



REC SECTOR GUIDE

Leading the Industry: Good Practice in Executive Search

An Association of Executive Recruiters guide



FOREWORD BY NEIL CARBERRY, CEO

Businesses have rarely faced challenges and opportunities like the ones they do today. Fast-changing technological and consumer trends are running alongside new pressures and expectations from the workforce, investors and government. For leaders, this environment is complex, and getting the right person into a key role isn't easy – that's why the executive search industry has such a big part to play. But search is changing too – as well as growing regulatory expectations on search firms, for instance through the Enhanced Code of Conduct, there are huge opportunities for firms to demonstrate value to clients. The best search firms act as partners with their clients in building a leadership team fit for the new world of business. We hope this guide is helpful in establishing the baseline of good practice that helps point you and your firm in the right direction.



Best

A handwritten signature in dark ink, appearing to read 'Neil Carberry'.

Neil Carberry

FOREWORD FROM KARL SIMPSON, CHAIR OF ASSOCIATION OF EXECUTIVE RECRUITERS

As new and emerging patterns are established in the workplace, the role of effective leadership is being reinforced. This redrawing of the lines of what leadership means in the modern context is impacting the way companies must build and evolve their board of directors and leadership teams. Consequently, the executive search industry continues to play a vital role in ensuring the success of organisations through the quality of their leaders. However, like the clients it serves, the executive recruitment industry must also strive to change and adapt. It is our express hope that by setting out these guiding principles of 'good practice' we will induce an aspirational mode of thinking and a relentless pursuit of innovation in all areas of the sector.

I would like to offer my sincerest gratitude to all those involved in compiling the 'Good Practice' guide. I am grateful to all our members who contributed ideas, feedback and case studies. A special mention must go to my colleagues on the Association of Executive Recruiters board, who gave their time so generously, and to the team from the REC, who offered tremendous support throughout.

Finally, it is our collective wish to see the recommendations in this guide continue to strengthen the value and importance of the UK executive recruitment services sector over the coming years and that we have cause to continuously revise and update this guide as new effective practices surface.



A handwritten signature in dark ink, appearing to read 'Karl Simpson'.

Karl Sampson

INTRODUCTION

The REC is all about brilliant recruitment, which drives our economy and delivers opportunity to millions. This 'Good Practice' guide highlights some of the successful practices already being undertaken by members of the REC's Association of Executive Recruiters (AER) and builds on the principles and aims in the REC's Good Recruitment Campaign, which seeks to put good hiring practices at the top of the corporate agenda.

The AER supports those executive search firms providing employment-related services to the executive and non-executive (board) appointments market. This guide is developed to specifically address the practices we believe are necessary for a sustainable and high-quality executive recruitment market.

All REC members must comply with its Code of Practice in order to stay in membership. This guide does not seek to duplicate or replace this. Instead, this guide sets out the behaviours executive search firms should aspire to.

Under the REC Code of Practices, executive search firms are already encouraged to:

- Deliver professional services to all clients and aspire to set the very highest standards.
- Provide equal opportunity for all and operate in a way that promotes diversity.
- Run their business and meet clients' requirements in accordance with proper governance and compliance as outlined in the REC's Code of Professional Practice.
- Act as a trusted advisor to clients on issues related to recruitment, business leadership and career development.
- Act as a trusted advisor and exercise a duty of care over the career of candidates.

Beyond these core principles, it is clear that there are other activities that executive search firms can do, not only to gain a competitive edge in the market but also to elevate the industry as a whole.

This guide sets out the behaviours executive search firms should aspire to within the eight key aspects of executive search:

- Developing consultants
- Client relationship
- Candidate experience
- Assessment and evaluation
- Contract and fees
- Shortlisting
- Promoting diversity and inclusion
- Developing a global outlook

1. DEVELOPING CONSULTANTS

People are at the heart of executive search and good consultants are key to business success.

