



## AESC Insights

### 2008 Mid-Year

# Executive Search Industry Outlook

The 2008 Mid-Year Executive Search Industry Global Outlook Report, by the Association of Executive Search and Leadership Consultants (AESC), indicates a cautious six month outlook for the economy and the retained executive search business in general, as compared to recent years.



## **The AESC Mid-Year Member Outlook Survey 2008**

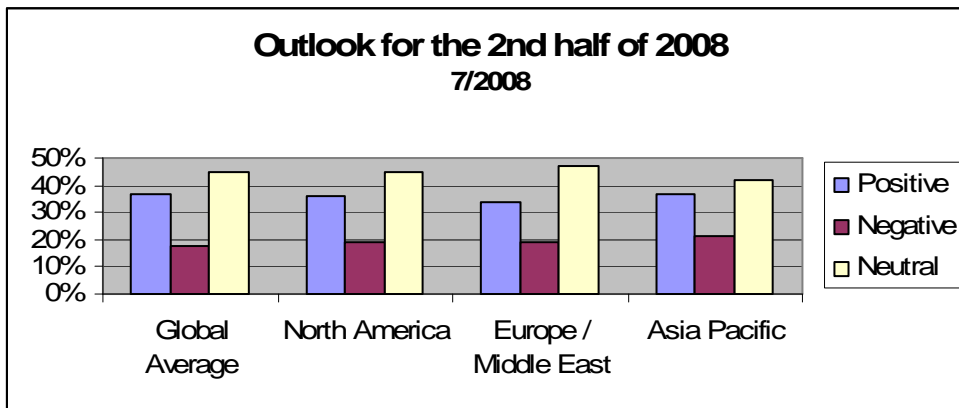
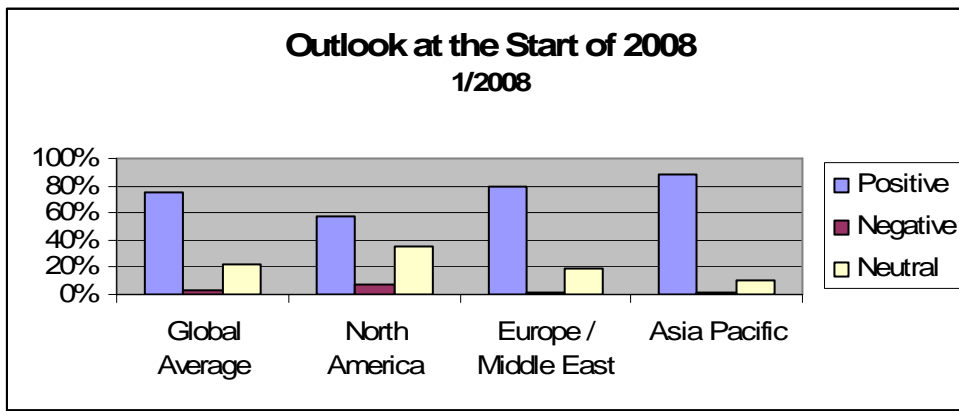
Findings from the Association of Executive Search Consultants' (AESC) *Mid-Year Member Outlook Survey* indicate a cautious six month outlook for the economy and the retained executive search business in general, as compared to recent years. The AESC's first quarter State of the Executive Search Industry Report also suggested a slowing in certain sectors of executive search, though the industry remained strong overall. This continued demand for talent in a time of global economic instability can be attributed, in significant part, to a shift in workplace demographics and growth in emerging markets, both of which have kept the executive search industry active.

The AESC Mid-Year Member Outlook Survey 2008, conducted from June 16<sup>th</sup> to July 7<sup>th</sup> 2008, achieved 132 responses from North, South, Central America (39%), Europe, the Middle East, Africa (45%), and Asia Pacific (15%). Findings are contrasted against the AESC 2008 Start-of-Year Member Outlook Survey, completed in January 2008.

