

Global Client Perspective:

Views on the Executive Search and
Leadership Consulting Profession

The AESC Global Three-Year Benchmark Survey

By the Association of Executive Search
& Leadership Consultants (AESC)



Every three years, AESC conducts a benchmark survey to gather the views of executives worldwide – the clients our members serve—on the value the executive search and leadership consulting profession provides on critical talent challenges. The survey also allows us to identify trends and emerging issues that are front-of-mind from a broad range of industries and geographies, including risks around inflation, recession, and disruptions related to Covid 19 and supply chain disruptions.

In terms of top internal challenges - The #1 challenge organizations face is attracting top talent. As we look at the top five internal challenges, we see the importance of both attracting *and* retaining top talent, developing future leaders, and creating a culture of innovation and accelerating digital transformation.

This year we probed more deeply on the challenges clients are facing when it comes to attracting and retaining executive talent, contrasting perspectives from corporate leaders with the views of executive candidates themselves. We delved into when and why organizations turn to outside advisors to address pressing, high-stakes talent issues. And we saw a continuing trend with regard to openness in seeking their executive search firms' assistance with complex executive talent issues including leadership development, board advisory services, succession planning, diversity and inclusion, culture assessment and alignment and more. As we look at leaders, teams, culture and strategies we see that solving complex talent issues requires a broad range of expertise. Clients see the value of trusted advisors, teamwork

and cross-functional expertise and collaboration. They are increasingly open to seeking the assistance of the world's top executive search and leadership advisors – AESC members – to work together on developing solutions to the most complex challenges around attracting and retaining diverse leaders, building a culture of inclusion and innovation, and developing a strong pipeline of future leaders.



Karen Greenbaum
AESC President & CEO

The Association of Executive Search and Leadership Consultants (AESC) is the premier membership organization for the executive search and leadership consulting profession. Members undergo a rigorous vetting process to ensure they practice at AESC quality standards, and only the highest quality firms are accepted. When it comes to hiring trusted advisors, clients understand the importance of working with firms with deep expertise, and a strong reputation for quality. Selecting an AESC member firm helps increase client confidence about retaining advisors that truly are the best in the business.

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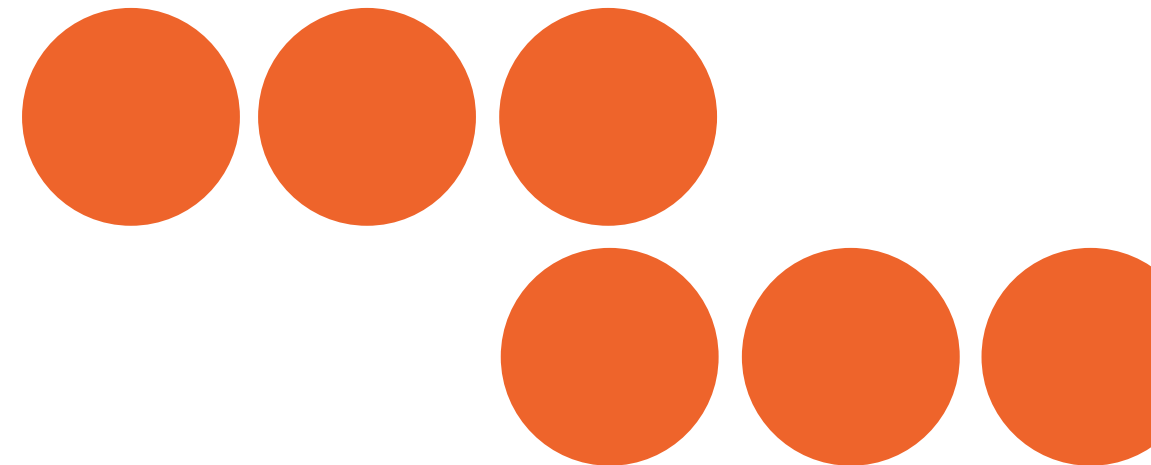
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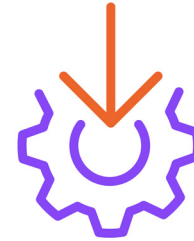


Key Insights At-a-Glance

1 TOP INTERNAL ISSUE:
Attracting
Top Talent

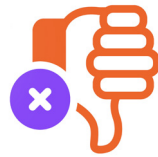


**2 TOP EXTERNAL
ISSUE:**
Inflation



**3 TOP CHALLENGE TO
RETAINING TALENT:**
Compensation

4 WHY CANDIDATES LEAVE:
Dissatisfaction
with Leadership



**5 TOP APPROACH TO
TALENT DEVELOPMENT:**
Internal Assessment

**6 TOP DRIVER
FOR NEW
LEADERS:**
New skills
and capabilities
for leadership roles



**7 TOP REASON TO SELECT
EXEC SEARCH FIRM OVER
IN-HOUSE RECRUITING:**
Professionalism

**8 TOP FACTOR FOR SELECTING
AN EXECUTIVE SEARCH FIRM:**
Consultant's industry/
functional knowledge

**10 ACROSS THE BOARD
INCREASED OPENNESS
TO USING SEARCH FIRM
FOR OTHER LEADERSHIP
SERVICES**



9 TOP MEASURE OF SEARCH SUCCESS:
Business performance of successful
candidate

Clients Identify Key Issues

In our research we were especially curious to see if the external and internal areas of focus would reflect the change and upheaval precipitated by the global pandemic. Covid-19 was the catalyst for incredible transformation, and organizations continue to adapt.



EXTERNAL ISSUES IMPACTING BUSINESS

Much has changed since AESC conducted the 2019 benchmark survey. Trust in business is up and trust in government and media is down; climate change has advanced precipitously and more of the world is stepping up to do something about it. The Covid-19 pandemic has accelerated digital transformation, upended where, when and how we work, disrupted supply chains and inspired a mass-rethinking of what executives and employees want in their work lives.

The external issues identified by respondents to AESC's benchmark survey illustrate the influence of Covid-19 on businesses today. (Chart 1.) Our findings are confirmed by The Conference Board's C-Suite Outlook 2022 report. The risk of inflation and labor shortages top respondents' issues affecting their businesses, followed by Covid-19 disruptions, though we see Covid as related to each of the factors identified. In addition, escalating energy prices are affecting global manufacturing and supply chains.

Earlier AESC research identifies adaptability and agility as essential leadership competencies, which may prove prescient as executive teams lead their organizations through economic stress and uncertainty. Those same competencies are equally valuable in navigating the internal issues that leaders must also confront.

