ANALYSING & CRITICALLY EVALUATING SPENCER STUART'S COMPANY STRATEGY

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1. INTRODUCTION

In today's increasingly global and competitive business environment where turbulent change, risk, and uncertainty play role in all aspects of a company's decision-making, it is harder than ever for companies to succeed (Kotler and Caslione, 2009). The ever-increasing globalisation, which is rapidly accelerated by changes in technologies such as the Internet, gives rise to new opportunities, but requires companies to constantly monitor and adjust to changing circumstances (Hillis, 2006). Therefore, in order to remain competitive, businesses need to adjust their conduct with their environment (Kotler and Caslione, 2009) for which they need a responsive business strategy (Johnson, Scholes and Whittington, 2008).

This paper identifies and critically evaluates strategic techniques of a global executive search company, Spencer Stuart. It concludes with a suggestion of most appropriate strategic techniques that the company could use in the future while proposing how these should be implemented.

2. BACKGROUND INFORMATION

2.1. THE COMPANY - OVERVIEW

Spencer Stuart is one of the world's leading executive search consulting firms. Established in 1956, the company applies its knowledge of industries, functions and talents to advise its clients (ranging from major multinationals to emerging companies to nonprofit organisations) on how to address their leadership requirements. Spencer Stuart's consultants specialise on senior-level executive searches, board director appointments, succession planning, and in-depth senior executive management assessments through 53 offices in 29 countries and a broad range of practise groups. The company has over 1,250 personnel of whom almost 300 are consultants (Spencer Stuart, 2012).

Similarly to the model of the 'Big Fours' in other more generally known industries such as the financial or legal advisory, the company is one of the top players in the area of executive search globally – right next to its key competitors Korn / Ferry International, Heidrick & Struggles, Russell Reynolds Associates and Egon Zehender (depending on the region).

2.2. EXECUTIVE SEARCH MARKET

2.2.1. OVERVIEW

The history of the executive search industry stretches to the end of World War II. Since then it has grown into a global consulting industry with annual revenues of over \$10 billion (AESC, 2009). Over the past 50 years the development of executive search has been closely linked to the market, and therefore has paralleled major trends in business, organisations, and socio-economic developments. With the increase of international trade and consequent globalisation, markets became increasingly competitive resulting in a greater need for experienced executives, who now realise that they might achieve more rapid career growth outside their alma mater (AESC, 2009). Today, internal HR departments focus on lower ranks recruitment; companies therefore seek to outsource the knowledge and art of finding the best possible solutions.

Search for emerging market leaders in countries such as the CEE has become particularly strong. On top of standard executive search services, the industry is creating new forms of revenue through other leadership consulting services such as board placement and succession planning (AESC, 2009).

2.2.2 MARKET COMPARISON

2.2.2.1. GLOBAL RETAINED EXECUTIVE SEARCH REVENUES 1978-2009

With increasing globalisation resulting in major demographic shifts, looming in the western countries as the baby boomers retire, and increasing demands from emerging markets, the 'War for Talent' predicted by McKinsey & Company some thirteen years ago has clearly arrived (AESC, 2009). This explains the almost 120% increase in global demand for executive search services from 2004 to 2008 (see Figure 1).

In 2009, global retained executive search industry revenues fell by 32.5% compared to 2008 year-end figures, giving the industry an estimated \$7.43 BN worth in 2009. Regardless of the economic crises considerably impacting the industry, annual revenue comparisons showed 2009 as the sixth year best-on-record; placing the strength of a consulting profession in a critical demand (AESC, 2010).

Figure 1.: Source: AESC, State of the Executive Search Industry Report, Q4 2009 & Year-End Summary.

2.2.2.2 MARKET SHARE BY REGION, YEAR-ON-YEAR TREND: Q3 2010 TO Q3 2011

The executive search market in North America is more concentrated than in other continents (see Figure 2). The worldwide demand for executive search services has however significantly increased and it is now gaining greater market share in new regions such as Asia/Pacific and Latin America (AESC, 2011).

Figure 2.: Source: AESC, State of the Executive Search Industry Q3 2011.

