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## EXECUTIVE RECRUITING STATE OF THE INDUSTRY REPORT

### PART 2

  
Hunt Scanlon | Media  
Leadership Intelligence

Executive recruiters faced a fair share of challenges in the first half of 2023. But now as recession fears fade and inflation risks subside, the sector is preparing for a powerful comeback. This report looks ahead to new opportunities as industry experts offer their insights and perspectives.

**TABLE OF CONTENTS**

About Hunt Scanlon Media . . . . . 2  
Index of Advertisers . . . . . 3  
Foreword . . . . . 4  
Executive Summary . . . . . 7  
Pulse Survey Findings . . . . . 37



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**INDEX OF ADVERTISERS**

Lindauer ..... 1  
Invenias by Bullhorn ..... 3  
Cornerstone Group ..... 10  
Blue Rock Search ..... 13  
Furst Group/Salveson Stetson Group ..... 17  
The Christopher Group ..... 21  
HARTZ Search ..... 23  
ECA Partners ..... 25  
DHR Global ..... 27  
Diversified Search Group ..... 29  
ZRG ..... 32  
Kingsley Gate Partners ..... 35

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# FOREWORD

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## FOREWORD

### The Right Technology Creates Value

#### Caution Drives the Current Outlook

Looking back at 2022 and 2023 so far, it is clear that the human capital industry as a whole, and executive search firms in particular, are carefully tracking the current economic slowdown. Forty two percent of those participating in Bullhorn's GRID [2023 Industry Trends Report](#) cited economic uncertainty as a top challenge facing their business this year. Still, most executive search firms remain cautiously optimistic about their business future, with 63 percent reporting that they expect year-over-year revenue to grow in 2023.

This comes on the heels of a banner 2022; more than two-thirds of respondents saw revenue growth in 2022 — and 37 percent of respondents report that revenue grew by more than 10 percent last year. With such strong performance in the recent past, executive search firms are turning to the judicious investment in digital tools to weather the current downturn and establish high-value services that promise rapid, scalable growth when the economy improves.

#### Technology Nurtures Relationships

In spite of the economy, 46 percent of executive search firms said they are still planning to increase their technology investment in 2023 — and likely beyond. The focus is on automating rote tasks, freeing consultants up to build deeper, long-term relationships with the executives in their network. In fact, 35 percent say they are prioritizing the automation of key processes. That might include updating candidate information or prompting timely communication with clients and candidates.

With 47 percent of executive search firms indicating that tight talent pools are a top challenge for their business, it is crucial to keep as many top candidates as possible in the database for future roles. Equally as important are the initiatives build and strengthen

those relationships by delivering a new standard in the candidate experience. With the right technology, firms can maintain a robust, sustainable candidate network that grows over time.

Since no one expects the tight labor market to shift any time soon, especially in the executive space, the race for talent will only get more challenging. Automation can be a valuable tool to communicate with passive talent and keep them connected to the firm, even while consultants focus on candidates still in the running. And these relationships can be important in more ways than one; after all, as Hayden James always says, "Today's candidate is tomorrow's client."

#### Ai Will Drive the Digital Executive Experience

Artificial intelligence remains a big target for technology investment among executive search firms. Rather than matching high volumes of candidates, AI for executives can help firms create the curated, bespoke digital experience that can attract modern executive talent. And it will be a key differentiator for firms in this still-competitive labor market.

Because of the personal nature of executive recruiting and the high impact of the roles being filled, executive search firms have always been careful about how and when they deploy automation. According to the 2023 Industry Trends data, only 16 percent of executive search firms heavily leverage automation throughout their business, which is lower than the wider recruitment industry as a whole. And 24 percent of executive search firms reported they have not adopted any digital transformation strategy.

Furthermore, 53 percent of search firms surveyed as part of the Industry Trends Report said they can't rely on their candidate databases, resulting in a lot of leg work in sourcing and updating candidate information for every engagement — time that could better spent on assessing candidates and attracting new clients.

AI is poised to change that. With the ability to create tailored candidate communications and opportunities served up to only the best executive candidates, AI can craft a digital experience that makes candidates feel valued and engaged. Although it is impressive that 72 percent of executive search respondents in the Industry Trends Report indicate they have a candidate engagement strategy mapped out for the full talent journey, that number will need to rise if firms are to remain competitive — and AI will be the engine driving that transformation.

### **Analytics Drives Differentiation**

Complementing AI, firms are adopting advanced analytics tools to stay on top of fast-changing market trends. What functions are your clients hiring for? What are the executive compensation trends in the markets you specialize in? Which practices are focused on more execution, and which are prioritizing origination tactics? Are your processes attracting the amount of diverse talent you and your client strive for? These kinds of insights are being used by firms to promptly help diversify its service offerings, create value to employers, and promote equity for candidates.

Even more, the ability to reliably use AI-driven tools to summarize previous candidate interactions allows the execution team to quickly add value in uniquely human ways — focusing on soft skills, diversity, and cultural fit — demonstrating the highest value third-

party search firms can offer. Openly sharing and presenting select portions of this cognizance with your clients can be a real competitive differentiator.

### **Diversified Services Enhance Value**

Finally, as technology nimbly informs the directional decisions of the modern search firm, one-fourth of firms say they are prioritizing expansion into new services and markets which is likely a response to the reduction in job requisitions seen by 31 percent of those surveyed. This mirrors what Bullhorn has heard from individual conversations across the space: that they are looking to protect revenue and expand their brand into complementary services like succession planning, executive coaching, and C-level/board performance management. This seems to be an effort to future-proof their businesses against future changes, something 16 percent of executive search firms in the Industry Trends Report indicated is a top priority in 2023.

And these kinds of long-term, embedded projects offer executive search firms the opportunity to strengthen their client relationships and increase their understanding of the client's culture and values, ensuring even better candidate matching in the future, cementing client loyalty, and offering measurable value, solidifying their place as trusted client advisors..

– *Art Papas*  
*Chief Executive Officer*  
*Bullhorn/Invenias*

# EXECUTIVE SUMMARY

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## EXECUTIVE SUMMARY

### The Road Ahead

Earlier this year, leaders of the executive search industry were concerned about a disarming shift taking place in the business world. Layoffs were underway at tech firms like Meta, Amazon, Alphabet, and Microsoft, to name a few. Other industries were starting to follow suit, and the future was looking dark. Fast forward five or six months and the recession that everyone had been anticipating turned out to be a no-show. In fact, the economy has been looking so good that Goldman Sachs recently reduced its odds of a recession in the next 12 months to just 15 percent.

Still, the road ahead is hazy. For every positive economic indicator you offer, the naysayers can show you a disturbing one, and not necessarily be wrong in their thinking. This has left many companies, and their search firm partners, to move forward with a certain wariness. What is encouraging, however, is the number of search industry leaders who see opportunity in this environment, opening new offices, making acquisitions (or being acquired), expanding globally, or establishing new business adjacencies in coaching, assessment, leadership development, culture transformations, and interim talent solutions, among others. For some, there is an invigorating boldness in the air.

What everyone in executive search seems to be searching for – beyond great candidates, is a way to temper more headwinds while adding value to their client partnerships.

Let's go inside the industry!

For many in the executive search industry, and their clients, the road ahead could use some clarity. The record-smashing halcyon days of 2021-2022, in which businesses rebounded from the initial shock of the pandemic, are behind us. But dissipating, too, is the economic anxiety that many search leaders were feeling as recently as the start of this year. At that time, businesses, particularly in the technology sector, were slashing jobs, and gloomy economic forecasts were coming fast and furious. But a funny thing happened on the way to the recession: The death spiral never happened, and in fact the economy showed signs of rebounding, leaving businesses in an in-between, uncertain state of suspension about what the future holds. Those who recall their Dante from their college days know that limbo is far from the worst place to be. All the same, uncertainty is no one's friend.

Still, a certain optimism is the order of the day, at least for now. Despite its many mixed signals, the U.S. economy is more than holding its own, as are most recruitment firms, as we strap in for the final quarter of 2023. Inflation is down to around three percent, from a high of seven percent. That's shy of the Fed's two percent target but enough that chair Jerome H. Powell is holding off on another rate hike. Unemployment, meanwhile, is at 3.8 percent. And the gross domestic product is trending upward. The result is that few are talking much anymore about an impending economic downturn. Goldman Sachs, in fact, recently pulled back on its expectations for a recession in the U.S. over the coming 12 months from 35 percent in March to a mere 15 percent in September. Fittingly enough, the investment bank shared its new outlook in a report titled "Soft Landing Summer."

**Korn Ferry** CEO Gary D. Burnison, for his part, struck a positive note in the face of flat year-over-

year fee revenue of \$699 million when the firm's Q1 2024 earnings were announced recently. As with the other publicly listed search firm, Heidrick & Struggles, Mr. Burnison's ongoing celebration of his firm's diversification of services may very well be pointing the way ahead for the rest of the industry. "Our diversification strategy continues to positively influence our results," he said. "Our consulting and digital businesses have never been more meaningful – especially in tomorrow's economy where there will be continued demographic and skill shifts across much of the world. We're responding with expertise and solutions focused on interim talent, learning and professional development, engagement, retention, culture, assessments, and organizational design, as well as total rewards. We are creating more ways to deepen relationships with our clients."

"Broadly, the industry is doing well," says Jonathan Novich, senior vice president, product and Salesforce at **Bullhorn**, which provides CRM and operations software for the recruitment industry. "It's not the rocket ship that we've seen in past years. Nor is it anything looking disastrous like the beginning part of COVID and how far off the cliff that looked. If I had to put an adjective to it, I would say it's sort of thoughtful, not as far as cautious, but thoughtful. Our customers certainly feel like they're in a competitive environment and they're adapting as typically happens when market dynamics are changing. We see that as positive. Many of our customers also take the time to look inward and discover what they could be either more efficient in how they want to innovate around their business, which often involves the use of technology. The macro environment broadly, though, tends to hit staffing, and even search, rather quickly. And sometimes we see indicators of that. But we don't see anything that seems cataclysmic. That's not what we've been hearing from our customers."

Megan Hund, chief of staff to the CEO at **N2Growth**, a Philadelphia-based management consulting and executive search firm, says that there was a softening in the market in the U.S. for the first half of 2023 with things starting to rebound more recently. “In many ways, the last couple of quarters have felt like a holding pattern for hiring,” she says. “Not only did economic uncertainty, sky-high interest rates, and tumbling rates of capital deployment within PE and VC markets mean fewer searches were opened – it also slowed open searches down, with days to close increasing as clients hesitated to pull the trigger on the investment in new leadership hires. The impacts of inflationary pressures on compensation expectations, hiring budgets, and overall workforce planning continue to pose a challenge for hiring.”

And yet, she says, the economy shows many positives, and that has helped boost business. “At N2Growth, we are seeing that as recession fears begin to recede, any roles left unfilled or needs that were left unmet in the last couple of quarters are being picked back up,” says Ms. Hund. “Furthermore, the meteoric growth and proliferation of generative AI are encouraging executives and hiring teams to think critically about how they are investing in their talent strategy for long-term growth in an increasingly competitive and fast-paced market. We are looking forward to a period of more stable growth as we lean into hiring and building teams equipped to navigate the challenges and opportunities of the next five months, five years, and beyond.”

Geoff Hoffmann, chief executive officer of talent advisory firm **DHR Global**, says 2023 has been an intriguing year, especially after the bounty that 2022 bestowed. “It’s no secret that there’s been a pullback in the markets so far in 2023,” he says. “The first quarter of the year brought a whole lot more

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uncertainty than what we're dealing with right now, with the failure of Silicon Valley Bank, the increase in interest rates, and not necessarily knowing what the implications we're going to be for economic activity. A lot of clients and corporations took a more conservative approach to their hiring, especially considering that they had probably significantly ramped up their hiring efforts in '22. And so they are absorbing that additional headcount, and also absorbing that macro economic uncertainty, which I think has led to a pullback in the search markets for '23, relative to where we were in '22."

The good news, says Mr. Hoffmann, is that the markets have stabilized and the world's economies have absorbed the interest rate increases better than anyone, even economists, had anticipated. The implications could just be a matter of one's perspective. "You could look at that in one sense that they're going to continue raising rates so that they can put the brakes on the economy and get inflation under control," says Mr. Hoffmann. "It also could be a good thing, though, in that there's a certain amount of resilience that the world's economies have shown. Not every market is the same, that's for sure. But certainly in the United States, the economy has been very dynamic and able to withstand pretty significant macroeconomic headwinds."

"For the second half of '23, I don't anticipate seeing the same softness we saw in the first half," says Mr. Hoffmann. "Our partners are very optimistic about their relationships and their discussions with their clients, and what their future hiring prospects are. And as a firm, with these sorts of markets we tend to double down on our growth efforts, because of our long-term orientation and view of our business, and in our partnerships with our clients. So we've been aggressively growing and have added a number of partners and have actually opened up a couple new

offices in North America in the first half of '23. So we see this as a big opportunity for our firm."

