

**Hiring The Hirer:
A Look At Executive Search Firms Through The Eyes Of Human Resource Managers In
Large Canadian Organizations**

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Human Resource Departments of 97 of top 300 *Financial Post* companies were surveyed to assess their perceptions of executive search firms. The findings indicate that the prevailing image of executive firms is a complex one. Implications of the present findings are discussed.

In recent years, executive search firms have shown a healthy growth pattern. A quick web-search by the second author of this paper identified over 5300 firms with North American addresses. In Canada, in early 1998, there were at least 1900 search firms (Patte & Thornton, 1998). Statistics Canada reports that in 1997, there were over 194,900 persons employed in employment agencies or as personnel suppliers and consultants. While many of the agencies listed by Statistics Canada primarily focus on providing temporary and white collar clerical employees to business¹, the overall employment in this sector has shown a remarkable growth in the past few years (For example, between 1995 and 1997, the growth rate for this sector was approximately 19%).

A survey of corporate recruiters in the U.S. indicated that 58% of them considered recruiting firms as a major source of recruits-- despite the remarkable growth of non-traditional recruitment techniques such as internet recruitment and video-conferencing (HR Magazine, 1997). While no comparable figures for Canada are available, past writings indicate the popularity of search firms throughout North America. (e.g., Lord, 1989). Canada's active role in world trade and the increasing flow of Canadian investments to non-traditional destinations such as South Asia, Africa and Eastern Europe also mean that organizations (especially large export-oriented firms) have to hire a large number of managers with a variety of competencies often at short notice. Search firms have been found to be a useful tool to meet this challenge.

Despite the importance of search firms to today's business, very little empirical information on their operations currently exist. Most of the current writings are anecdotal in nature and guided by the experiences of the writer concerned (e.g., Wypich, 1986; Jackson, 1997). There are at least three reasons for this. First, "corporations are understandably reluctant to publicize their failures in using executive search firms. The latter are equally reluctant to discuss their mistakes" (Hutton, 1987, p.140). Second, "search firms are often willing to undertake actions that an employer would not do, such as calling a competitor" which may not be readily admitted by the firm involved (Schwind, Das and Wagar, 1999; p.207). Contingency search firms-- those which receive a fee only if an employer hires the candidate suggested by the search firm-- are perceived to be the most aggressive in their recruitment tactics and tempted to fill a position at any cost--even if the fit between the job and the applicant is less than optimal (Luden, 1992; Erdlen, 1979). Hence, a close-up examination of the activities of search firms is impractical in many instances. Third, "some human resource professionals... consider search firms unethical because these firms engage in 'stealing' or 'raiding' among their client's competitors" (Schwind et al, 1998, p.207). This may prevent human resource managers from using search firms or in any case, not divulging their interactions with them. This

¹Statistics Canada does not provide separate figures for executive search firms and placement agencies.

means that selection of a search firm is, often, based on intuition, the firm's overall image or information coming through the grapevine. Such an approach can prove costly to the organization since the search firm hired in a particular instance may be unsuitable.

Anecdotal information indicates that search firms are successful only in 50% to 60% of all executive hiring cases (Hutton, 1987). If these figures are true, they indicate the high costs associated with this recruitment tool. This is because costs include not only out-of-pocket expenses but also other invisible and intangible items such as costs of a wrong hire (such as opportunities foregone, public goodwill lost) and damage to a firm's perceived effectiveness and reputation. Often, managerial positions are filled too quickly and without consideration for the position's impact on the firm's overall strategy and internal culture (French, 1997) which, in turn, can result in high managerial and staff turnover, poor communication, lower morale, errors and wastage and reduced productivity.

The present research study aims to throw more light on how human resource managers in large organizations view executive search firms. More specifically, the present research aims to provide answers to a number of questions such as:

1. Do human resource managers possess positive attitudes toward executive search firms?
2. Are their attitudes related to use of search firm?
3. Is the source of information used by a human resource manager related to his or her attitudes toward search firms?

The specific hypotheses tested in the present study are detailed in the next section.

