

Calling All Head

Having just emerged from its worst, four-year slump, the global increasingly looking at the booming Indian economy for growth.

COME PLACEMENT season early next year, and the top business schools in India will play host to at least one unlikely recruiter: Korn Ferry, a global headhunting firm. Traditionally seen as an industry that could make do with accidental talent, headhunting, or executive search as it is more formally known, is getting serious about recruiting early on and nurturing top-class talent. It's easy to see why. As Indian companies go global, learning to play by global rules of not just marketing but corporate governance, executive search is no more about simply finding a willing candidate. The headhunter of today must consider a variety of factors ranging from the company's values and culture to ownership dynamics to future goals in order to draw up a list of attributes the candidate must have and then go out find one and, invariably, sell him the job. The other reason why the top search firms are getting their act together is the sheer growth in the Indian market. Says Sanjiv Sachar, Managing Partner: "When India talks, Egon Zehnder International listens."

He isn't exaggerating. While the Indian search market (for top management jobs) is a minuscule Rs 150 crore a year compared to America's \$4 billion (17,600 crore), it offers tremendous growth potential. For instance, over the last two years, the industry has been clipping at 48 per cent a year. Compare that

with what's happened globally in the search business. Between 2000 and 2003, it witnessed possibly its worst slump, brought on by a slowdown in the US economy. Revenues of top search firms shrank in double digits, average fee on mandates also dropped, and hundreds of consultants lost jobs. Things improved worldwide last year when revenue grew almost

SEEN THIS MAN?



XYZ Ltd, a BT 500 company, is looking for Mr John Doe of IIT Kharagpur, IIM-Ahmedabad, and Harvard Business School to take its billion-dollar division to new heights.

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GENEROUS REWARD.**

Hunters

executive search industry is

AMANPREET SINGH

20 per cent, with all the major regions (North America, Europe, and Asia-Pacific) posting consistent growth. But the search firms seem to have learnt an important lesson during the slump, and which is to focus on booming economies like India and China.

To be sure, some of the big global players like Egon and Korn Ferry (See *The Executive Search Bandwagon*) have been around in India for a decade now. But it's only now that the industry is witnessing a burst of activity. For one, firms like Spencer Stuart and Russell Reynolds are getting interested in India. For another, big companies seeking world-class managerial talent are also willing to pay world-class salaries. Therefore, with search for the employer becoming more expensive and crucial (according to an international research, inappropriate hiring can cost a company 24 to 40 times the candidate's annual salary), there's greater willingness to invest time and money in it. "Today, search mandates are being given out by op-



Egon's Managing Partner Sanjiv Sachar: When India talks, says Sachar, Egon Zehnder International listens

THE EXECUTIVE SEARCH BANDWAGON

A look at the top 10 search firms in India.

- **Accord Group India:** Founded by ABC Consultants' B.P. Agrawal, the search firm is affiliated to the Accord Group worldwide. In India, Accord has 20 consultants working on sectors such as consumer goods, retail, pharma, IT, media, and manufacturing.
- **Amrop Group:** This search firm started out in Delhi, and now operates out of Chennai and Mumbai, with four consultants, who focus on sectors such as manufacturing, technology, outsourcing, financial services, infrastructure and telecom.
- **Egon Zehnder International:** The top player in pure play CXO level search, Egon completes 10 years in India this year. It operates out of Mumbai and Delhi with 23 consultants, and has just added private equity to its roster of industries served.
- **Executive Access:** Hong Kong-based Executive Access set up shop in India in 1995, and is now looking at opening its sixth office in Hyderabad after the other metros. Boasts of 50 consultants, and has service lines covering a host of sectors including pharma, telecom, IT, financial services, and retail.
- **Gilbert Tweed Associates:** Set up in 1998 in Mumbai, it currently operates out of three offices, manned by 22 consultants. It has service lines in agro-processing, manufacturing, financial services, IT, and KPO. It's looking to expand into retail and biotech.
- **Heidrick & Struggles:** World #1, H&S came to India pretty late—in 2001. Its offices in Mumbai and Delhi have just five consultants covering sectors like aviation, financial services and real estate. It plans to hire consultants for media, consumer goods, and IT. Managing Partner: Arun Das Mahapatra.
- **Hunt Partners:** An international firm with just one office in India, Hunt was set up locally by a breakaway faction from Horton International. Its three consultants focus on banking, financial services, FMCG, telecom, and healthcare.
- **Korn Ferry International:** A top three player globally, Korn Ferry came to India a year before Egon did. It has offices in Mumbai and Gurgaon, and has 22 consultants, three of them recently hired for consumer markets, industrial markets and IT.
- **Stanton Chase:** Another global player, it's been in India for the last six years, and has 40 consultants catering to various industries such as pharma, financial services, IT, and manufacturing.
- **Transearch India:** Launched in 2004 by Atul Vohra and Uday Chawla after they broke away from Heidrick & Struggles, it has ramped up from 10 people in Gurgaon to 24, with offices in Mumbai and Bangalore. Media, automotive, and insurance are some of the industries it focusses on.

The listing is alphabetical



VIVAN MEHRA

(From left to right) Soumen Basu, Executive Chairman, Manpower India; Shiv Agrawal, CEO, ABC Consultants; Iain Herbertson, MD (Asia-Pacific), Manpower; and Tarun Bali, Executive Director, Manpower: Manpower goes shopping in India with ABC for opportunities in the direct staffing business

erational heads rather than HR heads,” notes Bipaschit Bose, CEO of Prospect. Adds R. Suresh, Managing Director, Stanton Chase India: “We are taking greater time to close deals and fee structures are becoming more complex.”