Larry Hartmann, CEO at global talent advisory firm **ZRG**, a portfolio company of **RFE Investment Partners**, concedes that there's been less work this year. "Things are down in terms of overall volume of searches on that side of the business," he says. "That's interesting in the sense that 2021-2022 were all-time highs. Everybody experienced such a spike. With such rapid turnover going on in the marketplace, executives changing jobs and exiting the workforce, it created a churn kind of a flywheel of activity that we've never seen before. So we're maybe 15 percent slower than that peak time. Is it just that we're back to a normal time, because that was so high? What we see is certainly a little bit of a backing off of levels of activity but still solid work going on."

Like Korn Ferry and **Heidrick & Struggles**, ZRG Partners touts its diversification of services – which in ZRG's case includes executive search, interim, RPO, and consulting – as a powerful hedge against the vicissitudes of the macro environment. "We're a four-line business now," says Mr. Hartmann. "Search still drives the bulk of our revenues. There, we're really focused on revenue generators, expanding the sectors we're in. We're hiring managing directors and adding new capabilities within the practices we have. But we feel fortunate that we diversified into the interim, on-demand space several years ago, and that with the little bit of the disruption going on that the interim business is growing and not experiencing a slowdown. Consulting is staying pretty solid as well. And RPO is our go-to market model."

"In some ways, we're unique in that sense," says Mr. Hartmann. "It's only Korn Ferry and us that have all four legs of that stool to be able to solve a client's problem. We've made the pivot to a talent solutions company, dealing with high-end problems for clients.

## SPOTLIGHT

### The Role AI Can Play Within Executive Recruiting



*Hunt Scanlon Media interviewed Jonathan Novich the SVP of product at Bullhorn to discuss the executive recruiting industry and the role AI can play in moving the industry forward, particularly in the context of the Invenias Bullhorn platform.*

**We've been through a lot the past few years. Can you give me a sense of what you're seeing in the industry right now?**

I'd say we have sort of an interesting book of business, because it's both a combination of search, and also a lot of other segments within staffing and recruitment. I would say broadly, we are doing well. While it's not the rocket ship that we've seen in the past years, it also isn't anything disastrous, like the beginning part of COVID. If I had to put an adjective to it, I would say it's sort of thoughtful, not as far as cautious, but thoughtful.

Our customers certainly feel like they're in a competitive environment and they're adapting as typically happens when market dynamics are changing. We see that as positive. Many of our customers take the time to look inward and discover what they could be either more efficient at or ways in which they want to innovate around their business, which often involves the use of technology.

I say that the macro environment tends to hit staffing, and even search rather quickly and sometimes we see indicators of that. But we don't see anything that seems cataclysmic. That's not what we've been hearing from our customers in the search industry.

**Has the search industry been slow to come around to technology? Has there been a resistance to it? And is that changing now?**

Yes, I think search, like the broader umbrella it sits under in staffing and recruitment, tends to be slower adopters of technology. I used to think that when you develop software around search and staffing, and recruitment in general, you need probably twice the runway and twice the amount of money in your bank accounts for it because it's going to take a long time to get people to buy and then to adopt it. That having been said I would say that the rate of change at which the search industry is adopting technology has changed. It feels to me like folks are adopting technology faster than they have in the past: we're starting to see sort of the beginning of the end of the old guard.

I think the pandemic was certainly one driving factor and work from home arrangements change the way that people regard work. I also think that we're seeing demographic shifts. If you think back to the

way that earlier generations interact with technology, earlier adopters had to make use with interfaces that were often designed around the technology requirements, and not designed around the use. When you look at younger folks who are just coming out of university, they're typically looking for things that meet a pretty high bar for user experience and how they interact with it. So that's a contributing factor to what has accelerated these changes.

**What are the types of clients you work with?**

If you wanted to characterize the customers that we work with, it's everything from the largest staffing firms and even the largest search firms in the world, to the smallest mom and pop shop and it's important to point out that different solutions are appropriate for different firms. That's the reality: the needs of a boutique firm, or even individual practitioner building up his or her own book of business, are markedly different from someone trying to operate an organization at scale.

**Can search firms afford to not get on board with AI technology?**

They're not going to win more business by not adopting technology, that's for sure. We recently held a conference for our customers and the broader industry in Boston and one of the things that our president and CEO said at the conference was "AI is not going to take your job, but a recruiter using AI may take your job." I think that's indicative of the situation: people and firms who embrace the tools that are available to them are going to succeed more than the folks who rely on more manual processes.

**How it could be a benefit the candidate side?**

I think when we look at your average search professionals, the ability to engage with candidates on an ongoing basis is difficult to do at scale. They talk about Dunbar's number being something like 150 names you can keep in your mind. We rely on systems to make that number a lot higher. Similarly, we rely on automation and tools like AI to allow us to maintain a larger number of relationships. When you think about the interactions between a search professional and an executive, there is a certain amount of checking in that allows them to develop a relationship and then become a trusted adviser to that executive, rather than just waiting for the next possible opportunity. The tool sets that we see at Bullhorn in terms of both automation and AI will create advantage for those folks who embrace them. I also think that they need to embrace them in a way that allows them each to differentiate one from another, it won't help if everybody sends out the same stock email.

And that I think is serving us well during these times because the challenges or problems the client have aren't always an executive hire right now. It could be in other parts of their business around culture, or strategy alignment, or project needs that they don't have headcount for that interim can solve. We think

that having a wider range of things we can do to solve a client's problem makes sense for us, for sure."

Indeed, Mr. Hartmann's fast-growing firm has been anything but a wallflower at the M&A party. In June, ZRG added **Helbling & Associates**, an executive search firm focused on real estate, facilities, and

construction, to its lineup. And in August, the firm acquired **The Registry**, a Peabody, MA-based interim executive solutions firm specializing in higher education. ZRG's largest acquisition to date. "The synergies of (The Registry) acquisition to the rest of our business are just so compelling," says Mr. Hartmann. "We have, arguably, the No. 1 market share player in college sports recruiting with our recent Turnkey Search acquisition. We also acquired Helbling & Associates, and they also hold the No. 1 market share position in their niche function. So, folding in The Registry gave us three distinct No. 1 players in higher education. In short order, ZRG's core education business now produces over \$50 million a year for us. Our immediate aspiration is to integrate these niche capabilities, expand and grow our core academic search platform, and build this up to a \$100 million business within our company. Unlocking that intrinsic value is a priority for us."

Executive search firm **Kingsley Gate**, which recruits senior leadership for private equity and venture capital portfolio businesses and Fortune 100 companies, is taking a similar tack. A portfolio company of **Crescent Cove Advisors**, Kingsley Gate has expanded on several fronts this year, including the acquisition in January of **The Omerta Group**, a London-based executive search firm specializing in financial services. (Monroe Capital LLC acted as administrative agent and sole lead arranger on the funding of a senior credit facility to support the acquisition of The Omerta Group.) "Clearly, there have been challenging headwinds with many macros, requiring corporate focus, be it the energy crisis, war, political change, interest rates, but we always feel that turbulence and volatility, and in some cases down markets, actually bring opportunities," says Francesca d'Arcangeli, Kingsley Gate's chief operating officer. "And we're lucky enough to have a very balanced and diversified portfolio in terms of segments we cover and a global



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reach, which allows us to really flex and so we're feeling really confident about the next half of the year."

Private equity capital has allowed Kingsley Gate to pursue additions like The Omerta Group. "We were very keen to expand and deepen our expertise in financial services, which is an important segment for us," says Ms. d'Arcangeli. "So the acquisition has been extremely positive, really strong cultural fit, to complement our global approach to financial services. And it's obviously given us deep subject matter expertise, as well as that reach across the world."

The economic concerns that surfaced late last year and earlier this year largely played out less as a slowdown in assignments and more as a tapping of the brakes in the decision-making process. In short, leaders were watching and waiting to see how macro issues settled out. "Definitely, that's picked up," says Ms. d'Arcangeli. "And because we're very much a diversified organization—not only in sectors, but also geographies—we're very much focused and pivoted to where we see that growth, and that's the benefit of being a global platform."

ZRG and Kingsley Gate are hardly alone in their determination to grow. In recent months, a number of firms have made noteworthy acquisitions regardless of the uncertainty in the air. In May, global talent provider **True** bought **Jopwell**, a hiring platform focused on advancing the careers of black, Latinx, and Native American students as well as early-to-mid-career professionals. In June, **Russell Reynolds Associates (RRA)** acquired **Nvolv**, a boutique leadership consulting firm serving CEOs and C-suite executives of global businesses; RRA followed up two months later with the purchase of **Kilberry**, a Toronto-based leadership advisory firm that serves investors, CEOs, and C-suite leaders across North America. Then in November, Hunt Scanlon Ventures served as the strategic advisor in Russell Reynolds' acquisition

of **Savage Partners**, a boutique executive search firm that serves growth equity and private equity-backed software companies across North America.

This summer, **TIER1 Performance**, a workforce solutions firm, acquired **THRUUE**, a Washington, D.C.-based culture, strategy, and leadership consulting firm serving commercial and not-for-profit clients; N2Growth bought **Blacksmith**, an executive search firm in Spain; and **TRANSEARCH International** expanded its reach in Asia with the acquisition of **Asianet Consultants**, an executive search firm in Hong Kong with offices in Shanghai and Guangzhou. Greenwich, Conn.-based **Hunt Scanlon Ventures**, a leading M&A advisory firm focused on the human capital markets, continued to make its mark, serving as a strategic advisor to Asianet Consultants in the TRANSEARCH purchase as well as ZRG and The Registry in that acquisition. Since its founding just last year, the firm has had a hand in a dozen human capital transactions, with \$321 million in enterprise value.

More and more search firms, meanwhile, are awakening to the value of adding interim talent services to their offerings. This spring, a **Business Talent Group (BTG)** report on "high-end independent talent," said that since last year the need for interim leadership rose 116 percent year over year at all levels throughout organizations, with the demand for such help in the C-suite rising by 78 percent. Calls for interim CEOs surged 220 percent year over year and climbed 100 percent for CHROs and chief transformation officers. Most wanted were CFOs, which represented nearly half of all interim C-suite leadership requests, said BTG, a company that Heidrick & Struggles acquired two years ago. Businesses asking for interim finance chiefs rose 103 percent year over year, while the demand for interim controllers skyrocketed 233 percent and

## INSIGHT

### AI's Impact on Growth Strategies in a Shifting M&A Landscape



In a newly-released report, *What Happened to Big Deals?*, Korn Ferry explores the state of M&A markets, and how firms are adapting to pursue growth. The first half of this year saw M&A activity in the U.S. experience a significant decline in dollar value, falling by 41 percent compared to the same period last year. However, the number of deals decreased by only five percent.

This trend reflects the wider global M&A landscape, where the dollar value of deals dropped by 38 percent, while deal volume decreased by just nine percent. Although deals are moving forward, the blockbuster moves which anchor the total dollar value of M&A have slowed. And while the M&A environment showed signs of improvement in the second quarter, with a 22 percent increase in activity compared to the first quarter, uncertainties remain.

#### Alternative Growth Strategies

According to Korn Ferry, one of the world's largest organizational consultancies, this decrease in M&A deals is prompting firms to explore alternative growth strategies. Companies are focusing on financial discipline, operational efficiency, and productivity improvements. They are also aiming to drive organic growth by retaining and motivating key talent and ensuring effective leadership.

According to Tammy Wang, vice president of data science and machine learning for Korn Ferry Digital, there's another place firms can shift their focus to pursue growth. Wang notes the rise of generative AI as a clear opportunity. Instead of pursuing megadeals, some companies are considering incorporating AI throughout their operations.

This shift towards AI may require reallocating capital that was previously earmarked for M&A. However, Mark Arian, CEO of Korn Ferry Consulting, observes in the same article, "There is a lot of money on the sidelines," seemingly waiting to be deployed. At a time when M&A has slowed, investment in AI tools may be the perfect redirection of funds that have already been earmarked to pursue growth.

The relevancy of this potential reevaluation of growth strategy doesn't seem lost on any with a tech background. In fact, the man charged with steering the tech strategy of one of Wall Street's biggest firms is just as excited about the opportunities in AI as everyone else.

Marco Argenti, Goldman Sachs's chief information officer, calls AI "probably one of the biggest revolutions or changes that I have ever seen." In an interview with Yahoo Finance, Argenti goes on to say, "We believe that AI could be a profound disrupter not only of our industry, but all digital and all information and knowledge industries in general."

#### Linking Talent to Value

In this new world of AI, "technology is no longer the back-office," as Argenti puts it. Investing in AI tools is not only of interest, but of pique importance if one wishes to maintain any competitive advantage. The question then is how this technology can be applied to the human capital space where every talent decision can result in more value, higher growth, better results, and superior returns.

