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**EXECUTIVE RECRUITMENT FIRMS:
THEIR PRODUCTION, FUNCTION & INDUSTRY***

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Corporate governance is the subject, which has made management behaviour and its influence on profit its special concern. Much research has been concerned with the structures and processes surrounding managers, such as the capital market, option programmes and the board of directors (ref). Surprisingly little energy has been devoted to those that manage the firm, the managers. An understanding of how these structures and processes influence the behaviour of the manager appears to be crucial in this respect. However, one can go even further, thus paying attention to the phase that precedes the behaviour of the manager, and that is the phase of selecting the manager. Though it appears rather trivial that a selection process, which is capable of selecting the perfect manager reduces the remaining corporate governance problems as non-issues, hardly no research has been made concerning the selection of managers within the field of corporate governance.

We contend that to study the selection of managers is important because it influences both corporate and social governance as well as efficiency. It can be assumed that the managers of the firm, i.e. those responsible for the outcome of the firm, given their power to influence all the other resources of the firm, are important for the efficiency of the firm. Thus, the creation of the productive resource termed manager is necessary for understanding firm efficiency. Social governance concerns the factors shaping the society at large. Those selected as top managers, especially of large corporations, tend to be incorporated into the upper echelons of society. Thus, they become a part of a class with a strong influential power upon society. To understand creation of managers, including top managers, adds to the understanding of the creation of the ruling class of society.

When studying the selection of managers, one can focus on the very selection chain, where position vacancies appear, and the search for a person starts. As the managerial labour market today appears to be characterised by high mobility, not only in the organisation, but even between the organisations, external recruitment has become rather frequent. This

offers the organisations with immediate contact with the managerial labour market. Facing huge uncertainty and resource scarcity, many corporations appear to be using firms, which are functioning as intermediaries on the managerial market, that is the recruitment firms. Thus, in today's economy, one has to understand how these intermediaries work, and how the selection process conducted through these firms work, in order to understand the selection of managers, and ultimately, how the efficiency of the corporation is created.

The recruitment firms have experienced an increase in demand for their service, the year of 1997 proved to be the year of highest demand for recruitment firms. The sixty biggest human resource companies increased their sales with twenty per cent and sales have continued to increase in 1998, although not with the same growth as in 1997. Growing in importance, they are worthy a study of their own. This paper is, however, restricted to investigate the recruitment firm out of a selection perspective within the broader perspective of corporate governance. The aim is to reveal the factors influenced by the recruitment firms that influence the selection of a manager. Thus, we concentrate on the selection process as it is conducted by the recruitment firm, and the selection criterias they utilise. As mere by-products, some observations have been made about the recruitment firms as commercial corporations.

The structure of the paper is as follows. The second section describes the method utilised. The third section presents the findings concerning the different phases of the management recruitment process, through which the recruitment firms pass. The fourth section analyses the demands on managers, as perceived by the recruitment firms. The final section deals with the recruitment firm and its industry, focusing on different themes connected to the firm, such as the function of the recruitment firm, the ethical dilemma posed by the duality in the service offered, the synergies possible between recruitment and

organisational development, and finally, an analysis of the life cycle of an recruitment firm and the development of the whole industry of recruitment firms.

To avoid confusion, we will finish this section by presenting the definitions of some terms. By Recruitment is meant 'To assign one person to a position'. By Recruitment process is meant 'To identify a position in need of a person, and to find and assign a person to the position'. By Executive Search is meant 'Recruiters that have an emphasis on active search in the selection phase of the recruitment process', and finally by Executive Advertiser is meant 'Recruiters that have an emphasis on advertisement in the selection phase of the recruitment process'.

METHOD

As we wanted to focus on recruiters involved with executive recruitment, the recruiting companies included in this study were chosen according to their consultants belonging to the association of Swedish Executive Search Consultants. Participation is individual for the consultants and the conditions include having worked with executive search for three years and having established satisfying work methods and ethics. The number of companies was then further reduced by our wanting to interview individuals having been a number of years in the recruitment industry, as we among other questions had some concerning retrospective character. Finally, we reduced the time spent on interviews by choosing only corporations located in Scania, a part located in the south of Sweden. However, these restrictions only limit our conclusions to not strongly involve CEO selection in the largest corporations, as they appear to be concentrated to Stockholm, the capital located further to the north of Sweden.

The result of the above conditions lead to the identification of nine recruitment companies, of which only one turned down our asking them for an interview. The remaining eight companies can be divided into three distinct groups, where two companies are pure

executive search-companies, three companies concentrate mainly on using advertising as a means for identifying candidates and the last three companies use mainly executive search, but also advertising under specific circumstances.

After having decided on which recruitment companies to contact, we sent them an introductory letter describing our purpose together with a preliminary interview guide in order to further explain our area of interest and for them to be able to prepare themselves. We then visited each consultant at their premises, apart from one who visited us at ours, and interviewed them for one to three hours. The questions that were asked, and described in the interview guide, pertained to such areas as the development of the recruitment industry, which methods were preferred for search and selection of potential candidates and how the client companies influence choice of method. Furthermore, we asked which demands are placed upon potential candidates, how these demands are decided upon, if there are demands, which influence the selection of a candidate, which may not be documented, the development of demands upon the candidates and how the recruitment companies get an over-view of the market of executives.

Although both we and the recruitment companies had an interview guide to focus on, this did not mean that we followed it strenuously. Instead, it served as a structure from which we could deviate when the interview person introduced an especially interesting line of reasoning into the conversation. As we did not have much knowledge of recruitment companies prior to this study, we were very much aware of and influenced by its exploratory nature. The interviews could therefore be termed half-structured, which we tried to make as close to a normal conversation as possible, albeit concentrating on the particular subjects of the recruitment market and process. During the interviews we used a tape recorder and the interviews were then transcribed almost word for word in order not to lose any important aspect or phrasing during this process of translation.

In the three following sections the results of the analysis are presented. We found clear similarities in the chronology of the process, and much of the variance found was correlated with the distinctive differences between two different types of firms, which is explicated in the next section. The distinctiveness of the patterns found was very clear, in the sense that we after only a few cases, reached what Glauser & Strauss (ref) termed empirical saturation, that is, no new variance is introduced when new information is gathered. The following two parts use more of speculation and theory in order to reach conclusions. The stability of the observations are, however, of the magnitude that we consider our conclusions to be hypotheses, which are strongly based upon empirical observations.

