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From humble acorns

JANE SIMMS CHARTS THE RISE OF SEVERAL BOUTIQUE EXECUTIVE SEARCH FIRMS INTO THE INTERNATIONAL AND INFLUENTIAL ORGANIZATIONS THEY ARE TODAY

Over the past five years, many small and medium-sized executive search firms specialising in high-level financial services have enjoyed significant international growth. This reflects the expansion of their investment bank clients into new - and particularly emerging - geographical markets. Particular areas of growth include Russia, Central and Eastern Europe, China, India and the Middle East.

"We have to mirror the expansion of our clients. If senior bankers are there, we have to be there," says Susie Hall, Training and Development Manager at Principal Search.

"Being there' can mean different things. While some firms set up offices in some of these new locations, others choose to service them from London. Principal Search, for example, services all of Europe, including Russia, the Czech Republic and Kazakhstan, from its European desk in London with extensive travelling. However, it also has an office in Dubai, and intends to build it up.

"We really need to be in Dubai, because of the enormous volume of business," explains Hall. "We are currently assessing the best way to tap into the

Asian market, with a view to setting up an office in either Hong Kong or Singapore to serve those markets as well as adjacent markets like India and China."

Shaun Springer, Chief Executive of Napier Scott, doesn't feel the need to open offices abroad, commenting: "We wouldn't consider opening a satellite office in Dubai or Moscow, because the candidate pool is as big here as it is out there. Clients often want people based in London or Paris, but who will fly to the region five or six times a year. We have large Russian and Middle East desks, but handle those assignments out of London. It's a conscious decision, and we re-evaluate it annually, but at the moment our clients want us to have operations here rather than there."

Springer also believes that the more international offices you have, the greater the scope for miscommunication, lack of co-operation and intra-firm competition. He explains: "An office in Frankfurt might not want to share a great client with the London office if it can keep it for itself. We have won as many mandates for being London-based as we've lost for not having a local office."

But it's clearly horses for courses. Sheffield Howarth has been pursuing a bold international

strategy since 2003 when it opened an office in Hong Kong. The Hong Kong business now has 15 staff, while the firm also has three people in Dubai, eight in India (split between Mumbai and Delhi), three in Tokyo and 21 in New York.

"You can serve continental Europe from London very easily; we do it very successfully. If it's further afield you have to know the local market," says Chief Executive Tim Sheffield. "Having 21 people in New York gives us great reach and understanding and access to candidates in the US - far more so than people who try to do it from the UK."

The growth of JBS Associates, which has doubled its turnover and staff numbers every year since 2001, owes much to its strategy of opening offices in the territories it serves. The firm had one London office in 2001, and has since opened offices in Moscow, Zurich, Dubai and London, with two more international offices due to open this year.

Managing Director Jonathan Stokes explains: "Our main success has come from focusing on some specific sectors such as financial services, legal, commercial and industrial, and interim management. To achieve this we put in dedicated Experienced staff to manage those sectors, on the

ground, in the territories we serve. The particular success we have enjoyed in fulfilling client assignments in emerging markets stems from our ability to immerse ourselves in markets and sectors."

Sheffield believes that staying local is not an option for search firms operating in sectors that are expanding globally. "You become less attractive to financial services clients if you lack international search," he says. Yet, as he points out, international expansion not only involves lots of hard work and investment in things like technology, training, communication and marketing, but also increases a firm's risks.

One of the biggest risks is undermining the firm's reputation by hiring consultants in new markets who don't cut the mustard. Indeed, finding the right calibre staff is one of the biggest brakes on growth.

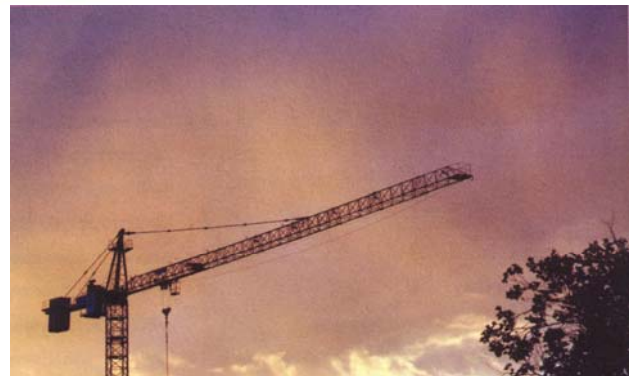
The war for talent means finding the right people is always a challenge, but that challenge is

magnified in the international sphere. Sheffield Howarth tries to grow its own talent, and has a highly-regarded training and development programme. Giving its staff international experience is at once a way of enhancing their training and development, reducing the risk of hiring 'unknown quantities' and helping to counter the war for consultant talent in emerging markets.

Sheffield explains: "We give them a good grounding in our core offices, and then encourage them out of their comfort zone by putting them into an international role. But it is important to combine this with local knowledge and understanding of local cultures, so we also hire consultants in the local market who we are sure have the right experience, attitude and cultural fit."

