

## Search Interrupted

The Changing New Zealand Board & Executive Talent Landscape



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## Acknowledgements

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# Contents

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## In Summary | 4

Five Questions for NZ Inc | 5

## Study Overview

The Study | 7

The Report | 8

## Part One: Executive Talent Trends, Challenges & Planning

Diversity | 10

Adaptive Leadership | 12

A Flipped definition of Talent | 13

Purpose | 14

A Shortage of Great NZ Talent | 15

Attracting Talent to NZ & the Regions | 16

The Pay Debate | 17

Executive Talent Planning | 18

Summary & Implications | 20

## Part Two: Search Industry & Seqel. Challenges & Opportunities

International Reach | 22

Competing with the Global Firms | 24

Debating the Value of Search | 26

Where to Next for Search | 28

# In Summary

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Disruption and a rapidly changing business landscape are seeing new kinds of talent sought after globally. In response New Zealand Boards, Executive Teams, and Search Firms like SEQEL are rethinking the way they define, source, attract and nurture leadership talent.

## **Demanding a New Breed of Talent**

Reflecting on the trends and challenges surrounding talent at the Board and Executive level has revealed a changing set of requirements for leaders to help companies remain competitive and relevant.

A current focus area is diversity, with a major emphasis on women and an increasing appreciation that the end goal is diversity of thought and fresh thinking.

Another area of focus is broad demand for talent that can demonstrate a more adaptive style of leadership. Companies are also placing greater emphasis on cultural fit, with this becoming as important, if not more important, than capability.

There are also new types of roles emerging, particularly in the digital and data space where most of the talent is to be found offshore.

## **Competing in a World Hungry for Talent**

With more specific criteria for talent, New Zealand based firms are looking deeper and further afield for people to fill roles. Often they are hitting up against the reality of a global talent shortage. The sense is that 'the war for talent' has genuinely arrived.

Specific supply side challenges include attracting talent to New Zealand and the regions, with many candidates placing greater emphasis on family considerations and how New Zealand fits on a global career path. To address some of these challenges, there is a particular interest in attracting talent from the ex-pat community.

Companies are also observing the prioritisation of purpose as a criterion for candidates deciding whether to join a company.

## **Adapting to a New Reality**

For local New Zealand Search firms like SEQEL, these changes represent both challenges and opportunities.

As companies increasingly look globally, international reach was almost universally identified as their biggest challenge. On the flipside, their greatest strength is their local knowledge and understanding of what it takes to be a successful leader in New Zealand Inc.

The desire for more diverse and adaptive talent, with better cultural fit has also caused many to challenge the future of the Executive Search value proposition. What's clear is that the industry needs to continue to adapt.

# Five key questions for NZ Inc

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It is undoubtedly a time of change in the New Zealand Executive and Board talent landscape. In light of this research, SEQEL Partners is changing.

We look forward to partnering with you, as we collectively address a number of key questions facing leaders of [New Zealand Inc](#):

1. What are you doing to improve the [diversity](#), and [industry experience](#) of your Board and Senior Executive Team?
2. How do you identify, attract and develop high potential executive leaders with a [future mindset](#) and [adaptive leadership style](#) in the context of an increasingly global talent market?
3. When considering a potential Executive hire, or internal appointment, how do you determine if an individual is a [good fit](#) to your organisation, with the ability to shape culture and make a positive impact?
4. What is the [purpose](#) or [social licence to operate](#) your organisation, and how does this differentiate your business in attracting talent?
5. As a Chair or Board member, what are you doing to build a pipeline of genuine [CEO succession](#) candidates, with a relevant development plan?

# Study Overview



# The Study

In late 2018, SEQEL Partners conducted 26 in-depth interviews with a cross section of Non Executive Directors, Chief Executives and Human Resources Directors to test the state of the market and relevance of the SEQEL search offering.

## Background to the Study

SEQEL was founded in 2008 and we commenced trading during the disruption of the unfolding global financial crisis. Having successfully built the business through this cycle, ten years later we found ourselves facing further disruption on two levels.

Internally, founding Partner Don Jaine retired from his position and now sits on the SEQEL Board. This disruption has been handled smoothly via the previous appointment and establishment of Partner, James Sleight, and other recent appointments.

Externally, we had been observing significant market disruption as we witnessed clients responding to the changes and opportunities brought about by digital technologies and emerging business models.

Reflecting on our own business, we realised that SEQEL, and indeed our industry, had been operating based on the same model for over 30 years. Looking further afield at emerging talent technology trends, we concluded that our industry, like many others, will be impacted by digital disruption. It quickly became imperative to review our business. A key input to that process was a deeper understanding of our market and customers, which led to this study.

## Study Objectives

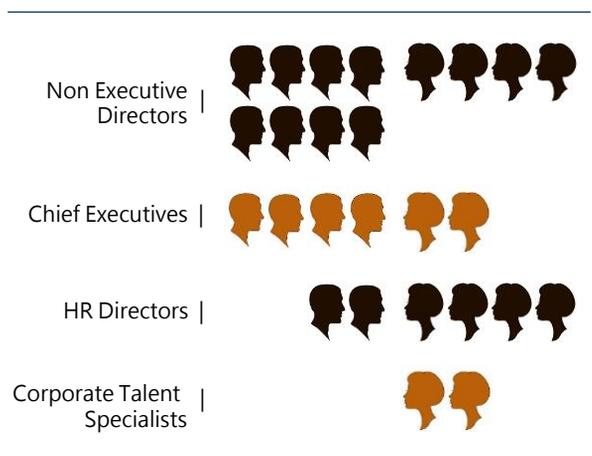
The study sought to understand:

- Executive talent trends and current challenges
- The nuances and state of the New Zealand Executive Search market
- How SEQEL specifically was performing against customer and market needs
- Where the market believed Search needed to be in the future

## Participants

The participants were a selection of non-SEQEL and current SEQEL clients, roughly split between Non Executive Directors and Executives. Just under half the participants were women.