In a recent episode of the McKinsey Talks Talent podcast titled *Generative AI and the Future of HR*, Bryan Hancock and Bill Schaninger spoke with McKinsey Technology Council chair Lareina Yee and global editorial director Lucia Rahilly. In their conversation they covered many of the use cases for AI in HR, where firms may want to divert funds to develop tools.

In their discussion the group mentioned the effect this technology is having on recruiting. Generative AI is poised to reshape recruiting in two keyways. First, it can assist in crafting better job requirements by identifying the necessary skills, enhancing both the speed and quality of placements. Second, it enables personalized interactions with candidates, making the application process more tailored and efficient.

Many RPO providers have already ramped up their investment developing these AI tools. Firms operating an RPO division may find themselves forced into a defensively acquisitive stance if they don't invest in these tools now.

Generative AI can additionally shift the focus in recruiting from credentials like college degrees to a candidate's actual skills. It excels at sifting through huge amounts of unstructured data. This will allow recruiters to identify specific capabilities and skills without fixating on traditional qualifications. This will lead to better placements where candidates are more suited to the work, rather than being placed for having gone to the best school.

While generative AI won't replace the human touch in reviewing the skills and capabilities of workers, it can simplify the process by providing initial drafts of evaluations. This will help evaluators get a head start on their assessments, enhancing productivity and allowing for deeper conversations during the review process.

It seems clear that the leadership within firms have a significant role to play in modernizing their organizations and ensuring that generative AI becomes a tool for growth. If leaders refuse to invest in this groundbreaking technology, their firms will be left behind, while leaders who use the current decline in M&A as an opportunity to pivot and invest in generative AI will likely see great exponential returns.

Source: Hunt Scanlon Ventures, ExitUp

rose 71 percent for all interim finance talent. Also up, by 20 percent, were interim talent requests for IT and tech transformation projects and skilled workers in tech and systems implementation, as organizations invested heavily to capitalize on rapid tech advancements.

"The dramatic increase in demand for interim leadership underscores the significant challenges companies are experiencing in today's turbulent market," said BTG CEO Amelia Warren Tyagi. "The uncertainty that organizations are facing emphasizes the importance of effective leaders to drive critical



transformations and position companies for resilience in a world of constant change.” As business leaders are challenged to do more with less, she said, “they are acknowledging the full benefits offered by on-demand talent—in both interim leadership roles and project-based work—to deliver the expertise needed to fill skills gaps and navigate uncertainty while remaining flexible with capacity and cost.”

In the last year or two alone, Korn Ferry, ranked this year as the No. 1 fastest growing search firm by Hunt Scanlon Media, has snapped up on-demand talent firms Infinity Consulting Solutions, Patina Solutions Group, and most recently, Salo LLC in Minneapolis, MN, a provider of finance, accounting, and HR interim talent. During the Q4 2023 earnings call, in fact, Mr. Burnison lauded interim’s growing value to the firm. “The market potential is enormous,” he said. And earlier this year, rival Heidrick & Struggles closed on its acquisition of Atreus GmbH, a Munich, Germany-based firm that provides interim C-suite-level executives.

That other firms, big and small, are also jumping in and seeing success with interim offerings should be no surprise, given the needs of a post-pandemic business world. This summer, **The Tolan Group**, a healthcare and life sciences executive search firm in St. Augustine, FL, launched TTG Interim, a service specifically designed for private equity organizations and their portfolio companies in their search for senior finance and accounting talent, ranging from vice presidents to controllers to chief financial officers, for interim assignments. TTG’s offering is industry agnostic, serving all PE backed sectors. Some of the other firms embracing interim services include ZRG Partners, **WittKieffer, McDermott & Bull, IIC Partners, The Christopher Group**, and **Wilton & Bain**, to name just a few.

For permanent roles, areas like cybersecurity, healthcare, life sciences, sustainability and green

energy, manufacturing, and supply chain are still going strong, say recruiters. Non-profits, associations, and foundations are faring well, too. On the other hand, tech, despite a boost from AI, continues to have its struggles. According to the website Layoff.fyi, 994 tech companies have laid off a total of 233,668 employees by early September of this year.

“I think the likelihood of a recession in 2024 appears to have significantly diminished, prompting my anticipation of a promising year ahead,” says Nathaniel Schiffer, president and managing director of The Christopher Group, which focuses on HR business solutions. “Specifically, I foresee 2024 as a potential breakthrough period for the executive search sector, particularly for firms focusing on human capital solutions. With the reduced probability of an economic downturn, businesses are likely to regain confidence, leading to increased investment and expansion efforts.”

This optimistic economic outlook bodes well for executive search companies, as organizations seek to capitalize on growth opportunities and enhance their leadership teams, says Mr. Schiffer. “Specialized firms that offer human capital solutions stand to benefit substantially, as companies prioritize strategic talent acquisition and development to drive innovation and competitive advantage. However, while the recession risk has waned, staying attuned to evolving market dynamics remains crucial for success in this dynamic landscape.”

Mike Hartz, president and CEO of Charlotte, NC-based **HARTZ Search**, which focuses on healthcare and higher education, says that business in the first half of 2023 was steady with a slight uptick compared to the previous three years, “which have been explosive; in general we have been on a solid growth curve for four years. We expect and have already secured engagements to continue a productive and

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busy 2023.” He points to recently placing the No. 2 nurse executive for Kaiser Permanente’s entire organization. (“The team’s ability to source passive candidates and to do it quietly has stuck out me especially,” he says.) HARTZ Search also completed two chief revenue officer searches for major clients in less than 70 days, at the same time, both with entire slates of diverse candidates.

“Healthcare is still our core business,” says Mr. Hartz. “And we are venturing into international business lines for healthcare tourism and major supply chain, and private equity.” The healthcare, academics, and pharmaceutical sectors remain hot, he says. “And healthcare is still a rocket ship.”

Simon Wan, chief executive of **Cornerstone International Group** worldwide and president of Cornerstone in China, says the search business has been down in 2023 compared to 2022, but there is an increased demand for leadership advisory and consulting services. “The coming two years are the best time for company transformation at Cornerstone, as clients expect us to provide new pillars of leadership solutions,” says Mr. Wan. “Services like talent optimization, retention and engagement of key talent, and performance management are all key growth areas. International talent from Europe and Asia are more ready to consider international assignments in North America for family and career reasons.”

Larry Shoemaker, founder of **Shoemaker & Associates/ Cornerstone Atlanta** and president of Cornerstone International Group, says that uncertainty continues to make 2023 an eventful year for organizations around the globe. “The executive search industry has been impacted in the same manner as other industries,” he says. “While there are some positives, there are several factors that have a negative impact. We are a global industry, and

many of our clients are global, but local challenges seem to have the greatest impact. The war in Ukraine has a negative impact on all, but European organizations have had the greatest challenges. The U.S. economy, and its mixed signals have affected U.S. organizations, as well as those located in other parts of the world. More recently climate has become a significant part of discussions as the “heat” has an influence on workplaces as well as lifestyles. I expect these challenges will continue during the second half of 2023, and I anticipate organizations will continue to change as they continue moving forward.”

Mr. Shoemaker says that one recent assignment stands out this year, mainly because of the lack of candidates at the level of the role. “Industrial manufacturing is an area that does not appear to attract young, talented individuals when they graduate,” he says. “Those that choose to join a manufacturing organization get strong experience in one or two functional areas, then seem to move relatively quickly up the ladder, either within the organization or externally. The result is a professional with a narrow background who is often looking to advance rapidly into a broader management role

## INSIGHT

### The State of Organizations

#### McKinsey & Company

Business leaders around the world are currently addressing not only economic volatility, geopolitical instability, and the lingering effects of the COVID-19 pandemic but also a range of organizational shifts that have significant implications for structures, processes, and people. The shifts include complex questions about how to organize for speed to shore up resilience, find the right balance between in-person and remote work models, address employees’ declining mental health, and build new institutional capabilities at a time of rapid technological change, among others.

To help CEOs and their leadership teams consider such questions, McKinsey & Company launched *The State of Organizations 2023* report. The report is an account of an ongoing research initiative that seeks both to pinpoint the most important shifts that organizations are grappling with and to provide some ideas and suggestions about how to approach them.

As part of the research, the company conducted a survey of more than 2,500 business leaders around the world. Only half say their organizations are well prepared to anticipate and react to external shocks, and two-thirds see their organizations as overly complex and inefficient.

Through the State of Organizations Survey, conversations with CEOs and their teams, and the findings of recent McKinsey research have identified ten of the most important organizational shifts that businesses need to address today. These shifts are both challenging and harbingers of opportunity, depending on how organizations address them. Five key points consistent among respondents to focus on are strengthening resilience, making way for AI, finding self-aware and capable leaders, new rules for attraction, retention, and attrition, and closing the capability chasm.

**Strengthening resilience:** Half the respondents in the survey say their organization is unprepared to react to future shocks. Those able to bounce forward — and quickly — out of serial crises may gain significant advantages over others. In the 2020-21 economic recovery, resilient companies generated TSR 50 percent higher than their less resilient peers’.

**Making way for applied AI:** AI is more than just a potential opportunity to boost a company’s operations; it can also be used to build better organizations. Companies are already using AI to create sustainable talent pipelines, drastically improve ways of working, and make faster, data-driven structural changes. Organizations used an average of 3.8 AI capabilities (eg, natural-language generation, computer vision) in 2022, double the 1.9 used in 2018.

**Leadership that is self-aware and inspiring:** Leaders today need to be able to lead themselves, lead a team of peers in the C-suite, and exhibit the leadership skills and mindset required to lead at scale, coordinating and inspiring networks of teams. To do that, they must build a keen awareness of both themselves and the operating environments around them. Only twenty-five percent of respondents say their organization’ leaders are engaged, are passionate, and inspire employees to the best-possible extent.

**New rules of attraction, retention, and attrition:** People are revising their attitudes both to work and at work. Organizations can respond by tailoring employee value propositions to individualized preferences in ways that can help close the gap between what today’s workers want and what companies need.

**Closing the capability chasm:** Companies often announce technological or digital elements in their strategies without having the right capabilities to integrate them. To achieve a competitive advantage, organizations need to build institutional capabilities — an integrated set of people, processes, and technology that enables them to do something consistently better than competitors do.

While there is no blueprint for success in tackling these organizational shifts, some companies serve as beacons of inspiration, showing possible paths forward. McKinsey developed four points to consider in addressing the ten organizational shifts, leveraging the survey results, the quantitative research with executives, and insights from their work in the field and through existing research.

Source: McKinsey & Company

without a great deal of experience. This search was for an operations manager with the potential to succeed the plant manager in a few years,” he says. “Many people who were in these type roles had been in their organization for several years, had excellent knowledge of their organization, but had not developed leadership skills appropriate for leading change in a new organization or industry. Others had moved so rapidly they had skimmed what was important, but again, had not developed appropriate leadership skills. The lack of career track leading to a plant manager role creates challenges for organizations, particularly mid-market manufacturers.”

Overall, recruiters are seeing demand for senior positions like CEOs and CFOs, as the pandemic has taught companies the value of leaders who can think on their feet, pivot, and respond to the changes that seem to be coming faster than ever. Plenty of calls are coming in for chief operating officers, chief revenue officers, and general counsel as well.

Ms. d’Arcangeli, of Kingsley Gate, says that turbulent times create a need for strategic finance leaders with a focus on risk and business security. “That’s been an evolving need,” she says. “And sustainability continues to be embedded throughout leading organizations. And regulations that have been put in place require that background and experience. But more than anything, it’s the characteristics that are needed in leaders in volatile times that we’re seeing come to the fore. And that’s really inclusive: agility, comfort making difficult decisions, vision, and the ability to carry and motivate the organization as horizons get shorter and shorter.”

In a sign of the times, perhaps, the chief communication officer role is also catching fire as companies increasingly, and unexpectedly, find themselves at the center of all kinds of public frays, among other challenges. “In today’s dynamic

## INSIGHT

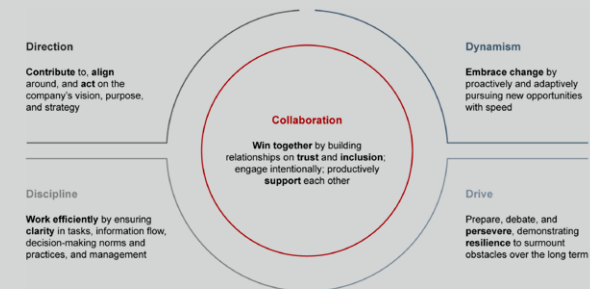
### At the Top, It’s All About Teamwork



Effective leadership teams outperform even the most effective individual leaders. Every time. In almost every context. A Bain study of 1,250 companies found a correlation between business performance leaders — companies that beat their competition in revenue growth, profitability, and total shareholder return — and highly effective top teams.

