



GATEDTALENT

Unintended consequences – Why GDPR could move executive careers into the slow lane around the globe

RESEARCH REPORT

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Executive summary

As an organisation dedicated to providing support and authoritative advice to the sector, GatedTalent has undertaken an investigation into what the introduction of GDPR could mean for the global executive search industry and the talented executives, professionals and leaders that it works with. Not just in terms of preparation and ongoing compliance, but also examining how firms might need a new approach to engaging with executive talent, whether there might be an erosion or even elimination of the pool of 'passive' targets and whether an unintended consequence of the legislation could be an increase in senior talent – the life blood of economies across the globe - missing out on crucial career moves.

Our key findings were as follows:

- Despite all the publicity about the introduction of GDPR it appears that far too few executives, professionals and business leaders are aware of the potential effect it could have on their career progression
- Even in the search sector there is no universal understanding that the effects of GDPR will be felt both within and outside the boundaries of the European Union
- Practically all of our respondents would expect a talented executive to hear from a search firm at least once a year and 32% would expect this to happen three to five times a year. However, there are widely held worries that interaction between talent and search firms will become more difficult post-GDPR
- Both the search industry and senior talent will need to take action to remedy this. If this does not happen then many of our best executives, professionals and business leaders could miss out on crucial career moves and all the benefits that go with them – for example, 69% of respondents estimate that an individual moved by a search firm enjoys a pay uplift of between 11% and 30%. And this needs to be communicated on a clear and unambiguous basis.
- A failure to engage effectively with both legacy and potential future talent could be disastrous for search firms which could see their contact databases shrink dramatically.
- However, GDPR could deliver significant commercial advantages to those recruiters that embrace it, as it could represent an opportunity to engage more closely with senior talent and access more accurate and up-to-date talent data on an ongoing basis.

Background

In our ever-more VUCA (volatile, uncertain, complex and ambiguous) world one almost hesitates to predict even the relatively near future. But unless something distinctly unforeseeable happens between now and then, in May 2018 the General Data Protection Regulation (GDPR) will come into force. New data privacy legislation generated by the European Union, its measures are designed to provide European citizens with a much greater degree of control over information about them that organisations of all types outside of law enforcement and national security collect and store.

Because the legislation has been produced by the EU and appears to focus on organisations and individuals within the Union (or shortly to be outside in the case of the UK), many outside its borders have simply ignored it. A recent survey conducted in the US by NTT, for example, suggested that three quarters of businesses there were doing so because they did not believe that the regulation would apply to them.

But this is, quite simply, wrong. Yes, the legislation obviously applies to organisations based in the EU, but it also applies to any company that does business with persons based in EU member states, no matter where that company may be located around the globe. And a failure to embrace and act on this could be distinctly painful, because the penalties for non-compliance are potentially draconian – a fine of up to €20 million or 4% of global turnover in the previous financial year, whichever is greater.

The effects of GDPR – on search firms and individual executives – might therefore have consequences right around the world. But exactly what will these be?

Methodology

To gather material for our investigation we surveyed over 350 leading search firms in Europe, North America, Latin America, the Asia Pacific region, the Middle East and Africa. We also conducted in-depth interviews with leaders at four international search consultancies and with a leading GDPR consultant as well as one of the top academics specialising in data protection issues. We would like to extend our thanks to Jens Friedrich of SpenglerFox, David Pierce Hallahan of Team Capital, Celeste Whatley of Transearch, Dr Bernd Prasuhn of Ward Howell, Helen Haddon of ComplyGDPR and Oyku Isik of Vlerick Business School for being so generous with both their time and their knowledge.



The Executive Search Sector and GDPR – Ready and Waiting? Or Head Firmly In The Sand?

Our research suggests that there is increasing awareness of the potential impact of GDPR on the executive search sector. Because firms in the industry are used to collecting, storing and, perhaps crucially, updating information on a regular basis, most appear to have noted the impending legislation at a relatively early stage. And because their business is increasingly cross-border – respondents volunteered that anything between 50 and 100% of their searches comprised at least some international element – they are much less ‘parochial’ in their attitudes to GDPR than their peers in some other sectors. Dr Bernd Prasuhn of Ward Howell, for example, had already identified that there was a danger that legislation could lead to an increase in cases against search firms, not just in the European Union area itself, but also in such litigious jurisdictions as the US.