2.2.2.3. MARKET BREAKDOWN BY INDUSTRY, YEAR-ON-YEAR TREND: Q3 2010 TO Q3 2011

Figure 3.: Source: AESC, State of the Executive Search Industry Q3 2011.

2.3. DEVELOPMENT TRENDS

Although it was expected that the global economic crises should have a negative impact on the industry, the underlying trends of globalisation and the talent shortage persist, which bodes well for the long-term future of the industry.

3. ROLE OF STRATEGY IN CHANGING BUSINESS ENVIRONMENTS

According to Johnson, Scholes & Whittington (2008) strategy is "the direction and scope of an organisation over the long-term: which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations."

Although the above statement is fundamentally correct, Reeves and Deimler suggest that the "the long-term" part of the statement is no longer applicable to modern business environment which creates a new level of uncertainty and unpredictability. This uncertainty, according to Reeves and Deimler, cannot be approached by traditional strategies based on market assumptions and traditional forecasting activities. They argue that strategy requires some level of prediction for which relatively stable and predictable environment is necessary – the logic of strategy planning in a traditional sense of the word is therefore impossible to apply in an unpredictable environment (Reeves and Deimler, 2011). Although modern companies still tend to plan for the short-term and tend to review their strategies on periodic basis, this, according to the writers, is still being done with industry analysis and forecasts in mind – but given the ever increasing uncertainty, the expectations and clearly set strategies might become rather limiting as they tend to restrict the business leaders.

Although the executive search insiders tend to suggest that the executive search market still remains, in comparison to other industries, pretty conservative and traditional market approach tends to be the most fruitful (Meloun, 2012). Reeves and Daimler's research (2011) suggests that businesses will be increasingly pressured to change in accordance with their environments. Companies should therefore constantly monitor and read the signals of change, search for hidden relationships and act responsively (Reeves and Daimler, 2011), in order to do this well, they should remain more flexible, decentralised and able to operate naturally (Morgan, 2005).

Although the above-mentioned point appears to be valid, given the ever-increasing pace of change in the modern business environment, it is necessary to analyse and act accordingly almost immediately. Kotler and Caslione (2009) confirm this and say that "speed is crucial to take advantage of opportunities and respond to counterattack competitors." Reeves and Daimler further suggest that a truly competitive company should be able to experiment with new approaches, structures, business models and processes as well as strategies (2011, p. 6). An innovative and open attitude to the constantly changing market is necessary.

Kotler and Caslione (2009) have suggested that in today's increasingly interconnected world any change has a "Butterfly Effect", a change in any area of the human environment causes a chain reaction throughout the whole society and its environments. The dynamic changes will therefore directly or indirectly impact upon the organization and in turn the organization will be pressured to respond accordingly. This idea was also suggested by Morgan (2005), who proposed that companies living like organisms that constantly evolve in line with their environments have a better chance to succeed in a highly competitive market place. Reeves and Deimler indirectly support the idea stating that companies should live in harmony with their "ecosystems" (co-existent or somehow co-existent companies). Companies should therefore manage their "complex multi-company systems" to keep their "ecosystems" functioning. In order to do this well, the company must "think beyond its own boundaries" (Reeves and Deimler, 2011). These ecosystems may not only be competitors, customers or suppliers, but also environments that can be somehow relevant to a given sector.

The last point Reeves and Daimler highlighted in their 2011 study focuses on the role of motivating partners and employees. According to the writers, organisations “need to create environments that encourage the knowledge flow, diversity, autonomy, risk taking, sharing and flexibility on which the adaption thrives” (Reeves and Daimler, 2011, p. 8). In order to do so, companies need to create more fluid and adaptive structures that drive decision-making into the front lines. This idea is in line with Kotler and Caslione (2009) or Porter and Siegel (1965) who believe that breaking companies into smaller and flatter structures can increase the pace of responses to the market changes and developments.

