



AESC Insights

2009

Executive Search Industry Outlook

The 2009 Executive Search Industry Global Outlook Report, by the Association of Executive Search and Leadership Consultants (AESC), shows the Healthcare sector expected to see the greatest increase in hiring activity in 2009, followed by Government, and then Natural Resources and Pharmaceuticals/Biotech.



Association of Executive Search Consultants

The Worldwide Association for Retained Executive Search Consulting Firms

Association of Executive Search Consultants' 2009 Member Outlook Survey

The Association of Executive Search Consultants' (AESC) 2009 Member Outlook Survey, **conducted from 5 to 30 December 2008**, totaled 164 responses worldwide; including 33 per cent from North, South and Central America, 42 per cent from Europe, and 21 per cent from Asia Pacific. Despite economic recession, executive jobs in several sectors are expected to grow in 2009, namely healthcare, government, natural resources and pharmaceuticals/biotech. The key thinking and trends from the 2009 AESC consultant outlook survey are outlined on pages 2 – 9 of this report and contrasted against the expectations of six months earlier to reveal the fundamental areas of change since mid-2008.

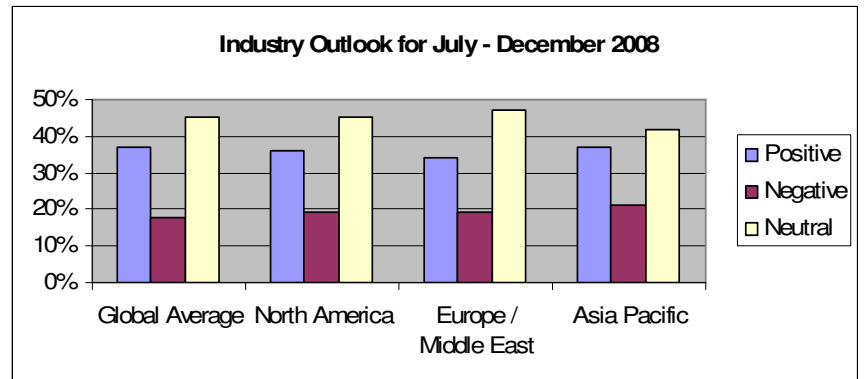
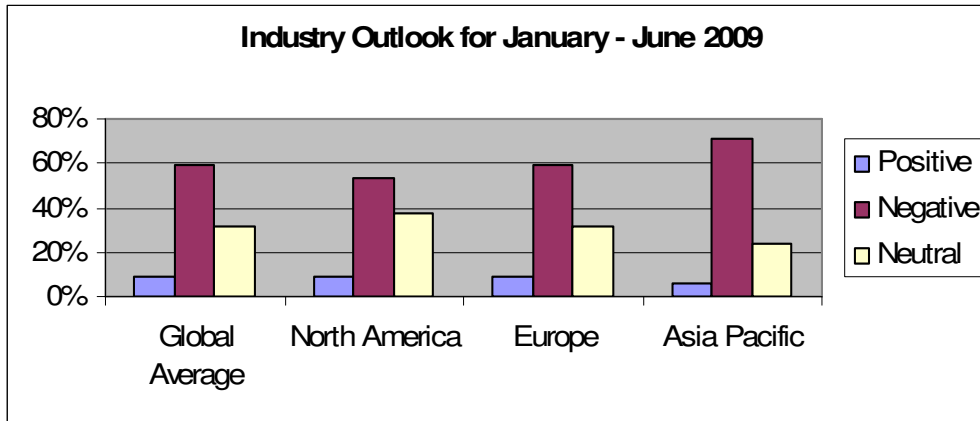
Executive Summary:

- Industry outlook from January to June 2009: 59% negative, 41% neutral or positive.
- Global search practice outlook: 41% negative for the first half of 2009 (from 54% positive for the later half of 2008).
- Top three sectors in December 2008: pharmaceuticals/biotech (35%), natural resources (33%), healthcare (32%).
- Healthcare expected to see the greatest increase in hiring activity in 2009, followed by Government, and then natural resources and pharmaceuticals/biotech (joint third).
- Finance/accounting/CFO functions expected to see the greatest scarcity of talent in 2009, followed by general management/board of directors, and then engineering.
- China will see the greatest need for talent in 2009, with India expected to see the second greatest demand.
- 53% expect fee per assignment to stay the same in the first half of 2009, while 44% expect fees to drop.
- 82% believe their firm's revenues will fall in the first half of 2009, the strongest expectation being a drop of 20%.
- 45% expect the economy to rebound in the second half of 2009, while 40% expect it will be the first half of 2010.
- The majority of firms plan to maintain the same number of consultants in 2009.
- Clients will be more willing to sustain long-term partnerships in 2009.
- A change to a more stable industry will be the strongest catalyst for career moves in the first half of 2009.

AESC President Peter Felix commented on the findings, "Despite the current state of the global economy, our members still see several bright spots for executive hiring in 2009. Other sectors will begin to step up their executive hiring as the current uncertainty dissipates and greater optimism begins to work its way into boardrooms. Typically executive search is an early indicator of renewed strength in the economy as organizations either upgrade or begin to invest in new executive talent. Given the extreme talent shortage which was being experienced in many sectors globally until the end of the third quarter last year our members are optimistic that strategic recruiting will pick up by the second half of the year."