However, according to Helen Haddon of ComplyGDPR, this awareness has not necessarily translated into the necessary action.

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Firms are having to allocate resources – buying in legal advice, entering into a lot of IT spend. But too many haven’t got a budget, haven’t got a resourcing plan and time is ticking. And the other problem is that, because this is a completely new regulation, there’s no case law to interpret it so people don’t necessarily understand yet what it will really mean for their business. There are firms out there, for example, which believe that they might have to delete their entire database. But, one thing is certain – there are going to be a lot more people asking to see their data and being a lot savvier about what is happening to that data. And very few search firms are currently geared up to dealing with that level of scrutiny.

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Perhaps Not Just A Challenge, But Also A Business Opportunity

Almost all the search firm representatives we spoke to seemed to realise that the implications of the introduction of GDPR went well beyond the need to manage data more effectively and in a more regulated way. Celeste Whatley of Transearch, for example, believes that the new measure will call for a significant change of culture within search specialists. “This will go way beyond just putting a technology solution in place because it actually impacts the culture of your firm,” she says. “It will foster a culture of data confidence which is huge thing in having respect for all the data that we have, no matter who it concerns. To take that level of seriousness is just common sense.”

However, while this idea of culture change may, at first, appear daunting, a number of our respondents believed that it could also tease out real business opportunities from all the apparent problems that GDPR seemed to throw up. “GDPR could end up delivering a closer, tighter relationship with your stakeholders, who are, in essence, giving their consent for you to hold and manage their data,” says David Pierce Hallahan of Team Capital. “And if these relationships are based upon quality and best practice then this can only be very positive for the profession. But this will all be based upon managing consent. And we consequently see the need for solutions that are secure, comprehensive, long-lasting and adaptable to change and growth.”

And it’s not just members of the industry that are identifying opportunities within GDPR, some of the leading academics in the data management field are seeing them too. “A lot of organisations are focusing on how to keep ‘business as usual’ but also remaining compliant,” says Oyku Isik, a specialist in information systems management at Vlerick Business School, “but that’s the wrong way of thinking. It would be much more beneficial to view GDPR as a catalyst to identify where a data driven organisation wants to be in five years’ time, so using it as a springboard for change, an opportunity rather than a hurdle. And remember that, if a search firm pursues transparency and control over data relating to professionals they will be on the way to building a genuinely trustworthy organisation. One that a senior executive will be more likely to trust with their data throughout their career.”

How To Lose Great Talent Without Really Trying

Few, if any, search specialists appeared to have definite clarity about what they could and could not do under the new regulation. Many respondents used the language of uncertainty in their replies, suggesting what senior talent 'might' have to or 'will very likely' have to do. Consequently many were still in an information gathering phase like SpenglerFox, whose Jens Friedrich talked of "...preparing for the new legislation by subscribing to the Information Commissioner's Office webinars to ensure we keep ourselves updated. We've also invited speakers to our own events to talk to our staff and our community and have put together a project team to review our own database and ensure that there are policies put in place to achieve full compliance."

Others seemed to be hoping that there might be more flexibility to the regulation than there at first appeared. "Be as accommodating as possible," said one respondent, "but don't let compliance get in the way of commercial outcomes that are in all parties' interests."

However, what was very clear from the research was that search firms around the globe are very concerned about how to engage re data management, not just from those individuals they are currently working with – but from those they may wish to work with in the future: the so called 'passive candidates' that make up the vital talent pools and pipelines of tomorrow.

Across the world there appears to be worries that GDPR could mean some of the best senior executive talent could, in effect, 'disappear' either because of a reluctance to give consent to the holding of data or plain inertia. Although one search specialist simply said that executives should "...comply with requests for consent to hold data" and another that they ought to "...give the necessary consent efficiently when asked to do so", others believed that this might not be quite so straightforward in practice. As one respondent in this camp put it, "Most senior executives – the ones we really want to be talking to – are too busy working to spend their time engaging with search firms." And, in the words of another, "I just don't think that these individuals are fully aware of the impact GDPR is going to have on them." While Bernd Prasuhn of Ward Howell pointed out that, "Top end people, particularly those in their fifties or sixties, aren't keen to have lots of connections because they just don't see them as relevant to them." Some of the more veteran respondents took the view that, whatever the challenges GDPR threw up, they would be able to deal with them because they did not rely on data in quite the same way as their successors. "A good search consultant will always find the right people," said one. "It's all about good sourcing calls, not searching LinkedIn. As someone who started their search career in the early 90s with no email, no internet, no database, I don't see this as an issue, but the millennials will probably struggle as they are over-reliant on devices." However this ignores the fact that it is likely that all information, whether held digitally or in the traditional 'little black book' could fall under the strictures of GDPR.