Figure 1: Participants by Role and Gender



# The Report

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The report uses the study participants' own words to present back trends and challenges faced by companies and the Search industry.

## Report Content

The report is broken down into two parts.

In **Part One** the report summarises the executive talent trends observed by participants in the past five years and the challenges they are currently facing. It also examines how companies plan for executive talent.

In **Part Two** the report examines perceptions of the Search Industry given the observations in Part One. This covers current observed challenges for the industry and considers transformation imperatives.

## In Your Words

In analysing the interviews it became clear to our researcher that there was an incredible amount of richness in the verbatim statements. Rather than paraphrase and risk losing the essence of the comments, the report uses quotes from the interviews throughout. Quotes have been edited for grammar only, and three quotes were changed by our researcher to protect the identity of the participants.

## A Frank Assessment

In the study, the SEQEL team were often regarded for being straight-up, thoughtful and honest. We've aimed for this report to live up to that assessment.

The interviews yielded some provocative and frank discussion about SEQEL and the Search Industry. The report doesn't shy away from the discussion as it has provided a valuable platform to debate how we evolve and continue to add value to our clients.

## Part One:

# Executive Talent Trends, Challenges, & Planning



# Executive Talent Trends: Diversity

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Faced with the threat of disruption and a rapidly changing business landscape most companies recognise the need to attract diverse talent to the Board and leadership tables.

## Where the Current Focus Lies

Reflecting on recent Executive talent trends, diversity was top of mind for over half of the study's participants. Of note is the significant momentum behind a drive to get more women into Board and Executive positions.

Ethnicity was also an area of focus with the recognition that leadership teams need to better reflect the make-up of their customer and employee bases. Millennials and emerging leaders appeared as the next diversity target.

## Getting More Women Around the Table

There is now a concerted effort to address the under-representation of women in leadership and governance positions.

"We have a very diverse organisation but the diversity disappeared at the exec level. We zeroed in on this and now the CE has 50% women DRs. It was higher risk but with diversity as the priority we could manage the risk."

Creating this change has seen greater pressure put on Search firms to deliver gender balanced long-lists. There is a deep belief that the talent is out there and the challenge is to find it.

"The women are out there. Search firms need to look harder because they won't put their hands up."

Even when there is representation at the start of a process, this may not result in an appointment of a woman for reasons unrelated to gender.

"We're 50/50 [male/female candidates] on searches but still end up employing a white male despite consciously trying. How can we really make a difference here."

Once short listed, encouraging emerging women leaders to step up into positions is also not without its obstacles, particularly when a role means changing location or affecting family dynamics.

"It's challenging because everyone is looking for it. We're very keen to attract women, but find a lot of women are in dual career households and may have a partner who is not able to give up their career."

Overall, despite some sense of frustration the momentum is yielding change. An emphasis of developing and mentoring emerging talent will go a long way to ensuring a pipeline of women are moving through organisations. Once the issue has been rectified at an executive level, the Board representation should naturally filter through. A short term challenge for women leaders considering Board positions is that it is not at the expense of future Executive positions where they could potentially have a greater impact by leading New Zealand companies.

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## Millennials and Next Generation Talent

The study also revealed a drive to bring young talent through and there is a desire to fast track this process.

“Recognition that the world is changing rapidly. People are often better suited at a younger age. C-suite’s now tend to have people in their 30’s and 40’s in jobs.”

“There’s a desirability to have millennials on boards and exec teams, because they bring ideas and fresh thinking. The challenge is how more mature individuals react to them.”

Along with shaking up the Executive table status quo in terms of their age, experience, and ideas, millennials also bring a different set of expectations. This is reflective of the changing workforce dynamics and will be an increasing challenge for leadership teams, and indeed the Search Industry.

“War for talent is here. Generations coming up will have a portfolio of roles, and to attract them you need to offer flexibility to allow them to pursue other interests.”

“Generations coming through are doing multiple things. Gigs. Flexible. They’ll have different expectations of leaders in the future. What will that look like?”

## The Diversity Endgame: Diversity of Thought

Part of the drive behind attracting millennial talent is an understanding that while the focus is currently on attracting more women and other demographics, the end goal is diversity of thought and fresh thinking.

Bringing different perspectives and thinking styles can help generate new insights, enabling teams to approach problems in a different way. This is seen as a critical capability in the wake of disruptive change.

Growing demand for this type of talent is challenging Search firms to look more laterally for potential candidates.

“There is a growing recognition around diversity of thought, which means most companies are really wanting to test the market more widely during Executive and Board searches. They’re looking for a broader range of possibilities outside the traditional specification, a broader mix of backgrounds and perspectives around the table. Another generation of candidates is coming through with broader backgrounds and ages.”

# Executive Talent Trends: Adaptive Leadership

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Demand is growing for Executive talent with a future mindset that can demonstrate a more adaptive style of leadership.

## Adaptive Leadership Defined

Responding to the changing business landscape has created demand for a different type of leadership style, one that can adapt and look beyond a leader's core area of competency. This encompasses;

- the soft skills associated with the 'future of work' (e.g. a growth mindset, curiosity, creativity, empathy, authenticity, etc.),
- an understanding of modern work practices such as design thinking and agile, and
- an affinity for digital.

"People need to be much more adaptable. You can't be an expert in one area anymore. Instead you need to think about non-traditional ways of doing things, demonstrate more EQ, be open to different ways of working, and open to flexibility. There's still a shift to come."