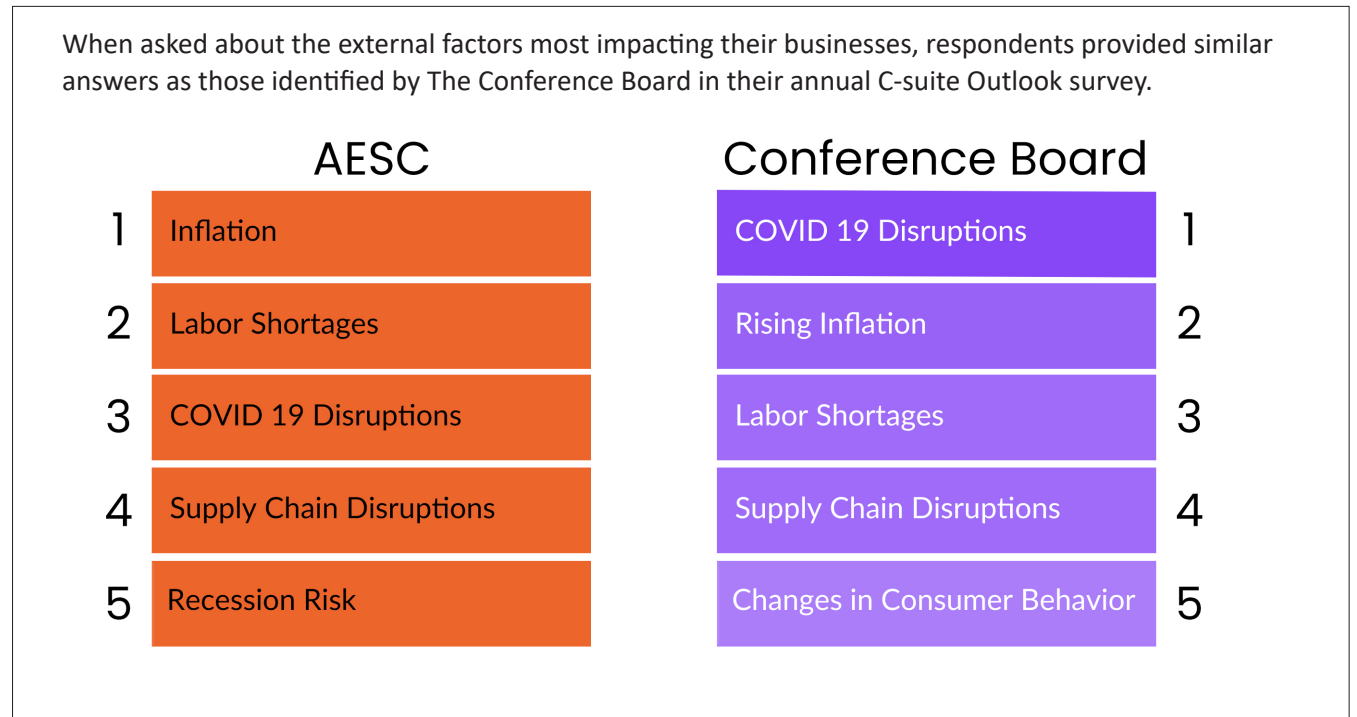


Chart 1 - External Issues Impacting Business

INTERNAL ISSUES IMPACTING BUSINESS

We've witnessed a sea change in a short period of time: The Great Resignation became the Great Reset. Wellness and balance became more front-of-mind. In a candidates' market, workplace flexibility became largely non-negotiable and wage pressure forced hiring organizations to pay new hires a premium. Leadership talent became even more scarce just as the skills and competencies organizations require in their leaders became more complex. Remote and hybrid work opened more hiring organizations to the possibilities of reaching farther to recruit diverse talent. Scarcity drove leaders to be more intentional in developing their own talent pipelines. Scarcity also drove top talent to be more selective in terms of the type of company where they want to work, considering culture and purpose as part of their decision-making process.

Unsurprisingly, respondents report that their internal issues of greatest importance remain centered on talent. Both the AESC and Conference Board data sets place attracting talent as a top priority, and include developing future leaders and accelerating digital transformation in their top five priorities. (Chart 2.)



Chart 2 - Internal Issues Impacting Business; AESC and The Conference Board

ESG SELF REPORTING

What do we mean by ESG?

- **ENVIRONMENT:**

How a company uses natural resources, how their operations impact the environment, and how the company manages climate risk;

- **SOCIAL:**

How a company manages its impact on employees, supply chain, customers, and the communities where they live and work;

- **GOVERNANCE:**

How a company's board of directors leads, including board composition, executive compensation, and strategic alignment.

These ESG issues are all important considerations for regulators, investors, employees and customers. The leaders surveyed rated themselves for ESG competence in Chart 3, indicating room for improvement, which could include elevating board governance, evaluating climate risk competency for board members, partnering with advisors to hire experts in DEI and sustainability and building a leadership team with the right skills and expertise to deliver a purpose-driven culture.

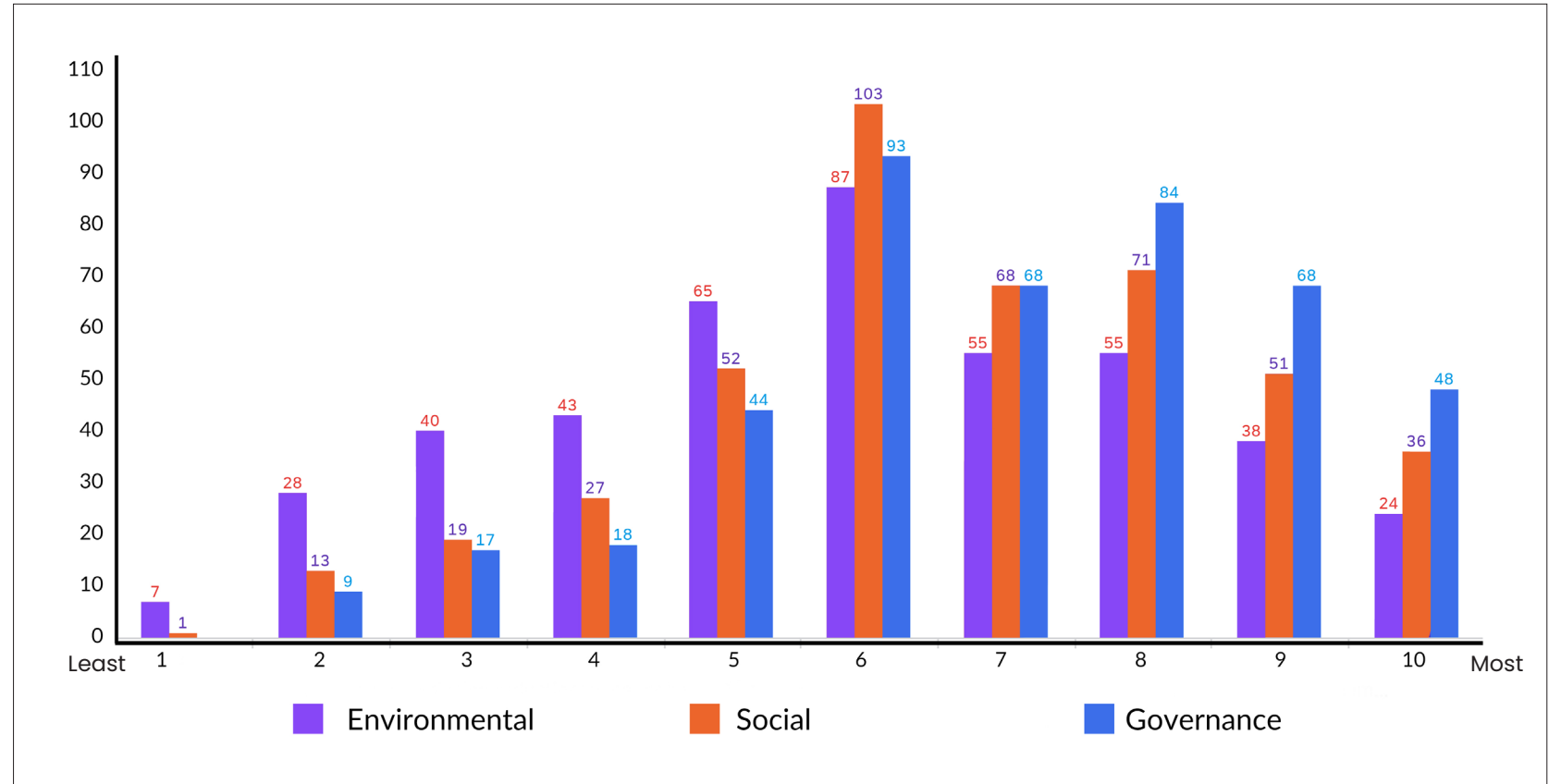


Chart 3 - Respondent self-reporting on ESG competence

“ESG (environmental, social and governance) is a generic term used in capital markets and used by investors to evaluate corporate behaviour and to determine the future financial performance of companies.