By virtue of their unique characteristics and apex position, top teams are force multipliers. When they address their behavior gaps, these teams don’t just build their own effectiveness, they set an example that, when emulated throughout their organization, can be revolutionary.

Every top team comprises individuals who are oriented differently in how they think, feel, and behave, so building an effective team requires intentional, targeted, collective development over time.



Source: Bain & Company

and chaotic business environment, the CCO is the one officer with a finger on the pulse of all the organization’s stakeholders, at a time when all are vocal, disruptive, and demanding action and greater transparency,” said Richard Marshall, Korn Ferry’s global managing director, corporate affairs search practice, in a report by the firm earlier this year. “The need to have a clear and compelling narrative has never better more important, and as a result, we’re seeing the role, and the resources allocated, being reshaped to meet the demands of the business.”

More than ever, chief communications officers are serving as trusted advisors to CEOs and the C-suite on virtually every issue that affects the organization.

“It’s been an unprecedented market for CCO talent during the past two years,” said Peter McDermott, Korn Ferry’s senior client partner, corporate affairs. “We saw compensation packages escalate – some exceeding seven figures – for top talent at the peak of the market.”

Geoff Hoffman, of **DHR Global**, recently explained why his firm launched a new corporate affairs and communication practice earlier this year, and hired Jessica Bayer from Patino Associates to lead the team. “Branding and communication and reputation management is a critical ingredient to an overall company’s success,” he says. “Having somebody overseeing communications and an active strategy so that the firm is conveying itself in the way that the board or the management team would like is really important. And we don’t see that significantly slowing anytime soon.”

A major driver of assignments these days, with no signs of going away, is private equity. After struggling last year, the PE industry is showing signs of a revival. “Private equity’s paltry flow of exits sprang to life at midyear, ending a yearlong decline and setting up the chance for a rebound,” said a recent report from VC, PE, and M&A data resource **PitchBook**. “Exit value totaled \$87.3 billion in Q2, a 67 percent jump from the previous quarter and the first sequential quarterly rise in value in 12 months.” Four deals over \$1 billion, all announced late in the quarter, helped “stop the bleeding,” said lead analyst Tim Clarke, who co-authored the study.

“In today’s landscape, private equity firms seem to recognize that HR and executive search firms aren’t just a net positive for human capital, but for their profits, too,” says Ruben Moreno, founding member and leader of the HR executive search practice at **Blue Rock Search**. “Well-conducted executive search partnerships allow these firms to build

relationships with a talent pipeline, ensure succession planning for key roles at their portfolio companies, and have a reliable partner with the depth of expertise they need to find the right talent who will, in turn, drive their growth goals.”

“Change and a degree of uncertainty has become a fact of life for many firms in the current economy, which is why so many of them are looking to hire strong leaders for their portfolio companies, with a focus on balancing stability, growth, efficiency, and strategic future planning,” Mr. Moreno says. “Companies are hoping to find the right leaders who can address current needs while also looking to the future to build a resilient plan that can take on any challenges down the road.”

Blue Rock Search has seen a sharp increase in the number of PE clients looking to fill key C-suite positions or operational roles at their portfolio companies, targeting a combination of growth-oriented strategy and improved efficiency. “They’re also often looking for roles related to the people function. Today’s labor market has cooled somewhat from the peak of the ‘Great Resignation’ or ‘Great Reshuffle,’” says Mr. Moreno. “But it’s still a competitive market in many sectors. Companies are looking to executive search firms to assist in finding HR leaders who can steer a people strategy focused on building a compelling employee value proposition, improving retention and loyalty, and boosting the company’s overall employment brand.”

Alex Cormack, group managing director at **Sheffield Haworth**, a global leadership advisory and executive search firm says his firm has been particularly busy in private markets. “Our expertise across various industries, deep networks, and range of services has allowed us to add value across the board and deal lifecycle ranging from fundraising, investing, due diligence, acquisition or restructuring,” he says.

“Through our strength in providing strategic research to our clients, particularly where it pertains to M&A activity we have benefited from our ability to advice on consolidation that is occurring in certain sectors.”

“The wider private markets sector has proved to be very busy for us this year, spanning a variety of roles including technology and data, finance, risk, asset management, investment and fundraising,” Mr. Cormack adds. “We have also been particularly active in deep tech and real assets (including infrastructure and energy transition). In professional services we have seen clients drawing upon our expertise in diversity hiring. While hiring in ESG has been more subdued the last year, we are expecting demand for these skills to resume during the rest of the year and into next year.”

In general, hiring has slowed, says Mr. Cormack. “But we have found that for key hires that will have a positive impact on growth, transformation, technology, or risk management appetite for the best talent remains,” he says.

And while the downturn in the software sector and the slowdown in deal activity at the investment banks have created challenges during the first half of 2023, his firm has still benefited from its strong relationships in these sectors. Sheffield Haworth has also seen resilience from some of its other core areas including the buy side, private markets, real assets and supporting functions (technology, data, finance, risk) as well as better performing geographies where the firm capitalized on its leading positions, notably North America, Middle East, and India.

“We are experiencing and expect improved performance during the second half of the year,” says Mr. Cormack. “Through our focus on providing solutions and advice for our clients across leadership, change and transformation, strategic research, talent intelligence, executive search and interim alongside our commitment to diversity and ESG, we have been

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## INSIGHT

### Humanizing the Future of Executive Hiring: The Role of People Analytics and AI



The executive search industry continues to be disrupted. Still, the temptation of easy answers provided by new technologies may lead many firms into the future of disruption without the right

balance between technology and a human touch combined. While artificial intelligence (AI) and data analytics can significantly enhance hiring and placing talent efficiencies, there is a growing concern that they may also dehumanize the recruitment process.

AI can revolutionize executive search by analyzing vast amounts of data to identify potential candidates quickly and accurately. This can save time and money while ensuring companies find the best candidates for their needs. It is also true that data analytics can provide macro-level insights into talent trends and candidate pool metrics that can serve as signposts to potential opportunities or challenges. However, it is essential to understand that the future of executive search is not an either-or choice between technology and human interaction.

#### Maintaining the Balance: Merging Technology and Human Touch in Executive Hiring

The key to success is striking the right balance between the two so that the power of these technology tools can amplify the analyses of human experts who can connect big-picture trends and data to human touch and context at the individual level. This potent combination of artificial intelligence and human intelligence can result in a hiring process that is efficient and empathetic, leading to positive candidate experiences, holistic and equitable candidate evaluations, and, ultimately, well-informed executive talent decisions that drive the best possible business outcome for clients.

To achieve this balance, companies must effectively use data analytics to guide top-of-funnel decisions. Factors such as cost of living, compensation, availability of talent, demand for the role, and turnover rates can provide insights into the market and inform workforce planning. These data points can be leveraged to craft executive hiring

and succession planning strategies that lead to robust and well-balanced talent hiring and development outcomes. For executive search, then combining these strategies with the power of AI talent identification tools can create targeted and dynamic talent pools. Connecting these data analytics and AI technologies in a feedback loop as the search progresses and candidate trends crystallize can provide a complete understanding of the talent landscape and enable companies to adjust their strategy accordingly.

The ultimate potential of working with an executive search partner can be unlocked when these data insights and AI data crunching are combined with the human touch and years of experience working with and developing executive-level talent. A human partner can analyze more context and nuance on the technology-provided data to reduce bias and strengthen creativity in the process; they can also connect with candidates through conversation, persuasion, influence, and relationship, leading to better candidate experiences and hiring outcomes.

#### The Power of Partnership: Choosing the Right Executive Search Partner

In short, the right executive search partner should leverage cutting-edge technology to iterate on hiring strategies that enable them to find and engage with the right human talent more quickly and effectively. Every senior-level hire is mission-critical to the success of an organization, and your talent partner needs to support you with the same level of learning agility, technical acumen, and soft skills you require in your senior-level leaders.

The future of executive search lies in finding the right balance between technology and the human element. By striking the right balance between a data-driven and human-centered approach, companies can create an efficient, informative, and strategic process that leads to better hiring decisions and create more meaningful business outcomes for an organization.

Source: N2Growth

able to assist our clients in navigating a challenging economic environment. “

Tom Clark, partner and supply chain and logistics practice leader at **Direct Recruiters Inc. (DRi)**, says that PE continues to represent a large portion of DRi’s business. “From my personal perspective the first half of 2023 was slower from a M&A activity standpoint than the past few years have been, but just in the last couple weeks, I have spoken with some folks that are pulling together some exciting M&A deals,” says Mr. Clark. “There are not enough data points to say that it is a trend, but it continues to happen in

pockets. I personally think, there a few smart teams, that our positioning themselves to win big in the next economic resurgence. These are not short-term quick flippers; these teams are assembling strategic differentiators.”

Hiring has absolutely slowed, says Mr. Clark. “Companies cannot afford to get it wrong. They are being very deliberate. We are wining searches because they need the best partner to bring them the best talent. They cannot afford to get it wrong. They need strategic and tactical. The selection process is getting back to just that, process. Executive leaders

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are getting more involved again in each hire, spending time interviewing candidates a level below what they might have the past couple years. On average, I am seeing one more interview or one more step that might have been brushed over in 2021 and 2022,” he says. “If the process and timeline are outlined ahead of time, we can help our clients win the talent they need. It reminds me of a saying from my Army days, “Slow is smooth and smooth is fast.” We warn our clients that long delays can cause them to lose the candidates they want, but making sure the right decision makers are involved and allocating interview time in a timely manner is how we have been able to partner with clients to deliver the best fit in the client’s eyes. So yes, it has slowed, but we are stilling placing people at a very steady pace and I anticipate that steady pace to continue until it picks up again.”

Matthew Eley, managing director and founder, at **Elite Search Partners**, a search-to-search talent solutions provider based in London, says that PE and VC focused search firms saw a sharp rise in demand on the back of the downturn towards the end of 2022/ start of 2023. “In addition, clean technology and renewables are on fire currently as we see a shift from traditional oil and gas to more sustainable options long term,” he says. “Financial services is relatively slow as a whole but remains steady. APAC is starting to pick up significantly, Singapore in particular as firms begin to pivot their APAC offices away from mainland China. The Middle East is seeing huge demand, with a number of firms seeking to open up an office in the region.”

Hiring was slow in Q1 and for the majority of Q2, says Mr. Eley. “However since the end of Q2 there has been a notable shift in hiring with firms starting to bolster their ranks in preparation for 2024,” he says. “This is no surprise given the PE market has picked up so investment and available capital is higher as a result.”



## SPOTLIGHT

### Upswing in M&A Activity Expected in Second Half of 2023



In their 2023 [M&A Outlook Report](#), Morgan Stanley indicates that following a muted second half of 2022, M&A activity should gain momentum as the second half of this year unfolds. That prediction will bring much

needed relief to a market that has been under pressure for the better part of the last year. According to Tom Miles and Brian Healy, co-heads of Americas M&A at Morgan Stanley, deal-making is likely to accelerate. Factors driving activity include well-capitalized companies making acquisitions in their core businesses; financial sponsors – which are holding record amounts of capital – deploying it in acquisitions; uneven performance among companies stoking shareholder activism; and cross-border M&A making a comeback.

#### A Consensus

Up to now, macroeconomic uncertainty, volatile capital markets, rapidly rising interest rates, and the impact of inflation caused many corporations to focus internally versus making acquisitions. According to the investment bank, that could all start to change beginning as early as this summer. Against this backdrop, the consensus view among economists and strategists calls for a mild recession in 2023. While there is still a strong possibility of recession, the nature of this downturn may not hinder M&A the way previous downturns have, according to the firm's analysis.

Company balance sheets are relatively strong compared to previous recessionary periods, and that could help drive corporate acquisition activity despite an economic downturn. Morgan Stanley's investment bankers anticipate large corporates to make additive acquisitions in their core businesses.

The 2022 mergers and acquisitions market experienced stark contrasts between the two halves of the year. In the first five months, deal activity was strong – a continuation of the record environment that existed in 2021. The volume and number of

mergers and acquisitions in the first half of 2022 were better than historical norms, including several “mega deals” valued at over \$10 billion. But in the second half of the year, deal activity slowed meaningfully. And that carried into the first five months of this year.

#### What's Changed

According to Morgan Stanley, strong balance sheets in a market primed for strategic acquisitions will help to anchor M&A from the corporate side in the second half, but financial sponsors will not be outdone. The bank reports that many financial sponsors are primed to deploy capital and to exit existing investments.