## Digital Skills

Increasingly, most jobs will require some degree of digital literacy and already this has become a leadership imperative. In order to understand and anticipate how emerging technologies (such as AI and automation) will affect a business requires at least some knowledge of them, including how they can combine and what various combinations enable.

"Digital skills are increasingly important across most exec roles. Having no digital capability is now seen as a disadvantage. This will intensify."

## Leading through Disruption

Participants in the study came from a variety of industries. Some had been more affected by digital disruption than others. Those that had were more cognisant of the importance of adaptive leadership experience.

"Role of any exec is becoming much more about coping with rapidly disrupting workplaces. That's not a generalist skill. It's not just execs that will need to cope with this. It's all the way through. In the future of work the people who are going to be successful need to be curious, creative, instructive, strong at relationships and problem solvers. Let's look at those with these skills and carry them through. Sometimes there will be people that have this but are less technically competent. It's people who know how to get the best out of people and demonstrate diversity of thought."

"Disruption skillsets with experience are hard to find, particularly the mindsets along with the skillsets. With the move towards being customer tech savvy, you need the mindset around working with uncertainty and the ability to adapt."

# Executive Talent Trends: A Flipped Definition of Talent

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The definition of talent is shifting. Cultural fit and EQ becoming as important, if not more important, than capability alone.

## Definition of Talent

In many ways the components of a talent definition haven't changed, but the order and importance has. Good leaders have always been required to not only have capability and experience in a particular area, but also have the traits that enable them to effectively lead people and drive outcomes.

These softer skills have been captured under the umbrella of emotional intelligence, or EQ, which has been a top of mind leadership trait for almost 30 years. However, for many of the study's participants it has now become more important than ever. It serves as a predictor of someone's ability to effectively apply the soft skills associated with an adaptive leadership style.

"The definition of talent isn't broad enough. People are talented but not in a particular area e.g. a superb technical CFO, but with no EQ. Need people management and leadership together. We're asking people to step up to a real leadership role, and want them to have business acumen and EQ. It's hard."

"Ideally you want good experience, talent and EQ. EQ is a challenge, you don't send people on a course. It's a character. Need people with soft skills who can think through things with empathy."

Capability still remains important, but increasingly it will also be about developing new capabilities as most jobs are predicted to be affected in some way by digital technologies. Learning agility and adaptability are required for leaders to not only do this themselves, but to also support others to do so.

## The Rising Importance of Fit

As organisations increasingly have to lead their people through change, the need for cohesiveness at the Board and Executive tables has become an imperative (although not at the expense of diverse thinking). As such many participants expressed the importance of organisational fit. Once again this demands a level of EQ.

"Being tuned into organisational fit is more important than ever. Fit is a challenge. People in exec roles set the tone for the culture in the organisation. If you get people in key roles with different values and perspectives, it's not so good – unless the brief is for that. So the brief and context are critical, more critical than skills."

"It's a challenge to get the right people. I used to think it was more about capability, but now see how much more important fit is. Fit into the culture, being a team player, not too precious, trying to pull weight."

# Executive Talent Trends: Purpose

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Companies are observing the prioritisation of purpose as a criterion for candidates deciding whether to join a company. This is a general trend affecting both employee and customer value propositions.

## Beyond Millennials

The emergence of purpose as a key consideration when selecting a company to work for, or brand to buy from, has long been associated with millennials. With this cohort fast becoming the largest group in the workforce, and the group making the majority of purchasing decisions, it's no surprise that purpose has become a priority for employee and consumer brands.

The study found that this is having a direct impact when attracting executive talent, as the trend now goes beyond millennials.

"Organisations are coming under greater scrutiny. It's not just making money. It's their 'social licence to operate'. Organisations need to be more sustainable. This will assist with attracting and retaining people."

"Competing at all levels for talent. You have to stand for something. People want an emotional connection with a firm."

Many commentators suggest that behind this trend is a growing distrust in governments to solve big social and environmental problems. This has seen the onus shifting to the private sector, with increasing expectations on companies to make a difference and do the right thing.

## Personal Brand

While purpose has become a core principle for many, there is also a sense that working for companies that do not exhibit purpose could impact personal employee brands and have an effect on future employment opportunities

"Candidates are much more concerned about potential risk to reputation and their personal brand. It's much more of a two-way process. A lot are looking for purpose and a company who they can stand for. There's a lot more of that driving decisions. People are increasingly motivated by purpose. Sustainability and diversity are coming more and more important."

# Executive Talent Challenges: A Shortage of Great NZ Talent

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While attracting great talent has been a perennial issue for most companies, there is a belief that finding it is getting harder and harder. The sense is that ‘the war for talent’ has genuinely arrived.

## It's a "Talent Short" Candidate's Market

The study found this to be the greatest executive talent challenge facing companies today. One driver of this is the desire for fresh and diverse talent, ideally with New Zealand experience.

There are also new roles emerging, particularly in the digital and data space, where there are few if any incumbents in this market. This means that companies are looking further afield.

“The market is talent short. Increasingly the search for exec talent is more and more challenging. Having to extend searches further and further afield, having to go offshore. Scarcity of talent will continue. I haven't seen changes in supply side dynamics.”

“Talent is scarce or our expectations are higher. 20 years ago we read the war for talent is coming. It's here. Biggest challenge is that we want NZ experience.”

## A Global Problem

Exacerbating the problem is the reality that this is a global phenomena.

“Recruitment markets – Sydney, Melbourne Auckland – all feel quite thin. It's more pronounced in Auckland. I don't feel the positive pressure coming at me on talent. It's through no lack of effort. It's a talent hungry world.”

