



## AESC Insights

**Q3 2007**

# **State of the Executive Search Industry**

Executive Search Industry Revenues Continue to Rise Despite the Drop in Financial Markets: Non-Profit Searches Experience Vast Annual Growth of 27%



# Association of Executive Search Consultants

The Worldwide Association for Retained Executive Search Consulting Firms

## AESC State of the Industry Statistics: Q3 2007

The AESC State of the Industry Statistics is a quarterly report issued by the Association of Executive Search Consultants (AESC) on statistics and trends in the global retained executive search industry. Data for this report is collected from a consistent sample of AESC member search firms that represents the activity of over 1,200 executive search consultants in 42 countries worldwide.

### Executive Summary

#### **EXECUTIVE SEARCH INDUSTRY REVENUES CONTINUE TO RISE DESPITE THE DROP IN FINANCIAL MARKETS**

*Non-Profit Searches Experience Vast Annual Growth of 27%*

Despite the recent credit crisis in the U.S. and the knock on affect on European financial markets, the latest State of the Executive Search Industry Report by the Association of Executive Search Consultants (AESC) revealed that executive search industry revenues continue to grow. Net revenues experienced an annual rise of 20% in Q3 2007, with no quarterly change from Q2 2007. Interestingly, despite a quarterly drop in financial services of 10.6% in Q3 2007, the year-on-year trend saw financial services experience a minor increase from Q3 2006 to Q3 2007.

AESC President, Peter Felix, remarked, "This is encouraging news, particularly in light of the recent credit crisis. Although the shake up in financial markets will inevitably impact hiring in certain parts of the financial services industry, we have not yet seen any major impact in other sectors and our members around the world remain cautiously optimistic. Underlying trends in the global economy remain very favourable for executive search - these include the severe shortage of executive talent in markets such as China, India and Russia, and the growing shortage in western economies due to the major demographic shifts as the baby boomers retire."

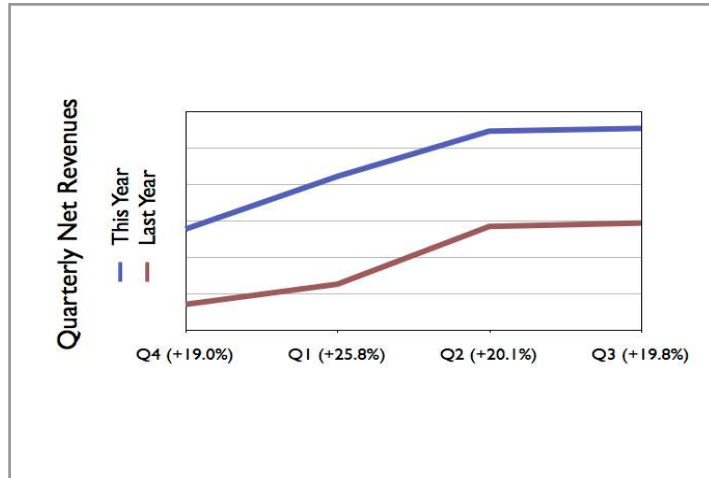
The annual trend in the number of searches started revealed increases in all industry sectors from Q3 2006 to Q3 2007, with Non-Profit searches experiencing the greatest rise of 27%.

Heidrick & Struggles Partner, Wendy Pangburn, commented on the stark increase in non-profit searches, stating, "There are several factors occurring simultaneously in the non-profit sector that account for the increase in searches. There are a significant number of senior people retiring right now from non-profits. The days of the 20 year CEO tenure are over, with the average tenure now closer to five years. Executive burnout often occurs in the sector as senior roles carry a heavy burden and heavy social responsibility, meaning there is movement. Non-profit organisations have grown up and realise they need to engage retained search firms to get the very best candidates. They recognise that search takes time and is not their area of expertise. In addition to all of this, salaries are rising and there is more at stake, meaning more incentive for people to move around. In the past five years there has been a lot of switching from for-profit, as senior executives reevaluate their career paths and find non-profit an attractive option."

**Average Net Revenues**

Average net revenues experienced a yearly increase of 19.8% from Q3 2006 to Q3 2007. The quarterly trend showed no change in net revenues for the period Q2 2007 to Q3 2007.