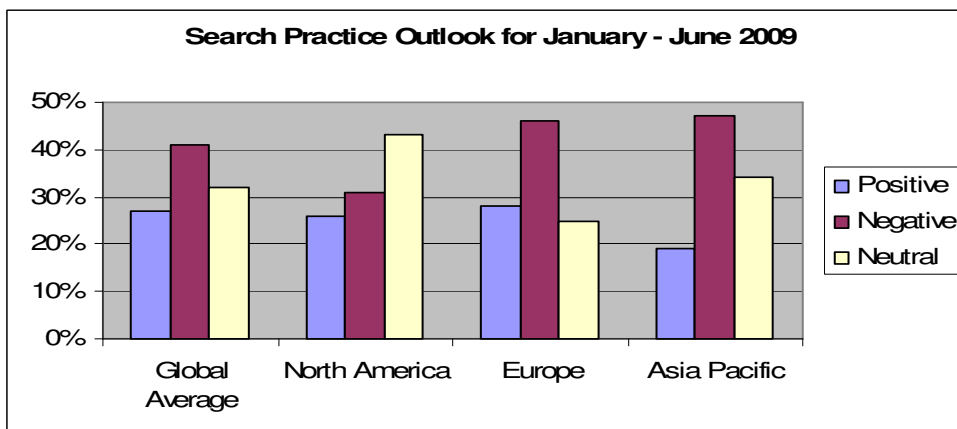
Outlook for the Retained Executive Search Industry, January - June 2009

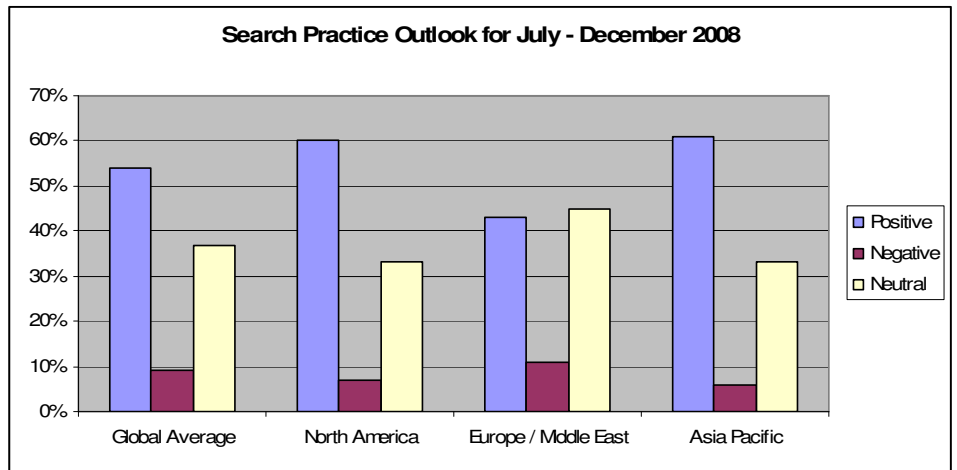
Reflecting the current global economic downturn, the industry outlook by search consultants for the first half of 2009 is understandably dominated by **negative predictions (59 per cent)**. However, **41 per cent of search consultants foresaw either a neutral or positive outlook from January to June 2009**, indicating strength in certain sectors and markets (see graph below). In contrast, the global outlook recorded back in June 2008 for the second half of last year was predominantly neutral and positive (82 per cent).



