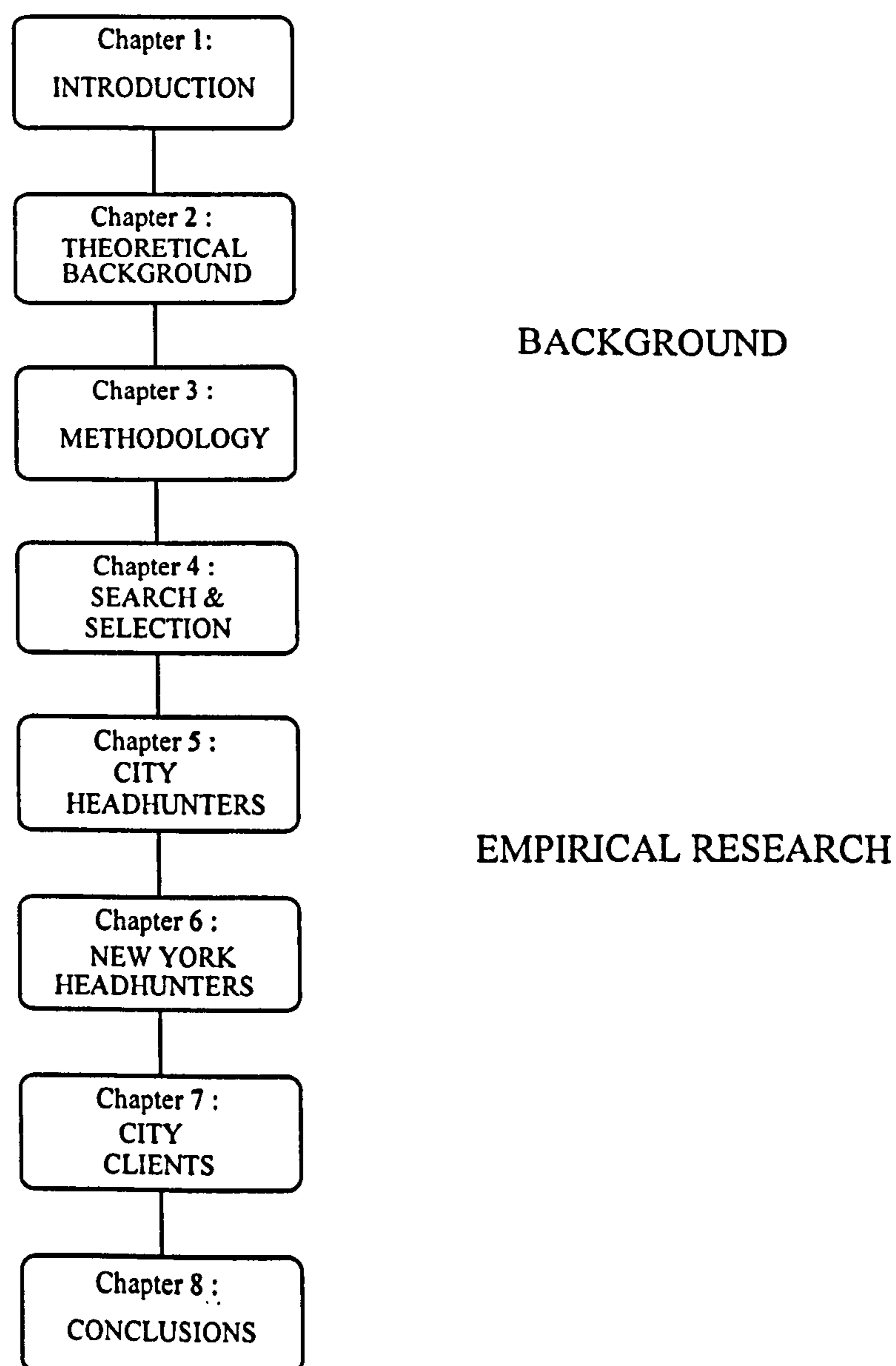
Chapter 2 comprises a literature review, outlining the two sets of literatures that have informed my research. The early part of the chapter reviews literature on global economic change, focusing especially on the growth of business services and the growing importance of flexibility in work-forces and service lines. In the later part of the chapter, I outline the current work on human resource management. At the end of the chapter, I identify a number of deficiencies in the literatures, which are then developed into a series of research questions in the following chapter. In *chapter 3*, I then present an overview of the entire research project. I outline the methodologies employed, detailing how the relevant case studies were selected, designed and implemented.

In *chapter 4*, I address the nature of the executive recruitment industry in the UK. I discuss the structure of the industry, the mechanics of executive search and executive selection, and the growth and development of the two. I conclude with an assessment of some of the trends and issues that will shape the industry over the coming years. This chapter is designed as an introduction to the following three chapters (5, 6 and 7). Each of these chapters provides a case-study. The first case study (*chapter 5*) assesses the nature of the executive recruitment industry in the City of London, focusing especially on locational factors. In addition, I also outline the operational differences between the various types of recruitment firms, and the trends and future developments of the industry in the City.

Chapter 6 outlines the nature of the international executive search industry, including the organisational structure of firms who conduct international executive search. Based on the views of consultants in New York, I explore the pattern of office networks and the various

strategies for internationalisation employed by organisations. In addition, I assess some of the factors influencing the location of these offices. The final case study (*chapter 7*) outlines the use of executive search and executive selection in the City of London. Based on the responses of human resource directors and managers at various financial services institutions, I assess the City's willingness to use executive recruitment consultancies and the clients' perceptions of headhunters. In addition, I indicate some of the potential consequences of the executive recruitment industry for employees and companies in the City, and the labour market in aggregate. I also compare the growth of the industry with other business services in London.

FIGURE 1.2 : THESIS OUTLINE



In *chapter 8*, I present a summary of the main research findings in the thesis, including a critique. In addition, I outline some implications for future research on executive recruitment consultancies.

2. THEORETICAL BACKGROUND

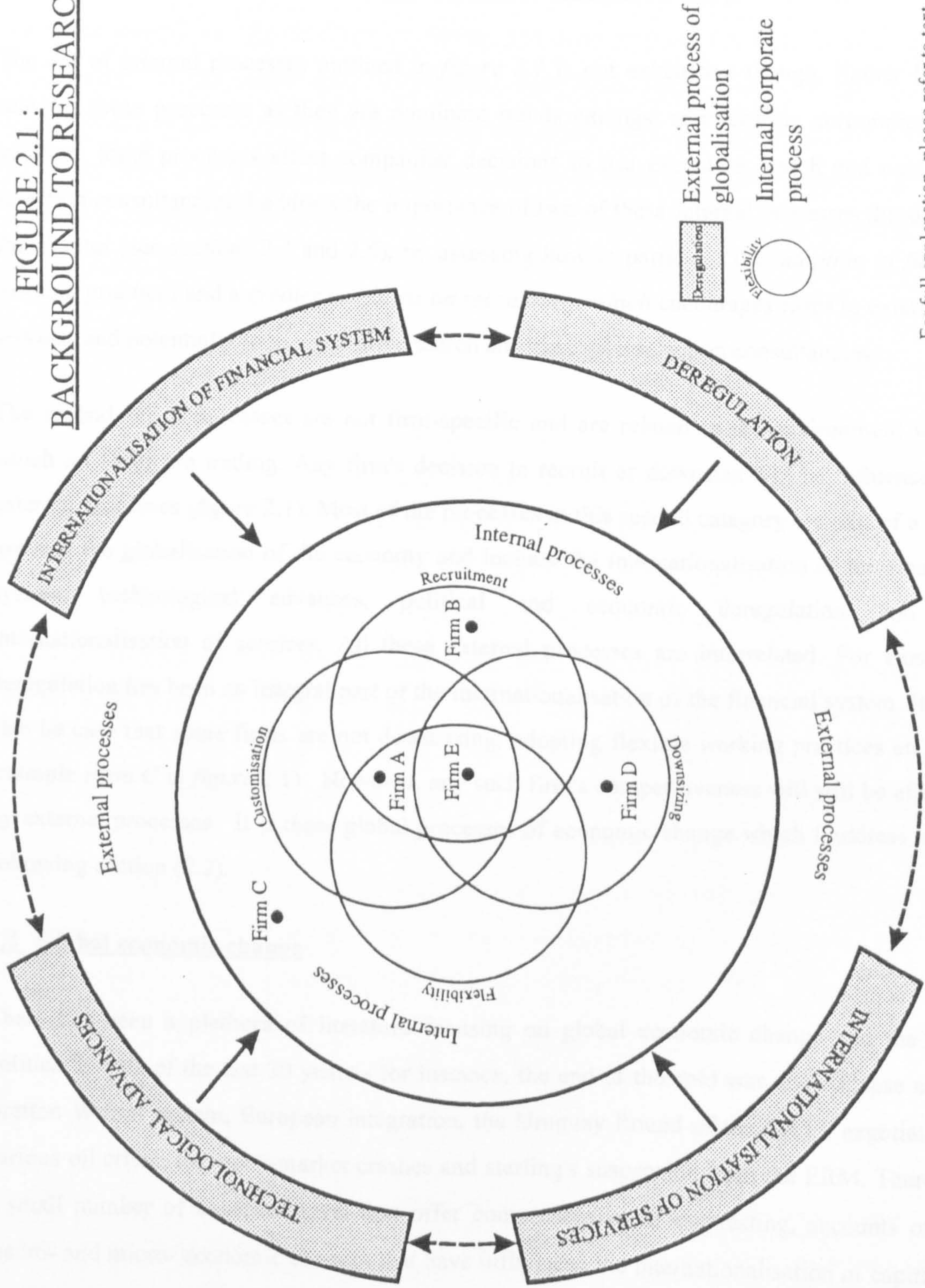
2.1 Introduction

In this chapter, I outline the theoretical background to the thesis by highlighting the literatures that have informed my research. Within the context of global economic change, *section 2.2* reviews the work of prominent social scientists who have commented on the consequences of economic restructuring. I outline the background to the rise of business services with reference to the social division of labour and explain how and why organisations are becoming more flexible (*section 2.3*). Then, I focus more specifically on how business service activity has become concentrated in global cities and I present a case-study of London (*section 2.4*), illustrating the importance of this financial centre as a location for business services. In this part of the chapter, I assess the impact of global economic change on a major international financial centre, London (*section 2.4*). Historically, London has always been an important financial, business and cultural centre, but recently political, economic and technological forces have strengthened its position as a nexus for financial dealings.

Corporate restructuring, it will be argued, has led to new business objectives and the introduction of a strategic outlook into the management of human resources (*section 2.6*). In particular, due to the new emphasis on recruitment, I examine the literature that reviews the recruitment options and their respective merits (*section 2.6.4*). As companies seek to retain their competitive edge, they retain flexible structures and attempt to recruit the very best individuals. In this new environment companies rely more on the external labour market, and use executive recruitment consultancies to find those individuals with the required attributes and skills. At the end of the chapter I indicate some of these deficiencies within the literatures and comment on how my research framework can address them.

Figure 2.1 illustrates the background to the thesis. It summarises the two sets of processes that influence companies in the global economy. Firstly, there are processes which are associated with corporate restructuring and are specific to the firm (labelled *internal processes* in *figure 2.1*). For example, as companies seek new business objectives, a company might decide to recruit, adopt a flexible work practice and develop a more customised business (as shown by *Firm A* in *figure 2.1*).

FIGURE 2.1:
BACKGROUND TO RESEARCH



For full explanation, please refer to text

Alternatively, a company may just recruit additional staff (for example, *Firm B*). Conversely a company might make redundancies (for example, *Firm D*). Indeed, it is not inconceivable for a company to undertake all four internal processes (for example, *Firm E*).

The list of internal processes outlined in *figure 2.1* is not exhaustive though. Rather I have selected these processes as they are dominant trends amongst restructuring corporations. In addition, these processes affect companies' decisions to use executive search and executive selection consultancies. I address the importance of two of these internal processes throughout the chapter (see *sections 2.3* and *2.6*), by assessing how in particular the *adoption of flexible working practices* and a *greater emphasis on recruitment which* encourages firms to externalise services and potentially to use executive search and executive selection consultancies.

The second set of processes are not firm-specific and are related to the environment within which *all* firms are trading. Any firm's decision to recruit or downsize will be influenced by external processes (*figure 2.1*). Most of the processes in this second category are part of a trend towards the globalisation of the economy and include the internationalisation of the financial system, technological advances, political and economic deregulation and the internationalisation of services. All these external processes are interrelated. For example, deregulation has been an integral part of the internationalisation of the financial system. It may also be case that some firms are not downsizing, adopting flexible working practices etc. (for example *Firm C* in *figure 2.1*). However, any such firm's competitiveness will still be affected by external processes. It is these global processes of economic change which I address in the following section (2.2).

2.2 Global economic change

There has been a plethora of literature focusing on global economic change and the geopolitical events of the last 20 years - for instance, the end of the cold war, the collapse of the Bretton Woods system, European integration, the Uruguay Round of the GATT negotiations, various oil crises, the stock-market crashes and sterling's suspension from the ERM. There are a small number of excellent texts that offer comprehensive, if contrasting, accounts of the macro- and micro- economic changes that have influenced the internationalisation of capital, of services, of the state, and of finance. All the processes and events have created a 'new financial landscape' and brought about the 'rebirth of economic interdependence' symbolised by the growth of transnational corporations, which have rendered political boundaries irrelevant and encouraged capital mobility and technological transfer (See Thrift, 1989; Dicken, 1992; Corbridge *et al.*, 1994; Walter, 1991; Wallace, 1990; Harvey, 1989; Knox and Agnew, 1989;

Lee and Schmidt-Marwede, 1993; and Strange, 1994). We now live in a 'new economic world order' (Thrift, 1989) where globalisation¹ and the internationalisation of capital affect our daily lives. The internationalisation of economic activity poses continuous research questions such as the consequences for the division of labour and employment, the spatial effect of this restructuring for the sovereignty of national economies, social class change, the built environment and the city property market (Daniels *et al.*, 1989; Leyshon *et al.*, 1987; Daniels and Bobe, 1992; Pryke, 1991; Daniels, 1993; McDowell and Court, 1994; Sassen, 1991) and also on the changes in the location of services within cities (O hUallacháin and Reid, 1991; Beyers, 1991; 1993; Daniels, 1991d; Hepworth, 1991; Warf, 1989).

2.2.1 Growth of services

The growing importance of services to the local, national and supranational economy cannot be understated. Since 1970, all western economies have experienced increases both in the share of employment and national income provided by services. 'Service industries'² now account for the largest share on national income in all but the lowest income countries (Price and Blair, 1989; Wood, 1991b; Dicken, 1992; Marshall and Wood, 1995; Kolko, 1988). Accounts of the nature of the geography on services have been widely recorded. Some have focused on the uneven development of the service sector (Smith, 1990; Marshall *et al.*, 1987; Massey and Allen, 1988; Lewis and Townsend, 1989), whilst others prefer to set the rise of services in the context of deindustrialisation and the structural change in the national economy (Hoggart and Green, 1991, Johnston and Gardiner, 1991; Lever, 1987; Marshall and Wood, 1995; Martin and Rowthorn, 1986). There have been a growing number of accounts on the geography of advanced producer services, spurred by the high levels of growth in the sector in the 1980s and the 1990s (Daniels and Moulaert, 1991; Noyelle, 1991; Tordoir, 1994; Martinelli, 1991; Sassen, 1994a; Persky and Wiewel, 1994). The growing intensity in the use of producer services has been the result of a variety of factors; for instance, the progressive concentration of capital in cities and the rise of the transnational corporation, the internationalisation of markets

¹ Academic and business disciplines may be embracing the globalisation discourse, but it is important to acknowledge that an individual author's interpretations and definitions differ (see Olds, 1995b). Furthermore, it is possible to distinguish between internationalisation and globalisation. Although I use the two terms interchangeably, the latter is often viewed as a more complex form of the former. Globalisation implies 'a degree of functional integration between internationally dispersed economic activities' (Dicken, 1992 : 1) and a widening of political, social and economic activity world-wide (Olds, 1995a).

² Services can be defined as 'activities which are relatively detached from material production and which as a consequence, do not directly involve the processing of physical materials' (Marshall *et al.*, 1988 : 11). It is also possible to differentiate between consumer services - provide a service to the consumer - and producer - service the production process. Marshall *et al.*, (1987) suggest that there are three categories of producer services. Firstly information processing service; secondly, goods-related support services; and thirdly, personal support services. Executive search and selection, and activities such as insurance broking and investment banking are all information processing services. It is not my intention to provide review and critique of the wealth of literature on services and producer services. Full accounts of the nature of services and the problems over classification are widely available. For instance, see Daniels (1991a) (1991c), Beyers (1992) (1993), Allen (1988), Wood (1991a), Martinelli (1991), Marshall and Wood (1995); Dicken (1992), and Marshall *et al.* (1987), Sassen (1994a), Leyshon, Thrift and Daniels (1987).

and competition, the development of new technologies that enable the specialisation and globalisation of service, and finally, the growth of new markets (See Tordoir, 1994; Sassen, 1994a; Martinelli, 1991).

2.2.2 Division(s) of labour

Adam Smith is often credited with the term division of labour. In his *Wealth of Nations*, initially written in 1776, Smith argued that the manufacture of goods in a pin factory would be more efficient if workers specialised in just one part of the production process. As Sayer (1995) acknowledges, the concept of the division of labour has become a fact of life : all economies embrace divisions of labour whether it be at home, work or in the community (ibid.). However, the ideas of the division of labour are most closely allied to the workplace (ibid. : 46). The transition to the new era of post industrialism has seen new methods of industrial organisation and a greater focus on the division of labour. In particular, two types of the division of labour have emerged in our changing economic world. The first is the 'social division of labour' and the second is the 'technical division of labour'. The technical division of labour refers to the division of production process into tasks and the specialisation of workers into smaller groups, for example, directors, manager, secretaries, assistants, consultants (Lee, 1994). The technical division of labour involves the reorganisation of the workplace around these specialist workforces. Such reorganisation has seen the development of hierarchies of management who coordinate and direct the specialisation.

By contrast, the social division of labour refers to the externalisation and increasing flexibility of production. The notion of 'the "firm as an organisation" [is] replaced by that of the "organisation of firms" [where] relationships of co-operation and trust are developed' (Coffey and Bailey, 1991 ; 97; Scott, 1998). In short , the social division of labour is the division of workers between production sectors. In the 1970s and 1980s, the trend towards a social division of labour led to a growing externalisation of services by organisations, for example cleaning, printing, security. The externalisation of such services, previously conducted in-house, accounted for the transfer of over 300,000 jobs from the manufacturing sector to the service sector in the early part of the 1980s (Allen, 1988; Rajan, 1987). In more recent years the trend of sub-contracting has deepened such that organisations now use the services of legal, recruitment, accountancy, publishing, advertising firms etc., rather than rely upon in-house functions.

2.2.3 Organisational change

In face of deepening predicaments, a new literature crisis began to emerge towards the end of the 1970s which suggested the turmoil in the world economy could be attributed to a collapse of fordism (Scott, 1988). There can be no doubt that the modern economy has changed structurally over the last 50 years. The internationalisation of business, driven largely by the rise of MNEs has created a global market. Competition in the market has caused consumers to favour value-added products rather than mass production commodities (Williams, 1993 : 1). The era of so-called fordist activities, characterised by standardisation of production is now judged to be 'ill-fitted for the economic world and the time has come to re-consider the need for a further structural shift in the global organisation of production' (ibid. : 2). 'The proliferation of so-called 'service' sectors occupations can be explained in terms of the burgeoning social and technical division of labour through out the industrial system (ibid. : 104). Clearly, when focusing on the labour process, attention should not be in what is produced, but how it is produced. As capitalism spreads across and is embraced by more the nations of the world, it is also possible to talk of an advanced social division of labour. The advanced social division of labour is characterised by specialisation, fragmentation, interdependence and internationalisation. Capitalism has accelerated and, therefore, extended the division of labour far beyond anything previously imagined (Scott, 1988).

What is often termed as the 'transition of a service economy' (cf. Allen, 1988) can best characterised as a widening and deepening of the social and technical division of labour of a more general process of industrial evolution and capitalist development (Sayer and Walker, 1992). However, the internationalisation of production is just one facet of the reorganisation of industrial capitalism. There has also been a change in the form of competition, and an internationalisation of finance, both of which have influenced the physical structure of production. The development of new information technology has also altered the way goods and services and production, encouraging specialisation and globalisation (Martinelli, 1991; Scott and Storper, 1986; Williams, 1993).

Just as there have been changes in the structure of labour markets, there have been transitions in the organisation of industry (Harvey, 1989). New techniques and organisation forms of production have encouraged new business formations. 'The economies of scale sought under fordist mass production have been countered by an increasing capacity to manufacture a variety of goods cheaply in small batches. Economies of scope have beaten out of economies of scale'

ibid. : 155). Therefore, the 'new realities of production' (Scott and Storper, 1986) have seen separation of technical, production and distribution units, once part of an integrated unit/process. The rapid growth of office-based economy is an outcome of this vertical disintegration (ibid.).

2.2.4 Debate over the importance of geography

In addition to discussions over organisations and labour market change, there has been a growing debate as to whether technological advances and other processes of globalisation have decentralising or centralising effects on economic activity. The internationalisation of business services and the financial markets have been aided by the effective use of electronic distribution systems, the introduction of the fax, automated transaction machines, PCs and screen-based trading systems (Daniels, 1991b; Thrift, 1990; O'Brien, 1992). Capital flows now circulate at levels of unprecedented proportions, and the overlapping time horizons of the major financial trading centres allow for the continuous circulation of over one trillion dollars each day (Warf, 1989; Clarke, 1983; Thrift, 1989). Suggestions of 'an end to geography' have, therefore, been canvassed (O'Brien, 1992; Persky and Wiewel, 1994) with a rise in the level of decentralisation of service activity such as 'back-office' operations (cf. Daniels, 1991c; 1993; Noyelle, 1989 ; Lee and Schmidt-Marwede, 1993; Warf, 1995; Dicken, 1992). Telecommunications have altered the meaning of place, particularly with respect to time (Warf, 1989 : 264; Warf, 1996). The transformation in the city has partly been assisted by the technological revolution, creating an 'information society' or 'information economy' (Goddard and Gillespie, 1986; Brunn and Leinbach, 1991; Castells, 1991; Hepworth, 1991). It is certainly true that growth of information industries and technology advances means that information, goods and services can be electronically transmitted immediately or delivered within hours. In theory, with advanced technology existing in the modern world, a consultancy business might locate anywhere in the world. However, that consultancy business must serve large numbers of clients, so central location is important.

In reality it is likely that as globalisation continues, there will be a configuring of business activity into major financial and business centres. The process of 'deregulation, technological change and internationalisation have clearly imparted a series of differential advantages through out the international urban hierarchy' (Warf, 1989 : 265). There will be 'no end to geography' (Thrift, 1994 : 352 : emphasis added). Whilst the costs of transporting digital data have fallen, those companies operating in these core areas have been able to capitalise on the

technological investments that have already taken place in these cities. The 'concentration of private computer networks binding together the major global cities' coupled with the public/private investment by the telephone companies, will result in the gap between these cities and the rest of the urban areas widening (Daniels, 1991c : 38; Goddard and Gillespie, 1986). Globalisation is not obliterating geography; 'rather it is reconfiguring the geographies of money, power and dependency' (Martin, 1994 : 274; cf. Leyshon, 1995). Therefore, some cities will continue to grow at the expense of others, strengthening their own positions within the urban hierarchy. One such city is London, which has benefited from deregulation and technological innovation. The issues have been widely discussed elsewhere³, notably by Coakley (1992), Thrift (1994) and Martin (1994), who comment on the occurrence of a substantial shift of economic power to a global integrated hierarchy of financial centres, led by London, New York and Tokyo, and the major financial institutions located in them (ibid. : 274).

2.2.5 Business Services

The growth of business services is to a significant extent an outcome of the increase in the technical and social division of labour within production. The growth in producer services activity is the outcome of at least four interrelated processes; firstly, the continuing concentration of capital; secondly, the rise of the MNC which is based in many countries and produces many products; thirdly, the internalisation of markets, and; fourthly, developments in IT. These processes have engendered relevant changes in the organisation of production accelerating the division and specialisation of labour typical of complex societies (Martinelli, 1991 : 22).

The growth in service activity is often attributed to a series of interrelated events. Perhaps, two of the most important are firstly, the rise in the disposable income of consumers and secondly, the rise in the demand for producer services by businesses (Daniels, 1991a; Martinelli 1991). 'The extension of markets as a result of technological and organisational innovation and the consequent demand for services to integrate sprawling business empires has undoubtedly been part of absolute increase in demand' (Perry, 1992 : 1). In view of the growth of producer services, it is important to understand the conditions under which a firm might wish to 'buy' in those services rather than rely upon internal sources. Coffey and Bailey (1991) highlight four

³ I shall not provide a full critique of this literature, as it is discussed extensively elsewhere. In particular there are two edited collections that cover a number of related issues regarding, cities, finance and socio-economic restructuring - See Budd and Whimster's (1992) *Global Finance and Urban Living* and Corbridge's et al. (1994) *Money, Power and Space*

principal factors. Firstly, a company might have in-house technical limitations such as a lack of knowledge or high costs; secondly, the characteristics of the firm are important - medium-sized firms seem to purchase more external services than other firms; thirdly, externalisation may occur when there are possible advantages of external economies, and; fourthly, where there is unpredictability of demand which make it difficult to allocate resources or personnel solely for a particular service. It is these factors which have, in part, led to the externalisation of recruitment activity from firms to specialist executive recruitment consultancies.

2.3 Flexibility, the Labour Market and Organisational Change

Over the past decades considerable attention has been made to notions of flexibility within production, with various labels being given to this reorganisation such as flexible accumulation and post-fordism (Perry, 1992). Flexible accumulation is 'marked by a direct confrontation with the rigidity of Fordism. It rests on flexibility with respect to labour processes, labour markets, products and patterns of consumption' There has been the emergence of new markets increased ' rates of commercial, technological and organisational innovation' (Harvey, 1989 : 147). In this section I focus predominantly on how flexibility has influenced the nature of company labour forces, though I shall comment briefly on the interaction between flexibility and another 'mode of co-ordination', namely networking (*section 2.3.4*).

2.3.1 Flexibility

There are three major perspectives on flexibility in the labour market⁴ (Williams, 1993) : firstly, there is a body of work associated with the French regulation school; secondly, there is the concept of flexible specialisation, proposed initially by Piore and Sabel (1984), and; thirdly, there is the work attributed to Atkinson linked to the notion of the *flexible firm* (Atkinson, 1984). Under the system of flexible specialisation, the key dimensions may be summarised as follows. Firstly, there are flexible forms of productive automation; secondly, fragmentation but interconnected units of economic activity, and; thirdly, more fluid labour markets (Scott, 1988; Coffey and Bailey, 1991). With more flexible systems, firms can vary the scale of production without any major effect on operating costs, thereby experiencing what is termed *economies of scope* (Meegan, 1988; *section 2.5*). The vertical disintegration of production enables firms to

⁴ It is note my intention to critique the various forms of flexibility as this has been covered comprehensively elsewhere. See Hirst and Zeitlin (1991); Amin and Thrift (1992); Coffey and Bailey (1991); Meegan (1988); Scott and Storper (1986); Scott (1988); Perry (1992) and; Williams (1993)

achieve flexibility - this is 'the hallmark of flexible production' (Coffey and Bailey, 1991). Under such an approach, activities which are not strategic to the overall process may be contracted out to other firms. As a consequence a series of networks of smaller firms or enterprises support the activities in the larger firms. The functioning of this type of production is based upon the notion of the social division of labour.

It has been argued that such a system of flexible production creates spatial clusters of enterprises which have forward and backward linkages. By concentrating in geographical centres, the linkage costs of vertically disintegrating production can be reduced. Scott (1988) has stressed that the seeds of regime of flexible production have brought about an influx of new practices into a series of geographical spaces called *new industrial spaces* which are either socially constructed or geographically insulated from the main foci of earlier rounds of fordist industries. The much popularised transition to a post-fordist or an era of flexible specialisation hinges on changes in the area of labour, notably the reorganisation of labour processes, the restructuring of the labour market and new applications in technology (Peck, 1996). Scott (1988) suggests that the processes in the labour market underpin a move towards a concentration of economic activity. As the social division of labour deepens under flexible specialisation, the centralisation tendency deepens. In summary, the effect of flexibility is threefold. Firstly, it reduces the level of vertical integration and encourages externalisation so firms become more responsive. Secondly, flexibility further deepens the social division of labour with individual producers becoming locked into networks of external linkages, thereby heightening interdependence. Thirdly, there is a decrease in transaction costs and the establishment of appropriate labour market relations, which have given rise to the agglomeration of economic activity.

2.3.2 The 'flexible firm'

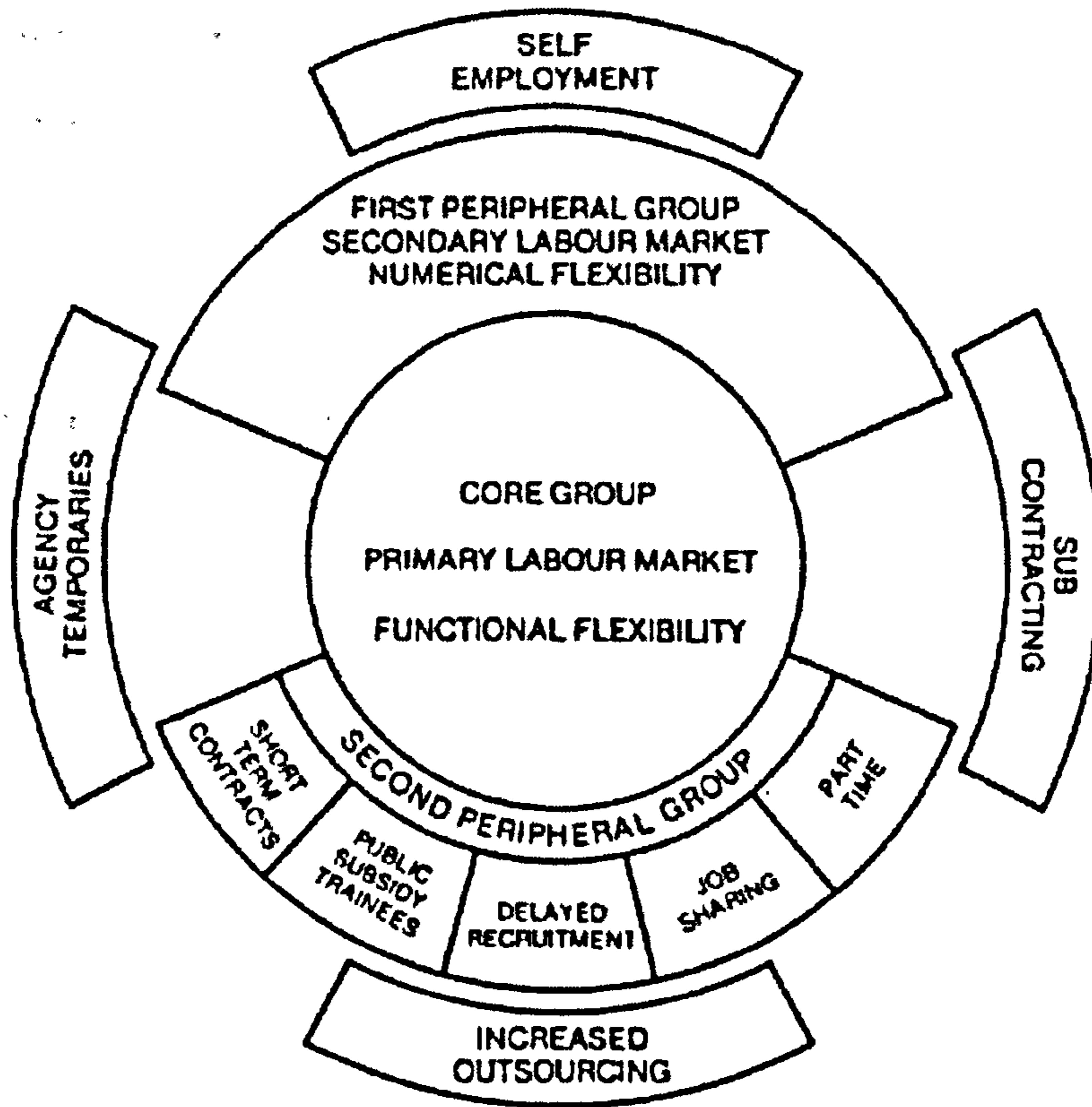
The notion of the flexible firm has been identified by Atkinson and others (1984; IMS, 1986) as a 'distinct category of flexibility theory in its own right' (Williams, 1993 : 10). The theorised model recognises the pressure for flexibility and market responsiveness with firms organisations into core elements in which employees' positions are less volatile. John Atkinson and his colleagues from the Institute of Manpower Studies (IMS) argue that during the 1980s, there were three key factors that brought about pressure on organisations to change their labour structures; firstly, the need to consolidate productivity gains and remain competitive; secondly, the greater increased uncertainty and volatility in the marketplace; and thirdly, technological

change, which gave companies the need to staff new machinery and develop new staffing policies to enable them to introduce the technological advances of the future (Atkinson, 1984; Harvey, 1989; IMS, 1986). In order to be adaptable to market changes and to hold down labour costs, three different types of labour flexibility must be simultaneously pursued. The three kinds identified by the team at IMS are *functional flexibility*, *numerical flexibility* and *financial flexibility*. Numerical flexibility is the ability of a company to adjust its headcount both quickly and easily, in order to respond to short-term changes in the level of demand for labour. It involves the use of hire and fire measures (adoption or removal of temporary work, part-working, overtime and shift patterns and flexi-time) as well as various forms of loose contractual arrangements such as sub-contracting (Storey and Sisson, 1993; Harvey, 1989; IMS, 1986). Functional flexibility can be defined as the ability of an organisation's employees to quickly deploy in other areas to undertake other duties and tasks. This largely occurs in manufacturing firms and can take place vertically (such as from operator to quality controller) or horizontally (such as from one department to another). Financial flexibility is the ability of organisations to alter pay and other labour costs to reflect changes in the market, as well as the adoption of remuneration schemes to facilitate functional and numerical flexibility.

In the model of the 'flexible firm' (*figure 2.2*), a core group of key workers with flexible skills is established, around which there are peripheral sets of workers whose skills are either less central to the organisation or, who are needed on a less than permanent basis (Goss, 1994; Atkinson, 1984; IMS, 1986). The core group is comprised of employees with 'full time, permanent status and is central to the longer term future of the organisation' (Evans and Bell, 1986). Such employees are highly adaptable and flexible and are more likely to experience good careers, because their job security is much higher than the other sector.

The periphery is split into two sectors. Firstly, full-time employees whose skills are readily available in the workplace, for instance secretaries. A lower level of functional flexibility is required from this group and 'although not numerically flexible in the full sense, these jobs are likely to be filled on the open labour market' (Storey and Sisson, 1993 : 88). The second peripheral sector provides even great numerical flexibility and includes workers such as contract staff and part-timers. In some variations of the model a third group of 'outliers' can be identified. This labour source includes agency temporaries, sub-contractors and self-employed people (Atkinson, 1984; Storey and Sisson, 1993).

FIGURE 2.2 : THE FLEXIBLE FIRM



Source : Atkinson (1984)

A number of criticisms have been levelled at the model (see Allen, 1988; Peck, 1996; Beaverstock, 1996b). For instance, that there is too greater emphasis on part-time workers, and it is conceptually weak and unsupported by empirical evidence, grossly understating the real world. Much is made of the role of part-time workers. If an organisation is increasingly relying on 'part-time workers', should such workers not be considered part of the core? In addition, the model is overly simplistic and misleads on the role and contribution of the individual groups. It presents an ideal-type of the employer who is utilising all mechanisms for achieving flexibility. In spite of the criticisms of the IMS model, much of the management literature does support the analysis that corporations - particularly service sector organisations - are becoming flexible business units.

The model for the corporation in the era of HRM is a leaner organisation, one that has fewer staff and 'is thus more focused on doing only those things in which it has competence' (Moss Kanter, 1989 : 115) and has the ability to respond to changing environments by making use of localised labour units, such as temporary work-forces (ibid.; Peters and Waterman, 1982; Halal, 1986).

Nevertheless, it is a model which 'enables us to perceive and understand a situation without necessarily being a faithful reflection of it' (Hakim, 1990; Goss, 1994). Furthermore, it can also assist in conceptualising the pattern of international migration of professional labour between firms (Beaverstock, 1996b) - see *section 2.6*.

The adoption of a flexible strategy is another response of an organisation that is seeking to implement HR policies within its organisation. 'More and more organisations are moving towards the core/periphery model of staffing, in which a permanent core of highly skilled staff is supplemented on a flexible basis by contract, short-term and part-time staff as business demands dictate. Such a system will favour those who demonstrate a wide range of skills, allowing them to respond flexibly to the needs of a series of employers' (Stewart, 1994 : 12). The dilemma for the successful company is not to be 'too large', such that it is unable to mobilise its work-force to meet new circumstance and challenges. This is the 'paradox of organisations' (Handy, 1994).

'More than ever, [organisations] need to be global and local at the same time, to be small in some ways but big in others, to be centralised some of the time and decentralised most of it' (ibid.: 37).

2.3.3 Networking

Although the notion of the division of labour is mostly associated with markets, it is possible to have other modes of co-ordination, for example, planning, networks and democratic control where flexibility may be achieved (Sayer, 1995). Of these three, networking is particularly worthy of further discussion, not least because of its significance in the executive recruitment industry (See chapter 6). In many commercial sectors, in spite of competition, some activities are co-ordinated through 'various blends in collaboration negotiation and domination' (Sayer, 1995 : 109). The exchange of information and services for mutual benefit is especially appropriate for small companies who can not benefit from economies of scope due to their small size.

The growth in the number of inter-firm alliances (two party arrangements) and networks (multi-party) is often preferred option for organisation attempting to gain economies of scope and also seeking to reduce transaction costs (Sayer and Walker, 1992). In the era of post-fordism, networks in the guise of alliances or industrial groups are becoming important modes of co-ordination. Networks can share external economies and treat information as a public good. There are several forms. Firstly, relationship contracting and subcontracting where there is on-going exchange and material development; secondly, ownership, investment and management ties, and; thirdly, independent associations, which are often headed by higher level business people. Within the executive recruitment industry the latter two options are particularly evident (see *sections 4.2 and 6.3*)

2.3.4 The knowledge society

'The shift to knowledge and education as the passport to good jobs and career opportunity means, above all, a shift from a society in which business was the main avenue of advancement to a society, in which business is only one of the available opportunities and no longer a distinct one....It represents a shift to a post-business society' (Drucker, 1989 : 168).

One of the central aspects of the changing work-force is the reliance on 'education'. Those individuals with additional educational qualifications, such as masters of business administration ('MBAs') or Ph.D.s, can now enjoy favourable career prospects, as companies place a premium on individuals with academic ability. Studying for an MBA can be an indicator of academic achievement coupled with hands-on management and work experience. Such was the perceived demand by would-be executives for educated individuals from

employers, that the popularity of MBAs during the last ten years has rocketed. At the turn of the decade, some 3,600 MBAs were awarded by 65 British institutions (Jones and Sarch, 1993). Another interesting development of the growth of MBAs was the degree to which students were drawn from different cultures. This positive impact on business led to those managers attending MBA courses being exposed to a variety of cultures, thereby making them more sensitive to cultural diversity (Trompenaars, 1993).

Employers are increasingly looking for new key employees, 'knowledge workers', that can staff those core areas of businesses outlined in the previous section. Many organisations, especially in the financial services sector, place high emphasis on their staff studying for professional qualifications. As organisations become leaner and restructure, a higher percentage of the staff must be multi-skilled and have the aptitude to work in a number of environments and respond to new challenges i.e. 'functional flexibility'. One estimate of the number of these 'knowledge workers' in the City of London is over three quarters of the total workers (Rajan, 1994). In trying to recruit the 'right people', there has been a greater use of cognitive, personality work sample tests, and education and related issues designed to identify candidates with the appropriate skills.

As businesses increasingly seek candidates with an education and expertise to work in the 'flexible firm', academics are focusing on notions of 'knowledge'. The fascination with 'knowledge' as a means for business advancement is not new, and yet in the last ten or so years there has been a renaissance in interest. This interest has partly been spurred by the success of Japanese companies in the world economy. Business and management gurus have been looking for answers as why 'their' companies have, and 'ours' have not, flourished in the past few decades. Peter Drucker, is one of just a few, who have consistently claimed, especially in his early writings, that education 'shapes the economy' through its product - the educated person (Drucker, 1989 : 236). For years the West saw knowledge as meaning 'data', 'numbers' and 'words'. Mainstream companies saw technical expertise or knowledge as representing the ability to translate physical material into goods and services through the input of labour and the use of capital. Changes in the production function leading to higher productivity and quality of output were regarded as the result of improvements of technical knowledge (Tordoir, 1995; Drucker, 1989; Danton de Roufflignac, 1991).

In recent years, attention has focused on a different form of knowledge - 'tacit knowledge', which is based more on 'hunches' and 'know-how'. It is 'what makes skilful performance[s] a

coherent and smooth articulation of many individual acts in one stroke of action' (Tordoir, 1995 : 18). It is something that is gained by learning and experience, but it cannot be passed on. After all 'we know more than we can tell' (Polanyi, 1967). Nonaka and Takeuchi (1995) note that Japanese success is not due to manufacturing prowess, access to cheap capital, government relationships and firm practices, but rather due to 'organisational knowledge creation'. This is defined as 'the capability of a company as a whole to create new knowledge, disseminate it through the organisation and embody it in products, services and systems (ibid. : 3). Nonaka and Takeuchi's (1995) thesis on knowledge creation suggests that companies have three important sets of players in the creation of knowledge. Firstly, there are front-line employees, who are immersed in day-to-day details; secondly, there are middle-managers, who bridge the gap between visionary ideals of the top and often chaotic reality of those at the front; and thirdly, there are senior managers. Nonaka and Takeuchi (1995) assume that knowledge can be converted at each of *the* levels.

If ideas of tacit knowledge are accepted, Nonaka and Takeuchi (1995) suggest that there must be implications for the way in which organisations are viewed. The company unit should be seen as a living organism, where knowledge embraces ideas, values, and emotions, as well as images and symbols. A company must provide the forum for innovation, where personal and organisational renewal can occur. 'Creating new knowledge is also not simply a matter of learning from others or acquiring knowledge from the outside. Knowledge has to be built on its own, frequently requiring intensive and laborious interaction among members of the organisation' (ibid. : 15). For the individual, the development of a 'knowledge society' has meant a change in the nature of the corporate career, because of the changing demands of the new corporation. The quintessential organisational career with guaranteed promotion after a number of years in the job has disappeared. In the post-entrepreneurial world, the security of a job no longer exists. It must 'come from being employable', with loyalty not to the next person in the hierarchy, but to one's own excellence and technical understanding (Moss Kanter, 1989 : 321; Rajan, 1994). This has given rise to the 'independent employable employee', who will increasingly view the executive search and selection consultant as a vehicle for achieving career ambitions.

2.4 Global cities

2.4.1 Global cities and the urban hierarchy

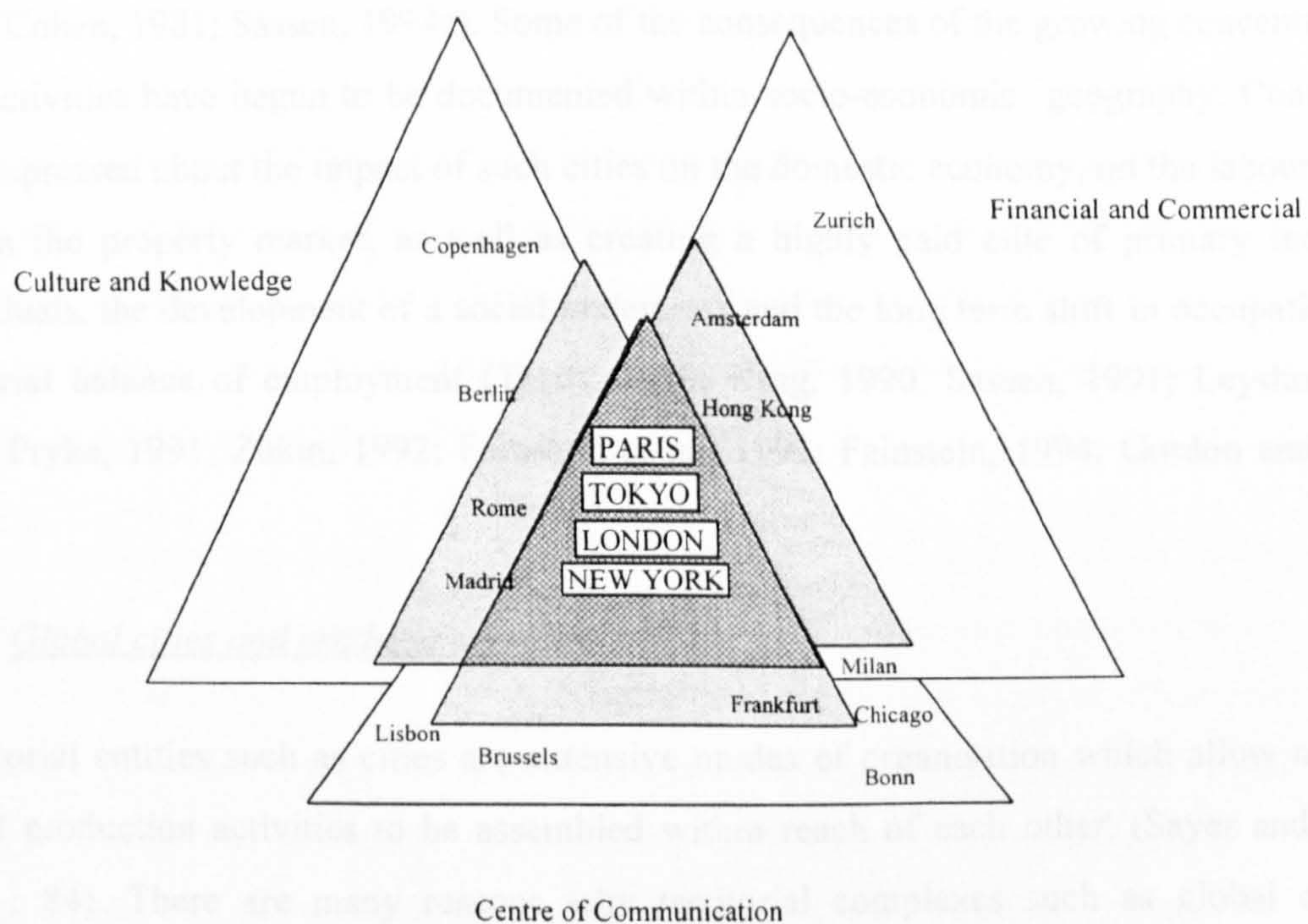
Cities are experiencing different impacts of global restructuring. Each performs various functions, occupying different positions and niches in the urban hierarchy (Fainstein and Harloe, 1992). What are 'world cities' or 'global cities'? The London Planning Advisory Committee (1991) defines them as being 'centre[s] for the concentration and control of the world's active capital [which] serve as banking and financial centres, administrative headquarters, centres of ideological control' (6). 'Global cities' or 'world cities' are perhaps the most vivid and powerful manifestations of the internationalisation of capital and finance in the space economy, though mere size of city should not be viewed as an indicator of economic significance within the world economy (Sassen, 1991; 1995; Beaverstock, 1996a). It is possible to develop hierarchies of global cities⁵, which classify cities according to various criteria such as the number of head offices of transnational corporations, turnover in financial markets, concentration of specialist commercial and financial activity, transportation and communications, number of financial and government institutions and population size (LPAC, 1991; Daniels, 1993; Buck *et al.*, 1992; Friedman and Wolff, 1982; Thrift, 1987). Based on three key features of their global performance, namely their status as centres of financial and commercial activity, communication and administration, and culture and knowledge, LPAC (1991) suggest that four cities have all the necessary 'world city' attributes - London, New York, Paris and Tokyo (*figure 2.3*). The emergence of 'world cities' can be associated with the restructuring of the world economy, the spatial organisation of the New International Division of Labour (Frobel *et al.*, 1980) and the location of transnational corporations (Cohen, 1981; Friedman and Wolff, 1982; Beaverstock, 1996a; Knox, 1995).

The world economy is linked by a set of markets and production units controlled by transnational control. The world city is a material manifestation of this control. The key advantage of the global city perspective is that it can synthesise a number of diverging research fields (such as labour studies, international migration, culture studies, urban morphology) into one single meta-narrative (Friedman, 1995). World cities, such as London, Tokyo, Paris and New York, feature daily on our television screens and in the newspapers. The globalisation of economic activity means that goods and services are produced and consumed 'by oligopolistic webs of corporate networks' that cross national boundaries (Knox, 1995 : 3). The globalisation

⁵ For a definitive guide to the world cities literature see Knox and Taylor's (1995) edited collection *World Cities*. This includes an appendix by Friedman (1995) that offers a detailed classification system of global cities.

of finance and business has led to a new urban economic core with 'global cities' acting as key sites for the production of services of firms (ibid.; Sassen 1995). Large cities are the 'gatekeepers of the world service economy' (Daniels, 1993 : 113). The growing dependency on business services and financial services by business has further encouraged the concentration of financial and corporate decision-making in existing world cities (Cohen, 1981; Sassen, 1995; Beaverstock and Smith, 1996). This has created a cumulative causation effect through the interaction between information circulation and the multiplier effects of the location decisions made by organisations (Daniels, 1993).

FIGURE 2.3 : THE OVERLAPPING ROLES OF WORLD CITIES



Source : LPAC (1991 : 13)

In suggesting that there was a growing geography of multinational corporation headquarters or other business offices, Saskia Sassen highlights the dual forces of centralisation and decentralisation at work in the urban environment (1991; 1994a; 1994b; 1995). There may be pressures of decentralisation and spatial dispersal but 'new forms of territorial centralisation of top-level management and control operations have emerged' (Sassen, 1994a : 1). The combination of geographic dispersal of economic activities and integration has led a new strategic role for major cities. Beyond their long history as centres for international trade and banking, Sassen argues that these cities now function in four new ways. Firstly, cities function as command points in the organisation of the world economy; secondly, cities are the key

locations for the main industries of the time - finance and specialised service firms, which now have now replaced manufacturing as the leading economic sectors; thirdly, cities are sites of production, including the production of innovations, within these leading industries; and fourthly, cities are markets for the products and innovations produced. These changes in the functioning of cities have had a massive impact upon both international economic activity and the urban form. These cities have vast resources and industrial activity which influences the social and economic order and composition of the urban environment (Sassen, 1994a). This restructuring has resulted in a new type of urbanisation - the 'global city' (Sassen, 1991; 1994b : 4; 1995). The growing dependency on advanced business services leads to a concentration of financial and corporate decision-making in the existing international financial and business cities (Cohen, 1981; Sassen, 1994a). Some of the consequences of the growing concentration of such activities have begun to be documented within socio-economic geography. Concern has been expressed about the impact of such cities on the domestic economy, on the labour market, and on the property market, as well as creating a highly paid elite of primary indigenous individuals, the development of a social underclass and the long term shift in occupational and industrial balance of employment (Thrift, 1990; King, 1990, Sassen, 1991; Leyshon *et al.*, 1987; Pryke, 1991; Zukin, 1992; Fainstein *et al.*, 1992; Fainstein, 1994; Gordon and Sassen, 1992).

2.4.2 Global cities and producer services

'Territorial entities such as cities are extensive modes of organisation which allow many and varied production activities to be assembled within reach of each other' (Sayer and Walker, 1992 : 84). There are many reasons why territorial complexes such as global cities are important for companies, especially business services (Daniels, 1996) :-

- a) Lower tangible costs because due to lower transportation and communication costs.
- b) Information sharing.
- c) Permit pooling of labour.
- d) Help people identify with each other.
- e) Generate distinctive cultural practices.

Therefore, global cities have the ability to allow integration of functions with the minimum of central control but the maximum flexibility. Theoretical explanations of the location of producer service firms in cities have been largely confined to four areas : *competitive market environments, urbanisation economies, location economies* and *supply of the work-force* (cf. Chapman and Walker, 1987; Daniels, 1993; Marshall and Wood, 1995). In a competitive

market environment, there will be centralisation of services in urban areas to maintain the market of services and provide the basis for exports elsewhere. Firms locating in agglomerations can seek both *urbanisation* and *location economies*. In doing so, they benefit from proximity and ease of access to market and clients, thereby reducing communication, transportation and transaction costs. 'Urbanisation economies' enable organisations to accrue service benefits, by having access to communication and transport infrastructures, housing and the urban labour markets. In addition, companies might be able to locate to sites that have attractions and offer a high quality environment including cultural, social, sporting and shopping facilities.

'Localisation economies' occur when a company benefits from proximity either to other services that provide inputs to the firm, or to clients of service enterprises (Daniels, 1993). Both sets of economies encourage firms to locate in cities, where an infrastructure and clients already exist. In addition, there are also human resource factors to be considered, such as the availability of labour in an area. Service industries, particularly producer services, require greater reliance on high skilled managerial and professional labour compared to non-service activities (Marshall and Wood, 1995).

Location decisions may involve the evaluation of a series of factors, which can vary across several scales - international, national and local. In most cases, organisations, when choosing the location of an office, are keen to reduce any uncertainty over location. 'Pioneering location choices are not made lightly because of the adverse signals that they may be perceived to convey to investors or businesses' (Daniels, 1993 : 114). As such, businesses seek to minimise uncertainty and risk in locations. They are not keen to risk committing personnel and financial resources to markets where they are different cultural, political and regional environments. Therefore, companies tend to be influenced by where competitors are based.

The processes of dispersal and integration not only bring about changes in the geography of production, but also generate 'a demand for types of production needed to ensure the management, control and specialised servicing of this new organisation of production...[called] the global production of global control capability' (Sassen-Koob, 1987 : 67). Such centres have disproportionate concentrations of corporate headquarters, advanced telecommunications, skilled labour and a full range of financial and business services (Sassen, 1991; Beaverstock, 1996a; Beaverstock and Smith, 1996). The formation of these new nexuses of production complexes seems paradoxical. In an era of supersonic air travel and advanced telecommunications, why does place really matter? Information industries, such as executive

search and executive selection, might be expected to have locations that avoid high costs and congestion. However, global cities possess important agglomeration economies and are highly innovative environments. Cities at the top of the urban hierarchy attract a disproportionate share of the intermediate services. This means that 'world cities' are pre-eminent centres for business services in the urban hierarchy (Daniels *et al.*, 1992). The production process in these services benefits from proximity and access to other markets (Sassen, 1995; Daniels *et al.*, 1992). For instance, the development of financial instruments, such as derivatives, was made all the more possible because of interaction with other service firms such as accounting, legal firms and even executive search firms which recruited the experts. Therefore, there must be a high premium for locating near other advanced producer services. The trend towards high concentration of finance and certain producer service in the downtown areas of major international financial centres further highlights the tendency towards specialisation. For instance, New York and London are leading centres for the production and export of accountancy, management consultancy and legal services.

It is important to recognise that the spatial pattern for advanced producer services such as accountancy will also be dependent upon the nature of the service-client interaction and the frequency of usage. For many producer services such as executive search, there is still a premium on face-to-face contact with clients and suppliers alike. 'Close interaction might favour physical proximity, but if services that require close interaction are also highly specialised and infrequently used, the subsequent large market required leads to a spatial concentration of these services in large urban service areas' (Tordoir, 1994 : 331). There is a growing body of work that has focused on the location and growth of information and professional services (See Daniels and Moulaert, 1991; Tordoir, 1994; Noyelle, 1991; Moulaert and Gallouj, 1993; Daniels, 1993). The geography of such services in central areas is a reflection of both supply and demand factors. As markets for services grow there is pressure to increase convergence in order to generate scale economies and also to be attractive to customers (Noyelle, 1991). There are also advantages with industrial clusters attracting like or complementary industries to an area, so that networks of professionals and professional agencies can be developed. Some professional services, including executive search, are also international affiliations whereby brand names, expertise and innovation are shared among the respective members of the affiliation. However, when assignments are conducted, cost centres are usually kept autonomous. Tordoir (1994) notes that one of the main reasons 'for the formation of such international networks is to cater for multinational companies' (*ibid.* : 331).

2.4.3 London - A Case Study of an "International Financial Centre"

An international financial centre performs 'the highly specialised function of lending abroad and serving as a clearing house for payments among countries' (Kindleberger, 1974 : 57). Most of the world's leading global cities are leading international financial centres as well, and in this respect London is no exception. The key factors in the formation of these financial centres are similar to those of global cities and include the development of an efficient money and capital market; a central bank; technological advances; administrative capital (acting as a magnet to financial institutions); a central location; culture; tradition; corporate headquarters; economies of scale; a deregulated market and; an leading centre for innovation (Kindleberger, 1974; Bonetti and Cobham, 1992; Daniels, 1993). 'From one-time imperial capital, London has steadily become a specialised finance and business centre and base for cultural production' (King, 1990 : 73). There have been many varying records of historical development of the London, plotting the path from one-time 'imperial city' through to its status as an 'international metropolis'. London is a city with many facets - a commercial city, credit city, capital city, client city (King, 1990; Coakley and Harris, 1983; Rose, 1994b; Michie, 1992). The evolution of London in more recent times has been attributed to many factors, which include a trained labour-force, free access to markets, reduction in levels of personal and corporate taxation, political stability and a wide acceptance of English law (BEQB, 1989). In recent years, London has faced renewed attempts to destabilise it as a premier international financial centre with domestic political, economic and financial difficulties. There have been 'highly publicised failures, in which investors have suffered major losses as a result of fraud' (Franks and Schaefer, 1993 : 1). Equally, the difficulties within the Insurance sector, notably at Lloyds and the whole issue of unsuitable financial advice from sales people in life insurers - '*Lautro imposes £100,00 fine on Rothschild life firm*' (FT, 1994h : 1) - have left scars on the City's reputation. Nevertheless, the capital has been able to retain its supremacy as chief nexus in a number of markets, including the insurance market, the money and capital markets, the commodity market (gold bullion) and as a premier centre for professional and other business services (BEQB, 1989; Rose, 1994a; Daniels *et al.*, 1988).

2.4.3.1 London - A commercial and credit city

London has long been an international banking centre, especially since banks were set up to promote imperial expansion during the 19th century - ANZ (1835), James Capel (1808), CIBC (1867) (King, 1990). Whilst the 1970s were dominated by financial flows intermediated through banks, the 1980s heralded an era of resources channelled through markets and their operators such as investment and merchant banks, or brokerage houses. Assets of banks in

London total some \$1,384 billion (1990), compared to New York's \$578 billion and Tokyo's \$1,449 billion (Bonetti and Cobham 1992). The fact that there are 520 foreign banks in the UK is recognition of both successful government policy to deregulate the City and also the internationalisation of banking more generally. They range from the 175 or so outlets, with three or less staff, to Citibank's 6000 strong branch (Coakley, 1992; Brealey and Kaplanis, 1994 : 3). London is an important clearing house for funds to and from overseas - there has been a five-fold increase since 1978 in international bank lending within the UK to \$952 billion. Daily turnover of foreign dealings has increased by 40% since 1992 to reach \$474 billion. This is significantly more than New York's \$244 billion and Tokyo's \$161 billion and equates to approximately 27% of global turnover (FT, 1995d; Rose, 1994a; FT, 1995b; King, 1990; Brealey and Soria, 1993).

London has many markets : the most well-known markets are those organised forums for the buying and selling of equities ('LSE'), financial futures and options (LIFFE) and commodity futures and options (LME, IPC, LCE). There are also those exchanges for registered agents and principals - the Baltic and Lloyds - to offer insurance and shipping services, as well as the over-the-counter markets for instance, foreign exchange, eurobonds and overseas government bonds, money market instruments, swaps and other derivatives, all of which have no designated location for trading. The London equities market is the fourth largest in turnover world-wide, the third largest by capitalisation and is the highest in international terms - 66% of equities are internationally traded. In spite of the recent announcement by the LSE to scrap TAURUS, settlement of equities transactions in London is still very high in spite of out-dated systems, with a volume of 32,000 bargains per day (Michie, 1992; Sassen, 1991; Ireland and Ryan, 1993; Coakley, 1992). The growth in the trade of Eurobonds in London (an estimated £8.7 billion outstanding debt on the market by 1993) has established the UK as a leader in the Eurobond market, with 65% of the market share in issuing and 75% in trading (Michie, 1992; Sassen, 1991; Brealey and Soria, 1993; Coakley, 1992; Bonetti and Cobham, 1992). In addition, the swap markets - interest and the new currency swap - are equally important, worth some \$2,000 billion per annum in 1990 (Bonetti and Cobham, 1992; Michie, 1992). The growth of the institutionalised investment sector has accounted for the rise of pension companies, insurance companies and investment managers. It was driven largely by Japanese MNCs seeking investment outlets in which to invest cash surpluses (Thrift, 1990). Total funds managed in the UK (of which London is the primary centre) total \$1,016 billion, second only to Tokyo and totally overshadowing its European competitors. The next largest European city is Zurich with \$411 billion under management (*Sunday Telegraph*, 1996; *The Banker*, 1994d; Kay

et al., 1994). Whether it is in international banking, securities trading, asset management or commodity trading, London has an important role. It is a leading international financial centre.

2.4.3.2 London - A capital and client city

In addition to its growth of the City as a city of commerce, London retains a significance in other producer services as well, in its capacity as a client city (Daniels *et al.*, 1988). Design-based producer services, for instance, performed very well with the growth in international clients - the number of graphic and advertising firms doubled to 915 between 1970-1985 (King, 1990). Many authors have focused on other professional industries such as accountancy, management consultancy, merchant banks and legal services (see Rajan, 1988; 1990b; 1994; Michie, 1992; King, 1990; Daniels *et al.*, 1988; 1989; Beaverstock, 1991; 1996b). The increasing arrival of foreign assets, the ever growing number of international business services and the potential of domestic growth in the 1990s with greater European Integration will ensure that the London property market both intensifies and internationalises (King, 1990). Additional pressure on the property market has been caused by recent terrorist bombings. Telecommunications have advanced the marginalisation of operations such that the City is no longer a physical city, as 'dispersal and communications have created a much wider community united by function not proximity' (Michie, 1992 : 20). The impact of IT has already meant the clients are requesting customised new buildings that have larger dealing floors and frameworks that can support extra cabling. This demand has seen the development of new sites on the periphery of established trading areas in the City, for example, Hays Wharf, Broadgate and Spitalfields, in areas traditionally unacceptable to the banking fraternity (Pryke, 1991; Daniels and Bobe, 1992).

2.5 The international labour market

2.5.1 The labour market

Defining a labour market has always been problematic with many differing interpretations being offered (cf. Peck, 1996, Mallier and Shafto. 1989). A labour market can be viewed as a conceptual framework for examining the social division of labour. Alternatively, in the strictest neo-classical sense, it involves the free operation of the price mechanism, where supply and demand adjust towards an equilibrium (Harling, 1987). Increasingly though the labour market is viewed as a set of boundaries relating to a geographical area and/or occupations.

Thus, there have been a departure from the concept of the labour market as a unitary whole, embracing all the forces operating in the demand for and supply of labour in favour of a

segmented market with separate and virtually independent sectors with little provision for interaction between them. Labour markets are though, above all else, social-political constructions (Peck, 1996). They are socially regulated with formal laws, social embedded norms and union activities (albeit on a falling level). In addition, labour markets have local variability, so their form of social regulation structure, dynamics will differ spatially.

2.5.2 Labour migration

The internationalisation of the world economy has caused spatial restructuring of economic activity, as indicated in previous sections. However, what has been the consequence on the pattern of skilled labour and the demand for professionals and managers? A series of interrelated processes have influenced the nature and pattern of skilled professional migration. These are firstly, foreign direct investment; secondly, the locational decisions of transnational corporations; thirdly, the development of a New International Financial System and; fourthly, the internationalisation of producer services (cf. Beaverstock, 1994).

By analysing the patterns of foreign direct investment (FDI), its volumes and its direction, one can identify future areas of economic centres of growth. The geography of this activity is a barometer of the nature of the global shift of transnational corporations' investment decisions (Dicken, 1992; Knox and Agnew, 1989). The redirection of investment by MNCs, particularly to the 'third world' and also as a result of FDI, has necessitated the transfer of an increasing number of managers and other skilled workers to supervise operations in these areas (Findlay and Gould, 1989). The locational decisions of these transnational corporations provide new opportunities for a skilled work-force, which allows for both inter- and intra-national migration. As business and producer services internationalise, key personnel are drawn to these high wage world cities (Beaverstock, 1994; 1996a; Beaverstock and Smith, 1996; Sassen, 1994a). The new international financial system has equally played its part by influencing the pattern of skilled migration. The growth of 24 hour trading, the creation of new market opportunities and the development of new product innovations, such as derivatives, have themselves necessitated staffing of skilled personnel with knowledge and understanding of these products and international commercial experience.

2.5.3 The international labour market for skilled professional and managers

Labour migration between areas is an important adjustment mechanism in the interaction between labour supply and labour demand. 'Geographical mobility of labour is one of the ways of overcoming mismatches between unemployed people in one area and jobs in another'

(Green, 1994 : 1563). The internationalisation of industry, both service and manufacturing, has contributed to the development of a new international labour migration of professional and managerial workers moving between, as well as within companies. Traditionally, one of the key sources of labour has been those employed (the indigenous population) in the secondary labour market (Sassen, 1988). The focus has now switched to the growing pool of highly skilled personnel that cross national boundaries to take up the primary segment employment positions - the core group in *figure 2.4*. It is this phenomenon that characterises the new international labour markets.

Within the 'managerial perspective' on labour migration adopted by Beaverstock (1990a; 1991) and Salt (1990), it has further been suggested that the explanation of international skill transfers lies within three channels of emigration - the first being the *internal labour market of multinational corporations*; the second and the third intrinsically linked - *the role of international recruitment firms and companies with international contracts* (Findlay and Garrick, 1990). 'Key decision-makers within the internal labour market ('ILM') of MNCs, managers and executives of international labour recruitment agencies, and the personnel managers of small and intermediate companies with international contracts, each have a strong influence in determining the character of international skill transfers' (ibid. : 191). The nature of changes in the world economy and the rise in the significance of new skilled transient flows of labour has led many to believe that it is necessary to abandon traditional migration theories, and seek new explanations that can both focus on the ILM and take account of movements between institutions in through the external labour market ('ELM'). Labour migration models based on the ILM are extremely limited in explaining the spatial organisation of the labour market which is increasingly international and flexible (Salt, 1990; Findlay and Garrick, 1990; Findlay and Gould, 1989; Beaverstock, 1990a; 1991; 1993; 1996b).

2.5.4 The external labour market and recruitment organisations

The focus of the international migration literature has generally been on models of the economy or on the behaviour of migrants using supply side information. Sell (1990) suggests that the nature of job transfers in the US now requires an institutional approach, as corporate and organisational processes impact on migration, especially as TNCs have asserted a stranglehold on the world economy. 'Potential transferees are not responding to geographic salary differentials, but to institutionalised organisational forces' (Sell, 1990 : 29). Salt (1990) has sought to explain mobility as a result of intra-organisational movements of personnel,

suggesting that such moves are a function of career development, and also changed trading conditions, rationalisation and the need to staff expansion.

Therefore, recruitment agencies and consultants are becoming important agents in the transfer and migration of professional management, a fact that has been recognised with respect to the British (Gould, 1987) and international labour markets (Beaverstock, 1991; Findlay and Gould, 1989). 'Many skilled workers are recruited by agencies to work in foreign labour markets. The agencies act as 'gatekeepers' and their policies can affect not only the spatial patterns of recruitment (within and between source countries), but can affect them through support services and their influence on assimilation at destination points and through timing and impact of return to source regions' (Findlay and Gould, 1989 : 10). Little empirical evidence (with some exceptions, for instance, Boyle *et al.*, forthcoming) seems to exist on the influence that recruitment consultancies might have within the international market economies in the western world, particularly in the areas of financial services, where consultancies have been responsible for the composition of boardrooms and dealing and trading floors for many years. There has been some recognition that 'employers' decisions, particularly over recruitment and transfers, may play as crucial a role initiating and directing migrational flows taken by individual migrants' (Gordon, 1995 : 139). 'The principal flows of highly skilled workers have occurred under the influence of the global expansion of world trade, international expansion of companies or the auspices of recruitment agencies' (Salt *et al.*, 1994). Of course, as companies continue expand (or relocate) in other countries, particularly in 'untapped' economic centres, the process of migration and skilled labour movement will continue.

2.5.5 Global cities and the recruitment of professional and managerial labour

In terms of the division of labour, global cities represent the core areas of the high-waged professional labour. The internationalisation of the global space economy is further enhancing this changing division of labour in world cities (Sassen, 1991; Beaverstock, 1996a; 1996b; O hUallacháin and Reid, 1991). 'Labour market restructuring [therefore] within world cities must be acknowledged by geographers as an important conceptual issue responsible for the creation of highly skilled professional and managerial labour migration within the world economy' (Beaverstock, 1994 : 336). Findlay *et al.* (1994) and Beaverstock (1990b; 1994) contextualise the relationship between skilled labour migration and the world city, in studies of Hong Kong's expatriate community of doctors and within investment banking corporations, respectively. 'High-waged labour market dynamics and the restructuring of the demand of such labour within the global cities are vitally important processes when debating the geography of professional

and managerial labour migration within the global space economy (Beaverstock, 1996a : 38). From the middle-part of the 1980s economic and commercial restructuring in world cities has altered the labour market of executives and professional management. There has been an increase in the demand for positions within the business and financial services, which has resulted in a marked increase in the levels of remuneration (Beaverstock, 1996a; Thrift and Leyshon, 1992). The sheer number of institutions and organisations in global cities means that the pattern of demand for professional and managerial staff is being reconfigured. The development of the new international financial system with 24-hour trading and the introduction of specialist products has concentrated the demand of key knowledge workers in such locations. Competition amongst companies may encourage firms to use agencies and consultancies to find the required staff. Some will continue to use traditional methods such as internal promotion secondment or promotion, or word of mouth. The others will recognise that the external labour market is the best method for obtaining staff. As organisations become less hierarchical, a new geography of skilled labour migration has been created, as 'firms seek to cut labour costs and managerial structures' (Beaverstock and Smith, 1996 : 31). Whatever scenario evolves, there will be an increasing reliance on the external recruitment consultancies.

2.6 The Rise of Human Resource Management

In the previous sections I outlined how global economic change has brought about, amongst many things, organisational change, the rise of business services and flexibility in company work-forces. Organisations have undergone significant technical readjustments in the structures of management, which had been prompted by concerns for efficiency and competition. The search for product-marketing and competitive advantage required certain new skills and competencies (Iles and Salaman, 1995). The 1980s saw organisations rethinking recruitment processes and realising that they could support both strategic and cultural changes. In this section, I concentrate on these firm-specific processes, focusing on one particular business strategy - Human Resource Management ('HRM'). I argue that one of the most important elements of HRM is the emphasis placed on recruitment.

2.6.1 From Personnel Management ('PM') to HRM

The Institute of Personnel Management suggest that PM is 'the task of ensuring the optimum use of human resources ('HR') to the mutual benefit of the enterprise, each person and the community at large' (cited by Armstrong, 1991 : 27). Historically, the function of PM was associated with the provision of welfare (canteens and pay) and 'other personnel interests'

notably payroll (Legge, 1989). The inter-war periods witnessed the development of the discipline as a provider of a wider range of personnel services, notably recruitment. In the last twenty years, the function of PM has increasingly widened to include the provision of systematic training, leading to its use as a vehicle to achieve strategic business objectives. In the 1980s, the development of HRM as a body of management thought began to challenge orthodox PM (Armstrong, 1991) and coincided with 'changes in international competition, the restructuring of industrial sectors and organisations, and the rise of a renewed confidence in the power of managers to manage' (Goss, 1994 : 1).

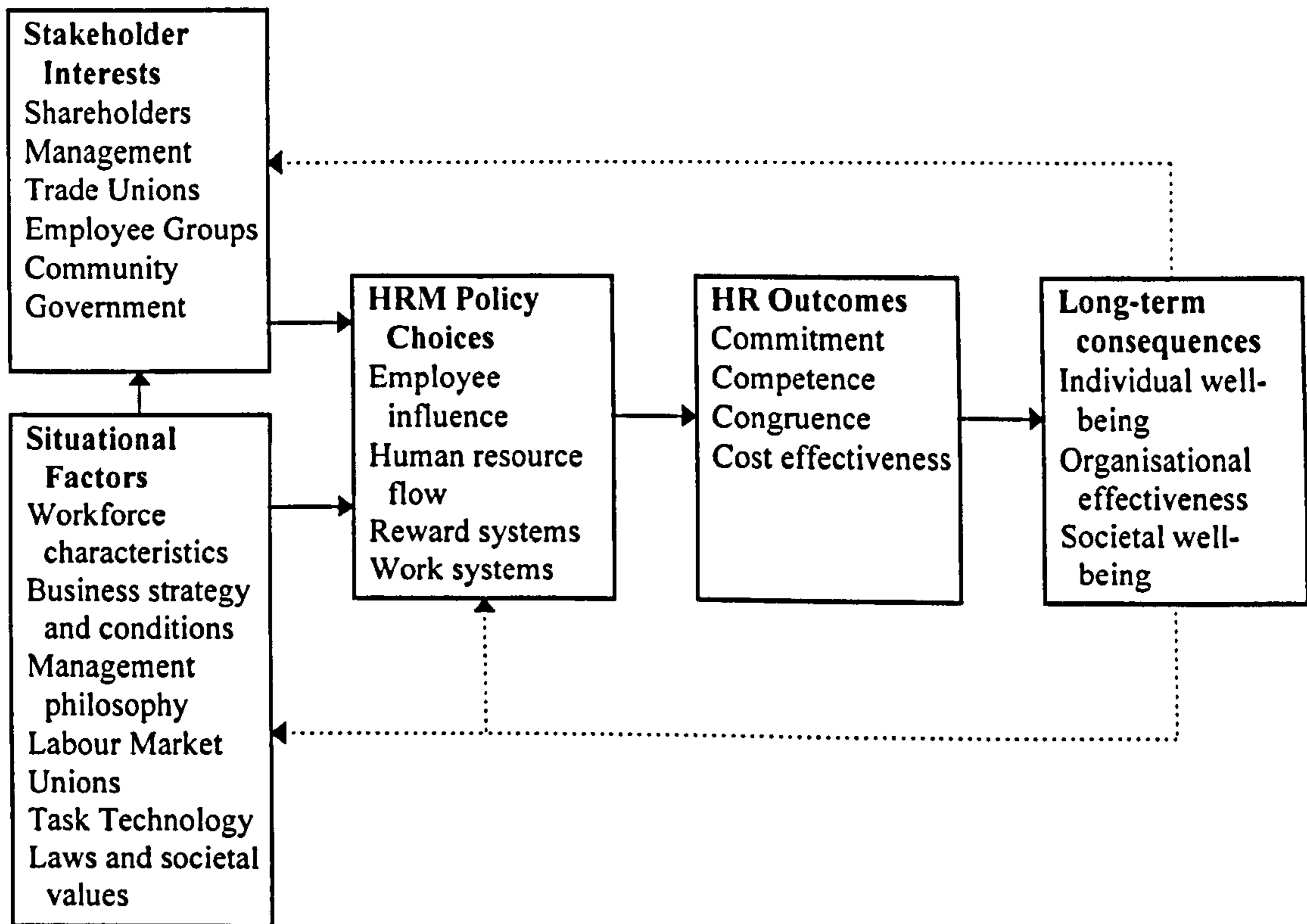
In particular, increased priority was attached by senior line managers to issues relating to the management of people, especially a re-thinking of the role of personnel departments and a growing emphasis on individual employee-orientated practices vis-à-vis collective bargaining and joint consultative arrangements. It was these kind of measures that became key elements under HRM. Though HRM is not a universal phenomenon within firms (Storey, 1992), the plethora of literature that has emerged on the subject (including two journals, *Human Resource Management Journal* and *International Journal of Human Resource Management*), suggests that it is a concept that has been incorporated into a growing number of corporations.

2.6.2 The HRM model

The Harvard model of HRM is widely acknowledged as having the greatest popularity in the United Kingdom (Boxall, 1992; Guest, 1989; Storey, 1989). This framework for approaching HRM incorporates an array of stake-holders, who influence and undertake HRM policy (*figure 2.4*). The model recognises the importance of employees and employee groups, as well as the interests of managers, and is appreciative of the wide array of situational factors that influence the decisions of HR adoption by management (Guest, 1989). It is to the credit of the Harvard team that the approach has been adopted by several authors in the United Kingdom (see Guest, 1989; Harrison, 1993; and Storey and Sisson, 1993).

Harrison (1993) suggests that the pivotal processes of HRM are selection, appraisal, reward and development. Only those organisations adopting these strategic processes of HRM are able to achieve their corporate goals and missions (*ibid.*). Storey (1995) advocates a series of beliefs and assumptions within his HRM model. Like Guest (1989), he argues that HRM is best implemented by line management. Under HRM, line managers are usually given this broader remit to be involved with the creation of cost and profit centres, and an increased responsibility for wider matters of employee recruitment and for the management of change.

FIGURE 2.4 : THE HARVARD MODEL OF HUMAN RESOURCE MANAGEMENT



Adapted from Boxall (1992)

There is concern amongst personnel staff that they are losing control to both line managers and external consultancies, who are poaching their day-to-day activities, and might, therefore, turn their function into a peripheral activity. An important debate now centres on who is responsible for the implementation of HRM. There have even been calls for the 'personnel manager to give it away, if HRM is to be taken seriously' (Guest, 1989 : 51). Legge (1995) argues that the only difference between PM and HRM is 'not what it is, but who is saying it' (ibid. : 37).

'HRM seeks to secure new meanings and emphases as compared to the normative PM models. It presents HRM as aimed at managers and core workers. It is vested in line managers not as people managers, but as business managers responsible for co-ordinating and directing all resources in business units' (Legge, 1995 : 37).

In spite of speculation by Legge (1989) that the personnel function is losing status, HR as a function is becoming pivotal within the company (Legge, 1995; Brewster and Söderström, 1994; Clark and Mabey, 1994). '[In addition] personnel's involvement with the recruitment of executives means that it has both contact with the dominant coalition, so enhancing its power base, as well as exerting considerable influence over the future character of senior management within the organisation' (Clark and Mabey, 1994 : 17).

2.6.3 Difference between HRM and Personnel Management

To what extent does the introduction of HRM mark a change in the direction of the management of people? Clearly, there have been some differences associated with the rise of HRM compared to the traditional methods of personnel management. Under PM line-managers are viewed as implementers of personnel policy, but HRM views line-managers as directing a range of policies to achieve business objectives (Legge, 1989). The move towards an HRM approach, which emphasises recruitment, selection, flexibility, performance appraisal and management, implies a divergence between personnel management (which is based on actors) and personnel issues (where it is issues that govern the management of personnel) (Legge, 1989; Clark, 1993b; Storey, 1992). HRM is pro-active rather than reactive, system-wide rather than piecemeal, and treats labour as social capital rather than as a variable cost. It is goal-oriented rather than relationship-oriented, and ultimately is based on commitment rather than compliance (Blyton and Turnball, 1992 : 5). Nonetheless, some view HRM as merely being a re-labelling and re-packaging of personnel management and question whether 'it is just old wine in new bottles?' (Legge, 1995). Rajan (1990a) notes that PM has been marginalised as it was traditionally viewed as costly, concentrating solely on recruitment issues. The introduction

of HRM represents a switch from work-force focus to resource focus. In other words it is a move from a traditional emphasis of PM on conciliation and motivation of employees as potentially uncooperative costs, to a view that people are not a cost, rather an asset, requiring scope and autonomy as opposed to goading and supervising (Torrington, 1989; Rajan, 1990a). It is also 'a particular approach to employee relations, with its emphasis on commitment and mutuality as things which concern all managers, and not just those who happen to be employed in the personnel department' (Armstrong, 1991 : 37).

2.6.4 Development of recruitment under HRM

The use of strategic HRM within the personnel function has a number of implications for recruitment as well selection⁶ more generally. There is a need to ensure that within the business organisation 'the right people are in the right place at the right time' so that the competitive advantage can be maintained (Storey and Sisson, 1993 : 110). Recruitment has become more than just an activity conducted within the personnel department. It has become a cornerstone of most organisation's corporate objectives. For this reason, recruitment is a fundamental aspect of the human resource management ethos. As Storey and Sisson (1993) suggest the 'processes of planning, resourcing, recruitment and selection are evidently central to the concept of human resource strategy and to business alike.' 'If HRM is concerned with the development of an integrated package of policies towards the management of people which are designed to utilise and develop the potential of those people, then recruitment represents a vital stage in the determination of which employees will be able to benefit from such policies' (Bratton and Gold, 1994 : 147).

Recruitment has always been the vehicle for obtaining an appropriate 'person-job fit' with the need for multi-skilled flexible workers (in other words, those showing an ability to learn and to adapt, and to work in teams) (Beaumont, 1993). Whereas in the past selection was often seen as a 'process of discrimination' or an opportunity for management to emphasise employee acceptability rather than suitability, today, there seems to be a move towards a systematic selection procedure for sections of the work-force that previously did not experience such measures.

In terms of attracting candidates there has been growing sources of influencing applicants, both inside and outside the company (See *table 2.1*; Storey and Sisson, 1993; Clark, 1992a;

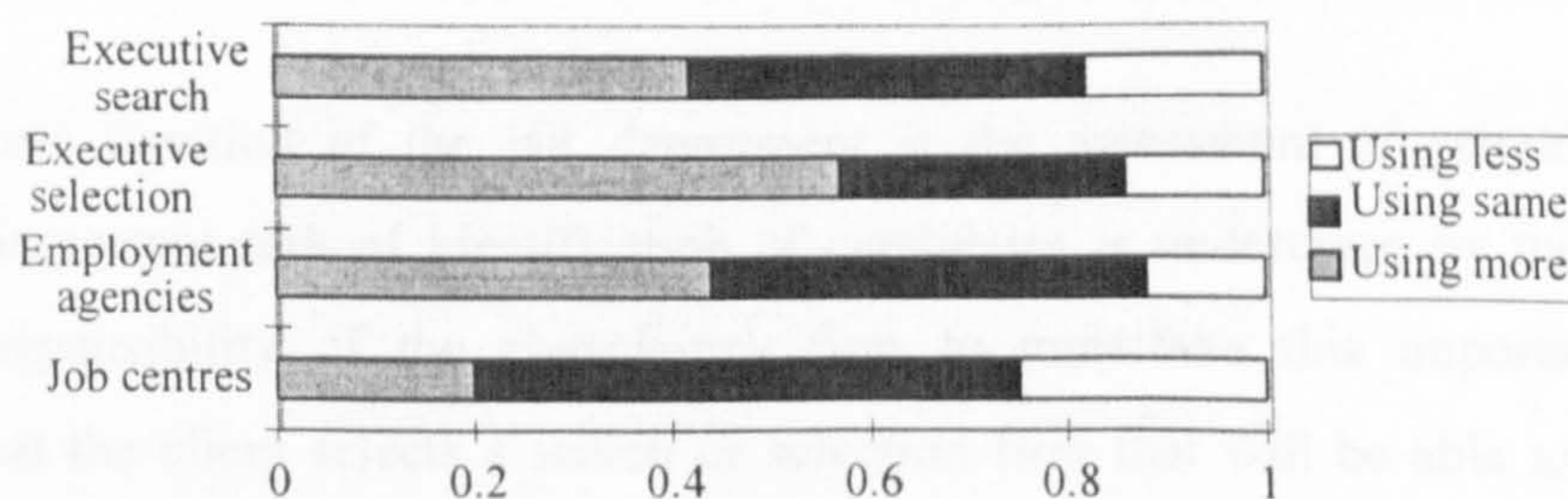
⁶ Selection 'is the process of deciding who to move into an organisation; who to move up; who to move across and who to move out' so that a balanced inflow, through-flow and outflow of labour can be maintained (Evendon, 1993 : 235). In other words, selection can comprise the recruitment, promotion, transfer, and dismissal of personnel.

Beaumont, 1993; Torrington and Hall, 1991). As well the traditional methods of advertising externally and internally, increasingly employment agencies (private and government), executive search and executive selection consultancies are being used (*figure 2.5*). Other external sources such as unsolicited letters and casual callers, and recommendations from employees through the old-boy network remain in place, but are of less importance than before (Armstrong, 1991).

TABLE 2.1: METHODS OF RECRUITMENT - EXTERNAL AND INTERNAL

Internal	External
<ul style="list-style-type: none"> • word-of-mouth recommendation • notice-board advertising • internal promotion - after appraisal 	<ul style="list-style-type: none"> • executive selection • executive search • employment agencies • job centres • advertising • introductions through existing staff • previous applicants - "on file" • on-spec applicants and casual callers • milk round • schools and careers service • youth training

FIGURE 2.5 : TRENDS IN THE USE OF EXTERNAL CONSULTANCIES AND AGENCIES



Source : Curnow (1989 : 42)

However, *figure 2.5* illustrates that the use of external search and recruitment consultancies increased during the 1980s. Whilst it would appear that for most recruitment needs 'informal' and 'internal' methods are most commonly used options, there also appears to be an increase in the usage of executive search and selection consultancies (Curnow, 1989; Clark, 1989b).

2.6.5 Importance of executive recruitment consultancies in an HRM era

In light of the changes in the profile of HR function outlined above, what does this mean for both the personnel function and the use of executive recruitment consultancies? Given the considerable growth and usage of executive recruitment consultancies over the last 10 years, there are four possible scenarios regarding the use of external recruitment consultancies in the future (Clark and Mabey, 1994).

1. The *demise of the personnel management function* will result in more bread and butter functions, such as recruitment and training, being devolved to line managers or subcontracted out.
2. The *rise of macho management* will lead to many managers reasserting their power base over personnel issues, boycotting the personnel function and turning to strategic consultancies for assistance.
3. The increase in the intensification of competition and the consequent perceived need for greater responsiveness will encourage *flexible management for flexible firms* (see section 2.4).
4. Under the '*business as before*' umbrella, the incidence of the macho management is exaggerated, with the importance of personnel and the HRM function remaining strong. This framework encourages the externalisation of services to provide cost savings and greater expertise.