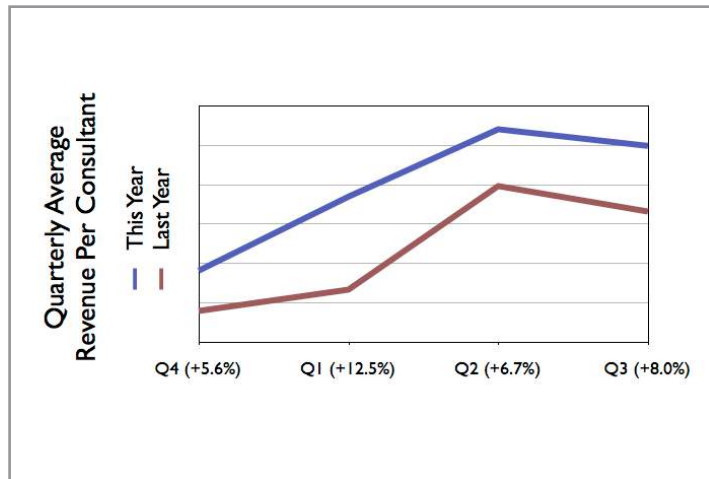
*Quarterly Net Revenues,  
as Compared to Previous Year*



**Average Revenue Per Consultant**

In Q3 2007, the average revenue per executive search consultant rose 8% as compared to the same period the previous year. The quarterly change revealed a 2% decrease in average revenue per consultant, from Q2 2007 to Q3 2007.

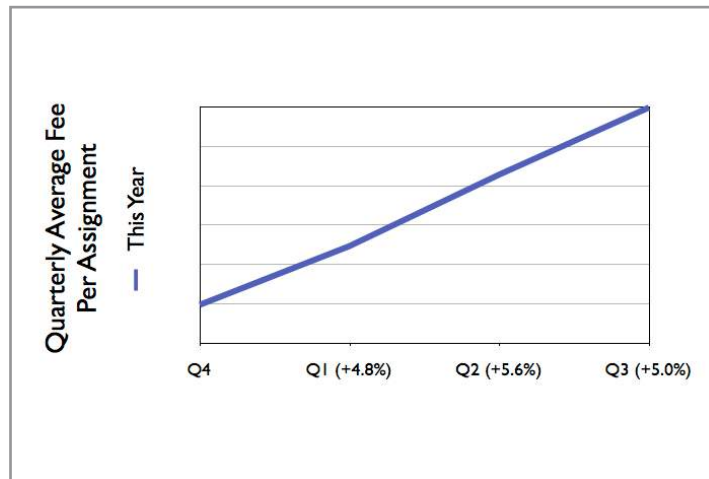
*Quarterly Average Revenue Per Consultant,  
as Compared to Previous Year*



**Average Fee Per Search Assignment**

The trend in average fee per executive search assignment continued to increase quarter-over-quarter, experiencing a 5% rise from Q2 2007 to Q3 2007.