Hypotheses

Many human resource managers view executive search firms as a regular part of their operations. As Luden (1992, p. 104) noted, "the enlightened human resource executive... views executive search firm as corporate management does its accounting firm, law firm or other consultants". On the other hand, others warn of the dangers of using search firms (e.g., Jackson, 1998). In general, views on the use of search firms vary from "they interfere with our work by constantly badgering us with phone calls" to "good, sophisticated recruiters are a great help. I treat them as an extension of my department" (Luden, 1992, p.104). Some human resource managers may view external recruiters as a threat to their own position and function while others may hope to benefit from the additional recruiting expertise such firms offer. It is possible that a manager's past experience with a search firm is likely to have a significant bearing on his or her attitudes toward them. Following this line of argument, it was hypothesized that:

***Hypothesis 1:** More positive attitudes toward executive search firms (on the part of human resource managers) are likely to be associated with greater past usage of search firms.*

Since a person's affect to a product or service can affect future behavioural decisions (Hawkins, Best & Coney, 1998), it is reasonable to conclude that:

***Hypothesis 2:** More positive attitudes toward executive search firms (on the part of human resource managers) are likely to be associated with greater planned usage of search firms.*

Based on past anecdotal writings, human resource managers are likely to possess ambivalent attitudes toward search firms (Luden, 1992). To our knowledge, however, this has not been empirically tested before. The following hypothesis was formulated in exploratory mode:

Hypothesis 3a: *Human resource managers are likely to rate executive search firms as professional, competent and thorough.*

However they are also likely to have some negative perceptions as below:

Hypothesis 3b: *Compared to own internal recruitment process, human resource managers are likely to perceive search firms as more expensive, secretive and less ethical.*

When hiring a search firm, human resource departments may use internal or external search for information relating to the former's operations. Internal search is primarily experiential in nature (i.e., the user's own prior experience with the service is used the basis for evaluation). External search may use (1) *personal sources* such information coming from friends, professional colleagues and the relevant others, (2) *marketing sources* such as advertisements and demonstrations by the service provider and (3) *neutral sources* such as ratings of the agency by unbiased agencies or persons, evaluations by consumers' bureau or similar agencies, etc (cf., Hawkins, Best & Coney, 1998). Persons who use internal search may have positive or negative feelings about the product or service in question depending on the person's prior experience. For new users, external sources such as personal and marketing sources of information are particularly relevant since few objective evaluations of search firms (that can be classified as "neutral" sources) currently exist. Unlike marketing sources of information which normally convey only positive aspects of a firm's performance, personal sources are more likely to contain negative evaluations as well. Thus, negative perceptions of a search firm's performance (such as bias, secretiveness and unethical behaviours) etc are more likely to be present in the minds of persons whose primary source of information about search firms is from personal sources. Using this line of argument, it can be hypothesized that:

Hypothesis 4: *On dimensions such as honesty, openness and ethical behaviour, human resource managers who rely on marketing sources of information about search firms are likely to rate them better than those who base their evaluations on personal sources.*

The next section details the steps in this study to test the above hypotheses.

Research Methodology

Sample.

Since executive search firms are more likely to be used by larger firms, only large Canadian organizations were included in the present study. *The Financial Post 500* was used as the sampling frame in this study. Given the exploratory character of the study, a ten percent allowable error in findings was considered acceptable². Of the top 300 organizations in the sampling frame surveyed, 99

It can be statistically shown that at 95% confidence level and an allowable error rate of 10%, the required sample size is 96. 33% response rate to the survey was expected; hence, top 300 firms were included in the survey.

responded. Of these, 97 responses were usable. The final sample consisted of (percentage of total sample in brackets): agriculture and logging : 9(9.3%); manufacturing: 21 (21.6%); transportation 3 (3.1%); wholesale and retail: 10 (10.4%); accommodation and food: 2 (2.1%); mining: 4 (4.1%); communication and utilities: 9 (9.3%); construction: 2 (2.1%); real estate: 2 (2.1%); health 8 (8.2%); others: 27 (27.6%).

