

**2016**

**In-House Recruiting: Best Practices  
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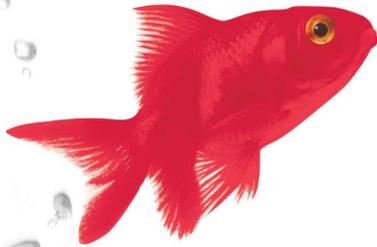
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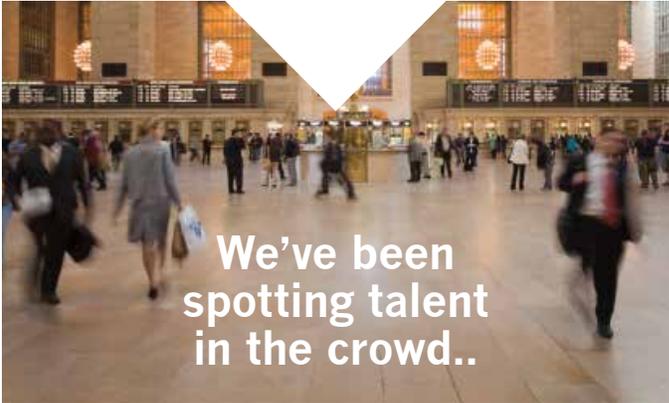
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## INTRODUCTION

# In-House Recruiting

In-house recruiting is widely seen as the biggest competitive threat to ever hit the executive recruiting sector. Search assignments are being chipped away as talent acquisition professionals bypass traditional methods of recruiting in favor of searching virtual networks and using their own connections to identify and lure new generations of qualified workers. At the root of it all are social media platforms – their emergence has been nothing short of transformational for the executive search business.

Advances in social media technologies are reshaping and realigning the independent relationships between hiring buyers and recruiting sellers. Long-established partnerships are being up-ended. That is leaving many on both sides to ponder what a future might look like without the traditional co-dependent kinship that has existed for decades. What's not been answered is whether the cost saved in hiring talent directly by corporate in-house recruiting teams is actually a cost incurred in not hiring the best talent by way of search specialists out in the field.

## **The Move 'Inward' By Companies**

Some industry experts believe that the move 'inward' by companies could significantly shrink the search industry, leaving only major recruiting firms that have proficiency in hunting for global talent and a cadre of boutique specialists who typically handle unique and difficult assignments. Others say the industry will continue to expand and the pressure from in-house recruiting will lead to a more full-service talent business. That scenario seems to be what's at work today. But make no mistake, changes are coming fast and furious, the challenge is upon us, and the implications for the recruiting industry are vast.

In our view, recruiting industry leaders might consider two simple steps: co-developing opportunities with social media companies and integrating social media technologies into their business platforms. Executive search consultants maintain years of long-term client relationships, in-depth functional and industry expertise and global networks of connections. That's their strength. Finding a way to redesign and combine service offerings from both the traditional and virtual fields could create a more comprehensive and powerful platform from which to identify, assess, track, coach, recruit and onboard talent for companies.

## **A Big Bet On the Future**

Korn Ferry, the search industry's leader, is embarking on just this mission: recently, the world's largest recruiter acquired Hay Group, a global leader in people strategy and organizational performance. It is, of course, a more holistic, peer-to-peer and fully integrated approach to talent management. But it is also a big bet on the future direction of the talent, recruiting and leadership solutions field.

One positive outcome from all the turmoil that is rarely discussed: the value and stature of job candidates is rising. Over the last generation, there has been

growing evidence that a broken recruiting system has been in place favoring the 'actively-employed, actively-seeking' professional over others who might be just as qualified, but remain unemployed. In time, these top-flight professionals become untouchable. Their loss is our universal loss and its impact on competitiveness has been keen.

Jeremy King, president of Benchmark Executive Search, calls this old system "an inefficient 'one-sided model,'" that doesn't represent the talent; rather, it has come to treat that talent like any other commodity that is bought and sold in the marketplace. He believes that as social media moves to engage everyone, no one in the future will be left behind. The past was all about networking, he says, "but the future is all about building deeper relationships." Those relationships between recruiter and candidate, he says, are setting the new foundation from which a revitalized search industry will rise.

The executive search sector is in a consolidation phase. Every recruiting chief executive worth his or her salt – starting at the top with CEO Gary Burnison at Korn Ferry on down – is spending at least part of their day rethinking business models. Transactional thinking is out, consultative thinking is in. Client expectations and candidate aspirations are front and center. These CEOs know that clients are now extremely selective when choosing the search firm with whom they want to conduct their business. These clients – many, in fact, found in the pages of this report – now look for clear value in terms of deliverables. And what is driving their choice of search firm is industry knowledge, specialization, and a willingness to work one-on-one. It is a relationship that is being redefined every day.

## **The Value of Relationships**

This is all leading the recruiting sector far beyond its roots. Karen D. O'Boyle, newly-named president and

CEO of Career Partners International, says the next decade is all about enhancing workforce planning and creating successful transitions. She sees executive coaching, career and leadership development, and competency & assessment testing at the forefront. Identifying and recruiting talent, seen through her prism, seems outmoded, even unfashionable.

Talent professionals polled for this ground-breaking study know the value of their executive search relationships. But they have been put under intense pressure to step-up to meet 21st century hiring expectations focused on expediency, speed and cost. Finding new ways to work with them, rather than being defeated by them, is clearly the best course of action for executive recruiters already under pressure as the hunt for talent becomes a 24/7, never-ending quest.

In-house recruiting is not a new phenomenon. But it is now widely seen as scalable and that is why the dynamics have shifted so much, and so fast, in just the last couple of years. Headhunters are losing hundreds

of millions of dollars to their in-house counterparts – and yet they continue to grow and expand. So making the recruiting process more efficient and less expensive for corporate heads of talent in charge of their widening in-house programs is far from being all bad news for executive recruiters. In fact, the good news is the talent marketplace is undergoing its biggest expansion in history. Hunt Scanlon sees winners on all sides.

For more than 70 years major companies have turned to external search providers to fill millions of professional level vacancies. With the exception of several brief and limited downturns over the course of the last seven decades, the business of identifying talent by way of an executive recruiter has resulted in a multi-billion-dollar, full service consulting industry that employs thousands of search professionals specializing in every industry and functional discipline in just about every country on the planet. That business will continue.

# **SECTION 1**

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## Executive Summary

## SECTION 1

# Executive Summary

For corporate hiring, these are days of change. Backed by technological advances that provide the names of would-be candidates with a few clicks on a website and driven by competition for quality talent and the promise of saving money, in-house recruiting is transforming the face of hiring. Once predominantly the province of search firms, increasing numbers of companies in the United States and around the world have established operations to conduct their own hunts for talent. As a result, talent acquisition leaders say they have found better candidates and made better hires than they ever had when outside firms were doing most of the work. After all, who knows the workplace or the candidates they want better than the companies themselves? “I know the animals I’m hunting,” says one talent leader.

As such, companies are becoming increasingly holistic in their approach to doing business, with talent leaders and in-house recruiters becoming integral parts in corporate strategy. And while the executive search industry remains a valuable corporate partner, it, too, is being transformed by such changes.

It’s not completely surprising that many corporations have made a shift to an in-house recruiting function. The concept has been around for years. But with the advent of LinkedIn and other sources of candidate information online, in-house recruiting is now an indispensable – and inescapable – part of every organization’s talent acquisition game plan.

In some ways, in-house recruiting is tied to bigger trends that sweep across companies, industries, and the business environment as a whole from time to time. In many ways, it has to do with the economy and how any given industry is faring. Broadly speaking, says Jason Hanold, CEO and managing partner of Hanold Associates, a Chicago-based executive search firm that specializes in human resources assignments, centralization of recruiting has forever come and gone and come back again. "Over the years companies have centralized talent acquisition as a function and these same companies will go through that cycle again and again. And correlated to that, when they're going through more of a centralized phase that's when you see them tend to say, OK, we want to beef back up our executive recruiting function or our direct sourcing."

A lot of time, said Mr. Hanold, "it is tied to whatever they might be doing with an RPO for their mid-level and junior-level stuff. It's fair to say that the most common and most dependable cycle you can see in the broader hiring space is this notion of centralization and decentralization."

### **A Logical Next Step**

Oftentimes, executive recruiters will diminish the rise of in-house recruiting functions, dismissing the trend as cyclical in nature. "That's a popular theme when you're talking to people in the search industry because they don't like to see the in-house trend as something that will permanently affect their business," says David Lord, a partner at Executive Search Information Services in New Hampshire. "And so typically search people will say it's cyclical, that as soon as the economy goes south this will change. Or sometimes they say as soon as business picks up we'll start to see everybody coming to search firms again. The only conclusion that I can draw from what I see happening is that there's just so much demand

for leadership talent that there's growth in the in-house trend and the search business is doing pretty well, too. It's a rising tide that's lifting everybody in this current scenario."

Perhaps. But the search industry no doubt took notice this summer when Global Equity International and its subsidiary Global Equity Partners Plc. announced the startup of an executive search division to handle in-house executive recruitment and leadership solutions for its construction and banking concerns. Kingsman James, as the operation is called, is being headed by James Payne, who had previously been with Parkhouse Bell International Recruitment & Consultancy.

"Many of our clients require some form of guidance in appointing or growing a senior management team, be it a CEO, CFO, or CTO, but we have been unable to offer any real support service other than guiding them to a range of headhunters or people in our network," Peter Smith, chief executive officer for Global Equity, said at the time. "Now with the creation of Kingsman James and the recruitment of James Payne we are able to offer an in-house service to find, qualify, and ultimately appoint those C-level people crucial to a company's development."

That Global Equity International, which has offices in Dubai and London, would decide to bring recruitment in-house could well be foreshadowing things to come. The private equity sector has stayed a reliable source of business for the search industry. But given P.E. firms' focus on streamlining operations, cost-cutting, and in many cases control, internal recruitment functions could well be the logical next step.

For corporations, the shift toward in-house recruiting has in large part been fueled by the advent of LinkedIn and other information sources, including professional trade association and other membership websites that can easily be accessed on the Internet.

To a considerable degree that has taken away the database power card that search firms once held in their dealings with companies. These days, any corporation can map its competition or build a database. That's not to say that such access to potential candidates is a panacea. Not everyone, especially older executives, are to be found on LinkedIn. And even when good potential candidates are found, there's ultimately the matter of picking up the phone and convincing them to at least hear out the recruiter and then taking it from there.

"Where the true power and value from executive search comes is when you have relationships with these people," says Mr. Hanold, speaking of would-be candidates. "There's people that I call and tell them, 'Listen, you may not be interested in Toledo, Ohio; you may not be interested in the sound of this company, but I'm telling you, you need to go talk to them.' And because they trust me and because they have a relationship with me, they will go have that conversation. If I was an in-house recruiter or anyone just calling people off of LinkedIn and sending them emails blindly, if I'm not a trusted source, they have no reason to respond, react, or burn their time. If you're not expanding your relationships and staying not only close to your network but always expanding your knowledge base and your relationships, you're becoming less relevant to the very clients you serve. If they ever feel that they can replicate exactly what you do, you're done."

### **Evolving Methods to Find People**

Bob Nesbit, managing partner of Nesbit Partners in Chappaqua, New York, points out that as great a tool like LinkedIn is, it may not contain every candidate a recruiter might find interesting. That's when other sources come into play. "I'm doing a large project for a client and we're looking for psychologists," he says. "When I do my research and I look at psychologists

who have been out of school for 10 years, not surprisingly, they're on LinkedIn. But psychologists who have been out of school for 15-plus years, often they *aren't* there. So depending on who you're hunting for, there are different ways to locate them. For some kinds of professional experience, a tool like a LinkedIn is fine. But if you're searching for unique professionals like psychologists, depending on their age or experience, they simply might not use it. And that's a miss. So how do I find these folks? Sometimes I go to an industry magazine like *Psychology Today*, which happens to have a listing of psychologists. It's a good alternative, a solid secondary source. So I go back and forth to increase my odds of finding a suitable candidate."

### **SURVEY RESULTS**

#### **What social media technologies have best improved your ability to search for talent?**

**LinkedIn** 100%

Twitter was noted by respondents as an important platform in which to share thought leadership and to communicate with candidates. Facebook was seen as a resource to reach younger people in the workforce as well as those in the beginning stages in building their careers.

Perhaps nothing is more reflective of the growing importance of in-house recruiting than the evolution within human resources of the Talent Acquisition Leader. The job is not found at every company, but it's undeniably becoming more common. A recent listing, for example, for a talent acquisition leader with Under Armour, the sports apparel company, lists among the job's responsibilities: "working closely with the executive team, business leaders and H.R. partners; overseeing global social media programs; and ensuring that the company has the most cutting edge systems and tools necessary to effectively track current and future talent activity."

Mr. Nesbit points out that there's always been someone to head a corporation's staffing function.

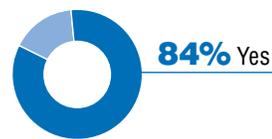
Titles change, he says. “And the methods of finding people have also evolved,” he continues. “They have evolved for corporations and they have evolved for search firms – i.e., you can find people easier because they’re on social media sites now. There’s always been a competency and skill required, even 15 years ago, to use technology. That capability is much more important now than ever. You really need to know how to use ATS systems, how to leverage social media platforms and other types of technologies. But basically what it gets down to is good old blocking and tackling. How do you build your pipeline? Where is the talent you want to attract and the most effective way to reach them? Finding candidates is one thing; but competently recruiting them, that’s something else all together. It’s so much more than just sending an e-mail to “connect.” You need to have the skill and experience to “woo” that passive candidate. That means picking up the phone and developing a rapport, earning trust, developing a relationship. Back-in-the-day, you ran ads. It was a very reactive approach. You had to wait for people to bite. Now people are going out and proactively hunting,” he says. “And today, companies now have the ability to do that on their own. And that’s a big change.”

The reasons behind the rise of in-house recruiting is complex and nuanced. The change goes beyond basic concepts like saving money or gaining greater control over the recruiting process. Many talent leaders, in fact, insist that cost is certainly a factor but that it’s far from the main reason for taking such an approach. If saving money is the driving force, they say, an in-house recruiting function is doomed from the start. And while the thinking behind the establishment of an in-house operation varies depending on the company and its industry, one word that is on the tip of everyone’s tongue these

days is culture. And no one talks about cultural fit in recruiting with greater passion than corporate talent acquisition leaders.

## SURVEY RESULTS

**Are search firms losing a competitive edge to social media technology?**



In short, they say, no outsider could fully understand what it’s like to work in any given environment day-to-day. The in-house team knows the atmosphere and the players and oftentimes the strategic direction in which the company is going. That means corporate recruiters should be able to find and assess better candidates, which of course should lead to better hires.

Assignments also tend to be filled quicker with an in-house team, talent leaders say. Not every company has the capacity to do so, but pipelining is an important benefit that pays long-term rewards. Certainly it takes time to build relationships with contacts and prospects, but once they are established, roles can often be filled before a job even goes out for assignment. In-house recruiters also tend to have better access to hiring managers and those who do their scheduling than an external recruiter might.

An in-house function gives a company deeper understanding of its competition and the challenges it faces in its market. And if executed properly, an in-house function is likely to be cheaper in the long run, with savings that can run into the millions of dollars.

James Mueller, managing director of Executive Search Advisory Partners in Leesburg, Virginia, says that despite recent media portrayals, in-house recruiting is driven by more than cutting

costs. Mr. Mueller, who advises companies on senior-level searches, says that in large part it's about assessment. By way of example he tells of one company he surveyed not long ago. Part of the company's reasoning for not using a search firm was the fear of losing corporate intelligence. "They wanted to know every individual in a product innovation capacity or with companies that were product innovators that could be aligned with their company, with the technology offerings that could be in the future," Mr. Mueller says. "So they were looking for the founders, the inventors if you will.... And in some cases they didn't want to give away their competitive advantage relative to what direction they felt their particular industry was going. Their internal executive recruiting function was more about scouting out the market, understanding businesses, aligning businesses with their corporation. And so when the strategy was to move into a new product offering area, they had a real clear understanding of the landscape, who were the drivers, who could they successfully pull into the organization."

#### **Off-Limits Obstacles**

Beyond that, some talent leaders show little interest in using search firms, taking an XL-sized pride in their own team's capabilities. Not only can their team conduct any search as well as an outside firm, they say, but they can do it better. Many talent leaders believe recruiting firms have been paid too much for too long for results that have been mediocre at best. In building Coca Cola's in-house function, director of talent acquisition John Goldberg went to great lengths to compare the results of outside search consultants versus the company's recruiters. He found the external firms falling short time and again. Overall, the executives brought in by Coke's own recruiters fared better in terms of performance and related measures of success. And it cost less to hire them to boot.

What's more, the very model under which search firms operate leaves little room for doing something as simple as suggesting candidates who might fall short for the assignment at hand but could be a good fit elsewhere in the company. When it's done, it tends to be as a favor or a professional courtesy, but it's not part of an outside recruiter's mission. And for the bigger search firms, which might be conducting several similar searches at once, a recruiter on any given assignment might never approach good prospects because they're under consideration for roles by other clients.

Good potential candidates for important openings are also lost because of a search firm's off-limits restrictions with other clients, say corporate talent leaders. "We're seeing search firms approaching a billion dollars in revenue," says David Lord. "Korn Ferry has something like 5,000 clients, and that's a lot of obstacles to work around."

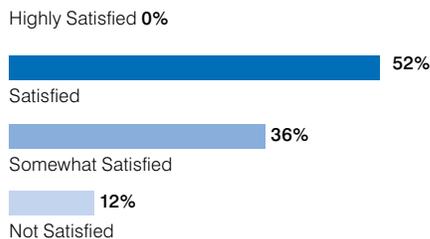
#### **Cultural Fit**

Boutique firms, for their part, like to point out that because of their size they have fewer off-limits impediments. But in the case of specialty roles in which there's already a dearth of good candidates, that kind of assurance can be cold comfort for hiring managers wanting to look at the very best people in the market.

That's not to say that corporations with in-house recruiting functions are without their own hands-off issues. Some companies are wary of upsetting members of their boards of directors by poaching their best talent and gingerly approach the matter when it comes up, if they allow it to come up at all. And a business-to-business company, says Mr. Hanold, might want to avoid stirring bad feelings with customers by actively recruiting their top people. Having an executive search firm reaching out to those same individuals, on the other hand, provides a certain distance and hopefully less offensive white-glove approach, he says.

## SURVEY RESULTS

### Are you generally satisfied/dissatisfied with your external search providers?



Search firms have their own perspective on what they bring to the table for their clients versus an in-house function. “An in-house team will know its own culture very well – probably, hopefully – but it won’t necessarily understand the cultures of potential targets that they’re looking at,” says Angela Gardner, a partner with Heidrick and Struggles in Los Angeles. “We have that objectivity because we work across industries.”

Ms Gardner previously worked as vice president of talent acquisition for Yahoo as well as at Fox Networks Group, where she established the company’s first in-house recruiting function, and therefore has intricate knowledge from both sides of the matter.

While in-house recruiters know their own industry very well, she says, they may have little experience outside their domain. Ms. Gardner cites a hypothetical tech industry in-house recruiter as an example. That individual may know the tech landscape very well, but outside of that world they can come up short. “When it comes to knowing cultural fit from outside the tech industry, which may be relevant for a different role, they’re not going to have the breadth to look for those out-of-box candidates,” she says. “And again, that’s something that we, because of where we sit and how we interact with the ecosystem, are able to generate.”

And for all the talk about cultural fit, those in the search industry say they have been paying it mind for years, focus on it heavily today, and more often than not do a good job of it. “We would argue that we do it very well,” says Ms. Gardner. “Otherwise we wouldn’t be here. If we weren’t taking that into consideration as a major part of the selection and assessment process that we go through we just wouldn’t survive.”

Truth be told, most corporations with in-house search functions still work with outside search partners at least now and then, and oftentimes on a regular basis. And though it’s far from across the board, some companies with in-house teams have used that as leverage to change the terms under which they work with search firms. For some companies, the balance of power has shifted. Now it’s the corporation that sets the fees and other requirements for the search firms, not vice versa.

All the same, search firms continue to have a place with most companies that have in-house functions. Specialized, niche roles with which the in-house team has little experience and for which it would take too much time to develop a good network, are often parceled out to external recruiters. Many times a company will give a search its best shot and if its internal recruiters come up dry will then enlist an outside firm.

### Global Search Brands

“Unfortunately, a lot of corporations compromise and they’ll put someone who is more junior on a very senior executive search and it doesn’t work out so well and then they’re forced to bring someone in at the eleventh hour to bail out the situation,” says Ms. Gardner.

Companies that are growing, meanwhile, tend to need help when hiring suddenly spikes and their capacity to handle all the work becomes an issue. Many, meanwhile, still rely on search firms for

confidential searches. Many, too, prefer external firms for the top-level C-suite roles, both because of the experience that certain search firms bring at that level and the cachet that a major search firm's name brings to the process in the mind of senior-level executive prospects. It's undeniable that the brand of a top-tier search firm carries weight in the marketplace, especially if the client company may be lesser known or there are issues involved that make it preferable to use a third-party.

"You could argue it both ways, but one of the reasons that a boutique search firm can't answer all your needs is the same reason that your in-house function can't answer all of your needs," says Ms. Gardner. "And what are the advantages of being part of a larger search firm where we have global reach and industry and functional specialty groups? We can bring all of those areas of expertise together and sort of flex in a way that an in-house function is almost certainly never going to be resourced well enough to do."

In the early 2000s, says Ms. Gardner, the talk was that the in-house recruiting would be taking over and the search industry was on its way out. "We can see that hasn't happened," says Ms. Gardner.

"The other thing we all know is that talent is in high demand. We're in a shrinking workforce. So it's not getting any easier to recruit. And the number of people that are well qualified for any given position certainly in a market like we have at the moment have a lot of options. So your in-house function needs to be pretty sophisticated, which a lot of them are. But very few of them have a real depth of research capability."

An in-house function has no guarantee of success just because it has been created. In truth, it can be expensive to start an in-house operation and without the right recruiters and commitment by a company's leadership, it can all go bad. Many times people around a company, be it human resource executives

who now find themselves pushed out of the picture or hiring managers who were happy with the old way of hiring, who had strong relationships with search firms, resist the changes that an in-house function brings. Those individuals must be won over, with data showing them the benefits as well as real-life proof that the in-house team can do the job well.

What's more, hiring managers can have their own, personal agendas for sticking with search firms. "There's a large force at work against the in-house movement, which is kind of the elephant in the room, which is the career self-interest of hiring managers all over the corporate world," says David Lord.

"Every senior executive that we can imagine loves to go out to lunch with Spencer Stuart or any of the leading search firms, or any search firm, because there's kind of a hunch that maybe this person will find me my next job. And so there's a tremendous kind of unspoken reluctance – sometimes spoken, but usually unspoken – to stop using search firms because it takes away that cool little part of career development that these guys all like to engage in – as anybody would, right? It's human nature."

That reluctance is among the same challenges that talent acquisition leaders face as in-house recruiting spreads globally. Some places in the world – Japan is an oft-cited example – have been slow to catch on to the concept of having a company reach out to would-be candidates. Culturally, hiring managers and candidates alike are simply used to executive search firms playing the middle man, and it can take considerable relationship building, data points, and proving an in-house recruitment team's capabilities before it catches on.

Foreign markets pose other challenges for in-house recruitment functions as well. While it may seem desirable to have a company's own people handling recruitment, many times it's just impractical. "If you

look at a global corporation and the makeup of its workforce, the U.S. is the easiest market to tackle because it's the largest," says Ms. Gardner. "If you look at Europe you've got a range of different countries that have relatively small operations. You have language differences and all sorts of cultural differences. You have exactly the same challenges with Asia-Pacific. So again, it depends on the organization as to where the bulk of their business is being done geographically and the scale of the organizations that they have in place as to what sort of recruiting they may have on the ground," she says.

"Often in Europe there will be H.R. generalists who do some recruiting on the ground in countries like France and Spain and so forth because there just isn't the scale to have a dedicated resource, certainly not dedicated at the executive level. It's true that they would rely more on external resources and have partners that they work with on a regular basis. It's very difficult to manage that because without the scale, you don't have the regular need and therefore outsourcing makes more sense."

### **Who Drives the In-House Function?**

No matter where the company is located, it requires a certain courage to take on an in-house function, largely because change itself can be so difficult. In addition, a fixed-cost model requires maintenance and paying strict attention to fluctuations in business and changes in the corporation's strategies, lest a talent leader be caught with too many, or too few, recruiters to do the job at hand. Organizations that use few or no outside recruiters, meanwhile, can find themselves being poached with greater frequency by outside firms who have no off-limits restrictions on recruiting their executives.

To succeed, the in-house recruitment team needs unwavering support from the business leadership. "An in-house search function has to be driven by top

management, the CEO or head of human resources at least, because without them you can't get the support to use the in-house team," says Mr. Lord. "Folks will go and do their own thing and they'll cultivate their own relationships with their favorite search people, unless the CEO is saying, 'Look, we're going to do it this way.'"

Search is a function based on relationships and for an in-house operation to work, companies must help foster ties between talent leaders and their recruiters and the leadership. That's where in-house functions stand to gain an advantage over executive search firms. "If you want to have a strong in-house team, you absolutely must make sure that they're engaged directly with the business leaders and that they have a strategic mindset," says Mr. Hanold. "It's only an advantage if the in-house people actually know the business leaders. They have to know the people doing the hiring because you need to be able to talk about the individuals in the process. It's not enough just to talk about the company. Anyone can talk about a company. And it's nice to be able to talk about a culture because you live there everyday. But it falls down on its face if the internal talent acquisition people can't talk about the business leaders for the roles they're hiring. If they don't know them, haven't spent time with them, don't know their strengths and their idiosyncrasies, then they're incredibly ineffective."

All the same, the pressure on talent acquisition leaders is considerable. As any recruiter knows, hiring managers have a short memory. Yesterday's success quickly fades and what matters most is that next search. More than one talent leader speaks of the never-ending challenge of continually bring in good people. "You're only as good as your last search" might well be their mantra.

Ironically, many talent acquisition leaders themselves have at least some agency experience. And as often as not talent leaders like to hire recruiters who have

worked for search firms. “Resourceful” is a word they use to describe them. In other words, external recruiters have had to think out of the box when the right candidates for assignments are nowhere to be found. And since many corporate recruitment functions regard their company’s hiring managers as clients, just like a search firm would, in-house recruiters must be able to sell someone whom they consider a good candidate to a skeptical business leader or lay it on the line about expectations or compensation issues. All that know-how often comes part and parcel of working for a search firm and it can translate well into the corporate recruiting world. For those recruiters who make the change from agency to corporation, talent leaders say, there are greater opportunities for career advancement within companies, in and out of recruitment.

### **A Holistic Approach**

Looking to the future, it seems inevitable that technology will only make it easier to locate candidates and track and assess them, a process

that will continue during the individual’s career with any given company. Just as many search firms and recruiters have become more specialized, it’s likely that the specialization trend will grow within in-house corporate recruitment as well, at least among companies that have enough personnel to make those distinctions.

Some, like Paul Jesselson, talent acquisition leader at Cognizant Technology Solutions, meanwhile, ponder a future in which a company’s internal talent is recruited alongside external candidates, all in an effort to put the organization’s best people to work on a company’s biggest challenges. As Mr. Jesselson admits, that would require a major change in thinking among division leaders and others who understandably might be reluctant to lose their best people to other parts of the company. But it’s all part of a bigger, more holistic approach to business, that the rise of in-house recruiting is signaling. In the end, it all points to the in-house function having an increasingly vital place in any given company.

# **SECTION 2**

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## Industry Case Studies

## SECTION 2: CASE STUDIES

### Gartner

One of the more striking differences between the in-house recruitment team at Gartner, Inc. and external search firms is the amount of sharing of information that goes on not only between business leaders and recruiters but also among the recruiters themselves.

Judy Wong co-leads talent acquisition at Gartner for all businesses at the organization, outside of sales, across North America, Europe, Asia Pacific, the Middle East and Latin America. Over the five years that she has been with Gartner, the organization experienced double digit growth each quarter, and doubled in size.

Prior to joining Gartner, Ms. Wong led talent acquisition at the Related Companies, a real estate development firm based in New York City. She was previously at Spencer Stuart for nine years, where she started her executive search career, initially specializing in the CIO practice before assuming a leadership role for the search execution team for the northeast region of the firm. She began her career as an investment banker in mortgage-backed securities at Credit Suisse, and then in debt capital markets at Citi.

Gartner, Inc. is one of the world's leading information technology research and advisory company. The company delivers technology-related insight necessary for its clients to make the business decisions. From CIOs and senior IT leaders in corporations and government agencies, to business leaders in high-tech and telecom enterprises and professional services firms, to technology investors, Gartner is now a partner to clients in approximately 10,000 distinct enterprises worldwide. Founded in 1979, Gartner is headquartered in Stamford, Connecticut, and has 7,600 associates, including more than 1,100 research analysts and consultants. A public company, its revenues topped \$2 billion last year. It has a broad array of customers, from government to private businesses.

In many ways, that's a major validation of the in-house function at Gartner and at any company that takes a truly holistic view of its business. When regarded as part of a company's bigger picture, internal recruiters do more than fill jobs. They become strategic partners with leaders throughout an organization. When they're doing the heavy lifting of identifying, contacting, and assessing candidates in one function area, they stay open to other possibilities within the company for good candidates. For outside search firms, however, the work is largely transactional. There's little incentive for an external recruiter to go beyond the terms of the immediate contract.

### **Conducting 2,000 Searches a Year**

It's been about six years since Gartner shifted over from an RPO model of hiring to an in-house recruiting function. Worldwide, Gartner's in-house recruiting function consists of more than 150 people, which include recruiters, sourcers, recruiting coordinators, and others. It has recruiters in 10 countries: the United States, Canada, the United Kingdom, Brazil, Japan, South Korea, China, Australia, India and Singapore.

### **AT A GLANCE - GARTNER**



**Judy Wong**  
VP of Recruiting

Judy Wong is vice president of recruiting at Gartner and co-leads talent acquisition for all businesses at the organization, outside of Sales, across North America, Europe, Asia Pacific, the Middle East and Latin America. Over the five years that she has been with Gartner, the organization experienced double digit growth each quarter, and doubled in size.

Prior to joining Gartner, Ms. Wong led talent acquisition at the Related Companies, a real estate development firm based in New York City. She was previously at Spencer Stuart for nine years, where she started her executive search career, initially specializing in the CIO practice before assuming a leadership role for the search execution team for the northeast region of the firm.

In all, the team conducts upwards of 2,000 searches each year. And though recruiters are assigned to various functions within the company, they recruit for all types of roles. For most of Gartner's assignments, outside search firms are unnecessary. Mainly, they are utilized when confidential searches come up.

### **Having a Seat at the Table**

Gartner's in-house team is capable of handling most everything that comes its way. Many of its recruiters have agency experience. But that alone won't get them a job at the company. In their favor, however, recruiters with a search-firm background tend to be versatile. They also know how to fend for themselves when searches fail to go smoothly.

Having a seat at the table is a source of pride for Gartner's recruiting function and helps sets the tone for a sharing mentality throughout the organization.

Hiring managers and recruiters both have a vested interest in fostering their relationships and making sure everyone succeeds.

## SURVEY RESULTS

### C-Suite Recruiting In-House

Do you perform C-suite recruiting in-house?



Recruiting isn't just summoned when a role has to be filled. When Gartner's business units hold their regular update meetings, recruiting managers – and sometimes even recruiters – are in attendance, just like any member of that section's team. And they're there for the duration of those gatherings. And in a switch, others around Gartner are periodically called into conferences – remotely and in person – run by the in-house recruiting function. These are called lightning rounds. The idea is to get together four to six people from the company who might have a network in a particular space and pick their brains for potential candidates or for others who can make referrals for a given position. These are called lightning rounds because ideas come fast and furious. Granted, any recruiter – in-house or external – will typically ask hiring managers and others for suggestions about potential candidates. But at Gartner, the process is a bit more formalized.

### Specialization on the Rise

Not every lightning round yields useful results, but more often than not the meetings yield valuable additions to the recruiting team's pipelines. They also allow individuals from around the company to participate in the search process. If one of the referrals is ultimately hired, the referring employee receives a financial consideration.

## BY THE NUMBERS

### Gartner: A Leading Company in its Field

**\$2 billion** in revenues

**7,600** employees in **90** countries

Looking to the future, Ms. Wong sees specialization among recruiters on the rise. More and more recruiters identify themselves as specialists in finance recruiting, for example, or IT, or executive-level marketing. Much of that is likely a result of various search firms specializing in given areas. "We're starting to see more of that even on the corporate side where recruiters have an appetite to specialize and want to be known for that area of focus," says Ms. Wong.

"And that's coming from both sides. You also have businesses saying, I want a recruiter who knows this area really well, who can get a quick start on this search either because they already have a network of contacts or they know the lingo and as a result, can solve this search quickly for me. I foresee that there would be fewer and fewer generalists going forward."

## Cognizant

The most effective in-house recruiting operations do more than merely seek out and reel in new talent. The best outfits are intricately wired into the strategic goals and needs of their company. By thoroughly understanding the direction a business is going in and the steps required to get there, talent acquisition becomes a valued partner to the leadership of an organization on the move. It's that kind of thinking that propels the internal recruitment function and feeds growth at Cognizant.

Heading up the in-house recruiting program at Cognizant is David Amsden, who joined in 2004 and serves as vice president recruiting & talent acquisition. Mr. Amsden is responsible for the strategy, leadership and management of day-to-day operating activities within the company's recruiting and talent acquisition business unit.

Joining him is Paul Jesselson, Cognizant's talent acquisition leader for several of the company's business units. His team drives the external leadership recruiting function without the assistance of outside search firms. His background includes recruitment work at Microsoft, Cisco and Dell.

Cognizant is a leading provider of information technology, consulting, and business process outsourcing services, dedicated to helping the world's leading companies build stronger businesses. With over 100 development and delivery centers worldwide and approximately 218,000 employees, Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000, and the Fortune 500.

David Amsden, vice president of recruiting and talent acquisition for the Teaneck, N.J.-based information technology company, and his leadership team work closely with Cognizant’s business leaders from around the world, focusing on development and growth strategy. “As we enter new markets and as we grow existing markets, there’s a growing need for strategic talent,” he says. “Every year we go through a planning process that gives us visibility into potential needs and we have constant communication and follow-up planning throughout the year with our various leaders on their business needs and on their team’s leadership requirements.”

It’s a wide-ranging tableau that encompasses the entire company and as a result helps shape the organization and contributes in no small part to its success. “Some of that involves growth planning,” says Mr. Amsden. “Some of that involves succession planning. And some of it requires us to respond to unexpected situations that pop up throughout the year. We stay very much in close communication with the leadership teams across the entire company and put a solid plan in place every year. We have to have some flexibility, but we put a plan in place that gives us the ability to effectively plan our resources, tools, training, and the way we mold, direct, and manage

#### AT A GLANCE - COGNIZANT



**David Amsden**  
VP Recruiting & Talent Acquisition



**Paul Jesselson**  
Talent Acquisition Leader

David Amsden joined Cognizant in 2004 and serves as vice president recruiting & talent acquisition. Mr. Amsden is responsible for the strategy, leadership and management of day-to-day operating activities within the recruiting and talent acquisition business unit, including leadership of the 260 member team (onsite & offshore), forecasting, budget planning & management, productivity improvement, recruiter training & leadership development, vendor selection & management, recruiting technology selection, knowledge management and various strategic initiatives.

Mr. Amsden works directly with the head of talent supply and transformation – Sriram Rajagopal and the chief people officer – Jim Lennox in maintaining relationships with key business leaders throughout the company and helps facilitate strategic hiring initiatives across all business units (vertical & horizontal) and corporate functions.

Prior to joining Cognizant, Mr. Amsden led successful retained search practices focused on the professional & IT services, consulting and BPO markets and high-technology & venture capital markets. He was responsible for building and leading high impact retained search practices at Korn Ferry, CTPartners (formerly Christian & Timbers) and Fenwick Partners (acquired by Heidrick & Struggles).

Paul Jesselson leads executive talent acquisition for several Cognizant business units within North America, including Cognizant Infrastructure Services, Banking & Financial Services, and Information, Media & Entertainment. His globally dispersed team drives external leadership recruiting and provides full lifecycle recruitment support without the assistance of external search firms.

With a background in talent acquisition that dates to 1994, Mr. Jesselson has as broad range of corporate, in-house executive search and agency recruiting experience. Since 2006, his career has focused on senior-level and executive recruitment at some of the largest and most respected multinational technology companies, including Microsoft, Cisco, Dell and Cognizant. Over the years, Mr. Jesselson has become an executive search process expert and has personally executed searches in near every business function.

the talent acquisition function to support the growth of the business.”

That deeper insight, in turn, gives the company’s recruitment specialists a valuable tool for finding and putting forth the best individuals for openings but also is a selling point for candidates, especially those in consideration for senior roles. It helps them understand where they would fit into the bigger scheme of the company’s plans and strategy and is a valuable enticement to a prospect that wants more than just a new job.

## QUALITY HIRE

### In-House Recruiting at Cognizant

#### How assignments are handled at Cognizant?



“When I’m executing a search, one of the things that gives me significant credibility when I reach out to a senior-level candidate is that I can speak to our current strategy and vision for the future,” says Paul Jesselson, Cognizant’s talent acquisition leader. “I work very hard to tie together the position’s role and responsibilities to the vision and strategy for growth in our company. Being in-house, we’re just more connected to the business. As a result, we can make a tighter connection, particularly for the more senior roles, as to how they would fit into the overall big picture. I work really hard to paint that picture and make that connection for candidates. That’s a big driver to get candidates excited about working here.”

#### Supporting Strategic Hiring

Cognizant, which was founded in 1994 as the technology function of Dun & Bradstreet, has

undergone a number of transformations and adaptations over the years on its way to remarkable growth. It went public in 1998. Today it’s a \$10 billion (2014 full year) company that provides information technology, consulting and outsourcing services to companies around the world. Last year, Cognizant made the largest acquisition in its history when it bought Colorado-based healthcare IT software provider TriZetto, adding to its own offerings and bolstering its leadership in the ever-evolving healthcare market. Cognizant employs about 218,000 people globally, according to Mr. Amsden, with a large number based in India.

“We’ve had strong growth year after year,” says Mr. Amsden, who came to Cognizant 12 years ago after working as a senior recruiter at Keane Inc. and as a managing director at Korn Ferry. “And we’re a people business. We primarily have a professional services business model, so it’s crucial that we hire the right people. And the type of people we’re able to hire are really at the top of their industries and specialties. So, we look for a highly educated, highly sought after, highly competitive type of profile.”

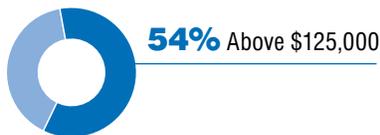
Cognizant’s in-house recruiting function has been in place for more than a decade. More than 100 people support the hiring of some 400 senior level professionals each year, says Mr. Amsden, a number that’s grown steadily as the company has gotten larger. “And to support that growth and to support that level of strategic hiring, we have built an exceptional in-house recruiting team,” he says. “If we were to stand it up and roll it out on its own, we would probably be one of the top 10 search firms in the country in terms of the number of senior-level strategic industry positions filled.”

At Cognizant, executive-level hiring is defined as senior manager and above. Senior recruiters average about two assignments each month, and outside

## SURVEY RESULTS

### Compensation Range

What is the avg. compensation range for assignments completed in-house?



search firms are seldom used. "The majority of our key hiring is managed by the internal team, with the majority being probably more than 90 percent of the hiring," says Mr. Amsden. "We occasionally will do a retained search. Usually there's a very specific geographic reason or functional reason or sometimes it could be capacity as well."

### Special Challenges

Cost is an obvious benefit of having an in-house function. And in the Cognizant universe, culture carries special weight. "We're very selective as a company," says Mr. Amsden. "It takes a while for a team to understand the nuances and the DNA that's required in selecting a good candidate. The internal team really learns the business model, the culture, the DNA of the company, and can advise on cultural fit, professional fit, and provide a professional assessment, which gives them a great advantage versus a retained search firm. In our experience, search firms have a harder time understanding the softer skills and cultural fit needed for our company."

An in-house function can also enable shorter searches. Cognizant's internal team has built an ever-growing web of contacts and connections and understands the competition, so that when a position opens, its recruiters are ready to make the calls. "As we succeed in different talent markets and build

broader networks, when similar requirements pop up we already have a lot of the research and data on the marketplace and can move quickly on the search," says Mr. Jesselson. "Oftentimes we've got relationships with candidates that we can call on and move very quickly to hire."

Establishing those relationships takes time. It starts with emails and calls and moves on to longer discussions. While a position might be not open at the moment such conversations can open the door to getting back in touch when something is available. Those individuals, in turn, can become a good source for referrals for other positions. "It's critical that each recruiter understands the market that they service, that they understand the leaders in those markets, and build short-term and long-term relationships," says Mr. Amsden. "Often we're building relationships with someone we may not immediately plan to hire but we may end up hiring them several years out. That gives us a lot of credibility as we develop the relationships. They become deep relationships, advisory relationships, consultative relationships."

When any company looks at doing this type of process, "they have to understand that it's not a turn-it-on, turn-it-off type of function. It's something that's nurtured, developed, and highly strategic," he says.

Building an in-house recruitment team poses special challenges, especially at growth companies where requirements for its services may not always be constant. Talent leaders have to keep their finger on the pulse of the organization, anticipate demand and make good decisions about how to address those needs. "You are a cost function within the company, so you have defined resources," says Mr. Jesselson, whose experience includes stints at Dell, Cisco, and Microsoft. "You want to build a professional machine that can react and predict the needs of your business. But you also want to be very careful that you don't over

build capacity. Most companies use executive search firms to supplement their internal team when they get spikes in demand, when they're over capacity. The worst thing you ever want to have to do is reduce headcount. So when building an in-house team, you have to be careful not to build it too big because you don't want to have those awful conversations when you have to reduce the size of your team."

### Healthy Competition

But it's more than simply having enough people to handle demand. It's critical to have the right people in place, who understand the culture and strategy, and who have the experience and skills to address those needs. Once again, it's a matter of being intricately connected and in tune with the overall organization and its plans. "As companies change, as they grow, as they become more global, it's truly important for each team to have a very specific focus and subject-matter expertise that aligns to the growth strategy," says Mr. Amsden. "With many businesses, their geographic footprint expands and building that capability takes time. You have to be able to service your clients quickly with high quality talent and you have to make sure that you're correctly maintaining the proper culture within your organization. And that's important strategically both short-term and long-term."

Looking to the future, Mr. Jesselson says more in-house teams are delving deeper into talent management and internal talent movement. The idea is to match a company's best people against its toughest problems, he says. Some organizations are investing considerable effort into understanding their internal resources, mapping talent and skill-sets so that when a search comes along the in-house team can aggressively recruit from their own best people along with outside talent...and may the best candidate win.

For a lot of businesses that can be tough, especially since managers, for a variety of reasons, seldom like

losing star employees to other parts of the business. "But if you look at the big picture for the corporation, that's what you want," says Mr. Jesselson. "You want your best people working on your bigger challenges and most meaningful opportunities. That's an area I see growing in the future: leaders of in-house teams becoming talent experts, better understanding their own company's talent and including them in searches. It's going to require some open-minded leadership to allow that to happen, but it's already happening in some companies."

### BY THE NUMBERS

#### Cognizant: Dedicated To Helping Leading Companies Build Stronger Businesses

**\$10 billion** company...

...employing about **218,000** people globally

At many businesses, Cognizant among them, individuals can apply for open positions within the organization with their manager's approval. And while Cognizant has a healthy internal mobility policy, its focus is largely on finding roles for available employees in billable roles. The in-house recruitment function does partner with the company's global workforce management team, which facilitates internal movement of available candidates. "Once a search is active and we've started to evaluate external talent, by that time the global workforce management team has already gone through all internal options and we've made the determination that we need to hire externally," says Mr. Jesselson. "Some companies don't view it that way. They prefer a healthy competition between internals and externals to identify the absolute best person. You can see the challenges, but I think it's a huge opportunity at some point."

## Microsoft

When one asks Brian Toland, executive recruiting director for Microsoft, how many hires his small in-house tech recruiting team was responsible for last year, he pauses for a moment. It's not that he's forgotten the number. Nor does he consider such figures a state secret. It's just that they fall short of telling the full story. While the Redmond, Washington-based company's recruiters conduct plenty of executive searches in any given year, there are those among his team who spend the bulk of their time developing relationships that make such time-consuming hunts unnecessary.

Over his 20-year career in executive search, Mr. Toland has partnered with company leaders to address business needs through the acquisition of top-tier talent. Most recently at Microsoft, he has become an expert on executive compensation, negotiation and talent trends within the technology segment. Mr. Toland gained a solid grasp of executive recruiting fundamentals through previous roles at Heidrick and Struggles, Battalia Winston and Russell Reynolds Associates.