ESG factors are a subset of non-financial performance

indicators which include sustainable, ethical and corporate governance issues such as managing the company's carbon footprint and ensuring there are systems in place to ensure accountability.”

Ft.com/lexicon, Financial Times

ESG: DIVERSITY

Diversity is a key element of ESG (part of the S in ESG). Leaders surveyed did identify “Drive for increased diversity” as a top 5 need for attracting top talent.

In 2022 we asked respondents to rate the diversity of their organizations by segment: Board, C-suite and Organization. Their self-reporting indicates moderate organizational diversity with less diversity in the Board and C-suite, reflecting a stubborn global reality. Global research findings from Diligent Institute, an independent think tank and corporate governance research organization, illustrate some of the shifts since 2019:

- 27% of Board seats globally are held by women, up 4 points since 2019
- Average director age increased from 61.5 in 2019 to 62.6 in 2022
- 46% of new directors appointed in 2022 have a background other than CEO, CFO or COO

What we view from the self-reporting is that the respondents see their Boards and C-suite teams as moderately diverse with a significant 14.4% reporting the least amount of diversity on their boards. The responses also show that executives surveyed perceive their organizations to be significantly more diverse than their Boards and C-Suites, with nearly 50% reporting their organizations are somewhat or very diverse.

Self-awareness is the beginning. The next step is for organizations to evaluate and improve ESG and diversity competence of their Boards and senior leadership teams. AESC members can help these organizations both evaluate and improve the full range of ESG competencies, including diversity, equity and inclusion.

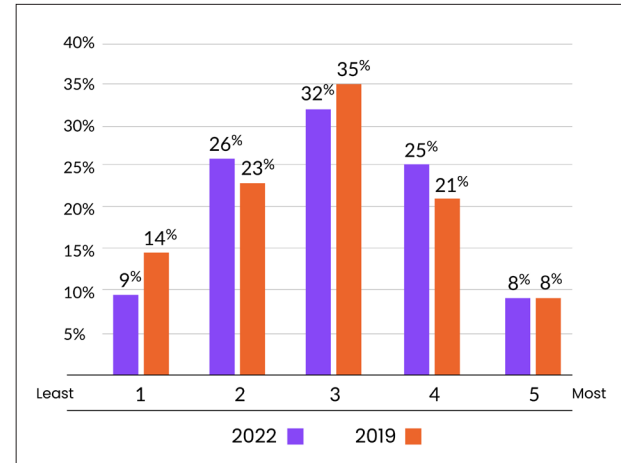


Chart 4 - 2022-2019 Comparison: How Executives Rate the Diversity of Their C-Suites

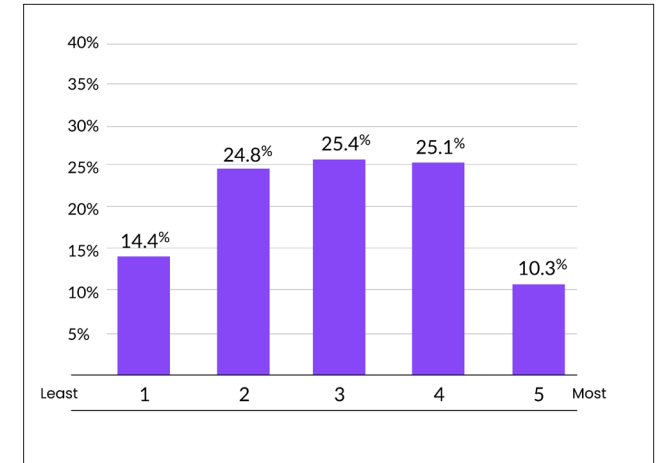


Chart 5 - Clients Rate Their Board Diversity

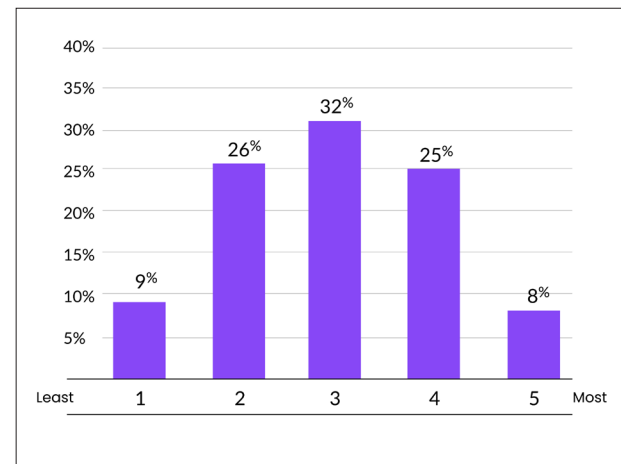


Chart 6 - Clients Rate Their C-Suite Diversity

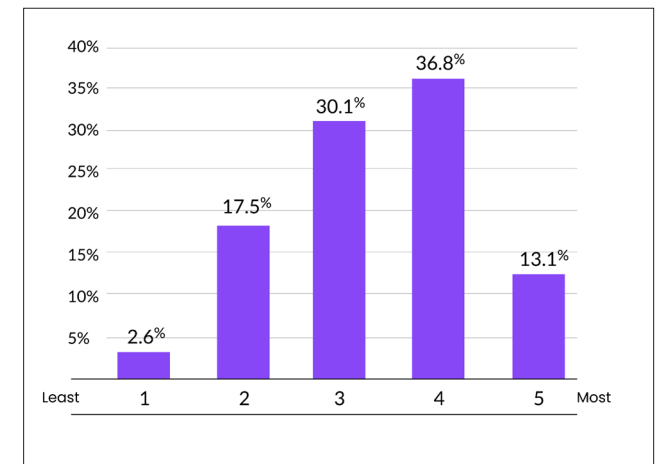


Chart 7 - Clients Rate Their Organizational Diversity

WHAT IS DRIVING THE NEED FOR TOP TALENT

Changing requirements for leadership roles is putting increased pressure on an already high demand for leadership talent. Changing needs lead to the desire for new skills and expanding capabilities in Boards, C-suites and leadership teams worldwide. For example, today all leaders need to understand digital transformation, not just the CIO. DEI is not the exclusive purview of the Chief Diversity Officer or the CHRO. Sustainability efforts will not succeed if siloed. Leaders across functions need broadened capabilities to be successful.

In addition to a role's functional capabilities, AESC identifies several of the new skills and competencies in demand across C-suite roles:

- Adaptability
- Agility
- Innovation
- Communication
- Collaboration
- Customer Centricity

Leading teams in the new world of work has elevated the need for competencies formally labelled "soft skills," including empathy and vulnerability. Those who had a full complement of these skills were better able to adapt during the peak of Covid-related disruption. They were able to pivot, lead and inspire remote teams. Those who were adaptable did well because organizations had to change quickly and they could lead without a roadmap. Strong leaders emerged from that experience. On the other end, leaders who couldn't adapt also emerged, and were more likely to fail.