Research Design

A self-administered survey design was used to collect data. Pre-survey and follow-up letters were sent to improve response rates. The questionnaires were addressed to the head of the human resource department in the firm selected for the study.

Instrumentation.

A questionnaire was designed on the basis of an extensive literature survey on recruiting firms and the recruitment function in general. Ten human resource (HR) managers were interviewed to identify the critical issues in the hiring of an executive search firm.

A Likert-type scale was used to evaluate search firms with the following items:

1. Executive search firms can reach applicants who may be unreachable through other recruitment methods.
2. For an organization of our size, executive search firms are not cost effective.
3. We have a better understanding of our employment needs than any executive search firm that we may hire.
4. For an organization such as ours, the quality of applicants is better when we do our own recruiting (rather than relying on an executive search firm).

The respondents were asked to rate on a "strongly agree" to "strongly disagree" continuum with an option of responding "don't know".

The overall perceptions about search firms were measured using a semantic differential scale. Information emerging from relevant literature surveyed and input coming from three human resource managers were used to identify scale anchors. Sample scale items were:

Inexpensive	Expensive	:	:	:	:	:	:
thorough	Thorough	:	:	:	:	:	Not
Amateurish	Professional	:	:	:	:	:	:
	Unethical	:	:	:	:	:	Ethical

The same semantic differential scale was used to evaluate the respondent's own recruitment efforts. In both instances, a five point scale was used to score the semantic differential responses. The positive responses (e.g., "competent", "fast") were given a score of "1" and the negative responses (e.g., "incompetent", "slow") a "5". Thus, the *smaller* the score, the more the positive evaluation of the search firm on any particular dimension.

The draft questionnaire was critiqued by the ten managers as well as three academicians working in the human resource management field. The final questionnaire had three major sections: respondent's opinions on executive search firms, current recruitment practices and a profile of the respondent.

Psychometric properties of the instrument

The test-retest reliability of the questionnaire over a two week period (n=10) exceeded 0.73 for many items and considered adequate. The face and content validity of the questionnaire as judged by practitioners and academics in the HR field (n=12) were high.

Data Analysis

All data analysis was performed using the Statistical Package for Social Sciences (SPSS). Parametric and non-parametric tests were conducted to test the various hypotheses. Only statistically significant findings pertaining to the hypotheses earlier listed are reported here.

Findings

65 of the 97 respondents had used a search firm in the past and of these 53 had employed a search firm in the past two years. The median time taken to fill a vacancy by the search firm was three months (or less).

To test hypothesis 1, each respondent's total score on the four-item scale measuring attitudes toward executive search firms was computed. Respondents were classified into high and low scores and their past usage of executive search firms computed. The overall attitude toward search firm was significantly related to past usage (p<.001) with high scorers having used search firms most. Thus, there was strong support for hypothesis 1.

Next, a person's total score was related to his or her decision to use a search firm in the next six months. High scorers were found to be more likely to use search firms than low scorers (p<.001) thus providing strong support for hypothesis 2.

The ratings provided by the respondents on the semantic differential scale were next summarized. On attributes such as professionalism, competence, and thoroughness, search firms received fairly high ratings (scores less than 2.5 on a five point scale) indicating that there was general

support for hypothesis 3a. These ratings were next compared to the respondents' ratings of their own internal recruitment process. Table 1 summarizes mean ratings (along with standard deviations) of the two ratings on key attributes. Except for the dimension, professionalism, search firms did not receive higher score than the responding firm's own recruitment effort. On several other dimensions such as speed, cost-effectiveness, competence and dependability, search firms received lower rating than the client firm's internal recruitment effort. Consistently (although, not always statistically significantly), search firms also received lower ratings for openness, ethical behaviour and honesty. Thus the present findings provided general support for hypothesis 3b as well.