Search Practice Outlook, January - June 2009

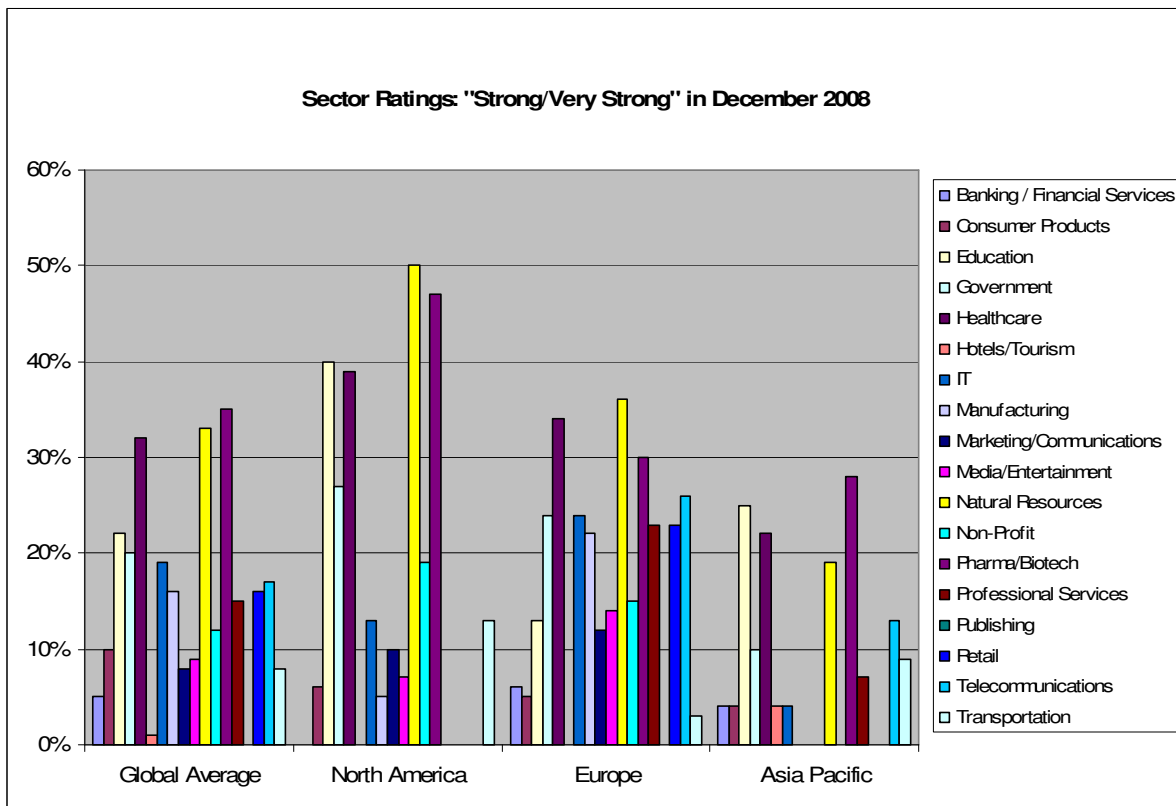
This year the global search practice outlook has shifted to a **41 per cent negative prediction for the first half of 2009** from a 54 per cent positive estimation made for the later half of 2008. Interestingly, North America was the only region to show a majority neutral search practice outlook for the first half of this year, against 46 and 47 per cent negative predictions by consultants in Europe and Asia Pacific (respectively) for January to June 2009.





Strong Sectors in December 2008

Based on search activity in December 2008, the top three sectors experiencing the greatest strength globally were **pharmaceuticals/biotech** (35 per cent), followed by **natural resources** (33 per cent), and then **healthcare** in third place (32 per cent). Comparatively, the strongest three sectors in June 2008 were natural resources, followed by professional services and then pharmaceuticals/biotech. In December 2008, North America and Europe voted natural resources as the top sector for search activity, whereas Asia Pacific saw the majority of hiring within pharmaceuticals/biotech and then education.

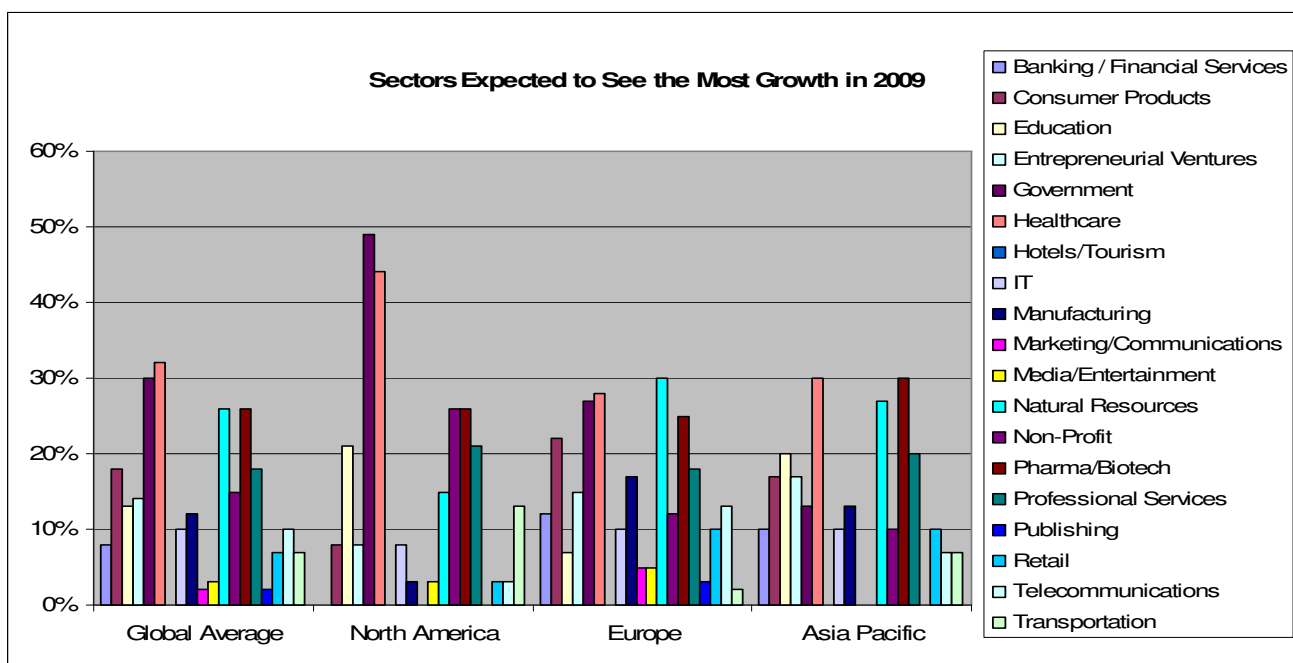


Sectors Expected to See the Most Growth in 2009

Healthcare is expected to see the greatest increase in hiring activity in 2009, voted by 32 per cent of consultants globally, this is a nine per cent rise from the growth predictions made for healthcare in June 2008 (for the second half of 2008).