Today, resilience is emerging as an important leadership competence. "We live in a VUCA world... we believe every organization will face a crisis at some point and every organization needs resilient leaders," Scott Gregory, CEO at Hogan explained. "There's research in the field of economics that shows a CEO's personality characteristics, how CEOs vary across firms, accounts for 25-35% of the firm's financial performance. Organizational success is largely a function of leadership, and handling crises is just another responsibility in leadership."

New skills and capabilities for leadership roles ranked 20 points higher than the next highest ranked challenge. While not a top-ranking driver, 14% of respondents identified "Need for sustainability expertise."

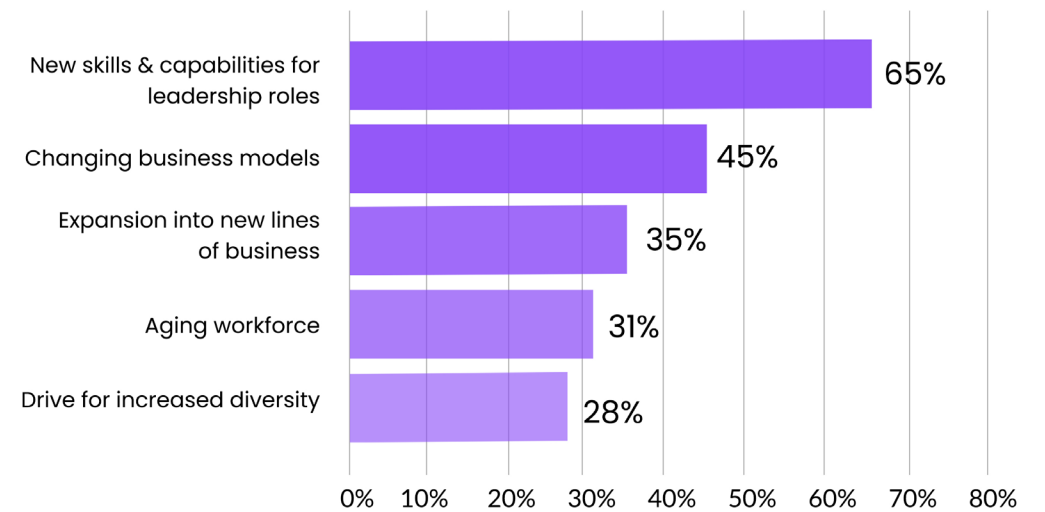


Chart 8 - What is Driving the Need for Top Talent?

Resilient leaders inspire confidence in their teams and are less likely to be derailed by uncertainty, pressure and setbacks. Assessment is key to identifying these competencies and other essential attributes.

The global pandemic has moved many executive search processes to a virtual environment, making a full range of assessments even more important as in-person interactions are reduced. Psychometric Assessments, when added to other assessment processes, help to create a more-complete picture of a candidate and can be used to reduce bias through consistent validated processes.

What Clients Say Versus What Candidates Say

A comparison of AESC's 2022 Benchmark Survey and Executive Candidate research conducted by BlueSteps executive career services illuminates a serious disconnect between what motivates executive candidates and where organizational leaders are focusing their attention. While compensation appears on all lists, purpose, culture and growth opportunities attract talent to a new role. Poor leadership, poor company values and limited advancement drive talent to leave a job.



MISALIGNMENT AND A MISSED OPPORTUNITY

Compensation, growth and development are the only areas where organizational leaders' perception of their talent challenges and the drivers for executive candidates align. Alert for organizations: out of 500 global executives surveyed over the spring of 2022, 59% said they were employed but looking for a new job, according to AESC's BlueSteps 2022 Executive Mobility Survey. Another recent survey by Deloitte found that 70% of the C-suite are seriously considering quitting for a job that better supports their well-being. Companies are missing an opportunity to both attract and retain talent if they don't address their own leadership, values and culture.

Looking closely at executive candidate sentiment, there is a huge difference between what candidates are thinking and where organizations are focused. AESC members can help leaders focused on executive talent understand what is driving candidates, and help them address the cultural issues that impact their efforts to attract and retain talent.

CLIENT VIEW 2022

Challenges Attracting Top Talent

1. Compensation
2. Fit
3. Competition
4. Lack of talent
5. Location/Mobility

Challenges Retaining Top Talent

1. Compensation
2. Growth/Development
3. Competition
4. Culture fit
5. Incentives

CANDIDATE VIEW 2022

Top 5 Reasons to Accept a New Job

1. Better Compensation
2. Organization purpose/mission
3. Culture aligns with values
4. Growth/development
5. Opportunities for advancement

Top Reasons Talent Leaves a Job

1. Dissatisfaction with leadership
2. Poor company values/culture
3. Limited career advancement
4. Desire for purpose/meaning
5. Higher compensation

DEVELOPING FUTURE LEADERS

Survey respondents identified assessment and succession planning as key priorities for developing future leaders. (Chart 9.) By identifying a diverse group of future leaders and including them in an overall succession planning strategy, organizations are able to address key talent issues including:

- Improved employee retention
- More diverse pipeline of executive talent
- More attractive as an employer because of visible opportunities
- Strengthened organizational culture around growth and development

When asked, “How is your organization developing future leaders,” respondents chose “Assessing Internal Talent” a full 23 points ahead of the second-place option, succession planning. When developing future leaders in an organization, assessment is the starting point– it helps identify whom you’ll develop and also indicates specific development opportunities for individuals.