*Quarterly Average Fee Per Search  
Assignment*

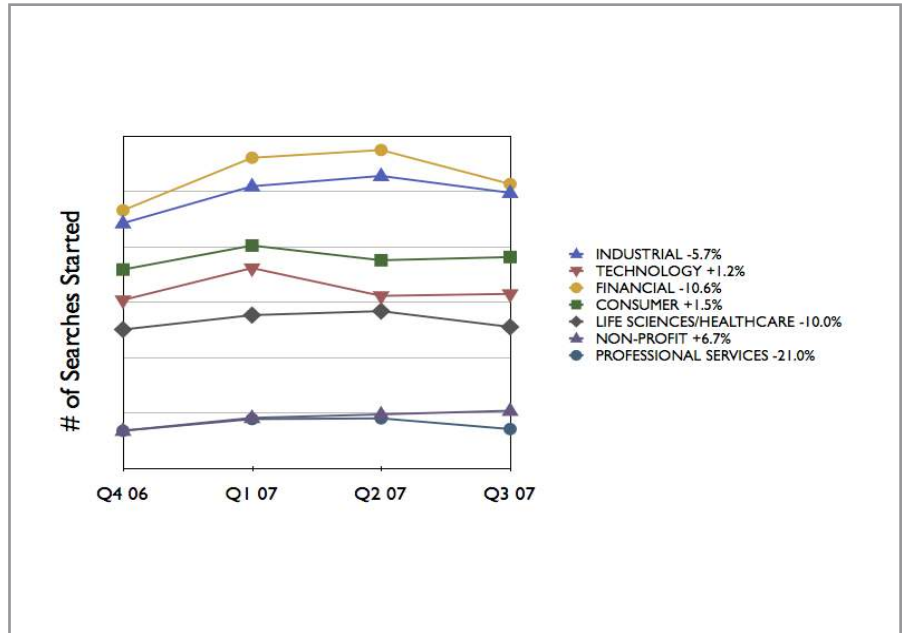


**Trend in Number of Searches Started by Industry**

The yearly trend in the number of searches started revealed increases in all industry sectors from Q3 2006 to Q3 2007. Non-Profit experienced the greatest rise of 27%, followed by Professional Services, up 18%, then came Consumer (+11.4%), Industrial (+8.3%), Technology (+8%), Life Sciences/Healthcare (+3%), and Financial services with a minor yearly increase of 1%.

Three industries showed a quarterly rise in searches, with the largest being Non-Profit, up 6.7%, followed by Consumer (+1.5%), and Technology (+1.2%). All remaining industries witnessed a quarterly drop in searches, with Professional Services down 21%, followed by Financial (-10.6%), Life Sciences/Healthcare (-10%), and Industrial (-5.7%).

*Trend in Number of Searches Started Quarterly, by Industry*

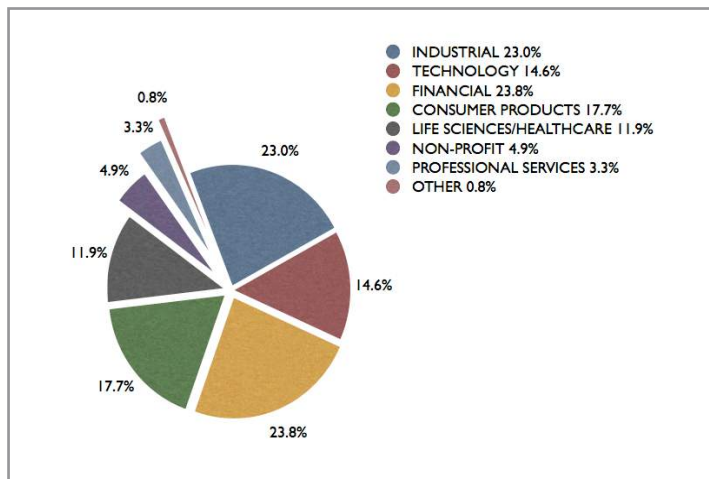


**Market Breakdown by Industry**

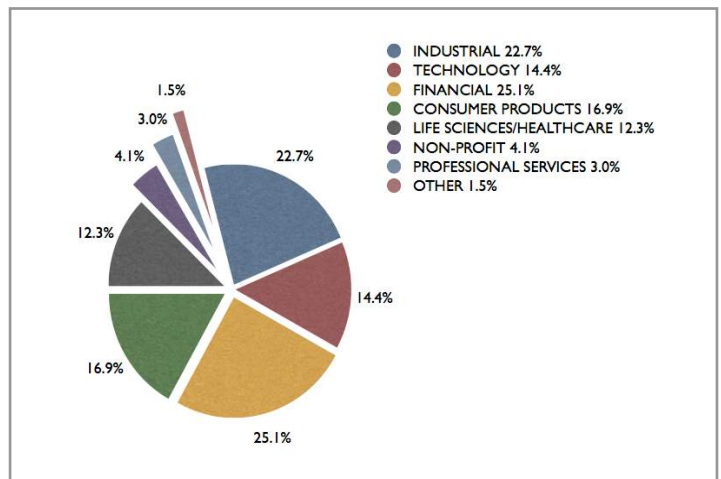
The Q3 2007 market breakdown by industry remained consistent with previous quarterly and yearly results, showing only minor changes. In Q3 2007 the Financial sector maintained the largest market share with 23.8%, the Industrial sector followed with 23%, then came Consumer Products (17.7%), Technology (14.6%), Life Sciences/Healthcare (11.9%), Non-Profit (4.9%), and Professional Services (3.3%).