THE NEW ART OF KEEPING UP. ADAPTABLE STRATEGY AS THE NEW COMPETITIVE ADVANTAGE.	
READ & ACT	on signals of change
EXPERIMENT	rapidly & frequently: new services, business models & strategies
MANAGE	complex & interconnected systems of multiple stakeholders
MOTIVATE	both employees & partners

4. THE COMPANY STRATEGY

4.1. SPENCER STUART CORPORATE STRATEGY

Spencer Stuart bases most of its strategy on its image and constant sharpening of its reputation. It is apparent that the company places immense emphasis on articulating what the Spencer Stuart brand stands for in the marketplace – across each country in which the company operates, as well as all its industry practises. This task is not only about logos or colours or having a clever theme line, rather it is a strategic and pragmatic set of actions designed to determine how the company could most effectively position itself to attract, win, and retain the best clients.

Spencer Stuart based its current strategy on a considerable client research in multiple countries, talking with senior executives to find the intersection between what they really value most and what makes Spencer Stuart distinctive when the company is delivering its best work. The result was not a new slogan, but a strategic proposition that provided a clearer picture of how the company should be positioning and differentiating itself.

The strategy conveyed Spencer Stuart's brand positioning and highlighted the real behaviours that, if consistently delivered, could make the company more distinctive and compelling to clients. More importantly, it was not a new and unexpected direction; the result of the study suggested that it rather captured the company at its best.

As is the case in most professional service situations, the above articulated brand positioning is not an approach that only one firm could successfully adopt. Not unlike other experiential businesses, from management consulting to luxury hotels, the bigger issue is however whether its employees are sufficiently committed and disciplined to “out-execute” competitors in a superior and consistent way. Spencer Stuart has recognised the need to embrace its direction not only through claims on their website and other promotional material, but has constantly strove to deliver it through its employees' behaviours and the quality of their work. Despite the somewhat transactional, entrepreneurial, and dispersed nature of the business, all worldwide offices remain remarkably interdependent from a brand perspective. Spencer Stuart has therefore placed immense emphasis on the quality of its work and behaviour in one executive search market or practise that have real impact on its collective reputation.

The strategy is being constantly reviewed and adjusted based on the results of the clients' annual satisfaction surveys. The strategy is clearly communicated to all Spencer Stuart employees who are constantly invited to share their ideas regarding possible improvements.

4.2. ANALYSIS EVALUATION

ADVANTAGES	DISADVANTAGES
<p>Based on real data gained from close co-operation with the client from various markets and across multiple regions</p> <p>Clearly stated and communicated to all Spencer Stuart employees</p> <p>Constant feedback from the client and adjustments to the strategy and actions as required</p> <p>Constant feedback from the employees</p> <p>Commitment to quality</p>	<p>Often uncompetitive cost structure</p> <p>Possible communication barriers between different European countries</p> <p>Not all clients in all markets understand the product which limits the flexibility to change the company's approach in developing markets</p> <p>Standardisation of systems and procedures across borders and educating clients as well as candidates are time consuming and costly</p>

COMMITMENT TO QUALITY

Figure 4: Source: Spencer Stuart Presentation: Commitment to Quality.

4.2.1. CLIENTS

In the light of Kotler's and Caslione's argument that the customer is no longer just a "passive agent in the marketing process" (2009), Spencer Stuart strives to involve its clients in the development of its strategy; it is interested in their feedback and is prepared to act on the outcomes of the process. This suggests that the company is market-focused making the majority of its decisions with their customers in mind. Its competitive advantage is directly reflected in the speed in which it can respond to the market changes and changes in its clients' preferences.

4.2.2. EMPLOYEES

The company places emphasis on its employees, which is clear from its actions such as communication and openness towards employees' feedback. It is therefore reasonable to assume that the company recognises the value of its employees and manages them as its greatest asset. The employees are specialists and are treated as such – they are constantly inspired to make creative and intelligent contributions that improve the company's processes. This has been recognised for instance by Bolman & Deal (1997) as one of the key conditions of a successful modern organisation.

4.2.3. STRUCTURE AND CULTURE

Although the structure of Spencer Stuart is considerably flat and teams are created flexibly according to requirements of any individual assignment, it is apparent that the company is growing into a corporation and therefore becoming more rigid. For instance, not all rules developed in sophisticated markets may be applicable to developing countries. Requirements of the company such as "third party sourcing" (taking references from senior managers about their colleagues who have not yet confirmed their interest in a career move) may in developing countries cause issues (e.g. threaten the position of the candidate in his current company), as the markets are still not fully familiar with executive search services. This can be problematic to understand by the top management in the headquarters who is striving to keep the best in class standard of Spencer Stuart work worldwide. Although the culture of the company supports communication and constant feedback from local management, the top management may not always act accordingly and be prepared to adjust the rules to the local requirements (Research Spencer Stuart, 2012).