Government stood out as the second strongest sector with 30 per cent of the global average vote and number one in North America with a strong 49 per cent, reflecting the current political climate in this region. Consultants in Europe expect to see the most growth in **natural resources**, which was also a joint third with **pharmaceuticals/biotech** in the global average vote. Asia Pacific revealed two equally strong sectors for 2009; healthcare and pharmaceuticals/biotech, both on top with 30 per cent of the regional vote.

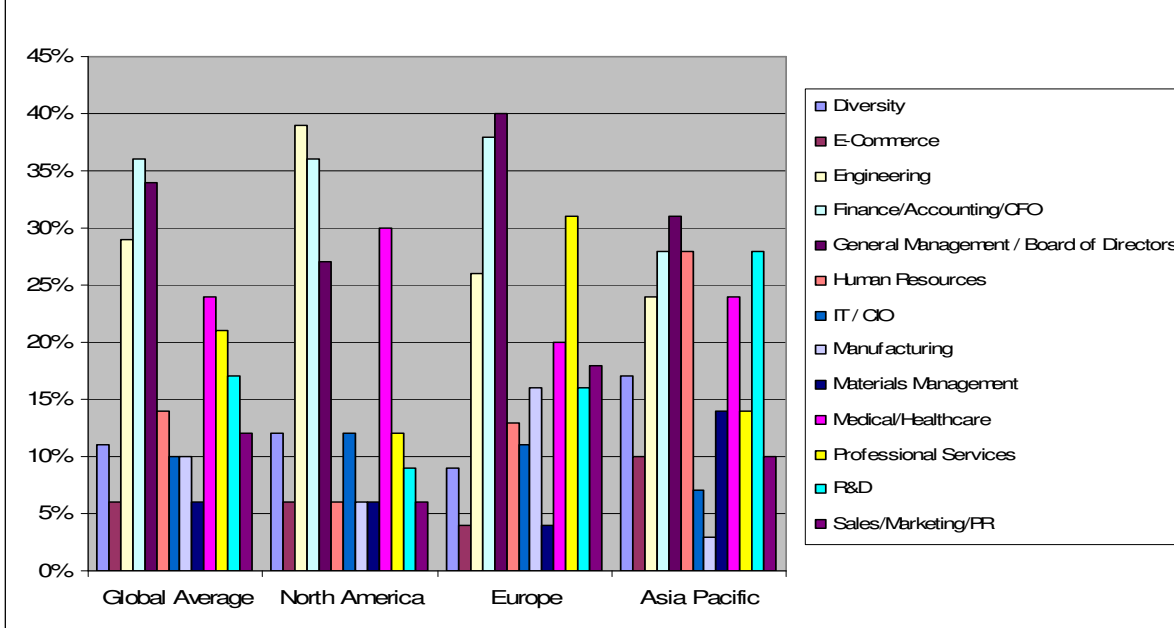
Reviewing the growth predictions made six months earlier (for the period July to December 2008), natural resources was expected to see the most growth in the second half of 2008 by the global average, and also regionally in Europe and Asia Pacific. Search consultants in North America however voted pharmaceuticals/biotech as the sector expected to see the most growth from July to December 2008.



Functions Expected to See a Scarcity of Talent in 2009

The **finance/accounting/CFO** functions are expected to see the greatest scarcity of talent in 2009, based on the global average vote, followed by **general management/board of directors**, and then **engineering**. Results for North America revealed that engineering would experience the largest talent shortage in 2009, with Europe and Asia Pacific both predicting that talent would be scarce within the general management/board of director functions. Contrasted against the earlier predictions made by consultants for the period July to December 2008, engineering came out on top as the function that would see the greatest shortage of top executive talent, both by the global average rating and regionally in North America and Europe. Asia Pacific again foresaw that general management/board of directors would be the function with the largest shortfall of talent in the second half of 2008.