Clearly, under all but the fourth scenario, the effects of the 1980s and early 1990s have been to diffuse the activities of the personnel function. Under the process of 'balkanisation', personnel can be 'conceived of as a number of mini specialisms which can then be sold-off, subdivided and put back to consultants, sub-specialists and line-managers' (Clark and Mabey, 1994 : 13).

Today, the core function of the HR department is the assessment of suitable candidates, whereas the important task of identification of candidates is undertaken by the consultancy. Given the responsibility of the consultancy firm to undertake this important role, it is imperative that the client selects a search or selection firm that will be able to represent the organisation favourably to potential candidates. It is likely that the HRM function will increasingly have a more pivotal role within the company. If this is the case then opportunities for the use of consultancies will grow (Clark and Mabey, 1994).

2.7 Context for research

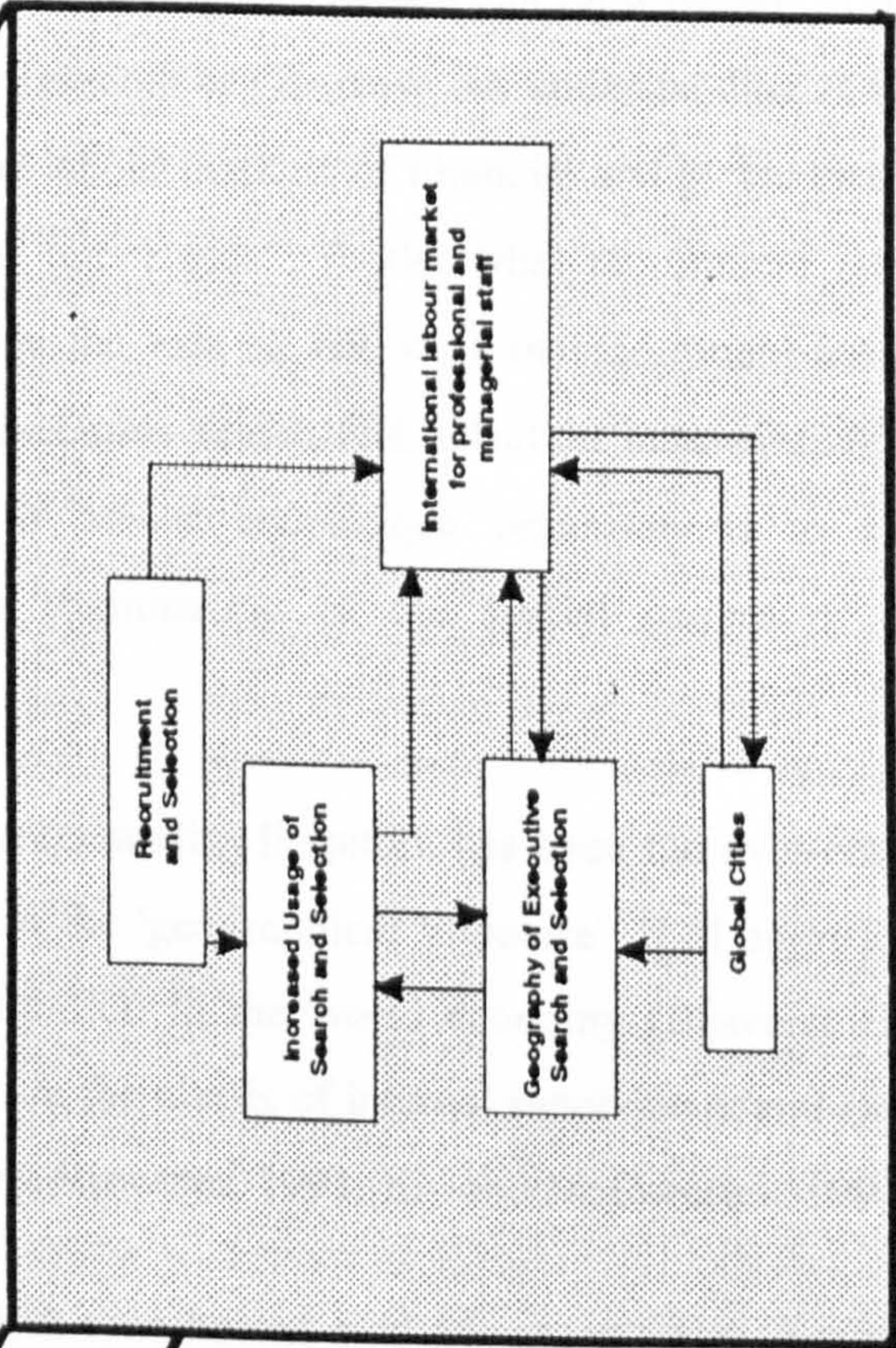
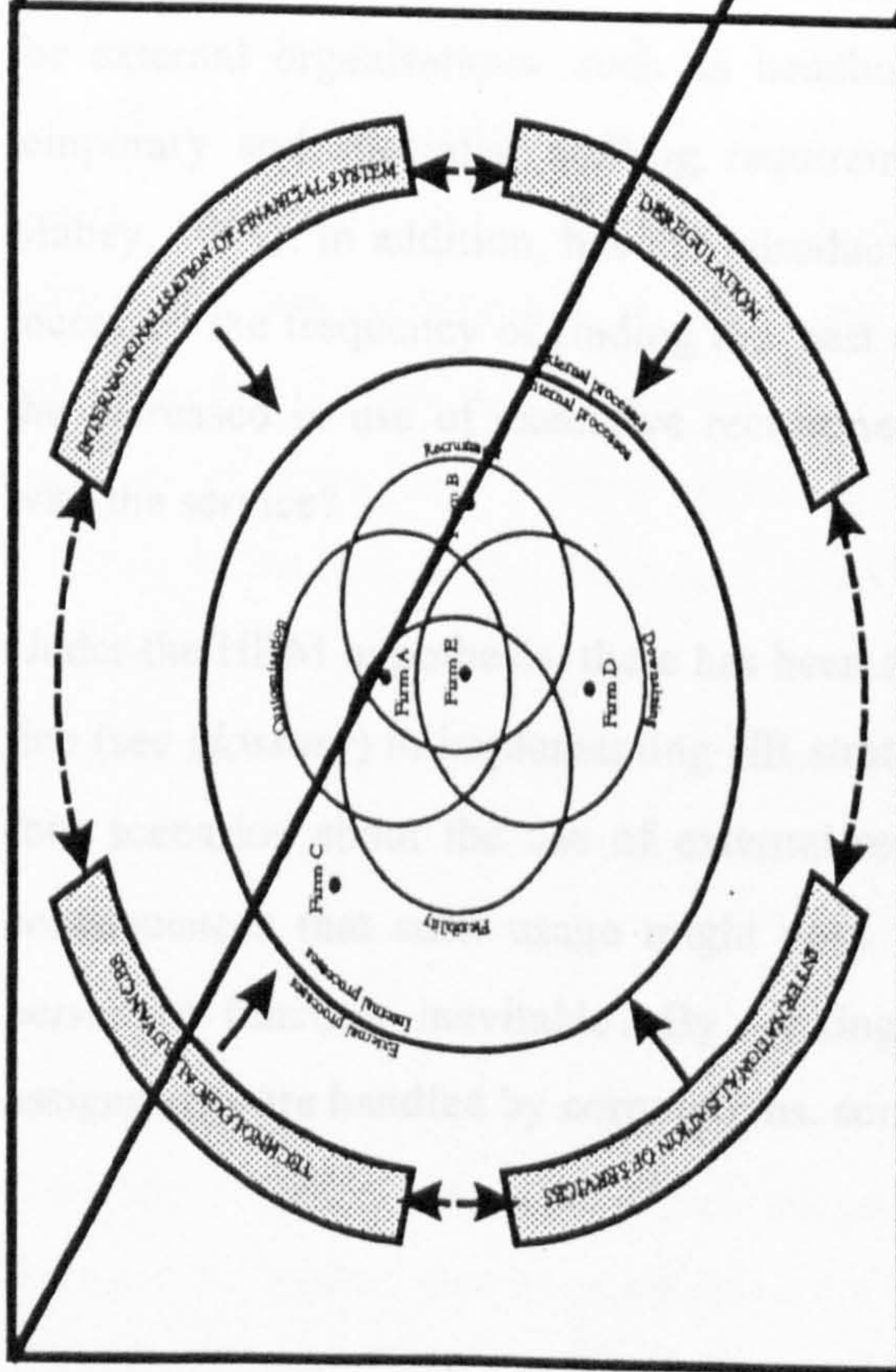
In *section 2.1*, I outlined the background to the thesis and indicated a series of firm-specific and non firm-specific processes which have influenced companies. Throughout the chapter, I have

elaborated on these processes. In the last section, I highlighted an important trend : companies are placing a greater emphasis on 'recruitment'. In the early sections of the chapter (2.2 and 2.3), I discussed the changing nature of the global economic system. In particular, I outline how organisation change and the development of flexible working practices may be understood with reference to flexible specialisation (Scott, 1988). It was argued that the social division of labour has deepened over the last few years resulting in more firms subcontracting services. In the subsequent section (2.4) I focused on the City of London and the global cities literature. Technological advances have not only altered the way in which business can be done, but have also given certain cities locational advantages. These technological advances, together with the internationalisation of services, the internationalisation of the financial system and deregulation have led to a centralising of economic activity in world cities. Increasingly companies are adopting more flexible structures to enable them to respond more easily to fluctuations in market conditions. As more firms externalise activities, the number of business services (including executive recruitment firms) will continue to grow with global cities being important centres for such activities.

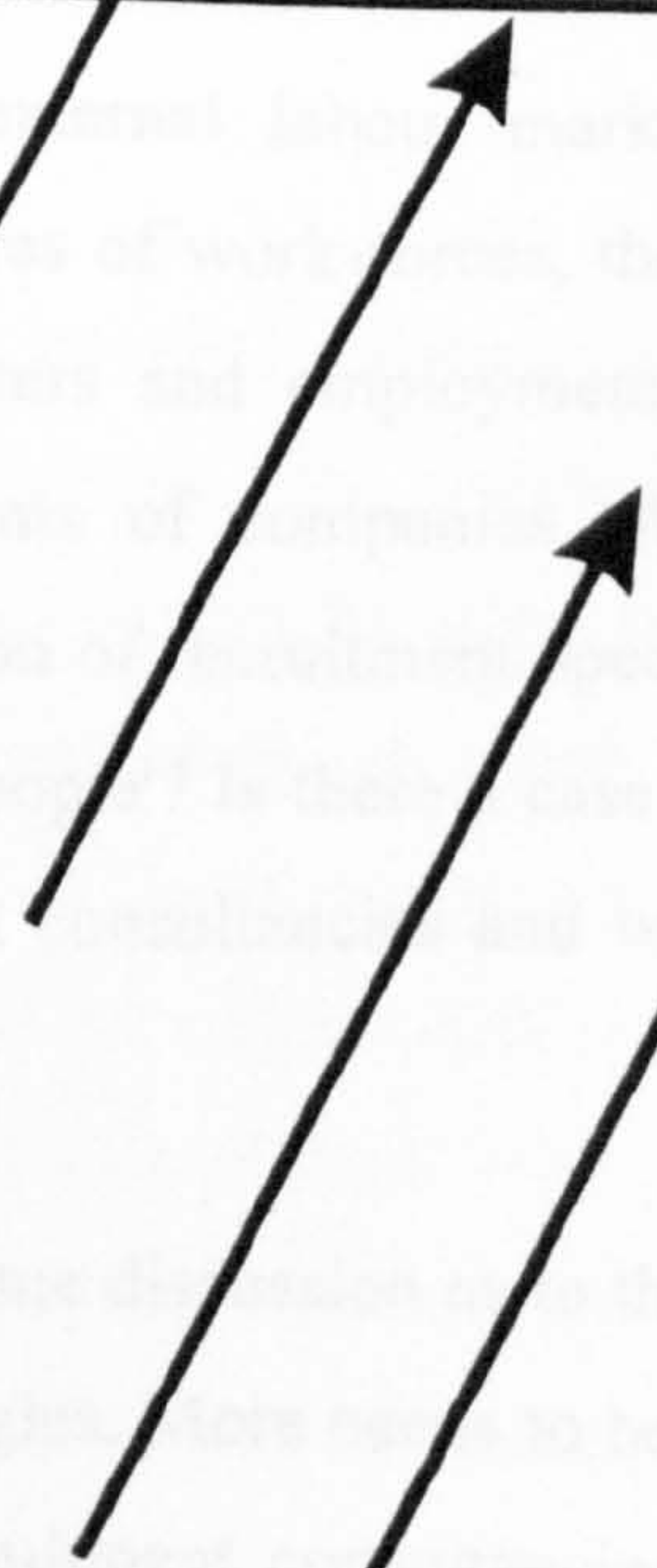
In *figure 2.1*, I outlined how firm-specific and non firm-specific processes interact and influence companies' decisions. These processes of corporate restructuring and globalisation provide the context for my research. In *figure 2.2* I have outlined a model of research. I use the term 'model' loosely, as it is not designed to be deterministic. By placing *figure 1.1* and *2.1* into a single diagram, it is not my attention to create a grand model of research but to emphasise that the activity in the research arena is happening' within the context of a series of environmental changes. All firms are subjected to the processes broadly encompassed under globalisation. Furthermore, any firm's decision to use executive search and executive selection will be influenced by their own policy of recruitment (and flexibility, customisation and downsizing).

FIGURE 2.6 : RESEARCH MODEL

Background to research



Research Arena



2.7.1 Deficiencies in the literature

Reviewing the literature, it is possible to identify where debate can be widened. In particular, there are a number of areas where further research can increase our understanding of the role of executive recruitment consultancies in the labour markets of financial and global cities. In this section I outline five areas of particular importance : firstly, what recruitment methods do organisations now use; secondly, what is the role of HR staff in recruitment assignments; thirdly, what is the nature of both the executive search and selection industries; fourthly, to what extent has the social division of labour encouraged organisations to externalise recruitment functions, and; fifthly, an examination of the spatial pattern of executive recruitment consultancies.

One of the deficiencies in the labour market studies literature has been the over-emphasis on the internal labour market ('ILM'). Within the 'geographical literature', ILM approaches have been important in explaining labour migration in the world economy (Beaverstock, 1990a; 1991). However, in the managerial literature the merits of internal secondment and expatriation are being questioned (Dowling *et al.*, 1994; Brewster, 1991; Ely and McCormick, 1994).

Therefore, there is a need to explore which recruitment methods organisations are now using and whether there has been shift to the external labour market ('ELM') for resourcing organisations. Given the new flexible structures of work-forces, there will be a growing need for external organisations, such as headhunters and employment agencies, to be used for temporary and specialist staffing requirements of companies (Atkinson, 1984; Clark and Mabey, 1994). In addition, has the introduction of recruitment specialists such as headhunters increased the frequency of finding the 'best people'? Is there a case for exploring the extent of the increased in use of executive recruitment consultancies and whether clients are satisfied with the service?

Under the HRM hypothesis, there has been some discussion as to the role of personnel and the line (see *glossary*) in implementing HR strategies. More needs to be undertaken. In *section 2.3* four scenarios about the use of external recruitment consultancies were presented, with the consequences that such usage might pose for the personnel function. Is the demise of the personnel function inevitable? By looking at the way in which externalised recruitment assignments are handled by corporations, some of these questions might be answered.

Another possible area of enquiry concerns business services. Economic geography has focused extensively on the growth of producer services (see *section 2.2*) citing the social division of labour as an explanatory factor (for example, Perry, 1992; Daniels, 1993; Sayer and Walker, 1992). There is still a need to examine specific industrial sectors in more depth to explore the extent to which business services have been (and continue) to be externalised. With this in mind, there is also a need to study the executive search and selection as *an industry*. Clearly there has been a reference to the growing importance of the profession, focusing particularly on the operational activities in the UK (see Clark, 1989b; 1992a, 1992b; 1994; Clark and Mabey, 1994). In terms of geography, there have been references to the rise of external recruitment consultancies in placing skilled professional executives (Thrift and Leyshon, 1992; Boyle *et al.*, forthcoming; Beaverstock, 1991; Findlay and Gould, 1989). By focusing on executive recruitment consultancies it may be possible to explore why companies externalise such activities.

There has also been some exploration of executive search and selection, focusing on the agglomeration factors and locational decisions of recruitment firms (Clark, 1989b; Boyle *et al.* forthcoming; Moulaert and Gallouj, 1993). Moulaert and Gallouj's (1993) study of the geography of advanced producer services firms suggests that location is governed by a need for, firstly, *proximity* to effective and potential demand markets and candidate executives and, secondly, a *working client and territorial basis* rather than market share.

Moulaert and Gallouj (1993) conclude that for domestic recruitment - their analysis is largely focused on such activities - firms need to be small. 'The spatial configuration of executive search and selection is the result of a balance between the need for proximity to 'input' and 'output' markets, economies of scale and economies of scope realised by geographical expansion over several agglomerations' (*ibid.* : 101). As a consequence when executive search and selection firms insert themselves into global networks within the urban hierarchy they tend to do so 'according to the local and global needs of their own businesses. They function following a horizontal approach, i.e. at the regional market level [which] consists of the upscaling of markets by replicating standardised selection practices in different local markets' (*ibid.* : 101). Specialist departments and head offices, which offer high value consultancy work, are by contrast located in top tier cities. This pioneering work on the location of executive search and selection consultancies is very important. It has been largely unchallenged and hopefully, this thesis can assess the accuracy of the findings. Furthermore, there is a need to explore the extent to which advanced producer services are concentrated in global cities. There are no studies that have assessed the significance of London as a centre for executive

search and selection activity, and the degree to which other UK regions are serviced by search and selection firms from London. If London is a global city, then do those executive search and selection consultancies that operate there experience agglomeration economies and benefit from innovation and specialisation?

During this chapter I have outlined the theoretical background to the thesis. By reviewing the literature in this way, I have identified some deficiencies in the literature which are broad areas for further research. In the following chapter I develop these areas into a series of more specific research aims and outline the methodologies that were subsequently used to investigate these aims.

3. RESEARCH PLATFORM

3.1 Introduction

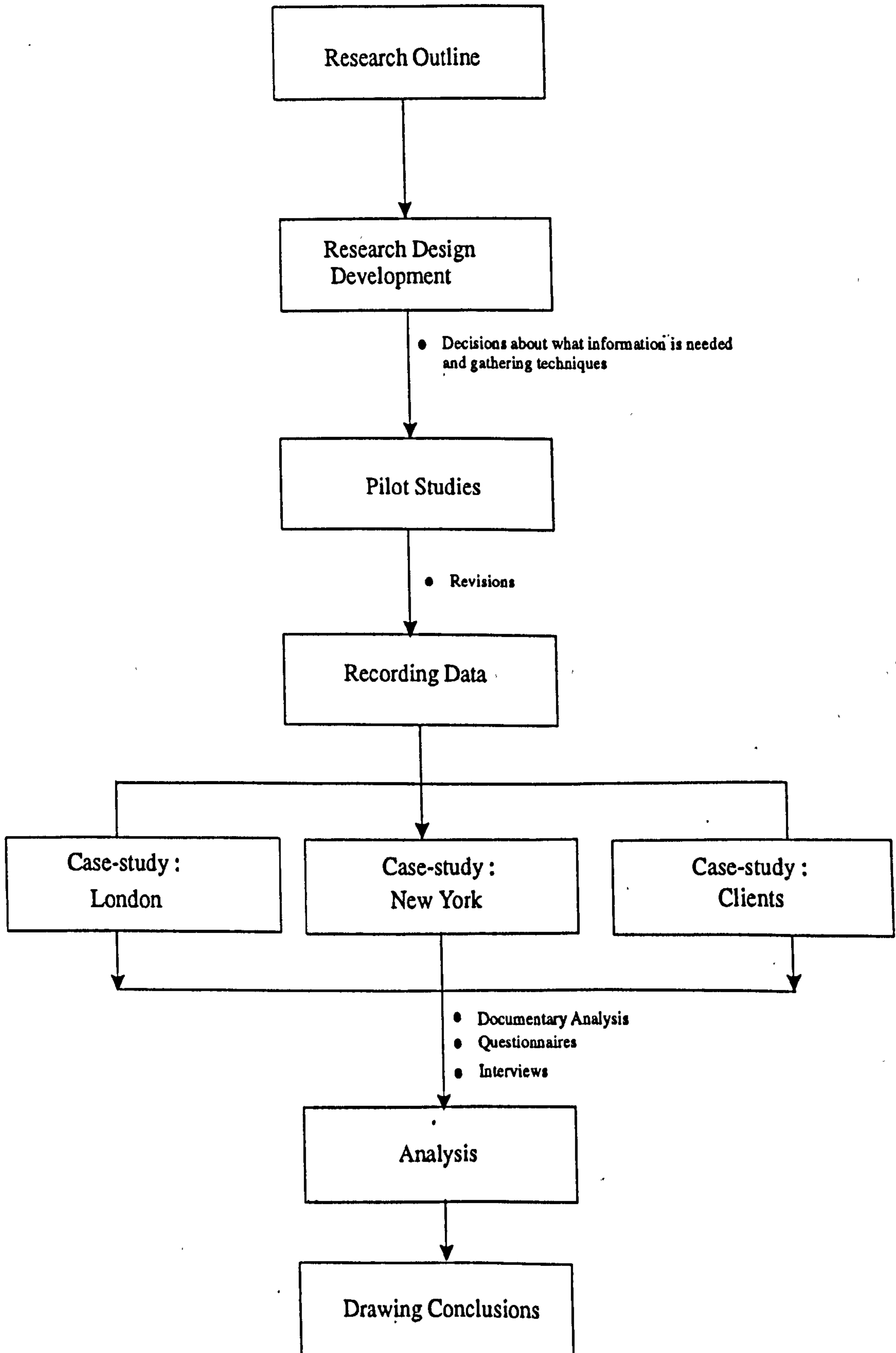
The central objective of the thesis, as outlined in *chapter 1*, is to address the industrial growth and development of the executive recruitment industry within global cities, and to examine the influence of executive search and executive selection firms on the financial services sector within the City of London. Therefore, this chapter addresses some of the methodological issues surrounding the research, outlining how and why particular techniques were used to obtain information. There are many components that make up the 'research platform' - research outline, the design, recording of fieldwork data, analysis etc. (see *figure 3.1*). The early part of the chapter focuses on the research outline and design with the formulation of aims, and how these aims were then developed into a detailed research design. These sections (3.2 and 3.3) also discuss the variety of research techniques, that were considered and the methodological issues concerning researching on corporate elites. *Section 3.4* gives a detailed account of pilot studies undertaken in Bristol prior to the major tranches of fieldwork, outlining the methodological issues arising from the pilot. There is also a discussion of the amendments and final revisions to the pilot techniques. The next three sections (3.5, 3.6 and 3.7) outline the sampling and research techniques that were used in each of the three case studies - executive search and selection consultancies in the City, use of executive search and selection in financial services companies, and international executive search in New York. Each section outlines how the interviews and questionnaire studies were set up, and then conducted. Finally, *section 3.8* introduces details of the analysis - how the relevant data was recorded, organised, then interpreted and verified, and conclusions drawn.

3.2 Outline and design : Mapping out the research

3.2.1 Research outline : the aims

The main aim of the thesis is to account for the growth and development of the executive search and selection profession, and explain why and how client organisations decide whether to use their services. There is an interest in knowing what the consequences are of this use of executive recruitment firms on three key areas.

FIGURE 3.1 : RESEARCH PLATFORM



Firstly, the companies, both those that use and do not use headhunting firms; secondly, the search and selection profession; and thirdly, the labour market in aggregate. In short, therefore, do search and selection firms provide a necessary service to the client, in terms of smoothing over the natural activity of people moving between corporations, and encouraging the promotion of good candidates to achieve their full potential: or, do such organisations, through their activities, cause undue upheavals in the executive market, shuffling the same personnel around the system and, at the same time, cause a tit-for-tat retaliation where companies poach staff from others in turn? In *chapter 1*, I outlined the research arena of the thesis and indicated a series of themes/interactions which needed to be explored. In addressing these themes of the thesis, it is helpful to formulate a series of research questions that could be independently addressed within specific chapters, the conclusions from which can be a basis for discussion and analysis later in thesis. These are:-

I. An examination of structural economic change in the industrial organisation of recruitment industry will be made. Analysis of the history and development of the UK and international executive recruitment industry is offered in *chapters 4* and *6* respectively.

II. An examination of the spatial organisation and activities of executive search and selection consultancies. The objective of *chapter 5* is to discover whether any geographical pattern exists, for instance whereby financial boutiques specialising in recruitment of banking personnel, might be situated in traditional banking areas. In addition, do global cities encourage product innovation, and is there evidence within cities, such as London and New York, that services are becoming more specialised and customised (*chapters 5* and *6*)?

III. An examination of the international dimension of executive search (*chapter 6*). The spatial location of executive search firms in the leading cities of the world will be discussed to assess the degree to which headhunters and recruitment consultants recruit or make placements overseas, especially in the context of post 1992 and freedom of labour mobility in the European Community, as well as in the context of transatlantic migration of skilled international labour. Is there a distinct geography of the international executive search industry?

IV. An examination of the processes in such recruitment firms. Much has been made of the mechanisms used in the drawing up of short-lists. What are the stages involved in the selection of suitable candidates? In addition, has there been shift in the reliance on formal recruitment mechanisms that rely on the external labour market, and if so, has this resulted in better candidates being selected for the client company (*chapter 7*)?

V. A study of the nature and dynamics of the City of London labour market, including an examination of pay levels. A historical perspective on the changing nature of the City of London is also needed from pre Big-Bang period (the time when headhunters became firmly established in the UK). *Chapter 7* looks at the use of both external recruitment consultancies and other business services firms in the City, and explores the relationship between client and consultant. The objectives here are to identify those clients within the financial service sector, which use such recruitment firms more, to discover their perceptions of the profession and whether the growth of this consultancy business has similarities with other sectors.

VI. An examination of whether any specific corporate culture exists in the City within the financial service companies (*chapter 7*). Has any restructuring that has/might have taken place in the client company resulted in new methods of management being adopted, such as HRM? In the new climate of flexibility, do companies have new recruitment needs, which can be best served by external organisations? Are new kinds of staff now being sought, who have increased employability because they are multi-skilled? Furthermore, who is handling assignments within client companies and is there any evidence of a demise in the personnel function?

3.2.2 Selection of the case-studies

The City of London was selected for the executive search and selection case study for several reasons. If only one geographical region was to be chosen for detailed examination, the City (and London as a whole) was the obvious selection as it is by far the largest location for search and selection consultancies in the UK (Clark and Mabey, 1994). Equally the logistics of conducting fieldwork research in the City would be comparatively easier than other potential field sites in the UK (for instance, Manchester or Edinburgh) or in European cities : the City is within easy travelling distance of Bristol. The underground system also provided the means to travel effectively between meetings that might be situated some distance apart. Finally, any analysis of the breakdown of headhunters' revenue will confirm that the financial services sector, and in particular, banking and insurance, is the most important to them. Therefore, it seemed sensible to select the City for both the two UK case studies. I also had a familiarity with certain aspects of the City, from the time when I was employed at S G Warburg (see *section 3.3.4* on positionality). For *chapter 6*, I had to select another 'world city' in which I could conduct fieldwork interviews. As Tokyo, Paris and New York are the leading world cities (see *chapter 2*) along with London, I considered these as locations for interviewing consultants. Whilst ideally several cities might have been covered, issues regarding language and the

limited development of executive search in Japan meant it was preferable for the purposes of the international case study to focus solely on New York. In addition, United States was the location of the first headhunters, and by studying New York, one would be focusing on a city where some of the world's current search companies have their main offices.

3.2.3 Research design

In considering the aims and objectives (*section 3.2.1*), it was necessary to decide upon the most appropriate strategy for conducting research. Should the emphasis be on qualitative or quantitative, or a mixture of both? If qualitative analysis is preferred one could conduct ethnography (participant observation), interviews, life history etc. If the interviews are the main techniques, decisions have to be made on the degree of formal structure to the interviewing schedule, and then whether they should be on a one-to-one basis or as a part series of focus groups. In selecting the appropriate research strategy, one must strike a balance between having adequate information considering ethical issues and creating a plan that is both efficient in terms of time and cost, and collects enough data (Marshall and Rossman, 1989; King *et al.*, 1994). Of the contrasting approaches available to social science researchers, neither is superior. Qualitative analysis and quantitative analysis need not be contradictory, but rather complementary.

FIGURE 3.2 : AN EXAMPLE OF RESEARCH DESIGN

OUTLINE	TECHNIQUES	SOURCE
<u>Case-Study : Executive Search</u>		
<ul style="list-style-type: none"> History and development of executive search in the UK 	Documentary analysis Qualitative analysis	Bryne (1988) Jones (1989) Other texts Individual companies' brochures Individual company interviews
<ul style="list-style-type: none"> Spatial location of executive search and selection in the City 	Documentary analysis	Garrison Jenn (1993), Jones and Sarch (1993) and other industrial guides Trade association directories Telephone directories
<ul style="list-style-type: none"> Organisational activities of executive search and selection in the City 	Interviews and questionnaires	Clients Consultancies (the city)
<ul style="list-style-type: none"> Impact of executive search 	Qualitative analysis Quantitative analysis (Secondary data)	Company interviews Clients interviews Labour market figures

An example of how the research was developed and designed is illustrated in *figure 3.2*. This shows a multi-dimensional approach to research - interviewing, questionnaires, documentary evidence and personal correspondence and indicates a selected list of information that was needed to answer various objectives and aims. The second and third columns highlight the desired techniques and sources of the information. This procedure was followed for all aspects of the research process. Subsequent sections outline how the research was then developed to work with business people.

3.3 Research design development

3.3.1 Conducting research with corporate elites

There is no single template for doing social science research (McNeill, 1990). For the purposes of my research, I have adopted a strategy with which I am comfortable, one with which professional businessmen and women are at ease and, most of all, one which generates the required data.

Social science research, after all, is at its best a creative process of insight and discovery. There must be flexibility and a willingness to seek new approaches in answering one's research questions (King *et al.*, 1994). Nevertheless, there has long been a failure for methodology texts to portray the complexity of the research process (Bryman, 1988). Bryman contends that there is a huge gap between traditional methodological texts on the one hand, and how research needs to be, and is, actually conducted on the other (Bryman, 1988). He argues that a number of practical aspects of research are frequently ignored by traditional texts, such as :-

- i. That researchers make mistakes.
- ii. The influence of funding bodies and gatekeepers.
- iii. The role of resources.
- iv. The importance of the ethical and political context of the research.
- v. The fragility of a research team.
- vi. The personal rapport between researcher and participant.

As such I have drawn on these concerns and the experiences of people who have conducted research in the similar field of corporate elites, such as Timothy Clark (Clark, 1989b; 1992a; 1992b; 1993a; 1993b; 1994; and Mabey, 1994) and used their advice. In addition there is a growing literature on conducting the 'perfect corporate interview' (for instance, Bryman, 1988; Buchanan *et al.*, 1988; Marshall and Rossman, 1989; Millar *et al.*, 1992; Schoenberger, 1991; Galaskiewicz, 1987). Bryman's edited collection of essays researching organisations, including Buchanan *et al.* (1988), is a key contribution to an emerging body of work that is beginning to

take seriously the importance of research techniques with corporate elites. Such is the interest in corporates and elites within geography, that recent Institute of British Geographers' and Association of American Geographers' conferences (both in 1996) held main sessions focusing on the methodological issues encountered researching 'elites'. Given the growing interest in studying the behaviour and actions of corporate actors (see *chapter 2*), there has been a simultaneous interest in the methodological and philosophical problems associated with studying such individuals, for example, power-relation issues between interviewee and researcher. When conducting interviews consideration should be given to a whole host of situational factors and problems (such as language and speech, physical environment) and personal factors (age, dress, gender). There are further problems in terms of arranging meetings through awkward secretaries, matters of dress code to consider, and fitting-in with the busy schedule of the executive.

Another problem at issue is the reliability of data. Given the confidential nature of the search business, all of the interviews in the study were conducted on an off-record basis. It was important to offer the concession of anonymity to interviewees and companies to initially obtain their participation. Very few companies were prepared to reveal specific information such as revenue and average salary levels. Most of the major search firms are partnerships and are often not obliged to release figures on fee income and profitability. This means that reliable data was hard to find. Information on the total size of markets in countries is very limited, as firms do not tend to release a breakdown of national fee income. As a consequence up-to-date information for each country or company is not available, so it was often necessary to rely upon published information for a specific year. The recent publications sponsored by the Economist Intelligence Unit (Watson *et al.*, 1990; Garrison Jenn, 1993; 1995) have been successful in encouraging the leading firms to release some data on their activities. Hence there has been reliance on using data from these sources, particularly for data on revenues and sector orientation. Another aspect of the accuracy of data collected from questionnaires and from case-study interviews is exaggeration. Company executives and consultants are likely to talk-up up their company's performance. The accuracy and validity of responses can, at least, be partially verified if the interviewer is reasonably knowledgeable (Schoenberger, 1991). In spite of these checking mechanisms, caution should be the policy to guard against potential egotistical claims.

3.3.2 Research techniques and corporate elites

In this section I outline some of the techniques that were specifically adopted during the research process. To conduct research with corporate elites there is a need for 'opportunism and persistence'. Even if the interview guide was not yet ready or finalised for use, one must never turn down the chance of a meeting. Never turn down an opportunity, and work at 'getting in', 'getting on' and 'getting back-in' (Buchanan *et al.*, 1988 : 55). Of course, one must always ensure that this is not at the expense of rigour and comparability.

Even though survey interviews offer more uniform data collection, I decided to adopt the corporate interview stance, which implies 'a non-standardised format with a predominance of open-ended questions [that allows the opportunity to] provide a qualitative context that amplifies and enriches the meanings derived from quantitative methods' (Schoenberger, 1991 : 180). Other types of interview were considered. For instance, the unstructured interview but this creates problems in collating the data - different information would be obtained from different people from different questions (Patton, 1980; Kane, 1990). By contrast, the survey or standardised schedule interview restricts the responses of the interviewees by fitting their experiences and feelings into the pre-set categories. It should also be said that other possible qualitative techniques, such as focus groups and ethnography, although initially considered, were ruled out as unsuitable and not likely to generate the desired data effectively (for instance, summarising and interpretation would be difficult with a series of group interviews). For focus groups there are the additional problems of getting full participation of individuals (cf. Stewart and Shamdasani, 1990). Had such a strategy been employed, search consultants would have been likely to be boasting about successes and generally 'blowing their own trumpets'. Equally search consultants would be unlikely to talk about clients in front of 'rival' consultants.

Confidentiality was a key reason for not deciding to conduct participant observation. An ethnographic approach might have been useful technique for 'getting to know what search was all about', but search companies are unwilling to let an individual into their company and be involved in the delicate process of liaison between candidates and clients. As a search assignment can take up to six months, the value of spending such a long period of time with one company on just a handful of assignments, also had to be weighed against other research possibilities.

3.3.3 Documentary analysis

There are many differing types of written sources suitable for social science research. In addition to the standard sources like periodicals (Journals, Newspapers and Magazines), books in print, theses and dissertations and other booklets and pamphlets, several other sources were used regularly in this thesis, both in terms of background information and secondary data collection. Some of the key sources of information on the companies within the search and selection sector were directories and yearbooks listing companies operating within given fields. These include the *Personnel Manager's Yearbook* (Kaminsky, 1993), *Post Magazine Green Book* (1993), *CEPEC Recruitment Guide* (1991) and also the telephone directories of specific cities - *Yellow Pages* (including the electronic version) and *Thomsons*. Obviously, like trade association listings which detail members' particulars, such listings by no means represent the entire populations operating within each profession - the lists are dependent on companies either completing entries or being a member of the relevant association. Nevertheless, used carefully and in conjunction with other sources, they do often represent comprehensive sources of company information. The most widely used directories during the thesis were those published by the *Executive Grapevine Company*. Helen Barrett and Robert Baird annually edit a number of related directories including the *Directory of Executive Recruitment Consultants*, the *Directory of Career Management and Outplacement Consultants*, the *International Directory of Executive Recruitment Consultants*, the *Grapevine list of HR Directors*. These comprise the details of most of the leading companies or individuals within the relevant fields. As these collections are the most widely read and accredited, most if not all the leading companies offer some information for publication, particularly as entry is free. They are also updated annually.

Much of the material used for the Labour Market Analysis was derived from Census of Employment and Population. The National On-line Manpower Information System ('NOMIS') is run under contract by the Central Statistical Office (though previously by the Dept. of Employment) to the University of Durham. This database provides instant access to a comprehensive range of labour market statistical information, such as employment, unemployment, earnings and job centre vacancies. The data is largely collected from the bi-annual Censuses of Employment. However, the most recent data from the 1993 Census has been produced from the new Standard Industrial Classification (1992) rather than from its predecessor from 1980. As such, the results from the most recent census will not be directly comparable to earlier censuses, particularly as they are based on small samples. This means any comparable or historical analysis has to be based on older datasets.

3.3.4 Positionality and situated knowledge

Positionality - the background and present position of the researcher - has become a vexed issue within social science research. Declaring one's positionality does not exempt one from accusations of bias and impartiality, or give the researcher a free hand to abuse his or her privileged position. However, a researcher can explicitly take advantage of contacts and friends, for 'objectivity is not about dis-engagement' (Haraway, 1991 : 201). Indeed in certain environments, distancing oneself from the subject can result in a loss of rich form of data. In this section I outline my own positionality. I readily accept that more doors opened as a result of knowing some of the right people. But social science research is about making the most of opportunities (Buchanan *et al.*, 1988). As someone who sympathises with Conservative ideology, and as a former employee of British merchant bank, SG Warburg, some might suggest I had a privileged position because I am 'one of them'. However, had it not been for my background, many of the interviews may not have been held. Having worked in the City certainly helped during conversations with personnel directors and, at least, gave me a better initial understanding of the issues. A closer relationship is also often a prerequisite to eliciting personal information. Such relationships based on mutual trust need not corrupt the data, as they generate a rich source of information (Buchanan *et al.*, 1988). I was also fortunate to have friends and family who both worked in the recruitment industry or in the personnel function of financial services functions. Whilst I have spoken frequently to them, especially my father about my work, none have been involved directly in case study interviews, though I did have informal discussions with some about my work. This dialogue was a very valuable part of the research process, as it provided a forum for developing ideas. A list of individuals and companies involved in this part of the research can be found in *appendix D*. Perhaps these individuals shaped my own initial perspectives and feelings, but I hope that during the course of the research I have undertaken a balanced approach and been as objective as possible, given my positionality.

3.4 Bristol pilot studies

Having decided a research design, methodology and target areas, it was advisable to test such techniques on a smaller sample to familiarise me with the techniques prior to the major study, and also allow them to be tested for suitability. Where unsatisfactory, amendments could be made before conducting the major tranches of research fieldwork. As there were to be 3 major case-studies, it would seem logical to conduct 3 pilot studies mirroring each of them. However,

a pilot study for the international project would have proved difficult and costly. Equally by that stage in the research, some 100 or so main interviews had been conducted. Therefore, two pilot studies were used, both for convenience in Bristol. The first focused on the local recruitment industry, including employment agencies. The second was of views of personnel and human resource officials from various financial service companies in Bristol. The first case study also provided an opportunity to familiarise myself with the operational activities and views of the recruitment sector, prior to conducting the main research fieldwork. For this reason the sample in the first case study was larger than the financial service case study, which was simply designed to test questionnaire and interview styles.

3.4.1 Recruitment consultancy in Bristol

As many Bristol executive search and selection consultancies and employment agencies as possible were identified for interviews drawing upon a variety of trade association directories, *Electronic Yellow Pages* and the *Bristol Yellow Pages* and *Thomsons* directories. Some 56 companies were targeted with a standard introductory letter explaining the background for the research and the intention of a meeting. Where possible contact names were derived either from advertisements or by requesting the name of the 'manager' or 'director' on the telephone. When an organisation agreed to meet me, I sent a standard acknowledgement letter confirming the dates and times and enclosing a proforma detailing the topics for discussion. This procedure was critical to the success of the fieldwork and the relative low level of subsequent cancelling. The proforma helped focus the meeting, allowing the interviewer to retain control of the meeting. It also allowed respondents to undertake the any research prior to the meeting. In total I interviewed some 20 organisations, representing a response rate of 30% (See *appendix D.1* for a list of firms). Typically an interview lasted 45 minutes and was very informal in nature, with the early meetings being taped. Wherever possible I attempted to get the individual(s) to discuss various pre-determined topics, but avoided excessive rigidity.

3.4.2 Financial service organisations and recruitment practices in Bristol

Some 11 firms were targeted for involvement in this case-study, mostly prominent financial service organisations in Bristol (WDP, 1994). Letters were sent to a contact name, preferably the HR or personnel director, as gleaned from the *Personnel Manager's Yearbook* (Kaminsky, 1993). Five companies agreed to participate (see *appendix D.1* for names), representing a response rate or around 45%. It had been envisaged that this particular pilot study might receive the least favourable response from its targeted audience. Financial services companies are frequently the target of studies by academics and others and receive much unsolicited correspondence about personnel issues. As the HR professional's time is already at a premium,

it was decided that an additional tool of participation should be offered - that of the questionnaire. As busy professionals might also be more responsive if offered a questionnaire to complete, this was done in two cases, thereby also helping refine the format.

3.4.3 Revisions to research techniques

The pilot studies also proved a useful mechanism for fine-tuning interview technique. In particular, by listening to the recordings of the some early interviews it was obvious that I needed to be much more assertive so that the direction of the meeting moved on to topics I wanted to discuss. Also, the interview guide was amended several times during the pilot study. Certain information could not realistically be obtained from all participants, so these areas were cut from the schedule, to be supplemented by discussion of other topics. The questionnaire was also shortened so that it did not take so long to fill in and thereby discourage participants. The promise of sending a report to participating organisations proved a useful incentive to companies in the Bristol pilot, and seemed to improve response rates (Harvey, 1987; Buchanan *et al.*, 1988; Galaskiewicz, 1987). It was decided to make this a more prominent part of the strategy when contacting firms.

One of the key conclusions from the pilot study was that consultants were more prepared to talk freely, citing examples of specific assignments or clients, if the meeting was "off-the-record" i.e. not taped. Whilst note-taking during the interview can be criticised as 'not capturing the richness of the verbatim account which can be used or support and enrich reports and publications' (Buchanan *et al.*, 1988 : 61), this method was the only real alternative in this instance. The key advantage of taping interviews is that the full record of nuances, silences and pauses is maintained. However, I soon found that the use of the *Walkman* inhibited answers, with respondents sceptical that information would not be taped and passed onto other competitors.

Anonymity was a prerequisite in respect of obtaining interviews and using tape recorders seemed to threaten this promise (Kimmel, 1988; Galaskiewicz, 1987). Another disadvantage of taping is the time involved in transcribing interviews. Given the very large number of interviews - some 96 formal interviews in the three case-studies - a considerable amount of transcribing would have been involved. Such time would have been at the behest of other analytical techniques. Combined with the problems encountered using recorders during the pilot study, it was decided that the case-study interviews would proceed without using taping facilities, relying on detailed notes instead.

3.5 Case-study 1 : Executive search and selection consultancies - City of London

3.5.1 Sampling framework

The list of target firms was drawn up through a process of cross-referencing various sources. The database for this initial mail-shot had been compiled over 4 months. The names were derived from various sources, which included *Executive Grapevine* (Barrett and Baird, 1993) and *CEPEC Recruitment Guide* (1991), according to two key criteria ; firstly, being based in the City (for definition see *chapter 5*) and; secondly, having conducted assignments in the financial sector. This preliminary list was then checked against the tables of the leading executive search firms that appeared in two prominent publications - Jones (1989) and Garrison Jenn (1993). As no definitive list of executive selection consultancies exists other than in *Executive Grapevine*, which includes some recruitment consultancies that operate a selection service, the advertisement pages of the Wednesday editions of the *Financial Times* were monitored for any other additional consultancy firms operating in 'the City' which had not already been highlighted. The scanning of the recruitment templates in the *FT* not only provided additional consultancy names, but also improved the list of contact names at financial service organisations, who were advertising in their own right - these names were to be recorded as potential contact names for the client case study. Finally, the list was circulated to a City personnel director with 30 years experience in financial services recruitment to see if any obvious names had been omitted. A *closed loop* method was also adopted during the interview stage (cf. Clark and Mabey, 1994). Consultants were asked whether there were particular firms that they felt should be included in the study, or even specific individuals, who might have an interesting perspective. Whilst this process generated just a few additional names of consultancies, it was reassuring that the names offered by consultants were ones already included.

3.5.2 Getting-in

(a) An introductory letter (*appendix A.1*) was sent to 193 consultancy firms which satisfied the above-mentioned criteria. To improve the response the letter emphasised that the work was being sponsored by the Economic and Social Research Council. Reference to a sponsoring research council adds a certain credibility to the work (Linsky, 1975; Harvey, 1987). Similarly, attention was drawn to work that had already been conducted, but reference to my studying a Ph.D. was kept to a minimum - professionals seem less willing to 'help yet another bloody [sic] student'. The two other important features of the introductory letter was the incentive of all

participants being sent an executive summary on completion, and the promise to use just thirty minutes of their time.

The most important guarantee was of total anonymity for all participants, as indicated above. Given the sensitivity of the profession, it was not surprising that confidentiality was a prerequisite of participation. Such reassurances were crucial in obtaining the participation of the consultants, and without such promises on anonymity, feedback and time commitment, the response rate would have been dramatically lower. As Buchanan *et al.*, (1988) note it is a question of taking time, using contacts, dealing positively with respondents reservations on time and confidentiality, and offering a report of one's findings.

Companies who had not responded within a three week period were sent another letter in the hope that this might provoke a response from very busy companies (cf. Galaskiewicz, 1987). Of the 193 targeted firms, 91 responded to the first or second letter, though 11 asked not to be included any further in the survey (*table 3.1*). Four of the firms were later identified as being unsuitable, and a further two withdrew either because a mutually convenient time could not be found or due to illness. This meant a total of 74 firms were involved in the case-study on executive search and selection in London, of which 6 were carried out by questionnaire. This represented a response rate of 39% of the originally targeted list of firms. This rate was to be the highest of the three case-studies, and reflected a general willingness on the part of headhunters and recruitment consultancies to assist and be part of a study that focused on *their* profession. The interviews were conducted over a period of 6 weeks in Autumn, 1994 and mainly took between 45-60 minutes, with just a few consultants keeping to my allotted 30 minutes.

TABLE 3.1 : RESPONSE RATES OF COMPANIES IN LONDON AND NEW YORK CASE-STUDIES

	Contacted		No Response		Response		Breakdown of (initial) positive responses						Percentage of Target Firms involved
							Rejection	Withdrawn later e.g. busy, illness, cancellation	Later identified as unsuitable ¹	Interviewed	Questionnaire		
Executive search and selection firms in London	193	101	91				11	2	4	68 ²	6	38.4%	
Executive search firms in New York	33	20 (incl. 6 address not known)	13				-	2	-	11 ³	-	33.3%	
		(incl. 2 addresses not known)											

Notes

1. Companies that were initially targeted but were identified subsequently as being unsuitable and outside and selection parameters.
2. Includes one case-study interview where target individual had already been met in Bristol, and another case-study interview conducted over the phone.
3. Includes one case-study interview where target individual had already been met in London.

TABLE 3.2 : RESPONSE RATES OF CLIENTS

	Contacted	No Response	Response	Rejection	Withdrawn later eg. busy, illness, cancellation	Interviewed	Questionnaire	Percentage of Target Firms involved
UK Retail Bank	7	1	6	0	1	1	4	71.4%
UK Investment Bank	24	6	18	4	1	10	3	54.2%
European Bank	21	8 ¹	13	3	4	3	3	28.6%
US Bank	13	4	9	4	2	1	2	23.1%
Insurance Broker	22	16 ²	6	1	1	1	3	18.2%
Total	87	35	52	12	9	16	15	35.6%

Notes :-

1. Figure includes one 'address not known'.
2. Figure includes one company that it later emerged had merged with another target firm.

Of the 74 firms respondents, 31 can be classified as pure headhunting firms (solely conduct executive search), with a further 23 defining themselves as executive search and selection consultancies (See *appendix A.2*). Although only 3 firms classified themselves as executive selection consultancies, the sample used for the basis of the thesis can at least, be said to be representative of the industry as a whole - there are very few solely advertising executive selection firms. By contrast there are several consultancies who offer a variety of recruitment services (as will be discussed in *chapter 5*). For instance, in addition to the 23 combined search and selection firms, another 17 so-called 'hybrid recruitment firms' were involved. These offer a complete range of recruitment services from database agency work to executive search, and generally work in a specific niche market. Those involved in the London case-study tended to, therefore, concentrate on financial services, in particular banking.

3.5.3 Getting-on

For all the useful hints and do's and don'ts listed in the literature on conducting interviews with professionals, nothing really prepares you for that first interview. Fortunately, vital lessons had been learnt from the pilot study. Similar methodologies were used, as in the pilot studies. Prior to any meeting an acknowledgement letter was sent out to the interviewee to confirm the date and time of the arranged meeting. This reduced the likelihood of cancellation or the individual forgetting about the interview. The letter also included an outline of the themes and topics that would be discussed (see *appendix A.3*), thus setting the tone and direction of the meeting. There is always the danger that a respondent, used to being the interviewer, might seek to dominate the interview taking it 'in directions that are both directly irrelevant to the research or not worth lengthy exploration' (Schoenberger, 1991 : 182). However, some consultants seemed slightly uneasy about the prospect of being interviewed, so it was important to reduce any concerns they might have. If the 'best data' is to be derived, an interviewer must also show interpersonal sensitivity, showing a willingness to learn in order to gain the confidence of the interviewee (Dexter, 1970; Buchanan *et al.*, 1988). In addition, consideration was given to situational factors (language and speech; physical environment - interviews were always conducted at individual's offices to reduce inconvenience and make them feel at ease) and personal factors such as dress (Millar *et al.*, 1992; Schoenberger, 1991). This also provided consistency of environment for me.

All the interviews consisted of informal, but 'guided' conversation about executive search/selection in the United Kingdom. The initial parts of the interview were concerned about

background information, so that the consultant could become comfortable (Dexter, 1970). After five minutes on "what I am doing" and "tell me about your company", the interview moved onto the most substantive part of the interview before concluding with a vote of thanks and explanation of what the next part of the research entailed (Millar *et al.*, 1992). As was the case with all interview case-studies, an interview guide was used as a prompt for conversation, which consisted of a series of both open and closed questions, as well as the provocative statements (*appendix A.4*). It had a list of topics that it was anticipated would be covered during the meeting. The guide not only served as a recording sheet, but contained pre-written information on the company concerned such as its history, size, development. Being briefed in this was very important in convincing the interviewee that one was knowledgeable and at least to be taken seriously. Sometimes it was necessary to play the 'naive innocent student card' - "oh, why was that?", or "and...which company was that?" - so as to tease out specific answers. It was all about striking a balance between being informed and knowledgeable, but without appearing some 'radical academic' who held pre-conceived ideas and was not willing to be open-minded and listen. However, when trying to explore secretive issues, the courteous approach is not always best. Sometimes it is necessary to stimulate the emotion of the informant by probing (Kane, 1990; Dexter, 1970).

Not all companies were involved by way of face-to-face interview. Some 8% of the companies participated by way of questionnaire. As will be discussed in greater depth below, the use of an additional technique ensured the participation of those firms for whom face-to-face meetings would be difficult. The questionnaire was designed to include both open and closed questions, and was relatively short. It covered background information on both the company and the individual consultant, the recruitment process, the labour market in London and also the consultancy's activities. Some of the methodological issues surrounding the use and design of questionnaires are discussed in greater length in the *section 3.6.2*.

3.5.4 Getting-out and back-in again

One of the primary objectives after the case-study interviews were conducted was to retain the participation of some of the consultants in a less informal manner. After returning to Bristol, many of the recruitment firms received letters of gratitude, saying how useful the meeting had proved. As promised executive summaries were later on sent to all the participants and to those consultants who had been particularly helpful and interested in my work, longer reports were produced. Retaining a dialogue between researcher and consultant was important should it be necessary to conduct any follow-up interviews, as well as being courteous and thoughtful for

other researchers who need to 'get-in' later. In addition, the consultants might be prepared to provide the names of contacts within various client companies that would be targeted in the later case-studies. However, what proved to be most fruitful part of sending out reports was the high amount of feedback that was received, not only from the consultants met, but from fellow colleagues who had read the summary report as it was passed around the office. Some consultants invited me back to their offices or out for lunch. Others - including the chief executive of one of the leading global search firms, who I had not met - simply wrote or telephoned to offer useful criticism and feedback. Whatever the form of response, new sources of information had been obtained, as well as possibility of the option to ring up consultants to discuss thoughts and to bounce off ideas.

3.6 Case-study 2 : Executive search and selection - users in financial services

3.6.1 Sampling framework

Five different types of financial service company were targeted for inclusion in this case-study. It was anticipated that all would have different recruitment strategies and thereby varying requirements of executive search and selection. For instance, it was felt that UK retail banks would be less likely to use search, making use of the defined career hierarchies within such organisations. The list of target firms were drawn-up through a process of cross-referencing various sources. The list of UK retail banks comprised the seven leading clearing banks including the two leading Scottish institutions in terms of assets, as detailed in *The Banker's* top 500 (*The Banker*, 1994b). The list of UK insurance brokers was compiled with reference to both *Post Magazine Green Book* (a definitive industrial guide to insurance companies) and the Mailing List of the Personnel Director's Forum of leading UK Insurance Brokers, which had been provided by a personnel director at a large insurance brokers. In terms of a sampling framework for the three other categories selected, the targeted firms represent a quota or convenience sample (cf. King *et al.*, 1994) as opposed to a random or a complete listing of banks within the City.

If the case study had been set up on the basis of random sampling, one might have expected the majority of respondents to be from the sector that has the largest community within the UK, namely the branches of foreign banks. Given that there are in excess of 450 such branches operating in the City, some form of quota sampling needed to be employed. However, because the survey method required a sample from all categories of banking, fewer overseas banks' branches were selected than might have been expected under a random sample. The selection of foreign banks' overseas branches was restricted to five countries namely the United States,

Switzerland, France, Germany and Belgium. In choosing Germany Switzerland and the United States, many of the world's leading banks and the only two 'AAA-rated' banks (both Swiss) would be automatically incorporated within the framework. The leading banks (by capital size and market dominance) from each of these countries were selected from a cross-section of sources including *the Banker* (1994b), and Hemming-Clark's (1993) *the Complete Guide to Banks in the UK and Who's Who*. Obviously it was necessary to use some parameters to restrict the sample. The decision to choose two other European countries was based on the belief that they would be a number of foreign banks from each of the countries, with of range of branch operations in London which would have differing recruitment needs.

The decision to include foreign banks in the case study was based on the premise that they would have differing recruitment and headhunting strategies - some, such as the American- and Swiss-based firms were known to be big headhunting users. Other firms whose international banking operations in London were much smaller would have limited needs for the search function, and if recruitment was conducted it would probably be conducted through the head office function. A variety of listings were then used in expanding the relevant databases. In compiling the list of European and UK Investment banks, all companies listed in the top 60 European banks by capitalisation (*The Banker*, 1994c) were added to the database, so long as they had a London office or branch, and were of the European nationalities described above. The initial US listing was based on the leading 10 banks by capitalisation (*The Banker*, 1994b), once again, providing the individual banks satisfied the above criteria. Both these two listings were then supplemented with banks who had not yet been identified, but occurred in other league tables or listings. These were :-

1. In the top ten list of lead managers or co-managers in the sterling capital markets (*Capital Markets Yearbook*, 1994)
2. Top 15 banks who are defined as global banks (% of business overseas) (*The Banker*, 1994a).
3. Table of the leading British Merchant Banks (*Euromoney*, 1994).

3.6.2 Getting-in, getting-on, getting-out and back-in again

Similar methodologies were adopted to the first case-study. An introductory letter (*appendix B.1*) was sent to the personnel directors or managers at 87 financial services organisations identified as suitable with contact names identified from the *FT* advertisements or the *Personnel Manager's Yearbook* (Kaminsky, 1993). The request for participation initially was for face-to-face interviews, this being the preferred technique, although the option of a

questionnaire was also given. The overall response rate was 35.6%, though within the individual classes there were variations (*table 3.2*). UK banks, both retail and investment, responded positively (response rates of 71.4% and 54.2% respectively), perhaps reflecting a greater receptiveness to a UK based research project.

By contrast, European and US banks' personnel may well have viewed the project less sympathetically. Several of the 'rejection' letters indicated that the company made little use of executive search firms, and when doing so it was usually done through the head office (See discussion in *chapter 8*). A feeling of 'what has this project got to do with us?' may well have discouraged others from reapplying. The low response rate would have been lower had follow-up letters not been sent out (*appendix B.2*), politely asking them to 'look at the letter that is probably at the bottom of their in-tray'. This measure probably accounted for an additional 6-8 firms being involved. If no response was forthcoming to the follow-up letters, then it was assumed that the company or individual concerned did not wish to be part of the exercise. It is often encouraged to follow-up letters with telephone calls (Harvey, 1991; Feitelson, 1991), but it was decided that there was little benefit in being 'too pushy'. If an organisation does not wish to participate then so be it. It is much better to have a case study of willing participants (Kane, 1990), rather than a larger sample comprised of agitated or unwilling participants, who are more likely to say what they think you want to hear just to 'get you off their backs'. Access may well have been denied in part due to the deluge of requests that are frequently received by personnel officers. In a harsher and competitive economic climate, it is also harder to devote time to non-productive academic research activities (Buchanan *et al.*, 1988).

Several companies (14%) refused to participate (*table 3.2*), perhaps highlighting a greater sensitivity and unwillingness to discuss human resource policy in the aftermath of the Barings Bank affair, an incident which drew attention to a bank's failure to manage its own staff and raised questions about recruitment policy. In spite of the growing costs of conducting in-person interviews vis-à-vis the questionnaire (Feitelson, 1991), wherever possible I preferred participation through an interview, as the advantages included the ability to give a prepared explanation of the purpose of the study, and a sense of validity as 'one can see the research' (Oppenheim, 1992). Questionnaires have the added problem in that one is never really sure who is actually replying. Nevertheless, as outlined in *section 3.4*, it was decided that this additional technique would be offered to gain extra participants. Of the 31 companies who were involved in this case study approximately 50% were interviewed and 50% completed questionnaires (See *appendix B.3; table 3.2*).

Interviews

Interviews lasted between 30 to 75 minutes, and consisted of a semi-structured interview with a member of the Human Resources team in the client company's office. A similar approach, as above, to setting-up and conducting the interviews was adopted - acknowledgement letters with an agenda were sent out to confirm the dates and times of meetings (*appendix B.4*) and an interview guide (*appendix B.5*) used as the basis for conversation. Of the 16 interviews conducted, around two-thirds were UK investment banks (*table 3.2*), with a further 3 from the European Banking sector. Of all the case-studies, this one had the highest participation of females. Personnel has long been known to have one of the highest percentages of women anywhere within the departments of financial service companies. What was interesting was the higher number of 'difficult' interviews undertaken with female personnel managers and officers. Several women appeared to be highly guarded and defensive, and others just difficult to get on with. This, I feel, may well reflect the strong personalities that are required by a woman wishing to succeed in, what is still, a largely man's world. Alternatively, this may be a reflection of my positionality and the difficulty I may have experienced when interviewing.

Questionnaires

Those companies that agreed to participate by way of postal questionnaire were sent a form after obtaining their consent together with a covering letter. Response rates for surveys that send out unsolicited questionnaires are notoriously low (Stafford, 1966; Harvey, 1987; Linsky, 1975). If the return of the form was not forthcoming in a period of a month, a follow-up note (see *appendix B.6*) was sent out to ensure that 'all was well', in a bid to ensure a higher completion rate. The questionnaire was short, with simple and straight forward language and a mixture of open and closed questions (*appendix B.7*). The covering letter reiterated earlier promises of confidentiality and explained the procedure for filling in the form (Harvey, 1987; Feitelson, 1991; Kane, 1990).

3.7 Case-study 3 : Global executive search - New York

3.7.1 Sampling framework

A sample of 33 executive search firms was identified as having an international search function in New York. This target list was drawn up by referring to the international edition of *Executive Grapevine* (Baird and Barrett, 1994) and largely consisted of international executive search firms, many of whom had already been encountered in London. The list of 33 was by no means exhaustive, but represented a convenient sample from which a reasonable response could be expected.

3.7.2 Getting-in, getting-on, getting-out and back-in again

As with the preceding two case studies introductory letters (*appendix C.1*) were sent out, in some cases including a contact name (usually provided by someone met in the London case-study) to whom I was being referred. This procedure of referral was probably significant in obtaining the high response rate, 33.3% (*table 3.1*), without any need for 'follow-up' measures, as necessary in previous case studies. The positive attitude and indeed the very courteous and helpful assistance received from both secretaries and consultants made the technical and logistical arrangements of setting up overseas interviews, around both my and the consultants schedules, that much easier. A standard acknowledgement letter (*appendix C.2*) was sent out to the consultants, who were due to be met, detailing both an agenda and perhaps most importantly a series of contact numbers and addresses for the period when I was in the United States, in the event of any problems. Some 11 consultancies were involved in this particular case-study, of all which were interviewed (See *appendix C.3*). The interviews lasted between 30 to 90 minutes, though mainly 45-60 minutes, consisting of a semi-structured interview covering topics such as executive search in the United States and international dimension to headhunting. An interview guide (see *appendix C.4*) was the basis for conversation. Quite often the meeting started with the consultant asking me to elaborate on the progress of my research and asking what conclusions had been reached. They were equally interested to hear about comparisons between the two markets. Often the consultant would then critique my comments.

3.8 Analysis

As with all large research projects, an enormous amount of information and data can be and usually is generated from a the variety of differing sources. In addition to the interview guides and questionnaires, there is the data from the other secondary sources, such as *NOMIS* and *Executive Grapevine*, as well as from my own correspondence with consultants and clients, informal meetings and company literatures and pamphlets. All that remains in the research project is to try and make sense of the data, checking its significance and accuracy, identifying relationships and trends discarding the irrelevant, summarising and drawing conclusions (Scaglione, 1990). With all forms of data, interpretation is an important process of analysis, but issues regarding reliability and validity of the information must also be addressed. By validity I mean an assessment of the degree of certainty with which it is possible to say that the results are accurate. By reliability one is referring to the degree to which someone else could conduct the same research and obtain similar results; this is one of the key requirements of social

science research (Kane, 1990). The research design was developed with these criteria in mind. The research conducted in my thesis has a mix of external and internal research (Sayer and Morgan, 1985). Extensive research methods produce the most reproducible results, but in intensive interview research the concept of validity becomes more vivid : there is a sense that what is being observed at first hand is the truth.

3.8.1 Intensive research (qualitative)

Intensive research or qualitative analysis has three key phases (Miles and Huberman, 1984): 'data reduction', 'data display' and 'data conclusion'. Elements of data reduction occur throughout the research process. For instance, the process of selecting who to interview, what to ask and then transforming the data is all part of the analytical process. Analysis, therefore, began when the sampling framework was drawn up. The structure of any interview or survey questionnaire obviously also influenced to a large extent the kind of interpretation that can be carried out.

As I indicated earlier, interpretation is an important part of analysis. Therefore, the process of interpretation of the information from case-studies was treated carefully. Immediately after all interviews, the completed sheets of data or the interview guides were reviewed and additional information recorded, such as environmental and situational experiences - what the interviewee was wearing or looked like, where and how the meeting took place (in the office, meeting room, on the sofa, behind a desk). When reviewing the interviews at a later stage to have information on the atmosphere made it possible to 're-live' the meeting; for instance, the parrot in the corner of the office, or drinking coffee out of a Royal Dalton Cup over-looking Hyde Park. As complete records of the meetings were not obtained, there was no need to use computer packages such as *Ethnograph* to transcribe the dialogue. The process of 'data display' started with information from all the interview sheets, which had been read through, typed up, printed out and then copied. A process of cutting and pasting followed, with quotes and comments were stuck on to cards according to common themes. These thematic cards were used as the basis for drawing conclusions ('data conclusion').

TABLE 3.3 : CLASSIFICATION SYSTEM FOR CASE-STUDY PARTICIPANTS

Case-study	Prefix	Range of Codes	Definition
<u>Executive Recruitment Consultancies in London</u>	SG	A-Y	Executive search consultancy dealing in several industrial sectors
	SS	A-F	Executive search consultancy dealing in financial services sector
	CG	A-P	Combined search/selection or executive selection consultancy dealing in several industrial sectors
	CS	A-J	Combined search/selection or executive selection consultancy dealing in financial services sector
	HYG	A-B	Hybrid recruitment firm conducting executive search, selection and agency business in several industrial sectors
	HYS	A-D	Hybrid recruitment firm conducting executive search, selection and agency business in financial services sector
<u>Executive Search in New York</u>	US	A-K	Executive search consultancy in New York
<u>Clients in Financial Services</u>	RB	A-E	UK retail bank
	BR	A-D	Insurance broker
	FB	A-D	Foreign bank (French or Belgian)
	IB	A-K	Investment bank
	IS	A-F	Investment bank that is a subsidiary of another organisation.

Where possible in the subsequent chapters, I have sought to include verbatim narrative from case-study interviews and questionnaires. When interpreting the data, I have refrained, wherever possible, from only using the 'juicy' quotes. Narrative has been incorporated when it complements the argument being made in the text. Where it has been reproduced, it is in inverted commas with the source indicated in brackets. However, as participating companies were offered total anonymity, a system of abbreviations is used to conceal the identity of the participant or the company. For each of the three case-studies a different system of classification has been used, consisting of a prefix to identify the type of the organisation followed by a code for that particular company (*table 3.3*). For instance, in the client case study, all retail banks are prefixed 'RB'; investment banking groups 'IB', and those investment and securities houses that are subsidiaries of a parent group (e.g. Morgan Grenfell - part of Deutsche Bank) have the prefix 'IS'.

3.8.2 Extensive research (quantitative)

The quantitative aspect of the research generated a large amount of information, notably from secondary data sources, such as corporate literature, NOMIS, *Executive Grapevine*, as well as from some parts of the London case study interviews. A variety of descriptive and statistical approaches, univariate and bivariate, were undertaken. Where possible the data has been plotted, mapped and tabulated. Further explanations of the statistical procedures are outlined in the relevant chapters.

3.9 Conclusions

This chapter has outlined the component methodological issues surrounding the research project. *Section 3.4* described the two Bristol pilot studies, and the revisions made prior to the main fieldwork. The next three sections reviewed how each of the sampling frameworks were set up, and then how the individual research was then conducted. Reference was made to some of the methodological issues arising from the three case studies, so that the interviews and questionnaires were efficient and effectively completed as far as practicably possible. The last section introduced some of the analytical tools that were employed.

4. THE UK EXECUTIVE SEARCH AND SELECTION INDUSTRY

'The headhunters then, are batting on a good wicket, provided they do not try to hit against the spin' (McKinnon, 1982)

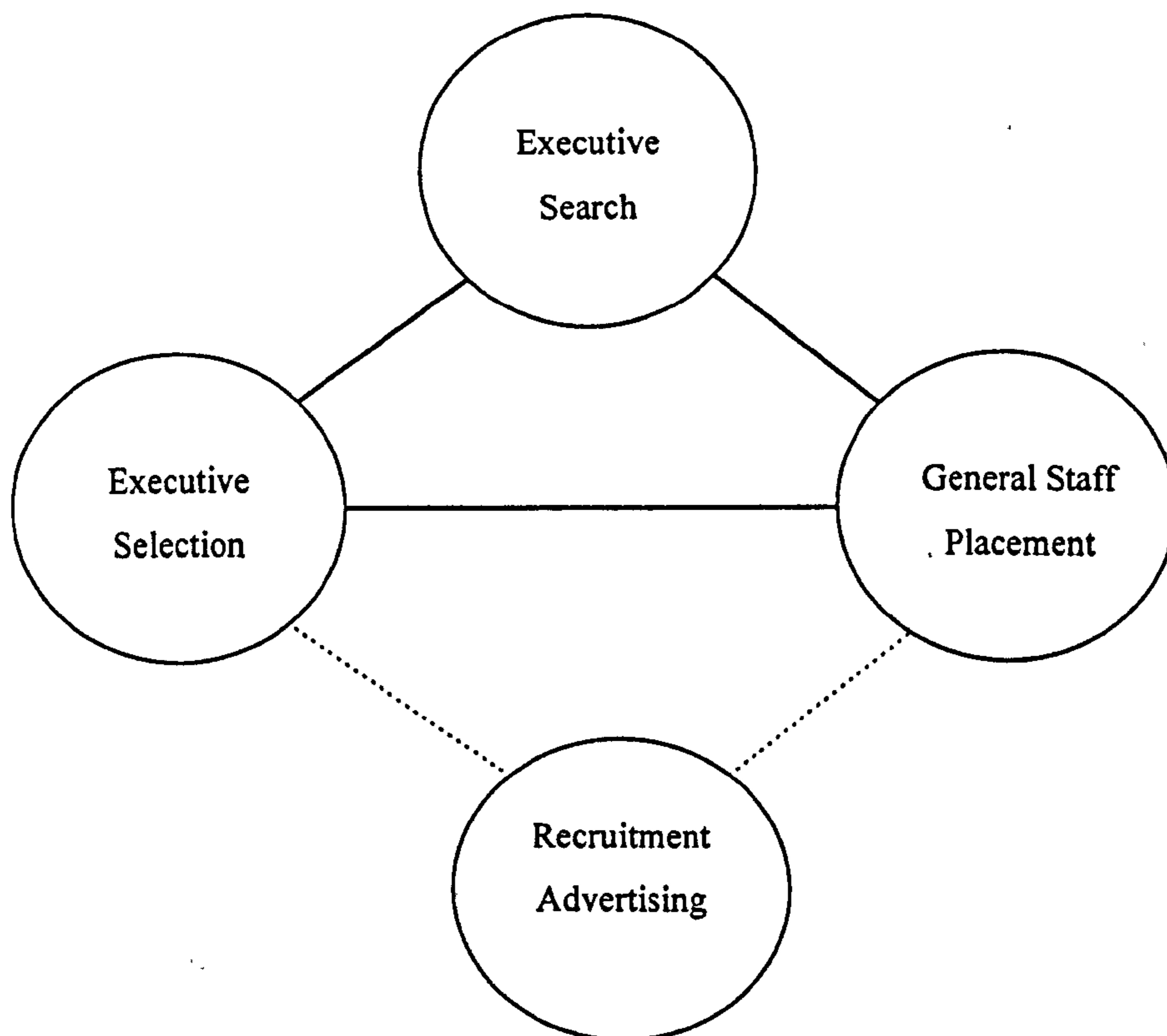
4.1 Introduction

This chapter addresses the nature of executive search and executive selection in the United Kingdom. It initially (*section 4.2*) discusses the nature of the two professions within the context of the recruitment industry overall, before focusing in more depth on their growth and development (*sections 4.4 and 4.5*). *Section 4.3* concentrates on the process of executive search and selection, and outlines the mechanics of them, such as the typical duration of an assignment, when to use it, how much it costs? *Section 4.6* concentrates on the issues that are likely shape the businesses over the coming years. The chapter is designed to provide both an insight into the contemporary nature of the executive search and selection industries, and an introduction to the three case studies to follow, which address issues raised by the chapter in greater depth.

4.2 Recruitment industry

4.2.1 Structure

The recruitment industry is a vast business, worth some £33 billion world-wide in 1988 (Blackley *et al.*, 1990), and has experienced rapid growth during the last few decades at rates often higher than world GNP, reaching 17% per annum. The industry is an 'archetypal people business - [it] depends not only on people, but people are the very stock in trade' (Blackley *et al.* 1990 : 3; McKinnon, 1982). Within the UK, the recruitment services marketplace consists of three constituent parts (*figure 4.1*) : firstly, executive search; secondly, executive selection (also known as advertising selection or management selection) and; thirdly general staff placement (generally referred to as employment agencies). It is also possible to identify a fourth sector, that of recruitment advertising. Although this is not directly responsible for recruitment per se, nonetheless, it is an important part of the overall recruitment process.

FIGURE 4.1 : HIERARCHY OF THE RECRUITMENT INDUSTRY

There has been considerable growth for executive search and selection firms in the UK, the former being as high as 30% per annum during the mid-part of the 1980s. Turnover in the total recruitment sector in 1994 has been extremely brisk according to the Federation of Recruitment Services (FRES), up by 29% to £10.3 billion. The total number of employees working within the 3,000 recruitment businesses is around 53,000 (*People Management*, 1995d). Changing work patterns and the increasingly sophisticated human resource requirements of most organisations are important factors in the explanation of the growth of recruitment generally in the UK. More specifically, the growth within the *executive market* has been associated with the increasing acceptability of hiring senior personnel from across industrial and geographical boundaries, requiring the broader knowledge and expertise of recruitment specialists (Blackley *et al.*, 1990). Technically all the categories in *figure 4.1*, excluding recruitment advertising, are classified as 'employment agencies' under the Employment Agencies Act 1973. This act defines an agency as being a 'business of providing services (whether by the provision of information or otherwise) for the purpose of finding workers employment with employers or supplying employers with workers for employment by them'. Thus, the term covers a range of activities from office staff agencies, model agencies and nursing consultancies through to executive search and selection consultancies. The number of employment agencies registered in the UK grew by around 200% during the period from 1974-91, largely reflecting an increase

in the number of appointments made in the service sector, particularly banking, insurance and finance (Abbot and Clark, 1991).

Whilst the thesis focuses on those agencies that concentrate on 'executive recruitment', it is useful to outline the nature of the two other sectors which comprise the rest of the recruitment industry. Recruitment advertising agencies have much interaction with the executive selection sector, because it is these organisations that are responsible for the design and placement of advertisements in the appropriate medium. Furthermore, many of the agencies either own executive selection businesses or are part of hybrid recruitment organisations themselves. Employment agencies, whilst traditionally focusing on database work at the lower end of the pay scale, have in recent years begun to diversify and seek to offer services across a wider spectrum of occupations and salaries.

4.2.1.1 Recruitment advertising

A recent survey indicated that the 14 leading advertising agencies each bill in excess of £6.0m to clients annually, with the largest nine grossing turnover worth around £226.6m (*People Management*, 1995b) (see *table 4.1*). The main core business of recruitment advertising agencies is to offer response handling (sifting replies to advertisements), and design and placement of advertisements within appropriate media sources. Many of the leading firms have lucrative contracts with executive selection consultancies, who place large volumes of business with them at favourable rates. As there is an obvious business link between advertising agency and executive selection consultancy, there are some agencies which own selection consultancies, or are part of the same group as the consultancy. For instance, both Barker's and NB Selection share the same parent company, BNB resources, while Macmillan Davies and Austin Knight both operate advertising agencies and selection operations. Indeed many of the leading recruitment agencies derive large parts of their income from external sources including executive selection and executive search (*table 4.1*). Some 13% of the surveyed agencies suggested that three-quarters of their income is from non-recruitment advertising, with a further fifth of companies indicating that non core-business activities account for between 50% and 75% of income (*People Management*, 1995b). This trend of diversifying is likely to continue as businesses realise that economies of scope can be achieved by vertical growth and as an attempt to protect themselves from market fluctuations for their products.

TABLE 4.1 : LEADING RECRUITMENT ADVERTISING AGENCIES (1994)

Company Name	Annual billings (£m)	Number of staff	Search	Selection	Response handling	Clients include:-
Austin Knight	55.6	145	√	√	√	<i>Austin Knight</i> <i>Reed Personal Services</i> Halifax
Riley Advertising	35.0	170	√	√	√	Yellow Pages
Barkers HR	34.5	149	√	√	√	<i>Coopers Lybrand</i> <i>Michael Page</i> <i>NB Selection</i>
Macmillan Davies	23.0	70	√	√	√	BA <i>Macmillan Davies</i>
Bernard Hodes	20.0	70	√	√	√	<i>Selector Europe</i> <i>Price Waterhouse</i>
MSL Advertising	20.0	120	√	√	√	<i>MSL International</i> Abbey National
McCann-Erickson	16.0	72		√	√	<i>Price Waterhouse</i>
Rada Recruitment	11.5	35	√	√	√	<i>Hays Personal Services</i> <i>KPMG</i>
Scott Edgar Advertising	11.0	38	√	√	√	Wandsworth
PA Advertising	10.0		√	√	√	<i>PA Consulting</i>
TCS Advertising	10.0	26			√	<i>Harvey Nash</i> Oracle
Bartlett Advertising	9.3	26			√	BBC
GMBM	7.0	11			√	Forte
HB Advertising	6.0	26			√	<i>Hoggett Bowers</i> <i>Brook Street</i>

Source : Adapted from *People Management* (1995b)

Note : Clients in italics are executive search or selection consultancies

4.2.1.2 General staff placement ('Employment agency')

General staff placement agencies handle vacancies in the £10,000 to £25,000 p.a. salary range, and use extensive computerised databases of clients and candidates to provide a brokerage service by matching career details of individuals to their client's needs. Such agencies meet the needs of local firms for permanent and temporary staff of a largely junior status, mainly secretarial and clerical office jobs across a variety of industrial sectors, but especially within accountancy, computing and information technology. The market is fiercely competitive because employers seldom have preferred relationships with any one employment agency. As a consequence most High Streets of towns and cities contain the local branches of the leading national employment agencies, all competing against one another and with local independent agencies. FRES suggest that over 95% of the recruitment industry's turnover, some £9.9 billion, is derived from placement of over 750,000 temporary and permanent workers (FT 1994e). Other estimates of the value of this market are around £7 billion (Abbot and Clark, 1991). Based on the number of licence holders, there were approximately 11,500 employment agencies operating in the early 1990s in the UK, of which 69.6% can be classed as single branch agencies (usually independent/sole-proprietor owned) with a further 17.4% of the market comprised of small multiples. The residual (13%) is dominated by large multiples

(Abbot and Clark, 1991). These are the UK High Street names such as Blue Arrow, Adia Alfred Marks, Manpower, Reed, Brook Street and Select.

In the United Kingdom there are also a number of management and other specialist employment agencies. The leading ones include MSL, Hoggett Bowers, PA and Austin Knight, many of whom had their origins in recruitment advertising. These tend to be concentrated where there is the greatest volume of business (see *table 4.4*), and each have a total of between three to ten offices nation-wide. Another major sector specialises in junior financial and accountancy positions. Some of the key names here include Accountancy Personnel, Harrison Willis, Richard Owen Harper and Robert Half. Although the employment agency sector is focused largely on clerical and secretarial appointments, some agencies specialise in other key occupations such as catering and nursing. The British Nursing Association (BNA) is a dominant figure for the placement of both temporary and permanent nursing staff in hospitals and nursing homes (Abbot and Clark, 1991 : 108).

4.2.2 Definitions and Classifications

It should be stated at the outset that the unequivocal classification of recruitment firms is difficult, and the terminology often confusing. In spite of the economic importance of the industry, business services, including *executive recruitment services*, is included together with security, debt collectors and free-lance journalists in the 1980 Standard Industry Classification (SIC) (Activity 8395/4) (CSO, 1981). Equally, because the SIC system classifies a firm under its principal activity, many executive recruitment functions are recorded under other industries, such as management consultancy and accountancy (Clark, 1994). Whilst there are no clear cut definitions of 'executive', 'executive recruitment' can be differentiated from 'conventional recruitment', both in terms of the actual process and the nature of the assignments. The former process is more likely to incorporate a high degree of research followed by a search or headhunting phase, though advertising can often be conducted. 'Executive recruitment' also usually involves a limited pool of potential candidates - specific individuals who have multiple skills, a proven track record and an ability to implement change within an organisation. There will be a high price tag on individuals and the total recruitment process is likely to be more thorough and longer, requiring a greater need for sensitivity, either because the incumbent is still in post or because the appointment is likely to be discussed in the public arena.

Although a glossary of terms associated with the executive recruitment industry is provided at the end of the thesis, it is worth elaborating on some of these definitions. Richardson (1987) claims that there is a difference between what he sees as executive search firms (specialised

management consulting organisations) and executive employment agencies (retailers or brokers that maintain inventories of résumés). It is possible, as has already been suggested, to visualise the recruitment sector as a hierarchy of recruitment organisations. At one end is the *agency*, largely divorced from 'executive recruitment'. The second tier consists of *selection consultancies*, which conduct assignments by advertising positions (usually between £20,000 to £70,000) on behalf of clients in the most appropriate medium, usually the national press and specialist periodicals. These consultants interview the best paper applicants before presenting a short list to the client. Revenue in this sector was estimated to be in the region of \$250m in 1990 in the UK (Abbot and Clark, 1991). Marketing, sales, production, engineering, finance and the public sector are the most likely sectors to use this option (*table 4.2*). The third and final tier is *executive search* (or *headhunting*). These consultancies generally deal with salaries over £60,000. They usually hunt for candidates without advertising by conducting rigorous research and consulting with prospective candidates and other individuals working in the field. They then present a short list on the basis of the personal assessment of the individuals. Headhunters target companies where they anticipate they will find the best people for the job. Chief executives, general managers and the most senior positions are the particular speciality of search consultants (*table 4.2*), not only because the higher salary levels make search more viable, but because the lack of potential candidates makes search the most appropriate method of recruitment (see *section 4.3.3*).

TABLE 4.2 : DIRECTORSHIPS AND MANAGERIAL POSITIONS FOR WHICH SEARCH AND SELECTION CONSULTANCIES ARE USED

Position	Search (% of total)		Selection (% of total)	
	1989	1992	1989	1992
Chief Executive	69.0	75.9	6.7	4.3
Managing Director	83.3	82.8	8.9	8.7
Financial Director	83.3	91.4	11.1	13.0
Sales Director	64.3	53.4	13.3	17.4
Other operational directors	73.8	58.6	8.9	21.7
Marketing Manager	35.7	36.2	51.1	45.7
Sales Manager	28.6	19.0	51.1	65.2
Specialist (e.g. accountant)	54.8	55.2	57.8	87.0

Source : Clark (1994) and Clark and Mabey (1994)

There are a host of different types of executive recruitment consultancies, ranging from those that are independent specialists and government agencies through to management consultancies and the recruitment arms of the leading accountancy firms (Clark, 1989a; 1994). As will be outlined later, this largely derives from the historical development of search and selection (*sections 4.4.1 & 4.5.1*). *Table 4.3* compares the tasks performed by and differences between the two types of executive recruitment firms. Executive search involves the identification of candidates through direct and personal contact and tends to be proactive. In contrast, executive selection is the identification of potential candidates by advertising and tends to be reactive (Clark, 1992a; Blackley *et al.*, 1990). It is reactive in the sense that it fails to catch many

potential candidates not actively seeking a new appointment and, indeed, might attract a vast number of unsuitable candidates. Executive search can be viewed as being a more thorough process. It may well be the case that selection might short-list the same candidates as a search assignment, but there is no guarantee that those individuals will necessarily apply.

Occasionally, executive search is used as a smokescreen. Often a client will have some idea of the candidates that it wishes to attract, but will nonetheless go through the formalities of conducting an assignment, so as to give the impression that all is above board. In other words, as one respondent commented, search is often 'used more to cover your arse [sic] when you want to get the seal of approval' (Partner, *US C*).

TABLE 4.3 : COMPARISON OF EXECUTIVE SEARCH AND SELECTION

	Search	Selection
<u>Definition</u>	Senior Management recruitment by direct contact	Identification of Middle Management candidates through advertising
<u>Candidate remuneration level</u>	£60,000 +	£30,000 - £70,000
<u>Methodology</u>	Strategy Research Client liaison Approach/Interviews Assessment & check - references Final appointment	Agreement on brief Reference checking Composition of advert Interviews
<u>Assignment</u>	Consulting Process first, then create brief using one's judgement	Gathering/sorting of large number of resumes
<u>Fee basis (of 1st yr. income)</u>	33% (35-40% for cross-border assignments)	25%
<u>Length</u>	Goes on indefinitely until successful completion or termination	One-time process dependent on advert

Source : Author's survey and Garrison Jenn (1993)

Both selection and search consultancy provide 'a client service aimed at finding the best man (in most cases) or women for a specific post, for which the job specification and the terms and conditions are agreed in advance' (McKinnon, 1982 : 1). In addition to information held in the public domain - directories, annual reports etc. - and in the consultancy's own records, the headhunter can accumulate profiles and recommendations of potential short-listed candidates by ringing other individuals. Calls to individuals take one of two forms - as a candidate or as an informant. Although search and selection appear to operate at different salary levels (*table 4.3*), it is certainly not the case that companies are either one or the other. One survey suggests

it in excess of 50% of executive recruitment firms operate in both sectors, taking advantage of a shared database and the cross-fertilisation of clients (Clark, 1994). Nevertheless, many of the larger search firms prefer to keep divisions separate if they have selection arms, as they may be keen to retain a reputation in search. Some search companies give their selection divisions different names, for example, St. James Associates (part of GKR) and Selector Group (Spencer Stuart).

4.3 Regulatory Framework

Due to the diversity of the executive recruitment consultancies, the industry as a whole attracts three different sources of regulation - government-initiated codes, general management consultancy and industry-derived codes. Legislation regulates the affairs and activities of both job-finding agencies (employment agencies and headhunters) and those which hire out their own employees. Under the Employment Agencies Act (1973), which came into force in 1976, search and selection consultancies were required to obtain a licence from the Department of Employment which in 1994 cost £114,000. Also, under the act agencies and consultancies:-

had to obtain adequate information on the job brief.

were forbidden to offer incentives (financial or otherwise) to client or candidate.

had to make reasonable effort to ensure that all laws regarding employment were being observed by the client.

were forbidden to approach a worker already placed in a job for fee with a view to arranging employment with another employer, unless the existing employer agrees.

v. had to include the agency name on any advertisements.

vi. must give a written statement of business terms and conditions including fee to any employer client (CRONERS, 1993).

As part of the Deregulation and Contracting Out Act passed in the 1994-95 parliamentary session, employment agencies need no longer obtain a licence. The purpose of the initial legislation was to ensure that unsuitable people did not become licence holders and that agencies abided by the rules outlined above. However, in practice inspection of offices and operations was intermittent, with the licensing aspect of the 1973 act not effectively enforced. The recent changes are unlikely to lead to an increase in so-called 'cowboy' outfits. In 1994 the Employment Department only refused 4 licences, 'so it is clear that the licensing arrangements offered only limited protection' (Thatcher, 1995 : 9). With the abolition of the Employment Department, the remaining legislation governed by the 1973 Act, such as advertising and the record-keeping of fees, are now handled by the Employment Agency Standards Office, which is part of the new enlarged Department of Education and Employment. The removal of the need

for agencies and consultancies to reapply for licences is expected to save the industry in excess of £2m each year (Thatcher, 1995).