*Searches Started Quarterly by Industry, as Percentage of Total*

*Quarter 3 2007*



*Quarter 3 2006*

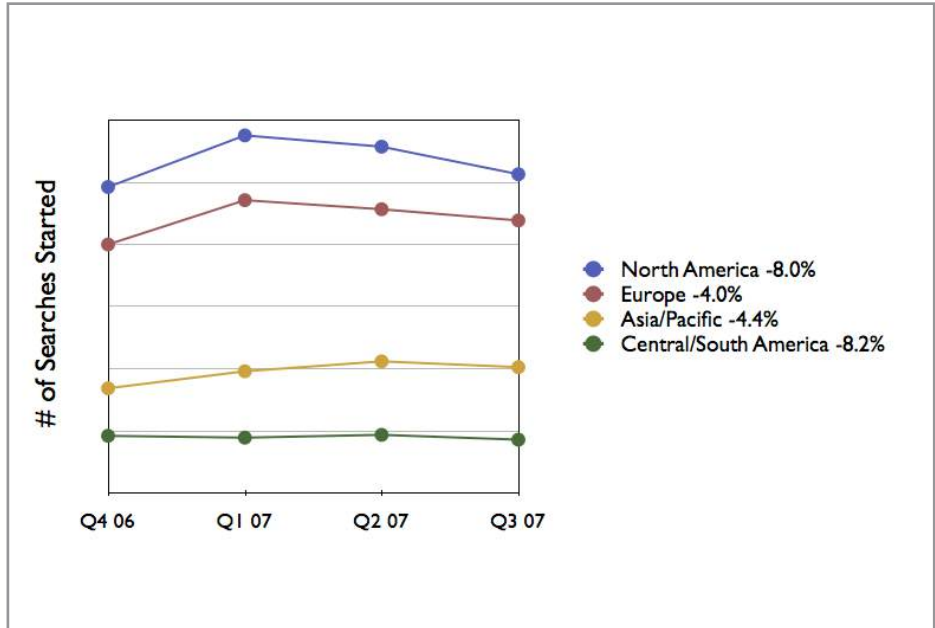


**Trend in Number of Searches Started by Region**

The number of executive searches started in Q3 2007 increased 6.5% year-over-year from Q3 2006 to Q3 2007. Europe accounted for the greatest annual increase in searches with an 11.2% rise, followed by Asia Pacific (+8%), and North America (+5.3%). Central/South America decreased 12% from Q3 2006 to Q3 2007.

The number of searches started in Q3 2007 decreased 6% quarter-over-quarter, with searches in North America down 8%, followed by Europe (-4%), Asia/Pacific (-4.4%), and Central/South America (-8.2%) from Q2 2007 to Q3 2007.