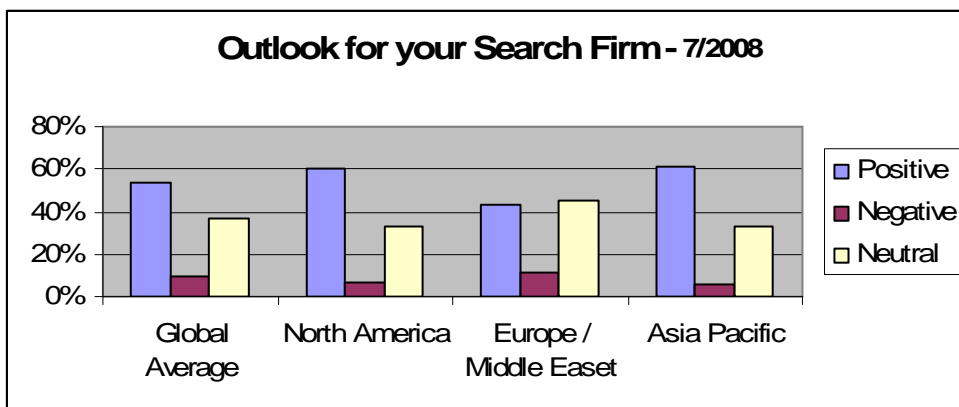
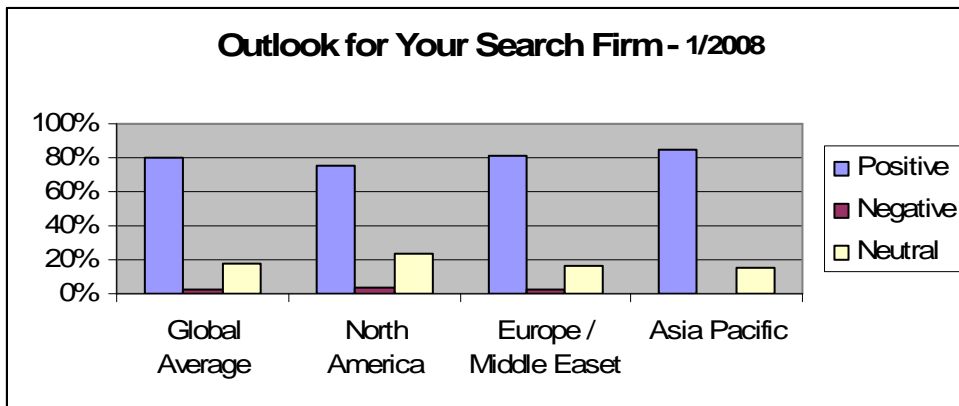
### **Outlook for the Retained Executive Search Industry**

Global averages show that 45% of AESC member executive search consultants have a neutral outlook for the search industry in general, a shift from the beginning of 2008 when a large majority, 75%, was positive about the year ahead for the search industry. Nevertheless, 54% of respondents report that they still have a positive outlook for their firm for the next six months even though confidence is significantly down from 80% six months earlier.

Q: What is your outlook for the executive search business in general?



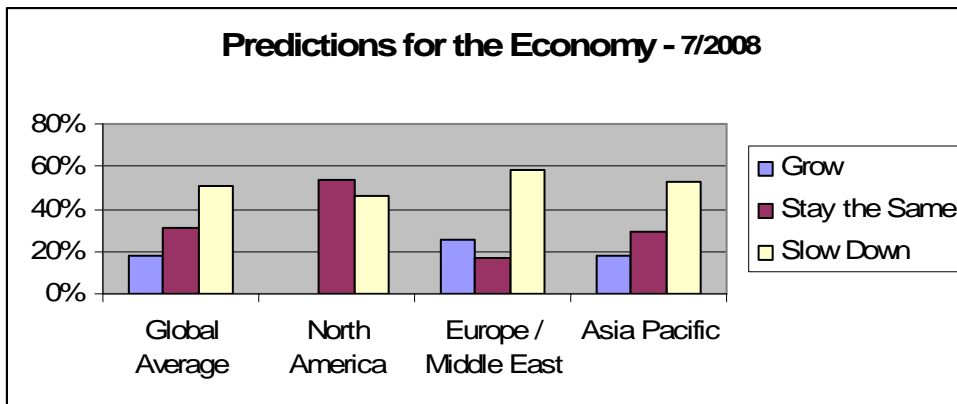
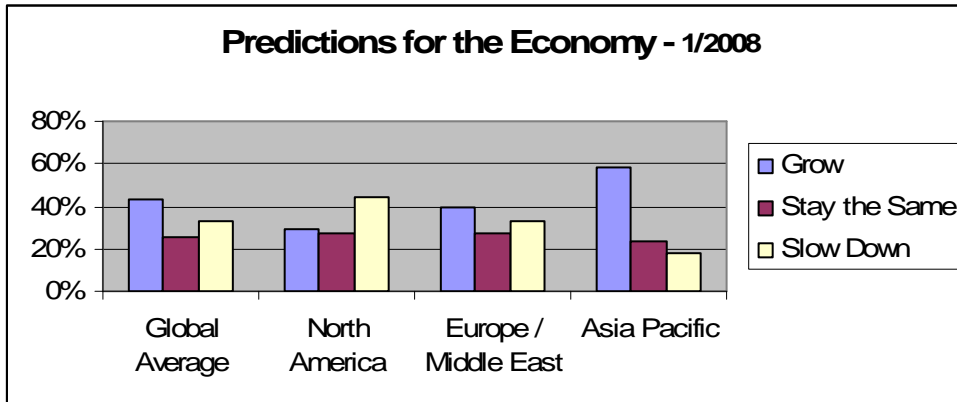
Q: What is your outlook for your search practice?