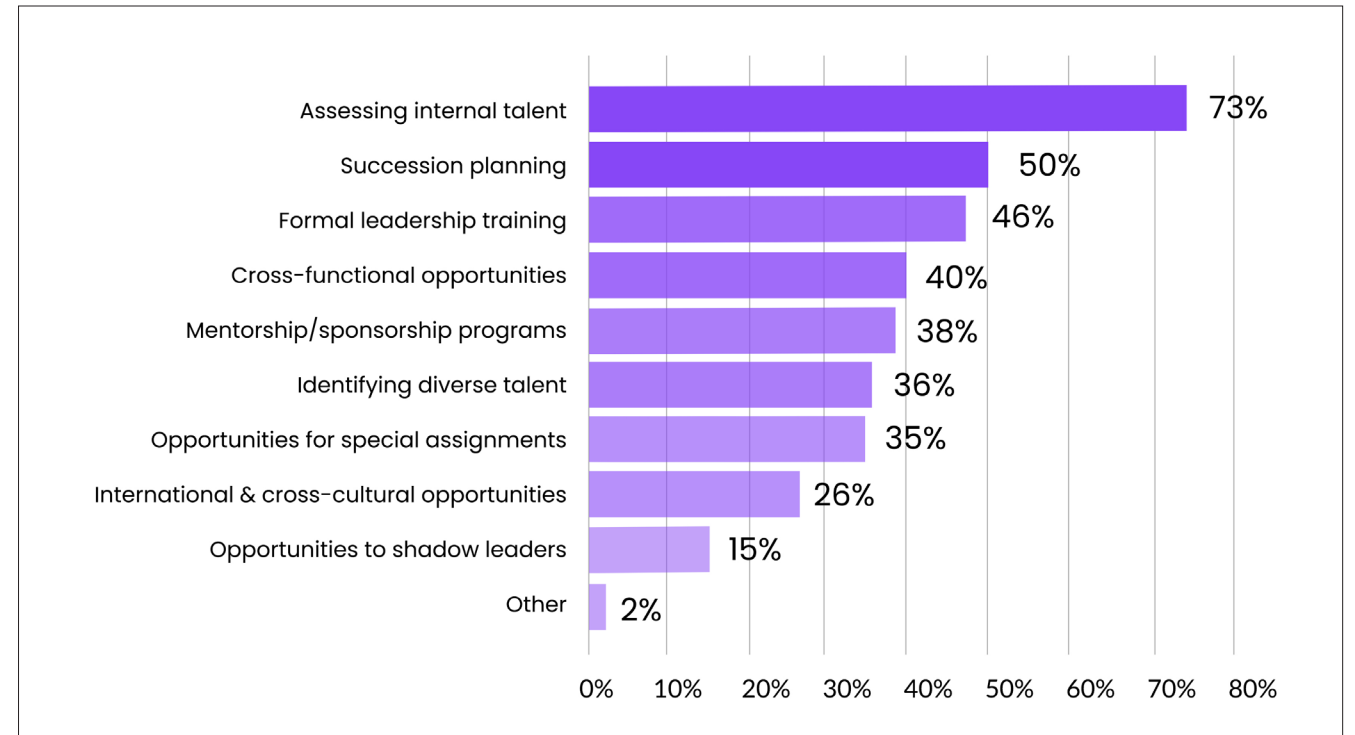


Chart 9 - How is your organization developing future leaders?

“Validated personality assessments can reduce discrimination and can be a strong predictor of job performance. These assessments help identify how people think and act in a natural situation and under stress.”

From *Assessments for Executive Selection: Considerations for Search Firms*. AESC.org November 2021

Engaging Advisors: When and Why

The decision to engage with an executive search consultant is highly consequential and that authority rests at the top of management. We asked executives several questions about how they select a firm, what criteria they use, and the conditions under which they would choose in-house recruiting instead of an executive search firm.



MOST IMPORTANT FACTORS WHEN SELECTING A SEARCH FIRM

Executive respondents were asked “What are the most important factors to you when selecting an executive search firm,” and given the opportunity to select three factors. A full 50% chose the consultant’s industry/functional knowledge, which led the next-ranked choice by nearly 15 percentage points. The knowledge, reputation, and experience with a consultant and/or firm has a substantial impact on whether a search firm is selected.

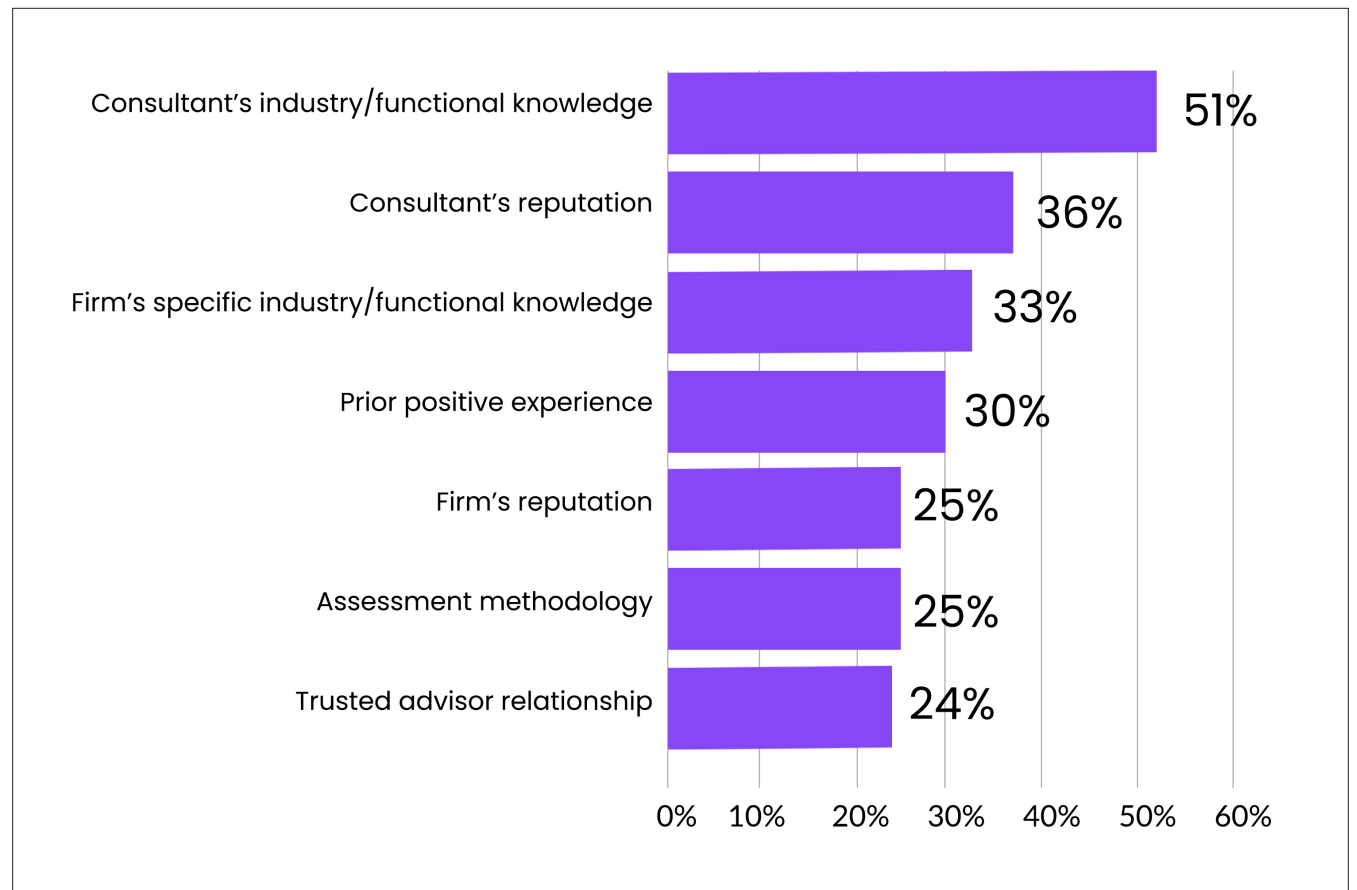
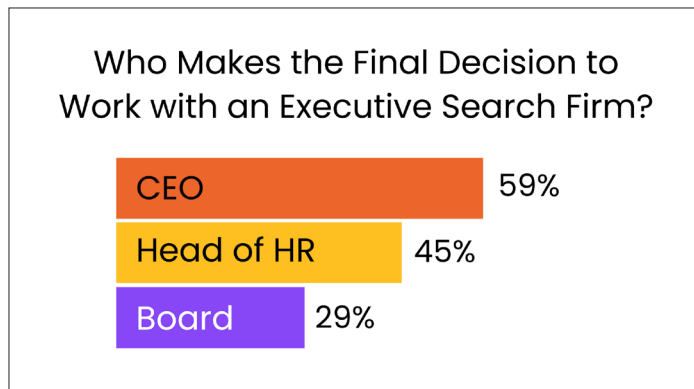


Chart 10 - What are the most important factors when selecting a search firm?

