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## Bringing the Executive Search Function In-House

by *Marty McMahon*

**A**T A LUNCHEON I hosted last year for HR leaders in the San Francisco Bay Area, one of the guests posed a simple, but provocative question: “Has anyone here built an in-house executive search team? My company is thinking about it, and I wonder... Is it something you’d recommend?”

Conversation was lively. Guests traded opinions and war stories; I listened with interest, not speaking at first. It was an odd question, arguably, for a person in my position. As Managing Director of a retained executive search firm, I would hardly seem a disinterested party. So when my turn came to speak on the topic—“So, Marty, should we go in-house?”—I may have surprised some of the attendees when I responded without any hesitation:

“Yes. Absolutely, you should.”

THE CONVERSATION STAYED with me. I wondered, had I been too candid for my own good? And was the advice—informed by my own experience, certainly, but based also on a measure of intuition—even sound?



Over the next several months, **I spoke with more than twenty-five leaders in the field of in-house executive search**, with experience at several of the most competitive, fastest growing technology and software companies in the country. These industry leaders spoke at length and with great candor about the benefits and challenges of building an in-house executive search function.<sup>1</sup>

On our initial question, they reached an easy consensus: *Yes*, rapidly growing companies should build an in-house executive search team. Where they differed from one another, and where we discovered even more complexity and nuance than we'd anticipated, was in how this team should be structured and built, and what its best practices might be.

## The Case for Going In-House

THERE IS NO shortage of compelling arguments in favor of in-house executive search: Our experts cited significant benefits to the quality, speed, and efficiency of recruiting. In practice, however, the case is most often made in financial terms. That's unfortunate, because there is risk, in leaning too heavily on that side of the argument, not only of creating false expectations but of underselling other, less tangible benefits. To build out and properly fund a full executive search team will require a significant investment of both cash and equity—our experts agreed that a budget of \$1M annually is realistic. While it will likely bring long-term financial savings, you can't expect immediate return on investment (ROI). "Executive recruiters aren't cheap," one panelist said, "and they shouldn't be."

### Estimating Costs

Expect to start with a team of at least three:

- 1 Sr. Recruiter (manages the function)
  - Cost: \$400K–500K, "all-in"
    - Base salary (\$250K–\$400K), plus equity, benefits, and target bonuses
- 1 Sourcer
  - Cost: \$150K
    - Base salary, plus benefits and bonus
- 1 Coordinator
  - Cost: \$80K–\$100K
    - Base salary, plus benefits and bonus
- Additional Recruiters (optional, as necessitated by growth)
  - Cost: \$250K–300K, "all-in"
    - Base salary (\$175K–\$200K), plus equity, benefits, and target bonuses

Other Expenses:

- Budget additional funds for: office space; telecommunications; IT and database subscriptions; time to onboard, train, and develop procedures.

Given this, and the possible necessity of rapid scaling, it is easy to see why our experts estimate a rough initial investment of \$1M to build an internal executive search function.

<sup>1</sup> In exchange for candor and transparency, we committed not to reveal the names of any people interviewed for this article, or their companies. We are extremely grateful to the many talented executives that were so gracious with both their time and wisdom.

But value accrues long before costs even out. One of the benefits most frequently cited in our interviews was the institutional knowledge recruiters can bring to their searches when they are fully embedded in a culture. “From inside,” one of our executives shared, “you can spot holes in the organization that the outside world simply can’t see.” “We have much more



context,” another added, “about [past searches], similar offers and closes.” That sort of concrete insight enables recruiters to identify opportunities, anticipate needs, and get out in front of necessary succession planning. In other cases, insights may be more abstract, allowing them to narrow their searches and better match applicants to the company’s personality, culture, or pace. Said another of

our interviewees, “We spent much more time learning the type of person they were than on their technical qualifications.”

In-house recruiters also bring value beyond the hires they make. The stability and singular focus of the position allows for much longer horizons on projects like pipelining and market research. Traditional search firms can do some of this work, and LinkedIn is a valuable tool (a “game-changer,” said one of our experts), but an in-house team can, and really must, go far deeper: building long term relationships with potential future candidates, identifying weakness or tension that might shake talent free from competitors, and tracking subtleties of the market such as the equity-vesting timetables of talented executives.