Microsoft is an American multinational technology company headquartered in Redmond, Washington, that develops, manufactures, licenses, supports and sells computer software, consumer electronics and personal computers and services. Its best known software products are the Microsoft Windows line of operating systems, Microsoft Office office suite, and Internet Explorer and Edge web browsers. Its flagship hardware products are the Xbox game consoles and the Microsoft Surface tablet lineup. It is the world's largest software maker measured by revenues. It is also one of the world's most valuable companies

Depending on the year, Mr. Toland's team will do the recruiting for what will ultimately become 40 to 70 hires. "But I don't think it's necessarily indicative of the activity of our team, if only because over the last number of years our hires have come much more from long-term pipelining," he says. "You've been building that relationship, you have that introduction, and you open and close a search the same day. That's not really a search in the traditional definition."

Microsoft's story is well known. Founded in 1975 by childhood friends Bill Gates and Paul Allen, the company had by the mid-1980s become among the most successful and admired businesses in the country. Innovations like its Windows operating systems, Microsoft Office offerings, and Internet Explorer web browser made it a premier force in the rise of the personal computer and the Internet revolution. After its 1986 IPO, Microsoft's stock would come to soar, making thousands of its employees rich and elevating Gates to the status of wealthiest man on Earth for years to come.

### **A Long History of In-House Recruiting**

Microsoft is valued at more than \$61 billion, making it the fifth-most valuable global brand (behind Apple, Google, Coca-Cola, and IBM.) Its growth has been fed by diversification into Internet search, mobile phones, gaming, tablet personal computers, and more. In 2011, in its biggest acquisition, the company paid \$8.5 billion for Skype, the computer telecommunication application.

Its leadership under Mr. Gates followed by Steve Ballmer and now Satya Nadella, has charted a course for growth. Today, Microsoft's revenues continue their upward trajectory, going from \$28.4 billion for the fiscal year 2002 to \$86.9 billion last year. Even after major cutbacks last year, the company still employs 122,000 people around the world.

### **AT A GLANCE - MICROSOFT**



**Brian Toland**  
**Director of Executive Recruiting**

Over his 20-year career in executive search, Brian Toland has partnered with company leaders to address business needs through the acquisition of top-tier talent. Most recently at Microsoft, Mr. Toland has become an expert on executive compensation, negotiation and talent trends within the technology segment.

He gained a solid grasp of executive recruiting fundamentals through previous roles at Heidrick and Struggles, Battalia Winston and Russell Reynolds Associates.

"Microsoft has a leadership that values talent," says Mr. Toland. "For the executive function to be all that it has the potential of being requires an investment in effort and time from that leadership. Microsoft, going back to Bill and Steve (Ballmer) and definitely with the current leadership, wants to know those people and to be out front in understanding what the market is. It comes down to the culture. Microsoft's culture is very much talent focused, so they want to know that."

The company's history of in-house recruiting dates back 13 or 14 years, says Mr. Toland, who himself joined the Redmond, Washington-based company a decade ago. Early on, the executive hiring function consisted of two separate groups, one of which focused on hiring technical people, like programmers, and the other concentrating on the rest of the openings. Those operations were merged about six years ago. Today, global recruiting is also under that same executive recruiting umbrella.

In the function's early days, Microsoft's recruiters were handed an assignment for an open role and went off to fill it, Mr. Toland explains. "But as the function

has built its knowledge and as we've gotten our credibility around the company with executives, the conversations are much more along the lines of, 'This is my business problem, help me solve it,'" he says.

"It's a very different discussion. Our job is less about opening searches and much more about building relationships in a particular space, getting to know the people, making introductions, nurturing those relationships potentially over a lengthy period of time before it ends up resulting in a hire."

## QUALITY HIRE

### In-House Recruiting at Microsoft

How (exec level) assignments are handled at Microsoft?



And though every contact at least helps build the company's extensive network, there's no promise of a payoff in terms of a hire.

Mr. Toland therefore remains mindful about the individuals he brings aboard his team and sends out to develop those pipelines. What is the key to success? "It's a ton of research," says Mr. Toland. "When I'm interviewing someone for the team, I'm always asking them, 'Do you love to learn? Do you like to read? How do you get yourself immersed in a new space?' Because that's what you have to do. You have to read the research and maybe actually get to know who's writing the papers, get to know the players, and then start making phone calls. I'm not aware of any magic pill about how to do it other than go to the conferences, go to the events, make the phone calls."

LinkedIn, of course, and other such information sources are part of the process. If a hiring leader expresses an interest in a particular individual or type from a specific company, Mr. Toland and his recruiters will of course peruse their on-line profiles. It's a way to better understand what the hiring leader likes about those individuals, whether it's where they went to college or the places they have worked. But, Mr. Toland says, it's just a starting point.

Building relationships includes plenty of spadework, including ferreting out home addresses and phone numbers, if need be, he says. Because sooner or later, a conversation has to take place, perhaps by telephone. Nor does it hurt to be calling from one of the most recognizable brands in the world.

For Microsoft, that initial conversation tends to be open-ended rather than about any particular role. "Let's say you're at an amazing new startup, company XYZ," says Mr. Toland. "And I call you up and say, 'Hey, I've got this specific job at Microsoft that I'd like to talk to you about; are you interested?' You say yes or no. We're talking about that transaction. But if I call you up and say, 'Hey, it's Microsoft,' first of all even if you're not interested in leaving, you're going to at least take the call. You're going to at least listen.

### Talent Pipelining

"And so I say, 'I'm not calling about a specific role but you are someone that based on your background, you're someone that I think we should know better; if I had an opportunity down the line, is it something you'd want to know more about? And in the meantime could I get to know you a little bit better? What sort of challenges are you looking for? What drives you? What motivates you?' So it's less about this transaction: 'I'm interested in this role.' It's much more along the lines of: 'Tell me what you're looking for long-term.' It almost becomes consultative that way."

The recruiter might ask if the individual would like to have a conversation with one of the executives from Microsoft, to get to know the company better, Mr. Toland says. Most likely the would-be prospect would agree. After all, nothing's at stake. No commitment is involved. Plus, it helps to build that person's own network. "It becomes a much more comfortable conversation than, 'Hey, I have a job, do you want it?'" says Mr. Toland.

Such pipelining expands a company's opportunities for recruiting the best talent. "I used to joke that Windows methodology was 'You think about it for a year, then you build it for a year, then you test it for a year, and you sell it a billion times,'" says Mr. Toland. "The key part of that was those three years. And the only time you really could bring people on is during that time that you're thinking about it. But if you only talk to people when you're thinking about it by definition you have a very small subset of the marketplace," he says.

"So if your goal is to know the best people in the marketplace you need to build a relationship way in advance of the need, even before you know that there is a need. Now, of course, the technology has progressed to the point in which we're shipping much more and it's pretty much a 24/365 type of development methodology. But that mindset stays the same. To get to know the person, get to know what motivates them."

Truth be told, an individual who had no interest in leaving his or her job a few years ago, might now be ready to jump to a new opportunity. Personal situations change: An executive's children graduate from high school, for instance, and now that person might be open to relocating. Professional situations also change. By way of example, Mr. Toland points to eBay and Paypal. "That was a great company," he says. "But now they're splitting them up. If you're

## Q & A

### Leaving a Legacy

*Over his 20-year career in executive search, Brian Toland has partnered with company leaders to address business needs through the acquisition of top-tier talent. Most recently at Microsoft, Mr. Toland has become an expert on executive compensation, negotiation and talent trends with the technology segment.*

### **What legacy did Bill Gates and Steve Ballmer leave you and others in recruitment on how you view and recruit the company's human capital today?**

As a tech company, people are Microsoft's key asset & strategic advantage. Bill, Steve, and now Satya have instilled in us the importance of building relationships with the best people in the industry. Whether you get them to Microsoft or not, good things will come out of those relationships

### **Talk about building relationships with candidates who you may have in your sights for some time. How critical is maintaining a quality pipeline of key talent?**

It is the most critical part of what we do. Our goal is to know the right external person for our key roles before they ever become an open role.

### **How has LinkedIn and other social media technology helped improve candidate sourcing?**

LinkedIn has become so ubiquitous that it strikes you as odd when an exec doesn't have a profile. Some senior candidates seem to use it as resume replacement, which I think is a mistake. Most LinkedIn profiles are poor replacements for a well written succinct resume. People are undoubtedly easier to find through social media, but social media doesn't replace the need to build a long term relationship with someone.

someone who was working across the group all of a sudden that company might not be as attractive to you anymore. And if I've had a relationship there, I'm going to know that way before you become available in the marketplace."

### BY THE NUMBERS

#### Microsoft: Developing Relationships That Make External Hunts Unnecessary

**20** U.S. in-house professionals

It takes work for an in-house team to build a good reputation within its company. And a lot more effort is necessary to keep that respect. With success comes more demands, so many in fact that picking and choosing what not to do becomes as important as what one actually does. "People might say, 'Hey, that methodology works great on the executive, let's push that downstream a little bit in the organization,'" says Mr. Toland. "And obviously that doesn't scale. So some of the challenges are the more you do and the better you do it, the more people will ask you to do. It becomes hard to keep up."

Outside search firms, meanwhile, remain a part of the equation. Microsoft will call upon external recruiters for about one-fifth of their total searches, depending

on the year. Internationally, outside recruiters tend to be called in more frequently. For positions in spaces that the company does little hiring, says Mr. Toland, an agency can often be the way to go. It's also the route that Microsoft takes when the in-house team finds itself overloaded and unable to free up anyone for a given assignment.

Like Coca-Cola and a number of other companies, Microsoft sees no value in bringing in an outsider to handle confidential searches. "The stuff I'm recruiting for, very few people internally know about," he says. "Even if it's not quote unquote confidential. And then if it is confidential, then you want your in-house guys to do it. If it's someone externally doing it, now you've got all these people from outside Microsoft knowing about it."

What's more, if Mr. Toland and his team are doing their jobs properly, the work of finding a replacement for an executive who might be leaving is usually well underway before the opening actually occurs. A group leader most likely has already told Mr. Toland, for example, that he's having concerns about a particular role and asked that the in-house team start building a pipeline of names. "So by the time you're ready to pull the trigger, before it becomes any sort of confidential search," says Mr. Toland, the search is already a *fait accompli*.

## Philips

In-house recruiting is catching on worldwide. Still, companies often meet resistance to the concept in some less mature markets, both from hiring executives and candidates who, because of tradition and culture, prefer to deal with search firms when it comes to recruitment. Zachary Simon of Philips in the Netherlands finds that the best route to credibility is to prove one's mettle, search by search, until the good word starts to spread. Mr. Simon, head of global executive search services for Philips, had a history of launching in-house recruiting operations before leaving the U.S. to join Philips in Amsterdam last year. He was brought in to lead the company's in-house efforts to recruit senior-level executives around the world.

Today, Mr. Simon is global head of executive search services for Royal Philips, a diversified health and well-being company where he leads a team of executive search consultants and executive recruiters who identify, attract, assess and acquire external executive talent for three business lines (healthcare, lighting and consumer lifestyle).

Prior to joining Philips, Mr. Simon spent seven years as director of global executive talent acquisition for Eaton, a \$22 billion power management company where his global team was responsible for all external executive recruiting needs for the corporation and placed over 200 senior executives searches within every major division including electrical, aerospace, vehicle and hydraulics. His first venture into in-house executive recruiting was in 2003 when he joined Keybank as vice president and manager for executive talent acquisition.

## A Pilot In-House Program Begins

In his previous job, at Eaton, Mr. Simon found that among other steps, hiring talented recruiters from retained search firms boosted his operation's reputation within the company, not to mention its capabilities. As the function grew and the team proved itself, senior executives started talking. Before long, key players around the company took notice. "The bottom line is that you start building it and then you start getting your story, your reputation, out there," says Mr. Simon. "Then you have business leaders and functional leaders – and that's the best – asking for your search services and market insights."

In many ways, Eaton's in-house hiring reputation preceded it when the function later went global. Expatriates within the company who knew firsthand that the in-house team could deliver, and others who learned by word of mouth, were soon signing on, explains Mr. Simon.

It's been a similar story since Mr. Simon joined Philips, the lighting, consumer lifestyle, and healthcare products behemoth, which operates in more than 100 countries. Here, too, Mr. Simon brought in top-notch executive search professionals with agency experience, including one much-respected recruiter from one of the big-five firms to head searches in the Asia Pacific region with a primary focus on Greater China. That's already paying big dividends.

"China right now is probably the most complex and fast-paced talent market," says Mr. Simon. "It's just more cultural. Most executives would prefer to rely on the traditional methods and work with retained search firms. So there's a little bit more selling and consulting that have to go on. But once hiring leaders see the difference, once you have that story in place, it becomes much easier."

## AT A GLANCE - PHILIPS



### Zachary Simon Global Head of Executive Search Services

Zachary Simon is the global head of executive search services for Royal Philips, a diversified health and well-being company where he leads a team of executive search consultants and executive recruiters who identify, attract, assess and acquire external executive talent for all three business lines (Healthcare, Lighting and Consumer Lifestyle).

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His first venture into in-house executive recruiting was in 2003 when he joined Keybank as vice president & manager for executive talent acquisition. Mr. Simon began his executive recruiting career in 1996 with Christian and Timbers where he was responsible for the recruitment & development of candidates as well as client relations related to executive level searches primarily in the information technology sector. Clients include such organizations as Cisco Systems, Avaya Corporation, EMC Corporation, Qualcomm, Turner Broadcasting, Eastman Kodak, and American Greeting's.

Philips began its in-house efforts with a pilot program in 2013, before Mr. Simon's arrival. Initially, cost and better awareness of the organization's culture were among the reasons that Philips elected to go in-house after depending on outside recruiters all but exclusively for years. But what impressed Mr. Simon most when he met with company officials about possibly joining was Philips' commitment to bringing in top talent. The organization, he says,

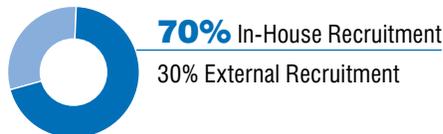
had its priorities right. That registered with him, especially when he compared its outlook to the many companies that saw in-house recruiting simply as a way to primarily cut costs.

Finding the best talent must be the driving force, Mr. Simon says. “I don’t care if it’s Europe or Asia or the United States, if that platform isn’t in place it’s somewhat a recipe for disaster,” he says. “If you’re really fixated on the cost piece, it’s there, but that’s not what really creates the success of the in-house model,” he says.

## QUALITY HIRE

### In-House Recruiting at Philips

How (exec level) assignments are handled at Philips?



“Last year as we had the team fully up and running we saved over five and a half million euro for the company, money that would have gone to search firms. So cost is a significant component. But what I heard differently at Philips was that the primary focus was that hiring managers didn’t feel they had the best access to talent. They didn’t feel that search firms were necessarily telling their story the right way so as to be able to attract passive talent who were as we like to say, fit for the role, fit for the future, but also fit for Philips.”

Like a number of other companies, Philips’ executive recruiting operation is structured like that of an external firm. “We have replicated what you have in a retained search firm,” he says, “because that model makes sense – the assessment piece, the ability to

proactively recruit passive talent. But in essence we’re just doing it for one client.”

Mr. Simon’s global operation consists of 20 employees, which includes teams of executive search consultants, executive recruiters, and search coordinators in Amsterdam, Boston, Singapore, and Shanghai. (The consultants manage the “internal clients,” as Mr. Simon and company refer to the organization’s hiring leaders, and handle the deep-dive assessments of candidates as well as offer negotiations. The recruiters, of course, generate candidates from the outside market. And the coordinators are responsible for setting up interviews, travel schedules, and making sure that the candidates have a positive experience, whether they are ultimately hired or not.)

Before turning to an in-house operation, Philips called upon search firms for nearly 90 percent of its openings. In 2013, Philips’ dependence on outside recruiters fell to 60 percent. These days, the picture has changed even more dramatically, with about 70 percent of all the company’s searches being handled in-house. Nor does Mr. Simon have any qualms about the remaining 30 percent of the openings being assigned to search firms.

### No. 1 Objective: Acquiring the Best Talent

Conducting 100 percent of external searches for the company has never been the ultimate goal, says Mr. Simon. Nor does Philips require that its hiring leaders use the in-house function to fill their openings. “When I joined the company I realized very quickly that if the executives felt that my No. 1 priority was owning all the search work, that would have come off as self-serving, like that was my objective,” he says. “My No.1 objective – and I think all in-house executive search professionals and managers should have this – is bringing the best talent to the organization and to do it in the most effective and cost-efficient manner. If I

don't feel that we have the capabilities (for filling any given role), we have to think creatively and think about alternatives to make sure we're successful."

In other words, search firms – both big and boutique – have a place in the Philips universe. "When an executive calls us and says, 'I have this opportunity,' my initial

reaction is that we want to do the search," says Mr. Simon. "But when we're sitting down with our internal clients I'm going through a mental checklist: What's the uniqueness of the skill that we're looking for? Have we conducted similar searches?" Those are just a couple of the considerations, which vary from case to case.

## Q & A

### Complexity of Cross-Country Searches

*In-house recruiting is becoming ubiquitous. Still, companies often meet resistance to the concept in some less mature markets, both from hiring executives and candidates who because of tradition and culture prefer to deal with search firms when it comes to recruitment. Zachary Simon of Philips in the Netherlands finds that the best route to credibility is to go step by step, search by search. Mr. Simon, head of global executive search services for Philips, had a history of launching in-house recruiting operations before leaving the U.S. to join Philips in Amsterdam last year. He was brought in to lead the company's in-house efforts to recruit senior-level executives around the world.*

#### **In-house recruiting is gaining widespread traction in the U.S. Do you see it advancing as aggressively in markets like Europe and Asia, for example?**

I continue to see the in-house executive recruiting model gaining traction in Europe and Asia Pacific but not at the pace that it has been and continues to be in the United States. Some of the growth challenges in the other regions are mainly due to the significant complexity there is when recruiting into different European countries. For example, attempting to recruit someone from New York to California is not nearly as complicated (culture, compensation, relocation, etc.) as it is when recruiting someone from Germany to France or Italy to Belgium.

#### **Is there a point in time that you think recruiting by internal teams will level off and swing back more in the direction of external search as has been the case traditionally?**

It will "level off" for the companies that have hired in-house "executive recruiters" BUT are limiting those search professionals by not allowing them to truly manage the full cycle of executive search. For the companies that are hiring experienced executive search professionals and providing them full access to internal succession discussions and executive workforce planning these organizations will quite likely maintain a higher percentage of external executive placements being completed by the in-house team since these executive search professionals will be focused on a company's comprehensive executive mobility (internal and external) and will be viewed by business and functional leaders as talent advisors versus pure executive recruiters.

#### **Philips saved over 5.5 million euros last year through internal search. Do you ever think you are trading quality for savings by staying "inside?"**

Absolutely not! The Philips Executive Search Services (ESS) team's main objectives is not to save the company money but to work closely with Philips hiring managers and our internal talent management professionals to make sure we are filling critical executive roles with the best talent, ideally being a "ready now" or "high potential" Philips executive or, if necessary, external executive talent. If we decide the latter, then the decision ESS will jointly make with the hiring executive is how best to attract and acquire this talent on behalf of Philips. Cost savings is a major KPI that we measure but the true value that Philips realizes is our ability to attract & acquire executive talent that is fit for role, fit for Philips and fit for our future.

Highly confidential projects, for instance, might go to an external partner. With other openings, Mr. Simon weighs his team's ability to handle the search in a timely manner, whether it involves a tough geographical challenge or hard-to-find skill set. "I hate to use the word 'expertise,'" he says. "A lot of times nobody has expertise. But if I sense it's going to be a needle-in-the-haystack search for us, that I think it's going to take us a lot longer to get up to speed than we need to," he will consider retaining an outside firm.

### A Disadvantage of In-House Recruiting

Sometimes, too, his team might take on a search that meets a dead end. Some searches just break badly. Says Mr. Simon: "There are those searches where I have to tap the search consultant on the shoulder and say, 'Look, I know you've given it your all, I know you've presented a number of candidates and things haven't worked out, but I think we're at a point where we need a new set of eyes to look at the market differently, to think of the search differently.' I love the recruiters on my team, when I was at Eaton and here at Philips, because they won't give up. But that's where my role comes in of trying to be somewhat neutral and being able to say we do need an alternate recruiting approach."

One disadvantage of having an in-house function and making limited use of search firms, Mr. Simon concedes, is that it opens the door to poaching from search firms who aren't in the company's mix of external partners. Philips, like Eaton beforehand, does a good job of retaining talent, he says. "But that is a dynamic that you have, that the fewer firms you work with, the more people that are recruiting into you."

His ability to find good talent is strengthened, Mr. Simon says, because he is well placed within Philips' corporate structure. After a recent shift, Mr. Simon now reports to the head of talent management rather

than the head of recruiting. This, he says, helps him to respond to hiring needs as they are developing.

"And that's a real differentiating factor," he says. "This is a trend I'm beginning to see and I think it's a great trend. Yes, we do executive recruiting, but I need to instantly know what's going on internally – what are the dominoes, who is getting promoted, who is ready to move, and who is retiring. What are those discussions and decisions that are occurring so that I'm ready, and my team is ready. That's where I can begin to connect the dots."

For example, if Mr. Simon knows that someone is going to retire in six months, he might commence the search for that position or come across someone he learns about from a different project, flip them over, and have the job filled before it even opens.

### BY THE NUMBERS

#### Philips: Using Search Firms Is A Declining Proposition

In 2012, Philips called upon search firms for **90%** of its openings...

In 2013, that dependence dropped to **60%...**

Last year, it dropped dramatically to **30%**

"With great in-house firms, you're seeing that transition," he says. "You're seeing executive recruiting spending far more time with talent management than they are with the talent acquisition and the traditional staffing side of things."

When it comes to in-house recruiting, lots of people talk about having "a seat at the table," of playing more of a part or at least having greater awareness of the bigger workings of a company. Everyone, Mr. Simon says, would like a seat at the table. But what he needs to do his job best, he says, is not

so much to have one of those seats himself but to have good relationships with people who hold those seats, be it HR leaders or others who can share useful information.

Mr. Simon likes to joke that he's always the second person to learn what is happening. People around the company share knowledge because they assume he already knows it, when in fact he may not, and because he has their trust.

"It's not because I need gossip or 'Hey, what's the hot news,'" Mr. Simon explains. "It's so I can take that information – and I'm not necessarily repeating it to my team and saying, 'We've got to find some people' – and start connecting the dots. I have those conversations and I can start sharing that information upstream and downstream discreetly and confidentially

to make sure the right people know the type of executives and the types of needs that we may have from a business standpoint or a functional standpoint."

Along those same lines, Mr. Simon pays heed to talent management's efforts in areas like succession planning and leadership competencies. By knowing what leaders are looking for long-term, executive recruiters in turn can look for and identify such talent in the market.

"That's why it's imperative for in-house leaders to have strong relationships with the talent management leaders, because they're the ones that really understand the culture of the leadership and how it may be transforming as well," says Mr. Simon. "We're trying to hire not for the moment but for what the company wants to look like 12 months, 18 months, 24 months down the road."

## Asurion

At Asurion, a white label company that provides technology-device protection and support services for companies in the wireless and retail industries, striking the right balance between in-house recruiting and enlisting outside firms is the key. Sloan Baxter, senior director of talent acquisition for the Nashville, Tennessee-based corporation, says that for his company, which employs some 15,000 people and hires but a few senior-level executives a year, it's more practical to have an in-house hiring operation that's complemented by external partners. Or as he puts it: "It's more of a hybrid model."

Mr. Baxter's primary area of focus is on building a strategic recruiting capability for senior-level and other high-impact roles, creating and refining a recruitment marketing message and strategy, and driving operational improvements and efficiencies across the TA team. Prior to Asurion, he built and led the globally dispersed, 20-person talent sourcing function at Gartner to fuel its aggressive sales force expansion strategy. He began his HR career in the executive search industry, first with Russell Reynolds Associates then as a partner with Korn Ferry where he led the firm's corporate treasury and investor relations practice, based in New York and Washington, D.C.

For more than 20 years, Asurion's innovation and dedication has made it one of the preferred providers of technology protection to the world's largest wireless carriers, trusted retailers and popular device manufacturers. Asurion's 16,000 global employees support 280 million consumers worldwide.

“We use in-house recruiters where we feel like we can do it better, faster, or less expensively than external recruiters,” Mr. Baxter says. “And for the most part we take that on a case-by-case basis. Our mandate is never to create a capability that recruits for everything for ourselves by ourselves, but rather where we have opportunities to do things better than we believe external resources can for us we will do it. Or if we think that external resources can do it better, we’re always happy to do that. It’s the end result that we focus on most.”

Mr. Baxter joined the company in 2013, via Gartner, Inc., an IT research firm, and Korn Ferry, to help develop an in-house recruiting function for Asurion. “That was the direction that companies were going,” Mr. Baxter recalls. “It was kind of the cool, progressive thing to do. But in the time I’ve been here, what we’ve decided is that that’s not really the best way to put our focus. Yes, there are going to be instances where we’re going to do an external search at the executive level. And there are instances where we do an in-house search. But having an in-house executive recruiting capability for the sake of having one doesn’t make business sense for us. We’re not big enough; we don’t have the volume of senior level hiring to really make that effective.”

### **A Disadvantage of In-House Recruiting**

Asurion employs a dozen recruiters, all of whom focus on exempt, corporate staff hiring. Mr. Baxter’s team conducts about 40 or so executive-level searches a year. External recruiters are brought in for about 10 percent of assignments. “We have no interest in style points,” says Mr. Baxter. “We want the best solution. Because we have a good network as a company, we’ve hired a lot of people at the vice president and senior vice president level because we have an extended relationship through one of our other executives or a board member or one of our

### **AT A GLANCE - ASURION**



**Sloan Baxter**  
**Senior Director of**  
**Talent Acquisition**

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accountants or whomever. If you look statistically at that level we don’t use a third party for a lot of it. But when we make a conscious decision but we don’t have anybody that we’re ready to talk to yet and we absolutely need this person and we’re going to embark on a search, then we really tend to say, ‘OK, do we have the resources to do this ourselves or do we need some help?’”

And though Asurion has long-term relationships with a number of recruiters that the company calls upon, Mr. Baxter also enlists new firms when circumstances warrant it. “Because of the nature of our business, we have a very diverse mandate for the kinds of people that we try to recruit whether because of their functional skill-set or industry experience, whatever it may be that leads us to where there isn’t one good answer for everything,” he says.

The pendulum, Mr. Baxter feels, started to swing back toward companies using more external recruiters in

the last two to three years. “Companies were getting a little disillusioned about how much work they could do themselves,” he says. “There was a lot of sentiment around the ways that LinkedIn and the transparency of information that led companies to be a little more confident about their ability to do all this work themselves than they probably should have been.”

## QUALITY HIRE

### In-House Recruiting at Asurion

#### How assignments are handled at Asurion?



“If you go back a couple years, I was getting a call probably every week from companies wanting to create an in-house executive recruiting capability. And though you still hear that, I think it’s starting to come back more to where we are, which is, ‘Look, if we can do this work ourselves, we already know our story, we can get started faster, we can map out the market for the most part and get to know the markets ourselves.’ And when we can do that, it makes sense that we’ll have a better end result. But there are always going to be cases where either we don’t know the market, we don’t have connections in that market, it’s a really highly-in-demand, difficult-to-fill role, and if there’s another solution out there that’s going to help us do it better than we’ll do that.”

Asurion would most likely call in an outside recruiter, for example, if the company was looking for a senior-level executive in a foreign market, such as Europe. “There are very few instances where we would try to do that work on our own,” Mr. Baxter says. “We might try to leverage our internal networks to the extent that we had a few referrals or could drum up a few

referrals. But once we’ve exhausted those options, for the most part, our experience in Europe is such that we would really benefit from somebody who is in that space and already has relationships as opposed to trying to build them.”

Then there are roles that are tough to fill simply because of competition from other companies in all kinds of industries. Because Asurion defers to its clients brands and isn’t widely known outside of its own circle, having a well-branded external search firm make the initial contact with a potential candidate tends to have better results. “I think about big data products, mobile application development, product development and management, those kind of roles,” Mr. Baxter says. “Every company right now that plays in any kind of technology space is after that same talent. We have found that particularly if it’s a senior-enough role that it’s helpful to use a third party,” he added.

“If I’m trying to recruit someone who’s worked for branded companies that’s sort of a big fish, let’s say a vice president or senior vice president, and we’re going to recruit someone who’s never heard of our company, I’d much rather have someone from a well-known, retained search firm reach out to that person because Spencer Stuart or Korn Ferry or Russell Reynolds will put their brand on it. We leverage their brand, so to speak, because we don’t have one. But then again, there are circumstances in which we’re able to use that to our advantage as well.”

Depending on the circumstances and the urgency of the job that needs to be filled, Asurion will occasionally hold off on calling in an outside search firm and give the in-house team a run at the assignment. “In some cases, we’ll try it for 30 days and see where we go, and if we get traction then we’ll move forward,” says Mr. Baxter. “In some cases, we know right off the bat that this is going

## Q & A

### Search Firm Experience Brought to In-House Recruiting Teams

*Sloan Baxter, senior director of talent acquisition for Asurion, says that for his company, which employs some 15,000 people and hires but a few senior-level executives a year, it's more practical to have an in-house hiring operation that's complemented by external partners. Mr. Baxter's primary area of focus is on building a strategic recruiting capability for senior-level and other high-impact roles, creating and refining a recruitment marketing message and strategy, and driving operational improvements and efficiencies across the TA team.*

#### **How did your tenure with Korn Ferry help you approach your job with Asurion?**

My time at Korn Ferry helped teach me the importance of making sure the recruitment discussion is two-way and completely honest. At Asurion, while we don't have a well-known brand (we are a "white-label" company), we take extra time – at all levels - to help candidates understand our organization, our culture, our products, and our strategy. We also are very clear about what we are, and what we are not; we will let candidates know that there are some things we do exceptionally well, and some things that we are working hard to improve. I have found that candidates find this approach authentic, humble, and for the most part, very attractive.

#### **You employ a dozen recruiters? How many came from search firms and how many were developed from within?**

Virtually all of our recruiters on the corporate and technology side of the company have some kind of search firm experience, either at a retained firm or with a contingent agency.

#### **To what extent will LinkedIn and other social media continue to complement or enhance the search process in the next 10 years?**

LinkedIn has become increasingly cluttered in recent years and has become less of a "social media" tool. Relationships formed through LinkedIn can tend to be superficial and not based on trust or meaningful interaction. Executive search will always require a personal touch and a trusting relationship between the recruiter and the candidate that takes time to build.

#### **What input do other line executives have on search assignments you conduct, either internally or externally?**

When we are at our best, we leverage the entire company's capabilities in our searches. From tapping into our referral networks and industry relationships to collaboratively building marketing collateral and promotional campaigns, we need to be collaborative and coordinated.

#### **Do you envision a point in time when all position, regardless of how senior, will be handled by internal recruiters?**

For some companies, it may be possible, but the investment is enormous. For a company of our size it is not practical in the short term.

to be a really tough one and we're going to want to bring in a third party."

He speaks of a recent search for an individual to head Asurion's Total Rewards program, which involves compensation benefits within the human resources function. "That was a senior-level role that we felt we could do on our own and we were successful," Mr.

Baxter says. "But then we may be in the market for a head of big data or product strategy, those kind of roles, in which we'll say, 'Look, we're not going to be able to do this ourselves; it's a very hot skill-set; it's not the type of thing that every company has; so we're going to go right to a third party.'"

Mr. Baxter tells of someone he knows at a large

automotive manufacturer who recruits only from other auto manufacturers, keeping searches strictly within the industry. Recruitment can be more challenging, however, for a company like Asurion, which has a greater diversity of roles that need filling. That's where having a good mix of outside search firms to call upon can be a big help. "It's much different for us because we're hiring web developers, for instance, or supply-chain analysts because there's a manufacturing component to our business," Mr. Baxter says. "Obviously there's a lot of connections to the mobile industry, so we hire people from the mobile industry. We hire people from the retail industry. There's little consistency in terms of how we choose to approach things. It tends to vary quite a bit from role to role. As a result there are very few third parties that can do everything that we need to do."

LinkedIn, as with virtually all companies that have adapted an in-house recruiting operation, continues to play a big part in Asurion's hiring strategy. A decade ago in the search industry, Mr. Baxter recalls, potential candidates were identified by a staff or librarians flipping through directories. LinkedIn has changed all that. "We basically use LinkedIn as a kind of cloud database of potential candidates," he says. "It allows us to identify people with specific skill sets.

And if you have a recruiter that's particularly skilled at identifying people on LinkedIn, it will give you an almost immediate sense of what the market for that particular skill set looks like and it will give you a slate of potential candidates.

## BY THE NUMBERS

### Asurion: A Hybrid Model

**40** executive-level searches conducted per year

"A real life example would be, we're looking for someone who understands user experience design for mobile devices who's based in Northern California, who works exclusively or has deep experience in android applications. That's how we identify people," he says.

"But as for the social media component, which is how do you interact with user experience designer with android experience or whatever, how you choose to interact with that person and whether or not social media is your channel of choice, whether you try to find that person's home phone number or their e-mail address or stand outside of their office with a sandwich board, that's a question you can ponder and that a good recruiter will still be thoughtful about."

## The Coca-Cola Company

John J. Goldberg, director of executive talent acquisition for The Coca-Cola Company in Atlanta, heads what is essentially a boutique executive search firm with a global mandate within the company. The primary objective for his team is executive hire quality. Cost is also an important consideration but one they deem a secondary benefit given the impact to the business of the roles his team fills.

Mr. Goldberg created and leads the executive talent acquisition function for The Coca-Cola Company globally. In this capacity, he is focused on designing short- and long-term recruiting strategies, leading executive talent sourcing, and executing against key searches for senior leadership roles in the Company. Prior to joining Coca-Cola, Mr. Goldberg held senior recruitment leadership roles with Microsoft and the Home Depot. He was responsible for developing and executing the first corporate recruitment function at the Home Depot. Mr. Goldberg was previously the owner and managing partner of the Georgetown Group, a technology focused retained search firm. He started his recruiting career in the Washington, D.C. area with a boutique retained and contingency search practice.

The Coca-Cola Company is the world's largest beverage company, featuring 20 billion-dollar brands including Diet Coke, Fanta, Sprite, and many more. Through the world's largest beverage distribution system, consumers in more than 200 countries enjoy their beverages at a rate of 1.9 billion servings a day. Together with their bottling partners, they rank among the world's top 10 private employers with more than 700,000 system associates.

“Senior leadership roles impact the business disproportionately. Therefore there is no more important measurement of our success than the quality or the talent we hire. After this the speed in which we deliver our product is generally the next most important consideration,” Mr. Goldberg says. “With respect to cost, our team is able to provide the best of both worlds since the only bottom line we care about is the company’s. We make all of the necessary investments to ensure the highest quality outcome, but in comparison to a search firm there are no additional selling costs, profits or overhead, so we are able to deliver the highest quality product at a lower cost to the business.” It is hard to argue the merits of this proposition.

### Setting Up an In-House Operation

“At the end of the day we basically run our own business within the business. In doing so we are effectively competing with the top search firms in the world. So we are always looking for ways to improve our product. Our clients care most about quality, so from Day One this has been and will be our top priority.”

For The Coca-Cola Company, the in-house recruiting function has evolved and grown over the last decade. Previously, the company used outside recruiting firms for virtually all of its senior leadership openings. But then it began taking a hard look at how well those recruiters – and their hires – performed. Over three years, approximately 100 top-level hires – 55 percent of which were conducted by outside recruiters with the rest being internally sourced – were thoroughly assessed. As it turned out, the executives who were brought on-board from internal efforts were on average stronger hires than those whom outside recruiters enlisted: They had more successful and exceptional performance ratings, more than double the number of high potential succession ratings, and their turnover rate was two and a half times less than

### AT A GLANCE - THE COCA-COLA COMPANY



**John J. Goldberg**  
Director of Executive  
Talent Acquisition

John J. Goldberg created and leads the executive talent acquisition function for The Coca-Cola Company globally. In this capacity, he is focused on designing short- and long-term recruiting strategies, leading executive talent sourcing, and executing against key searches for senior leadership roles in the Company.

In this role he developed and implemented an internally executed model that delivers against approximately 95 percent of the external executive search assignments globally versus prior model relying completely on firms. The internal search program has overall increased the quality of hire, decreased the cycle time and reduced the cost.

Prior to joining Coca-Cola, Mr. Goldberg held senior recruitment leadership roles with Microsoft and the Home Depot. He was responsible for developing and executing the first corporate recruitment function at the Home Depot.

their search-firm-hired counterparts. Nor did it help that external recruiters were not successful in placing a successful candidate on about one third of their assignments.

In setting up the in-house operation, The Coca-Cola Company elected to fund the operation through a charge back to the business if they elected to use the service, just like they were paying search firms. Mr. Goldberg and his people analyzed the public records of the largest publicly traded executive search firms to better understand the costs. “We looked at their 10-Ks and pulled out their operating costs, their selling costs, and their profits,” he says. “And we believed that if we were operating efficiently that we should be able to do it at the same cost. Therefore our charge back to the business is strictly that, all we

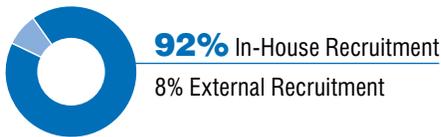
need to cover our costs. As a result, our charge to the business is substantially less than a firm's fee."

Mr. Goldberg continues to welcome competition from outside search firms. These days, however, he and his team of global executive recruiters have won over most of those who make the top-level hiring decisions within the company. Today the in-house operation recruits over 90 percent of the company's senior leadership hires versus the prior model which relied almost completely the search firms.

## QUALITY HIRE

### In-House Recruiting at Coca-Cola

#### How assignments are handled at Coca-Cola?



Certainly in-house recruiting at Coca-Cola was not accepted overnight. Doubters were prevalent, and for good reason: The search firms had been around for years. Their operations were well funded. And their brands were widely known and respected. Early on, Mr. Goldberg had to work hard to sell the rationale behind using inside recruiters to those doing the hiring. In the end, his team's track record proved to be the most salient selling point.

"We competed against the search firms for years and based on the track record that we developed over time the company has moved to using our internal team in most instances," Mr. Goldberg says. "And they continue to have a choice. It is their budget dollars; they choose the solutions they think will give them the best outcome. The reason we have been successful is because the hires that we have brought in versus

those that come from the search firms have been more successful. Today we have a very high 'internal marketshare,' if you will. That said, we do not take this for granted. Our competition from the firms is very strong. They have great people and resources; they keep us sharp. We need to continue to deliver and continuously improve. We have to continue to earn the opportunity to serve the business in this capacity."

Outside firms do, in fact, handle between five to 10 percent of the searches for the company each year. "We are not opposed to search firms. Everyone on the team, myself included, started out working for a firm. There are many examples over the years where we have partnered to get great results, and we expect there will more instances where this will happen in the future as well, even if proportionately less than in the past." There are a number of scenarios where it makes sense, not the least of which is volume in the event it exceeds the company's capacity. And there are some other situations where a top specialized provider is a good solution.

"One group, for example, has been working with the same boutique firm for 15 years and you could not argue that the results have been anything other than strong. So in this case the only reason for them to use (the in-house function) would have been to reduce cost. This particular firm has delivered strong talent for the business. Our case for improving the hire quality was not as strong as it is in most other instances. From their perspective they have a solution that is working well, so they were disinclined to make a change. This example actually reaffirms our approach, which is to focus on the quality of the product which is more important than any other criteria." As important as cost is, quality translates to a higher long-term value for the company, and that is filter applied in the decisions its leadership makes with regards to their search solutions.

## Q & A

### Quality of Hire is the Primary Objective

*John J. Goldberg, director of executive talent acquisition for The Coca-Cola Company in Atlanta, heads what is essentially a boutique executive search firm with a global mandate within the company. The primary objective for his team is executive hire quality. Cost is also an important consideration but one they deem a secondary benefit given the impact to the business of the roles his team fills.*

#### **Do you see a continued role for search firms with the emergence of in-house capability?**

Yes. In-house executive search capability will likely continue to be more specific to companies that have enough the scale to create their own functions; most companies do not. Board searches will also likely remain a specialty area that firms will handle for the foreseeable future. And capacity can be an issue for any company as well.

#### **Your internal recruitment team specializes in senior-level search assignments. Do you genuinely believe that your in-house recruiters can do a better job at recruiting senior talent than retained firms who recruit at this level all of the time?**

Based over seven years of comparative data measuring quality of hire, we have determined that the hires made by our internal team outperform those from any external sources. Our team has on average nearly twenty years of experience in search. Each of us started in retained search, so we benefit from the same expertise as people in the firms, and also have the added advantage of our internal corporate experience.

#### **Some positions at a company are highly specialized. In these cases, candidates are far more difficult to identify. Do you think your internal recruitment team can compete with external recruiters who likely possess broader networks especially in very specialized situations?**

Virtually all of our assignments are for specialized or niche roles. The executive hiring needs of the company are generally for new capabilities or in traditionally difficult developing and emerging markets. As such our capability and processes have been designed specifically to deliver against the specialized needs of the company. Our data tells us the internal team gives us the best chance of successfully executing these searches.

Mr. Goldberg admits that Coca-Cola has its share of tough niche positions to fill, especially given the global nature of the business, which many companies would never bother trying to fill themselves. But he insists that no one is better qualified to tackle those assignments than his team.

“Case in point, we executed a search last year for a business covering 30 countries in Sub-Saharan Africa, based in Nairobi,” he says. “We needed to search globally for a person to lead strategy and insights, and it would need to be a local hire in Kenya, with significant experience in Sub-Saharan Africa and also in more developed markets, amongst other filters. The number of people meeting the criteria is, to put it

mildly, finite and also widely distributed globally. For most this would be a prohibitively difficult search to execute. I am not aware of anyone that has a long track record of executing searches successfully with this type of mandate.” Given the global reach of its business, searches of this nature are more the rule than the exception. The company does business in 207 countries worldwide, so in order to support the needs of the business it has built function tailor made to deliver against this type of need.

What’s more, Coca-Cola does what might be considered unique searches in any number of developing markets and as a result its recruiters are used to confronting the special challenges those

assignments pose. Over time, Mr. Goldberg explains, a certain methodology develops. “We have done dozens and dozens of ‘one-offs,’ if you will,” he says. “Searches that for many are the one-offs are for us more the norm.” Our business is widely dispersed globally and because of that you get repetitions everywhere.”

Another strength of having an in-house recruiting team is that it avoids the question of off-limits, which for Mr. Goldberg is equally problematic whether the search firm is one of the Big Five or a specialized boutique operation. “If you go to a big firm, you are often contending with at least two issues: off-limits, which means there is a certain percentage of the people they have placed that the hiring client does not have access to and when there is an existing client relationship. In many instances they may have multiple concurrent identical searches. So then you have got multiple unique slates since you generally cannot have the same people on different clients’ slates.” This effectively ends up compounding the off limits even further.

“And if it is a small firm and it specializes in a given space, there are similar implications. If they are doing high quality work in a niche area with a significant number of completed assignments, then they would have placed a disproportionate amount of the qualified talent, so their off limits restrictions would likely be prohibitive. They would be significantly handcuffed from bring in the best if they had already been placing the best with their other clients. These firms often have deep knowledge and expertise in their respective specialty areas, which is valuable, but there are tradeoffs.”

Likewise, he’s skeptical of the value of using external recruiters in searches that call for confidentiality. Theoretically it makes sense that an outside firm would bring an extra layer of protection, he says. But reality often plays out differently. Potential candidates want to

know more than that there’s a position at an unnamed company. “You have to give them something and eventually it’s, ‘OK, it’s a beverage company located in the southeast and it’s Fortune 100,’” says Mr. Goldberg. Pretty soon, they will be able to deduce that it’s probably The Coca-Cola Company.

## BY THE NUMBERS

### The Coca-Cola Company: Three Year Hiring Snapshot

**45%** of the top-level hires conducted by internal recruiters

“We do confidential scans and research frequently,” he says. “It is a different matter once you pick up the phone or meet with someone to explain the opportunity. The cat’s going to be out of the bag very quickly.”

### A Proliferation of People Data

An in-house operation of Coca-Cola’s breadth would have been impossible just a decade ago, Mr. Goldberg admits. LinkedIn and social media play a part, of course. But he regards the general proliferation of data about people that’s now available to be the biggest factor. “There is a vast amount of data on prospective candidates available on-line today, and many tools to access and sift through this data to find what and who you are looking for,” he says. “The research time that we do on the front end of any one search is rigorous and completely exhaustive. Could you have done something like this on a global scale 10 years ago? Probably not or at least on a much more limited basis. Information availability is a great equalizer.”

LinkedIn is of less help, for example, in most less developed markets and for the most senior level roles. But information from associations, speaker lists and any number of other sources is voluminous.

“We recently completed a search for the head of public affairs and government relations in China,” Mr. Goldberg says. “Linked in is a great tool, one that we leverage significantly, but it is not a solution by itself for the senior most jobs and it still has some opportunity to improve in less developed markets. In any case, it does not replace 360 degree research and referencing to determine which leaders are the best and most respected in their field. Your research should be able to determine who the most prominent, visible and awarded leaders are in the industry, and then beyond this cross referencing the data with our network of contacts should get you visibility to the strongest talents. Executives almost by definition are the most visible people in companies. So if we can’t identify the most visible leaders in their respective

fields, shame on us. Further, knowing who someone is means nothing if you do not have the ability to reach them, and being able to reach them means nothing if you cannot determine the right fit for the business. This final combination, accessing the talent and then determining cultural match, this is the differentiator.”