The Federation of Recruitment and Employment Services ('FRES') is the key trade association for employment agencies. As well as being a crucial voice for the industry and a 'lobbyer' of parliament, it also seeks to improve standards through a code of conduct, adopting the new role of 'industry policeman'. Due to the threat contained in the 1983 Labour Party manifesto to nationalise all employment agencies, FRES set up the Executive Recruitment Association, whose members are derived from search and selection consultancies. Currently FRES has 2900 company members and is one of the professional organisations that is keen to be active in self-regulation. The loss of statutory licensing requirements has encouraged employers' organisations to adopt their own codes of conduct. Potential clients concerned about the possibility of decline in standards often insist on agencies being members of one of the leading trade associations, such as FRES, whose members are required to adhere to a strict guidelines and code of conduct.

FRES is not the only association with a strict code of conduct. When the Management Consultancies Association permitted its members to engage in executive search in 1974, it insisted that those which did so, must operate under MCA guidelines. However, since only 21 MCA members offer some form of executive recruitment service - representing only 2.6% of the national total of 841 firms (Clark, 1994) - this association, like so many others, can hardly claim to universally protect potential clients. A second professional body, the Institute of Management Consultants (IMC) with 3600 members offers more comprehensive guide-lines to search and selection members, in addition to its general code of professional contact (Clark, 1994).

The Institute of Employment Consultants ('IEC'), originally part of the Federation of Personnel Services, is another association drawing membership from search and selection sectors. It provides training courses for members in areas such as interviewing, agency practice and management (Watson *et al.*, 1990 : 35). Its national qualifications are designed to raise the standards of those practising in the industry, but given that just 2,500 consultants are members, in an industry of 50,000 or so individuals, it would appear that there are many 'unqualified' practitioners (Nixon, 1995 : 9). The increase in the number of researchers working in the industry, particularly working as independents, led to the creation of a professional association to represent their views. The Executive Research Association performs a public relations role

within the executive search business, as well as educating members, improving standards and establishing a code of conduct.

The Association of Search and Selection Consultants ('ASSC') is yet another professional association, whose constituent members abide by another code of conduct. It was formed to represent those consultancies that operate at the 'executive' level, but its membership totals - around 20-30 companies - would suggest that it is largely ineffective in regulating the search and selection market. In 1995, it merged with FRES, hoping to increase its profile and appeal to the more executive recruitment consultancies. By and large though the leading search firms feel superior to the rest of the recruitment industry and do not wish to be part of a trade association whose members are drawn mainly from the agency sector. They do not believe that the various associations including the ASSC represent their interests. They prefer to adopt their own codes of conduct, which offer clients guarantees on off-limits, fees, the passing-on of confidential information and completion rates.

4.2.4 Regional Concentration

In common with other business services such as management consultancy, advertising and publishing, the distribution of executive recruitment consultancies (and to a lesser extent) employment agencies shows a regional bias towards the South East and, in particular London, where 56.5% of executive recruitment consultancies' head offices are located (Clark, 1994; *tables 4.4 & 4.5*). In particular, the heavy concentration in London is a reflection of competition, mergers and new firm foundations and, of course, the presence of the largest opportunities for business nationally and internationally.

TABLE 4.4 : DISTRIBUTION OF EMPLOYMENT AGENCIES IN GREAT BRITAIN (1990)

Region	Agency Branches	Population
North	2%	5.5%
Yorkshire	4%	8.9%
East Midlands	6%	7.2%
East Anglia	9%	3.7%
Greater London	31%	12.1%
Rest of South East	25%	19.1%
South West / Wales	8%	13.4%
West Midlands	6%	9.4%
North West	6%	11.5%
Scotland	3%	9.2%
Total	100%	100.0%

Note : In 1990 there were 11,500 registered employment agencies

Source : Abbot and Clark (1991 : 110-111)

Much of the geography of the recruitment firms can also be attributed to the fact that many firms are small in size - too small to generate the necessary finance to permit operating from several offices. It is possible, especially in these days of improved IT, time-space shrinkage and home-working to operate from fewer locations yet cover as large a geographical area. If the data for the executive recruitment consultancies is analysed by county and metropolitan region, then the largest concentration of consultancies outside Greater London (374) is in the home counties (Berkshire 40, and Surrey 49) and in the major financial centres, such as the West Midlands (46), Greater Manchester (40), West Yorkshire (37), and Avon (28). Within these regions the executive search and selection branches are generally located in the leading financial cities, Birmingham, Manchester, Leeds and Bristol. *Chapter 5* examines the spatial distribution of the executive recruitment industry in greater depth.

TABLE 4.5 : DISTRIBUTION OF EXECUTIVE RECRUITMENT CONSULTANCIES IN THE UNITED KINGDOM

(1995)

Region	% of total branches (n=947)
Greater London	39.49
Rest of South East	25.45
West Midlands	6.97
North West	6.55
Yorkshire	5.49
South West	5.39
Scotland	4.01
East Midlands	3.48
East Anglia	1.69
North	0.63
Wales	0.53
Northern Ireland	0.32
Total	100.00

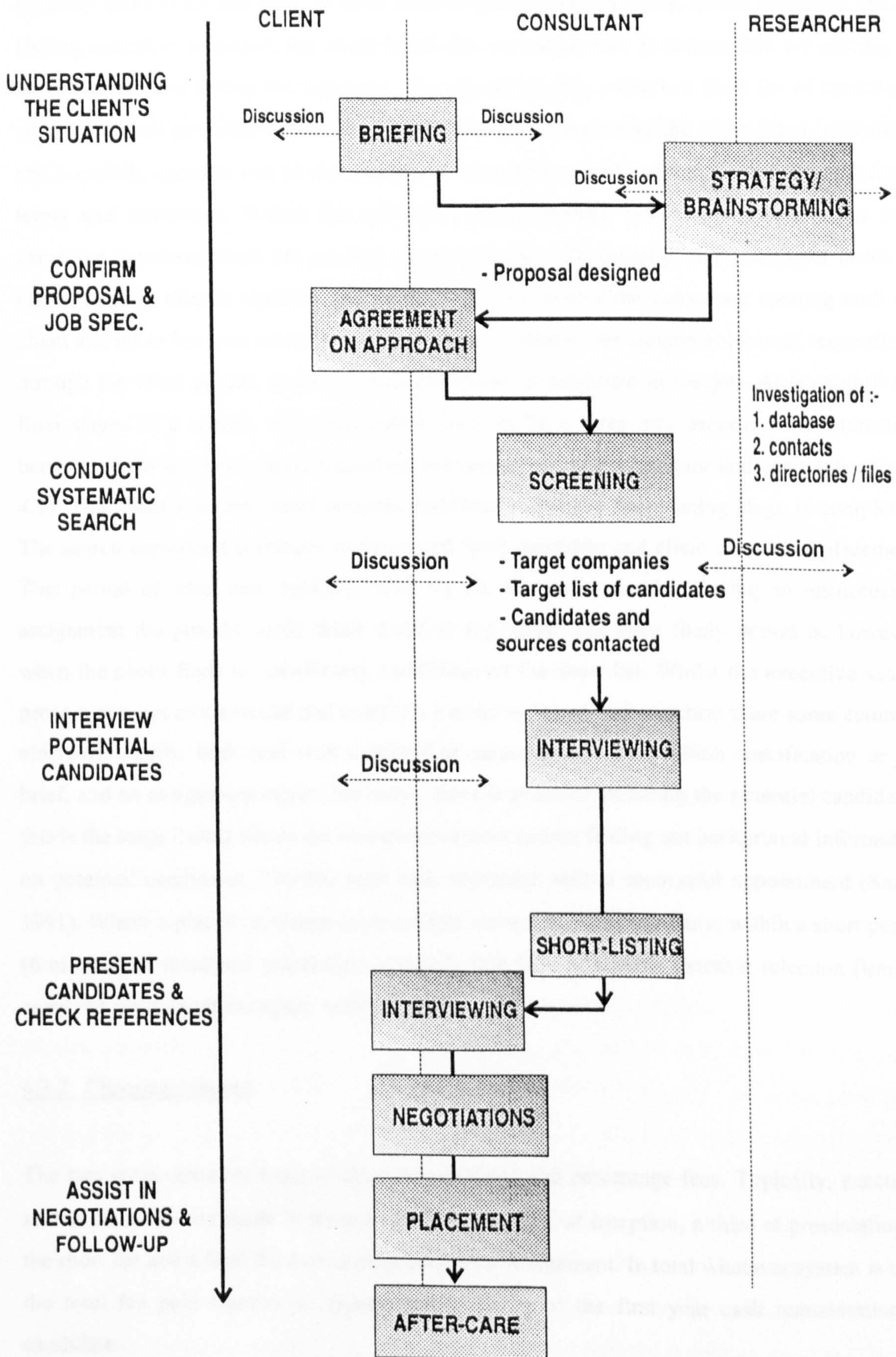
Based on data derived from Barrett (1995)

4.3 The Mechanics of the search and selection

4.3.1 The Process of executive search and selection

Executive search is rarely a straightforward process and there are never two identical search assignments. Yet all are 'full of curves, detours, and, just when it seems to be completed, backtracking. The candidate must live up to the company's high expectations, and the company must meet the candidate's demands. The search is complicated by not only salaries and stock options, but also lifestyles and corporate cultures' (Thompson, 1986 : 55).

FIGURE 4.2 : THE SEARCH PROCESS - STAGES OF A SUCCESSFUL ASSIGNMENT



Adapted from a model supplied by Jonathan Wren & Co. and an illustration in Garrison Jenn (1993)

Most search assignments typically last between 3 and 5 months, though often they take longer (for instance, the 'City' searches outlined in *section 4.4.3*). An executive selection assignment typically takes much less time, as there is no on-going research phase, unlike executive search. During executive selection, the client briefs the consultant who is responsible for placing an advertisement and sifting the responses. The consultant then presents a short list of candidates who it feels are potentially suitable. Finally, the client interviews the short-listed individuals and hopefully appoints one of them, after the consultant, client and candidate have negotiated terms and conditions. Within the executive search process, which is more complex than executive selection, there are six key phases (*figure 4.2*). Initially, the consultant needs to understand the client's situation and needs. This will involve the consultant meeting both the client and his or her own researchers. As *figure 4.2* outlines, the assignment moves sequentially through the other phases, and ends with placement of candidate in the job. At least until the final stages of a search, executive search tends to be a three-way process with interaction between client and consultant, consultant and researcher, and consultant and candidate (*figure 4.2*). The client will only meet potential candidates after the short-listing stage is completed. The search consultant continues to liaise with both candidate and client even after placement. This period of 'after-care' typically lasts for six to twelve months. During an unsuccessful assignment the process could break down at any stage. The most likely period is, however, when the client finds no satisfactory candidates on the short list. Whilst the executive search process appears much longer and complex, executive search and selection share some common elements. Firstly, both start with a period of agreement on the position specification or job brief, and an assignment report. Secondly, there is phase of attracting the potential candidate : this is the stage during which the researcher is most active, finding out background information on potential candidates. Thirdly, both end, hopefully, with a successful appointment (Sarch, 1991). Where a placed candidate subsequently leaves the client company within a short period (6 months), it is normal practice for a search firm (and to a lesser extent a selection firm) to carry out the assignment again, without charge.

4.3.2 Charging systems

The two most common ways of charging are fixed and percentage fees. Typically, executive search payments are made in three instalments - a third at inception, a third at presentation of the short list and a final third on completion of the assignment. In total whatever system is used the total fee paid equates to approximately 33.3% of the first year cash remuneration of candidate.

Fixed Fees

With this kind of approach the client knows exactly how much it is going to be charged for an assignment, thereby assisting its budgeting. The fixed fee can either be based on the likely duration of the assignment (related to the difficulty of the job) or based on a percentage, where the fee is set roughly at a third of the anticipated salary. Of the leading search firms, Egon Zehnder was one of just a few that has for a long time operated a fixed fee policy. Such a policy removes any uncertainty on the part of the client that the consultant might seek financial advantage in promoting the appointment of a candidate, who was likely to start at a higher salary. As one consultant commented in London, 'fixed [is] best as it removes any sense of lining one's pockets' (SG U).

TABLE 4.6 : VALUE OF EXECUTIVE SEARCH TO THE CLIENT

	Times 500 (n=110)	Banks (6)	Insurance cos. (10)	Accepting houses (9)	
Agree	44	67	30	33	Question : - 'Does executive search generally give good value money'
Disagree	32	17	50	56	
Net agree	-12	+50	-20	-23	

Source : MORI (1984 : 25)

Percentage Fees

Clients often feel that this approach to charging is unfair as it does not relate to the difficulty of the assignment. Furthermore, as the fees are based on salaries, it is not possible for the client to predict the likely cost of the job. In response to accusations that consultants 'bid or talk up salaries', some companies have responded by placing an upper-limit on fees. With the exception of multi-country assignments, the percentages are generally between 30-35% of first year remuneration. There are two types of percentage fee charging. The first is not contingent upon success and is usually equal to one third of total cash compensation for the first year including bonuses, payable in three equal stages, either periodically at 30 days, 60 days and 90 days after commencement of work, or more commonly at critical stages of an assignment, as outlined above. The second type is based on success and is similar to the above, but the second and third stage payments are contingent on performance. Whereas there are several drawbacks to this approach, including the overall lack of commitment from both client (who can afford to speculate and circulate tasks to several outlets) and the consultant, and a reduction in the quality of work, benefits include the increased control for the client and improved motivation for the consultant because of the financial incentives, and also the improved guarantee that the search firm will perform (Watson *et al.*, 1990 : 84).

Whilst prohibited from charging a fee to candidates, employment agencies and consultancies are at liberty to charge the client company whatever they wish. Although clients do not generally rank 'fees' as a key factor when selecting a consultancy - search and selection are not price-sensitive - clients are not totally indifferent to levels of fees (*table 4.6*). There is a sense that all the consultant 'seems to do is talk to people, introduce one set of people to another and take a fat fee for it.' (Mead, 1994 : 20). The last few years have witnessed many businesses, not just executive recruitment firms', focus on short-term survival. Given the competition both within the search market and from other forms of executive recruitment, there have been many attempts by firms to alter charging mechanisms and so rationalise fee charges. This is unlikely to lead to fee reductions, rather a move towards fees based on complexity of an assignment, known as 'project fees'. One search firm chairman indicated 'the day of billing a third, a third etc.. might be over'. It might be that more firms [will] adopt more innovative forms of billing, such as flat fees or 'pre-wash or pre-assignment fees' (*US E*), which might assist the client's cash flow.

In terms of executive selection the fees are generally lower and are equivalent to 20-25% of first year cash remuneration, depending on the level of the assignment, its complexity and the volume of business with the client. As with executive search, fees are usually paid in three instalments, with a retainer paid on appointment of the consultancy, and the final two-thirds payable on presentation of a short list and completion of the assignment. For those assignments that are conducted on a contingent basis, the payment is usually made when any candidate, referred by an agency or consultancy, is subsequently appointed.

4.3.3 When to use search or selection

Prior to appointing a consultancy firm, a number of considerations arise. A decision has to be made as to whether to externalise the process at all, or do the recruitment in-house. Even if the search consultant is called in, the client's involvement continues (Clark and Mabey, 1994; Watson *et al.*, 1990). Consideration will also be based on economic feasibility. An anticipated starting salary of say £30,000 might make it very costly to search, if the executive search firm charges a minimum fee. Leaving aside considerations about costs. Richardson (1987 : 31) suggests that if judgement and personality factors are more important than technical skills, as with most senior management positions, an executive search firm should be used. However, if the client has to be sure that the position will be filled, then it should use an executive selection firm. If technical skills and experience are more important to the position than judgement and personality, then an employment agency needs to be considered.

The pivotal role in most searches is that of the consultant. It is he or she that co-ordinates the whole assignment, liaising with researchers and clients (*figure 4.2*). Once a decision is made about which form of consultancy is taken, attention turns to what form of search or selection consultancy should be adopted. The choice is generally based on reputation and the ability of the consultant to understand a client's needs. In choosing the firm, the personal values of the consultant, who would be conducting any assignment, are of paramount importance - these include his or her experience and integrity. In more complex search assignments, the selection of the consultancy may be based on the size of the firm, the range of services offered and the nature of the international network (See discussion in *chapter 5* on merits of local versus multinational search firms. Empirical evidence is also provided in *chapter 7* on what makes a good headhunter and what factors influence a client to select a particular headhunter).

Another disadvantage to selection is that the advertisement may be so worded that it discourages candidates who are suitable, but do not apply as they feel 'under qualified'. Sarch (1991) recounts the experiences of one personnel manager who received very few responses from females when advertising for a vacancy. When he re-advertised with a lower anticipated starting salary level, the number of female responses increased. Most applicants admitted, when asked, that they knew they were capable of the tasks in the job description but did not believe that they would be considered at the higher salary (*ibid.*). Whereas advertising (whether through an executive selection consultancy or in-house) might not attract all potentially suitable candidates, headhunting is more pro-active and attempts to short-list all the best candidates, rather than leaving it to the whim of the candidate to apply. Whilst there are split opinions over the merits of executive search and selection, the reality is that companies are increasingly realising the benefits of the search activity. While advertising only reaches those active job seekers, search can winkle out talent that does not look at advertisements. As one London consultant indicated, 'as you stir the pot, you always find something else' (*CG A*). Admittedly, a person actively looking for a better job, *per se*, is much better motivated than the executive, who has to be enticed out of a comfortable rut (McKinnon, 1982; Clark and Mabey, 1994; Jones & Sarch, 1993). So the search consultant has a number of selling points (Bennett, 1994; CRONERS, 1994; BPRI, 1994; McKinnon, 1982) :-

- a) They save the client's top management team value and time and effort.
- b) The service is confidential to the client - the client may be secretly moving into a new market or an incumbent may be unaware that a replacement for his or her position is being sought.
- c) The candidate is assured confidentiality.

- d) Brings external objectivity.
- e) A thorough and precise way of targeting a wider audience.
- f) A competent headhunter will top and tail an assignment, by offering expert knowledge on the market sector and other consultancy services such as remuneration packages which are not directly related to executive search .
- g) Build up critical information on competitors and perceptions of client companies.
- h) Executive search offer a means of contacting people who are unlikely to respond to advertising.
- i) Direct contact with people who may have never thought of moving, possibly outside the original target industry.

And unlike executive selection

- j) Can target an audience effectively
- k) Do not get a large number of invalid responses

Sarch (1991) suggests just 20% of the top jobs are advertised. However, the suggestion that high calibre executives do not actually look at advertisements is highly contested (CRONERS, 1994). It is certainly true that the salary band levels within which selection typically operates have widened over the recent years, and six figure salaries (>£100,000 p.a.) are increasingly being advertised on the front pages of the leading appointment pages of the broadsheet newspapers. This would seem to suggest that senior executives *do* look at the recruitment pages of the newspapers and specialist magazines. Nevertheless, the nature of most senior search assignments means that executive search is really the *best option* for recruiting. In addition, many executives feel that they should be headhunted rather than have to read advertisements. There are instances when executive selection is more appropriate, particularly for those sectors of the labour market where there is large pool of similarly qualified candidates who can be easily accessed through a strategically placed advertisement. In addition, selection can be used when the company wishes to benefit by having a corporate logo on advertising and when off-limits difficulties prevent executive search consultancies from approaching specific individuals in companies. Executive search can be expensive and a lengthy process, and there is always the possibility that the headhunted individual will be headhunted again. These concerns often encourage companies to use executive selection in most if not all executive recruitment assignments.

4.4 Executive Search

4.4.1 Origins

The origins of headhunting in the US are believed to lie with Thorndike Deland, who specialised in finding buyers for retailers for a retainer of \$200. From 1920 he had run an 'executive placement bureau' for the Retail Research Association placing over a thousand managers and executives in this field, before he left to set up on his own in 1926. The emergence of the first headhunters in the form recognisable today 'owes much to a growing conflict of interest between different sectors of their business experienced by the management consultants and accountants, who operated headhunting departments' (Jones, 1989 : 9). Whilst the practice grew up in the US in the 1940s, it was in the post-war boom of the 1950s that a severe shortage of executive management emerged : boardrooms had been thinned by death on active service during the 1939-45 war (Perkins, 1991; Byrne, 1987; Jones, 1989). There was an unprecedented demand for new numbers of executives in the post-war period to cope with the growth, encouraging the emergence of executive search. In the United States, and to a lesser extent in the UK, home multinational corporations had spread abroad, and companies' personnel functions were becoming more and more complex, with recruiting seen as increasingly time-consuming (Jones, 1989 : 9). A crucial development was the acceptance of charging fees on a retainer basis, so that the search consultant was rendered comparable with accountants, solicitors or any other outside professional advisers. This benchmark development encouraged many other professional services firms to move into the search arena.

Many of today's multinational headhunters had their origins in management consultancies, for instance, Boyden, Heidrick & Struggles (1953 from Booz Allen and Hamilton), Spencer Stuart (1956 from Booz), Korn/Ferry (1969 from Peat Marwick Mitchell), Ward Howell and Canny Bowen (1951 and 1954 respectively from McKinsey & Co.), and William Clark, a co-founder of Russell Reynolds (Price Waterhouse). One key influential figure in shaping the profession in the post-war period was Sydney Boyden. He had joined Booz's executive recruitment in 1941 after 17 years with the mail-order giant Montgomery Ward. In the late 1940s, he set up on his own, conducting the historic search to find a chief executive of ITT in 1959¹ (Byrne, 1987). The process of individuals leaving the leading consultancies and accountancy firms continued, with some consultants who had joined these newly created search firms splintering off to form

¹ This was the first time a large payment was made for a headhunting assignment, when the search consultancy received \$25,000, equal to 20% of the candidates salary. The value of this search is significant when it is noted that the carefully chosen new chief executive, Harold Geneen, went on to lead ITT to much corporate success. By the time he retired in 1977, ITT's sales had reached \$17 billion, with earnings of \$562m (Byrne, 1987).

their own consultancy firms, for example, Haley from Ward Howell and Egon Zehnder from Spencer Stuart, both in 1964.

4.4.2 UK executive search - 1960-1985

Today, the 'executive search industry in Britain has come of age. Although it has not yet achieved an acceptability on par with headhunting in America, executive search has now achieved a recognised niche in British business, and is thrusting deeper into the corporate jungle' (Jones, 1989 : 20). During the 1950s there had been little need for search companies because of the wide readership of *The Times* and *The Telegraph*. The recruitment selection/advertising industry, dominated by the likes of EAL, MSL, PA and Tyzack, used these newspapers to place their client's advertisements. Key problems of the time were both this reliance on press advertising and that the old boy network offered a time-honoured alternative to advertising, particularly for senior appointments. The demand for search was based on a growing recognition of the role of management in the economy and acceptance of the belief that individual skill in business and management could be nurtured by appropriate training and was, thus, transferable (Blackley *et al.*, 1990; Jones, 1989). Between 1964-1987 the revenues of the 23 headhunters increased by some 51%, and amongst the leading 10 searchers by more than 50% (*FT*, 1988).

There are four distinct sources from which search consultancies have developed during the last 30 years. The majority of the leading search operators in the UK are subsidiaries or overseas branches of foreign search consultancies, generally American. Management consultancies, accountancy firms, advertising agencies and other business services have been a second source for executive search firms. A third key source has been the splintering of companies, with individuals setting-up practices on their own. The final source has been when a new service is offered by individuals who have been previously employed elsewhere as personnel managers or worked more generally in line management. Chronologically, the first two sources were important in the early period of development. The latter options have been more important in the recent years.

Contenders for the title of the first UK search company include EAL (set up by Charles Own, but sold off in the mid 1960s) and MSL (now part one of the world's largest business groups Saatchi and Saatchi), who both entered the business in the mid-1950s. The arrival of big foreign firms into the UK - Spencer Stuart (1961) Boyden (1965) and Heidrick (1968) - was part of 'a strategy by the US firms to target the top end of the recruitment market by

emphasising exclusivity and confidentiality' (Watson *et al.*, 1990 : 11). The period also witnessed the emergence of home-grown search companies, such as Tyzack and Alexander Hughes. Subsequent development in the UK was based on two key stages of development (Jones, 1989). Firstly, the 1970s was a period, which has been described as the 'coming of age' of executive search (Jones, 1989). The development of overseas firms' networks led to the creation of UK offices for Russell Reynolds (1972), Egon Zehnder (1970), and Berndtson (1974). Although much of the impetus came from the arrival of the US firms in London, there were also many individual UK companies who also played an important role in the industry's development since the 1950s. Most indigenous firms had been set up on their own such as MSL, EAL, Tyzack, Alexander Hughes, Goddard Kay Rogers, John Stork, Merton and Whitehead Mann. Each company shared a vision of capturing growing shares of the UK and global markets. Secondly, the 1980s saw the further development of the search profession with an era of entrepreneurialism, which resulted in the number of consultants leaving major US search companies, for example, David Norman and Miles Broadbent leaving Russell Reynolds (1982) and also Messrs. Saxton and Bampflyde (1986) from Korn/Ferry to create Norman Broadbent and Saxton Bampflyde respectively. There was also a transition by old-established companies such as Clive & Stokes and Tyzack from advertised/selection-based recruitment to concentrate on search, though this trend has been reversed in recent years, due to the tighter and more competitive market conditions (Garrison Jenn, 1993; Jones, 1989; Watson *et al.*, 1990).

The development and growth of the search industry was assisted by the lack of barriers to entry. During the last few decades, many consultancies had been set up to 'cash in' on the recruitment bandwagon. A survey of 820 UK executive recruitment agencies found that over 60% of search firms were entirely new and, as *table 4.7* indicates, the majority of the outlets, whether entirely new or divisions of other organisations, were formed in the 1980s (Clark, 1994; 1989a). Other reasons for the high rate of entry are the lack of client loyalty and low initial capital costs (licence, stationery and office, and assisted by up-front assignment fees). The dynamism and buoyancy of the market was obviously helped by the low start-up costs and the number of spin-offs from existing companies. Although companies wish to consolidate by expanding, they are often restricted by off-limits guarantees with existing clients, encouraging the growth of spin-offs etc. (Perkins, 1991).

TABLE 4.7 : ENTRY INTO THE EXECUTIVE SEARCH INDUSTRY 1961-1989

Year	New Entrants	Subsidiaries of foreign consultancies	Divisions of Management consultancies	Divisions of Recruitment consultancies	Divisions of other UK firms
1961-69	5	4	-	2	2
1970-79	25	8	5	23	1
1980-89	131	3	8	50	3
Total 1961-89	161 (59.6%)	15 (5.6%)	13 (4.8%)	75 (27.8%)	6 (2.2%)

Source : Clark (1994)

4.4.3 UK Executive Search - 1985 onwards

The scale of the growth of the executive search industry during the last decade has already been indicated, but reference should be made to the impact of financial deregulation, in the City of London, in particular during the middle part of the 1980s. Immediately preceding 'Big-Bang' many personnel moved : there was massive job-hopping of City traders and executives. Headhunters played a crucial role in assisting clients' preparation for the changes and opportunities, often recruiting whole teams. As they mounted full-scale raids on competitors' clients, they earned 'Big Bucks'. One consultant at Russell Reynolds grossed \$1m for 20 searches in 1985 (Bryne, 1987). Such was the demand for specific personnel that many search consultancies were established during these lucrative years.

Today, the industry is truly part of the international corporate landscape : there has been an unprecedented headhunting bonanza spawned by the growing internationalisation of business in the UK and elsewhere, with an estimated 75% of top positions filled through search (Sarch, 1991), compared to the traditional processes of advertising and the old-boy network. Top positions filled by headhunters in the 1980s included Ernest Saunders (Nestle to Guinness) and Ian MacGregor to British Steel (Jones, 1987). In more recent years some of the most notable search assignments amongst the financial community saw Peter Middleton move from Thomas Cook to Lloyds (undertaken by GKR), Michael Lawrence from Prudential to the London Stock Exchange (*'LSE'*) (undertaken by Heidrick and Struggles), Martin Taylor from Courtaulds to Barclays as chief executive (Spencer Stuart) and Adair Turner from McKinsey to Director General of the CBI. The Lawrence appointment did not work out, as he was forced to resign in January of 1996 by LSE's banking committee. The first two search assignments took nine and eight months respectively (Ashworth, 1995), highlighting the problems of both identifying the candidate and then persuading a candidate to join the client company. The much publicised

movement of Turner from McKinsey to the CBI took Norman Broadbent just two months and earned them a fee of around £60,000, even though the outgoing Director General had mentioned Turner's name to the headhunters as his favoured successor (Ashworth, 1995). It is interesting to note that this assignment was initially handled by NB Selection, the executive selection division of Norman Broadbent. It had been advertised in the national press some six or so months earlier, without success, before the search division took over the assignment.

The early part of the 1990s has witnessed a period of economic decline in many of the businesses of search clients. The recession removed much of the 'dead wood', especially in the middle-management sector of search and selection which experienced falls in revenues in the region of 40%. Estimates of the consequences of the recession in Europe suggest that the search market suffered a downturn in revenues of approximately 25% in 1992 (Garrison Jenn, 1993; Jones and Sarch, 1993). Many organisations were able to survive the storm by cutting profit margins, concentrating on other sectors of the recruitment market (such as executive selection), restructuring their companies and/or merging to make the most of resources (Korn/Ferry and Carré Orban). It would seem that the recession would spell bad news for the headhunting industry, as there was a glut of individuals on the labour market from which companies could recruit. In reality the task of finding the very best individuals was actually becoming harder, particularly as most organisations were keen to hang on to their 'creme-de-la-creme', in whom they had invested heavily (Baron, 1995). Rather than there being a reduction for the services of the executive search consultant, there was paradoxically an increased need for the headhunter at the highest level, despite middle management redundancies. 'The downturn in business in a wide variety of sectors called for outstanding management talent in order to regenerate British industry. It called - on the whole - for people different from those associated with the old-boy network, generally different from the type of people who responded to advertisements, and required a new approach to recruitment' (ibid. : 50).

It did not take long for one of the search profession's most treasured client sector - financial services - to begin to recruit personnel again. In the City of London as recruiting levels pick up, so do the fortunes of the financial headhunter (*FT* 1993c). There is a growing optimism that the labour market is more buoyant, as the level of recruitment advertising and search assignments increase (*section 4.2*) (Austin Knight, 1993a; 1993b). Although some executive search firms suffered badly during the recession, many now talk of a return to growth and profitability (*table 4.8*). Korn Ferry had a 30-40% increase in the turnover in 1994 compared to 1993 (*FT*, 1994a). At Spencer Stuart the level of UK revenues has grown by 37% and by over 60% world-wide in the past 2 years. Its success is again largely driven by an exceptional volume of business in its

financial services sector, as well as its new practice specialising in chairman and non-executive board director searches. Much of the renewal in optimism within the consultancies can be attributed directly to improved fortunes within the Square Mile. The substantial improvement in UK equity turnover, since 'White Wednesday' in September 1992 which heralded the departure of sterling from the ERM, is partly responsible for the growing confidence in the recruitment - companies are looking for experienced staff with international portfolios to cope with the growing internationalisation of equities and money markets (*See chapter 7*). Deutsche Morgan Grenfell has recruited over 100 staff through headhunters in the year up to April, 1996. The majority of these assignments have been handled by Norman Broadbent, helping them exceed their 1996 target revenue in the first 3 months of the year (Wright, 1996).

TABLE 4.8 : LEADING UK EXECUTIVE SEARCH FIRMS IN 1992 AND IN 1994

Search Company	1992				1994		
	Revenue (£m)	Year Formed	Revenue/Consultant	No. of Assignments	Revenue (£m)	Rank (revenue)	No. of Assignments
GKR Group	6.4	1970	£400,000	206	-	-	-
Heidrick & Struggles	5.7	1968	£390,000	160	9.74	2nd	220
Russell Reynolds	5.5	1972	£343,000	230	10.75	1st	n/a
Norman Broadbent	5.2	1983	£577,000	188	7.85	5th	217
Egon Zehnder	4.6	n/a	£418,000	150	-	-	-
Spencer Stuart	4.5	1961	£375,000	125	8.63	4th	n/a
Amrop/Whitehead	4.5	1976	£375,000	132	9.35	3rd	n/a
Mann							
Korn/Ferry	3.9	1973	£216,000	183	-	-	-
Tyzack/accord	2.9	n/a	£362,000	104	-	-	-
Saxton Bampfylde	1.8	1986	£600,000	50	-	-	-
CCG/Ward Howell	1.3	n/a	£144,000	62	-	-	-
Boyden	1.3	1946	£325,000	51	-	-	-
Carre Orban	1.2	n/a	£200,000	81	-	-	-

Sources : Author's Survey; Barrett (1995); Donkin (1995b) ; Garrison Jenn (1993).

Notes : Revenues for 1994 are estimates and have been converted into sterling at a rate of \$1.5291.

Whilst many of the leading executive search firms have recorded increases in the level of revenues in the recent few years, for others it has not been totally 'plain-sailing'. The post-recessional period has seen the emergence of a 'survival of the fittest' ethos. As one financial headhunter put it 'before Big Bang, my business was all about getting bottoms on seats'. Whilst in the heyday of the mid-1980s the headhunter prospered from footloose moneymen and their telephone-number salaries, today the headhunter must focus on quality rather than quantity. It is in this 'search of excellence' (*Economist*, 1990) that headhunters now face a number of challenges. Firstly, in the post-recession period, headhunters will have to face 'the reluctance of busy, successful managers to take the risk of moving; competition from the recruiting and selection agencies; proving to candidates that they are sufficiently attractive not to fall foul of

the 'last in, last out' syndrome; the endless supply of available senior people, who are between jobs, remembering that 1% of posts are filled by such write-ins or the unemployed' (Jones and Sarch, 1993 : 44; Curtis, 1993). Secondly, many client companies have returned to internal recruitment mechanisms as part of cost-cutting mechanisms. Whilst the personnel department and senior executives realise the value of search in finding the right people, it is often difficult to justify the use of search to the boardroom when there appears to be an endless supply of available senior people, who are between jobs. (The extent to which such client companies continue to use search is examined in *chapter 7*).

4.5 Executive Selection

4.5.1 Origins and contemporary position

Executive selection consultancies were established in a variety of ways, generally mirroring those patterns responsible for the development of executive search. Selection companies have emerged from management consultancies (for instance, Mervyn Hughes International, 1956) or from off-shoots of headhunters. There were also executive selection firms that developed from the recruitment divisions of the large accountancy firms. Most of those leading firms - Coopers and Lybrand, Price Waterhouse, Ernst and Young, KPMG - offer such recruitment services to their existing audit clients. In addition, advertising agencies such as Austin Knight and Charles Barker have proved important breeding grounds for selection companies. The market leader for executive selection within the financial services sector is Michael Page (*table 4.9*), which as a group grossed £70 million during 1994 from some 2,000 assignments (Barrett, 1995). Income from its executive selection practice was probably in the region of between £15 and £30 million, making it the leading executive selection consultancy in the country. In addition, according to its own analysis of financial appointments, Michael Page handled the most assignments appearing in the *Financial Times* during 1992 and 1993 (*table 4.9*). However, these figures may actually underestimate the performance of some consultancies, who handle very lucrative assignments. For example, NB Selection has a highly successful City practice generating very high fees from a smaller number of assignments, because starting salaries of the candidates placed in the City are at the upper end of the salary scale. NB Selection, with £10 million fee income, conducted 700 assignments in 1994, across a variety of industrial sectors, not least in higher education, where it is a leading consultancy. (Last year, for instance, it handled an assignment to find a Director General for the Royal Geographical Society).

Unfortunately most consultancies are partnerships, so are not obliged to release certain financial figures and, therefore, it is difficult to establish a clear indication of the performance

of such organisations. Many organisations do not just operate executive selection, but offer a variety of services, with executive selection a 'side-line' from core-businesses like accountancy, management consultancy and recruitment advertising. For organisations that do release annual reports and operating income, it may still not be possible to identify performance levels, as there is no specific disaggregation for executive selection. Thus industrial estimates from researchers and occasionally the companies themselves are the only sources of data.

TABLE 4.9 : LEADING UK RECRUITMENT CONSULTANTS 1992 AND 1993 (IN THE FINANCIAL TIMES)

Firm	Total Assignments (1993)	Firm	Total Assignments (1992)
Michael Page Finance	122	Michael Page Finance	102
NBS	55	Coopers and Lybrand	38
Selector Europe	47	NBS	38
GKRS	35	KPMG Peat Marwick	32
KPMG	33	Price Waterhouse	29

Source : Michael Page Finance (1994a)

As with executive search, ease of entry into the industry and lack of regulation has encouraged many would-be executive selection consultancies (*table 4.10*). A survey of 820 UK executive recruitment agencies found that over 75% of selection firms were entirely new and, as *table 4.9* indicates, the majority of the outlets, whether entirely new or divisions of other organisations, were formed in the 1980s (Clark, 1994). Whilst it is true that over 70% of the new executive selection consultancies were 'new entrants', it is interesting to note that many continue to emerge from the management consultancies and recruitment consultancies.

TABLE 4.10 : ENTRY INTO THE UK EXECUTIVE SELECTION INDUSTRY 1956-89

Year	New Entrants	Subsidiaries of foreign Consultancies	Divisions of Management Consultancies	Divisions of Recruitment Consultancies	Divisions of other UK firms
1956-69	10	1	5	1	
1970-79	60	1	2	8	1
1980-89	140	3	24	18	4
Total					
1961-89	210	5	31	27	5
	(75.5%)	(1.8%)	(11.2%)	(9.7%)	(1.8%)

Source : Clark (1994)

The leading executive selection consultancies fill the gap in the market between the top level of search and the no-frills services offered by agencies who place box number advertisements in newspapers. Most of the leading players in this search market are divisions of the leading

search companies, for example, NB Selection and GKRS (See table 4.11), who can capture business that was increasingly being passed to the recruitment consultant specialists.

TABLE 4.11 : LEADING UK SEARCH FIRMS WITH SELECTION PRACTICES

Name	Founded	Sister Search Co.	Salary Range	Fees
NB Selection	1987	Norman Broadbent	5% £75,000+ 20% £50-75,000 56% £30-50,000 19% <£30,000	Fixed (equates to approx. 25% of anticipated compensation)
Selector Europe	1990	Spencer Stuart	62% for £50-80,000	Fixed
Whitehead Mann Selection	1988	Whitehead Mann	£35-80,000	25%
GKRS	1990	GKR	£35-80,000	25% select 30% target recruitment
K/F Associates	1980	Korn Ferry	£35-70,000	25% advert

Source : Author's survey and Garrison Jenn (1993)

4.5.2 Newspaper Advertising

It has already been indicated that there is limited data on executive recruitment consultancies. Whilst there are some accounts of the performance of executive search consultancies, the less glamorous profession of executive selection attracts less interest from researchers. However, it is possible to get an impression of the performance and influence of executive selection firms from recruitment advertisements in newspapers and other media. The volume of recruitment advertising in the broadsheet newspapers has steadily increased over the last twenty years, reaching an estimated value of over £500 million in 1990 (table 4.12). Executive selection advertisements increasingly account for a larger share of the space in the recruitment advertising market (table 4.13), dominating the front pages of the supplements in the *Sunday Times*, *Financial Times*, and *Daily Telegraph*. Even though the total market for recruitment advertising has risen over the post-war period, executive selection is becoming an even more important element within it (Clark, 1994).

TABLE 4.12 : NEWSPAPER RECRUITMENT ADVERTISING 1970-90

Year	£ millions	Year	£ millions
1970	47	1987	364
1975	81	1988	518
1980	153	1990	522
1985	235		

Source : Clark (1994 : 4)

TABLE 4.13 : EXECUTIVE SELECTION AND RECRUITMENT ADVERTISING IN THE TIMES 1956-89

Year	% of recruitment advertisements accounted for by selection consultants
1956	0.0
1960	3.1
1965	8.3
1970	16.9
1975	8.8
1980	19.5
1985	37.5
1990	43.6
1992	48.8

Source : Clark (1994)

By analysing the figures from two secondary data sources - Austin Knight and People Management - it is clear that the total column lengths of advertisements in the quality newspapers are not as high as during the late 1980s prior to the recession. However, there has been a marked increase in the total volumes in more recent years (*figure 4.3*). Between 1991-92 there was a modest decline of 1.47% in the total column centimetres of advertisements. In 1993 the level rose by 11.25%. Within individual newspapers the pattern is similar. In the *Financial Times* the half-year period from January to June, 1990 saw approximately 1700 vacancies advertised in the Thursday and Wednesday editions of the paper. Although by the second half of 1992 the figure had dropped to 520, the number of advertisements in the first half of 1994 was some 81% higher than in 1992. Evidence of the revival in the fortunes of executive selection firms can also be seen in the steady increase in the column centimetres used by recruiters in other quality newspapers. *Figure 4.3* highlights the changes in the volume of national recruitment advertisements in the broadsheet newspapers. The low point of the recession in terms of the volume of recruitment advertising occurred in the spring of 1991. However, it was not until April 1993 that the level of advertising was consistently higher than the previous year. In the later part of 1993, the percentage increase on the previous year was around 30% higher. The third quarter of 1993 figure of 269,763 column centimetres represents a 27.99% increase on the same period in 1992.

Whilst *The Guardian* retains a large share of the market in recruitment advertising amongst the broadsheets, its share has fallen in recent months to just over a third (*table 4.14*). Most executive selection consultancies do not place templates in *The Guardian*, as their business is in the financial and commercial sectors. Rather *The Telegraph* (Thursday), *The Times*

(Thursday and Sunday), *The Financial Times* (Wednesday and Thursday) and *The Independent on Sunday* are the key media for executive selection consultancies and their clients (table 4.13).

As well as the fluctuations in the year-on-year changes in advertising volume, figure 4.3 highlights the seasonal nature of recruitment advertising with December and August being lows. A selection consultancy will generally advise against placing an advertisement during the holiday period or the run-up to Christmas and the New Year, because of the lower captive readership. Further analysis of nature of executive selection, together with examples of the different types of consultancy used, is made in chapter 7 (7.3.3 and 7.4)

TABLE 4.14 : MARKET SHARE OF RECRUITMENT ADVERTISEMENTS IN THE BROADSHEET NEWSPAPERS

Newspaper	Jan to Sept. 1993	Jan to Sept. 1994	Dec. 1994
<i>Guardian</i>	42.6%	41.2%	35.5%
<i>Sunday Times</i>	13.3%	13.4%	15.9%
<i>Daily Telegraph</i>	13.1%	12.6%	16.7%
<i>Times</i>	10.9%	12.0%	11.0%
<i>Independent</i>	9.6%	7.3%	7.6%
<i>Financial Times</i>	6.2%	7.4%	7.2%
<i>Independent on Sunday</i>	1.8%	3.4%	3.8%
<i>Observer</i>	2.4%	2.7%	2.4%

Source : Austin Knight (1993a; 1993b) and *Personnel Management* (1995a).

FIGURE 4.3 : CHANGES IN THE VOLUME OF BROADSHEET NATIONAL PRESS RECRUITMENT ADVERTISEMENTS (1990-95)

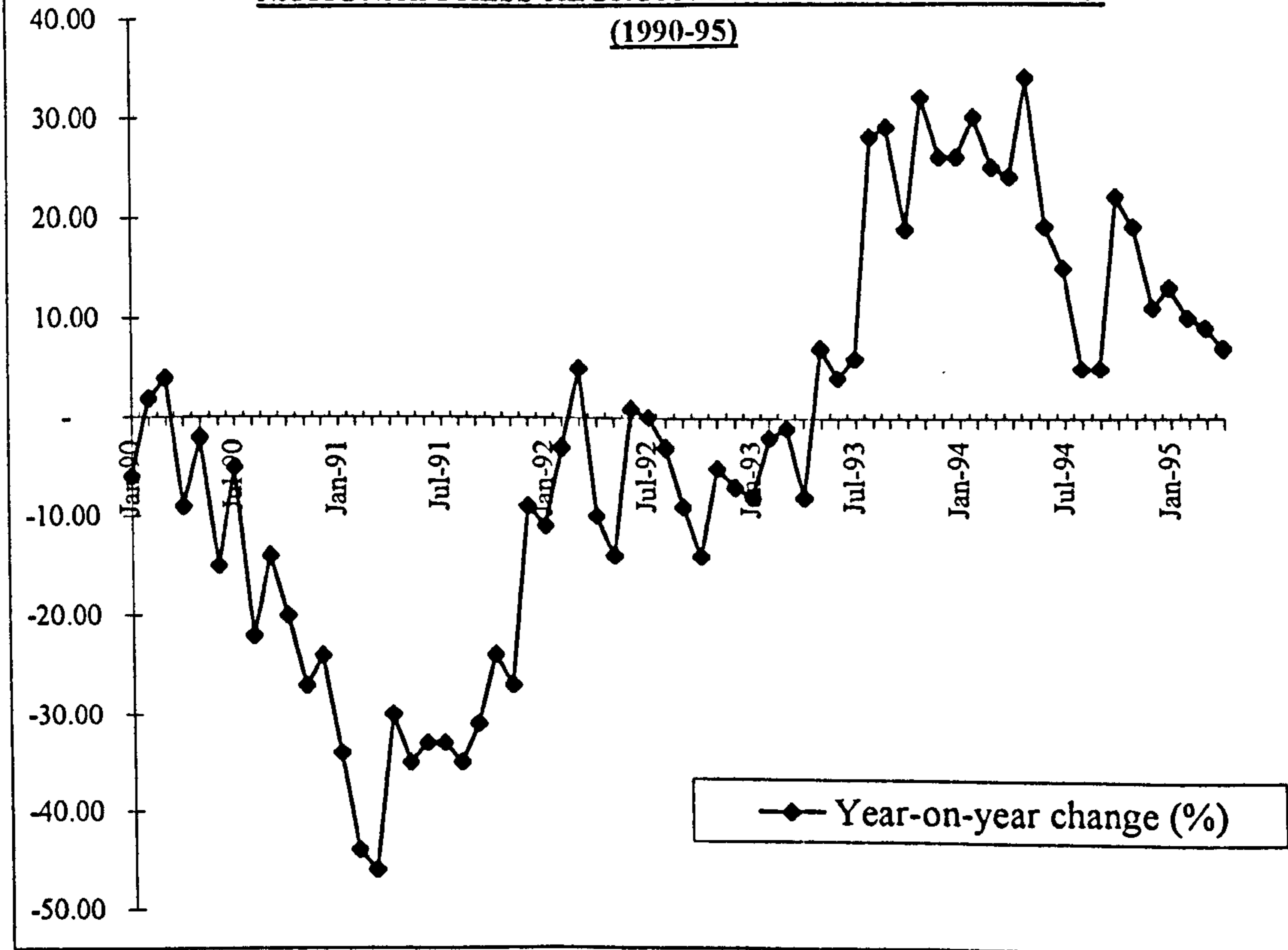
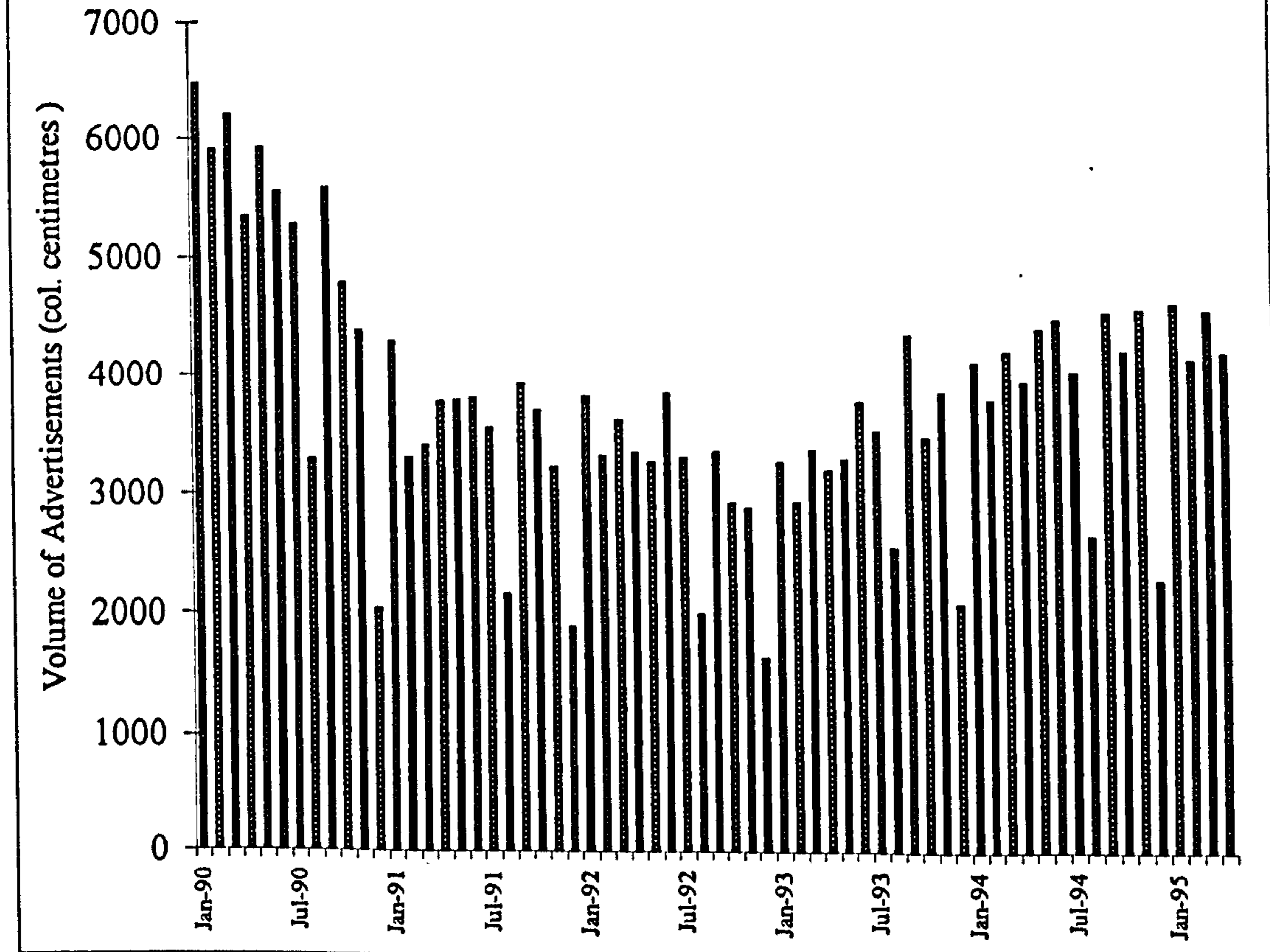


FIGURE 4.4 : VOLUME OF BROADSHEET NATIONAL PRESS RECRUITMENT ADVERTISEMENTS (1990-1995)



Source : Austin Knight (1993a) (1993b) and *People Management* (1995a)

4.6 Trends and Issues

In this section, I outline some the trends and issues that are likely to influence the executive search and to a lesser extent the executive selection sector in the medium term. Many of the themes raised during case-study interviews are commented upon in the forthcoming case-study chapters.

4.6.1 Image

In the last ten years as the usage of search and selection consultancies has increased, there has been a simultaneous growth in awareness of the activities of these otherwise 'covert operators', so much so that the BBC recently commissioned a drama series, *Headhunters*, on the life of the fictional search consultant, Simon Hall. Whilst much of what was portrayed in the programme was unrepresentative of what really happens - of course, dull meetings do not make for good ratings - the series did, at least, succeed in reinforcing many people's conception of those in the industry : typically male middle-aged (40-50), college educated and having an advance degree probably from a business school, and at least five years business experience or an impressive services career in the SAS or life-guards. So how do you spot the classic headhunter in the City Brassiere or the dim light vaults of Colonel Jaspers Wine Bar? The tell-tale signs are the 'double-breasted, Jermyn Street-shirted individual, noticeably better coifed than the broker or banker sitting opposite him [for it is usually a male] and, who is desperately trying not to catch the eyes of other lunchers, as he receives across the table the fateful brown envelope of job offer terms and conditions' (Vander Weyer, 1994 : 17).

Headhunting has never been a respected profession, it being seen as unethical, approaching individuals directly and then persuading them to move - in a sense they are 'flesh peddlers', 'talent poachers', 'body snatchers' (*FT* 1994a). 'Headhunters are seen as either skilful manipulators of an old-boy network collecting fat fees for doing very little or a species of witch-doctor purporting to be able to tell whether a candidate was any good the moment he walks through the door' (McKinnon, 1982 : 9). Clients accuse headhunters not just of encouraging disloyalty but also of excessive leverage in the market. The EPL survey (Watson *et al.*, 1990) suggested that roughly half of search users surveyed believed, at best, search was only 80% successful in putting forward a candidate that was subsequently appointed (*ibid.* : 13). It also demonstrated a growing dissatisfaction with the whole issue of off-limits - a quarter of the clients surveyed said they had never been told which companies were off-limits. Clients'

most common complaints and concerns are, firstly, that once an individual has joined their company, there is nothing to stop him or her from being headhunted again, and secondly, that there is risk in exposing too much of your company's policy when inviting a headhunter in to conduct an assignment. Some areas of ethical unease include : the use of headhunters to side-step equal opportunities legislation; the advancement of a particular candidate by the headhunter, who agrees to use him or her at a later stage (if and when appointed) and; finally, the acceptance of an assignment by a search firm, without fully considering the likelihood of being able to carry it out.

Headhunters are often seen as shady, 'cowboy' characters, who have arrived at their coveted positions in life, after failing in something else. Many search consultants enter headhunting either because their previous line of business was unsuccessful or because, as previous personnel managers, they feel they know all there is to know about recruitment. There is no formal training or qualification that can be undertaken by a 'would-be' consultant. Indeed of the participating consultants, I met a trained microbiologist, fully-qualified nurse and a former wine trader. Nevertheless, there were a significant number of consultants who had gained commercial experience within financial services.

So does the executive recruitment industry suffer from an image problem? According to consultants, there is a mixed feeling as to whether it does. There was a recognition by some that a few consultants in the industry are no more than 'second-hand car salesmen' (*HYS G*)². 'There are cowboys, who can woo innocent girls by smooth talking them' (*HYS N*). One respondent concluded that many of *his* colleagues were 'arrogant, conceited, self-opinionated, social manipulators, [and] failures in business' (*CG D*). The image of the headhunter is not enhanced by the competitive nature of the business. This encourages consultants to be good salespeople. To be a good headhunter, 'you have to ask if they can make money?' (*HYS D*). 'At the end of the day.....it is all about making fee income...as well as.....understanding the marketplace and empathy with clients' requirements' (*CS E*)

4.6.1.1 Improving the image

The real challenge in the future years of the recruitment profession, in particular executive search, is to improve the image of the business. This would be partly helped by an increase in female representation in executive search companies. Within the leading search firms there has been some progress to promote women to the highest levels, but the overall levels are still low.

² In this section I have included some of the narrative collected from the case-study of London consultants, which is outlined in the following chapter. Explanation of the relevant participants codes is made in *chapter 3*.

For example, within Egon Zehnder, Europe's largest search company, there are just 10 female consultants (7% of the consultant staff) (*table 4.15*). There is a problem of acceptance of women in search companies. Most clients have been accustomed to working with a male consultant with whom a rapport has been built up. In addition, as leading headhunters are drawn into the industry after successful careers in industry, the search profession is reliant, above all, upon more women progressing through business generally, such that some can then make a move into recruitment.

TABLE 4.15 : THE AMOUNT OF FEMALE INVOLVEMENT IN WORLD'S LEADING SEARCH FIRMS

Name	Female Consultants	Female % of consultant staff	Female Managing Directors	Females on Executive Committee
Heidrick & Struggles	21	13%	1	1
Korn / Ferry	88	30%	8	1
Russell Reynolds	47	26%	12	2
Spencer Stuart	26	16%	2	2
Egon Zehnder	10	7%	0	0

Source : Executive Search Review (1994).

The image of the sector might also be helped by better regulation. The lack of 'barriers-to-entry' has encouraged individuals, particularly those whose current line of business was unsuccessful, to set up. The industry will 'never be a profession. We will always get the cowboys as [there are] low initial costs and potential high fees' (*CS B*). There is a 'need for ethical standards - body shops and non-conformity with off-limits...It disturbs me to think that this marketplace is not registered' (*SG D*). However, the call for tighter regulation was not universally held by those interviewed. Executive search consultants were particularly vociferous in their opposition to government and trade association restrictions. Many felt that the best form of regulation was the market - 'politicians do not understand business' (*HYS I*). 'I am anti-regulation as [it is] disadvantageous to the customer. Some [trade associations] are essentially cartel-like, who tell you how to do business' (*SG P*). One search consultant voiced his disapproval of the Association of Search and Selection Consultants, because 'some bloody peer fronts it' (*SG E*). However, several consultants, whilst accepting that trade associations might not be effective, felt that such organisations were necessary to allay any potential concerns of clients about standards. They are a 'necessary evil' to give credibility (*CG H*). Although some consultants advocated joining a trade association to help improve the profession's image, most indicated that their organisation will continue to be self-regulated in the future.

4.6.2 Technology

With the improvement in technology, consultants are increasingly able to offer database searches as a way of providing short lists to those clients, who are unwilling to pay for full searches. One example of on-line database searches is *Peoplebank* which allows employers to access a wide range of potential candidates from their own terminals. The database will short-list all candidates who fit the key criteria as outlined by the company searching the computer files. Candidates can register free of charge by completing a standard application form which is accessible on the world-wide-web. Reed Employment Services, already a leading employment agency, has been circulating floppy disks during the traditional autumn University career fairs, inviting final year undergraduate and postgraduates to complete the computerised CV templates. When returned to Reed, the information is downloaded onto a central computer, from which database searches can be conducted. It is not, as of yet, clear whether the system is being widely used by clients, or whether Reed have clearly been able to develop a rich database of individuals, which can be used for its future benefit.

Technological innovation has not only improved the use of database search, but has also allowed executive search and selection assignments to become better monitored, through the use of quality control software packages. Many recruitment consultancies and headhunting firms now boast ISO 9000 certificates for standards. Access to more information through terminals should make it possible to identify better and more candidates. The introduction of electronic mail, facsimiles and teleconferencing have made dialogue and correspondence between consultants in different offices, clients and candidates much easier. Technology has also made the diffusion of information around the world much easier. Whilst the nature of search assignment is unlikely to change significantly in the medium term - there will still be need for face-to-face contact when final interviewing is conducted - improvements in technology have made search assignments easier to conduct.

4.6.3 Customisation, Specialisation and Diversification

The last few years have witnessed many organisations, not just executive recruitment firms, focus on short-term survival. Sarch (1993) suggests that given the competition both within the search market and from other forms of executive recruitment, there may be attempts to alter charging mechanisms and so rationalise fee charges. Competition will be rife amongst the firms in the executive recruitment industry, with customers using those firms that offer a good service and short-list candidates who perform well once appointed. 'Essentially, the survival of

the fittest will be manifest in the firms which continue to undertake search and selection for clients in the next decade' (Sarch, 1993 : 17). Whilst many firms may believe that with the recession withering away things can return to normality, the sharp reality is that this will not be the case any longer. 'In the turbulent trading conditions that have prevailed, change has been the only constant and organisations have battled to sustain morale during the period of redundancy, restructuring and product realignment' (Torres, 1993 : 37). One aspect of change is that many companies will try to specialise to obtain a niche in the marketplace. This is likely to see search firms becoming very large and restructuring themselves as functional groups, or search firms retaining a small size but focusing on a specialist area (Garrison Jenn, 1993). Those companies that seek to become customised will increasingly offer a diversity of services, conducting assignments in non-traditional areas of search activity such as non-executive directorships and in the public or charitable sectors.

4.6.3.1 Non-executive director assignments

Non-executive directors traditionally were recruited through the old-boy network (Kay, 1994), culled from the ranks of the local golf club or the social circles of the company chairman. The 1977 Bullock Committee concluded that just 25% of British quoted companies had NEDs (Kay, 1994). Today, there are well over 10,000 non-executive directors and independent directors within both private and public sector bodies in the United Kingdom. However, during the last 15 years there has been pressure to reform the anachronistic method of finding NEDs, as well as to increase their total number. Nevertheless, surveys in 1991 and 1992 indicated that 70% and 60% of independent director appointments were personal acquaintances of the chairman or another board director (Clutterbuck and Waine, 1994). The Cadbury Report propelled to the fore the role of the non-executive director, who could advise and oversee the company's activities to protect the interests of employee and shareholder. The role of the independent director / chairman should be to control the chief executive; to provide entrepreneurial flair; to add an international perspective; to steer the company through a difficult or sensitive transition; to bring specialist knowledge; to maintain an ethical climate; to help identify alliances and acquisitions, to interface with key external audiences; to bring women into the organisation at the top and to act as a confidant(e) to the chief executive/chairman (Clutterbuck and Waine, 1994). The Cadbury Report's code of best practice includes the following recommendations:-

- '1.3 The board should include non-executive directors of sufficient calibre and number for their views to carry significant weight in the board's decisions.
- 2.1 Non-executive directors should bring an independent judgement to bear on issues of strategy, performance, resources, including key appointments and standards of conduct.
- 2.4 Non-executive directors should be selected through a formal process and both this process and their appointment should be a matter for a board as a whole.

4.3 The board should establish an audit committee of at least three non-executive directors with written terms of reference which deal with its authority and duties.'

(Extract from the Code of Best Practice of the Cadbury Report : taken from Hanson Green Corporate Literature)

The drive for greater professionalism and better NEDs has seen many corporations turning to executive search firms to undertake searches for such individuals. Hanson Green, established in 1991, is now the market leader undertaking in excess of 100 NED searches annually. It also conducts a unique and innovative Annex Scheme that encourages companies to release directors and senior executives for non-executive appointments with other companies. Most of the other search firms now undertake NED searches, for instance, Spencer Stuart, Russell Reynolds, GKR, Tyzack, with some specialising in finding multinational NEDs. As business grows less conscious of boundaries, there is equally a drive to ensure that the boardroom of the MNC is cultural and internationally diverse. At present just 3.3% of non-executive directors serving in the Fortune 'Top 50' companies have foreign passports (Donkin, 1995b; Humphreys, 1994).

The use of database listing or registers of names for jobs is another area that is gradually becoming established as an alternative to conventional executive recruitment methods. Organisations such as the Institute of Directors and Pro Ned have listings of non-executive directors (NEDs), and one firm, Prowess, administers a list of female potential NEDs. Pro Ned, which has 850 people on its register in 1993, was established in the early 1980s to offer a search service for clients wishing to find NEDs. Pro Ned's primary aim was to encourage boards to realise that appointing NEDs can improve their image of accountability (FT, 1993a). According to Sir David Plastow, chairman of Inchcape, it is essential that a search service is used to appoint NEDs. '[It] ensures that the widest range of candidates is considered and reduces the likelihood that directors will, possibly for one of the wrong reasons, nominate one of their cronies' (FT, 1993e).

4.7 Conclusion

This chapter has offered an insight into the contemporary nature of the executive search and selection industries in the United Kingdom, and is a background to the three case studies that follow. Five themes have been introduced, which are explained in greater depth in the forthcoming chapters.

One theme throughout this chapter is the *growth* of the executive search and executive selection industries, both in terms of the numbers of companies and profitability. Since the post-war emergence of the headhunting and recruitment consultancy business, their use has spiralled

widely in the business community, but particularly in the financial services sector. What is of interest now is to find out which companies use search and/or selection most of all (or least of all), and to fill which positions. *Chapter 7* addresses such questions with respect to the financial services sector, the largest client sector. *Chapters 5* and *6* also focus on *growth*, looking at the development of search in London and world-wide respectively. *Chapter 5* also examines the development of the executive selection profession in London.

A second theme, the trend towards *customisation and specialisation*, is examined further in each of the following three chapters. The results of fieldwork interviews with consultants in London and in New York highlights the extent to which (if at all) executive recruitment consultancies are reconfiguring their businesses to meet the needs of customers (see *chapter 5 and 6*). A third closely related theme is the way in which companies seek to *diversify* into new areas. For instance, many of the leading executive search firms have set up selection practices, partly to offer customers a new service, but also to maintain revenues during harder times when clients typically seek 'cheaper' alternatives. Subsequent chapters will develop the notion of *diversification* by addressing questions such as why firms diversify, and if the client benefits from having have a consultancy capable of delivering all its recruitment needs. In *section 4.2.4* there was a brief exploration of the *geography* of the recruitment industry - the fourth theme. In *chapters 5* and *6* further aspects of this geography will be examined at very different scales. *Chapter 5* addresses the possibility that recruitment firms in a London might have a specific geography attributable to *urbanisation* and *location economies*. *Chapter 6*, by contrast, assesses how executive search companies have developed a global recruitment capability, by offering clients an international network of offices and whether this has been manifested in specific world cities.

The fifth theme is the *process* of executive search and selection. In *chapters 5 and 7* a more detailed examination of the mechanics of executive search and selection is undertaken, concentrating on assignments conducted by London consultants (*chapter 5*) and those conducted in the financial services sector (*chapter 7*). Important questions that arise from this chapter include, 'who handles the recruitment procedure within the company?' and 'how are decisions taken as to what recruitment options to take when a vacancy occurs?'

5. THE EXECUTIVE RECRUITMENT INDUSTRY IN CITY OF LONDON

5.1 Introduction

In this chapter I outline the results and conclusions of the case-study of City executive search and selection consultancies. In *chapter 2*, I indicated a need to explore the extent to which advanced producer services concentrate in global cities and whether they are able to service other markets from there. In addition, I discussed some of the factors that influence producer service firms to locate in these world cities, for example, benefiting from *urbanisation* and *localisation economies*. From this starting point this chapter has four aims. Firstly, I indicate the importance of the executive recruitment industry in London and the City (*section 5.3*). Can London justifiably claim to be a client city? Secondly, I examine the locational factors of executive recruitment firms in the City (*sections 5.3.2 and 5.4.1*). Does geography really matter to these producer service firms and, does this global city enjoy a 'series of differential advantages within the international urban hierarchy?' (Warf, 1989). Thirdly, I explore the trend towards customisation and the growth of specialist firms in the City. Do these firms offer a different services to clients? In addition, do such firms by clustering create an environment in which product innovation and customisation can flourish (*sections 5.4.2 and 5.4.3*)? Fourthly, I outline some of the trends and developments in the executive recruitment industry and assess the future for the profession (*section 5.5*). In particular, I assess whether there has been a blurring of the demarcation between hybrid recruitment firms and executive search and selection firms (*section 5.5.1*). Do these firms now offer a similar services to clients?

However, I initially outline the parameters of the case-study. In particular, I explain my definition of the City and then conceptualise the different types of City executive recruitment firms (*section 5.2*).

5.2 Outlining the case-study

5.2.1 Defining the 'City'

One problem with the 'City' is how to define it. 'London has never taken kindly to attempts at delimitation, whether to fix it statistically; every time this was done, London promptly outgrew

its administration or its figures' (Hall, 1989). The Corporation of London (the 'Square Mile') is a narrow strip of land, 677 acres in size, snaking some 1.5 miles along the northern side of the river Thames from Temple Bar to Middlesex Street in the east. There are various definitions of 'the City'. The most common is the Corporation of London (*figure 5.1a*), but other classifications have been used, for example, the former London County Council (see *figure 5.1b*), Greater London (as used in the *City Research Project, 1992-95*) (*figure 5.2*) and even the entire South East region (Hall, 1989).

In terms of the *supply* of labour, many of those working in the Corporation of London come from beyond not only its boundaries but inner London as well. Indeed over a third of jobs in the Corporation of London in 1981 were held by residents from outside Greater London and around 18% of all London's workers come from the south-east beyond Greater London (Coupland, 1992; LPAC, 1991). By 1991 there were approximately 90,000 people commuting from outside Greater London but working in the Corporation of London (OPCS, 1993). Around 86,000 (34.7%) of these workers lived in the South East (*table 5.1*; OPCS, 1993).

TABLE 5.1 : EMPLOYMENT LEVELS AND RESIDENCY OF WORKFORCE IN THE CORPORATION OF LONDON, THE CITY AND INNER LONDON (1991)

Place of work (right) Place of residence (below)	Corporation Total (%)	City Labour Market ¹ Total (%)	Inner London Total (%)
Within area	126 (0.5%)	78,161 (45.8%)	84,084 (48.3%)
City labour market	6,449 (26.1%)	n/a	n/a
Rest of Greater London	8,930 (36.2%)	54,256 (31.95%)	58,449 ² (31.6%)
South East	8,588 (34.7%)	32,857 (19.3%)	34,175 (18.0%)
East Anglia	212 (0.3%)	906 (0.5%)	935 (0.5%)
East Midlands	91 (0.4%)	657 (0.4%)	668 (0.3%)
South West	81 (0.3%)	680 (0.4%)	680 (0.4%)
Other regions	159 (1.0%)	1790 (1.1%)	1882 (1.0%)
Total	9,131 (100.0%)	36,890 (100.0%)	38,340 (100.0%)

Source : OPCS (1993).

Notes

Data derived from the Census of Population (1991), which is based on a 10% sample.

'1' : Definition as used by Rajan (1988) - see text.

'2' : Residing in 'Outer London'.

FIGURE 5.1 : DEFINING THE 'CITY'



FIGURE 5.2 : MAP OF GREATER LONDON SHOWING LONDON BOROUGHS (AND MIDDLESEX)



In terms of the *demand* for labour, the City also now extends beyond the narrow administrative area governed by the Corporation of London. April 1994 saw the incorporation of new prime sites that were initially outside the walls of the Corporation and, therefore, deemed 'non-banking territory'. The most notable such extension is most of Broadgate (previously part of Hackney), though the Corporation now also covers St. Clare Abbey and Lloyds Chambers sites (previously Tower Hamlets) and the Public Records Office and General Office (previously part of the City of Westminster). In spite of boundary changes, there is still considerable over-spill into other neighbouring London boroughs. The ever-increasing development of new offices at Docklands (notably BZW's recent announcement of a £200m move to Canary Wharf), adds further problems, as more of the City's traditional workforce, still functionally linked to it, moves to purpose-built premises in East London. These institutions not only contribute to the City's economy, but also compete for the staff in the City labour market.

Therefore, any definition adopted must embrace all the related activities that occur within and just beyond the Square Mile (Widlake, 1986; Clarke, 1983). Any definition is going to have problems, but at least Rajan's (1988) framework maintains a balance. It recognises the wide recruitment area from City-based employers (see *table 5.1*). In geographical terms, Rajan's definition encompasses an area including the Corporation of London and the City of Westminster, as well as the other inner London boroughs such as Camden, Islington, Hackney, Tower Hamlets, Southwark and Lambeth (*figure 5.1c*).

Throughout this *chapter* and *chapter 7*, I have adopted Rajan's (1988) definition of the City. One reason for selecting Rajan's definition is to enable comparisons between the City and other global financial and commercial cities. Whilst the Corporation of London encompasses many of the day-to-day activities which have an important bearing on the status of London as a 'global city', it does not represent London in its entirety. The broader definition also means a larger number of executive recruitment consultancies are situated within the geographical area. By contrast the adoption of the Corporation would have excluded many consultancy firms. All the companies selected in this case study have offices in the area. However, in *section 5.3* I use data from *Executive Grapevine* (Barrett, 1995) which classifies some firms as operating in 'Middlesex'. As the boundary of the former county occurs outside the area defined as 'the City' (*figure 5.2*), any firm designated as trading in Middlesex has been included, for statistical purposes, with the South East.

5.2.2 Conceptualising executive recruitment consultancies

In *chapter 3*, I indicated the reasons for selecting the City of London for the case-study. As will be illustrated in later sections, the City is the main location for executive recruitment consultancies, both domestically and internationally.

The sampling framework identified a total of 193 consultancies operating in the City and with financial services clients. 74 consultancies were actually involved in the case study. On concluding the fieldwork it was possible to classify these firms into three groups (*table 5.2*). Firstly, 31 firms conducted *only* headhunting assignments - 'pure executive search firms'; secondly, 26 firms offered *both* executive search and selection assignments¹ - 'combined search and selection firms'; and thirdly, 17 firms offered a variety of recruitment services including database assignments, executive search and executive selection - what I refer to as 'hybrid recruitment firms'. Although the thesis is primarily concerned with executive search and executive selection consultancies, I included hybrid recruitment firms in the research as it was important also to assess their involvement in executive recruitment.

TABLE 5.2 : SUMMARY OF RECRUITMENT FIRMS INVOLVED IN CITY CASE STUDY

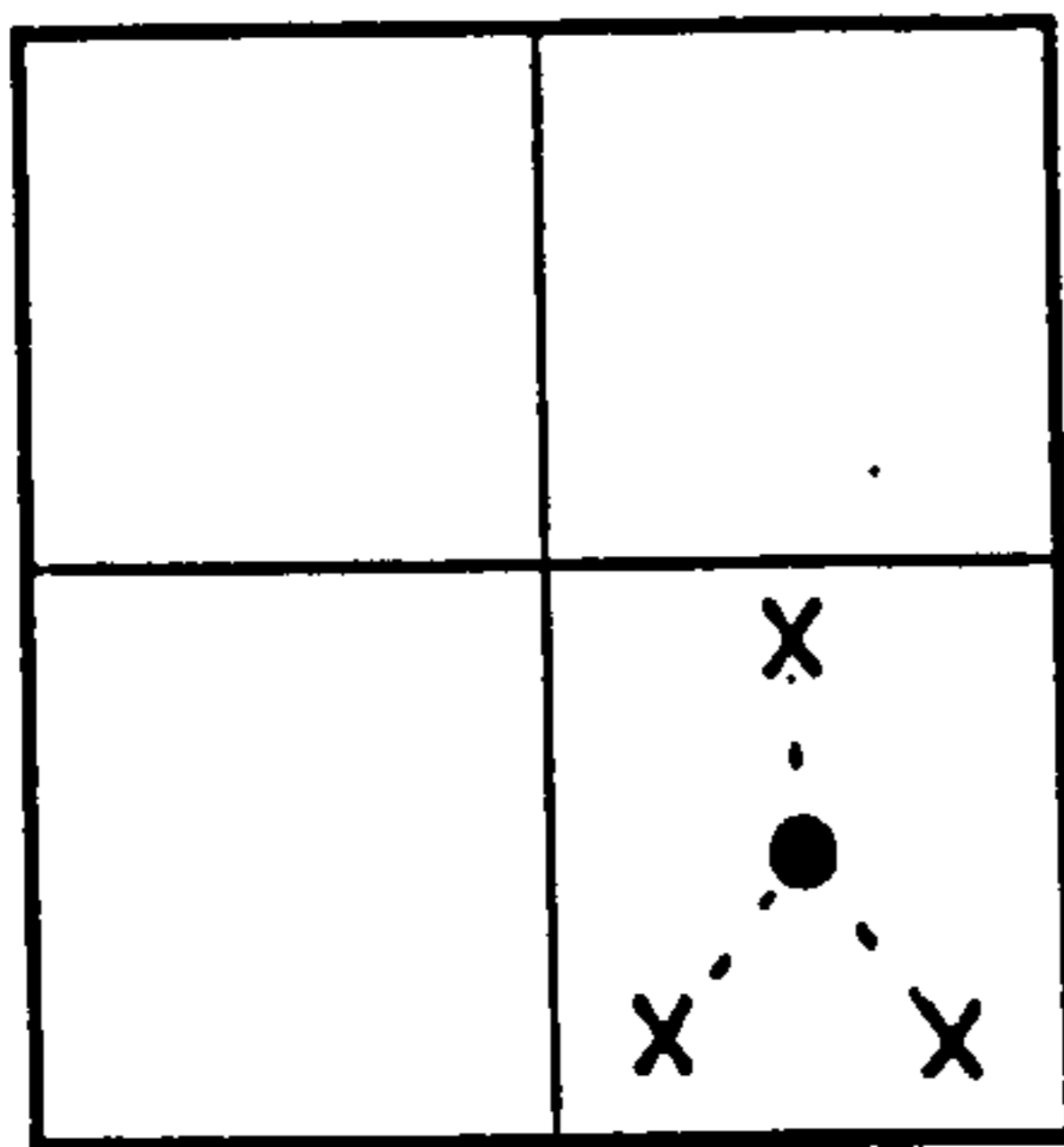
Category of recruitment firm	Code	No. of firms
Executive search firm - Generalist	SG	25
Executive search firm - Specialist	SS	6
Combined search and selection firm - Generalist	CG	16
Combined search and selection firm - Specialist	CS	10
Hybrid recruitment firm - Generalist	HYS	2
Hybrid recruitment firm - Specialist	HYG	15

Source : Author's survey

Each consultancy also differs in terms of the geographical area in which it operates. *Figure 5.3* outlines a series different typologies of recruitment firms. For executive search and combined search and selection consultancies, there are three types (*figure 5.3a*). Firstly, there are those single office organisations that serve clients in the local region; secondly, there are companies that have a number of offices in the country, each of which serves clients in the region; and thirdly, there are organisations that serve clients irrespective of whether they have an office in that region. For hybrid recruitment firms, interaction with clients is limited to the locality in which they operate (*figure 5.3b*).

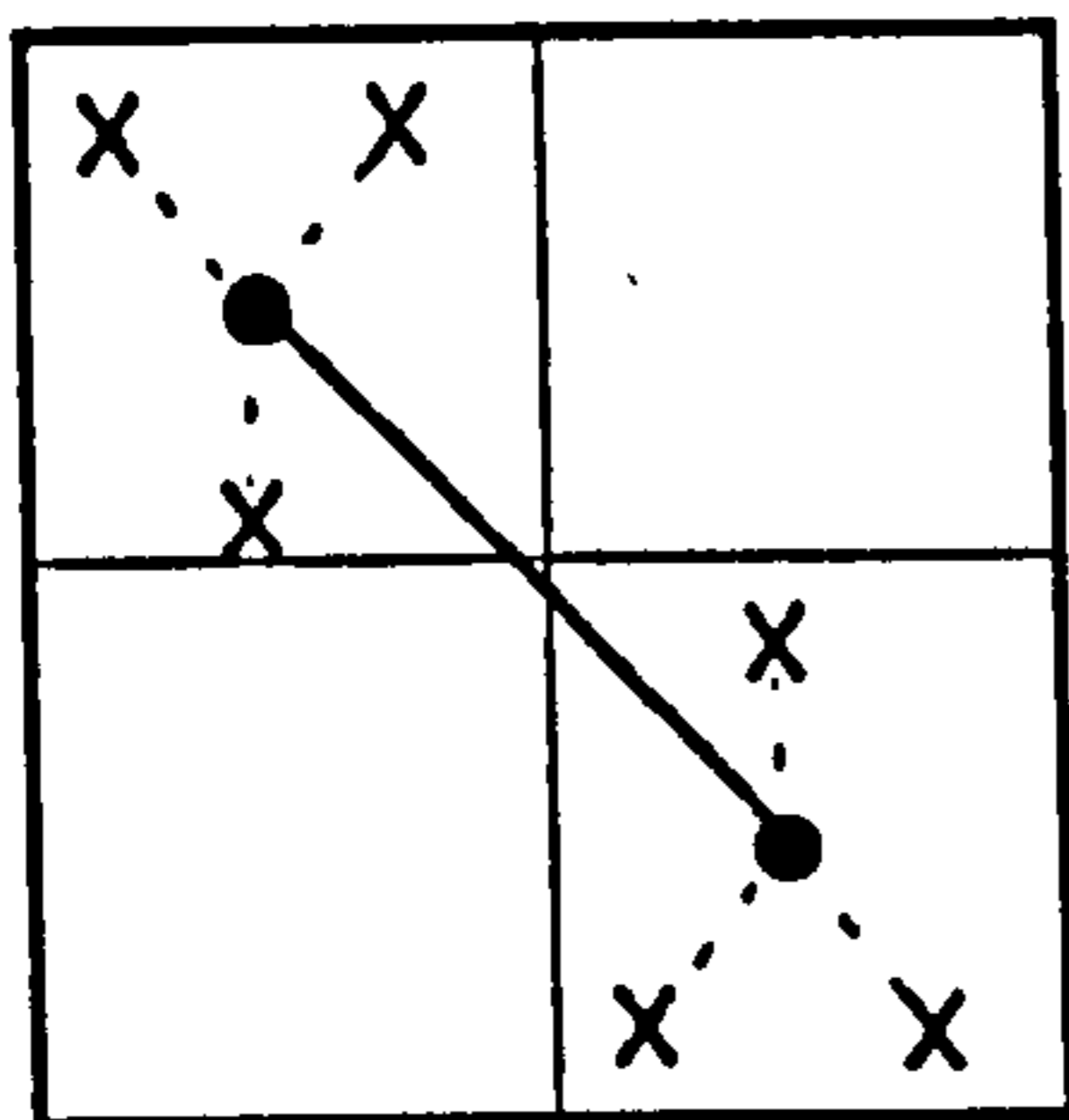
¹ The category also includes three consultancy firms that only conduct executive selection assignments.