Functions Expected to See Scarcity of Talent in 2009

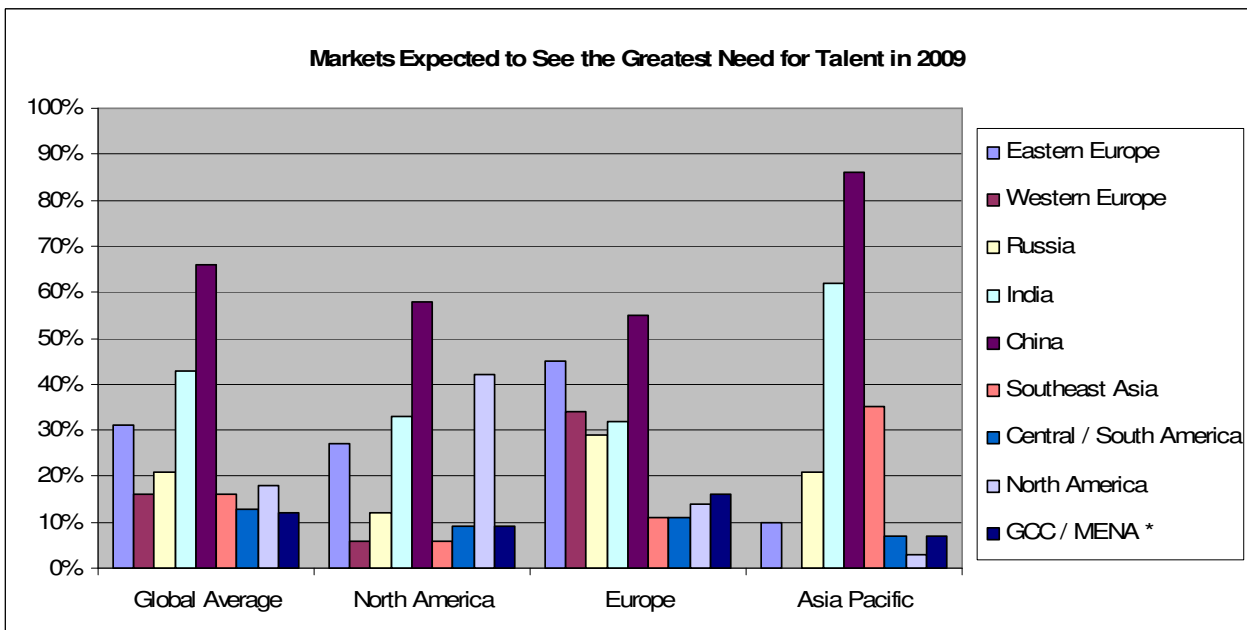


Markets Expected to See the Greatest Need for Talent in 2009

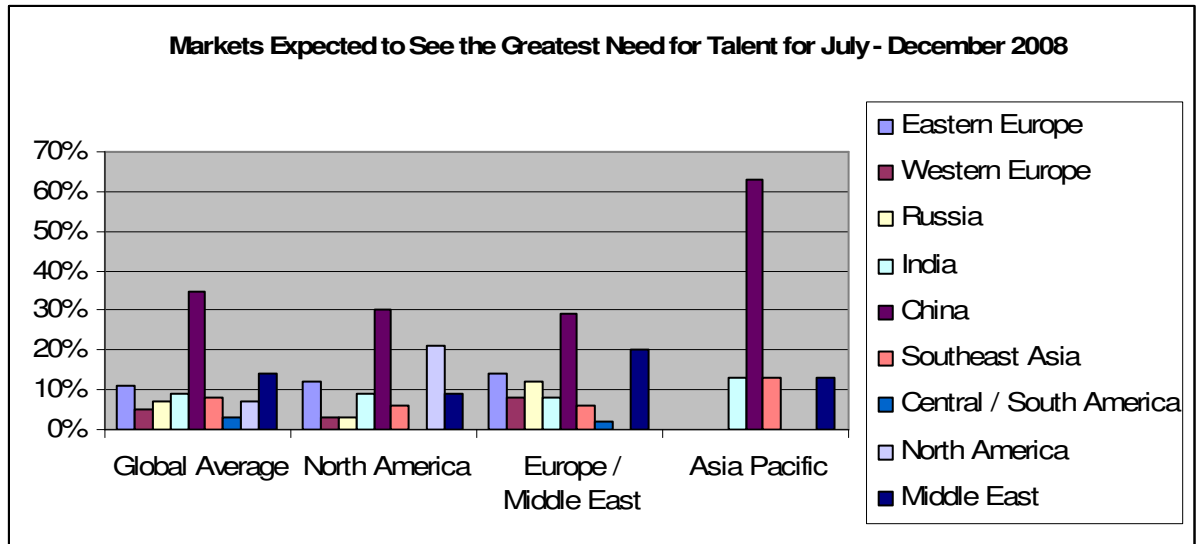
Search consultants expect that **China** will be the market to see the greatest need for talent in 2009, based on the global average vote (66 per cent) and all regional predictions. **India** is expected to see the second greatest demand for top executives (43 per cent), with **Eastern Europe** set to be the third most talent hungry market in 2009.

Weighing these results against the outlook in June last year for the second half of 2008, China was again thought to see the strongest requirement for senior executive talent with 35 per cent of the global average vote and far greater than any other market. The Middle East was expected to see the second greatest need for talent in July to December 2008, followed by Eastern Europe.