EXECUTIVE RECRUITMENT PROCESS

In this section, we present the production process, which the executive recruitment firms utilise in order to produce a candidate for a client organisation position. We find it analytically important to distinguish between two different types of recruitment firms. In our sample of firms, there were both extremes, and some firms mixing the characteristics of the extremes. The recruitment firms could be distinguished through different emphases on some elements of the recruitment process. The process at such was, however, the same. Table 1. depicts the distinctive steps in the recruitment process and the differences between the two types found in our material. The process is straightforward, starting with a contractual assignment between the recruiter and the assignor, continuing with a demand analysis made by the recruiter and presented to the assignor. Next step is the actual selection of the executive, followed by the contractual employment of the winning candidate. As a final step, a follow-up is made.

The differences found in the material could fairly well be distinguished according to which primary tool they used in the selection phase when searching for candidates. We

have therefore labelled them Executive Advertisers and Executive Searchers. This distinction is not recognised in the literature, but it nevertheless expresses the difference found in our material. One further argument for the labels is that they depict the dynamic of the Executive industry found today, an issue, which will be treated at further length in that specific theme section of the paper.

TABLE 1.
THE RECRUITMENT PROCESS AND DIFFERENT TYPES OF RECRUITERS

Type of recruiter	The Recruitment Process				
	Assignment	Demand analysis	Selection	Employment	Follow-up
Executive Advertisers	Salesmanship Long-term relations	Information from... the assignor	1. Ad 2. Documents 3. Interviews by the recruiter or the assignor 4. Tests 5. Deep interviews 6. References 7. Presentation	Advising role	One information occasion from the assignor, 4-6 months after presentation
Executive Searchers	Long-term relations Reputation	...and from the organisation	1. Candidate pool from database, network & research 2. Interviews by the recruiter 3. Tests 4. Deep interviews 5. References 6. Presentation	Advising role	Several information occasions from the assignor and the employed candidate.

Advertisers were labelled according to the fact that they used advertisement as the foremost tool in the selection phase. They tended to have been in the industry for a short time and to be more focused on recruitment. Searchers were labelled according to their focus on

research in the selection process. They tended to have been in the industry for a very long time and to have both recruitment and organisational development consulting as products of the firm.

Advertisers, having been in the industry for a short time, had to spend some time on salesmanship, but as with the Searchers, most assignments were produced through relations of a long-term character. The demand analysis conducted by the Searchers appeared to be more information intensive and to be utilising a more diverse set of information channels than the Advertisers. Perhaps this could be correlated with the fact that Searchers' service tended to include organisational development consultancy, being rather experienced in utilising a diverse set of information channels, and being engaged prior to the recruitment assignment as an organisational development consultant in the firm.

The most distinctive character was found in the selection phase of the process. Advertisers used advertisements and the assignor as well as the recruiter could perform the first interview. The Searchers found their candidates through their network and through research and the first interview of the candidate was performed solely by the recruiter. In the employment phase, no important difference could be found, and in the follow-up phase, the Searchers tended to be more frequent in their gaining feed-back than the Advertisers, and to communicate as much with the employed candidate as with the assignor.

With these differences in mind, we will now describe the different phases of the recruitment process in greater detail.

The Assignment phase

The recruitment firms had three methods for attracting customers: Salesmanship, long-term relations and reputation. The most frequent way of gaining an assignment was through the long-term relations, that is, repeated assignments from a customer. Reputation was gained and

utilised especially by the old firms. Personal reputation was, however, present at both Advertisers and Searchers, as former candidates approached the recruitment firm. Thus, one of the special characteristics of producing and selling recruitment seems to be that not only the customer can be satisfied and create recurrent business, but the very product sold, a good placement of a candidate, could cause another business through that candidate. Salesmanship through active marketing was more frequent for the Advertisers than for the Searchers. In fact, we got the impression that salesmanship was a sign of relative standing, being regretted by many persons as a necessary activity that one could luckily be liberated from as the reputation of the firm increased.

The Demand Analysis phase

The demand analysis phase includes producing a demand profile after the recruiter has collected information and negotiated with the assignor on the relevant demands and the position to fill. One difference in the analysis of the company may be noted in that Advertisers were more unspecific in their wanting to feel the atmosphere of the company by going out there and meeting and interviewing mainly the superior of the future new employee. The Searchers tended to speak to more people including members of the board of directors, important function managers, superiors, subordinates, parallel colleagues, the previous holder of the position and the labour union. They appeared to focus on analysis of specific factors. This listing included factors such as organisation structure, strategy, future development, problems in the organisation, where things work fine and where they do not work smoothly, the functioning of different systems, and so on. This may be an effect of the Searchers' experience from the organisation as organisation consultants, an experience which was quite common. According to the recruiters, an important focus was placed upon interviewing clients concerning whether the position will stay the same or whether it will develop in a new

direction due to for example organisational change, as this would have to be taken into consideration when formulating the demand profile.

After the client organisation has been analysed a profile, listing the demands on the new employee in line with organisational circumstances, will be formulated according to such factors as education, experience, specific industry experience, personal characteristics, age, wage demands, international experience and language knowledge. However, factors such as gender and social and geographical situation may also be touched upon. This demand profile is then discussed and negotiated with the client and agreed upon, before the next step in the recruitment process, the search for potential candidates, is initiated.

The Selection phase

The selection phase differs between an Advertiser and a Searcher. The main difference is, of course, the Advertisers using advertisements and the Searchers using research. However, the interviews and the information sought for differ too, making it beneficial to separate the description of the Advertisers' and the Searchers' selection phase.

ADVERTISERS' SELECTION PHASE

The Advertisers' selection phase follows the order of publishing an advertisement, examining the received documents, a perspicuous interview performed by the recruiter or the client corporation, tests and deep interviews on the remaining candidates, taking of references, and finally the presentation of the most preferred candidates.

In the process of advertising for potential candidates, the demand profile serves as a basis upon which the advertisement is founded. The advertisement is commonly divided into two parts. One, where the position and its work tasks are described, whereas the second section describes what is wanted from the potential candidate in terms of both formal factors,

such as education and experience, as well as more informal ones, such as personal characteristics. Apart from these two sections, a description of the company in question is commonly included. In what kind of newspaper to publicise the advertisement then depends upon what kind of individual you want to reach in terms of education and experience. Depending upon how specific a background is needed, and therefore the size of the candidate pool, the advertisement will be included in either a regional or a national newspaper. Specialist magazines are only seldom used. The internet has also provided a new media for this type of candidate search, as people who do not actively read advertisements may still consider it worthwhile to announce their interest without having to go to the trouble of answering an advertisement.