As for the future, Mr. Goldberg sees no obvious bold frontiers but is reluctant to let down his guard. “We are proud of what we have accomplished, but it will always be a work in progress. The search firms are certainly looking for ways to improve,” he says. “They’re looking for ways to differentiate and we will continue to look at ways to improve and differentiate as well. Our successes have been hard fought and they will continue to be that way. That is a healthy dynamic that we are happy to continue to have.”

## PepsiCo

PepsiCo's Courtney Hagen is another hiring leader who sees the advantages to having an in-house recruiting operation. Indeed, it's a function that has only been growing at the Purchase, New York-based multinational since Ms. Hagen, senior director for executive talent acquisition, came aboard five years ago. But that doesn't mean that outside recruiters are unwelcome at the world's second largest food and beverage company. "We believe there is always some role for search firms to play for us," Ms. Hagen explains. "Each year the proportion of hires that have come directly versus from search firms has increased, and I think that will continue to happen. But we definitely see an ongoing role for search firms to do some of the work."

Ms. Hagen leads global executive talent acquisition for PepsiCo across sectors, functions and geographies. In addition, she leads professional recruiting for the marketing function for North America. She joined PepsiCo from a career in executive search and management consulting, most recently with Russell Reynolds Associates, where she led searches for marketing, sales and HR executives. Prior to this, she was a founder at Beldon Partners, providing talent development consulting to professional services firms, and led business development and marketing strategy for cobranded card partnerships at American Express.

Ms. Hagen started her career with management consulting firm Bridge Strategy Group/Renaissance Worldwide, where she led strategy and Balanced Scorecard consulting engagements for Fortune 1000 companies in the US, Europe and South Africa.

Ms. Hagen, who has one full-time recruiter working for her, devotes her attention to the top 500 or so positions within PepsiCo, globally and for all units. That amounts to 12 to 15 senior-executive searches a year, 40 to 45 percent of which are handled in-house with the rest going to outside firms. (Ms. Hagen is also responsible for recruiting for marketing in North America, covering all business units, from Pepsi beverages to Tropicana to Frito Lay.)

### Ongoing Relationships with Candidates

But those 500 executives make up only the top tier. The next layer down, the senior-director level (vice presidents, with an average annual compensation level of \$375,000), has between 1,200 to 1,300 executives. Some 50 PepsiCo recruiters around the world, 20 of whom are charged with North American hires, spend at least part of their time recruiting for those positions as well as for slots further down in the corporate hierarchy.

Perhaps the most important contribution of an in-house recruiting operation, says Ms. Hagen, is the capability to develop ongoing relationships with potential candidates before a job is even on the table.

“It’s the ability to develop a pipeline of talent over a longer period of time and to have that executive external talent as part of our comprehensive talent management strategy,” she says.

“Search firms are generally very good at finding someone to do a role. They may not be as good at developing long-term relationships with candidates whom you would one day want to hire because there are other people inside their firm who want to present those candidates to other companies on other jobs. And if they’re not being paid to develop talent for their clients on a long-term ongoing basis or if they present someone and the client says, ‘That’s great, but we won’t have anything for them for a year or two,’ it’s not really in the search firm’s interest to spend any more energy on that.”

### AT A GLANCE - PEPSICO



#### Courtney Hagen Senior Director of Executive Talent Acquisition

Courtney Hagen leads global executive talent acquisition for PepsiCo across sectors, functions and geographies. In addition, she leads professional recruiting for the marketing function for North America.

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Many corporate talent-acquisition leaders talk about an in-house recruiting team having a deeper sense of the culture of an organization than an outside recruiter might possess. But Ms. Hagen says that at PepsiCo it runs even deeper. “It’s that knowing what PepsiCo needs and what we need for the near-term future and the long-term future as well,” she says. “It’s having a deep understanding of our company and our business and being able to explain that to candidates with whom we’re engaging on an exploratory basis as well as to have a sense of what would be needed in this kind of a role. You also have to have a sense of what’s coming around the corner. As an insider I have a sense for where we should be focusing our efforts on developing talent based on where we’re investing in the company.”

She continues: “Even more than culture, it’s really understanding the business strategy and understanding the talent investment. One of the biggest contributions and benefits that a good in-house talent acquisition function can bring is that partnership of understanding the succession plans, understanding the succession gaps, knowing where we need to invest. It might not be a job that we have open right now.”

## QUALITY HIRE

### In-House Recruiting at PepsiCo

#### How assignments are handled at PepsiCo?



“Every search that you do isn’t a search for a specific person to fill a specific role. That’s probably the biggest value that our internal executive search function has been able to add, that flexibility to talk about talent and how talent might meet business needs in a way that search firms have trouble doing because that’s not how they’re compensated,” she says.

A big part of Ms. Hagen’s job comes down to relationship-building. A potential candidate might be content in his current position or it might be inconvenient for the would-be candidate to switch jobs right then. But that doesn’t mean they’re opposed to keeping channels open for future discussions. Preliminary conversations between the executive and Ms. Hagen or her recruiter help the company and candidate feel out one another before a specific position is even available. In essence, says Ms. Hagen, a talk with a would-be candidate is largely about getting to know one another. The idea is to express the company’s interest in a candidate and to follow it up

with an invitation to meet some personnel at PepsiCo, perhaps a few members of the executive committee.

“This is kind of a talent-first strategy,” says Ms. Hagen. “We’ve heard awesome things about you. If you’re as great as we think you are and you get along with the people here and you think this is something that’s an exciting challenge for you, then let’s talk about what the right job for you could be.”

Ms. Hagen admits that search firms that work with PepsiCo frequently do provide leads to individuals who might fit in well at the company, with no job in play, simply as a courtesy. But with no payoff in sight, maintaining such relationships on the corporate client’s behalf makes little sense for most search firms.

“Some of our best search partners will introduce us to people on an exploratory basis,” Ms. Hagen says. “They’ll say, ‘I’ve just met this fabulous guy, he has such a PepsiCo culture fit, you’ve got to meet him,’ and we say, ‘Great’ and we do. But there’s really no motivation for the external search firm to stay in touch with that candidate once every four months saying, ‘Hey, remember that great call you had with PepsiCo? They still think you’re awesome’ or ‘Are you willing to leave Brazil yet?’ That’s not how they get paid. Now, it is how I get paid.”

Another reason for having an in-house operation is to help manage the process of handling executive referrals. “The getting the referral part is pretty easy,” Ms. Hagen says. “But there’s a huge amount of candidate engagement and management that goes on, getting someone from an executive referral to a hire, and generally the executive is not going to have the time, interest or capacity to do that. That’s a great thing for a recruiter to do, to be that liaison between the candidate and the company.”

Cost matters, too, of course. “In our case the cost element was probably more about making sure that

our external strategy and our internal strategy were tying together,” Ms. Hagen says. “One thing that I found when I got here was that when we canceled searches (by outside search firms) it wasn’t because we couldn’t find good candidates. It was because an internal candidate emerged after we’d already launched a search.”

### **Saving Millions of Dollars Per Year**

In short, savings come in two ways. One is direct, through not having to hire an outside firm to conduct a search, says Ms. Hagen. Then there’s what she calls “search-fee avoidance.” “That’s when we’re doing something directly, whether it’s getting a search part of the way there, whether it’s throwing a couple of candidates over the wall when previously somebody would have engaged a search firm to do that work for them, or whether it’s getting a map showing, for example, what’s the top innovation talent in the CVG (computers and video games) space. We can do that work and not have to pay for it.”

PepsiCo in-house recruiting function, she says, saves the company about a million dollars a year in direct costs and a couple million annually in search-fee avoidance.

Without question, PepsiCo’s relationship with external recruiters has changed in recent years. One of Ms. Hagen’s charges when she came aboard from Russell Reynolds, in fact, was to tighten the reins on the company’s dealings with outside search firms. “I have an expectation on the level of transparency and reporting and performance that the search firms have to adhere to,” she says. “I’m holding them to more rigorous standards than they used to be held to.”

That said, Ms. Hagen still regards outside recruiters as valued partners. In contrast to Coca-Cola’s Mr. Goldberg, she believes external recruiters are a big help in confidential searches. They’re also an asset

in helping fill positions for a particular function or in a geographical location that the company seldom has to fill. “We hired a head of HR for Russia, for instance,” she says. “First of all, I don’t speak Russian. Secondly, we only need one. We don’t need lots of heads of HR for Russia. So in that case I used a search firm.”

### **BY THE NUMBERS**

#### **PepsiCo: A Growing In-House Recruiting Staff But An Ongoing Role For Search Firms**

PepsiCo employs **50** recruiters around the world...

... **20** of whom are charged with North American hires

Another recent assignment that a search firm took on was the hiring of a chief security officer. Again, that was hardly the kind of search that PepsiCo would be repeating very often. What’s more, the individual they brought on board for the post was most likely to be hiring his own staff. “So it doesn’t make any sense for me or my team to become expert in chief security officers,” Ms. Hagen says. “We can use a search firm to do that. The other benefit was that they knew who some of the best chief security officers were; they knew trends in that market; they knew whether most companies our size hired directly from the Secret Service or do they want their CSOs to have experience with another corporation first?”

“While I have market expertise in certain roles that I’ve targeted for us – marketing, general management and strategy being three where we spend lots of our time because we have multiple needs there – I do not have the resources or time or need to get really deep in security or information security, for example, or labor relations.”

On the other hand, she says, a recent search for a head of corporate strategy was conducted in-house.

“The reason I did that one directly was because we’re constantly looking for strategy talent at all levels, and it’s a space we know well; it’s a function we know well; and it’s one that benefits us to invest in making those connections and understanding the market better,” she says.

At PepsiCo, either the external recruiter conducts a search or the job is handled in-house. But sometimes working hand-in-hand with an outside firm helps PepsiCo cover the waterfront of potential hires. Sometimes the company will already have a referral candidate in mind, for instance, but will ask a search firm to present some additional candidates, just to see how the referral stacks up. Or, Ms. Hagen might want to target a company that is off limits for the external recruiter. “So in that case, I’ll say, ‘OK, you guys go after 90 percent of the universe; I’m going after the other 10 percent,’” she says.

PepsiCo’s in-house recruiting operation, meanwhile, does more than direct recruitment of candidates.

There’s also the company’s employment branding efforts, which include extensive use of digital, mobile, and social media. Certain jobs are promoted, for instance, on LinkedIn.

Included in its efforts, PepsiCo has established partnerships with LinkedIn, Twitter, Facebook, and Google Plus. The company even has a mobile recruiting app. “We have an absolutely dedicated strategy that ranges from attracting candidates to telling the PepsiCo employment story to talking about possibilities at PepsiCo, sharing videos about ‘a day in the life,’ and what it’s like to be a new hire and executive, etc.,” says Ms. Hagen.

Sometimes candidates are directly targeted. For others, employment information is available on the company’s website. “We’re sharing this on campuses; we’re sharing it doing veterans’ hiring; we’re sharing it in lots of other forums for people who might be interested and also for those who are clearly seeking us out,” says Ms. Hagen.

## Nike

Culture is the key ingredient in recruiting at Nike. The Beaverton, Oregon juggernaut sells athletic footwear, apparel and sporting goods, of course, but in many ways the company calls to mind a well-oiled sports team. Employees who succeed are those who work best as part of that team, in an environment that is unique to Nike. Who better to make the choices about hiring those individuals, company officials reason, than people who live and breathe that culture every day?

“You want to hire smart and talented people that you continue to grow and nurture, but even if there’s a few holes on the experience side, as long as they’re smart and you can get them there, we’ll take a pass on that,” says chief talent scout Michael Leming. “But we won’t take a pass on the fit. You either fit or you don’t. I think every company talks about their culture and its importance. And the more senior the role the more important it is. But at Nike it’s really everything. Fit is the most critical piece. And internally we can do a better job of understanding if you’re going to be a good fit or not.”

Nike is the world’s leading designer, marketer and distributor of authentic athletic footwear, apparel, equipment and accessories for a wide variety of sports and fitness activities. In 2014 the brand alone was valued at \$19 billion, making it the most valuable brand among sports businesses.

So it is that Nike in recent years has largely eschewed using outside recruiters at its highest levels, preferring instead to beef up its executive search team and handle the job in-house. At the top of the Nike pyramid sits the corporate leadership team of vice presidents and above, a little better than 300 executives around the world. Mr. Leming and his team of four recruiters bring in virtually every hire, an average of about 33 each year, at that level. (Mr. Leming has two recruiters in Oregon and the others are in New York and Miami.) Over the last six to seven years, Mr. Leming has enlisted an outside recruiter but once, a corporate controller, and that was just last fall.

### Hiring 80,000 People in 60 Months

“What we know we do really well is tell stories,” he explains “That’s probably why our brand is as powerful as it is. And we can tell our story better than a Korn Ferry or a DHR or an Egon Zehnder. Those are all great firms, don’t get me wrong, but they’re not going to be able to tell the story like I’m going to be able to tell it or my team is going to be able to tell it.

“You can say that you know our senior team. But you don’t know what the hallway conversations are. You don’t know, for instance, that Eric Sprunk, our COO, is obsessed with the band KISS and goes to like 16 KISS concerts a year. You don’t know. I can tell an inside story about our CEO or our COO that others aren’t going to know. So I think that becomes more powerful.”

Much of Mr. Leming’s job involves fostering ties with executives at other companies long before they even discuss an opening at Nike. “At the level my team works at it’s all about relationships and figuring out, once again, if somebody is smart and talented and culturally relevant what is the right entrance point and what is the timing,” he says. “A lot of times our hires are three, four, five-plus years in the making. It’s a little bit different game than getting on LinkedIn or Google and trying to see who’s the top CMO, let’s say, out there.”

### AT A GLANCE - NIKE



**Michael Leming**  
Chief Talent Scout

Michael Leming was the chief talent scout for Nike for over 15 years and recently left the company to pursue his outdoor adventures full time. Mr. Leming is an avid climber, ski/boarder, BASE jumper and loves to fly his wingsuits...his passion for the outdoors is matched only by his love of giving back and helping children live a life with health, peace and purpose.

Mr. Leming is a Portland native who grew up with the Swoosh and went to the University of Oregon but has lived and worked throughout the U.S., Europe and Asia.

Nike regards its competition, and potential hires, as going far beyond the obvious sporting goods companies. “The reality is that if you’re an Adidas or an Under Armour or someone in our industry specifically who you would consider our competition, we’re not recruiting from you anyway. Not to be arrogant but when you believe you’re the Yankees, you’re the Yankees, and so everyone else is the B League. I’m going to be much more interested if you’re at a Google or a Dropbox or a Facebook or a cool consumer brand.”

As dedicated as Nike may be to its in-house recruiting efforts, success is going to cause it to change at least somewhat. Nike is a \$28 billion company. In two years, revenues are expected to reach \$36 billion and by 2020, \$50 billion. “For my team specifically it’s all about capability and capacity,” Mr. Leming says. “We certainly have the capability across our 19 functional pipelines. But capacity is now becoming an issue.”

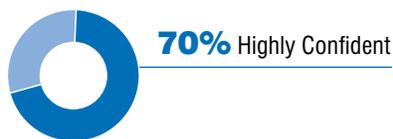
For Nike, growth means hiring 80,000 more people over the next five years. And while many of those will

join at the store level, Mr. Leming's team will confront a significant increase of top-level hires as well. That's why the company has been looking hard at increasing its use of outside recruiters for certain functions and deciding just whom those partners might be.

## SURVEY RESULTS

### In-House Rating

How do you rate your in-house recruiting capabilities?



"At Nike there are certain things that you want to do internally," Mr. Leming says. "There are just certain things you want to own; it's a core competency of who you are. You probably want to own design and creative, for instance. You probably want to own brand and communication. And then there are other things, maybe in that enabling function more around supply chain or finance or HR that you could potentially be going outside for, if you have the right partners to help you do that."

Which is not to say that the firms Nike chooses will enjoy the same kind of remuneration of days gone by. "The external recruitment model is broken," Mr. Leming says. "The very idea that you're charging 33 and a third plus eight, 10, 12 percent for expenses to fill a role is kind of ludicrous. Just because I pay somebody more of a sign-on bonus therefore you're going to charge me more makes no logical sense. You wouldn't hire any other consultants like that. You would hire them by the project."

"So one thing that we're certainly implementing as we look for these external partners is, 'Hey, it's going to

be a flat fee.' We'll make it fair, we want you to be our partner, but we're not going to play the your-fee-goes-up-if-we-pay-the-guy-a-little-bit-more-money-before-we-bring-him-in-the-door game."

And while search firms will have more of a presence as Nike continues to grow, Mr. Leming has no expectation of using some of the other services they are increasingly offering, such as leadership assessment. What's to stop an external recruiter, he asks, from using the information it obtains in its assessment work to later tap Nike's senior executives in a job search? Even with safeguards between assessment and recruiting in place within the firms, who is to say those policies won't change tomorrow? "You could flip that 180 degrees in a minute," Mr. Leming says, "and then all of a sudden you've got some data that could really (cause problems) for us."

Shifting to an in-house operation takes time and calls for patience, Mr. Leming says. Indeed, before his arrival in 2000 virtually all of the top-level hiring was assigned out, and the individual who held his job spent most of his time managing external firms rather than talking to potential hires. In making the shift to an in-house operation, Mr. Leming says, the HR function must be completely aligned. Everyone from the top on down has to buy into that approach.

In a perfect scenario, the company as a whole will accept it as well. "I don't think that typically happens," Mr. Leming admits. "I think the business is usually thinking, 'We'll wait and see,' and I don't necessarily blame them. I know we had to get some wins under our belt before we built some credibility here."

A big part of that resistance is that a certain mythology that has grown up around the big search firms. "It's the wizard behind the curtain," Mr. Leming says. "Everybody thinks it's this big global search firm and they can do this or that. I always look at them and think, 'What's the difference between

hiring them and having one of my people who has 20-plus years of experience?’ People always think there’s a silver bullet out there and the reality is that there’s no such thing.”

## BY THE NUMBERS

### Nike: Building A Global Talent Brand

**80,000** hires expected over the next **5** years

And while cost savings is certainly a benefit, Mr. Leming says that the primary reason for going in-house is because it allows Nike to make the best hires possible. “It allows you to find the very best and brightest and to make sure that they’re culturally relevant at the most important, senior level in this company,” he says. “When you’ve got an aligned senior team like we do – and it’s taken us a while to get there – you don’t want to upset the apple cart.”

To build a successful in-house operation, hiring top-notch recruiters makes all the difference. That investment can be considerable, but it is essential. “You’ve got to bring in incredible talent to run it,” Mr.

Leming says. “Otherwise the journey will take 10 times as long and you might not ever get there. You’ve got to make sure that you’re bringing in great recruiters that will have the credibility, that can speak to the business on a business level and fill roles.”

“There’s an art and science in recruiting and the more senior the more art. You’ve got to find people that are all about relationships and who understand that art piece. You’re going to have to pay them a lot of money because if you look at the big search partners out there, they make good money. You’re not necessarily going to attract them to come in-house unless they can pay for their power and their food bills every month.”

Mr. Leming’s team can tackle whatever is placed before it, whatever the function or location of the job in question. His recruiters all have upwards of 15 to 20 years experience. And though it’s true that his U.S.-based recruiter who handled bringing in a CFO for operations in Japan, got little sleep for several weeks because of the time difference, that’s just part of the job. “Some are a little more challenging because of things like that,” he says. “But my team is very strong. I would put my team against any firm out there.”

## Sally Beauty Holdings

Big changes were coming to Sally Beauty Holdings, which sells and distributes specialty beauty supplies around the world. The Denton, Texas-based, publicly-traded company had a new CEO, Christian Brickman, and a new agenda. For Jeff Lupinacci that meant an opportunity that doesn't come along every day. Newly hired this spring from Kimberly-Clark, he was charged with reinventing Sally Beauty's in-house recruitment operation, basically from the ground up.

"Not often can you get a really stable New York Stock Exchange company, a global company, that has opportunities in the H.R. space like this," says Mr. Lupinacci, vice president of talent. "To build it the way that it should be built. A lot of companies have stuff already in place and so you're having to dismantle it while you're trying to build something and that's always substantially harder. It takes a lot more stakeholder management that way because you've got managers and employees that are used to the process. Even if it's a terrible process, they're used to it. Here you don't really have a system and don't really have a process. So the sky is the limit and you can build it with all the best practices in mind."

Sally Beauty Holdings, Inc. is an international specialty retailer and distributor of professional beauty supplies with revenues of \$3.8 billion annually. Through the Sally Beauty Supply and Beauty Systems Group businesses, the Company sells and distributes through 5,000 stores, including approximately 200 franchised units, throughout the United States, the United Kingdom, Belgium, Chile, Colombia, Peru, France, the Netherlands, Canada, Puerto Rico, Mexico, Ireland, Spain and Germany. Sally Beauty Supply stores offer up to 10,000 products for hair, skin, and nails through professional lines such as Clairol, L'Oreal, Wella and Conair, as well as an extensive selection of proprietary merchandise.

Sally Beauty has historically done most of its hiring in-house. Store openings, however, have been predominantly filled by their respective managers while a couple recruiters at the company's headquarters handled the corporate roles but without doing much outreach. "Traditionally it's been very reactive," says Mr. Lupinacci, who was less than a month into his job when interviewed for this report. "It's been, throw the requisition up on a job board and see what you get." Some of the more senior roles, for senior managers and directors, were put on LinkedIn.

"It's very passive. It's whoever comes through. We screen the resumes, pick the best of those, and hopefully one of those hits. If we don't get anything then five or six months later we're going to have to go out to an agency. That's one of the things I want to change, to be much more proactive and have evergreen job descriptions out there, to build pipelines and so on."

It won't happen overnight, but Mr. Lupinacci has a vision for transforming recruiting at Sally Beauty. Tools like LinkedIn will become more a part of the process, with sourcers collecting the names of potential candidates for recruiters to contact as opposed to merely wading through resumes. He also plans to install an applicant tracking system with full mobile capabilities, to better meet the reality of how today's job seekers prefer to apply for positions. And Mr. Lupinacci has an eye on starting a more formal internship program to start building a pipeline of young talent.

Change starts with the fundamentals, and that extends out to those who are actually doing the hiring. "The real first order of business is to streamline the process and help train our hiring managers so they better understand the questions to ask and how to evaluate the candidates," says Mr. Lupinacci.

## AT A GLANCE - SALLY BEAUTY HOLDINGS



**Jeff Lupinacci**  
VP of Global Talent

Jeff Lupinacci is currently vice president of global talent responsible for talent acquisition, learning & development, talent management and corporate communications for 27,000 employees across the globe. Prior to joining Sally Beauty, Mr. Lupinacci was the chief learning officer for Kimberly Clark.

Mr. Lupinacci previous role was the HR director for Central & Eastern based in Moscow. The key focus area for him was to drive employee engagement and build Great Place To Work across 26 countries. Mr. Lupinacci was a finalist for the HR Professional of the Year for HR Brand. Prior to his posting in Moscow, he was the KCI HR Director responsible for talent management and HR for the KCI U.S. based team.

Prior to joining Kimberly Clark in 2011, Mr. Lupinacci worked for Intel Corporation for 17 years. His last role there was the HR director for Intel's Japan business and before that he was the Greater Asia HR services director responsible for the administration of human resources processes. While there, he established a global HR shared service center in Malaysia. He started his career at Intel in finance, managing accounts payable. He then moved into information technology where he successfully ran multiple global programs

Eventually, recruiters will increasingly be meeting with hiring managers, gathering the specifications for each opening and their suggestions for candidates and where best to look for others. "Hopefully all of it will be done to an offer and acceptance within four to six weeks," says Mr. Lupinacci. "For higher turnover positions it should take a lot less because we'll have a pipeline and a pool of candidates. Maybe we'll even have pre-interviews and pre-screen. So my time-to-hire will be substantially less. My cost-to-hire will be substantially less. And I have to minimize the outsourcing to an agency."

Mr. Lupinacci estimates that external recruiters have been used on 30 to 40 percent of Sally Beauty's search assignments. "But it's not by design," he says.

Indeed, it's the approach that bothers him more than the percentage. Frequent use of search firms when the company can't find the right candidates ends up costing more in the long run. Months are wasted on an opening, says Mr. Lupinacci, then the agency spends a few more months doing its work, not to mention its fee. Instead, he would prefer to mainly use a search firm when Sally Beauty's hiring needs rise and he lacks the capacity to handle it all. "And so it becomes more overflow as opposed to, 'Oh, man, we're already six months into this search and we don't have anybody good,'" he says.

### Finding Nirvana

On the other hand, Sally Beauty most likely will continue to turn to external firms for the most senior-level hires. Mr. Lupinacci knows that some companies designate one or more recruiters to focus on those roles, but for now at least he prefers having a search firm perform those searches. "My experience is that when you're talking about that level, the chief 'XX' kind of level, president level, there are a lot of people who won't even talk to you if you're not one of the big three or big five search firms," he says. "Maybe there's a psychology around it, that, 'Hey, if I'm not worth the 100 grand they're going to pay a search firm then maybe they don't really want me,' I don't know. There could be some hubris that goes along with being actively recruited by one of the big firms."

"But what you get at one of the big agencies is that they have a relationship with candidates. And so it's less having to source and more getting them interested in your company. One of the benefits of going to a search firm at that level is that they're already known. You're not having to go and look for it yourself because they already have that mapping."

Nonetheless, Mr. Lupinacci believes he can help change that dynamic by hiring good people at the lower tiers. "If I do my job well I'll be able to grow and groom those high potentials so that I'm not having to go external for executives," he explains. "That's the nirvana if you will of tying in the recruiting to the learning and leadership development pieces so that if you build a strong enough pipeline across the entry level, mid-level and into senior and you're developing them, then you're going to have more than enough people to step into that C-suite role. But that's going to take a while."

## QUALITY HIRE

### In-House Recruiting at Sally Beauty Holdings

How assignments are handled at Sally Beauty Holdings?



Sally Beauty, which has upwards of 27,000 employees, had sales of \$3.8 billion in 2014. It sells thousands of both name and professional brand products through its two units, Sally Beauty Supply, for commercial customers, and Beauty Systems Group, for salons and other professionals. Among the changes CEO Brickman has unfurled are a new emphasis on marketing, remodeling of stores, and bringing in new brands and territories for its professional supply sales. With the addition of Mr. Lupinacci, whose 22 years of experience includes stints with Kimberly-Clark and Intel, recruiting too is being invigorated.

### Meeting Little Resistance

So far, Mr. Lupinacci has met little resistance to the changes he is planning. If anything, he says, managers

at every level have welcomed a new approach because the old way had considerable room for improvement. “I put a requisition out on a job board,” says Mr. Lupinacci. “Then I get 50 resumes. The recruiter will comb through the resumes. We’ll pick the top eight to ten best. Then they call them, narrow it down to three to five that they then present to the hiring manager. There’s absolutely no research or sourcing that’s being done. In this day and age, with the likes of LinkedIn, especially on some of the more professional roles, and Facebook for some of the others, you could easily find candidates that are in the right companies and industries and have the right background. You just have to have the resources to do it.”

Mr. Lupinacci intends to start with baby steps, hiring one or two sourcers, which are good entry-level jobs for recent college graduates, he says. Then he wants to bring in some seasoned recruiters. He also intends to build out the company’s social media presence, showing why potential candidates should want to join Sally Beauty. “Those are the first steps to start getting the snowball rolling downhill,” he says.

One of the big lessons Mr. Lupinacci took away from his time at Intel, where he worked from 1993 to 2011, was that data was a powerful tool for a talent leader. Among his various positions, he spent two years for the chip-maker, bringing recruiting for Eastern Europe from 100 percent outsourcing to an in-house operation. “The way I overcame resistance from the managers is that I said, ‘Look, I’m going to save you money and then was able to track it and show them,” he remembers.

Similarly, that’s how talent acquisition in general begins to become a more integral part of a company’s strategic outlook. “You bring data to managers and all of a sudden the discussion changes,” says Mr. Lupinacci. “It’s not the fuzzy, H.R., ‘Oh yeah you’re the relationship guy,’ but, ‘Hey, I may

be the relationship guy but let me show you the data.’ And all of a sudden the conversation changes.”

Data, in the end, speaks to significant dollars that can be saved and put to use in other places. Any number of statistics can make a big impression, says Mr. Lupinacci: “Your time-to-hire, the number of requisitions you have open, where the bad managers are; is there an organization that has a higher attrition or turnover rate of people leaving? You can look at hiring costs. What are the hiring costs by city or by area to make better hiring decisions. Are the labor costs going up, especially as you go international? That kind of data is really valuable for managers. And that’s when you start having more strategic discussions, when you’re able to bring that data to the table.”

## BY THE NUMBERS

### Sally Beauty Holdings: Talent Acquisition Opportunities

**27,000** employed at **5,000** retail stores...

...Generating **\$3.8 billion** in sales across  
**26** countries

A seat at the table, he knows, comes with time. “Once you get all the foundational pieces together then you can move into where the business is going, where are they expanding, where are they having trouble spots, and really getting to the strategic workforce, processes and discussions that allow you to start looking further and further out,” he says.

Challenges are waiting, Mr. Lupinacci knows. How to keep good talent coming in at the store level, where turnover is inevitably high, may be the biggest problem. Then, many decisions have to be made about updating systems as well as how best to build the company’s social media presence. “Just getting it out on Facebook,” says Mr. Lupinacci. “How do we want

to leverage Twitter? What extent do we want to go to Glassdoor? How do we do more with LinkedIn?"

On top of all that are the expectations. It takes time to change the direction of a big ship. "Whenever you're doing a transformation, once everybody has bought in, then it's just about how quickly can you get it done," says Mr. Lupinacci. "Realistically there are

some things that are quick wins and sometimes it is going to take longer. I'm expecting that a year from now I'll be in substantially better shape. I'll have wins along the way but it's going to take a year or so before I really can have a robust front to back recruiting process. So that's kind of the challenge: Everybody wants it tomorrow."

## Fossil Group

One of the most critical aspects of hiring good people is the ability to convey a company's story and a feel for its culture to candidates. Ellen Pickle, senior director of talent acquisition for the Fossil Group, says no one can deliver that message as well as those who actually work for the business. For the Richardson, Texas-based designer, marketer and distributor of fashion accessories, that's a linchpin of its successful recruiting efforts.

Ms. Pickle joined Fossil in 2012 as senior director, talent acquisition. Prior to joining Fossil, she held multiple recruiting leadership roles with JCPenney. During her six years there, Ms. Pickle was responsible for corporate, field, and campus recruiting, as well as travel and relocation. Ms. Pickle has also worked at FedEx Kinkos/Office, in addition to eight years in the search firm business.

Founded in 1984, the Fossil brand was the springboard for everything the company has become for more than a quarter of a century. Fossil prides itself on its commitment to American vintage inspiration. This commitment has allowed for a strong retail presence globally, with more than 400 retail locations, 4,000 wholesale locations and 13,000 employees worldwide. Fossil made the S&P 500, marking its place among the 500 leading publicly traded companies in the U.S.

“We have a very unique culture,” says Ms. Pickle. “We have a great growth story to tell and no one can tell it like someone who lives it everyday. I’ve had people that I hire tell me, ‘I came here because I believed everything you said;’ ‘I could feel your passion;’ ‘I want to work with you,’ things like that. An external recruiter can’t give the same feel. It wouldn’t be authentic.”

Certainly a search firm can relay a company’s story, but only the denizens of a place know what it feels like to work there day-in and day-out. Fossil’s in-house recruiters also understand what matters most to someone considering working at the company. They see hundreds of such individuals each year, and what’s more, they were once in that position themselves. “You can provide a better candidate and brand experience” with an in-house recruiting team, says Ms. Pickle. “You have all the inside knowledge. Even though you try to share what you can with a search firm, like have them come on-site, they can never get the full impact when they don’t live here, when they’re not inside the company.

“The recruiters here can really speak from the heart and really speak also from how they feel about being an employee here. There’s a lot more passion behind it, and a lot more authenticity. When a recruiter is working at a place that they love, then they can convey that passion and the culture better to the candidates.”

In-house recruiting gives a company more control over the entire recruitment process. And at Fossil Group, the candidate’s experience in that process is an integral part of the hiring strategy. As such, even when outside recruiters are called in, Fossil keeps a firm hold of the reins. “The search partners we do work with, which are very few, we have great relationships with,” says Ms. Pickle. “We require them to come on site and spend the day, meet some of our leaders and really soak up the culture. We drive a lot

of the process. We don’t let the search firms make offers. We make our own offers. We’re really using search for the sourcing piece; the rest of it we handle, even if it’s a candidate from (an outside) search.”

### **Saving \$600,000 Annually**

Cost, of course, is a big reason for turning to in-house recruiting. In the three years since Ms. Pickle came on board, the Fossil Group has bolstered its in-house efforts, looking more to external hires than internal movement and bringing in talented recruiters to do the job. Last year alone, Ms. Pickle says, in-house recruiting saved the company upwards of \$600,000.

Fossil Group’s team conducts the company’s professional-level searches. That means a lot of time is devoted to sourcing strategy, collaborating with the hiring manager, and running through the complete process for each candidate. Last year that added up to 500 hires for Ms. Pickle’s team.

“First of all, you have to hire the right recruiting talent,” she says. “If you have the right recruiters you could save a tremendous amount of money. I can pay a recruiter \$100,000 a year. “And then where I would maybe pay \$100,000 for one executive search, I can get 50 hires out of that one person.”

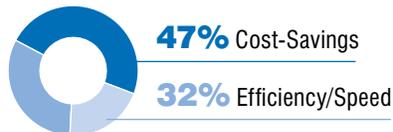
Even if a company had a limited number of new hires each year, she says, the cost-effectiveness might make an in-house operation worthwhile. “If you think of 10 searches that you would put out, the average search depending on if they were executive or staff level would be anywhere from \$200,000 to \$500,000 (with an external recruiter.) You could still hire a recruiter for less than that.”

On the other hand, she says, if a company was only hiring 10 people one year, rather than hiring that number every year, it would probably be best to farm out those hires. “You don’t want to carry that payroll,” she explains.

## SURVEY RESULTS

### Primary Drivers

What has been the leading driver to bring your recruiting efforts in-house?



Fossil Group limits its work with outside recruiters to certain circumstances. “For instance, if we don’t have the bandwidth to work on it,” says Ms. Pickle. “Or if we need more speed than we can provide, or we don’t have a certain technical expertise for the job, or we don’t have the pipeline. So we do put a few things out to search, but much less than in the past.”

Creative positions are a prime example of the type of job that Fossil will typically assign to an external recruiting firm. Too often that kind of job is beyond the capabilities of their headquarter-based team in the Lone Star State. For starters, the best people in creative fields tend to be found on the East or West coasts, says Ms. Pickle. Often, potential candidates from those areas have no desire to relocate or they’re particularly reluctant to move to Texas. The right search firms, meanwhile, are more likely to be wired into that kind of talent and be able to quickly pull together a list of strong candidates.

“A search firm that specializes in that area and has built relationships with that talent pool can bring us the talent more quickly than if we just started from scratch,” explains Ms. Pickle. “We’re a design house, so we need speed on creative searches, and then we need the pipeline. Our in-house recruiters run anywhere from 15 to 25 jobs at all times, so when they get a powerful design job, usually at the director level and above, we’ll put it out to search just to gain speed.”

For Fossil, LinkedIn has been the driving force behind the company’s in-house efforts and the subsequent savings. Ms. Pickle speaks of recently beginning a search for a vice president of sustainability, an area in which she’s had experience in looking for candidates. “I just went on LinkedIn and did a search string,” she says. “I know what companies have good sustainability programs, so I looked for who is leading the sustainability efforts at those companies and sent them a note via LinkedIn. In my note I sent a little story about what we’re trying to do. And now I have five candidates that I didn’t know before in the interview process.”

And though she did garner some referrals from individuals who either were unable to relocate or who had no interest in the job, those additional contacts still came about because of the original LinkedIn connection. “My initial source is LinkedIn,” Ms. Pickle says. “I won’t use anything else unless something just comes to me.”

## BY THE NUMBERS

### Fossil Group: Bolstering Its In-House Efforts

Fossil Group’s team conducted **500** in-house hires...

...Saving **\$600,000** in search fees

LinkedIn has even changed the way that cold calls come her way. In a bygone day, executive recruiting firms would simply call her on the telephone with candidates they might want her to know about. Now, she gets e-mails to that effect virtually every day. “They’ll find your information from LinkedIn and send me an e-mail either pitching a candidate or just pitching their services in general. Ten years ago it was more local recruiters. But now I don’t get a lot of local; the majority I get now is from across the country.”

The competition among executive recruiters seems more fierce these days, she says. And the tactics are increasingly cutthroat. “I’ll have some people who will try to just put a meeting request in my calendar,” she says.

And though most cold-call e-mails end up deleted, certain ones get replies. “I had two this morning that were pleasant,” she says, “and I just dropped them a quick one-liner and said, ‘Thanks, but we’re doing great with our in-house team.’”

# Walmart

Saving money is never the only reason for a company to start an in-house recruiting function but it's always in the mix. "In general, I think most people are being squeezed on the budget line," says John Delpino, senior director of executive recruiting for Walmart. "So it comes down to a matter of cost. There's always room for retained search, but at Walmart we have proven over the past few years that the entire budget has been neutralized based on cost savings associated with direct hiring and things like our green jobs interview process. We've skinned down the number of people we interview on site. And when you rack and stack all of that, it's over \$12 million dollars a year. Serious money."

Mr. Delpino joined Walmart in 2009, as senior director, executive recruiting with responsibility for all officer level (VP+) external recruiting for all U.S.- based lines of business. Since arriving he has recruited over 110 executives from around the world, 73 percent of which were direct vs. search firm sourced. Previously he spent a collective 25 years at PepsiCo leading staffing for Frito-Lay, then Pepsi and PepsiCo. Many of his HR hires have gone on to become CHROs at F500 companies. Prior experience included two years at the now defunct search practice at Arthur Young (AY ERC) and six years as a managing director of Corporate Staffing Group, a contingency/container firm focused on technology and defense clients. Directly out of undergraduate studies he worked for Philadelphia Gear Corporation.

Walmart serves nearly 260 million customers through 11,508 stores under 65 banners in 28 countries and e-commerce websites in 11 countries. With revenue of \$486 billion, the company employs more than two million associates worldwide.

These days Walmart, which employs 2.2 million people around the globe, runs a facile in-house recruiting operation. Mr. Delpino himself has facilitated over 110 hires at the officer level of the Bentonville, Arkansas-based company over the last six years. Over seventy percent of the top-level hires came through a combination of in-house efforts, be it referrals or use of LinkedIn or simple serendipity. Outside firms conducted 30 percent of the searches. In addition to Mr. Delpino, Walmart now has its own executive recruiters in Asia, Latin America, the United Kingdom and Canada. They handle hiring for vice president and above, as well as lower-level positions when the need arises. "When we started in Asia, they made a few hires and the hiring managers were like, 'Wow, we got a really good person and it didn't cost me any money!'" says Mr. Delpino with a laugh.

Which is not to say that Walmart's recruiting operation was always a streamlined, well-oiled machine. It was only about ten years ago, when Mr. Delpino's boss, Fred Ley, with strong pedigrees in the corporate world as well as the search industry, was brought in to take over the recruiting operation, that the process became centralized. "Before that, it was helter skelter," Mr. Delpino says. "Anyone with a pen could sign a contract, whether it was for a contingency or a retained search. It was a mess."

With the support of then-CEO H. Lee Scott, who decreed at an officers meeting that Mr. Ley and only Mr. Ley was authorized to sign a search contract, the problems began to dissipate and governance over the hiring process was finally established. Mr. Delpino, for his part, came aboard in 2009 after a distinguished career at PepsiCo, further strengthening the in-house operation.

Like Mr. Ley, Mr. Delpino brought corporate and retained-search experience, a rarity at the company back then. "Since that time, we've brought in four

## AT A GLANCE - WALMART



**John Delpino**  
Senior Director,  
Executive Recruiting

John Delpino joined Walmart in 2009, as senior director, executive recruiting with responsibility for all Officer level (VP+) external recruiting for all US based lines of business. Since arriving he has recruited over 100 executives from around the world, 73 percent of which were direct vs. search firm sourced.

Previously Mr. Delpino spent a collective 25 years at PepsiCo leading staffing for Frito-Lay and then Pepsi. Many of his HR hires have gone on to become CHROs at F500 companies.

Prior experience included two years at the now defunct search practice at Arthur Young (AY ERC) and six years as a managing director of Corporate Staffing Group, a contingency/container firm focused on technology and defense clients. Directly out of undergraduate studies he worked for Philadelphia Gear Corporation.

people that had prior experience with Korn Ferry and Russell Reynolds," Mr. Delpino says. "One is VP of our international recruiting and the three others are focused on that level right below VP. Those are difficult searches that need more hands-on TLC."

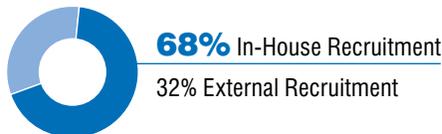
The shift was in large part made possible by Internet tools like LinkedIn Recruiter, which Mr. Delpino and his team use daily. They supplement that with tapping company's contacts, such as suppliers, when necessary. "It's not an exclusive, clearly," Mr. Delpino says of LinkedIn. "Some people, particularly Boomers, may not have a profile. But we do it the old fashioned way, too. The very first person I hired was a VP out of American Express and she was referred by the CIO at the time of Johnson and Johnson."

Certainly, an in-house operation offers plenty of benefits. An intimate knowledge of the culture matters in bringing in new people. "This is an extraordinarily

## QUALITY HIRE

### In-House Recruiting at Walmart

#### How assignments are handled at Walmart?



humble place,” Mr. Delpino says. “I tell people, ‘If you’ve got an ego, check it at the gate,’ because there will be an organ rejection. This is a very collaborative, team-oriented environment and like many places increasingly matrixed, and so getting things done requires the powers of influence and persuasion and the ability to build a following.”

And though outside search firms do get a thorough immersion in the Walmart culture, attending shareholder meetings and other corporate events, it’s never quite the same as working there. “When you live it, you really get it,” Mr. Delpino says. “I think we just have a keener focus on who’s going to be a really good fit here and who’s not. We also have a voracious appetite for who’s great and we do our best recruiting when there’s no job open.”

Another common concern about search firms, of course, is the matter of off-limits and who a company might be unable to recruit because of those limitations. Yet big companies have similar issues, at least to some degree. Walmart, for example, tries to avoid hiring from certain companies too often. “We’re probably fished out at EBay,” Mr. Delpino says. “We’ve hired a number of people from there and from Paypal.”

Nor is it good form to take good employees away from companies for which one’s board members work or with whom the company has close ties for one reason or another. Walmart tends to tread carefully before recruiting anyone from Yahoo, for instance,

whose CEO, Marissa Mayer, sits on Walmart’s board. “And we’ve also got a strong relationship with Procter & Gamble and other major CPG companies,” Mr. Delpino says, “so we might at some point have to have the full-disclosure conversation there.”

#### Maintaining Good Relations

None of this means that search firms are out in the cold. Walmart maintains strong relationships with Korn Ferry, Spencer Stuart, Russell Reynolds Associates, Egon Zehnder and Heidrick & Struggles. Essentially, the company calls upon the outside firms when the need arises. Walmart has no long-term contracts or preferred provider agreements with the search firms. Nor is there an annual review of their work. “It goes search-by-search,” Mr. Delpino says. “It’s not as rigorous as some people have.”

## BY THE NUMBERS

### Walmart: Racking and Stacking Millions In Annual Search Fees

**\$12 million** a year is saved by turning to in-house staffing solutions

The situations in which an outside consultant might be called frequently vary. Sometimes Mr. Delpino and his team will take a run at a search before passing it along to an outside firm. “If I have time, I’ll ask the hiring manager to give me a couple weeks on a search to see what we can do on our own and then make a call,” he says. “At the end of the day I don’t want to disadvantage the hiring manager because I’m unable to get the job done. So it could be degree of difficulty, volume of activity, urgency of need.” Some of those factors come into play.

“Another area would be confidential searches. Also, I’ve found that our global e-commerce business, which is out in San Bruno, is typically looking for

## Q & A

### The Continual Decrease in Usage of External Search Firms

*Saving money is never the only reason for a company to start an in-house recruiting function but it's always in the mix. "In general, I think most people are being squeezed on the budget line," says John Delpino, senior director of executive recruiting for Walmart. "So it comes down to a matter of cost... There's always room for retained search, but at Walmart we have proven over the last three years that the entire budget has been neutralized based on cost savings associated with direct hiring and things like our green hobs interview process. We've skinned down the number of people we interview. And when you rack and stack all of that, it's over \$12 million dollars a year. Serious money."*

#### **External search firms last year conducted 30 percent of your top-level hires. Do you see this percentage decreasing over the next three to five years?**

I envision a continuing decrease, albeit gradual, as internal capabilities continue to enhance the company's ability to directly source, develop pipelines and relationships over time. However, there will always be circumstances when search firms will be the best solution, e.g., better access, lack capacity or capability, urgency, confidentiality, etc.