One notable difference today is that increased specialization among PE firms has enabled action even in uncertain times. Funds are better able to predict how their businesses will perform in different market cycles. As recently as 10 years ago PE firms would wait for uncertainty to clear before taking action. But the rapid increase in specialization among PE sponsors has helped to clear sight lines even in trying times. Firms are more empowered to take decisive action despite market swings, and that alone is expected to fuel deal flow into the third and fourth quarters. While the number of announcements slowed in 2022, dialogues about potential strategic transactions have continued. As some of the headwinds the M&A markets faced in the back half of 2022 abate, M&A activity should return quickly.

“There may be an explosive return of activity,” said Mr. Healy, adding that it could be especially fueled by pent up demand from financial sponsors. Mr. Miles added that it may take some time for buyers and sellers to gain clarity on how inflation, foreign exchange rates, interest rates and consumer demand will affect revenues and valuations. “There has to be agreement between the buyer and seller on the outlook and the multiple to pay for today's cash flows,” he said. “While that may take time to work itself out, I believe it will happen within the next couple of quarters.”

Source: Hunt Scanlon Ventures, ExitUp

Mr. Eley expects that moving forward, technology-enabled executive search firms will gain the edge in hiring top talent. “Speaking to candidates daily, an increased amount are asking whether my clients utilize AI and in-house software to improve their processes,” he says. “This will be a key pull factor for them. In other words, technology enabled search firms are more attractive in the current market.”

“Larger platforms will be more appealing to passive candidates,” says Mr. Eley. “Several candidates have

said to me that due to the current economic climate/market, they would not be prepared to risk making a move unless it was to a larger platform, which makes sense. During a downturn, larger firms with more financial backing/cash reserves will carry less risk.”

**SPMB's** Mike Doonan, managing partner, who leads the firm's digital transformation and data practice, says that the recent market correction has played havoc with business. “For better or worse, executive search is a low barrier to entry business,” he says.

“During up cycles, a lot of people get into search and that is sustainable, and sometimes helpful, when there are enough projects to go around. During the market peak, we were turning away six to seven searches for every one that we would take on. Those projects had to go somewhere, and it was good that clients had alternatives. With the market correction, we now have a lot of inexperienced search people fighting for fewer assignments, lowering fees to win business and making a mess of the market.”

“This is similar to what happened in 2008-2009, and it took about 12 to 18 months for less qualified search professionals to leave the market and for things to come back to equilibrium,” says Mr. Doonan. “However, compared to 2008-2009, the run up in 2020-2022 was at a much, much larger scale, as search firms began taking on outside (private equity) money and all incentives were tied to growth at all costs. This has only exacerbated the issue, and it may take longer to get back to a balance.”

There is a clear trend among clients to prioritize roles that drive ROI, says Mr. Doonan. “As a result, there is a growing demand for executives such as chief revenue officers and chief operating officers who can make go-to-market strategies more dynamic and impactful,” he says. “CEO searches are also on the rise, with boards and investors seeking new leaders who bring extensive networks, experience in investor management and recruitment, and a deep understanding of the buyer universe. Conversely, companies are waiting to make hires on roles that do not directly contribute to revenue. With the wake of AI, there has also been a high demand for data science, data engineering/analytics talent.”

Mr. Doonan points to artificial intelligence as one key area that has shown explosive growth in recent months. “It is the only major area of technology that has received significant funding from the venture

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## INSIGHT

### How to Win the War for Talent in Financial Services



The financial services industry is in a near-constant state of change. From embracing digital banking in the 2000s, to the rise of fintech, Banking-as-a-Service and all of the new options available to consumers today, institutions have almost always been facing an ever growing need to evolve. Today is no different.

Financial services firms must strategically differentiate themselves from the rest of the industry, whether that's through new products, more competitive pricing, or by adopting tech-enabled services.

But there is one time-tested way for firms to set themselves apart in a way that can pay dividends not only today but over the long haul: Talent.

Winning in a rapidly changing competitive environment comes down to having the skills in place to embrace change and lead with authority. Companies that prioritize hiring the right people tend to share several winning attributes – better customer experiences, longer lasting partnerships and, ultimately, better revenue performance.

How should financial services firms prioritize talent now?

#### Make Sure the Right People are in the Right Roles

Everyone looks good in an expanding market. That's why now is the time to upgrade talent for tougher market conditions, when they can have an outsized impact on performance. This is particularly important during evolutionary periods when new technologies and products are changing the face and function of the industry. It will take specialized talent for firms to adapt to this new reality, and it is critical that those with the right skills are working in the highest impact roles.

Fitting the right faces to the right responsibilities also comes with the benefit of preparing the firm for the next downturn. Those who know how to thrive in a difficult market also know how to build resilient systems that can weather future challenges. What's more, cost cutting isn't always the answer, particularly when there is an opportunity to add talent and grow while competitors shed qualified people.

Where can these people be found? Too often, financial services source talent from within the industry, poaching potential hires from competitors with the expectation that those prospects will have the necessary skills to hit the ground running. But this approach can turn into a liability, both in terms of access to new talent as well as new ideas. To truly differentiate in the market, those in financial services should look outside the industry at candidates in adjacent, tech-focused businesses and prioritize fresh, new approaches to the work vs. copying what every other firm is doing. High tech is a natural choice, but cybersecurity,

Artificial Intelligence and even manufacturing are growth areas that employ a lot of tech talent and are worth consideration.

#### Invest Strategically in Innovation

Banking was an early adopter of digital products and experiences, with the first web and mobile banking services dating back to the early 2000s. Those efforts have made the industry vastly more accessible to the everyday American, and digital banking as a whole represents the next generation of financial services, but there is always room for improvement. What's the next step in this evolution for those institutions looking to gain or maintain a competitive advantage?

It's important to remember that digital transformation in the financial industry is about more than just technology and processes. Talent, mindset and organizational culture are also key factors, more so than in other industries given banking's long entrenched conservative approach to its business. That's why strategic investment in the next phase of tech-enabled innovation – including AI for personalized recommendations and insights, cybersecurity to protect customer data and prevent cyber attacks, and customer service chatbots for real-time assistance – needs to start with people.

By targeting and hiring the talent needed to support those efforts, firms can ensure that they are well positioned to claim a greater share of the market going forward.

#### Ignore Geography to Source the Best Talent

Not long ago, financial services firms were geographically limited in who they could hire. Those based in locations with a lot of skilled talent, such as New York City, would typically come out on top by simple virtue of access and convenience.

But things are changing. Remote and hybrid work environments have effectively eliminated this barrier to hiring, enabling firms to reap the benefits of broader access to talent and take a geographic agnostic approach to sourcing. By expanding their global reach beyond the traditional U.S.-centric boundaries of financial services, firms will be better positioned to tap into a much larger talent pool and bring new skills to the table.

At the end of the day, the challenge for financial services is always to be proactive in adjusting to new conditions. Talent is the linchpin in all of this. That's why, even now, the competition for new hires can be fierce. Firms that take a strategic approach to sourcing and managing the right skills for the road ahead will be better positioned for growth in a changing competitive environment.

capital world," he says. "As a result, our search work has naturally shifted toward this field."

AI, with its ability to process vast amounts of data and identify patterns, is revolutionizing a number of industries, and executive search is no exception.

As search firms strive to navigate the ever-evolving talent landscape, integrating AI into their operations becomes paramount to drive success and growth. AI is already reshaping the executive search industry by empowering firms with data-driven insights,

accelerated candidate sourcing, and improved decision-making capabilities. “Embracing AI-driven solutions is no longer an option for executive search firms but a strategic imperative to thrive in a competitive talent market,” said an **Aberdeen Strategy & Research** report. “By leveraging AI effectively, executive search firms can revolutionize their approach, maximize their value proposition, and deliver exceptional leadership solutions that meet the evolving needs of their clients.”

A **McKinsey & Company** survey released this August helped quantify the explosive growth of AI. Despite generative AI’s nascent public availability, experimentation with the tools is already relatively common, and respondents said they expected the new capabilities to transform their industries, says the management consulting firm. “Gen AI has captured interest across the business population: individuals across regions, industries, and seniority levels are using gen AI for work and outside of work,” said the report. “Seventy-nine percent of all respondents say they’ve had at least some exposure to gen AI, either for work or outside of work, and 22 percent say they are regularly using it in their own work. While reported use is quite similar across seniority levels, it is highest among respondents working in the technology sector and those in North America.”

According to a recent survey by **Aptitude Research**, a human capital management research and advisory firm, investment in talent acquisition (TA) technology has soared over the past few years with 73 percent of companies increasing their investment in 2022. Remote work, the pandemic, and the labor shortage stirred companies to turn to technology to fix immediate needs, the report said. Nor has the level of investment ebbed, even as organizations prepare for an economic downturn. Seventy percent of companies surveyed said they would continue to invest the same

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or more during a recession, with 28 percent increasing investment. Companies are looking at technology to support every area of recruitment, from recruitment marketing to onboarding.

“For the past two years, efficiency remained the No. 1 driver of investment in TA tech,” said Aptitude Research. “Companies look at providers to improve time to fill, increase recruiter productivity and speed, and improve overall decision-making in talent acquisition technology. Improved efficiency benefits the candidate as well as the employer by helping candidates receive communication, stay informed, and move through the process. The reality is that recruiters and hiring teams need help. The average time to fill a position is 45 days and many companies, especially in high-volume industries, cannot afford to wait that long.”

“Although efficiency continues to remain critical to TA, the pendulum is swinging back to quality of hire as the No. 1 driver in TA investments in 2023,” said the report. “One reason is the increased focus on retention. With more business leaders aware of TA tech decisions this year, recruitment serves as the first line of defense for turnover and identifying quality hires early helps organizations prepare for future needs. Quality of hire and efficiency can at times conflict, but companies looking at technology should not have to sacrifice one over the other.”

As organizations recognize the potential of AI in executive search, some recruiters believe that this technology can become a key differentiator for forward-thinking firms looking to shape the future of talent acquisition. AI can forge new frontiers in executive search leadership recruitment, they say, and drive new levels of success for their clients and the organizations they serve.

“AI has the potential to revolutionize executive search as we know it,” says Scott Jacobs, partner

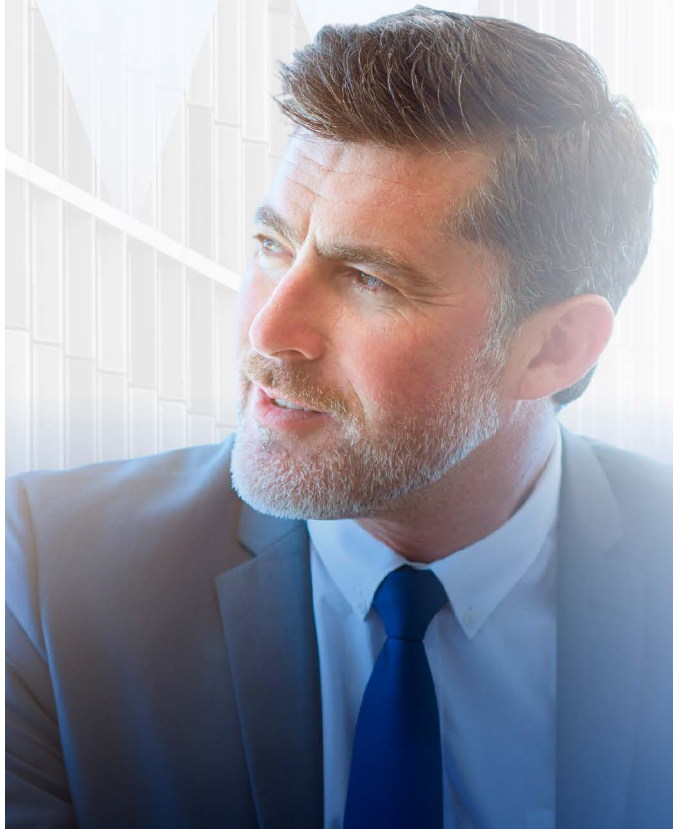
at executive search firm **Acertitude** in New York City. “Many firms are already using AI to uncover those ‘hard to find’ or ‘unexpected’ candidates, and the next generation of impact is likely to be ‘co-pilot’ tools. Some examples include monitoring a live interview and suggesting additional questions, scanning backgrounds to suggest references, drafting emails (or pinging reminders) to reengage candidates that we haven’t spoken to in a while, etc. These tools move the focus from longlist generation to shortlist refinement and enhance the quality of the process.”

In addition to using automated tools to build its target lists of candidates, Acertitude is working with several clients in limited roles to define predictive success models that can be used for external search, as well as internal succession and development. “By leveraging correlations we have seen in data sets, we are building models to assess and predict the likelihood of a candidate’s success in a specific role,” says Mr. Jacobs. “We are experimenting with performance data, skill sets, behavioral traits, and engagement to support decision-making throughout the search process. Though we are in the early days of implementation, this progressive approach underscores our commitment to experimenting with the technology.”

“We are extremely excited about the power of AI and what it means for our PE clients and their portfolio companies as we guide them through their most pressing board, CEO, and executive searches,” he says.

