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The use of consultants is enhancing and redefining the scope of personnel management, not undermining its status.

Personnel Management: Defence, Retrenchment, Advance?

Ian Clark and Tim Clark

Introduction

It has recently been argued[1-4] that the use of external consultants is indicative of a crisis in personnel management. Proponents of this argument view the widespread use of external consultants for key personnel functions within organisations as evidence of its numerical flexibility and consequent marginalisation via externalisation. In terms of Atkinson's model[5] the work of personnel is being broken up with many parts of it losing core organisational importance. Thus, personnel is viewed as a function under siege from external consultants. The future is considered bleak with the most gloomy scenarios envisaging an irreparable breach of the organisation's defences and a complete submission to the greater "expertise" of external consultants. Personnel is thereby reduced to performing a number of peripheral functions whilst external consultants increasingly perform core functions. In other words, the professional status and core functions are haemorrhaging to external consultants. These issues have arisen at the time when *human resource*

management style philosophies have stressed both the importance of a *coherent* personnel management strategy and its *integration* into the organisation's own business policy as a company responsibility.

In this article we suggest that the reasons underlying the increasing usage of external consultants by personnel can be viewed as a form of defence, permitting it to shed some activities thereby strengthening its position within the organisation. For example, the use of consultants might be viewed as supportive of human resource management as a strategic issue. Viewed as an opportunity, such philosophical changes within the management of the employment relationship are having organisational effects and, contrary to popular belief, these are not leading to a further downgrading of personnel. Rather, the range of competences now required is necessitating personnel managers to specialise and act as internal consultants. In terms of Tyson's threefold typology[6], personnel managers are increasingly acting within the "architect" model, with the consequent re-emergence of the professional tradition. Notwithstanding these assertions, we realise that the use of recruitment consultancies is not itself sufficient to prove our arguments. It is but one example which supports the argument, this being the case because it relates to one function only.

Personnel as Specialist, Internal Consultant and Organisation-led Resource

It is our contention that the use of consultants, of whatever type, has not been adequately explained for a number of reasons. First, some explanations conflate their organisation specific use with general typologies of organisational flexibility[7,8]. Secondly, the extent of externalisation is over-emphasised because of the conflation explanation. Lastly, there is considerable variety in the practice of personnel management between organisations, hence the operation of personnel is not a prescriptively defined homogeneous "black box" into which resources disappear, but a hierarchy which manages and reacts in its own organisation-specific market, as distinct from a generally defined one. The various roles and models which personnel adopt are a direct response to organisational contingencies. Therefore, owing to previous conceptual inadequacies we contend that any threat which consultants pose is equally ill-defined.

Implicit in this division of personnel work is a rejection of the generalist view of personnel management. This may well be the view which dominates the Institute of Personnel Management's (IPM) thinking, but operationally we suggest that the late 1980s has witnessed an increasing specialisation in and therefore division of personnel management's work. Depending on the degree of

operation, this division and specialisation, may well involve the increased use of external consultants. Here, we suggest that consultants too, are not a black box, hence, their type and use may well reflect the role, status and organisation of personnel within the firm.

Our research indicates that there are three important points which suggest that personnel management may be redefining itself operationally.

First, the size of the employing organisation has a considerable impact on the scope of personnel's responsibilities. In relatively small single site organisations there will be few if any qualified personnel specialists[9, pp.25-7]; thus they are likely to be generalists who will draw on the use of consultants when they are too busy (see Table I) or when the task is too specialised and therefore beyond the range of their personnel competences. This of course does not mean the generalist is unable to perform the required work, but because of their clerical cum general status may not have the time to do so.

Second, and related to the first point, in larger multisite organisations the division of labour within personnel management is both horizontal and vertical. In terms of Tyson's threefold typology[6] each model is present

within the organisation's personnel hierarchy. In ascending order, the "clerk of works" role characterises the lower end of the hierarchy whereas the "architect" role describes the functions of personnel director. Our research evidence, which does relate only to one function, suggests this may be too simplistic since the role of personnel director may encompass both "clerk of works" and "architect" roles. For instance Table II shows who makes the decision to use executive recruitment consultancies within client companies. It is derived from 41 *Times 100* UK companies which used executive search consultancies and from 34 which used selection consultancies. This clearly indicates that in both executive search and selection the majority of decisions were taken by the personnel director. Subsequent interviews with personnel directors suggested that their role is often limited to administrative tasks such as choosing a number of consultancies to "pitch" for an assignment, advising on salary benefits, location and office space and defining the job and person specification contained in the assignment document.

