

eroding ethics in headhunting

A recent international survey of more than 100 CEOs reveals that the ethics of executive search are being erode

by dr duff watkins

IT WAS THE BEST OF TIMES...

"When I entered into the executive search industry 40 years ago," chief executive of Cornerstone International William Guy reminisced, "search firms mimicked legal and accounting firms. They didn't advertise. They disdained corporate images. They used plain business cards, black ink on white paper. Brochures were understated rather than four-colour gloss, and always more "Wall Street" than "Madison Avenue".

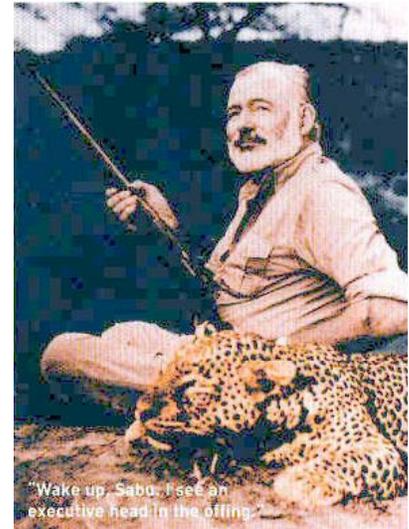
In the 1970s, things changed. Chains of "store front" law offices blossomed in the US and the big CPA firms began full-page advertising. Then a small executive search offshoot of a big accounting firm adopted splashy brochures, aggressive advertising, and full-on sales techniques and won enough business to become the world's largest executive search firm. This offshoot, Korn/Ferry, was at first scorned by the more traditional firms, but it made the industry adapt.

Guy says: "My old partners at Ward Howell refused to initiate a sales call. They simply waited for the phone to ring. But gradually their clients departed and the phone stopped ringing. As the old partners retired, so too did their passive ways. Replacing them I saw aggressive sales techniques. To paraphrase the Dalai Lama, it was like we 'opened our arms to change' while 'letting go of our values'." Thus began the erosion of ethics in executive search.

...IT WAS THE BEST OF TIMES

Today more than 5000 search firms dot the globe and embrace modern sales and marketing techniques. Competition is intense. Inevitably, some firms cut corners in pursuit of revenue. A snapshot of the executive search industry, provided by a recent international survey of more than 100 CEOs by Cornerstone International, documented several concerns.

- Limited "off limits". Executive search firms observe a two-year off-limits rule: they will not recruit from a client for two years after completion of an assignment for that client. Today, however, some firms have so many clients across so many industries that they simply run out of targets.
- Conflict of interest. All search firms have conflicts of interest but few admit it. Any search firm working for your competitor is prohibited from approaching your competitor's personnel.
- One-stop shops. No single firm does it all: executive search, advertised recruiting, outplacement, contingency placement, temporary recruitment. Yet such claims are commonplace.
- Combining outplacement with executive search. Even when an outplaced (unemployed) candidate matches the specifications for a search assignment, the search firm is obliged to locate more candidates. Otherwise, legitimate evaluations of candidates is impossible.
- Shallow reference checking. CEOs in the survey complained about inaccurate and non-existent reference checking, too often consisting of 10-minute phone calls in which headhunters listened only for what they wished to hear.
- Padding short-lists. CEOs do not like short-lists padded with marginally qualified candidates. Why add unfit candidates if you have fitting ones?
- Inadequate search. "Star" candidates are easy to find. They are talented, skilled in self-promotion and aggressively seek job opportunities. "Sleepers" lie hidden in companies and are not interested in self-promotion. Only solid research finds both "sleepers" and "stars".
- Confidentiality. Confidentiality is the lifeblood of executive search. Executive search is shrouded in secrecy; if news leaks out that a big-name executive is considering a move, stock prices and company morale can plunge.
- Premature client identification. In Australia's small market it is as important to conceal a client's identity as it is to conceal a candidate's. A search often means that an existing employee will be removed. Premature disclosure of a client's name broadcasts the intention.



Wake up, Sabu. I see an executive head in the offing.

SALES OR SOLUTIONS?

The survey suggests that ethical problems in executive search are due to an emphasis on selling rather than consulting. Often, winning the work (selling) comes at the expense of achieving a solution (consulting). A selling skill may win work, but only a consulting skill can solve a client's problem.