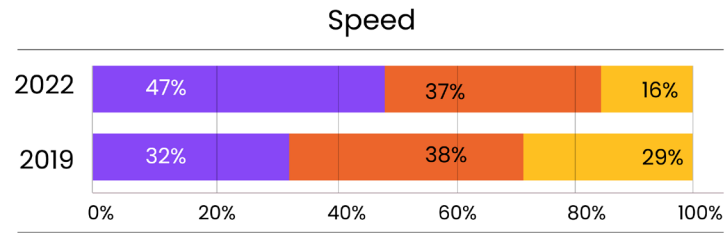
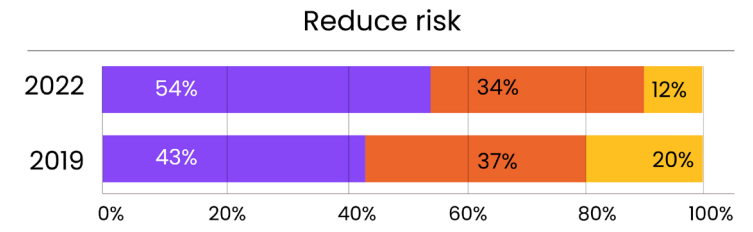
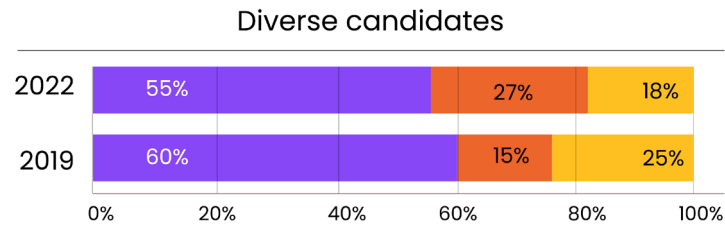
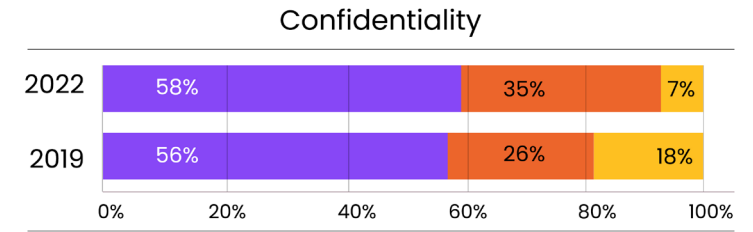
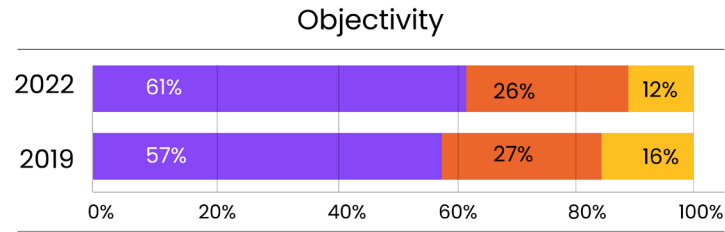
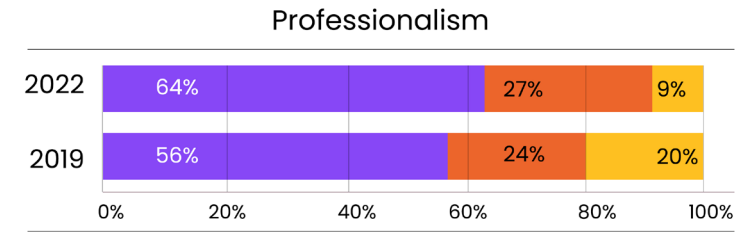
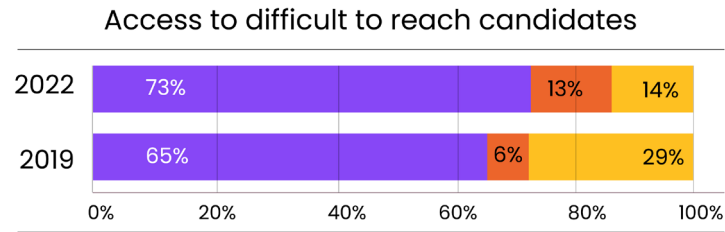
EXECUTIVE SEARCH OR IN-HOUSE RECRUITMENT

In a similar question we asked respondents to consider the circumstances in which they would choose between an executive search firm and an in-house recruiting team. The question was segmented between reasons for selecting executive search or in-house recruiting, and the positions/searches for which they would use either provider. Clearly there is a place for both executive search and in-house talent acquisition.

Executive search is respondents' preferred provider for these reasons:

- Access to difficult to reach candidates
- Confidentiality
- Professionalism
- Diverse candidates
- Objectivity
- Reduced risk
- Speed

We continue to see hiring organizations demand to increase the speed of delivery, which is not surprising when you consider that we are helping them hire their most important leaders. Both executive search consultants and in-house recruiters increased speed because video interviews largely replaced time-intensive, in-person interviews. Executive search consultants' deep functional knowledge and industry expertise may also allow executive search firms to move more quickly than in-house recruiters for difficult and specialized searches in particular.

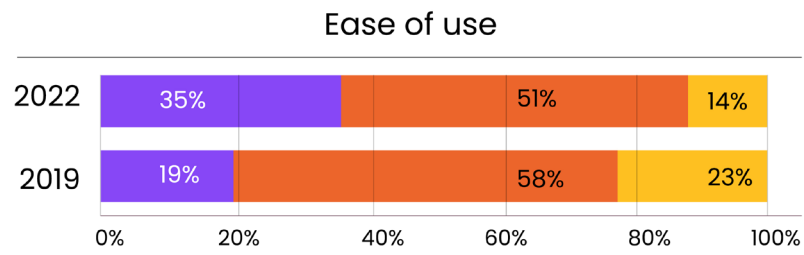
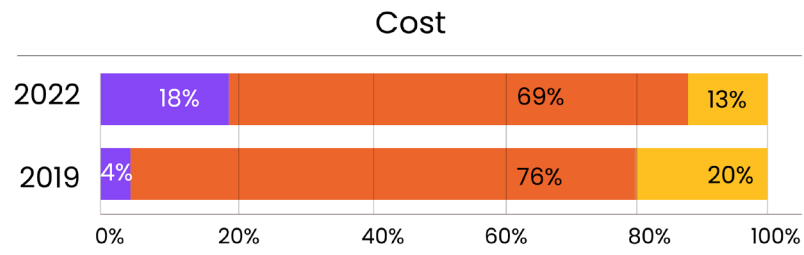
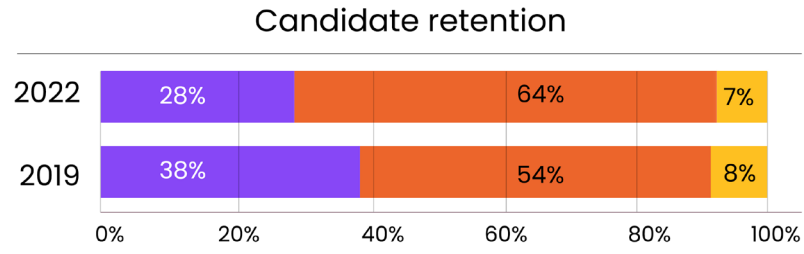