At the lower end of the personnel management hierarchy routine administrative work might dominate □

Consequently, in our view the personnel director has not become an autonomous co-ordinator of consultancy services, that is, an "architect". Rather the personnel director has only a secondary role in the process of externalising executive and managerial recruitment.

Therefore, at the lower end of the personnel management hierarchy routine administrative work might dominate, whilst further up the hierarchy practitioners may well be

Table I. *Reasons for Client Companies Using Executive Recruitment Consultancies*

	Search (%)	Selection (%)
Lack of company expertise to recruit at the executive level	22.0	14.7
When the personnel department is too busy	4.9	38.2
When the company is unable to fill the post using in-house capabilities	46.3	47.1
When there is advantage in outside opinion	58.5	55.9
When confidentiality is crucial	68.3	47.1
It is the company's policy to subcontract specialist personnel functions	4.9	2.9
When speed is a priority	9.8	47.1
Because they produce the candidates required	68.3	67.6

Source: Data derived from 55 questionnaire responses.

Table II. *Who Decides to Use External Executive Search and Selection Consultancies?*

Function	Search	Selection
Main board director	8	2
Personnel director	25	25
Line manager	8	7
Total	41	34

Source: Data derived from 55 questionnaire responses.

involved in the more strategic management of people in work. This could involve working with consultants in a selective, supervisory or "management" manner. This suggests that the three-fold typology referred to may be present within any one organisation. However, it is not possible to generalise that "clerks" represent menials and "architects" represent senior personnel executives.

Thus personnel management at higher levels in the corporate hierarchy could become an internal consultant to general management. In this role, it may oversee the use and selection of external consultants of whatever type. Hence, personnel practitioners could find themselves increasingly integrated into general management. This may be particularly prevalent where personnel is conducted within the wider ambit of an HRM approach to the management of people in work. Such a process may involve a defined externalisation of particular aspects of personnel management as one moves up the organisational hierarchy. This does not represent the beginning of a wholesale transfer, particularly if personnel is able to find new and organisation-specific roles in relation to the use of consultants, that is, act as an internal consultant and supervisor. These roles may well be undertaken by members of personnel management under a general management role as part of the strategic management of the employment relationship.

All the work surrounding the recruitment function is subcontracted □

We make the above points for the following reasons: the use of consultants of whatever type is often presented in an over-simplified manner. This suggests that all the problems are solved by their use and that all the work surrounding the recruitment function is subcontracted. Clearly this is not the case. Thus, the typologies of "architect" and "clerk of works"[6] may operate concurrently in relation to one function. In addition the divide between the strategic and operational management of the employment relationship does not have to be vertical. Hence the use of executive consultants may be considered as part of the strategic management of the employment relationship, yet much of the in-house work is of a clerical nature but is performed by senior managers.

Third, the use of consultants, and subcontracting of all types, is managed by commercial contracts. When using

Table III. *Contractual Guarantees Given by Selection Consultancies*

Guarantees	%
Undertake to recruit a successor should the appointed individual leave the client organisation within a specified period	63.1
Refund a percentage of the fee should the appointed individual leave the client organisation within a specified period	54.5
Hold all candidates who have responded to client-funded advertising exclusively for that client until the completion of the assignment	68.2

Source: Data derived from 344 questionnaire responses.

executive recruitment consultants, personnel has to negotiate a series of guarantees to control and monitor the outcome of the assignment as Tables III and IV indicate.

Contractual guarantees enable personnel to monitor the output of an assignment closely in addition to controlling the organisation-consultancy relationship once an assignment has been completed. For instance, an "off-

Table IV. *Contractual Guarantees Given by Search Consultancies*

Guarantees	%
Undertake not to approach any individual from the defined client organisation for a specified period	78
Undertake to recruit a successor without a further fee should the appointed individual leave the client organisation within a specified period	68.8
Refund a percentage of the fee should the appointed individual leave the client organisation within a specified period	33.7
Continue an assignment should a client fail to employ an individual from a submitted short-list	89.3
Continue an assignment if a candidate rejects a client's offer	89.3

Source: Date derived from 344 questionnaire responses

limits'' guarantee ensures that a search consultancy will not approach any individual within the defined client organisation for a specified period of time, usually two years. This protects the organisation from a search consultancy using information it has obtained during an assignment for its commercial advantage. In managing organisation-consultancy relationships new skills have to be developed and thus, personnel, rather than losing its expertise may be redefining its skills.

