

# Insights

Issue 3

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## From the President

I'd like to begin with an observation: Many of our clients are assessing the impact and stresses to the financial services industry caused by issues related to the sub-prime mortgage shakeout. The financial markets have been riding a roller coaster in spite of a reasonably healthy underlying economy. We, of course, have a vested interest in how the financial services industry is performing, and we believe that our clients also have a vested interest in the search services they utilize. This issue will focus on that relationship between retained executive search and your company.

I have had the opportunity in the past few months to attend two conferences, something that I do not often do, but which proved very worthwhile. First I returned to the University of Minnesota for a conference entitled "HR Tomorrow 2007--Win Your Talent War," covering a broad array of topics pertaining to attracting, developing, motivating and retaining top talent in today's competitive market. Having earned my MAIR degree from the U of M, it's nice to see the Industrial Relations Center offer this type of insightful programming.

I also attended the Executive Search Summit in San Francisco, the leading industry conference that is held by Kennedy Information. One of the central themes I heard from other participants again pertained to the notion of deepening our relationships with our client base.

This concept of establishing a strategic partnership with clients receives a lot of lip service, but it is hard to achieve. In our main article, we will share some thoughts on this key objective and how we and our clients work together. We also share some findings from the Kennedy report on the state of the executive search industry and provide a brief review of the book *Great People Decisions* by Claudio Fernandez-Araoz.

Enjoy the issue, and please let us know your thoughts. We are always interested in feedback, especially this time as we deliberately look through both sides of the lens. Your input is truly invaluable.

Gregg Carlson  
President, Carlson Search Group

## Search Industry Trends

Our clients have sometimes indicated an interest in better understanding the dynamics of the executive search

industry itself. The business can have a bit of mystery to it. And search consultants can at times be accused of adding to this mystery--sort of acting like the wizard in *The Wizard of Oz*, trying to draw the curtain closed! Because of this mentality, we want to shed some light on the search business itself by sharing some of the industry trends that were presented at the Executive Search Summit, held in San Francisco in late May.

Brad Smith, COO for Kennedy Information, delivered a key address at the conference entitled "The State of the Executive Search Industry." As COO, he provides support and direction to each of Kennedy's five business units and publishes the group's monthly news services. Smith began his presentation by saying, "The good news is that everything is up and looking good right now in executive search. Business is growing, and we're busy. It feels like there's a lot of momentum in the industry right now. Most of us are thinking about how to grow the business and support the demand we're seeing in the market." Some of his specific observations were as follows:

- The retained search business is relatively small, with \$6-8 billion in annual revenue. And it is a very cyclical business. While revenues have averaged approximately 20% growth rates over the last three years, the preceding three years were quite difficult.
- Retained search is a very fractured business, with several large firms accounting for close to 50% of industry revenue, while hundreds of small firms continue to do quite well. Firms do not need scale to be effective.
- The financial services/banking sector is the largest user of search firms, closely followed by healthcare, manufacturing, consumer goods, and life sciences.
- Fee structures are evolving and becoming more flexible. Firms are forecasting a slight upward trend in fees for 2007. Some discounting of fees is being seen due to search volume.
- Central purchasing units are playing a bigger role in the search administration process within some larger companies.

Given this changing backdrop, Smith highlighted several opportunities for search firms to consider, including developing a brand that will outlast the competition, developing a more disciplined marketing plan, considering/rethinking your geographic footprint, picking your niches carefully, considering diversification strategies, and ensuring that you listen to your clients. Certainly food for thought here at CSG!

## Strategic Partnerships in Search

"Being able to count on experts who know your industry is important when filling key executive positions," says Gregg Carlson, Founder and President of Carlson Search Group. He has spent the last 25 years of his career working in and learning the banking, insurance, investments, and mortgage businesses. Financial services are what he and the rest of the CSG team know best. "If you are considering search, you need someone who knows not only your industry but also your company. CSG's reputation for providing unsurpassed integrity, quality, and results in the work we do is a result of our commitment to building strategic partnerships with each of our clients."

### What Is a Strategic Partnership, and Why Is It Important?

"More than collaboration, a true strategic partnership requires a building of trust between search group and client. CSG recognizes that our responsibility goes beyond developing a strategy to fill your open position, identifying job requirements, and setting timelines. We also need to learn your company's culture, operational style and management team, among other factors," Gregg explains. "Randy Hain, Managing Partner of Bell Oaks, recently identified 'devotion to the client's best interest, a deep knowledge of their company and culture, the highest ethical standards, strong values, clear communication and absolute candor' as requirements to building client trust. 'Only through a combination of candid dialogue, earned credibility and objectivity can an environment exist where the search firm supplies talent that best fits the organization,' Hain concluded. It is so important to develop this kind of partnership, where the consultant is right there at the table, hearing your expectations, giving input and hearing feedback along the way. Most companies agree that this need exists, but few companies are really prepared to provide that kind of interaction."