Table 1
Means and Standard Deviations of ratings of
Executive Search Firms and Own Recruitment Efforts

(Note: a 5-point scale is used; the *smaller the score, the more positive* the evaluation; n=97. The items are NOT listed in the order in which they appear in the original questionnaire)

Attribute	Executive Search Firm		Own Recruitment		p	
	Mean	S.D.	Mean	S.D.		
Professional	1.93	.66	1.97	.88	.88	.001
Competent	2.23	.61	2.05	.82	.82	.10
Thorough	2.40	.80	2.33	.90	.90	ns
Expensive	4.28	.85	2.65	1.36	1.36	.001
Cost-effective	2.99	.88	2.18	1.06	1.06	.001
Fast	2.85	.75	2.51	1.07	1.07	.05
Successful	2.47	.75	2.06	.69	.69	.001
Dependable	2.39	.75	2.20	.76	.76	.10
Quality applicants	2.41	.76	2.41	.91	.91	ns
Biased	2.67	1.01	2.53	1.09	1.09	ns
Honest	2.50	.77	1.90	.79	.79	.001
Ethical	2.37	.89	1.66	.87	.87	.001
Openness	2.81	.91	2.31	1.13	1.13	.001

To test hypothesis 4, the respondents were grouped on the basis of whether their primary source of information about search firms was marketing or personal sources. The relevant figures are summarized in Table 2. As may be seen, the mean differences are significant (at .05 level) and in the predicted direction in two out of the four attributes. Even in the case of the other two attributes in the table, the differences are in the predicted direction. Thus, the present findings provide at least weak support for the final hypothesis.

The implications of the above findings are discussed in the next section.

Discussion

The present study underscores the critical importance of improving user perceptions for the strategic success of executive search firms. There was a close relationship between past usage of search firms and positive user attitudes-- generally, the greater the usage, the better the overall attitude toward the search firm and vice versa. The present findings also indicate that overall attitude towards

search firms is a good predictor of likely future use of the firm by the respondent. This means that shaping user attitudes is an important aspect of success strategies of executive search firms.

Table 2
Ratings of Search Firms on Various Dimensions Categorized by Respondent's Source of Information.

(Note: The *smaller the score, the more positive* the evaluation; n=97)

Dimension	Marketing Sources (n=44)		Personal Sources (n=29)		p
	Mean	S.D.	Mean	S.D.	
Biased	2.52	.90	2.96	1.04	.10
Honest	2.27	.59	2.66	.77	.05
Ethical	2.20	.77	2.67	.71	.05
Openness	2.84	.92	2.82	.82	ns

The present findings also indicate that many human resource managers are ambivalent about search firms. They consider search firms to be professional and competent; however, very rarely do they rate search firms at par with own recruitment processes. Search firms, while they serve a useful purpose, may still be a second choice in the minds of several respondents. On attributes such as "dependability" and "speed", search firms did not rate as well as own recruitment efforts (although statistical differences were not very strong); on some other dimensions such as "honesty" and "ethics", again, search firms were rated even less favourably. The present findings suggest the importance of marketing strategies on the part of search firms if they are to change some of the prevailing perceptions including stereotypes.

Is the decision to hire a search firm a high involvement one? In a high involvement decision, the user is motivated to process and learn a lot of information about the product/service (s)he plans to purchase. No past research studies have attempted to answer the above question.. Given the costs of a wrong hire to the firm and the human resource department involved, it would appear that it is a high involvement decision (although this proposition is yet to be tested). Consumers who are highly involved with a product or service generally seek information relevant to the product category on an on-going basis (Wang, Fletcher & Carley, 1995). Such on going search and knowledge base it produces may reduce their need for external search immediately before a purchase. This means that efforts should be taken by search firms to provide relevant information about their services on an on-going basis to their prospective clients. The greater the *extent* of perceived involvement in the decision, greater the importance this activity assumes.

It should also be borne in mind that a user's search behaviour may vary with the *nature* of the involvement in question. For example persons who desire higher variety may exhibit greater search behaviour (Dodd, Pinkleton and Gustafson, 1996). This means that two similar organizations may still require differential treatment by the search firm in their promotional efforts depending on a number of factors including the number and type of alternate recruitment tools they use, their prior experience and the backgrounds of the decision makers. For example, we found that organizations where the human resource department in-charge was at V.P. level had more positive overall attitudes toward search firms than where they had lower status ($p < .01$). Only further research can divulge the several other variables that may moderate the relationship between cognition, information search and

behaviour as they relate to the selection of executive search firms.