“It's getting harder and harder to find the right talent. People are more mobile. The war for talent has continued. It's not a developed country issue. There are the same issues in Asia.”

As a result, there are more global opportunities for talented New Zealand executives, contributing to the shortage at home.

“New Zealand has a smaller depth of pool for senior execs. Haven't seen trend change in last 5 years. There's a big gap in the middle part of the market. Everyone with 10-15 years experience is overseas.”

## The Expat Solution

Bringing global talent to this market is not without its risks. Fonterra and Fletchers were often cited as an example with international Chief Executives not “getting” New Zealand and as a result delivering questionable value for shareholders. A potential solution was to get better access to the expat community.

“Generally seeing a higher number of expats offshore looking to come home. They're a better pool to recruit from.”

“It's about accessing people you haven't heard of before. There are Kiwis all over the world.”

# Executive Talent Challenges: Attracting Talent to NZ and the Regions

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Companies are finding it harder and harder to attract talent to New Zealand, and even more so to regional New Zealand.

## Selling NZ Inc.

Directly related to the global shortage of talent, are the difficulties experienced trying to attract talent to New Zealand and/or regional locations. There is a sense that companies have little appetite to compromise on the calibre and quality of candidates because of their location.

“For industry specific roles we tend to have to go offshore. It’s getting more and more difficult to attract people into these roles. It’s a limited talent pool. Attracting people to NZ is difficult. They’re either at the end of their career and see the lifestyle benefits, or they’ve screwed up elsewhere and are looking for a second chance in NZ. But we want someone with drive.”

On the candidate side, New Zealand often isn’t seen as a logical choice for progressing a global career.

“Many people don’t see New Zealand as a stepping stone. New Zealand in the global market is seen as pretty immature in terms of business.”

## A Family Decision

Often complicating the decision to relocate are broader family considerations. With more dual career households the whole family is likely to be taken into account when deciding to move locations, and many opt to remain.

This will increasingly become an issue as more women are targeted.

“People are more mobile and more international. But it’s harder to get people to move here than it used to be. There’s more partners in the workforce. Couples are more equal so you need to consider others job. Children are moved less often than they used to be.”

“In NZ people are less mobile than they once were and will pass up on location. Family balanced with work life is playing out more. People more captive to location they’re based in. People are prepared to commute but not relocate.”

# Executive Talent Challenges: The Pay Debate

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New Zealand pay relativities remain an issue, particularly with executive incentive payments and internal relativities coming under more scrutiny in public companies.

## Pay Relativities

Globally, there has been increasing discomfort about the disparity between executive and worker pay levels. While the extremes have tended to occur in American and multinational companies, New Zealand has not been immune to the debate.

As a result New Zealand public firms are coming under increasing scrutiny and Boards are responding with a more cautious approach.

“Shareholders and Boards are more cautious about the role of STIs and executive variable pay. It must represent shareholder value.”

“Exec remuneration; there’s limited disclosure requirements. Now the expectation is for a lot more information and transparency.”

“There needs to be more balance in pay rates. There has been a poor cycle of constant increases. Number of companies are doing no more % increases for Executives.”

## Global Pay

Pay also remains a constant challenge when attracting global talent.

“Translating rem packages for those coming from the US or Asia. It’s hard to compete. It affects the relativities of others when you have to pay big \$\$.”

“NZ pay scales still miles away. We can’t rest on lifestyle to attract people.”

Expat New Zealanders and people with an affinity for New Zealand are often more prepared to accept packages below global levels.

# Executive Talent Planning

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There is a genuine desire to bring through internal talent, however the size of most New Zealand companies can limit the ability to do so.

## Balancing Internal and External Talent

The study found that there is a genuine desire to grow and nurture internal talent within New Zealand companies.

“Promoting within sends a signal that you care about your own people. If a candidate is from the outside, they need to be 30% better than incumbents. Got to be a standout so people still want to work for them.”

“Definitely a tendency to look for internal first because they understand the business even if there is a capability gap.”

However most Boards and Executive teams recognise the need to ensure a balance of existing and new talent, acknowledging that there is greater risk with an external hire.

“Succession is a balance between career development options and keeping the business stable. We hire about 30% externally. It’s healthy to have external coverage and diverse thinking, new ideas.”

“Best thing we’ve done is take someone internally at 60% vs. an external who was 90%, but need a blend of homegrown and brought in.”

Business change cycles also dictate where the balance lies between internal and external hires. During a period of change or renewal, the preference is often for external candidates.

“Function of going through a change process. Bring in externals to build bench strength. Then could have internal candidates. It’s a timing issue.”

## A Board Imperative

Most Boards consider it their responsibility to ensure succession is in place, particularly for the CEO role.

“A good Board should have a plan around all key positions. High potential internal candidates should be progressed through the ranks. Objective is to have a number of people internally vying for the roles. For Boards it’s a failing that when it comes to replacing, they didn’t have one good internal candidate.”

“There’s now more depth to the conversations Boards are having about talent. They’re looking several layers down and looking at succession planning. It’s incumbent on every Board to be pushing the CEO to develop succession internally. May not get the job but should have a good chance. Hiring a CEO is the biggest task a Board will have.”

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When there is a strong successor, Boards still consider it part of their due diligence to test the market.

“You sit around the Board table talking about a good internal, but you still want to test the market for transparency.”

“Always need to have a robust process so will go external, but have internals in the mix. It’s a brave Board not testing the external market.”

### Succession Planning Programmes Require Scale

Despite the desire to have strong successors, there is recognition that the size of most New Zealand companies can limit the scope and depth of succession planning programmes. With an inability to offer progression opportunities, many look for other ways to retain talent, accepting that they will eventually move on.