- Search firms should work diligently to develop and maintain a satisfactory level of relevant and current professional knowledge.
- Search firms should ensure that each consultant has a continuing professional development (CPD) plan that is reviewed quarterly and updated annually. Consultants need to be skilled and knowledgeable in the latest search techniques, the industry or sector they are servicing, assessment methods including interviews, reducing bias, diversity and relationship-building.
- Search firms should also ensure that the induction process for staff includes training on the relevance of the corporate governance code, data protection legislation and the Equality Act to their work.
- Search firms should use the same resource management process that they employ to source candidates for clients to source their own consultants.

Our team is made up of a highly skilled group of consultants and researchers with backgrounds in HR, executive search and recruitment. We have European language capability in-house, plus a wealth of expertise across multi-functional and multi-sector recruitment. Our consultants are trained and expert in a range of psychometric and assessment tools and methodologies. We also ensure that they are BPS qualified and accredited to use tools such as Saville WAVE, the SHL suite of products and A&DC tools. Alongside this we have also developed a graduate recruitment programme. What binds our team together is a true passion for what we do and a shared commitment to adding value to both our clients and our candidates.

– Director, Executive Search Company

2. CLIENT RELATIONSHIPS

Good executive search is about ensuring search firms apply their expertise and knowledge to every assignment, maintaining good client relationships and delivering the highest quality professional service:

- Before taking on any assignment, search firms should assess whether they have sufficient knowledge of the client's requirements, industry or sector, and the expertise and ability to fill the role.
- Search firms should work collaboratively with clients to develop the job design and brief, highlighting the importance of flexibility, diversity and inclusive approaches.
- Firms should make clear at the outset the anticipated timeframe for filling the role and appropriately manage expectations. If additional time is needed to create a diverse shortlist, this should be sought.
- Search firms should observe good practice as it pertains to employee remuneration such as that outlined by the Executive Remuneration Working Group. They should also be mindful of their responsibility as key stakeholders in negotiating and agreeing remuneration packages for candidates.



3. CANDIDATE EXPERIENCE

The AER believes strongly that the industry has a collective responsibility to constantly deliver high-quality candidate experience.

A good candidate experience should include:

- A detailed briefing of the role, its aims and targets and how it fits in with the rest of the company/executive team. The candidate should fully understand the role and their suitability for it.
- A detailed discussion and advice about the role and the candidate's suitability for it. A consultant should also consider and discuss the wider career of the candidate.
- Treating candidates consistently and equally in the information sought from them, the assessment procedures used and the information that is provided to them.
- The candidate should be kept up-to-date with the process regularly and in a timely manner. The candidate should understand how to contact their consultant, who should be open and responsive to any communication.
- Candidates should be notified when they are being assessed as part of the recruitment process.
- Assessment procedures and evaluation techniques should be clearly explained and enable candidates to demonstrate their skills and abilities.
- Search firms should have awareness of the diverse needs of candidates at the interview stage and provide tailored advice and support. When delivering feedback, search firms should have awareness of diversity and the varying ways in which individuals may interpret or respond to feedback.
- Candidates should be provided with suitable and constructive feedback consistent with the evaluation that has taken place by both the search firm and the client. Perhaps most important is feedback to unsuccessful candidates that should include positive ways forward for the individual.

Training a candidate after they have been successfully placed is an integral part of our candidate experience process. Prior to placing staff we ensure that each candidate has a full understanding of the client's business and the skills that are required from the role. If needed, we also create a training and induction plan for candidates, to make their transition as seamless as possible – REC member

4. ASSESSMENT AND EVALUATION

This is an area in which executive search firms have the potential to add real value to clients. Executive search firms should act as strategic advisors to their clients, using their insider knowledge of their client and market practices to help them source the most suitable candidates:

- Candidate assessment should be balanced, structured and clearly explained to both client and candidate. Search firms should consider appropriate coaching to ensure the candidate will be comfortable with the process and is able to demonstrate their skills and capabilities.
- Search firms should regularly undertake a review and assessment of the latest research, techniques and tools being used to interview and evaluate candidates.
- Search firms should advise clients on good practice in interviewing, interview process design, and encourage them to undergo training.
- Firms should seek to evaluate their assessment procedures regularly to ensure that the process is fair, equal, consistent, and free from bias or prejudice.
- Where possible, firms should aim to utilise expert evaluators capable of objective candidate assessments, and independence from financial incentive.
- When using psychometric tests, these should be relevant to the role and clearly explained to the candidate.
- When presenting assessment results to clients, the output should be explained so that the client fully understands the results and the relevance to their recruitment decisions.