## The Future of the Economy

82% of respondents predict that the economy will either stay the same or slow down over the next 6 months, and 93% admit that the search industry will be affected. Despite concerns about the economy, a significant percentage of AESC firms do not plan to cut staff but to maintain their current number of search consultants (48%).

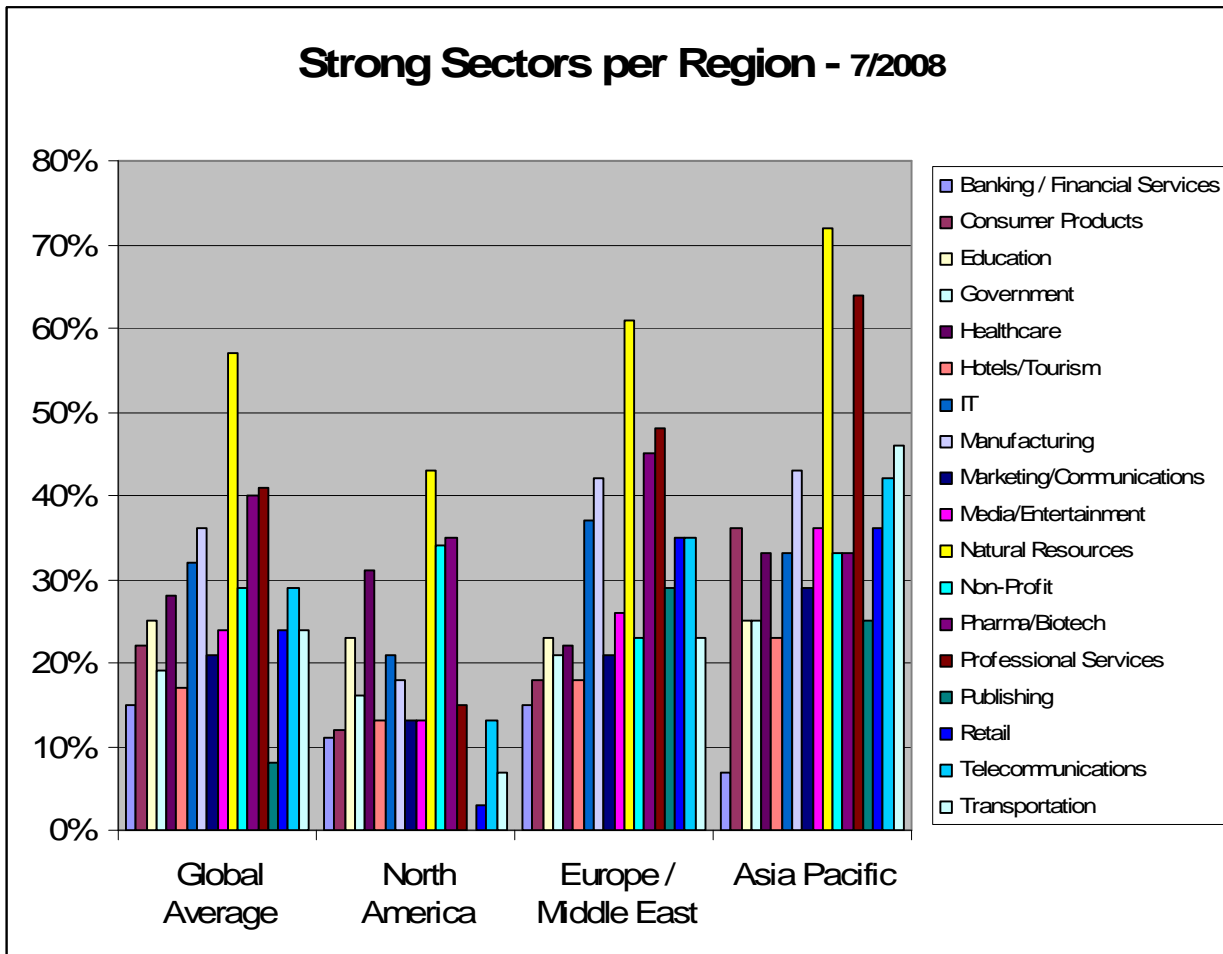
*Q: What do you think will happen to the economy in the coming months?*



