

Controlling Search Ethics

By Norman E. VanMaldegiam

Why do companies knowingly convey confidential information potentially damaging to their success? The executive recruiting process is dependent on a confidential client-consultant relationship material to the recruiting of a key executive. By necessity, the recruiter becomes privy to confidential client-company information. Were the recruiter to treat the information inappropriately, the client company would suffer grave harm. It is precisely because of the relationship that retainer executive recruiting firms adopted the fundamental rule of never “raiding” a client. For many years, it was understood. “Once a client, always a client,” which included all operations of the total corporate entity. In fact, a number of companies used this to their advantage, protecting themselves by hiring different consulting firms for each different recruiting assignment.

The reliance on executive recruiters and the growth of the profession resulted in the founding of the Association of Executive Search Consultants, Inc. (AESC), in 1959. Its code of ethics states:

“We will not initiate discussions with any members of a client organization regarding employment in our firm or with another client. If we are approached by any individual in any client organization about employment, we will make certain that we have the client's consent before entering into any negotiations. It is recognized that the duration of any client relationship will be determined by each member firm based on individual circumstances.”

Client Protection

While continuing to recognize the confidential nature of the client-consultant relationship, the AESC statement substantially alters the professional constraints essential to protect the client organization. It leaves the interpretation of what is a client and what is the duration of the relationship to the discretion of the individual recruiting firm.

In spite of the redefining of the the client-consultant relationship - “Once a client, always a client” to “Individual executive search firm determination of the duration of the relationship” - client-company conflicts continue to be the biggest operational problem faced by executive search firms. Basically, the larger the number of client companies, the greater the number of executives who are “off limits” and the smaller the marketplace of potential candidates. Several years ago, Booz, Allen, Hamilton terminated its highly profitable, 50-year-old executive search practice for this very reason.

One major executive search firm admits: “Bigness imperils quality.” The admission emphasizes that size alone is a predominant factor in a firm's ability to protect the confidentiality of client information and present the best qualified candidates. Conversely, we conclude “Smallness enhances quality.” The smaller the size of the executive recruiting firm, the fewer client-company conflicts and the greater the access to the marketplace of potential candidates.

The magnitude of the problems of client-company conflicts is highlighted by the ingenious means implemented by the search profession to circumvent the basic tenet of client-consultant confidentiality.

- The largest executive recruiting firm publicly announced it no longer recognizes restrictions on the duration of the client-consultant relationship.
- Many independent executive recruiting firms provide a variety of interpretations of what constitutes a client to minimize restrictions, e.g., a recruiting assignment for a corporate general counsel with only the legal department “off limits.”
- In general consulting and “Big Eight” accounting firms, there are two firms that publicize their executive

recruiting consulting operations as independent subsidiary organizations – to suggest no recruiting constraints concerning non-search clients.

- Most major recruiting firms publicize and promote their specific industry and functional experience relating to client needs with no reference to substantive client restrictions nor potential conflicts of interest.

Selective Choices

Recently, a growing number of companies has become cognizant of the need to be selective in their choice of an executive recruiting consultant to protect their long-term interests. Though the problems of retaining client confidentiality have existed for years, they have become recognized as human resource departments become an integral part in the evaluation of executive recruiting firms. More client companies are raising two important questions.

- What is the definition of a client organization? Webster defines “client” as “A person who engages the professional services of another.”
- Does the executive who engages the recruiting consultant represent the total corporate entity or only his personal area of accountability?
- How broad or narrow a “client” definition is required to insure the recruiter's obligation to protect the total client-company's interests?
- What is the duration of the relationship? The relationship which exists between client and consultant includes an obligation of protecting the client company with strict adherence to the “no raiding” understanding. After placement, counseling by the search consultant will help to insure the success of the new executive during the initial period of integration into the organization. What is a reasonable period of time to continue the “no raiding” and counseling aspects of the relation? To the completion of the recruiting assignment? For five years? Indefinitely?

Corporate awareness will initiate substantive changes in executive recruitment.

- The demise of the AESC as industry increasingly questions its credibility. The present structure negates its ability to function as a strong, independent leader of the profession with the mandate to develop and enforce meaningful professional standards within a client-centered code of ethics.
- The client company will establish rules of conduct which it considers essential to maintain the confidentiality of the relationship. The rules will be in writing and become an integral part of the search understanding. It will include definition of the client company, duration of the relationship and restrictions on companies the consulting firm may represent in the future. Rules of conduct will enforce adherence to the “no raiding” aspect of the relationship.
- Client companies will become selective in their choice of executive recruiters to help guarantee confidentiality of client information and insure accessibility to the marketplace for candidates.
- Small executive recruiting firms will experience substantial growth in numbers as large search firms are frequently unable to adhere to the ethics required by the client company – and survive as profit making organizations.
- Search firms will be selected by plan as consulting organizations best suited to meet the client-company's executive recruiting requirements. Spur of the moment choices dictated by a single executive position vacancy will be the exception rather than the rule.

In the opinion of the author, there are certain guidelines which must be established to guarantee confidentiality of client information and permit significant access to the marketplace of executive talent – while avoiding conflict of interest. The guidelines will avoid placing the recruiting firm in the position of compromising its professionalism to meet its commitment to another client.

- Definition of “client”: The total corporate entity.

- Duration of the client-consultant relationship: Five years from the conclusion of the last recruiting assignment.

Companies who adopt the two guidelines will select executive recruiting firms that ideally meet the following profile.

- An independent search firm that directs its total effort in executive recruiting with the broad, general breadth of experience necessary to meet a full spectrum of client-company executive recruiting needs.
- A search-firm staff not exceeding four professionals – all of whom are well educated (Masters level) and highly experienced human resource consultants (10 years).
- An “off-limit” client base not exceeding 200 companies which is widely dispersed by company size, industry and geography.

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