FIGURE 5.3a : TYPOLOGY OF EXECUTIVE SEARCH COMPANIES AND COMBINED SEARCH AND SELECTION COMPANIES (DOMESTIC LEVEL)



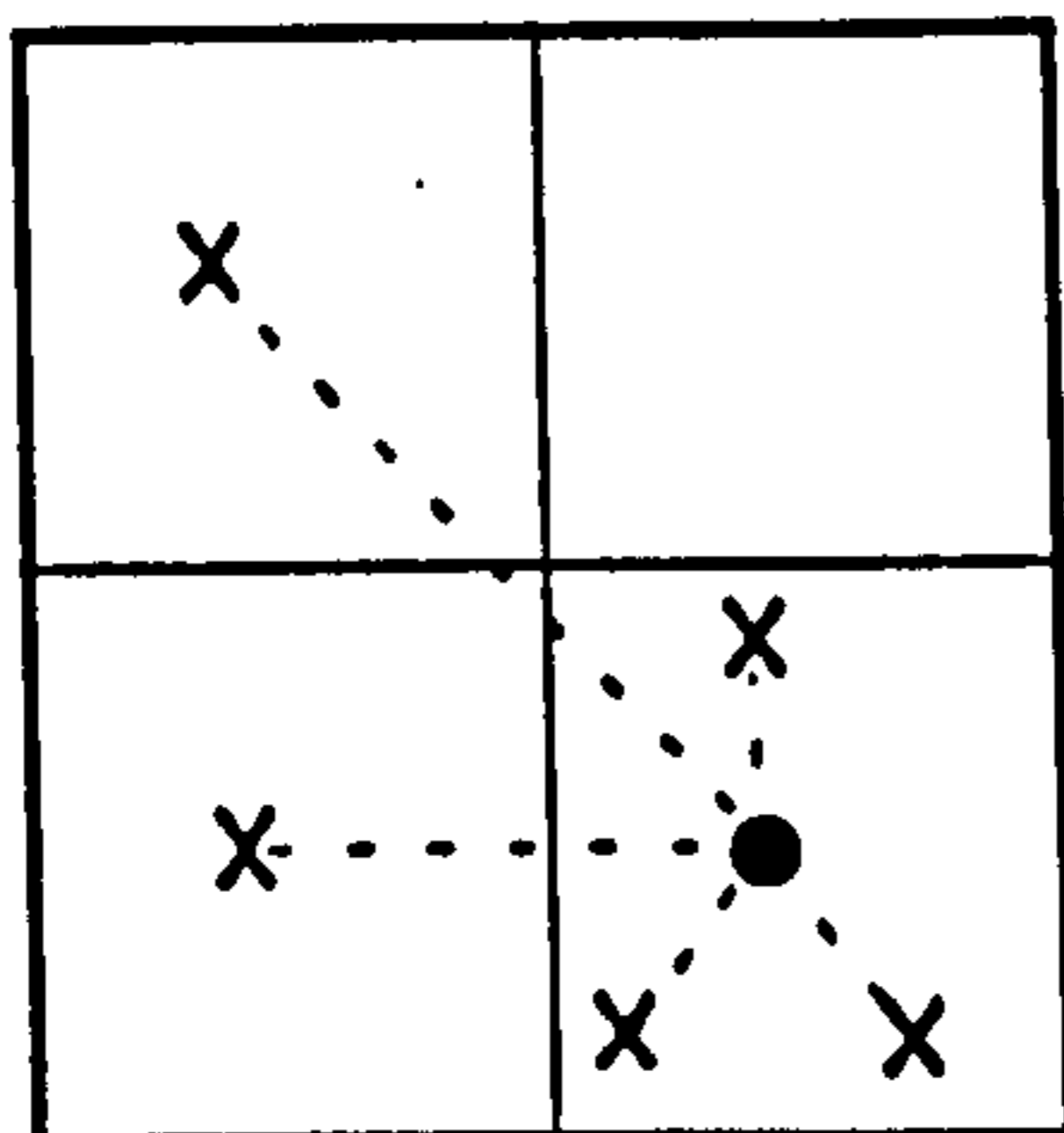
i) TYPE ONE

Company has single office
Serves clients in own region only



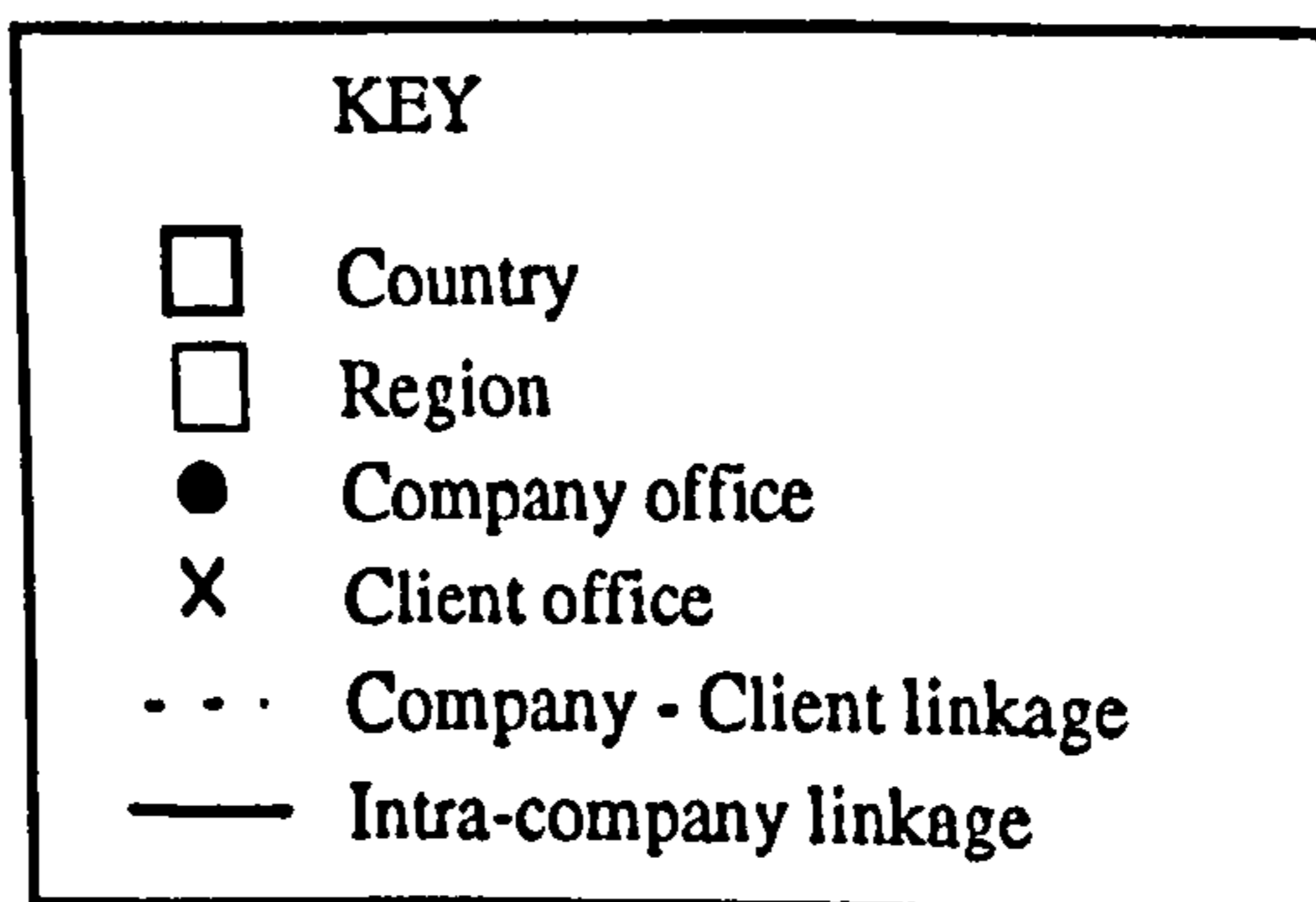
ii) TYPE TWO

Company has more than one office
Each serves clients in own region only

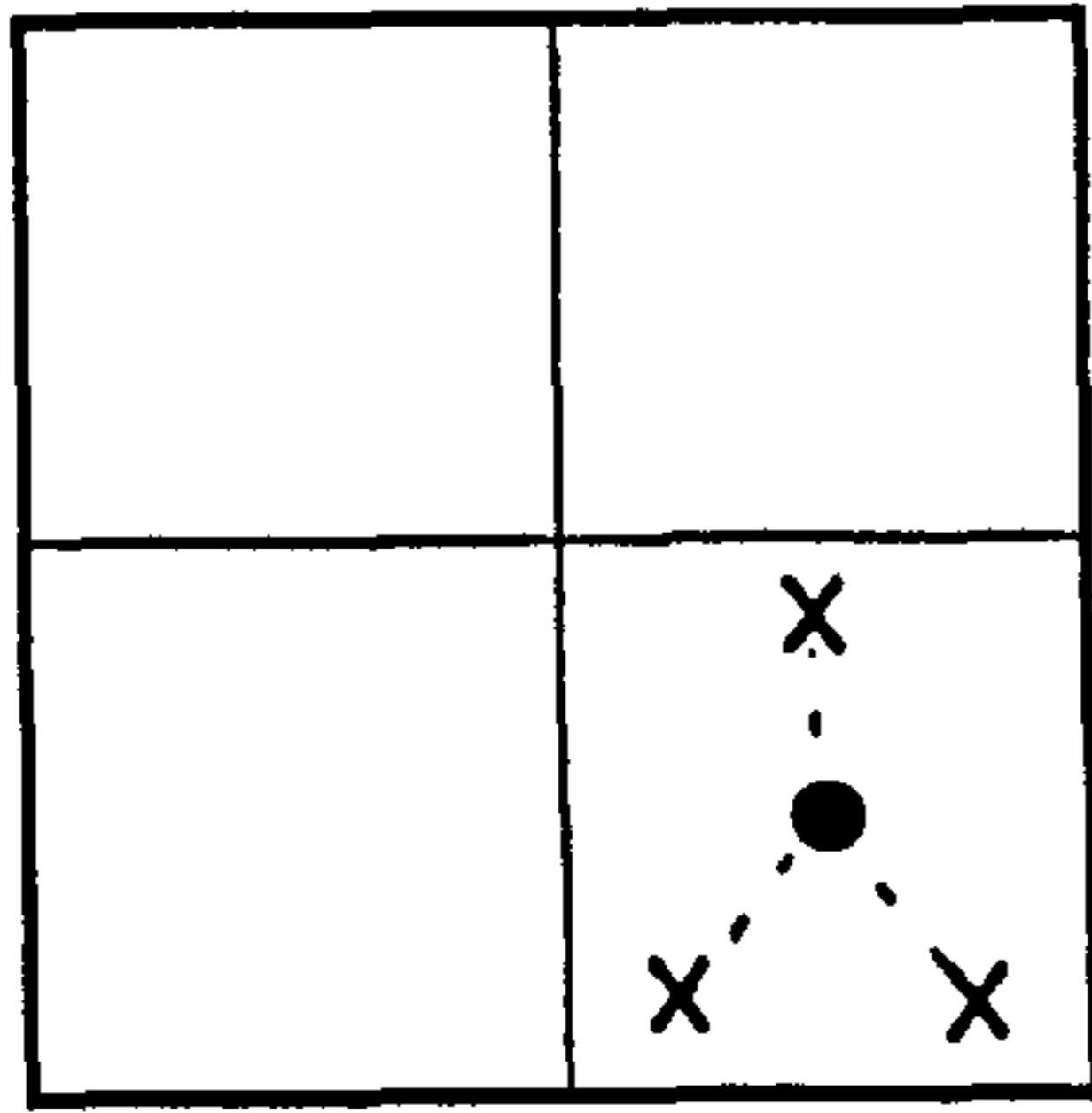


iii) TYPE THREE

Company has one (or more) office which
services clients in several regions

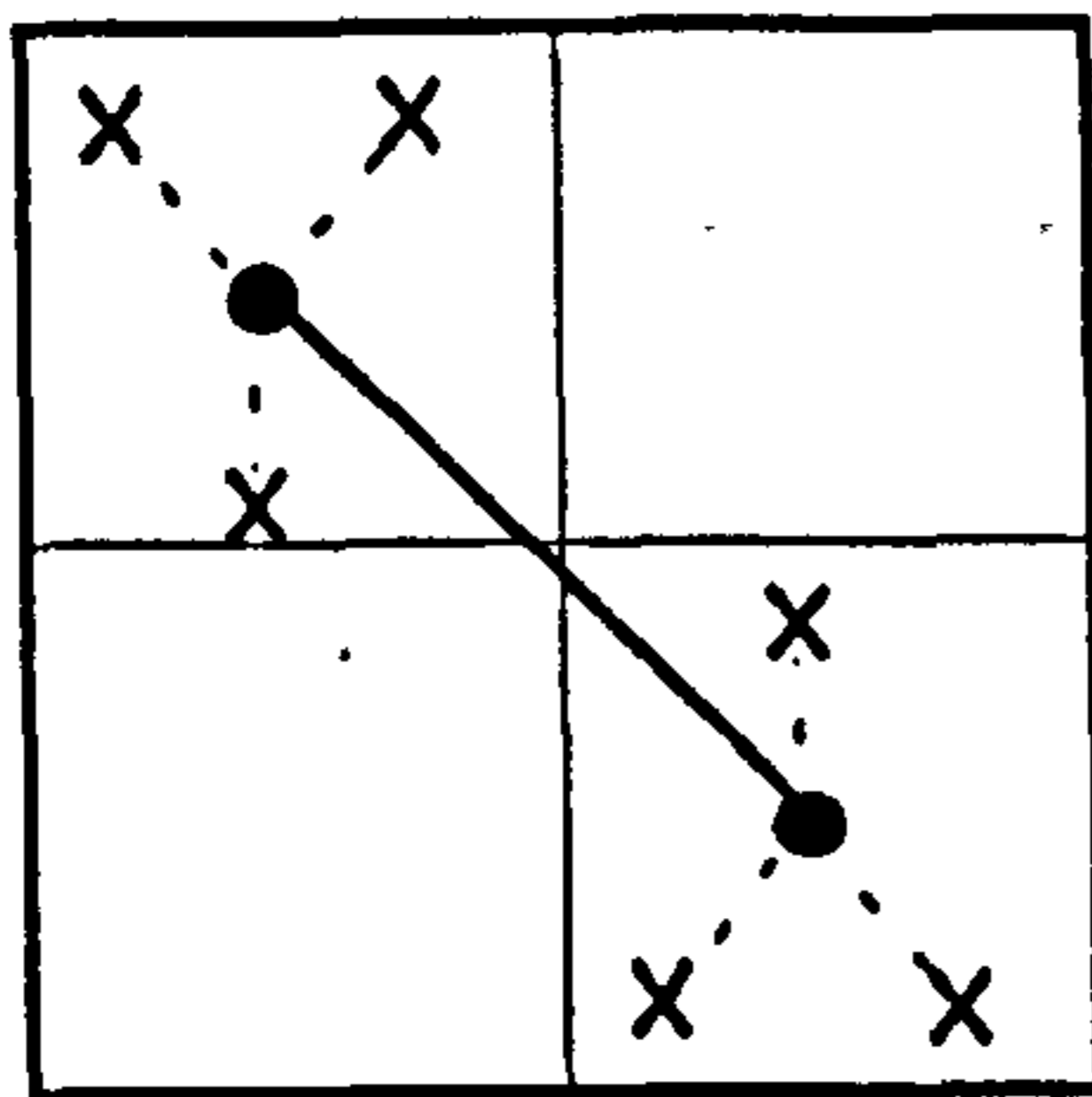


**FIGURE 5.3b : TYPOLOGY OF 'HYBRID RECRUITMENT FIRMS'
(DOMESTIC LEVEL)**



i) TYPE ONE

Company has single office
Serves clients in own region only



ii) TYPE TWO

Company has more than one office
Each serves clients in own region only

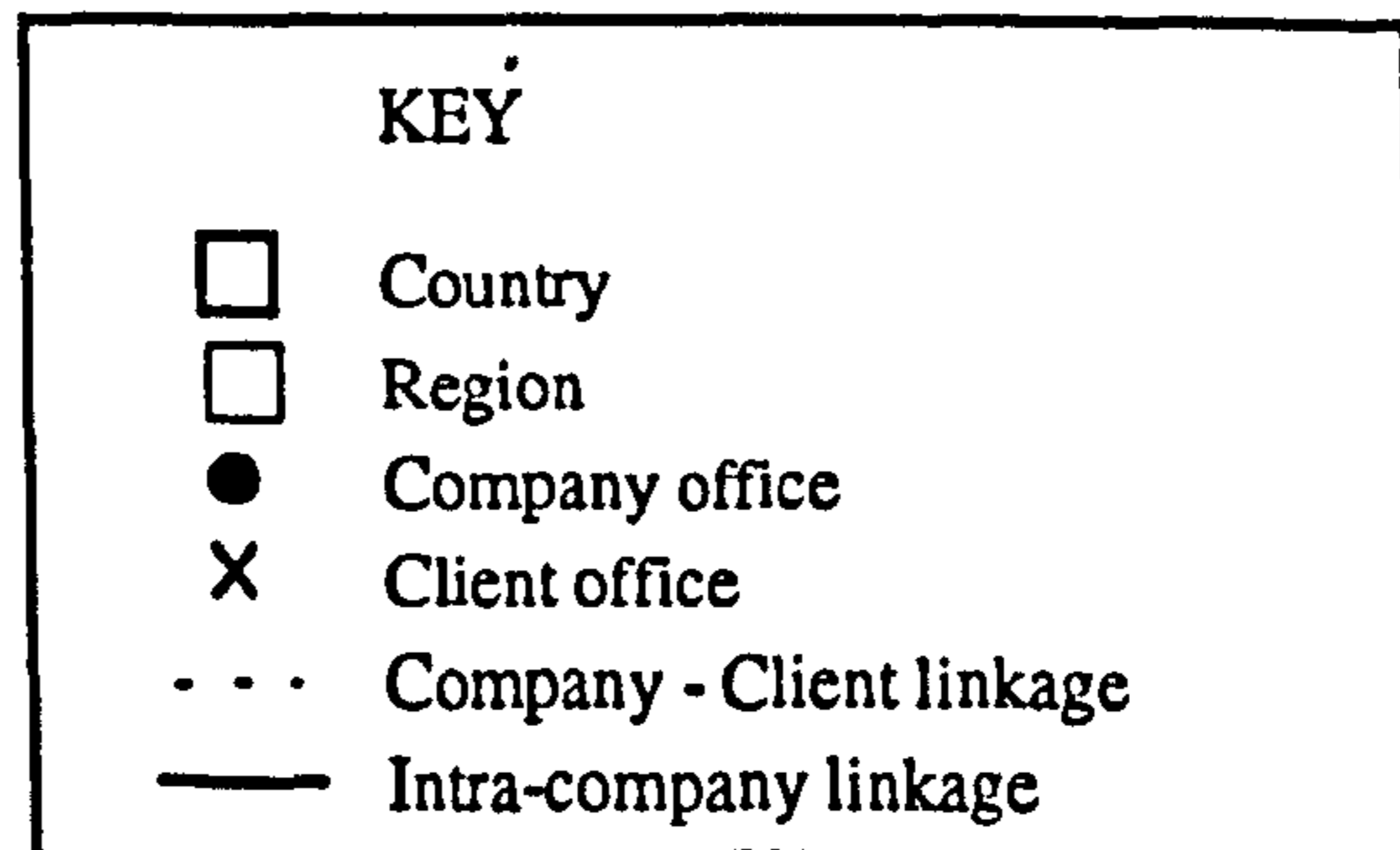
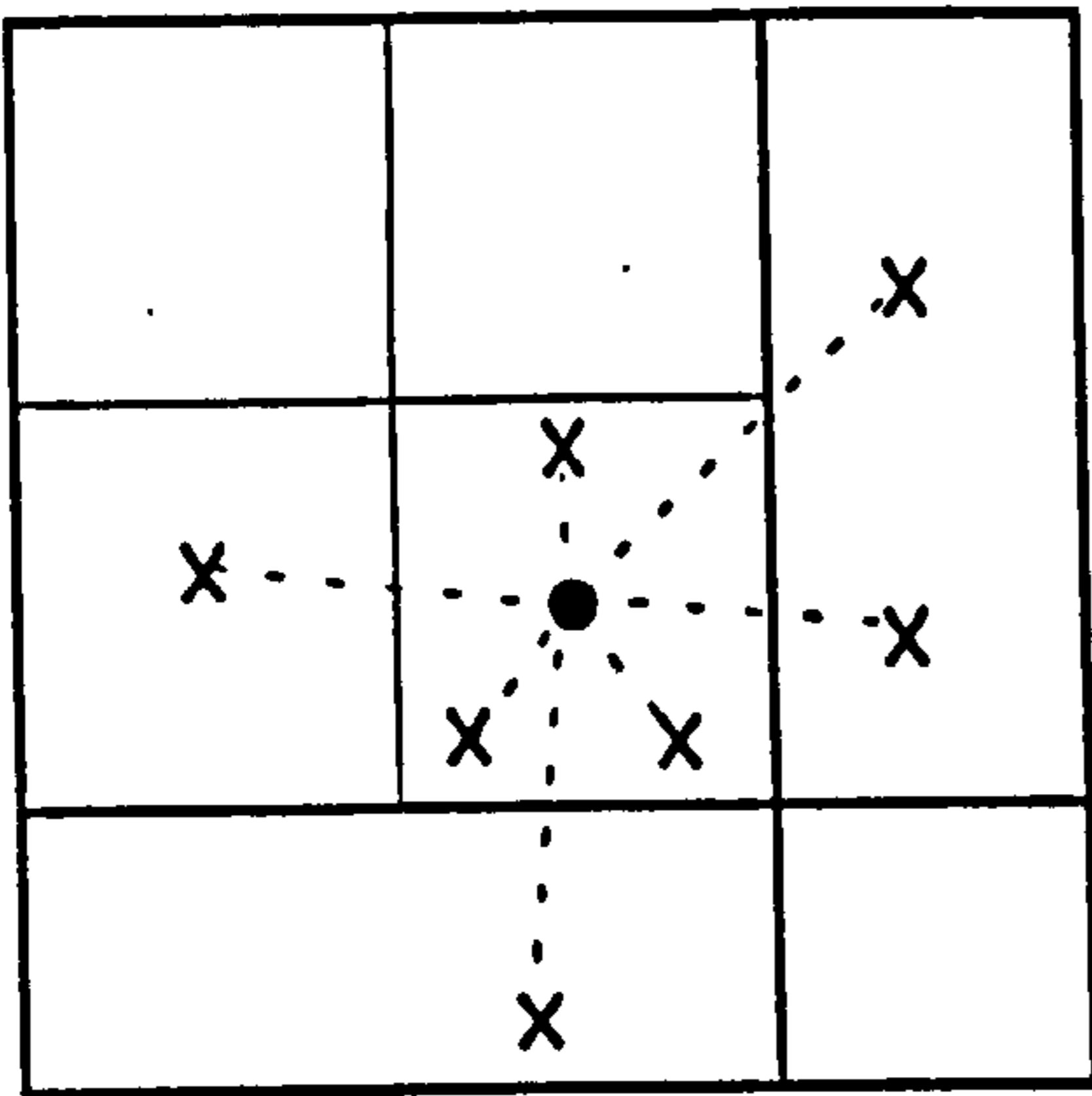
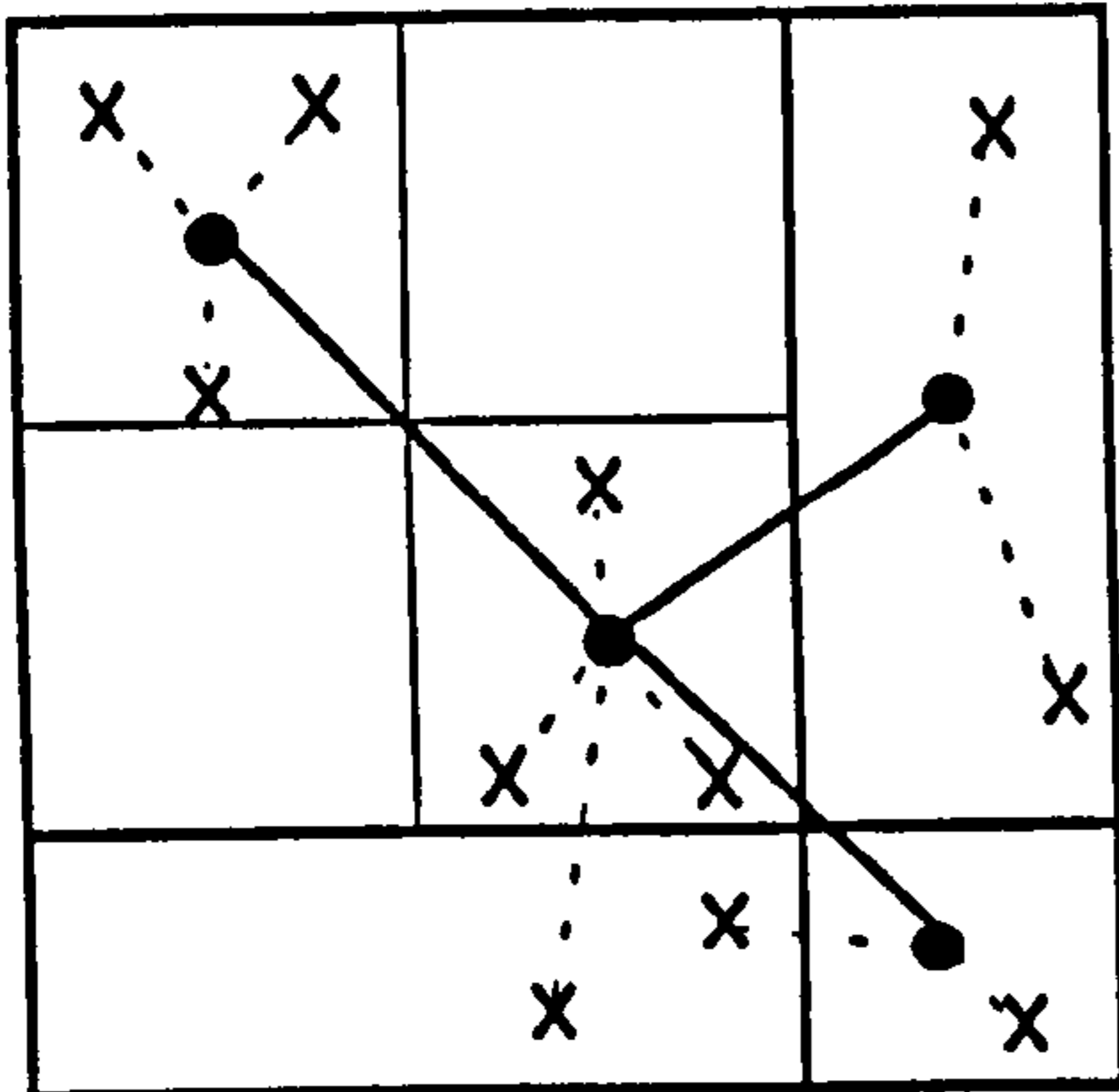


FIGURE 5.4 : TYPOLOGY OF EXECUTIVE SEARCH COMPANIES AND COMBINED SEARCH AND SELECTION COMPANIES (INTERNATIONAL LEVEL)



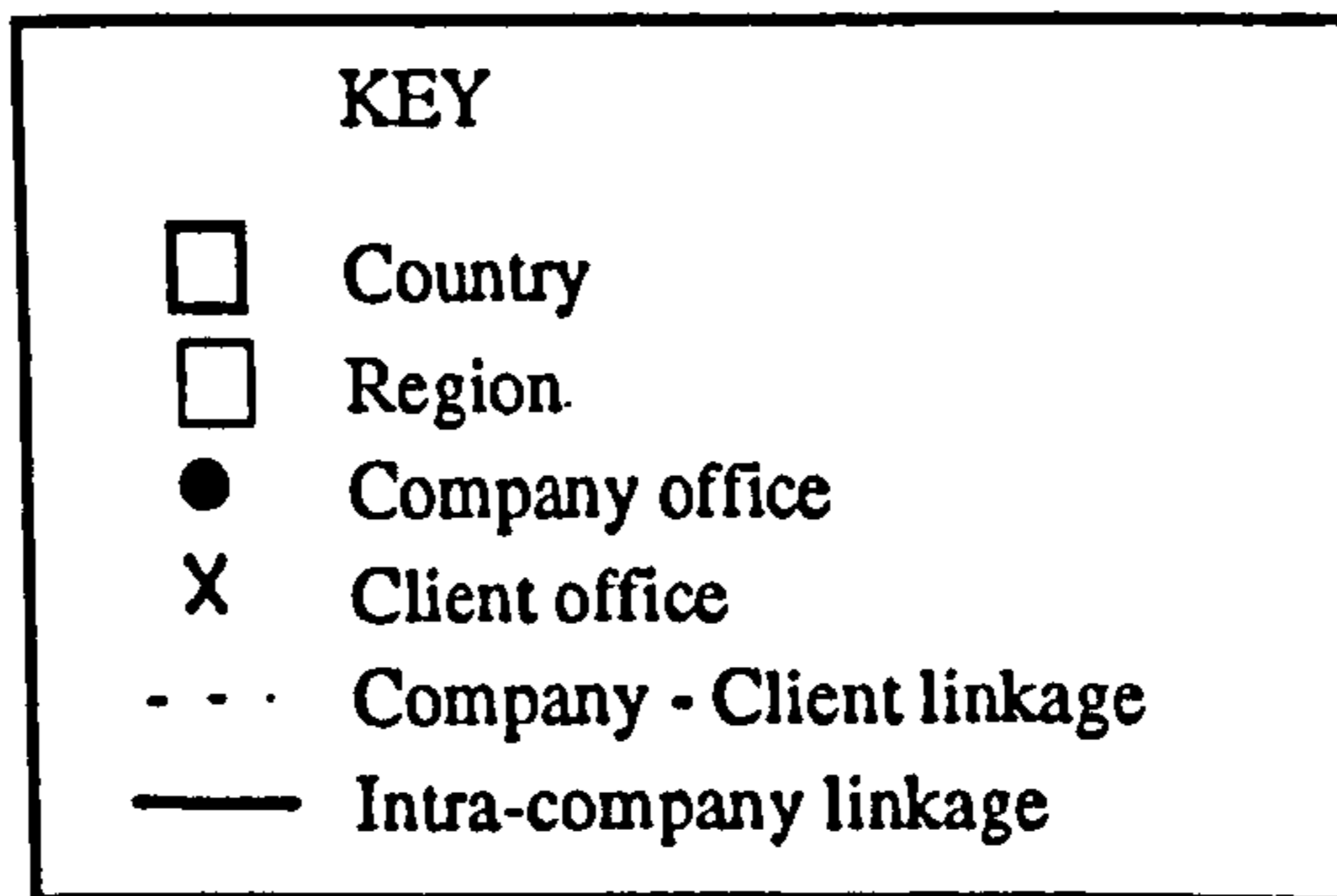
i) TYPE ONE

Company has single office serving international clients



ii) TYPE TWO

Company has more than one office
Serve client from 'appropriate' office



Many of these firms conduct a mixture of recruitment services involving interaction with candidates as well as clients. Therefore, the sphere of operation is limited to the local area in which they are based (see *section 5.3.2*).

Every consultancy has also been classified according to whether it is a specialist or generalist firm. Specialist firms are organisations that *solely* have clients from the financial services sector. Otherwise, the consultancy is deemed to be a generalist. In addition, it is also possible to conceptualise the way in which executive recruitment firms operate internationally (*figure 5.4*). There are two distinct types : the first, where a company has a single office from which it serves a client overseas and; the second, where the company serves clients from a network of overseas offices. The ability of the company to offer international search from one office is assessed initially in *section 5.3.3* and in depth in the next chapter.

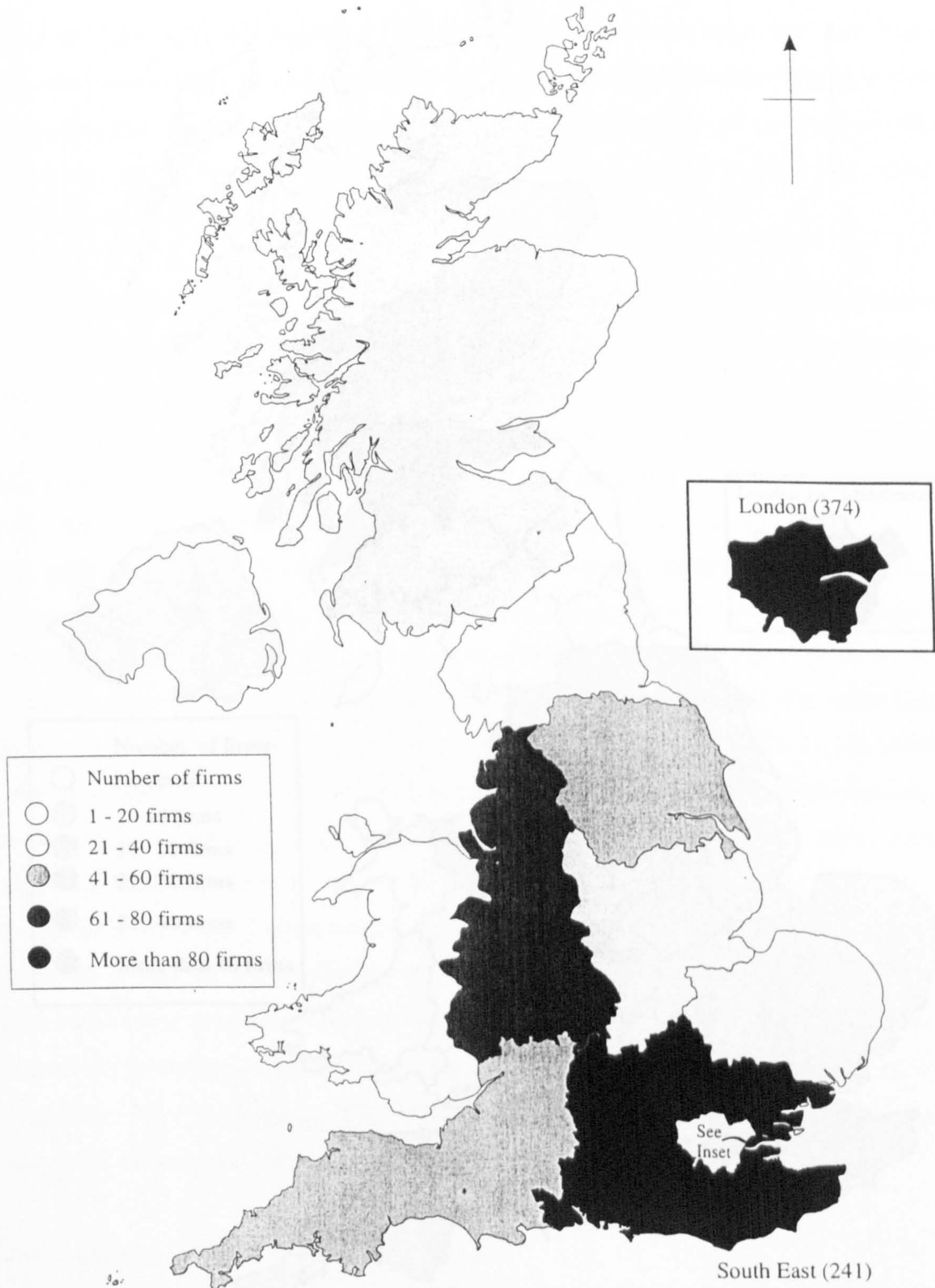
5.3 Geography of the executive recruitment industry

5.3.1 Location of executive recruitment offices - UK regional patterns

In the previous chapter I indicated that the majority of executive recruitment consultancies are located in the South East and Greater London (*tables 4.4 and 4.5*). Analysis of firms listed in the most recent edition of *Executive Grapevine* (Barrett, 1995) reveals that 39.49% and 25.45% of the total recruitment offices in UK are located in Greater London and the South East respectively. Whilst these two regions have the majority of the total number of executive recruitment consultancies, several other regions have in excess of 40 consultancy offices - the West Midlands, North West, Yorkshire and the South West (*figure 5.5*). By breaking down the data into counties and metropolitan authorities, the importance of individual financial centres situated within these regions can be easily noted (*figure 5.6*). These centres include West Yorkshire, Manchester, Birmingham and Bristol.

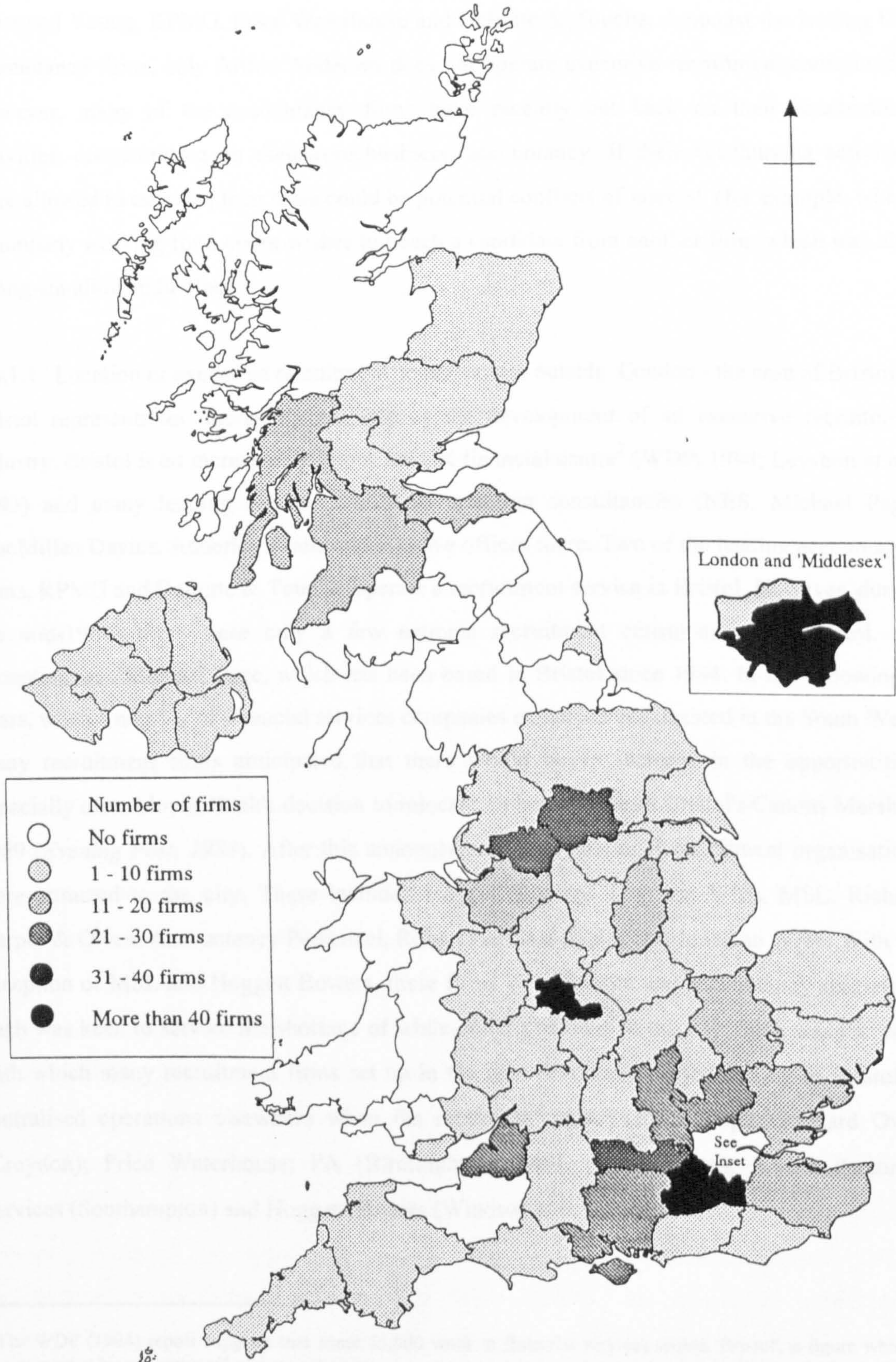
Firms operating outside London tend to be of two sorts. Firstly, there are local independent firms and; secondly, there are national firms, who have a network of offices across the country. Occasionally, a large international search firm will have another UK office outside London, though such offices are mostly small and representative in nature - for example, Russell Reynolds (Edinburgh), Accord/Tyzack (Leeds), GKR Neumann (Leeds), Knight Wendling (Stockport) and Spencer Stuart (Manchester and Leeds) all have such offices. Of those large national consultancies that operate search and selection, many are advertising, management or accountancy organisations.

FIGURE 5.5 : MAP SHOWING THE LOCATION OF EXECUTIVE RECRUITMENT CONSULTANCIES IN THE UK (BY REGION)



Based on data adapted from Barrett (1995)

FIGURE 5.6 : MAP SHOWING THE LOCATION OF EXECUTIVE RECRUITMENT CONSULTANCIES IN THE UK (BY COUNTY)



Based on data adapted from Barrett (1995)

The advertising agencies, Riley, PA, Bernard Hodes (now part of MacMillan Davies) and Austin Knight, all have networks of offices concentrated in these major commercial centres. Within the accountancy sector, most of the leading firms offer search and selection to clients from their leading provisional offices, for example, BDO Stoy Hayward, Coopers and Lybrand, Ernst and Young, KPMG, Price Waterhouse and Deloitte & Touche. Amongst the leading UK accountancy firms, only Arthur Andersen does not operate executive recruitment consultancy. However, many of the accountancy firms have recently cut back on their headhunting activities, concentrating on their core business, accountancy. If their headhunting activities were allowed to escalate, then there could be potential conflicts of interest (for example, where a company working for a client wishes to poach a candidate from another firm, which was also a long-standing audit client).

5.3.1.1 Location of executive recruitment consultancies outside London - the case of Bristol

Bristol represents an interesting example of the development of an executive recruitment industry. Bristol is an increasingly important UK financial centre² (WDP, 1994; Leyshon *et al.*, 1993) and many leading national executive selection consultancies (NBS, Michael Page, MacMillan Davies, Adderley Featherstone) have offices there. Two of the leading accountancy firms, KPMG and Deloitte & Touche, operate a recruitment service in Bristol. However, during the mid-1980s there were only a few national recruitment consultancies in Bristol. An exception was Michael Page, which has been based in Bristol since 1984. In the following 5 years, when a number of financial services companies expanded or relocated in the South West, many recruitment firms anticipated that there would be an increase in the opportunities, especially after Lloyds Bank's decision to relocate its head office to Bristol's Canons Marsh in 1989 (*Evening Post*, 1988). After this announcement many national recruitment organisations were attracted to the city. These included Hoggett Bowers, Harrison Wills, MSL, Richard Harper & Owen, Accountancy Personnel, Robert Half Associates and Jonathan Wren. With the exception of MSL and Hoggett Bowers, these firms were finance and accountancy specialists. Each was keen to service the shortage of white-collar positions in the city. Such was the haste with which many recruitment firms set up in the area that many ceased trading in Bristol or centralised operations elsewhere when the recession began (for example, Richard Owen (Croydon); Price Waterhouse; PA (Birmingham); MSL (Birmingham); Barker Personnel Services (Southampton) and Hoggett Bowers (Windsor)).

² The WDP (1994) report suggests that some 55,000 work in financial services within 'Bristol', a figure which if supplemented by support staff such as solicitors, computer specialists and consultancies might be as high as 67,000, equivalent to 35% of the total work-force. Of all the southern labour markets, excluding London, Bristol has the highest concentration of employees directly involved in financial services activities. Bristol obviously remains the key provincial centre for insurance activity, at least in the southern part of the country (Leyshon *et al.*, 1993).

A review of the development of the Bristol recruitment business over the last eight or so years is helpful in highlighting some location factors. The arrival of national firms in Bristol was based largely on the perceived market opportunities following the arrival of Lloyd's headquarters. Although there was already a large financial community in Bristol, there were few head offices, so the potential for Bristol to attract executive recruitment consultancies was severely restrained. Recruitment decisions about the use of executive recruitment firms are taken by companies at the highest level (control units) (Clark, 1989a). Therefore, executive recruitment consultancies locate near the control units, where those individuals making decisions on recruitment policy are based.

5.3.2 Location of executive recruitment offices in the City

By plotting the location of the case study consultancies, the spatial pattern at the local level can be assessed. This has two potential attractions. Firstly, if it is evident that there is a concentration of firms, one might then examine whether agglomeration economies are encouraging firms to locate there and; secondly, whether the City is a centre for specialisation and product innovation. I will address this latter issue in *section 5.4.2*.

The case study fieldwork of search and selection consultants in the City involved some 74 organisations. In this section, I outline the spatial pattern of the office locations of these consultancies within the City. Although the sampling framework used covered some eleven inner London boroughs plus the Corporation of London, respondents were only located in five authorities (*table 5.3*). Furthermore, 68 of the organisations are located in just two administrative areas - the Corporation of London and the City of Westminster (*table 5.3*). As a consequence, in some maps (*figures 5.7 and 5.9*) some consultancies located in Kensington and Chelsea and Hammersmith and Fulham have been omitted.

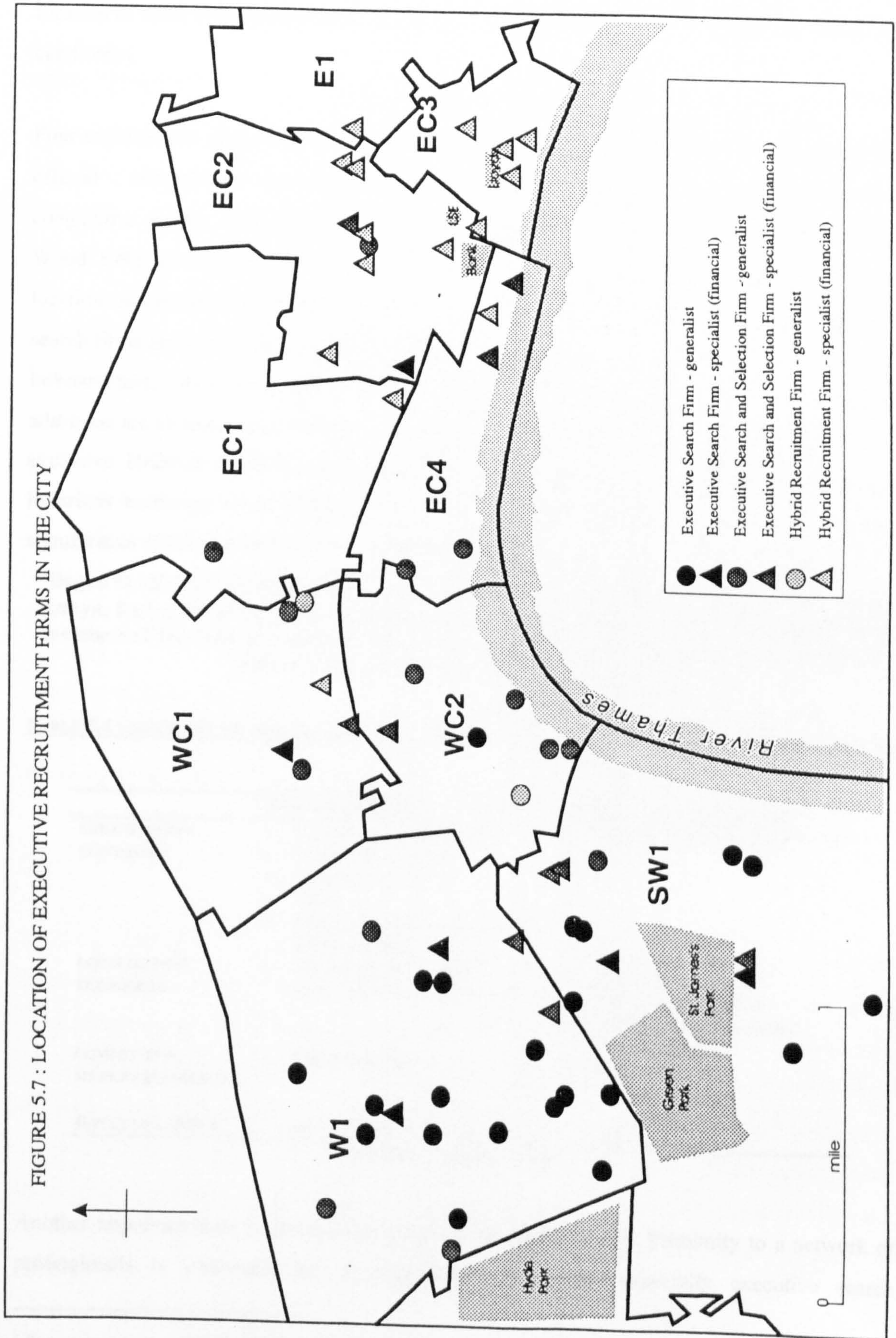
Figure 5.7 shows the location of 70 consultancies from the case study. All are located north of the river Thames. With the exception of one hybrid recruitment firm in E1 (Tower Hamlets), the executive recruitment firms are located in Central London postcode districts - EC1-EC4 (Corporation of London) and WC1-WC2, W1 and SW1 (City of Westminster). All but one of the executive search firms are situated in W1 and SW1. Combined executive search firms are located throughout the study-area, but particularly at the boundary between City of Westminster and the Corporation of London (WC1 and WC2). By contrast, the spatial pattern of the final category of recruitment firms is more concentrated. Most of the hybrid recruitment firms are situated in postal code areas, EC2 and EC3.

TABLE 5.3 : LOCATION OF RECRUITMENT FIRMS INVOLVED IN CITY CASE STUDY

Local Authority	Corporation of London					City of Westminster					Tower Hamlets			Kensington		Hammersmith	
	EC1	EC2	EC3	EC4		WC1	WC2	SW1	W1	E1	SW7	W8	W5				
SG & SS	-	1	-	-		1	1	9	16	-	1	2	-				
CG & CS	1	1	1	4		3	5	4	5	-	-	-	2				
HYS & HYG	1	5	5	2		2	1	-	-	1	-	-	-				
Total	2	7	6	6		6	7	13	21	1	1	2	2				
Grand Total			21				47			1	3		2				

Source : Author's survey

FIGURE 5.7 : LOCATION OF EXECUTIVE RECRUITMENT FIRMS IN THE CITY



However, this may be partly due to the sampling framework. All non-generalist hybrid recruitment firms included in the sampling framework were financial services specialists. In *section 5.4*, I discuss the location of specialist consultancies in more depth. Needless to say, the location of these consultancies is obviously associated with a need for proximity to clients and candidates.

Four explanations of the location of advanced producer service firms in cities are commonly offered : *urbanisation economies*, *localisation economies*, *supply of the work-force* and *competitive market environments* (Chapman and Walker, 1987; Daniels, 1993; Marshall and Wood, 1995; see *chapter 2*). *Table 5.4* summarises some of the specific factors influencing the location of executive recruitment firms in the City, as derived from my survey³. Executive search firms are more influenced by *urbanisation economies*, for example, access to a transport infrastructure, luxurious property, pleasant views overlooking the royal parks and prestigious addresses are all important. These promote the status of a consultancy as being high quality and exclusive. Heidrick and Struggles is based at *100 Piccadilly*. GKR and Russell Reynolds have luxurious buildings in St. James Square. Russell Reynolds is keen to stress the historical significance of the Square in their corporate brochure.

'Begun in 1665, St. James's Square is the centrepiece of a successful development by Henry Jermyn, Earl of St. Albans. The buildings surrounding the square were constructed to provide members of the court of Charles II close proximity to the monarch's residence at St. James's Palace' (*Russell Reynolds Corporate Literature*)

TABLE 5.4 : SUMMARY OF THE LOCATION FACTORS FOR EXECUTIVE RECRUITMENT FIRMS IN THE CITY

	Executive search	Hybrid recruitment firm
URBANISATION ECONOMIES	<ul style="list-style-type: none"> • Networks of professionals • Fashionable location • Government circles • Clubs • Restaurants (and other social/cultural factors) 	<ul style="list-style-type: none"> • Networks of professionals
LOCALISATION ECONOMIES	<ul style="list-style-type: none"> • Interaction with clients (multinational corporations) 	<ul style="list-style-type: none"> • Interaction with clients (financial institutions) • Interaction with candidates
COMPETITIVE MARKET ECONOMIES	<ul style="list-style-type: none"> • Market presence 	<ul style="list-style-type: none"> • Market presence
SUPPLY OF LABOUR	n/a	n/a

Source : Author's survey

Another important form of *urbanisation economies* is networking. Proximity to a network of professionals is important for all recruitment firms, but especially executive search

³ Executive selection consultancies exhibit similar location factors to those of *both* search and hybrid recruitment firms.

consultancies. These consultancies rely upon the process of information exchange. Dialogue between consultants and 'informants' - those individuals who advise on potential candidates - often occurs in the informal setting of a local restaurant or club. The establishment and maintenance of contacts is of paramount importance for headhunters. Therefore, proximity to local clubs (for example, the Athenaeum, O & C, Carlton Club), as well as proximity to Whitehall and the offices of key business groups (for example the CBI and IOD) can offer potential *urbanisation economies*. While most business centres have restaurants, clubs, theatres etc., the concentration of such activities in the West End is much higher and therefore more attractive.

The *quality of supply of labour* is not such an important factor to recruitment organisations. Most executive recruitment firms are small and have a policy to headhunt their own staff. Therefore, such recruitment firms are not influenced to locate near a supply of labour. In terms of *competitive market economies*, this factor is important in *all* firms. In this respect, recruitment organisations are no different. The need for business transcends the recruitment consultancy spectrum. Löschian theory suggests that firms will locate where there is a market. The ability to retain and extend one's market share is partly a function of locality. Being in the right place, interacting with clients, is obviously a key factor. While some producer service activities, for example, data processing and back-offices, are increasingly decentralising to non-metropolitan locations, executive recruitment consultancy is not one of them. For hybrid recruitment firms, interaction with candidates is also important. Such organisations have stronger catchment areas (regions in which candidates work) and, therefore, they tend to locate within these same areas.

5.3.3 Overseas networks

Within global cities, there are a number of additional locational factors. In terms of IT, investment in new technology such as fibre-optics and teleports has been concentrated in world cities, where the unit installation costs are lower (Sassen, 1991; Daniels, 1993). Location within global cities can also reduce transaction costs due to high levels of information flow both intra- and inter-firm and the need for interaction with clients and suppliers. All these 'transactional forces' (Daniels, 1993) encourage advanced producer service firms to locate within global cities, thereby minimising forward and backward costs with suppliers and clients respectively. These centralising factors have led to global cities becoming pre-eminent locations for producer services (*chapter 2*) including executive recruitment firms.

There are two reasons why executive recruitment firms might concentrate in such cities. Firstly, executive recruitment firms might seek to position themselves into global cities within the global system. This allows the consultancies to conduct assignments at different spatial scales, as well as to have a range of clients. Firms offering a variety of recruitment services (for example, search, selection and agency) can service several different types of clients from one office location, thereby experiencing economies of scope (cf. Moulaert and Gallouj, 1993; *chapter 2* (especially 2.7 and 2.8); *chapter 6* (especially 6.6)). Secondly, global cities are also important centres for skilled professional and managerial workers (Beaverstock, 1996a; Sassen, 1991; *chapter 2*). In *chapter 6*, I examine the nature of the international executive search industry and the locations from which it is conducted. However, in this section I assess the extent to which *City-based* executive recruitment firms conduct assignments overseas.

In *section 5.1.2*, I outlined a framework for analysing the different types of executive recruitment consultancies - executive search, combined search and selection, and hybrid recruitment firms - that operate both nationally and internationally. Boyle *et al.* (forthcoming) imply that the UK search market is largely domestic in nature, and firms 'are not called upon to any significant degree to recruit from other countries' (11). By contrast, Garrison Jenn (1993) has commented that many City-based search consultancies have developed a strong cross-border capability. The depth of cross border activity by some UK firms is still increasing. For example, Heidrick and Struggles⁴ and Egon Zehnder both conduct a high degree of international work from their London offices - 60% and 45% respectively (*ibid.*). The growth of cross-border assignments has obviously been driven by the demands of clients, typically those multinational enterprises or organisations who wish to consider candidates with international exposure. In addition, deregulation has, for example the Single European Market, also made it easier for recruitment consultancies to operate cross-border (see *section 6.2.2*).

If London is a global city, then do executive recruitment consultancies service clients both locally and globally? *Figure 5.8* illustrates the international location of assignments conducted by the different categories of recruitment firms. Unsurprisingly given the UK's proximity to the continent and its membership of the EU, the most important overseas location for conducting assignments is Europe. 50% of executive recruitment firms indicated that they had placed candidates there. There was a marked difference between generalists and specialists - 30% more generalist firms worked in Europe. Most generalists are part of an international network and have offices across Europe and world-wide. Consequently such consultancies have more

⁴ Egon Zehnder and Heidrick and Struggles have office networks similar in structure to those in *figure 5.3aiii* and *5.4ii*

scope to conduct international assignments (*figure 5.4ii*). By contrast, the specialist consultancies tended to have just one office and for them international assignments are more difficult (*figure 5.4i*).

For most other regions, a similar pattern was repeated (notably for North America and the Far East). Executive search firms were the most popular for conducting international assignments in the Near and Middle East, Africa, Latin America, North America and the Far East. Executive search firms are the most appropriate form of international recruitment. Most search firms in the case study were generalists and also part of networks with overseas offices (see *chapter 6; figure 5.2*). Within Europe nearly 60% of combined search and selection firms conducted assignments : this was 8% more than executive search. However, within the European labour market, it appears that clients can attract applicants through advertisements placed in the appropriate media, for example, *the Financial Times* and *the Economist*.

5.4 Executive recruitment in the City : geography and specialisation

5.4.1 Specialisation and Customisation

In *chapter 4*, I indicated that there was a trend towards customisation and specialisation within the executive recruitment industry. For example, executive search firms are offering recruitment services in new areas, such as non-executive directorships, developing flexible fees structures for clients and offering remuneration advice. The executive recruitment industry is a 'customised business, so [it] move[s] with the market' (*SG H*). Another aspect of customisation has been the growth in the number of specialist recruitment firms. These specialist firms tend to be small in size, no more than two offices, and concentrate on a specific industrial sector. Clients often feel they benefit by dealing with such firms, as the consultants have worked in that same field (*table 5.5*). For those business areas which are technical and dynamic market areas, for example derivatives, specialist consultants can claim to have a better understanding the market, as they have worked in the sector and continue to have contact by conducting similar assignments regularly. '[It] worries me that I have to compete with somebody else that has been unsuccessful in another area, such as line management in sales, and then purports to know as much about this sector as me' (*HYS J*).

At the beginning of an assignment clients decide whether to use a local or global search firm. Global search firms tend to be generalists. They offer a clear brand product and an international network with access to many markets, both functional and geographical (*figure 5.3ii* and *5.3iii*). By contrast, small search firms tend to be specialists and have one office (*figure 5.3ai*). They

can offer a small dedicated team, with fewer complications in terms of fees and off-limits (table 5.5; chapter 4). While consultants working in specialist search and selection firms are quick to praise the virtues of such organisations, there are several disadvantages as well. They often lack a network of offices (section 5.3.4) and, therefore, find international assignments difficult to conduct. 'Need [to have] a global perspective [so] must try to be a MNC company. After all, big is beautiful.' (SG V). 'Clients want multinational search companies for multinational companies' (SG W).

TABLE 5.5 : A COMPARISON OF LARGE AND SMALL EXECUTIVE SEARCH FIRMS COMPARED

Large Multinational (Multi-sectoral)	Local Firm (Specialist)
Pros	
Brand name, image (perceived easier to attract clients and candidates)	Individualised service (the client is made to feel important)
International network, broad geographic reach	Senior partner involved in assignment specification, research, candidate contract, full negotiations, follow-up
Dedicated research staff & extensive international database	Fewer off-limits restrictions because less clients.
Pool expertise across many sectors	Greater fee flexibility
Speciality practice groups (niche firms)	Consultancy expertise in client sector
Cons	
Assignment delegated downwards (large firms often volume driven) or vertically to another office.	Limited international scope or presence
Research delegated downwards (research done by junior staff, who may not fully understand corporate culture)	Limited international research capabilities
Not necessarily strong in all markets	Smaller database (may well be weak in certain sectors)
Brand name may be unknown outside home market	

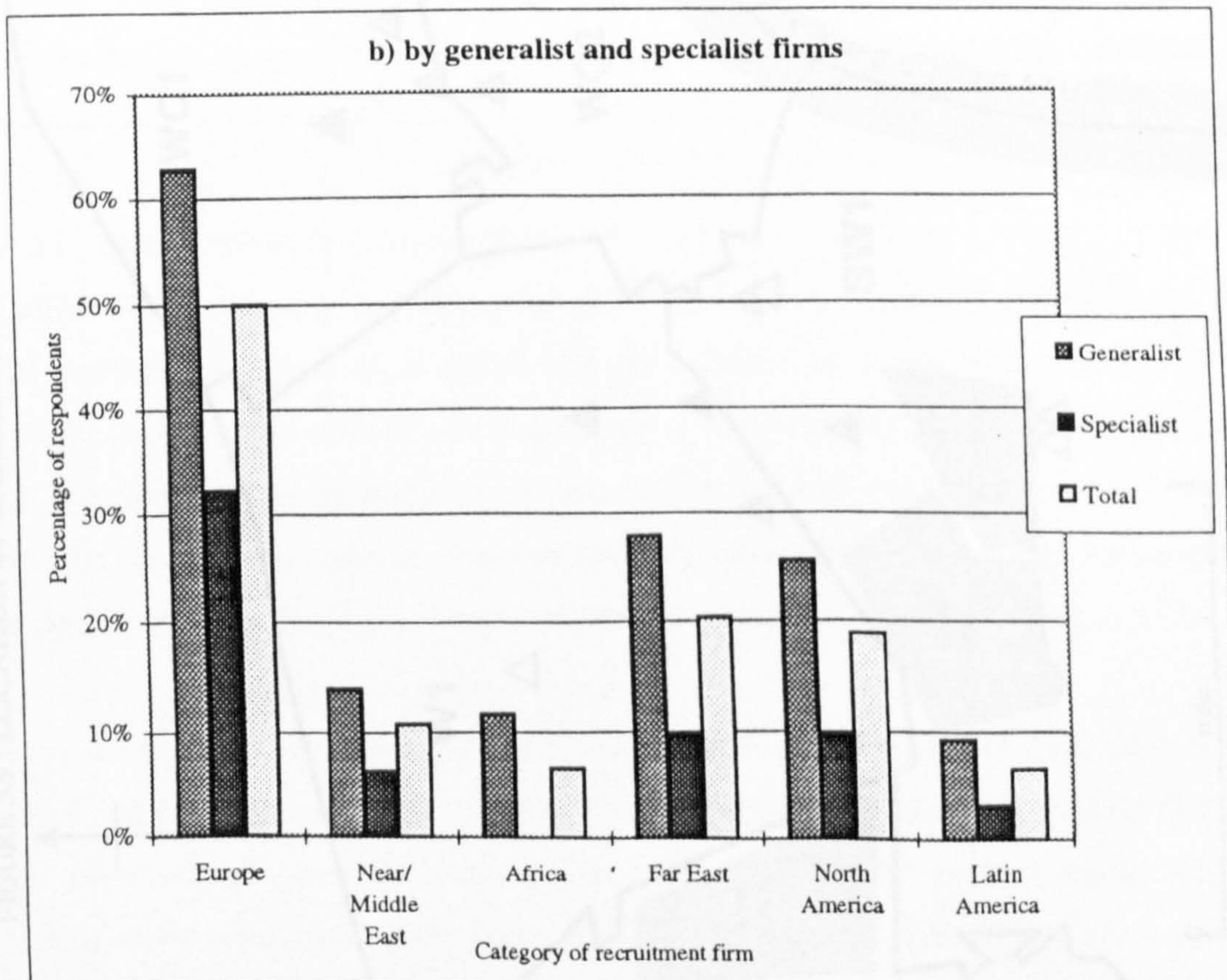
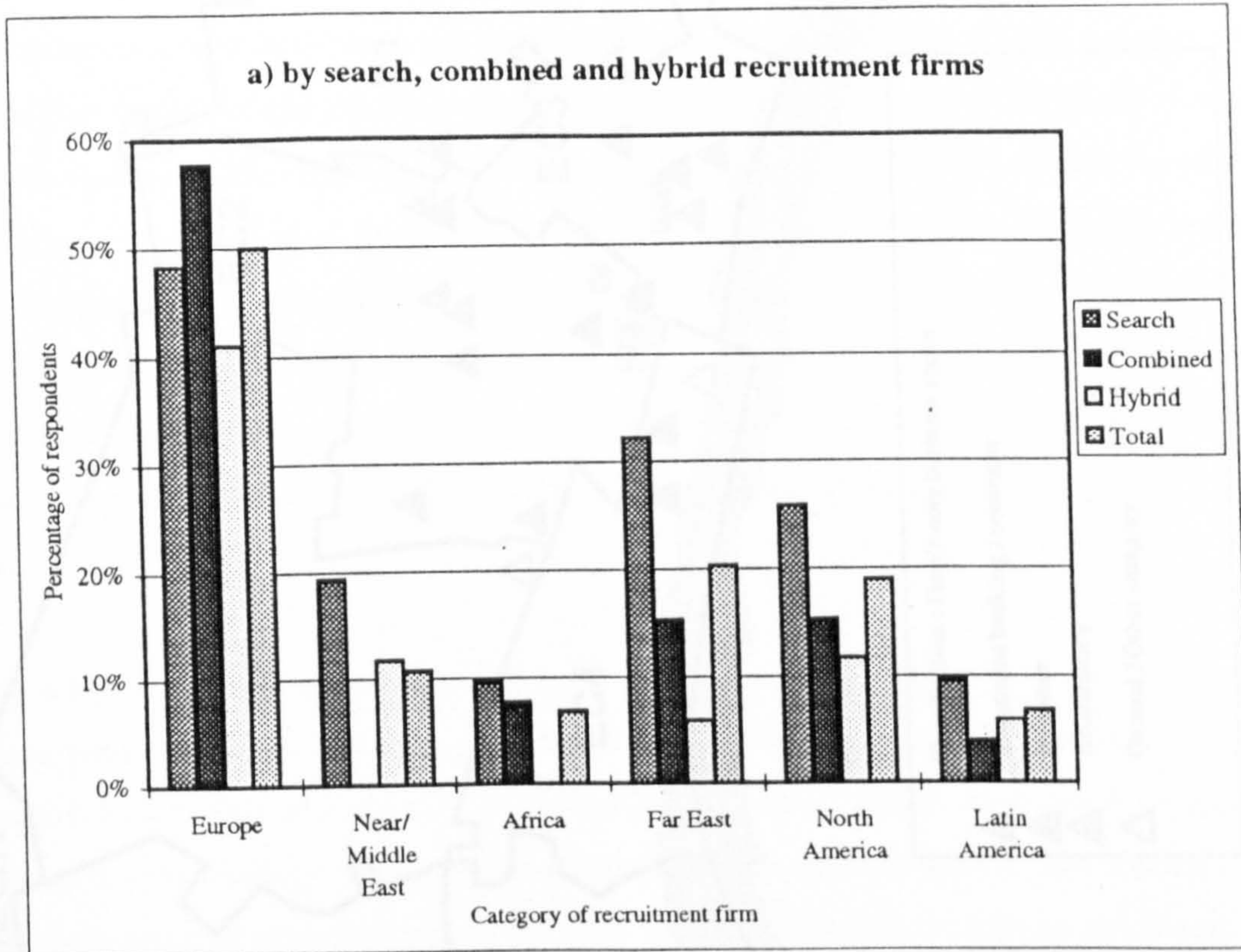
Adapted from Garrison Jenn (1993 : 46)

5.4.2 Specialisation and spatial clustering

Figure 5.9 illustrates the location of the 31 specialist executive recruitment firms involved in the case study. The majority of banking and securities specialists are located in the east of the City labour market, within the Corporation of London (EC1-4). Within the other financial services sectors, further evidence of spatial clustering is visible. All four insurance recruitment firms are located in EC3. Several of the recruitment firms specialising in accountancy appointments are clustered on the border of WC1 and WC2, along Holborn.

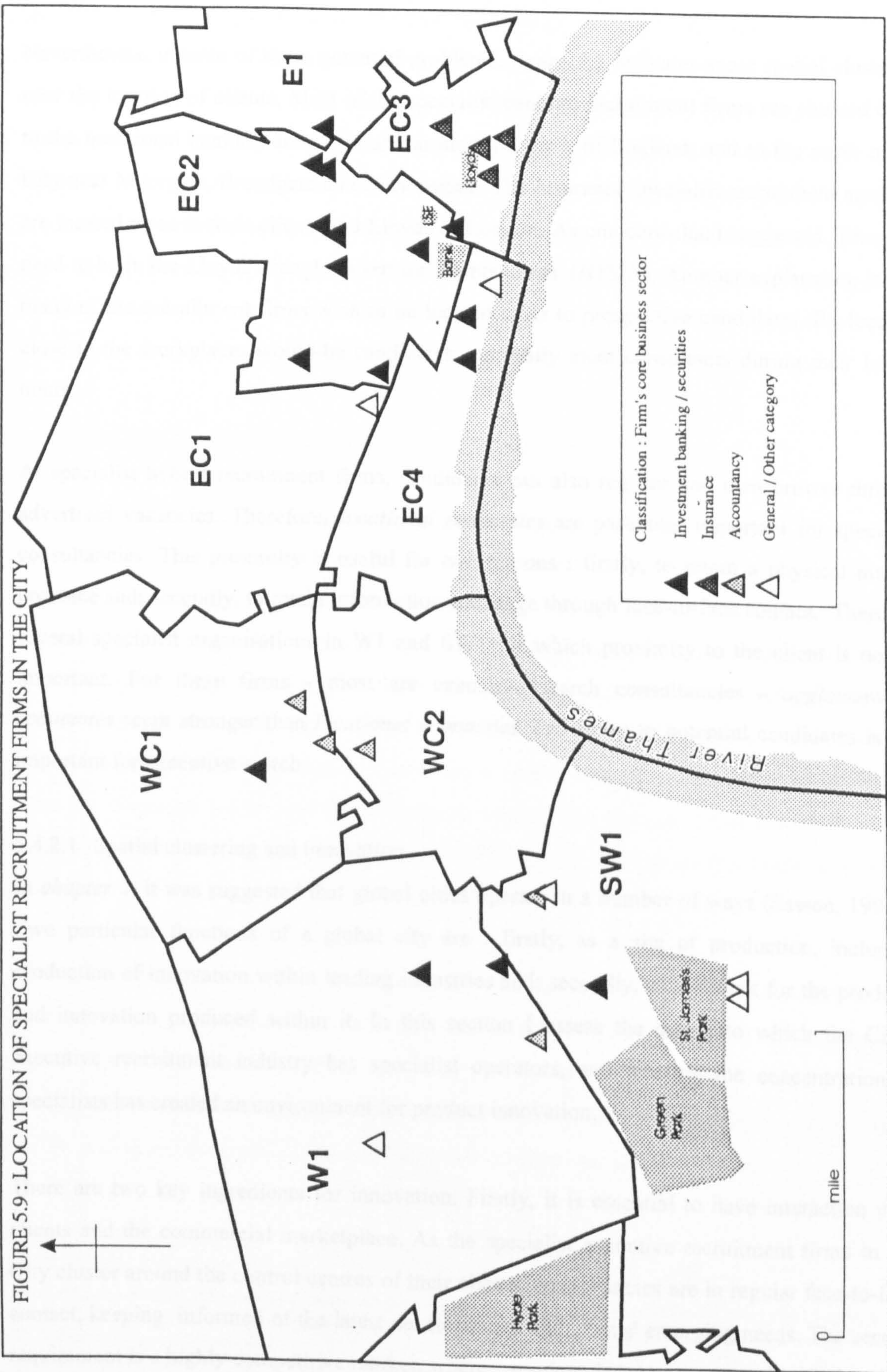
It would be dangerous to conclude that client sectors exhibit a strong locational pull on specialist executive recruitment firms. It should be remembered that the dataset is small, so it would be folly to make grand conclusions based on this information.

**FIGURE 5.8 ; GEOGRAPHICAL REGIONS
IN WHICH CANDIDATES ARE PLACED**



Source : Author's survey

FIGURE 5.9 : LOCATION OF SPECIALIST RECRUITMENT FIRMS IN THE CITY



Furthermore, the parameters of the sampling framework mean more specialists than generalists were identified - there was a requirement in the sampling process that recruitment firms were involved in financial services assignments.

Nevertheless, in spite of these potential problems, *figure 5.9* indicates some spatial clustering near the location of clients. Most of the specialist banking recruitment firms are situated close to the traditional banking areas : in and around the Bank of England, and to the north of the City near Moorgate, Broadgate and Bishopsgate. The insurance specialist recruitment agencies are located close to their clients and Lloyds of London. As one consultant suggested, '[there is] need to be in the Lloyds triangle to service clients needs' (*HYS H*). Another explanation is that many of the recruitment firms wish to be located close to prospective candidates. By locating close to the workplaces would-be candidates can easily meet consultants during their lunch-hours.

At specialist hybrid recruitment firms, candidates can also register and then browse through advertised vacancies. Therefore, *locational economies* are particularly important for specialist consultancies. This proximity is useful for two reasons : firstly, to retain a physical market presence and; secondly, to retain information exchange through face-to-face contact. There are several specialist organisations in W1 and SW1 for which proximity to the client is not so important. For these firms - most are executive search consultancies - *agglomeration economies* seem stronger than *locational economies*. Proximity to potential candidates is not important for executive search.

5.4.2.1 Spatial clustering and innovation

In *chapter 2*, it was suggested that global cities operate in a number of ways (Sassen, 1994a). Two particular functions of a global city are : firstly, as a site of production, including production of innovation within leading industries and; secondly, as a market for the products and innovation produced within it. In this section I assess the extent to which the City's executive recruitment industry has specialist operators, and whether the concentration of specialists has created an environment for product innovation.

There are two key ingredients for innovation. Firstly, it is essential to have interaction with clients and the commercial marketplace. As the specialist executive recruitment firms in the City cluster around the control centres of their clients, consultancies are in regular face-to-face contact, keeping informed of the latest developments and clients' emerging needs. The second requirement is a highly competitive market, where consultancies are encouraged to find a niche position in order to survive. In the City both these requirements were satisfied. Firstly,

specialist firms were found to cluster near clients and; secondly, headhunters and consultants in the City reported that the market is highly competitive or as one said 'it is feast or famine' (*CG F*). As the demarcation of the boundaries between executive search and executive selection lessens and 'employment agencies broaden their bases' (*CS D*), companies are developing individual traits and specialisms. Within the banking sector there were a number of companies who specialised in narrow fields, for example, fund management and capital markets. It was these companies that offered a more 'complete service', giving the client advice and a more customised service. For example, consultancies were more flexible on fee payments and more prepared to offer tailor-made search assignments. During fieldwork in Bristol there was no sign of innovation or customisation, even within consultancies' own corporate literature. By contrast, many City consultancies offered customised services to clients. Therefore, the City's position as a centre of innovation could be partly a function of it being a global city.

5.4.3 Comparison of specialist and generalist recruitment firms

How do specialists compare to generalists in terms of the markets they operate? In terms of pay levels, there were some distinct trends. Consultants were asked in which salary range⁵ they placed most candidates. Depending on the measure of central tendency, the main salary group in generalists is higher (mean) than or equal (mode) to specialists. The mean annual level was £25,000 higher in generalists (*figure 5.10*). Most of the specialists were small-sized firms - both in terms of consultants and offices. Their primary focus is to serve the customer (*table 5.5*). As such, specialist organisations exhibited a greater flexibility and willingness to move down the 'corporate ladder' and, for instance, to conduct search assignments at a lower salary level. With fewer client, it is often a matter of necessity to keep clients happy and retain business

Does salary range vary according to the type of recruitment firm? Tests of association permit an assessment of the probability of a relationship between two observations being due to chance. The Mann-Whitney test is one such test, which can be used to calculate if the distribution observed is due to sampling errors (or chance). The Mann-Whitney or Wilcoxon test⁶ is used to test the significance of a difference between two sample datasets.

⁵ Consultancies were asked to select a salary range reflecting the first-year remuneration of most placed candidates. Category one was less than £30,000; category two between £30-50,000; category three - £50-75,000; category four - £75-100,000; category five £100,000+.

⁶ As a non-parametric test, Mann Whitney does not have any assumptions about the nature of the two populations, though it is designed for use with ordinal data. More detailed accounts of Mann-Whitney can be found elsewhere (cf. Scaglione, 1990; Wonnacott and Wonnacott, 1972; Ebdon, 1985; Smith, 1975).

FIGURE 5.10 : AVERAGE FIRST YEAR SALARY LEVELS OF CANDIDATES PLACED BY EXECUTIVE RECRUITMENT FIRMS

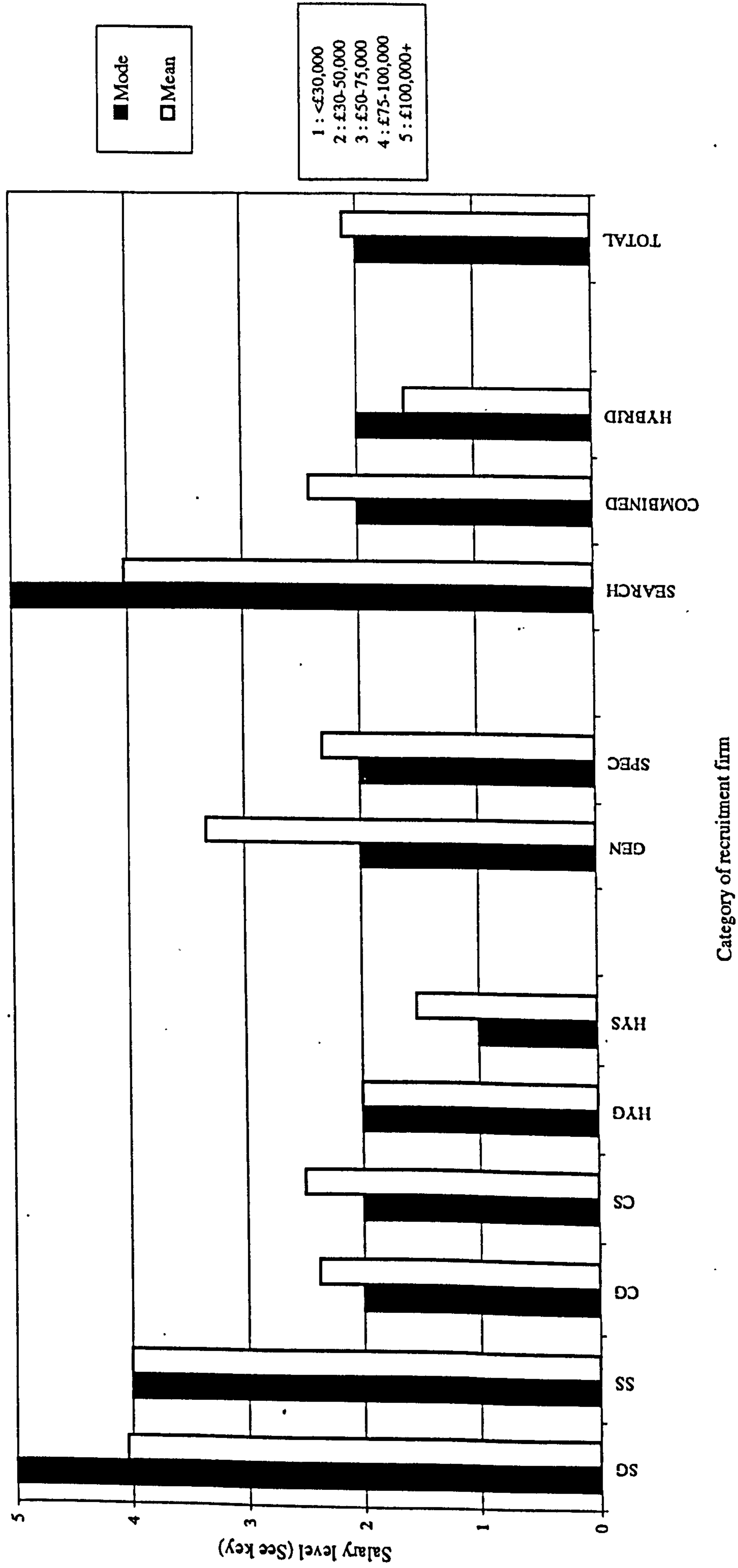
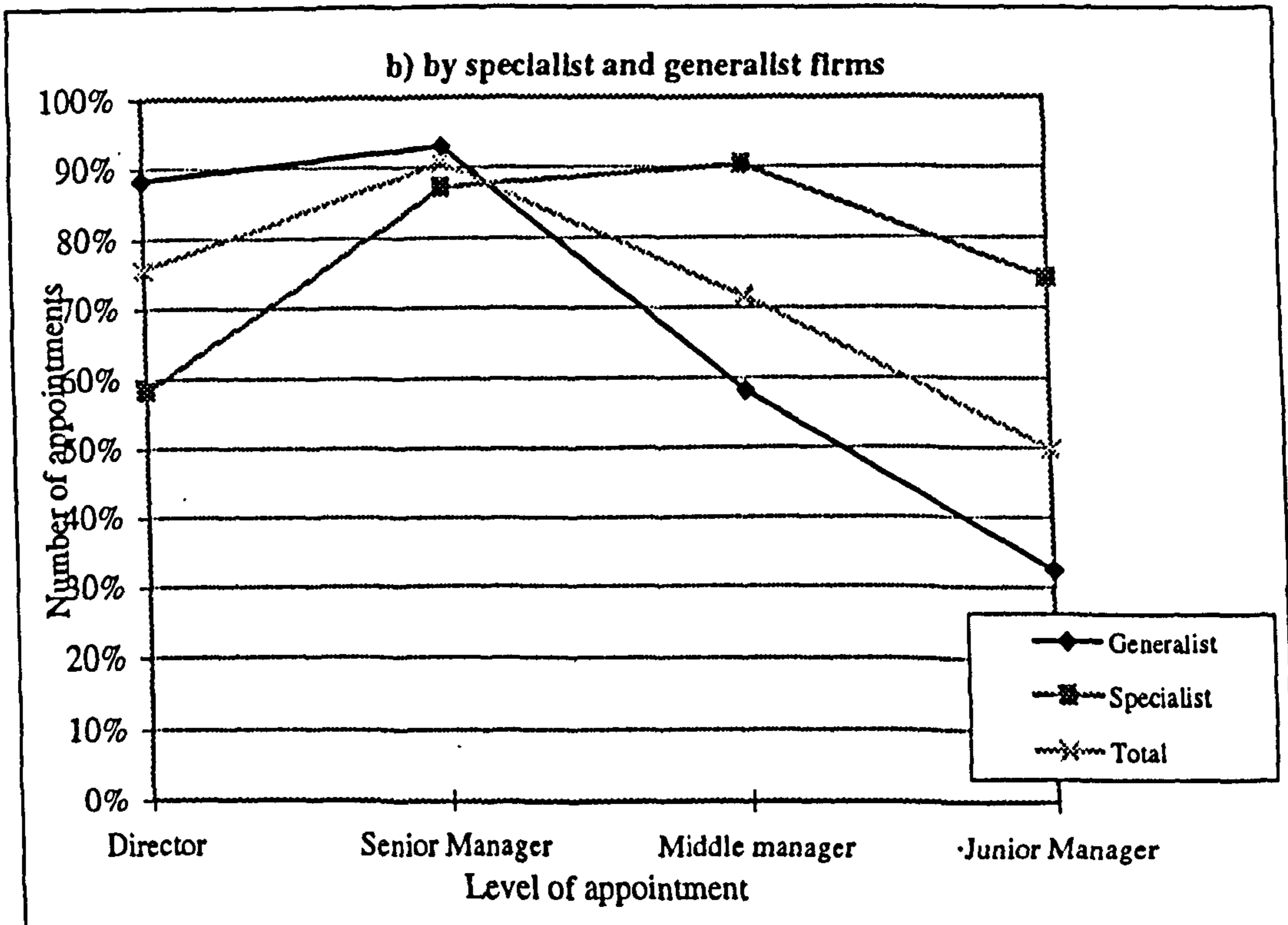
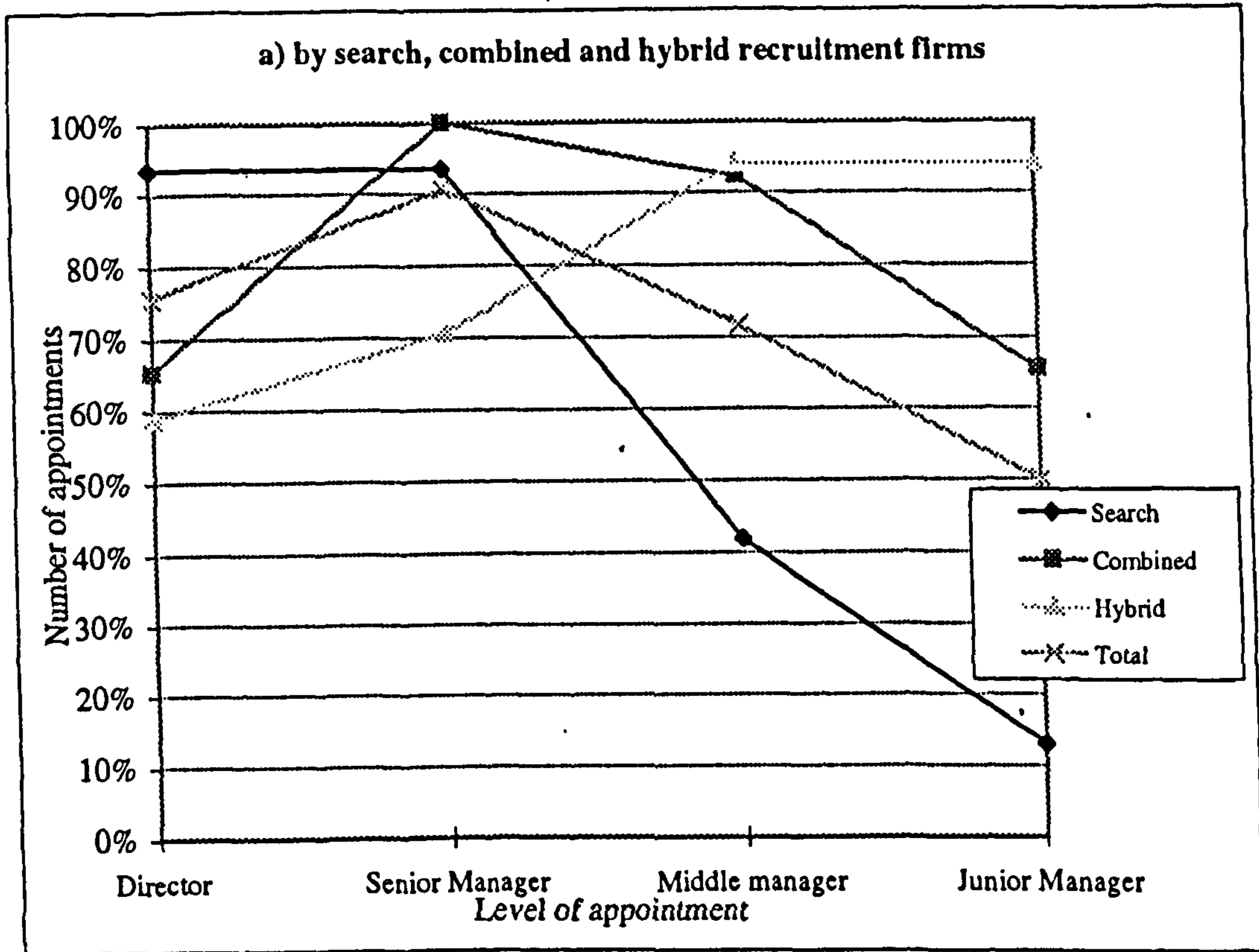
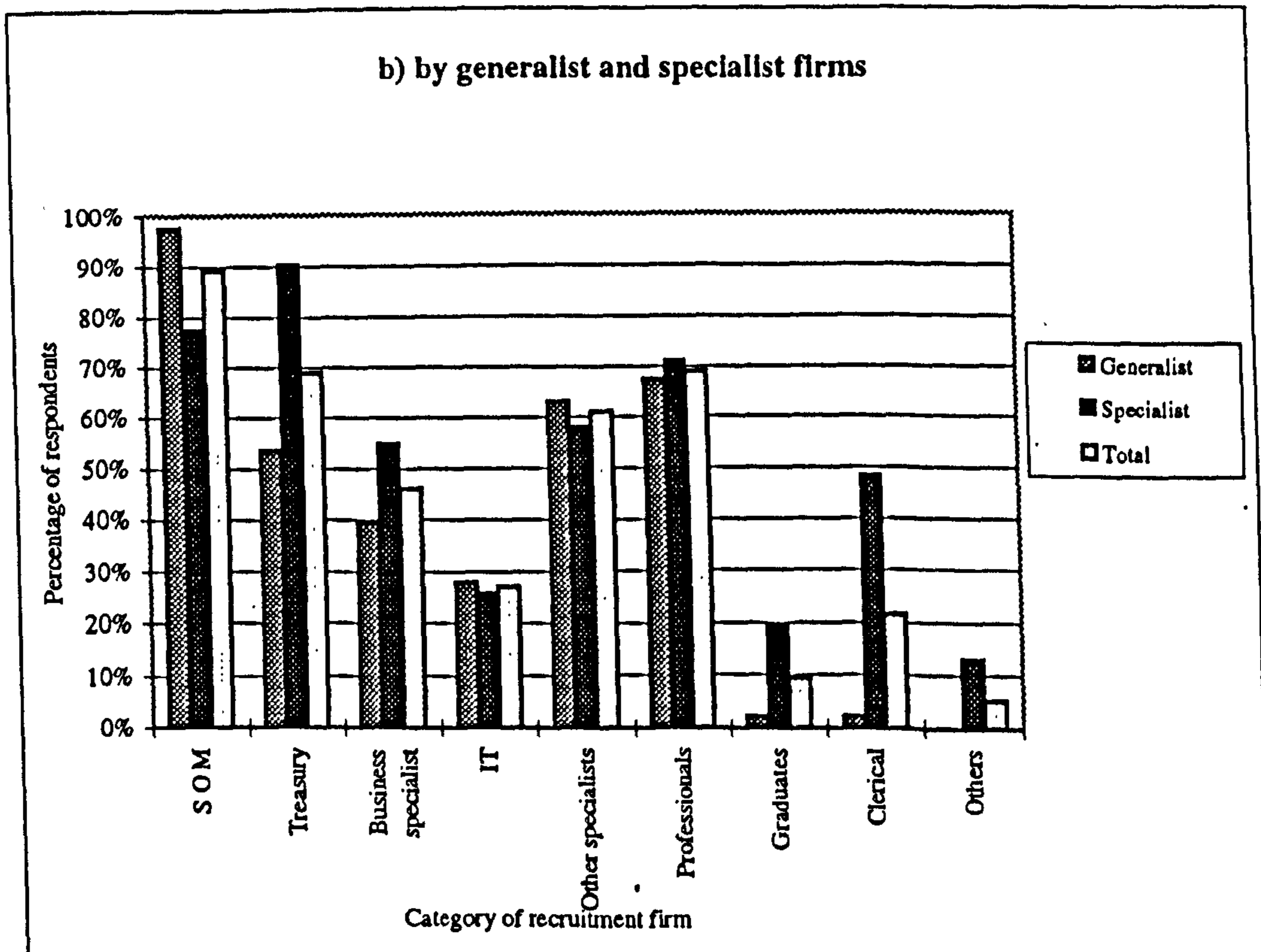
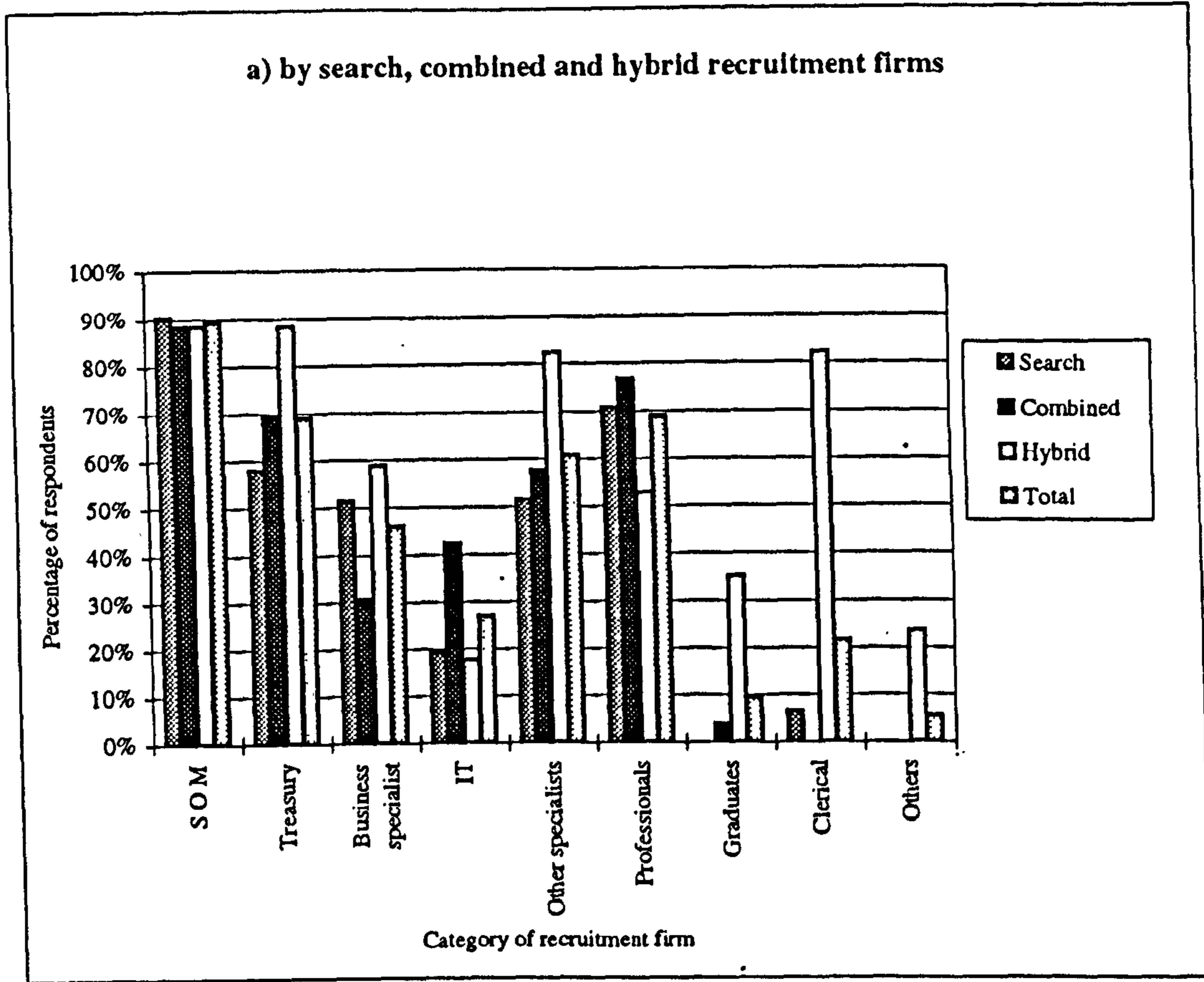


FIGURE 5.11 : SENIORITY OF ASSIGNMENTS CONDUCTED BY EXECUTIVE RECRUITMENT FIRMS



Source : Author's survey

FIGURE 5.12 : BUSINESS AREAS IN WHICH EXECUTIVE RECRUITMENT FIRMS OPERATE



Source : Author's survey

The Mann-Whitney analysis of the salary levels of placed candidates within generalist and specialist firms confirms that the two data sets are significantly different (at the 95% level). Therefore, generalists place candidates at higher salary levels than specialist firms, implying that the salary range is indeed a function of the type of recruitment firm. In terms of the level of appointments *figure 5.11* indicates that, once again, specialists operate further down the 'corporate ladder'. At the director level 30% more generalist firms conduct assignments than specialists, whereas 30% more specialists operate at the middle management level⁷. The difference between the two datasets is once again highly significant (95%), when subjected to the Mann-Whitney test.

