



Searching for the top: HR professionals need to know how to tell if an executive search firm is walking the straight and narrow or...

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Executive search consultants, often called headhunters, wrestle with various ethical issues, but the question of whether it's OK to raid a company for candidates isn't one of them.

Executive search "by definition moves people from one firm to another. We should not feel ashamed about it," says Christopher J. Clarke, president and chief executive officer of Boyden World Corp., a global executive search firm headquartered in Hawthorne, N.Y. "We are helping market forces to operate efficiently. By providing the best leaders for clients, we are helping these firms to create growth, wealth and employment."

Industry spokesman Peter M. Felix makes a similar economic case. "You want a mobile labor market," he says, because mobility "is part of the reason you have a dynamic economy."

Felix is president of the New York-based Association of Executive Search Consultants (AESC), representing retained executive search consulting firms. It would be "ludicrous," he says, to think that "an individual can't consider an offer from an alternative employer." Besides, he continues, "you don't 'raid' a company for senior executives. You carefully and sensibly recruit them.... You approach a candidate in a sensitive way to find out if [the position] is appropriate for them."

The aboveboard purposes notwithstanding, executive search practitioners regularly encounter ethical issues as they gain access to clients' internal staffing matters and potential candidates' personal and professional information. In fact, for an executive search firm, an ethical concern can center on what it does with what it knows about companies or executives.

So when HR decides to enlist an executive search firm's help in filling a top slot, it becomes important to determine how a given firm does business in sensitive circumstances and how it handles inside information. In effect, HR professionals need to know whether an executive search firm's practices and assurances are ethical and not dubious.

The Ground Rules

Keep in mind that the profession is not regulated, says David Lord, founder of Executive Search Information Services, a consulting firm in Harrisville, N.H. The firm helps boards of directors, line executives and executive staffing directors evaluate, select and contract with well-qualified search consultants. It also measures search firms' performances.

"There's nothing [a firm] can get certified in," Lord says. "It is very much 'buyer beware' for companies."

Nonetheless, the AESC has developed a code of ethics for the profession, and there are executive search principles to which a firm should adhere if it is committed to behaving ethically and acting first and foremost in its clients' interests. Two major principles: confidentiality and loyalty.

The AESC's ethics code says executive search consultants should display professionalism, integrity and competence; they also should be objective and accurate, maintain confidentiality and "serve their clients loyally."

Confidentiality, in particular, "is the hallmark of our profession," says Peri Z. Hansen, a client partner in the Los Angeles office of Korn/Ferry International, a major executive search company.

The AESC's professional guidelines call on members to "use confidential information received from clients only for purposes of conducting the assignment. Disclose such confidential information only to those individuals within the firm or to those appropriately qualified or interested candidates who have a need to know the information. [Do] not use such confidential information for personal gain, nor provide inside information to any other parties for their personal gain."

To most executive search consultants, loyalty to the client means there should be no "parallel processing"--no offering of a candidate to more than one client at a time. "We see that as putting two clients in conflict over the same person," Clarke says. The practice amounts to "representing the candidate rather than the client," he says.

What's Off-Limits

Loyalty can also mean keeping the newly placed candidate and the client off-limits for future recruiting. Lord explains the rationale: "If I'm a search firm doing work for your company, I had better not be taking people out of your company."

For smaller search firms, such as Barnes Development Group in Mequon, Wis., and **Bialecki Inc.** in New York, establishing what is off-limits can be straightforward. "Any client that we've done work for is off-limits for at least five years" as a recruiting target itself, says Richard E. Barnes, president and co-owner of the Barnes firm. "We're small enough that we don't have a lot of problems," he says, and "we will never recruit the person we put in the company as long as he or she is with the company. That's a lifetime hands-off policy. We have search engagement details that specifically spell that out."

Linda Bialecki, founder of the **Bialecki** firm, agrees that "it's very simple for a small firm" to keep its clients off-limits because it deals with only a few companies. Yet other types of questions still arise: "What if the client cancels the search? Is it still off-limits? What if they paid you a retainer?" Does the search firm then keep the retainer?