“We have a history of high turnover because there are not a lot of talent pathways, limited in our ability to offer step ups.”

“People have more opportunities to move around. Keep as long as you can but accept there will be higher turnover. Let them leave well.”

Overall, beyond the CEO and key Executive level, there were relatively few established programmes in place among those surveyed.

# Summary & Implications

Demand for a new type of leadership, changing candidate expectations, and an ongoing global shortage of talent are forcing companies to look more laterally.

## Feeling the Talent Squeeze

The trends observed in this report reflect the growing demand for a specific type of leader who can assist organisations to navigate the waves of change and disruption already affecting many. As companies look further afield to achieve this mandate they are butting up against a global talent shortage and changing candidate expectations.

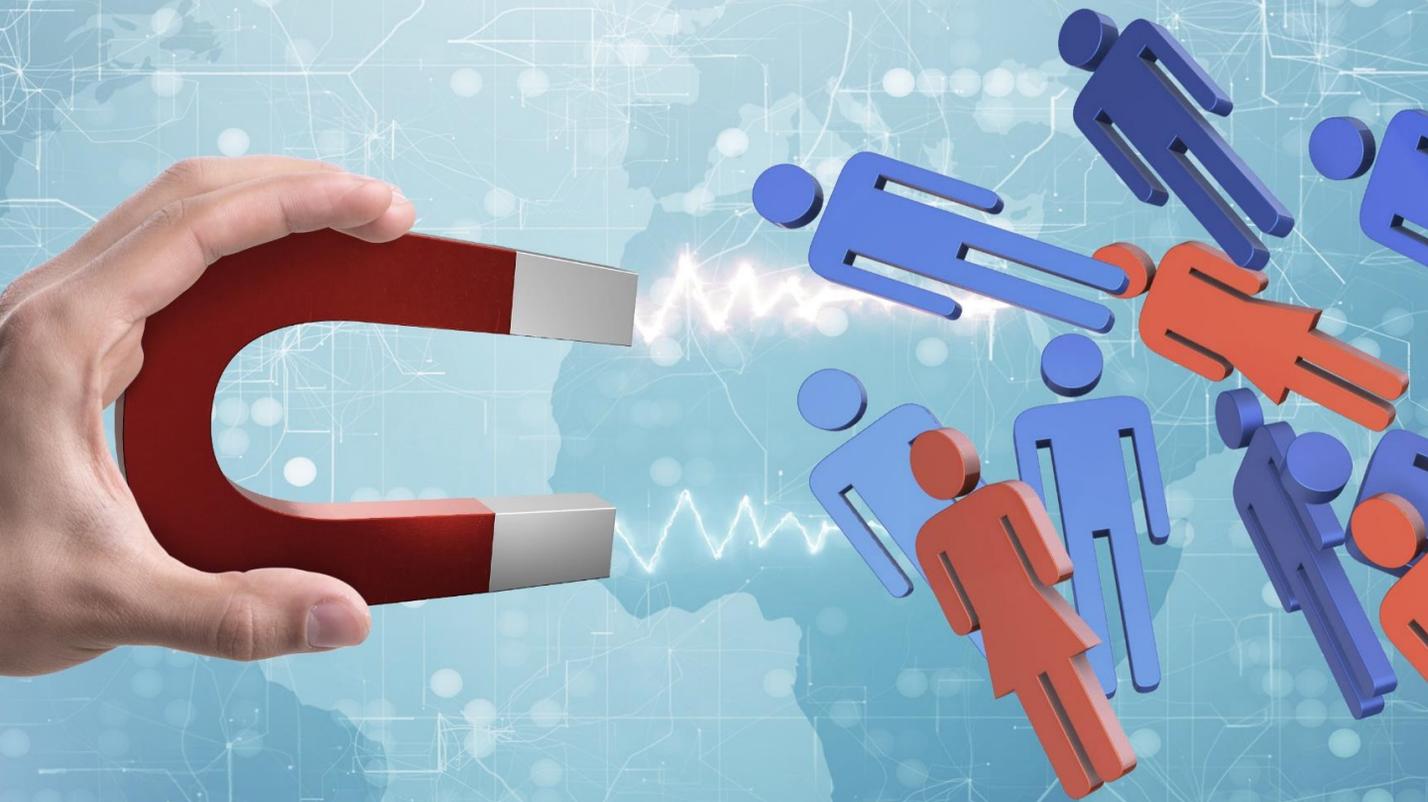
**Figure 2:** Summary of Current Executive Talent Trends



## Widening the Net

The supply dynamics are unlikely to change anytime soon and as a result, many companies are now prepared to look more laterally for talent and accelerate the development of young talent through the ranks. Retention will also be a growing challenge.

**Part Two:**  
Search Industry & SEQEL.  
Challenges & Opportunities



# Local Search Industry Challenges: International Reach

Establishing credible global networks and the ability to source and attract international talent was universally seen as the greatest challenge for the local Search Industry.

## Proving Access to Global Talent

As demand is growing to look further afield for talent, the consensus was that global reach is the biggest challenge for local Search firms, whose specialty is seen as their deep understanding of this market, rather than the global market.

“Unless I specifically want a role from overseas, the local Search firms know local talent better than anyone.”

To compete in this space, global networks are seen as increasingly important.

“Challenge is convincing us about access and networks into the international markets. There’s the talent scene in NZ but there’s wasted opportunities for execs to come back. How can they demonstrate that they have the networks and access to that talent.”

Study participants were specifically looking for global alliances, but these needed to be authentic and valuable.

“Local firms need to prove they’re relevant and knowledgeable in at least Australia. Convincing us that networks and connections are valuable and real, a real network.”