Julio Suárez, managing director at **DRiWaterstone Human Capital**, which serves purpose and mission-driven organizations, says that his firm is beginning to test the use of AI to help identify candidates who are good matches for the positions that they are recruiting. “We are incredibly excited about the use of this technology,” he says. “It’s not that we are going to automate the whole search process, but

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we see AI as a tool we can use to make some of our processes more efficient – it will provide us with initial search results, but our team of professional search consultants will still need to assess and evaluate the candidates to ensure we're finding the best possible candidates for our clients.”

DRiWaterstone is also using AI tools for research purposes. “For example, if I want to identify the largest employers in a specific market, I've used ChatGPT to quickly pull up some data,” says Mr. Suárez. “Of course, it's not 100 percent accurate, so it still requires you double check the content against other sources, but it's a great tool to help you get started and to maybe get you thinking in different ways about a topic.”

“AI tools are definitely learning and getting better,” says Mr. Suárez. “Over time, we will likely be able to use AI more consistently to automate some more basic tasks such as candidate bios, placement announcements, and more. But it's a tool – it doesn't replace the human element that is so important in our industry. It's our ability to interpret the data and to communicate in a way that connects with and builds trust and confidence with our candidates and clients that sets us apart.”

Daniel Baker, project manager at Santa Monica, CA-based **ECA Partners**, a specialized project staffing and executive search firm focused on private equity and PE portfolio companies, says AI is affecting how the firm operates and how it does business, as it integrates AI tools into its processes and methods as a firm. “While AI tools are not yet perfected, they present a tremendous opportunity for creative problem solving to use AI to find efficiencies and supplement the busy work that is inherent to a search process,” he says. “That said, AI is far from perfect and requires human oversight to ensure that it is pointed in the right direction.”

“The effect of AI on companies is less obvious from our vantage point,” says Mr. Baker. “The potential for AI to influence companies is abundant, but we have not seen indicators of that influence beyond a

rush for companies to bring on experts in AI design, management, and oversight.”

Meanwhile, remote work continues to sort itself out for many companies, with no few candidates making

## INSIGHT

### Building the Future for Digital Health: A Talent Perspective

**Egon Zehnder** Digital health has been a major growth segment in the healthcare industry. Like many major disruptions Egon Zehnder has seen in recent years, including ESG, artificial intelligence, big data, once it is widespread, companies need to rapidly build capabilities or get left behind. For those that embark on this new and rapidly evolving segment, there are limitless opportunities to develop breakthrough services and treatments for patients, enable access to care and improve costs.

As companies build digital health business portfolios, one of the first challenges to overcome is solving for leadership. The problem? The leaders are being built in real-time in this growing field. Whether working with a start-up or an established corporation, solving for digital health talent challenges calls for a creative and fluid approach to recruiting as well as a sharp focus on spotting talent in previously untapped places.

#### Searching to Get the Right Executive

If digital health talent is scarce, where can companies search for it? With a small established candidate pool as compared to demand, and relatively new playbooks to build from, companies need to think creatively and across industries for high-quality leaders. Searching for talent in this space requires looking broad across software, healthcare services, medical devices, connected products, biopharma, payors, regulatory bodies, and consumer organizations among other areas.

As a talent partner to both small and large companies across the spectrum of digital health organizations, Egon Zehnder approaches this holistically to guide and pinpoint the different variations of talent, the tradeoffs, the risks, and the broader context and goals of our clients. There are considerations about what kind of leader will disrupt and fit within an organization’s ecosystem, the interconnectivity inherent to smaller organizations that are expanding, and how leaders need to transcend organizational boundaries to shape a broader market strategy.

In two different instances, the firm was brought along to fix broken, lengthy searches for a leading global pharmaceuticals company and a large, diversified healthcare services organization entering the digital therapeutics and digital health space. The latter had no clarity of what they were looking for; the former got stuck on things that would make sense in a more traditional search, but not in this new space, such as P&L size and span of control. Their approaches are understandable — and truly testing the ‘must have’ requirements is paramount in creating a diverse and broad enough candidate pool.

This approach is not immune to market disruptors and innovators. Understanding the capabilities required for the inaugural go-to-market commercial officer for a digital health disruptor requires nuance around deep relationships and understand of the healthcare ecosystem as well as SaaS models and economics. In much of Egon Zehnder’s Product and Technology work with digital health disruptors, finding the secret

sauce of vertical software experience and connection into patient experience has been important.

Egon Zehnder applied a much more fluid approach to find executives that met the requirements of each role. Final candidate choices came from nontraditional backgrounds that a rigid approach would not have uncovered. Regardless of the company they are hired for, the candidates chosen for these positions don’t come from obvious places or have the obvious type of backgrounds. Rather, they’ve often had multiple chapters to their career across industries and spike high on innovation and change leadership.

#### Leadership Qualities May Surprise You

There aren’t set checklists, traits, or qualifications for digital health roles. Leading in digital health requires a multidisciplinary set of skills — technology, healthcare, marketing, regulations, etc. — and the ability to think unconventionally, connecting the dots across multiple sectors.

Given the landscape, these leaders will act as evangelists, harnessing support of and developing relationships with internal stakeholders, and external players (peer businesses, regulators, government) to champion and advance their mission. This person is a storyteller who can convey the core message of the product, shape regulation in addition to develop the product themselves. These leaders champion change and may have an outsized external presence.

At the same time, digital health leaders also need to be highly empathetic and collaborative as change continues to shape the industry. It’s important to be a change agent who can truly pioneer and foster innovation. But for companies that are looking to truly pioneer and innovate, compassion and empathy toward others is vital — and lack thereof can become sources of frustration.

Companies can tap into Egon Zehnder’s Potential Model, a proprietary method that assesses individuals across their level of curiosity, insight, engagement, and determination. The desired traits are innate and can be further developed. This level of knowledge equips companies to make optimal hiring and development decisions.

#### When the Industry Grows, Everyone Benefits

As the saying goes, “a rising tide lifts all boats.” Digital health is a purpose-driven field that is working collaboratively to improve the lives of patients. Expanding the number of companies and products available is a win for the industry — and people — as a whole.

With the right talent, from the most established to the newest innovators, these organizations will be able to deliver much needed results for patients and seamlessly work together to operationalize, innovate, comply with emerging regulations, and scale at the speed that technology is evolving today.

Source: Egon Zehnder

it clear they would like this option for their new roles, at least in a hybrid form. “The question of where remote work fits in organizations is one that will continue to evolve as we move further into the post-pandemic era,” says Pamela Noble, managing partner and head of recruiting operations for The Christopher Group. “While some companies have already made decisions to require in-office work, others are still grappling with finding the right balance between remote and on-site work.”

As the executive search firm industry adapts to these changing dynamics, Ms. Noble says that we can expect to see a more flexible and customized approach to candidate sourcing and assessment. “The preferences and needs of candidates regarding work arrangements will be given greater consideration to match them with companies that align with their expectations. Companies that choose not to embrace remote or hybrid work models may face challenges in finding candidates who are genuinely interested in such arrangements. As an executive search firm, we play a crucial role in identifying individuals who value the benefits of remote work, such as increased flexibility and work-life balance, and can thrive in a remote or hybrid work environment. On the other hand, for organizations transitioning back to in-office work, we help them understand and accommodate the expectations of candidates who prefer on-site work while still fostering an inclusive and flexible work culture.”

A key factor in determining how this will all shake out is the ability of companies to strike the right balance that works for both the organization and its employees. Says Ms. Noble: “The future may see a blend of remote, in-office, and hybrid work arrangements becoming the norm, as companies recognize the benefits of providing flexibility and autonomy to their workforce.”

Phil Brakewell, who leads global talent solutions provider **Wilson Human Capital Group’s (WilsonHCG)** executive search practice in North America and EMEA, says that remote work without question is here to stay, but that companies will embrace more of the hybrid approach. “If we look at data from Claro, the number of job postings for remote roles in the U.S. has fallen steadily over the past 11 months. The percentage dropped to 5.6 percent in June, so of the 6.1 million job postings that month, just 341,000 were for remote roles. More companies have ordered employees back to offices this year, particularly in the U.S., but we expect this to taper off soon. Instead, employers will focus on a hybrid approach rather than expect employees to be on-site full-time. Hybrid working is a win-win as it balances organizational success with the interests of employees.”

Looking ahead, Mr. Brakewell expects that the reliance on talent (and labor market) intelligence in the executive search industry will continue to grow at a rapid pace. The competitiveness of the jobs market shows no sign of abating, he says, especially as its largely driven by global skills shortages. “And business cycles are a lot shorter nowadays,” Mr. Brakewell says. “Recessions, for example, would typically last for years, but now it can be months. The ability to understand what’s going on in the market right now rather than use data that’s already a few months old is going to be key in executive search and indeed, talent acquisition as a whole. Compensation benchmarking, for example, is essential, especially in executive search. Knowing what competing companies are paying right now rather than last quarter ensures offers made are as competitive as they can be, while ensuring pay equity.”

Mr. Brakewell expects generative AI to continue to innovate executive search as well. “We all know the



many benefits it brings to talent acquisition from job advert optimization to summarizing notes and briefing documents, but its ability to analyze raw data will certainly be something that helps exec search firms to accelerate the hiring process and make more informed hiring decisions for client partners,” he says.

On another key front, diverse hiring remains a work in progress. In June, in a decision that focused on colleges, not businesses, the U.S. Supreme Court struck down affirmative action programs at the University of North Carolina and Harvard, removing race from the equation for admitting students. Not long after, in a story this July, a headline in The Wall Street Journal proclaimed: “The Rise and Fall of the Chief Diversity Officer,” and told of how top DEI leaders were leaving high profile companies like Netflix, Disney, and Warner Bros. Discovery. The corporate promises and high hopes that came in the wake of the national upheaval over the murder of George Floyd, DEI leaders were saying, never came to fruition. The Supreme Court ruling only emboldened DEI’s detractors, who have filed lawsuits against companies like Comcast, Amazon, and Starbucks over diversity policies, often taking the same tack as those who helped defeat affirmative action for colleges. In today’s overheated political climate, more legal face-offs are sure to follow.

And that’s to say nothing of the challenges search firms and their clients face in recruiting diverse talent. “Despite this increasing interest, sourcing diverse talent remains a challenge due to several factors,” says The Christopher Group’s Ms. Noble. “Firstly, the high demand for diverse candidates has fueled fierce competition among companies, making it more difficult to attract the best talent. Secondly, traditional recruiting methods might inadvertently perpetuate biases or unintentionally exclude certain



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## SPOTLIGHT

### Upswing In Interim Talent Demand Creating New Investment Opportunity In Human Capital Sector



*Calls for interim leaders are gaining wider traction as demographics shift and talent needs change. The most sought after 'on-demand' roles are increasingly found across the C-suite – from CEOs and CHROs to CFOs, controllers, and chief transformation officers.*

*The next war for talent may very well be found here. We checked in with **The Tolan Group** founder Tim Tolan who just launched a new interim platform to angle in on the action. He sees unlimited possibilities ahead along with big investment potential.*

*Below are excerpts from a recent conversation Mr. Tolan had with **ExitUp**, a publication of **Hunt Scanlon Ventures**.*

#### Tim, what's new?

That's a loaded question! 2023 has been an extremely good year for us and we are well ahead of our annual plan. Last year we invested heavily to get ClinTech Health off the ground. We decided early on that we did not want outside capital, so we funded the startup costs internally from our primary executive search business. I think time will prove we made the correct decision as the costs of capital today are far more expensive than just a year ago. Now ClinTech Health is a stand-alone company and operates independently from our executive search platform, although the ownership is the same.

#### You are a Hunt Scanlon Top 40 healthcare recruiter and a Hunt Scanlon Top 60 financial search provider, so your success in search speaks for itself. So why the move to diversify twice in the last 24 months?

There are several factors that led us to make this decision. First and foremost, our clients have been asking for additional human capital talent solutions to bridge the gap when a senior finance person suddenly leaves the organization. By 2025, it is expected that more than 50 percent of the U.S. workforce will be comprised of contract, freelance, and part-time workers. This presents a great opportunity for us to transform our business by building and layering new talent solutions offerings. By doing so, especially in the interim finance arena, we can offer a highly useful solution to the unique talent challenges our clients are facing. In return, we have created a recurring revenue stream that will increase our overall value as an organization.

#### What can you tell us about the demand for interim talent across the finance spectrum?

Three months ago, CFO Magazine stated the demand for interim CFOs was up by over 103 percent. Interestingly, 2022 capped off a five-year high in CFOs resigning which might explain why CFOs are the most requested executive roles to fill at our company. To be sure, PE demands are high for interim leadership and the reasons vary. But one thing that

seems to remain constant is the challenge with financial leadership as a PE-backed platform begins to scale and grow. The skills and expertise to run a \$250M platform are far greater than a \$50M platform, so PE firms often find themselves seeking a CFO upgrade as their platforms scale. That's where TTG Interim comes into play. We can parachute a seasoned CFO, Controller, or VP of Finance with deep private equity experience into a PE platform while we initiate a new search for a full-time finance executive who can lead the continued growth and scale of their platform investment. That totally aligns our expertise with their talent needs.