Another difference between specialists and generalists are the business sectors and occupations of assignments conducted. Nearly all generalist firms conducted general management and strategic operational management assignments - 20% higher more than specialists (*figure 5.12*). By contrast, specialists operated more in technical areas, for example, treasury positions (derivatives and foreign exchange) and business specialists (underwriting, and economist). Due to the complex nature of these positions, any consultant needs to have technical experience. Consultants in specialist consultancies and agencies are more likely to have the required expertise. By contrast, generalist consultancies have consultants who have had managerial experience in a variety of commercial environments. Therefore, such consultancies conduct more general management assignments than technical assignments.

5.5 Executive recruitment in the City : trends and future development

I have already indicated the difference between the activities of generalists and specialists (*section 5.4*). However, there are a number of differences between executive search, combined search and selection and hybrid recruitment firms. Analysis of the average first-year salary of candidates placed by recruitment firms indicates that executive search typically operates at a higher salary level than combined search and selection (*figure 5.10*). In turn, this latter group operates at a marginally higher level than hybrid recruitment firms⁸. The mean salary range of assignments for executive search is £75,000 - £100,000 per annum, though most firms in this category operated at over £100,000 per annum. Overall, both mean and modal salary range was

⁷ For explanation of the levels of management, see *appendix E*. Unfortunately, individual interpretations of terms differ, lessening the accuracy of the responses.

⁸ There is no difference between combined search and selection and hybrid recruitment firms when comparing the mode figures. However, the mean for combined search and selection firms was higher than hybrid recruitment firms (*figure 5.10*)

between £30,000 - £50,000 per annum. This was also the mean and modal group for combined search and selection and hybrid recruitment firms.

The breakdown of these figures reinforces the suggestion in *chapter 4* that executive search is preferred for assignments conducted at higher salaries. There are two reasons for this : firstly, those positions for which executive search is most appropriate have higher salaries and; secondly, executive search is less economically viable at lower salaries. As most search firms charge a minimum fee of £15-20,000 for an assignment, it is not cost-effective for a company to use such an approach, where the fee might equal the anticipated first-year salary of the candidate. However, as pay levels for managers and professionals continue to increase above inflation, so the cost of search becomes proportionately less. This might encourage more assignments to be searched, particularly at lower management levels.

However, at present it is not surprising that executive search firms conduct more senior appointments than other recruitment firms. 93% of executive search firms conduct director-level assignments, compared to 65% and 59% for combined and hybrid recruitment firms respectively. Nevertheless, it is clear that the executive search sector does not have a monopoly of *all* senior positions. Indeed, at the senior-management level, more combined search and selection firms (100%) conducted assignments than executive search (93%). By contrast, further down the occupational hierarchy, fewer and fewer executive search firms conduct assignments (*figure 5.11*). 94% of hybrid recruitment firms operated at a junior management level, compared to just 13% executive search firms. However, this analysis does not account for how often companies operate. Furthermore, it may well be that some respondents, particularly hybrid recruitment firms, may have exaggerated the extent to which their organisations operate.

Some other patterns also emerge from this analysis. Executive search firms do not often operate at the lower end of the occupational hierarchy for two reasons. Firstly, search consultants are reluctant to operate 'at the agency end', because of snobbery and a perceived loss of status. Secondly, the search process is often unsuitable for positions where they might be hundreds or thousands of potential candidates. While it may be the case that executive search is used infrequently for junior management and other non-management positions, hybrid recruitment firms are broadening their areas of operation. By having the ability to offer recruitment services at senior levels, consultancies can justifiably claim to offer clients a 'complete service' or 'total solution'. This may be a symptom of a competitive environment, whereby some firms want to be seen to offer everything, in the hope of attracting and retaining clients. However, it could also be part of the wider trend towards *customisation*, with some hybrid recruitment firms

attempting to find market niches. In *chapter 7* I explore whether this approach is one favoured by client companies. Do they prefer one organisation that 'caters for all its needs'?

In terms of business areas in which executive recruitment firms operate, differences between the three types are most evident at the lower end of the 'occupational ladder'. Over 80% of hybrid recruitment firms conduct clerical assignments, compared to fewer than 5% of executive search firms and no combined consultancies. By contrast, around 90% of firms in each category recruit general managers. The reason why hybrid firms operate in more areas is due to their desire to broaden their appeal to clients, extending recruitment services into areas traditionally the domain of search companies.

Table 5.6 shows the financial services sectors in which executive recruitment firms operate. More executive search firms (83.9%) conduct banking assignments than hybrid recruitment firms (70.6%). This confirms the early hypothesis (*chapter 3*) that search is not only very important for executive recruitment but, in itself, banking is the most important industrial sector for executive search. However, for some financial services sectors, such as accountancy, combined search and selection was more important. 70% of these firms conducted assignments in this sector, approximately twice the number of search firms. Like software services, this is a sector in which there are typically a large number of candidates. In these circumstances, executive selection is a more appropriate medium.

TABLE 5.6 : KEY FINANCIAL SERVICES SECTORS IN WHICH CITY EXECUTIVE RECRUITMENT FIRMS

		<u>OPERATE</u>				
Category		Banking ¹	Securities ²	Insurance ³	Specialist ⁴	Acct/Man ⁵
Search	n=31	83.9%	58.1%	54.8%	58.1%	41.9%
Combined	n=26	92.3%	57.7%	57.7%	57.7%	73.1%
Hybrid	n=17	70.6%	58.8%	70.6%	76.5%	35.3%
Specialist	n=31	87.1%	67.7%	61.3%	71.0%	48.4%
Generalist	n=43	81.4%	51.2%	55.8%	55.8%	53.5%
Total	n=74	83.8%	58.1%	59.5%	62.2%	51.4%

Source : Author's survey

Notes

Classifications have been adapted from Rajan (1988) with groups based on 1980 SICs (See CSO, 1981).

'1' includes commercial, investment and merchant banking (SIC 8140).

'2' includes clearing houses, and stock, money and investment brokering operations (SIC 8310).

'3' includes insurance companies, brokers and underwriting operations (SIC 8200 and 8320).

'4' includes specialist credit banking institutions, for example, building societies, unit trusts, finance houses (not covered under other categories) (SIC 8150).

'5' includes accountancy and management consultancies (SIC 8360 and 8395/1).

5.6 Conclusion

In conclusion, I return to the four aims that were outlined at the beginning of the chapter. Firstly, London is a client city. Clearly, the concentration of executive recruitment consultancies in the City implies that it is. Furthermore, the spatial distribution of executive recruitment consultancies in the United Kingdom follows that of other advanced producer services; they are highly concentrated in London and the South East. Clearly this *global city* does offer a strong advantage to locating companies.

Secondly, geography does really matter to executive recruitment consultancies. The evidence presented above implies that it does. The heavy concentration of head offices in London and the South East, and the control functions which reside in them, exert a locational pull on executive recruitment consultancies (Clark, 1989a). For hybrid recruitment firms, face-to-face contact between consultancies, client-companies and candidates is important. Within the City, the location decision-making of executive search firms is influenced largely by urbanisation economies, for instance, the proximity to clubs, Whitehall and a prestigious environment.

There is some evidence to support the Moulaert and Gallouj's (1993) hypothesis that executive search and selection firms inject themselves into the global system to service their *local* and *global* needs. Clearly, the above analysis implies that executive recruitment firms have different geographical spheres of operation. Hybrid firms and specialists have fewer international assignments, concentrating on the local labour market. By contrast, executive search firms and generalists conduct more cross-border assignments. However, very few firms conduct a majority of assignments on a cross-border basis. This suggests that consultancies based in the City can access a global market and continue to service local clients as well. In other words, consultancies can obtain *economies of scope*. By injecting themselves into a global system, consultancies conduct senior assignments searching world-wide for potential candidates. At the same time, the consultancy can also offer 'lower-level' assignments, often of a more technical nature, and focus on recruiting in the local labour market.

Thirdly, the City does encourage an environment of specialisation. The high numbers of specialist firms present in the City, the majority of which cluster near clients, indicates this is an environment capable of innovation and customisation. Indeed, many of the firms offered specialist services to their clients. The analysis indicates that these firms conduct assignments for more technical positions, though often at a lower occupational and lower paid level compared to generalist firms.

Fourthly, what of the future structure of the executive recruitment industry? It seems this will be influenced by a number of trends, many of which I outlined above. In addition, technological advances will have an impact on the way search is conducted (*chapter 4*), but it does not seem that this sector will undergo decentralisation as experienced in some other service industries. Two combined search and selection consultants (*CG B & E*) indicated that the gradual decline in demarcation may result in an increase in contingency work. Under a contingency system no fees are paid unless a candidate is placed. In the UK this practice is limited to the employment agency market, where rival companies all supply lists of candidates. Only the successful agency receives any payment. Whether such a billing system would be used more widely is unlikely. Search consultants claim that there would be a loss of commitment, if the client does not pay a third of the fee up-front, jeopardising the understanding between the two parties.

I included hybrid recruitment firms in the City case-study to explore the extent of their involvement in executive recruitment. Most employment agencies do not operate at senior management levels. However, within the City, there does appear to be a role for hybrid recruitment firms in the executive recruitment marketplace. Furthermore, there is evidence of a blurring of the demarcation between executive search, executive selection and employment agency/hybrid recruitment firms. For instance, 90% of hybrid recruitment firms conducted general management assignments, nearly as many as executive search. 40% of hybrid recruitment firms indicated that they traded in Europe. These findings throw into doubt earlier hypotheses that, for example, executive search is the most appropriate mechanism for conducting international assignments

Unfortunately, the limitations of the data preclude analysis of how often firms operate in particular areas. Although hybrid recruitment firms might appear to operate in a variety of sectors (both geographical and occupational), the frequency is likely to be much lower for senior executive positions. In spite of hybrid recruitment firms seemingly broadening their bases, director and senior management, and cross-border assignments are still dominated by executive search firms. Search operates at higher salary levels as well - typically between £75,000-£100,000 per annum. There was also a clear reluctance on the part of executive search firms to operate further down the corporate ladder conducting clerical, graduate and middle-management assignments. In this respect executive search companies are trying to retain their own niche in the marketplace, by emphasising exclusivity and quality.

6. THE INTERNATIONALISATION OF THE EXECUTIVE SEARCH INDUSTRY

6.1. Introduction

The last chapter presented a case-study of executive recruitment within a global city, the City of London. In this chapter, I explore the internationalisation of the search industry, offering reasons both for its existence and current growth patterns. The international search industry is often viewed as comprising a series of self-contained domestic and regional markets, including that of the City (Boyle *et al.*, forthcoming). However, the aim of this chapter is to analyse the growing *internationalisation* of recruitment activity and, in particular, the way in which executive search companies operate a global service to their clients from an office network or empire. It is the new ability of the global headhunter to operate on cross-border assignments (such activities that cut across national boundaries) that is of paramount interest in this chapter. This has been made possible by the rapid growth of offices located in strategic cities around the world, linked by technology and supported by the knowledge and expertise of consultants. The chapter is focused initially on the nature of the world executive recruitment industry (*section 6.2*), with an analysis of the key global players and trends and an assessment of the state of the domestic markets in the main search centres of the world - the United States and Europe. In *section 6.3*, I outline how search companies have adopted differing strategies for expansion - policies of merger and acquisition, or membership or affiliation to an international organisation. In addition, the rhetoric and marketing of headhunting firms is put under the spotlight, with an examination of the way companies present themselves as being both global and local. *Section 6.4* focuses more specifically on the growth and development of the international executive search and offers explanations for some of the trends that are currently shaping the profession. The last section (*6.5*) concentrates on the globalisation of the search function and how consultancies have responded by creating world-wide networks of offices.

Executive selection, as has already been suggested, is an important aspect to executive recruitment. There is a 'rightful time and place to its use', particularly in specialist niche markets such as financial services (*chapter 5*). On an international level the opportunities for global executive selection are much more limited. This is due to the difficulties encountered in advertising continentally or globally, and also the advantages and natural preference of

consultancies to search rather than select for those positions that tend to be conducted at such levels. Language and cultural differences also complicate the ability for executive selection to be undertaken. But it is the probable lack of international media in which consultancies may advertise that is a key reason for the low level of international executive selection. Executive selection is not a major activity in Europe. Other than the *Financial Times* (the only truly European Business Newspaper) and possibly the *Economist*, the indigenous newspapers, many of which are regional in orientation (notably in Germany (Britton *et al.*, 1994)) are not good locations within which to advertise. It is for this reason that the term *executive recruitment* (on a international basis) is used interchangeably with *executive search* during this chapter.

6.1.1. Conceptualising the internationalisation of executive search

In *chapter 5* I indicated that executive search companies have different network structures for conducting international (overseas) assignments (*figure 5.4*), some of which extend overseas. In this section, I conceptualise what I mean by 'the internationalisation of search' and explain some of the terminology that will be used in this chapter. I should make it clear I see a difference between international executive search and the internationalisation of the search industry. There has for many years been an 'international search industry', largely comprising of companies operating in domestic markets across the world (see *section 6.2*). The distinction I wish to address in the rest of the chapter is that the changing nature of executive search, such as the co-operation between offices and searching for candidates in more than one country. The notion of internationalisation is not uncommon among other business services. Indeed, the process of internationalisation is perhaps more advanced amongst accountancy, management consultancy and law firms, reflecting the globalisation of the world economy (see *chapter 7*).

Figure 6.1 indicates that it is possible to define *internationalisation of executive search* in three ways. The first is through branches, whereby an organisation has a network of offices in more than one country. These offices may be wholly owned by the organisation, or alternatively linked together through an alliance of small organisations that have regional or domestic bases to create affiliations (See *section 6.3*). The second variant of internationalisation is where an organisation works for clients who are based outside the country of operation. The third option is where a headhunting firm searches for potential candidates in more than one country. In many respects most international search assignments are likely to satisfy all three criteria, as each is interrelated. The higher the number of offices around the world-wide, it is logical to suggest that more clients and candidates are encountered, thereby increasing the likelihood that assignments can be conducted cross-border.

For the purposes of the analysis in this chapter, when reference is made to international search it is in terms of branch networks unless otherwise stated. It is extremely difficult to identify the location of customers and potential candidates for each and every assignment that is conducted by the headhunter. By contrast, information on the locations of offices in global search firms is widely available. However, by using this definition, I am obviously ignoring those organisations that have offices in a single country and satisfy the other two criteria. Small search companies, given their size, might not be expected to have developed an international orientation.

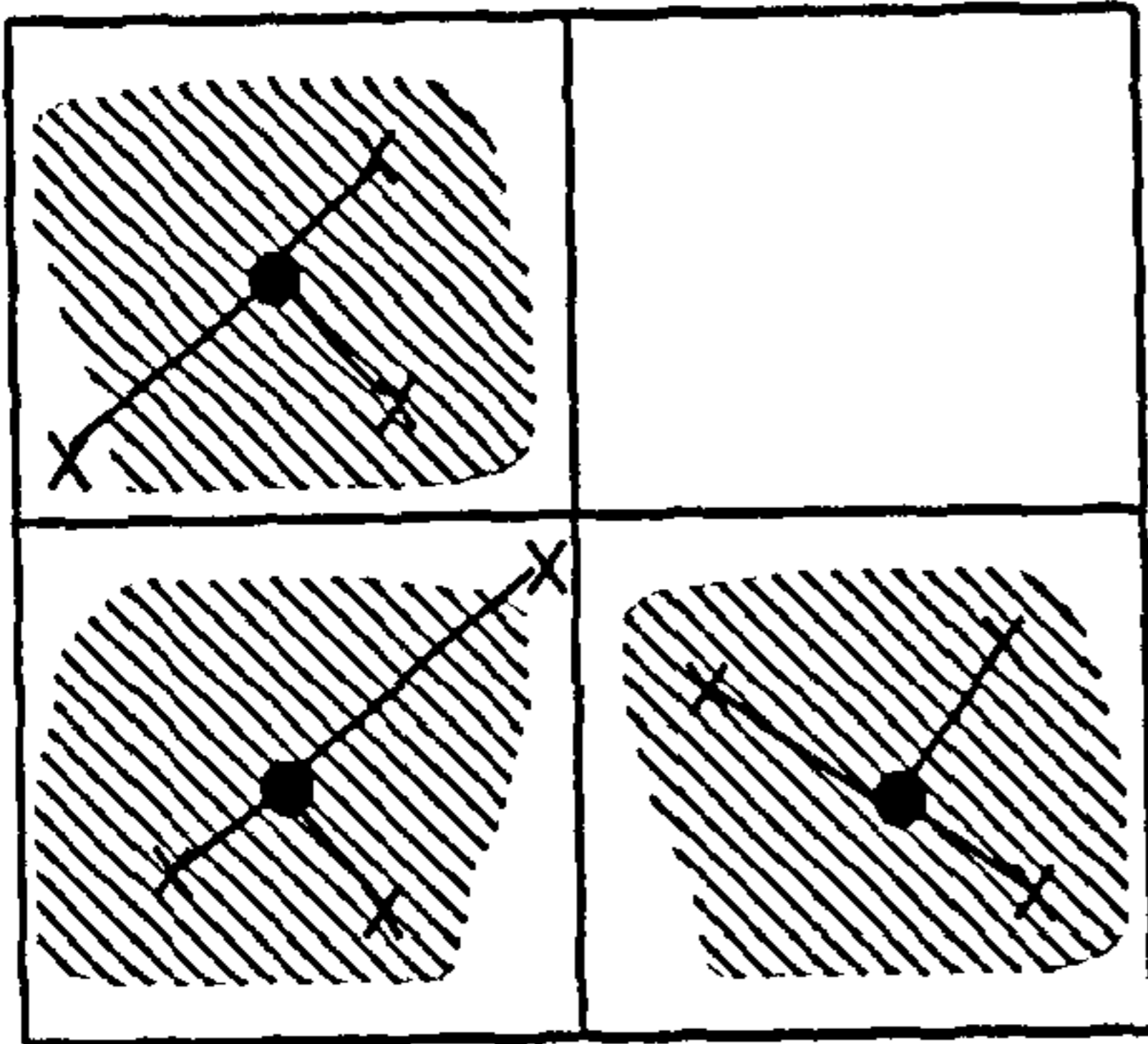
However, some specialist search boutiques and hybrid recruitment firms have been able to develop a high degree of cross-border work (see *chapter 5.3*). Some of London search firms typically have over 50% of their assignments on this basis, for example, Christopher Mill (60%), and Baines Gwinner (70%) (Garrison Jenn, 1993) and others (for example, Philippa Rose and Thomas Cole Kinder) have also developed important international credentials from their London bases. During an interview, Peter Chalkley of Sabre International Search (a single office company) suggested that the most effective way to conduct search is from one site. He argued that, as there is only one profit centre, problems over splitting fees with associates are avoided. In spite of the apparent ability to conduct international executive search in this way, the difficulties in identifying such firms, particularly outside the UK, meant that for the purposes of my analysis it was easier to concentrate on those companies that traded from offices in several nations.

6.2. Executive search industry : world-wide

6.2.1. Leading executive search : leading markets and companies world-wide

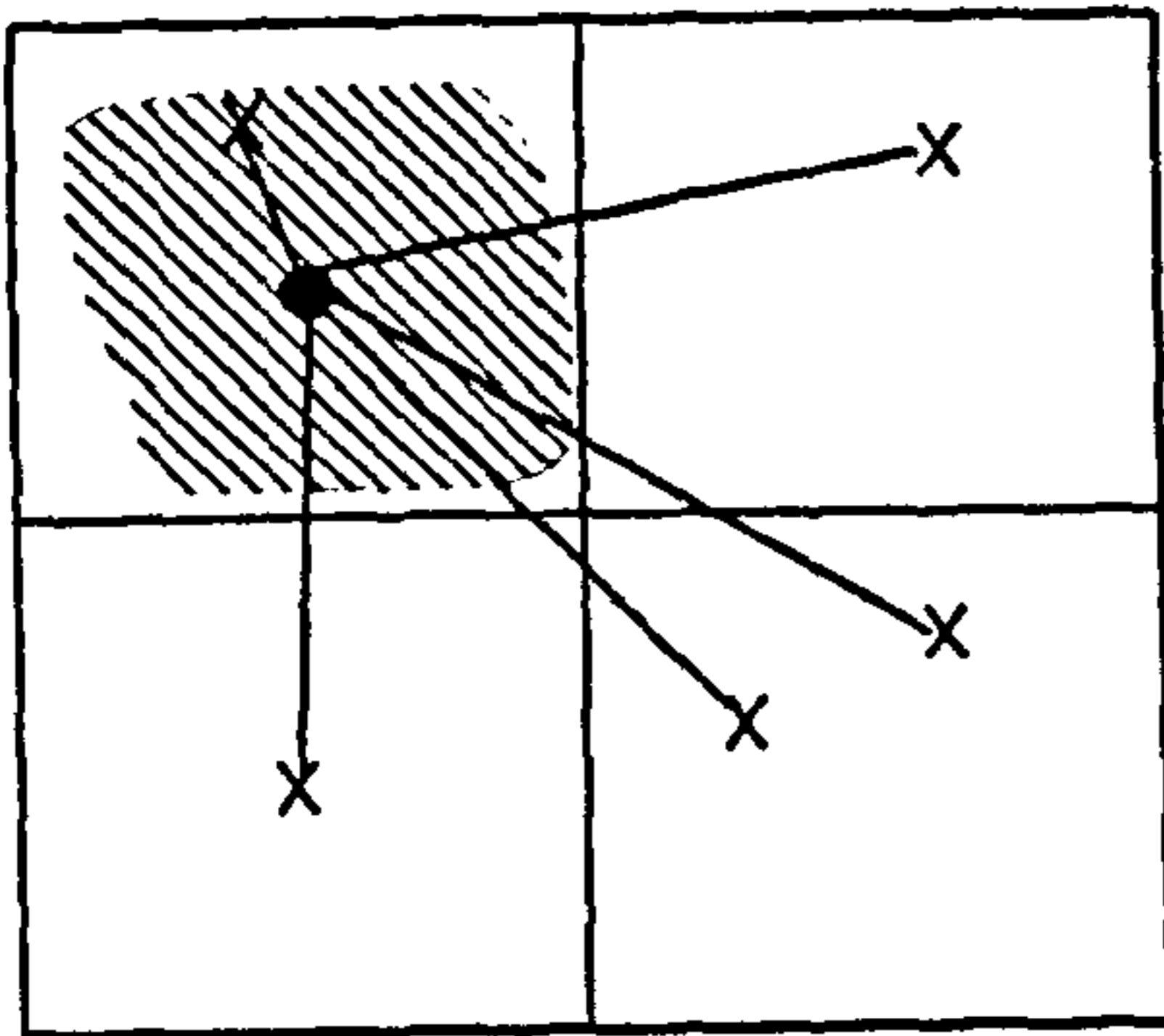
Estimates of the total size of the executive search industry world-wide vary from one source to another. Given the problems in calculating revenues for individual consultancies (see *chapter 3.3*), it is hardly surprising that accounts vary. However, what does emerge very clearly from analysis of the published data is the relative importance and size of the big geographic markets, with North America by far the largest in the world (*table 6.1*).

FIGURE 6.1 : DEFINITIONS OF INTERNATIONALISATION OF EXECUTIVE SEARCH



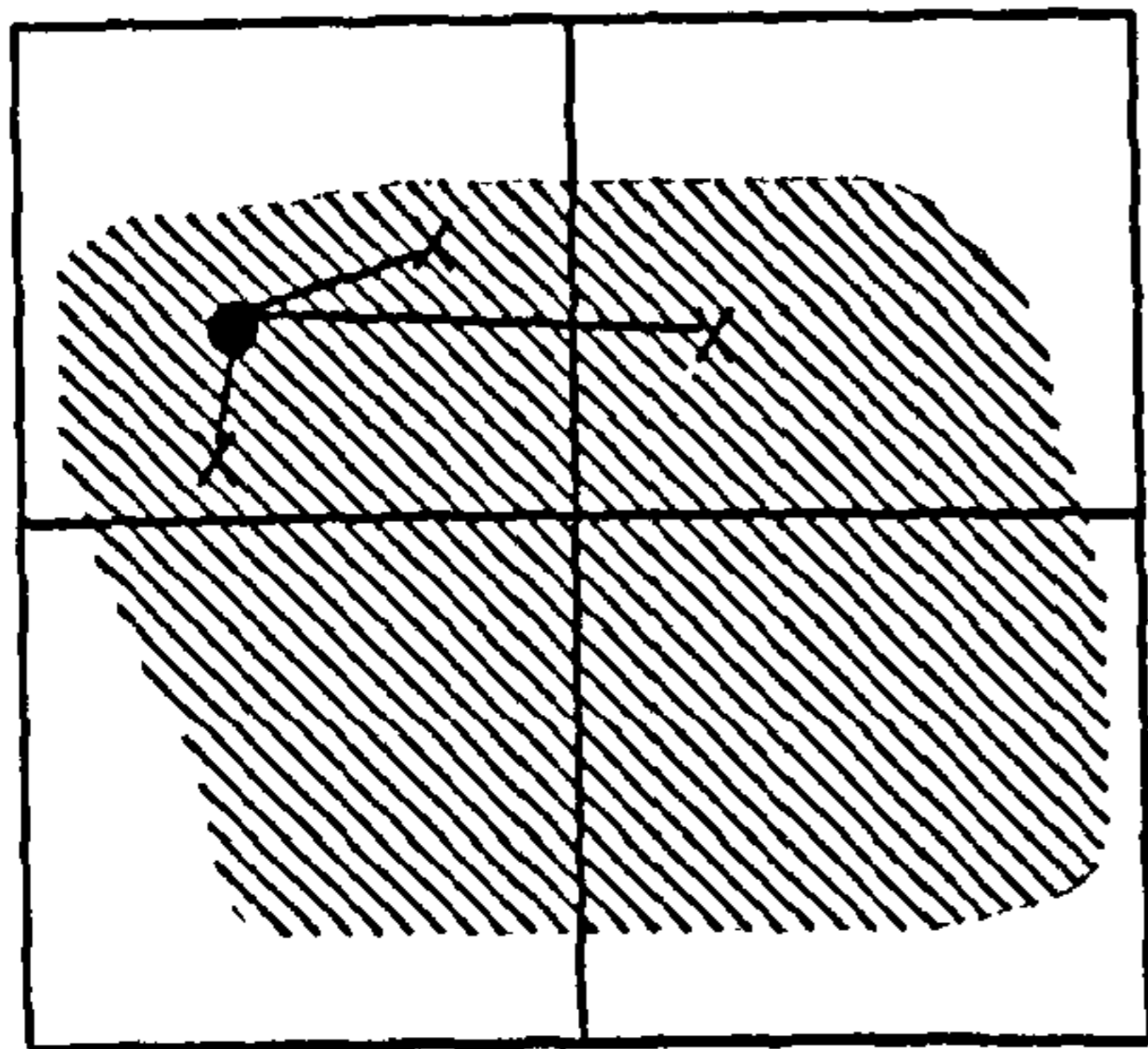
i) BRANCHES

Organisation has offices in more than one country
This may be through a wholly-owned network
or through membership of an affiliate body



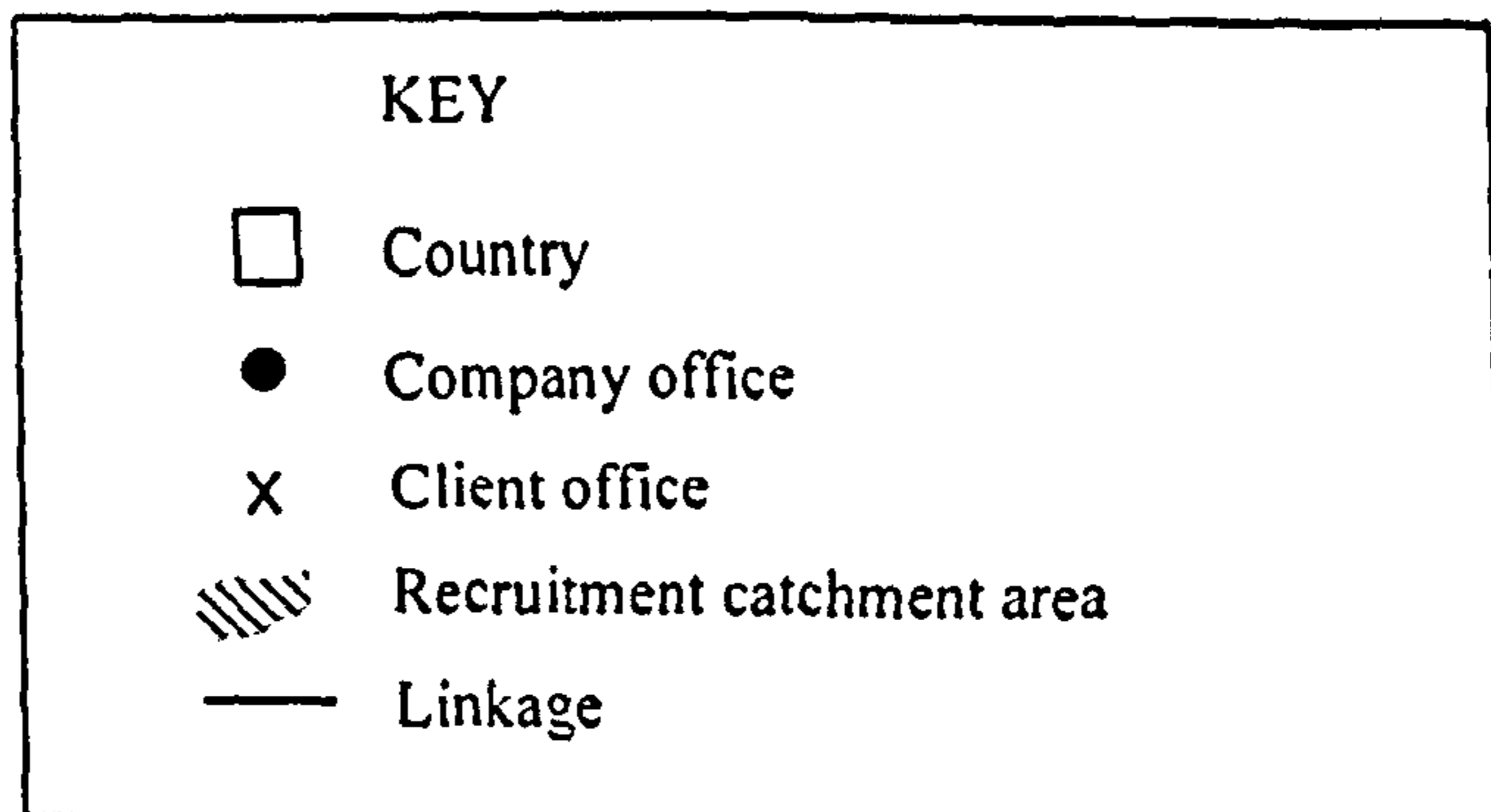
ii) CUSTOMERS (CLIENTS)

Serving customers in a country in which it does not have an office



iii) CANDIDATES

Organisation searches for staff in more than one country
(i.e. in the international labour market)



If estimates of the total size of the executive search industry are taken to be around \$3 billion, a figure with which several consultants concur, then it is a market in which several companies can be said to have an important and leading role in the market place (*table 6.2*). With major search companies grossing in excess of \$150m in 1994 and the leading 10 all earning more than \$40m (*The Economist*, 1995), the ten-firm concentration ratio is 30%. Obviously compared to some industrial sectors - oil, management consultancy and even accountancy - the level of global dominance is low. However, it would be wrong, on this basis, to underestimate the importance of the leading world firms.

TABLE 6.1 : REGIONAL MARKET SHARE OF WORLD-WIDE EXECUTIVE SEARCH INDUSTRY (\$MILLIONS)

Region	ERN estimate ¹		HBS estimate ²	
North America	1,500.0	50%	1,000.0	55.6%
Europe	1,200.0	40%	700.0	38.9%
Asia-Pacific	150.0	5%	100.0	5.6%
Latin America / Africa	75.0	3%	n/a	n/a

Notes :

1 : Estimates from Executive Recruiter News (1994)

2 : Estimates from Lai and Harmeling (1994)

3 : Figures do not total properly due to rounding

The largest search firm is Korn/Ferry (*table 6.2*), whose position as a world leader has been consolidated since its acquisition of Carré/Orban International, the Belgian search company that also ranked in the top 15 world-wide (*table 6.4*). Four of the world's largest 5 search companies are wholly-owned or integrated and, with the exception of Egon Zehnder they all derive at least 50% of their revenues from the United States (*table 6.3*). In contrast to many of the top five firms, the companies ranked 6th to 10th - Amrop, Ward Howell, GKR Neumann, Norman Broadbent and Paul Ray Berndtson - derive less than 50% of the revenue from the US market, and typically only between 20-40% (*table 6.2*). Their US networks are not as broad as the search firms ranked higher (excluding Egon Zehnder, of course). One organisation does not really have a US network (GKR Neumann) and another has just two fully functioning offices in the US (Norman Broadbent) - both of these two organisations are British in origin.

6.2.2. Executive search : Europe

Several accounts (notably, Institute of Personnel Management, 1990; Jones and Sarch, 1993; Garrison Jenn, 1993) have recorded the different nature of executive search in various parts of Europe. The changing political and economic face of Europe has made this region one of the 'hotbeds' of search activity in the world. Free mobility in the EU post-1992 and the integration of the former eastern bloc has accelerated this process.

TABLE 6.2 : LEADING WORLD EXECUTIVE SEARCH FIRMS (BY REVENUE : \$M)

Rank	Firm	Worldwide Fee Revenue ('93)	No. of Offices		Number of Consultants	United States as % of total ³	Europe as % of total ³	Asia / Pacific as % of total ³	Latin America / Africa as % of total ³
			Worldwide						
1	Korn Ferry International	152.2	47 ²		247	53.0	2.0	10.0	9.0
2	Heidrick & Struggles	109.5	32		149	67.0	37.0	3.0	0.0
3	Spencer Stuart	102.1	37		150	66.6	39.0	10.0	5.0
4	Egon Zehnder International	100.2 ¹	40		165	11.1	70.0	10.0	8.0
5	Russell Reynolds Associates	92.0 ¹	25		149	57.6	25.0	16.0	0.0
6	Amrop International	74.2	56		136	28.4	54.0	9.0	14.0
7	Paul Ray / Berndtson International	60.4	32 ²		102	39.7	54.0	3.0	6.0
8	GKR Neumann International	55.4	37		110	0.0	76.0	6.0	16.0
9	Ward Howell	54.0	41 ²		127	24.4	49.0	15.0	14.0
10	International Search Partnership / Norman Broadbent	41.5	25		49	14.9	66.0	16.0	4.0

Compiled from Author's survey, Garrison Jenn (1993; 1995), and Lai and Harmeling (1994)

Notes :-

1 : Estimates

2 : The company has more than one office in a particular city, but table, however, only counts one office. Duplicate offices usually result in the aftermath of a merger, where the two companies both have offices. In the mid-longer term, it is likely that one of the offices will shut down.

3 : Figure indicates the location from where the assignment was conducted, not the geographical location of the client or the successful candidate.

TABLE 6.3 : SELECTED CHARACTERISTICS OF THE FIVE LARGEST SEARCH FIRMS

	Korn Ferry International	Heidrick & Struggles	Spencer Stuart	Egon Zehnder International	Russell Reynolds Associates
1993 World Revenues	\$152.2m	\$109.5m	\$102.1m	\$100.2m	\$92.0m
% Revenues outside the US (estimated)	47.0	33.0	53.6	89.0	42.4
No. of Consultants	230	144	152	165	160
Number of Offices Worldwide :	47	32	37	40	25
(Comprising :-)					
North America	20	16	12	7	12
Europe	16	13	15	25	8
Latin America	5	-	3	3	0
Asia - Pacific	5	2	4	3	3
Australia	1	1	2	2	2
Africa	-	-	1	-	-

Compiled from Author's survey; Garrison Jenn (1995), corporate literature, and Lai and Harmeling (1994).

Indeed, it is on the fringes of Europe, that the most dramatic growth is occurring in the search market, most notably in Eastern Europe where Hungary and the Czech Republic have emerged as strategic gateway centres from which to conduct headhunting activity in East Europe more widely. The pioneering firm and market leader in Eastern Europe is GKR Neumann, whose 7 offices in 1992 (Bratislava, Bucharest, Budapest, Ljubljana, Moscow, Prague and Warsaw) generated between them in excess of \$4m in income (Garrison Jenn, 1993 : 37). Russia is another place, which has seen an emergence of an executive search profession following the political and economic upheavals in the late 1980s and early 1990s. The market for the services of the headhunter is largely led by the Western MNCs, who are leading the flow of capital investment more generally into the former Soviet bloc.

The European executive search market was worth \$700-\$800m in 1992, of which 70% (or \$500m) was accountable to the success of the leading players in each of the respective nations. Smaller to middle-sized companies, with annual revenues not in excess of \$5m, which are not major international players, were responsible for \$100-\$150m. The residual amount is accounted for by the growing band of smaller one-person operations, largely specialists with revenues of up to \$1m (Garrison Jenn, 1993). The largest two markets in Europe are Germany and the United Kingdom, where the top ten companies had combined revenues of \$93m and \$78m respectively in 1992 (*FT*, 1993b : 7). In Europe the leading firm is the Swiss-based Egon Zehnder, which derives nearly 70.0% of its revenues from Europe (\$70.0m). The other leading players are largely American in origin, with the exception of Norman Broadbent, GKR Neumann, and a few affiliate companies (*tables 6.2 and 6.3*). GKR Neumann (a joint partnership between a British and a French firm), Korn Ferry (US), and Amrop International (Confederation of independent world-wide firms) follow Egon in the 'pecking-order'.

According to trade directories the number of firms conducting executive recruitment in Germany, France and the UK is approximately 1,200, 800 and 650 respectively, though the structures and behaviours of the firms in the respective countries is similar. In recent years the same external forces of recession and internationalisation have been influencing these markets (Britton *et al.*, 1994). The higher numbers in Germany can be attributed to the near absence of barriers to entry to the industry, and also the legal position requiring consultancies to cater for *all* types of recruitment services, not just executive recruitment (Britton and Ball, 1994 : 3). As the opportunities for labour mobility increase within the Economic Union, those consultancies wishing to recruit on a pan-Europe basis will still encounter many hurdles (*table 6.5*).

TABLE 6.4 : CHARACTERISTICS OF THE LEADING SEARCH FIRMS IN EUROPE

Name	Major Continental Presence				Type of firm	Europe	Rank in World ¹
	Offices	Europe	Americas	Asia - Pacific			
Egon Zehnder	25	✓	✓	✓	Integrated	70.0	4
GKR Neuman	27	✓			Integrated (x2)	40.2	8
Korn Ferry ²	16 ³	✓	✓	✓	Integrated	39.8	1
Amrop	30	✓	✓	✓	Close Partnership	38.3	6
Spencer Stuart	37	✓	✓	✓	Integrated	33.7	3
Heidrick & Struggles	32	✓	✓	✓	Integrated	30.0	2
Paul Ray Berndtson	16	✓	✓		Franchise	28.4	7
Norman Broadbent / ISP	16	✓		✓	Integrated / Association	22.4	10
Ward Howell	20	✓	✓	✓	Loose Affiliation	22.0	9
Russell Reynolds	8	✓	✓	✓	Integrated	21.5	5
TASA	11	✓	✓	✓	Integrated	20.0	11
Transearch	26	✓	✓		Network	20.0	12
Hever Group	8	✓			Franchise	19.5	15
Accord	15	✓			Network	19.0	13
Boyden	20	✓	✓	✓	Franchise	12.1	14

Compiled from Author's survey, and Garrison Jenn (1993; 1995)

Notes :-

1 : Figures for world ranking based on 1993 global revenues.

2 : Estimated figure to account for the combined revenues of K/F and Carre/Orban prior to merger.

3 : The company has more than one office in London, but table, however, only counts one office. In the mid-longer term, one of the offices is shutting down.

Disparate laws governing the practising of employment agencies in the individual nation states make it difficult for companies to operate effectively. The problem is not only that most nations have some form of legislation covering the activities of search and selection, but also that this differs from country to country. 'In Germany employment agencies [were] a state monopoly, in the Netherlands and the UK they need a licence to do business, in Belgium paid employment agents have been outlawed by Royal Order since 1975' (Clark, 1991 : 33). Moreover, the confusion increases as many of the laws in place are not actually observed.

The absence of unitary regulations within Europe means that consultancies are subject to a variety of regimes in each of the countries where assignments are conducted or offices located. This is why few small nationally orientated companies are able to operate international headhunting activities successfully. As such, cross-border assignments are very much the preserve of the global search company.

TABLE 6.5 : LEGISLATIVE POSITION IN VARIOUS EUROPEAN COUNTRIES

Germany	Up until 11 years ago headhunting was outlawed. Today, while limitations remain in place, consultancies can operate so long as they adhere to <i>grundsatz</i> (general principles). The State Monopoly, the Federal Employment Office, governing placement services, ensures that firms operate at the executive level and only when instructed, advertise all positions and destroy any files/CVs after finishing a search. Search is only permitted when it remains part of more general consultancy work.
Italy	The Ministry of Labour controls all employment services through a series of employment offices and some private agencies. 'In practice the law [the 1949 Act] seems to prohibit only those private employment agencies which specialise in recruiting clerical, unskilled and manual labour' (Clark, 1991 : 33).
The Netherlands	Similar system to the United Kingdom, wherein the government under the 1933 Employment Act licences all profit-seeking agencies. With time many agencies emerged and grew that operated outside the scope of the Act. This prompted the Dutch government to update its legislation in 1990, requiring all agencies to be fully licensed.
France	Here the executive search industry is regulated by its own professional body, after the government threatened to reinforce the 1945 Ordinance Act, which would abolish all fee-charging agencies.
Source : Adapted from Clark (1991 : 1992b)	

6.2.3. Executive search : the United States

The US represents the largest single national area of executive search with an estimated 2,823 executive search firms by 1993 (ERN, 1994). Like consultancies in Europe, most are young organisations - more than 50% less than 15 years old. In the US there are two categories of executive search : *retained firms* (handling assignments at salary levels generally over \$75,000) of which there are 1,100, and *contingency firms* (filling between \$40,000 and \$70,000). In contingency search, billings are only paid by the client if the assignment is successful, i.e. contingent upon placement of a candidate. This approach offers a cheaper form of search activity and is occasionally used by retained executive search firms on a sub-contracted basis, as a means by which the retained firm can by-pass difficulties arising from off-limits. This is

often a form of 'political headhunting'. Contingency search operates at different occupational and salary levels, typically in the middle management sector. As the United States was the birthplace of search, it is not surprising that the major global players are also the leading firms in the US. The largest four firms, Korn Ferry, Russell Reynolds, Spencer Stuart and Heidrick & Struggles, are all American in origin and control 14% of the US market (ERN, 1994; *table 6.6*). By comparison, the four-firm concentration ratio for Europe is marginally higher at 16%. However, there is one key difference between the two markets. Nearly all firms in the European market are 'retained'. Whereas contingency search is typically used in the US, executive selection tends to be used for such positions in Europe.

TABLE 6.6 : LEADING EXECUTIVE SEARCH FIRMS IN THE UNITED STATES 1993

Company	Revenue (US\$m)	% increase on 92	No. of consultants	Revenue/consultant (US\$ '000)	No. of offices
Korn/Ferry	80.8	21.0	161	500	17 ³
Heidrick & Struggles	73.4	48.0	92	798	14
Spencer Stuart	68.0	35.0	71	970	10
Russell Reynolds	53.0 ²	8.0	91	582	10
Paul Ray Berndtson	24.0	28.8	37	649	6 ³
Amrop Lamalie	21.1	29.0	38	555	7
A T Kearney	19.5	17.0	53	368	14
Ward Howell	13.3	33.0	43	309	9
Witt / Kieffer Ford	11.6	n/a	35	388	7
Egon Zehnder	11.2	11.0	18	622	5
J D Ross	9.5	40.0	16	594	2
Boyden	7.5	31.0	27	277	11
Accord / JSK	7.2	42.0	15	480	3
TASA	7.0	30.0	8	875	5
Whitney Group	8.3	32.0	10	830	2
Gilbert Tweed	6.7	17.0	14	479	5
Nordeman Grimm	7.0	8.0	19	370	2
Norman Broadbent	6.2	34.0	12	886	5
Herbert Mines	5.2	2.0	7	742	2
Kenny Kindler Hunt & Howe	4.2	2.0	6	700	3

Notes :-

1 : Computed from Author's survey; corporate literature; Garrison Jenn (1995)

2 : Estimated by GJ (1995)

3 : Company, in one instance, has two offices in a particular city. Duplicate offices usually result in the aftermath of a merger, where the companies both have offices. In the mid-longer term, it is likely that one of the offices will shut down.

In the United States, executive selection is very limited. When questioned in the US, consultants seemed to suggest that this could be attributed to a greater awareness and usage on the part of business community of the search function, and the fewer number of national media within which adverts can be placed, with the obvious exception of *Wall Street Journal* and *New York Times*. It could also be that the North American business community is more open about the prospect of moving jobs and how much it earns, compared to its more reserved and conservative European counterparts. This indicates a difference in attitude to the whole issue of recruitment and perhaps a misunderstanding of or even scepticism about what executive search entails. 'The US [and is] less conservative, [has] more information, [is] more bullish on salaries,

whereas in the UK, there is a sense of not wanting to know we are looking [for employment]' (US K).

The hypothesis that executive selection, of the kind experienced in London, does not really exist in the same form in the States, was supported by analysis of the appointment pages for two key business newspapers, the *Wall Street Journal* ('WSJ') and the *New York Times* ('NYT') during the month of May, 1995. Within each Tuesday edition of the WSJ, there were on average 5 AO pages of executive appointments that had reasonable sized templates (not less 2 by 2 inches), with corporations, such as A & T, Xerox, Citibank, Dow Jones, Citibank and Bell, looking for systems, sales and finance personnel (see *plate 6.1*). Indeed, the amount of space dedicated to major vacancies within the *WSJ* and the *NYT* was about the same as the coverage in the *Sunday Times* (12-16 pages), although within the Sunday edition of the *NYT* there was also an additional supplement within the classified pages that had about 20 or so pages of very small vacancy advertisements. However, of the templates examined in the *WSJ*, only 3.3% were placed by employment or selection agencies on behalf of their clients (see *plate 6.2*), with only just a further 6.6% having a box number to which potential applicants could write in confidence (see *plate 6.2*). Perhaps there was some truth in the thoughts of one US search partner, who suggested that 'only someone daft would feel comfortable about writing to a box number' (US D). Analysis of the *NYT* suggested a similar format with just 10.3% of the 233 advertisement templates during the period appearing to be placed have recruitment or handling agents. The level of advertisements placed by executive selection consultancies is considerably lower compared to the *Financial Times* in London - during a four week period approximately 58% of City positions in the Wednesday edition of the *FT* were placed by executive recruitment consultancies (See analysis in *chapter 7.3.3; table 7.9*).

CORPORATE PLANNING AND DEVELOPMENT DIRECTOR

New York/New Jersey

A Fortune 500 corporation has an opportunity for a Corporate Planning and Development Director to work with senior management to develop and implement growth strategies which will result in the acquisition of new products and licensing of technology as we strengthen our presence in the global medical device marketplace.

A Bachelor's degree in Business, the Life Sciences, or Engineering and an MBA are required. The entrepreneurial team-oriented manager we seek will have 7-10 years experience, knowledge of the medical device industry, and at least 2 years senior level corporate development experience. Proven capability to analyze and identify acquisition/partnering opportunities and the financial and negotiation skills to structure deals are essential. This articulate executive must have the ability to coordinate projects and solve problems.

We offer a competitive salary and benefits package commensurate with experience. For confidential consideration, forward resume including salary history and requirements to: #T3274, Times, 10108.

An Equal Opportunity Employer M/F/D/V.

Product Manager

Small, growing, entrepreneurial specialty consumer products manufacturing company seeks Product Manager for flagship brand. Reports to Director of Marketing and Sales. MBA and consumer product marketing experience required. Computer literacy essential.

This is a true "shirt-sleeved" position requiring an independent thinking self starter. Position includes full range of brand marketing and sales activities. Competitive salary and benefits. Please send resume, salary history and requirements to:

T 3231 TIMES 10108

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FINANCIAL DIRECTOR

Moscow, Russia

Provide the decisive direction
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Rank Xerox, the European subsidiary of The Document Company, Xerox, is a world-class organization serving customers throughout Europe, the Mid-East and Africa. Employing nearly 30,000 people, we take an entrepreneurial approach to business through strategic growth and diversification worldwide.

With the advent of the single market and the opening of Eastern Europe, we expect sustained and rapid expansion throughout the next decade. By investing now in key areas - Research, Development, Support, Manufacturing, Marketing, the Environment, while focusing on Leadership through Quality, we're building an infrastructure necessary to provide outstanding customer service and support.

Reporting to the Regional Director, this highly diversified role will oversee all aspects of finance, administration, info services and logistics. If selected, your major responsibilities include developing the finance function to support aggressive growth plans; developing and enhancing our MIS; advising the Regional Director on administrative and financial matters affecting the development/function of the office operation; and implementing control procedures. Significant senior-level Controller experience is a must, preferably within a technology-based environment. Fluency in spoken English and Russian is essential, as is an excellent track record with a multi-national organization.

We offer an excellent salary and our superior benefits include a generous expatriate package. Interested applicants should forward a comprehensive resume, including salary history and daytime telephone number to: BHA Box #397, 555 Madison Avenue, New York, NY 10022. Xerox is an equal opportunity employer.

THE DOCUMENT COMPANY

XEROX

PLATE 6.1A : ADVERTISEMENT (TOP LEFT) FROM WALL STREET JOURNAL (16-5-95)

PLATE 6.1B : ADVERTISEMENT (TOP RIGHT) FROM WALL STREET JOURNAL (16-5-95)

PLATE 6.1C : ADVERTISEMENT (BOTTOM) FROM NEW YORK TIMES (11-6-95)

Financial Industry Investment Sales

Ready for more than just a job? Look into career possibilities at Marine Midland Bank. We're looking for positive, motivated, service-minded people like you to join a team who appreciates your talents and rewards your contributions. At Marine, our guiding principles are based on our philosophy of "One Team, One Priority, Satisfied Customers," all in a supportive work environment that provides opportunities for personal development while recognizing individual and team accomplishments.

Marine's Investment Services Division is looking for individuals with a minimum of two years experience as Registered Representatives (NASD Series 6 or 7 and 63) who can thrive in a bank environment. We have openings throughout Metro New York including Westchester and Chinatown. Candidate must be bilingual (Cantonese/Mandarin) for our Chinatown positions.


If you are successful in the sale of mutual funds and annuities, you will find personal career growth in expanding your customer base through the sale of these products to our current in-house clients in Marine Midland Bank branches.

Our program, Marinedge Financial Services, is an innovator in the delivery of financial services with unique sales support systems for the Registered Representative.

We provide an excellent commission-based compensation plan, as well as an attractive benefits package. If we have just what you're looking for, we could be looking just for you.

FOR IMMEDIATE CONSIDERATION, SEND RESUME TO:

Marine Midland Bank
1 Marine Midland Center
Resourcing - 11th Floor
Attn: Wendy Johnson (NYT)
Buffalo, NY 14203


Marine Midland Bank
Banking for the real world.
an equal opportunity employer
all qualified applicants considered

BANKING APPOINTMENTS

Our client, a top ten European merchant bank, has retained us to position successful candidates within its New York Office. The Bank has recently reorganized its origination and distribution capabilities and consequently shifted its product focus to reflect a global marketplace. In

TREASURY

our two assignments call for 7-10 years experience in **FOREX TRADING** of all majors (Europeans and crosses) as well as Latin American and Far Eastern currencies. Strong outright and arbitrage background required. Experience in **FOREIGN FIXED INCOME/EUROBOND MARKETING** is needed for our second mandate. The successful candidate will be well versed in European and Asian issuers and institutional buyer requirements. Aggressive titles and compensation packages will be offered: \$150,000 - \$25,000 base salary along with incentive compensation.

CORPORATE FINANCE

our assignment calls for a portfolio manager with 8-10 years experience in managing the credit & reporting requirements of debt & equity investments of the venture capital area. Expertise in industry-specific ILLTs helpful. This post offers the title of **DIRECTOR-MERCHANT BANKING** and the compensation offered consists of a base of \$150,000 p.a. along with a performance bonus.

A rare opportunity to make the transition from commercial banking to corporate finance/treasury is being offered by our client. An unusual set of skills encompassing credit, quantitative & marketing attributes is required to present structured products to the Bank's clientele. Exposure to synthetics along with a Juris Doctor degree is stipulated. This post will carry the title of **DIRECTOR-FINANCIAL ENGINEERING** and will range in salary base between \$150,000 - \$40,000 p.a.

For prompt and confidential consideration, contact:

Danielle Dana, Principal
William M. Hamilton, Principal
INTERLANGUE INTERNATIONAL, INC.
342 Madison Avenue, 16th floor
New York, N.Y. 10173

Telephone: 212-687-6048 Telefax: 212-687-6448

TRUST NEW BUSINESS OFFICERS

To be primarily responsible for working with Smith Barney's financial consultants to deliver fiduciary services to the firm's high net worth customers.

TRUST ADMINISTRATIVE OFFICERS

To be responsible for the administration of accounts as well as assisting in the sales effort.


The challenging career opportunities require a Bachelor's degree and at least eight years of trust experience. A Law degree would be a plus.

We offer a base salary, commensurate with your experience plus bonus potential and excellent benefits. Please send your resume, including salary history, in confidence to the desired location:

For NYC Positions: Lili Zimmerman, Corporate Employment Department, SMITH BARNEY, 388 Greenwich Street, 7th Floor, New York, New York 10013, Fax: 212-816-2458.

For Florida Positions: Carl Stinchcomb, SMITH BARNEY PRIVATE TRUST COMPANY OF FLORIDA, 625 West Flagler Drive, 5th Floor, West Palm Beach, FL 33401.

Equal Opportunity Employer



Smith Barney
Private Trust Company

PLATE 6.2A : ADVERTISEMENT (RIGHT) FROM NEW YORK TIMES (11-6-95)

PLATE 6.2B : ADVERTISEMENT (TOP LEFT) FROM WALL STREET JOURNAL (16-5-95)

PLATE 6.2C : ADVERTISEMENT (BOTTOM LEFT) FROM
WALL STREET JOURNAL (16-5-95)

6.2.3.1. Executive search : New York

New York, and the North East coast more generally, is the most favoured location for search activity (*table 6.7*). More international search operations are still based here than any other location in the United States, principally because of the large financial community.

TABLE 6.7 : LOCATION OF RETAINED SEARCH FIRMS IN THE US

Region	No. of Consultancies
North East	1283
South East	623
Mid West	918
West	129
South West	266
West Coast	568
Canada	108

Source : ERN (1994)

Headhunting is 'big' business in the United States, but 'very big' in the heart of New York financial centre, a lucrative market for the search consultant (cf. Bryne, 1987; Carey, 1994; *table 6.8*). Traditionally loyalty amongst the workers of Wall Street was strong, and the price for potential employers of breaking the bond with employees was high. However, an increasing number of firms are now willing to pay what it takes for the right person. The conditions for a negotiator and recruiter could not be better - hence 'the ascent of the headhunter' (Carey, 1994).

'Talent-raiding' has become commonplace on Wall Street, as in the major financial centres of the world, and is particularly important in areas of the market where competition for the best and brightest talent is fiercest, particularly in new growth product areas such as emerging markets and derivatives.

'For years investment banks also balked at paying retainers for headhunters, as was the rule in other industries. Until the late 1970s only Russell Reynolds succeeded in establishing a predominantly retainer-based trade. The rest of the pack was made up of so-called contingency firms, paid only if and when they produced the talent. Even now some investment banks decline to pay retainers' (Carey, 1994: 90)

As *table 6.8* indicates, there has been a frenzy of activity by financial headhunters acting on behalf of their investment banking clients. For search consultancies this has meant that many have grossed multi-million dollar fees. For example, Steven Potter at Russell Reynolds personally billed \$3 million in 1993 and Windle Priem of Korn Ferry billed \$2.5 million (Carey, 1994). For some clients the growing use of search consultancies has led to their trading floors and offices being the subject of much poaching activity. Firms such as Goldman Sachs and Morgan Stanley, often viewed as being impervious to the approaches of search firms, are at an advantage in the marketplace. Those banks that are currently successful obviously have the financial clout to both retain the services of the headhunter and the 'bargaining power' to attract

candidates to join a leading firm when offers are made. Other companies are less successful in retaining staff, either because they are currently not performing well and staff see more lucrative careers elsewhere or, because the firm is not off-limits to the leading search firms. Thus, Smith Barney's reluctance to use search firms and their reliance on their own methods (see *plate 6.1*) means all the headhunting consultancies can potentially short-list candidates working in that company. Its policy of refraining from using such firms is still in its early stages. Nevertheless, its HR director revealed in a meeting in New York that they are confident that they can fend off headhunters by being successful and by offering new incentives and schemes, such as rewarding employees who introduce new staff. However, if the evidence of fellow securities firm, CSFB, is anything to go by, it may well yet experience the wrath of the 'big-five' searchers on 'the Street' in the coming years.

TABLE 6.8 : LEADING SEARCH CONSULTANCIES OPERATING IN WALL STREET

Firm	Revenues (\$m) ¹	Searches ¹	Consultants
Russell Reynolds	31.0	570	39
Heidrick & Struggles	19.0	243	20
Spencer Stuart	17.0	203	20
Korn Ferry	14.0	185	28
Whitney Group	9.0	110	17

Source : Carey (1994)

¹Includes all recruitment for investment banks, for the investment banking, capital markets or trading arms of trading arms of US commercial or foreign banks; and for hedge funds, leveraged-buyouts firms, mutual funds and other money managers.

6.2.4. Executive search : rest of the world

The Asia-Pacific market is comparatively small in size - estimated at \$100m in 1993 by Garrison Jenn (1994) - but has some of the fastest growing markets in the world. In the last few years, the Japanese market has blossomed as executive mobility has become increasingly acceptable, coupled with a shortage of Japanese graduates. Here, the top ten search firms gross revenues in excess of \$26m per annum. This is fractionally less than Hong Kong, which is the largest market in the region at \$27.3m (Garrison Jenn, 1994). The impetus for the use of the headhunter in Hong Kong sprang from the lack of visible experienced local management and the exceptional growth in the colony over the last few decades. The revenues of the 10 leading search firms in Australia (the third largest domestic market in Asia-Pacific) total over \$22m. Elsewhere in the world of one the most intriguing areas for executive search activity currently is in South Africa where there is a frenzy of activity by businesses to 'snap up the best black talent' at universities. Such is the rush to beat legislation on racial quotas that headhunters are being used to recruit black personnel, and firms often send delegates abroad to recruit black students and political exiles (*The Independent*, 1994 : 34). The scarcity problem has been

exacerbated by the exodus of many leading managers and professionals during apartheid, dissatisfied with the slow rate of change and reform in the country. This 'brain-drain' has led to both a shortage of skilled workers and has created the impetus for the growth in search activity (Pfaff, 1993).

6.3. Strategies for internationalisation

Before outlining the growth and the spatial pattern of international executive search organisations in *sections 6.4. and 6.5*, it is important to highlight the strategies which allow such firms to operate on a world platform. In this section I focus on two different mechanisms currently used by executive search firms. The first is the type of office network and the second is the promotional and marketing literature of organisations. I also critique the importance of and indicate the effectiveness of them.

6.3.1. Types of office networks

It is possible to identify five different ways in which the office networks of international search organisations can be structured:-

1. Those search firms that conduct operations from a single office usually located in a major business centre e.g. Thomas Cole Kinder (see *figure 5.4i*).
2. Those search firms that have a network of offices that are fully integrated within the company, being wholly-owned by the parent holding company or its partners e.g. Russell Reynolds, Egon Zehnder, Korn Ferry (see *figure 5.4ii*).
3. Those search firms that are independent but have joined a loose affiliation of similarly minded organisations to create a global network or affiliation e.g. Amrop, Ward Howell (see *figure 5.4ii*).
4. Those search firms that, whilst trading under a global umbrella and having direction from that organisation, are nonetheless free to trade with a degree of independence and also retain profits at the local level. Such arrangements tend to be on a franchise basis e.g. Hever Group (see *figure 5.4ii*).
5. Those search firms that are comprised of two or more of the above options, who have combined with another consultancy of a different category to create a global entity e.g. Norman Broadbent (an integrated firm) and the International Search Partnership (an affiliation) (see *figure 5.4ii*).

In *chapter 5* I outlined some the advantages and disadvantages of the varying types of search and selection firms - generalist versus specialist, and local versus global. There are many differing opinions about which form of office network works best. It is certainly true that of the leading six search firms world-wide, all but one, Amrop, are integrated (*table 6.4*). But this is not to suggest that this is the only viable option for success. Often loose affiliations and networks are the only opportunity for smaller firms to operate on an international level, even though they might be key domestic players in their respective nations. Equally, there is an element of self-defence gained by teaming up with networks of confederations of independent firms to guard them from would-be predators. Such networks are though not without their problems. There are often operational difficulties in expanding the office network across both national boundaries and company boundaries. There are issues of splitting fees and the competency of the consultant in the overseas office and the degree to which he or she might understand the culture of the client as well as the original consultant. There might be problems of after-care, such as who looks after the client in the long-run? In addition, the culture issue extends to 'would-be' members who wish to join the network. Some networks insist on high joining standards and a period of probation before acceptance as a permanent member. Nevertheless, in spite of these safeguards, many consultants in the industry are sceptical about the ability of loose affiliations to operate successfully together and deliver the quality service required by the client in the given country. A truly global partnership is 'is the only way that is in the interest of the clients. It is professionalism not brokerage that is desired' (*US D*).

Certainly, it is true that many small independent firms have never had the opportunity to be global in their own right, so affiliation, in spite of all the perceived problems, is the only 'practical solution' for becoming international. The choice of which network to join is also taken very seriously by firms, with the final selection based on 'language compatibility, level [of operation], the philosophy/process and [process of] client referrals.....It is a configuration that suits us ..and in time will accrue significant value to all members' (*US F*). There are often formal agreements about conducting business in other nations and procedures on referrals and splitting of fees so as to reduce potential problems. In several search networks a central administrator or co-ordinator is paid a small percentage from the fees of international assignments. Many of the network affiliations such as EMA, as well as the integrated firms such as A T Kearney and Russell Reynolds, have regular (semi-annual) meetings and seminars so that consultants and partners from around the world can get to know one another and discuss future deals, and hopefully familiarise themselves with other parts of the business. Consultants generally cite commercial and new market opportunities as reasons for joining such networks. In reality spin-offs - the referral of business from other members' clients - do not seem to materialise.

6.3.2. The marketing strategies of 'global' executive search firms

In this section, I explore the way in which leading executive search firms market their services. In recent years there has been growing interest in analysis of globalisation discourses (Roberts, 1995; Olds, 1995a). The *globalisation* discourse as a business tool or strategy has disseminated from several key US business schools - MIT, Harvard and Wharton (Roberts, 1995). The term is widely used by practitioners and academics (the most vociferous being Tom Peters) and, as such, its increasing use leads to varying interpretations (see *chapter 2*). The whole discourse of globalisation in a business sense implies the emergence of new forms of companies responding to the global pressures and forces of technology, integration and deregulation. Firms begin to recognise that business opportunities cut across national boundaries, with countries viewed as restrictive. Globalisation has in the companies' views brought about a 'new seamless world'. Such are the pressures on companies to conform to globalisation that many corporations are motivated to develop global services and products and then market them accordingly. 'Global marketing has arrived and it is fast becoming a borderless world. International companies that do not wish to adopt a truly global perspective may be competing with one hand tied behind their backs' (Ely and McCormick, 1994).

Executive search companies are not exempt from this customisation of products and services for the global business environment - they too are seeking to market themselves as being global. In all the literatures produced by the executive search firms for marketing purposes, a common message can be found. In searching for candidates on a global basis, the consultant's service to the client is based on three key considerations. Firstly, 'global reach, local presence'; secondly, a desire to be a top level consultancy; and thirdly, understanding the client's business. In trying to illustrate their ability to conduct high-quality searches, all firms stress thoroughness and professionalism. All the firms offer a guarantee of total commitment to ensure a successful outcome to an assignment. There is also a strong emphasis on brand image, with clients getting the same high standards regardless of where the assignment is commissioned. Some companies play the 'size card', with TASA stressing that 'we are not too big that our clients suffer....TASA partners give individual attention to client projects in each office. Nor is our existing client base so broad that it narrows a client's field of choice for candidates' (TASA corporate literature). Egon Zehnder, by contrast, outline their philosophy, which is governed by a belief in neo-liberalism.

'In a period of thirty years, our Firm has grown from a vision into one of the world's leading international management consulting firms. Our goals, as always, are to be the undisputed world-wide leader in our profession, to be a significant influence in business communities

everywhere, and to contribute to a free enterprise society and the advancement of individual of individual responsibility' (Egon Zehnder corporate literature)

Perhaps one of the interesting marketing techniques employed by the executive search firms is the 'global but local' banner. Most firms stress the need to have a 'global but local presence' (Norman Broadbent corporate literature) and say they understand that search is 'locally based but global in thought and action' (TASA corporate literature). It is very much a question of striking a balance between a network being 'extensive enough to give the Firm global reach, yet each office is a leading force in its own market' (Spencer Stuart corporate literature). Local firms that are part of global affiliations would appear to be justified in suggesting that their indigenously staffed offices understand local cultural diversity. However, there does appear to be a paradox between being both locally embedded in the community, and also part of an international global entity, in which standard global principles are applied.

'Local influence : Every Amrop Partner firm is a proven and influential performer in its own right and highly regarded in its country of operation. Because Amrop professionals have such long-standing roots and reputations in the communications they serve, they have developed extraordinarily *strong and trusting links* with local business, government *and cultural leaders with influence*'

'Global Reach : Amrop Partners are established professionals *and part of an integrated, global entity* that has a clear vision and is accountable for its performance not only to its clients but also to *strict business principles*. Our global reach assists clients who might otherwise have great difficulty attracting executive talent for international postings' (Amrop corporate literature: emphasis added)

To a geographer, it is the spatial references by search firms that are particularly interesting. All search firms claim to have a global presence that extends to 'all four corners of the world'. Most claim to be in the 'the world's major business centres' (Heidrick & Struggles corporate literature) or to be 'the right firm in the right places' (TASA corporate literature). Others simply proclaim that the size of the network is of paramount importance (Amrop corporate literature). Korn Ferry indicate that its 'international search capability' is comprised 'of an executive office in New York, a corporate office in Los Angeles, [and offices in a further] 18 key US cities, as well as in 18 major money markets centres in Europe, Latin America, Australia and the Far East.' Other search firms stress similar measures.

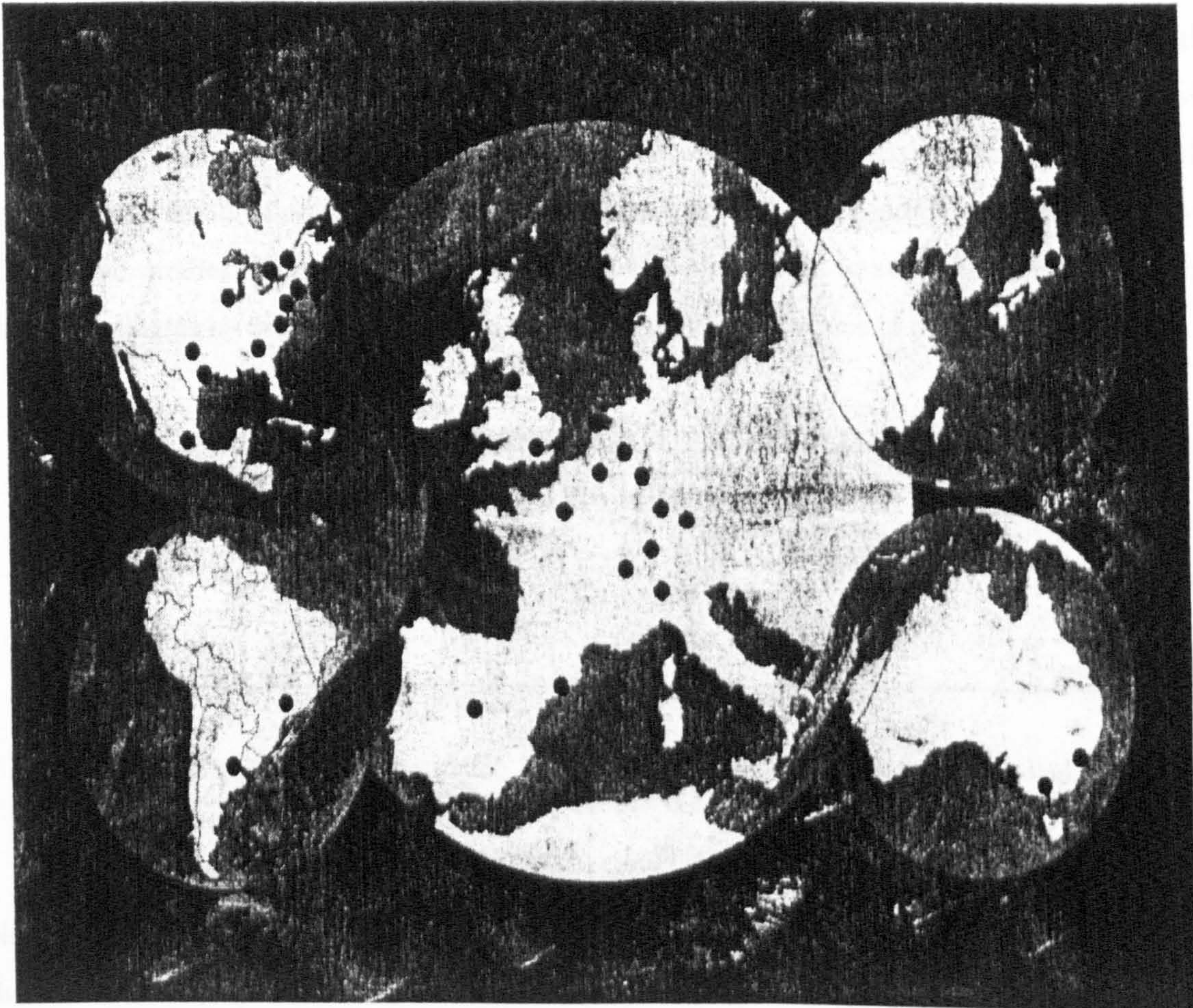
'At Russell Reynolds Associates, we operate as a single, seamless global organisation in order to put our considerable resources to use for our clients anytime, anywhere. To deliver results for our clients, we rely on our world-wide resources and world-wide standards.Supporting a client's international staffing needs not simply, say, a German executive who can operate in France or vice versa. It means using the insight, market intelligence and reach of our global network to identify executives who can operate anywhere. It's also a matter of ensuring that the same high-quality standards are applied to every assignment in each of our 22 offices' (Russell Reynolds corporate literature).

Figure 6.2 shows an extract from a leading executive search firm's brochure. By placing five snap-shots of the world together to create a global image, Spencer Stuart has cleverly given the impression that it operates globally. By having offices, quite literally in all four corners of the map, the firm can justifiably say 'we have one of the best balanced networks of any firm'. On first glance this company does appear to be a 'world-wide firm'. On closer inspection one can see chunks of continents missing. In addition, there appears to be lack of national boundaries other than in Latin America. Another distortion is the claim by Knight Wendling that they 'are represented in every important economic centre in Europe, America and Asia'. Actually only *one* of the eighteen offices is outside Europe and the United States. It is surely debatable, therefore, whether the Shanghai office represents 'every important centre' in Asia! At least the promise of TASA 'to be in every continent' cannot be dismissed so easily. They have offices in countries such as Argentina, Venezuela, Brazil, Indonesia, Peru, Australia, and South Africa, as well as in Europe and North America.

6.3.3. Conducting cross-border assignments from the 'local' office.

Although much of the corporate literature of the leading executive search firms probably exaggerates the global dominance of their activities, it has to be acknowledged that such organisations are becoming increasingly international. The key difference between now and several years ago is that more countries and cities are interlinked into company networks. This has been the basis for enabling the volume of cross-border assignments to increase. It is true that the large search companies have in recent years sought to expand their networks to incorporate parts of the emerging markets. It is perhaps unfair to suggest that 'it is only now that executive search firms are putting together an infrastructure that will allow them to search globally' (Boyle *et al.*, forthcoming : 14).

FIGURE 6.2 : A WORLD-WIDE FIRM : A MAP OF SPENCER STUART'S NETWORK



Search companies do possess the ability to recruit internationally, with large companies having a global and comprehensive infrastructure available. One search consultant, who is part of the INESA network, said that over 70% of its assignments conducted in 1994 were on an international basis. The partner of another international affiliation commented that, as a result of the relationship, they 'aim[ed] to have 20-25% of revenue from international searches' (US C). Many firms in Europe conduct over a quarter of their total assignments on a cross-border basis (Jones and Sarch, 1993). Egon Zehnder carried out 35% of its 1991 European assignments in more than one nation, and approximately 80% of Heidrick and Struggles' assignments in Belgium were on such a basis (*table 6.9*). Obviously, there is a relationship between the size of a country and the level of cross-border assignments. For searches conducted in small countries, the number of potential suitable candidates in the country is likely to be smaller. As a consequence the consultant might seek to supplement his or her short list of candidates by searching overseas and liaising with colleagues in other offices.

TABLE 6.9 : LEVELS OF CROSS-BORDER ASSIGNMENTS IN SELECTED EUROPEAN COUNTRIES (1992)

Country	Heidrick & Struggles	Egon Zehnder	Spencer Stuart	Amrop
Belgium	80	30	n/a	66
Germany	20	20	20	11
France	25	27	25-30	n/a
Switzerland	n/a	64	45	n/a
UK	60	45	n/a	n/a

Source : Garrison Jenn (1993)

Notes : 'Country' refers to the nation in which the assignment was being handled. Usually this coincides with the location of the client (see *section 6.1*)

Nevertheless, it is certainly true that many of the search companies' individual offices derive their income largely from domestic activities. However, this is to be expected where a search network has a series of offices around the globe, trying to conduct business in the office most suited to do so. 'Cross-border assignments [are] not necessary as [we] have a network (US H)'. By its very structure Amrop's growing band of 56 offices is designed to service clients needs in the locality i.e. the nation state. After all it makes sense logistically, for example, to have the Stockholm office handling an assignment in Helsinki, if an office did not exist in Finland. The important point to make is that whilst the assignment may not appear international, this is not to preclude the possibility that international candidates are being considered. The successful placement of a candidate could indeed come from anywhere, particularly when the search firm conducting the assignment has a comprehensive list of sources and contacts in different countries and industrial backgrounds. A more localised example of this can be understood by referring to the location of assignments in the United States of a leading search firm in *table*

6.10. The company in question has a very limited international scope to its US assignments. Most of the business is conducted through two central offices in the north-east, with clients situated through out the States.

TABLE 6.10 : ASSIGNMENT BREAKDOWN BY CUSTOMER LOCATION FOR US DIVISION OF A MAJOR SEARCH FIRM

Location in US	1993 (%) (n=102)	1994 (%) (n=148)
North-east	58	67
Midwest	15	11
South	17	12
West	5	5
----- International	5	5

However, in the forthcoming years it may well be that, as the partnership matures and consultants begin to obtain referrals from colleagues, the situation will change and international assignments will increase. Technology will also play its part both allowing the dissemination of information to a host of consultants around the world efficiently and speedily, and by increasing the amounts of information that are readily accessible in the first place. For instance, technology has helped provide search facilities which can help fulfil the world-wide needs of clients. 'With on the spot search capabilities in the world's major business centres, we are in a position to think global and act local. Our clients benefit from this international reach and the quality of search which flows from our knowledge of individual business centres' (*US I - Corporate Literature*).

6.4. International executive search : growth and development

'It seems unlikely that no significant market has existed or does exist for international search. Consequently the turn towards international search ought not to be interpreted as reflecting the sudden appearance of an international search market' but rather as a delayed, possibly strategic reaction to the lucrative possibilities that now exist (Boyle *et al.*, forthcoming : 14).

There still seems to an element of uncertainty as to how the global search recruitment marketplace developed. Boyle *et al.* (forthcoming) contend that the internationalisation of the industry is no more than an attempt to cash-in on the 'global phenomenon'. But how and why has there been this surge in international recruitment? One US consultant suggested that the rise of executive search lies in the new fluidity of the marketplace and the decline of the 'job-for-life syndrome'.

'The market [is] driven by technology, communications, and [economic] rate of change, coupled with the fragmentation of business units. Between 1990-93 there were 35% fewer employed in Fortune 500 companies. However, of the 65% remaining, 50% moved jobs during that time'
(US I).

In this section, I outline how the search function has *internationalised* from its domestic base to service the global needs of clients and attempt to assess what has influenced this response. In particular, I suggest that the development of global executive search is currently subjected to two key processes. Firstly, the '*search*' for the new international executive or global manager, and secondly, *the trend towards customisation and specialisation*. Both these processes have encouraged the development of a hierarchy or world order of international search from a band of global cities, which I explain in *section 6.5*. Before elaborating on this notion it is important to outline the way in which such firms developed.

6.4.1. The rise of global executive search - 1980s-1990s : context for growth

The growth of executive search firms has been rapid over the last 20-30 years, but particularly in the later part of the 1980s and in the 1990s. The rate at which companies have grown both in terms of profitability and in the number of offices around the world has been dramatic. The increase in revenues of the leading firms has already been highlighted. But what has been the growth in the number of representative offices incorporated around the world? Analysis of a sample¹ of 10 large executive search firms from the mid-1980s (who later on became 8 companies following mergers) suggests that the number of their offices increased by 58.6% to 257. From this limited sample it is possible to suggest that the growth and development of search networks over the last ten or so years has two important effects - one of them spatial and the other organisational.

Figures 6.3 and 6.4 highlight how the changing number of offices in this sample case study has a geographical pattern. There are several key growth areas around the world that have received a proportionately higher number of offices in the last decade. These areas include the non-EU parts of Europe, Asia-Pacific and South Africa (outlined in *section 6.2*). In terms of absolute increases both parts of Europe, including the EU (the 12 member states between 1986-1995), had modest increases. However, for the United States the increase is marginal (*figure 6.3*). This is not entirely surprising as the development of domestic and international executive search has reached a level of maturity or saturation. If all the changes in offices for the sample

¹ This sample includes a mixture of organisations in terms of origins, size and structures. I readily accept that it is only a small sample, but one which is, nonetheless, a representative sample of key players within the top 30 players.

population are mapped (*figure 6.3*), then the areas of least growth (i.e. static / decline in representation) are largely in the United States and the United Kingdom. Washington and London are the only two examples of declining office representation (indicated by a triangle in *figure 6.4*). In both cases this was due to the closure of duplicate offices after the merger of two organisations.

Much of the development of new offices has been associated with organisational change. As has already been alluded to, there have been a spate of mergers and acquisitions within the search profession, which, together with the rise in affiliations, has allowed this growth to occur. Korn Ferry's expansion into 47 cities in some 20 countries was based on largely a policy of take-over. Its penetration into the United Kingdom, Australia and Latin America were the result of mergers with GK Dickinson (1973), Guy Pease Associates (1979) and Hazzard y Asociados (1980s) respectively. The most recent acquisition was the Belgian company, Carré Orban (1993) whose European network provided the means for Korn Ferry to consolidate its European base. The recent merger of Paul Ray & Co. and Berndtson International symbolises best of all how two leading continental powers can combine to create a global giants with a more comprehensive network of offices. Paul Ray was American-based and Berndtson's strength lay in Europe. However, it would be wrong to suggest that this is the only method of expansion. Some integrated firms have sought to expand independently, such as Russell Reynolds, Spencer Stuart and Egon Zehnder. The latter's modest number of 24 offices in the mid 1980s has dramatically increased to 40 locations in 22 countries, as a result of an expansion policy in key cities.