A large executive search company or one that does a great deal of work in one industry finds it harder to impose areas that are off-limits because doing so would severely restrict its business opportunities, Lord says. The trend is to narrow the scope, for example, to exclude the just-placed person and immediate co-workers instead of the entire company. "But some companies really care about this. They do not want to work with a search firm that would be taking people out."

Indeed, many clients "lay a great deal of emphasis that you're not going to take their people away," Clarke says. "It's unethical to place somebody in a firm and, knowing all we do, then go back and take their people away."

Large search companies are taking a closer look at who's off-limits because it's increasingly challenging to recruit great talent. "We want to provide diverse options," Hansen says. "We want balance, to do what's reasonable for both sides. Gone are the days of clear-cut rules [on who is off-limits]. It's more finely tailored to take into consideration the length and volume of the relationship."

No Fudging, No Shortcuts

Ethical headhunters take care not to misrepresent themselves, their clients or the candidates during the search process. They treat candidates fairly and "avoid being used as a tool to discriminate against qualified candidates" by agreeing to restrict the pool of candidates in some unfair way, Lord says. They are honest about the purpose of initial calls to potential candidates.

Barnes notes that it may be difficult to get into organizations to find names of good candidates, but "lying to get access to them" is not acceptable practice.

When a headhunter discovers that a candidate has lied--about a degree or a job title, for example--or has tried to conceal a material fact, the headhunter's responsibility is to "have the candidate help you understand how that error or omission occurred," says John Rothschild, managing director of the Chicago office of Edward W Kelley & Partners.

Sometimes, cutting corners results in what seems to be misrepresentation of a candidate. "When searches get long in the tooth, some recruiters try to get them filled. They don't care, so long as they get filled," even by a candidate who really isn't quite right, Rothschild says. "They try to force a square peg into a round hole. We can subtly direct a candidate's thinking. When we know the candidate is not best served, it's a mistake. It will end in failure at some point."

Clarke says he has heard of "lazy searchers" who "push the usual suspects. Often, these are their favorite candidates, their golf partners and, in some countries, even family or friends. They do not search the market and find the best candidates. There are, of course, cases where the client has underestimated the market rate for the position. An honest search firm will make them aware of this, rather than shoo in a weak candidate to close the case."

Many searchers try to maximize the number of searches under way, Clarke continues. "The client sees the impressive business developer, but [then] the action is handed off to a second-rate team. The biggest client

complaint is of nondelivery, or the assignment taking too long because such searchers work on too many cases and give them a low priority."

Clarke adds that unethical headhunters may go so far as to attempt to advance the highest-priced candidates or push a client to increase the salary for a position to increase their own shares because headhunters' fees are a percentage of a placed candidate's annual salary.

Reasonable Expectations

HR professionals have the right to expect a search consultant to take the time and effort necessary to conduct a good search for top-level candidates, and that includes gathering a lot of information about the client.

"Studies show the more prospective candidates learn about the clients, the greater their success," says Dale Winston, chair and CEO of Battalia Winston International in New York. Before taking an assignment, her representatives meet with "the client [and] the hiring manager so we can flesh things out," she continues. "That way, when we meet with the candidate, we can give a lot of data" to help candidates and clients determine if they share the same values.

"A bad hire is worse than no hire," Winston adds, but that rarely occurs when there is plenty of upfront due diligence.

Overall, HR professionals and their companies "have a right to expect a rigorous and effective process of research, candidate appraisal and support during negotiations, by a trained and experienced search team including professional researchers and searchers," Clarke says. "This team should put the client's interests before their own and offer unbiased advice as to remuneration, candidate fit and any other important matters."

Setting Standards

Although there is no organization certifying executive search firms on the basis of performance standards (the AESC does offer certification for researchers and associates), some companies in the field have established their own standards. The Boyden firm, for example, has an internal certification program, and CEO Clarke says all firms "should go toward more certification and training. Anybody can start a search firm. You can say you're an executive search consultant" without any type of standards or quality assurance. "We need to be more professional, to have no tolerance for slack performance."

If a client suspects that a headhunter has acted unethically, Lord notes, there may be little recourse. Few search firms have ethics officers. The AESC does have an ethics and professional practices committee to investigate complaints, he adds, but "it's limited. [The AESC] does care about professionalism. [It has] worked hard to publish the code of ethics. Other than that, there is no real way to bring people to justice, if you will."