However, the majority of those taking part in the survey appeared to believe that successfully negotiating the GDPR minefield would require two key things. First, data management systems that would combine robust compliance and simplicity. And second, and every bit as important, a sustained campaign to change the thinking of senior talent, to develop a mind-set where even the most senior and successful executive saw the benefit of developing and maintaining a personal brand and of engaging with the right search firms as part of this. As David Pierce Hallahan of Team Capital outlined it, “We need to be seen as a natural, long-term business partner in the same roster as someone’s lawyer or professional financial adviser.” But how can this be achieved?



Getting The Message Across

Effective messaging that communicates the value that engaging with a search firm (and consequently allowing it to hold and update relevant personal information) will be vital. And, in the modern world of noise and limited attention spans, it will need to focus on the loss of career advancement that can result from becoming harder to find. Because, as Ward Howell’s Prasuhn sums it up, “If you want it to make it to C-level you have to be on the radar of one of the relevant search firms. Otherwise it’s just not going to happen.”

And this message can also be contextualised by a little rough, but hopefully justifiable, arithmetic.

As part of our survey, we asked the search firms working around the globe how many times they would expect an executive to make a significant career move and the average answer was five with around two of these being the result of an external search.

We also asked them how much of a pay uplift someone sourced by a search firm for a new role could expect. The great majority of respondents – 69% - came up with a bracket of between 11% and 30% of salary.

Now, if you'll bear with us on this, let's take a hypothetical executive from a recent piece of pay research, a VP of finance in a publicly quoted company, who according to Grant Thornton's Financial Executive Compensation Report 2017, would be earning an average of \$191,988 per annum. If this individual made the identified two 'headhunt' moves identified by the poll at just the mid-point of the 11-30% range – 20% - then their resultant salary would be \$276,462. Which, of course, means that if they dropped off the radar of search firms post-GDPR they would stand to lose \$84,474 in senior career earnings. A calculation which, despite not being as robust as the proverbial rocket science, could be applied to any market or area of expertise and might get many an executive to take at least some action to engage. Particularly if that engagement process and authorisation of the use of personal data is made as easy, yet as professionally reassuring, as possible.

Conclusions for search firms

GDPR, like winter in 'Game of Thrones', is coming. And in some quarters of the search industry it seems to be generating just as much dread.

However, although our research found a degree of confusion about what GDPR will come to mean in practice, it also established that search professionals believe successful coping mechanisms will be developed by firms and their support partners, which may even turn the new regulation regime into a business opportunity for those that embrace the necessary changes, enhancing their professional reputations and forging even stronger relationships with target talent.