FIGURE 6.3 : PERCENTAGE CHANGE IN NUMBER OF OFFICES IN SELECTED SEARCH COMPANIES

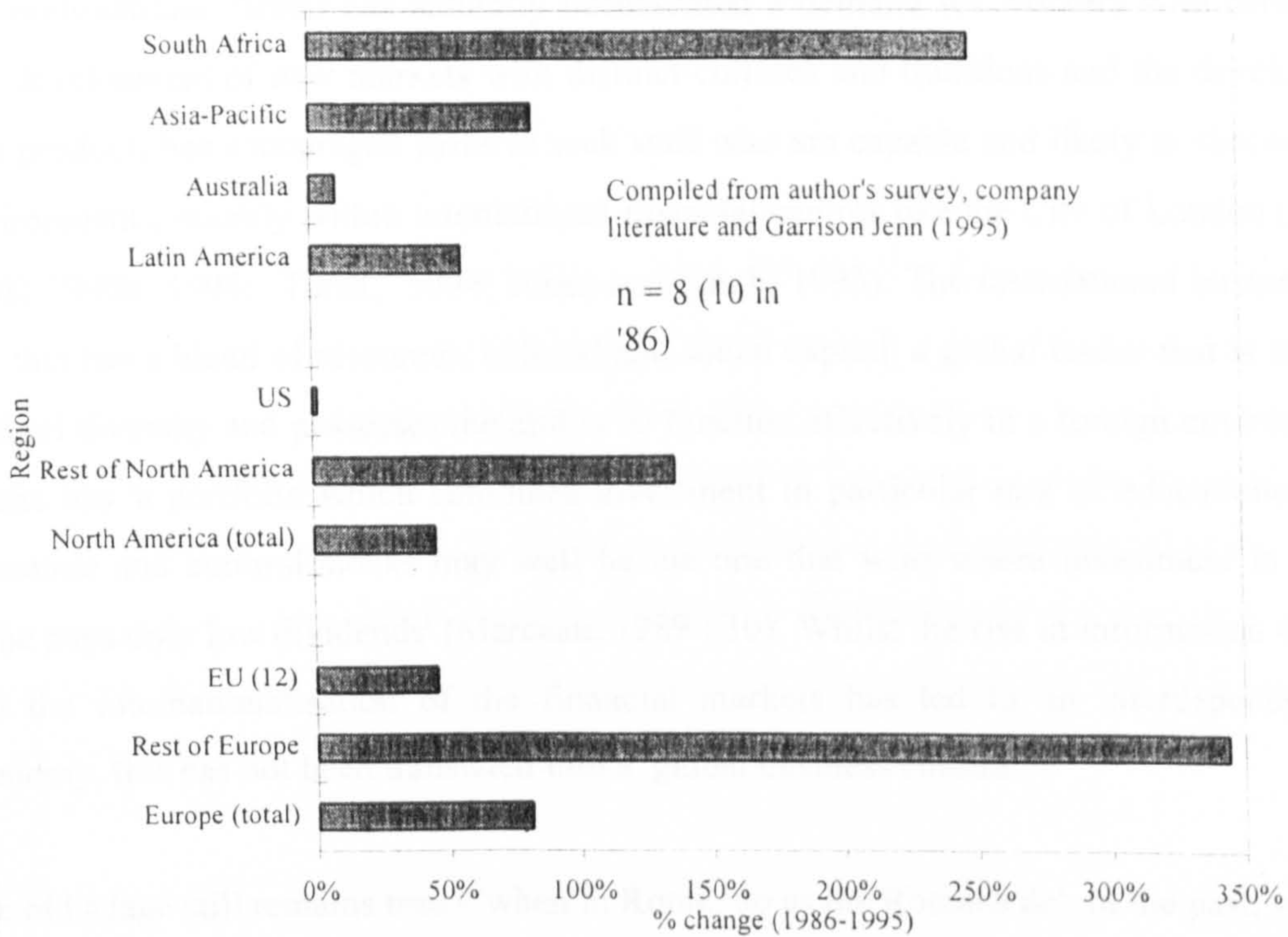
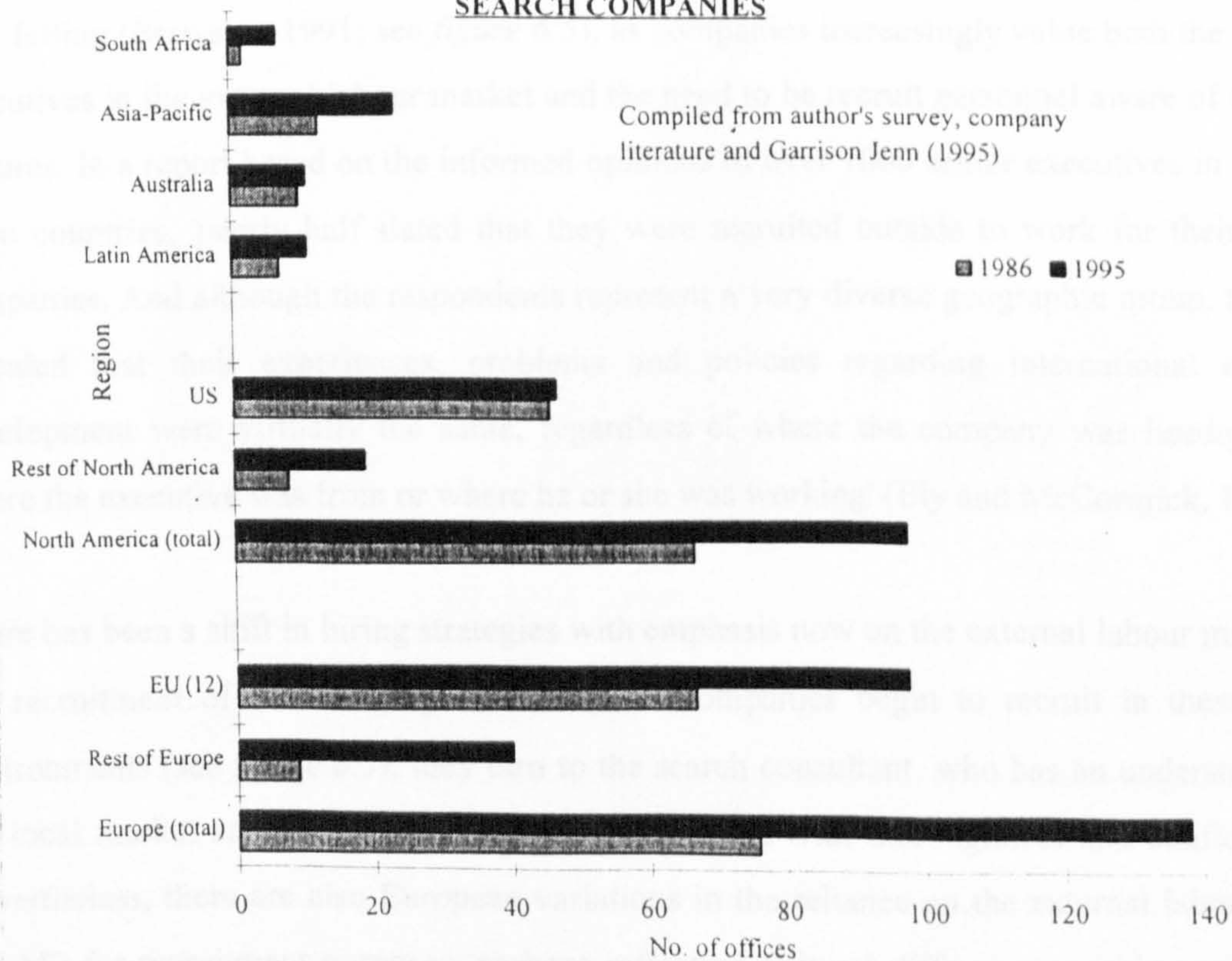


FIGURE 6.4 : CHANGES IN OFFICE NETWORKS IN SELECTED SEARCH COMPANIES



6.4.2. Search for the 'new international executive'

The creation of a new business environment associated with the rise of global enterprises (not just multinational firms) has naturally necessitated a demand for workers with certain skills. The development of new markets with distinct cultures and traditions and the development of new products has encouraged firms to seek staff who are capable and likely to succeed in such environments, notably within international financial centres like the City of London (cf. Rajan, 1988; 1990b; 1994; Thrift, 1994; Jones and Sarch, 1993). The international business elite is one that has a blend of resources, cultural and social capital, a global leader that is sensitive to cultural diversity and possesses the ability to function effectively in a foreign environment. He or she has 'a portfolio which combines investment in particular mix of educational familial, economic and cultural stocks may well be the one that wins where investment in one areas alone pays only low dividends' (Marceau, 1989 : 30). Whilst the rise in information technology and the internationalisation of the financial markets has led to an interdependent global economy, this has not been translated into a 'global business culture'.

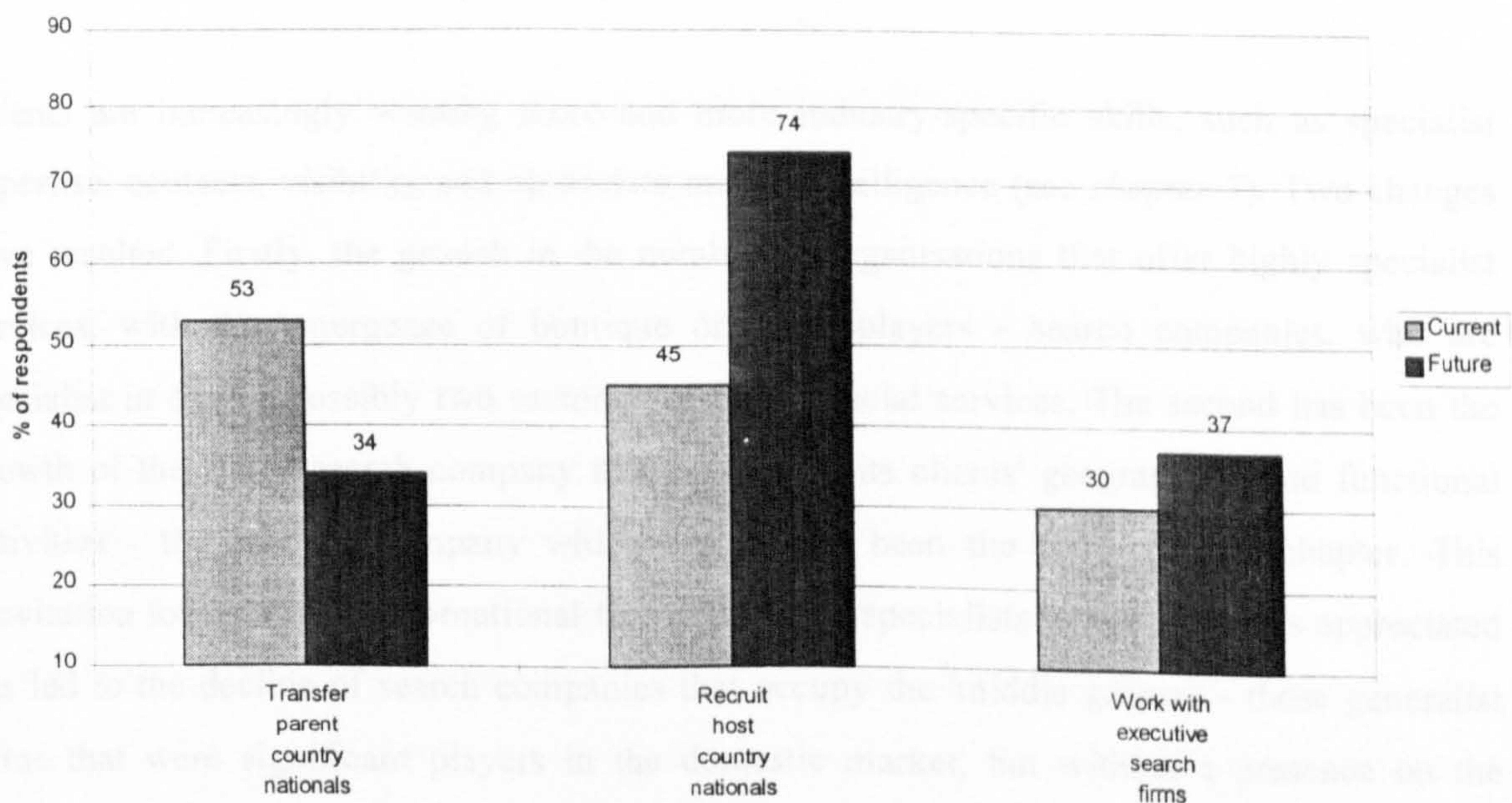
The old adage still remains true - 'when in Rome, do as the Romans do'. In the past, where there has been a international vacancy, the post was often filled by the corporation through the secondment of an expatriate, who it was felt would be loyal and able to maintain control and keep the parent company informed of developments. However, the number of expatriates is now falling (Brewster, 1991; see *figure 6.5*), as companies increasingly value both the cadre of executives in the external labour market and the need to be recruit personnel aware of the local cultures. In a report based on the informed opinions of over 1000 senior executives in some 30 or so countries, 'nearly half stated that they were recruited outside to work for their present companies. And although the respondents represent a very diverse geographic group, the study revealed that their experiences, problems and policies regarding international executive development were virtually the same, regardless of where the company was headquartered, where the executive was from or where he or she was working' (Ely and McCormick, 1994 : 3).

There has been a shift in hiring strategies with emphasis now on the external labour market and the recruitment of host country nationals. As companies begin to recruit in these foreign environments (see *figure 6.5*), they turn to the search consultant who has an understanding of the local market and who will conduct an assignment with thoroughness and confidentiality. Nevertheless, there are also European variations in the reliance on the external labour market ('ELM') for recruitment purposes, perhaps reflecting cultural differences within nation states. The *ELM* seems to be of greater significance in France and Norway where over 33% of firms recruit in excess of 60% of its senior managers through such a mechanism. By contrast Spain,

Turkey and the former Western Germany rely much more on the *ILM*, where half the organisations hire less than 10% of their senior appointments through the *ELM* (Dany and Torchy, 1994).

Traditionally, there has always been the tapping of company's own resources first of all, when considering recruitment for management positions, both all over Europe and elsewhere in the world. However, such is the demand for the 'super executive', particularly in the emerging markets of the world economy such as China, the Pacific Rim and Eastern Europe that, multinational organisations frequently encounter difficulties in finding the right person for the right job. Companies are looking for personnel with an international exposure in markets both diverse in geography and product nature. If a company is producing global products, it needs a 'global manager'. Several corporations are inexperienced in the recruitment of such individuals, having in the past relied upon the transfer of their own personnel from country to country. Secondment within the internal labour market was a favoured response by companies, as was the reliance on the old-boy network.

FIGURE 6.5 : A SHIFT IN HIRING STRATEGIES



Source : Ely and McCormick (1994)

Note : Figures refer to the percentage of organisations surveyed using that strategy

However, senior executives now recognise that these appointments are best filled externally by looking for the best qualified staff with the appropriate cultural and social understanding, as well as commercial experience. The emphasis is on 'the *best* candidate - not the *next* best. Each

search is a *unique opportunity* to identify individuals through original and conventional sources' (Paul Ray Berndtson corporate literature : emphasis added). The following extract from marketing correspondence sent by a search consultant to a prospective client, illustrates this notion of the best available candidate.

'Even more than before, we now believe that all major organisations and particularly those seeking to expand will need to *constantly assess the quality of individuals transacting* and supporting their business and where possible look to enhance this, in order to maximise control and increase the level of customer service.This is where we can help, as a well established executive search firm with an excellent track record across a broad spectrum of requirements, we firmly believe we can add value to the process of targeting, identifying and hiring the *best available resource* in the market'
[emphasis added] (Personal correspondence).

As such the services of the headhunter or specialist recruitment consultant can be highly important to the MNC, particularly because international headhunters are increasingly able to conduct cross-border assignments. In its pledge to find these new executives, Egon Zehnder is even more certain of its endeavours. 'Industrialisation has had a dramatic impact on the face of our physical world. Executives in this domain need more than conventional wisdom to assure that industrial development in accord with the common good. The firm *will find these farsighted people*.' (Egon Zehnder corporate literature : emphasis added).

6.4.3. Customisation and specialisation

Clients are increasingly wanting more and more industry-specific skills, such as specialist expertise, contacts, visibility and up-to-date market intelligence (see *chapter 7*). Two changes have resulted. Firstly, the growth in the number of organisations that offer highly specialist services, with the emergence of boutique or niche players - search companies, who are specialist in one or possibly two sectors, notably financial services. The second has been the growth of the major search company that can mirror its clients' geographical and functional activities - the kind of company which has largely been the focus of this chapter. This gravitation towards large international firms and small specialists where quality is appreciated has led to the decline of search companies that occupy the 'middle ground' - those generalist firms that were significant players in the domestic market, but without a presence on the international scene. The response of the global search firms has been to orientate themselves into specific practice groups that correspond to their client's industrial sectors. This allows such global firms to pool consultant's individual experiences so that they can emphasise firstly, the management of cross-border and global assignments, ensuring that the optimum resources are available to solve client problems; secondly, the global co-ordination of client relationships and; thirdly, the provision of a forum for information exchange about current industry developments (cf. Garrison Jenn, 1993).

Paul Ray initiated its move towards specialisation back in 1987 with the formation of its financial services practice group. Most of the major search firms have followed suit. At Russell Reynolds, a system of relationship managers has been employed for large accounts. Two key individuals, one US and the other from Europe or Asia, handle all the client's business. As Russell Reynolds themselves admit 'geography becomes incidental. What is important is putting the best qualified consultant in front of the client and building an intensive, long-term relationship' (cited by Garrison Jenn, 1995 : 26). Russell Reynolds' 40 practice areas are organised into six sectors, the largest of which are structured to operate globally. The six sectors are consumer markets, financial services, health care, industrial, natural resources and technology. Russell Reynolds has some 24 headhunters specialising in investment banking centred in the Tokyo, New York and London, with some consultants in other cities like Brussels, Paris, Frankfurt, and in the Asia-Pacific region. Egon Zehnder has selected several industrial sectors such as health-care, banking, IT, consumer goods, automotive for which it has created industrial practice groups that can bring considerable sectoral experience and knowledge together. In addition, executive search firms have broadened their client bases, conducting assignments in the public sector and for non-profit making firms and offering new services such as for non-executive director appointments and management audits.

6.5. International executive search : the geographical response

6.5.1. The spatial pattern of three leading firms

Egon Zehnder, Russell Reynolds and Amrop International all have sizeable amounts of offices and high global fee earners, but are different in terms of structure, ownership, size and country of origin (*tables 6.2, 6.3, 6.4, 6.5 and 6.6*). They are respectively the 3rd, 8th and joint 19th largest search companies in terms of the total number of offices around the world (*table 6.11*). Egon Zehnder, the Swiss-based company, is still run equally by its partners and is chaired by Zehnder himself. It is an integrated firm and has only one profit centre, so there are no barriers between offices or consultants. As the firm has a large number of wholly-owned offices, it encourages its consultants to liaise on assignments without any worry about who is going to get the 'lion's share' of the fee. Therefore, Egon Zehnder has a high proportion of cross-border assignments (*table 6.9*). It is an international organisation with a strong European orientation - 70% of revenue (see *table 6.2*). Its current office network of 41 offices is spread across the world, with the greatest representation in Europe (25) reflecting its strongest market (*figure 6.6a; table 6.2*).

Russell Reynolds is the archetypal integrated search firm, that is not ashamed to show its clients what their money is spent on - luxurious, even salubrious offices in St James Square, London and Park Avenue, New York. It certainly retains a Park Avenue culture, with high percentage of its activities and revenue in the States (*figure 6.6b*). As such those offices outside the States (16 including just 8 in Europe) still retain the Reynolds brand image. What you get in Milan, is the same in Melbourne and Michigan. Russell Reynolds is the 'Porsche of the search industry. [It] retains an elitist, high class, blue-blooded image, polished high performance, and status as one of the all-time-great superiors, with a strongly-international cachet' (Jones and Sarch, 1993 : 56). It is smaller in Europe than Egon Zehnder with just eight offices (*figure 6.6b*). The corporate slogan is 'Delivering Value' and its most recent world-wide brochure features a detail from Raphael's School of Athens. In this masterpiece, learners of Ancient Greece can be seen sharing knowledge and ideas, with one of the scholars believed to be the geographer Ptolemy who is depicted holding a terrestrial globe. The image is used to reinforce the companies corporate aim : 'a free and open exchange of ideas is fundamental to our work at Russell Reynolds Associates'.

TABLE 6.11 : LEADING SEARCH FIRMS BY NETWORK SIZE

Company Name	No. of outlets	Rank
Intersearch	63	1
Price Waterhouse	62	2
Amrop	56	3
Boyden	48	4
Korn Ferry	47	5
Ward Howell	41	6=
Transearch	41	6=
Egon Zehnder	40	8
A T Kearney	40	9
Spencer Stuart	37	10=
GKR / Neumann	37	10=
Paul Ray Berndtson	33	12
Heidrick & Struggles	32	13
TASA	31	14
ISA	28	15=
KPMG / Foster Partnership	28	15=
MSL	28	15=
PA Consulting	26	18
ISP / Norman Broadbent	25	19=
Russell Reynolds	25	19=
Search Net	25	19=

Compiled from : Author's survey; Corporate literature; Garrison Jenn (1995).

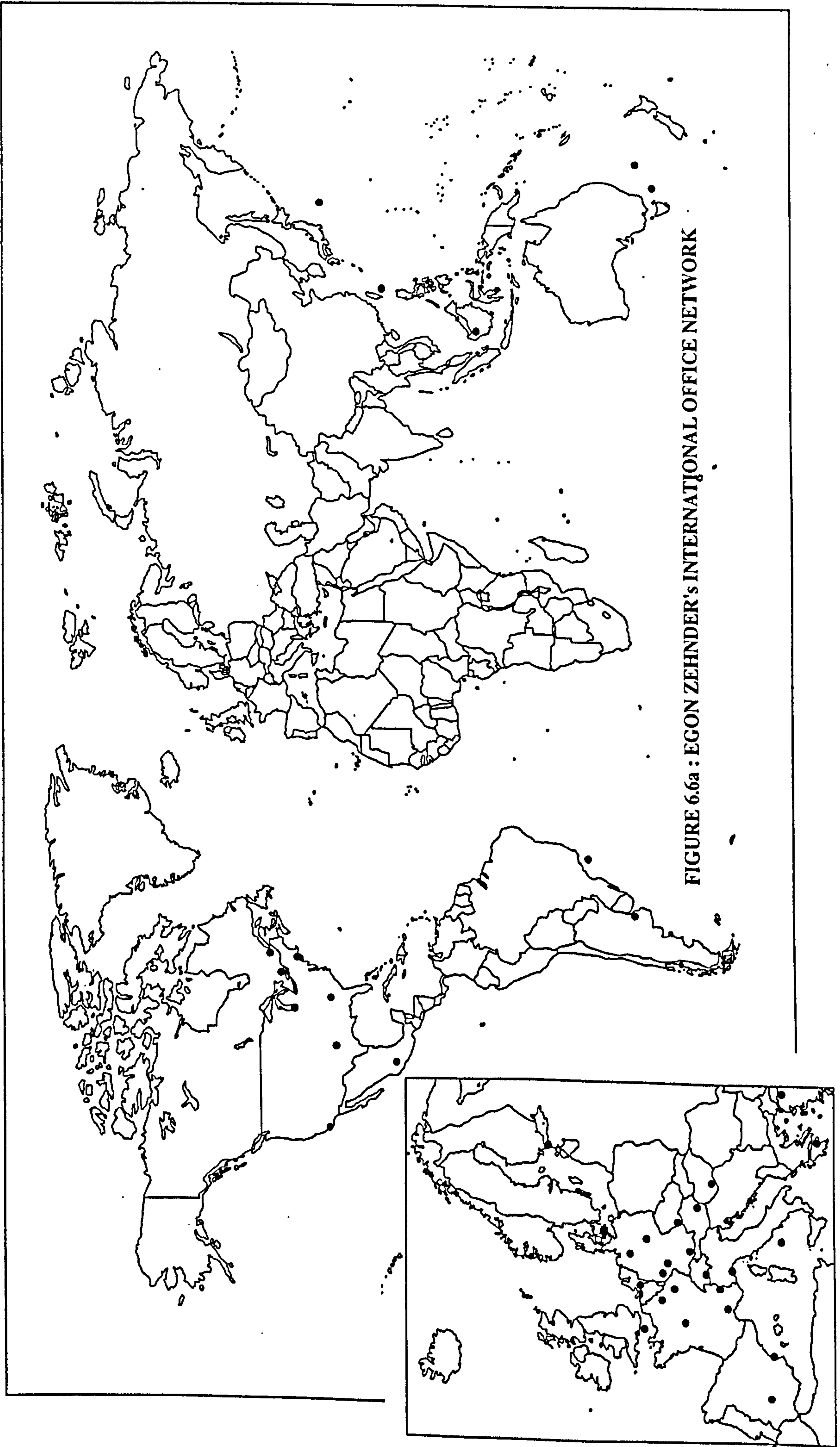


FIGURE 6.6a : EGON ZEHNDER'S INTERNATIONAL OFFICE NETWORK

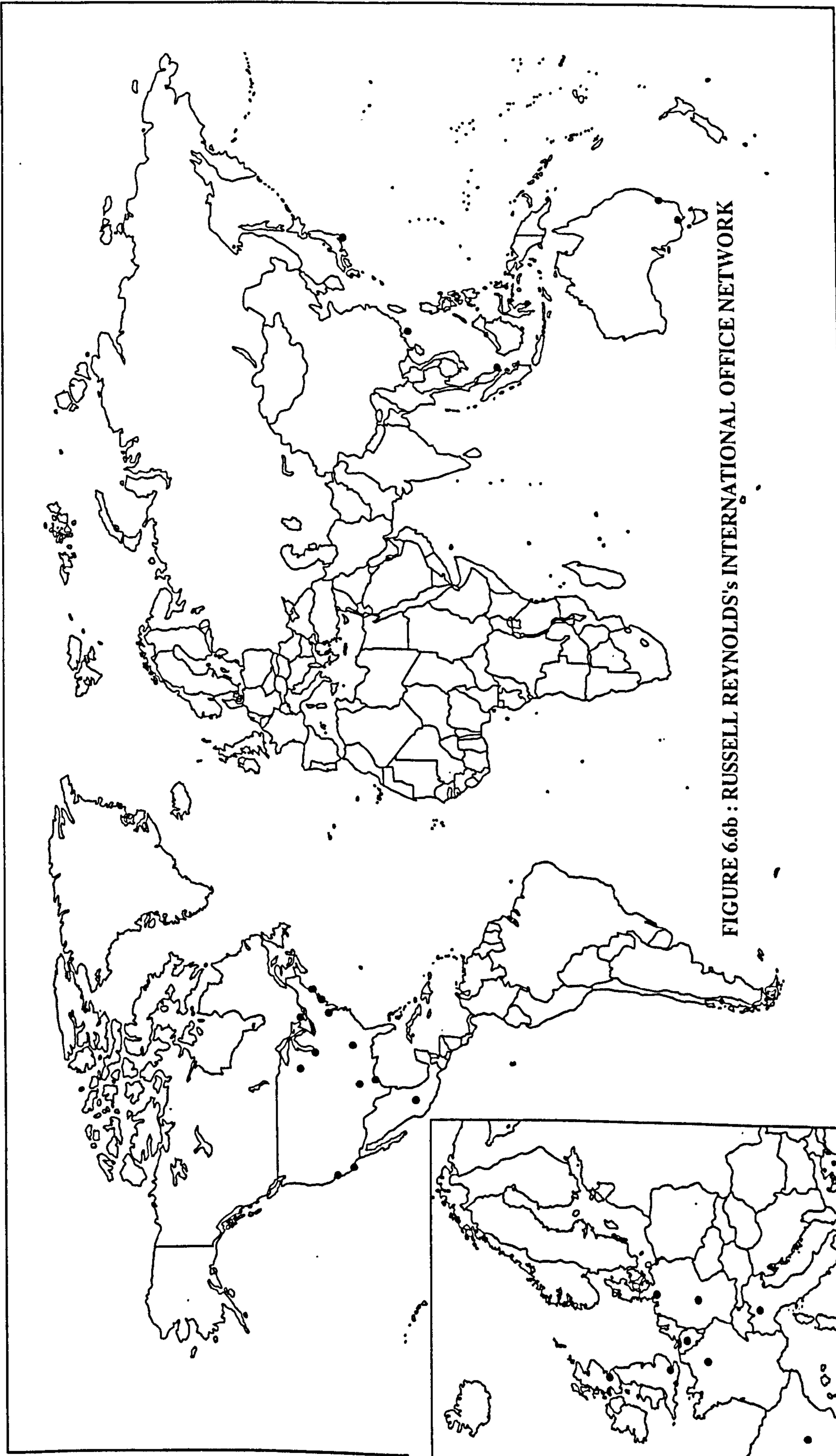
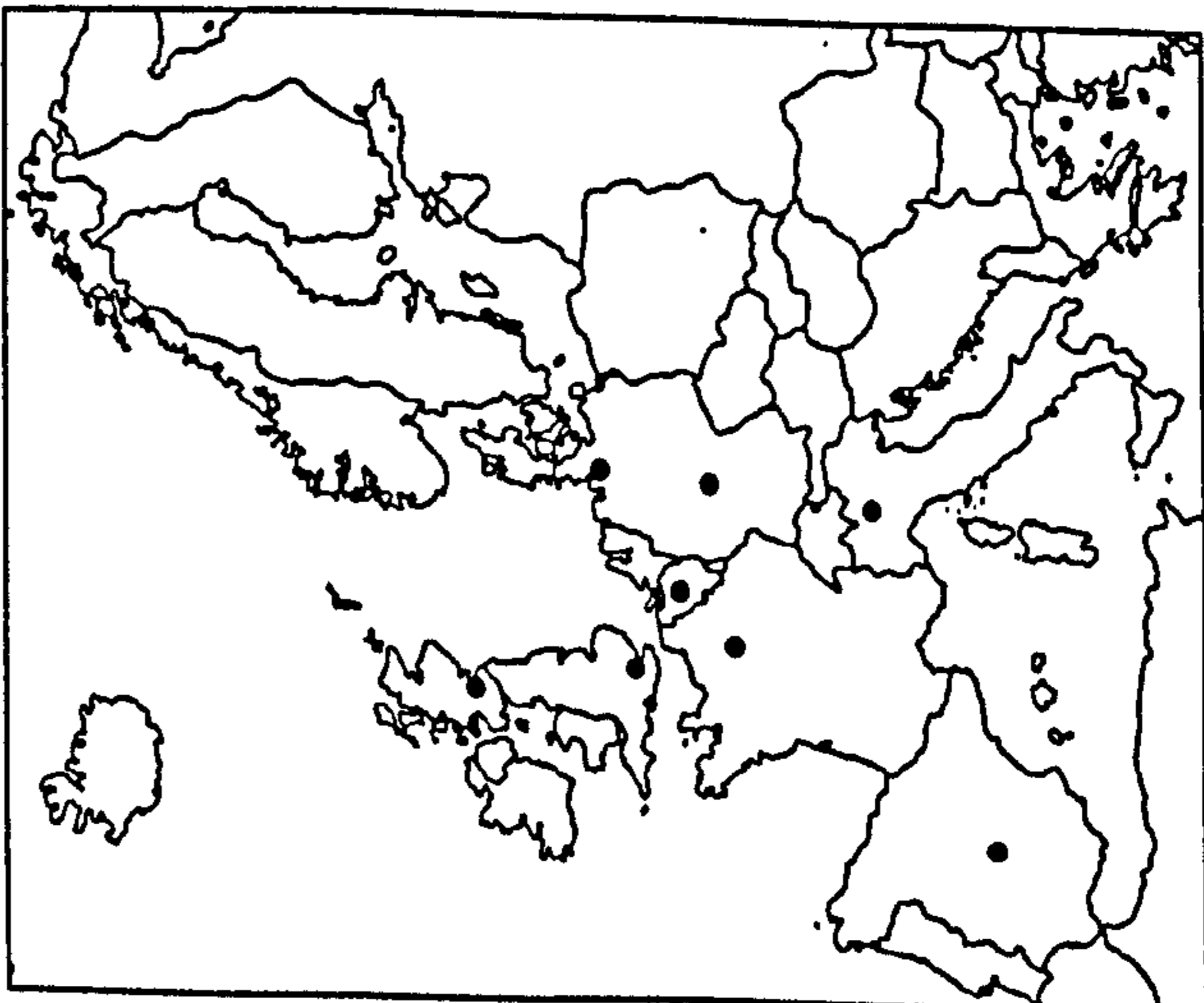


FIGURE 6.6b : RUSSELL REYNOLDS'S INTERNATIONAL OFFICE NETWORK



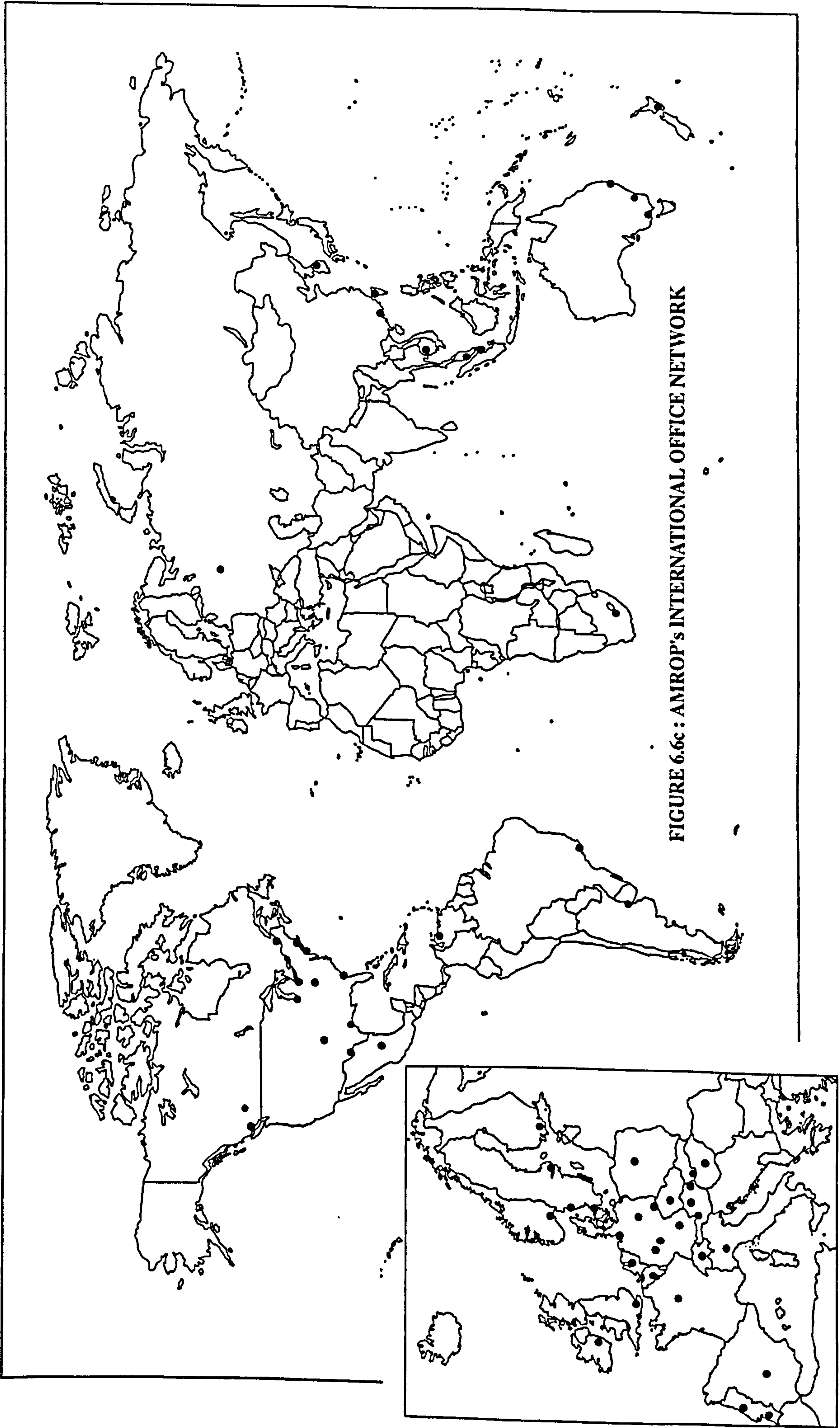


FIGURE 6.6c : AMROP's INTERNATIONAL OFFICE NETWORK

Amrop, by contrast, has an emerging culture that comprises a variety of independent consultancies from around the globe. Its constituent members (such as Lamalie in the US and Whitehead Mann in the UK) are not referred to by name so much. This gives a sense that whilst the firms may be separate entities in their own respective nations, in an international context, at least, they all trade under one umbrella. 'Local influence, global reach', it is stressed, is a winning formula with national staff coming internationally to provide global integrated service - 'Local proprietorship ensures maximum dedication to solving client's needs' (Amrop Lamalie corporate Literature). Much is made that, amongst the major search firms, they have the largest number of offices, 56, of which 30 are in Europe and 16 in the Americas. Interestingly the network has strong office representation in some countries which might not typically be viewed as strong search nations. Whilst Egon Zehnder and Russell Reynolds have just two and one office(s) respectively in Canada, Amrop has a total of four offices reflecting the strength of its Canadian associate (*figure 6.6c*). The policy of developing an office network differs depending on the type of firm. Accordingly some of those companies that were part of affiliations and confederations stressed that such a set up gave them an advantage when seeking expansion in emerging markets.

It is our aim to be 'first in a few areas.... we find a potential office that can be incorporated...we do not have to send in own staff' (Lamalie Corporate Literature). Such an agreement also means that local staff are used, which it is suggested have a better cultural understanding of the locale. 'Executive search is all the same process [irrespective of company type], the only difference is that we have *local nationals*' (*US B* : emphasis added). By finding an indigenous search firm that can join the network, a confederation of firms can quickly give the impression that their network is fully-functioning across all the four corners of the globe. Of the leading search firms, several have adopted this strategy as the means by which they can enter new emerging markets, beating other integrated search firms, who would have to raise capital and then set up an office if they wished to penetrate a new market. For example, Amrop's spread into many of the emerging markets including Eastern Europe (*figure 6.6c*).

6.5.2. A global search capability from a global city?

Boyle *et al.* (forthcoming) attempt to uncover the ability of Europe's leading search firms to have a European recruitment capability. Having ordered the cities into tiers, they conclude that the leading cities are 'London, Paris and Frankfurt, which are connected to 16, 16 and 15, of the world's leading networks and 325, 321, and 302 offices across the world respectively' (Boyle *et al.*, forthcoming : 22), and thereby only these cities can justifiably claim to have genuine global significance. This analysis, however, is largely focused on the European markets, and is flawed

because it focuses largely on the European capability of a limited number of search companies, who are domestic in orientation. It is also possible to be critical of the validity of the data, most of which has been derived from a secondary source (Watson *et al.*, 1990) from the late 1980s. In this section, a more detailed analysis is undertaken of the 53 international search firms who, through a detailed cross-referencing of a variety of sources, were identified as having an international search capability. The definition of 'international' was taken as being operational in more than one country. It should be made clear that such a definition has drawbacks (see discussion in *section 6.1*).

The individual office networks of the three firms studied in the previous sections are not mutually exclusive (see *figures 6.6a, 6.6b and 6.6c*), but all three have offices in the major European business cities (Paris, London, Madrid, Milan, Frankfurt and Brussels), and elsewhere in the world, New York, Atlanta, Chicago, Toronto, Melbourne, Sydney, Hong Kong, Singapore and Mexico City. In this sense there might be a justification for examining whether companies' international search activities are manifested in global cities. Is there a hierarchy of search capability with certain cities being places for more search firms than others? Analysis of the international search networks reinforces the notion that certain cities are more important centres for search activity (see *table 6.12*). Some cities seem to be certain locations for search firms. For instance, London and Paris are international as well as domestic centres within Europe and the respective countries. However, *table 6.12* also indicates the relative importance of these and other cities as sites of offices with their respective countries. The 'index of international orientation'² does though give some indication of the significance of the respective city for conducting international assignments from that country. Some cities have high figures such as Tokyo, Hong Kong and Brussels. The latter two can be explained by geography - Belgium is a small country with just one major business city. Tokyo's explanation is associated with culture. Japan also, until recently, never had a tradition in executive search. Several search consultants commented on this matter, suggesting that the lack of search was due to the 'loyalty factor' (*US H - Partner*). There was once this 'traditional lifers mentality', but there is now great potential for executive search in Japan. 'Whilst 95-97% of the population are salary-men, there are still 2-5% that are orientated to move, such as those [working] in shipping and bond trading, in other words where there is an international market' (*US I - Partner*). Given that many search firms have only recently decided to set up offices in the country, the first choice was naturally Tokyo (100%).

² This has been calculated by dividing the number of offices in a given city into the total number of office in the given country.

In the US market, there are a number of locations that offer international executive search. When suggesting that there is a world-order of search locations, any analysis must take into account the size of the market. Clearly, in those countries where the market has been well established and is domestically large, there will be a large number of offices that can potentially offer international search - *section 6.3*. If this is the case, then the importance of any one office for international operations lessens. Within Europe, London and Paris have a total of 42 and 40 offices respectively, representing an office market share of approximately 50.20% and 76.92% respectively. In contrast to France and United Kingdom, Germany has no dominant centre of international search activity. It is important to bear in mind that the process of search was technically outlawed there until the 1980s, so search is still in its infant stages. German industry, unlike other European nation such as the UK and France, is far more decentralised with no single city typically having a majority of head offices of key firms. As such Frankfurt, Munich, Stuttgart, Hamburg, Dusseldorf and, since unification, Berlin and Dresden, are all important commercial centres and potentially important search centres. All the German cities have strong domestic search bases, but it is apparent that none has emerged as a major world centre (on a par with say Madrid or Milan) from which global search can be conducted. As a consequence no single centre of search activity stands out, unlike in France and the UK (see Britton *et al.* 1994), with many of the leading search firms having representative offices in a number of Germany cities servicing clients needs both domestically and internationally.

TABLE 6.12 : LEADING LOCATIONS FOR INTERNATIONAL SEARCH COMPANIES' NETWORKS

City	Number of offices in city	Number of offices within country	Index of international orientation (%)
London	42	83	50.60
Paris	40	52	76.92
Milan	36	51	70.59
Madrid	34	53	64.15
Brussels	32	35	91.43
New York	29	194	14.95
Sydney	25	55	45.45
Hong Kong	23	23	100.00
Zurich	23	43	53.49
Tokyo	22	22	100.00
Frankfurt	21	96	21.88
Toronto	21	38	55.26
Melbourne	20	55	36.36
Munich	19	96	19.79
Barcelona	17	53	32.08
Stockholm	17	32	53.15
Amsterdam	16	27	59.26
Budapest	16	16	100.00
Chicago	16	194	8.25
Mexico City	16	22	72.73
Sao Paulo	16	17	94.12
Vienna	16	25	64.00

The choroplething of the locations of the leading companies (*figure 6.7*) further highlights the pre-eminence of specific Western European cities such as London and Paris. As others have indicated with respect to a variety of consultancy services (Daniels *et al.*, 1992; Moulaert and Gallouj, 1993; Boyle *et al.*, forthcoming) there is indeed a hierarchy to the international search sector in terms of the cities and countries.

6.5.3. Accounting for the spatial location of the office network

What determines the present and evolving geography of search companies internationally? For some, spatial location is linked to other commercial activities. Thus, Price Waterhouse's network of 62 (largely semi-functioning) offices (*table 6.11*) is largely situated in former British colonies. Some of these have a notional or token role in executive search, as the major function of the office remains audit - search is just an additional service available to clients. Analysis of the responses of the consultants in the United States suggests a variety of the reasons for the spatial location of offices in the world. One group of consultants gave the impression that where the consultancies are today was not really part of a strategic development plan, but more to do with responses to others, whether these be clients or even other search firms. One company's policy did not appear pro-active, as the offices 'were set up where they had to be.... London, New York, Chicago, Dallas, Atlanta, and somewhere out in the west coast. Germany for sure, Frankfurt...ought to be in Paris... and what the hell is South-east Asia all about.....mm I don't know' (*US E*).

TABLE 6.13 : DEMAND FOR EXECUTIVES BY REGION

Region	Success	Need	Excess Demand
Africa	19	14	
Australasia	55	32	
China	26	50	√
Eastern Europe	26	45	√
Japan	42	46	√
Latin America	44	43	
North America	70	68	
Scandinavia	47	29	
Southeast Asia	44	61	√
United Kingdom	62	51	
Western Europe	64	66	√

Source : Ely and McCormick (1994)

Notes :

1 : Success refers to the ability of companies to meet demand (need)

2 : Figures refer to the percentage of interviewees surveyed expressing the recruitment position of their companies in that region.

FIGURE 6.7 : INTERNATIONAL SEARCH CAPABILITY : HIERARCHY OF OFFICES IN LEADING CITIES

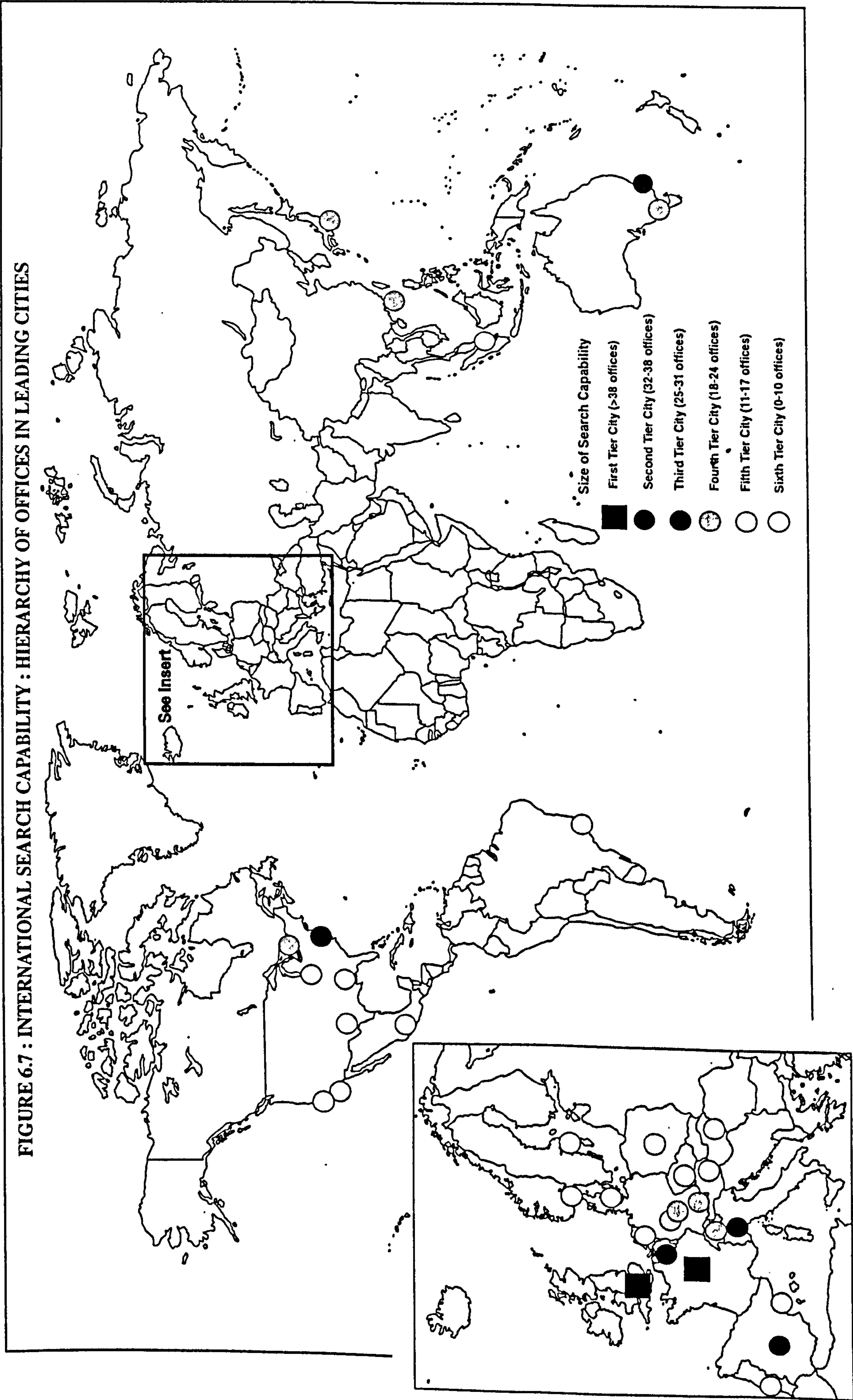
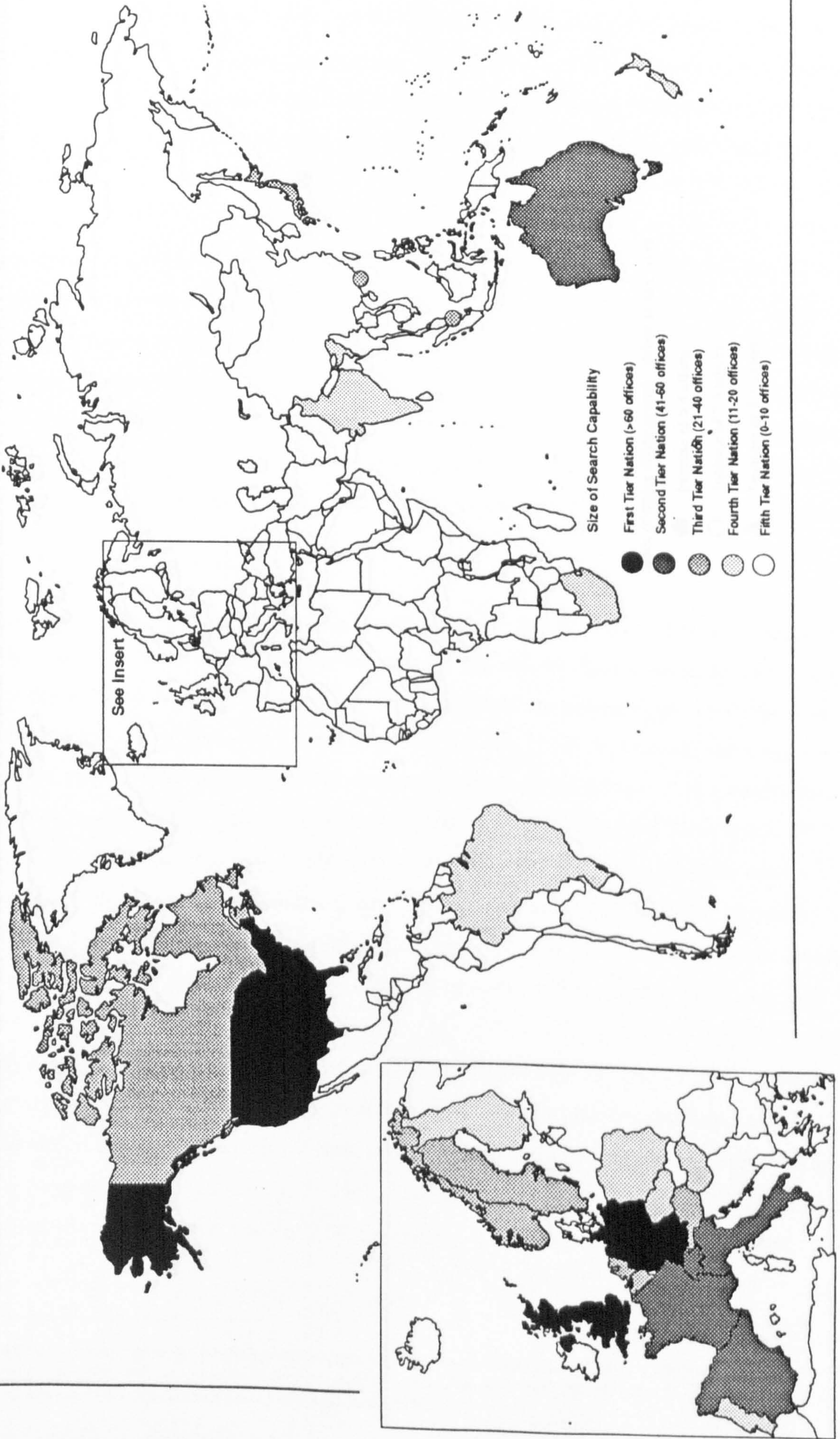


FIGURE 6.8 : INTERNATIONAL SEARCH CAPABILITY : HIERARCHY OF OFFICES IN LEADING COUNTRIES



A partner of an integrated firm indicated his company's desire to be 'in global cities' but stressed how 'we want to get into Latin America and Africa, and strategically move into other cities' (*US J*). Other companies hinted that they followed where others were going, as there was a need to be seen to be global and 'going places' (*US E*). This was to satisfy any client requests, present or future, for a global service, and also to protect client bases from a rival who might start up in a city in which the consultancy currently has a clients but no office, and seek to poach business.

The response of another major search firm to the issue of the form of its office network was 'we are where our clients are' (*US K*)...and [the network] 'is a multinational system response designed to recruit at the highest level around the globe. Whether in Asia, the Pacific Rim, Europe or the Americas, our services are based on a foundation of local expertise. Each of our partners is integrated into key business and cultural networks. Connections in local markets, language skills and familiarity with indigenous business practices enable us to identify candidates with precision and to help our clients recruit them with sensitivity' (*US K Corporate Literature*).

Is it possible though that the future location of the major search firms will be a reflection of where clients are based, but also where the greatest shortfall between demand for labour and the ability to fill such vacancies exists? The highest demand for international executives is still in Western Europe including the United Kingdom and also in North America, reflecting both the large number of multinational organisations based in those areas and the international dimension to activities of organisations located in host countries (Ely and McCormick, 1994; *table 6.13*). Consequently, it is not surprising that global search consultancies remain so dominant in these locations - North America, Western Europe and Australia (*figure 6.8*). However, in China, Eastern Europe, Japan and south east Asia, there is considerable excess demand. It is likely that the future growth in branch networks will be based in these locations.

It could be suggested that the degree to which that headhunting companies have located in specific countries (*figure 6.8*) might be related to the extent to which these nations have strong economies. It was decided to assess if there was any relationship between the number of offices in the country and GDP per capita for 1992. The product moment correlation³ (*r*) calculated for these two variables was actually 0.595, indicating a reasonable degree of association. The

³ Of all the summary measures product moment correlation is the most suitable to assess a relationship between two parametric variables that are both measured on interval scale. For more detailed explanation of its usage and the relevant critical value tables see Ebdon (1985) and Smith (1975).

likelihood that r could have been derived by random is only 1%⁴ and is highly significant. If the leading three countries (in terms of number of offices - US, UK and Germany) are removed from the dataset, r rises to 0.740, which is again highly significant. There is some justification for omitting these three nations from the final model, as in its original form the model has a number of extreme residuals and leverage points that can be detected by statistical software such as Minitab and by conducting diagnostic tests. The correlation coefficient 0.740 does provide some statistical evidence that the international search is strongest in those nations with higher GDP. This statistical measure does not, of course, indicate any form of causality, merely that there is relationship between two variables. An analysis of the relationship between the growth in headhunting office and GDP growth over the same period would have been illuminating. Unfortunately, the availability of reliable data both from headhunting firms and from former Soviet bloc countries in the 1980s makes this impossible.

The extent of this international coverage does seem to suggest that international search consultancies do have a global command capability. What is being argued is not that so much that domestic search activities are dwindling. Rather, I am trying to suggest that a new service of global executive recruitment involving cross-border search has emerged. These assignments are being handled by companies in a select number of world cities such as London, Madrid, Paris and New York with both the technical and personal capabilities.

'the different command competencies of western cities derive in part from the existence and geographical reach of key producer service firms in these cities. These firms, a new breed and generation of cartographers, produce and exchange information about economic conditions in different regions of the world. Only in a few select informational cities of world cities is the quantity and quality of these global maps sufficient to furnish multinational headquarters with a global command capability' (Boyle *et al.*, forthcoming : 26-27).

From the analysis of international executive search it does appear that the practice is largely confined to specific cities which particularly benefit from the development of practice groups.

6.6. Discussion and conclusion

6.6.1. International executive search : trends

In this chapter, I have outlined the nature and structure of the world-wide executive search industry. Although the sector is worth between \$3-4 billion p.a., the leading search firms have continued to record revenue increases in excess of 15% per annum. One of the key reasons for this growth has been the demand in cross-border assignments. As clients demand more

⁴ Significance levels are calculated on the two-tailed test level (see Ebdon, 1985).

customised services and seek specialist staff with core skills, consultancies are using the expertise of staff in other offices outside the country where the assignment is instigated. These processes led to the rise in international executive search and encouraged search companies to formulate a number of strategies to allow them to perform on a global platform. The growth and development of the executive search business has responded in a number of ways to the client's new needs. Firstly, individual companies are promoting themselves as having a 'global' presence in the market, and at the same time being attentive to local sensitivities. Secondly, there has been the consolidation of organisation's office networks around the world. The absolute increase in the total number of offices has been achieved through two methods - joining an alliances or affiliation, and increase in the number of offices within integrated firms. The leading consultancies have developed a series of offices in the major business centres, often in excess of 50. However it should be remembered that a search firm does not necessarily require an office in a country to search within that nation.

The evolution of headhunting is closely linked to the need to service the clients. Acting as a cultural bridge between overseas clients and those major firms that control the global recruitment market, executive search fills the gap between supply and demand of staff. Indeed where demand outstrips supply and the need exists for first-class management to add value and enhance businesses, the ingredients for successful search work then clearly exist (Garrison Jenn, 1993; Jones, 1989 : 174). The reason for the sudden growth both in the numbers and size of networks is not so much that 'demand has risen beyond a certain threshold and that critical mass has induced a consciousness lucrative market' (Boyle *et al.* forthcoming : 14), but more to do with a concerted strategic response by the search profession to the client's *new* needs. Just like other commercial capital activities, the internationalisation of search was a response to the internationalisation of key customers, as well as the internationalisation of the financial markets and the result of technological advances.

It will be interesting to see whether the growth in office networks in developing markets continues or whether a new phase of consolidation is entered. It is already noticeable how some of the leading revenue firms have not embarked on massive expansion of office network (e.g. Russell Reynolds and Heidrick and Struggles). It may well be that other international search firms note that it is possible to both consolidate and co-ordinate search assignments from strategic centres or within practice groups, thereby reducing the need for 'token' representation in so many other cities. If practice groups are universally accepted the spatial configuration of international executive recruitment will take on a unique spatial pattern. Technology may also assist in centralising international search within key centres, allowing consultants, for example, to share information on databases.

The continuing polarisation of big firms is likely to continue with the smaller getting deliberately smaller. Medium-sized firms might suffer as they do not have the market coverage or resources to sell effectively against the big firm or small firms. One option for the medium sized firm is to join an affiliate firm. Such 'confederations' will continue, but it is unclear thus far how the problems associated with such operations will effect their performance and whether clients like such operations. Both the global giants and the small specialists appear are able to respond more easily to the pressures of customisation and specialisation. In addition, the future is likely to witness the growing dilemmas of off-limits and preservation of the client's interests. As companies expand, particularly within affiliates, consultants may well be working for clients who are rivals in their respective marketplace. Conducting searches for either client would obviously cause problems in terms of conflict of interest. Off-limits is a very controversial issue and one which many consultants are reluctant to discuss (*section 6.2.3*). It is likely as firms extend their office networks around the globe, they will encounter a number of restrictions. As the number of client companies increases, there will be an similar increase in the number of firms for which off-limit guarantees would apply. Client organisations are obviously keen to retain world-wide bans. However, search companies will be keen to restrict off-limits to specific geographical and industrial areas of the client company's operations.

6.6.2. International executive search : location factors

I have already indicated the factors influencing the location of executive search in the City (*chapter 5*). The strong concentration of executive search companies in global cities is a result of similar interrelated factors. Proximity to the head offices of financial and other industrial corporations (*urbanisation economies*), closeness to relevant markets (*competitive market economies*), ease of information dissemination, and need for face-to-face contact (*localisation economies*) are all important. International executive search firms locate in agglomerations as they can benefit from proximity to markets and clients, thereby reducing communication, transportation and transaction costs (*chapter 5.4*). The success of search relies on the development formal and informal networks of knowledge. In spite of supersonic air travel and the technological innovation, there is still a premium for search consultancies to be located in key cities. The trend towards 'specialisation', mentioned earlier, is another influencing factor in the location of businesses. Specialisation and innovation require close interaction between service producers and the client. This has further encouraged the concentration of international search activity in the existing world cities. My analysis shows that for international executive search consultancies there are additional locational factors. As international search expands, consultancies are both reacting to the locational decision of other organisations and also

protecting markets in which they have clients but no office. This trend might accelerate the growth of offices in specific Pacific-Rim rim cities over the next decade as companies either anticipate potential market opportunities or react to other search organisations.

As has already been suggested, doubt has been raised over the (global) capability of search firms (Boyle *et al.*, forthcoming). However, given the evidence of cross-border activities, it does seem that many search firms have been able to combine domestic activities with international duties. This has certainly been shown in *section 6.3.3* with companies emphasising their sensitivity to both local and global factors. As in *chapter 5*, there is evidence to support Moulaert and Gallouj's hypothesis that executive search and selection firms inject themselves into the global system. By locating in global cities, these consultancies can serve domestic and regional markets as well as international markets. International executive search occurs in a select number of world cities from which consultancies can service clients needs most effectively. It is here, in the major business centres of the world (*figure 6.7*), that there is the greatest scope to offer both cross-border assignments and other additional services such as management audit, non-executive directorship assignments and compensation surveys, which are all part of the customisation process.

7. THE CLIENT, THE CONSULTANT AND THE CITY OF LONDON

7.1 Introduction

In this final case-study chapter I outline the nature of executive recruitment consultancy in the City¹ and assess the way in which executive search and selection are being used by client organisations within the labour market. The aim of the chapter is to give an overview of the usage of such consultancies based on the findings of case-study interviews with human resource ('HR') directors in the City and on some analysis of secondary data sources on salaries and employment. In *section 7.1.2* I outline the reorganisation of the financial service sector and highlight the dramatic changes that have and continue to be implemented in the City of London. Drawing on the work of Amin Rajan (1988; 1994), the City Research Project (1992-1995) and LPAC (1991), I assess in *section 7.2* the nature of employment change in London, especially the City Labour Market, including current patterns and trends for salaries and recruitment. *Sections 7.3* and *7.4* concentrate on the client survey with analysis of the participating companies, explaining who uses executive search and selection, to what extent and for what reasons. I also indicate usage variation by different types of financial service companies exploring why some such companies use executive search firms more than others. In *section (7.5)* I assess what usage of executive recruitment consultancies means for the labour market, the individual and companies, and some of the potential impacts for the City Labour Market. The closing section (*7.6*) has two important elements. Firstly, it focuses on the growth of externalisation by companies, by examining the role of recruitment, law and accountancy firms in the City. In particular, I compare the trends of law and accountancy firms with the trends which I have already outlined for executive recruitment firms. Secondly, I present a case-study of SBC Warburg, a leading investment bank, and examine how its business strategies affect recruitment activity.

Employment and labour market analysis in the 'City' and, more generally, London, is limited by a number of factors. Firstly, differences in area definition and sector coverage

¹ . Where reference is made to the City throughout the chapter, I am using the broader definition of the term, as outlined in *chapter 5* (See *figure 5.1c*).

make comparisons very troublesome; secondly, changes over time in the boundaries of administrative regions, such as the Corporation of London, further complicate comparisons and; thirdly, there is the relatively limited industrial disaggregation of employment analyses. Thus, there is also no regular labour market data series compiled for small spatial units like the Corporation of London. Therefore, where employment data is provided during the course of this chapter, it will be made clear to which area definition the information relates.

7.1.1 The Case Study

The reasons for selecting the 'City' as the case-study has already been discussed in *chapter 3*. Wherever possible throughout this chapter, the informed opinions of 30 HR directors of financial services companies are noted. Most of the total 30 participants are based in the City² (See *appendix B.3*). Explanation of how the sample population was identified, contacted and interviewed has already been indicated in *chapter 3*. I have not given useful additional company information such as market orientation and number of employees in order to honour promises of confidentiality.

The financial services industry is interesting for two reasons. Not only is it a major client sector for the executive recruitment industry, but it has also undergone significant changes and upheavals during the last ten or so years. The transformation of the financial landscape has been the product of technological changes, a regulatory framework and macro-economic conditions, which have influenced the demand for its service (Métais, 1990). Shortly after October 19th, 1987 (the date of the stock market crash, when the FTSE lost 35% of its value in less than a month (Stafford, 1992)), there was much interest on the corporate bond markets in London and New York, helped by growth in mergers and acquisitions and leveraged buy-outs. This growth seemed to revitalise the rest of the financial markets at the end of the 1980s (Noyelle, 1989), in part helped by world-wide deregulation. More recently, the financial markets have experienced a renewal of regulatory problems (Rajan, 1994), in light of the Maxwell, Deutsche Morgan Grenfell, Barlow Clowes, Barings, Sumitomo and BCCI affairs. All these were 'highly publicised failures, in which investors have suffered major losses as a result of fraud' (Franks and Schaefer, 1993 : 1). Equally, there are the highly publicised difficulties within the Insurance sector, notably at Lloyds and the whole issue of unsuitable financial advice from sales people in life insurers - '*Lautro imposes £100,00 fine on Rothschild life firm*' (FT, 1994h : 1). In recent

² The definition of 'City' is the same as that used in chapter 5.

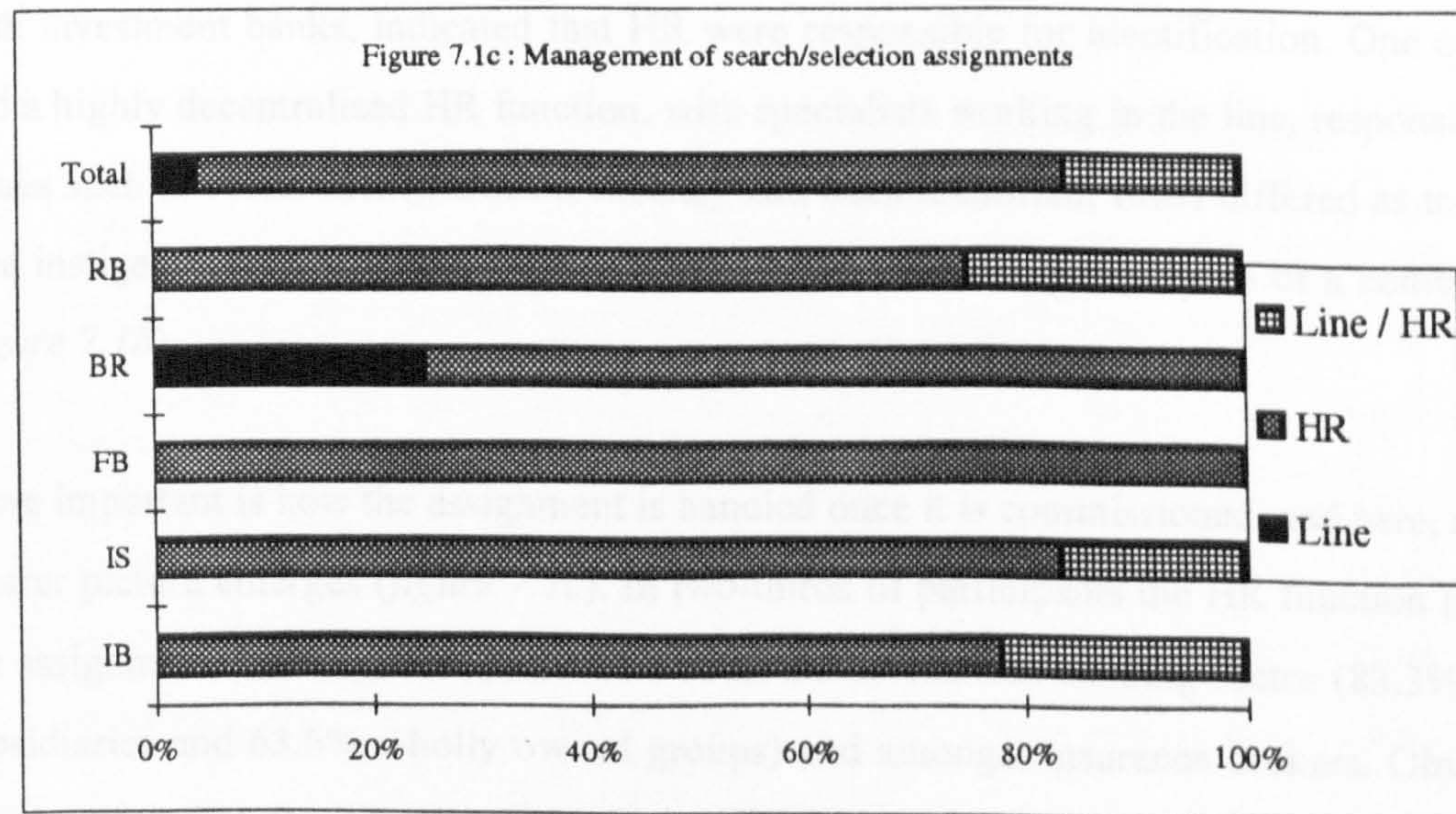
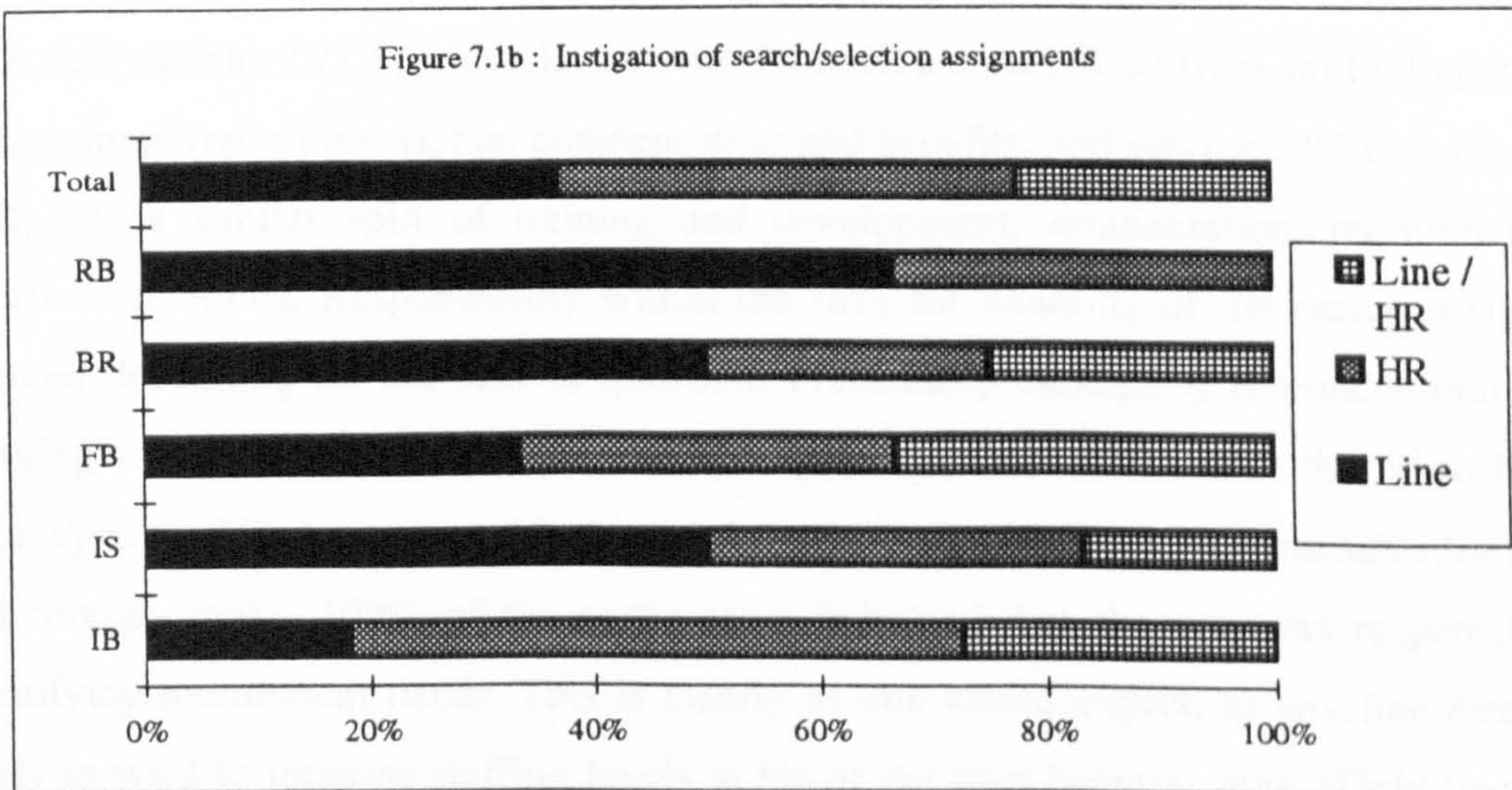
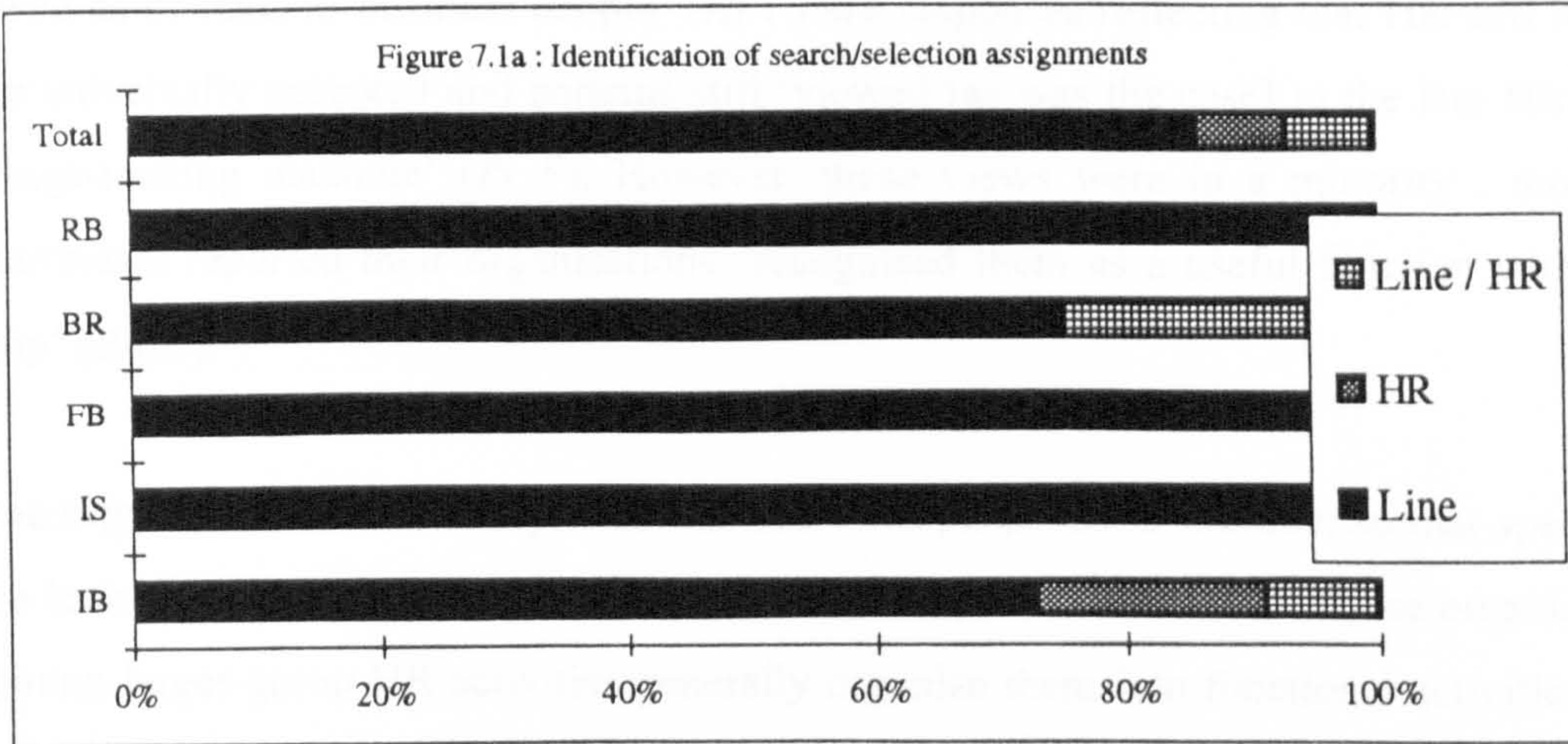
years, the retail and international financial services sector has also undergone a number of changes, necessitating reform (See HORATIO, 1994). These changes result not only from those difficulties listed above. Retail insurance firms and banks have been under pressure to cut costs and downsize, as they are forced to write-off debts from Latin America, the housing market and business failures. In the City more specifically, there has been an influx of international capital into the Square Mile, as overseas 'financial giants' snap up the best (and cheapest) British investment banks and houses, for instance, SBC and SG Warburg; Commerzbank and Jupiter Asset Management; Dresdner and Kleinwort Benson; Deutsche and Morgan Grenfell; ING and Barings; Merrill Lynch and Smith New Court; and ABN AMRO and Hoare Govett. In the retail financial service sector, particularly in the building societies sector, there has been a spate of flotations, mergers and acquisitions, some designed to fend off would-be aggressors and to remain competitive (Lloyds, Cheltenham and Gloucester and TSB) or to convert to public limited companies (Leeds and Halifax; Abbey National and National Provincial). Within the composite insurance market, Sun Alliance and Royal Insurance announced in May 1996 a planned £6 billion merger, in the hope of creating an organisation better resourced to compete internationally. Refuge and United Friendly are also planning to combine their insurance activities.

7.1.2 Human Resources - the practitioners of change

As indicated in *chapter 2*, the human resource department, so long viewed by companies as the 'payroll unit', has increasingly been used as the means of implementing new business strategies and objectives. The HORATIO series of reports published by the Department of Continuing Education, University of Bristol, in association with KPMG, focuses both on the restructuring of the retail financial services industry and the nature of their human resources ('HR') practices. The most recent report (HORATIO, 1994) concludes that most organisations have undergone 'downsizing' of their HR practice. However, the decentralisation of the HR function to the line has increased HR's interaction in the workplace, thereby raising its profile.

One of the important aims of my case-study interviews with clients was to examine if the image and focus of personnel and human resources has changed in recent years, and its role in determining the usage of search and selection assignments. The survey of the clients revealed that use of the HR function differs significantly throughout the industry, but is unrelated to variations in the size and the type of organisation. It is more a function of company culture.

FIGURE 7.1 : SECTOR RESPONSIBILITY AND SEARCH AND SELECTION ASSIGNMENTS



Source : Author's survey
 Note : Figures do not include non-respondents

Some organisations' employees still view HR as the poor relation within the firm. 'We [staff of 11] have a low profile and are not on the board' (*BR A*) and 'support functions viewed as irritants to business people' (*IB F*) are responses reflecting that HR still has not been universally accepted and perhaps still 'viewed [as was the case] in the late 80s like a sausage-making machine' (*IS F*). However, these views were in a minority : most HR departments reported their organisations 'recognised them as a useful function within the group' (*BR C*).

Some organisations had already decentralised HR operations to the line, so that specialists were looking after HR issues but within the respective business units. Those organisations retaining larger group HR activities generally organise them into functional activities. *IS A* has 24 employees in three areas, resourcing (recruitment), training, and compensation and payroll. By contrast *IS E*, with a larger with 90 staff, has an HR division split into personnel management (recruitment), tax, compensation and benefits, and services. *BR C*, with 30 HR staff, has a similar split of training and development, remuneration, recruitment and industrial relations. Responsibility within the firm for handling of the search assignment differed depending on the task in question. Predictably enough, it is usually individuals working within the business area where the opening exists - 'the line' - that identified the vacancy to the HR department (*figure 7.1a*). In the case of investment bank subsidiaries (*IS*) and foreign banks, 100% of the participants indicated that the line was responsible for identifying recruitment needs. This is clearly as one would expect, as any line director is likely to want to increase staffing levels in his or her own business area. (Only two firms, both investment banks, indicated that HR were responsible for identification. One of these had a highly decentralised HR function, with specialists working in the line, responsible for issues such as recruitment). Once a vacancy had been identified, firms differed as to which area instigated any search assignment, whether the line, human resources or a combination (*figure 7.1b*).

More important is how the assignment is handled once it is commissioned, and here, a much clearer picture emerges (*figure 7.1c*). In two-thirds of participants the HR function handled the assignment. The highest incidence was in the investment banking sector (83.3% of the subsidiaries and 63.6% wholly owned groups) and amongst insurance brokers. Obviously, this implies that these companies view the HR function as the key liaison point with headhunters. Given that business lines will not be recruiting on a daily basis, they do not necessarily have a high familiarity with the workings of the headhunter. The HR function is more equipped to discuss the technical aspects of any assignment. The HR team is also

likely to have regular dealings with a group or panel of approved consultants (see *section 7.4.2*) to build up a working business relationship. Nevertheless, most line directors are also keen to be involved in the process, so dialogue with the headhunter consultancy is not conducted solely through the HR department.

7.2 The City Labour Market

7.2.1 Employment change in the City and Greater London

The last 25 years has seen a shift in London's economy. In 1970, approximately twice as many people were employed in manufacturing than in the service sector. By 1989, that trend had reversed (Coupland, 1992). The financial services sector is particularly prominent, accounting for approximately 32% of Greater London's GDP, compared to the UK's 8% (McWilliams, 1993 : 9-11). The importance of services, notably financial services, in terms of GDP is reflected in employment growth. Financial and business services employment in Greater London grew on average by 1.2% per annum during the 1970s and early 1980s. From 1983-89, however, the absolute increase in employment was 188,000, an average growth of 5.6% per annum. *Table 7.1* indicates that Greater London still dominates financial services employment relative to the rest of the country, in spite of job losses in the capital and job transfers to the provinces over the last 10 years (Brealey and Soria, 1993 : 13). The City of London itself still remains the key centre for banking, insurance and their auxiliary services. Over 40% of financial service sector activity within Greater London occurs in the Square mile alone (Brealey and Soria, 1993 : 13).

TABLE 7.1 : FINANCIAL SERVICES EMPLOYMENT IN GREATER LONDON

('000S EMPLOYEES AND % OF UK TOTAL)

Category	Number of employees ('000s and as a % of the UK total)							
	1981		1984		1987		1991	
Banking/bill discounting and auxiliary activities	147	38.7%	161	38.2%	198	41.4%	183	39.1%
Other financial institutions	29	27.4%	30	25.4%	25	17.6%	35	19.4%
Insurance and related activities	86	29.8%	87	29.1%	87	27.1%	83	22.4%
Legal services and real estate	63	27.9%	73	28.5%	80	28.4%	94	26.7%
Accountants, auditors and tax	35	32.1%	37	29.8%	46	31.9%	48	28.9%
Business services	105	41.3%	129	38.1%	179	39.4%	174	30.0%

Sources : Census of Employment (1991); Szymanski (1994)

The City of London has long been an important financial centre of course. Indeed, even in 1961, prior to the demise of traditional manufacturing industries in London, service

employment was already the dominant mode of working - 80.9% of all jobs in the City and 75.8% in the other Central London Areas (Dunning and Morgan, 1971). In the 1980s, deregulation and liberalisation, along with the growth of economic activity, provided a boost to the fortunes of financial and business services both in London and nationally. Furthermore, the trends towards externalisation of service functions from non-service firms, merger and acquisition activity and growth in lending for housing all facilitated the considerable growth in professional and financial services concentrated in London (LCCI, 1993).

7.2.2 Previous studies of the London Labour Market

Most studies of London's employment published in the 1980s, such as Inner London Consultancy Employment Group's (1986) *London's Labour Market (1965-85)* (ILCEG, 1986) and the Economic and Social Research Council's (1986) report into the *London Employment Problem* (Buck *et al.*, 1986), concentrate on the deindustrialisation of the industrial activity within Greater London. A subsequent report (Meadows *et al.*, 1988) sponsored by the Department of Employment focused on the growing shortages of skills in the capital, especially in the growing service sector economy. It also noted that during the last 1980s over a quarter of all vacancies were for management and professional jobs and over 40% were in the financial services sector (*ibid.*).

More recently still, the World City study produced by the London Planning Advisory Committee ('LPAC') was a wide-ranging report into the position of London as a premier international financial centre (LPAC, 1991). Unfortunately, as Szymanski (1994) acknowledges, it was largely 'impressionistic', as it referred to only 156 companies world-wide and provided little new analysis of the City labour market. However, it did address the growing mismatch between the types of skilled labour required and the unskilled labour currently available for work. LPAC (1991) also concluded that the current operation of the London labour market would lead to growing marginalisation of a growing portion of the potentially working population also recognised by other studies (Sassen, 1991; 1994a; Fainstein *et al.*, 1992; King, 1990). The economic consequences of the under-utilisation of the labour force within the city are additional costs (transportation, disruption and stress) of 'importing labour' from the periphery. The most recent, important, addition to this literature is from the City Research Project, funded by the Corporation of London. One key text, 'The City Labour Market' (Szymanski, 1994), noted that the Greater London labour market was an obvious important area of the competitiveness of the City relative to other locations. It

indicated that although average share of labour income during the last 10 years was 42%, this figure did not fluctuate greatly in spite of the growth of national income during the period. 'In order for labour's share in finance GDP to remain constant this requires real wages to have risen by less than 2% p.a. on average. This is a remarkably slow rate of increase for labour costs for an industry enjoying such a rapid expansion' (Szymanski, 1994 : 8).

Amin Rajan has also produced a series of reports on London, focusing particularly on human resources and employment issues of its financial services sector. In his early work, *Create or Abdicate : The City's Human Resource Centre for the 1990s*, Rajan (1988) warned that the City might have created over 50,000 jobs from 1984-87, but it had none of the skills needed to carry the tasks most effectively. Rajan further indicated that the City is an evolving paradigm, where business moves firstly, from manually operated technology to the use of advanced information technology; secondly, from bureaucratic to flexible in organisational structure and; thirdly, from standardised products in protected national markets to customised products in EC internal markets (ibid.). In his next major work, *Capital People - Skill Strategies for Survival in the Nineties*, produced in association with the London Human Resource Group, Rajan (1990b) suggested that the City heartland industries³ need to train their own staff and must not 'vacuum clean' from the rest of the economy. Traditional providers of skilled knowledge workers such as the accountancy firms are reducing their own intakes and thereby retaining more of their own staff. The reduction in supply of knowledge-workers, Rajan warns, will have important consequences on the future ability of other firms to recruit key staff. Rajan's last book of his trilogy was *Winning People* (1994). It highlighted the actions which the leading City institutions must take if they are to ensure business survival, 'as the benign competition of the Eighties becomes a malign one in the Nineties' (ibid. : 1). Staff are very important to the future success of the City according to Rajan, because the City's global reach rests on its reservoir of expertise and know-how. Rajan (1994) identifies three problems within the City that are causing a decline in productivity : low staff motivation, the lack of an articulated performance-driven culture and, middle-manager's non-acceptance of the core values of the new culture. He indicates that unless this cultural dilemma is addressed by valuing staff or 'winning people', then there will be more problems for institutions (i.e. bigger problems next time) (ibid.).

³ Rajan (1988) refers to six heartland industries within the City, which form the focus of his analysis. The six companies are banking, specialist finance, securities dealing, insurance, accountancy and management consultancy, and legal services. A seventh industry, software services, was added in his later works (1990b; 1994), reflecting the growing importance of the sector, both in terms of employment and value to City business.

7.2.3 Contemporary position

It is estimated that some 50,000 jobs were created between 1984-87 in seven major industries in the City (software services, banking, insurance, legal services, securities dealing, specialist institutions, accountancy and management consultancy). However, there was an equal fall of 51,000 in employment in the same sectors for the three year period from 1990 (see *table 7.2*). The recession brought considerable job losses in the City, with 46,000 net job losses in the year to March, 1992. 'The extent of the reduction [was] a reflection of the extent of the speculative expansion in the 1980s' (LCCI, 1993 : 68). Many firms now had excess capacity, and some have become exposed to bad debt and been weakened by the value of housing market (Szymanski, 1994; Rajan, 1994; LCCI, 1993 : 68). The ability of London to compete as an international financial centre depends on there being a highly skilled pool of labour from which employers can draw. Concern is raised by some (Beber *et al.*, 1992) that, in the coming years, conditions may exist that reduce the mobility and skill level of potential workers. The competitive edge could be reduced by firstly, higher levels of personal taxation that might discourage foreign companies and expatriate labour; secondly, by poor school and graduate education standards and; thirdly, by the consequences of EU directives on working conditions (Beber *et al.*, 1992).