## Sectors within Executive Search

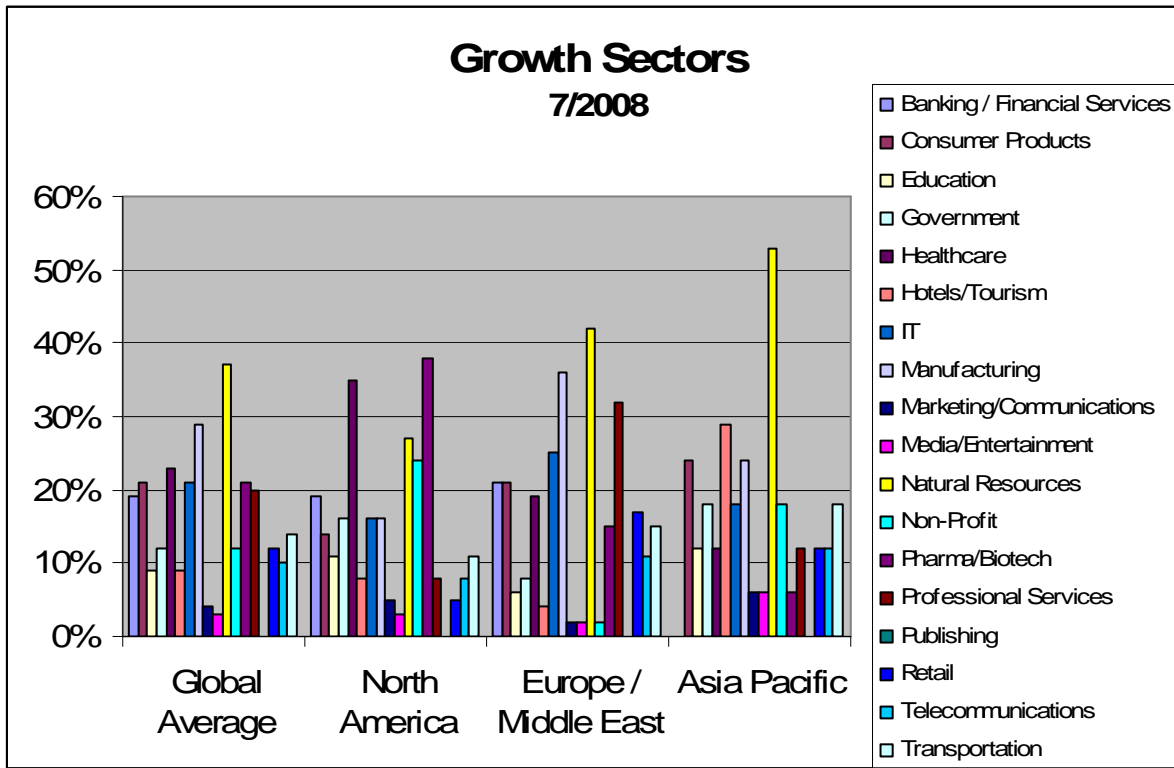
While searches in Financial Services have slowed, and the sector is considered to be weak across all regions (48%), hiring is still taking place in some areas such as Private Banking, Private Equity and Insurance. Global averages show the strongest sectors for executive search are currently Natural Resources (57%), Professional Services (41%) and Manufacturing (36%). There are slight regional differences, with IT (37%) and Telecommunications (35%) being strong in EMEA; Non-Profit (33%), Retail (36%), Telecommunications (42%) and Transportation (46%) being strong in Asia Pacific; and Non-Profit (34%) and Pharmaceuticals (35%) being strong in North America.