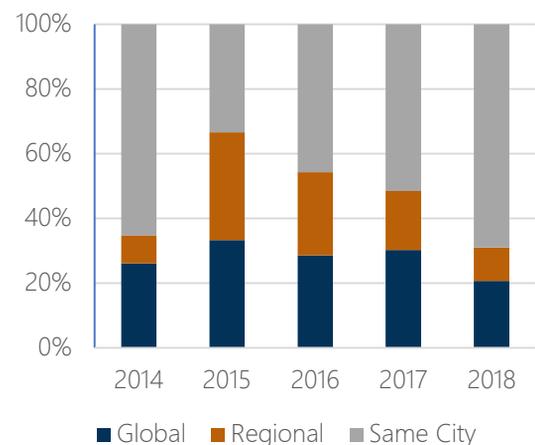
Even with the networks in place, some questioned whether local brands can have the pull with global candidates.

“They all have connections and networks, but at the end of the day talent is more prepared to pick up the phone from SS than SEQEL. It’s a case of do I want to talk to them.”

## Perception vs. Reality

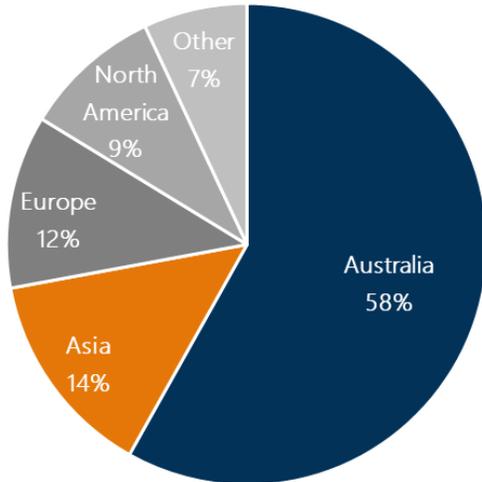
Putting these themes back to the SEQEL team was the cause of much debate. While the majority of SEQEL hires are local, a consistent proportion of appointed executive candidates were successfully sourced globally. A look at the data shows that in the past 5 years over a quarter of all SEQEL executive appointments involved a global relocation.

Figure 3: SEQEL Executive Appointment Relocations 2014-2018



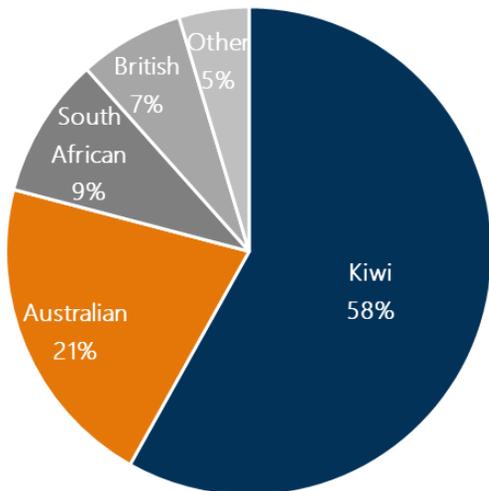
Not surprisingly, the majority of global appointees relocated from Australia, followed by Asia, Europe and North America.

**Figure 4:** SEQEL Global Executive Appointment Relocations by Region 2014-2018



A consistent theme from the study was the desire to tap into the expat community to leverage the combination of global experience and local fit. Again, the SEQEL data shows this approach does work well when attracting global talent.

**Figure 5:** SEQEL Global Executive Appointment Relocations by Nationality 2014-2018



When the global appointees were not New Zealanders, there was usually an affinity with New Zealand based on previous experiences with the country, culture, and its people (and rugby?).

### Tapping the People, who Know People

While once local Search firms relied heavily on global alliances to access global talent databases, today with the advent of social networks it is much easier to directly source global talent. While not 'on the ground' in a particular geography, Search firms are able to tap into those with strong networks and market knowledge. These people increasingly are outside of Search firms (see "Democratisation of the database and growth of personal networks" section on page 23 of the report.)

Another approach that SEQEL has found successful is to follow the expat trail. The adage that in New Zealand 'everyone knows someone who knows someone' seems to hold true in the expat community, particularly among 'antipodeans'.

The SEQEL data shows that the advent of social media and the growth of personal networks is levelling the playing field when it comes to international Search. However the perception that this is not a strong capability for local firms will likely persist, principally when competing against the global firms in a pitch process.

# Local Search Industry Challenges: Competing with the Global Firms

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Despite challenges around perceptions of brand recognition and international reach, local Search firms are holding their own against the global firms with the quality of their offering.

## Nobody Ever Got Fired for Buying IBM

As discussed in the last section, the demand for specialised roles, perceptions of international reach, and the pull of a global brand are often the key reasons to choose a global firm over a local firm.

“A lot of it is brand name. Some firms like the assurance of a strong brand name. But do tend to be people out of AU. They're used to dealing with big companies and are less tailored to actual needs. Smaller NZ based firms have a lot to offer once you get past the brand recognition. But there's a degree of security in using a named firm.”

Scale was mentioned as another factor that can drive decisions with a perception that firms like SEQEL can at times be limited by their capacity.

## Local Knowledge & Local Service

In contrast the decision to use local firms often comes down to market knowledge and empathy for what it takes to do business in New Zealand.

“Local is really important. Look at the likes of Fonterra. Using globals to get their CEs has been spectacularly unsuccessful. There was no cultural fit. Not at all attracted to global firms. Local firms give you a lot of attention and are very committed.”

“Unless I specifically want a role from overseas, local Search firms know local talent better than anyone.”

Study participants also noted the personalised level of service they received from local firms.