*Trend in Number of Searches Started Quarterly, by Region*

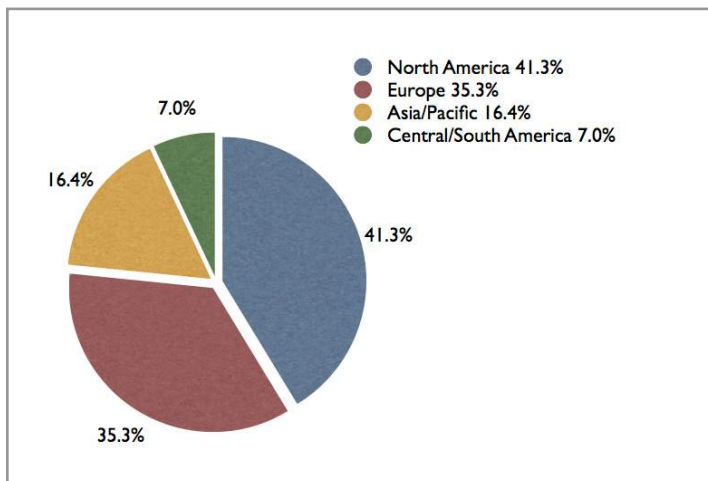


**Market Share by Region**

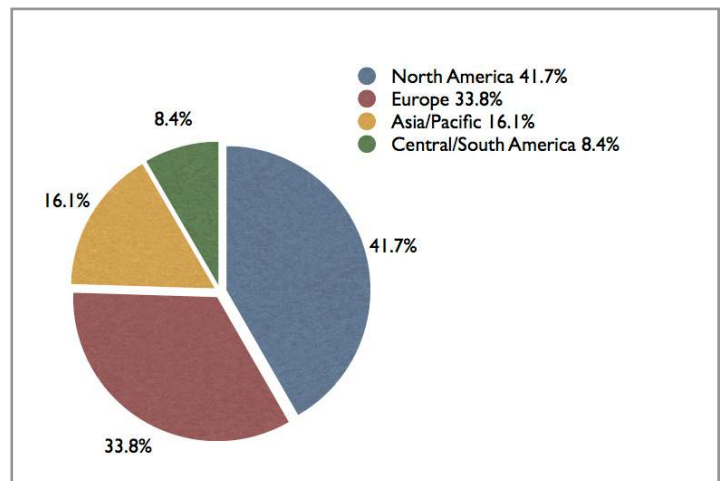
In the third quarter of 2007, North America represented 41.3% of the global retained executive search market, followed by Europe with 35.3%, Asia/Pacific with 16.4%, and Central/South America with a 7% market share. Only minor annual changes were experienced in regional market share from Q3 2006 to Q3 2007.

*Searches Started Quarterly by Region, as Percentage of Total*

Quarter 3 2007



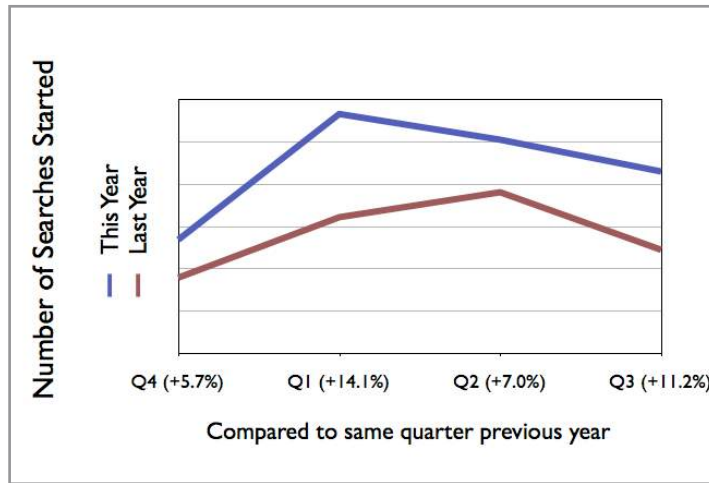
Quarter 3 2006



**Trend in Number of Searches Started in Europe**

Q3 2007 saw the number of European searches rise by 11.2% year-over-year. The quarterly change revealed a 4% drop in European searches from Q2 2007 to Q3 2007.

*Quarterly Trend in Number of Searches Started in Europe, as Compared to Previous Year*



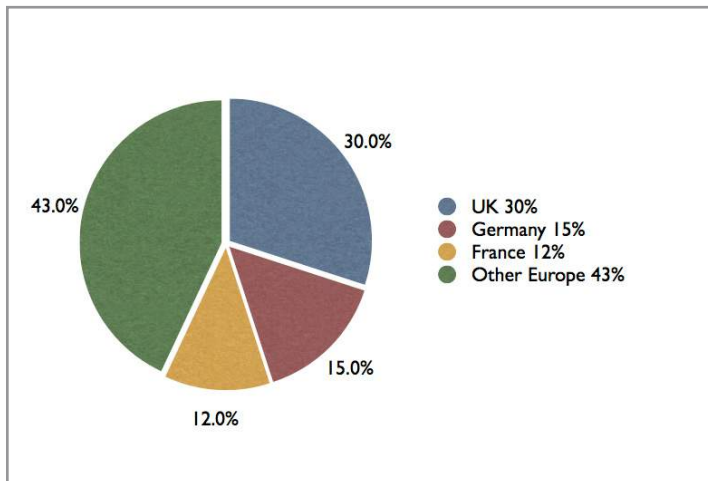
**Market Share by European Sub-Region**

The UK accounted for the greatest number of European searches in Q3 2007 with 30% of the total market share, followed by Germany with a 15% share, and France which represented 12%. The annual trend in European market share saw the UK decrease by 6%, Germany rise by 4%, and France increase by 2% from Q3 2006 to Q3 2007.

\* Data for this question represents the activity of approximately 600 executive search consultants in 42 countries worldwide, whereas data for all other questions represents the activity of over 1,200 executive search consultants in 42 countries worldwide.

*Searches Started Quarterly by European Sub-Region, as Percentage of Total Europe*

Quarter 3 2007



Quarter 3 2006