4.3. RECOMMENDATIONS

Despite the global economic crisis, Spencer Stuart has been flourishing on a global scale. This trend suggests that the company's corporate strategy has not only been well designed, but also well communicated and implemented throughout its international structures. It can be concluded that given its success, the company will be gaining more market share not only within the 29 countries where it operates today, but also in new markets. The challenge for the growing company will naturally be keeping its standards, communication-flow, and focus on both clients and employees while growing into a global corporation. Further, it appears that the company will need to become even more flexible and adaptable, in developing markets in particular.

It could therefore be recommended that the structure of the company should become even flatter, leaving more power within individual country offices. The flatter structure would also allow for better information flow in order to keep the standards up throughout the whole company. As mentioned earlier in this paper, Kotler and Caslione (2009) proposed that breaking companies into smaller, flatter groups that are able to reach one another, can facilitate and achieve faster reaction times as close to the market as possible. This view is supported by Porter's initial argument (1965) that too many layers of structure slow down information exchange and thus prolong an organisation's response to the market's changing requirements.

Furthermore, based on the above, it could be suggested that Spencer Stuart could extend its services to cover other areas of the market, such as legal or financial advisory as these industries are closely related as they may be incorporated into the employment contract negotiations with the candidate selected by Spencer Stuart or to a tax advisory when negotiating the package. This can be done through creating an alliance or a number of alliances with "Big Fours" in each of the aforementioned industries.

The result could not only become a competitive advantage over its competitors in regards to the complex service offered, but also, this approach could further reinforce the corporate image and market position of all partner companies involved (for instance, in markets where the other partner have might not yet gained any or a strong enough position).

4.4. IMPLEMENTATION

Wickham (2008) suggests the 8-step change implementation process:

Figure 5.: Source: Wickham L (2008) *Management Consulting: Delivering an Effective Project* Prentice. Hall: London..

As shown above, all steps logically follow. First, Wickham proposes that any change requires a sense of urgency – a need for a change. In the case of the Spencer Stuart services extension recommendation in order to cover other areas of the market, such as legal or financial advisory, the management as well as other employees must be given a sense that the market requires more than the company is currently offering. After the general sense of urgency has been established, it is necessary to create a powerful coalition, to gain the support of both formal and informal leaders. The top management in the headquarters should communicate the need for a change with managers in regional offices and gain their input and support.

Next step is the development of vision, clear and communicable picture of desired future position of the company. It should be easy to understand, straight to the point, yet strong. It would be beneficial for the vision to include information about where the company stands today, where it wants to be in the future and an information about how will the company get there. This vision must be communicated effectively in order to gain the acceptance and support throughout all structured of the company keeping in mind the possible differences within the audience. This new vision should be visible to all employees – for instance, it can become a part of the company's statement. It is necessary to involve as many employees as possible, empower them, gain their support and make them feel they are actively contributing in the change process. This can be done through special workshops or training to equip employees with the right skills required for the change (workshops and trainings further have the capacity to increase employees' job satisfaction which can have a further positive impact on the change implementation process). Any successful completion of the parts of the change process should be somehow celebrated in order to gain even greater involvement and support from the employees (e.g. signed contract with one of the legal or financial advisory 'Big Fours' or first closed full service deal – executive search, legal and tax advisory). Further, it should be constantly reviewed and consolidated to ensure that the cooperation/partnership is beneficial and that the market preferences have not changed. Last but not least, the changes should be anchored in the culture of the organisation (Diamond, 2006). Spencer Stuart should constantly ensure that all employees perceive the new company partners as such.

5. CONCLUSION

This paper analysed and critically evaluated Spencer Stuart's corporate strategy. Further, it suggested the most appropriate strategic techniques that the company should use in the future while proposing how to implement them. The most important for the company remains keeping close to its market and its employees. ■

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