“With local firms the partners have skin in the game and a vested interest in the outcome. They take time to respond; it's more personal and hands on. Global firms have good processes, but it all comes down to the individual. They're not consistent.”

## Quality Consultant, Quality Experience

Irrespective of the firm chosen, what most participants agreed on is that the success of an assignment often comes down to the individual working the assignment.

While some respondents did note positive experiences with global firms' research and assessment tools, the general view was little perceived difference in quality of experience and outcome between local and global firms.

“There's no real difference in quality between local and globals. At the end of the day it comes down to the connection with the recruiter. Are you on the same wave length.”

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## Positioning for the Future

Local Search firms have a clear strength in the local market, particularly for senior generalist roles. Yet they are facing a market with increased demand for specialised global talent.

“Search firms can’t be a specialist in everything. The marketplace is too complex now. They can’t do all the different kinds of roles. There are the easy generalist roles, then there are new roles that are hard because of the industry or sector, and there’s new roles like chief data scientist. Analogy, firm needs to be either a GP or a specialist. Can’t be both.”

The challenge is to leverage and build on current strengths, but also develop capability to ensure offerings continue to be relevant.

# Local Search Industry Challenges: Debating the Value of Search

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The shifts in the executive talent market have led some to debate where the value of Executive Search lies.

Facing a global talent shortage and shifting Executive talent market dynamics, the study drew out some healthy and provocative debate about whether the Search Industry was keeping up. Most of this was symptomatic of the changing dynamics of networking and the expectations of the next generation of talent.

## Democratisation of the Database & the Growth of Personal Networks

The biggest change the Search Industry has experienced in recent years has been the growth of LinkedIn and social media. In the past candidate databases were closely guarded and a valuable piece of intellectual property. Today anyone can search the globe for candidates at a surface level.

Another trend off the back of social media has been the organic growth of communities of interest and networks across the business community. While networks have always been a by-product of doing business, virtual networks are providing a springboard for community-created events, both virtual and face-to-face. This trend will continue as we see the proliferation of meet-ups, guilds, hackathons and so forth.

As a result, networks have become an even richer source of talent from which to recruit, particularly as companies look more laterally for diverse thinkers with rare skills and experience.

It is now not uncommon for executives and Directors to have their own deep networks across the market, particularly in areas where there is a diversity focus. This has led some to question the value Search firms bring in these areas.

“Search firms are not in tune with the market. We know more about the market than the Search firms do, e.g. people moving around. It used to be that you needed a Search firm to get on a short list. Now you use your network to get on a SL. The Search firm just runs the process. Some firms are just cycling through the same candidates”

“Boards themselves are wanting to get deeper into organisations. That’s where the talent is. They bring a different voice. Directors on multiple Boards see a lot more of the business and know who is who.”

“I was recruiting a director level executive. I talked to one of my network - very senior AU exec who knew everyone, and ended up appointing person he suggested. The Search firm ran the process but what was their value add?”

The sense for some is that Search firms have not adapted their approach to keep up with the changing requirements of clients, particularly around diversity and lateral candidates.

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## Value in the Process

This view was by no means universal with many perceiving the value to be in the process itself.

“Search firms bring a lot that we can’t. Some colleagues argue that they already know the candidates presented. But our CE wouldn’t have taken the job if it wasn’t for the consultant who was persistent. Search firms can be persuasive and arm’s length. The value is in the relationship and trust they build with the candidate. No one makes life changing decisions if they feel they’re being sold.”

“A 3rd party can corral and attract people. They can be the go between and have some of the more awkward conversations. This preserves future relationships. They can also benchmark the market.”

“It would be a rare day that Board’s wouldn’t use a search process and psychs. They can’t afford to get it wrong. The market is more likely to be forgiving if following a process.”

Despite the value of the process, knowing the market is an imperative for every Search consultant and many clients are now expecting broader, lateral and deeper (in terms of level) candidate knowledge. For some clients the value may be in the Search firm encouraging them to look at a role differently.

“Recruitment industry can be too conservative and go for safe obvious candidates. They’re not brave enough to show left field candidates, or to educate hiring firms why they’re going lateral. E.g. an HRD role. Approach existing HRDs but need to be brave and look at GMs who could step up, or a lateral exec like a GM marketing.”

With capability and line experience becoming secondary to adaptive leadership skills, there is a growing appetite for lateral candidates.

## Candidate Value Proposition

Just as the growth and dynamism of networks has created broader knowledge of talent pools for hiring firms, it is also creating opportunities for candidates seeking their next role. As millennials enter the executive ranks and consider their career progression, some question where Search firms will feature on their radar.

“Search firms need to think about how they stay relevant to younger people. They don’t use recruitment firms. They don’t need them. They’re actually putting people off them. To foster relationships with this up and coming talent need to move away from “don’t call us, we’ll call you”.”

The drivers behind this being a ‘candidate’s market’ are likely to intensify. The opportunity for Search firms is to evolve the model to ensure they can engage with the next generation of talent in a meaningful way.

## Search in an AI world

Along with the growth of networks challenging the front end of the Search model, the emergence of intelligent talent platforms will impact it too. Initially these tools will help streamline and compress the front part of the process by assisting with the identification and evaluation of candidates. The other key role technology can support is the reduction of bias in the selection and evaluation process.

## It’s all About People

However, the general view from this study and other industry commentary is that the interpersonal and people element will remain an integral part of the process and this is where the real value of Search may lie in the future. When people are making critical and potentially life changing decisions, having a personal connection with someone independent that they can trust will be difficult to replace.

“It’s still a people game. It’s about trust. Very much about your confidence in the person handling the search.”