Markets Expected to See the Greatest Need for Talent in 2009



* GCC / MENA: Gulf Cooperation Council / Middle East Northern Africa

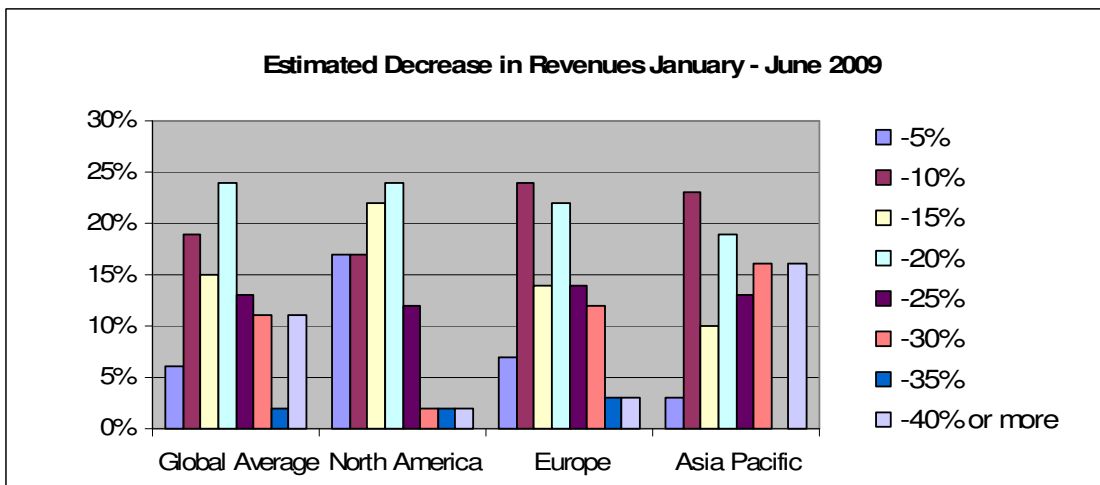


Fee Per Assignment, January – June 2009

When questioned whether the fee per assignment would drop, stay the same or increase in the first half of 2009, just over half the consultants surveyed predicted that **fees would stay the same (53 per cent)**, whereas **44 per cent expected fees to drop** from January to June 2009. Only 3 per cent believed that the fee per assignment could increase in the first half of 2009.

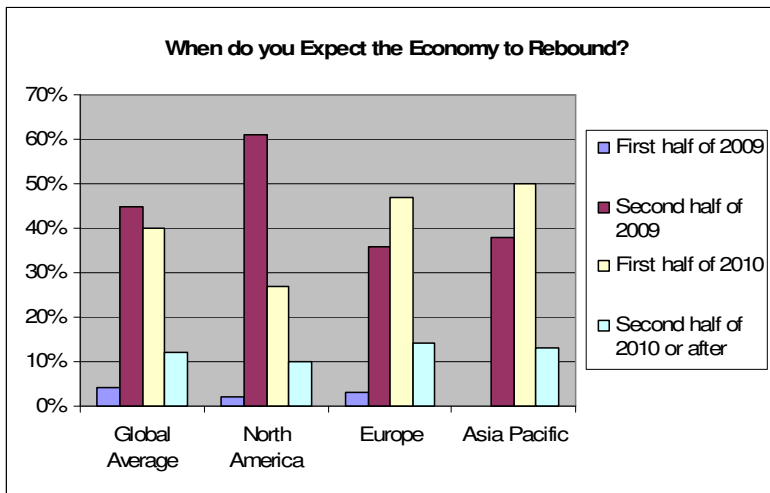
Estimated Decrease in Revenues, January – June 2009

The overwhelming majority of consultants (82 per cent) believed that their firm's revenues would decrease in the first half of 2009. Of the 82 per cent predicting a fall in search firm revenues, the strongest expectation was that revenues would **drop by 20 per cent**, after which the next largest group was looking at a 10 per cent decline, based on the global average. Of those who predicted a decline in revenues, only 11 per cent thought that they might see a drop of 40 per cent or more in their search firm's revenues in the first half of 2009.



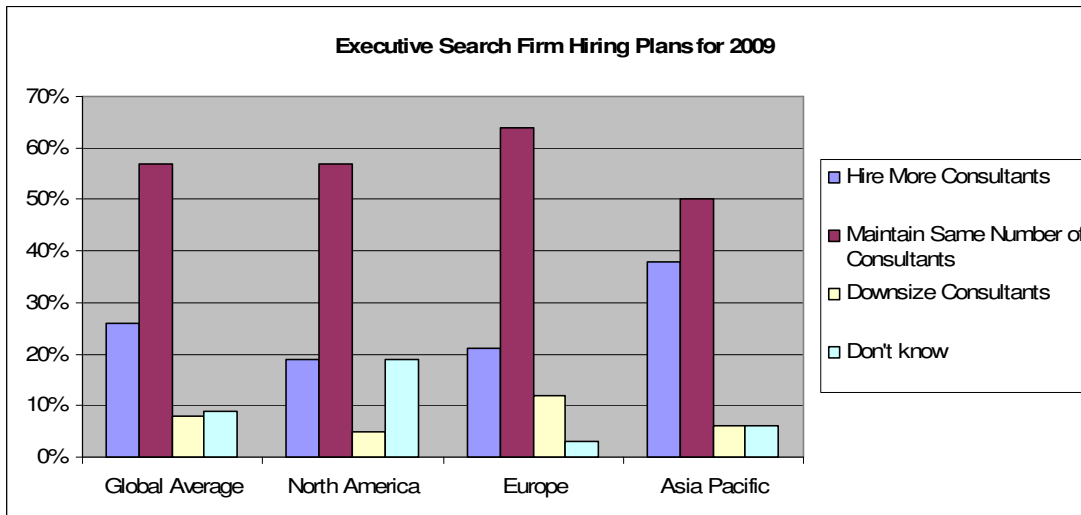
When Will the Economy Rebound?