Fatter fees and more complex assignments have got the firms scrambling. The big guns of search are increasingly training their sights on cross-border work because even as Indian companies are going global, global companies are coming to India to set up operations, back-end or otherwise. In fact, global work (meaning a mandate that either originates abroad or is concluded abroad) already accounts for 30 per cent of Heidrick & Struggles’ India revenue. “IT, manufacturing, and pharma are the three sectors that are driving the industry’s global revenues,” says Arun Das Mahapatra, Managing Partner at Heidrick & Struggles. Stanton Chase, meanwhile, sees the Asia-Pacific region, where multi-ethnicity is a requirement, opening up for Indian professionals, and Egon claims to be doing a lot of repatriation work for companies in manufacturing and financial services.

With a variety of new industries arriving on the scene (private equity, retail, life sciences, KPOs are some of them), search firms are busy recruiting domain

specialists. Executive Access recently hired Rajiv Tewari, who’s done stints at Zee TV and *The Indian Express*, to head its newly set up media vertical. Egon is adding private equity to its portfolio of offerings, and Gilbert Tweed is looking at retail and biotech. Some are even offering niche services like recruiting independent directors (called board consulting in industry lingo), and often the consultant on the job is the managing partner himself. “The money in it is small because board members don’t get top dollar, and correspondingly we get paid less, but it has tremendous potential,” says Deepak Gupta, Country Head and Managing Director, Korn Ferry India.

The Opportunity Downstairs

Despite the boom, there’s just one problem with the search business. It will never be as big as the opportunity in middle or lower-level recruitment. For example, the largely unorganised business of mid-level recruitment is estimated at Rs 400 crore—that’s 2.5 times the size of search. What’s more, it’s growing at 50 per cent a year—a fact not unnoticed by global players. Early October, US-based Manpower Inc’s Indian subsidiary tied up with ABC Consultants to acquire the latter’s junior-to-mid-level placement business relating to IT, ITES



Stanton Chase India's R. Suresh: Stanton is looking at Asia-Pacific, where it says Indian managers are in great demand



RAMASWAMY

Korn Ferry India's Deepak Gupta: Board consulting is another thing Korn Ferry does in addition to executive search

and retail financial services. ABC, one of the oldest home-grown placement agencies, gets 26 per cent in the joint venture in return for transferring the Rs 20-crore worth of business to the joint venture. It will, however, continue to operate independent in its other verticals such as manufacturing, engineering, pharma, and media. "In India, we see tremendous growth in the direct hire (read: junior to mid-level hires) space, as quality has become increasingly important in countries banking on services," explains Soumen Basu, Executive Chairman of Manpower India.

Right at the bottom of recruitment food chain is the temping or contract staffing business. Unlike executive search, which is partner-driven and small-volume, staffing works like a recruitment factory—low profit margins, but high throughput. Most of the international staffing companies in India—be it Manpower, Vedior, Kelly Services or Adecco—have acquired local businesses to get a toehold in the market. For instance, Vedior entered via Ma Foi, Kelly Services through BTI Consultants, Adecco acquired PeopleOne, and Manpower bought ABC's direct hire business.

Today, the size of temporary workforce in India is estimated at about 100,000—a fraction of the

organised sector's 280 million headcount. Globally, say experts, 3 to 4 per cent of the work force comprises temporary workers. Therefore, with companies hiving off non-core activities, temping is expected to

grow by leaps and bounds in India. By some estimates, it could soar to 8 million by 2010. Because the temping agencies take on the role of an employer, companies find the deal very convenient—never mind that temping is still a regulatory grey area. "We greatly help in reducing frictional unemployment and also reduce attrition because of the organisational support," says Ashok Reddy, Managing Director, TeamLease, India's biggest temping firm. "We add liquidity to the labour market," adds Ajit Isaac, Managing Director (India and Middle East), Adecco PeopleOne.

As companies in India expand, the recruitment industry on the whole will continue to grow. The executive search firms will do more of cross-border and value-added work, while the direct staffing and temping agencies feed the service sector's hunger for workers. But whether the industry's heady growth is good enough to lure talent from India's top B-schools is something Korn Ferry's Gupta will soon find out. ■

THE TOP PLACEMENTS

Big-ticket mandates have now become commonplace in India Inc. Here's a sample:

Who: **S. Surya**
For Whom: **Infineon Technologies**
By Whom: **Russell Reynolds**
For How Much*: **Rs 3 crore**

Who: **Siddharth Pai**
For Whom: **Technology Partners Intl**
By Whom: **Hunt Partners**
For How Much*: **Rs 1.6 crore**

Who: **Dinesh Chandio**
For Whom: **Anil Dhirubhai Ambani Enterprise**
By Whom: **Stanton Chase**
For How Much*: **Rs 1.5 crore**

Who: **Neelam Dhawan**
For Whom: **Microsoft**
By Whom: **Egon Zehnder**
For How Much*: **Rs 1.5 crore**

Who: **Padma Ravichander**
For Whom: **Perot Systems**
By Whom: **Stanton Chase**
For How Much*: **Rs 1.3 crore**

*Indicates annual salary package Source: Industry estimates