# Where to Next for Search?

Based on the changing executive talent landscape and feedback on the performance of the industry, a number of transformation imperatives have emerged.

## Stick to Your Knitting, But Improve the Pattern

The last time the industry felt this level of disruption was during the economic slowdown caused by the GFC. To find new sources of revenue, many Search firms, most notably Korn Ferry, expanded into talent management and other HR consulting services. When the idea of diversified services was put to the study participants, the overwhelming message for a local firm like SEQEL was to “stick to its knitting”.

“I don’t associate exec Search with other streams of activity. I will look at those in isolation and find those best in the space. There’s a lot of merit to sticking to your knitting. Do what you do well. Your strength is in your focus.”

However, the study has highlighted how much the market is changing and Search businesses do need to adapt and enhance their core offering. As a result SEQEL has identified five transformation imperatives.

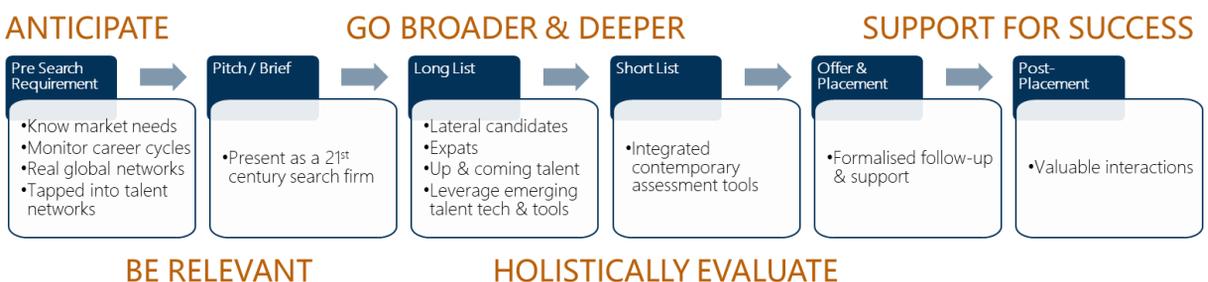
## Anticipating vs. Responding

The market will continue to change rapidly and there will be a constant need to anticipate at a macro and micro level. At a macro level it’s about the market shifts and what this means for talent. At a micro level it’s anticipating what talent needs a client will have and knowing who the talent is that could benefit them.

“Connecting us with people floating around the market and anticipating our future needs. These proactive steps are always helpful and keep people top of mind.”

“Generally understand succession planning and provide insights into where the next holes might be. Be proactive and provide helpful market commentary and changes in the market for positions of interest.”

Figure 6: SEQEL Transformation Imperatives



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## Going Broader & Deeper

Facing an ongoing global talent shortage and demands for a different type of leader, the immediate challenge for the Search Industry is to go broader and deeper in the search for talent.

Much has already been said about the need for global networks, diversity, expats and up-and-coming leaders. Building awareness of this talent may simply be a case of upweighting the research function, or in some cases it may require a complete mind shift about who to consider, and a rethink of the sourcing process.

“Success is when you’re not just moving the same talent around orgs. Success is when you’re adding talent to the pot. Whether its expats coming home, or difficult roles.”

SEQEL has developed a reputation with many clients for its ability to laterally fill extremely difficult roles. Unpacking the approach taken for these roles will yield insight into how to scale it.

As seen in the earlier data, the firm also has a legacy of success attracting expats back to New Zealand and this is another capability that could potentially scale.

## Holistically Evaluate

The growing demands for lateral talent, adaptive leadership competencies and cultural fit highlight the need for a broader candidate evaluation toolkit.

Coupled with the emergence of talent evaluation technologies, the opportunity is to identify and better integrate modern evaluation and psychometric tools into the process.

“The candidate experience of doing traditional psychs is wearing a bit thin. Want robustness but in a more agile and customer centric way.”

## Support For Success

Tough talent markets necessitate focused retention strategies. This is a space where Search firms can play a major role in supporting appointees to be successful.

“It’s being genuinely interested in what’s happening and how people are going. Being interested to hear how the candidate is fitting in. It can help us make connections and solve problems.”

“It can be an isolating place at the executive level. Candidate management [post-appointment] is really important.”

The reason it is an imperative is because it’s an area where Search firms can demonstrate and build further value into their offering.

## Keeping Relevant

Attracting the next generation of talent requires more than improved research and evaluation processes; it requires presenting in a way reflective of the future of work.

“They need to disrupt themselves. Worse thing they could do is be complacent. Even down to don’t wear a suit and tie. It’s a perception thing. Companies that disrupt use technology and are customer focused. They’re not centred around a suit and tie.”

Just as “having stand-ups” doesn’t make a firm agile, losing the tie and buying a beanbag won’t be enough to present as a 21<sup>st</sup> century firm. To authentically present in this way will require an internal cultural shift and the embracing of modern work practices and leadership. These are the exact competencies that many clients are now looking for in candidates.

Applying these practices will naturally lead to incremental improvements to a Search firm’s business model and practices, and these will filter through to the candidate and client experience. Keeping relevant will be an ongoing exercise.

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## You're only as Good as your Last Search

The challenge with transformation and reinvention is not to lose the essence of what made you successful in the first place.

In many ways the fundamentals of Search remain unchanged. It's about having demonstrable market knowledge, a thorough understanding of a client's need, establishing rapport and building trust with people, exuding integrity and discretion, and providing an exceptional client and candidate experience. These are 'table stakes' for any Search business. Successful transformation is about building on these fundamentals.

"Look to enhance and take advantage of being a small NZ firm. Being creative and lateral in thinking. Take the opportunity to grow without losing unique offering – reputation, integrity, delivery."