Do the various attributes used in this study to assess search firms relate to each other in any consistent fashion? Preliminary findings seem to indicate that they do so. Results of a preliminary factor analysis generated some interesting results. A principal component factoring of the semantic differential items showed that four factors accounted for 72.6% of total variance (Both the Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test of sphericity had indicated that a factor analysis was appropriate for the data). A first analysis with oblique rotation indicated possible independence of the factors. The results of a second varimax rotation are shown in Table 3.

Table 3
Results of Factor Analysis of Key Semantic-Differential Scale Items.
(Principal Components, Varimax rotation)

Scale Items	Factor 1 <i>"Perform- ance" addition"</i>	Factor 2 <i>"Value- lity"</i>	Factor 3 <i>"Reliabi- rency"</i>	Factor 4 <i>"Transpe-</i>
Professional	.80			
Competent	.76			
Thorough	.61			.43
Expensive		.91		
Cost-effective		.81		
Honest			.80	
Ethical			.75	
Dependable			.74	
Open				.94

The four factors were named (for want of better names) as "performance", "value-addition", "reliability" and "transparency". Attributes such as professionalism, competence and thoroughness loaded on the first factor "performance". The "value addition" factor reflected the respondent's concern for total costs and cost-effectiveness of the search firm. The third factor, "reliability" summarized the respondent's concern for attributes such as dependability, honesty and ethical dealings. The final factor, "transparency" again had two variables loaded on it" openness and thoroughness.

Given the above findings, some preliminary action plans on the part of search firms would seem to be:

1. The strengths of search firms (as perceived by this sample of respondents) are professionalism, competence and thoroughness. The marketing programs of search firms should attempt to reinforce and further strengthen these images. Search firms should position themselves much the same manner as law firms and financial specialists-- providing a unique service that is not often available within the firm which hires them.
2. Concerns about cost-effectiveness of hiring search firms should be addressed head on. Providing a cost benefit analysis to the client in the early stages of negotiations and then again at the conclusion of a hiring cycle will help reinforce cost-effectiveness of using a search firm in the minds of the clients.
3. The present study did not ask whether search firms are perceived as a "threat" by human resource

managers. Some of the past writings indicate that they do. If that is indeed true, actions have to be taken to eliminate (or at least reduce) this perception.. Building long-term relationships with the client may be a good strategy in this context. This is particularly important in the case of large clients who can, even with low managerial turnover, provide sufficient volume to the search firm. A promotional strategy that helps the human resource department and manager to feel as winners of an on-going relationship with a search firm is likely to have very beneficial consequences.

4. Getting involved with the client from early stages of recruitment will help alleviate mis-perceptions misinterpretations and miscommunication (thus reducing the possibility of being considered as "undependable"). Openly communicating own recruitment procedures and plans will help reduce other negative perceptions (relating to secretiveness, honesty in dealings and ethical standards).

Before closing, it should be pointed out that different marketing strategies may have to be used to meet alternate decision making patterns of client firms. Thus, in the case of a potential client who is not involved in any search for outside help, a "disrupt strategy" (Hawkins, Best & Coney, 1998, p. 539) that attempts to change existing behavioural patterns may be necessary. This would include actions such as offering free trials, rebates and tie-ins with other services normally used by human resource departments. In situations characterised by limited search, an "intercept strategy" that provides information to the human resource managers at specific locations (e.g., professional meeting places, trade journals) may be needed. Needless to say, an intensive study of the profiles of potential clients and their past behavioural patterns is necessary before embarking on any specific marketing strategy.

The present study, while first of its kind, is only a beginning in our search for understanding about search firms-- how they are perceived and how they function. For practical reasons, only a cross sectional sample of less than one hundred organizations could be surveyed here. Given the increasing importance of search firms for today's Canadian business, a broader and longitudinal study of search firms should be attempted before the present findings are generalized to other settings. We are pleased with the initial findings and welcome others to join this field of research.

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