While there may be few formal mechanisms for righting perceived wrongs in the executive search industry, there's still the power of the marketplace. "What drives search firms to follow rules is the fact that their reputations are extremely important," Lord says. If a search firm does something such as violate an off-limits agreement, he says, "it's a serious problem. People get fired. It can end relationships."

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Richard E. Barnes

The president and co-owner of Barnes Development Group in Mequon, Wis., a boutique firm specializing in manufacturing, has seen much change during two decades. "I used to jump on a plane and interview all over the country. Today, we get far more regional searches because companies don't want to relocate candidates." Candidates in manufacturing are less receptive to being contacted and considered for jobs, he says, because they receive commissions and bonuses and they're worried about "last in, first out." In other words, "people are fearful of changing from a good job where they have security to the unknown."

The client partner in the Los Angeles office of Korn/Ferry International, and a member of its Legal Specialist Group, previously practiced law in Southern California. She also was associated with a national legal search firm, where she specialized in the placement of attorneys. Having been a practicing attorney "certainly helps in terms of due diligence, in understanding the work of the client and in vetting candidates" she says. "It's a matter of trust and credibility."

Linda Bialecki

The founder of **Bialecki Inc.**, a New York boutique firm that recruits senior Wall Street talent for investment banks, hedge funds and private equity firms, says having an MBA helps establish her credibility. "You really have to understand what's going on" in the industry, she says, and her graduate degree makes clear "that my interest is finance.... You have to be involved in an industry that you have personal interest in."

A leader in the Chief Human Resources Officer functional practice at Heidrick & Struggles, and managing partner in the firm's Stamford, Conn., office, has extensive HR experience, including 10 years with Organizational Dynamics

Inc., a global consulting and training company, where she worked in the Asia Pacific region. Other executive positions include partner in TMP Worldwide Executive Search and managing director of the Human Resources Center of Excellence at Korn/Ferry International. "It's easier to work with HR people [as candidates] because they do understand" the process. "Their ability to answer some of the tough questions ... tells you how effective they are."

Dr. Gilbert J. Carrara Jr.

The partner in charge of New York-based Battalia Winston International's Life Science practice conducts senior-level searches for pharmaceutical, biotechnology, health-care and health-information companies, managed-care organizations and academic medical centers. Venture capital firms have retained him to find leaders for small and medium-sized biotechnology and biopharmaceutical companies. Previously, he worked at Nicholson International and Korn/Ferry International, founded the Total Pediatric Extended Care Center and was associate medical director for a small pharmaceutical company. Being a physician helps him stay current with the technology of the life sciences, he says. Plus, "people feel more comfortable with like-thinking folks."

A principal with the McCormick Group's Government Contracting Services practice in Washington, D.C., specializes in placing senior executives with providers of government information technology services. With "an even tighter IT market today," he says, he relies on the latest technology and a strong network "to keep in touch with the best and brightest." His background includes five years in mortgage sales, including two years as owner of a mortgage brokerage firm.

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A good executive search consultant is trained to find out exactly why a candidate really wants to leave his or her current employer, says Leslie Sorg Ramsay, a principal with the McCormick Group in the executive search firm's Washington, D.C., office. "We ask, 'Can you get what you need by staying where you are?'"

If a candidate is considering changing jobs primarily for more money, the client may lose out to a counteroffer from the current employer, Ramsay says, meaning that the candidate was a risky prospect from the beginning. "Part of ethics" in the executive search profession, she says, "is making sure we are not wasting people's time."

Executives who are happy where they are probably are not good recruitment candidates, says Dale Winston, chair and chief executive officer of Battalia Winston International in New York. "We recruit people who are blocked from moving to the next step, who have a problem with a new boss. There's nothing unethical about helping a frustrated person move. There's no more cradle to grave, no hidden contract on either side," to keep an employee at one company.

Winston finds that when executives make a move, there are three reasons for the decision:

- * First, the new post is a better opportunity, a promotion.
- * Second, the executive likes the people making the offer. "They don't move unless they're comfortable," Winston says.
- * Third is the money--but "it's third," she emphasizes, "and if the first two aren't there, you can throw in all the money in the world and the person won't take the job."

--Stephenie Overman