It has been remarked upon how alike the advertisements for all sorts of positions are and how companies require a potential candidate of 30 years to have an academic degree, as well as 20 years of working experience. However, we have noticed an upsurge of advertisements instead demanding a perfect candidate in terms of personal characteristics, where the candidate in question should be creative, intelligent, socially competent, a good team-worker etc. yet at the same time having integrity and being autonomous; demands being if not totally incompatible, being at least on the verge of it. We mentioned this tendency during the interviews and companies concentrating on advertisements insisted on their advertisements not being any of the sort and that the advertisements were simply extensions of the demand profile agreed upon together with the client, while recognising that others' advertisements could be somewhat ambitiously phrased. Furthermore, these recruitment companies said that it was common for them to have to cut the advertisement down, as client companies usually wanted much more said. However, it has been suggested by other recruitment companies, both by those who sometimes use advertisements themselves and by those who do not, that advertisements concerning company positions are commonly used by

companies wanting to market themselves and that the size of the advertisement depends on having large enough of space for the company logotype and description.

After having publicised the advertisement, the recruitment company will receive a number of letters and curriculum vitae. The candidates will then be evaluated according to characteristics formulated in the demand profile, such as education, background, experience and specific knowledge, and ranked according to how they meet these demands. In one case the recruitment company also made an estimation of how the personality of the potential candidate would meet the client's demands. The client will receive these rankings of candidates and choose with whom to proceed. Those clients who are chosen will be called to a first meeting, where the client company presents itself, what will be expected from the candidate and where the candidate has the opportunity to ask questions, as well as being interviewed for the first time, either by the client company itself or by the recruitment company.

The client company will then decide upon with which candidates to proceed further, whom are invited to the recruitment company for testing and a more thorough interview where matters such as practical possibility of employment, personality, experience and the individual's prior career are discussed. The candidate will do a personality test, by choosing between different statements, investigating mainly the personality, attitudes and values according to specific categories such as ambition level, stress tolerance, influence, creativity, stability, endurance etc. However, the tests are to be seen as a background for a latter interview and as guidelines, not as having to be totally dependent on. The importance of the tests mainly depends on whether the candidate has sufficient working experience for it to be a good predictor or not.

After the tests have been made, references are taken in order to be able to discuss relevant areas concerning for example experience and personality. The reference person has

been given by the candidate itself. The risk of adverse selection is reduced through the recruitment consultants' experience, in that they assert that they can hear when something does not sound right and press ahead more firmly, as well as ranking the reference persons according to their importance and reliability. The recruitment company may also ask the candidate for permission to speak to a specific person as reference. Three to four candidates are finally presented to the assignor. However, recruiters tend to rank them according to their suitability and one candidate is suggested in favour of the others to the client, which is commonly chosen in favour of the others.

SEARCHERS' SELECTION PHASE

The selection phase of the Searchers contains a construction of a candidate pool through a data base, network search and research, a perspicuous interview performed by the recruiter firm, tests and deep interviews on the remaining candidates, taking of references, and finally the presentation of the most preferred candidates or candidate.

The search for candidates commonly follows three stages: The first, where the recruitment company checks its data base for possible candidates and the second where the personal network of prior candidates, colleagues, friends etc. is consulted for possible candidates. A Searcher relies heavily upon its data base, which has evolved during the years, as opposed to companies using advertisements, which may not use a data base at all. The third stage is commonly performed by specific researchers having the task of keeping up with the market for executives by for example gathering information on what executive moves where, who receives a promotion or not, but also on the companies themselves in terms of what changes are made in terms of structure and personnel.

If the persons, whom are contacted are interested and they seem to be able to fill the position, they are brought to the recruitment company for a first interview. This

perspicuous interview takes a couple of hours. The candidate is then evaluated a first time according to the interview and if the result is satisfactory and the candidate is still interested, some tests will be done and a second and deeper interview is arranged. The tests in question are mainly constructed in order to evaluate personality, but there are also specific tests concerning for example creativity, talent, how an individual identifies threats (developed for testing airforce pilots) and problem solving. These tests will then be used as a basis for the deep interview, where the results are discussed, as well as childhood, personality, compatibility with the client company, working experience, interests etc. After this, references are taken, where the recruitment company may touch upon a specific area that may have come up during the interview, or may ask to contact a specific reference person, for example a person from the candidate's daily life, such as a friend or a husband or wife. However, the reference mainly serves the function of bearing proof of the already made evaluation of the candidate.

Finally, some candidates are presented to the client and one candidate is chosen for the position. One Executive Searcher actually presents only one candidate at each recruitment opportunity. As recruitment firms commonly decide upon one candidate being the most appropriate one and as client firms commonly follow their advice, the thought it was only an issue of presenting the client firm with a false sense of choice.

The Employment phase

The recruitment firms seldom take an active part in the employment phase, where the employment contractual terms are defined, negotiated and stipulated in contracts. Instead, they tend to refer to themselves as discussion partners, saying that they could lend a hand in how for example a CEO contract is supposed to be formulated or wage level of the new employee, but they do not take any part in the legal particulars of the contract, as there are

experts available in that area. However, Searchers appear to be more engaged as discussion partners than the Advertisers.

The Follow-up phase

The follow-up phase appeared to be a one-sided communication where the recruitment firm received information on the result of the recruitment and where guarantees, if supplied and in the case of a bad recruitment, were fulfilled.

All recruitment companies did have some form of guarantees. For the Searchers the guarantees tended to be more of an unsaid commitment than being included in any formal agreement, whereas Advertisers tended to have more strict guidelines concerning both time-limit and the certain conditions under which such a guarantee would be valid. For example in the case of Advertisers, one company did not have this guarantee, as they had not generated the candidate themselves. Another condition may be due to the increasingly turbulent changes of almost every industry. As one Searcher put it, fifteen years ago you could recruit a new CEO and he would still be in the same position ten years later. Nowadays, the CEOs only keep their positions for about two years, before they move on to a new one. This turbulence is, however, not specific for the higher levels of management. Therefore, recruitment companies tend to place the condition that a guarantee is not valid when the new employee is dissatisfying due to change of context, such as change of owners or organisational development, but only when it depends on a fault made by the recruiters. However, guarantees are not commonly triggered, indicating that the recruiters tend to recruit fairly well functioning people to the positions. This capacity to do a good job is also indicated by the high percentage of long-term clients.