The global average and the North America results showed that consultants primarily expect the economy to rebound in the **second half of 2009**. However, consultants in Europe and Asia Pacific primarily believe that the economy will rebound in the first half of 2010.



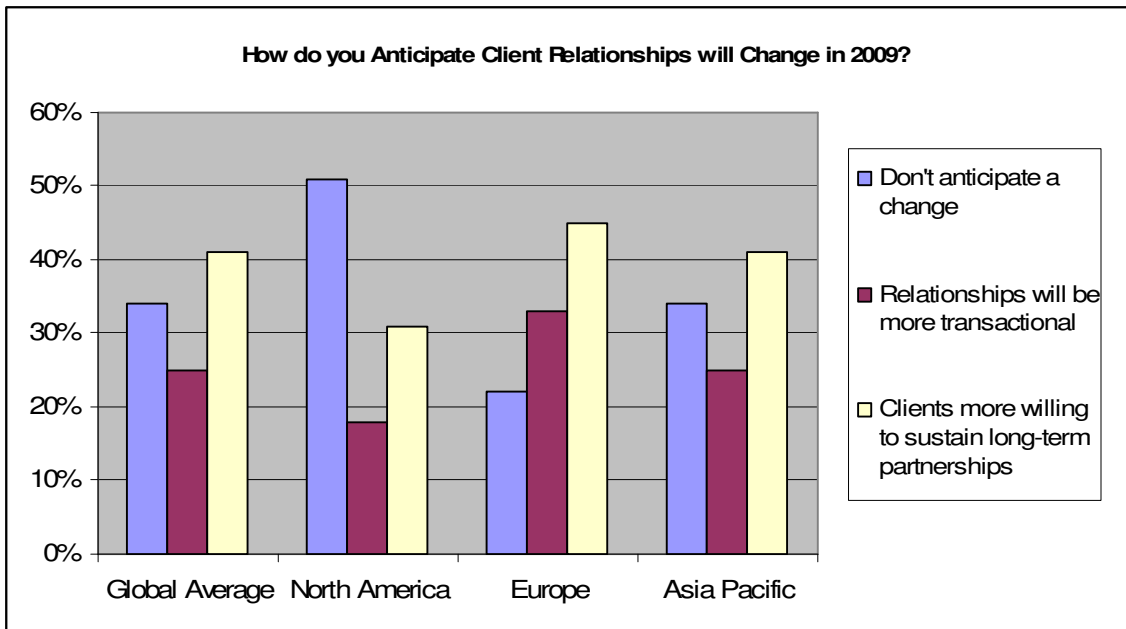
Search Firm Hiring Plans in 2009

The clear majority of consultants across all regions plan to **maintain the same number of consultants** in their firms in 2009 (57 per cent), whilst 26 per cent expect to hire more consultants. Only 8 per cent plan to downsize consultants in 2009.



