
Putting *Consulting* Back into Executive Search & Selection; An alternative to the practice of Binge & Purge Employment and Flea Market Staffing

By Ken Daubenspeck

“The definition of insanity, is repeating the same behavior, anticipating a different outcome.”--Albert Einstein

PREFACE/OVERVIEW

- **REALITY:** The contracting economy, combined with an increase in global competitiveness, has placed entire industries in peril.
 - As these businesses started to falter, owners, employees and investors alike experienced a rapid evaporation of wealth, and swift accumulation of debt.
 - Add a series of precarious global political and economic circumstances to this and you have a period of economic instability not experienced in the US for over 70 years.
 - **OPPORTUNITY:** This juncture however, has also created an unprecedented period of opportunity – an opportunity to assess, rethink, rebuild, and reposition our enterprises, in order to **benefit** from this convergence of conditions. There are ways to benefit from this market, but often what we see is only the risk, and as a result, we are not positioned to receive those benefits.
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- **REALITY:** Often organizations react to these circumstances with indiscriminant layoffs, perpetuating the habitual and degenerative cycle of *binge & purge search and selection practices*.
 - This employment practice erodes the core of any enterprise.
 - It reduces service, diminishes quality, impacts employee trust and loyalty, and makes it difficult for a business to respond quickly to shifts in market conditions.
 - Eventually those initial cost savings, which were achieved from layoff campaigns, dissolve—possibly leaving in its wake a drain on future cash flows and roadblocks to future investments. A little investment now, may save you big dollars later.
 - **OPPORTUNITY:** One opportunity is in investing in and obtaining insight into our employment practices
 - To be successful in the long term, an organization must do more than fill positions.
 - They must assess the organization, its culture, its leadership and then make decisions about what right for the employees and the employer.

*“If you think knowledge is expensive, try ignorance.”
The President of Harvard Business School.*

The Practice of “Binge & Purge Employment”

Instability and caution have once again stimulated organizations to manage their business to short-term financial performance—a dangerous and futile practice. As Reis & Trout, authors of the bestseller *Positioning* said, “When companies live from quarterly to quarterly report, they create a recipe for trouble.”

It is counter-intuitive to resist an initial reaction to cut costs, especially when it comes to staff. The primary reason being, this is where a significant percentage of operating costs lie. Intuition tells you that by reducing headcount, a business experiences immediate short-term relief and an apparent positive effect on their quarterly report. Often ignored however, is the devastating impact these layoffs have on service levels, the support of strategic initiatives, or the cultivation of employee loyalty, all of which produces an unstable enterprise.

Searching for a lower cost-per-hire, companies—having seen staffing costs rise and a drop in the value provided by their search firms—created internal staffing organizations to satisfy their demand for people. This narrowing of the role of search & selection became a key contributor to *binge hiring*. Often, companies either ignored employee integration or lacked the resources to emphasize employee integration, ignored the impact of the binge staffing on the culture, and/or ignored all the time spent responding to the demand to inflate compensation packages in order to attract new employees.

As business and economic conditions shifted, employers found themselves bloated, with unstable, unintegrated, and disjointed organizations. They were often led by unqualified leaders and left with compensation systems that did not reflect changing business conditions. Those businesses, once again, reverted to the practice of purging their organizations of employees. This is not to suggest that any business cannot benefit from some waist tightening, but rather to emphasize that they must be mindful as they proceed—whether they are building, reducing, repositioning or retooling their organizations.

In the months since the market reversal (Sept 01), I have met with several *Fortune 500* human resource executives. Each has expressed a concern for the difficult task of reducing headcount, and they are apprehensive about the impact that this purging has had on the core of their enterprise. They discover that the market is not flush with qualified candidates. Often, their own staffing organizations have been severely reduced, and they lack the time or expertise to assess the impact of this purging or to consider a new staffing strategy.

“Flea Market” Approach to Search & Selection

Recently a meeting was held in Chicago, comprised of several top executives who gather on a different business subject and offer their perspective. On this day, the subject was the impact of September 11th on the local economy and business climate. One panel member from a prominent financial services company offered that he did not require the services of recruiters to staff his organization, saying “there is an abundance of highly qualified candidates in the job-market”, and “there were deals to be made, without incurring any recruiting fees”.

When you initially consider his statement, it seems like common sense. In fact, it is this assumption that fostered the creation of the internal corporate staffing department, and a heavy reliance on internet-enabled job boards. It assumes, the market is rich with qualified candidates, and it favors the employer, ignoring key elements of a quality employee selection process. It confuses the attractive prospect with the qualified candidate. It is this confusion that has created an employment market, best characterized as a “*Flea Market*.”

This flea market is comprised of individuals who come to bargain hunt, believing they have that unique ability to see a deal. This perspective is reinforced by the basic principle of the flea market: one person's cast off, is another's treasure. In fact, the value-gap in the market is not that wide and the ability to perceive a bargain is the result of a well-defined need. More often than not, however, the bargain hunter is driven only by the deal—they seldom consider need, nor do they have insight into the true market value.