Furthermore, it has been assumed that when a personnel function is externalised via a consultancy that the latter performs the whole activity. As Table V indicates, only part of the executive recruitment function is externalised. The job description, which defines the whole assignment, is usually determined in-house. Also the decision as to which candidate to appoint is made by an interview panel comprising the board members, line managers and the personnel director. The latter is often present in an advisory capacity (i.e. internal consultant). Whilst consultants may recommend certain candidates the choice is not guaranteed. Our research suggests that only the identification of potential candidates and their initial assessment is fully externalised. Even this is performed in conjunction with the job definition as described by the internal personnel function.

Simultaneously, it is important to realise that even if a consultant is used for executive or managerial recruitment the client organisation still has to undertake the majority of the work. The consultant merely provides the client with a recruit. The remainder of the routine recruitment

Table   **V.**   *Executive Recruitment Functions Performed "In-house" and by External Consultants*

	In-house	External Consultants
Job description:		
person specification	*	
job description	*	
Identification of potential candidate		*
Initial assessment of candidates		*
Writing candidate reports		*
Final assessment of job offer	*	

Source: Indicative trends from data obtained from 55 questionnaires and structured interviews.

and selection procedures are implemented by the client. Similarly, the client has to monitor the operational performance of the consultant and the subsequent performance of the recruit. The latter feeds back into the client's assessment of the consultant's performance.

To illustrate our argument we consider the reasons for the growth in the use of a particular type of consultant by personnel — executive recruitment consultancies. Although a highly focused study of the use of one type of consultant, the analysis has more general implications. The evidence presented in this article locates the reasons for their use within rather than outside the organisation.

The executive recruitment process is composed of two elements — search and selection

The executive recruitment process is composed of two elements — search and selection. The former involves the identification of candidates through direct and personal contact and tends to be proactive. The latter is the recruitment of potential candidates by recruitment advertising and tends to be reactive.

Executive recruitment consultants are an appropriate group to consider, firstly, because Torrington and Mackay's study[4] indicates recruitment was the second most externalised personnel function. Of their 350 respondent organisations, 109 had used selection consultancies and 87 had used search consultancies. Second, executive recruitment services have grown rapidly since the late 1950s. Between 1978, when licence records were first kept, and 1990 the number of employment agency licence holders increased by 165 per cent. Overall it is estimated that the industry accounted for a thousandth of UK GDP in 1987. In selection, this growth was initially associated with the relaxing of wartime import controls on newsprint; in search, growth resulted from the diffusion of American multinational consultancies into the UK.

More recent growth has been associated with the increasing use of external consultants for recruitment, that is, the apparent externalisation of the "in-house" recruitment function. However, this may not be externalisation but the creation of a supplementary monitoring role for in-house personnel enabling them to concentrate on their core strength. The factors underlying this area of debate and development are considered below.

The Research Method

The results reported in this article draw on two major surveys and interviews which consider the reasons for the growth in the use of external consultants in executive and managerial recruitment. The first questionnaire was directed at UK executive recruitment consultancies. The industry was identified by a supply side measure of "substitutability" termed the "closed loop" method[10], which was developed specifically for this purpose. Consultancies were initially identified through their entries in a number of industry directories. They were then contacted for a list of their competitors. Based on these replies, previously unidentified consultancies were approached in turn for a list of their competitors. This was repeated with each newly identified consultancy until a closed loop was achieved (that is no new consultancies were identifed). The second questionnaire was sent to the corporate personnel directors in the *Times 100* UK companies. Response rates of 42 per cent and 55 per cent were achieved respectively. In addition 72 structured face-to-face interviews with consultants and personnel directors were conducted to supplement the information obtained from the questionnaire surveys.

Executive recruitment consultancies offer an alternative rather than a superior service □

The questionnaire surveys were completed in late autumn 1988 and early spring 1989. A major part of the investigation was to determine the reasons for the use of executive recruitment consultants by personnel managers.