Some firms prefer to stick to hiring experienced search consultants, but others widen their recruitment net to senior financial services professionals and even, in the case of Global Sage, former financial journalists.

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"It is a challenge to recruit the best consultant talent for our specialised industry niche," admits CEO John Wright. "Global Sage has been very successful in developing our consultant staff through a combination of experienced former bankers paired with professionals with strong research skills, such as former journalists. Our firm is extremely multicultural, and successful professionals at Global Sage have both a passion for financial and international markets and the willingness to co-operate through teamwork to build superior market intelligence."

Unsurprisingly, the boutique bosses believe that their firms can compete with the big boys on the international stage.

Hall comments "Our unique selling point is the depth and quality of our research and our market knowledge. We have profiles of many of the senior practitioners in our market, based on having mapped their progress and maintained relationships with some of them for ten years. Unlike the large multi-national firms our consultants are highly specialised, servicing a small number of clients in a focused area."

Another advantage the specialists have over the generalists is the calibre of staff working on client assignments. As Stokes points out: "Clients get a much more intimate senior-level relationship than they are likely to receive from the

larger consultancies."

The specialists also work hard to counter the potential for competition between different offices around the world, which is rife among the full-service agencies. Sheffield Howarth, for example, has invested in a global database management system, which gives all offices access to all global candidates. At Principal Search, members of any given product team, wherever in the world they sit, have team calls once or twice a week, and everyone is copied in on all communications.

At JBS Associates, Stokes believes that the 25% equity stake staff have in the firm, linking their remuneration to the company's profits, is "key to combating the competitiveness of recruitment within our own business". This is reinforced by training, development and mentoring to ensure that staff provide consistent levels of service and experience to clients wherever in the world they are.

Perhaps the biggest challenge to these firms' global ambitions is the current economic slowdown. Whether or not we go into recession, financial services companies are in the front line, and the credit squeeze has made them jittery; the jitters lead to hiring freezes. While geographical spread can help to balance the risk, financial services is a global industry, and shocks in one market quickly affect another.

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THE SUNDAY TIMES

FINANCIAL SERVICES TOP SMALL FIRMS

Market share net fee income 2006/07 (under 20 Consultants)

2006	2007	Firm	Market share (%)
4	1	PRINCIPAL SEARCH LTD	3.7
1	2	SHEFFIELD HAWORTH LTD	3.4
2	3	HOGARTH DAVIES LLOYD	3.3
5	4	BLACKWOOD GROUP	2.5
7	5=	GLOBAL SAGE LTD	2.3
10	5=	MICHELANGELO ASSOCIATES	2.3
NEW	7=	KINSEY ALLEN CONSULTING	2.2
3	7=	ROSE PARTNERSHIP	2.2
6	9	SAINTY HIRD & PARTNERS LTD	2.1
11=	10	PELHAM INTERNATIONAL LTD	2.0
11=	11=	SAMMONS ASSOCIATES	1.9
NEW	11=	NAPIER SCOTT	1.9

Copyright: Executive Grapevine International Limited 2007. Source: Net Fee Income from Financial Services assignments based on 160 firms predominantly working on assignments of £100k with less than 20 consultants April 2006 - March 2007. NEW: Firms not appearing in this table 2006.

They have international reach attracting the widest possible talent pool, are more specialised than the large multi-sector players and can provide more flexibility in terms of fees and search process

SMALL FIRMS

The financial Services sector is unique in that the mixture of larger international firms and smaller boutiques is fairly even. As is the balance of power. The boutiques are more influential in FS than in any other area, with the top 12 generating a considerable 29.6% of the total NFI in this sector. This is due to several factors, but the main one is the amount of revenue available - far and away the biggest users of search, FS accounts for 45.5% of the market. As well as the demand, it is also a very diverse sector, making it profitable for a firm to concentrate on one product area. Tim Sheffield, Chief Executive of Sheffield Haworth explains: "Some of the larger boutiques now offer a truly global presence which gives clients the best of both worlds. They have international reach attracting the widest possible talent pool, are more specialised than the large multi-sector players and can provide more flexibility in terms of fees and search process."

MARKET SHARE

The top placed boutique this year is Principal Search, who have accrued a 3.7% market share. Susie Hall, Head of Research comments: "We are continually investing in our business by

developing our research capability, adding specialist consultants where appropriate and deepening our sector knowledge. This allows us a much quicker response time for our clients as we know these markets intimately and have been tracking top talent within them for ten years. The relationships we can develop with both our clients and candidates is of a much higher quality than it would be if we attempted to cover too many sectors and dilute the concentration.

"We have seen continuous growth in the number of searches this year. They have been especially prevalent in the emerging markets - MENA in particular - and the continued boom in the commodity markets is also fuelling further hiring."