Gregg understands the need to earn trust, admitting that sometimes companies or hiring managers--particularly those who are less familiar with the benefits of retained search--are guarded in their initial interaction with the search group. "After all, doesn't every consultant promise to have the company's best interest at heart? Why should a company be quick to include me in the team?" That guardedness, however, can hinder an efficient, effective first search. As trust is built, a client really begins to see CSG as part of the team. Repeat business is of course important in sustaining strategic partnerships, but the point is that the sooner you're on the same page, the sooner you'll have a successful search.

After a company has done its homework in choosing a search firm, it is important to quickly establish open

communication with that firm. "As an agent for the companies I work with, I am proud to represent them and always treat each source or candidate as those companies would want them to be treated," Gregg adds. "When I have the opportunity to get to know the company and its main players well, I can better represent that company to the candidates, and vice versa."

### **Making It Work: A Success Story**

One company that CSG has gotten to know quite well over the years is FirstMerit Bank, a prominent Midwestern banking and financial services company that has enlisted CSG for many successful searches over the past decade. Christopher Maurer, FirstMerit's Executive Vice President for Human Resources, has worked directly with Gregg on each of those searches, including the successful placement of their new CEO.

"When working with a search group, the most important things to us at FirstMerit are results, credibility, integrity, responsiveness, and a strong customer service focus," says Chris. "Carlson Search Group scores high in all five categories. Gregg Carlson's careful attention to our needs has helped his firm successfully interview and place candidates time after time. The history CSG has accumulated, knowing us and our philosophy, has produced great results over the long-haul. Gregg's firm is truly an extension of our company. They have taken on our challenging assignments and earned our respect and the respect of our board of directors."

"Gregg has a seat at the table," Chris continues. "When key staffing issues have come up, he's been brought in. Confidentiality is also important. If there is a key hire at stake, or an incumbent not working out, we have to do a confidential search. Carlson Search Group understands that and maintains the highest standard of integrity. Gregg also brings a helpful perspective himself; his knowledge of the banking and financial services industry has been a real asset."

"Many firms have a front person who comes along and meets you and then shows up for the closing, but have junior level employees doing much of the legwork," Chris explains, adding, "The problem with that arrangement is that, at the end of the search, the front person doesn't have a good handle on what's been done and doesn't know the candidates inside and out. Not so with Carlson Search Group. Gregg owns it from A to Z, and, because he remains involved in the research and the interviews, when we sit down with him to discuss the candidates, he can always offer important additional insights."

"Gregg works hard to determine where and whether a candidate will fit in our company and is careful to discover and point out both strengths and weaknesses. Even the best candidates will have something that might be an issue, and he always tracks it down and points it out. His interaction with each candidate makes his input invaluable."

### **The End Result**

"This kind of strategic partnership takes work, but it's definitely worth the effort," Gregg concludes. And Chris agrees: "Because we know each other's point of view, no matter the issue, the conversation is not forced or strained. When I ask CSG for something, I know I'll get it. They abide by time constraints, know our business inside and out, and are entirely reliable. Gregg Carlson has been in the search business for a long time and is in it for the long haul. That continuity is invaluable to our company. We have a consistent, trustworthy consultant, and we plan to continue that relationship."

## **Recommended Reading**

*Great People Decisions: Why They Matter So Much, Why They Are So Hard, and How You Can Master Them*

Partner of Egon Zehnder International, a leading executive search firm, Claudio Fernandez-Araoz has filled executive positions in countless businesses throughout the world over the past two decades. His work has appeared in the *Harvard Business Review* and the *MIT Sloan Management Review*, and his newly published book entitled *Great People Decisions: Why They Matter So Much, Why They Are So Hard, and How You Can Master Them* has earned the praise of Jack Welch, Jim Collins, and other business greats. "No matter your business or product, your service or strategy, it's all done with people," writes Daniel Goleman, best selling author of *Emotional Intelligence* and *Social Intelligence*. "Great results only come when great people fill the right roles. In *Great People Decisions*, Fernandez-Araoz clears away the fog of myth and fad that has long clouded people decisions, bringing passion, sound experience, and wisdom to these all-important questions."

"Anyone can fill a position," the author states. "The real trick is getting the right person in the right job." Fernandez-Araoz first explains why the ability to make great people decisions is crucial for individuals and organizations. He then explains why making these decisions is so hard, how to know when a change in

personnel is needed, what to look for, where to look, how to appraise people, and how to motivate, attract, and integrate the best people into your company. Each chapter is detailed yet concise, answering specific questions about whether IQ, personality, or experience matters, for example, or under what circumstances a company should consider bringing in an external advisor. The author concludes with a helpful chapter--"The Bigger Picture"-- in which he relates people decisions to everyday life, the individual, education, and world history itself. Ironically, the chapter concludes with a quotation from Dr. Seuss's classic *Oh, the Places You'll Go!*, which, Fernandez-Araoz claims, "contains great wisdom about life and its challenges."

Dr. Seuss's wisdom aside, Fernandez-Araoz offers his own wise perspective in a readable style and format, complete with illustrative charts and graphs. *Great People Decisions* is a valuable resource for teams looking to build skills in a particular direction, boards looking to hire a new CEO, managers filling crucial middle roles, and others seeking to land and retain great people for their organizations.

## **The Bottom Line**

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