A follow-up is also common for all recruitment companies, depending in frequency and length, but consisting in general of six months to one year. In the case of the

follow-up, this is not only done by contacting the assignor to make sure of satisfaction with the new employee, the new employee is also contacted to hear how the first time at the new company has been. If there are problems, the recruiters will commonly talk to both parties and then invite them to their own premises, representing a sort of neutral ground, where they can try to help solve the problems, which may have arisen. These problems commonly concern communication, which is why the recruiters feel they may have a chance of solving them by acting as go-between. However, it has been remarked that if things start to go wrong, this needs to be discussed and solved immediately. If not, things will tend to go beyond repair and the guarantee will have to be invoked, which is why the follow-up is best done several times than just at the end of the guarantee period. This feed-back process is of course useful to the recruitment companies and they may even get new information, which was not disclosed prior to the employment contract was signed. The recruitment company may especially be able to get a deeper insight into what aspects may be most important for that specific company, such as what factors tend to have a higher priority in the selection of a manager, which will be useful to the recruitment consultant in future recruitment processes for that particular company in specific and may also contribute to their silent knowledge in general.

Thus, we have found two distinct different types of recruitment firms, the Searchers and the Advertisers, being different in almost all five steps of the recruitment process: the assignment, the demand analysis, the selection, the employment and the follow-up. When focusing on the firm, we will hypothesise that this difference could be due to the age of the firm, and the consequential reputation gained.

FACTORS OF MANAGERIAL SELECTION AS PERCEIVED BY RECRUITMENT FIRMS

The most part of the recruitment process is controlled or performed by the recruitment firm. Thus, the factors they take into account during the selection process will be of vital importance for the selection of managers.

The factors of selection considered by the recruitment firms can be noticed in the observability of the factors. The observability of factors can be described as dependent or as formal. Those factors of selection that can be observed independently of the recruitment process are termed Independent Factors, connoting that the factors are not affected by, or in, the recruitment process. An example of such an independent factor is education. Factors that are observed during the recruitment process are termed Dependent factors, implying that they are not only observed during the recruitment process, but the values of the factors are dependent on the process. One example of this is personality, which can be described differently depending on which personality test utilised, thus to a lesser or a greater extent the value received is dependent on the measure instrument.

The factors, which without any hesitation by recruiters are admitted as being factors of selection, are termed Formal factors. They contrast to the factors that could affect the selection, but which are admitted or even recognised by the selectors to a lesser extent. They are termed Informal factors, implying that they exist, but are not fully recognised. An example of a formal factor is experience, and of an informal factor social class. As research has shown, informal factors, not recognised by the selector, are effective.

These distinctions result in a two dimensional space of factors of managerial selection, as shown in figure 2.

TABLE 2.

FACTORS OF MANAGERIAL SELECTION

	Independent	Dependent
Formal	Experience Education and Languages	Personality
Informal	Gender Age	Family situation and Social Class Appearances

Independent and dependent factors of managerial selection

According to most of the recruitment companies, there are no factors that cannot be documented. Nonetheless, a distinction can be made between Independent factors, which can be documented objectively and before the recruitment process. These factors are those that are publicly made, documenting factors already existing, which with a high probability will be perceived in the same way by any person examining for example an application to a position. Dependent factors, as a contrast, are those that can be documented, but need an intermediary interpretation in order for them to be documented individually.

Factors that do not need an interpretation, that is independent factors, are education, experience, gender and age. In the case of education, the person possesses an exam, which has been emitted by a school, in which the person's skills and competence are evaluated according to a grading scale. However, even with education, an informal moment is introduced when the selector values the school. Although there are no truly accurate evaluations of the Swedish schools and universities, there is an informal evaluation pinpointing certain schools to be of better quality than others. Concerning knowledge in languages, an exam may be an indication of a person's knowledge, but as it may have been some time ago that the person attended school, this knowledge may have to be more actively assessed by for example a demonstration of such skills during an interview.

In the case of experience, the person will commonly present a curriculum vitae, in which prior positions and responsibilities are described. This factor may also be influenced by

a certain interpretative moment, in that different positions at different organisations may entail different responsibilities, but it is nevertheless useful in that it indicates what may be expected of a person, although specific work tasks may have to be examined in further detail. However, the factor of experience is not based upon interpretation alone, as the curriculum vitae is independent evidence of a person's career. The evaluation of this factor is therefore merely more thoroughly investigated by means of for example interviews.

Other independent factors are gender and age, as this is not commonly contested. Therefore, even if different persons may have different opinions concerning for example recruiting a female manager or a person of fifty years old, the perception of these personal characteristics is not different from person to person, only the biases connected to them, i.e., their informal character.

Factors, which do need interpretation and which are documented during the recruitment process are personality, family situation, social class and appearances. Concerning personality, several attempts have been made by recruiters to formalise the perception of a person's personality. However, these tests represent intermediaries in that the personality needs to be evaluated by a tool and in that it, commonly, is not perceived in the same way independently by two different persons. Also, there are no public records of a person's personality. Thus, we consider it a factor, which is dependent upon the recruitment process. However, recruitment companies have identified the problem that a manager's personality may be very differently evaluated depending on the person doing the evaluation, i.e. the recruitment consultant. A reason why so many recruitment companies use different personality tests may be an attempt to formalise a manager's personality. Personality tests are mostly constructed as a series of statements, where the manager must choose which statement of four suits the best and the least, resulting in an overall personality profile made up of different levels in different categories. Categories, which are common are creativity, ambition,

responsibility etc., but there are also others, which are meant to formalise an individual's creativity, talent and problem solving. Other tests attempt to measure a manager's ability to process information, stress level and in some cases also the individual's perception and use of ethics. However, this sort of information is commonly searched for during interviews as well.

One may argue about the accuracy of such tests and there are recruitment consultants who insist upon the use of psychologists in the execution and evaluation of such tests, but this is not a general rule. It is, however, common for recruitment consultants to perform the tests themselves and some have also developed their own tests according to their perceived need. One recruitment consultant commented on the observing of test results being the same over time for the same individual apart from two categories, which were level of ambition and need for change, indicating a certain internal reliability.