Q: Please rate the current strength of the following sectors, related to search activity.



The strongest sectors are also the ones predicted to see the most growth over the next six months, with Natural Resources (37%), Manufacturing (29%), and Healthcare (23%) being the top three. In EMEA, Professional Services was also considered to be a growth sector (32%). Asia Pacific reported Hotels / Tourism (29%), and Consumer Products (23.5%) to be growing in that region, and North America noted Pharmaceuticals (38%) to be one of its sectors seeing the most growth.

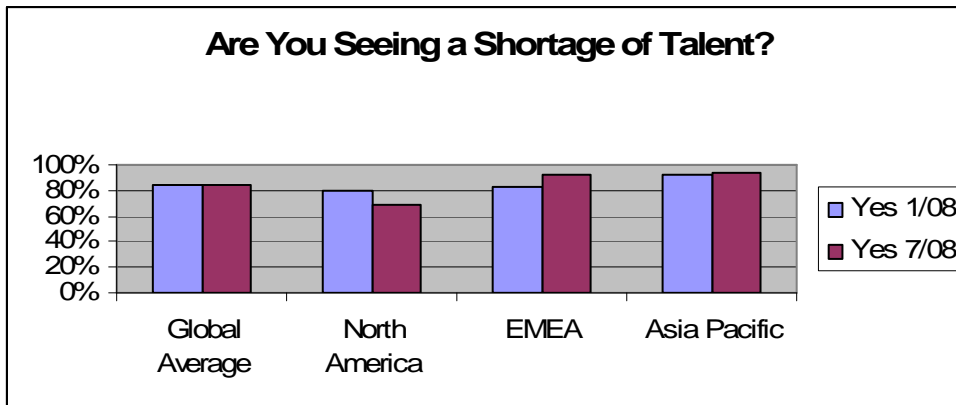
Q: In which sectors do you expect to see the most growth in the next 6 months?



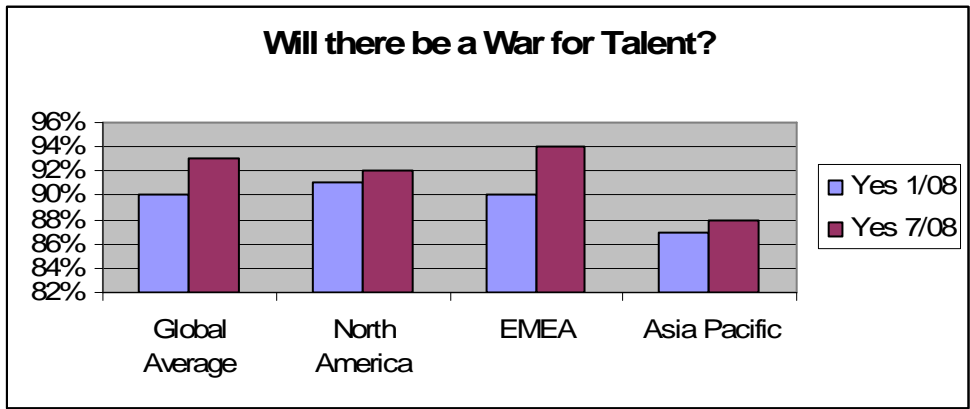
### Executive Talent

Across the board, all survey respondents agreed that they are currently seeing a shortage of talent, up slightly to 85% from 84% at the beginning of 2008. When asked if they predict there will be a continuation of the ‘War for Talent’ during the next five years, respondents overwhelmingly said ‘Yes’ (93% today as opposed to 90% six months ago).

Q: Are you currently seeing a shortage of talent?