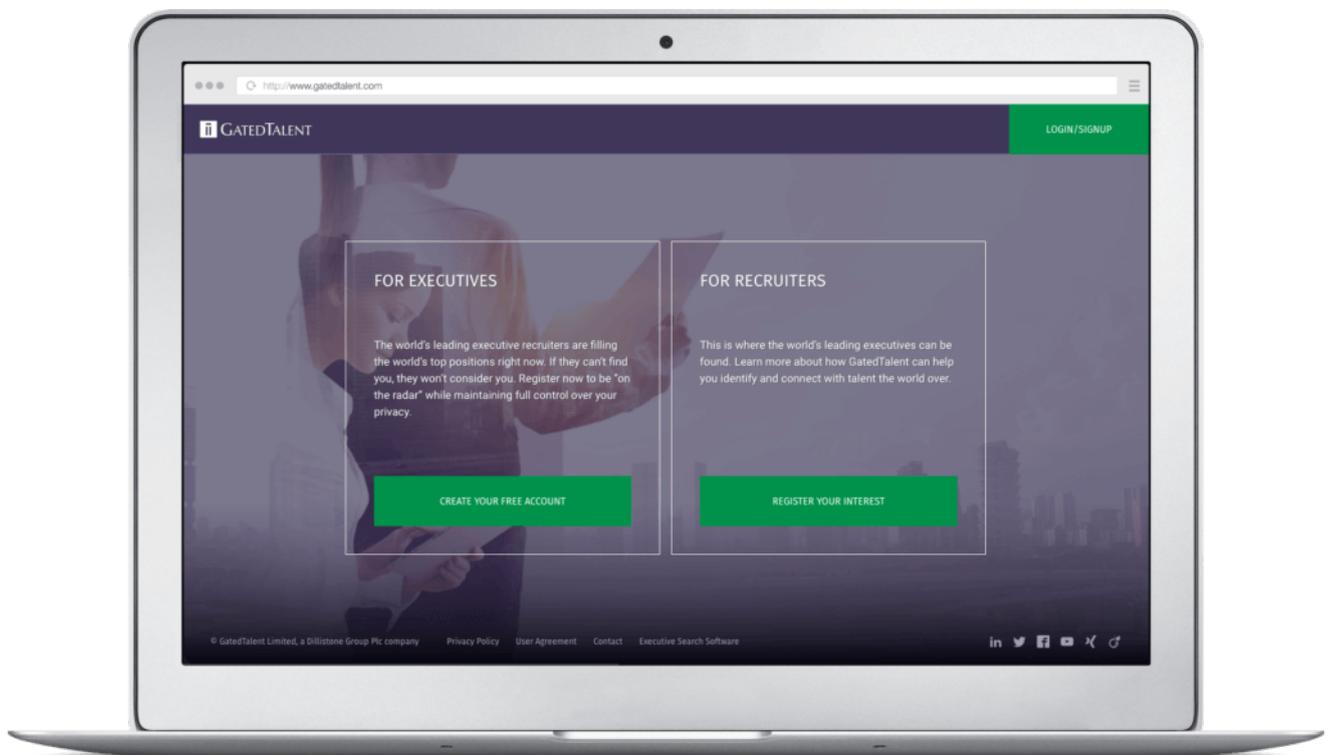
In summary, our key findings were:

1. There is still not universal awareness in the search sector that the effects of GDPR will be felt, not just within, but also outside the boundaries of the European Union after May 2018
2. There are distinct fears among search professionals around the world that the new rules about the management of personal data on individuals may make talent harder to find and that 'passive candidates' in particular may become even more elusive than before
3. The new regulatory regime will not just call for an improvement in systems, but potentially a significant change in culture to embrace the change rather than just accept it
4. The management of personal data under the new regulation will call for systems and processes, which, while robustly compliant, are also simple, iterative, yet reassuring for individuals to use
5. The need to make contact with executives – be it to request consent or to inform on the basis of a 'Legitimate Interest' - creates an opportunity for the search firms to simultaneously refresh legacy data.
6. It is largely assumed that simply expecting senior talent to give consent, particularly that talent which is in a 'passive' career state, is unrealistic. Instead, talent needs to be convinced that any effort it makes in this area is actually in its own direct interests
7. Those firms that can tackle the challenges that GDPR is posing have the opportunity to secure a distinct commercial advantage by becoming a natural member of the roster of professional advisers, such as lawyers, accountants and financial advisers, that any high achieving executive would expect to maintain. And this needs to be communicated in clear and unambiguous terms.
8. A failure to engage effectively with both legacy and potential future talent could be disastrous for search firms which could see their contact databases shrink dramatically.
9. However, GDPR could deliver significant commercial advantages to those recruiters that embrace it, as it could represent an opportunity to engage more closely with senior talent and access more accurate and up-to-date talent data on an ongoing basis.

About GatedTalent

GatedTalent is a new service from Dillistone Group, the global leader in technology solutions for the recruitment industry, which helps executive recruiters manage GDPR (General Data Protection Regulation) compliance in an efficient and secure manner. The service also provides an easy to use platform for legalising and updating legacy data by enabling executives and professionals to select which recruiters to keep in touch with and to optimise those relationships by always keeping their profiles up to date, consequently delivering genuinely valuable search information.

For more information about GatedTalent visit www.gatedtalent.com or email info@gatedtalent.com.





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