The use of tests is one piece of information in the puzzle that is the manager. Another piece of information in this puzzle is the use of references. We expected that with increasing age of the candidate the emphasis on tests decreases and the use of references increases, as actual behaviour is superior information than information created in an imaginary situation. Older candidates have been exposed to more people and revealed more of their capacities and peculiarities, noticed by their former superiors and this information, gained in actual situations, is superior to the experimental situation of a test. Younger candidates, on the other hand, have no record, no people that have knowledge about them, therefore they are subjected to tests.

The recruitment consultants did not support our hypothesis. On the contrary, one recruitment consultant said that certain tests were sometimes not done on a lower level, as companies wanted to save this kind of input for selection on higher hierarchical levels. Another consultant said that they were recruiting to a position not yet assumed by the candidate, making the former information important, but not decisive for the candidate's

capacity of fulfilling the demands of the new position. The tests were important instruments for avoiding the promotion of persons to their level of incompetence. It appears that tests measure different things, which can be observed in real situations, thus creating information, which is not replaceable by references.

Most recruitment consultants argue that tests are mostly used as an input to a later deep interview and may also be used to confirm the perception that they have already reached of the candidate. Indeed, when test results disagree with their own perception, their perception tends to take precedence.

Other factors that may be termed dependent are family situation and social class. In the case of family situation, the fact whether the potential manager is married or single is publicly documented, but as many recruiters have commented, they are interested not only in a person's marital status, but also in the family situation, that is if the marriage is a happy one, or indeed if the person is in the beginning of a divorce process. The family situation is especially important when a move is necessary for the new position, as this will put additional strain upon the family.

Concerning the social class factor, recruiters not only ask for the occupation of the father during interviews, by means of which social class may be inferred, they may also ask for conditions and changes during their childhood, as well as the present occupations of wife or husband and siblings. As recruiters have commented upon, social class may have importance based upon two arguments. First, having a father who is a manager may lead to the person having grown up with not only specific values, but may also have learnt what being a manager entails and therefore having a pre-understanding of those conditions. Second, social class may have a more imminent effect upon the person's career possibilities in that a higher social status will tend to correlate with a better language, being an advantage due to the communicative nature of managerial work.

As for the factor of appearances, this has an effect upon the perception of the manager. According to the recruiters, and especially the Searchers, a manager has to be presentable at all occasions. The manager does present a part of the corporation's image toward external viewers. It may also be important from another aspect, as clothing may indicate certain values, as, for example, a conservative corporation could tend to perceive a manager dressed in tie or scarf as more appropriate than a manager lacking these trappings.

To summarise, a distinction can be made between independent factors, that is factors, which existed in public records prior to the selection process, and dependent factors, that is factors, which may have been documented during the selection process by the recruiter, but in such cases depend on the recruiter's interpretation. Independent factors are education, experience, age and gender. Dependent factors are personality, family situation, social class and appearances.

Formal and informal factors of managerial selection

Factors, which without any hesitation is admitted as being factors of selection are termed formal factors. They contrast to the factors, which could affect the selection, but is to a lesser extent admitted or even recognised by the selectors. They are termed informal factors, implying that they exist, but are not fully recognised.

Formal demands are specified in the demand profile, formulated after an analysis of the corporation and the position has been made. These demands mostly concern "objective" factors, or as termed here, independent factors such as education and experience. However, another more "subjective" factor, personality, may also appear in the demand profile. Such factors may be termed formal, as they are formally related to and publicly presented. In the case of Advertisers, these are the factors that will appear in an advertisement for a position. In the case of all recruitment companies, these are the factors, which are known to the applicant,

whereas other factors are not known and may therefore be termed informal. Indeed, the informal factors may not even be known to the recruiter, although they are of importance to the assignor in the selection process. Such factors may be made clear to the recruiter in the final stage of the selection process, when a number of candidates have been presented, where for example a priority of factors may be introduced heretofore unknown to the recruiter. Examples of informal factors gender and age, which are independent, and family situation, social class and appearances, which are dependent.

Examples of formal factors are education and experience, as the demand profile commonly specifies what education is needed for the new employee to be able to fulfil the work tasks. Experience is here another important indicator and assignors also tend to require industry-specific knowledge in order for them to be accepted as satisfying if no new development is needed in a position, in the case of which a person with experience from a different industry may be more appropriate. Knowledge in languages is another factor, which is commonly specified in a demand profile, if the position requires it. The factors, which have been mentioned until now are also independent factors, in that public records of them tend to exist.

One may have thought that formal factors would only include education and experience, but as will be described in the next section on development of factors of selection, personality has become an increasingly important factor. Indeed, some recruiters are of the opinion that personality may be the most important factor, after a minimum requirement of formal skills, due to the importance of the context in which the position is placed, as skills can be learnt. The formal nature of personality may also be dependent on recruiters having found a way of documenting it, although depending on an interpretation.

Informal factors could prematurely be regarded as irrational factors of selection. This is hardly the case, as informal factors tend to pertain to how an individual will fit into the

situation around the new position. Thus, the irrationality of such informal factors largely depends on the context. For example, increasing age may be a positive factor in a situation where experience is most important, but may be a negative factor when a position demands a risk-taking or very flexible manager. However, today's sensitivity toward discrimination have made it difficult in certain selections to explicitly demand a certain age. The need for institutional isomorphism could thus dispatch certain factors from the formal to the informal category.

Gender may be a rational factor, especially when combined with age. Many recruitment companies have referred to the problem of recruiting women at the age of 25-30, that is an age when children are commonly wanted. As women still appear to be the gender, which stays at home longer with their children, women are at a disadvantage during the early phase of the career, which is perhaps the most formative career period. Even when the issue is not of fertility, gender may be regarded as a rational factor from the client company's perspective. Recruitment consultants have related to us the problem of men relating to women, whereby women responded by becoming more and more masculine in appearance and behaviour, aggravating communication between them. Is it not then rational for men to want male colleagues, and as men do have a lead, recruitment will probably tend to continue favouring men. Furthermore, it may also be rational for companies to keep this factor an informal one and not as an outspoken policy, due to the criticism, which may otherwise be incurred.

