

# Executive Search Firms vs. Inside Recruiters

Executive Search firms are favored by the large companies

## Executive summary:

The first reason for all companies to have internal executive recruiters is to increase the quality of hires. Decreasing costs comes in a close second.

Companies that outsource their executive recruiting tend to do so because they do not have the necessary internal resources and have a hard time finding great internal recruiters.

Companies recognize the expertise of executive search firms, which provide 59 percent of the executives joining large companies. Yet, the large companies perceive that executive search firms do not always meet their expectations.

## 1. Half of the large companies have dedicated executive recruiters:

Companies <b>having</b> internal executive recruiters	53%
Companies <b>not having</b> any internal executive recruiter	47%
- which never have	43%
- which no more have	4%
All companies	100%

- 53% of our respondents have internal executive recruiters.
- 47% do not have any internal executive recruiter.
- 4% of the respondents have stopped having any internal executive recruiter.

## 2. The primary, leading reason for a company to have an internal executive recruiter is to increase the quality of their hires.

	Quality	Cost
Companies <b>having</b> internal executive recruiters	55%	45%
Companies <b>not having</b> any internal executive recruiter	52%	48%
All companies	54%	46%

The first and primary reason for all companies to have internal executive recruiters is to increase the quality of hires. Decreasing cost comes in a close second.

Here is the unedited verbatim that we have collected regarding the benefits of internal executive recruiters.

Faster hiring:

*"To reduce time of hire. Potential to accelerate the search."*

Benchmarking:

*"To acknowledge talent and excellent performance internally. Succession planning and talent management support."*

Better fit:

*"Better sense for our culture, team dynamic and overall fit. Confidentiality and clarity of purpose."*

Anticipation:

*"To get high caliber candidates interested in our company before we need to attract them for an available role. To have data base ready in our company for urgent use."*

Intelligence:

*"To capture business intelligence, to reduce dependency, to improve efficiency and speed and to ensure knowledge sharing amongst the HR community."*

Larger Pool:

*"To get a global overview of executive recruitment activities. To access a large work market."*

Existing Resources:

*"We have very strong connections in our industry at all levels and have the ability to rely on those connections to hire key employees and executives."*

### **3. Outsourced Search or In-House Search?**

The main reason for a company to outsource executive recruiting is a lack of internal resources. Though less common, compliance is a second reason to use search firms.

Even if external search firms are perceived as knowing the market better, when it comes to meet the company specifics, the search firms' deliveries do not fully meet the companies' expectations.

Internal executive recruiting is seen as more cost efficient, although finding the right internal recruiter remains a major challenge.

Why as a company **do you outsource** some of your executive searches?

	Short answer	Companies w/*	Companies w/o*
Our company does <b>not have enough internal Resources</b>	<b>Yes</b>	Yes for 52%	Yes for 89%
Our company have internal <b>compliance constraints</b>	<b>No</b>	No for 70%	No for 83%
<b>External search firms know better</b> the market	<b>Yes</b>	Yes for 61%	Yes for 89%
Our company deals with <b>fantastic external search firms</b>	<b>Not really</b>	No for 57%	Yes for 69%

\* To highlight the trend, the most popular answer is displayed by segment

Why as a company **do/would you keep in-house** some of your executive searches?

	Short answer	Companies w/*	Companies w/o*
Our company is <b>more cost efficient</b>	<b>Yes</b>	Yes for 80%	Yes for 67%
Our company <b>knows the market better</b>	<b>Not really</b>	Yes for 55%	No for 67%
Our company has an <b>in-flow of applicants</b>	<b>Yes</b>	Yes for 73%	Yes for 42%
Our company has <b>great internal recruiters</b>	<b>Not really</b>	Yes for 61%	No for 47%

\* To highlight the trend, the most popular answer is displayed by segment

### Our observation:

Discussing with many SVP HR, headhunters and VP Executive Recruiting, the most successful Executive Recruiting VPs: 1.) Enjoy strong relationships with their CEOs and with the company's executive teams; 2.) They are considered business partners and have an intimate understanding of the company's business strategies.

Without clear guidance, many companies end up hiring/firing search firms. Hiring the right internal recruiter and sufficiently empowering them is an essential CEO decision. Here are [great tips](#) by consultant Caroline McClure.

### 4. Search firms dominate executive recruiting sourcing.

Search firms (contingency and retained) provide 59 percent of the executives joining large companies executive sourcing.