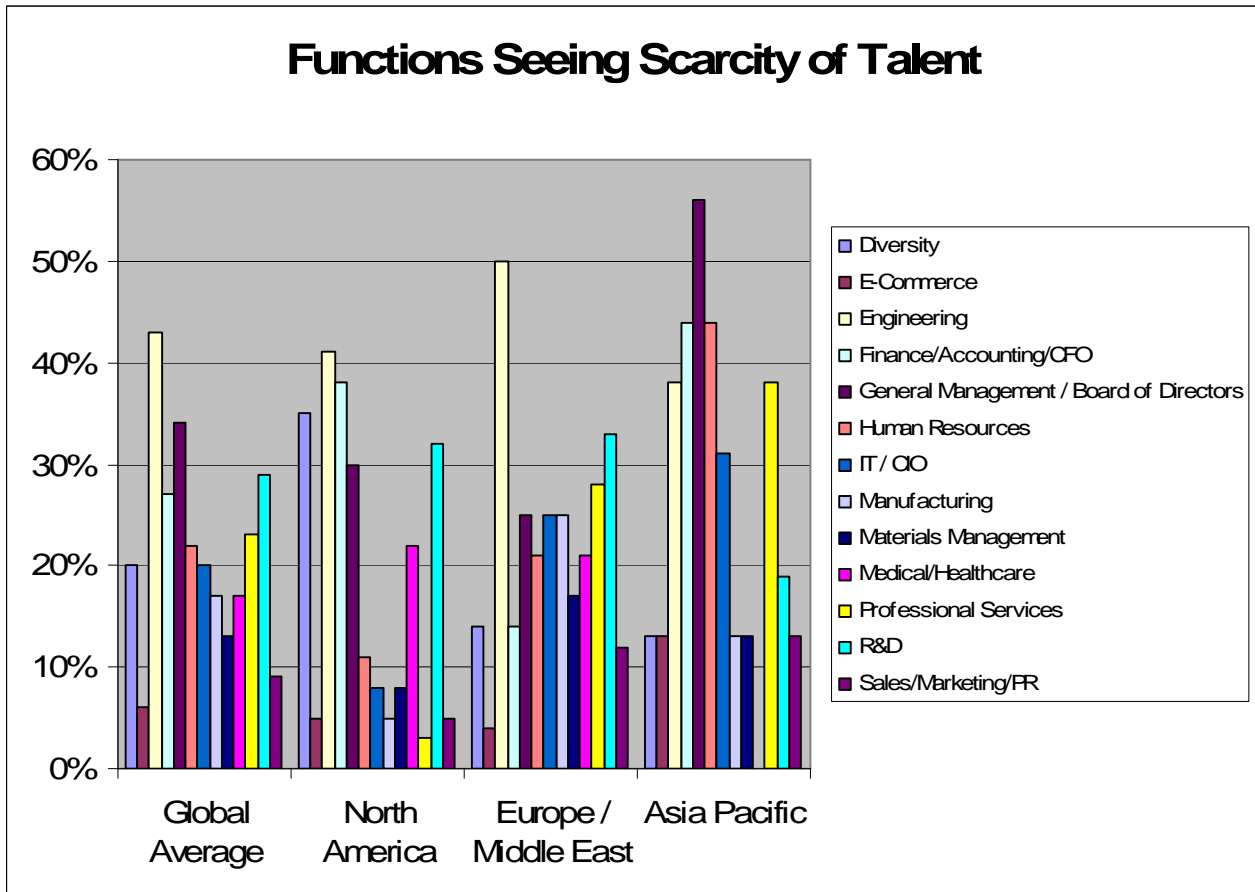


Q: Do you believe there will be a “War for Talent” in the next 5 years?