#### **What key experience did you extrapolate from your many years at PepsiCo that applies now to managing a very seasoned in-house recruiting function at Walmart?**

I'll use a tenant from the book Future Shock, by Alvin Toffler who said, "Beware of high tech, low touch." He of course was referring to the advent of interacting with a bank employee. I have always been a proponent of the courtship approach, remembering that at the end of the day, you are dealing with a person, so the art of the deal remains critical despite the many technological advances we have seen

#### **Do you think in-house recruiters are better suited to recruit talent because they have a better handle on Walmart's culture versus an external recruiter who is at somewhat of a disadvantage by not understanding the culture as well because they do not work from the inside?**

Initially, yes, but over the course of time, and with the proper access and exposure, a search consultant could become a similarly competent partner. Having said that, internals will always have the advantage of proximity, presence and consistently delivering great results to foster relationships and build trust and professional credibility.

digital natives. I'm not a Valley guy. I don't have deep relations there like I do in consumer package goods and retail. So there's probably a greater propensity to go to search out there."

With less work being directed toward his outside search partners by Walmart, Mr. Delpino says he makes an effort to maintain good relations. There's been no significant change in the company's basic agreement with outside recruiters. And when someone from another company asks if he can recommend a good search firm, he tends to pass along the names of those with which Walmart regularly works.

A company of Walmart's size has a lot going on. If one isn't careful, an assignment can take too long. In-house recruiters with other searches on their minds can sometimes delay too long before giving one assignment or another the attention it requires. "We kid about it a bit, but this is a really big place, and if I don't get some action going in 60 days, all of a sudden that internal person who wasn't thought to be quite ready early on starts looking better," says Mr. Delpino. "Part of my objective is to help the manager avoid making a sub-optimal decision."

## DFS Group

Starting an in-house recruiting function in a less mature, foreign market is hardly as simple as “Build it and they will come.” Without question, more companies are turning to a direct hiring model in countries all around the world. And though many organizations have seen success with the approach, others find obstacles that can be tough to navigate. Arpan Khurana, head of talent acquisition for DFS Group, the Hong Kong-based luxury travel retail firm, knows that everything from business tradition in a given region to the state of one’s industry to the degree of buy-in that one receives from hiring leaders all play a part in getting an in-house operation to move forward and to make a real difference...or not.

Mr. Khurana joined DFS Group in 2014 following a 14 year career in talent acquisition. Past employers included Walmart, Honeywell and Glaxo SmithKline. Prior to joining DFS he was the head of recruitment in APAC for Walmart Inc.

DFS Group is one of the world’s leading luxury travel retailer. Established in Hong Kong in 1960, DFS Group continues to be a pioneer in global luxury travel retail, offering its traveling customers a carefully curated selection of exceptional products from over 700 of the most desired brands through 420 locations on three continents. DFS Group employs over 9,000 people focused on creating inspiring retail experiences for its customers. In 2014, over 260 million travelers visited DFS stores. DFS is headquartered in Hong Kong and has offices in Hawaii, Los Angeles, Shanghai, Singapore and Tokyo.

Joining DFS a year ago after a successful tenure launching Walmart's in-house recruitment efforts in China, Mr. Khurana has faced a luxury industry that's seen a significant drop in revenue, a hiring freeze at his organization, and colleagues who will require a lot of convincing before they are willing to loosen their ties with search firms.

"The times have not helped," says Mr. Khurana. "The luxury industry has taken a huge hit over the last few months. I've opened some eyes, done some data analysis, shown the cost-for-hire that we're spending compared to other retailers in the market or companies our size. And I'm hoping that when we come out of it there's a little more appetite for hiring directly" than relying on external agencies.

### Hitting Resistance

Make no mistake. It's never easy to implement change. But DFS, a division of LVMH, the French-owned luxury products conglomerate, has had its share of special challenges, especially in the wake of China's current anti-corruption campaign. Customers from mainland China account for as much as 60 percent of the luxury industry's sales. But these days those consumers want to avoid any hint of extravagance, be it gambling or buying expensive accoutrements. As a result, they are traveling less, avoiding using bank cards that reveal their spending, making discreet cash transactions, and putting big chunks of their money into real estate in less auspicious markets like Canada or the United States. What they are not doing, at least not at the pace of just a few years ago, is buying luxury goods. Last year, luxury brands saw a six percent drop in value from 2013, shrinking by \$7.1 billion to \$104.6 billion, according to market researchers Millward Brown.

As an industry retail leader, DFS is at the forefront of the fray. It has hundreds of outlets for premier luxury brands around the world, including 14 showcase

### AT A GLANCE - DFS GROUP



**Arpan Khurana**  
Head of Talent Acquisition

Arpan Khurana joined DFS in 2014 following a 14 year career in talent acquisition. Past employers included Walmart, Honeywell and Glaxo SmithKline. Prior to joining DFS he was the head of recruitment in APAC for Walmart Inc. He has lived in Canada, U.S., China, India and Hong Kong.

galleries in major cities and duty-free stores in 18 international airports.

Mr. Khurana, who was brought in to help cut costs in the wake of industry declines, knows that to establish a strong in-house model he must also overcome the company's tradition of using search firms and a skepticism among those who do the hiring that another approach would work. Most of the company's recruitment costs are from the corporate side of operations, be it headquarters staff or professionals in areas like marketing, merchandising, or IT development. About 70 percent of the searches to fill such positions are conducted by search firms. The rest are done in-house or through referrals. Globally, that translates into only 50 to 60 hires for the in-house team.

Mr. Khurana's hope is to turn those percentages around and have his recruiters conduct the 70 percent side of that equation. "There's a lot of resistance," Mr. Khurana says. "'We're luxury,' is what I'm told. 'This is not how we do things.' Other times I'm told, 'We can't be reaching out to other companies; it won't help our reputation.'"

Nor does it help that although he technically has 24 recruiters, only two, based in Hong Kong, answer directly to him. The others are spread out in the company's world markets – DFS operates in 14

countries – and report to their respective human resources leader at the company’s stores. Few of those leaders see the need for Hong Kong to have a hand in their hiring. “That’s what makes it challenging,” says Mr. Khurana. “I can build all kinds of strategy, but if you’re not involved in the execution then your strategy is just a Power Point slide.”

## SURVEY RESULTS

### Social Media Adoption Rate

What social media platform is your prime recruiting tool?



Mr. Khurana faced some of the same obstacles four years ago when Walmart sent him to its China headquarters in Shenzhen, in the southern part of the country, to help cut costs by seeing if he could make some headway with in-house recruiting. His job was to focus on director level positions and above. If he was successful, the function could move on to the C-suite and then expand to larger parts of the business’s Asian operations.

For Walmart, Mr. Khurana’s territory included China, India, Indonesia, Singapore, Vietnam, Cambodia, Pakistan and Japan. And though hiring leaders (and prospective candidates) in places like India and Singapore were more willing to accept in-house recruiting, others, in locations like Japan and Hong Kong were reluctant to give up their reliance on agencies.

And though cost was of primary concern for Walmart’s U.S. leaders, Mr. Khurana soon realized he was facing a different outlook in Asia. “Cost wasn’t a component that really scared the leadership in Asia

and culturally it was part of the game; when you need hiring, you go out to head hunters.”

As he learned about how business was conducted in Asia and talked to his colleagues in the office, he came to understand that the hiring leaders there had never worked for a company that had a strong hiring team of its own. No one had ever shown them anything different. “So what I started doing was, I said to the head of HR at that point, give me one or two roles that you’ve given out to agencies, ones in which it’s been a while, that they haven’t been able to fill, and let me see if I can do anything about it,” Mr. Khurana says.

“So there was a director of supply chain role at that time that they had been grappling with. It was out to a retained search firm for about six months and they had no success, and the company had already paid the first two portions of the fee. I said, ‘Let’s not pay the last portion; give it to me and I’ll see what I can do.’”

### “I’ll Teach You Recruiting”

Every week he’d update the hiring managers, sending them an update before he went home on Fridays. It all made an impression. And within two months, that first in-house hire, brought in from Levi Strauss & Co., was made.

Other leaders in the business, noticing his good work, slowly started asking for help as well. “The agreement with the U.S. and Asia leadership was that I would not touch anything below director, but hiring managers started coming to me,” remembers Mr. Khurana.

“So I took that approach. I built some credibility through quick hires, good success, quality hires, and soon the word flew. In the first six months we saved a few hundred thousand dollars. So six months into the role, Walmart gave me some head count and I started building a team.”

With experienced English-speaking recruitment talent hard to find in out-of-the-way Shenzhen, Mr. Khurana

looked instead to recent university graduates. “I hired fresh grads who could smile, listen, and learn and who had good communication skills,” he says. “I said, ‘I’ll teach you recruiting.’ So I took that approach and we turned it around over the next two years. We went from \$2 million U.S. dollars in recruitment agency costs down to \$100,000 by the time that I left.”

Candidates, however, were also wary. Tradition had it that search firms did the recruiting, not companies themselves. Mr. Khurana tells of one executive he contacted about a position who asked who he worked for. “I said ‘Walmart,’” remembers Mr. Khurana. “And he said, ‘No, no, I know who you’re recruiting for, but who do you work for?’ I said, ‘Walmart.’ The guy was really shocked. He said, ‘I never had a company call me directly.’ And he was so honored that a company called him directly that he specially came to meet me in Shenzhen, even though he was not interested in the role.”

Some countries where Walmart operated were hard to break into. Mr. Khurana and his team met success in India and China, but initially got nowhere in Japan. A recruiter would reach out to a prospect there through LinkedIn, but only about one in 10 would even reply. “The response rate was incredibly low,” he remembers. “People don’t change jobs that easily. And a lot of them don’t speak English.”

Over time, he came to better understand the business culture in Japan. “It’s more of a relationship-building style of recruiting rather than transactional,” Mr. Khurana says. “In the U.S., a headhunter picks up the phone, gets through to the receptionist, gets you on the phone and says, ‘Here’s who I am, I’m not sure if you’re looking for a role but here’s what I have, and if you’re not interested we’d love to hear if you have any referrals.’ Good luck trying to do that in Japan. They won’t talk to you unless they know who you are.”

Gradually, he started contacting people whose LinkedIn profiles impressed him and rather than talk about a job opening, Mr. Khurana would say he was going to be in Tokyo, for example, in the coming weeks and would like to meet them informally, for coffee or a drink, just to become better acquainted. “I never put a role in front of them,” he says. “I’d never say I’m trying to recruit you. It was more of a professional courtesy: I’m in town, I work for Walmart, I’d like to get to know you.”

## BY THE NUMBERS

### DFS Group: Slowly Turning To a Direct Hiring Model

**70%** of all hires are handled by external search providers

“And that started turning the tide. Eventually, once there was a comfort level, I’d turn it around and say, ‘What would make you leave your job? If you were to look for a job what would you look for? What kind of role would you want?’ And that’s when we started having some success. We took the social approach and turned it into a professional interaction instead of the alternate approach which is more transactional in some countries.”

In India, meanwhile, where the notice period for leaving a job can be as long as three to six months, candidates who accept a position will sometimes shop their offers right up the very day they were expected to start in their new job. Then they would accept some better offer and without explanation never show up for the original job they’d accepted. Some companies, Mr. Khurana says, have countered that practice, and the headaches it causes talent leaders and hiring managers, by giving new hires a sign-on bonus to cover the penalty for leaving a job early. “Some companies have budgeted for that approach and said, ‘If we like a person, we’re going to

hire them now and get the person started as soon as possible,” he says.

Based on his experience with Walmart, Mr. Khurana feels certain that he can change the hiring culture at DFS if hiring leaders open themselves to the possibilities. Last year, DFS spent \$6.4 million on recruitment agency costs, he says. At Walmart, he argues, the company was larger, the number of hires was greater, and the location, Shenzhen, was less alluring than the places DFS does business, be it Hong Kong, Hawaii, or San Francisco, to name just a few. “At some point there has to be an organizational

acceptance that we need to evolve,” he says. “The times have evolved. Our competitors have evolved.”

“I told my CFO that if I can bring (the amount spent on agencies) to \$2 million in the next year or so, look at the \$4 million to \$4.5 million that you could be investing into people, talent retention, talent management, talent development. That’s how we sold the story to the local HR team at Walmart and that’s the approach I’m taking with at least the business leaders here who look at money as one of the drivers in how you decide to move forward with the business.”

## Scotts Miracle-Gro

Tremendous growth was costing The Scotts Miracle-Gro Company money. In the eight years leading up to the 2008 swoon in the economy, some extra dollars going out the door seemed to make little difference in light of the revenues coming in. Business for the central Ohio lawn and garden product company was growing exponentially with most of the growth being the result of economic good times. As new housing developments were sprouting up around the country the company's biggest sales channels – Walmart, Lowe's and Home Depot – were opening waves of new stores to accommodate urban growth. Back then, Scotts Miracle-Gro leaned heavily on search firms to help its undermanned recruiting team with its hiring needs. But after business finally dropped back down to earth, as well manicured as that earth might have been, the company's leadership figured it was time for change.

Nick Tompkins spearheads the in-house recruiting program at Scotts Miracle-Gro and his mandate is to build a recruiting team with the capacity and skillsets to put an end to the company's dependence on search agencies, to centralize recruiting, and to utilize technology to help solve problems. Prior to Scotts, he was involved in internet sourcing development, building an internet recruiting center in Las Vegas that was purchased by TMP and which became Monster E-Sourcing.

With more than \$2.8 billion in worldwide sales, Scotts Miracle-Gro is the world's largest marketer of branded consumer products for lawn and garden care. In 2015, the Company was listed in Forbes 100 Most Reputable Companies in America.

“Our model in the past, before I got to Scotts, was to have a small recruiting group with a large number of requisitions per recruiter and to rely on agencies whenever we went over say 40 days of recruiting time, which happened frequently,” says Mr. Tompkins. “The recruiters didn’t have time to do any sourcing. Now we have more recruiters, fewer requisitions per recruiter, and more time for sourcing. Consequently, over the last two years we’ve seen the trend go from a lot of requisitions filled by outside agencies to fewer requisitions filled by outside agencies.”

Scotts Miracle-Gro, which is headquartered in Marysville, Ohio, is the biggest name in lawn and garden care products, be it seed, soil, herbicides or anything in between. With revenues of \$2.84 billion last year, up 2 percent from 2013, the company employs 6,700 people. Its brand names – Scotts, Ortho, Miracle-Gro and Roundup – are among the most recognizable in the world.

Founded in 1868 as a lawn seed business, Scotts evolved over the years into a publicly traded Fortune 1000 company. (It landed at No.768 in 2014.) Scotts’ 1995 merger with Miracle-Gro, gave it preeminence in both the lawn and garden markets. And by all indications its leadership has no intention of ceding that position anytime soon. Among other ventures, one of the company’s subsidiaries, the Hawthorne Gardening Company, recently acquired General Hydroponics, a Santa Rosa, California maker of liquid nutrients used for growing indoor plants, including marijuana, and its sister company Bio-Organic Solutions, which sells organic soils and other garden items. As more and more states have given the OK to medical marijuana and others have either approved or are considering legalizing pot for recreational use, some speculate that Scotts Miracle-Gro is positioning itself to be a player in what is already developing into a lucrative new space in the company’s field of play.

## AT A GLANCE - SCOTTS MIRACLE-GRO



### Nicholas Tompkins Director Talent Acquisition and Workforce Planning

When Nicholas Tompkins joined Scotts Miracle-Gro, he moved from Nevada to the Midwest. Although Columbus, Ohio is the fifteenth largest city in the country it lacks the diversity of culture and outlook that Mr. Tompkins experienced elsewhere in his career and travels. The Scotts Miracle-Gro company is focused on diversifying their employee base to bring new perspectives and innovation to an 147 year old company with deep Midwestern roots. As an immigrant to the U.S. from South America, Mr. Tompkins believes he has the opportunity to add to the company’s diversity of thought and bring talent acquisition strategies to bear that will drive diversity to the forefront of their hiring strategy.

Mr. Tompkins started his career in California with Kaiser Engineers having moved from Chile. He started as a cost accountant and worked up into HR management running onsite contracts for the Department of Energy at Lawrence Livermore Laboratory. There Mr. Tompkins began recruiting – everyone from carpenters to rocket scientists who worked on the Hubble Telescope. He then was involved in internet sourcing development building an internet recruiting center in Las Vegas that was purchased by TMP and which became Monster E-Sourcing.

Today, Scotts Miracle-Gro’s in-house recruiting function has flipped the picture of how its executives are hired, reducing the use of outside firms to less than 10 percent of its assignments. The corporate team includes five internal recruiters and additional contractors, who support the company’s North American recruiting. Corporate search assignments, which span the entire company, range from director to executive vice president.

“When we get to the VPs and the SVPs we do initially start the search ourselves but we’re monitoring it closely to see how quickly we’re generating candidates,” says Mr. Tompkins. Typically, the in-house recruiters have 30 days to see if they can make headway on such a search. After that, it goes out to an agency.

Scotts Miracle-Gro turns to outside search partners. The company’s in-house team’s limited inexperience with top-level searches is part of the reasoning, but so is workload. “You want a recruiter that is working specifically with just one position or maybe that position and three others exactly like it,” says Mr. Tompkins. “My corporate recruiters all have 25 requisitions that they’re working on at any given time. So it becomes a numbers game. In a 40 hour week that means you have less than two hours per requisition per week to do any sourcing work.”

## QUALITY HIRE

### In-House Recruiting at Scotts Miracle-Gro

How assignments are handled at ScottsMiracle-Gro?



Top-level openings are rarer at Scotts Miracle-Gro, a good sign, and the company’s cost-benefits analysis suggests that contracting with outside recruiters in such instances is the best way to go. The company’s external search partners understand its internal policies and politics and make a strong effort to grasp of the culture as well, says Mr. Tompkins.

But it’s more than their talents that make them valuable additions. Just by being external to the company,

outside recruiters gain credibility with leadership (and candidates.) “I call it the consultant halo,” says Mr. Tompkins. “Consultants can often say the same things we’re saying internally but because they’re consultants they get more leverage because we’ve paid them to come in and consult. Because they’re consultants people pay attention. The same thing happens with executive search.”

Cost was a big reason that Scotts Miracle-Gro made the decision to bolster its in-house function. “We were spending a huge amount of money on what I consider fairly easy to fill positions,” says Mr. Tompkins. “Using agencies we paid over \$200,000 in fees in one year for plant managers, and we hired them all through one staffing agency that specialized in ex-junior military officers. Well, if you establish a model that works for a position you don’t need an agency to find a JMO. There are hundreds of them coming out of the military every year looking for jobs.”

### Centralizing Hiring Operations

To run more efficiently and cost-effectively, Scotts Miracle-Gro looked to centralize its hiring operation. Before the economy knocked the country for a loop in 2008, outside forces drove the company’s growth. “From 2000 to 2008, Home Depot, Lowe’s, and Walmart were growing explosively,” explains Mr. Tompkins. “We sell 70 percent of our products through those outlets. Every time they put in a new neighborhood in Las Vegas, in Phoenix, in Florida, in Texas, all of these cities in urban areas that were growing, there’s a formula that comes into play: Two hundred houses equals a Home Depot, Lowe’s or Walmart. Four hundred to 500 houses, you get two of those. One thousand houses you get all three. So every time you put up a new Home Depot, Lowe’s or Walmart, our sales go up. So our production went up. And we grew without having to do any planning for growth. But our HR team did not grow explosively like

## Q & A

### Centralized Recruiting

*Tremendous growth was costing Scotts Miracle-Gro money. Business for the central Ohio lawn and garden product company was going great guns, with most of the growth being the result of economic good times. New housing developments were sprouting up around the country and the company's biggest sales channels – Walmart, Lowe's and Home Depot – were opening waves of new stores to accommodate them. Back then, Scotts Miracle-Gro leaned heavily on search firms to help its undermanned recruiting team with its hiring needs. But after business finally dropped back down to earth the company's leadership figured it was time for change. Nick Tompkins spearheads the in-house recruiting program at Scotts Miracle-Gro.*

#### **During a period of significant growth as your company recently experienced, how do you manage quality hires when you also need to recruit in larger numbers?**

Scotts hires an additional 4,000 employees each year for our seasonal sales, service and marketing efforts. During our seasonal ramp-up we use an outsourced model to supplement our in house recruiting staff. We partner with an RPO provider to recruit 1,800 seasonal merchandiser/counselor candidates. The additional resources ensure we maintain the same standard of candidate screening that our in house staff performs. For our Service side we hire roughly 2,000 service and sales personnel, to support that effort we bring on a team of contract recruiters to assist and support our branch managers with screening and hiring their candidates.

#### **You've reduced outside search requirements to 10 percent. Is it difficult to then turn to external recruiters when you have not worked with them on a regular basis?**

While our reliance on outside search partners has decreased the long term relationships with successful agencies that have helped us has resulted in the development of partnership agreements. We work on a "container" search basis with select partner firms that both fill open requisitions and source pipeline candidates for us.

#### **With such little need for outside firms, is it more challenging for them to get a good handle on your company's culture?**

With long term select partnerships the relationship is established, when we have needs that our long term partners do not specialize in we seek the opportunity to create new partnerships.

#### **How difficult is it to recruit talent from rival companies when not using an external search firm?**

The majority of our full time corporate hires are in Columbus, Ohio. Scotts has a great value proposition and work life balance that is attractive to candidates. We do have challenges with career path structure but our brand name recognition and the opportunity to work for a recognized name helps with recruitment from rivals.

#### **How far do you see social media vehicles, like LinkedIn, as a sourcing tool? Will it improve beyond its current capabilities?**

LinkedIn is looking to change their model. How that will impact corporate recruiters who use its functionality remains to be seen. If LinkedIn starts limiting how candidates can apply to jobs with their LinkedIn profile I believe this will negatively impact LinkedIn. LinkedIn can provide much of the same company review functionality Glassdoor has if they want to move LinkedIn in that direction.

the company did, so we fell behind on process and procedure and we tended to fall back on agencies. Our agency spend was pretty much uncontrolled because there was no concern. After all, we were making lots of money.”

Back then, any number of search firms were being used, oftentimes based on personal preferences rather than any set process or protocol. “There was no centralized control,” Mr. Tompkins says. “It was multiple agencies hired by multiple managers. It was the same thing for our plant operations before we went to an MSP.”

### A Seat At the Table

As might be expected when managers have had their way for so long, Mr. Tompkins and company met some resistance to the changes. “Particularly from some of our plant groups who had no limits on what they spent,” he says. “But a little bit of accounting and demonstrating spend versus productivity helps. It’s pretty easy to point out that for the cost of four placements you could have had a full-time recruiter working for you all year long.”

## BY THE NUMBERS

### Scotts Miracle-Gro: Building an In-House Recruiting Team to Serve Its Talent Needs

The in-house team will take on **400-500** corporate hirings this year

These days, Scotts Miracle-Gro works with fewer search partners and evaluates each of them based on performance and area of specialization. It’s simple: those that continually perform well get to stick around. “First we look at the quality of the people they brought us,” explains Mr. Tompkins. “And then we look to answer these questions: are those people still here? Did their tenure match their quality? Were they a good

match for the company? If the answer is yes, then that’s a partner that understands us, knows what we’re looking for, and was able to meet our needs, and we keep them on our list of preferred vendors, if you want to call it that.”

Those outside search firms that can dependably fill niche positions are particularly valuable. “I’ll give you an example,” says Mr. Tompkins. “We’ve decided to add E-commerce as a new tool kit at Scotts. We have not done E-commerce before. So we made a decision very early on in the process that we’re either going to go to a retained E-commerce specialist or we’re going to find a really good contingent search firm that lives and operates in the E-commerce section that can find us a VP, and that’s what we ended up doing.”

To achieve its goals, Scotts Miracle-Gro has also leveraged a variety of technological tools. The company’s applicant tracking system has been improved. Video interviewing, too, has been implemented at both the lower and corporate levels.

A link to a recorded video is sent to prospects who respond, also on video, and in the process save recruiters 30 minutes or more that they would typically spend on the phone with each candidate. When it comes back, the video is in turn shared with the hiring managers who review it when they have a moment, saving even more time. Besides learning about the candidate, the video also allows Scotts to do some branding, with an introduction about the company, and provide a personal touch, with a message from the hiring leader.

Scotts uses video interviewing at the corporate level in screening for positions like managers, directors and even vice presidents. It can be tough to schedule time with an executive, whether it’s a candidate or the hiring leader, explains Mr. Tompkins. “So the initial conversation tends to be a video interview with an introduction from the VP who’s doing the hiring saying,

hey, thank you, I appreciate you taking the time to interview, I want you to have the luxury of doing this when it fits your schedule, and then I'll review it and we'll get together and if it's appropriate move forward to a face-to-face interview," says Mr. Tompkins.

Scotts Miracle-Gro and other companies are coming to understand the importance and value of the individuals they hire. Handling the recruitment internally speaks to the change in mindset. As such, human resources, talent acquisition, and talent management all become an even more integral part of an organization's future. "We bring in the people that drive the business," says Mr. Tompkins. "Now the

Human Resources function starts to get looked at the same as any other revenue generating department. There's a realization that great people or the right people or the right kind of talent is necessary to the business. And so you do get a seat at the table. People start thinking, OK, so this is the year we've planned 10 percent growth. That's not just growth in building three more offices and two more factories; we need to staff those offices and factories. HR needs to be here at the table to tell us how we're going to do that and what the challenges might be if we're in a highly competitive market or an area where there are no people and we're going to have to relocate people."

## Arthur J. Gallagher & Co.

An in-house recruitment function does more for a company than simply find people to fill job openings. In many ways, it becomes the face of the organization in the marketplace, whether it's the recruiters' presentation and discussions with contacts and candidates or the branding of the company as a desirable place to work. That's one of the benefits that Arthur J. Gallagher and Co. is expecting as it launches a pilot program for in-house recruiting in its brokerage services division. If successful, the effort will open the way for expansion to executive recruiting, cross divisional centralization, and more.

Managing the in-house recruiting program at A.J. Gallagher is Kathleen McCann-Battle, vice president, talent acquisition. Ms. McCann-Battle joined the company in 2015 to build a centralized talent acquisition function within the brokerage services division. Prior to A.J. Gallagher, Ms. McCann-Battle was the head of talent acquisition for U.S. Foods, where she built a centralized recruitment team providing national support for 65 locations.

Arthur J. Gallagher & Co. an international service provider plans, designs, and administers a full array of customized, cost-effective property/casualty insurance and risk management programs. The company has operations in 31 countries and, through a network of correspondent brokers and consultants, Gallagher offers client-service capabilities in more than 140 countries around the world.

At AJG, the thinking is that the recruitment team should get a foothold and establish itself in one area of the business before trying to implement change throughout the wider organization. “This division has made a commitment to hire in-house recruiters and I think the primary reason is that the company realizes that we can build a center of expertise that can help Gallagher tackle what many industries face as our baby boomers move quickly to retirement age and beyond. This issue is especially acute in the insurance business,” says Kathleen McCann-Battle, vice president of talent acquisition for the Itasca, Illinois-headquartered company. “We’ll really be able to articulate the employee-value proposition and employment brand piece. And I’m going to be looking to bring someone on board that’s going to help us build an employment brand around this effort, and be a voice to the external world as far as why it would be really cool to work here. Gallagher’s culture is really infectious and we look forward to sharing that with the external market.”

“Gallagher is an exciting place to be right now. With our rapid growth both domestically as well as internationally, there is much to say to the market about why it would be a great place to work. It’s important to us as an organization to have an external voice, otherwise our competition will become the voice for us.”

AJG is starting with small steps that will build the function over time. Initially at least, the operation will be domestic in scope, not global, and will be limited to one division, says Ms. McCann-Battle. It’s mission will be to bring in talent from outside the insurance industry while its branch managers continue to recruit established brokers within the insurance field. “We’re not going to chew much more than the hoof of the elephant at this point,” says Ms. McCann-Battle. “And then hopefully we’ll take on bigger chunks as we see success.”

## AT A GLANCE - ARTHUR J. GALLAGHER



**Kathleen McCann-Battle**  
VP of Talent Acquisition

Kathleen McCann-Battle joined Arthur J. Gallagher in January of 2015 as the vice president of talent acquisition for the brokerage services division to build a centralized talent acquisition function.

Ms. McCann-Battle has over 28 years of experience in human resources and specifically talent acquisition. Her background includes executive level search, generalist human resources work and several startups or complete service delivery model changes in talent acquisition.

Prior to Gallagher, Ms. McCann-Battle was the head of talent acquisition for U.S. Foods, a \$22 billion food distribution company located in Rosemont, IL. While there, she built a centralized recruitment team providing national support for 65 locations, and a recruiting operations center of expertise team.

Prior to U.S. Foods, Ms. McCann-Battle worked at Kraft Foods in Chicago, implementing new recruitment technology globally, and worked on the global creation of an employee value proposition and employment branding. She also has experience in the telecommunications field, working for both AT&T, and U.S. Cellular Companies. Ms. McCann-Battle started her recruitment career in financial services and was vice president talent acquisition for northern trust bank also in Chicago.

Centralized in-house recruiting is a new enterprise for the company. For the most part, managers at AJG’s branch locations around the country have been accountable for recruitment within their respective offices. We have had a very typical highly decentralized approach to recruitment.

For Ms. McCann-Battle, who joined the company in January, it’s been an inviting challenge, a chance to create a function from the ground up. She speaks

often of feeling welcomed and empowered by the leadership, no small thing in getting an in-house operation up and running. “It’s an exciting proposition to be given a white board to build something,” she says. “Not many talent acquisition professionals get an opportunity to do that. This company is authentic, it’s supportive, it really wants to do the right thing. Hopefully a year from now I can say we’ve really done what we’re supposed to do, that we really set the stage, and we’re now going beyond brokerage services.”

## SURVEY RESULTS

### Bypassing Recruiters

**Do social media platforms allow you to side-step recruiters?**



The company wants to boost organic growth. Faced with an ever-growing number of brokers with large books of business who are beginning to reach retirement age, AJG is also looking for talent to take on their clients before they are lost to the competition.

“I was brought on board to help Gallagher develop and execute a recruitment strategy that will enable us to get to our organic growth measures between now and 2020 and to put some structure and process around hiring,” says Ms. McCann-Battle, whose experience includes stints at U.S. Foods, Kraft Foods Group, and AT & T. “Typically, Arthur J. Gallagher has been very decentralized when it comes to recruitment. If we have 90-plus branches, we’re probably doing it 95 different ways. So here in Itasca we’re trying to look at the process, look at how we structure staffing. I was brought on board to help us really move not only the needle on hiring but how we hire, the quality

of hire, and to help the organization for the first time look at out-of-industry types of recruitment. Our goal is to really go outside of industry and try to find really talented sales people that have an interest in making the switch into insurance.”

There are some outdated perceptions of the insurance industry, but Ms. McCann-Battle and her team believe that they can enlighten would-be candidates about the opportunity to work in an entrepreneurial environment, work side by side with industry experts and enhance their own personal wealth. “We think differently at Gallagher and are building campaigns to translate the opportunity to exceptional talent that would not usually consider this opportunity.” Annual revenues for Arthur J. Gallagher continue to rise, reaching \$4.6 billion in 2014, up from \$3.2 billion the year before and \$2.5 billion in 2012. Its offices can be found in 30 countries. Through correspondent brokers and consultants, AJG’s client services reach customers in 140 countries. And it employs 20,000.

Recognition has come Arthur J. Gallagher’s way as well. Earlier this year, Forbes magazine named it among America’s Best Employers. And for the fourth straight year, the Ethisphere Institute honored it on its roll of the world’s most ethical companies.

### Talent Acquisition’s Menu

While AJG strongly promotes from within our senior level positions and believe in growing our our own talent, when we go outside, 90 percent of those searches are with search firms. Success has been hit and miss, says Ms. McCann-Battle. And as much as she wants to reduce that percentage, senior-level searches won’t be on talent acquisition’s menu until at least next year, depending on the success of the pilot program. “I think every organization wants to bring that down,” she says regarding the number of outside searches. “Right now, for the short term, I’m really

focused on our producer hiring. As my team grows I will want to take on senior-level roles that are at the corporate level, but that's not today. The business goals right now are really to drive sales roles."

Indeed, there are challenges enough in getting the function up and running. Brokerage services is the company's largest division and it has highly aggressive sales goals for the next few years. But its leaders were willing to make the investment in in-house recruiting for its brokerage sales roles or "producers," as they call them at AJG. Gallagher has been very generous with their commission structures over the years and seasoned producers can make a very good living selling our services. Many of our top producers carry books of business well over \$1 million. In brokerage, it's an annuity based commission structure, so as long as your business renews each year you will continue to see commissions from that business.

### Cost Is Part of Every Discussion

"For the people we are going to be hiring, since they are out-of-industry what we're looking at right now is probably a base salary in the 125-150 range, plus a commission structure that we're still working out the details on. Our hope is that somewhere between years three and four, these out of industry sales professionals will be fully validated and can begin to earn a sizable income," says Ms. McCann-Battle.

To find the right kind of out-of-industry sales people, Ms. McCann-Battle and her team are expecting to scour fields that have successful training programs, such as pharmaceuticals, or companies like Xerox. One recent hire came out of executive search. They're also looking at junior military officers, among others. AJG also has 18 different industry practices, including commercial insurance and risk management. A commercial lender from a firm like JP Morgan

Chase, for example, might want to make the transition to insurance. "Our industry practices go across many different areas," says Ms. McCann-Battle. "Construction, healthcare, aviation, energy, entertainment, marine, et cetera. And depending on what our branches need as far as sales professionals, we'll try to find someone that's in an industry that can make a fairly easy transition to that kind of role here."

Cost is one of the reasons for going in-house, she says. But in setting up the in-house function like a search agency within the company, with a per-hire fee, Ms. McCann-Battle says that her recruiters will be rewarded financially as well. "I think cost is always part of every discussion," she says. "And a per-hire methodology with a contingent firm would be more expensive than making the commitment to bring people in-house."

### BY THE NUMBERS

#### Arthur J. Gallagher: One of America's Best Employers

Annual revenues reached **\$4.6 billion** in 2014...

...Up from **\$3.2 billion** the year before...

...and **\$2.5 billion** in 2012

"I am paying my recruiters like a sales person, though. I'm introducing variable comps to all of my recruiters and we're still working out what that's going to look like. But I want the recruiters to have a share of the success of the sales people that they bring on board. So they will be compensated accordingly. But it's still going to be less than what it would cost to have a third party do all this for us."

In recruiting recruiters, Ms. McCann-Battle says she has been looking for a mix of agency and corporate

experience. The pilot team was expected to consist of three recruiters (for the east, west and central regions of the country), one national sourcing recruiter, a branding specialist, and an operations person to support the recruiters. Early next year, she expects to look at the workload of each recruiter and add staff as needed.

“I want them to be true hunters,” says Ms. McCann-Battle of her recruiters. “I want them to appreciate running their own desk and I want to compensate them for the quality hires that they bring on board.”

But the benefits to the company go further than reducing costs. In many ways, in-house recruiting can help change how the company is viewed by outsiders and as a result boost business overall. “It’s going to enable us to continue to expand our reach beyond the insurance industry,” Ms. McCann-Battle says. “From my perspective, as I sit here as head of talent acquisition, I want Gallagher to be looked at across the industries as a great place to work. I think right now we’re looked at as a great place to work within insurance. But we’re kind of under the radar outside of insurance. One of the benefits of this is that we’re going to be talking to people in every industry imaginable. And we’re going to talk about how great Gallagher can be to work with. And just by virtue of those conversations begin to build a brand for the Arthur J. Gallagher name outside of the insurance industry.”

If done well, the effects of that can be considerable. “It hits the bottom line, it gets our word out there from a recruitment perspective, it creates additional potential leads for our sales organization,” she says. “People start thinking in terms of Arthur J. Gallagher versus going to a Marsh & McLennan or an Aon. The benefits are priceless, both in opportunities for business growth as well as recruitment growth.”

Like any new venture, challenges will come. Ms. McCann-Battle points out that hiring out-of-industry is still new at AJG and adjustments will have to be made. Bringing in the right kind of hires will be critical. The financial consequences for the branches must be considered. We are developing a very comprehensive onboarding program to assure we retain the talent we acquire, and we are working close with our hiring leaders to use new tools and assessments to help us predict future success of these out of industry hires.

“I feel confident we’re going to have success,” says Ms. McCann-Battle. “I believe Gallagher is doing what it needs to be competitive in the market, and I am passionate about helping Gallagher not only reach its business goals, but also create something best in class in recruitment in this very challenging and ever changing labor market. But I’m not so naïve as to think we won’t have some challenges and stumbles along the way.”

## Pitney Bowes

Executive search firms tend to do an excellent job of finding candidates for openings, says Gregory Karanastasis, VP/global head of talent acquisition for Pitney Bowes, the shipping/mailing-equipment and information-technology company. Oftentimes, however, they fail to go much further. When kicking off a search, too many external recruiters are content to ask only about surface details, like how much experience a candidate should have or the skills necessary for the job. “They don’t ask the next question: ‘What’s the impact of bringing that person in?’ or, ‘Is that person going to translate into \$10 million more in revenue for the company?’ And, ‘Why is that revenue coming, is it because they’re looking at building new products or services or process efficiencies, etc?’”

At Pitney Bowes, Mr. Karanastasis is responsible for the design, development, leadership and execution of effective recruiting strategies globally. This encompasses delivering on approximately 4,000 hires across digital commerce, software, location intelligence and shipping/mailing solution verticals. He was previously with McGraw Hill Financial and held several roles within HR over the past eight years. His most recent position was senior director of global talent acquisition & Internal mobility. In this position, he was responsible for leading the design and implementation of talent acquisition, an enterprise-wide internal mobility strategy and HR compliance (affirmative action programs). Together, these solutions enabled McGraw Hill Financial to leverage its talent initiatives for future growth. Previously, Gregory was director, talent management, for McGraw Hill Financial leading programs and initiatives related to talent development including leadership and management development, succession planning, performance management and high potential development.

## AT A GLANCE - PITNEY BOWES



**Gregory Karanastasis**  
**VP, Global Head of Talent Acquisition**

Gregory Karanastasis is the vice president, global head of talent acquisition for Pitney Bowes. He is responsible for the design, development, leadership and execution of effective recruiting strategies globally. This encompasses delivering on approximately 4,000 hires across digital commerce, software, location intelligence and shipping/mailling solution verticals.

Mr. Karanastasis was previously with McGraw Hill Financial and held several roles within HR over the past eight years. His most recent position was senior director of global talent acquisition & internal mobility. In this position, Mr. Karanastasis was responsible for leading the design and implementation of talent acquisition, an enterprise-wide internal mobility strategy and HR compliance (affirmative action programs). Together, these solutions enabled McGraw Hill Financial to leverage its talent initiatives for future growth.

Previously, Mr. Karanastasis was director, talent management, for McGraw Hill Financial leading programs and initiatives related to talent development including leadership and management development, succession planning, performance management and high potential development. Mr. Karanastasis also held a position in HR M&A for key acquisitions in the Platts business. In this role as HR director M&A he worked closely with corporate strategy to coordinate all aspects of M&A activity across the HR functions. This included working with corporate HR functions and the business HR partners from initial review and due diligence through the integration.

Before that, Mr. Karanastasis worked for Pitney Bowes, where he was manager, strategic talent management for the global mailing division. In this role, he facilitated PB's Leadership Review Process enabling robust succession plans for future growth. In addition, Mr. Karanastasis led all executive recruitment for the global mailing division, engineering and corporate divisions.

Mr. Karanastasis also worked for Ikon Office Solutions as a senior recruiter overseeing all sales recruiting for the Northeast. Prior to being a part of the Ikon team, he was with Randstad where he held the position of branch manager, overseeing the Stamford, CT office and managing a four million dollar P&L.

Broader, more holistic, insight is just one of the benefits that Stamford, Connecticut-based Pitney Bowes takes from its global in-house function. "The advantage of someone doing it internally is that they get to see it through the full life cycle of that candidate," says Mr. Karanastasis. "For me that's a big advantage. When I look for recruiting partners, those are the questions that I want to hear. Not just, 'Give me the technical skills of the role.' It's about what is the impact of this person and if this person is successful what does that translate into for the

company – the things that really then embed into our business strategy."

In-house recruiting has been a part of doing business at Pitney Bowes for decades. But times have changed. The company has evolved over the last 10 years, going beyond its renowned mail meters and sorter technology to, among other innovations, build a close-to-billion-dollar digital-commerce side to the business. Likewise, the hiring function has been transformed as well. With 15,000 employees and operations in 20 countries, Pitney Bowes has gradually shifted regional

offices each following their own hiring processes. Having recruiting work one way in India, for example, another in Norway, and still another in the United States simply was no longer feasible.

Centralization of talent acquisition particularly stepped up over the last three or four years. So it was that when Mr. Karanastasis came aboard a year and a half ago, returning to the company after eight years with McGraw-Hill, taking the firm's recruiting function global was a key part of his mission.

## QUALITY HIRE

### In-House Recruiting at Pitney Bowes

#### How assignments are handled at Pitney Bowes?



“So now I can tell you that Pitney Bowes operates under one global talent acquisition framework or center of expertise that includes all field recruiting, all of corporate recruiting, all of executive recruiting, and all of campus,” he says. “We have a sourcing function. We have an employer branding function. We have a manager of operations, too. And this is now extended globally, so it’s not just a North American function.”

Pitney Bowes, which saw revenues of \$3.8 billion last year, takes a blended approach to executive recruiting, with about 75 percent of its openings being filled by its in-house team and some 20 percent by external recruiters. “And when you think of more of that middle management to senior management, most of those positions get recruited internally, meaning we have a vendor or agency utilization of less than 10 percent, in most cases less than 5 percent,” says Mr. Karanastasis.

For hires at the mid-management level and above, Pitney Bowes has 20 to 25 recruiters, many of whom have agency experience. Overall, the company makes about 3,700 hires each year, with 1,500 of those coming at the professional level and up. A team of three recruiters handle the executive recruiting (i.e.: directors and VPs), which totals 80 to 90 hires a year.

As it nears its 100th anniversary, Pitney Bowes in many ways is a work in progress. “This company has gone through a lot of transformation,” says Mr. Karanastasis. “Just in the last three years we’ve had significant transformation, from a new CEO to a brand new management team to the realization of a digital commerce business that has shown tremendous growth. When you think about those types of transformations, some of our recruiting is very new to us. We’re still trying to think about what is the new norm now at Pitney Bowes.”

The in-house team plays a crucial role of helping shape what the company will ultimately become. So, as Mr. Karanastasis points out, knowing a candidate’s impact on business strategy is all the more important. When hiring a head of finance, for example, of course the recruiter wants to know about experience, degrees, and areas of expertise. But it’s also necessary to probe deeper.

“Maybe the candidate could do the job running finance for a business,” says Mr. Karanastasis. “But can the individual be an advisor to the business and help it grow? This is where we can discuss things like pricing strategy. Or there might be questions around how have they enabled revenue and EBIT (earnings before interest and taxes) growth or how have they gotten to know product strategy.”

As with other companies, leaders at Pitney Bowes strongly believe that no one has a better understanding of the environment there than their own people. “Outside search firms are working with

multiple other clients,” Mr. Karanastasis points out. “They are not working with our managers every single day. They are not on site. They do not know a lot of our values. They do not know a lot of the strategic priorities that we’re trying to navigate through. What

they know is just that job most of the time. To find a really good external partner/vendor/agency that can start learning those things is very hard. It’s not hard to find the technical skill-sets that we need in candidates. It’s harder to find the cultural fit.”

## Q & A

### Diving Deeper Through the Surface Details

*Executive search firms tend to do an excellent job of finding candidates for opening, says Gregory Karanastasis, VP/global head of talent acquisition for Pitney Bowes. Oftentimes, however, they fail to go much further. When kicking off a search, too many external recruiters are content to ask only about surface details, like how much experience a candidate should have or the skills necessary for the job. “They don’t ask the next question: ‘What’s the impact of bringing that person in?’ or, ‘Is that person going to translate into \$10 million more in revenue for the company?’ And, ‘Why is that revenue coming, is it because they’re looking at building new products or services or process efficiencies, etc?’”*

#### **We were surprised to hear you say that search firms are not doing the detail work that is necessary. Has this been a recent development or always a trend in your view?**

This is a trend that I have seen in recent years. With technology enablement, M&A activity in the sector which has led to shrinking competition and lack of training being provided by search firms to their associates, the value proposition that search firms have differentiated themselves is not being delivered consistently. This has given many organizations opportunities to emulate the “search firm” experience much better and control the level of detail leaders necessitate as they make critical talent decisions. For many organizations labor costs are the top expense, so having a focus on the details surrounding talent is crucial.

#### **As a global company how challenging is it to maintain the same culture in one country versus another and how does that affect how your internal recruiters identify candidates?**

The impact of culture for our recruiters and how they use that knowledge to identify candidates in the local or global marketplace is monumental. Recruiting in a global environment necessitates a clear understanding about culture, business strategy & the employee value proposition. Candidates demand all three and recruiting teams need to be armed with this information or we will simply lose the war on talent.

#### **Pitney Bowes recently installed a new CEO. To what degree does the CEO of a large company have on the type of talent that you look at?**

The CEO should have a significant impact on talent. With a clear strategy and the right leadership team behind him/her, the CEO and his team can articulate what talent they need in terms of leadership attributes, core competencies and technical/functional skill-sets. Additionally, CEO’s also set a clear direction for culture & engagement which is a direct correlation to becoming a high performance organization.

#### **You save money by internalizing your in-house recruiting function. But are you trading quality for savings and, in the long term, will this have a detrimental effect?**

Actually, the opposite is happening. We are taking the best practices of internal recruitment functions and those of external recruitment firms and establishing a “new” in-house recruiting function that is focused on sourcing, assessment and user experience. This in turn helps us balance quality, cost & speed. Most of our recruiting performance metrics are quality related with a direct correlation to business impact.