Companies with internal executive recruiters use less retained search firms.

	All companies	Companies w/	Companies w/o	w/ vs. w/o
Retained Search Firms	34%	31%	37%	6%
Contingency Search Firms	25%	26%	24%	-2%
<b>Search Firms</b>	<b>59%</b>	<b>57%</b>	<b>61%</b>	<b>4%</b>

Direct Applications	10%	11%	10%	-1%
Colleagues Referrals	12%	12%	11%	-1%
<b>Internal</b>	<b>22%</b>	<b>23%</b>	<b>21%</b>	<b>-2%</b>

LinkedIn/Database	11%	12%	11%	-1%
Unattributed	8%	8%	7%	-1%
<b>Others</b>	<b>19%</b>	<b>20%</b>	<b>18%</b>	<b>-2%</b>

Executives joining large companies by origins

## **Our observation:**

There exists different levels for the executive recruiting position: 1.) An Executive Recruiting VP N-2 to the CEO (reporting to SVP, HR who reports to the CEO) who is closely involved with the top management or 2.) an Executive Recruiting Manager in N-4 to the CEO (reporting to the Director of Talent Acquisition who reports to VP, HR who reports to the CFO who then reports to the CEO).

There is a huge difference between having a VP being the executive hiring driver partnering with the executive team and a manager managing the executive hiring process.

## **5. Context**

During our survey, we collected inspiring examples provided by HR leaders at highly successful firms, and we warmly thank them for their insights:

### Process:

*"We place vacancies on different professional job search sites and use international recruiting agencies specialized in our area of business.*

*Currently, we have one global executive recruiter who oversees all recruitment activities on executive level for all our divisions and regions. We have an established set of three global preferred suppliers and prior to kicking off a search we conduct a pitch/tender, asking all of our suppliers to turn in a pitch paper to document their expertise in the respective field. The executive recruiter gives advice to the hiring managers on the best partner for the individual search and occasionally conducts research activities himself."*

### Networking:

*"This industry is very closed; all the executives know each other, so in general the searches are made between them.*

*We have a very rich professional network and we use it intensively for this goal. Internal executive search is quicker, more efficient and confidential. Close, quality handling makes candidates feel extremely catered to.*

*We rely on our BoD (Database) and our key employees and those relationships as well as our culture to drive potentials to us.*

*We know our market well and we have an extensive network within that market. We typically outsource only if it's a time constraint or we are extremely busy recruiting for other functions.*

*We've recently hired two executives and they both came from current executive networks and did not use external searches.*

*Networking through our Board of Directors and top executives."*

#### Search firms:

*"It is mix of industry connections and employee referrals in addition to the normal process of giving out a search mandate.*

*Executive search has high credibility. They keep their contractual obligations, which is a key criteria. I personally dismissed search firms who are not ethical, where they poach the same incumbent placed again.*

*N-2 positions are handled by LinkedIn or networking. Some C and N-2 positions are also handled by executive searchers but those firms are selected globally, not locally."*

#### Internal promotions:

*"We start internally. Who can we promote? Then we look across companies. Who can we find within our sister companies? Then we look to friends and references. Who do we know and eventually who do our friends know? Once those are exhausted, then we talk to our internal recruiters, and finally we reach out to external recruiters. We start with recruiters who have found successful candidates in the past. If they don't work out, then we reach out to the industry."*

*"In our company, 90 percent of executives come from internal promotion so that we hire mainly young professionals. We use to have a small turnover and the majority of our staff spend all their career with us. So the key for us is not executive's recruitment but Young Professional recruitment."*

*"We have not hired an executive in the last 10+ years. Our executive team has all grown within our company over many years. However, that situation will change in the next five to 10 years as 90 percent of our executive team will retire within that timeframe. We have and continue to hire qualified candidates as part of our succession plan. We have not used an external recruiting firm for any positions in the past 20+ years. We have long service employees and very low staff turnover."*

The survey was conducted by [The Official Board](#) at HR leaders of a representative sample of 145 companies making over \$100 million in annual revenue between December 10, 2015 and January 4, 2016. For this survey, are considered as executives the Members of the Board of Directors and the CEO, the direct reports to the CEO (N-1) and the persons directly reporting to them (N-2).

For additional information, including the details of the questionnaire, please contact us at: [contact@theofficialboard.com](mailto:contact@theofficialboard.com).