To be sure of the manager's capacity for concentrating on the work, it is also customary that recruiters ask of a manager's family situation, in order to interpret how the manager's family life is. Questions are put concerning the wife's or husband's occupation and recruiters may even visit the family in order to get a clearer picture and especially so if the new position involves moving from one town to another. The client corporation has to know

if the manager will be able to concentrate on the work at hand, without having to deal with domestic disturbances. According to one recruiter, managers, being almost exclusively men, have wives that fifteen years ago were to 90 per cent housewives, and that today are almost exclusively either basic school teachers or employed as nurses, that is occupations which can be easily transferred to a new town. However, a development has been noticed that younger managers (still being men) tend to have wives with an individual career, indicating perhaps that social situation will become even more important in the future. Yet, it would perhaps not be a good policy for a corporation to make family situation a formal demand, as it could be perceived as intruding on an individual's personal life.

Another commonly called irrational factor, mentioned as having an impact on the selection of managers for a position, is social background. Social background has been referred to as making a difference by what one talks about at the breakfast table and that the father's occupation may have an influence, as the understanding of what makes a manager and what a manager does gets under the skin, sort of like inherent competence or knowledge. This may seem either rational or irrational, depending on the person making the judgement. However, when looking deeper into this factor, one realises that it may also be connected to social ability. It is important for a manager to be able to deal with any number of situation and to be able to tell "which fork to use and when". A manager is in a position where it is necessary to always be presentable and to be able to cope with any situation and it may therefore be useful to have had a background in which any number of situations and people have been encountered. Going yet a step further, social background may also be observed to correlate with a better use of language, an ability which is indeed an advantage in a manager's work, where the direction and motivation of others tend to become increasingly important. Yet, demanding a certain social background among managers would probably seem improper, which may be the explanation of its informal and tacit nature.

The question of rationality becomes yet more complex concerning another factor, clothes, where not only does the manager need to be presentable, the clothes also serve as an instrument for displaying certain values. T-shirt and jeans may not be appropriate at a big board meeting, while coat and tie may not be sending the right signals when applying for a position in a newly started computer corporation. This factor is, indeed, rational, but the information content is difficult to know, as appearances only indicate the presence of certain values and the resulting behaviour. It does not predict the behaviour of the person. Thus, it is difficult to evaluate the significance of appearances. Added to this is the fact that appearances could be effective on an unconscious level, influencing the whole perception of the candidate. Thus, appearances is an informal factor of selection.

Selection factors during the selection process

A trend could be seen in what order the factors were taken into account and what importance they tended to have. A first selection appeared to be made by evaluating the candidate in terms of independent factors, that is experience, education, age and gender. It seemed to represent a minimum and perhaps a negative demand, as candidates were rather excluded due to some lack in such factors, rather than ranked according to their suitability. The next step involved evaluating the dependent factors, such as appearances, personality and family situation.

Development in factors of selection during the recent years

With respect to the above discussion an interesting development seems to have occurred according to the recruitment consultants, where the independent factors of education and experience seem to have lost importance relative to the dependent one of personality. This seems to be the cause of need for certain personal characteristics, due to the increasingly

communicative and motivational nature of being a manager. Not to say that knowledge and competence are not important, indeed the development in this area is that language knowledge and international experience have become more important, possibly due to the increasing internationalisation of Swedish business in general.

Also, a development has been noticed where the expert managers of yesterday are no longer sufficient, in order for a manager to be considered sufficient today. There seems to be a need for not only the specific competence, but also for general knowledge, as managers of today need to address and handle more diverse issues than before, in part due to an assumed flattening of organisational structures.

This flattening together with a generally increasing mobility in managers and perhaps all employees have influenced the formulation of another demand, that of the starting speed or adjustment ability of the candidate. One recruiter strongly emphasised that managers today cannot be slow-starters, as they could yesterday. With so many changes happening inside and outside a corporation, a manager does not get the time to settle into the position that was common before. A manager cannot for example be shy, as there will be no second chance in making an impression on the subordinates and motivating them for the change of today.

Recruitment companies also emphasised client companies wanting a candidate with prior knowledge of the industry and of the same situation that the new position would consist of, possibly due to the above mentioned demand for quick-starters, as a manager with related experience would be able to adjust to the new position faster. Therefore, it was somewhat surprising that internal candidates did not seem to have an advantage in the selection process, unless in the case of having two candidates, which are exactly as good as each other, which is not very likely.

Thus, we found that some factors, which have increased in importance during the last years. These were: Personality, generalism combined with expertism, and starting speed or adjustment ability.

RECRUITMENT FIRMS AND THEIR INDUSTRY

Recruitment firms are situated inbetween the corporation demanding a person for a position and the person demanding a position or that could be interested in a position. Thus, these firms function as intermediaries on the market for managerial labour. As they, in order to function well as an intermediary, need knowledge about both the persons and the organisations, a problem arises connected to this knowledge base, that they get in contact with people in the organisation, which they could consider for new appointments. This is the main ethical dilemma the recruitment firms are facing. Closely related to this problem are the opportunities that arise when you get information about a firm which can then be used in order to develop the organisation. Thus, the knowledge reached in the recruitment process does not only lead to an ethical dilemma, it also leads to opportunities for further business, that is, recruitment firms have synergy potentials, which they can utilise. This synergy potential appears to be easier to utilise when the recruitment firm is on the maturity level of its life cycle, that is when they enjoy a strong reputation. Thus, another observation we made about the recruitment firms was that they had a marked life cycle. Finally, we received strong indications that the recruitment industry is facing a major change, where the for-hire firms are invading the industry from below, climbing the corporate ladder, and thereby creating intense competition.

In this final section of the paper, we will present, and partly analyse, some observations made about the function of the recruitment firm, the ethical dilemma they are

facing, the synergies they can utilise, the life cycle they go through and the new development of the recruitment industry.

The Function of the Recruitment Firm

A recruitment firm is mainly an intermediary in the market for managerial labour. As with all intermediaries, they exploit market imperfections, which creates a distance between the supply and the demand. The obvious reason for utilising an intermediary in this case is the hardship of evaluating the demanded product, that is the manager and the manager's competence. Ordinary organisations seldom have the organisational need to possess this competence internally, as managerial recruitment is not a frequent occurrence. Lacking an organisational demand, they do not have the resources needed to internalise the recruitment competence. Personnel departments seldom deal with these issues, as indicated by many of the interviewed recruiters. Thus, one factor explaining the existence of the recruitment firm is the client organisations' lack of resources, due to time and competence scarcity.