Often, cultural fit comes right down to knowing the personalities and working styles of managers and coworkers. “When you look at retention rates, you find that most people leave because of managers, not the company” says Mr. Karanastasis. “An in-house recruiter will know that manager much better and help to get the right cultural and team fit.”

An in-house operation also allows the company to better control what it gets out of recruiting. “That’s really around driving our quality of hires,” says Mr. Karanastasis. “Are we finding the right pipeline? Are we limiting the number of presented candidates to interviewed candidates? What is our retention rate of our individuals? What is the performance of those individuals after X amount of time. So it’s focusing on quality.”

### **In-House Recruiting Poses Challenges**

Quantity issues also prove more manageable with the in-house model. Cost, of course, is the most obvious example. In the first year since Mr. Karanastasis returned to the company, Pitney Bowes has saved at least \$2 million, predominantly because of reduced agency utilization and reorganization of how recruiting is conducted, he says. There’s also more control over certain performance indicators, such as diversity inclusion, which is both historically and today a source of pride for the company.

Yes, an external recruiter may be able to help with diversity and inclusion hiring, but that’s not their main goal. “Their primary focus is filling the job, because they only get paid when this happens,” says Mr. Karanastasis. “As federal contractors, we are required to demonstrate certain requirements around diversity hiring. We take this to another level and try to infuse diverse slates for all of our senior roles. This also helps us build our pipeline.”

Although he is a devotee of the in-house recruiting model, Mr. Karanastasis admits that the approach

poses challenges. For one, the fixed-cost model offers little room to maneuver should there be a shift in business strategy. A sudden surge in hiring sales people, for example, would be tough for the in-house team to accommodate, at least in full. “And the restraints are that you have a very strict, controlled cost, so part of what I need to do as a leader not only in HR but as a business leader and in talent acquisition is then understand how am I connected enough to business strategy so that doesn’t happen,” he says.

### **BY THE NUMBERS**

#### **Pitney Bowes: A Growing Recruiting Team With Search Firm Experience**

A team of **3** recruiters handles upwards of **90** hires a year

Variances – both increases and decreases in hiring needs – cause adjustment issues that can cascade into other problems. “So what happens if we stop recruiting in a certain area because we have no turnover or we’re not creating any new positions?” Mr. Karanastasis asks. “What will I do with my staff at that point if I can’t keep them engaged? And does the business then start asking questions about cost?”

What’s more, it is impossible for Mr. Karanastasis and his team to be experts in every area of Pitney Bowes’ operations. “Not only do we have a small-medium business vertical, we have our digital commerce vertical, we have an enterprise vertical, we have all of our corporate functions,” he says. “When you think of corporate functions, just think of finance. In finance itself you have positions that are in financial planning and analysis, treasury, tax, audit. All of those are very specialized areas. So there are external people who specialize in these niche areas. There are firms and partners who say, ‘Greg, I can help you with just your tax positions or just your audit positions.’ But I don’t have the luxury of that. My recruiters sometimes have

to be generalists in knowing multiple disciplines but they're not subject-matter experts in every discipline.”

And while talent acquisition's sourcing team does build pipelines for certain roles and for specialized areas, niche jobs can come around as infrequently as once every year or two. “They might not come for five years,” says Mr. Karanastasis. “You really do not know. That's why the challenge is so much harder in those areas.”

Sometimes outside firms are the best solution. A company, after all, only has so many resources. Staying nimble and being able to respond as situations arise is essential, say Mr. Karanastasis says. “I talk to my CFO and his aspect is, ‘How can we build as much variableness into our business as possible,’ meaning that the more we build fixed costs the less flexibility we have in terms of looking at shareholder value,” he says. “So for us sometimes you have to look at how do you do things in-house, in a fixed-cost model, and how do you look at bringing in some variableness through some external partners?”

Even with its global in-house function, Pitney Bowes still finds challenges in filling roles in markets that are developing. China is a good example, says Mr. Karanastasis. “We don't do a lot of recruiting in China,” he explains. “Maybe less than 10 people a

year. But it is a market we are investing in. So until we see the growth and maturity of a certain market at a certain point I might think that the best strategy is to engage more externally with partners, vendors, than do it in-house. There are certain markets where we do not have enough volume to dedicate a full-time person there, so we are doing it with partners.”

Overcoming tradition in regions that are less mature, that still lag behind the United States in taking recruitment in-house, can be challenging. Mr. Karanastasis points to Japan as a prime example. “We operate in Japan,” he says. “It's a very important market to us. But Japan's culture is more agency-driven, meaning candidates will pick up a phone for a reputable agency more so than from an in-house function because that is part of the culture there.”

Germany, France and Brazil are some other countries that though coming along to the in-house approach, he says, can still prove difficult for a corporate recruiter.

“There are a few countries where executive search firms can definitely be the norm,” says Mr. Karanastasis. “But as companies are really thinking about centralizing talent acquisition in a true global function, slowly that integration of the in-house model is coming to some of those countries.”

## Unidine Corporation

In-house recruiting works best at companies in which hiring managers and other key players take an active role in enlisting good candidates. That's been the experience of Peter Cleary, director of talent acquisition for Unidine Corp., whose long-running search background includes stints with The Hartford, Lehman Brothers, and Korn Ferry. Getting those stakeholders to take an active interest has been one of Mr. Cleary's missions since he arrived at the Boston-based food and dining services management company three years ago.

A seasoned, professional recruiter and talent acquisition manager, with more than 20 years of full life cycle recruitment experience, Mr. Cleary has worked in both agency (retained executive search and contingency) arenas as well as in-house. He has extensive experience with name generation (extensive use of traditional and non-traditional e-sourcing, and data base sourcing), competitive intelligence, candidate development, selection, offer creation/negotiation and on-boarding. He has managed outside search firm selection and contract negotiations as well as the candidate development and presentation process.

Mr. Cleary has extensive experience with diversity recruitment, succession planning, internal mobility/lateral recruiting, pipeline management, proprietary database development, and ATS/HRCM. Over his career he has gained experience building, mentoring, developing and managing world class recruiting teams on a global basis that have dramatically and positively impacted organizational profitability (through successfully recruiting superior candidates) while decreasing dependence on outside search firms, saving millions of dollars in search firm fees.

“What we’re trying to do is to get our line managers more involved in the recruiting process and make them business partners and make them have skin in the game,” says Mr. Cleary. “That’s when recruiting fires on all sprockets. When your hiring managers are bringing something to the table or at least when they’re invested in the process, that’s when recruiting works really well. As opposed to them just sitting on their fingers waiting for us to deliver candidates to them. A really good hiring manager should always be their own recruiter.”

Those who actually sign off on hiring for specific roles tend to know the competition in their areas of expertise better than anyone, especially in their own geographic region. Often they’re well aware of who’s doing well for other companies. And if a hiring manager is doing his job right he should always be talking to others in the market about trends and who’s out there among his firm’s competitors. That makes hiring managers a gold mine of potential information about would-be candidates when Mr. Cleary or someone on his team sets to work on a search.

Unidine, which saw sales of close to \$250 million last year, provides dining services in 20-plus states, with 200 or more facilities in healthcare, senior service, government, college, and corporate settings. These days, the company is in growth mode. New acquisitions helped revenues climb 26 percent from 2013 to 2014, and it’s not over yet. And while that’s good news for Unidine, it makes Mr. Cleary’s job challenging.

Not to say it wasn’t already. “We can’t be everywhere,” Mr. Cleary says of his in-house team, which consists of four recruiters, two of whom job share, all of whom work out of Boston. “We have to deputize our hiring managers and make them kind of junior recruiters. To the extent that they can identify talent in their local area, get them networked with us so that we can get

## AT A GLANCE - UNIDINE



**Peter Cleary**  
**Director of Talent Acquisition**

A seasoned, professional recruiter and talent acquisition manager, with more than 20 years of full life cycle recruitment experience. Have worked in both agency (retained executive search and contingency) arenas as well as in-house – and have extensive experience with name generation (extensive use of traditional and non-traditional e-sourcing, and data base sourcing), competitive intelligence, candidate development, selection, offer creation/negotiation and on-boarding.

Managed outside search firm selection and contract negotiations as well as the candidate development and presentation process.

Extensive experience with diversity recruitment, succession planning, internal mobility/lateral recruiting, pipeline management, proprietary database development, and ATS/HRCM.

Partner with senior business leaders and line managers on senior level assignments (direct reports to the CEO|CFO|COO|Head of Technology) as well as on more commoditized, high volume search.

Extensive experience building, mentoring, developing and managing world class recruiting teams on a global basis that have dramatically and positively impacted organizational profitability (through successfully recruiting superior candidates) while decreasing dependence on outside search firms, saving millions of dollars in search firm fees.

Function as an ambassador and master networker for organizations in the talent arena - building and maintaining a pipeline of superior talent.

Operate as a coach / player - managing and executing a heavy search load while mentoring and developing teams.

them into the system so that we can speak to them, and get some more intelligence.”

“For example, we’re operating at Metro Health in Wyoming, Michigan, which is a big hospital. The hiring managers know the competitor hospitals and who’s good and who at Sodexo food services, let’s say, we should be talking to and who’s doing an amazing job. There’s virtually no way that I can know that sitting at a desk in Boston,” he says.

## QUALITY HIRE

### In-House Recruiting at Unidine

#### How assignments are handled at Unidine?



“Who better to say, ‘I’ve got the perfect salesperson’ than someone who’s out doing sales pitches, who’s sitting in the airport lobby or sharing a cab with other sales people who are waiting to deliver the same pitch? Who better to get that information back to you than the people who are out in the field doing that job? The most successful recruiting takes place when everyone, all the stakeholders, are engaged and involved and really working at it.”

Candidates with a such an outlook, too, are the type that Mr. Cleary and company seek out. Everyone in his company is busy, he knows. But a team-player mindset helps those at every level succeed in the end. “Maybe recruiting is not even in the top 100 priorities on their list,” Mr. Cleary says of Unidine’s hiring managers. “Maybe they’re just trying to get from Point A to Point B and they don’t have time to do it. but people that have an eye on talent, that are good colleagues and good team members, those are the people that you want to get into the organization.”

Unidine, founded in 2001, has always had an in-house hiring operation. But until Mr. Cleary came aboard, most of that work was handled by human resources generalists, basically as a side job, as opposed to full-force seasoned recruiters. Outside search firms, for their part, have seldom been much of a consideration at Unidine. During Mr. Cleary’s tenure, external recruiters have been called upon but a few times. And even then, they were only used when capacity was strained.

The financial savings of hiring in-house, says Mr. Cleary, is inescapable. “This is a very crude model, but if you took the number of exempt placements alone that were handled in-house and costed that out at \$10,000 to \$30,000 our expenditures would be somewhere in the \$3 million-plus range,” he says. “We’re not paying that in recruiter compensation. Even if you add in our system, it’s much more cost effective.”

Even typically tough-to-fill niche roles are less onerous for Unidine’s in-house team than one might imagine, Mr. Cleary says. Positions in IT, for example, which often prove too time-consuming for in-house operations with little expertise in that space, are seldom an issue at Unidine. “I’m in my third year and I don’t think I have once done an IT search,” Mr. Cleary says.

But what about those peculiar roles that inevitably arise? Mr. Cleary says he prefers to tackle such openings with his own people. “They do come up and some of them are peculiar,” he admits. “But the decision is, ‘Do we have the capacity and the resources to work on it?’ And also, ‘Are we willing to write a check for \$50,000 or \$70,000 to have an outside search firm do it?’ When we have engaged these firms the quality of the candidates that have come to us have not been significantly better than the quality of the candidates that my team has produced. Quite honestly, in most cases our candidates are better.”

Mr. Cleary knows firsthand the limitations that outside recruiters often face. “At one point early in my career

I was recruiting computational fluid dynamics PhDs, literally rocket scientists,” he says. “If I was not doing it for a specialty firm, and if I were an outsourced recruiter, I never would have invested the time and I never would have gotten up to speed. I would have known just the bare amount to sound somewhat educated on the phone,” he adds.

“Take my current role, for example. I’m also a professionally trained chef and we’re a food service company, so I can recruit the sales people. I know the animals that I’m hunting. And my team is pretty good at it as well. But if I went to someone externally, 90 percent of the time, even at the conclusion of a search, they don’t have a clue what we do.”

### Building a Network

Unidine has 5,000 employees. As the company grows, capacity for the in-house recruiting team is a challenge that will be answered with external search partners, says Mr. Cleary. At any given time, Unidine might be running 60 or 70 searches for exempt roles. Earlier this year, though, that number was at 115. (The top end of those roles are predominantly in senior-level operations or home-based positions like vice president of sales, director of business development, or director of financial planning and analysis.) And when Mr. Cleary threw in the non-exempt roles, including some searches that have been inactive for a while, Unidine had 340 unfilled positions.

With the opening of new facilities, Mr. Cleary and his team indeed have periods when they are swamped with the responsibility for dozens and dozens of new hires, all to be resolved in a short time span. “I call those tsunamis,” Mr. Cleary says. “We can handle the riptides and the hurricanes, but the tsunamis were where we needed help.”

This spring, he would have liked to hire another recruiter, he says, but at least he had authorization

to bring in a contract firm as coming needs dictate. Finding an external outfit that truly understands the dining-services industry, however, is tough. “I’m looking to be more networked to the arena of folks that are actually worth their weight,” Mr. Cleary says, “as opposed to a lot of these recruiters that just burp up garbage, which has been my experience 90 percent of the time.”

### BY THE NUMBERS

#### Unidine: Growing Savings by Hiring In-House

In-house hiring saves **\$3 million**-plus

Technology has been a great boon, but becoming an effective recruiter demands more than access to LinkedIn or a good HRCM system. On one hand, recruiters ultimately need to differentiate between the many candidates who surface on LinkedIn. “I started in this business back in the late eighties,” Mr. Cleary says. “I don’t even know if I had a computer on my desk. We had recipe boxes with index cards and candidate names and bullet points with what they did and what kind of jobs they would jump for. Back then we were constrained because we didn’t have names. Now we’ve got the names of everyone on the planet. The problem is trying to access and determine which of those candidates is the best fit.”

What’s more, nothing beats building a network, in the cyber world as well as out in the real world, and living the business one is in. “This is where a lot of recruiters have missed the boat,” Mr. Cleary explains. “You need to be plugged in, and it gets difficult because when you’re working so many hours with your head down on your desk you don’t get to do it as much. But if you truly love what you do, if you enjoy the environment you’re operating in,

you talk to people. You function as an ambassador of your organization. You read articles. You email people. You send them LinkedIn messages. You've got an intellectual curiosity about what you do. That will drive you forward and that will put you in the right arenas to find candidates," he says.

"A lot of recruiters are like automatons. They come in, they punch a card, they work on the searches, they punch a card, and they go home. But they don't immerse themselves in the environment or the arena that they're operating in. That's what separates excellent recruiters from the OK recruiters."

## Express Scripts

“We are specifically designed to minimize our reliance on outside support,” says Chris Reed, executive recruiter for Express Scripts, the St. Louis-based prescription-benefit management company. Of the 55 new hires that Mr. Reed and his one fellow recruiter made last year at the highest levels of the company, senior director and up, only six required the use of an external partner.

Mr. Reed has been an executive recruiter for Express Scripts for three years, where he has managed a team that is focused on full cycle recruitment for executive level roles across the entire Express Scripts enterprise. Prior to working with Express Scripts, he was the general manager of Hi Definition Fitness.

Express Scripts manages more than one billion prescriptions each year for tens of millions of patients. Headquartered in St. Louis, Express Scripts provides integrated pharmacy benefit management services, including network-pharmacy claims processing, home delivery, specialty benefit management, benefit-design consultation, drug-utilization review, formulary management, and medical and drug data analysis services.

Express Scripts, a Fortune 20 company with revenues of upwards of \$100 billion and 30,000 employees, goes to great lengths to make sure that its internal team can do what's required to bring in top candidates and hire the best people. Building and maintaining an effective in-house operation demand diligence and attention to making sure one's personnel and the tools they use are well chosen, up to date, and ready for battle. "That involves anything from having additional resources for analytics to additional tools through LinkedIn," Mr. Reed says. "We also have a CRM that we use, which I like to call just a little bit of our rainy day fund, because in a recruiting capacity you need to always be looking to connect with talent that can support your needs whether that's today or tomorrow, and manage those relationships. A good CRM will allow you to do that."

Mr. Reed likes to hire recruiters with experience at outside agencies. They know salesmanship, for starters, and that's a big part of an internal recruiters day-to-day existence. "That's key to order to help manage your internal clients," he says. "You understand that client-facing relationship. You've been there. You've had that pressure," he says.

### **Flexibility and Different Approaches**

"Secondly, you have candidates that you sometimes need to sell to your leaders versus just sending them over and hoping their resume is going to do it. Not only that, but you have to sell the opportunity to the candidate."

Recruiters with outside experience tend to understand the give-and-take of hiring, at every step of the process. "You've got to be able to negotiate appropriately with candidates and even your hiring managers," Mr. Reed explains. "If they don't want to go up in salary, you've got to be able to say, 'Look, here's our scenario; here's our landscape; if we go up

### **AT A GLANCE - EXPRESS SCRIPTS**



**Chris Reed**  
**Executive Recruiter**

Chris Reed has been an executive recruiter for Express Scripts for three years.

The team he managed is focused on full cycle recruitment for executive level roles across the entire Express Scripts enterprise. These opportunities are positioned at the senior director and vice president levels. Their clients are the senior most executives in the organization. He and his team are responsible for managing sourcing strategies, candidate experience, interviewer calibration meetings, interview process and offer negotiations for all executive roles.

another \$5,000 this is what it's going to get us.' That salesmanship is the key."

Similarly, agency experience teaches recruiters that they have to keep pursuing their hiring objectives. "In our organization you have to have the hustle in order to get things done," Mr. Reed says. "You've got to push. You have to be motivated because we ask a lot of our recruiters. We may not always have time to sit here and constantly try and motivate and inspire. Our recruiters are already wired that way."

Recruiters at search firms tend to work on a wide range of assignments. That helps build flexibility and a willingness to try new and different approaches to getting a deal done. Likewise, for an in-house operation that's also crucial. "You've got to have that creative approach," says Mr. Reed. "You don't just pull the playbook off the shelf and start with play number one, then go to play number two. It's not formulaic like that. You're dealing with people and their jobs. Every one is different."

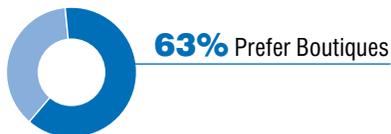
At the heart of a good in-house operation is a focus on making connections and expanding on them. “It’s building networks; that is what it’s all about,” says Mr. Reed. “It’s building that network and being able to leverage those relationships when you need them.”

“And not always take. That’s another piece. You cannot always take. You have to give. You have to connect with people and you have to be able to connect them with others because there will come a day when you need that connection.”

## SURVEY RESULTS

### Boutique Specialist vs. Search Generalist

Do you prefer a boutique specialist or a large generalist search firm?



With every new hire, an in-house operation’s network grows. At Express Scripts, recruiters are encouraged to begin leveraging the new hires, learning about and connecting with their networks. The company also has an employee referral program that furthers the cause. Recruiters will often ask new hires if they can suggest individuals to fill similar roles to that for which they were hired. Referrals are made and if those recommended candidates are ultimately hired, the employee who brought them to the company’s attention receives a couple hundred extra dollars.

Those kind of connections not only lead to good hires, but they help build a unified team. “If somebody sticks their neck out for me as a candidate, I’m not only going to do my very best during the interview process but if I start here and I’ve got somebody who vouched for me, I’m a little bit more engaged, a little more motivated,” says Mr. Reed.

Express Scripts began shifting toward an in-house hiring operation about six years ago. The company, which was founded in 1986, was maturing and its leaders wanted to get a better handle on costs. Indeed, one of the biggest reasons that its clients choose Express Scripts is that the company helps them save money. It only made sense to have strong rein on the firm’s own spending.

“We needed to get some process and policy around how we go about recruiting instead of just spending money when we needed to spend it,” says Mr. Reed. “We needed to be smarter about investing in resources that empower our team to manage the recruiting function and manage these relationships. My feeling is that we can save money by investing in these technologies and tools and the people internally that are using them instead of paying 20 percent to 30 percent per hire.”

For hiring below the senior level, Express Scripts essentially runs two teams. One handles the corporate side of the business and functions like IT, finances, sales, and marketing. That represents about 30 percent of the company’s employee population. The other team takes care of operational needs, which make up the bulk of the firm’s work force. Their mission involves hiring for the call center, for example, or data entry or in the warehouse. In all, Express Scripts employs about 50 recruiters.

The game changer, especially in recruiting at the highest echelons of the company, has been the rise of technology and tools like LinkedIn and social media. “It’s made the world smaller,” says Mr. Reed. “I can connect with almost anybody. The information is out there. It’s up to you on finding it. What technology has done is it has put connecting with people at your fingertips in a moment’s notice.”

Having that information, however, comes with a heavy responsibility, cautions Mr. Reed. The thousands of

contacts that can be garnered for any one position represent real people, not just data on a computer monitor. “If you lose perspective of that, that’s when it becomes very soulless,” he says. “These are people’s lives. These are people’s livelihoods. We’re asking them to trust us in handing it over for a potential job opportunity. If you lose sight of that, that this is a person with their livelihood and family, I think you’ve done a major disservice.”

Indeed, that’s been an underlying criticism of search firms by many a job candidate. Failure to call back or keep the candidate informed of what is happening with an opening has turned many potential hires off to executive recruiters. Mr. Reed says it’s because the search firms are hard-wired as sales organizations. “They get paid if you get hired,” he says. “If an external recruiter is good at what they do, they have multiple people like you interviewing for the same role because it increases their odds. They’ve got sales quotas oftentimes. They’ve got numbers of calls they need to make in a day, numbers of outreaches and contacts and meetings.”

An in-house recruiter, however, is coming at candidates from a different perspective. “I represent an organization,” says Mr. Reed. “I don’t make a commission. I don’t care what you’re paid; my pay is not dependent on that. I am here to fill a role with the right person.”

### **Treating Candidates Well**

Express Scripts prefers to build a more solid relationship with candidates. If one job isn’t quite right, Mr. Reed and company frequently have other positions that they can explore with the candidate, be it immediately or down the line. Intricately tied into this is question of culture. Not only can Mr. Reed and company better understand if a candidate would be the right fit for a position, but they might know a more suitable place within the company for

the individual. Some candidates might work better with a structured work day rather than having to change course on a moment’s notice. As such, Express Scripts is often able to find a better fit for that person than the job they originally interviewed for. An internal recruiter can even gauge how well the candidate might work with others in the company. “It could come down not just to the enterprise’s environment,” says Mr. Reed. “It could come down to the specific team.”

### **BY THE NUMBERS**

#### **Express Scripts: Minimizing a Reliance On Outside Support**

**89%** of hires were without the help of an external partner

And in treating candidates well, even if an individual is never hired, they become someone a recruiter can maintain a relationship with. Down the line, those former candidates might well have recommendations for other openings. In short, says Mr. Reed, it’s a mutually beneficial relationship that goes beyond one-and-out.

In the end, all this adds up to less need for external recruiters at Express Scripts. Certain hard-to-find skill-set positions tend to be assigned out. Confidential searches go to outside firms. And capacity is a consideration as well. “If I’m managing 15 different roles, I may not have the bandwidth to start networking or do the required amount of networking, phone-calling and research to be able to connect with that type of high-end talent,” says Mr. Reed.

Typically, when looking to fill a position at the highest levels of the company, particularly someone who will be reporting to the CEO, Mr. Reed will also look to a search firm. “Most likely at that type of level of executive they’re

generally not going to respond to an outreach from an internal recruiter,” he says. “They’re going to rely on the executive agency, the retained agency.”

And though Express Scripts maintains its own pipeline for positions that it frequently fills, such as attorneys,

sometimes multiple jobs must be filled in a short time. Then it’s time to call in the outside agencies. “Our goal is to partner with anybody that we would engage externally,” says Mr. Reed. “I’m not looking to compete with them. I want us all working together as a team.”

## University of Colorado Health

The key value that an in-house function brings to any organization is an expertise about the business that's not easily replicated, says Nicole Brender A. Brandis, director of talent acquisition at University of Colorado Health. That's a big plus in any industry, but when a consumer's health is the ultimate bottom line, the stakes of recruiting top talent for any position become that much higher.

Ms. Brandis began her career in human resources straight out of college. That career now spans over 20 years and includes experience in various roles within talent management, and as an HR partner. She is a certified Six Sigma green belt, having managed global recruitment policies, processes and metrics. She is the director of talent acquisition at University of Colorado Health and a global talent acquisition director for CH2MHILL, where she was responsible for the strategic talent activities for their energy, water and facilities divisions, and the Americas region (Alaska, Canada, U.S. Lower 48, Latin America). In her career, she has also overseen recruitment activities for Europe and MENA. She provides the vision and practical hands-on experience to create and deliver recruiting strategies that drive business success, with a proven track record in hiring, training and mobilizing teams that deliver high quality talent-driven solutions in demanding, multi-national environments.

UCHealth is a Front Range health system that delivers the highest quality patient care with the highest quality patient experience. UCHealth combines Memorial Hospital, Poudre Valley Hospital, Medical Center of the Rockies, Colorado Health Medical Group and University of Colorado Hospital into an organization dedicated to health and providing unmatched patient care in the Rocky Mountain West.

And it all starts with the message that a recruiter sends to candidates. There's an authenticity that comes with being employed by the organization for whom one is doing the recruiting. "I've been a part of an organization that outsourced the recruitment function, so it was actually held outside of the organization, and it didn't go over very well," Ms. Brandis says. "It was very hard to say, 'Hi, I'm calling you from company A to talk to you about company B, but really I support company B.' There was a bit of role confusion about, 'Hey, I'm trying to sell you on this really great opportunity, but I don't actually work there.'"

### **In-House Consolidation Begins**

Healthcare recruiters, of course, seldom have medical training themselves. But what an in-house recruiter can bring to the conversation with candidates is an understanding of the nuances of the workplace, the environment, its pace, and its personalities. "It's nice to be able to say to a candidate, I've spent time in the O.R. or I've shadowed up on the I.C.U., I've been in the trauma unit, I've been in the burn unit," says Ms. Brandis, who joined UCHealth close to two years ago. "Not that I'm a doctor or a nurse but I've seen it. I know the environment. I know what you'd be walking into. And there's a lot to be said for the value of that. It's not that an agency person couldn't do it but an employee certainly can speak to it," she adds.

"Now the flip side of that coin in terms of using an agency partner is that they can speak to not only 'I have seen University of Colorado Health,' but 'I've seen Centura Health down the road or Denver Health.' They would be able to tell somebody, 'I've been in and seen a couple of different places,' whereas an in-house recruiter depending on their background and where they came from may be limited to only one hospital."

UCHealth, which is based in Aurora, was founded in 2012 with the merger of the University of Colorado Hospital in Aurora and Poudre Valley Health System

### **AT A GLANCE - UNIV. OF COLORADO HEALTH**



**Nicole Brender A. Brandis**  
**Director of Talent Acquisition**

Nicole Brender A. Brandis began her career in human resources straight out of college. That career now spans over twenty years and includes experience in various roles within talent management, and as an HR partner. Ms. Brandis is the director of talent acquisition at University of Colorado Health and a global talent acquisition director for CH2MHILL, where she is responsible for the strategic talent activities for their energy, water and facilities divisions, and the Americas region (Alaska, Canada, US Lower 48, Latin America).

In her career, Ms. Brandis has overseen recruitment activities for Europe and MENA. She provides the vision and practical hands-on experience to create and deliver recruiting strategies that drive business success, with a proven track record in hiring, training and mobilizing teams that deliver high quality talent-driven solutions in demanding, multinational environments.

in Fort Collins. It now consists of five acute-care hospitals, including the state's only academic medical center and more than 40 clinics. For fiscal year 2014, UCHealth saw revenues of \$2.6 billion. Well positioned in a growing region, it further expects to open a new, \$125 million hospital in Longmont, Colorado in late 2016 or early 2017.

Consolidation and in-house recruitment operations began in June 2013. Today, UCHealth's in-house team consists of just under 30 people, about 20 of whom are recruiters, says Ms. Brandis. The others are recruitment managers and administrative support. Regular recruiters handle everything from food service and maintenance assignments to manager roles. (Physicians are recruited through University Physicians, Inc., a medical group affiliated with the

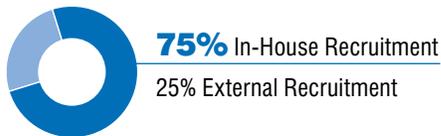
University of Colorado School of Medicine.) The team runs more than 5,300 searches a year, some 3,600 of which are filled with outside candidates and the rest being internal hires.

Ms. Brandis and her recruitment managers handle recruiting for the director, vice president, and executive vice-president roles. This year, they will conduct about 75 high-level searches. That's more than usual, she says, as recent organizational restructuring demanded more hiring at the director level and above.

## QUALITY HIRE

### In-House Recruiting at University of Colorado Health

#### How assignments are handled at University of Colorado Health?



In centralizing operations, UCHHealth improved the efficiency of hiring. Candidates who might work at any of the system's hospitals now only needed to talk to one recruiter instead of someone from each. "There were efficiencies that were gained from a candidate experience perspective and exposure to all of our jobs within their skill area," Ms. Brandis says. There were also cost benefits of consolidating efforts, from savings on posting positions to more efficient use of the staff's time and manpower.

What's more, having an in-house function helps foster a closer relationship between those responsible for bringing in talent and leaders throughout the organization. When done right, it helps breed a better understanding of the needs

of the business as a whole. "As people talk about having a seat at the table, being in-house isn't necessarily what gets HR that seat," says Ms. Brandis. "I think it's partnership; it's being able to understand business strategies and how talent helps businesses meet their strategic goals," she adds.

"Anyone can fill jobs. Anyone can say I need a plumber, here's a plumber or I need a nurse, here's a nurse. But it's really understanding the critical nature and the role that talent plays in achieving business success. That's where I think you begin to get a seat at the table, by being able to connect the dots. And having (your recruiting) in-house makes that happen much faster because you're much more aligned to the strategic direction of your organization, and through your leadership hopefully are able to partner in ways that are really meaningful."

Building pipelines is a big part of that. Much attention has been paid to how recruiters can fulfill the needs of hiring managers. But Ms. Brandis sees a coming shift toward the candidate side of the equation.

"You're starting to see a lot more about how you segment talent into certain audiences," she says. "So a nurse, for example, is going to want to have a different engagement and different communication with us than say a food services worker might or a therapist might. They have different content interests," she adds.

"When you start talking about pipelining talent you really need to instinctively understand who your segments are and how best to keep in touch with them because having a pipeline is a little bit of a myth in the sense that it's all about timing. I could know 100 nurses but if on the day I open a job I don't have one that's available then really I don't have one. But what you want is to have 100 people who are willing to go start to recruit for you because they know you and trust you. That reduces the cycle time, and if one of them is ready that's even

## Q & A

### Stakes Are Highest When Recruiting Top Talent in the Healthcare Sector

*The key value that an in-house function brings to any organization is an expertise about the business that's not easily replicated, says Nicole Brender A. Brandis, director of talent acquisition at University of Colorado Health. That's a big plus in any industry, but when a consumer's health is the ultimate bottom line, the stakes of recruiting top talent for any position become that much higher.*

#### What is unique about the culture of a healthcare company that make is so challenging to recruit top talent?

I'd say one of the biggest challenges in a 24x7 acute care environment is that you're competing against many of the small "neighborhood clinics" which now offer nurses and technicians better working hours and "balance." The competition is no longer just the other hospitals. Clinics are opening up everywhere, including in grocery stores. When you couple that with sometimes lower wages than other career options, not only is recruiting people in difficult, keeping them engaged is also.

#### There are a multitude of top healthcare search firms, like Witt/Kieffer, who have very broad candidates networks. How can you equal their level of expertise at the more senior hiring levels?

With a good in-house recruiting team, you'll have those very same networks. And when targeting executive talent, it's pretty easy to identify target talent pools. That's not to say there isn't a place for third-party recruiting, but with a strong talent acquisition team, their use should be limited to only a very few handful of roles.

#### You talk about "pipelining" talent. How do you maintain an active pipeline over a long period of time and keep it fresh?

Talent pipelines are a myth if a recruiting organization doesn't learn to blend strong marketing activities at the "top of the funnel" with an amazing candidate experience at the bottom of the funnel. Despite the significant advances in technology, recruiting is still very much a relationship "game". These are human beings, real live people. Texting, tweeting and using other social media outlets is only one leg of the stool. Relationships are built on conversations and live contact. It doesn't have to be face-to-face, but if an organization is communicating only by tweeting it's jobs, or periodically posting something on their Facebook page, talent will disengage and it's very hard to get them to come back and take a second look.

better. Those are ambassadors to your company who are willing to help you recruit when you have the need."

That's not to say hiring leaders always choose the in-house team to recruit the talent they need. Some feel more comfortable with a particular search firm or an external recruiter with whom they already have a good relationship. And though Ms. Brandis and company have plenty of statistics about the in-house team's performance and savings that have come by using it instead of an external recruiter, sometimes the person doing the hiring has his or her mind made up.

"I've done recruiting for over 20 years now and I know everybody's got their favorites," Ms. Brandis says.

"We do run into some resistance and certainly we would never cut off our nose to spite our face. If we had a senior leader who said, for example, I'm hiring a director of transplant and I really want to use a firm that specializes in leaders in transplant, we're not going to arm-wrestle over whether they can or cannot go ahead. We would always like to consult with them to say if it's something that we could realistically fill on our own and save them the fee and try to influence them on that end. But at the end of the day

sometimes that's a better answer and my team would never fight for the sake of fighting."

UCHealth enlists external recruiters for perhaps two percent of its searches, if that, says Ms. Brandis. C-suite assignments, particularly when they involve a hard-to-fill niche, are almost always handed off to an outside partner. In its recent search for a chief marketing officer, for instance, the organization enlisted a boutique firm that specializes in recruiting marketing executives.

### BY THE NUMBERS

#### University of Colorado Health: Well Positioned for Growth

Revenues topped **\$2.6 billion** in 2014...

...Across hospitals, an academic medical center,  
and more than **40** clinics

Identifying prospects for such roles would be relatively easy for an in-house team, Ms. Brandis says, but then factors like time and capacity also come into play. "Executive recruitment is very high touch," she explains. "Usually an external recruiter who's doing executive-level roles might handle five or six searches at a time, wherein an in-house recruiter depending on where they work and what they're holding, let's say, would work 25 to 50 positions at a time. That's when executive search becomes really time consuming."

Throw in the likelihood that in-house recruiters for a healthcare network would have limited exposure to finding marketing talent and using a search firm begins to look all the more practical. "Take our chief marketing role, for example," Ms. Brandis says. "The firm that we partnered with, all they do is talk with executives in marketing at large organizations. All day long, whether they're recruiting or networking with them. So they've got sort of that instant pipeline

of access to talent where an in-house person when that's not your focus would have to spend all that extra legwork upfront in finding those connections much less than developing a relationship with them."

What's more, Ms. Brandis agrees with Joe Cabral from the Cleveland Clinic, in that sometimes searches at the highest levels of a healthcare organization benefit from a certain remove that search firms provide. Leaders from different hospitals and healthcare systems often know one another and having an agency play the middleman in a high-level search can ease some awkwardness. "I do think it gives you a level of separation that gives some confidence, if you will, to those executives also," she says.

With growth comes corresponding changes in hiring needs. "With an in-house recruiting model you have to have a combination of what I would call a core recruiting operation and then that contingent workforce that would allow you to ebb and flow with the peaks that come up," Ms. Brandis says. "So, for example, when we build the new hospital we are going to need all hands on deck to help staff it. But once it's staffed we wouldn't need all those resources. So we would use contingent recruiters to help balance that out."

#### A Budgetary Umbrella

Among the challenges facing in-house recruiters is the question of hiring leaders making the best use of the team and its time. Some in-house functions, like Coca-Cola, are modeled much like an agency working within the bigger corporation, actually charging their hiring leader/clients for services rendered. Others, like the team at UCHealth, operate under the same budgetary umbrella as the departments they serve.

The result of the latter approach is that sometimes hiring managers can overlook all the effort and time that a search involves, says Ms. Brandis, who in

the course of her career has operated under both financial approaches. “There can be a tendency to have more waste,” she says. “Reqs get opened and they’re open and open and nobody moves on them. Then there’s the impact on candidate experience with that. If we open a position and we post it and attract candidates, money is being spent. And that’s

something (hiring managers) might not do if there was a fee associated with it. That was a benefit of doing the cost model that I did in a different organization. Managers had to really think about their decisions, because we charged them if they cancelled. We made them really think through, ‘Do you need to open a req?’”

## Cardinal Health

Among the advantages that in-house recruitment functions often hold over outside search firms is access to the internal clients. Certainly both types of recruiters have to contend with the tightly-packed calendars of hiring managers, which at times can put a crimp in landing the best candidate or moving a search to its conclusion. But Brian Moore, vice president of global talent acquisition at Cardinal Health in Dublin, Ohio, says that when it's necessary inside recruiters can find ways around scheduling logjams.

At Cardinal Health, Mr. Moore is responsible for recruiting activities throughout over 50 countries and more than 8,000 annual hires. He has been with Cardinal Health since 2005 when he established an in-house executive search service offering and has saved millions in search firm spend over the last nine years. Prior to joining Cardinal Health, Mr. Moore spent five years as the vice president of global talent acquisition with JPMorgan Chase in New York City. His executive search career began in Cleveland with Christian & Timbers.

Cardinal Health, Inc. is a \$103 billion health care services company that improves the cost-effectiveness of health care. Cardinal Health is an essential link in the health care supply chain, providing pharmaceuticals and medical products and services to more than 100,000 locations each day and is also the industry-leading direct-to-home medical supplies distributor.

“If you were to look at an executive search – certainly at a vice president, senior vice president, president, or divisional CEO level – a search of that magnitude would normally take a firm between 100 and 120 days,” he says. “One of the things that can take a lot of time is the scheduling of interviews, scheduling of candidates, scheduling of candidate travel, and getting those candidates on the executive’s schedule either for the first round or second round. Being internal, we have (better) access to those schedules. We’ve got relationships with the administrative assistants and really are able to shave several days off of searches by being proactive,” he adds.

“If a third party were to call in and say, what’s the first available date for this person to interview, the assistant might say June 8th. They’re going to say the same thing to me. But then I’m going to walk upstairs and say, ‘Are you sure June 8th is the best you can do?’ And now they might say, ‘Well, let me see, I guess I can maybe do early May.’ OK, that just saved us three weeks.”

And 21 days is no small difference in terms of getting the best candidates on board, then getting them working and contributing to the business.

For Cardinal Health, which saw \$91 billion in revenues for fiscal year 2014, that business is distributing pharmaceutical and medical products to customers of all stripes throughout the healthcare industry. A perennial Fortune 500 company (No. 26 on the magazine’s roll this year), Cardinal Health’s clientele includes pharmacies, hospitals, ambulatory surgical centers, clinical laboratories and physicians. The manufacturing side of its operation, meanwhile, produces medical and surgical products, from surgical gowns to latex gloves to fluid management items. In all, the business employs 34,000 people.

Among other ventures, Cardinal Health became partners last year with another healthcare-related

## AT A GLANCE - CARDINAL HEALTH



**Brian Moore**  
**Vice President of**  
**Global Talent Acquisition**

R. Brian Moore is vice president of global talent acquisition for Cardinal Health, a global Fortune 19 healthcare services company. In this role, Mr. Moore is responsible for recruiting activities throughout 11 countries and more than 7,000 annual hires. He has been with Cardinal Health since 2005 when he established an in-house executive search service offering and has saved millions in search firm spend over the last nine years.

Prior to joining Cardinal Health, Mr. Moore spent five years as the vice president of global talent acquisition & talent management with JPMorgan Chase in New York City. His executive search career began in Cleveland with an industry leader in executive search, Christian & Timbers. His experience includes consulting on talent management strategies for the technology, financial services, supply chain and healthcare industries.

power, CVS Health, to form Red Oak Sourcing, a generic drug sourcing operation, which the company hails as the largest in the nation.

Unmistakably in growth mode, Cardinal Health was looking to complete two separate billion-plus dollar purchases in the first half of this year alone. This spring, the company paid Johnson & Johnson \$1.94 billion for Cordis, a manufacturer of cardiology and endovascular products. And this summer completed a \$1.12 billion acquisition of the Harvard Drug Group, which distributes generic pharmaceutical and over-the-counter medications. That purchase would boost Cardinal Health’s core business but also tie in neatly with Red Oak’s sourcing capabilities.

Until about 10 years ago virtually all of Cardinal Health’s executive recruiting had been outsourced

to agencies. Even some of the low-level searches were handed over to contingent firms. To lead the changeover to an in-house search operation, Cardinal Health hired Mr. Moore, who had helped bring in-house recruiting to JP Morgan Chase. At Cardinal Health, it took about eight to 12 months, Mr. Moore recalls, to get the function fully in place.

### 50 In-House Recruiters

Adhering to a philosophy of “people, then process, then technology,” Mr. Moore and company set about their work. “First I had to hire the right people to execute that level of recruiting and search work,” he says. “Then we put in place the right process; I’ve got a seven-step executive recruiting process. And then we followed it up with the right technology, which allows us to identify candidates in the marketplace and ultimately hire them.”

## QUALITY HIRE

### In-House Recruiting at Cardinal Health

#### How assignments are handled at Cardinal Health?



Mr. Moore, who worked in retained search early in his career, admits there was initially a degree of skepticism among some of Cardinal Health’s hiring leaders. The door was left open for business leaders to use search firms if they wanted. But over time most, if not all, were won over. “I went out and hired several people for my team that also came from retained search firms,” Mr. Moore says. “So we were used to executing and delivering on executive search work at that level and that caliber of work. Then once you do a few senior searches and execute them well your leadership comes to appreciate the process,

the quality of the candidates, and the end result, and they’ll want to come back to you.”

New executives, however, are constantly being brought into the organization. If they’re used to using search firms for their hiring needs, or consider that a better approach, that can mean that Mr. Moore and his team have to go back to proving themselves once more. “Bringing them in and working with them for the first or second time sometimes you get a challenge,” says Mr. Moore. “You’re only as good as your last search, so a lot of time you’ll have to prove it until they feel comfortable with you. I never mind doing that. I love a challenge.”

Nothing is more important than the quality of the actual search process and, of course, the results. But Mr. Moore believes that internal branding is also critical for an in-house recruiting function to show its bonafides. In short, good presentation matters. “That means the type of documentation, the type of candidate presentation, how you present the resumes, how you present any of the status updates,” he says. “If you’re working with an executive retained firm, they’re going to come in with a very professional, polished package. So when you present your status updates, candidate slates, write-ups on your candidates describing why they’re qualified, their references, all of that should be packaged very well. That way your internal executives get the same look and feel with your work as they would if they were working with an outside retained firm. And that shouldn’t be overlooked.”

Today, Cardinal Health hires thousands of new employees each year on all levels. The company’s recruiters, Mr. Moore says, number “north of 50.” Six people are dedicated to executive search, executing in the vicinity of 45 to 60 searches a year.

These days it’s rare that Cardinal Health enlists agency help. “Very, very few and far between,” Mr.

Moore says. “There was a two or three year period where we didn’t do any external search at all.”

Capacity might be a reason that Cardinal Health would bring in outside help. And though some search firms might be particularly well suited to handle a given niche role, Mr. Moore more often than not prefers his own team. “At the end of the day search is really about process,” he says. “And your search process can be repeated. It really doesn’t matter what the position is. If you follow the same quality search process over and over, your end result should be the same, which is two to three hireable candidates. You’re simply making that (hiring) decision at the end based on quality and culture fit.”

## BY THE NUMBERS

### Cardinal Health: Growing Advantages of In-House Recruiting Function

Recruiting activities covering **8,000** annual hires

Cost, he says, is not the main reason for a company to have an in-house search function. There are plenty of advantages, in fact, that come before saving money. “You can get better candidates,” Mr. Moore says. “You can hire people in a more timely manner. Your time-to-fill should drop way down. You get to know your competitive landscape, your competitive environment. And more importantly you know your own culture, and your business leaders trust the talent acquisition team to make good decisions around culture fit and quality of candidates. Then finally, probably the last reason, is that if you do it and do it well you should be able to save the business money.”

In addition to having access to schedules and thereby being able to accelerate a search, Cardinal Health’s recruiters tend to build strong ties with the company’s hiring leaders. After working with an

## Q & A

### Nimble In-House Search Team Saves Time

*Among the advantages that in-house recruitment functions often hold over outside search firms is access to the internal clients. Certainly both types of recruiters have to contend with the tightly-packed calendars of hiring managers, which at times can put a crimp in landing the nets candidate or moving a search to its conclusion. But Brian Moore, vice president of global talent acquisition at Cardinal Health in Dublin, Ohio, says that when it’s necessary inside recruiters can find ways around scheduling logjams.*

**Your team of six recruiters recruits between 45 and 60 assignments in-house annually. Do you see this number increasing over the next three to five years and, if so, by how much?**

Team members, yes; the amount of workload that they carry, probably not. The complexity for that level of search does not allow for higher requisition capacity. As for executive search recruiters on our team, we could use the additional headcount today.