#### What is your relationship with candidates?

Really good question. We conduct a lot of executive searches involving CFOs and other finance roles in our core recruiting business. While sourcing candidates, we speak with them about their own career aspirations. This is all part of building trust and understanding their motivations and goals. During many of those conversations it is not unusual at all to hear that some of the candidates start to discuss their interest in possibly exploring fractional roles. Many of these folks are in mid- to late-stage careers and are attracted to the freedom that interim work offers. Now with our new interim division we can help them find short-term assignments, which might align with their personal and financial goals, or we can offer full-time, permanent roles. It's truly a win-win.

#### What makes TTG Interim unique, Tim?

We have developed a proprietary screening process to quickly identify which finance and accounting candidates would be ideal in a PE setting. Since we go through a detailed process on permanent roles, we know exactly what PE firms are looking for. Our proprietary process allows us to quickly get to a go/no-go decision on their candidacy in a compressed timeframe without sacrificing the quality that our PE partners demand. And, of course, our primary focus is on timely client delivery.

#### Excellent insight. What's next?

My focus for the balance of 2023 and beyond is to stand up TTG Interim and make it the preeminent resource for PE firms every time they need a talent solution around finance and accounting. We believe the timing is right for the markets we serve and making this a pure play finance and accounting service line that's vertically agnostic is strategic for us. This approach gives us a chance to engage with a PE firm that may not have healthcare as part of their portfolio today but may invest in the healthcare sector in the future or has an immediate need for a finance executive for any of their platforms. TTG Interim aims to become the go-to finance and accounting interim partner for our clients whenever those critical needs arise.

Source: Hunt Scanlon Ventures, ExitUp

groups, limiting the potential of a truly diverse talent pool. Additionally, the underrepresentation of diverse individuals in leadership roles creates a barrier, as there are fewer role models and mentors for aspiring

candidates from diverse backgrounds. Lastly, disparities in geography and education can further restrict access to opportunities for underrepresented groups.”

Alex Cormack, of **Sheffield Haworth**, adds that clients continue to ask for diverse candidates, and his firm remains focused on helping them find them. “The process can be more complex and by default take longer, which is a reflection ultimately of the historical disparities in opportunities,” he says. “However, implementing proactive measures in inclusive hiring practices and efforts to attract diverse candidates is of increasing importance to meet client demands and we at Sheffield Haworth are very proud of our commitment, experience and efforts here.”

“We have seen trends across private markets, data, AI, technology transformation, energy transition, ESG, etc., but one of the biggest trends is the need from clients for a diversified and flexible solution from our industry that allows them to navigate, but more importantly capitalize on the opportunities in the future. This is a mixture of access to the best, diverse talent; market and talent intelligence; acquisition opportunities; and due diligence, transformation, and leadership advice.”

Carlos Alfonso Gonzalez, managing partner, Mexico City for N2Growth, says he envisions a dynamic and evolving future for the search industry, with diversity and inclusion right in the middle of this changing picture. With the pace of business disruption intensifying across all sectors, Mr. Gonzalez finds the need for agile and adaptable leadership to be more pressing than ever. “The conventional profiles of leaders are transforming, rendering the task of finding the right fit more complex,” he says. “In such a landscape, the role of executive search firms becomes indispensable, yet it also undergoes considerable change.”

A crucial factor shaping the industry’s future is the ever-changing executive mandates. “As businesses pivot, diversify, and innovate, the traditional roles and job descriptions give way to novel and specialized

ones,” says Mr. Gonzalez. “The challenge of identifying and attracting talent for these unique roles will require search firms to bring more creativity and forward thinking to their strategies. These aren’t roles that someone with a standard career progression will easily fit into, making the search more intricate and nuanced.”

“The importance of diversity and inclusion in the workplace is gaining prominence,” he says. “Organizations seek to build diverse leadership teams in terms of gender, ethnicity, and even thought processes, expanding the candidate pool for executive roles. This expansion necessitates shifting from relying on personal networks and databases to full-market scoping and benchmarking.”

Another fundamental shift is the rethink of the traditional fee structures. “The conversation is moving from charging a percentage of the executive’s compensation towards a more flexible and transparent model that ties in the value delivered by the search firm,” says Mr. Gonzalez. “Additionally, providing integrated talent insights, comprehensive market analysis, and competitive intelligence will likely become standard offerings.”

Furthermore, interactions with clients and candidates are also evolving, with the firm’s physical location becoming less significant. “The advent of digital technology, particularly in the post-pandemic world, makes it possible to conduct a global search from virtually anywhere.”

“While the core function of executive search—finding the right person for the proper role—will remain unchanged, the industry’s methods, scope, and dynamics will continue to evolve, making it more efficient, transparent, and value-oriented,” he says.

DHR’s leader, Geoff Hoffmann, is encouraged about the search industry’s future and sees firms playing



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an only bigger part in helping their clients meet their needs. “Opportunities will present themselves for search firms to change along with the times, whether it’s utilization of AI or whether it’s more leadership consulting-based services for big global search firms to bring to their clients to help solidify their relationships,” he says. “That’s certainly a trend that we’re not seeing go away anytime soon. In fact, our leadership consulting capability is becoming a more and more important piece of our business model.”

“When you evaluate the demographics of the world, and in particular the United States, there’s going to be a significant labor shortage, as we’re experiencing right now, which is why we have such low unemployment,” says Mr. Hoffmann. “Given that and some of the other pressures that we’re seeing across the economy, executive search is going to be a tremendous industry to be a part of for the foreseeable future. There will be a lot of dynamics that will be changing, for sure. But I think as an industry, in general, it’s going to be a very good place to be over the next five to 10 years. Beyond that, we’ll see.”

Jonathan Novich, of Bullhorn, concurs. Search firms, he says, continue to be tremendously influential for companies everywhere, and what’s more, they’re a force for positive change. It is search firms that are driving many of the tectonic shifts in how companies work, says Mr. Novich, pointing as one example to the role the industry has played in promulgating diversity and inclusion. “That, coupled with the fact that they’ve broadened their remit from just doing search to doing leadership development, advisory, succession planning; those are all amazing services that help companies actualize where they want to go, using search firms as strategic advisors,” he says.

“We’re going to continue to see diversification within both staffing and recruitment and search firms,” adds Mr. Novich. “I think they will continue to embrace

technology that aids them in the process of delivering value to their customers. Competition, meanwhile, will continue to increase; that's not going to go away. And broadly, my hope is that search firms will be oriented toward helping individuals actualize themselves, and

companies actualize themselves, into what they want to be above and beyond making the matches happen and working the business. I hope that it really leads to that positive outcome of everyone growing as a result of it. They really are the catalysts for growth in that regard.”

# PULSE SURVEY FINDINGS

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## PULSE SURVEY FINDINGS

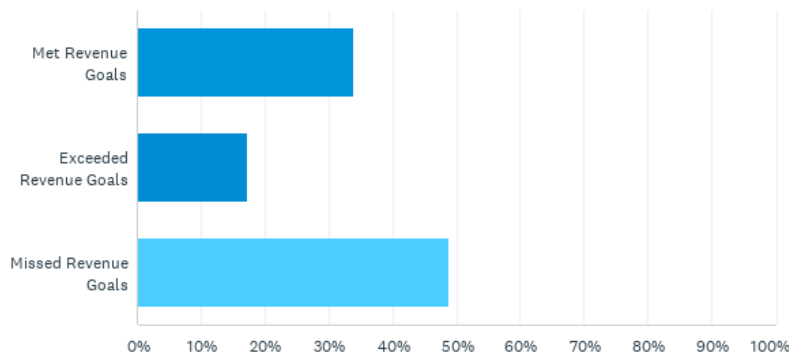
In the ever-evolving landscape of the recruiting industry and the context of a more challenging economy, understanding the current state of the industry provides a valuable touchpoint for determining what to expect in the next six months. **Hunt Scanlon Media** conducted a comprehensive mid-year survey on the state of the industry, with the input of 180 industry experts. The past six months have emerged as a critical juncture for the recruiting industry, serving as a pivotal period of reflection and adaptation amidst the ongoing changes and uncertainties. Respondents delved into the challenges and opportunities of the industry, including early 2023 performance numbers and expectations for 2024. The findings of this survey are poised to offer a valuable compass for recruiters and HR professionals as they navigate the dynamic terrain of talent acquisition in the coming months.

The recruiting landscape has undergone rapid transformation in recent years, driven by technological advancements, evolving talent needs (including services like DEI and culture shaping), and economic conditions. In this survey, Hunt Scanlon Media engaged with professionals spanning executive search, talent acquisition, and human resources to gain a holistic perspective on the state of the executive search industry. The insights gathered encompass a wide array of topics, including the best performing industries for recruiting in 2023, hiring within the space, the impact of the recession on the executive search market, and revenue goals for 2024.

The survey's findings explore challenges as well as areas for growth, key takeaways that can help industry stakeholders adapt and thrive in the recruiting landscape over the next half of the year and beyond. The survey findings are as follows:

**Did your firm meet, exceed, or miss its revenue goals for the first half of 2023?**

Hunt Scanlon Media found that while almost half of respondents missed their revenue goals in the first half of 2023, just over 50% met or exceeded them. This outcome suggests that the industry may not be in as dire a situation as previously believed, hinting at a promising potential for improved performance in the upcoming six months. These findings offer a ray of hope and opportunity for businesses to regroup and strategize for a brighter financial future.



While this score does not lean extremely towards optimism or pessimism, it signals a sense of cautious optimism within the industry as it heads into the next six months. This slightly bullish sentiment is a noteworthy indicator of a potentially strong year-end performance, especially in the context of recent economic challenges and the fact that many respondents had previously fallen short of their revenue targets in the first half of the year. In a world where uncertainty has become the norm, these results offer a glimmer of hope for both business leaders and investors. The industry's ability to maintain a balanced outlook despite past setbacks suggests resilience and adaptability. It implies that organizations are willing to learn from their earlier experiences and pivot towards more successful strategies, positioning themselves for a more prosperous and stable future in the coming months. This newfound optimism could also inspire greater confidence in investment decisions and spur further growth and innovation within the recruiting sector.



## BY THE NUMBERS

### According to Industry Experts, How Bullish is Their Organization for 2024

**7** out of **10** industry professionals expect their organization to be bullish in 2024.

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This score represents a noteworthy uptick in confidence compared to the sentiment observed for the second half of 2023. The trend towards greater optimism, as the industry gears up for the year ahead, signifies a growing comfort level among professionals that the business landscape is steadily recovering and will continue gaining momentum over the coming months.

This increased optimism is not only encouraging but also holds the potential to drive positive economic impacts. A more buoyant industry outlook could translate into increased investments, business expansions, and innovation initiatives. It signals that organizations are not only weathering challenges but are also poised for growth and expansion in the near future. This newfound confidence serves as a reassuring signpost, suggesting that businesses are adapting to changing circumstances and positioning themselves for a more prosperous and stable 2024.

Furthermore, it might even open the door for new areas of potential growth in the face of a shifting economic landscape and in response to challenges in the earlier months of this year.

### Where do you see your primary growth coming from?

Respondents were asked to examine certain industries, functions and solutions for potential growth in the future. There were some key consistencies across answers.

Firstly, industry experts see great opportunities for hiring at the senior/C-suite level, particularly CEO transition and succession. As one respondent said, "CEO and CFO functions have been hot. We are capitalizing there." Overall, this suggests that businesses are not only optimistic about the future but also actively strategizing to secure the leadership needed to drive growth and success in the coming years. The focus on CEO and CFO functions reflects a recognition of the profound impact these roles have on a company's trajectory and profitability.

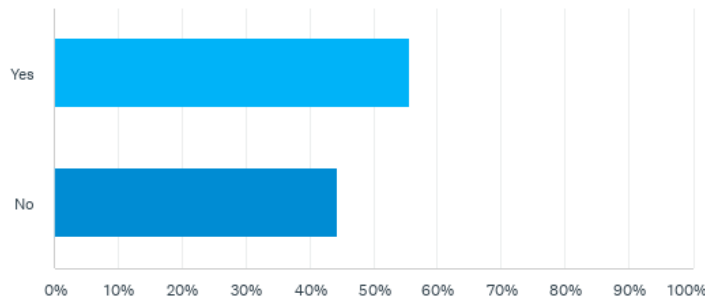
Additionally, a key industry mentioned was private equity. While this is not necessarily a new area given past precedent, it does bode well for a successful year particularly in the context of a broader PE slump in early 2023. This confidence in PE's turnaround should further bolster confidence in the global markets more broadly.