TABLE 7.2 : INDUSTRIAL BREAKDOWN OF EMPLOYMENT LEVELS IN THE CITY (1990-93-98)

Sector	1990	1993	1998	% change 1990-1993	Forecast % 1993-1998
Banking	121,000	99,000	99,000	(18.2)	0.0
Specialist Institutions	46,000	40,000	46,000	(13.0)	13.0
Securities Dealing	24,000	20,000	20,000	(16.7)	0.0
Insurance	65,000	55,000	51,000	(15.4)	(7.2)
Accountancy & Management Consultancy	31,000	28,000	32,000	(9.6)	14.2
Legal Services	47,000	44,000	53,000	(6.4)	20.9
Software Services	23,000	21,000	27,000	(8.7)	28.6
Total	357,000	307,000	328,000	(14.0)	6.8

Adapted from Rajan (1994)

There was a 13% increase in the number of firms experiencing managerial and professional recruitment difficulties during 1993 (LCCI, 1994). Increasingly, more and more service firms are recruiting to compensate for hasty dismissals during the recessionary years - I refer to this as 'compensatory recruitment' - as well as to consolidate on core specialist areas within companies (*FT*, 1994f : 8; LCCI, 1991; 1993; 1994; IDS, 1993a). This increase in recruitment has been reflected in the levels of recruitment advertising. Vacancies for executives rose 22% in the first quarter of 1994 compared with the same period last year (*FT*, 1994c : 8; See *chapter 4*). Szymanski (1994) predicts continued steady growth in

employment levels in the financial and business services sector in central London. More specifically he indicates greater uplift in the business service sector (a projected increase of between 40-45,000), with financial services employment probably remaining reasonably constant (ibid.)

Conversations with HR directors indicated mixed feelings about the current state of the labour market. Most agreed that the City labour market was generally mobile and fluid, though not overly active. Some commented that it was in 'period of reflection' after the activity of the previous three years that saw a spate of redundancies followed by 'compensatory recruitment'. By definition, markets are dynamic and liable to change and fluctuation. 'In the City there are always changes in terms of the markets in which [companies] operate and, therefore, [there is] always a need to recruit new people, even stop or change what people do' (*IS E*). Although the labour market is not booming, there has still been some movement on salaries level. '[There was] major downsizing, but surprisingly salary levels [now] sustained because of need to attract and retain the key individuals. The days of the average broker gone' (*BR A*)! 'Labour markets [are] easing now and turnover of good specialists is beginning to increase slightly. Relative stability on salary levels. Mobility [is] not a problem' (*RB E*). Overall the sentiments of the HR and personnel directors and managers were of cautious optimism that the labour market would continue to pick up, with steady growth in employment within the investment banking sector, though not necessarily in the retail financial service sector where reorganisation will continue downsizing.

7.2.4 Salary levels

Here, the analysis is largely dependent on secondary sources. However, while certain opinions on the levels of salary information were obtained from firms, the small sample population restricted its usefulness. Therefore, I have drawn particularly on the Day Associates source. It must be stressed that all data collected from a sample population should be treated with extreme caution. Clearly any sudden changes in the personnel in one or two sample banks lead to distortions. However, the Day Associates dataset is printed quarterly in the Wednesday edition of *the Financial Times* and is increasingly seen as the most comprehensive and authoritative available.

Even so, comparisons with salary levels in other financial centres are problematic given different tax rates, accounting procedures and the greater emphasis, for instance in New

York, on performance-related pay (Euromoney, 1993). Szymanski (1994) has also attempted to focus on the international comparisons of salaries in the leading financial centres of the world. He concludes that of the five cities examined, London, New York, Tokyo, Paris and Frankfurt, the first three have the highest base salaries and bonuses, whereas the lowest occur in the latter two (ibid.). Whilst one must always treat international comparisons with caution given exchange rate fluctuations, this analysis of one year's data implies that there are 'very large inequalities between financial centres'. It implies that 'mobility between centres is limited unless it is supposed that there are significant compensating factors which equalise the return to employment in each centre' (ibid. : 38). In this chapter, however, given the problems of international comparison, I shall focus solely on salary levels in London. Nevertheless, it is important to recognise that international forces will influence prevailing salary levels in London, particularly in specialist positions within the City, for which relevant labour supply and demand pressures beyond the domestic labour market.

One facet of the London Labour Market is the use of allowances to supplement staff remuneration. Although some firms have phased out formal allowances by increasing the basic salary levels, many retail organisations still use them. London Allowances, typically between £2,500 and £4,500 per annum are offered to retain and recruit staff (IDS, 1993b). They initially were designed to compensate employees for the higher costs of living in London or for commuting. The salaries of senior executives in the City, by and large, do not have formal allowances. Rather, any provision for working in London is automatically incorporated in their basic level of remuneration. Nevertheless, it is important to note that for some companies, notably retail banks where pay varies among offices, the London allowance is an important aspect of the remuneration.

TABLE 7.3 : AVERAGE ANNUAL PERCENTAGE GROWTH OF SALARIES IN THE CITY

Job group	1980-88	1988-90	1989-92
Corporate Finance	19%	13%	20%
Forex / money markets	18%	13%	20%
Lending	14%	13%	12%
Accounts / operations / admin.	13%	11%	12%

Source : Szymanski (1994 : 27)

From the 1980s City salaries have consistently increased above the national average for professional and managerial occupations (Szymanski, 1994). This is due to an increasingly international dimension to the labour market, the complexity of the market with the use of headhunters and also high expectations of salaries (Thrift and Leyshon, 1992). For some

positions the increases have been in excess of 20% p.a. (See *table 7.3*). Even at the depth of the 'apparent recession' salaries in some sectors grew annually by more than 18% (*table 7.4*).

TABLE 7.4 : FASTEST GROWING SALARIES IN THE CITY IN 1992

Title	% growth in 1992
Head of project finance	19.6
Head of swaps	18.3
Derivatives dealer	13.4
Futures and options dealer	12.8
Head of trade finance	12.7
Head of private banking	10.7
Senior ECP (Euro-commercial paper) trader	9.2
Senior swaps trader	8.9
Eurobond trader	8.6
Institutional bond sales	7.1

Source : Day Associates (taken from : Euromoney, 1993)

The Day Associates data shows how salary levels have fluctuated in the City over the last three years (1993-1996) (See *figure 7.2*). Analysis of the salary reviews in a cross-section of City positions suggests that there has been both upward and downward fluctuations in the basic level of remuneration. The salary profiles for the heads of money markets, personnel directors and heads of research are reasonably flat. By contrast, heads of corporate finance and bond sales have fluctuated considerably upwards and downwards during the course of the last three years, whereas the average salaries of heads of capital markets and fund management have been on an upward course through the survey period (*figure 7.2*). The quarterly average and upper and lower quartile salary levels over the period show that corporate finance salary levels have fluctuated considerably, with the highest salaries at the upper quartile occurring during the Spring of 1993 (*figure 7.3a*). Clearly, not all City positions have experienced sustained salary increases during the last three years. The bond market is another market that experienced a number of fluctuations. The gilts market is obviously influenced by interest rate and movements in equity prices with the attraction of bonds varying accordingly. Whilst there have been some fluctuations, overall salaries in the latest figures for heads of bond sales (February, 1996) are considerably higher, reflecting a resurgence in popularity in this particular market (*figure 7.3b*)

Figures 7.3c and *7.3d* show the salary levels for personnel directors and chief foreign exchange dealers. They are similar in profile. Both exhibit narrow differentials between the highest paid and the lowest, what one might term 'low dispersal'. Aside from the occasional outlier, these two jobs enjoyed relative stability over time in comparison to the previous two occupations. This might indicate either that it is a more stable market - there is less

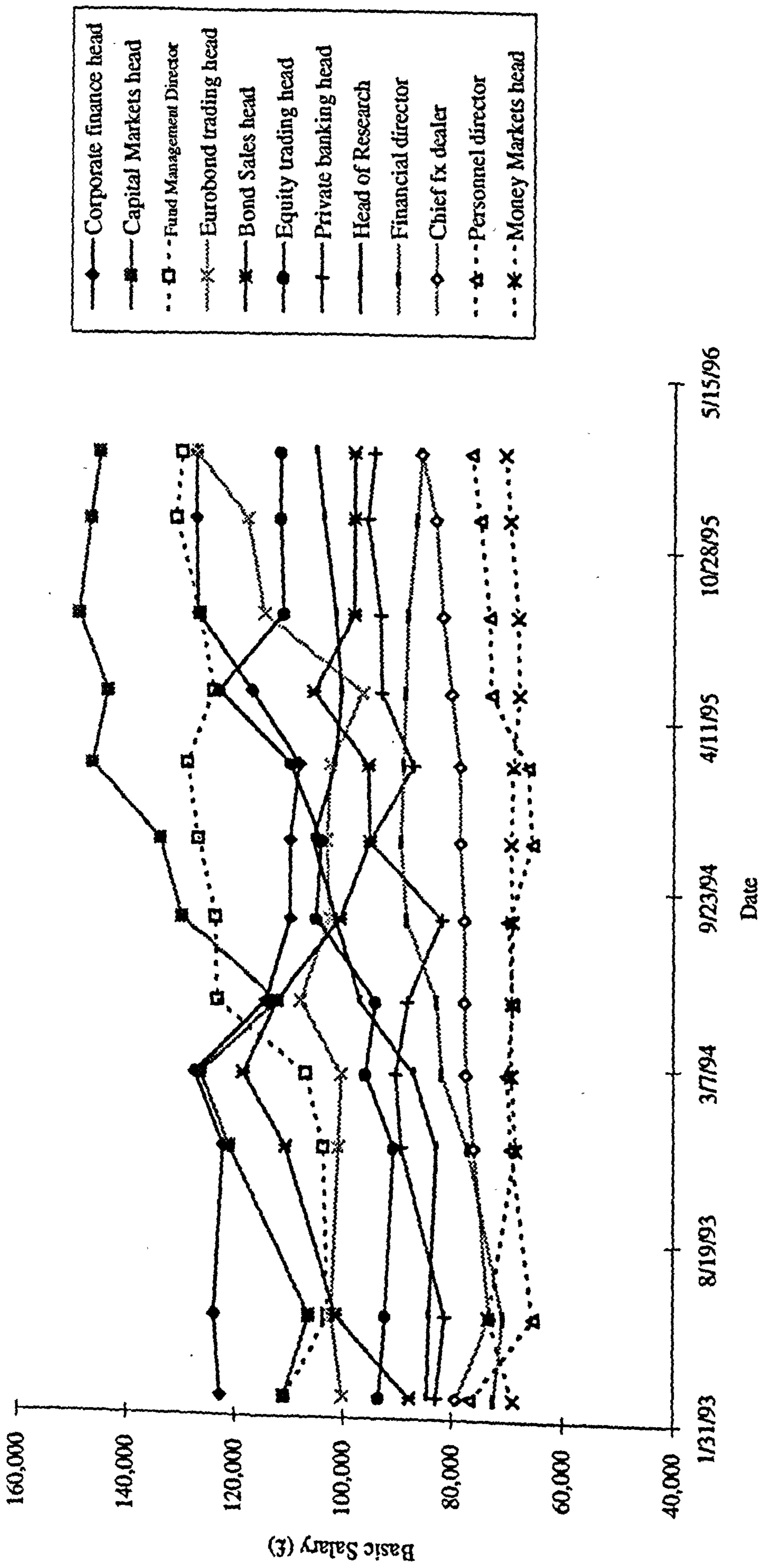
fluctuation in the demand for staff directors - or recruitment of such personnel is non-inflationary, possibly because there is less interaction with executive recruitment consultancies. In contrast, the heads of capital markets and equity trading head salary level graphs show details of two occupations, whose remuneration levels have fluctuated significantly recently (*figures 7.3e and 7.3g*).

Both exhibit high dispersal, particularly in equity trading, where the difference between the lower quartile and upper quartile ranges from £25,000 in May, 1994 to over £80,000 in May 1995.

Figure 7.3f highlights the salary levels for heads of Eurobond trading and reveals like heads of bond sales, a market currently experiencing a resurgence. The demand for experienced personnel has caused a marked increase in the salary levels recorded in the last two survey dates (November, 1995 and February, 1996), particularly at the lower quartile and median level.

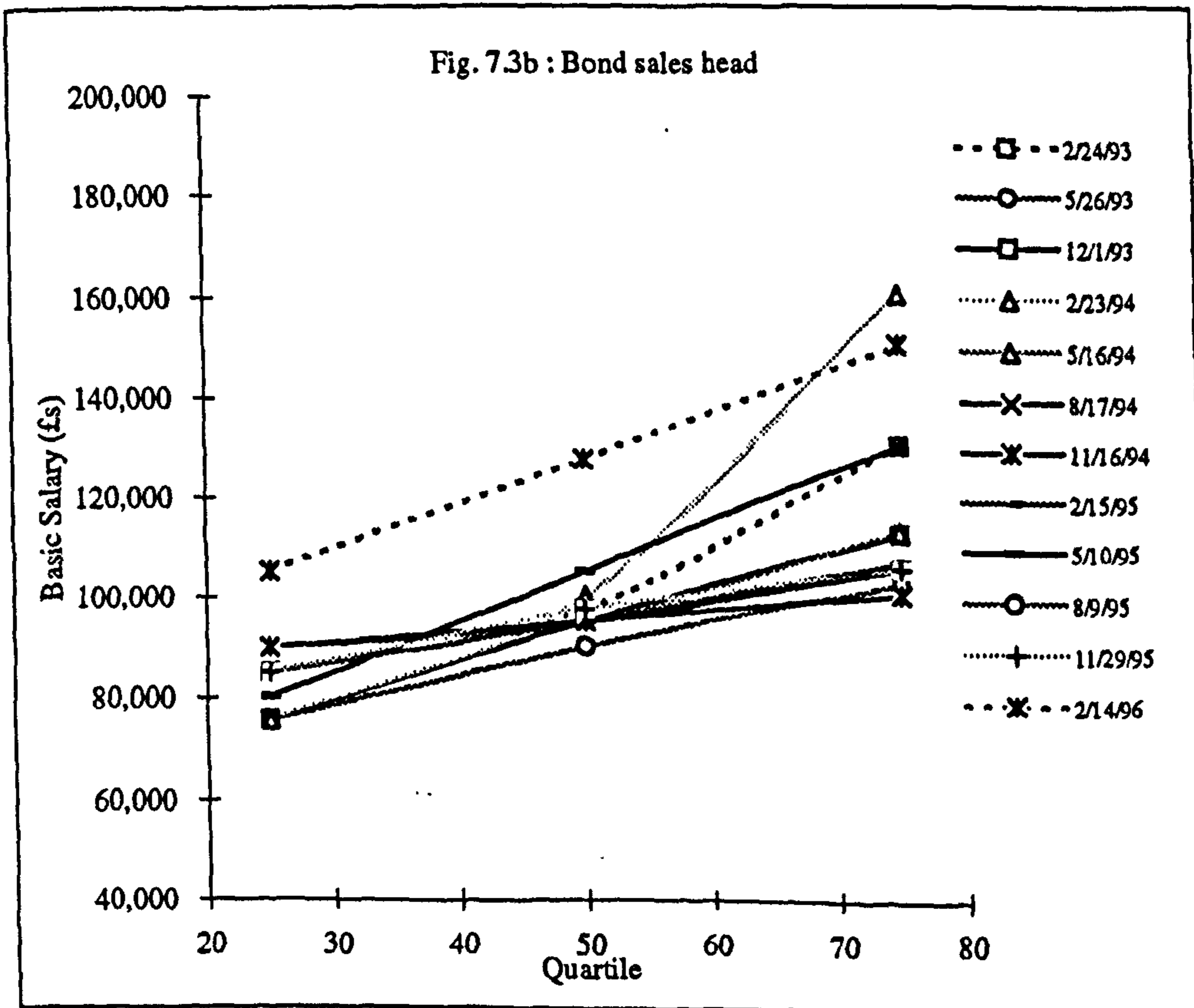
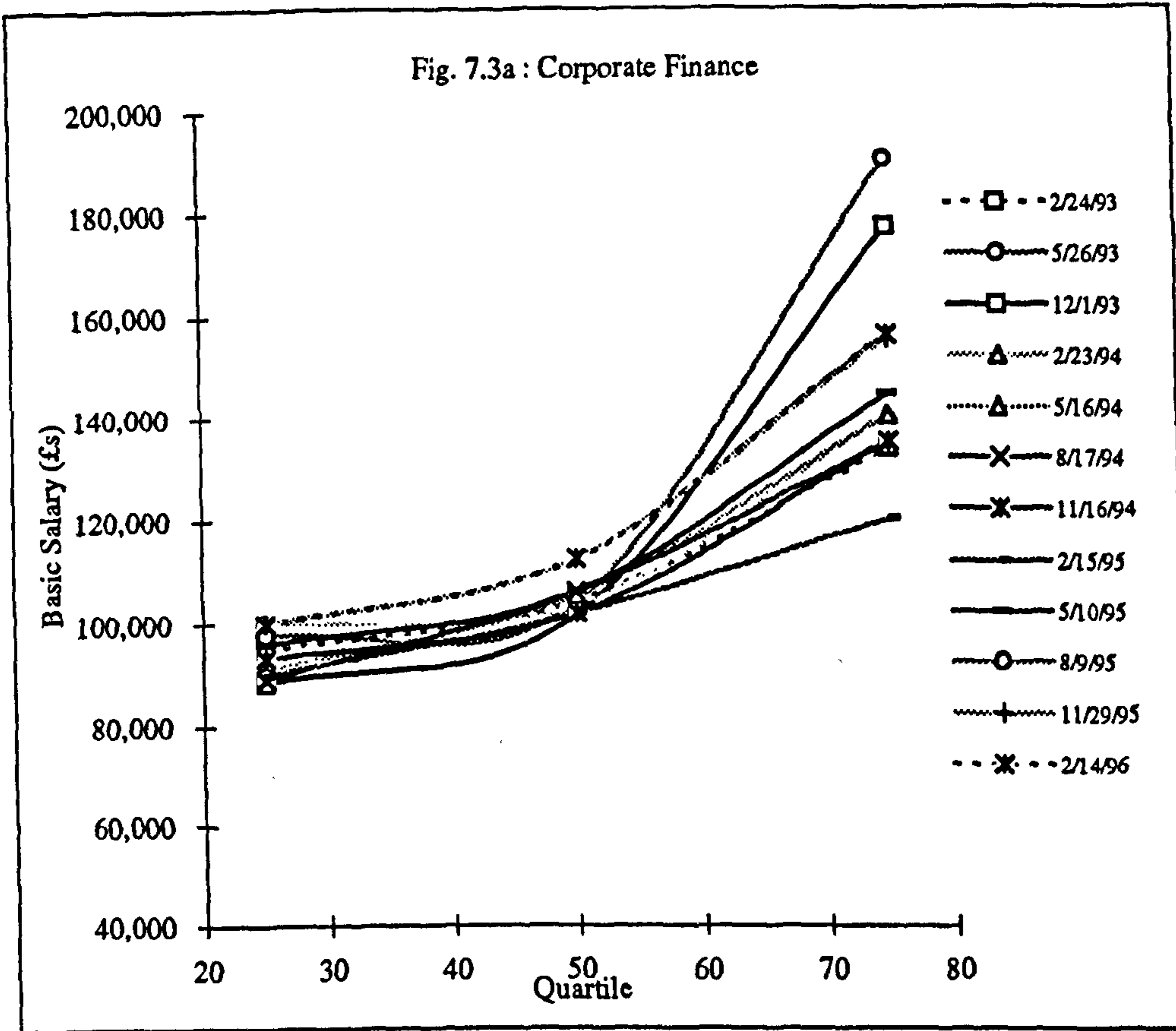
This series of graphs, albeit of the salary levels in a sample of key occupations in the City institutions, not only indicates salary trends, but also poses a number of questions as to why salary levels fluctuate so much over such a short period of time. In particular, the possibility arises that within capital markets, equity trading and corporate finance, this might be attributed to the activity of search consultants. Conversely, as has already been indicated, salary levels for chief foreign exchange directors and personnel directors (*figures 7.3c and 7.3d*) with flatter profiles and less dispersal, imply less interaction with executive search consultancies.

FIGURE 7.2: FLUCTUATIONS IN THE AVERAGE SALARIES FOR OCCUPATIONS IN THE CITY



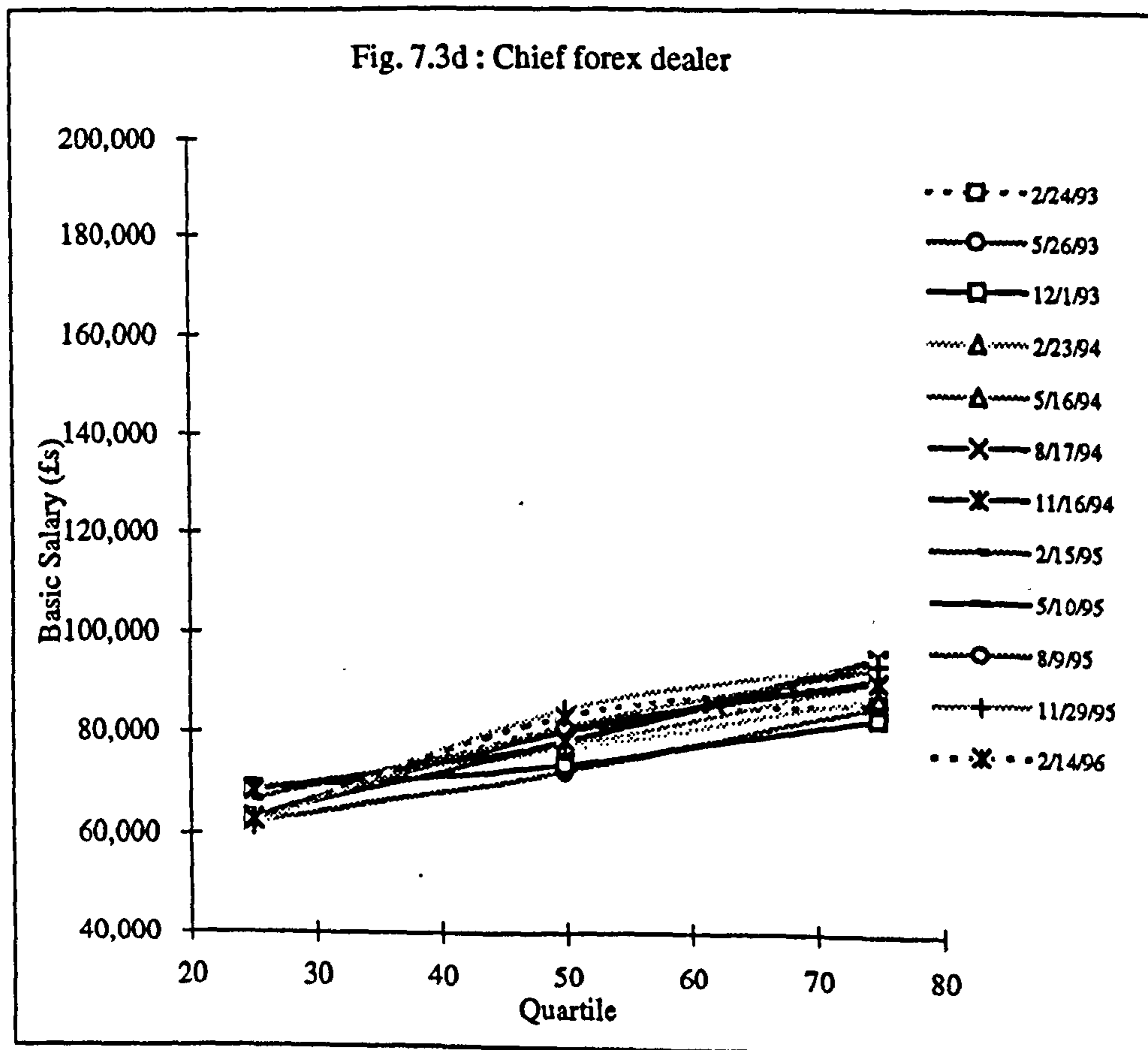
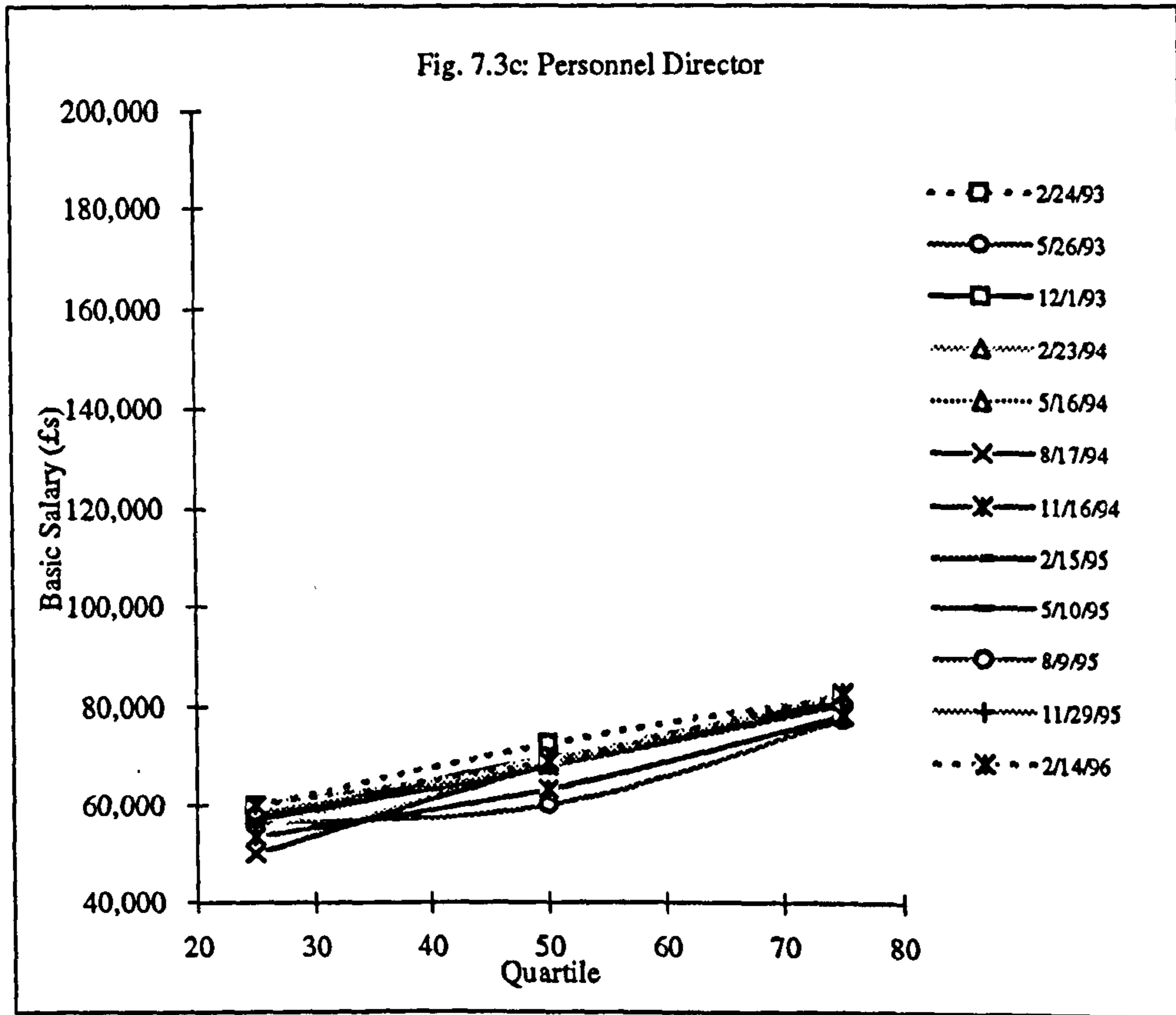
Source: Financial Times (From 24-2-93 to 14-2-96)

FIGURE 7.3 : REMUNERATION LEVELS IN LEADING CITY POSITIONS



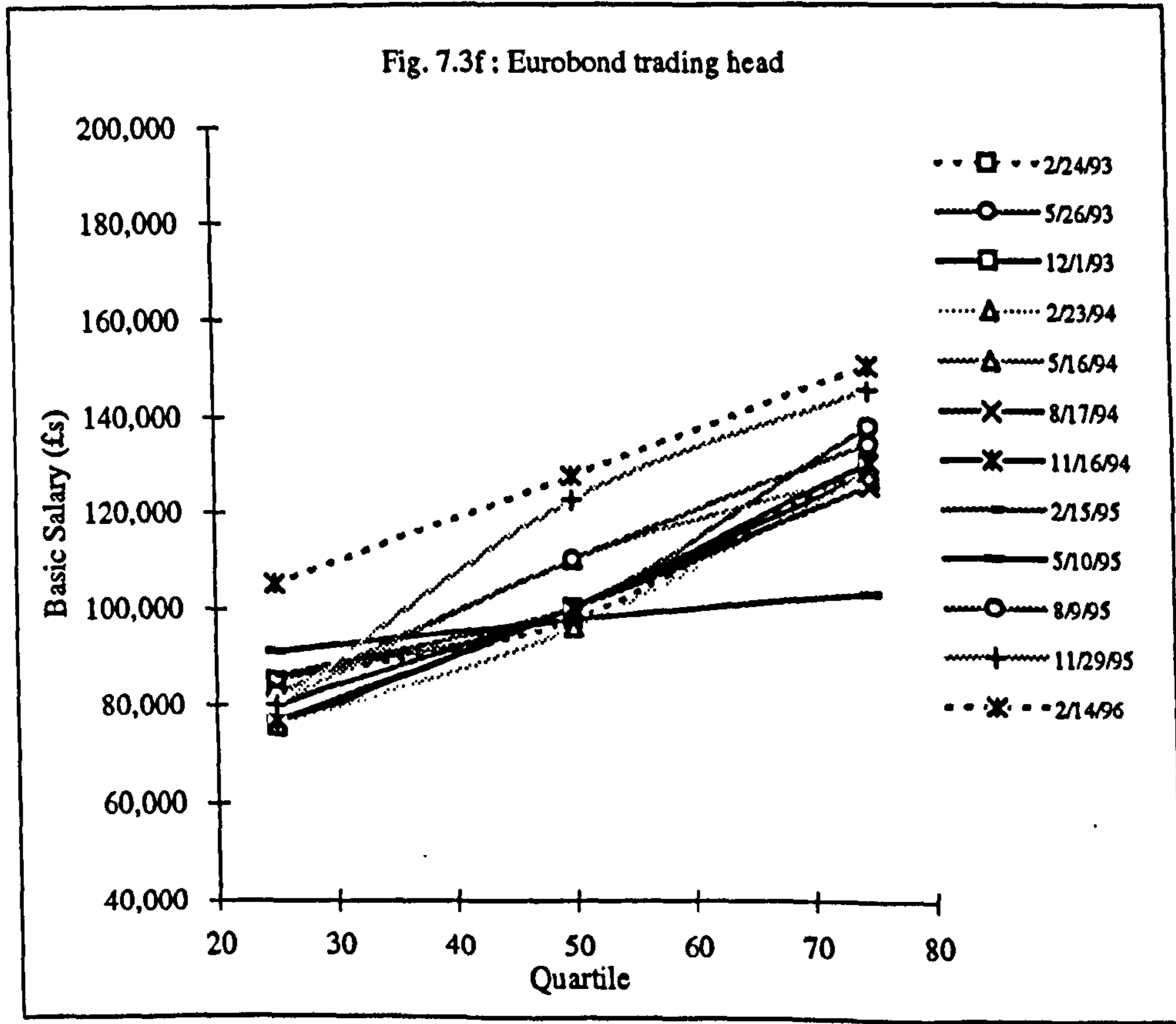
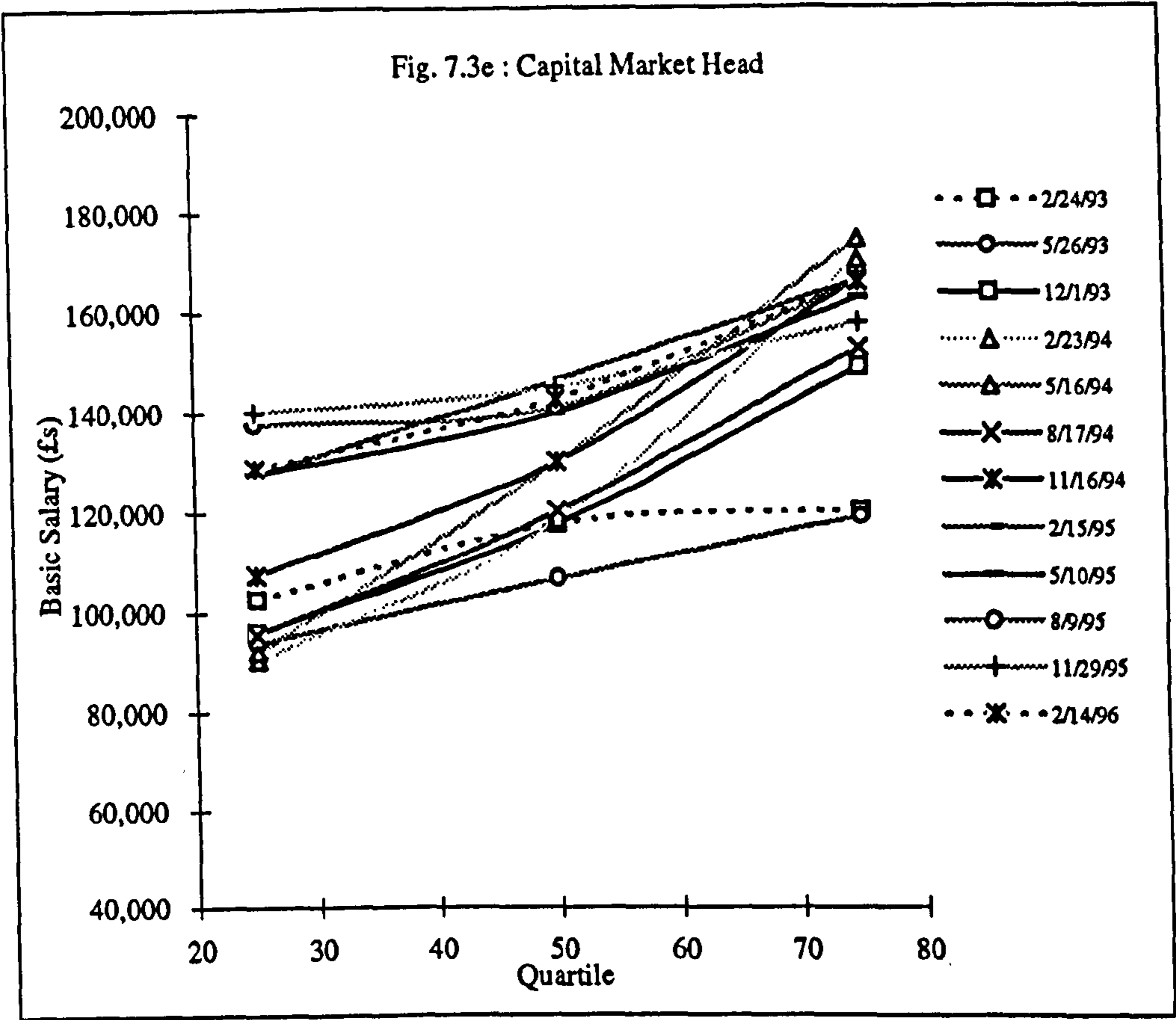
Source : *Financial Times* (dates as shown)

FIGURE 7.3 : REMUNERATION LEVELS IN LEADING CITY POSITIONS (Cont.)



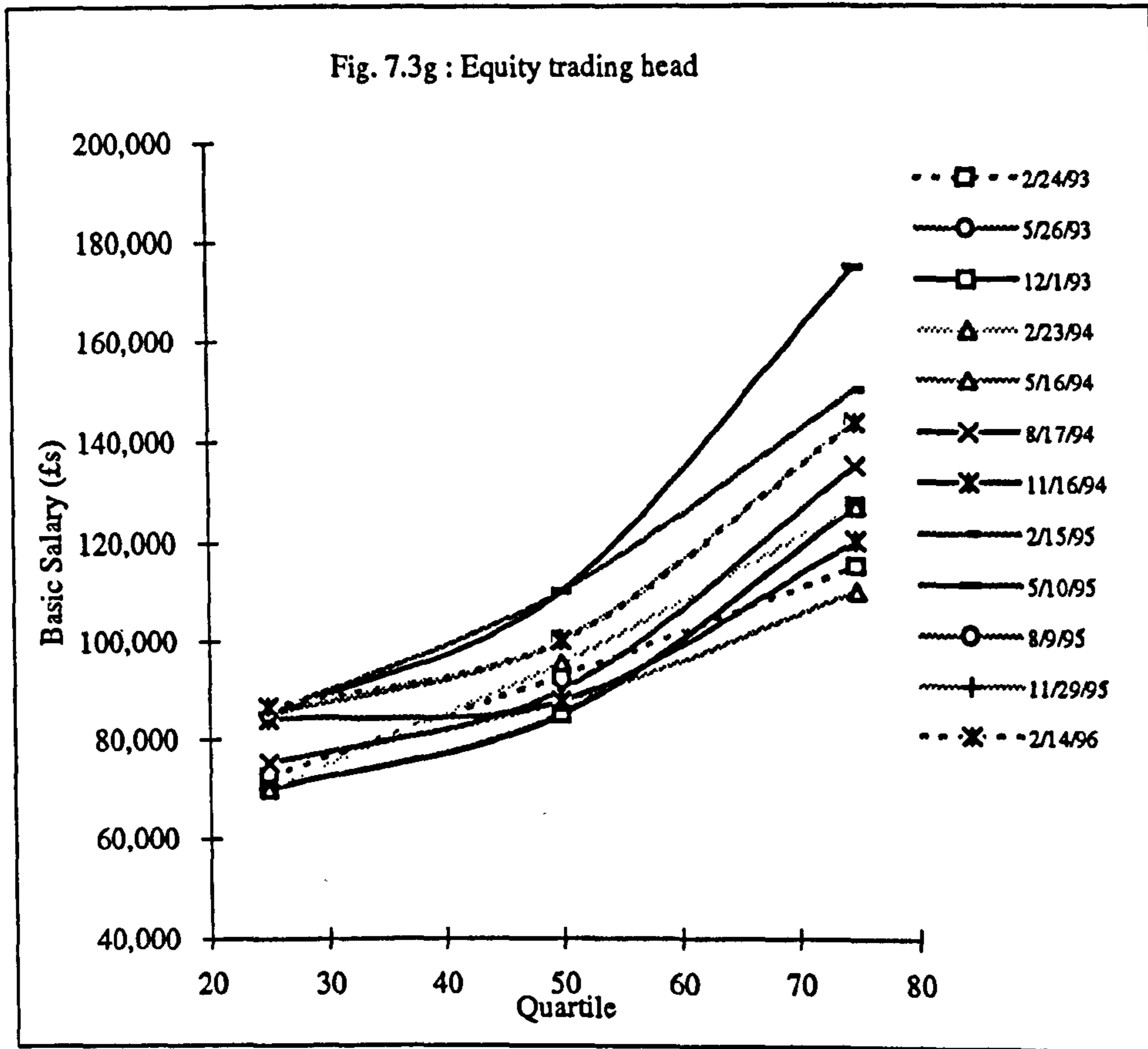
Source : *Financial Times* (dates as shown)

FIGURE 7.3 : REMUNERATION LEVELS IN LEADING CITY POSITIONS (Cont.)



Source : *Financial Times* (dates as shown)

FIGURE 7.3 : REMUNERATION LEVELS IN LEADING CITY POSITIONS (Cont.)



Source : *Financial Times* (dates as shown)

7.2.5 Recruitment

Many recent national press headlines have drawn attention to redundancies in the financial services sector. 'Warburg cuts derivatives' declared the *Financial Times* (1995a), as the company laid off 90 staff in debt and equity options and derivatives, following 180 redundancies in autumn of 1994, as it withdrew from foreign currency government bonds. Three weeks later the same company reduced costs in New York by laying off equities and corporate finance staff - 'Warburg cuts New York jobs' (*Daily Telegraph*, 1995a). Warburg has not been alone undergoing employment changes. Among other institutions in London and world-wide in 1994, Standard Chartered, the international banking group, underwent massive restructuring to curtail costs by laying off over 2,000 jobs world-wide. It has further plans for 1995 to shed another 500 employees in equity issuing and broking.

There is equally media evidence of mobility within the City labour market. Senior appointments in the City are regularly reported in the *People* column of the *Financial Times*, and often the same names will appear later in the year, as the individual moves to a new post after being approached by another executive search consultant. One example is Mike Cornford, who no sooner joined Natwest Markets as head of global foreign exchange in the spring of 1994, when he accepted an invitation from a hedge fund organisation. Cornford, who was previously managing director of foreign exchange at Swiss Bank, was quoted three months earlier when joining Natwest, as being very excited at 'coming to a first class business' (*FT*, 1994b). The official line from Natwest, now 'poacher turned victim', was that they 'were sorry to see him go' but felt it would be less disruptive if he was released immediately (*FT*, 1994g). In March, 1995 SG Warburg lost its head of information technology (Rod Steel), its co-heads of equity capital markets department, which handle its international share offerings, plus eight other managers. The recipient of this cache was Deutsche Morgan Grenfell (Denton, 1995b). Later in the same year reports emerged of the defection of 15 investment banking staff from Salomon to join Lehman Brothers (Denton, 1995c). All this movement points to activity by search consultants.

One of the problems has been the need for City institutions to recruit in recent years, to compensate for those hastily dismissed with the onset of the recession - what I have termed 'compensatory recruitment'. As a whole the investment banking sector within the City and world-wide has experienced a revival. During the two years up to December, 1994 employment levels, here, have risen on average by 12.25% in the top twenty banks (*table*

7.5). The competition for the very best staff has been intense and headhunting firms with City practices have, as one search consultant suggested, 'never been busier'. Generally though, companies are strengthening their existing expertise, not developing new areas. There has been much recruitment in derivatives due to, firstly the long-term strategic positioning of a maturing business and, secondly, the application of derivatives in emerging markets. In particular the City institutions are seeking those individuals with knowledge and expertise *and* language ability (IDS, 1993a). 'Lack of systems people with sound business knowledge (particularly, forex and derivatives) [and the] lack of candidates with sound credit analyst experience and training combined with fluency in a second language' is a particular problem (*IB B*).

TABLE 7.5 : EMPLOYMENT CHANGE IN INVESTMENT BANKING WORLD-WIDE

Investment Banking Group	Current / Target Employment	Change in jobs since Dec. '92	% change
Robert Fleming	6,500	2,500	38.46%
HSBC	4,200	1,200	28.57%
Baring	4,076	998	24.48%
BZW	7,000	1,700	24.29%
Morgan Grenfell	2,910	662	22.75%
Morgan Stanley	9,700	2,200	22.68%
Natwest Markets	5,909	1,105	18.70%
Schroders	4,375	717	16.39%
SG Warburg	5,900	800	13.56%
UBS	2,350	300	12.77%
JP Morgan	16,200	1,832	11.31%
Bankers Trust	14,529	1,613	11.10%
Goldman Sachs	8,100	850	10.49%
SBC	1,220	114	9.34%
Cazenove	875	74	8.46%
Merrill Lynch	43,620	3,520	8.07%
Credit Lyonnais Capital Markets	885	92	7.01%
Kleinwort Benson (London)	2,206	151	6.84%
Salomon Brothers	6,500	301	4.63%
Hambros	1,245	31	2.49%
Lehman	8,500	0	0.00%
Hill Samuel	2006	-1280	-63.81%
All Banks	158,806	19450	12.25%

Source : Denton (1995a)

IB H indicated there were three areas of skill shortage giving concern. Firstly, senior individuals with boardroom vision and management expertise within securities trading (stockbroking); secondly, language skills for certain areas e.g. Mandarin Chinese, Japanese and Eastern European languages and; thirdly, a lack of applicants with mathematical skills (of a high order) when coupled with demonstrable skills and man management expertise. Within the investment banking sector there were mixed views amongst the surveyed participants on the current level of recruitment. Typically, most were seeking staff to support their derivatives, emerging markets and corporate finance practices. *IB K* indicated

that it was expecting 24% growth in employment levels in 1995 and would therefore be making serious movements in the market, clearly signalling its intention to raid other institutions. *IS D* took on an extra 154 employees in 1994. Other companies, whilst not expecting to recruit any more than normal, indicated that they always keep an eye out for talent - 'we can always create vacancies' (*IB G*). Within the other sector the recruitment levels were generally 'very limited' (*RB C*; *RB D*), with most sharing the viewpoint of *FB D* - '[none] as we have our full complement.'

7.3 Client usage of executive recruitment consultancies

7.3.1 Historical usage of executive search

A MORI (1984) survey has indicated that usage of search firms was on the increase both in the major companies in the United Kingdom and also, more specifically in the financial services sector. Half of the participants in a sample of banks indicated usage had increased since 1979. However, the survey also highlighted that, although many companies had used such firms, the *frequency* was not very high (see *table 7.6*).

One of the central objectives of this case-study is to explore the use of executive recruitment consultancies over the last ten years. As *table 7.7* indicates, there has been an increase in use of executive search, particularly amongst investment banking groups. 40% of companies have increased their usage of executive search consultancies compared to ten years ago with only one firm, an insurance broker, indicating a decline. The reason given by the company was that they had experienced a substantial increase in the level of potential candidates, who had contacted the organisation.

TABLE 7.6 : USAGE OF EXECUTIVE SEARCH BY CLIENTS (1984)

	Times 500 (n=110)	Banks (6)	Insurance cos. (10)	Accepting houses (9)
Yes, used in past but not at present	19	17	20	33
Yes, < once a year	32	17	20	56
Yes, 1-3 times pa	22	33	10	11
Yes, 4-9 times pa	5	33	0	0
Yes, 10-19 times pa	1	0	0	0
Yes, 20-50 times p.a.	2	0	10	0
Yes, 50+ times pa	2	0	10	0
Total used	82	100	70	100
No, never used	17	0	30	0
Don't know	1	0	0	0

Source : MORI (1984)

**TABLE 7.7 : VARIATION IN THE USAGE OF EXECUTIVE SEARCH CONSULTANCIES
BY INDUSTRIAL SECTOR (1985-95).**

Usage	IB	IS	FB	BR	RB
Increased	54.5%	66.7%	25.0%	25.0%	20.0%
Decreased	0.0%	0.0%	0.0%	25.0%	0.0%
Same	27.3%	33.3%	25.0%	50.0%	20.0%
n/a	18.2%	0.0%	50.0%	0.0%	60.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
	(11)	(6)	(4)	(4)	(5)

Source : Author's survey

7.3.2 Contemporary usage of executive search

The financial service sector, as already indicated, is a key user of executive search (*chapters 4 & 5*). Big Bang was, in part, responsible for creating widespread usage of such consultancies as companies sought to develop new teams in new products and expanding markets. Companies were experiencing recruitment difficulties in the mid-1980s and were unable to find the required staff in terms of quality, but particularly in quantity. Most companies found the need for headhunters to remain competitive. Executive search is also the recruitment mechanism most likely to be able to identify and involve candidates who live beyond the client's locality - international executive selection is particularly difficult for them, not least as consideration has to be given as to where to place the advertisement (see *chapter 6*).

Within the City of London executive search is not only the most commonly used recruitment approach at the boardroom level, but also the most favoured external method for recruiting staff earning in excess of £50,000 (Clark, 1992a). Before Big Bang headhunting was largely confined to the highest corporate level, mainly within US investment houses, but the reluctance of the British banking sector - retail and merchant - to use headhunting soon ended. 'When financial services [reorganisation] brought an insatiable demand for competent people, companies had to use the services of headhunters because they could no longer depend on recruiting successfully through advertising' or the old-boy network (Sarch, 1991 : 105). Companies now spend large sums of money on executive recruitment consultancy. *IB F* spent £10- £15 million on recruitment fees world-wide in 1994, whereas *BR C* spent £500,000 on recruitment fees in 1994 in London.

In terms of overall usage, 100% of the investment houses (*IB* and *IS*) were currently using search firms or had done so over the last 6 months. 75% of the insurance brokers also indicated that search firms had been called in to assist over the previous six months (*table*

7.8). By contrast the other two sectors had a much lower usage of search firms. Only one foreign bank and one retail bank indicated any usage at all. Several retail banks were undergoing a phase of downsizing during the survey period and, therefore, 'don't have a need for headhunting' (*RB D*). However, even if the survey had been conducted during growth in the retail financial services sector, low usage may still have emerged. HR directors and managers of retail and foreign banks declared a preference to rely on their own traditional methods, such as promotion. Retail organisations such as the banks (and also composite insurance companies) still retain hierarchical structures, which have clearly defined ports of entry into the company, for instance school leavers (aged 16 and 18) and graduates. These structures lessen the need to rely upon the external labour market.

TABLE 7.8 : USAGE OF EXECUTIVE SELECTION AND SEARCH CONSULTANCIES BY INDUSTRIAL SECTOR (AUTUMN, 1994 TO SPRING, 1995).

Usage	Search						Selection					
	IB	IS	FB	BR	RB	Total	IB	IS	FB	BR	RB	Total
Yes	100%	100%	25%	75%	0%	70.0%	100%	100%	25%	75%	20%	73.3%
No	0%	0%	75%	25%	80%	26.7%	0%	0%	50%	25%	40%	16.7%
n/a	0%	0%	0%	0%	20%	3.3%	0%	0%	25%	0%	40%	10.0%

Source : Author's survey

It would also be wrong to imply a universal acceptance of the search function even within the investment banking sector. '[We] try and avoid to using them [headhunters] wherever possible' (*IB G*). Other firms say they have no need for them. 'Due to our reputation in the Lloyds insurance market in the past we have received interest in joining the Group through direct personal applications' (*BR D*)

7.3.2.1 Frequency of usage of executive search

By assessing how often companies use search firms, it is possible to see how important executive search is to specific industrial sectors. The above section indicates that executive search firms are part of the overall recruitment sector, but how active are they? Whilst the data on the usage of executive recruitment firms gave some interesting pointers as to who is using headhunters and selection firms, it did not really give an indication of the *degree* of usage. From the analysis detailed above, one might expect the most frequent usage of headhunters to occur in investment banking. *Figure 7.4* and *table 7.9* confirm that usage is significantly lower in non-investment banking sectors. Only one firm in the non-investment banking sectors (*FB*, *RB* and *BR*) had used a search consultancy more than twice in the last 6 months. By contrast, during the same period 13 out of the 17 investment banking

organisations had used headhunters more than twice. Indeed 11 (67%) had called in the headhunters on more than 5 occasions. Two firms (one *IB* and one *IS*) indicated that over the last six months they had used search consultancies for more than 20 assignments. One of these had actually involved search consultants in more than 40 assignments.

TABLE 7.9 : FREQUENCY OF USAGE OF EXECUTIVE SELECTION AND SEARCH CONSULTANCIES BY INDUSTRIAL SECTOR (AUTUMN, 1994 TO SPRING, 1995).

Frequency of usage	Search						Selection					
	IB	IS	FB	BR	RB	Total	IB	IS	FB	BR	RB	Total
0	0.0%	0.0%	75.0%	25.0%	80.0%	26.7%	0.0%	0.0%	50.0%	25.0%	40.0%	16.7%
1-2	18.2%	33.3%	25.0%	50.0%	0.0%	23.3%	9.1%	0.0%	25.0%	25.0%	0.0%	10.0%
3-4	18.2%	0.0%	0.0%	0.0%	0.0%	6.7%	9.1%	16.7%	0.0%	25.0%	0.0%	10.0%
5-10	36.4%	50.0%	0.0%	25.0%	0.0%	26.7%	18.2%	33.3%	0.0%	0.0%	0.0%	13.3%
11-20	18.2%	0.0%	0.0%	0.0%	0.0%	6.7%	27.3%	0.0%	0.0%	0.0%	0.0%	10.0%
20+	9.1%	16.7%	0.0%	0.0%	0.0%	6.7%	0.0%	33.3%	0.0%	25.0%	20.0%	13.3%
n/a	0.0%	0.0%	0.0%	0.0%	20.0%	3.3%	36.4%	16.7%	25.0%	0.0%	40.0%	26.7%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source : Author's survey

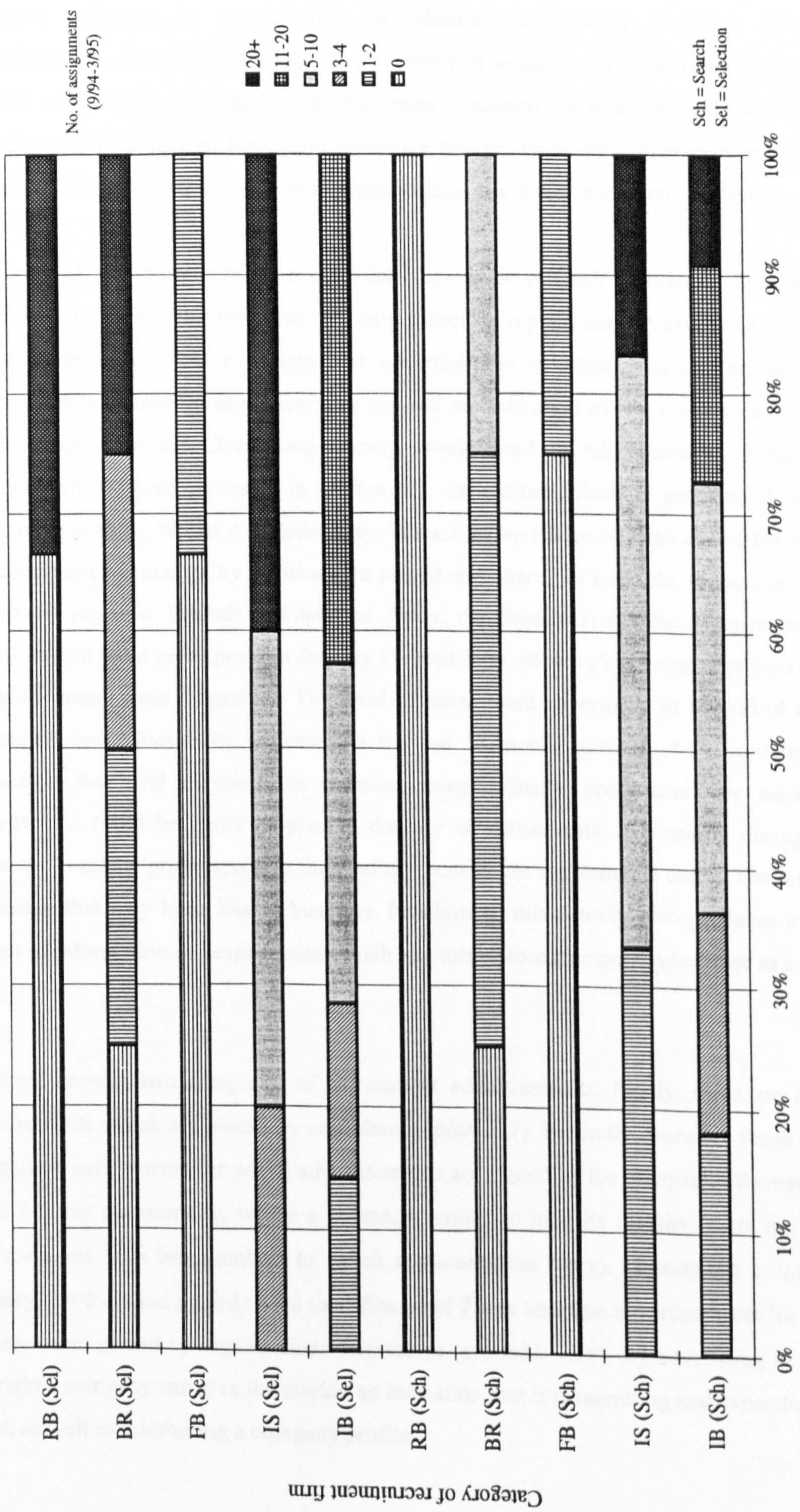
Note : Obviously this is not the only indicator of importance - the seniority of the position might be considered as well.

7.3.3 Contemporary usage of executive selection

Within the case-study of clients executive selection also exhibited similar pattern of usage to executive search (*table 7.9*). However, although the frequency of usage was much higher in investment banking categories, the difference between industrial sectors was not as great in the case of executive search. Executive selection usage in *IS* and *IB* was still higher than foreign banks, retail banks and insurance broking, but in these sections more positions are filled by selection than search. Not surprisingly, overall usage of selection firms (73%) was slightly higher than search (70%) (*table 7.8*). Only 16.7 % of the sample did not use selection consultancies, significantly lower than search firms (26%).

Those non-using selection organisations were non-investment banking sectors (*table 7.8*). There could be two reasons why foreign and retail banks and insurance brokers prefer selection rather search. Firstly, the increased economic feasibility of using selection for lower paid positions - lower salaries are more likely to occur in these sectors. Secondly, there are many positions in such organisations for which the use of advertisements is typical.

FIGURE 7.4 : FREQUENCY OF USAGE OF SEARCH AND SELECTION CONSULTANCIES BY FINANCIAL SERVICES COMPANIES



Source : Author's survey

Executive selection is more suited in Middle Management positions (clerical, administration) - for which there are a large number of suitable candidates (see *chapter 4.3*) as well occupations associated with the money markets such as dealers, brokers or operations staff. In foreign banks and insurance brokers there are a high number of such positions. This might explain why such organisations rely more on executive selection.

The usage of executive recruitment consultancies can be difficult to monitor. In terms of search activity, no tangible evidence of it exists, short of a press announcement. In terms of executive selection, there is at least the advertisement template. The number of such advertisements in leading newspaper can provide an indication of the usage of executive selection consultancies. Clearly any survey would need to take account of seasonal variations, of the kind indicated in *section 4.5*. In addition, there is problem of which mediums to analyse. Whilst the Wednesday *Financial Times* is an obvious choice for major City appointments, many City positions are placed elsewhere, for example, the accountancy recruitment pages in Thursday's *Financial Times*, the *Sunday Times*, the *Independent on Sunday* (which has a niche position for City IT positions), Monday's *Evening Standard* or in one of the many trade magazines. The level of recruitment advertising in several of these newspapers has substantially increased in the last 18 months (*section 4.5*), implying an increase in the level of executive selection usage. Finally, some executive selection consultancies could be guilty of placing dummy advertisements, particularly during the recession, to retain 'prime spots' in the leading recruitment supplements and to convey the impression that they have lots of business. In addition, this activity also produces a rich amount of information on respondents, which can turned to commercial advantage at a later stage.

There are broadly two categories of recruitment advertisements. Firstly, there are those advertisements which are placed by consultants (*plate 7.2*). Secondly, there are those non-externalised assignments for which advertisements are placed by the companies themselves (*plate 7.1*) (or occasionally, where a company wishes to hide its identity, there are also advertisements with box numbers to which applicants can reply). During the month of February, 1996 around a third of the total *Financial Times* template advertisements for City positions were placed by organisations themselves (see *table 7.10*). By advertising in their own right a company can give the market an indication that it is recruiting and expanding in a field, as well as reinforcing a company profile.

TABLE 7.10 : BREAKDOWN OF THE TYPES OF RECRUITMENT ADVERTISING FOR THE CITY IN THE FT

Date	Non-City Positions	City Positions	Executive Selection			Non Executive Selection	
			Named client	Unnamed client	Handling Agent	FT Box Number	Organisation's own Ad'
7-2-96	29	33	12.12%	45.45%	12.12%	3.03%	27.27%
14-2-96	20	21	8.70%	30.43%	0.00%	8.70%	52.17%
21-2-96	23	38	7.32%	51.22%	4.88%	7.32%	29.27%
28-2-96	15	26	3.85%	42.31%	7.69%	15.38%	30.77%
Total	79	123	8.13%	43.90%	6.50%	8.13%	33.33%

Source : Author's survey

Nevertheless, it seems that most appointments in the *Financial Times* are placed through executive selection consultancies. There are three main types of such advertisements. The first (see *plate 7.2*) is where the client is clearly marked on the advertisement, together with the consultancy which is handling the assignment. This option is used when clients wish it to be known that they are recruiting in the market, but are keen, nonetheless, to use the expertise of the consultancy. Approximately 8% of the City appointments in the *Financial Times* were of this type. The second example (*plate 7.3*) is where the client is not named. This is the most common type of advertisement to be found in the City recruitment pages of the *FT* (44%) and is preferable where the client wishes to retain confidentiality. The third group of advertisements is where an agency or consultancy is just responsible for handling responses, rather than administering the whole recruitment assignment (6.5%).

7.3.4 Accounting for the usage of executive recruitment consultancies

In this survey all foreign banks were either Belgian and French, whose small London operations consisted largely of private banking and foreign exchange. Only one of them indicated that they were using search firms, reinforcing the suggestion of *section 7.3.4* that executive search is not used much for money market occupations like foreign exchange. Such appointments are either filled through personal recommendation, advertising, executive selection or the internal labour market of companies. If so, then it appears executive search is primarily used for appointments in the corporate finance, eurobond markets, capital markets (including emerging markets) and fund management sector. Indeed, all these are areas where human resource directors indicated that headhunters might be particularly used.

TRAINING OFFICER - CITY

N M Rothschild & Sons Limited is looking for a high-calibre, self-motivated individual who will make a significant contribution to its training operations. There is strong commitment to training throughout the Group, and this role is important to the function's continuing development.

You will help business areas to identify training needs, develop training plans for individual business units, and assist in the design, delivery and evaluation of training programmes. Your responsibilities will also include researching courses and suppliers, updating training materials, maintaining course records and contributing to training policy.

Aged mid 20's, you will have a good degree and at least two years proven training experience ideally gained in a merchant bank or similar environment. Computer literacy is essential, while a strong technical orientation and knowledge of regulatory authorities would be advantageous. Excellent communication and organisational skills, a flexible, creative approach and the ability to deal with senior individuals are key requirements.

An excellent remuneration and benefits package will be available for the right person. Please apply, enclosing your CV, indicating your current remuneration, to Sara Greve, Personnel Manager, N M Rothschild & Sons Limited, New Court, St Swithin's Lane, London, EC4P 4DU.

All applications will be treated in the strictest confidence.



N M ROTHSCHILD & SONS LIMITED

INTEREST RATE DERIVATIVE SALES

Credit Agricole is France's largest bank and one of Europe's leading financial institutions. We are developing our Swaps activity in the Treasury Division in London Branch, and now have a key opportunity on our Sales Desk for a seasoned professional to join the established team.

You are likely to be aged 28-35 and have had a minimum of 2 years relevant experience in the marketing of interest rate derivatives. A good command of French will be advantageous.

Essential qualities are the ability to 'make things happen' and to enjoy working in a demanding yet stimulating environment.

There is an attractive remuneration package, including good basic salary, bonus, car allowance, mortgage subsidy and other attractive benefits.

CA CRÉDIT AGRICOLE
LONDON BRANCH

Please send your cv, by 6th March, to:
Keith Cathbertson, Head of Human Resources,
135 Fleet Street, London EC4A 2ED

PLATE 7.2 : ADVERTISEMENT BY AN EXECUTIVE SEARCH CONSULTANCY
WITH A NAMED CLIENT

FLEMINGS

Fund Manager


Balanced Funds – UK Equities

Our client, Fleming Investment Management, has a £8 billion of pension fund money under management, of which £4 billion is in the form of balanced accounts. The company now seeks a talented fund manager to join the UK Balanced Funds team.

Based in the City, reporting to the Head of UK Balanced Funds, the appointee's brief will immediately include the day to day management of client portfolios, contribution to the stock selection process, attending meetings with existing clients and actively participating in new business presentations.

You are a graduate, IIMR qualified, with at least 3-5 years experience as a UK Equity Fund Manager. You have an above average performance track record, a thorough grounding in fundamental analysis, and proven or potential marketing ability. It is essential that you are a team player whilst willing to express your own point of view relating to individual stocks. Your personal style will ensure that you can serve and win the confidence of clients.

An attractive remuneration package including a competitive basic salary, and Banking benefits will be offered to the successful candidate. For a strictly confidential discussion please write enclosing your cv, (including details of your current salary package), quoting reference 1103 to Fiona Law at FEA Ltd, 211 Piccadilly, London W1V 9LD. Tel: 0171-738 9732.



SEARCH, SELECTION
AND CONSULTANCY
SERVICES

Source : FT (10-5-95)

PLATE 7.3 : ADVERTISEMENTS PLACED BY EXECUTIVE SEARCH
CONSULTANCIES WITH UNNAMED CLIENTS

Corporate Financier

International Merchant Bank

To £50,000 + Bonus & Benefits

City

Opportunity for a talented, young corporate finance executive to join prestigious international bank.

THE COMPANY

- Long established, blue chip bank. International and offshore financial services focus.
- London based activities growing rapidly and profitably.
- UK activities include domestic and international corporate financing, retail and corporate banking, investment management.

THE POSITION

- Join small, successful, highly professional team managing UK and international deal portfolios.
- Develop, structure and execute corporate finance deals. Take immediate responsibility.

- Work closely with colleagues in international network. Build relationships with clients, investors and regulators.

QUALIFICATIONS

- Probably aged c.30 with at least 3 years' relevant experience in merchant bank or stockbroker. ACA preferred.
- Thorough knowledge of Yellow/Blue Books. Must have worked on every aspect of transactions.
- First class communicator. Thrive in small team. Self motivated, energetic, rigorous. International focus and prepared to travel.

Please send full cv, stating salary. Ref NBS/55
NBS, 54 Jermyn Street, London SW1Y 6JX



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TREASURY SALES

to £70,000 + Bonus & Banking Benefits

Our client is one of the world's most respected international banks, with an active presence in most of the major financial centres and a particular reputation for the quality and prominence of its Treasury activities.

There is now an opportunity within the Treasury Sales team in London for an additional experienced Dealer to market FX & Money Market products, both on & off balance sheet, to corporates and financial institutions in France and/or French speaking European countries.

The successful candidate is likely to have the following profile:

- Fluency in both English and French;
- A profitable track record in Money Market and Foreign Exchange Sales, based in the City of London and/or other major financial centre;
- Good understanding of currency options, capital markets and derivatives products;
- Wide ranging contacts with French corporates and financial institutions;
- Age 28-35.

*If you have the necessary skills and experience and are willing to meet the challenges of this role,
please call or write to Sean Carr or Richard Lyons.
All applications will be treated in the strictest confidence.*

Telephone 0171-623 4075

Facsimile 0171-626 3172



Search & Selection Limited

Astral House,
125-129 Middlesex Street
London E1 7JF

Unfortunately, no analysis of the role of the firm size on the usage of executive recruitment consultancies is possible because of the need to protect respondent's anonymity. Nevertheless, any organisation the size, of say, Merrill Lynch (43,000 employees worldwide) might obviously use a headhunter more often in absolute terms than a small securities research house, although in relative terms, the use might be similar. What can be identified is an increase in the usage of search consultancies over the last ten years. Some 43% of organisations surveyed believed their usage had increased during this time. The figure was highest amongst the investment banking firms (54.5% in IB and 66.7% in IS), which was a little surprising, since my initial view was that this sector had been an extreme user of headhunting for a number of years including the prelude to the Big Bang (1986). The analysis implies that investment firms are now using search firms at record levels, greater than those of Big Bang. Perhaps, recruitment in the 1980s was conducted by agencies rather than pure executive search firms. This is a reasonable conclusion to make as the period before and during Big Bang was highly frantic period for HR departments seeking to extra staff. Agencies were willing to work on a contingency basis as the sheer volume of business meant they would be obtaining fee income from the percentage of successful assignments. Whilst the search consultant may thus be accustomed to finding staff in normal circumstances, the urgency of 1986 meant that all forms of external recruitment organisation were used then. Investment banks and insurance brokers, for instance, were less worried about the quality of the candidates, just keen to get enough of them.

In the survey there was reluctance on the part of clients to declare the type of jobs for which search consultancies were being used. Nevertheless, there are grounds for suggesting that executive recruitment consultancies, particularly executive search, are becoming very important for the recruitment of senior personnel within investment banking, especially in capital markets and corporate finance. It is more likely that vacancies with higher salaries are filled through executive search than lower paid occupations (see *chapter 5*). As positions such as capital markets and corporate finance have higher remuneration than other City positions one might deduce that headhunting activity would have a higher incidence (*section 7.2.4*). Whilst examples of executive selection assignments being conducted in similar fields exist (see *plates 7.1, 7.2 and 7.3*), these more specialist positions - capital markets for instance - are most suited to headhunting, as they are more analytical and there are likely to be fewer potential candidates. If this is the case, then it would appear that headhunting is primarily associated with those occupations in the City for which the salaries are highest and fluctuate most.

By contrast, general broking and foreign exchange positions, which are generally less well paid than other senior City positions, tend to be filled through other recruitment mechanisms. There are obviously some headhunted dealers in the City, but some are also recruited through advertisements in the media, including the *Evening Standard* (Monday edition) and the free-give-away magazines, such as *Nine-to-five*. However, perhaps the most important form of recruitment in these areas is the 'old-boy network'. The use of personal recommendations for filling such positions should not be understated. As one City personnel director commented, it is those individuals working *in* the sector, who know who the best individuals. It is easy to understand the logic of this argument. If a bank needs to find a 'Spot cable dealer' then it is likely to turn to those very traders who deal in the specialist market on a day-to-day basis to hear their thoughts on other dealers. Unfortunately, from the researchers point of view, this is a form of recruitment that is not clearly visible from 'outside'.

7.4 Clients perceptions of executive recruitment consultancies

7.4.1 The merits of executive search and selection

Assuming a company externalises a recruitment assignment, the decision to call in the executive selection or executive search consultant depends on a series of factors, for example the anticipated starting salary, the type of position, the number of potential candidates and the personal preferences of the Line/HR director. The fieldwork in the City of London with HR staff revealed some interesting points here. First, and most importantly, the number of externalised assignments being discussed here is extremely low relative to the total number of appointments made throughout the year. Secretarial and clerical appointments and some middle-management positions, which comprise the majority of most financial services, are generally filled through in-house mechanisms or agencies. *BR C* indicated that 80% of positions are filled by agencies, and *FB A* went to agencies for 99% of the time. By contrast, executive selection assignments represented 30% and 60% of all vacancies in *IS B* and *IB B*. Nevertheless, as already indicated the financial community are generally using consultancy firms where the circumstances are right to do so.

'We do recruit selected staff, but it tends to be low in number, and they are relatively specialised. Therefore our major recourse is to external agencies at a senior level, but this would be very much geared to the individual recruitment process' (*IB D*).

'Employ a headhunter? Normally we would only do this when the role to be filled was a very senior position with a salary above £50,000 OR a highly specialist position where only a small number of people in the City are known to have right combination of technical and other skills and experience' (*IB H: emphasis added*)

In their decision-making, many HR directors were influenced by the advantages and disadvantages of the two respective processes. 'Using executive search methods has given business the opportunity to identify candidates with the right skills base / experience which may not be found or developed quickly internally' (*IS D*). 'It [search] saves the HR department time by eliminating those candidates not entirely suitable to the specific job and can produce [a] short list of candidates' (*BR D*), as well as providing 'confidentiality' (*BR A*). Another HR director indicated the chief strength of search - it is 'the purest form of peer review' (*IS D*). Nevertheless, the personnel and HR directors were quick to cite many of the disadvantages of the search function, which encouraged many of them to use the function sparingly, or as a 'matter of last resort'. '[It] often causes difficulties where loyalties are mixed (i.e. to candidate and recruiting company); confidentiality in market place questionable' (*IB H*). Another HR director of an investment bank (*IB J*) stated consultants charge too much, there are numerous hidden costs and they are always encouraging candidates to apply for a guaranteed bonus.

Attitudes to search also differ according to the type of organisation. It has already been noted that previous studies indicated that the insurance sector seemed more sceptical of the search activity (*table 7.6*; MORI, 1984). The analysis of the responses of financial service organisations reinforces this notion as well. 43.3% of the surveyed companies viewed the search function as a last resort recruitment method, including all the foreign banks and the majority of retail banking and insurance broking operations. However, a majority (46.6%) of the total respondents declared that the decision to call in the search consultant obviously depended on the nature of the position. Only two organisations, both investment banks, indicated that the search consultant was the first port of call, when an 'executive' appointment was to be made.

7.4.2 The merits of specialist consultancies and generalist consultancies

Specialists were preferred to generalists as 'consultancies [are] selected for the nature of the position' (*BR D*), allowing the client company to draw on the strengths of individual consultancies (*RB E*). '[I] pick agencies for job concerned - dealers and treasury, Jonathan Wren for accountancy' (*FB A*). This was not a universally held view. Some companies thought that it was better to have 'one cater[ing] for all recruitment needs' (*BR A*). The choice of the individual consultancy naturally came down to factors such as the position and seniority (*IB G* and *FB C*) and prestige (*IS D*). Some client companies expressed a preference for small specialists as 'they [are willing] to negotiate on fee' (*FB B*), and a

distrust of big search firms. 'The bigger they are, the worse they get. I prefer smaller specialists.they tend to be keener, hungrier and more attentive' (*IS B*).

Another important aspect to consider is the spatial dimension of a search company's network. Clearly, any search assignment considering a candidate overseas will mean an international search firm is preferred (See discussion of the strengths of global executive search firms in *chapter 6*). Amongst HR directors of investment banks interviewed in London, there was no clear consensus about the type of executive search firm used when conducting international recruitment. *IS D* indicated that cross-border assignments can be 'logistically difficult', so it uses local recruiters. A majority, however, favoured global search firms - those with a network of international offices - with whom they had already worked in the home market. '[We] generally select those with global or necessary regional presence, although [we would] also ask those other merchant banks who they might use. [I guess it really] depends, though we've just commissioned Norman Broadbent [Inc.] to fill a vacancy in London and NY' (*IS C*).

Therefore, the global search firm is often preferred because the client already has a working relationship with the company in the home market, as it seems less of a risk. In terms of executive selection firms, companies again play to the strengths of individual consultancies. Deutsche Morgan Grenfell had three 'named client' advertisements in the *Financial Times* during February, 1996. On each occasion it used different consultancies - MacGregor Boyd Associates (Analyst Programmer); Michael Page City (Risk Personnel) and Michelangelo (Fixed Interest Derivatives Sales Assistant).

To draw on the specialist strengths of particular firms and consultants, many clients have panels of approved companies from which to select. Some even pay annual retainers to ensure that the headhunter passes on all crucial information. This could almost be viewed as racketeering: so long as the retainer is paid, the client will not experience 'raids' on the its staff. This is an important development, as off-limits guarantees are often no longer group-wide (see discussion in *chapter 6*). Only BR C admitted paying a retainer [of several thousand pounds] to its main search consultancy. *IS E* had a panel of search consultancies including Russell Reynolds, Spencer Stuart and Michael Page. *IB H* 'vet[s], monitor[s] and approve[s] search consultants. We maintain a permanent relationship with 4 or 5 focused on different parts of the bank.' *IB J* has five on its panel. Only one of the investment banks said it did not have a list of 'approved consultancies'. The interesting aspect of panels is that they are often comprised of a mixture of consultancy firms - large and small, generalist and

specialist and, selection and search. However, clients were unwilling to reveal which organisations on the panels were used most of all.

The results of a survey of International Recruitment in Financial Services Sector by O'Connell Associates indicated a high degree of dissatisfaction with the level of fees being charged⁴. 59% of the respondents said that they viewed the current level charges as unfair. However, I found no evidence that consultancies charge 'too much'. Most respondents shared the sentiment that executive search and selection organisations tend to be highly professional and so are worthy of their fees (see *section 4.6; table 4.14; MORI, 1984*). It is quite natural that the client wishes to pay as little as possible - cost centres and budgetary constraints are a feature of most modern companies now. Consultancies might occasionally be 'like estate agents only less ethical' (*BR B*), but in general they are viewed as a 'necessary evil' (*BR B*) but you have to accept that 'if you pay peanuts you get monkeys' (*IB **).

7.5 Consequences on the City Labour Market

In this section I overview the involvement of executive recruitment consultancies - both executive search and executive selection - and suggest some implications and consequences for the labour market. Of course, given the lack of statistical evidence of the usage of such consultancies, this task is highly subjective and relies on assimilating information and comments from various individuals, who have been involved in the case-study fieldwork. The 'search process' is not tangible or visible. Equally, there is no way of comparing the performance of a candidate placed by a search consultant with the performance of one in the same job placed through a selection consultant. Nevertheless, I suggest some consequences in the labour market from the usage of search and selection consultancy. Three arenas are examined for potential implications - the effect on the individual, the impact on companies and the consequences for the labour market.

7.5.1 Consequences for the Individual and the Company

One obvious implication of executive search vis-à-vis selection is that there is no onus on the individual to actively respond to the assignment. There is also 'an obvious feel-good factor' (*IB A*) when some approaches you. 'The opportunity to have unsolicited people

⁴ This survey was conducted by O'Connell Associates. The results were passed on to me by a City HR director. The summary report indicated that 542 companies responded out of the sample population of 3943. Clearly I have no knowledge of who was surveyed, how and when, so the data must be treated with extreme caution.

working on your behalf to help you find a better position' (*IS B*) is obviously good news, so long as it is you who is approached. Essentially, executive search will result in 'improved avenues for candidates' (*BR B*) by accelerating career advancement. Executive search and selection both allow candidates to be drawn from wider backgrounds. In the case of executive search an approached candidate might not have considered switching to another field. In this sense, search can allow some people to switch careers and broaden their horizons. This 'cross-fertilisation' of expertise with people from different backgrounds can be beneficial to business and individuals alike. Obviously, the approach is not beneficial to all individuals, particularly those consistently side-stepped by search consultants. At least executive selection allows *any* individual to participate in the process. Executive search works on a system of meritocracy and talent. However, even if an individual possesses the required skills, there is no guarantee that the search process will necessarily find him or her.

Another implication is that of potential bias and prejudice. Are certain people overlooked on the grounds of who they, what they or where they are from? It is difficult to know if 'placed-candidates' are buddies or old-school chums of the consultant or whether the short-list was drawn up on the basis of the recommendations of the consultant's 'best friend from the forces'. '[It] goes against equal opportunities and costs a lots of money. [You] have to be careful that its not people who play the game - its not what you know, but who you know' (*RB E*). One client organisation admitted it used headhunters as a smokescreen for attracting specific individuals which it knew that it wanted. Nonetheless, it went through the charade of conducting an assignment, to give the impression that all is 'above board'. Of course, it is also difficult to know if the headhunter is working under specific instructions from the client to consider or neglect certain individuals.

For companies, the implications are varied as well. Any company on the receiving end of headhunting activity is going to view the search activity unsympathetically. For client firms using search it has no doubt saved internal resources, such as time and money. During periods when there is a high need for recruitment or when new product markets are being developed such as derivatives, executive search has given companies the added chance of finding the appropriate people for the position. As one headhunter suggested 'it has allowed banks to establish business units that would not have done otherwise' (*SG H*). For companies unfortunate enough to be on the receiving end, it has left them with gaps in their companies, and feeling 'naked and 'exposed' with 'the best people being enticed away' (*IB B*), though this need not be viewed as a weakness. Obviously, the search activity involves

specific targeting of companies. The end result is that the 'losing' company has a staff gap. However, this action may highlight the possibility of low morale, poor career prospects or a lack of training within the poached organisation, which encouraged the candidate to apply for the job or enter into dialogue with the search firm. Once these failures have been recognised, the poached company can activate remedial steps. The headhunted firm has the chance to appraise its own position by changing its strategy, and can even attract a better replacement candidate itself or 'the opportunity for internal promotion' (*FB C*). Perhaps, though, the most significant implication is in terms of the placement of individuals. Due to the proactive nature of the search process (*chapter 4.2*), there is some evidence to suggest that the process is healthier for companies. In addition, 'it has a better chance of placing the right candidates in a position' (*BR D* and *IB A*). It must be viewed positively if executive recruitment consultancies are getting better calibre staff for organisations, thereby improving their long-term performance.

7.5.2 Consequences for the Labour Market

So what might be the consequences of the increasing usage of executive search consultancies on the labour market? On first impressions, the headhunter is actively encouraging the displacement and poaching promoting mobility. Are they just honest brokers offering a necessary service in smoothing over the natural activity of job turnover and the encouragement the promotion of good candidates to achieve their full potential? Or do such organisations through their activities cause undue upheavals in the executive market, shuffling the same personnel around the system and, at the same time, by poaching staff cause a tit for-tat scenario where companies retaliate? It could be argued that executive search ensures that the placement of individuals, who had been previously undervalued and underpaid, within a new environment. The crux of the issue is whether headhunting has responded to changing cultures or is it the cause of the increased mobility? There is no longer a job-for life syndrome (Rajan, 1994), and it must be recognised that people move jobs more freely and regularly irrespective of the influence of executive recruitment consultancies. The movement of people seeking new challenges and better paid jobs obviously featured in labour markets before search existed. It is really a question of how much the volume of turnover and movement has increased since executive search and selection became widespread.

Many HR directors concluded search had led to 'an increase in movement of labour' (*BR A*) partly 'as more people come into contact with such firms, more people move. It certainly

creates a mixture of personnel [within a given industrial sector]' (*IS E*). People are more prepared to move, recognising the benefits that accrue as well as the lack of gain from being loyal, when companies are downsizing. Much of the movement of people is associated with staffing new product areas. The executive search consultant has helped in the development of new markets, especially in the recent years within derivatives. Without the expertise of the use of search or selection many firms would have lacked the required specialist staff.

'First have to ask why the growth? Jobs become much more specialised. Everyone had heard of stockbroker and moneybroker, but in the volumes of say a clearing banker. Since that time (20yrs) more specialists. Christ [sic] can you imagine 5 years ago, if we needed a leasing specialist. Well Neil you'd know.. the market would've come and gone. You needed a consultant for recruiting (*IS F*).

Is the headhunter a sign or an indicator of a healthy labour market? Some might suggest that search consultants 'are a product of a competitive labour market' (*IS D*), providing 'liquidity as you have brokers who are spreading information into the market. [The] salary market becomes more perfect as salaries [are] correctedand [it] creates clearly defined labour market' (*IS E*). It is possible to argue that 'a market' is imperfect if agents are spreading information and headhunters are being used to 'correct' salaries. In a pure perfect labour market the price mechanism responds to demand and supply pressures. The accusation levelled at the search function might be that it distorts the market rate for salaries, usually upwards as 'they [the headhunters] have a vested interest' (*IB J*). 'The system is in their interests...psychologically disadvantageous for a firm to use a headhunter' as one cannot enter into direct negotiations with the candidate (*IB G*). The accusation of a 'vested interest' (see *chapter 4*) has largely been disproved as search firms are interested in repeat business and getting the right candidates, not the ones with the highest anticipated salary.

'I don't think has necessarily in itself created wage inflation or encouraged high bonuses, although this does happen from time to time. A lot of people actually move from the 'right' reasons - i.e. the job itself' (*IB A*).

In the long-term the search consultant will benefit from being professional and objective when drawing up short-lists.

The analysis of *section 7.4* indicates that headhunting activity might be responsible with salary movement. Unfortunately, due to the limited data available, it is not possible to explore the possibility of a correlation between salaries and positions for which executive search is used. Even if, there have been salary increases, is the headhunter to blame? By definition, most search assignments are conducted in an environment where there are few

potential candidates and where the skills are highly sought after. Any placed candidate is likely to command a premium, not only because he or she possesses the required skills, but the individual will have to be compensated for moving. Of course, a company is only going to pay what they can justifiably afford. That, by definition, is the 'market rate'. Therefore, the headhunter can only, therefore, be accused of talking up the position of the candidates, when in dialogue with the client during the end of an assignment. Most good headhunters and selection consultants are unlikely to do this, as their primary concern lies with the client.

7.6 The role of client and consultancy in the City

7.6.1 Business Services in the City

The City of London is a 'client city' (Daniels *et al.*, 1988; *chapter 2*). It is a location which has seen a massive growth of business services. These business service firms are a significant outcome of the social division of labour. The reasons for the growth in business services has already been documented (*section 2.2*). However, in this section I outline the ways in which two business services - accountancy and law - have emerged as prominent sectors in the City, providing services to clients throughout the City. I have already commented on the nature of the executive recruitment industry in London (*chapter 4*) and how clients use recruitment consultancy firms (*section 7.3 and 7.4*). By analysing this business, it has been possible to note that this sector has 'grown' (in terms of the number of companies and number of assignment) rapidly over the last twenty years, as more and more firms externalise their recruitment activities. The proliferation of executive recruitment firms and the diversification of their recruitment activities (such as recruitment advertising, response handling and financial boutiques) can be understood in terms of the social division of labour. The development of the sector is a response to the client firms subcontracting recruitment activities, thereby increasing their flexibility. With more flexible systems, client companies can vary the scales of production and experience economies of scope (*section 2.4*). In *chapter 2* I outlined some of the reasons for the growth of business services. How do the experiences of law and accountancy firms in the City compare with other business services. In common with executive recruitment firms, both law and accountancy firms have needed to gain access to new markets to sustain growth and profit expectations. Competition has become more intense and all firms have sought competitive advantage in the market. There are many areas of competitive advantage which companies may seek (Daniels, 1993) including :-

- a) Price
- b) Provision of a back-up support service
- c) Quality of service
- d) Duration of utility
- e) Specialist knowledge - state of the art information and accessibility to information.
- f) Corporate identity
- g) Impacts and access to markets

In terms of price, I have already suggested that clients are not always sensitive to changes in price for executive recruitment services (*sections 7.4*). Of more importance is the quality of service and who is actually conducting the business (*section 7.4*). Corporate identity is particularly important within business services as commercial firms are extremely sensitive to reputation and quality. Brand image is also crucial in an ever increasing competitive market. There is also considerable emphasis on the part of executive recruitment firms to portray themselves as prestigious, by locating themselves in luxurious offices in pleasant environmental surroundings (*section 5.3*). However, executive recruitment firms are not alone in developing a strong corporate identity. Law, accountancy and advertising firms, for example, Arthur Andersen, KPMG, Freshfields, Clifford Chance, Cordiant, and Saatchi and Saatchi, also rely heavily on their image and 'weight' in the market to attract and retain clients.