**By what percentage have you been able to increase the turnaround time on searches that are conducted internally by executive search firms and why is this?**

We are able to execute on an executive search in 90 days, that can be significantly faster than a firm. I believe a lot of the time savings with in-house search is a direct line to the hiring team, the executives that are often hard to reach, as well as the admins that often control their calendars. We are able to calibrate real-time and adjust the search or direction as needed without working through multiple channels.

**What is the dollar figure you have saved Cardinal Health by conducting more internal search assignments today versus retaining an outside search firm whose fees would most certainly cost the company more?**

In FY12 (July 1, 2012 – June 30, 2013) it was an estimated savings of \$4.8 million. In FY13, \$4.12 million and FY14 over \$5 million dollars in savings.

executive a number of times, in-house recruiters start to win their trust and confidence. That too can help move a search along as business leaders and their teams come to trust a recruiter's judgment. In the process, the in-house search team gains a deeper understanding of the inner workings and personalities within the organization.

"It's having relationships with our executives, really knowing them, knowing the teams that they built," says Mr. Moore. "And being a partner with them internally we also know the culture of those teams, those groups, and the culture of the organization, in which we're able to really try and hire people who will fit that culture and be successful in our culture. Whereas if you're a third party you may not have that visibility or that may be amiss sometimes."

Another advantage over most outside firms is the degree of expertise that Cardinal Health's recruiters develop. No one knows Cardinal Health's space in the market better than the company's own people. "As a third party firm you may be working on one search in one area one day and may be working on something else the next, but our target environments don't change very much," says Mr. Moore. "And that enables us to develop really strong pipelines of executive candidates, know them in the marketplace, and develop relationships with them. And then when we have key openings we've already got an established network that we've built over a period of nine or ten years."

Relationship building is the key. "A lot of times we'll proactively reach out to other industry leaders whether we have an open position or not," says Mr. Moore.

"We look at ourselves a lot like a third party. We see ourselves as executive search practitioners that operate in the healthcare space. So we want to build a lot of relationships with a lot of different executives."

As the network expands, so do the quality of referrals, which further expands the network. Symposiums and various industry groups, participating online or in person, are also good sources for new contacts, says Mr. Moore, as are events with speakers from fields in which the company is interested.

### **A True Consultant**

Relationships with contacts, as they develop, often prove valuable for both sides. For Mr. Moore and his team, it's largely a matter of how one approaches an executive. "I want to understand where they are in their career, what they want to do next, and I'm not necessarily going to pitch something I have or try to discuss an opportunity," he says. "I want to get to know them as an executive rather than as a candidate, find out what they want to do next, where they're going with their career, and then come back to them in another call or two a couple weeks later with something that may or may not be an opportunity," he adds.

"If someone's not a candidate at first they can be a source for me, meaning they can provide other names of candidates or people they know in the market or industry who would be right for the job I have. I want them looking at us, my team or myself, as a knowledgeable executive recruiter that's going to help them in the short term or long term at some point. Hopefully they rely on you to be a true consultant to them."

## Cleveland Clinic

It has only been a couple years since leaders at the Cleveland Clinic in Ohio decided that the internationally renowned medical center and its ever-growing web of health centers would be best served by having their own people conduct searches for senior-level positions. And though Joe Cabral, chief human resources officer, is proud of all that his organization's team has accomplished, he also knows that getting such an operation up to maximum efficiency is a process of continual learning and growth.

With more than 19 years of experience developing and executing strategies that enhance cultural and organizational change, Mr. Cabral has spent more than a decade driving business objectives, vision and values forward in all aspects of talent management and human resources in order to achieve the organization's goals. Prior to joining Cleveland Clinic, Mr. Cabral served as CHRO for North Shore LIJ Health System. Previously he held other key HR leadership roles at New York Presbyterian Hospital and Children's Hospital in Boston.

Cleveland Clinic is a non-profit multispecialty academic medical center that integrates clinical and hospital care with research and education. *U.S. News & World Report* consistently names Cleveland Clinic as one of the nation's best hospitals in its annual "America's Best Hospitals" survey. The organization has an annual operating budget of more than \$7 billion and a workforce comprised of more than 42,000 employees. More than 3,000 full-time salaried physicians and researchers and 11,000 nurses represent 120 medical specialties and subspecialties.

“One lesson learned is that you don’t have to be all things to all people,” he says. “Start small. Prove yourself. Do the things that are important to build customer loyalty. And then what you really want is for your customers to talk about how great a search process it was, how seamless it was, how they felt connected and knew exactly where everything was along in the process. We’re building on that. We’re constantly looking to improve.”

For many organizations, that’s why an in-house team’s leadership should be open-minded, especially in the early going, to turning over a tough niche assignment to an outside partner if need be. For Mr. Cabral, who came to the Cleveland Clinic a year ago from North Shore-Long Island Jewish Health System, it’s simply a matter of being practical versus the consequences of trying to do more than the team can handle. “Now and then we’ll get some search that is just beyond our capabilities,” Mr. Cabral says. “And we know well enough not to spend three to six months trying to figure it out.”

Such searches are uncommon, he points out, but certain crucial financial positions, for example, involve nuances and knowledge that are so specific that it can be tough for a recruiter to screen for them. “Oftentimes we’ll take a look at the role and then take a look at the expertise internally to see whether we have a good match,” Mr. Cabral says. “What I don’t want is having our internal customers, meaning my colleagues in the other C-suites like for example the CFO, saying, ‘What do you mean you’ve been looking for six months and now we’ve got to go to a search firm?’”

The mission, after all, is to fill the role with the best person possible. To that end, knowing the team’s limitations is a plus. “You don’t have to be an expert in everything,” says Mr. Cabral. “Sometimes being able to say or articulate or highlight what you can

## AT A GLANCE - CLEVELAND CLINIC



**Joseph Cabral**  
**Chief Human Resources Officer**

Joseph Cabral is the chief human resources officer for Cleveland Clinic. The organization has an annual operating budget of more than \$7 billion and a workforce comprised of more than 42,000 employees. The Cleveland Clinic health system is a global health organization with its latest addition in Abu Dhabi. Patients come for treatment from every state and from more than 130 countries. U.S. News & World Report consistently names Cleveland Clinic as one of the nation’s best hospitals.

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Prior to going to Cleveland Clinic, Mr. Cabral served as the CHRO for North Shore LIJ Health System, which received the SHRM/SIOP Award. Previously he held other key HR leadership roles at New York Presbyterian Hospital and Children’s Hospital in Boston, MA, and has been cited by *Time Magazine*, *Business Week*, *The Wall Street Journal*, *New York Times*, *Forbes* and other industry publications for his expertise in Human Resources “Best Practices.”

and can’t do brings tons of credibility to the in-house recruitment team.”

To say that the Cleveland Clinic is in growth mode would be putting it mildly. In healthcare’s brave new world of consolidation, the medical center clearly has no intention of being an also ran. The sprawling Cleveland campus includes dozens of buildings spread across 167 acres, a small city unto itself. It also operates 90 outpatient facilities around

northern Ohio and eight suburban hospitals (with one additional affiliate.) Reaching beyond its Ohio borders, the Cleveland Clinic has extended its brand to include medical centers and other services in Florida, Toronto, Canada, and Abu Dhabi. Last year the non-profit had upwards of 150,000 admissions and close to 6 million outpatient visits. At \$7 billion, its revenues are strong. And it employs 42,000, the second biggest employer in the state.

### Relying on Executive Search Firms

All this translates into an in-house function that has no shortage of assignments to fill. Its bailiwick is at the senior level, up to but not including the C-suite. Although the team has had as many as five recruiters, the work is now divided among three recruiters. They, in turn, are supported by sourcing specialists, who also help with general recruitment. Last year, the in-house team conducted about 75 searches for what in general parlance would be positions of vice president or senior vice president and in some cases hospital presidents, says Mr. Cabral.

For recruitment at the very top tier, the Cleveland Clinic relies on executive search firms. Among its benefits, that approach provides a certain professional distance in dealings with the competition, says Mr. Cabral, especially in an industry in which leaders tend to know one another professionally.

In all, the in-house team conducts about 75 percent of the Cleveland Clinic's executive searches, with 25 percent going to external search firms.

And while there's certainly a learning curve to building an in-house team, the concept has been around long enough that best practices are well established and available. "A lot of great companies have built these in-house recruitment firms," says Mr. Cabral. "So there's no need to reinvent the wheel. There's no reason why you can't learn from them and be successful."

In healthcare especially, an in-house team tends to have a better understanding of the nuances not only of the organization but of a complex and changing field. In many ways, it's an industry that has lagged behind other businesses, says Mr. Cabral. "Think about what's going on in healthcare today," he says. "It's not dissimilar to what happened in the finance industry and/ or the airline industry where 10 years ago it was gobble or be gobbled. In healthcare that's exactly what's going on, which brings the opportunity to be able to create certain internal systems and processes. So when you look at your in-house search firm if you will, they have to have great business acumen so that they understand what the role they are filling is versus what it was."

### QUALITY HIRE

#### In-House Recruiting at Cleveland Clinic

##### How assignments are handled at Cleveland Clinic?



As an example, he points to the individual who once negotiated contracts with health insurance companies for the hospital. These days, the person filling that role must do more than negotiate rates. Because of bundled payments that cover every stage of care – before, during and after a knee replacement, for instance – the individual in that job must be savvy about the clinical side as well as the fine points of insurance.

"The recruiter has to understand that the roles are now very different," says Mr. Cabral. "If you're an outside recruiter and not an in-house recruiter and you don't necessarily understand the business and the evolution of the business, it makes it that much harder to find the

right candidates. Sometimes what you'll see with an external recruiter is that the person might have to bring in six to eight candidates and say, 'Do I have it right? What am I missing?' versus an internal recruiter who can say, 'There are very few in the country, these are four of them, and these are the four you need to see.' They can hone in exactly on what the skill-sets are. It's not once removed. They're in the business. They're embedded. And they understand it."

Being embedded, those recruiters also have a degree of access to hiring managers that external recruiters generally lack. Do enough searches for an in-house client and it becomes easier to communicate and ask that one additional question

that could save a recruiter weeks or to reel in a prospect that otherwise might have been missed out on. "Whether it's a quick email or a quick text, they can quickly say, 'Hey, have you had a chance to look at the candidate profile that I sent you? Do we want to move on him pretty quickly?'" says Mr. Cabral. "It allows for that because they build up those relationships over time and they're not building a relationship anew every time they come through the organization."

Growth mode, meanwhile, is not always a friend to an in-house recruiting function. Scaling up or down to handle the intermittent overflow of assignments would be impractical. Capacity is another reason that the

## Q & A

### Leveraging 'Best in Class' Recruitment Practices

*It has only been a couple years since leaders at the Cleveland Clinic in Ohio decided that the internationally renowned medical center and its ever-growing web of health centers would be best served by having their own people conduct searches for senior-level positions. And though Joe Cabral, chief human resources officer, is proud of all that his organization's team has accomplished, he also knows that getting such an operation up to maximum efficiency is a process of continual learning and growth.*

#### **Healthcare is growing exponentially and, as a result, the competition for talent running at a feverish pace. How do you compete against other rivals in the healthcare industry for critical talent?**

The healthcare industry is going through some massive changes. Big health systems are getting bigger through mergers and acquisitions. The delivery of care is evolving. Recruiting and retaining the right talent is key to the success of achieving organizational goals. Leveraging "best in class" recruitment practices ( building in-house recruitment capabilities, and focusing on social media as well as technology/processes/systems) has allowed us to excel in our recruitment efforts.

#### **How valuable was your prior recruiting experience when transferring to the Cleveland Clinic?**

I believe that having had experience in working outside the healthcare industry allowed me to introduce best practices to help accelerate and improve current recruitment efforts. These efforts have allowed the organization to hire over 5000 people a year.

#### **Your internal recruitment team for the most part, maintains its strongest networks for candidates in healthcare. How effective, therefore, are they in tapping talent from other industries?**

There is no need to reinvent the wheel when it comes to recruitment. There are many great organizations that have implemented solid and robust recruitment systems and processes. The trick is to learn and leverage as much as possible from them.

Cleveland Clinic will call upon outside search firms, says Mr. Cabral.

Furthermore, when an in-house team is so busy it can sometimes be difficult to carve out time to build all the pipelines that team leaders might like to have in place. One approach that Mr. Cabral took at his previous job, and which he wants to institute once the pace eases at the Cleveland Clinic, is to invite potential leaders from other organizations to come talk to executives at the hospital and simply share their experiences:

#### BY THE NUMBERS

##### Cleveland Clinic: Maximizing Efficiency

**\$7 billion** in revenues last year

**No. 2** biggest employer in Ohio  
with **42,000** employees

“So in other words, I might say, ‘So and So is really doing some great work in D.C.; we should really be looking at him for this role when it potentially becomes

available; we should start to get to know him. Let’s invite him to talk with a group of senior level folks, have him share with us all the great stuff he’s doing and take him to dinner and make those connections.’ That’s something we did quite regularly at North Shore, so that we were not only looking at internal candidates but also had what I call this environmental scan that allowed us to identify potential leaders for the organization but without really having a specific role. It’s a great way to get to know who some of the leaders are out in the industry and really just be very proactive.”

Mr. Cabral has little doubt that in-house recruiting would be as strong an option without the advent of online resources, be it LinkedIn or any number of association websites that provide access to member listings. “If we didn’t have those tools, this is something we might not be able to do because we might not be as quick,” he says. “Technology allows us to do things that typically would have taken days or weeks or months to identify everybody. I think it would be too costly. That’s not to say we wouldn’t have an in-house function, but it might not be as productive or effective as what a search firm might be able to provide us.”

## Rehabilitation Institute of Chicago

At the Rehabilitation Institute of Chicago, and for the healthcare industry in general, issues like continuity in the recruiting process and compliance with government regulations for those individuals who will ultimately be brought on board matter a great deal. Having such questions well in hand saves an organization time and money and avoids costly missteps. But those are just two of the reasons that the top-ranked rehabilitation hospital swears by its in-house recruiting function. “You can have a lot of impact on an organization when you have an in-house recruiting team that’s functioning well and you’re in line with the operational needs of your business,” says Martin Pearson, RIC’s national director of talent acquisition. “There’s a huge value.”

Mr. Pearson has proven experience as a talent acquisition leader, designing and implementing recruiting strategies for employees in the U.S., and Canada, across a number of sectors, including healthcare, technology, business development, research, marketing and digital media, and professional services. He has a great deal of depth supporting public, private, for profit and not-for-profit organizations with revenues of \$250 million to \$5 billion in annual revenue, and experience with CEO’s and senior management teams for companies with up to 20,000 employees.

An experienced leader in consultation and execution of cost productivity initiatives, such as streamlining and improving talent acquisition processes, Mr. Pearson has negotiated cost effective vendor solutions and eliminated dependency of agency utilization, saving organizations between \$300,000 to \$6 million annually.

Centered around its renowned rehabilitation hospital, RIC offers a comprehensive network with 40 locations for care, including in-patient, day-rehabilitation and outpatient services, around Illinois and northwest Indiana. (U.S. News & World Report has rated RIC the best rehabilitation hospital in the country for 24 years running.) Its reach is further extended by clinical and administrative alliances with other Midwest hospitals and healthcare providers. And though RIC already employs close to 1,800 people, its ranks will only expand when the doors of its 242-bed research hospital, the Ability Institute of RIC, open in early 2017.

RIC's in-house team is led by Mr. Pearson, who himself conducts the searches at the highest echelons of the organization, from director-level on up. Executives at that level number close to 100, which for Mr. Pearson translates into as many as 10 to 15 hires a year. His five reports – four recruiters and a coordinator – provide recruiting support for all clinical and nonclinical hiring at all levels of the institute, be it top executives, physicians, nurses, or food-service staff.

### Encountering Skepticism

RIC's recruiters each have core roles, such as nursing, allied health, or research, but are also cross trained to conduct other job searches as well. "Our nurse recruiter did some IT recruiting at one point," says Mr. Pearson. "Then we have a recruiter that's allied-health focused, but she'll also be involved with finance-accounting or other types of roles across the institute. We also have somebody that's focused on research, but they may be doing patient services or administrative types of roles as well."

The recruiters Mr. Pearson oversees bring a mix of backgrounds to his team. "Our senior nurse recruiter was a nurse recruiter at another healthcare institution," he says. "Our allied health recruiter was at an agency. Ultimately we look at competencies, an individual's

### AT A GLANCE - REHAB INST. OF CHICAGO



**Martin Pearson**  
Director of Talent Acquisition

Martin Pearson is the national director of talent acquisition, with experience supporting public, private, for profit and not-for-profit organizations. Mr. Pearson has experience with CEO's, senior management team levels, for companies with up to 20,000 employees. He has a proven experience as the talent acquisition leader, designing and implementing recruiting strategies for employees in the United States and Canada, including; healthcare, technology, business development, research, marketing and digital media, professional services and C-level executives. Mr. Pearson is also an experienced leader in consultation and execution of cost productivity initiatives, such as streamlining and improving talent acquisition processes, negotiating cost effective vendor solutions and eliminating dependency of agency utilization, saving organizations between \$300,000 to \$6M.

resilience – you have to be able to laugh at yourself – and natural curiosity. I look it also as someone who can be consultative, focused, and really take pride in what they're doing. It's about hiring great people."

Mr. Pearson himself had no healthcare experience before coming to RIC in 2010. He had been with Millward Brown North America, the global market research firm, where he built an in-house recruiting team, and before that, Experien, the credit-data company. "There was a learning curve for things like acronyms and accreditation," he says. "But you have to be curious and willing to learn, and listen."

He tells a story of encountering a certain skepticism when he first joined the institute. "When I started here, I met with a director in one of our research labs and I was curious about what he was doing and what my goals were in helping build pipelines for him and

identify people. He said, 'Well, how can you do that? You don't even know what we do.' Which was true. I didn't know. But at the same time I know how to implement systems and I can learn what he looks for. Now we have a very good working relationship."

Indeed, having the support of leadership and hiring managers is a key ingredient to building a successful in-house operation. At RIC, working closely with the organization's leaders, as consultants and advisors, also makes a big difference. "Every company is different in their approach and how they view recruiting," Mr. Pearson explains. "Some organizations are much more just transactional, volume, oriented. Culturally speaking, we have more of a consultative relationship with the leadership, the managers, within the organization."

Simply put, Mr. Pearson and his recruiters know the managers with whom they are working and their needs. That allows those managers to spend less time on hiring and more on working with their own teams or corporate resources. In the end, Mr. Pearson says, that boosts productivity throughout the institute.

Good recruiter-manager relationships also make for better searches...and in the end, better hires. "You have more influence with the managers," says Mr. Pearson. "If you have a good track record, they'll work with you. That, in turn, helps with the turnaround time, time-to-fill, and the quality of the hires."

Being insiders themselves, in-house recruiters have knowledge of the entire organization. That can lead to innovative hiring solutions that an external recruiter could never provide. Say, for example, that a nursing manager is looking to hire a part-time nurse for the tenth floor, says Mr. Pearson. Rather than conduct an outside search, an internal recruiter might be able to pinpoint a part-time nurse on another floor who can do both roles and suggest turning it into a full-time job.

By going to an in-house recruiting function, RIC brought more of a standard process and continuity to hiring, says Mr. Pearson. That's good policy for any type of company, but it's particularly important in the healthcare industry. At a lot of businesses, a new employee might be allowed to start a job before all the pre-hire checks and tests are completed (and then be ushered out the door if anything negative turns up.) But such leniency can cause problems in the health field.

"From a healthcare perspective there are compliance issues that you have to be concerned about," says Mr. Pearson. "We're joint commission accredited, so there are certain things that people have to have done before they can ever start," he adds.

"People have to be licensed. We do background checks and drug screens. We're very thorough in that area. People cannot start until everything is done."

And when an RIC manager does fail to communicate with Human Resources and tells a new hire that he or she can start working before all the requirements are met, someone is there to put the situation right. "When we find out about it, we push back or delay any starts," says Mr. Pearson.

Periodically, RIC does deploy external recruiters, but not often. "When you get into the senior executive role, we've used some intermittently," Mr. Pearson says. "Sometimes we'll use a contingent search firm. In the five years that I've been here, there's probably only a handful of times we've done retained."

When RIC does use a search firm, the job in question usually revolves around information technology or information systems. "We don't have a specialty within the IT space as far as my team goes," Mr. Pearson explains. "We're not designed for it. There are situations in which we just don't have the bandwidth to go out proactively and hunt for IT people. So it's

kind of a split. Sometimes we'll find them on our own. Other times we may get some contingent search firms to support our searches."

Not that long ago, outside search firms were handling the bulk of RIC's recruitment. Then about six years ago, a year or so before Mr. Pearson came aboard, RIC chose to jettison that model. Cost was a major consideration. "It wasn't just IT," Mr. Pearson says. "RIC was spending millions of dollars a year on nursing agencies or allied health agencies."

## BY THE NUMBERS

### Rehabilitation Institute of Chicago: Continuity in the Recruiting Process

**4** recruiters and **1** coordinator provide recruiting support

Now, that's all taken care of in-house. And when external recruiters are used, RIC tends to work with the same firms, who know the managers and who are well versed in the culture of the place. "Historically there was more of a 'Let's try this one, let's try that one,' kind of like a shotgun approach," says Mr. Pearson. "As an organization we've pared back from that. We've identified agencies that we do partner with because they can have a sense of the culture here."

### Powerful Recruitment Tools

LinkedIn and related resources are powerful recruitment tools both for finding candidates and for building a network to spread the word about RIC. Building an awareness of RIC ultimately increases the opportunities to connect with potential candidates for jobs. "My philosophy is that you are engaging people all the time on LinkedIn," says Mr. Pearson. "My team needs to be engaging as many physical therapists or occupational therapists, for example, as possible from across the country. I'll look at it from a

physician's viewpoint: There may be 8,000 or 9,000 physiatrists, which is our primary type of physician. My goal is ultimately to connect with as many of those individuals or groups as possible, so I have a presence out there, a foot print. That's how I look at those types of resources – to really expand brand awareness and so people know where to go if they're interested in contacting us."

Indeed, every day Mr. Pearson receives messages from talented people all over the country, and the world, who want to connect with or learn more about RIC. "It's definitely made a lot of changes and added a lot of value," he says.

Mr. Pearson is more wary, however, of Facebook and other social media. They are good for expanding RIC's brand, of course. But with privacy concerns, a healthcare organization must be especially careful what goes out over the Internet. "I'm not 100 percent supportive of using those from a recruiting perspective because there's too much information out there that should be confidential," Mr. Pearson says.

These days, Mr. Pearson feels his in-house team is strong and providing good value for the institute. What lies ahead, he hopes, is more of the same. RIC is opening its new hospital in 2017, and much work needs to be done before then. "I'm always looking at ways, as a director, how to be more innovative and creative and how to get the most out of your money when investing in different types of solutions, whether it's products out there or relationships with vendors," says Mr. Pearson. "Those are things you have to build. And of course we're opening a new hospital in a couple years, so I'm thinking out ahead from a workforce planning perspective and working with leadership here on how we can get ready for that."

Success, in many ways, is its own reward. As RIC grows, Mr. Pearson and company spend a lot of time trying to keep the talent levels high. In many ways,

an in-house team serves to shape an organization for years to come. And at a place like RIC, hiring good people ultimately means better care for patients. “You want to be selective, so there’s always more inherent challenges,” Mr. Pearson says. “But

it’s also fun. Sitting in a leadership meeting, when you get feedback from executives you’ve helped bring in, to see that they’re happy, or you see them contributing to the institute, that’s pretty cool. It may be challenging but it’s also rewarding.”

## Standard Chartered

One of the bigger benefits of a company having an in-house function is that it allows talent leaders to bring greater process to every aspect of recruiting. That makes for a better candidate experience, helps keep spending in line, and provides the means to gauge a team's effectiveness. In short, it translates into more control, accountability, and efficiency. And while all that would be a plus for a company of any size, it especially matters when the business in question has more than 80,000 employees in 70 countries, like Standard Chartered Bank.

Spearheading Standard Chartered Bank's in-house executive recruiting program is Gregor McCallum, who has over 20 years' of talent acquisition experience in the U.K., U.S. and Asia and most recently came from a three year contract at Marina Bay Sands, Singapore where he was head of HR for the construction of Integrated Resort, responsible for all aspects of HR, including building and managing an international capability of 16,000 headcount. He joined Standard Chartered in 2010, and has had several roles within the bank's talent acquisition department. He is currently head of talent acquisition, executive hiring. His role entails hiring Standard Chartered's top hires annually (director level and above) for all functions and geographies.

Standard Chartered Bank is a leading international banking group, with a 150-year history in some of the world's most dynamic markets. The bank drives investment, trade and the creation of wealth across Asia, Africa and the Middle East, where it earns around 90 percent of its income and profits. Standard Chartered PLC is listed on the London and Hong Kong Stock Exchanges as well as the Bombay and National Stock Exchanges in India.

“On any given day we run a significant number of open requisitions across 70 countries,” says Gregor McCallum, global head of talent acquisition, executive hiring, for the bank based in Singapore. “We need to balance the number of negotiations we have open at any given time to satisfy our attrition and head count growth. That’s quite significant. So the problem if you look at it globally is not about the person in Africa, let’s say, saying ‘I need to hire someone.’ It’s about how many people are having that conversation on a daily basis in 70 countries. It can easily get out of control. And that’s why we set up this dedicated function to help drive excellence in every way – with better governance, better control and better decision making – and of course do it as consistently, as efficiently and as inexpensively as possible.”

An in-house operation earns respect with the business’s leadership by recruiting talented people who fit into an organization’s unique environment, make a difference by way of their efforts, and stay around to keep contributing. But as any recruiter will admit, success is fleeting. For an organization’s leaders, memories of good hires fade and the unspoken question to their talent acquisition team is always, “What’s next?” And while struggles will inevitably come, a good in-house recruiting function is designed to make quality hires a repeatable, regular occurrence.

### Industrializing the Process

“It’s a noisy world, right?” says Mr. McCallum. “So even when things are going fantastically well, it’s a bit like being a sportsman: you’re only as good as your last touchdown, hockey goal, soccer goal, or rugby try. People say, ‘That’s fantastic.’ But it’s relentless. You can always bank good currency with a great hire and a job well done, but you’ve got to do it again and again. The key is sustainability. How sustainable are your decision-making processes? How robust are they?”

### AT A GLANCE - STANDARD CHARTERED



**Gregor McCallum**  
Head of Talent Acquisition

Gregor McCallum has over 20 years experience of talent acquisition in U.K., U.S. and Asia and most recently came from a three year contract at Marina Bay Sands, Singapore where he was head of HR for the construction of the Integrated Resort, responsible for all aspects of HR, that included building and managing an international capability of 16,000 headcount. He then joined SCB in May 2010, has had several roles within talent acquisition, and is employed in the current capacity of head, talent acquisition, executive hiring. His role entails hiring SCB’s top 500 hires annually, i.e., director level and above for all functions and geographies.

It has been a little more than five years since Standard Chartered began what Mr. McCallum likes to call the “journey” of its in-house function. Before the change, hiring managers, human resources partners, and the like did the recruiting, frequently by enlisting outside search firms. Today, all of that has changed. Under the centralized model, almost 90 percent of Standard Chartered’s recruiting is conducted by the bank’s own recruiters and only 10 percent by agencies. The savings in curtailing search-firm costs alone runs in many millions of dollars, says Mr. McCallum.

“We do a significant volume of hires per annum, to align with oth of attrition and new hires,” he says. “So if you think about it, we have to industrialize everything we do and make sure that the engine we run globally is as finely tuned as it possibly could be to make sure that both the candidate and client experience are as good as they possibly could be.”

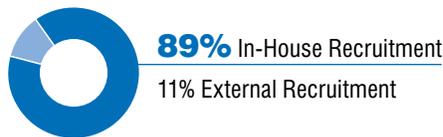
A multinational institution, Standard Chartered saw nearly \$17 billion in revenues last year. And though

the banking and financial services company is based in London, England, 90 percent of its income and profits come from Asia, Africa, and the Middle East. Its global operations are run out of Singapore, where the bank has had a presence for 156 years. The investment firm Temasek, which is state-owned by Singapore, is Standard Chartered's largest shareholder. The bank's name comes from the 1969 merger of Chartered Bank of India, Australia and China with Standard Bank of British South Africa.

## QUALITY HIRE

### In-House Recruiting at Standard Chartered

How assignments are handled at Standard Chartered?



Standard Chartered's in-house recruiting function, divides the world into four regions, complete with regional managers, country heads, talent acquisition managers and T.A. specialists as well as a central team overseeing it all in Singapore. Among other duties, Mr. McCallum manages global executive hiring across 25 markets, including the bank's big-five cities of Singapore, Hong Kong, London, Dubai, and New York. Besides overseeing governance of the global operation, he also joins the central team in handling the most senior-level searches.

Despite the rewards, organizational change takes considerable effort. Hiring managers and others can be loath to cede power, to say nothing of the challenges of getting operations in dozens of countries on the same page. When told that installing such a function must have been a big fish to reel in, Mr. McCallum agrees. "It was a bloody massive fish

to reel in," he says. "And it's a daily struggle simply because of the volume and complexity of the banking sector in the markets. We're all in the market for very similar talent across the world, not only in revenue-generating roles across commercial and retail banking, but really significantly these days across risk and audit, legal concerns, and all the governing related functions. All of those skills are in very high demand globally. So it's a tough spot and we really need to differentiate ourselves."

Standard Chartered's in-house operation has come a long way, Mr. McCallum says, but it still has a way to go, particularly in finding the technology to better address the bank's many talent acquisition needs, whether it's improving the applicant tracking system to understanding the return on investment for tools like LinkedIn (among other issues). "We're in a pretty good spot relatively speaking," Mr. McCallum says. "But we really want to get to that world-class spot. And technology enablement is critical to help you get there."

As goals are achieved and time goes on, the function's needs become more specialized, says Mr. McCallum. Any number of challenges remain in the offing. For example: "How do we go about anticipating specific needs in functional areas in certain parts of the world?" Mr. McCallum asks. "And how do we go about better pipelining for those areas? We're in a much more fine-tuning, sophisticated spot than we were. We've got much higher quality problems. But the problems are still problems because we have this thirst and drive for doing things better."

One problem that has been resolved about as far as it will go, he says, is how often Standard Chartered uses external recruiters. At 10 percent of the bank's assignments, outside firms are used for confidential searches and at any given time across all of the bank's functions. "There's no one area where I'd

say we're really heavily using them for X or Y," Mr. McCallum says. "We're pretty much using them because some skills that are easy to source in Singapore might not be easy to source in Malaysia, for instance, or Dubai, the United States or Brazil."

And though the bank's recruiting function is centralized that doesn't mean outside recruiters no longer have relationships with hiring managers. Truth be told, many hiring managers from all sorts of businesses resist in-house recruiting out of self interest. Oftentimes they like to keep in touch with external recruiters to stay wired into the market should the right opening come available – for themselves.

For his part, Mr. McCallum understands that the in-house team and its client-hiring-managers have to co-exist. "I don't discourage hiring managers from meeting third parties," he says. "Far from it. I want them to and they need to have relationships with them to understand the problems and the issues of the market. The better informed the hiring managers are, the easier my job is."

The problem comes when someone decides to try to bypass the in-house operation and hire a candidate passed along by an outside recruiter without going through the proper procedures. With such a big operation around the world, it's a perpetual struggle for Mr. McCallum to make sure hiring is done right. "The engagement has to be done officially and properly and it has to be done through the right channels," he says. "We need to be involved. It needs to be set up on the system. We need to have PO numbers. We need to make sure the data comes in and we need to ensure we have run a robust and diverse process and be sure we are making the right decision," he adds.

"Our journey at Standard Chartered has been a successful one but it's tough. You're constantly reminding the hiring managers of the importance of process."

Outside recruiters have gotten a similar message: Process matters. Numerous data points have to be met for every hire. There is no getting around it. "If you're constantly throwing speculative profiles at hiring managers, you're wasting your time," says Mr. McCallum. "You don't have a contract. And I won't pay you for any of this. So let's just everyone be a bit grown up and professional about this stuff."

For all the good recruiting that gets done in-house, there are always those assignments that go awry. More often than not, Mr. McCallum says, the cause of the such problems can be traced back to failure to follow process well enough. "I run work on a daily basis and I do some things fantastically well," he says. "But there's other stuff that just goes off the rails. And I constantly analyze it and think, 'Well, why?' There are things you can always do to get back on track to get a good result. But ultimately, fundamentally, when things aren't going well, generally speaking, it's because they haven't been set up very well and honored a good recruitment process."

Much of that, too, comes back to having a strong recruiter working with and advising the hiring manager so as to avoid problems like a poorly defined job description or unrealistic expectations. "Where it goes very well is when you have strong advice, a strong partnership, a sensible approach, and people are being realistic," says Mr. McCallum. "You need the right capability and good technology. One without the other doesn't equal success. You need people who know what they're talking about and can stand up to an internal client and say, 'I'm sorry, but you can't do that' or 'We can't hire for that.' If we're in these key markets looking for risk people, let's say, and HSBC and several banks are as well, you can't just say that we need to hire 35 people in Hong Kong and you want them there a week from Monday. That is just not going to happen. So we

need to make sure that we're keeping everybody honest and our internal clients (and partners) keep us honest as much as possible."

International recruiting remains a mixed bag. Unlike some talent leaders in other fields, Mr. McCallum says Standard Chartered has faced no major difficulties in contacting Asian candidates directly. While others have said that many candidates in the Asian market are used to and tend to prefer inquiries from agencies, Mr. McCallum says he's found the opposite. "I think people value getting a call from (the company) rather than a third party these days," he says.

That's a big part of why Standard Chartered is able to perform 90 percent of its own searches, he says. It's also one of the reasons that the bank can attract top recruiters from the agency world. An in-house job can also be better for a recruiter's long-term career than working for most agencies, says Mr. McCallum. "The in-house functions have better career paths, either within talent acquisition, within HR broadly, or perhaps within the organization," he says. "So career path has significantly helped us hire better people. And the better your people are, the more capable they are, and the more successful you are in the candidates you attract."

## Deutsche Bank

No one is slamming the door on the possibility that Deutsche Bank might someday develop an in-house recruiting function, but Kristina Peters, global head of talent acquisition, has her doubts about the benefits of such a change given the disparate and far-ranging interests of the banking and financial services giant.

As talent acquisition head, Ms. Peters is responsible for leading the employer brand, graduate recruitment & training and experienced professional and executive recruitment practices for the bank globally. This includes advising on sourcing strategies, attraction and employment brand positioning, and assessment, selection and onboarding practices. She has been with the bank for more than 21 years. Previous roles she has held with the Deutsche Bank include global head of graduate recruiting & training and head of employer brand as well as regional head of graduate recruiting – Americas.

Deutsche Bank is a leading global investment bank with a strong and profitable private clients franchise. A leader in Germany and Europe, the bank is continuously growing in North America, Asia and key emerging markets. With more than 78,000 employees in over 70 countries worldwide, Deutsche Bank offers financial services throughout the world.

Deutsche Bank may someday develop a fully in-house recruiting function, but Kristina Peters, global head of talent acquisition, is not convinced yet of the benefits of such a change given the far-ranging interests of the banking and financial services giant.

“For Deutsche Bank, because of our global footprint and the diverse nature of our businesses model, a fully in-house function may not be ideal.” she says. “Especially, given the diverse profile and number of roles we recruit for at the senior level. At this stage, it may not be the most cost effective approach to make that sort of upfront investment in recruiter capability – because we would still need to use search firms in many cases. We would need recruiters to be able to directly source, across a broad set of roles and specializations to get the right return on that investment, and I’m not convinced that would make sense for us yet.”

### **A Time-Tested Process**

As it stands, Deutsche Bank partners with external agencies for its most senior-level searches. The executive recruiters on Ms. Peters’ staff oversee the firm’s day-to-day dealings with those outside partners. Most of the recruiters on the staff have a search-industry background, which helps in knowing what firms work best in any given assignment. Occasionally the staff recruiters will conduct direct sourcing, but their main focus is elsewhere. “Their primary role is managing the relationship with the search firm, ensuring the requirements are well-defined, managing the hiring manager internally and guiding the whole process, including negotiating on the offer and making sure that the candidate is onboarded and assimilated properly,” says Ms. Peters. “They are responsible for ensuring the end-to-end process runs smoothly for all, that the Bank is well-represented and the candidates have a positive experience.”

### **AT A GLANCE - DEUTSCHE BANK**



**Kristina Peters**  
**Global Head of**  
**Talent Acquisition**

Kristina Peters is the global head of talent acquisition for Deutsche Bank, based in New York. Ms. Peters is responsible for leading the employer brand, graduate recruitment & training and experienced professional and executive recruitment practices for the Bank globally. This includes advising on sourcing strategies, attraction and employment brand positioning, and assessment, selection and onboarding practices.

Deutsche Bank’s approach is a time-tested one that’s designed to avoid wasted time and money. “There is definitely a value in having staff in this type of (in-house recruitment) role. It’s just not clear yet whether expanding this structure is going to make more sense for us or not.”

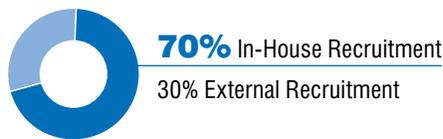
At the mid to lower levels of hiring, Deutsche Bank’s searches are conducted by on-site recruitment partner firms, which deploy hundreds of recruiters on Deutsche’s behalf all over the world. “We find this model to be very effective,” Ms. Peters says. “These RPO (Recruitment Process Outsourcing) firms have proven expertise. They have a support engine behind that provides added value and would not be cost effective to build in house. This includes candidate sourcers, and marketing specialists. When you partner with these firms you’re gaining more than just recruiters. You’re gaining all those services and support.”

This is particularly pragmatic given the sometimes uncertain nature of the economy. When hiring volumes change, the RPOs adjust their capacity and capability. “They scale to fit the need”. Ms. Peters says. “They manage the recruiters, develop them, and build their

## QUALITY HIRE

### In-House Recruiting at Deutsche Bank

#### How assignments are handled at Deutsche Bank?



capability. Having that flexibility in that model means that if my hiring volume goes up or down I don't have to adjust internal staffing levels. This is particularly helpful in today's marketplace where many firms are hiring and demand for recruiters is high."

Deutsche Bank secures great value from its RPO partners. "It's a combination of cost and quality," says Ms. Peters. "But also allows flexibility as the hiring levels fluctuate and provides a good quality level of service. This allows me to dedicate my in-house resources on the most senior levels of hiring."

The firm's campus recruiting, meanwhile, is conducted internally by a team of campus recruiters in partnership with senior representatives from each of the company's business lines.

The specific external recruiters that Deutsche Bank will call upon for its senior roles vary depending on the specific position involved and global region. "If

## Q & A

### Dependence on External Search Firms

*No one is slamming the door on the possibility that Deutsche Bank might someday develop an in-house recruiting function, but Kristina Peters, global head of talent acquisition, has her doubts about the benefits of such a change given the disparate and far-ranging interests of the banking and financial services giant.*

#### **Deutsche Bank uses external recruiters almost exclusively for the most senior-level roles. Do you tend to gravitate towards larger firms for the more senior-level assignments?**

We select firms based on their capability, candidate networks and knowledge of the specific talent pool/business. Size of firm is not a leading consideration although some of the larger firms we work with simply have more capability in some areas.

#### **You use boutique specialist firms for certain assignments. Can you give a recent example where a smaller search generalist was retained?**

I prefer not to provide detail on a specific assignment but, as above, search partners are selected based on the profile of the role and the capability of the search firm. For a highly specialized search, we may use a specialist firm.

#### **One criticism of internal recruiters is they lack candidate networks outside of their own industry. Do you agree?**

Not necessarily. But, given the breadth and complexity of the types of roles a firm the size of ours hires for, our recruiters may only have contacts and networks in narrow or regional markets.

#### **You use preferred provider lists of search firms globally. How are these firms selected: centrally through HQs or on a regional or local basis?**

All three. We have a global, central list, which considers firms we can and do work with in multiple regions or on cross-border searches. But the vast majority of our preferred providers are local to a particular region and or may specialize in a particular business area/discipline. The lists are compiled based on existing and historic track records for delivering the right talent and by providing a quality of service that properly represents the bank's brand.

we're looking for people in information technology or investment banking, there are specialty search firms associated with those areas," Ms. Peters says. "We have no firm that we work with entirely globally. We do have firms we would work with across a number of regions, either for a specific business or for several businesses. We have preferred lists, firms that we know quite well, and that we've worked with frequently, who have successfully provided us with talent. But this is a fairly long list."

#### BY THE NUMBERS

##### Deutsche Bank: Leading An Employer Brand

**78,000** employees in over **70** countries

There is value for us, Ms. Peters explains, in calling on a search firm that already has well-developed contacts and is thoroughly versed in a particular hiring area: "For instance, right now we have a high

demand for talent with regulatory experience, specific compliance or risk backgrounds, a market that is very competitive right now. If we're looking for a chief country officer for a specific country, we would look for a very specific type of person. We have enough niche type of hiring that we would still expect to leverage specialty firms for that."

On the other hand, Deutsche Bank does its share of less formalized, internal-based recruiting as well. The company welcomes referrals from its employees, for example, who might know a good prospect from a former job or who might suggest someone with whom they have worked with in the past.

Sometimes, a senior manager might have built a relationship with a specific candidate from another firm, which makes bringing in an outside recruiter unnecessary. Also importantly, the company makes it a priority to fill positions internally as well. "Our internal Deutsche Bank employees are often the best source of talent for our positions," she says.

## Time Warner

“Drive change and transformation – not just transactions.” That’s the motto of the in-house recruiting function at Time Warner Inc. The company’s internal search team is not only responsible for filling positions, it’s also a vital part of the \$27 billion, publicly-traded, media content company. Indeed, talent acquisition is a major component of Time Warner’s most critical decisions and its efforts in recruiting top talent continue to shape the company as it moves forward into a new era.

Overseeing the in-house recruiting program at Time Warner is Cormac Cullinane, senior vice president of the company’s worldwide recruitment and executive search. Charged with assembling elite leadership teams across the divisions, Mr. Cullinane partners with each company’s senior management and human resources teams to deliver the highest caliber of top-tier, diverse, talent essential to achieving ongoing business success and future growth. Before joining Time Warner in 2002, Mr. Cullinane was a principal with Korn Ferry.

Time Warner Inc. is an American multinational media corporation headquartered in the Time Warner Center in New York City. It is currently the world’s third largest television networks and filmed TV & entertainment company in terms of revenue and at one time was the world’s largest media conglomerate. Time Warner currently employs approximately 25,600 employees worldwide.

“We did a little over 100 executive searches globally last year,” says Cormac Cullinane, senior vice president of worldwide recruitment and executive search. “It’s not just about 100 transactions. It’s about the 100 opportunities to bring in great talent, helping us grow new businesses, expand into new markets, deepen our executive pipeline long-term,” he adds.

### Keeping the Faith

“And it’s not about cost savings. The cost savings are a benefit of having a great internal search capability, but that’s not why we’re here. It’s really about the business having complete faith in your ability to understand what it takes to be successful within the company; the ability to be brought earlier into the conversation, because you’re part of the company; and the ability to have a seat at the table, if the company believes that it’s only as good as its talent.”

With a team of 20-plus executive recruiters worldwide, Time Warner has one of the more sizable, long-running in-house capabilities anywhere. It all started in the early 2000s when the company had nine operating businesses, employed 93,000 people, and was enjoying revenues of \$44 billion. Like many big media companies back then, Time Warner had a prominently decentralized operating portfolio.

Change began in 2002, says Mr. Cullinane, when the company’s leadership saw opportunities in strengthening the internal executive search operation and bringing “better rigor and discipline around cross-divisional executive movement.” Meetings were held with executives from the various businesses, including the heads of human resources, to explore the opportunities and challenges of a centralized approach. The goal, as Mr. Cullinane puts it, was “to connect the dots in a much more progressive way across the company as a whole.”

### AT A GLANCE - TIME WARNER



#### Cormac Cullinane SVP, Executive Talent Acquisition

Cormac Cullinane is senior vice president of Time Warner’s worldwide recruitment and executive search, and leads the global executive search team supporting Time Warner Corporate, Turner Networks, HBO and Warner Brothers.

Charged with assembling elite leadership teams across the divisions, Mr. Cullinane partners with each company’s senior management and human resource teams to deliver the highest caliber of top-tier, diverse, talent essential to achieving ongoing business success and future growth.

Mr. Cullinane joined Time Warner in 2002 and was part of the initial team that launched Time Warner’s internal global executive talent acquisition function. Through his career at Time Warner, he has led the U.S. and Latin America executive search function, the executive search group supporting the media & communications businesses (Time Warner Cable, AOL, & Time Inc.), managed the global corporate staffing team group, implemented a cross divisional regional staffing model and has personally led over 200 successful global executive search engagements across the Time Warner portfolio.

Before joining Time Warner in 2002, Mr. Cullinane was a principal with Korn Ferry.

Resistance was minimal, he says. Early on, leaders from the various divisions questioned whether they had internal capabilities to perform top-notch executive search on their own, or whether they had the internal discipline and expertise to manage the executive search firms with more focus.