Charts 11- 17



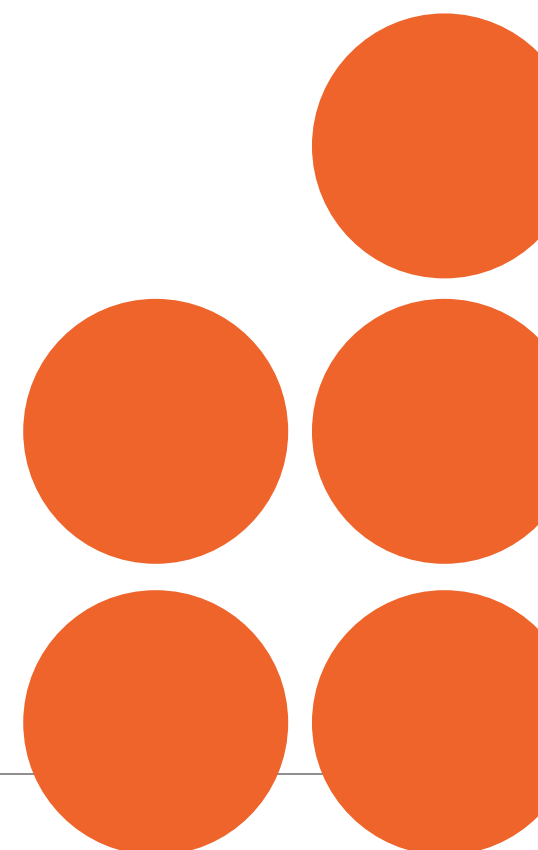
Our respondents indicate three areas where in-house recruitment shines: Cost, Ease of Use, and Candidate Retention.

Companies that invest in an in-house recruiting team create systems and efficiencies that result in cost savings and ease of use, particularly for organizations that bring in a large number of employees. While our survey did not explore why respondents chose one service over another, we believe in-house teams can be more consistently engaged with a new hire over a greater length of time by virtue of being in house, which should result in better candidate retention. Executive search and leadership consulting firms have expertise in onboarding and we see an opportunity for collaboration that brings together the strengths of both in-house teams and external advisors to ensure the successful candidate succeeds.



Charts 18 - 20

- Executive Search Firms
- In House Recruitment Team
- Contingent Recruitment



WHICH SERVICE PROVIDER ARE YOU MOST LIKELY TO USE: ROLES AND SEARCHES

When asked, “Which service provider are you most likely to use” for certain roles and searches, clients could select between executive search, in-house recruiters or contingent recruiters. The data demonstrates respondents have a resounding preference for executive search for their most challenging and important searches.

Executive search is the preferred service provider for Board searches by 80% of leaders surveyed, which is not surprising since board searches can be among the most difficult and consequential roles to fill. Nearly three-quarters or more of respondents selected executive search for C-suite positions, confidential searches, higher-paid positions and searches that are cross-border, indicating they are more likely to turn to executive search firms and consultants with their high-level industry and functional knowledge for top leadership roles and more difficult assignments. These responses reinforce the opportunity for in-house teams and external advisors to work in partnership to address all of an organization’s talent needs.



Chart 21 - Which Service Provider Are You Most Likely to Use: Roles and Searches.

MEASURING SUCCESS

Before a hiring organization embarks on an executive search it is imperative that both the hiring organization and the search firm understand how they are planning to measure success. In our survey, the business performance of a successful candidate over time tops respondents' measures of success, and from 2019 to 2022 business performance of the successful candidate increased in importance while length of tenure decreased. The change may indicate that hiring organizations are giving candidates a shorter runway to be successful, or that may indicate shorter C-suite tenure overall.

Organizations will be more successful resolving their self-identified key business issues of attracting and retaining talent and creating a culture of innovation if they are successful in their diversity and inclusion efforts. It is notable that respondents rank "diverse slate of candidates" as a highly important metric in measuring the success of their executive search firms.

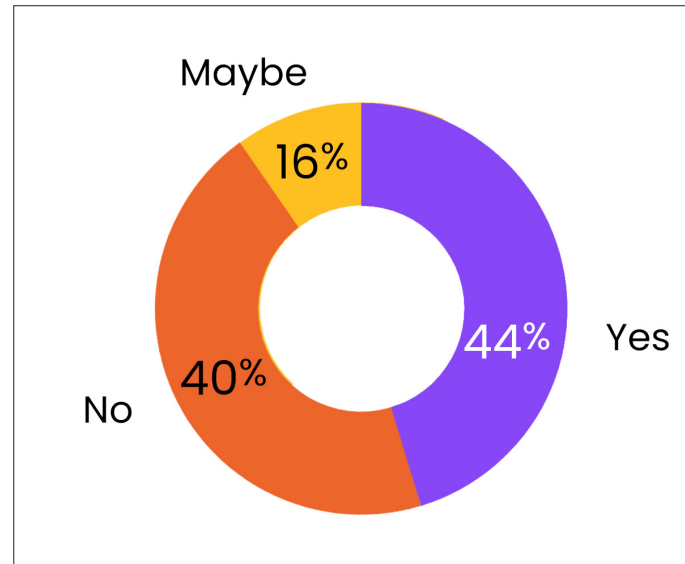


Chart 22 - Do you use internal metrics to gauge success?

Please indicate the importance of the following metrics when selecting an executive search firm.

Highly Important

- Business Performance of successful candidate over time
- Time to complete
- Diverse slate of candidates

Important

- Time to first slate
- Cost per hire
- Length of tenure of successful candidate

Greater Openness to External Advisors

Our research indicates that business leaders are increasingly open to working with their external consultants on a broader range of service offerings.



THE CENTRAL QUESTION IN THE CONSULTANT-CLIENT RELATIONSHIP

Our 2022 Three-Year Benchmark report repeatedly identifies areas where companies would benefit from the leadership consulting services AESC members provide. In addition, respondents have indicated a growing openness to using their current consultants for additional services. Roughly 90% of respondents indicate there is or may be an advantage to working with the same firm for executive search and leadership advisory services. (Chart 23.)

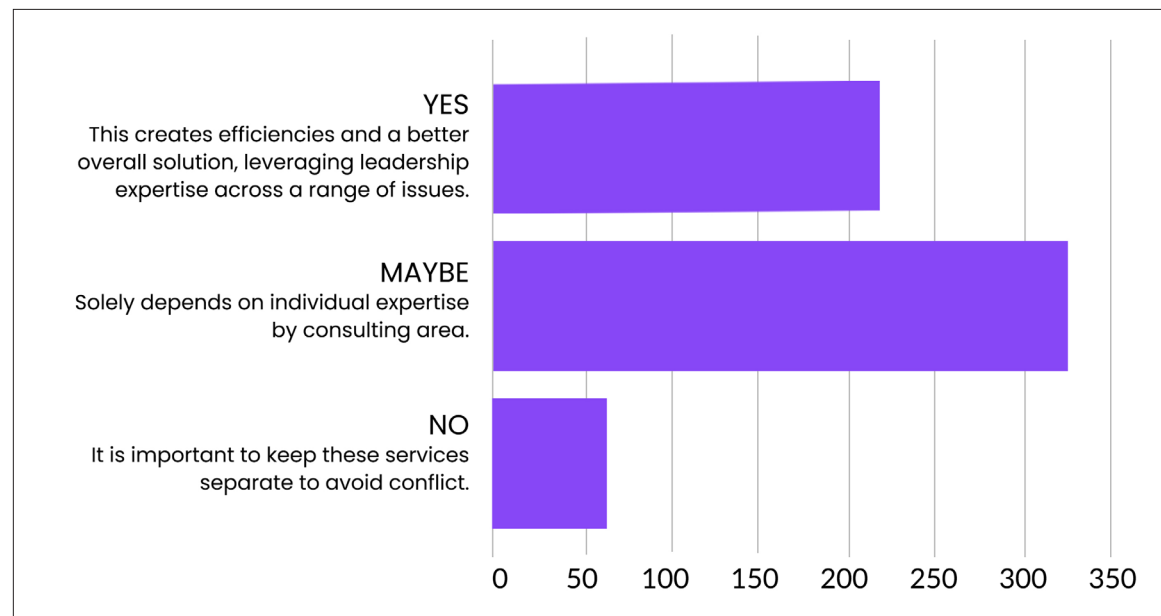


Chart 23 - Do you think there is an advantage in working with the same firm for Executive Search and other leadership advisory services, leveraging your trusted advisor relationship?