Furthermore, because in-house recruiters continue to work alongside their executive hires, they can be far more active in the on-boarding process, and in tracking successful integration of talent. “**80 percent of my time is not spent on actual recruiting,**” one of our panelists said. “Helping pre-board candidates is critical, but even more important is helping their *team* get prepped. We’ll do ‘get to know you’ dinners and bring them in for business reviews. We’re ensuring they actually show up, getting the team ready for a new boss, and accelerating their onboarding.”

All this non-transactional work is demanding, and in some cases may be unfamiliar to recruiters, but our panelists also described it as rewarding and deepening of their investment

in their companies. “Because you don’t have to sell or market [your services],” one expert explained, “you have more bandwidth... [Leadership is] confident about working with you. It’s more forgiving in certain respects... **you’re more trusted.**” Ultimately, this sense of alignment with the wider organization illustrates the strongest case for going in-house: that it furthers the aim not only of hiring the best talent, but of integrating it effectively into the company.

## When to Get Started

FOR MOST COMPANIES, the timing of a move to in-house executive recruiting becomes a simple question of math: It should be done when the projected pace of executive hiring is significant enough for a sustained period that the investment is offset by cost savings, speed, and quality



of hires. The challenge comes in *identifying*, and *preparing for*, that inflection point.

The majority of our panel agreed that in-house executive search makes sense for young public technology companies, but not early-stage start-ups. Early on, most companies are still tapping their own networks or those of their venture capital (VC) investors.

Even so, it’s really never too early to start thinking about the process. Building a properly resourced team will require a great deal of preparation and patience. Looking back on their experiences, a number of our experts wished they could have put a more rigorous, structured set of best practices in place from the outset—including robust applicant tracking systems (ATS) and other tools—before facing the daily pressure to execute on executive searches.

The figure cited most frequently by our panel as an ideal point at which to begin building out an in-house team was 1,000 employees. But emphasized equally, and likely a better standard, is the *rate* of growth. It’s a moving target. Perhaps the closest thing to a universal rule of thumb was offered when one of our panelists said:

**“If you’re thinking about going in-house, you’ve probably already waited too long.”**

## But First...

AT THIS POINT, and before we proceed, I should perhaps touch upon one note of caution, sounded frequently even by our most enthusiastic interviewees: that is the vital importance of senior management buy-in, of gauging whether the company's C-level talent is prepared to do all it takes not merely to build out and staff a good team, but to grant it the resources (time, money, and trust) necessary to acquire top talent. Without that, the internal function *may* save on costs or improve quality on the margins, but it will never become a fully integrated driver of organizational success.

Put bluntly, **building an in-house executive search team is not an act of delegation, it is an act of commitment**, of going all-in: There is simply no point in starting the process unless the most powerful figures in the company are prepared to see it through.

## How to Structure the Team

THE SIZE OF an in-house executive search team will necessarily depend on the rate of organizational growth, but our panelists agreed broadly that the job is far too great for one person alone. They recommended starting with—at minimum—one recruiter, one sourcer, and one coordinator [see sidebar on page 2: “Estimating Costs”]. This “three-legged stool” approach helps ease the burden of administrative duties—which may be greater in-house, even if care is taken to limit them—so the team can focus on the quality of their searches. It also ensures a consistent, white glove experience for prospective hires, and offers control over how the company represents itself to the most influential, highest-ranking figures in the sector.

For these roles, our experts recommend targeting people who can do more than just execute. These early team builders will be asked to establish an executive recruiting standard

### A Tale of Two CEOs

Consider this tale of two CEOs:

One, in the high-tech sector, fanatically devoted to acquiring top executive talent: They make themselves available 24/7 to meet with prospective candidates, offer them tours of company premises, and familiarize them with products. Their company saw stratospheric, rarely-seen growth, and the architect of its in-house executive search team (our interviewee) was described by others on our panel as “a legend” in the field.

A second, with a newer unicorn software company, established “no culture of shared accountability around recruiting. We were in a growth situation,” our source said, “such that managers needed to be spending 30 to 40 percent of their time hiring and onboarding, but instead were delegating that work to the TA function.” While that company would eventually find its footing, the task it set for its TA leader was a far taller one, as much political as technical, a question first of winning the support necessary to do the ongoing work.

for the company—including interview training for the executive team, candidate experience design, and tight coordination with compensation stakeholders—all while adapting to existing organizational protocols. One of our panelists—head of executive recruiting at a leading software company—explained: **“The first thing you come to understand once you’re in-house is how much work it takes to close a search on the inside.** There are so many internal stakeholders (finance, total rewards, legal, etc.)... [You want to avoid people who] don’t care as much about mentoring, or operational aspects of the role... [who] just want to do search and bristle at the rest.”