But when change came, it came quickly. “We built a pretty scaleable model right out of the gate,” says Mr. Cullinane, who worked for Korn Ferry before joining

## Q & A

### The Natural Evolution of an In-House Search Function

*“Drive change and transformation – not just transactions.” That’s the motto of the in-house recruiting function at Time Warner, Inc. What it means is that the company’s internal search team does more than merely fill positions. Rather, it’s a vital part of the \$27 billion, publicly-traded, media content company. Indeed, talent acquisition is well in the loop for Time Warner’s most critical decisions and its efforts in recruiting top people continue to shape the company as it moves forward into a new era.*

#### **Since 2002, Time Warner has really beefed up its internal search capabilities. To what extent has the level at which your internal recruiters moved up in terms of the position it now fills as opposed to then?**

The natural evolution of a mature and capable internal executive search function is a steady progression to more senior and more sophisticated work, as well as diversifying the variety of services the function can provide. Our team routinely does executive search work at the C-suite across all our businesses. We also continue to expand our reach by providing services in more countries and continue to offer a much broader and deeper suite of executive search and Research services. “Mature trees yield more fruit”

#### **You came to Time Warner from Korn Ferry, the industry’s largest search firm. How valuable was your search experience in helping you better develop an internal recruitment program?**

Having executive search experience & expertise is invaluable for any internal model regardless of its stage of evolution. Knowing how great work gets done and having demonstrated executive search experience brings credibility and instills confidence. It’s also an easier sell internally when you have a team of true executive search professionals. (But you’ve got to deliver!!) The continuing trend with so many companies now having some form of internal model is that there is a significant pool of people who have great executive search experience, but who also now have in-house corporate experience, which, for a lot of companies, may be the ideal combination.

#### **Do you think your internal search team is better equipped to handle candidate sourcing that includes bringing in talent from other industries versus external recruiters who perhaps maintain broader networks of candidates?**

Historically, Time Warner has had a diversified portfolio of businesses. As such, we have always had to swim in many different lanes in industries that continue to evolve at a frenetic pace. We do have a tendency, and often a necessity, to hire executives with deep subject matter / industry experience for the majority of our roles. But when we do step outside for roles that are industry agnostic or for new skill sets and backgrounds that are needed as our company evolves, we’ve had great success. It may take us longer to ramp up, but we learn quickly and we have a deeper understanding of what types of people will be successful in our culture.

Time Warner a dozen years ago. The in-house group, which started doing executive search in the U.S. in 2002, expanded to London in 2005-2006 supporting divisional executive search needs in U.K. and Europe and since 2011, has expanded further to significant ongoing executive search support in both EMEA and Latin America as Time Warner continues to have a more global footprint. All this has evolved along with

the bigger changes the company has gone through. Although it remains a formidable company, the Time Warner of 2015 operates just three businesses and employs a third as many (30,000 people) as it did 13 years ago. Jettisoned through sales or spin-offs are such respected brands as Time Inc., AOL, and Time Warner Cable. What remains of the company are three equally formidable entities: Warner Bros. (Los

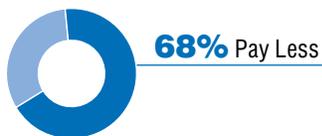
Angeles), Turner Broadcasting (New York and Atlanta), and HBO (New York.)

“We tend to serve as an extension of the individual division’s talent acquisition team in terms of driving all of their executive search,” says Mr. Cullinane, “but we are very much a self-sufficient internal executive search capability model.”

## SURVEY RESULTS

### Fee Structure

**Do you pay your search provider the standard one third fee?**



Without question, Time Warner has reduced itself to a more nimble fighting weight. Yet these days it’s more global than ever. “The basic tenets of what made an internal search capability successful when we were much larger continues to make us successful now that we’re smaller,” says Mr. Cullinane. “But we’re not that small. We’ve obviously adjusted the structure of our group as the company has changed in terms of its structure, and we’ve adjusted the structure of our group as our industry has changed.”

Operating at the top five percent of the company, the in-house team’s part in driving change is undiminished. “We’re still doing huge amounts of work across the company,” says Mr. Cullinane. “We’re performing over 100 executive searches a year.”

With strong relationships across the divisions and a web of connections throughout the marketplace, Time Warner’s internal search capability has evolved from performing mostly vice-president assignments to what is now a “very healthy percentage” of

searches for senior-vice-president-and-above roles, including those in the C-suite and their direct reports company-wide.

That’s not to say challenges don’t remain. “You have to continually evolve and you have to continually make an impact,” says Mr. Cullinane. “There is a sense sometimes when you engage external search partners that when companies pay lots of money for executive search, then people pay a little more attention. Sometimes when you’re a great internal executive search capability and you do amazing work you can start to get taken for granted. So the question is, ‘How do you continue to make sure that you’re making sufficient noise and splash?’”

## BY THE NUMBERS

### Time Warner: Driving Change and Transformation By Remaining In-House

Over **100** executive searches a year are completed

Today, Time Warner’s in-house recruiting function is close to 100 percent self-sufficient. But now and then external recruiters are summoned to handle a search in a particular niche. “We always strive to make the best decision for the business,” says Mr. Cullinane. “So each and every time the question we ask is, ‘What’s the best decision for the business?’ But we rarely seek outside help. In any given year, we’ll go outside a handful of times.”

Mr. Cullinane sees many positives to having an internal search operation. For one, an in-house function tends to become a trusted inside partner for the powers that be. “You are the brand and not consulting to the brand,” says Mr. Cullinane. As such, it plays an integral part in key business decisions. And in recruiting good people, in-house recruiters

understand the cultural nuances, particularly what soft skills are necessary for a would-be hire to succeed not only within the overall company but within one's division, department, and with the hiring executive.

And an in-house function only grows stronger and more valuable over time. For Time Warner's recruiters, who already have extensive outside search experience, their connections and expertise in particular areas continue to expand. And as an in-house operation matures, it can begin to take on capabilities beyond search. Talent mapping, succession planning and market intel, says Mr. Cullinane, are just a few of the potential areas into which an internal operation can evolve.

"In the last couple of years there has been a shift to companies building more and more internal executive search capability," says Mr. Cullinane. "From my perspective, if the company is big enough and if you have a sufficient volume of executive search, which I think would be minimally 20 to 25 executive searches and above, then you certainly have at least the business case to evaluate whether it would make sense to build an internal capability. But this is no longer just a trend. It's obviously a steady progression to companies that have the sufficient size and scale building much more robust internal capabilities. And I do think it will continue."

## CBS

Technology, particularly with the advent of LinkedIn and related tools, has allowed in-house recruiting to thrive in ways that otherwise would never have been possible. Richard Monastersky, vice president of talent acquisition at CBS, the mass media conglomerate, has no doubt about that. At the same time, however, he believes that the business of identifying, attracting, and hiring good candidates has in many ways suffered because of the change.

Mr. Monastersky is an accomplished global human resources and talent acquisition leader with a strong history of success developing and executing global workforce planning, talent acquisition and new hire strategies ensuring world-class talent is sourced, recruited and retained. Prior to working with CBS, he was senior director, human resources/talent management at Cubist Pharmaceuticals.

CBS is a mass media company that creates and distributes industry-leading content across a variety of platforms to audiences around the world. CBS owns the most-watched television network in the U.S. and the company's operations span virtually every field of media and entertainment, including cable, publishing, radio, local TV, film, and interactive and socially responsible media.

Too many recruiters, Mr. Monastersky explains, rely on LinkedIn and keyword searches to parse out candidates for any given position, at the risk of never even noticing potentially better prospects. “People use technology, much to their advantage, to save time, but they miss a lot,” he says. “People miss the quality and talent of an individual because they only look at keywords. If somebody might not have a specific keyword they bypass them and only refer the ones that do have it. So is that the most qualified candidate or just somebody who was smart enough to put in a particular keyword?” he adds.

“This is and historically has been a problem with corporate recruiting in that there are people who are constantly looking at LinkedIn or getting resumes and doing keyword searches and avoiding or not really learning about the people, not really exploring referrals, not really doing the talent process because it’s easier not to. Therefore you can miss really qualified and talented people just by ignoring those who might be a little bit on the outside of the cuff.”

Someone once told him about a company that sent incoming resumes off to India to be keyword searched overnight. When business resumed in the United States the next day, the organization had a list of candidates to contact, all based on keywords. “We’ve hurt ourselves by becoming keyword recruiters,” he says. “That’s not a recruiter.”

### **Cultural Fit**

For his part, Mr. Monastersky betrays a pride in using an old-school approach to complement the modern-day tools of the trade. “I’m an old-time recruiter who believes that you dig holes to look for candidates,” he says. “That’s how I still operate and that’s how I teach my people to operate. Recruiting is work. It’s not brain surgery. It’s hard work, strategy, and understanding the business.”

### **AT A GLANCE - CBS**

Richard Monastersky is vice president of talent acquisition at CBS. He is an accomplished global human resources and talent acquisition leader with a strong history of success developing and executing global workforce planning, talent acquisition and new hire strategies ensuring world-class talent is sourced, recruited and retained.

Prior to working with CBS, Mr. Monastersky was senior director, human resources/talent management at Cubist Pharmaceuticals.

At the center of all that is the ability to determine whether a prospect will adapt well within the company’s environment. “That to me is really the difficulty in recruiting,” Mr. Monastersky says. “Finding somebody who has the right experience is not the real difficult part. Finding somebody who has the right experience who will ultimately fit into the environment culturally and be able to bring that experience to success is what the challenge of talent acquisition is all about.”

Mr. Monastersky came to CBS Corp.’s New York headquarters in January 2014 after stints with Optimer Pharmaceuticals (which was acquired by Cubist Pharmaceuticals toward the end of his time there); Advanced Health Media, in a consulting role; and Almyra USA Inc. Before his arrival, recruiting at CBS fell to the human resources staff in the business units. Under Mr. Monastersky, it became a centralized in-house function with a team of 13. Six of those are recruiters and four are sourcers, says Mr. Monastersky, though every recruiter at CBS will do sourcing when necessary and the sourcers are given more responsibilities, particularly in discussions with the client-hiring-managers, as they prove their mettle.

## Tools For the Savvy In-House Recruiter

Now in its second year and still taking shape, the team works about 160 openings at any given time. The central focus is VP level and below, though the team is open to help whomever needs assistance. Mr. Monastersky has done some searches for top tier assignments, he says, though most of that is handled out of the company's offices in Los Angeles.

And though outside search firms played little part in recruitment at CBS before Mr. Monastersky's arrival, now they play none. "If for some reason there is a need for one, though I don't believe there would ever be a need for one under the circumstances of our group, it would have to go all the way almost to the top (for approval)," he says. "The overall philosophy is clearly no firms."

## SURVEY RESULTS

### Lets Make A Deal

Have you been able to negotiate fee terms?



And while that rule was in place before Mr. Monastersky arrived, he has no problem with it. "To be very honest, I frankly don't think there is a job that I could be assigned or asked to fill that I can't do better than somebody on the outside," he says. "I don't think there's anyone in my group here that given an assignment as difficult as it may be that we won't be able to rise to the occasion and be able to map it out, get what we need, and ultimately take care of it successfully."

Call it ego if you want, Mr. Monastersky says, but the tools are there for a savvy in-house recruiter who

is willing to put in the time and effort to root out the candidates. "It's a different world that we live in than it was five or six years ago," he says. "Technology has brought us to the point where I could be speaking to anyone within a day of getting a search assignment, after I map it out. And I know the company best. I know the culture best. I know what we're looking for. I know the people and the players that are hiring. Look, we have a (great) networking process as well. So we play on that, too."

Having as big a presence as CBS Corp. continues to hold in the world of mass media and beyond no doubt strengthens the likelihood that prospective candidates will at least hear out one of the company's recruiters. Over a long history of new incarnations and particularly since its split with Viacom a decade ago, the CBS brand has remained formidable.

The company, which employs 22,940 people, saw revenues of \$13.81 billion last year. Its entertainment division is anchored, of course, by the top-ranked CBS Television Network. But the company produces and distributes content across all major forms of media. Its cable offerings, led by its mainstay Showtime Networks; publishing, with Simon & Schuster; and local television and radio broadcasting are all forces in their respective spaces. The company is also boosting its digital presence with video on demand and live streaming. CSI, for instance, was added to its streaming platform not long ago. And this summer, CBS programs were to begin streaming on Apple, Inc. devices.

For his part, Mr. Monastersky's own job was never listed as open before his hiring. Nor was he recruited for it. It came about, he says, through an informal meeting with the company's chief human resources officer, who had been considering going toward a more centralized recruiting function. The men, who had a mutual acquaintance, decided to meet one day

for a cup of coffee. They quickly found they shared some of the same ideas. “I think it was just a matter of time,” says Mr. Monastersky. “But we hit it off and he saw the opportunity to move it forward.”

### Why Hire a Search Firm?

Far from relying on keywords, Mr. Monastersky is an advocate of going beyond even what his client-hiring-managers say they want in a candidate. “I believe that you give people what they’re not looking for, quite frankly,” he says. “Yes, I want this experience or that technical experience, things like that. Some of that is a given. But there are a lot of other things that (hiring managers) might not have even realized. And when we do an intake with the hiring managers we’ll always establish that, OK, this is what you’re telling us you want, but I’m going to tell you as we look for people that we’re going to come up with other interesting possibilities and we’re going to send them to you and talk to you about them. We’re giving you this as a forewarning because we don’t want you to come back and say, ‘What the hell are you doing, this is nothing like what you talked to me about.’ If you want to say no, that’s your decision, but I’m not going to throw away somebody who is really an interesting possibility even though they might not fit the bill exactly. The great recruiters that I know do that. Many of the others more often will go the path of least resistance.”

And though he has respect for search firms’ ability to transform themselves and their offerings with changing times, he says he struggles to understand why any company hires an executive recruitment firm, be it for search or the ancillary services that more of the bigger firms are now offering. Even when working as a consultant for DHR International 15 years ago, he questioned why the firm’s clients believed they needed outside help.

“When I would go to a company in the market and somebody would give me a search I used to go

back to my car and sit there and ask, ‘Why would they want to hire me to do this?’” he says. “They have a full human resources department. They know their company inside and out. It’s just absurd to me. Using (outside) recruiters is absurd because anyone in-house, even non-talent-acquisition people, have enough to be able to do something more intelligently than to spend \$100,000 somewhere else, with an executive search firm,” he adds.

“And that’s particularly true in a capacity of doing any kind of on-boarding or talent assessment. Most of the bigger firms, like the retained firms, now do all that. They’re smart. They saw that the space was changing. They knew they were going to lose business by the nature of people building their own firms internally and that a lot of this was going to go internal.”

## BY THE NUMBERS

### CBS: Centralizing the In-house Function

A team of **13** handles **160** job openings at any given time

These days, Mr. Monastersky and his team are hard at making the in-house function at CBS Corp. churn with greater efficiency. Longtime HR specialists at the company have had to learn a new way of doing their jobs. Systems have started to be put into place to get a better handle on KPIs and to manage and show what the return on investment has been. In his first year, Mr. Monastersky brought in a new applicant tracking system as well as video interviewing. And this year he was looking to do more recruiting via social media, of which the company thus far has done little.

In some ways he remains skeptical of the latter approach’s ultimate value. Mr. Monastersky considers social media, such as Facebook, a good source for certain types of candidates like those for

certain technical roles and Millennials, but says it is far from the ultimate answer. For some people in the older age categories, for instance, which CBS and other companies continue to recruit, the results tend to fall short.

“Somebody who might apply through social media, that’s great,” Mr. Monastersky says. “But I’m still going to look at that person as I would were I to find them somewhere else. It certainly does have a value

when done correctly. But do I think it’s the end-all for everything? Not even close.”

Looking ahead, he’s hoping to go beyond recruitment of external candidates. Mr. Monastersky would like to implement the technology to do better recruiting of internal candidates. Talent development has been on his mind as well. “But all of that is a process,” he says. “That’s not this year. Everything being equal that happens next year. But it definitely is an offshoot.”

## **SECTION 3**

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### Survey Methodology and Results

## SECTION 3

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# Survey Methodology and Results

Survey respondents participating in this year's report say overwhelmingly that business in the talent management field is robust – and that finding just the right leadership to manage existing corporate initiatives, or to oversee the launch of new ones, is getting more challenging. Hiring plans among U.S. employers are the most upbeat in eight years, many respondents told us. And many believe that if current trends continue, a full blown talent crisis might be looming.

The talent supply and demand imbalance that many talent acquisition heads have reported are becoming a front and center concern for many of them who are locked in growth mode or are about to kick into an improving cycle.

Clearly, a sense of urgency is building and discussions over competitiveness are rampant. Whether this leads to an eventual tipping point, and a full blown talent crisis, remains to be seen. But no one seems to be ruling it out among this year's survey participant base.

This year's respondents asked us to focus on the growing trend of companies to develop in-house recruiting operations which reduce, if not completely omit, their reliance on outside executive recruiters. Social media technologies are extending these efforts and, as a whole, social media sites like LinkedIn are seen as 'transformative' tools that are 'revolutionizing' the way in-house talent professionals seek, identify and attract professional-level workers to their organizations. Twitter was also noted by respondents as a platform in which to share thought leadership and to communicate with candidates. Facebook was seen as a resource to reach younger people in the workforce, and those in the beginning stages of building their careers.

By and large, today's corporate talent professionals see social media generally as a 'new gateway' to collect and share information; as such, they are expanding and upgrading their presence online and treating social media as a canvas upon which to tell their corporate story effectively as a primary recruitment mechanism. Interestingly, heads of talent and HR executives responding to the survey questionnaire said they are making a concerted effort not to depend solely on LinkedIn, which now has 300 million members and is considered the lead candidate development tool among both talent managers and the executive search professionals that service them.

A majority of talent heads described LinkedIn as 'vital' to their recruiting efforts, but a leading chorus of respondents seemed to suggest that LinkedIn, and social media sites in general, are a single source – but not the only source – for candidate information. Nonetheless, more than 90 percent of respondents 'routinely' turn to LinkedIn for candidate biographical data – and they deemed that information as 'crucial,' 'fundamental,' 'central,' and 'indispensable.'

Talent acquisition professionals made a point in this year's survey to remind us that social media

technologies have 'leveled the playing field' in the identification of talent that many report are getting more difficult to source. But just as every search firm and every company has identical access to similar candidate information, the focus for 21st century talent managers is to influence and attract candidates in new ways. Senior level hiring, they report, is generally on the upswing across the U.S.

### **Insight and Prospective**

To help better understand what's at work in the talent management sector, why changes are occurring and how the new realities of the marketplace are being embraced by talent acquisition professionals Hunt Scanlon Media turned to a large group of leading expert practitioners for their insight and perspective. No one knows the talent management business more than these people who are on the front lines day in and day out, hunting down candidates, assessing them and determining what value they can add to the multi-dimensional workplace that emerged from the post-Great Recession. More than 1,350 talent acquisition professionals and top human resource executives participated in this year's report. Many participants completed structured survey questionnaires designed to elicit a broad set of insights; a number of participants provided their observations and wisdom on telephone interviews; still others provided in-depth feedback via email. And 25 respondents took part in a set of long interviews which form the basis of the In-House Recruiting Case Studies which make up the body of this report. These respondents invited us in to see up close how the talent management sector operates from the inside.

Human resource and talent acquisition professionals responding to this year's survey questionnaire represent a large, corporate demographic that actively source, and competitively bid for, leadership talent. A majority of these senior level executives, representing 40 states and more than 29 industries, answered in-depth

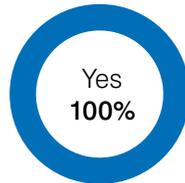
questionnaires relating to metrics surrounding in-house recruiting programs. A range of topics were covered, including search firm use, satisfaction metrics, recruiting budgets, preferred provider arrangements, culture fit, fee structures, social media technologies, emerging talent management solutions, complementary services required, and areas of improvement. Sixteen percent of corporate respondents indicated their title as chief human resource officer (CHRO), 22 percent held the title of EVP or SVP of HR, and 62 percent served as director of talent acquisition or head of talent management. Public and private companies ranging from Fortune 1000 to small-caps and startups were included as were non-profit organizations, foundations, universities and cultural institutions, as well as hedge

funds, commercial & investment banks and private equity firms.

Talent demand from all of these constituencies has been building for at least the last decade and their diversity and demographic range have added substantially once again to this year's findings. Talent management professionals are facing a host of pressures – realigning themselves with a rising economy is one of them. Competitive social media technologies and rival in-house recruiting initiatives at companies continue to be 'destabilizing concerns' for many professionals in charge of corporate talent management programs, but managing growth is front and center for most of them. Here are the rest of this year's report findings:

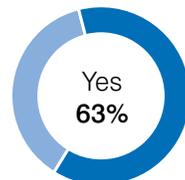
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**Does your HR/talent acquisition staff conduct its own in-house search assignments for senior level positions?**

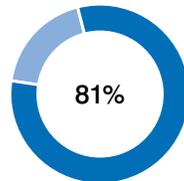


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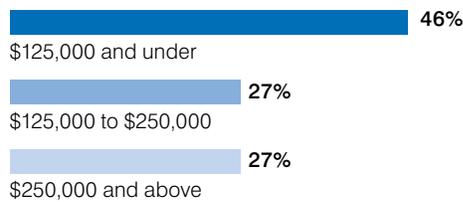
**Does your HR/talent acquisition staff perform its own C-suite recruiting in-house?**



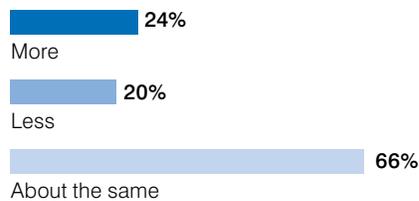
What percentage of senior-level positions that you recruit for is handled internally? (We define senior-level positions as those with compensation ranges above \$150,000).



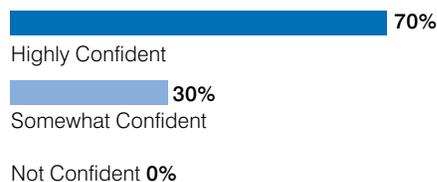
What is the average compensation range for assignments completed by your in-house staffing team?



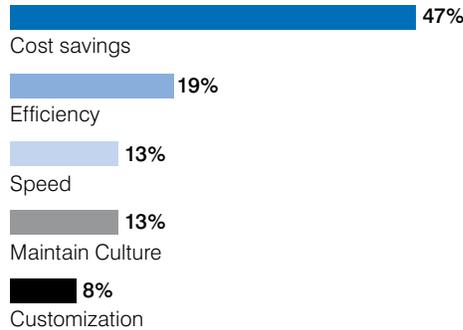
Will your in-house recruiting staff fill more, less or about the same positions next year?



How do you rate your in-house ability to identify, assess with rigor and recruit/attract senior management over the next two years?



What has been the primary driver to bring your recruiting efforts in-house?

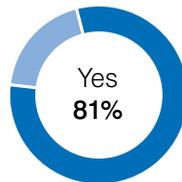


What social media technologies have best improved your ability to search for talent?

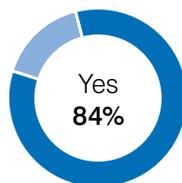
**LinkedIn** 100%

Twitter was noted by respondents as an important platform in which to share thought leadership and to communicate with candidates. Facebook was seen as a resource to reach younger people in the workforce as well as those in the beginning stages in building their careers.

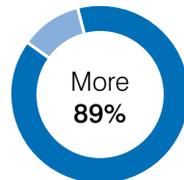
Do social media sites and online databases offer you the ability to side-step or bypass recruiters in your hiring process?



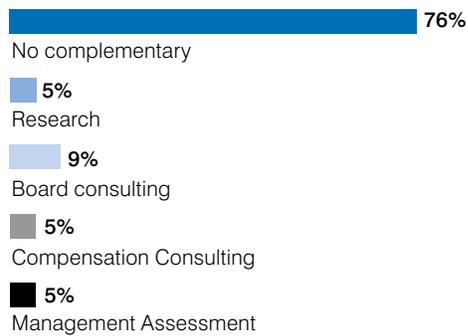
Do you think search firms will lose a competitive edge to social media sites and these online databases?



Will you spend more time and money or less time and money to develop your senior-level employees over the next five years?



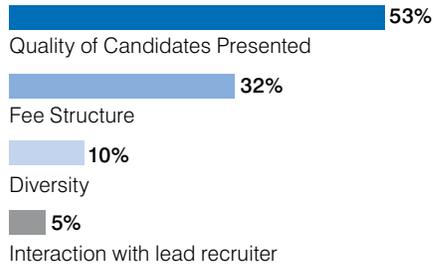
What other services do you retain your external search providers to perform?



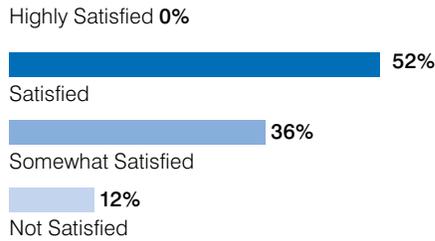
Do you prefer to retain a boutique/specialized search firm or larger generalist?



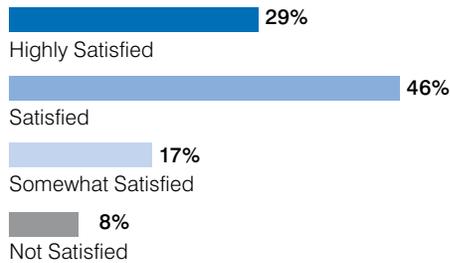
What areas of service do you feel your external search providers need to improve the most?



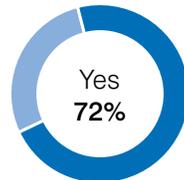
Are you generally satisfied/dissatisfied with your external search providers?



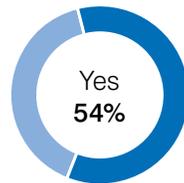
How satisfied are you with recent hires via search firms?



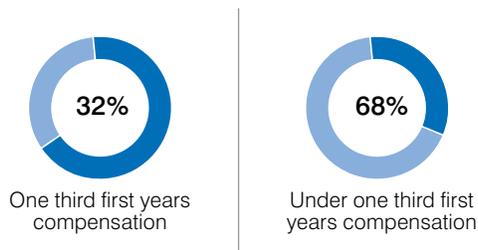
Does your company require its external search vendors to sign off-limits agreements?



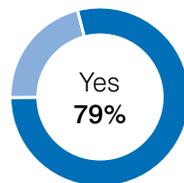
Does your company maintain preferred provider agreements with external search firms?



Under what fee structure do you pay your retained external search firms?



In the last five years has your company been able to negotiate more favorable fee terms from your external search providers?



# **SECTION 4**

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Viewpoint

## THE EMERGENCE OF IN-HOUSE RECRUITING

### A Conversation with Jason Hanold, Managing Partner – Hanold Associates



*It is not a new phenomenon, but it is now widely seen as scalable as new social media technologies make the task of in-house recruiting more efficient and less expensive. What had become the de facto nod to use external recruiting specialists 20 years ago is now questioned, repeatedly – and it is a trend that is not going away. In Hunt Scanlon Media’s survey of human resource and talent acquisition professionals this year, all respondents reported that they now use in-house recruiters to fill at least some professional level positions. And the trend to bring more recruiting work back inside is advancing quickly; this same respondent group reported a 35 percent rise in in-house recruiting in the last five*

*years, but within the next decade this group reported that more than 75 percent of all open positions could, in fact, be handled internally or by in-house recruiting methods.*

*Jason Hanold, managing partner of Hanold Associates, said the trend is without question increasing dramatically. “If I compared in-house recruiting today to a decade ago I would comfortably say there is a 65 percent increase in the number of organizations using in-house methods to recruit professional level people.” Mr. Hanold has based his business premise on the fact that companies will more often than not in the future search for talent themselves. His search firm, in a new industry twist, specializes in recruiting in-house recruiters for top companies.*

*In the following interview, Mr. Hanold, discusses this emerging trend and why companies are increasingly turning to his firm to identify and recruit talent acquisition professionals to spearhead internal recruiting initiatives for their companies. Mr. Hanold leverages his in-depth knowledge of distinctive leadership traits and competencies to advise clients in assembling high-performing leadership teams. Prior to founding Hanold Associates, Mr. Hanold was managing director with Russell Reynolds Associates where he led the firm’s human resources officer practice and was a member of the firm’s board of directors and CEO practices. Before Russell Reynolds, Mr. Hanold led the global talent acquisition function for Whirlpool Corporation. Prior to that, he was with McKinsey & Company where he was director of recruiting, charged with direct-elect partner hiring for the company. Previously, he was the Americas director of leadership recruiting at Deloitte.*

**The HR departments of many companies today are reporting an uptick of hiring an internal recruitment professional whose responsibility it is to identify and recruit candidates for the company. Do you agree and would you consider this a growing trend?**

We have been seeing a definite rise in in-house recruiting and the continuation of a trend that started well over a decade ago. It has really gained traction in the last few years as HR departments and HR officers are witnessing major changes to the landscape in the hiring market.

**When did companies begin to see the advantages of in-house recruiting and how much has this increased in the last five to 10 years?**

In-house recruiting began to take hold in the early to mid-1990s within organizations with large-scale hiring

needs. These are companies that did lots of hiring and tended to be at the leading edge in terms of how they were thinking about staffing and bringing talent into their organizations. The industries where this was most prominent at that time were financial services, banking, technology and consulting & professional services for the most part.

**What was it about those industries that fostered this type of change in how companies approached hiring?**

In professional services and financial services, for example, these organizations tended to employ more sophisticated recruiting techniques and approaches and they therefore had to scale to accommodate the volume of hiring they were doing as they were growing. And in-house recruiting was also the result of the growth in technology, such as ERP systems;

remember, in the early and mid-1990s the Internet was in its infancy.

**So what has happened in the last five to 10 years? Why is this now enveloping the industry today?**

In the last decade organizations have become far more sophisticated than ever before and the caliber of people they have within their HR function have become more savvy about people issues in their organizations. It is not only the HR officer becoming more knowledgeable about the broader business but it is the entire leadership within companies who are becoming more knowledgeable, especially in the areas of hiring -- particularly in how they ought to be thinking about it and approaching it. Senior leadership is really placing a premium on people and, as a result, they are thinking to a much greater degree about how they should be leveraging their internal assets to make that happen.

**If you had to put a percentage on how much of an increase there has been in in-house recruitment where might you peg that?**

There is a 65 percent increase in the number of organizations that have a more sophisticated in-house recruiting capability than what there was 10 years back.

**Is the director of recruitment or the in-house recruitment professional in charge of hiring generally someone who is currently employed by that company or are they typically brought in from the outside?**

It is typically a recruitment professional who has been brought in as a fulltime employee and member of the internal HR team. For the last five, six, seven years now, companies have been seeking in-house recruiters who possess the requisite skills particularly in the area of how to close senior level candidate assignments. Today, companies generally have solid in-house recruiters who are quite skilled. And as

internal hiring needs have become more senior and C-level, the internal recruiters now occupying the seat have that level of experience and expertise. In-house recruiting teams are handling those types of positions as well today. This is a growing phenomenon.

**Since the level at which in-house recruiters has moved up-stream are companies tapping executive search consultants or would this be a human resource professional or talent acquisition leader at another company who has been doing this for his or her company?**

We see both but the process is becoming far more sophisticated today. To give you some background: five years ago companies wanted one individual with executive search experience to spearhead the company's in-house recruitment efforts. Today, a company hiring a professional into this role might not be seeking someone with a talent acquisition background but rather someone who has broader knowledge about the industry the company serves. These might be credible leaders in a particular function or industry but their key attribute is that they know how to assess talent from their expert lens of knowledge. Then the actual sourcing component becomes the responsibility of a more junior person.

**So this overall function of having an in-house recruiter can often be made up of teams of people then?**

Correct and often times it is. Today's model consists of executive recruiting teams and, depending on the size of the company, they may range from four people to around 10. They handle executive level recruiting in a group that might include the director, senior directors, and vice presidents across the entire enterprise. A common model is one that almost replicates an executive search firm structure where you might have a junior researcher and then a lead recruiter who is the more seasoned professional

who is actually making those outbound calls and assessing prospects. In the case of Nike and Deloitte, for example, they know their industry well and what “culture fit” means for their respective organizations. They are relatively structurally flat organizations where each recruiter is responsible for full recruitment lifecycle process.

**Are there specialties within the inhouse recruiting function?**

Yes, when companies scale the in-house recruiting function it allows each of their internal recruiters to be more specialized. And this seems to be mimicking the trend we see of talent acquisition professionals today preferring specialist recruiters over their larger rivals.

**If you had to look at a certain average position compensation or functional level that internal recruiters would be responsible for, what would that be and has this increased as the trend has increased?**

Yes, as the sophistication of the in-house recruiting function has become more enhanced, there is an organizational thirst for the in-house recruiter to do more senior-level recruiting at the VP level and above. A decade ago, there was more of a push to focus on the director and manager levels within a company, and then to outsource the lower levels through an RPO process and the senior levels to executive search firms. Today, RPO firms handle both lower and mid-level positions while the in-house recruiting team focuses on the more senior level roles to off-set the higher cost of executive search fees.

**External search providers have developed a very substantial network of candidates through years of recruiting and working with dozens or even hundreds of companies -- how are in-house recruiters able to replicate what their external counterparts have been able to effectively do for years?**

The tools and technologies are vastly different today, allowing for relationship networks to be established much more quickly than in the early days of executive search. When a company wanted to recruit an executive 20 years ago, they relied on the relationships of seasoned executive recruiters. Those executive recruiters spent all of their time networking and meeting folks, building one relationship at a time. We didn't have the internet or e-mail or social networks to tap into from their desktop computers – in fact back then they didn't even have desk top computers! They simply had a phone book and a golden rolodex – that was their value proposition. It has changed so much and now it doesn't take a career or at least a half of a career to build an extensive relationship for those who seek to leverage connections - whether it be via social media or what have you. So today, if you are representing a great organization and you are sitting in-house, you are probably pretty passionate about where you are, who you represent, passionate about the culture – and it is therefore easy to convey that enthusiasm to someone who you have just met.

**So what you are saying is that technology and the other resources that are at the disposal of in-house recruiters allows them to cast a wider net and essentially do as an effective job.**

That's right. It's market transparency. The talent used to be local and now technology allows us to see who is out there across geographies.

**An obvious reason to bring the recruitment function in-house is to save on fees. But what are some other considerations for developing this function in-house and how is this really helping to streamline the process?**

The most important consideration is understanding cultural fit to the company. If one is living and working in an organization every day, one knows the culture

better than any external search partner. When insiders are immersed with all of the business leaders, not just those in HR, they understand culture fit. So this understanding of cultural fit is as important a reason to consider in-house recruiting as cost savings. Executive search consultants can be great at this as well, no question, but it depends on how well skilled they are at assessing the cultural nuances of a company. There is a learning curve that external executive recruiters have to climb if they don't live and work there every day.

**Is there any loss in quality as the function comes in-house?**

After we were awarded a search from a major global company recently, they said; "Your competition wasn't so much other firms we talked to, we didn't think they would be fast enough for us. However, your biggest competition is our internal recruiting team. We know they can run fast and we wanted to see if you could go as fast as them. The difference is that you are starting with a better network than they have."

**Why do internal recruiters move faster; what is it that they can do to accelerate the search process? And do they lose quality by moving faster?**

They are not necessarily losing quality by being fast and efficient – there are other factors along with the true ability to assess the talent and things like that – they can say the same things about external search professionals. In-house teams can be more efficient in an assignment launch compared to an external search firm that has not served that client in the past. Once a search firm launches the assignment, they need to perform their due diligence. The team will have to meet the relevant stakeholders to get to know culture. Whereas that time is saved if one is immersed in that culture daily. You don't need to have those due diligence meetings, you don't need to get to know the culture and you also know the hiring manager and

their preferences if you're already on the inside. And that is significant.

**If a Fortune 500 company has been allocating \$5 million annually for external search fees how much of this figure might they save by handling these assignments from the inside?**

I struggle with a specific answer because there are so many different patterns. It kind of depends on the level for which they would be recruiting, but let's assume that average compensation of the role being filled is \$200,000. If this is an external search, the fee is \$70,000. Do the math on how many roles at that level are filled within a \$5 million budget, versus how many internal recruiters could be hired to tackle a large portion of those open positions.

**So the savings are significant when you know you are talking about fees of \$100,000 and 10 or more searches.**

That's right. You have some nominal costs for your LinkedIn membership, salaries, benefits, office space, equipment and applicant tracking system, but it doesn't add much.

**So aside from cost containment as being one priority for developing in-house recruiting functions, are companies also just reaching a maturation phase with their recruiting efforts and looking for perhaps more control in their hiring function?**

It has been an awakening and one I witnessed at Whirlpool. When I joined that company, we decided to build more internal executive recruiting capabilities because we were spending \$2 to \$3 million a year on search fees. There was a reluctance to take on the fixed cost versus having the search fees as a variable spend. Whirlpool wasn't alone; companies would rather spend much more on a component that was variable rather than commit to the year-after-year fixed cost spend. So, yes, companies are maturing but cost management remains a priority.

**Off limits issues among search firms have caused many companies to seek smaller specialists or boutique providers. Is this another reason why companies develop the in-house recruitment function as a means by which to broaden the candidate fields?**

Yes, this is mentioned often by internal recruiters. They believe the large search firms have so many off limits constraints and it's easy to work around those with an internal team in place.

**To what extent might the increasing trend of in-house recruiting affect the executive search industry? Will it have more of an effect on contingency firms because compensation levels are much lower or will this have a real effect on retained executive search firms?**

It will have an impact on contingency firms for sure. It will have an impact on some retained recruiting firms. There will always be a need for a form of executive search as long as people and practitioners doing great search work continue to have productive and long careers in the field and in working in partnership with the internal executive recruiting teams. But in-house recruiting will contain the growth of executive search firms and the industry in general. Executive search could now be kept in check as a result of in-house recruiting. It is a reality now and it is not going away.

**How has this impacted your own firm? You are an executive recruiter and you are specializing in recruiting in-house search teams for companies. You are kind of in a unique position.**

More often than not we are taking calls to assist an in-house search team on assignments they have been performing for a couple of months. Maybe they now have other priorities or other pressures and they need more help. Five years ago we had more calls to

initiate a new search, rather than one that had already been attempted by an in-house team. The trend to build out the in-house function has helped our firm because of our focus in building executive recruiting in-house teams for talent acquisition leaders who are charged with executive level recruiting.

**What measures can executive recruiters take to counter the trend or to compete with companies who have brought this function in-house?**

The best thing a recruiter can do is always be mindful of why companies have historically called in executive search firms and why they do it today. We most often hear that they are calling us because of our network and because of our relationships. That means that as a search professional one's focus ought to be on doing exceptional search execution and continuing to get to know up-and-coming smart talent out in the market even when they might not be relevant for a search you are working on today. But what most search consultants do, rather than spend their time trying to tackle the search they have on their plate, they focus on business development and that is the wrong focus.

**Part of this drive in-house is about lowering the standard fee. It is leading some recruiters, especially in this economy, to offer more flexibility on fees. Some are charging 25 percent as a flat fee for example. Do you think that is going to make any difference to companies that are probably already looking beyond fees as the consideration for moving this function inside?**

I don't think it matters. What most of them ask is, "Aren't you open to milestone billing?" They want reassurances about performance. More of the talent-savvy clients go right to milestone billing before they request reduction of fees.

## WHAT TALENT MEANS TO YOUR ORGANIZATION

### An Up-Close Look at Talent Acquisition Strategies by Jay Rosenzweig, Founding Partner – Rosenzweig & Company



*One common mistake companies make is simply waiting too long to add needed executive talent. If a company is perceived as having crossed a point of no return, where the odds of turning things around are overwhelming, it can be impossible to find a candidate. After all, a hiring company wants someone who has excellent business judgment – and that same excellent judgment may signal to the individual that he or she is looking at a lost cause. In the following article, Mr. Rosenzweig takes us inside companies of all shapes and sizes to see how they're approaching talent from the inside out.*

*Jay Rosenzweig, founding partner of Rosenzweig & Company – a global talent management firm that focuses on the critical, specialized executive search needs of clients, is a veteran of executive search. He consults to a wide range of public and private companies including large global corporations; small to medium-cap businesses; and private equity and venture capital firms in the development of world-class leadership teams and boards. He offers deep cross-functional and cross-sector experience, with a track record of having successfully recruited general managers, “C” level (CEO, COO, CMO, CFO, CIO, CLO, CDO) executives, and professional services partners for his broad client base. Mr. Rosenzweig founded his firm after many years in the search business, beginning in research, and progressing to partner-level roles both in boutique and global, public firm environments. Prior to joining the search industry, he was in the field of law, which included exposure to corporate/commercial litigation, criminal defense, and human rights work.*

*Today, Rosenzweig & Company also offers management assessment, onboarding and executive coaching, organizational effectiveness, digital media strategy, and risk advisory & compliance services. Since 2004, Mr. Rosenzweig has recruited partners to the firm with decades of global, ‘big firm’ experience from organizations including Heidrick & Struggles, Spencer Stuart, and Korn Ferry. While the firm offers ‘big firm experience,’ it works in the context of boutique firm rigor in terms of process, intensity, and senior level involvement in project execution.*

What I would like to outline here is a perspective on talent acquisition once the company is underway... either to fill gaps, enable growth or, in some instances, change out leadership to take the company to the next level...or save it from failing. But before I do that, I want to say a couple of things about executive search firms, in terms of what prospective clients might expect when engaging one.

Many executive search firms tend to be specialized, with deep knowledge in certain sectors. These are called practice areas. This can be a plus or a minus, as I will explain. Some firms, like my own, are happy to take on fledgling companies – others typically do not do so. What executive search firms are not is angel investors or venture capitalists. Search firms expect to be paid a fee, typically linked to the compensation level of the position.

You also need to be aware that a good search takes time. My firm, Rosenzweig & Company, believes that the first step in a successful engagement is a thorough discussion with the client. We do our utmost to understand the business objective behind the decision to add executive talent, as well as the culture he or she will be hired into.

The next step is to develop an original research strategy designed to help the client company achieve those business objectives. Of course, depending on the situation, the “client” can be the start-up, the start-up's venture capital partner/owner, or both. Each situation is unique. If you conduct customised, original research designed to mesh with the client's business objectives and that is mindful of the company's cultural norms, you will invariably get a better fit and a better business result.

I have been in the executive recruitment business for 17 years, a partner in both boutique and big-firm environments, and I can tell you with certainty that there is no substitute for customized original research vs. the cookie-cutter, off-the-shelf approach used by some. As I say, the customized approach takes time. Companies (and their investors) should be constantly – and realistically – reassessing their executive talent needs.

One common mistake companies make is simply waiting too late to add needed executive talent. If a company is perceived as having crossed a point of no return, where the odds of turning things around are overwhelming, it can be impossible to find a candidate. After all, you want someone who has excellent business judgment – and that same excellent judgment may signal to the individual that he or she is looking at a lost cause.

I'll give you an example: I received a call a number of months ago from a prominent private equity firm. They had bought a forest products business and decided to do a search for a new CEO, someone who could turn things around. The ideal candidate would come from the sector, as there was a big emphasis on operational improvement. The private equity firm let us know there were other recruitment firms pitching as well, firms with big forest product databases, big search experience lists and a partner who specialized in forest products. The equity firm asked if, because we didn't have these things, we'd be at a disadvantage.

I went through all of our differentiators, including the fact that we take on a lower volume of projects; almost exclusively involve senior partners, rather than junior staff, and are also less likely to be conflicted as compared to a firm with a specialized forest products practice – whole companies and their executive talent may be out of bounds.

Most importantly, I said we do original, customized research. On that basis we were awarded the search. In a reasonable amount of time we found not only a fabulous CEO, but a great COO as well.

### **Not a New Phenomenon**

Start-ups present unique challenges to a recruitment firm. One of the paradoxes regarding start-ups is that they typically benefit from having a hard-driving, entrepreneurial leader – a person with enough ego to launch a new venture, often against real odds. When they start to succeed, this only tends to reinforce their self-image. In reality, at some point the leader of a successful, growing company typically has to accept the fact that he or she can't do everything – they need to learn to check their ego at the door and see that the ability to accept help is a strength, not a weakness.

This is not a new phenomenon. I grew up in Montreal, home of one of Canada's iconic home-grown technology companies, CAE. The company was founded in 1947 by a brilliant engineer, Ken Patrick, who saw a future in aviation electronics. The company achieved some modest product success early on, but lacked both capital and managerial skills. In the early 1950's two young lawyers, Fraser Elliott and Heward Stikeman, became aware of the fledgling company, thought it had promise and decided to invest. They soon realised that Patrick, while a good engineer, lacked the general management capabilities to make the company successful.

They had the good sense to raise the issue with Mr. Patrick and he – albeit reluctantly – finally agreed that a new CEO was needed. The company went on to become the world leader in flight simulation and Mr. Elliott and Mr. Stikeman, reaped a financial reward a thousand times greater than their initial investment.

Ideally you get the assignment with some time to work with – but not always. I had the privilege of doing some search work for a great venture capital firm. I

had placed three CEO's at the firm's companies with some success. Out of the blue the managing partner called me on day with what I can only describe as a colossal challenge – he had a \$10 million company on the verge of bankruptcy. The banks wouldn't lend any more money and they needed to have a new, credible CEO within a week, someone who could come up with a road map to recovery.

Oh, and by the way, because the company, a contract manufacturer, was broke, they couldn't really afford search fees. In short, they were looking for a savior, a serial entrepreneur with a track-record of turnarounds. Obviously because I am telling this story now, it all worked out. Thanks to the type of deep, advanced research we do, we did have a candidate... and he did take the job. After a few weeks he was able to secure a second source of funding; within nine months things were turned around; and after two years the company was successfully and profitably sold.