Anonymised CVs

Whenever we put forward a candidate for a longlist we provide blind CVs, withholding information on name, home location, age and the university/school attended. We believe this allows clients to objectively review candidate applications without being clouded by information that could bring unconscious bias to the recruitment process. Some clients are initially hesitant about our blind CV process, but when we explain the benefits, they see the merits in such an approach.

It also puts candidates on an even playing field, helping ensure that they are reviewed based on their skills, experience, previous responsibilities and achievements, therefore shortlisted based on their ability to undertake the role without other factors being used in the decision-making process.

We encourage clients to make a decision on their shortlist without us revealing identifying information. Some clients prefer to know the identity before making the decision on who to interview. However, we challenge this where we can, but every client is at a different stage with this.

As we build relationships with new clients, they see the value of this approach in delivering greater diversity in the candidate pool and improving recruitment decisions.

– Director, Executive Search Firm

5. CONTRACTS, FEES AND REBATES

The model for recruiter compensation is evolving and there are now several compensation models that firms can adopt. Within each of the different compensation models there are practices that firms should commit themselves to:

- Firms should advise clients of any conflict of interests and any material restriction arising from assignments with other clients while still maintaining confidentiality.
- Firms should agree clients, rebate terms and periods in advance. It is important that communication channels between the firm, client and candidate remain open during the client rebate period to ensure that problems are identified and dealt with.
- Agreement should be sought at the outset on 'off limits' terms and timeframes. Organisations should only enter into off-limits agreements where they are able to fully comply with such agreements.
- Firms should consider a range of fee models that deliver innovative and flexible approaches to charging clients for services.
- Fee arrangements should be set out clearly and transparently.
- Rebates on fees charged should carry clear and detailed terms that are understood by clients at the outset of an engagement. Rebates should be reasonable and offer appropriate levels of financial protection for clients.
- Where search firms are required by clients to agree to terms and conditions provided by the client, they should take all appropriate measures to ensure the terms reflect their approach for doing business.



6. LONGLISTS/SHORTLISTS AND PRESENTING CANDIDATES

Search firms should make every attempt to ensure clients are delivered both longlists and shortlists that deliver the skills and experience they have mandated, but that also account for the overall composition of the client's team/s. To achieve this it is suggested that firms follow the following points:

- Both longlists and shortlists should have a clear and agreed criteria set out at the start of the search that are agreed with the client. The criteria should be both quantitative and qualitative to ensure common understanding and alignment.
- Longlists and shortlists should be drawn from a wide selection of candidates and should have adequate diversity among the selected candidates.
- Search firms are encouraged to agree to the Voluntary Code of Conduct for Search Firms' explicit commitments as they relate to longlist and shortlist diversity and where possible aspire to the behaviours in the 2018 Extended Code of Conduct for Search Firms. Where search firms are not signatories to this code, they should aspire to achieve the conditions as a minimum requirement.
- Search firms should present longlist and shortlist candidates to their clients in a way that is objective, informative and free of bias or prejudice. Processes should be designed to reduce the influence of bias but to maintain a professional service.
- Candidates should be given a full and transparent explanation as to where they have reached in the process, what is the required next step, and how you intend to process them. Any candidate rejected, prior to longlisting, or from longlisting to shortlisting, should be given accurate, considered and balanced feedback. Feedback should aim to be constructive and relatable – not personal, overly critical or general in nature.