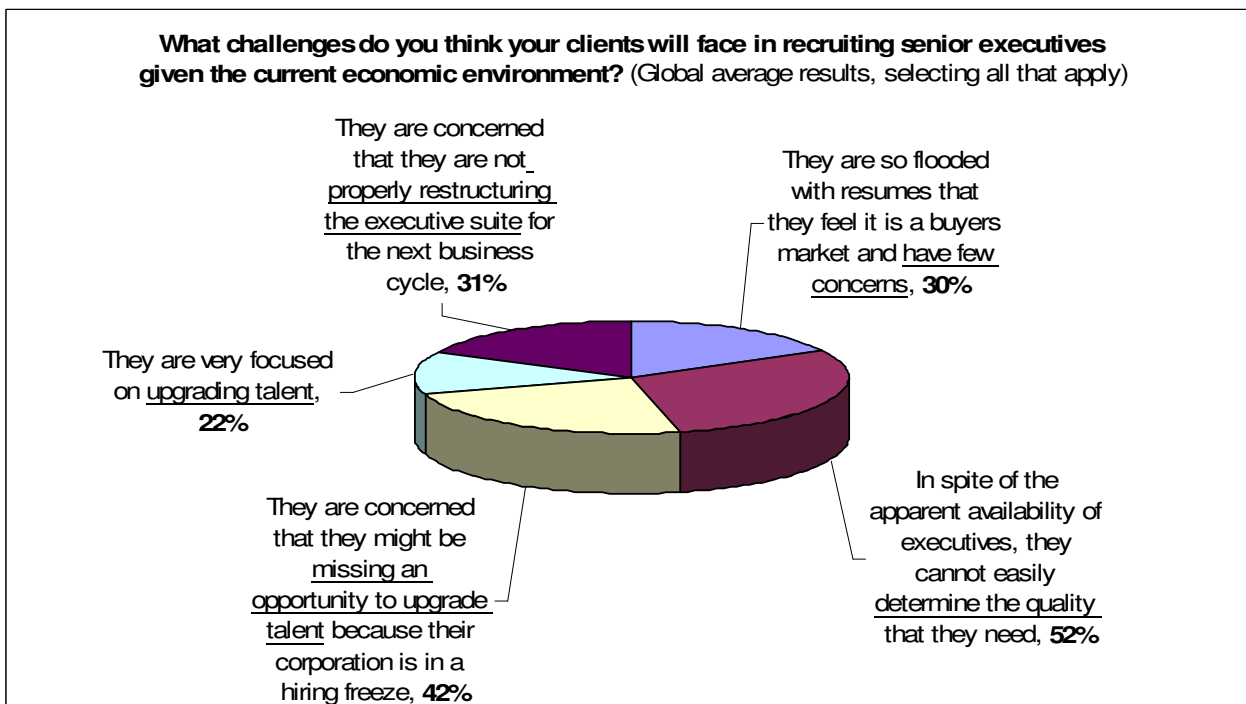
Changes to Client Relationships in 2009

The global average results revealed that 41 per cent of consultants believed clients would be **more willing to sustain long-term partnerships** in 2009, with 34 per cent anticipating no change. Similarly in North America, consultants did not foresee a change in their relationships with clients this year (51 per cent). Consultants in Europe and Asia Pacific – in line with the global average – predicted there would be increased emphasis on long-term client relations in 2009.



Challenges Faced by Clients in 2009

Consultants were asked to rate the greatest challenges, from a list of five, which they believed their clients would face in recruiting senior executives given the current economic environment (see below). Of greatest concern with 52 per cent of the global average vote, was that in spite of the apparent availability of executives, clients **cannot easily determine the quality of the candidates that they need**.

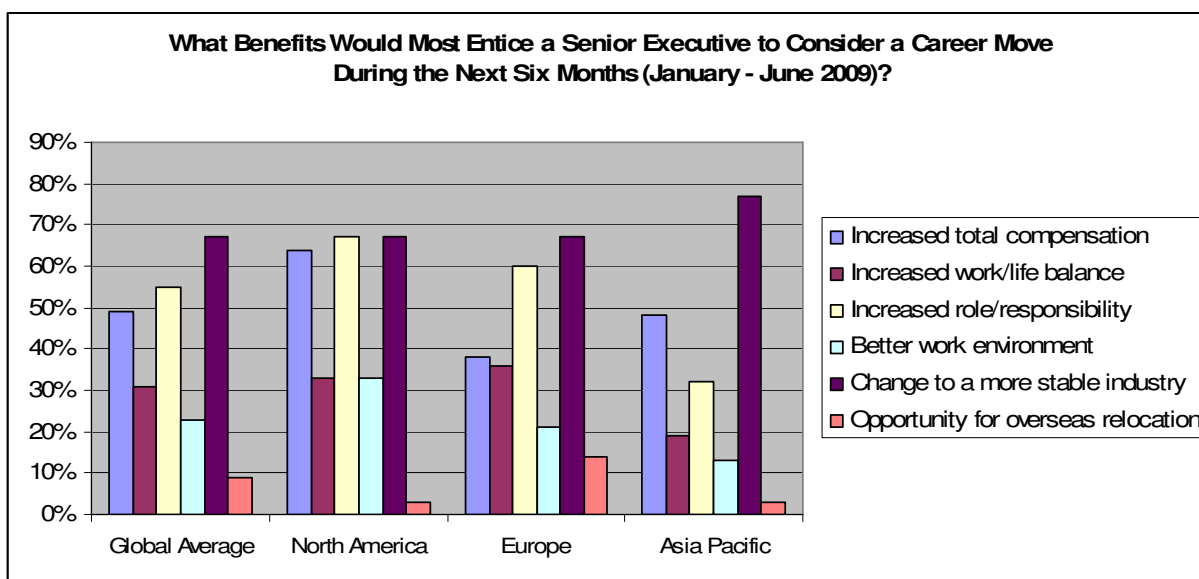


Candidate Trends in 2009

When search consultants were asked how willing they thought senior executives would be to make a career move next year in light of the current economic environment, the majority response (42 per cent of the global average) felt that **candidates would only consider a career move if there were substantial financial or other benefits to the new position**. Thirty-seven per cent of consultants globally indicated that candidates would be less willing to make a career move in 2009 due to the economic environment. Only 21 per cent of consultants predicted that candidates would be willing to make career moves in 2009.

Benefits to Entice Candidates to Move, January – June 2009

Consultants were asked to rate, from a list of six options, which benefits they felt would most entice a senior executive to consider a career move in the first half of 2009. The overwhelming response across all regions was **a change to a more stable industry** (67 per cent). The second most common response, with 55 per cent of the global average, was an increased role or responsibility. Asia Pacific was the only region not to rate this as second top and instead felt that an increased total compensation would be a more attractive benefit, whereas consultants in North America and Europe rated increased total compensation as the third most compelling benefit.



The AESC 2009 Member Outlook Survey was sponsored by **Talent Technology Corporation**



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About The Association of Executive Search Consultants

The Association of Executive Search Consultants (AESC) 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.

The AESC offers BlueSteps (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.