Thus far, I have focused heavily on structure and development of executive recruitment consultancy and commented on the way such firms are responding to their client needs. In this section I compare the development and use of executive recruitment firms with other business services firms focusing on law and accountancy firms in the City. There are several reasons for selecting these two business services. Many accountancy firms and law firms are partnerships and, therefore, are similar in structure to many recruitment firms. Both types of firms generally provide services catering largely for MNCs and financial institutions, and have grown considerably by diversifying and internationalising their networks. In the case accountancy firms, there is also the added factor that many also operate executive recruitment functions themselves. Accountancy is also one professional service industry that has received notable attention within geography (Daniels, 1991d; Beaverstock, 1990a; 1994; 1996b; Leyshon *et al.*, 1987; Daniels *et al.*, 1989; Noyelle, 1991).

7.6.2 Law firms

The largest UK-based law firm, Clifford Chance, achieves turnover in excess of £200 million with a further five firms each achieving fee earnings of more than £100 million (*table 7.11*). Cohen *et al.* (1995) suggests that there are four themes which have accounted for the development of London-based law firms of the size indicated above. Firstly, there has been an expansion in the size of law firms following the removal of 1967 Companies Act which removed the limit of 20 partners per practice. Secondly, the City of London has provided firms with new areas of business. Thirdly, there has been an increase in the market for legal advice due to the complexity of assignments. Fourthly, there has been the establishment of overseas networks by law firms. These have taken one of three forms:-

- a) Opening of local offices
- b) Establishment of joint practices with local law firms
- c) Establishment of close links with local law firms

TABLE 7.11 : FINANCIAL INDICATORS FOR THE LARGEST LAW FIRMS BASED IN LONDON

Firm	Number of fee-earners	Gross fees (£)	Fees per fee-earner (£)	Profits per fee-earner (£)
Clifford Chance	1168	210,000,000	180,000	54,000
Linklaters & Paine	718	154,000,000	215,000	75,000
Freshfields	645	135,000,000	210,000	62,000
Lovell White Durant	616	120,000,000	195,000	59,000
Slaughter and May	567	113,000,000	199,000	67,000
Allen & Overy	543	112,000,000	199,000	55,000
Simmons & Simmons	474	93,000,000	195,000	49,000
Herbert Smith	446	89,000,000	199,000	56,000
Norton Rose	470	74,000,000	157,000	42,000
Nabarro Nathanson	400	64,000,000	160,000	45,000

Source : Cohen *et al.* (1995)

Amongst law firms, US organisations figure highly in the leading forty firms (*table 7.12*). Many of these firms have followed clients to locations outside the United States. 'In 1988, 48 out of the top 500 firms have 72 offices in 11 European cities (notably London with 35 and Paris with 20) and 19 had 33 offices in 20 Pacific-Rim cities' (Daniels, 1993 : 141). London-based law firms have extend their operations overseas as well. Clifford Chance has a total of 15 offices overseas (6 in Europe and 4 in the Far East), where as Allen & Overy has 10 and Linklaters and Paine only 7. It is important to note that in comparison to other producer services such as executive recruitment consultancy, the number of offices among the leading firms is smaller.

TABLE 7.12 : LEADING LAW FIRMS IN THE WORLD (BY NO. OF LAWYERS)

Rank	Law Firm	HQ	Partners	Associates	Total Fee Earners
1	Baker & McKenzie	US	538	1,126	1,664
2	Clifford Chance	UK	228	943	1,171
3	Jones Day Reavis & Pogue	US	394	759	1,153
4	Skadden Arps Slate Meagher & Flom	US	235	770	1,005
5	Eversheds	UK	209	564	773
6	Sulley & Austin	US	298	464	762
7	Linklaters & Paines	UK	147	591	738
8	Fulbright & Jaworski	US	272	438	710
9	Morgan, Lewis & Bockius	US	260	394	654
10	O'Melveny & Myers	US	183	468	651
12	Lovell White Durant	UK	140	497	637
17	Freshfields	UK	125	467	592
18	Slaughter and May	UK	101	480	581
21	Allen & Overy	UK	113	447	560
35	Simmons & Simmons	UK	122	353	475
36	Norton Rose	UK	102	365	467
40	Herbert Smith	UK	98	355	453

Source : Cohen *et al.* (1995)

This is because of the strong national dimension to legal systems such that the legal services tend to be operated by local firms (Cohen *et al.* 1995 : 1). Three of the leading seven and only ten of the top forty law firms are British. With the exception of five Australian and one Canadian practice, the remaining leading forty firms are American (*table 7.12*). The world's largest firm in terms of staff is Baker & McKenzie which employs more than 1,600 lawyers in some 55 offices around the world. 'In this respect it is an exception in an industry that is still strongly nationally based' (Cohen *et al.*, 1995 : 6).

7.6.3 Accountancy firms

The accountancy sector is undergoing a number of trends, such as concentration, internationalisation, and diversification. The expansion of office networks of accountancy firms in the UK and world-wide has been associated with four factors (Daniels, 1991d). Firstly, to protect and enhance the growing markets; secondly, to identify and exploit new opportunities; thirdly, to service the explosion of producer services work; and fourthly, due to the lucrative fees that can be earned from small firms. For many accountancy firms the growth in size has been dramatic. In 1950 Coopers and Lybrand employed 1,000 people in 30 offices around the world. Some 30 years later this number has reached 21,500 people in 352 offices (Daniels, 1991d).

Within the UK, the accountancy market is dominated by six firms : Arthur Andersen, Coopers and Lybrand, Price Waterhouse, Ernst and Young, KPMG and Touche & Deloitte (*table 7.13*). One characteristic of the accountancy sector which distinguishes it from the law sector is the considerable changes in corporate structures that have occurred over the last ten years. Like executive recruitment firms, the accountancy sector has been involved in a series of take-overs and mergers. In 1987 Peat Marwick Mitchell merged with the Dutch firm Klynweld Main Goerdeler. Two years later Ernst and Whinney merged with Arthur Young to form Ernst and Young. In 1990 Deloitte Haskins & Sells merged with the accountants Touche Ross, which had previously merged with Japanese firm Tohmatsu. The UK partners of Deloitte originally choose not to join Touche Ross, preferring to establish an alliance with Coopers and Lybrand, until this summer when they voted to rejoin their Deloitte colleagues in the worldwide Touche Deloitte organisation. To complete the series of mergers and acquisitions, Arthur Andersen joined the bandwagon and bought out the medium-sized UK firm Binder Hamlyn in 1994, thereby strengthening its audit practices. Until then, Andersen's revenues had been largely reliant on fees from tax and other consultancy services (*table 7.14*).

Collectively the fee income of the top six firms in the UK is in excess of £2.5 billion (Cohen *et al.*, 1995). Like law firms there has been considerable growth in fee earnings during the last 15 years (*table 7.15*). Although, the size of revenues amongst the leading firms is considerably higher than other business service firms, for example the leading five executive search firms total approximately £55 million. One of the reasons why revenues of accountancy firms are much higher than other business services like law, executive selection and executive search firms is that these firms are more than just accountancy firms. Increasingly such accountancy firms undertake legal and recruitment services themselves. Arthur Andersen is one of the world's leading professional services firm. Originally it developed as an accountancy firm, but today it has diversified considerably, and offers many other business services to its clients. It has seen its fee income grow more than ten times in ten years (*table 7.15*). One of the reasons for this growth has been the development of new areas of business. In common with executive recruitment and law firms, accountancy firms have sought to diversify into mergers and acquisitions, tax and insolvency activities and even executive recruitment services (*section 4.4*). *Figure 7.8* outlines the structure and profile of Arthur Andersen to give a small insight of one of the leading international producer services firms.

TABLE 7.13 : LEADING ACCOUNTANCY FIRMS IN THE UK (1993)

	Fees (£m)	UK Professionals
'Big Six' ⁵	2,554.1	29,601
Leading 2nd Tier ⁵	510.8	8,364
Total leading firms	3,064.9	37,965

Source : Cohen *et al.* (1995)**TABLE 7.14 : SOURCES OF INCOME AMONG THE 'BIG SIX' IN THE UK (£ MILLION)**

Firm	Audit		Insolvency		Tax		Management Advisory	
	1987	1993	1987	1993	1987	1993	1987	1993
C & L ⁶	134	237	25	73	48	119	122	124
KPMG ⁶	135	196	12	58	35	103	25	75
E & Y ⁶	113	177	16	38	45	109	15	66
AA ⁶	34	82	5	25	23	63	30	218
PW ⁶	73	153	7	41	30	105	30	87
TR ⁶	53	162	6	43	19	85	16	58
Total	542	1,007	71	278	199	582	238	628

Source : Cohen *et al.* (1995)**TABLE 7.15 : LEADING ACCOUNTING FIRMS IN THE UK - FEE INCOME (£ MILLION)**

Year	C&L ⁶	KPMG ⁶	E&Y ⁶	AA ⁶	PW ⁶	TR ⁶	Total
1982	103	57	87	30	50	43	370
1986	219	114	158	67	109	77	744
1990	531	338	395	194	300	262	2,020
1993	553	391	491	389	386	346	2,554

Source : Cohen *et al.* (1995)⁵ 'Big Six' : See text for definition.⁵ 'Leading 2nd Tier' : Grant Thornton, Pannell Kerr Forster, Moores Dowland, Stoy Hayward, Kidsons Impey and BDO Binder Hamlyn⁶ C&L : Coopers & Lybrand. Pre-merger the figures are the sum of Deloitte Haskins & Sells' and Coopers' data

KPMG : KPMG Peat Marwick. Before 1987 data refers to Peat Marwick Mitchell

E & Y : Ernst & Young. Figures pre-merger are the sum of Arthur Young's and Ernst & Whinney's data.

AA : Arthur Andersen

PW : Price Waterhouse

TR : Touche Ross

**FIGURE 7.5 : ANDERSEN WORLDWIDE -
A PROFILE OF AN INTERNATIONAL PRODUCER SERVICES FIRM**

Andersen Worldwide is one of the leading international producer service firms. Originally, it developed as an accountancy firm in 1913 but it has subsequently grown and diversified offering a variety of complementary business services to its clients. Its UK net revenues for the year to 31 August 1996 was in excess of £620 million making it the largest accountancy and consulting firm in the UK.

KEY FACTS :

ANDERSEN WORLDWIDE

- \$9.5 billion revenues (17% on 1994-95)
- 91,600 employees
- 358 offices
- 76 countries

ANDERSEN IN THE UK

- Arthur Andersen net fee income £295 million (15%)
 - Audit £145 million
 - Tax £112 million
- Andersen Consulting net fee income £310 million
- Garrett & Co. and Dorman Jeffrey & Co (associate law firms) : net fee income £14.9 million

Like other organisations, Andersens are keen to develop niches in the market. In recent years it has set up a number of practices in areas not traditionally associated with its accountancy origins. They include :-

- ◆ Project finance - assistance to companies who are seeking UK and European development grants and loans.
- ◆ Automation for tax returns and tax software development.
- ◆ Corporate treasury services - looking at companies business objectives and market strategies, and assessment of client's information requirements.
- ◆ Human capital services - development reward strategies and advisory work on remuneration of staff, particularly senior executives and directors pay.

Sources : FT (31-10-96); Andersen Corporate Literature (1996)

7.6.4 SBC Warburg - A case study

In this section, I provide a case study of SBC Warburg. It has implemented a series of important HR policies in the face of corporate restructuring. If the SBC example were to be followed throughout the City, then there would be a number of important implications for consultancies, candidates and the labour market in general.

SBC has encouraged the HR department of its European investment banking headquarters in London to be at the forefront of business strategy by co-ordinating business objectives and undertaking massive resourcing of core areas and then training the key staff. This next section, focusing on the SBC experience, is based on my observation of the firm over three years. Firstly, when I was interviewed on three occasions for a graduate position in the summer 1993; secondly, when I conducted a case study interview with a HR manager in April, 1995 and; finally, when I attended a seminar paper given by the Head of Human Resources, Peter Cole, in 1994 at the *Winning People* Conference.

From its origins as a leading Swiss investment bank and asset manager, SBC has developed as an international investment bank recognised, particularly, for its expertise in financial structuring and risk management. In the last seven years (1989-1996), the investment banking element of the group has undergone a massive process of cultural development. The acquisition of O'Connor Associates in 1990, the Chicago-based derivatives house, completed two years later, had the most dramatic effect on culture in HR terms. American institutions, compared to their European counterparts, are more aggressive. This gave SBC the maverick style, traditionally associated with US securities houses.

The most recent chapter in the development of a global investment bank was the surprise merger with the UK merchant bank S G Warburg in July 1995. SGW had been dominant in the UK equity and corporate finance market and, in recent years, had begun to make inroads into the Continental-Europe to complement its existing strong positions in North America. From the outset critics suggested that the two were so dissimilar that creating synergy would be impossible. Were the two ill-matched? SGW's place as the premier investment bank in the UK was built on the basis of conservatism, tradition and reputation. By contrast, SBC was renowned for its more racy, meritocratic management style and wide ranging product innovation.

The approach adopted in developing a winning culture has seen the introduction of new ideas and approaches. Perhaps one of the most vivid is the adoption of a casual dress code, designed to promote a relaxed atmosphere. One of the more 'serious' approaches has been the new emphasis placed on education and knowledge accumulation. SBC annually recruits large numbers of Ph.D. students - or 'rocket scientists' - who join risk management and derivatives teams on the trading floors. The company seeks graduates with specialist skills and analytically focused minds. Peter Cole is adamant that quantitative approaches should be fully embraced within the investment banking sector (Cole, 1994). Since July, 1995 SBC Warburg has introduced a new scheme to promote younger key employees in the junior layers of management to the top executive committee at a very early age. In addition, people are encouraged to change jobs on average every 18 months, so that they gain exposure to more departments (Michael Page, 1995).

Cole (1994) suggests that HR has a new mandate to contribute to business performance, enhance productivity and to manage culture. He argues that by following HR goals, he can achieve the business objectives of profitability, productivity, management and client-focus. It is 'all about going beyond the boundariesas conventional solutions are inappropriate' (ibid.). The consequences of this approach, which is still in its infant stages, brings about radical changes for the client and the employee. The new investment bank of over 10,000 employees in more than 40 countries around the world is now structured functionally into five principal businesses corporate finance, equities, rates, foreign exchange and global institutional asset management. These practice groups give the company added flexibility within core areas to offer the client a managed 24-hour service. The objective at SBC Warburg is to provide a value added service to clients, internal and external. To this end, the product control team works closely with the traders, minimising the process work and increasing the level of support to the trading floor. The merger did bring about a spate of redundancies and disposals in key areas, where there was overlap or which did not fit in with the new core businesses of the firm. Staff were laid off in the fixed interest and derivatives sections due to the overlap in the two companies (*The Times*, 1995). The SG Warburg international leasing division, once a flagship advisory business, was sold off to its market rivals Kleinwort Benson for an undisclosed sum, probably around £500 million, as it did not really fit in with the new core banking sectors of the merged company. Many of those individuals remaining received 'golden handcuffs' - a £60 million deferred payment designed to secure loyalty.

What are the potential consequences, though, for the employees and also in terms of the usage of search companies? SBC recognise the new approach will result in movement between functional areas, for instance, between foreign exchange and corporate finance, as well as geographically. In the longer term, the investment in education of its work-force and the strategy of multi-skilling staff in different environment must reduce their company's reliance on the external labour market (provided that staff do not leave and there is no rapid expansion into a new product area where there are staff without proven expertise). If so, the use of executive recruitment consultancies is likely to reduce, as SBC has created the necessary internal resourcing mechanisms to develop staff skills. In the short term though, as new product teams are assembled and as the firm consolidates, it *will* need to rely on the external labour market. In this respect, SBC has been and continues to use executive recruitment consultancies⁷. During May 1995, SBC was again in the market for new staff, recruiting both corporate brokers and institutional investment relations personnel - it had a series of advertisements in the *Financial Times*. It used a number of different consultancies, selecting each for its suitability for a given position. Due to its functional structure and decentralised HR system, selection of consultancies will varied, unless there is a group-wide policy to use retained consultancies.

If all City institutions were to develop similar cultures and strategies, then the consequences on the labour market would be emphatic. There would be an increase in personnel moving within a company, but between offices, for instance, New York to London and between disciplines, for example, from equities to asset management. There might also be a short-term increase in the fee income of the City's leading financial search consultants. In the long term, the use of consultancies could diminish, if client companies develop the internal resourcing mechanisms for fulfil their staffing needs. Where companies do find the need to use search and selection consultancies, they will select a consultancy which can do that particular assignment best of all. The trends towards customisation and the increased level of competition are likely to give specialist consultancies the advantage over generalists, when bidding for contracts.

⁷ There are parallels with another investment bank. Deutsche Bank's investment banking operation, DMG, is currently being restructured into practice groups, following the take-over of Morgan Grenfell. Following its decision to centre and expand its investment banking operations in London, it too has turned to search consultancies to find key staff. Norman Broadbent have largely been responsible for recruiting an additional 100 staff in London during the last year.

7.6.5 Concluding remarks

In *section 7.5*, I indicated some of the potential implications of the usage of executive recruitment consultancies on the individual, the company and the labour market. In terms of the individual and company, I outlined the general positive effect that search consultancy has brought to business. Executive search (and also to a lesser extent executive selection) has provided better calibre candidates, improved the career avenues and options for individuals, and most importantly provided companies with a more objective and meritocratic system of recruitment compared to the old-boy network, so that good candidates are noted, approached and rewarded. As one headhunter put it, executive search has provided a 'healthy movement around the economy. [It is in many respects] the oil on the wheel' (*SG E*).

In the labour market the consequences are more mixed. I suggested that the use of executive search, in particular, by implication must distort the workings of a perfect market mechanism as it denies full interaction between the demander of labour and the supplier. It does appear to be a connection between those sectors where headhunting operates more of the time and in the sectors which have the highest and volatile remuneration levels. As I suggest it is difficult to quantify this due to the lack of appropriate information. In the City, foreign banks, retail banks and insurance brokers view executive recruitment consultancies as a 'last port of call', preferring to use other recruitment methods including employment agencies. By contrast, the human resource departments of investment banks (IB and IS) were the largest users of both executive search and selection.

In addition to points outlined above, there is another important conclusion to draw from the analysis in *section 2.6*. Each of the last three chapters has provided evidence of growth in executive recruitment consultancies, whether measured by numbers of firms, numbers assignments concerned and levels of revenues of revenue. Such growth is consistent with the notion of the social division of labour, suggesting that more and more companies are externalising recruitment services. In addition, it is apparent that this externalisation of recruitment activities in the UK is common amongst other business service activities, for example, law and accountancy firm (*sections 7.6.2 and 7.6.3*). Furthermore, such organisations are experiencing similar trends, notably growth in fee revenues, diversification into non-core activities, and organisational change - mergers and acquisitions amongst accountancy firms and development of joint practices among law firms.

8. CONCLUSION

8.1 Summary

8.1.1 Research findings

The primary objective of the thesis was to explore the role of executive search and executive selection within the global economy (*chapter 1*). Therefore, I have sought in this thesis to develop a better understanding of the nature of the executive recruitment industry. In particular, I have focused on the role of executive search and executive selection within the financial services sector and indicated how these 'gatekeeper' professions are responsible for the movement of executives within the labour markets of global cities. In *chapter 1* I identified four research questions (see *figure 1.1*). Firstly, to what extent has there been growth in the usage of search and selection for professional and managerial staff? Secondly, what are the significance of search and selection as mechanisms for the recruitment of executives. Thirdly, what is the relationship between executive search and selection and global cities and to what extent are global cities important locations for executive search and selection? Fourthly, to what extent has location of executive search and selection offices been influenced by the demand and supply of labour?

Clearly, there has been growth in the usage of executive search and selection for managers and executives. The case study of client companies indicated that companies were using executive recruitment consultancy more often than in the past (*table 7.7*). In addition, the sheer growth both in the numbers of firms and levels of revenues suggests there has been a trend towards externalisation of executive recruitment activities from organisations to consultants. As I outlined in *chapters 2* (specifically *section 2.2*) and *7* (*section 7.6*), the rise of business services is partly an outcome of the social division of labour. The case-study of clients also revealed that the usage of executive recruitment consultancies differed depending on the client (see *section 8.2*). Investment banks were identified as the key users of executive search and selection, whereas retail banks relied more heavily upon internal recruitment mechanisms (I wish to discuss this further in the next section). The office location of executive search and selection companies has been extensively covered in the thesis (notably in *chapters 5* and *6*) and I include the findings on this matter below.

8.1.2 Main themes

In summary, I wish to identify five themes from the thesis. Firstly, there has been an exploration of the structure, growth and development of the executive recruitment industry. The industry is comprised of two key elements, executive search and executive selection, the latter being worth between \$3-4 billion globally. Executive search and executive selection *are* important mechanisms for the recruitment of professional and managerial staff in the labour market both in the UK and world-wide. In spite of the recession and corporate downsizing, the executive recruitment market (especially executive search) continues to grow in size. Some executive search companies have joined affiliate organisations to strengthen their global credentials, whereas others have expanded office networks independently.

The second issue running through the thesis has been assessment of the way in which organisations use executive recruitment consultancy. The City case study confirmed the hypothesis that financial services is a key client sector for the executive recruitment industry. However, the relationship between consultant and the City varies between financial companies. Retail banks, insurance brokers and some foreign banks use executive recruitment consultancies infrequently and very much as a 'matter of last resort'. These organisations prefer to use agencies, promote internally or advertise themselves. By contrast, investment banks are the largest users of executive search and selection in the financial services sector. Some investment banks, for example, Deutsche Morgan Grenfell, use executive search companies for over 100 assignments per annum, in conjunction with their restructuring plans.

A third theme has been the investigation of the impact of the executive search and selection profession. Based on evidence from consultants and clients, the growing use of executive recruitment consultancy appears to have a largely positive impact on the marketplace. The reliance on executive recruitment consultancy by companies has increased the calibre of candidates and offered firms a more objective and meritocratic system of recruitment compared to traditional methods such as the old-boy network. Executive search has also increased the career opportunities of individuals, loosening many people's career log-jams (McKinnon, 1982 : 77). In terms of the labour market, it has not been possible to fully quantify the extent of the impact of executive search (and to a lesser extent selection) on salaries. However, in those jobs for which search is typically the preferred option of recruitment, the fluctuations in the levels of pay are highest. Clearly, there is a need for further research on this matter (See *section 8.4*).

Fourthly, I have illustrated throughout the thesis a number of trends within the industry, particularly relating to the relationship between consultancies and clients. The relationship between the two groups is becoming more customised with the number of industry-specific search and selection companies increasing. Executive search operates *most often* within the executive recruitment marketplace. On average search firms place candidates with first-year remuneration levels in excess of £75,000. However, the customisation of the recruitment sector is leading to more hybrid recruitment firms operating in sectors that were typically the domain of executive search companies. Therefore, there has been a gradual demise in the demarcation of the recruitment hierarchy. It is evident in the City that hybrid recruitment firms have the capability to conduct executive assignments, although it is unclear how often such assignments are conducted.

Fifthly, I have examined the spatial pattern of recruitment firms. London and other global cities are important locations for executive recruitment consultancies. By locating in global cities executive recruitment organisations can experience economies of scope, accessing both domestic and international markets. Locating in such cities also allows recruitment organisations to experience a variety of advantages, for example, proximity to the head offices of client organisations, market presence and face-to-face contact. Occasionally consultancies locate in global cities either as part of a defensive policy to prevent rivals poaching clients or as a reaction to the locational decisions of other recruitment firms. For executive search companies there is a greater emphasis on urbanisation economies due to the reliance on information exchange. By contrast, hybrid recruitment firms are more influenced by location economies. I have also indicated that the concentration of recruitment firms in global cities creates an environment for product innovation, due to competitive pressures and close interaction with client companies. In response to client pressures, companies are offering a series of new services, for example, remuneration advice and management audit, as well as operating in 'non-conventional' sectors, for instance, non-executive directors.

8.2 Implications

In this section I outline some implications (or 'outcomes') of the research. Initially, I highlight what some of the findings mean for contemporary economic geography (8.2.1). In the second section (8.2.2) I focus on the potential policy implications for the business community and government.

8.2.1 Implications for contemporary economic geography

What are implications of my research for economic geography. By and large I have, like many research projects, attempted to extend the current level of understanding within the discipline, by adopting and developing ideas and concepts which have already been established within the literature. Perhaps initially it is worth remembering that the study of the recruitment sector has been largely ignored by geographers. Even in the last ten years when producer services and business services have become an important foci of research, executive search, executive selection and employment agencies have not been researched by geographers, with one of two exceptions (as noted in *chapter 1*). Hopefully, this thesis has illustrated the importance of this producer services sector within the global economy. The executive recruitment sector is a large business service and should have been studied before, just as accountancy, publishing and banking have been covered by geographers. In addition, the other compelling reason for studying the recruitment sector is the need to examine the extent to which executive recruitment consultancies shape and influence the structure of workforces of other organisations in global cities. There is still much to be learned about the interaction of executive recruitment consultancies, global cities and the labour market (see *section 8.4*), but at least there is a recognition within contemporary economic geography of the role of these consultants (cf. Boyle *et al.*, forthcoming; Beaverstock, 1990a).

I have illustrated that global cities are important locations for both executive recruitment firms (*chapters 5 and 6, section 8.1*) and other producer services like law and accountancy firms (*section 7.6*). (The importance of global cities as centres of financial and economic activity was not in question at the start of the thesis). In addition I have illustrated that global cities and financial centres create environments in which organisations can find niches in their respective industrial sectors (*section 5.4*). In this respect the research findings confirm what has already been theorised elsewhere in the literature by providing empirical evidence (Sassen, 1991).

In *chapter 2* I outlined how there have been suggestions that the processes in the labour market underpin a move towards a concentration of economic activity. As the social division of labour deepens under flexible specialisation, the centralisation tendency deepens (Scott, 1988). Two effects of flexibility which I identified in *chapter 2* were firstly, that it reduces the level of vertical integration and encourages externalisation so firms become more responsive, and; secondly, that flexibility further deepens the social division of labour with individual producers becoming locked into networks of external linkages, thereby heightening interdependence (Scott, 1988). The analysis of the thesis indicates that many companies, particular investments

banks, are becoming more reliant on consultancies for the provision of recruitment services. However, for some organisations recruitment services are not externalised. Therefore, one must be cautious when referring to the *advanced* social division of labour. The trend towards externalisation of non-core activities is not universal. Obviously, many organisations are seeking to streamline their organisational structures, so that they are less bureaucratic and more flexible, thereby reducing costs. However, some organisations have preferred to conduct recruitment services in-house. Retail banks were identified as one sector of the financial sector who were reluctant to sub-contract out recruitment appointments. For them, their sheer size allows them to have internal promotion mechanisms and career paths from which individuals can be selected for vacancies. In *chapter 2* I discussed those factors which tend to make organisations externalise services (Coffey and Bailey, 1991). Perhaps, the findings of this thesis have identified reasons why companies continue to rely on in-house services. factors : for example, low costs and economies of scope, defined hierarchical layers of management and a culture or tradition of 'doing things in-house'.

8.2.2 Implications for recruitment consultants, business community and government

Obviously from a research project of this size, it is difficult to list a series of policy implications. Nonetheless, a number of the conclusions within the thesis might have potential consequences for particular groups. Rather than make a series of policy suggestions, I therefore make the following observations.

The UK government's regulatory involvement in the executive recruitment industry over the last 30 years has been largely ineffective. The recent abolition of the requirement for companies to pay an annual fee is welcomed by consultants. The policy of licensing has neither prevented so-called 'cowboy outfits' nor guaranteed standards for clients. If there is to be effective regulation for the recruitment industry, then it must be provided by the companies themselves. Government should encourage trade associations and consultancies to offer professionally recognised training and education to staff. Consultants might form their own professional institute of search and selection consultancy, similar to those covering accountancy, tax, surveying and the legal professions. In the long term it is in consultancies' interests to ensure that individuals have suitable training and industry-recognised qualifications. This would allow consultants who acted disingenuously or unscrupulously to be stripped of their membership.

Whilst legislation still covers the practices of recruitment firms, the UK government must work with its partners in the EU to harmonise regulation. In spite of the introduction of a Single European Market allowing free mobility of labour and capital, cross-national differences in the legislation governing executive recruitment consultancies both hamper the free mobility and cause confusion for consultancies and clients alike. If harmonisation of legislation is not achieved, it is questionable whether consultancies can operate freely across Europe in the forthcoming years.

For search and selection consultancies I make the following observations about the future nature of the profession. Consultancies must recognise that clients favour recruitment firms that are either small specialists or large international search firms. Small specialists seem to offer a customised service, being flexible on off-limits and fees and conducting assignments in 'non-conventional areas'. International search companies can offer clients access to a large network of expert consultants centred around the world. Those organisations that are unable to offer the client an international or specialist dimension seem destined to struggle in the future.

It is likely that there will be an even larger number of companies using search and selection consultancies in the future than at present as the social division of labour depends. In *chapter 2* I indicated a series of scenarios for the personnel/HR profession, if organisations continue to subcontract out recruitment assignments (Clark and Mabey, 1994). Rather than the predicted demise for the HR/personnel profession, financial services firms using executive recruitment consultancies seem to develop stronger HR operations, with strategic roles for resourcing the companies' various business areas. Those that do not externalise recruitment assignments are likely to suffer competitively, as their existing recruitment methods will not attract the *best* personnel. However, those organisations that do use search and selection consultancies must be prepared to allow the consultancy to 'get close to them'. For a search or selection consultant to understand the client's requirements, the company must share information with the consultant, and allow the consultant to be an 'extension of [its] own HR recruitment activity' (*IB H*).

8.3 Improvements and reflections

Like all research projects, it is always possible to cite a number of areas in which there could have been revisions or amendments to the way in which the research was conducted. Therefore, in this section I indicate some potential criticisms of the methodology and analysis, as well as alternative areas that might have been incorporated within the thesis. However, I do not wish to

give the impression that the thesis contains numerous flaws and could have been substantially improved. This is *not* the case, and with exceptions listed below, I would carry out the fieldwork in the exactly the same way, if I were to undertake the research again.

8.3.1 Methodology

Although I suggested in *chapter 3* that I had selected a balance of qualitative and quantitative techniques, more qualitative techniques might have been tested in a pilot to see if their use produced suitable results. For example, it might have been possible to conduct a pilot focus group to see if problems, of the nature discussed in *chapter 3*, did in fact materialise. If such a pilot had proved successful, focus groups could have then been conducted in the main case studies, possibly after the initial semi-structured meetings and involving participants who had shown a willingness to co-operate. Such meetings might have discussed the views and opinions of HR directors in financial service companies, consultants and also representative from trade associations. In addition, a similar session might have been organised for employees of financial service companies to discuss how (if at all) executive recruitment consultancy had affected their careers. Nevertheless, considering the suitability of the respective techniques, as well as time and cost constraints, I feel the most appropriate qualitative and quantitative techniques have been used. It might equally have been interesting to explore the experiences of those that are targeted by or respond to advertisements by executive search and selection firms. Initially, I considered conducting a case study on individuals in the City of London to examine how (if at all) their careers had been affected by the actions of executive recruitment consultancies. Whilst such an approach might have provided revealing information, issues of accessibility and confidentiality made it impractical.

In terms of the way I carried out interviews, I felt some meetings may have been better conducted. Although I conducted extensive pilot studies to familiarise myself with the various techniques, I still found myself occasionally struggling to assert my direction in early interviews. Several of these initial interviews were with well-known consultants and, as a consequence, the quality of material from these individuals was not as good as later interviews. With hindsight I might have conducted these sessions after completing more interviews. Another criticism about methodology concerns the interview schedule, particularly for the City headhunters case study. The schedule for the interviews was extremely full, with *at least* two interviews daily over a six-week period. As a consequence I did not have the chance to fully digest each transcript, follow up any interesting issues and amend the interview sheet for the next interviews. The final methodological issue concerns the transcription of the interviews. I

have already outlined the reasons why I chose not to record the interviews. As consequence of my note-taking, I was inevitably selective in the information that I recorded.

A more general point concerns the accuracy of some of the data. It was always going to be problematic to obtain 'accurate' information from business people in a competitive business environment. I have already commented on the lack of information disseminating from consultancies and the problems of exaggeration by business people. Due to the lack of sources, I was heavily reliant on a few publications to supplement my own primary data. Of these secondary publications, there might be questions about the impartiality of the data from the Economist Intelligence Unit (Garrison Jenn, 1993; 1994; 1995; Watson *et al.*, 1990). One has to question the objectivity of any publication that purports to present a definitive account of the leading companies, when it carries a series of advertisements by particular headhunters. Having said that considering my own positionality and objectivity, I have probably been 'too close' to the profession, building up relationships with consultants and HR directors. However, as I have argued (*chapter 3*), I felt that this relationship was critical for access to consultancies.

8.3.2 Research focus

Another limitation could be that the thesis attempts to cover a large amount of material. As such confusion over terminology and research focus might have arisen. Is recruitment consultancy synonymous with executive selection, and hybrid recruitment firm with employment agency? Where possible, I have focused on all aspects of the executive recruitment industry. However, I have perhaps stressed executive search at the expense of executive selection. This was not intended at the outset, but due to there being more data and information available on the search profession.

Within the client case study there was a higher response rate amongst investment banks than other areas. As a consequence, other sectors such as retail banking, insurance broking and foreign banks were under-represented. Within the thesis, more commentary could have been made about those organisations, particularly retail banking and insurance broking operations, which did not participate because they did not use consultancies very much.

I have also made little comment about issues of gender, race, ageism and other such issues which figure prominently within contemporary human geography research. The omission of these and other issues was not meant to denigrate their importance. However, I felt that the discussion of these issues would broaden the scope of the thesis, thereby detracting attention

from the primary research objectives. In addition, my unfamiliarity with relevant literatures meant I was not comfortable about tackling the importance of these themes within the context of the research. Where appropriate, I have though discussed some issues, for example, female representation in the executive recruitment firms (*chapter 4*). Clearly, I might have looked at, for example, whether the search process has improved employment prospects for 'marginalised' groups, such as women and ethnic minorities or, whether recruitment firms enable clients to side-step responsibilities for equal opportunities?

8.3.3 Reflections from the research

After a period of research lasting just under three years, it is likely that one's perception of things will change from those at the outset of the project. When I started my research back in October 1993, I had some understanding of the recruitment sector from personal contact. I was broadly aware of the different types of firms within the sector and understood the way in which assignments were conducted. My understanding of the logistics and mechanics of the industry, as well as my knowledge of the profession, has obviously improved during the research period. At the outset of the research I really did not understand how activities changed from day to day. The pace of change in the commercial world is such that people leave jobs daily, companies are involved in mergers or take-over bids, and organisation are always developing new products and services in response to competitive pressures. All these changes encourage companies to recruit personnel and possibly use the services of consultants. One unfortunate aspect of this rapid change is that the thesis can only be regarded as a definitive account of the activities of executive recruitment consultancies at a given time - developments in the market swiftly superseded those events which had just been observed and written about. In the banking world there were a variety of 'developments' during the fieldwork phase of my research, notably the collapse of Barings Bank the day after I sent a letter inviting the HR director to meet me to discuss recruitment. Within the executive recruitment sector new firms have set up since the fieldwork was undertaken, other firms have folded, and some organisations have had leading consultants breaking away to start new companies. Indeed, in the summer of 1996 it emerged that Miles Broadbent, chief executive of one the leading executive search companies, was leaving Norman Broadbent to set up a new firm called Miles Partnership. This followed the departure, some months earlier, of another founding director, Julian Sainty, to establish a 'boutique' specialising in the headhunt of financial services staff.

In addition I really did not appreciate the size and complexity of the industry. The sheer number of companies offering executive recruitment services actually surprised me, and meant

the actual sampling framework of executive search and selection firms was much higher than anticipated. As consequence, I probably conducted more interviews than I had initially planned. Perhaps, due to the dynamism and complexity of the business I became extremely interested and fascinated with the industry, such that I wanted to find out as much as possible about it. As a consequence, I believe I have been able to complete a thorough analysis of executive recruitment consultancy in global cities and, hopefully, without at any time sacrificing objectivity and rigidity of social science research.

8.4 Future Research

Some of the following suggestions for further research were ideas originally intended to be included in the research project. However, the majority have emerged in the last 30 or so months as potential research themes during fieldwork. Potentially, there are many research areas in which search and selection could be further applied within both geography and social sciences. However, I now outline five areas in particular.

The first area of future research is a fuller examination of the structure and growth of the recruitment industry in the UK and world-wide. Accounts so far have been too piecemeal, concentrating on the executive search sector as opposed to the other key elements, executive selection, recruitment advertising and employment agency. Although some aspects of these professions have been covered elsewhere (Abbot and Clark, 1991), the data is largely out of date. Analysis of executive selection is especially needed as this sector has grown rapidly and its importance is neglected. Future research might address the various mediums that are used for advertising executive and non-executive vacancies. Executive selection consultancies are increasingly using new methods for detailing vacancies in client organisations, for example on the Internet, local radio and free give-away magazines (*Nine-to-Five*, *Ms. London*, *Midweek*) at railway stations. Several agencies and search and selection consultancies, for example, Paul Ray Berndtson, Boyden and Amrop Whitehead, have set up world-wide-web sites and are using these to advertise current job openings. It would interesting to explore whether such mechanisms increase the number of potential candidates applying.

Although I have focused on the financial services sector, there are many other industrial (and occupational) sectors that use executive search and selection. Future research might concentrate on the use of executive search and executive selection for the appointment of directors and senior executives in the recently privatised utilities or in the public sector, for example, in higher education, health trusts and quangos. There has been much recent public and political

concern at the level of pay increases and bonuses of individuals in the water, gas and electricity industry. To what extent have executive recruitment consultants been involved in the changing the structure of the companies' boardrooms and negotiating directors' contracts and are, therefore, partly to blame for the inflated salaries of the so-called 'fat-cat' directors?

As well as researching other sectors of the recruitment profession, a second area of future research might involve an examination of other organisations responsible for labour market flows. In *figure 8.1* I indicate two such 'gatekeepers' - outplacement consultancies and careers advisory centres. Outplacement¹, or career counselling, is frequently provided by organisations when making staff redundant. Clearly, the outplacement consultant is an important actor shaping the future career aspirations of individuals. It is important to assess to what extent consultants in this profession influence the mobility and direction of labour supply. Which industrial sectors use their services most, and does outplacement affect mobility and increase job prospects for those unemployed? Although outplacement consultants generally advise individuals *within* the labour market, it is possible that 'inactive' individuals might seek advice as well (*figure 8.1*).

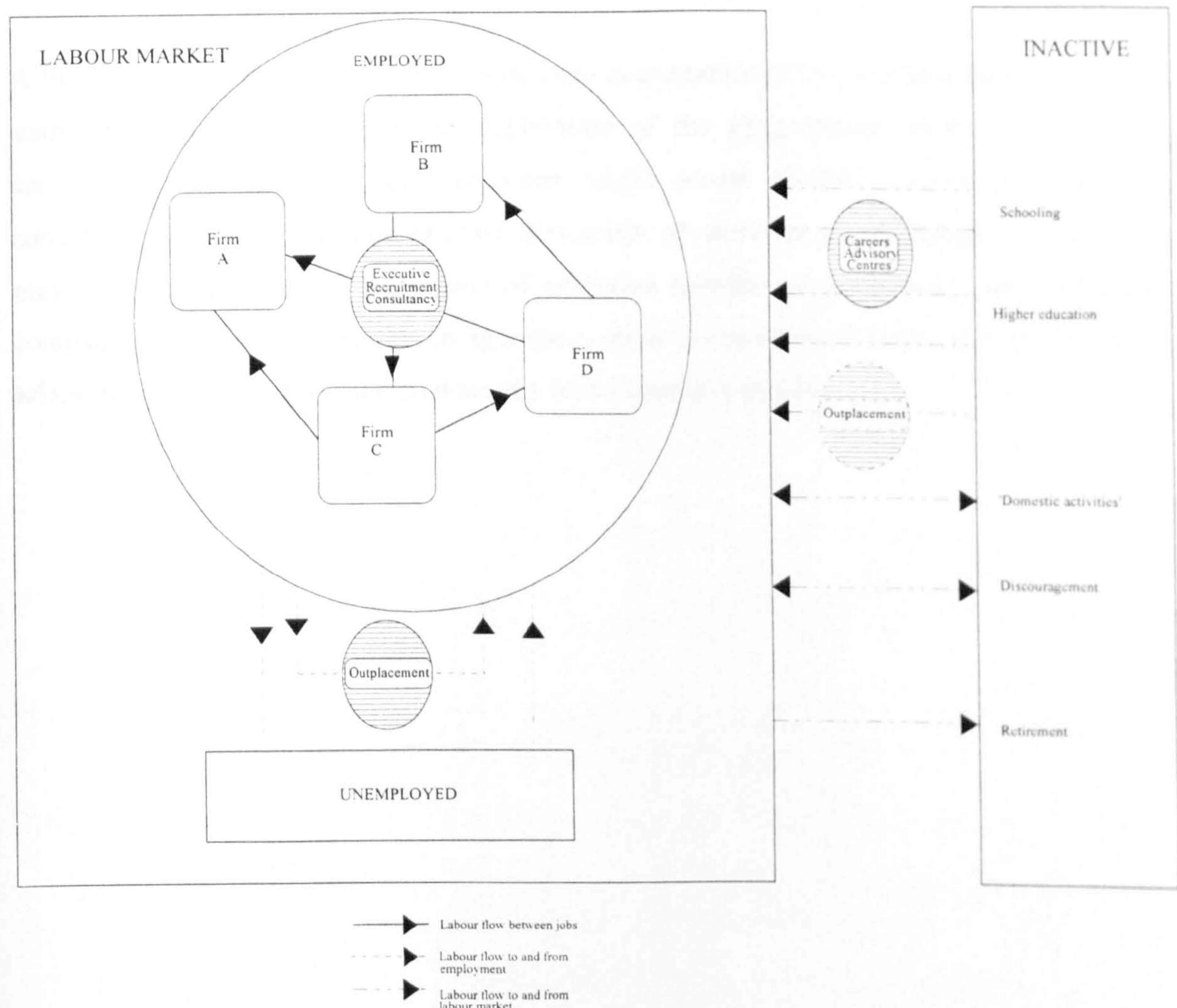
Careers advice can also be critical in deciding the labour market direction of both school-children and University students. For instance, careers officers (as well as parents and teachers) might encourage schoolchildren to 'stay-on' in education, thereby deferring entry into the labour market. Alternatively careers advisors may highlight opportunities and vacancies which have not previously been identified by students and school-children alike. Therefore, both outplacement consultancy and careers advisory centres are two influential labour market gatekeepers worthy of closer scrutiny.

In *chapter 2*, I outlined how Beaverstock (1996b) attempts to use the model of the 'flexible firm' as a framework for analysing the migration of skilled managers and professionals. Beaverstock's (1996b) most recent work has gone some way to incorporate the 'flexible firm' model within geography, by using it as a framework for looking at international migration. By recognising that 'migration of skilled could occur within the different groups of a firm's international flexible labour market' (*ibid.*), the core part of the flexible firm model might represent the principal form of senior professional and managerial staff around the space economy.

¹ Outplacement is a fee-based consultancy service which helps people review their skills, resources and objectives, while developing know-how in self-marketing their way to a new job or career.

This is an exciting development and illustrates the potential for economic geographers to incorporate labour market models as a means for understanding more about the international labour market of managers and professionals. However, further empirical work is needed to explore the relationship between occupational groups, migration and flexibility.

FIGURE 8.1 : FUTURE RESEARCH - 'KEY GATEKEEPERS' AND LABOUR MARKET FLOWS



Source : Based on labour flow models in Mallier and Shafto (1989) and Joll *et al.* (1983)

A more detailed assessment of the geography of the executive recruitment industry is a third possible research area. This thesis has primarily focused on firms located in the City. Clearly, there is a case for the exploring the regional structure of the recruitment industry, by focusing on cities like Manchester, Birmingham, Edinburgh and Bristol. Each has a strong financial services sector and it might be possible to conduct a comparative case-study of the usage of executive recruitment consultancy by financial services companies.

A fourth area of further research might be an exploration of the process of *customisation* within producer service firms. The executive recruitment industry is responding to customisation with consultancies offering new services. A comparative study of other producer services, for example, retail banking, accountancy, advertising, publishing might investigate similar patterns of specialisation. In particular, research might explore whether other service industries exhibit spatial clustering, thereby creating environments for product innovation.

A fifth area of further research is a more detailed examination of the consequences of executive search and executive selection. An exploration of the geographical movement of placed candidates (through search and selection) might reveal whether executive recruitment consultancies increase the international dimension of work-forces. Although I draw some preliminary conclusions on the impact of executive recruitment consultancy on individuals, companies and the labour market in aggregate, there is considerable scope to further analyse salary movements in other industrial sectors than financial services.

GLOSSARY

ASSIGNMENT	Term normally used to describe the recruitment process starting from the time the <i>client</i> offers the job to a consultancy to the actual appointment of a <i>candidate</i> (see <i>placement</i>).
AFFILIATIONS	Agreements between separate search and selection companies to work together and refer <i>clients</i> to each other. Such affiliations are usually part of a network of individual companies.
BIG BANG	The deregulation of the London stock market back in October, 1986, heralded a busy time for the headhunter, as financial firms sought new staff to man transaction desks.
BIG FIVE, the	The leading US firms, Russell Reynolds, Spencer Stuart, Heidrick and Struggles and Korn/Ferry, as well as the Swiss-based Egon Zehnder, who rank as the leading search consultancies world-wide.
BILLINGS	US term to denote fee income, that includes expenses.
BUSINESS CULTURE	The nature of a company in terms of its working environment, its attitudes to work and the kinds of people employed.
CANDIDATE	A prospective employee, who has applied for a position or has been approached by a <i>consultant</i> .
CITY, the	Reference to London's financial and commercial activities.
CLIENT	The company, firm or otherwise employing the services of a professional organisation such as a search consultancy.
COLD-CALLING	The initial call made by the <i>consultant</i> , or more often the <i>researcher</i> , to the <i>candidate</i> or informant who has not been contacted before.
CONSULTANT	The core staff in selection and search consultancies conducting <i>assignments</i> (see <i>headhunters</i>).
CROSS-BORDER ASSIGNMENT	An assignment which involves consultants in more than country (See <i>global search</i>).
DINOSAURS	Sometimes used to refer to the <i>Big Five</i> , suggesting that they are so large and unwieldy that they might face extinction at some time in the future.
EMPOWERMENT	Devolvement of tasks to other team members by the team leader (usually the manager) - though <i>giving up</i> authority (in one sense), the individual retains and remains <i>in</i> authority

EMPLOYMENT AGENCIES	Consultancies that use extensive computerised databases of individuals and offer a brokerage service by matching the career details of <i>candidates</i> to those of their <i>clients</i> .
EXECUTIVE GRAPEVINE	The definitive commercial directory of recruitment consultants and headhunters (See Barrett, 1995).
EXECUTIVE RECRUITMENT CONSULTANCIES	A term used to denote <i>all</i> consultancies that offer <i>executive search</i> and/or <i>selection</i> to clients.
EXECUTIVE SEARCH	A more formal and professional way of referring to <i>headhunting</i> . It is the process of hunting for <i>candidates</i> without advertising, but through a system of research and dialogue with prospective candidates and contacts.
EXECUTIVE SELECTION	A consultancy places an advertisement and then draws up a <i>short-list</i> of respondents from which the <i>client</i> selects a <i>candidate</i> .
EXTERNALISATION	The process of subcontracting out various functions in the company's day-to-day business (<i>also known as balkanisation</i>).
FEE INCOME	The income which a selection or search firm receives from the client, excluding the expense element. Typically, this is made in three instalments.
GLOBAL SEARCH	Transactions conducted world-wide through a <i>headhunter's</i> complex <i>network</i> of branches (See <i>cross-border assignments</i>).
GLOBAL CITIES	Centres for the 'concentration and control of the world's active capital, serving as banking and financial centres, administrative headquarters, centres of ideological control' (LPAC, 1991 : 6). (See Sassen, 1991).
GRAPEVINE	The informal and unofficial communication channel through which information exchange takes place.
HEADHUNTERS	The popular term, now synonymous, with <i>consultants</i> in <i>executive search</i> firms. Whilst not universally approved by the industry, it has become more or less accepted elsewhere.
HEADHUNTING	Popular term used to refer to <i>executive search</i> .
HUMAN RESOURCE MANAGEMENT (HRM)	'HRM emphasises strategy and planning rather than problem-solving and mediation, so that employee co-operation is delivered by programmes of corporate culture, remuneration packaging, team-building and management development for core employees' (Torrington, 1989 : 61).
HYBRID RECRUITMENT FIRMS	Recruitment firms conducting a variety of recruitment services, such as executive search, selection, database agency work, file search.
IN-HOUSE RECRUITING	A company that decides to solve recruitment by not involving an agency but relying on the old-boy network, its own advertising or secondment.

KNOWLEDGE WORKERS	Core workers in the modern firm who are multi-skilled, highly educated and flexible (See Rajan, 1994).
LINE, the	Refers to the areas of a business contributing directly to the provision of goods or services, i.e. the production LINE. Those staff with responsibility in these areas are called LINE MANAGERS or DIRECTORS.
NON-EXECUTIVE DIRECTORS ('NEDs')	Independent board directors who advise and oversee the company's activities to respect the interests of employees and shareholder. Came to the fore after publication of the Cadbury report.
OFF LIMITS/NO TOUCH	An arrangement between <i>client</i> company and <i>search</i> consultancy, whereby the search firm is restricted from poaching staff from given geographical areas and/or functional areas within the client organisation, when working for another client.
OLD-BOY NETWORK	'A system of personal contacts, based on knowledge of people one has met at school, university, the services and in social gatherings; a very random and inexact way of finding candidates for positions which is declining in relative importance with the growing acceptability of headhunting' (Jones, 1989 : 264)
PERSONNEL MANAGEMENT	That part of a business traditionally associated with 'people services' - the recruitment of, training of and welfare of staff - though increasingly being replaced by human resource management, which sees PM as an integral part of achieving corporate strategy (<i>see HRM</i>).
PLACEMENTS	A successful <i>assignment</i> leads to the placement of a <i>candidate</i> into the <i>client</i> company.
POLITICAL HEADHUNTING	A practice where the <i>client</i> already has a preferred <i>candidate</i> and just wishes the <i>headhunter</i> to act as a middle-man and be seen to go through the process.
RECRUITMENT ADVERTISING	Sector of the recruitment industry, that offers response handling, and design and place advertisements for clients.
RESEARCHER	A member of staff in a <i>search</i> (and <i>selection</i>) firm, who undertakes research on <i>clients</i> and <i>candidates</i> .
REVENUE	The total income of the firm, comprised of <i>fees</i> and expenses.
SHORT LIST	The final list of <i>candidates</i> presented by the <i>consultant</i> to the <i>client</i> , all of whom have expressed an interest and in whom the <i>client</i> is (or likely) to be interested.
SQUARE MILE, the	The term synonymous with the 'Corporation of London', reflecting the geographical nature of the authority.

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APPENDICES

The appendix is divided into five parts:-

Appendix A contains material from the case study of executive recruitment consultancies in the City of London.

Appendix B contains material from the case study of clients in the City of London.

Appendix C contains material from the case study of executive search consultancies in New York.

Appendix D contains a list of other individuals and organisations who participated in the research.

Appendix E defines 'levels of management' as used in the client case study.

To reduce the size of the appendices, the formatting of some letters and schedules has been altered from the originals.

APPENDIX A : CITY CASE-STUDY**Appendix A.1**

«Name»
«Position»
«Company»
«Address1»
«Address2»
«City»
«Code»

26th September, 1994

Dear «title»

Survey of Executive Search & Selection Consultancies

I am currently undertaking a study of the nature and structure of the UK Executive Recruitment industry on behalf of the Economic and Social Research Council.

The objective of the research, which is part of my PhD. work within the Department of Geography at the University of Bristol, is to develop a better understanding of the way in which executive search and selection play an integral role in the labour market, particularly within the financial services sector.

An important element of this study is the coverage of recruitment consultant's own experiences, practices and expectations. Your co-operation would consequently form vital part of this work. Therefore I am writing to see if it would be possible to arrange to meet you, or one of your colleagues, some time during the month of November to discuss various aspects of the recruitment industry in London. I anticipate that the meeting would last about 30 - 45 minutes, and be informal in nature.

Can I offer, at this stage, an assurance that any meeting would be conducted in the strictest confidence. No individual or organisation would be identifiable in the final report, which shall represent information solely in terms of the industry as a whole. As an expression of my appreciation, I hope to send out a summary of the findings of the research to all the participating organisations.

I look forward to hearing from you.

Yours sincerely,

Neil A Cuthbertson
Graduate School, Dept. of Geography

Appendix A.2 : Executive recruitment firms who were involved in London case study

Company Name	Post code	Position of Interviewee(s)	Gender	Date of Interview
Executive Search				
Alexander Hughes - SES	W2X 1AG	Director	(M)	22nd November, 1994
Andrew Rait Ltd	SW7 3QA	Principal	(M)	n/a ²
Berry Wilson Associates Ltd	WIN 3AG	Principal	(M)	8th November, 1994
Boyden International	SW14 9AA	Chairman	(M)	17th November, 1994
Charles Paterson Search & Selection	W1R 1HE	Managing Director	(M)	15th November, 1994
Christopher Mill & Partners	WC2E 8AA	Consultant	(F)	2nd November, 1994
Clive & Stokes International	W1Y 7HD	Chief Executive	(M)	31st October, 1994
David Sheppard & Partners	SW1Y 6RL	Partner	(M)	29th November, 1994
Dixon Delves & Andrews	EC2V 6BA	Partner	(M)	14th November, 1994
Glenn Irvine International	W1Y 7PE	Principal	(M)	14th November, 1994
Goddard Kay Rogers & Associates	SW1Y 4JR	Senior Partner	(M)	28th November, 1994
Halsey Consulting Partnership Ltd	W1Y 1YA	Managing Director	(M)	23rd November, 1994
Hanson Green	W1Y 1WH	Partner	(M)	4th November, 1994
Heidrick & Struggles	W1V 9FN	Managing Partner (UK)	(M)	29th November, 1994
Irens & Co	W1H 9LA	Principal	(M)	3rd November, 1994 ⁴
Kearney AT Ltd		Partner	(M)	10th November, 1994
Korn/Ferry Carré/Orban International	W1R 5DA	Head of Research	(F)	n/a ³
Norman Broadbent International	W1Y 7PE	Partner	(M)	31st October, 1994
Odgers & Co Ltd	W1Y 7FL	Managing Director	(M)	30th November, 1994
Robin Russell & Partners Ltd	W1M 7AD	Managing Partner	(M)	7th November, 1994
Russell Reynolds	SW1Y 4HZ	Partner	(M)	25th November, 1994
Sabre International Search	W8 4HZ	Senior Partner	(M)	8th November, 1994 ⁴
September Group (UK) Ltd	W8 7QF	Managing Director - Europe	(M)	10th October, 1994 ⁴
Springman Tipper Campbell	SW1Y 6LY	Consultant	(F)	16th November, 1994
Stephen Raby Associates	WC1A 2QA	Managing Director Senior Consultant	(M) (F)	14th November, 1994
TASA International	SW1H 9DJ	Partner	(M)	22nd November, 1994
Thomas Cole Kinder	W1X 3FE	Partner	(M)	18th November, 1994
		Consultant	(M)	
Westminster Associates International	W1R 5NB	Consultant	(M)	1st November, 1994
Whitehead Mann	W1X 8BB	Partner	(M)	22nd November, 1994
Whitney Group	SW1E 1LB	Partner / MD	(M)	7th November, 1994
Wrightson Wood	SW1X 7DJ	Partner	(M)	August

Executive Selection				
MSL International UK Ltd	W1M 3JL	Senior Consultant	(M)	n/a ²
NB Selection Ltd	EC4R 9AY	Director	(M)	21st November, 1994
Whitney Selection	SW1E 1LB	Consultant / MD	(F)	7th November, 1994
Executive Search and Selection				
Alexander Mann Associates	WC1V 6HG	Director	(F)	11th November, 1994
Alderwick Peachell & Partners Ltd	WC1V 6QA	Divisional Manager	(F)	2nd November, 1994
Austin Knight (UK) Ltd	W1A 1DS	Managing Consultant	(M)	16th November, 1994
Chryssaphes Flammiger Associates	W6 8DW	Partner	(M)	1st November, 1994
Cedar International	WC1A 2LJ	Consultant	(M)	11th November, 1994
CJA	EC2M 5PP	Director	(M)	16th November, 1994
Coopers & Lybrand Exec Resourcing	WC2N 6NN	Consultant	(M)	28th November, 1994
Cripps Sears	WC2A 3LZ	Managing Director	(M)	4th November, 1994
Digby Morgan Consulting	SW1Y 4RP	Senior Consultant	(M)	28th November, 1994
Firth Ross Martin Associates	EC2M 7AX	Consultant	(M)	9th November, 1994
FLA Ltd	W1V 9LD	Principal	(F)	23rd November, 1994
Grant Thornton	W5 5DB	Consultant	(M)	11th November, 1994
Hoggett Bowers	EC4A 1DY	Senior Consultant	(M)	21st November, 1994
Kidsons Impey Search & Select Ltd	SW1Y 5LP	Director	(M)	n/a ²
KPMG Executive Search and Selection	EC4Y 8AE	Head of Executive Search	(M)	18th November, 1994
Michael Beer & Associates	EC1M 3JY	Managing Director	(M)	n/a ²
Michael Page City	WC2B 5LH	Director	(M)	8th November, 1994
		Consultant	(M)	
Morgan & Banks Plc	WC2E 7EN	Director	(M)	21st November, 1994
Nigel Hopkins & Associates	SW1Y 4RP	Principal	(M)	24th November, 1994
Phillips & Carpenter	W1X 3TB	Partner	(M)	30th November, 1994
RHB Management Services Ltd	WC2N 6ND	Senior Consultant	(M)	28th November, 1994
Sheffield-Haworth Ltd	EC4R 1AD	Senior Consultant	(M)	14th November, 1994
Simpson Crowden	W1Y 3HA	Deputy Managing Director	(F)	24th November, 1994
Hybrid Recruitment Firms¹				
Devonshire Executive Ltd	EC3V 9BY	Managing Director	(M)	n/a ²
Elizabeth Hunt & Wilson Ltd	EC2V 7HR		(M)	1st November, 1994
Executive Connections Ltd	WC1R 4AP	Manager	(M)	10th November, 1994
Fleet Partnership	EC1A 7AE	Consultant	(M)	15th November, 1994
Futures London	EC2M 5PP	Consultant	(M)	9th November, 1994

Gordon Brown & Associates Ltd	EC2M 5PP	Managing Consultant	(M)	n/a ²
Hillman Saunders	EC3A 3DH	Founder Director	(M)	3rd November, 1994
Humana International	WC1V 6HG	Managing Director	(M)	18th November, 1994
Insurance Recruitment Group		Chief Executive	(M)	4th November, 1994
Inter-Selection Insurance	EC3R 5BA	Jt. Managing Director	(M)	25th November, 1994
IPS Group Ltd		Director	(M)	17th November, 1994
Jonathan Wren & Co Ltd	EC2M 4TP	Director - Executive Recruitment	(M)	24th November, 1994
LJC Banking Appointments	EC2M 4JY	Manager	(M)	31st October, 1994
Michelangelo Associates	EC4Y 8BH	Head of Research Managing Director	(F)	3rd November, 1994
			(M)	
Probe Executive Search	WC2 4HS	Consultants	(M) (F) (M)	9th November, 1994
Shepherd Little & Associates Ltd	EC4N 8AD	Partner	(F)	10th November, 1994
Williams Wingfield Ltd	E1 7JF	Managing Director	(M)	30th November, 1994

Notes

1 : These firms operate across the occupational hierarchy and as a consequence offer a variety of recruitment services including executive search, database search, advertising selection.

2 : Participation through questionnaire

3 : Telephone interview

4 : Interview not held in company office but in a 'social' setting.

Appendix A.3

«Name»
«Position»
«Company»
«Address1»
«Address2»
«City»
«Code»

26th October, 1994

Dear «Title»

Survey of Executive Search & Selection Consultancies

Can I thank-you for agreeing to meet me on «Date» at «Time», to discuss various aspects of the recruitment business. So that you do not feel totally in the dark, as to what we might talk about, I enclose a proforma to outline the areas most likely to be raised.

I look forward to meeting you.

Yours sincerely,

Neil A Cuthbertson
Graduate School, Dept. of Geography

Proforma

The topics, that it is anticipated will be discussed, are:-

Background information on your company

e.g. size; main areas of business

Recruitment Process

An indication of the processes involved in a typical assignment.

London / National Labour Market

Perception of current employment scene and the levels of activity of consultancies

Your organisation and the recruitment marketplace

Types of clients; types of posts generally filled; typical salary levels at which operate; indication of level of placements per year.

Background Information on yourself

Other Issues

Perceptions on regulation of the industry, on image, on the future areas of development.

Note : In total the meeting should last between 30 - 45 minutes.

SECTION E: BACKGROUND INFORMATION ON CONSULTANT

Job title

Years employed

Professional and educational qualifications

Age

Career

How did you get into headhunting?

What does it take to become a headhunter?

SECTION F : OTHER ISSUES

Regulation

Trade Association

What advantages of search & selection

Consequences : service you provide?

Image?

Future developments?

APPENDIX B : CLIENT CASE STUDY**Appendix B.1**

«Name»
«Position»
«Company»
«Address1»
«Address2»
«City»
«Code»

1st March, 1995

Dear «title»

Survey of Recruitment Practices of Financial Services Organisations

I am currently undertaking a study on the nature and structure of the UK Executive Recruitment Industry on behalf of the Economic and Social Research Council. The objective of the research, which is part of my Ph.D. work within the Department of Geography at the University of Bristol, is to develop a better understanding of the way in which Executive Search and Selection might play an integral role in meeting the recruitment needs of an organisation.

I have already completed comprehensive surveys of the nature and operation of headhunters and recruitment consultancies in two labour markets - Bristol and Central London. The next important element of the study is the coverage of the practices of the Human Resource or Personnel function within various financial service organisations, which can help identify if there is a growing trend towards the usage of external recruitment consultancies by client firms.

Your help and assistance would consequently form vital part of this work. Therefore I am writing to see if it would be possible to arrange to either meet you or one of your colleagues, some time during the next two months to discuss the recruitment business, or alternatively for you to complete a questionnaire, that could be filled at your leisure. I anticipate that any meeting would last no more than 40 minutes, and be informal in nature. Can I offer, at this stage, an assurance that any information supplied, be it at a meeting or on a returned questionnaire, would be treated in the strictest confidence. As an expression of my appreciation, I hope to send out a summary of the findings of the research to all the participating organisations.

I look forward to hearing from you.

Yours sincerely,

Neil A Cuthbertson
Dept. of Geography

Appendix B.2

«name»
«position»
«company»
«Address1»
«Address2»
«City»
«code»

19th March, 1995

Dear «title»

Research into the Recruitment Consultancy and Headhunters : Why do we use them?

I am writing to you again, as I fear that my initial letter may have been mislaid within the postal service. Currently I am undertaking a study on the nature and structure of the UK Executive Recruitment Industry on behalf of the Economic and Social Research Council, and in particular to develop a better understanding of the way in which Executive Search and Selection might play an integral role in meeting the recruitment needs of an organisation.

The next important element of the study is the coverage of the views and opinions of the Human Resource profession within various financial service organisations. This will help identify if there is a growing trend towards the usage of external recruitment consultancies by client firms, and if so, why?

Your help and assistance would consequently form a vital part of this work. *Therefore I would be very grateful, if you, or a colleague could spare me half an hour, so that I can talk informally about the trend towards the growing usage of recruitment consultancy.* If it is not possible to arrange a meeting, perhaps you might be able to complete a questionnaire that could be filled in at your leisure. *Can I offer, at this stage, an assurance that any information supplied, be it at a meeting or on a returned questionnaire, would be treated in the strictest confidence.*

As an expression of my appreciation, I hope to send out a summary of the findings of the research to all the participating organisations.

I look forward to hearing from you.

Yours «Sign»,

Neil A Cuthbertson
Dept. of Geography

Appendix B.3 : Participating companies in the case-study of clients

Company	Post Code	Position of participant	Gender of participant	Interview / Questionnaire	Date of Interview (if applicable)
UK Retail Banking					
1. Abbey National Plc.	MK9 1AN	Group Personnel Manager	M	Q	
2. Bank of Scotland	EH1 1YZ	General Manager	M	Q	
3. Barclays Bank Plc	BH15 2BB	Resourcing and Selection Officer	F	Q	
4. Lloyds Bank Plc.	EC4P 4LN	Asst. General Manager - CEO, Personnel	M	Telephone Interview	22nd February, 1995
5. TSB (Branch Banking)	BI 1BZ	Head of Personnel Operations - Retail Functions	M	Q	
Investment Banks					
1. Abbey National Treasury Services	WW1 6XL	Personnel Manager	F	I	12th April, 1995
2. Bankers Trust Co.	EC2A 2HE	Personnel Manager	M	Q	
3. Chase Manhattan Bank Ltd.	EC2P 4HD	Human Resources	M	Q	
4. Hambros Bank Ltd	EC3N 4HA	Personnel Dept.	F	I	11th April, 1995
5. HSBC Holdings Plc.	EC3R 6AE	HR Manager - Operations	F	Q	
6. Hoare Govett*	EC2M 7LE	Director, Personnel Dept.	M	I	11th April, 1995
7. James Capel*	EC4R 1BL	Personnel Manager	F	I	12th April, 1995
8. Lazard Bros. & Co. Ltd	EC2P 2HT	Personnel Manager	F	Q	
9. Lehman Brothers	EC2M 7HA	Human Resources Specialist	F	I	12th April, 1995
10. Morgan Grenfell & Co. Ltd.*	EC2M 1NB	Personnel Director	M	I	7th April, 1995
11. Natwest Markets*	EC2M 3UR	Head of Human Resources	M	I	10th April, 1995
12. N M Rothschild & Sons Ltd	EC4P 4DU	Director of Personnel	M	I	28th March, 1995
13. Samuel Montagu & Co. Ltd.*	EC3R 6AE	Personnel Director	M	I	11th April, 1995
14. J Henry Stirred Wagg & Co. Ltd	EC2V 6DS	Head of Personnel	M	Q	
15. Standard Chartered Bank Plc.	EC4N 7AP	Manager, Human Resources UK	F	I	7th April, 1995
16. Swiss Bank Corporation	EC4V 3SB	Human Resources.	F	I	7th April, 1995
17. West Merchant Bank Ltd.	EC3V 0AX	Assistant Director, Personnel	M	I	12th April, 1995
Branches of European Banks					
1. Compagnie Financiere de CIC	EC2A 1NQ	Manager Personnel and Premises	M	I	10th April, 1995
2. Generale Bank	EC2A 2DP	Head of Administration	M	I	29th March, 1995
3. Kredietbank NV	EC2A 2HQ	Senior Officer, Personnel	F	Q	
4. DG Bank	EC1A 4XX	Personnel Officer	F	Q	
UK Retail Insurance Broking Operations					
1. The Frizzel Group Ltd.	BH1 2NF	Director of Personnel	M	Q	
2. Jardine Insurance Brokers	EC3N 2HT	Group Personnel Manager	M	Q	
3. Minet Ltd.	E1 8HG	Personnel Manager.	F	I	10th April, 1995
4. Nicholson Leslie Ltd.	EC3A 7QQ	Personnel Officer.	F	Q	

* indicates a subsidiary company of a parent organisation.

Appendix B.4

«name»

«Position»

«company»

«Address1»

«Address2»

«City»

«code»

4th April, 1995

Dear «title»

Survey of Recruitment Practices of Financial Services Organisations

Can I thank-you for agreeing to meet me on «date» at «time» to discuss various aspects of the recruitment business. So that you do not feel totally in the dark, as to what we might talk about, I suggest that we cover the following areas during our discussion:-

- Background information on company.
- HR / Recruitment issues - industrial and organisational context.
- External recruitment firms - the use of headhunters, recruitment consultants etc.
- Personal feelings about agencies, consultancies and headhunters.

During our meeting I would like to ask the following two questions, for which you might need to do a spot of research. I trust that you do not find the questions too impertinent?

Q Have you used search and/or selection in the last 6 months? If yes, how often?

Q To what extent has the company's usage of search and selection firms increased or decreased over the last ten years?

I look forward to meeting you.

Yours sincerely,

Neil A Cuthbertson

Appendix B.5 : Interview Guide - the recruitment practices of financial service organisations

SECTION A : BACKGROUND INFORMATION ON YOUR COMPANY

Company name:-

Type of Organisation :-

Date :-

Postcode (just the first part) :-

No. of employees (Your Office & World-wide) :-

Q.1 Can you briefly outline the performance of the organisation over the last 5 years or so, and also give an indication of the size of the HR dept., and also the kind of profile and role it has within the company.

SECTION B : HR & RECRUITMENT ISSUES

Within a firm, there is always a given level of turnover etc.

Q.3 What level of turnover of staff (in terms of job starts, job losses, job departures and retirement) would you envisage in a typical year?

Q.4 Are you currently looking to recruitment staff within the company? If yes, in which areas?

Q.5 Just talked about own company's experiences, how do you feel other organisations are fairing. How would you sum up the current situation and trends in the labour market - what are the perceived market levels of recruitment, mobility, salary increases, bonuses etc.? How does this differ from own company?

Q.6 During a recruitment assignment, do you find it occasionally difficult to fill vacancies because the required attributes are not possessed by the candidates? If you could identify skill shortages within the marketplace, at which levels of seniority and in which functional areas might they exist?

SECTION C : RELATIONSHIPS WITH EXTERNAL RECRUITMENT FIRMS

Q.7 Describe briefly the process by which a vacancy for an 'executive' might be filled?

- Who identifies the need for recruitment? (Is it a line executive, line manager / director, or the HR department)?
- Who instigates the process? (Is it a line executive, line manager / director, or the HR department)?
- Who manages the process?
- Are vacancies advertised internally initially? (Is it a line executive ...etc..)?
- Is turning to the headhunter a final resort, or the first port of call?

	Executive Search	Executive Selection
Q.8 Have you used search and/or selection in the last 6 months? If yes, how often?		
Q.9 Are there certain managerial levels for which search is the sole form of recruitment (and vice-versa)?		
Q.10 Do you have an approved panel of firms and/or use retained consultancies?		
Q.11 To what extent has the company's usage of search and selection firms increased or decreased over the last ten years?		

Q.12a On what basis might you (or do) select a new recruitment consultancy? (Please circle)

Recommendation

'Beauty-contest'

Executive Grapevine

Yellow pages

Other (Please specify)

Q.12b Is off-limits a consideration?

Q.13 Do you tend to use consultancies that can cater for all your recruitment services? Or are consultancies selected purely depending on the nature of the position, e.g.. a specialist headhunter is used for the position of Head of IT?

Q.14 Do you ever need to recruit internationally - is it within to remit? In your company's experience do recruitment firms appear to operate effectively both at a local and international level? Do headhunting firms automatically extend the 'search net' and look overseas when drawing up a short-list of potential candidates?

SECTION D : PERSONAL REFLECTIONS

Q.15a Does the headhunter still have an image problem?

Q.15b Do you hold search and selection consultants in high esteem; and if so, why?

Q.16 In your opinion, what are the advantages and disadvantages of using the 'executive search option' as opposed to other forms of recruitment, such as executive selection, internal recruitment, etc.?

Q.17 Given that the use of executive selection and search has increased over the last 20 years, what do you feel the consequences of this 'growing use' have been on business as a whole? Do you feel that the activities of executive search, for instance, have promoted job mobility, created wage inflation and encouraged huge signing on fees and golden hellos for new staff? Or, alternatively, has there been a greater tendency to place the better [and even the 'right'] candidates in positions?

Q.18 How has the individual benefited, if at all, from the introduction of executive search? Does it offer new career avenues and opportunities for staff, such as overseas placement?

Q.19 Any contacts in the United States?

Q.20 Is it all right to acknowledge the company's assistance.

Q.21 Copy of executive summary?

Appendix B.6

«position»

«company»

«Address1»

«Address2»

«City»

«code»

24th May, 1995

Dear «title»

Survey of Recruitment Practices of Financial Services Organisations :Why do we use search and selection consultancies?

You may recall that you kindly agreed to complete a questionnaire on the above topic. As I have not heard from you for a while, I was concerned that there may be a problem regarding its completion. In case the initial form has been mislaid, I have enclosed another. I have already had a reasonable response from a variety of organisations in the financial services sector, but am still five or so short of the statistical minimum needed for this part of the research.

I trust that you do not find the questions too impertinent, though can I reiterate the assurance that all information supplied will be treated in the strictest confidence. I hope very much that you can complete all, or even just part of the form. If you feel unable to complete a specific question, then please miss it out, or if you are restrained by time, perhaps you could just complete sections A and C.

Should you have any problems, please do not hesitate to get in contact. Once again, many thanks, and I very much look forward to receiving the completed form

Yours sincerely,

Neil A Cuthbertson

Dept. of Geography

Appendix B.7**Survey questionnaire on the recruitment practices of financial service organisations****SECTION A : BACKGROUND INFORMATION ON YOUR COMPANY**

Company name:-

Type of Organisation : -

Date :-

Postcode (just the first part) :-

No. of employees (Your Office & World-wide) :-

Q.1 Please give an indication of the size of the HR dept., and also the kind of profile and role it has within the company.

SECTION B : HR & RECRUITMENT ISSUES

Q.2 Are you currently looking to recruitment staff within the company? If yes, in which areas?

Q.4 During a recruitment assignment, do you find it occasionally difficult to fill vacancies because the required attributes are not possessed by the candidates. If you could identify skill shortages within the marketplace, at which levels of seniority and in which functional areas might they exist?

SECTION C : RELATIONSHIPS WITH EXTERNAL RECRUITMENT FIRMS

Q.4 Describe briefly the process by which a vacancy for an 'executive' might be filled?

- Who identifies the need for recruitment? (Is it a line executive, line manager / director, or the HR department)?
- Who instigates the process? (Is it a line executive, line manager / director, or the HR department)?
- Are vacancies advertised internally initially? (Is it a line executive ...etc..)?
- Is turning to the headhunter a final resort, or the first port of call?

	Executive Search	Executive Selection
Q.5 Have you used search and/or selection in the last 6 months? If yes, how often?		
Q.6 Are there certain managerial levels for which search is the sole form of recruitment (and vice-versa)?		
Q.7 Do you have an approved panel of firms and/or use retained consultancies?		
Q.8 To what extent has the company's usage of search and selection firms increased or decreased over the last ten years?		

Q.9 When an external recruitment firm is used, who is the liaison between the consultant and company (Is it line executive, line manager / director, or a member of the HR department)?

Q.10 On what basis might you (or do) select a new recruitment consultancy? (Please circle)

Recommendation

'Beauty-contest'

Executive Grapevine

Yellow pages

Other (Please specify)

Q.11 Do you tend to use consultancies that can cater for all your recruitment services? Or are consultancies selected purely depending on the nature of the position, e.g.. a specialist headhunter is used for the position of Head of IT?

SECTION D : PERSONAL REFLECTIONS

Q.12a Does the headhunter still have an image problem?

Q.12b Do you hold search and selection consultants in high esteem; and if so, why?

Q.13 In your opinion, what are the advantages and disadvantages of using the 'executive search option' as opposed to other forms of recruitment, such as executive selection, internal recruitment, etc.?

Q.14 Given that the use of executive selection and search has increased over the last 20 years, what do you feel the consequences of this 'growing use' have been on business as a whole? Do you feel that the activities of executive search, for instance, have promoted job mobility, created wage inflation and encouraged huge signing on fees and golden hellos for new staff? Or, alternatively, has there been a greater tendency to place the better [and even the 'right'] candidates in positions?

Q.15 How has the individual benefited, if at all, from the introduction of executive search? Does it offer new career avenues and opportunities for staff, such as overseas placement?

Do you have any general comments that you wish to make wither on 'search and selection' and its relationship with the financial services sector, the questionnaire itself, or even more generally about my research.

Thank-you for completing this questionnaire.

I should be grateful if you could return it to me, Neil Cuthbertson, at :-

Dept. of Geography,
University of Bristol,
Bristol,
BS8 1SS

A copy of the summary findings will be distributed, in due course, to all participating companies.

APPENDIX C : NEW YORK CASE STUDY**Appendix C.1**

«Name»
«Position»
«Company»
«Address»
«Add 1»
«Add2»
United States

19th March, 1995

Dear «title»

Survey of Executive Search : Bristol, London and New York

Currently I am undertaking a study on the nature and structure of the UK Executive Recruitment Industry on behalf of the Economic and Social Research Council (a government-funded, but independent, research institution), and in particular looking to develop a better understanding of the way in which Executive Search and Selection might play an integral role in meeting the recruitment needs of an organisation. As well as covering the views and opinions of the Human Resource profession within various financial services organisations in the UK, I have also completed comprehensive surveys of the nature and operation of headhunters and recruitment consultancies in Bristol and Central London, which included a meeting with your UK colleague «name».

Another dimension to the work is to conduct a small comparative study of Search and Executive Recruitment in New York. I am particularly interested in learning more about cross-border assignments between the US and UK, and the extent to which this may or may not be a growing practice.

I am travelling to New York in June to conduct some fieldwork interviews and would therefore be very grateful, if you, or a colleague could spare me half an hour, so that I can talk informally about 'executive search'. I appreciate that the search profession is a time-consuming one, but I hope none the less that we might be able to meet. Can I offer, at this stage, an assurance that any meeting, would be treated in the strictest confidence.

As an expression of my appreciation, I hope to send out a summary of the findings of the research to all the participating organisations.

I look forward to hearing from you.

Yours sincerely,

Neil A Cuthbertson
Postgraduate Student
Dept. of Geography

Appendix C.2

«Name»
«Position»
«Company»
«Add0»
«Add1»
«Add2»
United States
1995

26th May,

Dear «title»

Survey of Executive Search : Bristol, London and New York

Can I firstly thank-you for agreeing to meet with me on «Date» at «Time». I hope that during our discussions we might be able to talk about the following areas:-

- Background information on company.
- Search in the States / Recruitment in the States.
- International search and the issue of cross-border assignments.
- Personal feelings about search .

During our meeting I would like to ask the following question, for which you might need to do a spot of research. I trust that you do not find it too impertinent?

Q : What percentage of assignments are overseas, and in particular European (incl. UK)?

I shall be staying in a studio apartment at NYU, the details of which are :-

Mercer Street Residence
Room 15-14
240 Mercer Street
NY 10012

If there are any problems, such as you need to rearrange the meeting etc., then please leave a message either with the doorman (212-998-6513), or with my cousin Sally Ditton (201-652-8459). Otherwise, I look forward to meeting you in the next few weeks.

With kind regards.

Sincerely,

Neil A Cuthbertson
Dept. of Geography

Appendix C.3: Executive recruitment firms who were participated in New York Case-study

Company Name	Company Structure in US	Revenue	Position of Interviewee (gender)	Date of interview
Boyden International	9 offices Integrated	\$7.5m	Chairman (World-wide) (M)	17th November, 1994 ¹
Conex Inc.	3 offices Affiliate to Intersearch network	up to \$1.0m	President (M)	7th June, 1995
Ed Mruk and Partners	1 office Affiliate to EMA network	up to \$1.0m	Chairman (M)	7th June, 1995
Egon Zehnder International	5 offices Integrated	\$11.2m	Partner (M)	12th June, 1995
D.E. Foster Partners Inc.	5 offices Alliance with KPMG network	\$3.3	Executive Managing Director (M) International Co-ordinator (F)	13th June, 1995
Gilbert Tweed Associates.	4 offices Affiliated to INESA network	\$6.7m	Principal (F)	13th June, 1995
KPA Group ²	1 office Independent	n/a, but likely to be up to \$0.5m	Executive vice-president (M)	9th June, 1995
Lamalie (Amrop)	7 offices Affiliated to	\$21.1m	Partner (F)	6th June, 1995
Norman Broadbent Inc.	3 offices Integrated firm affiliated to ISP	\$6.2m	Partner (M)	12th June, 1995
Paul Ray Berndtson	6 offices Joint partnership	\$24.0m	Partner (M)	8th June, 1995
TASA Inc.	5 offices Integrated	\$7.0m	Partner (M)	6th June, 1995

Notes:-

1 : Interview conducted in London

2 : This firm is a hybrid recruitment organisation that conducts a variety of recruitment services to financial clients in Wall Street. Executive Search was one of the services offered.

Appendix C.4 : Interview Guide - Search in the United States

SECTION A : BACKGROUND INFORMATION ON YOUR COMPANY

Company name:-

Type of Organisation :-

Date :-

Postcode (just the first part) :-

No. of employees (Your Office & World-wide) :-

Define terms!!!

Q.1 Can you briefly outline the performance of the organisation over the last 5 years or so, kind of company, confirm staff numbers and revenue!

Q.2 Describe the company culture or strategy!

SECTION B : NATURE OF SEARCH INDUSTRY AND SELECTION

Q.3 Overview of the nature of the search industry in New York and United States. Trends in the market!

Differences between contingency and retained (does this mean panel)?

Q.4a Advertising market

Q.4b Relationship with other forms of consultancies. Are there differences between the types of positions that are advertised

Q.5 Company position on market orientation, salaries, fees!

SECTION C : INTERNATIONALISATION OF THE SEARCH INDUSTRY

Q.6 New International Executive. Is there such a thing?

Q.7 Has been much growth in global search. Led to Cross-border assignments, how many - major destination!!

Q.8 Servicing the international market. How have the companies responded!

a) Integrated / Affiliation etc.

b) Office network of?

c) Strength in?

d) The pattern due to:-

- World Cities
- Client's needs
- Mismatch between d and s

Q.9 Adv. and Disadv. of networks. Has it resulted in an increase in business?

SECTION D : PERSONAL REFLECTIONS

Q.15 How do you view the UK industry?

Q.16 How do you see the future development of the industry?

Q.17 Is it all right to acknowledge the company's assistance.

Q.18 Copy of executive summary?

APPENDIX D : LIST OF OTHER ORGANISATIONS

Organisations and individuals with whom important correspondence and meetings were held, but were not included in one of the three case studies

Company Name	Primary area of business	Position of Contact	Gender	Nature of Assistance	Date
<u>Bristol Pilot Study - Recruitment Organⁿ</u>					
Alfred Marks Recruitment Consultants	Employment Agency	Consultant	F	Interview	August, 1994
Austin Knight Selection	Recruitment Consultancy	Consultant	M	Interview	August, 1994
Blue Arrow Personnel Services	Employment Agency	Branch Manager	F	Interview	August, 1994
Harrison Willis Ltd.	Recruitment Consultancy	Branch Manager	F	Interview	August, 1994
Hunter International Executive Search & Selection Ltd	Executive Search	Managing Director	M	Interview	August, 1994
Inter-Selection Insurance Recruitment Ltd.	Recruitment Consultancy	Senior Consultant	M	Interview	August, 1994
J K L & Hide Recruitment	Employment Agency	Director	M	Interview	August, 1994
JC Insurance Recruitment	Recruitment Consultancy	Principal	F	Interview	August, 1994
Jonathan Wren	Recruitment Consultancy	Manager	F	Interview	August, 1994
KPMG Executive Search & Selection	Recruitment Consultancy	Consultant	F	Interview	August, 1994
NB Selection Ltd	Executive Selection	Director	M	Interview	August, 1994
Pertemps	Employment Agency	Branch Manager	F	Interview	August, 1994
Randstad Employment Bureau	Employment Agency	Consultants	F x2	Interview	August, 1994
Ridgway Recruitment	Recruitment Consultancy	Director	M	Interview	August, 1994
Select Appointments	Employment Agency	Branch Manager	F	Interview	August, 1994
Touche Ross Executive Selection	Recruitment Consultancy	Consultant	M	Interview	August, 1994
Townrow and Partners	Recruitment Consultancy	Managing Director	M	Interview	August, 1994
Wheale Thomas Hodgins Executive Resourcing	Recruitment Consultancy	Director	M	Interview	August, 1994
Wilson Mitchell Associates	Recruitment Consultancy	Principal	M	Interview	August, 1994
Wrightson Wood Associates	Executive Search	Director	M	Interview	August, 1994

Company Name	Primary area of business	Position of Contact	Gender	Nature of Assistance	Date
<u>Bristol Pilot Study - clients</u>					
Allied Dunbar	Financial Services Group	Senior Sales Manager	M	Interview	10th February, 1995
Bristol & West	Building Society	Head of Personnel and Training	M	Interview	9th February, 1995
Natwest Life	Life Assurance	Assistant Director Personnel	M	Interview	9th February, 1995
Pallas Group	Financial Leasing Co.	Group Personnel Manager	F	Questionnaire	February, 1995
Sun Alliance	Insurance Group	Personnel & Admin Section Head	F	Questionnaire	February, 1995

Non Pilot Case-studies

Company Name	Primary area of business	Position of Contact	Gender	Nature of Assistance	Date
Norman Broadbent	Executive Search	Chief Executive	M	Telephone Conversation	21st March, 1995
Bridford Management	Outplacement Agency	Chief Executive Manager	M	Meeting and Correspondence	August, 1995
Knight Wendling	Executive Search	Director	M	Meeting and Correspondence	October, 1995
Alderwick Peachell	Recruitment Firm	Consultant	F	Meetings	May, 1995
Smith Barney	US Securities Firm	HR Director	F	Meeting	12th June, 1995
Wheale Thomas Hodgins	Executive Search	Director	M	Correspondence	January, 1995
Austin Knight (UK) - Bristol	Recruitment Consultancy	Consultant	M	Correspondence	January, 1995
Brian Durham Recruitment Services	City Employment Agency	Director	M	Meeting	January, 1994

APPENDIX E : LEVELS OF MANAGEMENT - DEFINITIONS

Rank	Term	Description
1	Director	All grades of director, with the legal responsibility of that position.
2	Senior Management	All heads of major functions (and some departments) reporting to the above rank. Includes senior and highly qualified specialists who may have no department.
3	Middle Management	The heads of less important departments, as well as other key specialists, for example, senior systems analysts, that have not been covered thus far.
4	Junior Management	Lowest level of management. Includes those, who are one rank above a supervisory position.

It is important not to place too much emphasis on job title. Different companies use different titles for the same job and some titles are deliberately made to look more important.

Definitions are based on those terms which are widely used in other surveys conducted in the City.