Finally, the third key consistency from respondents was a trend towards opportunities within the Healthcare sector. As generative AI becomes increasingly relevant within the Healthcare industry leading to therapeutic discoveries and optimizing back office efficiencies, it is understandable that there are significant opportunities for growth. Additionally, as COVID-19 has seen spikes during the colder months the past two years there might also be additional pushes for biotech and pharma innovation that pushes demand for top talent.

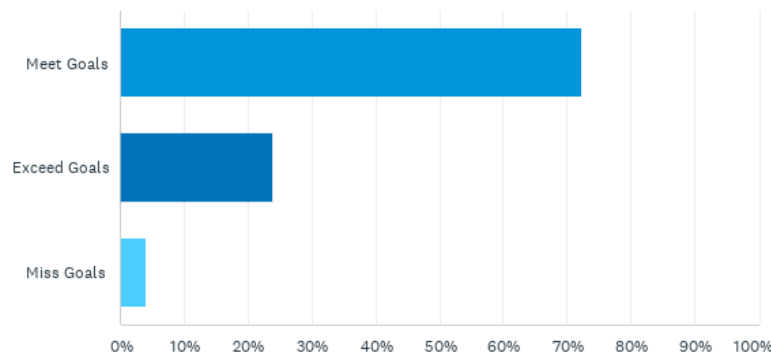
**Has your firm experienced an uptick in demand for executive search services?**

When asked whether their firms have experienced an uptick in demand, 55% of professionals responded that their firm had indeed received greater demand for executive search services. While not an extreme surge, this increase in demand aligns with the broader survey findings, which reflect a picture of healthy and gradual growth. This consistency in responses underscores the resilience and adaptability of the executive search sector in the face of changing market conditions.

The steady rise in demand for executive search services suggests that organizations are recognizing the value of specialized talent acquisition in a competitive business environment and comfort in the upward trend of the economy more broadly and recovering from the recession and overall pause in services during COVID. One respondent noted that the combined storm of the pandemic, economic stress, and political pressures have led to increased retirements, resignations, and dismissals which has led to greater demand for their services. Another mentioned that their clients are taking advantage of the slower market to bring on talent. Overall the distinct uptick has been in June and July from greater turnover in the market.



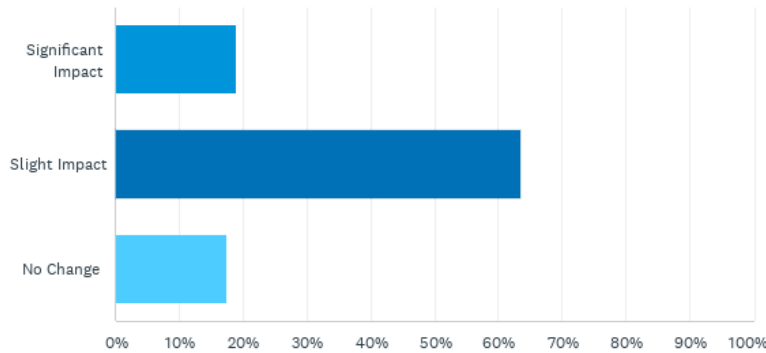
**Do you expect to meet, exceed or miss revenue goals for 2024?**



When asked whether they expected to meet, exceed, or miss revenue goals in 2024 professionals overwhelmingly responded positively. With a mere four percent anticipating that they might fall short of their revenue goals, these responses collectively depict a robust outlook for the year ahead. The fact that a substantial 72% of respondents anticipate meeting their revenue targets, and an additional 24% foresee exceeding them, reflects a strong sense of confidence within the industry.

These optimistic revenue projections point to several potential factors at play. It could signify businesses' adaptability and resilience in the face of past challenges, their readiness to capitalize on emerging opportunities, or a belief in the overall economic recovery. Regardless, this high level of positivity bodes well for the health and vibrancy of the industry, suggesting that professionals are gearing up for a prosperous and successful 2024.

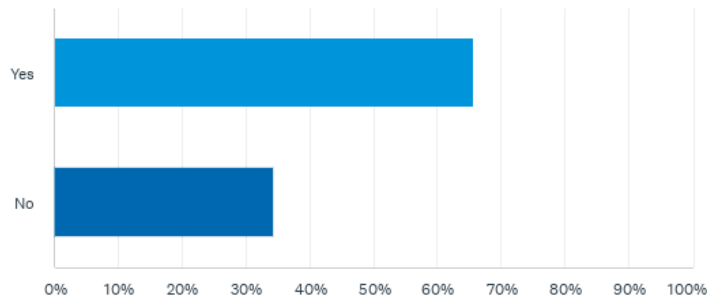
**How do you expect a recession to impact the executive search market in 2024?**



Despite confidence in the 2024 year in terms of expected revenue, professionals are still aware of the broader economic climate and anticipate some impact on the executive search market. The fact that 64% of respondents anticipate a slight impact and 19.2% foresee a significant impact suggests a level of cautious optimism. It doesn't necessarily indicate a prediction of poor performance but rather underscores that professionals are attuned to external factors that could influence their industry.

These survey results highlight the importance of a balanced perspective within the industry. While professionals are optimistic about their revenue prospects as noted earlier, they are also mindful of external variables that can shape their market. This combination of confidence and awareness positions the executive search sector to navigate potential challenges effectively while capitalizing on opportunities that arise in 2024.

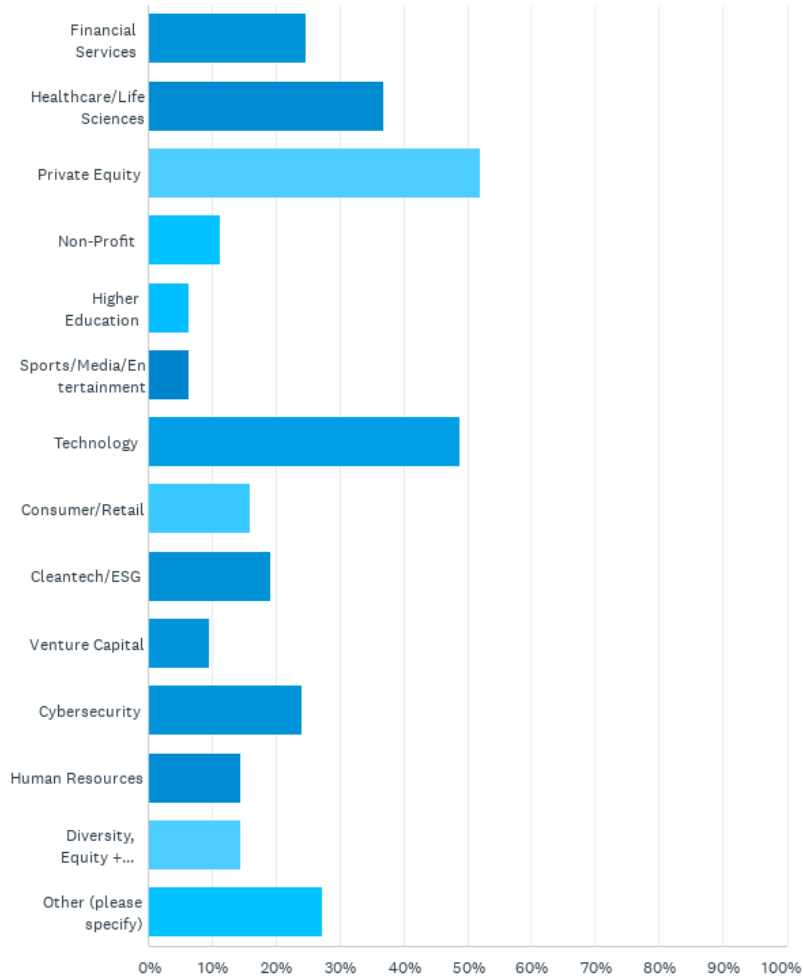
**Are you seeking to hire additional recruiters/partners in H2 of 2023 and 2024?**



Interestingly, while professionals are expecting the recession to have a slight impact on the industry in 2024, 66% expect to hire additional recruiters or partners in the next 6 to 12 months. This suggests confidence in the growth of the industry moving into 2024. This inclination toward expanding their workforce suggests a belief that the market will not only weather the economic storm but also continue to grow. Such a proactive approach to recruitment in the face of economic uncertainty demonstrates a strong commitment to capitalizing on emerging opportunities, and it bodes well for the industry’s prospects in the year ahead.

This hiring optimism is not isolated but reflects a broader sentiment within the industry, as many professionals are confident about meeting their revenue targets for 2024. This alignment between expanding teams and revenue expectations highlights a strategic focus on long-term growth and a willingness to adapt to changing market dynamics. While the recession may pose challenges, these professionals are determined to navigate them skillfully, leveraging their human capital to secure a prosperous future for their organizations and the industry as a whole.

Which industries/functions are performing best/which do you expect to perform best in 2024?



Respondents were asked to examine certain industries which have been performing well and are expected to perform best in 2024. There were some key consistencies across answers.

With 52% of professionals selecting private equity as an area of success in 2024 there is a clear understanding that this industry which has traditionally been strong within the recruiting space is bouncing back as the economy trends upwards. This makes sense because as the economy stabilizes and shows signs of growth, investors are once again turning to private equity firms for potentially higher returns, spurring increased activity and demand for top-tier professionals. Additionally, the adaptability of private equity to changing market conditions and its ability to seize opportunities in both bull and bear markets have contributed to its resilience.

Additionally, the second most common response to expectations of success in 2024 with 49% of responses was the technology industry. Given mass layoffs in late 2022 and early 2023 at FAANG and larger technology companies, it is understandable that as the economy trends upwards many of those now vacant positions will be open for replacements. The rapid pace of technological advancements and the ever-increasing reliance on digital solutions in various sectors combined with the increasing relevance of generative AI further reinforces the belief that technology-focused roles will remain in high demand, attracting both experienced professionals and newcomers eager to fill these vacancies and contribute to the industry's continued growth.

Finally, 37% of respondents selected the Healthcare industry as an area of expected success in the coming year. This is in line with answers on primary growth industries given this is already an industry providing key growth opportunities for professionals and their firms. The ongoing global health challenges and the pressing need for innovative solutions in healthcare, coupled with advances in genome editing, cell therapy, and AI bode well for new growth in the industry.

### **What are the top 3 challenges your firm is currently facing when recruiting?**

Respondents were asked to examine certain challenges they are currently facing when recruiting talent. There were some key consistencies across answers:

In the post COVID world, one key challenge recruiters face is the discord between employees and employers when it comes to the Remote vs In person vs Hybrid schedule. Many candidates are demanding a remote schedule which can be difficult for building culture. According to McKinsey & Company's report on the shifts organizations face today, "Since the COVID-19 pandemic, about 90 percent of organizations have embraced a range of hybrid work models that allow employees to work from off-site locations for some or much of the time" ([link](#)) Nevertheless, as one professional mentioned, this is a source of friction given the disconnect in demand between candidates and companies: "It's a puzzle for hiring because companies need to figure out how to appeal to candidates who enjoy having flexible work arrangements where they work. This shift means companies have to think carefully about how to make their job offers attractive to the workforce they are looking to hire."

Additionally, another challenge respondents are facing within the recruiting landscape is a lack of available talent. Because it is currently a candidate market, finding top talent to fill roles and attracting them is increasingly difficult. One respondent notes, there is an "increasing number of highly skilled individuals who have either retired or transitioned into contracting roles".

Finally, the general fear of recession has been an added challenge for many professionals. Not only has the slowing economy caused salaries to be at odds with candidate's expectations but also candidates are less willing to risk a change out of fear that they will be among the first cut after switching to a new firm.

**Is your firm interested in potential M&A activity?**

When asked whether their firm is interested in potential M&A activity, it was made clear that overwhelmingly this is of interest with over 60% looking for M&A activity currently / within next few months (33%) or within next 3-5 years (27%). This is crucial as the recruiting industry continues to change and evolve and demonstrates the growing relevance of M&A in the space. We're seeing an uptick in interest in M&A activity within the industry and Hunt Scanlon Ventures has been increasingly providing that service for those looking. To learn more you can visit our Exit Up blog here.

Whether it's to expand their client base, access new technologies, or consolidate resources, M&A is now seen as a vital strategy to secure a competitive edge and drive growth in the recruiting space. It also signals a broader industry-wide shift towards consolidation and strategic partnerships. As firms explore M&A opportunities, they are not only seeking to enhance their own capabilities but also to shape the future of the recruiting industry. These moves can foster collaboration, innovation, and specialization, ultimately benefiting both clients and job seekers. In a landscape where agility and adaptability are paramount, the growing interest in M&A demonstrates the industry's commitment to staying at the forefront of talent acquisition and ensuring long-term success in an ever-evolving market.