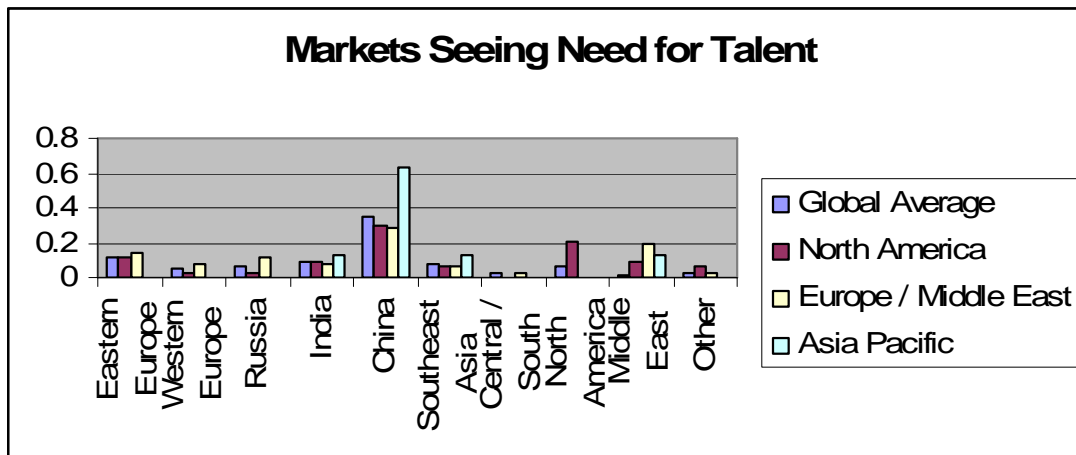
While there remains a lack of executive talent for General Management and Board positions (34% compared to 44% at the beginning of 2008), Engineers are now in great demand around the globe. All regions indicated that Engineering is one of the top functions in which they are seeing a scarcity of talent (EMEA - 50%, Asia Pacific – 38%, North America – 41%). Consistent with being a sector predicted to see the most growth in the next six months, Professional Services executives are in demand in both EMEA (29%) and Asia Pacific (38%). Finance, Accounting and CFO candidates are being sought in Asia Pacific (44%) and North America (38%).

Q: Within which functions do you expect to see a scarcity of talent in the next six months?



When asked to predict which regions would see the most need for executives in the next six months, global averages indicated that China would still be the leading country in need of talent (35% compared to 32% at beginning of 2008), followed by the Middle East (14%) and Eastern Europe (11%). While India was within the top three at the time of the last survey six months ago, it is now further down the list with only 9% of the vote.

*Q: Which markets do you think will see the most need for talent in the second half of 2008?*



## Summary

Peter Felix, President of the AESC, commented on the survey’s findings: “In a time of economic uncertainty many organizations slow down their hiring of executives, even at the most senior levels. But in this downturn, so far, we have been surprised by the strength of demand in a wide range of functions and industry sectors around the world.

The baby boomers retiring, plus the high demand from the emerging economies, are making their impact on executive supply – and this will continue until either the next generation comes of executive age, or the emerging markets provide a supply of executive talent themselves.

Natural Resources, the sector predicted to see the highest growth in the next six months, is experiencing a microcosm of this effect. With the increased demand for oil and gas, prices have risen and investment dollars are flooding in, but there is an extreme shortage of talent due to lack of foresight and training in the early 80s and the retirement of baby boomers.

Engineering is experiencing a very similar issue, and is therefore one of the top functions seeing an extreme demand for talent around the world. For example, executives trained in the United States and other developed



countries are in high demand to oversee infrastructure and manufacturing installation projects in China, the Middle East and parts of South and Central America. The electronics and telecommunications boom of the 90s took many of the Engineering graduates with it, leaving a gap in talent within more traditional civil, mechanical and electrical engineering fields. With 50% of senior leadership planning to retire within the next 5 years that gap is now exacerbated.

While the winds of demand blow strongly and counter to the prevailing winds of recession then executive search will continue to do well. AESC member firms have indicated caution as compared with 6 months ago but both they and the AESC have our fingers crossed behind our backs. With a bit of luck this storm may just blow over us – the War for Talent is fiercer than we or McKinsey might have ever predicted.”

The 2008 Mid-Year Member Outlook Survey was sponsored by **Kroll**

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## About The Association of Executive Search Consultants

The Association of Executive Search Consultants is the worldwide professional association for the retained executive search industry. The AESC promotes the highest professional standards in retained executive search consulting, broadens public understanding of the executive search process, and serves as an advocate for the interests of its member firms. For more information, or to download the AESC Code of Ethics and Professional Practice Guidelines, please visit [www.aesc.org](http://www.aesc.org).

The AESC offers BlueSteps ([www.bluesteps.com](http://www.bluesteps.com)), a career management service for senior executives, and CorporateConnect (<http://corporateconnect.aesc.org>), a service for the HR community offering industry information, tools to assist with senior executive recruiting, and access to the AESC membership directory.