Recruitment firms do not frequently deal with internal succession. Thus, they tend to not be engaged in the internal managerial labour market. This may appear to be quite natural, as the organisation presumably has much better knowledge about their internal candidates than about the external ones. While this is true, it neglects one of the competencies, which the recruiters stressed as their core competence, to be able to evaluate, not how the person have behaved and performed, but how the person will behave and perform in the future position. Simplifying it, they said that it was important not to promote persons to their incompetence level. The ability to create the knowledge of future behaviour and performance is presumably not naturally present in an organisation. While there appears to be a tradition of self-recruitment for internal succession, lack of internal candidates forces the

organisations to external recruitment, and thereby to use the service of recruiting firms. Thus, recruiting firms tend to allocate external candidates.

The increased importance of recruiting firms during the 90's indicated another development. The increase can hardly be caused by a decrease of internal candidates per se. More likely is the explanation that managers have higher mobility, which decreases the internal pool of candidates, but, more importantly, also increases the pool of available external candidates. In times past, when you were supposed to be loyal to your corporation, and to make a career in one corporation, the internal supply of candidates was large and the external managerial labour market was very small. Severe scarcity of managerial labour would then reinforce the organisation's internal labour market. With increasing mobility the organisations do not need to create internal succession tracks as they did before, and they do not need to develop their personnel as before, because there is a fairly huge supply of competent people available at the external market. However, to get in contact with them and to make the right selection, organisations use the recruiting firms. Thus, due to higher mobility in the labour force, decreased loyalty, both from the side of labour and capital, the external market increases in importance, and thereby enlarges the intermediary industry of connecting supply and demand.

Summarising this part, the recruitment firms exist due to organisations' resource scarcity, be it in time or in competence, and to the supply side having changed from merely internal labour markets to larger volumes on the external managerial labour market.

Ethical dilemmas in recruitment firms

“ A member of ESK will not participate in any form of search for candidates at present or past assignors. Exception from this main rule can only be made if it is obvious that no client relation has been present for at least two years” This is a quotation from the Code of Business

Ethics formulated by Executive Search Consultants (ESK) in Sweden, the industry organisation from which we have chosen our case companies. It indicates a severe problem facing the industry, that of recruiters gaining intimate knowledge about persons in the client organisation, which the recruiter cannot use in future recruitments. The prospective client organisation realises that the recruitment firm is first and foremost an intermediary, making a profit on their knowledge of persons. Inviting such a firm to the organisation will increase the exposure of the organisation, and thereby the threat of executive search, had there been no ethical standards of the industry, or other safe-guards. The recruitment firms inform about their ethical standards when discussing the assignment, or, as in the cited case, when marketing the firm. However, the client organisation still has the problem of recognising which firm will fulfil their ethical statement and which firm will not. None of the interviewed firms had found an active method of signalling obedience to the ethical standards. They all concurred that the passive method of reputation was the most effective way of signalling trustworthiness. As reputation can only be gained over time, it represents a huge investment and tends to be correlated with the age of the firm. It thereby constitutes a barrier to entry of the industry. That is one explanation why older firms tend to recruit for higher positions, where the organisations are presumably more vulnerable to executive search. Yet, there is another safe-guard, that of long-term relations limiting the recruitment firms temptation to breach ethical standards. Most firms had a steady flow of assignments from client organisations, which they had long-term relationships with. The long-term relationships could be interpreted as a cost effective method for the client organisation to externalise parts of their personnel staff work. Externalising the staff work reduces the client organisation's costs for recruitment competence, and the long term relationship reduces the costs of arranging effective assignments and will probably reduce the cost of demand analysis, as the assignor firm is already known by the recruitment firm.

There is, however, a spin-off effect of long-term engagements, which should not be underestimated, that of dependence. If the recruiting firm has a huge engagement in a firm, being rather dependent upon receiving assignments from the client organisation, the recruiting firms have strong incentives to behave properly. Thus, organisational dependency is one safeguard against exploitation of intimate knowledge about the organisations personnel. It is built over time, thus representing an investment, but as it is built among a small number of organisations it can be gained quicker than reputation. Thus, long-term relationships could be expected to be more frequent and more dominating among younger firms than older ones.

During the 80's there was a large inflow of new firms into the recruitment industry. Presumably, competition increased, perspicuity decreased and scandals appeared. Apparently, this also affected the reputation of the old firms, as some of the firms were stimulated to organise a trade association with the traditional function of assigning reputation to single firms through membership in the association. The association is still functioning and appears to fulfil its task, that of creating reputation. However, as one condition of membership is three years as a recruiter, it too represents an investment in time and a barrier to entry to the industry. A critical remark could be made here concerning the difficulty of evaluating the quality of recruiters' achievements. A trade association could investigate the applying firms and due to the competence of the consultant and the methods used, they could grant membership to the applicant. Instead, a criteria of a three-year qualification before membership will be granted is used, which indicates that the association leaves the evaluation to the market for a three year decision. This behaviour indicates that the trade association does not have a well developed method of distinguishing between bad and good recruiters.

To summarise, the ethical problem posed by the intimate knowledge about persons at the client corporation is dealt with through ethical standards, reputation, long-term relationships and trade associations.

Service synergies in recruitment firms

Many firms, especially those belonging to the category of Searchers, offer organisational development consulting or similar services. One reason for this could be that the recruitment firm has to do a thorough analysis of the position that is supposed to be filled by a candidate and of the context of the position. This kind of work appears to be similar to the work performed by organisation consultants aiming at developing the management team. In one case, the respondent described a case where they even changed the assignment during the demand analysis, due to the recruitment firm's findings concerning the well-being of the organisation. Thus, a recruitment assignment can be an entrance into an organisation development one. However, the reverse - a development assignment leading to a recruitment one - is as feasible, and appears to be more frequent. Thus, there are synergies between recruitment and organisation development, based upon the competence needed in order to achieve a high quality demand analysis and the knowledge about the organisation gained in the projects of development or recruitment.