### Whom to Hire

Target leaders with:

- At least five years’ experience in associate or mid-level positions at a search firm.
  - But probably not a partner: they’ll be too expensive and may not be sufficiently transaction-oriented.
- A background in **low-volume recruiting**.
  - These candidates will have more experience working with C-suite talent, and are more geared toward the slower, deeper research required for executive search.
- Some in-house experience, too.
  - You need someone who isn’t just a good hunter, but who is capable of building and designing a process.
  - They must be able to work within an existing organizational structure.
- Local ties.
  - Remote work is almost impossible in this field.
  - Strong personal relationships and knowledge of the market are key.
  - It is particularly helpful to be in both formal and informal meetings with local leadership.

As the program scales up, further recruiters will need to be added, not only to handle volume, but to provide sufficient specialization and technical knowledge:

“It made sense for us to create ‘centers of excellence,’” said one panelist, a recruiter with a powerful company in the high-tech sector. “We got much better when we had dedicated people to each function: better credibility with our own exec team; better, deeper knowledge... as new searches came up, it was much easier to leverage prior work and prior candidates.”

The majority of our experts felt that reporting to the Head of Talent Acquisition would be appropriate for an in-house team, so long as the company had a strong leader in that role who could help provide them with company-wide insight. Often, that isn’t true for companies in the early stages of growth; in such cases they advised reporting to the Chief Human Resources Officer (CHRO), or another C-level position. Regardless, all agreed that the leader of any in-house executive search team would need a clearly defined role, tremendous autonomy from the rest of TA, and consistent access to the organization’s senior leadership. They should be present at leadership meetings, and closely involved in executive talent strategy in order to stay

ahead of future needs, and to negotiate expectations of pace and compensation for new hires. Autonomy is likewise necessary for the team to carry out its most sensitive and/or confidential searches. A CHRO or TA leader who blocks access or insists upon acting as a constant intermediary between senior leadership and Executive Search will ultimately hamstring the function.

It's also worth noting here that almost none of our panelists used traditional metrics for tracking the success of in-house recruiting: the volume is just too low, and each individual search too distinct. In this way, too, the executive search team will stand apart from other divisions in the company. There is potential in this dynamic for resentment or mistrust—undermining the sense of shared purpose—but this simply has to be managed and overcome: executive search is too important, and often too sensitive to be done without some insulation.



Likewise, collaboration between Executive Search and TA must remain possible.

Striking this balance between independence and integration is one of the trickiest and most important challenges facing any in-house executive search team, and speaks again to the necessity of early, clear-eyed organizational commitment. (Of note: The only instance recounted to us of a failed or abandoned effort to build an in-house team was caused—in the opinion of our interviewee—by a lack of clear division between Executive Search and TA.) Managed properly, the executive search team should leverage the experience and expertise already present in the company, as well as building its own. Its value, in other words, should be synergistic, amplified as it extends throughout the organization.

## **Is There Still a Role for Outside Search Firms?**

GIVEN ALL THE value added by bringing executive search in-house, and all the management bandwidth required to build out and support the function, one might wonder if there is still a need for outside search firms.

The short answer is, resoundingly, *yes*.

In fact, even the most successful in-house teams will rely upon outside firms for roughly 10 to 20 percent of their executive hires. The specialization involved in these searches brings to bear the most unique and exceptional skills offered by independent recruiters, thus rendering them the more indispensable.

As one outside expert declared emphatically, **“Outside search will never go away.”**

The most common reason to retain an outside firm remains a simple excess in volume: retained firms can help take up slack or cover shortfalls while the team scales, or during periods of temporarily



increased hiring. But there are other scenarios where going outside may also improve the *quality* of a search: these include unusually confidential searches, or ventures into markets where the internal team may lack expertise.