But my advice is to not try this trick at home – it is best to find talent in anticipation of a need, not in response to a need. It is also important to remember that every situation is unique. And that even established companies can have hick-ups. Think about Apple. The company's co-founder, Steve Jobs, was by 1985 problematic in the eyes of some on the Board. So they replaced him with John Sculley, the head of PepsiCo, thinking that Mr. Sculley's marketing background was what Apple now needed. By the early 1990's this was clearly seen to have been a mistake of the first order – and Jobs, rough edges and all, was brought back.

On the other hand, at about the same time, IBM was struggling, facing catastrophic market share erosion and multi-billion dollar loses. The Board let the CEO, John Akers, go – and brought in a former McKinsey partner who admitted all he knew about technology was as a customer while heading up American Express and RJR Nabisco.

My point is that there are no cookie-cutter approaches here. Each situation has to be assessed taking into account the company's culture, immediate and long-term needs and tolerance for change. With regard to start-ups, one question I often get asked is what particular insight can I bring to young entrepreneurs who want to build a great company in the dog-eat-dog world of start-ups and venture capital?

I answer by saying, first of all, there has to be an understanding and acceptance of each other's interests. Venture capitalists and private equity managers don't just care about the latest software application or most elegant widget – they naturally care about whether that app or widget can actually turn a profit.

### **Communication is Critical**

Ideally, the entrepreneur has the savvy to build his or her company organically, attracting the right talent – including especially talent that might shore up their own or the company's weaknesses. For example, you might have the greatest technology or product in the world, but if nobody knows about it, due to poor marketing, you're probably going to fail.

The same is true of financial controls, regulatory compliance – all of the elements need to be covered off. Ideally your venture capital or private equity firm will be seen as a resource, not just a writer of checks. Having reputable partners can actually help build your talent pool because they give you credibility.

As with any relationship, a critical element is communication between the venture capital firm and the entrepreneur. Just as employee appraisals, if done correctly with on-going feedback, should never surprise, the need to parachute in some help should come after on-going discussion and analysis.

It is easy to find cynicism on both sides of the entrepreneur-venture capital relationship. For some there is an almost Faustian aspect to accepting

capital – a selling of the soul. For others the relationship is more akin to the parable of the scorpion and the frog – they both need each other to cross the river, but that doesn't stop them from getting caught up in their own narrow interests.

In truth, venture capitalists and private equity when partnered properly with entrepreneurs can work economic wonders. In those cases, the parachuting in of needed talent will be less about a failure to find the talent within and more about achieving mutual success. Having the right talent at the right moment can make all the difference. But it must be done with sensitivity.

In today's business environment, successful start-up leaders must have the ability to not only formulate and communicate broad strategy and objectives,

but need to possess the flexibility of mind to quickly alter course as market conditions warrant. He or she needs to be a good communicator in the fullest sense of the word – which means being a good listener as well as a good speaker.

CEO's are typically successful when they attract, motivate and leverage a high-performance team. The selection of that team is important – but leveraging their skills and capabilities is critical. The ability to foster open, two-way communications is a key enabler and a necessary skill.

It is that same ability to communicate – to articulate your start-up's business goals and cultural norms – that helps a good, research-based executive search firm to help you find the right talent to achieve success.

## THE LISTENING PARADOX

### TRANSEARCH International Leadership Advisor, John Burdett, Tells Us Why Successful Leaders Are Inherently Better Listeners



*Why are successful leaders inherently better listeners? At no time in the past have leaders been faced with today's volume of background noise, the present level of complexity, and the reality that to lead often means being less knowledgeable than those being led. Although listening is more important than ever, at no time have there been more barriers. Listening mastery means constantly striving to reach the next level. Masterful listening is to listen without judgment and to be receptive not just to new knowledge but to be open to new ways to being receptive. Listening without judgment means that we must first strip away our own mask of self-judgment. Coaching, selling, mentoring, negotiating, interviewing talent, running a meeting, leading a team, working with customers and taking on a new role...these all demand mastery in listening. Here's how one leading consultants has concluded that if leaders don't listen, then they can't lead.*

*John O. Burdett has a wealth of business experience as a senior human resource executive on both sides of the Atlantic. As a consultant, he has an extensive international background. He is best known for his 4-D approach to leadership; strategy as story; and wide-scale, organization culture change. A recipient of the prestigious "Coach of the Year" from FINTRA (Finland), Mr. Burdett received a teaching excellence award for his work on the executive programs at the University of Toronto. His teaching on the Executive MBA at the Helsinki University of Technology and senior executive programs at the Helsinki School of Economics received like feedback.*

*Mr. Burdett's book on executive integration, New Role, New Reality (2000), was shortlisted as book of the year by the U.S. Society of Human Resource Management. Leaders Must Lead! (2003) reached No. 3 on the Books for Business best-seller list. Myth, Magic, Mindset: A Template for Organizational Culture Change (2008) was a top three bestseller in the Globe and Mail list of business books. Without Breaking Stride: Moving Successfully Into Your New Role (2009) is available in several languages and in use in 20- plus countries. His newest book, My Homework Ate the Dog: Leadership In An Upside Down World (2011) is in its second printing. A new book is in the works.*

Neils Bohr, the eminent, Danish, pre-World War Two physicist, was fond of saying, "a paradox, now we can really learn something." Business life is full of paradoxes: think long-term while, at the same time, respond to the aggressive, short-term demands of the capital markets; reduce costs, but grow the business; nurture diversity, but build a common culture; be tough on those who don't live the values, but give people the freedom to act and be focused, but strive to create agility; demand more by way of performance, but be conscious of the need for balance in peoples' lives.

The learning that Mr. Bohr spoke of comes from seeing a paradox not as a binary choice between opposites, but as an inherent challenge about a need to see the overall challenge from a new perspective. By replacing the "but" with an "and" one is forced into not just a creative solution, but a different mindset.

Nowhere is this more apparent than in the need for successful leaders to both move quickly and take the time to listen. Or, as Peter Drucker points out, "Fifty years ago a leader knew the answer...today, he/she asks great questions." Asking a great question without stopping to listen to the answer is, of course, about as useful as throwing an anchor over the side without a rope or chain attached with which to retrieve it.

The dilemma: at no time in the past have leaders been faced with today's volume of background noise; with the present level of complexity; with the reality that to lead often means being less knowledgeable than those being led. Although listening is more important than ever, at no time have there been more barriers. The good news; opportunity beckons. The not such good news: when we look back five years from now, today will seem like the good old days. Every decade

or so, those smart enough to design the protocols necessary to conduct listening “tests” with leaders, announce that our listening proficiency is, more or less, dysfunctional. Numbers that describe overall listening proficiency of 30 percent, or less, are commonplace. Put another way, in relation to its importance, our listening efficiency goes down every year.

There is a positive side. In much the same way that we know most of us are poor listeners, we know what outstanding listeners do that makes them special. We know the difference that makes a difference. And lest we forget, if you want someone to listen to you, first you have to show that you can, and do, listen to him/her.

Why don't we listen? We don't listen when we make subconscious choices about who we perceive as being worth listening to. People who we deem to be less intelligent, less experienced, who have only tangential knowledge of the issue, those from a different culture, those who don't share our beliefs, those whose use of language is less developed - particularly when lack of time and a surfeit of complexity frame our lives - can be easily tuned-out as being of “marginal value.”

Any latent sense of superiority is compounded by an educational system that tends to present listening as the passive communication role. When, for example, did you last read a school report that made comment on your child's skills in listening? All relationships ultimately are about power. Unfortunately, the “power role” is mistakenly assumed to be the one in the spotlight, the actor who delivers the soliloquy, the leader presenting the information. Nothing could be further from the truth. The appearance of power is not the same as really having power. A professional actor will be quick to point out that delivering the lines is the easy part and that the real “art” lies in how the other players listen. If you are still in doubt ... go watch a truly skilled salesperson do his/her thing.

If you have eight people on a team and they all think the same way, seven of them are redundant. We invariably gain most by listening to those who are most unlike us. Personal breakthroughs happen when we afford others the opportunity to challenge our way of thinking.

We tend to avoid those who make our life difficult, those who make us angry, and those who ask the questions that make us uncomfortable. To be a leader is to actively seek out those who disagree with us. To be a leader is to make the first call of the day to the person you least want to talk to. To be a leader is to listen hardest to the person on the team who frustrates you the most. To be a leader is to know that fellowship is a choice and that leading a team is both a privilege and an act of service. To listen is to serve.

### **Becoming a Better Listener**

Someone who comes to the issue for the first time brings not just a fresh perspective but, as often as not, a new way to see what is possible. The customer that we can learn from isn't defined by those we currently serve. Important as it is, new insight isn't limited to listening to the customer we lose. It is the customer we have never landed, the one who rejected our offering out of hand, that often offers the most compelling evidence of new opportunity. The paradox: the people we reject as being those who offer little value are invariably those who we can learn the most from.

How do we become better listeners? Getting rid of distractions is the start of it; using our whole body as an antenna is part of it; but mindset is the heart of it. We listen when we make an emotional commitment to be there. We listen when we put a hold on likely interruptions and spend a few moments clearing the clutter from our mind. We listen when our self-talk moves to full volume with a message that emphasizes, “the next few minutes provide an

invaluable learning opportunity.” We listen when we put the needs of others ahead of our own needs.

The average person talks at a rate of about 125-175 words per minute. Meanwhile, we can listen at a rate of up to 450 words per minute. We fill that “vacuum” by daydreaming; attempting to both be in the conversation and elsewhere; by thinking about how we are going to respond when the other person has stopped speaking (script writing). Listening isn’t a spectator sport. Listening is an intense, full-bodied, emotionally involved, empathetic experience. Simply put, listening is hard work.

We improve the quality of the listening experience immeasurably when our body language says to both the speaker and those present, “what you are saying is important to me.” When we lean in slightly and maintain good eye contact we signal that we are fully present. When we reinforce key statements with positive body language, such as a slight nod of the head, we are letting the speaker and everyone else present know that the message is landing. And when we allow the speaker to pause and we resist the temptation to jump in, what we are projecting...is respect.

### **Listening Mastery**

The intensity described comes with a soft edge. When we appear relaxed we make the speaker more comfortable. Our willingness to smile is a measure of our openness. When we use a “gentle voice” we are emphasizing that this is a shared experience. When selectively we paraphrase, restate and, as appropriate, summarize what the speaker has said, we are projecting that we care. Even when it is clear that the speaker has concluded, when we wait two beats before giving our own response (or question) we give emphasis to the speaker’s message. (Interviewers on television please take note!)

Masterful listening is to listen without judgment. It is to be receptive not just to new knowledge, but to be

open to new ways to be. Listening without judgment means that we must first strip away our own mask of self-judgment. It is a level of listening that draws on a willingness to be vulnerable. It is a level of attentiveness that is only possible for those who have the capacity to be emotionally “still.”

Listening mastery means constantly striving to reach the next level. It is ongoing learning that starts with a simple question, “What is the one thing that I can do which will make the greatest difference to my listening?” To grow as a listener is to write at the top of every page on the note pad you are using, “I will listen.” To grow as a listener is to self-rate oneself at the end of every key meeting or coaching session. Learning also means feedback from others. It means a willingness to appear vulnerable. It means being humble. It means asking others on the team how he/she would rate your listening skills. It means seeking input from the customer. More than anything else, of course, it means acting on the input.

Great listeners are no less skilled in promoting listening when they themselves are speaking. Starting with a smile, building rapport, eye contact, a relaxed posture, putting the key idea at the beginning of the sentence, weaving in relevant stories, using the language of the listener, pace, tonality and an ability to step outside of the communication dance and, in doing so, observe how the interaction is unfolding all have an impact on how the audience’s listening experience unfolds. Great listeners know how to work the room!

The questions we ask can also go a long way to promoting listening. Long, convoluted questions that contain several ideas work against listening. Questions that begin with “why” invariably trigger a defensive reaction that, in turn overpowers the intent and meaning that lie behind the question. Questions intended to open up dialogue but which contain the advice the speaker wants to introduce

into the conversation signal a “power-over” mindset and, in doing so, turn off the listener’s attentiveness gene. A great question, one that provokes listening, zeros in on what the listener is passionate about, it paraphrases the conversation the listener is silently having with him/her self, and it anticipates the objections that would otherwise be a barrier to understanding. Questions that focus on what the speaker wants - as opposed to what he/she doesn’t want to happen - that tap into those things the listener is proud of, that speak across rather than speak down to the listener - all, serve to make the act of listening far more likely.

A selling situation that focuses the conversation on you and your “great product,” is a surefire way to prompt the customer to look out of the window and think about the next meeting. Essential as it is to present a great product and/or unique service experience, even more important is to draw out (listen to) the customer’s story: What do they believe in? Where are they heading? What makes the organization special? In what ways does the business create value for their customer and their customer’s customer? Much that is described as “marketing” works on the assumption that success is about having a winning value proposition. What is missing from that equation is that the final “buy-decision” is largely emotional; it is ultimately about how the customer feels about your value proposition and the people who stand behind it. The problem:

orchestrating the right emotional “connection” is all but impossible if the customer’s story remains untold. The big mistake is to assume that selling is actually about selling. A winning sales person understands that landing the order is far more about listening to why the customer wants to buy than it is about simply “selling” an “unbeatable” offering. If you don’t listen you can’t sell!

None of this implies that to listen we must lose, or mask, who we really are. Listening isn’t an act of manipulation. When someone else turns up, when any attempt to listen more effectively distorts our sense of self we take away from, rather than add to, the listening experience. To become more effective as a listener is not about learning how to act in a way that contradicts our sense of identity. It is far more about reaching inside and amplifying qualities we already possess. The paradox: listening is fundamental to discovering our own sense of authenticity; when we listen with intensity to someone else we also listen to ourselves. The corollary, of course, is also true ... poor listeners invariably struggle when the topic is leadership of self.

Coaching, selling, mentoring, negotiating, interviewing talent, running a meeting, leading a team, working with customers and taking on a new role...all demand mastery in listening. The conclusion: if you don’t listen, you can’t lead! And what sort of listener are you?

## WHY SEARCH FIRMS MATTER

### Key Advantages of Using an Executive Search Firm?

#### Jim Bethmann, Managing Partner at Caldwell Partners, Tells Us What They Are



*The executive search process differs fundamentally from other methods of recruiting. It is a customized solution crafted according to a client's specific requirements and takes advantage of broader access to the marketplace, established networks, in-depth industry knowledge and comprehensive research capabilities. Executive search consultants are able to approach candidates working for rival companies directly, regardless of whether they are in the market for a new role. Recruiters are skilled at negotiating contracts and salaries, and often act as the buffer between the client and candidate with regard to potentially contentious issues.*

*Economists argue that search firms present efficiency-based advantages to hiring organizations and are more likely to establish higher-quality matches between clients and candidates. Sociologists emphasize the benefits of having search firms mediate between two parties with different interests, gauge the intentions of both, ensure confidentiality and resolve issues that arise throughout the process. In the following thought-leadership piece, Jim Bethmann tells us why search firms matter most, arguing that they are integral parts of the talent continuum. With a career spent almost entirely in leadership positions, Mr. Bethmann has a keen sense of the qualities required to lead and drive success. His 30-plus years of hands-on leadership experience – including 15 years in executive search, 10 years leading technology company operations on three continents and 12 years as an active duty and reserve surface warfare naval officer – have made him an industry specialist in technology, telecoms, IT services/outsourcing, and defense. He currently co-leads the TMT & IT Services and Information Security practices at Caldwell Partners and focuses on recruiting board directors and C-suite executives in software, IT services, cloud/outsourcing, internet/media, telecommunications, hardware/systems and defense markets on a global basis. Previously, he held leadership roles at Heidrick & Struggles, Highland Partners, Korn/Ferry and Russell Reynolds Associates.*

With so much of a company's strategic vision originating at the top of its organizational chart, strong senior leadership is paramount to business health. Recruitment committees and senior leadership determined to find the right candidate for each role would be wise to explore the unique value found in an executive search partnership.

The executive search process differs fundamentally from other methods of recruiting. It is a proactive, tailor-made solution crafted according to the client organization's specific requirements and circumstances, and takes advantage of broader access to the marketplace, established personal networks, in-depth industry knowledge and more comprehensive research capabilities that elevate and expedite the recruitment process from start to finish.

Additionally, executive search consultants are able to approach candidates working for rival companies directly, regardless of whether they are in the market for a new role. We are skilled at negotiating contracts and salaries, and can be the buffer between the client and candidate with regard to other potentially contentious issues.

Economists argue that search firms present efficiency-based advantages to hiring organizations and are more likely to establish higher-quality matches between clients and candidates. Sociologists emphasize the benefits of having search firms mediate between two parties with different interests, gauge the intentions of both, ensure confidentiality and resolve issues that arise throughout the process.

Ultimately, we are optimally positioned to assist our clients by leveraging our considerable networks, extensive expertise and experience of process and objective understanding of our client's particular situation and needs to deliver the right solution.

### **Exceptional Candidates**

Executive search firms are able to consistently identify a larger pool of more highly-qualified candidates than any other recruiting process, often surprising their clients with the number of candidates presented.

Often, the most qualified candidates for a given job are "passive candidates" - those who are gainfully employed and not necessarily looking for new positions. In our experience, the vast majority of prospects are not active job-seekers. Identifying these professionals isn't always easy, but executive search consultants take a systematic approach to candidate identification that yields results.

Search consultants, with their vast networks and sophisticated research tools, have the expertise to identify and attract individuals who may not be actively looking to change roles, who may have moved overseas or who may have specialized skills and a successful track record of achievements not known to their clients.

"Qualitative evidence reveals that in their search for talent, search firms...prefer to target well-performing, reputable companies," wrote IE Business School professor Monika Hamori in her November 2010 paper, 'Who Gets Headhunted-and Who Gets Ahead?' According to Hamori, this is because 'search firms often equate the quality of the candidates with the quality of their employers.'

That said, with their ability to understand and evaluate the underlying businesses and industries for each of their clients and their connection with key players in various domains, executive search firms are also adept at thinking outside the box and bringing in

unconventional candidates whom clients may not have considered.

Consultants are skilled at attracting the attention of qualified executives by deploying triggers that will prompt them to consider an opportunity, while simultaneously managing expectations and guarding the confidentiality of both candidates and clients.

### **The Right Fit**

Executive search consultants draw on a wealth of expertise and deep knowledge of our clients' industry. We truly understand our clients, from their products and services to their corporate culture. This familiarity allows us to discreetly profile the right candidates to validate the claims made on resumes, but also gain insight into work and management styles. This understanding of candidates beyond experience and technical skills ensures that the candidates presented to the client would fit seamlessly into their organization.

Cultural fit – or the lack thereof – can mean the difference between success and failure even when a candidate seems perfectly suited to a position on paper. Good executive search consultants guard our clients against the pitfalls of cultural mismatch, flagging potential incompatibilities during the search phase.

Extensive research over the last 25 years shows that the use of well-validated assessments can substantially lower the risk of hiring the wrong person. Many executives are good interviewers, often give a good first impression and have a strong resume, yet there are many unknowns.

Assessments provide a deeper look at the candidate from several perspectives; interview questions based on the data are provided to help clients dig deeper. The use of behavior-based interview techniques and psychometric evaluations help to ensure that the successful candidate will not only possess the requisite skills, but also fit seamlessly into the company's culture.

In recent years a growing trend has entered the marketplace, where in-house assessment solutions are used to validate candidates in a way that can be biased towards certain candidates. Third party, independent organizations are used to avoid this conflict of interest and help to mitigate risk.

### **The Proof is in the Process**

A successful recruitment effort hinges on starting the project within an acceptable and efficient period of time, keeping all parties engaged and seeing the process through to completion. Executive search consultants help clients simultaneously assess multiple candidates, thereby dissuading them from placing all their eggs in one basket, and culling the number of prospects to a workable amount for clients to compare and contrast without wasting time on unqualified individuals.

Search consultants can also act as “brand ambassadors” who act as a negotiator between the employer and potential employees, assessing the candidates’ interest and keeping them informed at every stage of the process.

While traditional recruiting efforts may make it difficult for a client to uphold discretion and anonymity, executive search firms enable clients to hide behind a veil when necessary, serving as an intermediary throughout the recruitment and negotiation process. Candidates similarly appreciate when consultants play a middleman role, as it affords them the luxury of vetting opportunities before agreeing to take things further. Ultimately, both sides benefit from such a buffer.

### **Added Benefits**

Extending beyond recruitment, executive search also encompasses various incidental and value-add benefits that include:

#### **Market Feedback**

Candidates often validate or challenge a firm’s strategy or reputation, providing invaluable insight into

how the company is viewed by outside executives. The Association of Executive Search Consultants’ 2011 Senior Executive Recruitment Survey revealed that approximately eight in 10 survey respondents said they were either “likely” or “highly likely” to use retained executive search in the pursuit of seeking market intelligence.

### **Competitive Intelligence**

Without speaking out of turn, candidates must present their accomplishments in the context of their current employer’s performance. Interviewers can either infer or deduce the “state of the state” through interviews, both at the micro level (with regard to a specific competitor) and the macro level (the market challenges facing the whole industry). As a result, search firms are well-positioned to develop and maintain an in-depth knowledge of executive job markets across a wide range of sectors and locations.

### **Free Consultation**

Good candidates will share their best practice ideas during the interview process, and will often compare and contrast existing organizational structure and governance models, providing the client with a wealth of insight.

### **Guaranteed Results**

Retained search firms offer clients a safety net by guaranteeing all placements. If a newly recruited executive leaves the company for any reason within a short period of time (typically, within a year of placement), the search firm will repeat the search with no additional fee for the client.

### **Onboarding Assistance**

Executives who are just joining an organization face challenges in understanding both their role and how to obtain early wins. Many executive search consultants also offer a process to help placements

successfully assimilate into the unfamiliar environment of their new employer.

### **Extended Benefits to Candidates**

The candidate who prevails among a comprehensive slate of skilled prospects wins a highly sought-after position and the validation that his or her new employer has invested wisely in the hire, but the other candidates stand to gain from the experience as well. Many strike up valuable relationships with their interviewers and may be considered as potential hires in another capacity beyond the position for which they were initially considered.

### **Why Choose Executive Search?**

In a world where restructuring, mergers and acquisition and other critical junctures are the norm, outstanding executive leadership has become an increasing need for today's enterprises. For companies looking to onboard skilled, experienced and culturally compatible executives, there are a variety of reasons to invest in executive search.

Executive search professionals are industry experts who leverage wide and deep networks. They possess a strong negotiation prowess and the power of discretion to help us identify and recruit top leaders who understand and embrace critical change in the

ever-changing marketplace. Executive recruiters are able to successfully deliver a tailored process based on our client's needs, goals and leadership criteria, in part because we continually build and foster extensive relationships across industry sectors, geographic locations and business functions. We have the ability to attract, influence and maintain candidates that can deliver significant value and open the doors to new opportunities for our client's business.

Executive search also incorporates the use of a variety of tools and processes, including psychometric testing, structured interviews based on behavioral and situational techniques and benchmarking – going beyond the resume.

More than just recruitment, we also offer knowledgeable, insightful advisory services in areas such as on-boarding, market analysis, mergers and acquisition integration support, team alignment and development, talent strategies and succession planning.

This combination of knowledge and experience, confidentiality and discretion, and objective insight into internal and external forces that affect an organization's human capital needs is unparalleled to traditional methods of recruitment.

## AGE OLD LEADERSHIP PARADOX DESPERATELY SEEKS UPDATE

### Dale E. Jones, President and CEO of Diversified Search, Explores How Best to Get Chosen for Top Jobs



*There is an old paradox in need of an update. It varies based on who you talk to but goes something like this: leadership remains in short supply. The 'War for Talent' is either over or just getting started. At the same time, there is an abundance of eminently qualified managers achieving results. Yet while many are called, few end up being chosen when it comes to the top job. Even fewer succeed or move from good to great. Why is this so? In the following article, Dale E. Jones, president and CEO of Diversified Search, tells us why.*

*Before joining Diversified, Mr. Jones served as vice chairman and partner of the CEO and board practice at Heidrick & Struggles, where he consulted CEO and corporate boards on human capital issues including recruiting, retention, succession planning, and corporate governance. He also served as one of the firm's leaders in the global communications and the global consumer practice at the firm. He concurrently served as managing partner of the firm's Atlanta office from 1999 to 2007. He was later asked to oversee the CEO and board practice in the Americas. Mr. Jones originally joined Heidrick & Struggles in 1999, following a four year tenure with another leading search firm.*

*Prior to entering search, Mr. Jones held a series of positions in business with increasing responsibility. He has also taken on special strategic roles to serve Steve and Jean Case, founders of AOL and CEO of Revolution Ventures. He brings many years of longstanding relationships to his clients from his involvement with YPO, the CEO Forum and the National Association of Corporate Directors. He is an experienced and sought-after advisor on leadership issues for Fortune 500 Companies.*

There is an age old paradox searching for an update that unfortunately isn't as easy as downloading an app. It varies based on who you talk to but goes something like this: Leadership used to guide and manage large organizations remains in short supply. The War for Talent is either over or just getting started. At the same time, there is an abundance of eminently qualified managers achieving results, some of which have been incredible considering economic conditions of the past five years.

Yet while many are called, few end up being chosen when it comes to the top job. Even fewer succeed or move from good to great to quote what now is a dated book title. Why is this so?

The first reason has always been pretty obvious but never completely accepted despite factual basis. Not everyone can be a chief executive or even a C-suite member. Sheer geometry and career progressions

don't always lead straight to the corner office. Many executives are simply living and working longer, making the coveted prize of a previous generation now simply a stopping off point along the career journey.

Every year hundreds of CEO jobs are filled yet more than four times that number are seriously considered only to fall short based on the situation at hand. Do the math and it's not difficult to see why the numbers create scarcity. This helps explain, in part, the disparities in pay but only from an analyst point of view.

The paradox is compounded by a second reality. While a large percentage who does secure the top job succeeds, more attention is paid to the ones who get paid a lot, and more importantly, the ones who fail. Why do they not succeed? In his capstone work, "The Fifth Habit," the late Stephen Covey attributed three-quarters of all failure to character flaws, or

serious errors in judgment based on lost values. This conclusion was based on researching nearly 50,000 examples over the course of a long career.

*Success is not final; failure is not fatal. It's the courage to continue that counts.*

- Winston Churchill.

There's another more complex reason why leaders don't fulfill their potential, and it's one, that I and my colleagues at Diversified Search see regularly when we review the market for talent. While someone may be qualified or even have strong relevant experience, they do not have the core required for what organizational psychologist and writer Tim Irwin calls "leading with great impact." This is perhaps most applicable in mission-critical organizations, such as not-for-profit relief groups, colleges and universities, foundations, and health care providers as well as hospital systems.

Irwin defines the core as the third level below style or typical actions or behaviors. It's a metaphor for the person or voice inside us, according to Irwin. The inner person acts, feels, thinks, speaks, has desires, makes decisions and has identity based on an intentional spirit. How our voice dictates beliefs that are sound and true make the results of our actions sound and true, says Irwin. Vice versa, when those beliefs are errant or not aligned with the right behaviors, the results can be very damaging. Following 9/11, which proceeded the heyday of large corporate business activity, headlines were filled with examples that reinforced this truth. Many boldfaced names either didn't know or lost their sense of right or wrong, or True North compass as Bill George coined the term.

What's been historically referred to as the other, non-essential talents, or soft skills, are now primary needs when an organization is going through change and transformation, which a majority now face via digital transformation. Egon Zehnder's Claudio Fernandez-

Araoz in his book, "It's Not the How or the What but the Who," restates an age old truth: We hire based on the hard skills, but we fire for failure on the soft.

Put in our own words, it's called leadership from a forgotten place called the heart. Character or heart issues aren't generally discussed until after the fact, but that seems to be changing. Boards may express a desire to know a leader's core, but far too often expediency and willingness to overlook the soft vs. hard for the sake of performance rule the day. Our future state as trusted advisors will rely on whether we can adequately report on issues related to core, or voice.

### **Compassionate Leaders**

How can you spot someone with eminent qualifications that also has a record of leading from the heart? The first indicator is authenticity or what's real about their purpose that manifests itself throughout a career narrative. Can the individual connect their story with THE story that has gone on around them? Do they have courage of their convictions? Are there experiences and achievements closely aligned with beliefs and desires that exceed their own interests?

Second, leaders from the heart are compassionate and relational. What types of relationships have they held throughout life? Who were what Irwin calls their background influencers, such as parents and teachers? Incredible pressure exists today to transact business vs. relate to the source of the business. It's a pressure that has to be alleviated in the short term to avoid long-term relationship break down. Leadership is personal, management is positional.

How has resilience played (or not played) a role in their trajectory? When they've failed, and we all have in this life, how did this manager or leader respond? Granted interviews are rarely places where failures are shared, but in this new model of increasingly

transparent decision-making forming around us, there needs to be safety created to share openly and honestly. Otherwise we're never going to be as real as what we seek. Remember we generally judge others by our own intentions not necessarily their actions.

In his 2008 campaign for president, then candidate Senator Obama talked about being the change in addition to the change to believe in. We must now be

the change in leadership hiring and retention circles. Old behaviors need to renew, adapt or give way to new ones.

Or to quote an older president that the younger generations may not recognize:

*"We either need to lead, follow or get the heck out of the way."*

- Harry S. Truman.

## WHERE GAME CHANGING, LEGACY AND ROI MEET

### How One Search Specialist, Denise ‘DeeDee’ DeMan, CEO of Bench International, “Walks the Talk” of Creating Game-Changing Legacies



*Bench International is committed to long term client partner relationships. The firm's commitment is to indemnify risk by finding the most relevant leaders for the most complex of roles. What Bench does each day ultimately yields game changing events that matter enough to produce both legacy and ROI. Known as the oldest, most deeply involved, full-scope life science headhunters, Bench does not define the new paths that mitigate or eradicate diseases. Rather, the firm does have the honor of finding, assessing and delivering leaders who have dedicated their lives to doing just that.*

*Denise DeMan is founder, chairman and CEO of Bench International. With an entrepreneurial spirit, Ms. DeMan has taken the firm from its founding in 1974 to its eminence today as one of the premiere specialized retained executive search firm focused on life sciences. She is deeply committed to properly ‘shattering’ the glass ceiling for women in the life sciences, having spent more than a quarter century developing and promoting a network of women leaders in the biotechnology and pharmaceutical sectors. To that end, she has been a Hall of Fame Inductee of the National Association of Women Business Owners, board member for the West Coast Chapter of the Healthcare Businesswomen’s Association, founder of The Forum of Global Pharmaceutical Diversity and Inclusion (FRxDI), member of the board of Learning Forum International, as well as board member for Israel Cancer Research Fund (ICRF). In addition to her leadership and management roles, Ms. Deman recruits in the areas of research and development; corporate leadership; clinical development; regulatory affairs; science and medical advisory boards; and boards of directors.*

*“Everyone must leave something behind...something your hand touched. It doesn't matter what you do, so long as you change something from the way it was before you touched it into something that's like you after you take your hands away.”*

- Ray Bradbury, Fahrenheit 451

This quote about legacy written by the famous science fiction novelist defines truly transformative game changing and its tangibility translates into achieving ROI.

Our Bench International team is known as the oldest, most deeply involved, full-scope and span, life science headhunters. While we won't define the new paths that mitigate or eradicate diseases, we do have the honor of finding, assessing and delivering leaders who have dedicated their lives to doing just that.

Our Bench Team, “walks its talk,” of creating game-changing legacies. Our internal rules of engagement

require us to stay focused on our “target,” being our client partner, not the transaction. We embrace our “target,” by delivering the leaders who change the course of companies, products and diseases. The money simply follows. It is never the target.

To ensure our walk and our talk are congruent, we live with a business ethic of, “One Global Team, One Global Budget, No Borders and No Boundaries,” meaning we have no competing P&L's by office or region. No team members are, “benched,” all team members are able to, “play,” no matter where a client project is. They do so based on their capabilities to serve and to troubleshoot on behalf of a client partner, as well as offer the industry access they can provide. By staying true to this model over the past 40 years, we have had the honor of bringing thousands of leaders to our clients, who in turn, have profoundly “touched,” literally millions of patients and their loved ones around the globe, exemplifying Mr. Bradbury's perspective on legacy.

One of our team's mantras is, "Go for the 'fit' and don't quit." "Fit," is a tipping point in our client partners' ability to reach their greatest potential by leveraging their human assets, in conjunction with their product assets. ROI for our client partners and for our firm comes with leaders Bench places who stay and build their companies, owning their own decisions, over an average five years. In most cases, companies have to plan that a newly hired leader will take a minimum of a two year tenure to create the sustainability of "legacy," to achieve their highest ROI. Not, "quitting," is an essential element to our search mission and to earning our clients' trust as a true partner. We continue recruiting new candidates for our clients until their fully vetted New Hire walks through their door. We never stop. Clients often wonder why we are vetting new candidates while they are in the midst of extending an offer. My response is, "A deal is never a deal until it's a deal."

### **Supporting Game Changers**

There have been moments in time where our Bench team has looked back and said, "What we did really mattered." One of those times occurred in the 1990s when Sandoz had a mission-critical need to bring a number of disease-changing drugs to the global market. It took two men, Dr. Tom Koestler and Dr. James Shannon to create the most prolific drug development machines of its time that not only withstood, but thrived within the merger known as Novartis. When we look back on the courses of the lives of these two men and we witness the rippling effect of all they, "touched," it continues to validate that one or two human beings really can make a difference, can effect change, create legacy, drive ROI, even in R&D where the P&L is not directly evident.

Bench supports game changers without a lot of fanfare. It is not our job to be a central focus. It is our job to ensure that at all times our clients are our

central focus. Our deliverable is to deliver the leaders to our client partners who will continue to carry them down the courageous and harder roads less traveled to become disease and illness game changers.

At a time when our world so desperately seeks heroes, all one has to do is look at the journeys of some of the pharma and biopharma companies to find true heroes who have changed the courses of illnesses and diseases.

The life science sector has often been vilified for how it prices products. At times it has deserved it, but most times, it absolutely has not. When we or those we love have a disease and the course that disease can be altered by leaders with the courage to change the rules of the disease, what is that worth?

Two such men are Dr. Sol Barer (former CEO, Celgene) and Dr. Francois Nader (Former CEO, NPS Pharmaceuticals). Celgene was a pioneer in changing a form of cancer from a death sentence to a chronically managed disease with an average length of life of 10 years, post diagnosis. NPS sought to bring relevance to disease states called, "orphans," for a reason. Because of men like this, "orphans" and the scariest of diseases are now some of the "Coolest" investments in the sector. These men and others like them have brought life to patients and wealth to investors. What these two men "touched," and "left behind," before moving on to their next chapters, were quintessential game changers that led to both legacy and ROI.

Bench is committed is to long term client partner relationships. Our commitment is to indemnify risk by finding the most relevant leaders for the most complex of roles. We never forget that one day we, or those we love, will be patients. What we do each day ultimately yields game changing events that matter enough to produce both legacy and ROI, both at home and in the world we serve.

## STATE OF RECRUITING: HEALTHCARE IT

### Witt/Kieffer Recruiting Specialists, Chris Wierz and James Utterback, Discuss the Dramatic Changes Underway in the Healthcare Sector



*Healthcare IT recruiting has changed dramatically in recent years. Not only have the traditional responsibilities of CIOs evolved and mushroomed, but new titles – Chief Information Security Officer, Chief Medical Informatics Officer, Chief Data Analytics Officer, and so forth – have cropped up and are dynamic career opportunities with no blueprint for growing into these positions. Though healthcare IT executive search is undergoing tremendous change, this does not mean that recruiting should be haphazard or scattershot. If anything, executive search firms have their work cut out for them to broaden their horizons of what candidates are possible for given positions, and pragmatically counsel clients on how to recruit exceptional IT executives in a very challenging and uncertain market. Best practices for recruiting IT executives include using more creativity and due diligence in sourcing candidates; conducting original research; networking inside and outside healthcare; using progressive interviewing and leadership assessment techniques; and providing frequent and expert counsel to clients.*



*Chris Wierz brings over 30 years of healthcare experience to her executive search practice, including 20 years in healthcare information technology. She is a principal based in Witt/Kieffer's Oak Brook, Illinois office, identifying leaders on behalf of hospitals and integrated delivery networks, academic medical centers, managed care companies, physician organizations, healthcare associations, vendors, consulting firms and universities. Prior to joining Witt/Kieffer, Ms. Wierz served as partner and Epic service line executive for Encore Health Resources (now a Quintiles company). Previously, she was principal of the Courtyard Group, an international healthcare transformation company, and has also served as a client services principal with IBM Global Business Services where she managed business consulting services for large academic health centers and integrated delivery networks. She is also formerly assistant head nurse of Northwestern Memorial Hospital in Chicago and staff nurse at Northwest Community Hospital in Arlington Heights, Illinois.*

*James "Jim" Utterback is a principal with Witt/Kieffer and leader of the firm's information technology practice. He has more than 30 years of diverse and dynamic executive leadership and consulting experience in healthcare, academic medicine, information technology and entrepreneurial, private equity and venture capital backed endeavors. During this time he has gained a deep appreciation for the transformative power of technology and the vital importance of great leadership to organizational growth, value creation, and shareholder returns. Mr. Utterback's leadership roles have included serving as president/CEO of several dynamic health and health technology firms. He has also held corporate officer positions with publicly traded Covance (now LabCorp) and Rhone-Poulenc Rorer Pharmaceuticals (now Sanofi).*

Healthcare IT recruiting has changed dramatically in recent years. Not only have the traditional responsibilities of CIOs evolved and mushroomed, but new titles – Chief Information Security Officer, Chief Medical Informatics Officer, Chief Data Analytics Officer, and so forth – have cropped up and are dynamic career opportunities with no blueprint for growing into these positions.

It's a bit of a Wild West within healthcare IT, says Jim Utterback, leader of the Information Technology practice at Witt/Kieffer. The rules have changed or

in some cases there are no clear-cut rules. Take, for example, the role of the CISO. Where does a health system or other organization look for ideal candidates? Within healthcare? (The pool of qualified applicants is not large.) Within technology and telecommunications companies? IT consulting firms? From the military or government sector? In some cases it is all of these possibilities. Information security has become a major area of emphasis for healthcare organizations, and the best, most innovative candidates are not always right before our eyes.

“This is an era of recruiting nontraditional candidates,” says Mr. Utterback. “There are dynamic IT executives in the healthcare space, but the pool is limited while the demand for IT leaders is expanding. Great new talent has to come from somewhere else.”

Sometimes health systems and networks are looking to newer, high-tech healthcare startups and technology companies, Mr. Utterback notes. These include those that serve hospitals and systems (eg, telemedicine firms), doctors (eg, mobile health companies), patients (eg, wearable technology firms), or life sciences companies. All of these health/technology companies have become fertile recruiting ground for up-and-coming executives for traditional providers and payers. These are also firms that are seeking top-level talent themselves, Mr. Utterback notes, and so Witt/Kieffer’s IT practice continues to expand to conduct searches for growing technology and venture capital backed enterprises.

With the rise in population health and a great focus on catering to patients, families, and communities, some healthcare organizations are looking to industries such as retail and hospitality for executive talent. While it is still unusual, who is to say that a good CIO can’t come from a major consumer goods company or hotel chain?

“As recruiters, we are always asked by clients to be innovative in our sourcing,” says Chris Wierz, a Principal with Witt/Kieffer’s IT practice. “In many cases the client might not be ready to hire that outsider, but it is healthy to consider a truly wide-ranging and diverse list of candidates. And more and more, we see clients taking these nontraditional candidates seriously because they really do want to shake up the way that they are approaching IT as an organization.”

### What CIOs Think

Mr. Utterback has been spending a good portion of his time in 2015 speaking directly with healthcare

CIOs about their needs and concerns. The role is definitely changing, he says, as health systems get bigger, information technology gets more complex, and the stakes get bigger. Now that most systems are following government mandates regarding health data and security and have implemented electronic medical records (EMR) systems, the challenge is leveraging technology, information, and data for competitive advantage. This takes a top-notch CIO with vision and leadership savvy.

“The CIO as only a technology guru is a thing of the past,” Mr. Utterback says. “They need to be business leaders, regulatory experts, partnership creators, and process improvement and change management experts. They need to communicate effectively and influence colleagues across their own organizations, as well as in communities and circles of power.” It is not unusual for a top healthcare CIO to gain an audience with a governor or senator, for instance. Not surprisingly, a good CIO can almost name a salary during a recruitment.

Some CIOs are not cut out for the rigors they now face. As their roles and responsibilities expand, CIOs will seek to delegate to subordinates and new colleagues to oversee informatics, innovation, security, and other areas. Some of these emerging roles may even outgrow or parallel that of the CIO. One CIO that Mr. Utterback spoke to noted how the CISO had been given a direct reporting line to the board’s audit and compliance committee and a dotted line to the CIO.

Mr. Utterback has been asking CIOs what they would secretly like to tell their CEOs. Related to the above, one thing is that they need help and good IT people around them. Here are a few of the other responses he received:

- “We need more capital.” Investments to date have to be maintained and upgraded.

- “We deserve a seat at the table.” CIOs need to be heard in regards to the business side of the enterprise.
- “Learn about technology.” CEOs might not be technical experts but they can familiarize themselves with the key technology drivers in the industry today.
- “Don’t be afraid to take risks.” A quick-changing, technology-driven future is fraught with risks, so CEOs and organizations need to do their homework, make the best decisions they can, and move forward.

These are not new issues and requests, Ms. Wierz says. While not always in agreement, CEOs and CIOs are communicating and collaborating more than they ever have in the past. “So much of a CEO’s strategic goals depend upon what can be accomplished from a technology perspective,” she says. “And CIOs know that their options are limited without the confidence and support of the CEO.”

### Emerging Healthcare Trends That Will Drive IT Recruiting

As one might imagine, the recruiting wars for CIO talent are brutal. The same can be said for virtually every health IT executive role. The reach, contacts, and expertise of search consultants go a long way towards recruiting difference-making executives. Search consultants need to know, intimately, the new frontier they are dealing with, say Mr. Utterback and Ms. Wierz.

When asked to list the key underlying trends that are shaping health IT executive recruiting, the two consultants from Witt/Kieffer offered the following:

1. **Consumerism.** The “customer experience” in healthcare is becoming critical to organizations’ success, as patients’ options increase and their savvy in seeking out appropriate care increases. Mr. Utterback likes the term “health consumers” to describe patients. People are patients only

part of their lives, he notes, but they are health consumers their whole lives. Health IT leaders will need to understand this new consumer orientation, and organizations will look to hire IT execs who understand data and how it can be leveraged for efficiency, lower costs, and greater insight into consumer habits.

Moreover, consumer health technologies from apps to wearable devices to self-diagnosis tools are broadening traditional notions of healthcare delivery. Patient care is more participatory than ever before, for the benefit of all. Health IT executives must know how to tap into this widening sector.

2. **Consolidation and Integration.** Very few organizations are standing pat in size and structure. For resource sharing and market efficiencies, they are partnering and joining forces in other creative ways. Health IT leaders had better be ready to partner as well, Ms. Wierz says. “Systems need to integrate and organizations need to freely share patient and health data. CIOs and other executives must get comfortable with this concept and reach out rather than retreat.” Thus, today’s IT executive must be more collaborative and entrepreneurial than in the past.
3. **Need for Better Informatics and Data Analytics.** How information technology is designed, applied, and analyzed are critical aspects of health IT, and several subspecialties have grown for clinicians and others with IT expertise – chief medical informatics officer, chief nursing informatics officer, chief research informatics officer, chief data analytics officer. These will be hot areas of recruiting in the coming years, Mr. Utterback and Ms. Wierz say.
4. **Cybersecurity and Patient Rights.** Security breaches, in healthcare and other industries,

are daily news and no one questions that healthcare organizations need more robust and resilient security technologies and measures—to protect their own interests, of course, as well as patient data and rights. The industry is also prioritizing information security expertise and is looking to the military, government and finance sectors, for instance. Health IT execs should have relevant security certification and Common Security Framework (CSF) designations, as well as knowledge in risk management, state and federal regulation, compliance and privacy. Ideal candidates will have some past healthcare experience or at a minimum be very quick studies of the healthcare landscape, says Mr. Utterback.

### **Recruiting Best Practices**

Though healthcare IT executive search is undergoing tremendous change, say Mr. Utterback and Ms. Wierz, this does not mean that recruiting should be haphazard or scattershot. If anything, they say, executive search firms have their work cut out for them to broaden their horizons of what candidates

are possible for given positions, and pragmatically counsel clients on how to recruit exceptional IT executives in a very challenging and uncertain market. Best practices for recruiting IT executives include:

- Using more creativity and due diligence in sourcing candidates
- Conducting original research
- Networking inside and outside healthcare
- Using progressive interviewing and leadership assessment techniques
- Providing frequent and expert counsel to clients

To this last point, both Mr. Utterback and Ms. Wierz note that client organizations need to step up their games as well. Whoever has the hiring authority needs to keep an open mind about how and where to find difference-making IT executives. And boards, CEOs and other senior-level executives with input into hires need to educate themselves on the shifting IT landscape. Healthcare-related organizations that hire great IT executives, they note, will have a major competitive advantage in the marketplace.