Recruitment firms life cycle

A recruitment firm tends to have a life-cycle. It is commonly established as an Advertiser, taking care of lower level assignments, dealing with a huge mass of applicants and tests. Today, they could instead start as personnel-for-hire corporations and organically grow into the industry of recruitment. With more and more assignments and candidate placements, the firm establishes a network of persons and organisation. Organisations satisfied with the Advertiser firm can expand their use of the Advertiser to more positions and to qualitatively different positions, thus establishing a long-term relationship and encouraging the firm to enlarge its service. The recruited persons, if experiencing a good treatment, can also return to

the firm and give it new assignments, thereby enhancing the recruiter's data base. If the Advertiser is placing candidates that are hierarchically oriented, the assignments from the old candidates will tend to follow the candidates' development, that is, climbing the corporate ladder.

Slowly a reputation is established, which is independent of the candidates and the organisations, thus the firm moves slowly to the category of Searcher. However, as the founder of the firm grows old, so does the network and the contemporarily useful social skills of the recruiter. Soon, the network persons will leave the board of directors, thereby losing their influence upon assignments. The social skills of the Searcher are functioning well in the older circles, but could be apart from younger people's values and behaviour, thus introducing a complication in the personal contacts, for example in the deep interviews. Also, their knowledge may not be up-to-date on what is needed for a certain function. It was for example mentioned to us that the sales function presented such a difficulty, being of a turbulent and flexible nature. Thus, a Searcher can hardly survive without recognising the need for rejuvenation. Young people are needed in order to get a younger network and to get in touch with the values of the young. The reputation is still there, but would presumably erode as slowly as it was built. This is probably of vital importance for those that focus on developing industries such as IT, be it the segment of mass media, computers or tele-communication.

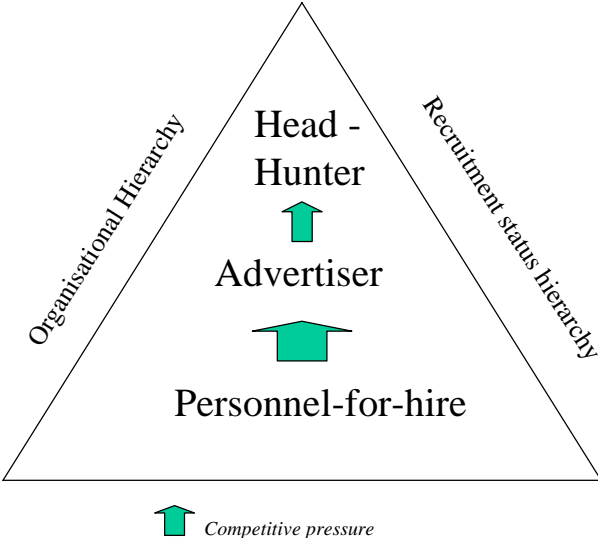
The development of the recruitment industry

The external market for managerial labour increases in size. This speculation, based upon interview persons' opinions, seems a likely one, due to the argument of increasing labour mobility. That would make all recruiters happy, as the market for their service expands. However, this happiness is only relevant for some segments of the market, as the barriers of entry to the industry have changed.

The market for recruitment has several times been described to us as a pyramid, where the top is occupied by Searchers, recruitment companies such as Advertisers is in the middle and personnel-for-hire companies at the bottom. The association of a pyramid is here both based on the objective perception of Searchers dealing with higher hierarchical managerial positions. There is also a subjective basis for a status hierarchy, however, where there is a perception of higher status connected with those that are engaged in top management recruitment.

FIGURE 1.

THE HIERARCHY AND THE COMPETITIVE PRESSURE OF THE RECRUITMENT INDUSTRY



One change in the industry is due to the rather new phenomenon of hiring personnel having introduced personnel-for-hire corporations. These have recently started to climb the corporate ladder through two different avenues. One avenue is that of offering personnel-for-hire at higher positions than for example the ordinary ‘switchboard operator’-level, that is positions demanding easily described and observed skills. Another avenue is that of the traditional recruitment firm, offering candidates, more or less evaluated by the personnel-for-hire firm, to client organisations.

According to most of the interviewed recruitment consultants, the new competitors have introduced new methods into the industry, by for example a quicker process in only searching for candidates among their existing data bases, taking no charge for candidates who are not chosen and not having a guarantee. The firms, being mostly engaged as Advertisers, were the ones which most strongly stressed the new competitors appearance, thus indicating that they experienced competitive pressure from the personnel-for-hire corporations. The competitive pressure was not as pronounced between Advertisers and Searchers, thus giving the impression of a rather stable industry segment, a business-as usual attitude, with a low level of innovations, mainly introducing internet as an important information toll.

Why has this change occurred? Lacking systematic collected data, one can only speculate. The cost of dismissal and rigid labour laws could be one reason why personnel-for-hire firms emerge on the market. Instead of employing a person for a trial period or in order to cover production edges, organisations prefer to hire personnel, shifting the employment responsibility and the recruitment efforts to the personnel-for-hiring corporation. Personnel-for-hire companies represent a possibility for client corporations to engage one potential employee for a certain time period, after which the person can either be employed or exchanged for a new potential employee if not satisfactory. Thus, it markedly decreases the uncertainty involved in the recruitment process. Another speculative interpretation is that the establishment of personnel-for-hire firms and their climbing of the corporate ladder is a consequence of employers preferring flexibility through a contracting out of certain functions. Despite any rigidities on the labour markets, the firms draw new organisation boundaries, where some positions are being, what could be termed, semi-externalised, still supposed to be headed by the organisation, but employed by another organisation. Another cause could be value changes in the labour force. Indeed, some of the interviewed recruiters asserted that

younger people tended to have an orientation toward task loyalty and self-development, and no strong sense of loyalty toward an organisation. This could, however, be values that have existed before, but as most organisations were constructed with strong internal labour markets, the value of task loyalty and therefore high mobility, had no fertile soil to be planted in. With personnel-for-hire, those persons hailing the task loyalty and mobility have found organisations, which can satisfy their preferences. This is not to neglect that many, employed by these firms, could have preferences for internal labour markets and organisational loyalty, but they may lack employment opportunities. The seemingly common change of values among young people may be a result of Sweden's increased unemployment, resulting in a perception of increasing disloyalty on the part of the companies.

In sum, changes in the firms and in the labour force has introduced a new category of firm, that of personnel-for-hire, which quite aggressively enters higher segments of the recruitment industry, thus increasing competition on a middle level. The industry segment of Searchers does appear to be rather stable.