In a subsequent question we listed a range of leadership advisory services and for each we asked, “Would you consider working with the same firm for executive search and any other business services if they had the required expertise?” We consider both the answers “yes” and “maybe” to indicate openness.

The growth in openness is striking overall, and specifically interim management, also known as on demand talent, rose from 50% in 2019 to 85% in 2022 – a colossal increase in three years. Once viewed merely as a placeholder role during extended absences or vacancies, interim management today is also known as a way for businesses to place change leaders into organizations to provide dedicated leadership of major business transformation.

Openness increased across the board, measuring from 71% to 85% of respondents for the following services:

Yes and Maybe	Service	Increase from 2019 to 2022
85%	Interim Management	35 points
82%	Leadership Development	17 points
81%	Executive Pay	22 points
81%	Succession Planning	27 points
80%	Diversity and Inclusion	36 points
80%	Board Assessment and Advisory Services	30 points
80%	Cultural Assessment and Alignment	29 points
71%	Organizational Design	18 points

Conclusion

Global leaders are signaling a recognition that the toughest, most important talent challenges require bringing in an expert.

READY, SET

Our 2022 Three-Year Benchmark Survey represents a broad sample of industries, geographies and businesses - from small, mid-market and large enterprises. Our findings illustrate the rising intensity of the talent challenge and business leaders' increasing openness to draw on skilled advisors to meet those challenges.

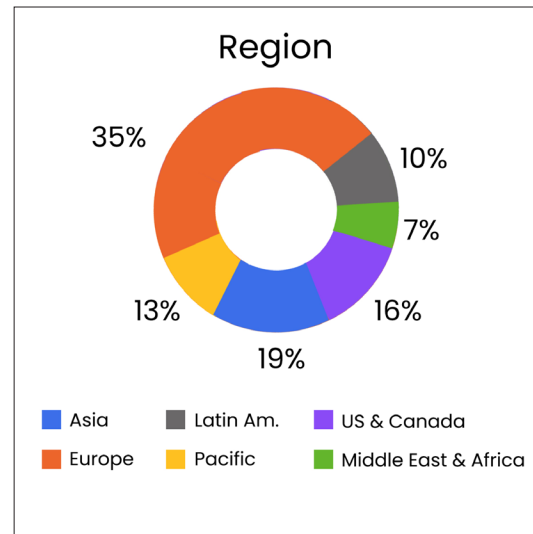
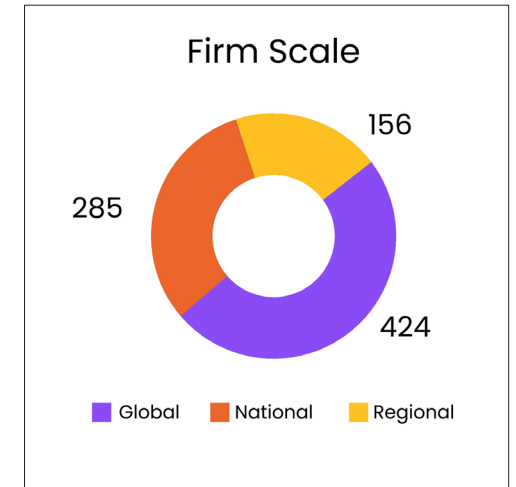
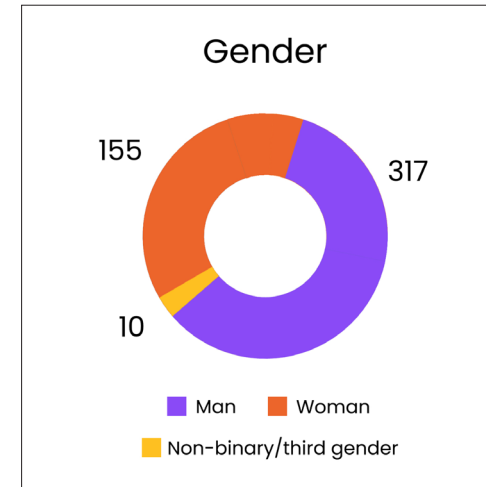
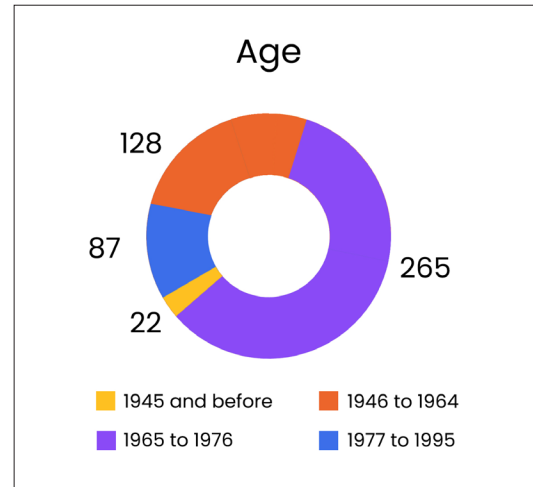
The stakes are high, and our survey respondents report considering the functional and industry expertise and reputation of both the consultant and the firm in choosing an external advisor. AESC member firms are the best of the best, carefully selected for the professionalism of their practices, as well as their policies and commitments to diversity, integrity, transparency, objectivity and confidentiality. They are an exclusive group of firms that operate according to the highest standards. Hiring organizations looking to reduce risk turn to AESC member firms for their most important executive search and leadership consulting assignments.



Methodology

This survey was developed in May-June 2022, informed by an AESC advisory group of member marketing experts and parallel to previous AESC Three-Year Benchmark surveys to maintain comparative value. In 2022 AESC changed survey instruments and the two survey instruments used different methodologies to calculate %. For comparative validity, we recalculated 2019 data to make it consistent with the 2022 methodology. In addition, in 2022 we received a significantly higher response rate that may or may not have had an impact on our comparative observations.

- Survey distributed through AESC’s digital channels and member networks:
 - All-member emails, Board and council emails, member marketing channels
 - AESC.org
 - LinkedIn
 - Twitter
 - SmartBrief newsletter
- Survey opened June 22, 2022 and closed September 30, 2022.
- 1081 respondents of which 80% report to have worked with external advisors. Our survey sample is comprised of the following demographics:



224	CEO
222	Human Resources
92	Board of Directors
76	Other
65	Sales
41	Legal/Compliance/Regulation
34	Communications
26	Finance
20	Marketing
17	DEI
2	Operational/Supply Chain

139	Business Services/ Professional Services
128	Industrial/Manufacturing/ Energy
93	Healthcare/Life Sciences
90	Other
67	Government/Education/ Not for Profit
63	Technology
56	Consumer/Retail
54	Financial/Insurance
17	Private Equity/Venture Capital

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