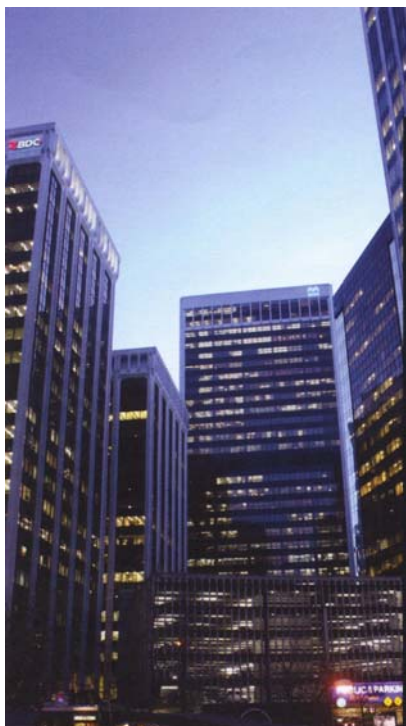
Sheffield Haworth appear second in this table with a 3.4% share, losing 0.4% to firms lower down the ranking. As in several of the other sectors, the market share between firms is becoming more evenly spread out as boutiques not mentioned here take advantage of the buoyant conditions to gain business from the bigger names.

Michelangelo Associates have moved up five places with 2.3%, joining Global Sage in equal fifth place, while Rose Partnership drop 1% to finish equal seventh with Kinsey Allen Consulting.



THE SUNDAY TIMES

Top 20 Small Firms



TOP 20 SMALL FIRMS

2006	2007	Firm	Market share (%)
1	1	BLACKWOOD GROUP	3.3
6	2	PRINCIPAL SEARCH LTD	3.1
2	3	SHEFFIELD HAWORTH LTD	2.9
3	4	HOGARTH DAVIES LLOYD	2.8
10	5	SAXTON BAMPFYLDE HEVER	2.4
9	6=	SAINTY HIRD & PARTNERS LTD	2.0
7	6=	THE MILES PARTNERSHIP	2.0
12	8=	GLOBAL SAGE LTD	1.9
17=	8=	MICHELANGELO ASSOCIATES	1.9
11	8=	THE ZYGOS PARTNERSHIP*	1.9
NEW	11	KINSEY ALLEN CONSULTING	1.8
4	11	ROSE PARTNERSHIP	1.8
17=	13	PELHAM INTERNATIONAL LTD	1.7
19=	14=	SAMMONS ASSOCIATES	1.6
NEW	14=	NAPIER SCOTT	1.6
15=	16=	THE CURZON PARTNERSHIP LLP	1.5
15=	16=	ELLIOTT ROSS	1.5
19=	18=	STEPHEN RABY ASSOCIATES	1.4
NEW	18=	JCA GROUP	1.4
NEW	18=	OPTIONS GROUP UK LTD	1.4

Top 20 small executive recruitment firms by market share of net fee income 2006/07

Copyright: Executive Grapevine International Limited 2007. Source: Net Fee Income from recruitment activity based on 160 firms predominantly working on assignments > £100k with less than 20 consultants April 2006 - March 2007. NEW: Firms not appearing in this table 2006. *: Estimate

One of the most unique characteristics of the executive search market is the co-existence of smaller highly specialised search firms, often known as 'boutiques' alongside their larger global counterparts. Boutiques here are defined as having less than 20 consultants who operate either as specialist functional or industry players, or, in a small number of cases are a collection of industry specialists who have grouped together to form a partnership.

It is hard to ignore the continued dominance of those boutiques that focus on Financial Services (FS). Fifteen of the top 20 firms generate more than half their Net Fee Income from this sector, and 13 of the top 20 are dedicated FS providers.

The unmistakable trend this year is the surge in market share controlled by the top 20 boutique firms. A rise of nearly 3% to 40.3% (2006 – 37.5%, 2005 – 23.3%) represents the third year of growth from this group.

Blackwood remain top with an increased market share of 3.3% (2006 – 2.9%) closely followed by Principal Search at 3.1% who have moved up from sixth place last year, partly due to the growth in the Emerging Markets sector. Sheffield Haworth and Hogarth Davies Lloyds retain their relative positions of third and fourth, with little to choose between these firms in terms of NFI. Saxton Bampfylde Hever move up five places to tenth, whilst Sainty Hird & Partners move up three places to sixth (2006 – ninth).

Overall, the table reveals some significant change in the FS market. There are three new entrants, Kinsey Allen, Napier Scott and the Options Group, and 10 of the remaining 12 FS

boutique firms increased their market share. This is a reflection of the buoyant FS market which has increased the overall number of assignments to bid for. Also some firms have grown faster than others, and the market is one in which clients are prepared to switch away from existing providers. Only The Rose Partnership lost share and fell to 11th (2006, 4th).

The fourth new entrant in the table is the JCA Group who specialize in Board level search. They are one of only a handful of boutique firms achieving critical mass outside the FS Sector. Others include The Zygos Partnership, The Curzon Partnership, Saxton Bampfylde Hever and The Miles Partnership.

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