Why Are Executive Recruitment Consultancies Used?

In response to a direct question 68 per cent of respondents to the survey of client-companies stated that they used executive recruitment consultants mainly for their ability to produce candidates who matched the job and person specification (see Table I). This might be taken to indicate that respondents lacked the necessary in-house recruitment expertise. However, Table I indicates that the respondents had considerable in-house recruitment expertise. This shows that only 22 per cent of those who used search and 15 per cent of those using selection, stated they lacked the necessary expertise to recruit at the executive level. Furthermore, 25.5 per cent of

respondents did not use search and 38 per cent did not use selection, and a quarter used neither. Moreover, only 5 per cent of search users and 3 per cent of selection users automatically subcontracted specialist personnel functions such as executive recruitment. Therefore, according to the results of this study, even though executive recruitment consultancies may have turned a "bread-and-butter' activity of the personnel officer[4, p.37] into a lucrative business for themselves, a large number of client companies have retained the "in-house" expertise to perform executive recruitment.

Significantly, too, although executive recruitment consultancies may benefit from the economies of scale arising from the differentiation of skills within the consultancy (that is consultant, researcher and administrative assistants), they use the same professional recruitment model[11] and assessment techniques (interviews and references) as the "in-house" personnel recruitment function. Therefore, executive recruitment consultancies have not developed beyond the capabilities of the "in-house" personnel function. For instance executive recruitment consultancies do not use "increasingly complicated and esoteric tests in selection"[12, p.6].

A comparison between the selection techniques used by executive search and selection consultancies and client

Table VI. *Comparison between Techniques Used by Executive Recruitment Consultancies and Client Companies*

Assessment method	Consultants		Client companies*
	Search (%)	Selection (%)	
Interviewing	100	99.6	1.0
Psychological testing	39.2	43.5	1.9
Graphological (handwriting analysis)	2.7	3.3	2.9
Biodata	15.6	11.9	2.5
References	87.8	82.2	1.1

*Note: Figures relate to mean responses. Client companies were asked to rate their use of each assessment method when choosing executives on a three-point scale with 1 as "always", 2 as "sometimes" and 3 as "never". Figures in the table relate to average responses.

Source: Data derived from 55 questionnaires and 344 questionnaire responses.

companies is contained in Table VI. This shows that both used similar techniques: that is, predominantly the interview and references. In other words, the personnel function is not becoming "increasingly vulnerable to the advance of external consultancy"[4, p.37] because there has not been a wholesale transfer of expertise from client companies to external recruitment consultancies. Executive recruitment consultancies offer an *alternative* rather than a *superior* service. As Table I indicates, executive recruitment consultancies are used for specific reasons following the perceived failure of the "in-house" recruitment function by the personnel director. In the view of questionnaire respondents, they are used primarily when the "in-house" resources are unable to fill a vacancy because the personnel department is too busy, or when speed or objectivity or confidentiality is a priority. As Table I shows, search is viewed as more confidential, but slower than selection.

Hence, the challenge to the "in-house" personnel function, in the case of executive recruitment, is not from external recruitment consultancies *per se* as Torrington and Mackay[4] have argued. The factors underlying the use of external consultants by personnel are organisation-specific.

Our hypothesis and research finding bring us back to the on-going debate over the role and status of personnel management. The rise of consultants is not displacing personnel management as a *professional status* occupation, but their existence and use are part and parcel of personnel management's work, and therefore a knowledge of such should be incorporated into the training of personnel managers. Executive search and selection consultancies may appear threatening but they are one of many types of consultancy with which operational personnel management will have to deal.

For these reasons we argue that the changing role of personnel practitioners should not be confused with a deterioration in their status. It is misleading to suggest that consultants have enough scope, potential expertise and interest to marginalise personnel. Executive recruitment consultants are likely to confine their activities to the more lucrative managerial market. If they move down the employment hierarchy their expertise and therefore fee capability will be undermined because "in-house" groups, line or personnel, will begin to assert their

capabilities which will be more cost-effective for the organisation.

Lastly, the use of consultants is redefining the scope of personnel work. Consultants are part of the personnel market, it is their location which is external to the organisation not the market in which they operate. This market has been segmented by their arrival, its overall management still resides in client organisations. It is this management and its requisite skills which personnel practitioners must address.

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