Ensuring diverse longlists and shortlists – what is the issue?

The Women's Business Council believe that at least 30 per cent of shortlisted candidates should be women, preferably more than one woman, to achieve a reasonable prospect that a woman will be selected for the role. Including more than one woman on a shortlist has been shown to be more effective.

Today, shortlists for senior positions are too often absent of female candidates with a fair chance of being selected for the post. In part, this is because the current identification, selection and appointment processes are inadequately addressing generations of gender bias.

What can we do?

Businesses need to undertake a re-evaluation of their appointment processes, with attention being paid equally to the internal and external recruitment approaches.

Businesses should consider recording and reviewing metrics that would determine the success of diversity hiring to each level as a result of shortlisting initiatives and interventions, thereby generating a knowledge base to assist decision-making.

It would also be good practice to ensure that there is female representation on the interview panel and decision team for role selection. – CEO, Executive Search Firm

For more details on the balanced shortlist recommendations and other case studies, as well as information on the work of the WBC and the 'Men as Change Agents' action groups, check out their toolkit.

7. PROMOTING DIVERSITY AND INCLUSION

Search firms should take a proactive approach to promoting and advocating diversity and inclusiveness. This should include:

- Search firms should advocate flexible recruitment practices and encourage all clients to advertise their roles as open to flexible working options. The third Hampton-Alexander Review identified narrowly drawn candidate briefs as one of the reasons for such few women on executive boards.
- Search firms should make explicit their diversity commitments in their marketing and contractual materials with due regard to the voluntary code for executive search firms, the Hampton-Alexander Review into women in executive management and the Parker Review into ethnic diversity on boards.
- Candidate identification and engagement should be adequately broad so to ensure that candidate pipelines, longlists and shortlists are diverse and in keeping with the voluntary code for executive search. Some clients such as Sky are actively insisting on 50/50 male/female shortlists for leadership roles.
- Where candidate long/shortlists are insufficiently diverse, search firms should offer a full written explanation to clients as to why candidates of a diverse profile could not be found or included.
- Search firms should adapt their procedural approaches to include the latest practices known to deliver more fair and balanced recruitment outcomes.
- Search firms should expand their candidate pool to include individuals from under-represented groups to support, guide and coach them towards higher levels of success in the recruitment process.

To help encourage more high-quality candidates from under-represented groups to become non-executive directors or trustees on high-performing boards, Gatenby Sanderson created Insight at BoardBank. The programme provides mentoring support and first-hand exposure to the board environment to aspiring non-executive directors and trustees.

8. DELIVERING A GOOD GLOBAL SERVICE

The search for talented leaders is global and executive search firms who can demonstrate a global vision will have a competitive edge in the market:

- Search firms need to ensure training of staff on issues of law and regulatory compliance so that they are acting in accordance with the laws and regulatory requirements in all jurisdictions in which they operate.
- To act as professional advisors to candidates and companies, search firms and their staff should possess extensive knowledge of the executive employment trends, the prominent compensation models, and the prevailing market conditions that affect executive employment in relevant markets.
- Search consultants should make early determinations of visa and immigration requirements that would need to be satisfied and completed. These should be discussed in a transparent way with both candidate and client to ensure both parties understand the process requirements.





FURTHER RESOURCES FOR EXECUTIVES SEARCH FIRMS

- [Standard voluntary code of conduct: executive search firms](#)
- [Enhanced voluntary code for executive search firms](#)
- [Room at the Top: Women leaders and the role of executive search](#), Recruitment Employment Confederation
- [Hampton-Alexander Review: FTSE Women Leaders: Improving gender balance in FTSE leadership](#) (November 2018)

The REC is all about brilliant recruitment, which drives our economy and delivers opportunity to millions. As the voice of the recruitment industry, we champion high standards, speak up for great recruiters, and help them grow. Recruitment is a powerful tool for companies and candidates to build better futures for themselves and a strong economy for the UK. Find out more about the Recruitment & Employment Confederation at www.rec.uk.com

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