Regarding confidentiality, our panelists felt that a well-constructed in-house team, given proper autonomy, can generally carry out even highly sensitive searches. But several of them noted the conflicts of interest that may arise when filling, say, the CHRO position: none liked the idea of hiring their own boss. There may also

be cases where direct contact with candidates would betray sensitive information about the company. From a senior recruiter at a major software company: “When I am working on a confidential search, the outside candidates know who I am and who I work for. If they know the position being filled, it is pretty easy for them to deduce who is being replaced. Potential candidates often work for competitors, so that becomes extremely sensitive info.” The need for this sort of vigilance may vary somewhat from one company, or one search, to the next. We heard from one expert who’d taken the draconian step of avoiding company-supported systems in order to hide some searches even from their own IT department. In other cases, hiring managers may outsource a search if they feel the role is especially important to their Board of Directors and they want outside objectivity and some distance from the pressure of answering to the board. While those extreme instances won’t be the norm, the importance of confidentiality really can’t be overstated—especially for publicly traded companies, or those approaching an Initial Public Offering (IPO).



When searching for candidates in markets outside the internal team’s existing network—especially international ones—an outside search firm may also provide valuable expertise. One of the executives we interviewed, who built and operated an industry-leading executive search team, confided: “We really struggled internationally, because we just didn’t know the local area, the trends, the talent pool. We hired a person for China who we really liked, and then we learned that they didn’t really speak Mandarin.” This point was echoed often: “It’s just not realistic to expect one person to be an expert in everything. Investor Relations, Competitive Analysis, Chief Privacy Officer: those are easy. Senior Director of GTM or Field CTO in EMEA—the overseas ones—are hard.”

Another of our panelists raised still a third case where partnering with an outside firm had proven helpful—one we had not anticipated: burnout. “Sometimes, I just needed a fresh pair of eyes,” they said. “In one instance, I had a grueling search and two days before the person was going to start, they backed out.

I couldn’t face starting from scratch, and felt like we needed a fresh perspective, so we went outside.”

When working with an outside firm, an executive search team should seek one with whom they can collaborate closely. The idea isn’t necessarily to outsource the whole process, but to make use of a different perspective and expertise. As one of our interviewees put it, “You have to feel that the outside firm is your partner. You have to trust their expertise and be confident that you will get their time. You don’t want to negotiate too hard with them and then be

### What to Look for in an Outside Firm

Choose a firm who:

- Will adapt to your existing in-house process.
  - Make sure they understand your priorities.
  - “Be directive. Tell them what they should dig in on with the candidates. I don’t care about [the candidate’s] 20-year career. I do want to know the ten bullet points that are top of mind for evaluation.”
- Will leverage the in-house team for context and relationship building.
  - “Sometimes when we work with firms the partners act like they know us and they really don’t.”
- Will not push bad candidates or cut corners by submitting only candidates who are already known to them.
- Won’t hoard intelligence or data gathered in the course of the search.
- Understands the pace at which you want to work.
  - “Many times the outside firm will get frustrated when the client is not responsive in a day or two. They don’t always understand how busy the people inside are.”
- Has a strong record of past success.
- Has an extensive and relevant network.
- Can pair you with a partner who fits your organizational culture.
- Will do more than just candidate sourcing.
- Is committed to completing the search and won’t quit or lose interest if the primary target drops out, or the first slate of candidates miss.

worried that they are putting you on the back burner.” Close collaboration has ancillary benefits, too. Our panelists pointed out that it can provide an excellent learning experience for the in-house team, and that, ideally, the education will run in both directions: Over time, by retaining the same firm for each necessary search, the relationship may deepen and the learning curve associated with each hire flatten, so that the in-house team can work hand-in-glove with the outside one.

## In Conclusion

IT WAS A fascinating experience—and a privilege—speaking to so many brilliant, thoughtful leaders in this important field. I came away not only more certain of the value of in-house executive search (and vindicated in the advice I’d offered over lunch those many months ago), but with a new appreciation for the preparation and commitment required to build a successful team.

### 5 Insider Subtleties About In-House Executive Search

1. The pressure is intense.
  - “CEOs operate on a very different timeline than everyone else. The pressure on our team to close top candidates is immense.”
2. Outside search firms can be used to do backchannel research on candidates an in-house team has selected.
  - This might be done on a retainer basis.
3. The best companies tend to make use of Human Resource Business Partners (HRBPs) to help set a hiring agenda and clarify criteria.
  - “One of the best investments you can make.”
4. The administrative demands are much greater than they are for outside recruiters.
5. Equity grants require particularly detailed planning.
  - Manage expectations with hiring managers. Tell them where they are in the pecking order relative to companies competing for the same talent.
  - Often search leaders will “pre-comp” by confirming with the board before a search starts that they have enough equity to land a top candidate.

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