The model seems to translate to the employment market, as people are purged into the market by one employer, and considered by another employer looking for a deal. Seldom has the organization gone through the exercise of defining who this applicant is, what it is they need, or what their value would be to the enterprise. And, as companies downsize it is increasingly difficult to know the impact that this downsizing has had on the organization.

To discern between a *qualified candidate* and an *attractive prospect*, an understanding must be achieved—not just determining if the prospect's skills, experience, and compensation matches the requirements of a specific position. This understanding is valuable only if applied to a foundation of deeper knowledge about the enterprise itself. That deeper knowledge must include an understanding of the organization's culture. Also, that organization must have a solid grasp of its leadership team's capacity to lead. I once read, "If you start in a direction and no one follows, then you are just taking a walk." It is *Leadership Capacity* that is the most significant factor in determining that organization's success or failure. The leadership team must understand the collective professional capabilities, and the gaps within its organization. Only when all factors are understood, can you determine whether an attractive prospect is in fact a qualified candidate.

For the same reason that it is difficult to be one's own physician, or attorney, it is also risky to try to provide objective organization or search & selection expertise from inside the organization. This process requires an expertise in the *needs determination process*—a thorough examination of the organization, its leadership and the effects of the hiring cycle on the employee population—and companies should expect executive search firms to provide this expertise. Unfortunately, the field of true executive search experts is fading—being replaced with business developers and order takers, who possess large Rolodexes, and have marketable industry experience, but lack expertise as an *Executive Search & Selection Consultant*.

All right, so where is an expert when you need one?

As with other industries, executive search has hit hard times. Collectively, the industry has tapered about thirty percent. One top firm has watched its revenues drop over fifty percent and their stock price plummet. They have also resorted to *purging* hundreds of employees, demonstrating their own lack of expertise in the field of staffing & selection—although their name continues to attract employers as the safe choice.

These large search firms are all but abandoning entire industries, as well as specialties like information technology, where they established specialization in order to respond to a growing market, but with little understanding of that specialty. As a result they fell victim to the same "binge & purge" employment habits.

Shouldn't executive search firms then be very busy, providing their clients with executive search & selection consulting expertise? For several reasons, these firms abandoned their original value proposition which was to provide that expertise to aide a client developing a staffing strategy, including an organization profile.

It seems, the problem started when businesses grew rapidly, had more money than leadership, and assumed that they knew what they needed. Those companies only wanted firms to provide candidate flow, and they all but eliminated the needs analysis and profile development phase. Basically, this relegated recruiters to order takers, who were happy to take those orders and move on to the next deal in order to satisfy growing sales quotas. In so doing, these search firms caused their client, research staff and candidate alike to wonder what value they were providing. As a result, human resources department created internal staffing departments, and relied heavily on those seemingly popular job posting boards—all with the desire to drive down the cost to acquire, and eliminate what was perceived as an unnecessary broker.

While the economy was expanding and companies were experiencing double-digit growth, it was not as apparent that there was a need to be strategic and circumspect in employment practices. But when the market reversed, it became obvious that this vital aspect any staffing strategy must be reincorporated. The only solution to break these habitual and degenerative practices is to *put consulting back into the search & selection process*. To maintain this philosophy is one thing. To build an operating model is quite another issue. We have created a structure that enables this philosophy; we call the “Unbundled Solution”.

Put Consulting Back Into Executive Search & Selection; The Unbundled Solution

The enterprise that will benefit from a contracting economy is the one that does everything possible to understand it self and what it truly needs. That understanding goes deeper than the creation of a profile for a candidate based upon skills, experience, credentials, responsibilities, and compensation. It implies an honest assessment of the business model, the corporate culture, and an understanding of its leadership capacity. Finally, all of this must be built upon a foundation of responsible employment practices.

Most companies are unable to accomplish this alone. Often an outside expert is required, one who is committed to assisting companies in this process. The best place to acquire that expertise is the executive search industry. However, traditional retainer arrangements lack the flexibility to accomplish this because search firms were only compensated primarily for their sales performance and their ability to satisfy a search engagement. Given the financial pressures they are experiencing, it will be some time for them to be able to respond to this need. Unfortunately, this is the service that clients need today. The issue is to find a way to motivate both the search firm and the client.

We realized, if you unbundle the process, it allows the client to gain that insight, and the search firm can once again provide that valuable consulting service that almost seems lost. Instead of obligating the client to a full search retainer, the search firm has an opportunity to demonstrate its consulting capabilities, and to learn about the client it hopes to serve when a search is in fact required. In turn, the client is able to assess the firm it is considering to retain for the actual search, while positioning itself to assess whether or not attractive prospects are in fact qualified candidates.

It is my hope that by revealing these obsolete and ineffective employment practices, reintroducing the importance of expecting that the executive search industry raise the importance of search & selection consulting, and suggesting an innovative way to partner, that we may all have an impact on elevating the importance of *Responsible Employment*.

About the Author

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