



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 lifeblood 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%.



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.



GDPR and the individual - How the law of unintended consequences could mean losing out on a vital career move

Executive careers and the crucial role of the executive search sector

Whatever your view of the executive search sector and the specialists that operate within it, it's a simple fact that it can play a key role in the progression of the careers of talented and ambitious individuals. Search firms are constantly active, moving talent around like pieces on a highly attractive and lucrative chess board – 75% of firms we spoke to said they were working on up to 25 searches per annum. The results speak for themselves. As one of our interviewees, Dr Bernd Prasuhn of Ward Howell bluntly puts it, "If executives want to make it to C-suite level then they have to be on the radar of executive firms, otherwise, it just won't happen."

And, of course, the very top prizes for those that do make it to C-suite level are attractive indeed. According to the latest Korn Ferry Hay Group study of CEO compensation which looks at the top 300 public companies in the USA, those at the head of the board table are now receiving an average annual direct compensation in the region of \$12.5 million.

However, if the introduction of GDPR is not handled properly by both individuals and the search industry, then some of the doors to such roles may start to swing shut, because search firms may not be able to sustain the level of engagement with talent that makes the system work so effectively now.

Hey guys, I'm still here! – Disappearing off the search firm radar

When GDPR is introduced in May 2018 it will give individuals based in the European Union a much higher level of control over the way organisations source, store and use data about them. And this will apply, not just to organisations located in the EU, but anywhere in the world. What is more, international firms that store information in the EU *on individuals based outside it* will also be covered by the new law. Given that many ambitious executives and professionals now operate in a global talent market – our respondents said that between a half and all of the searches they undertook had at least some international aspect – this means that search firms on every other continent will need to sit up and take notice of the new rules.

The big problem lies in the fact that, while the research suggests there is widespread awareness in the search sector of the potential impact of GDPR, no-one really seems to know as yet what to do about it. Few, if any, of the search specialists we polled, 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. As Helen Haddon of ComplyGDPR puts it,

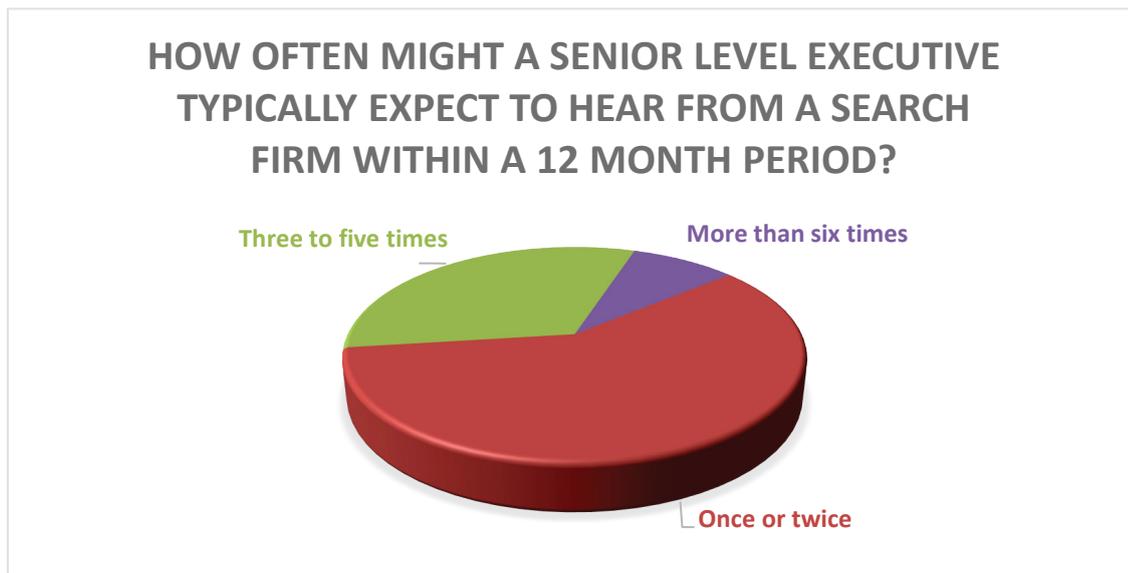
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Because this is a completely new regulation, there's no case law to interpret it so people don't necessarily understand yet what it will really mean for their business. There are firms out there, for example, which actually believe that they might have to delete their entire database.

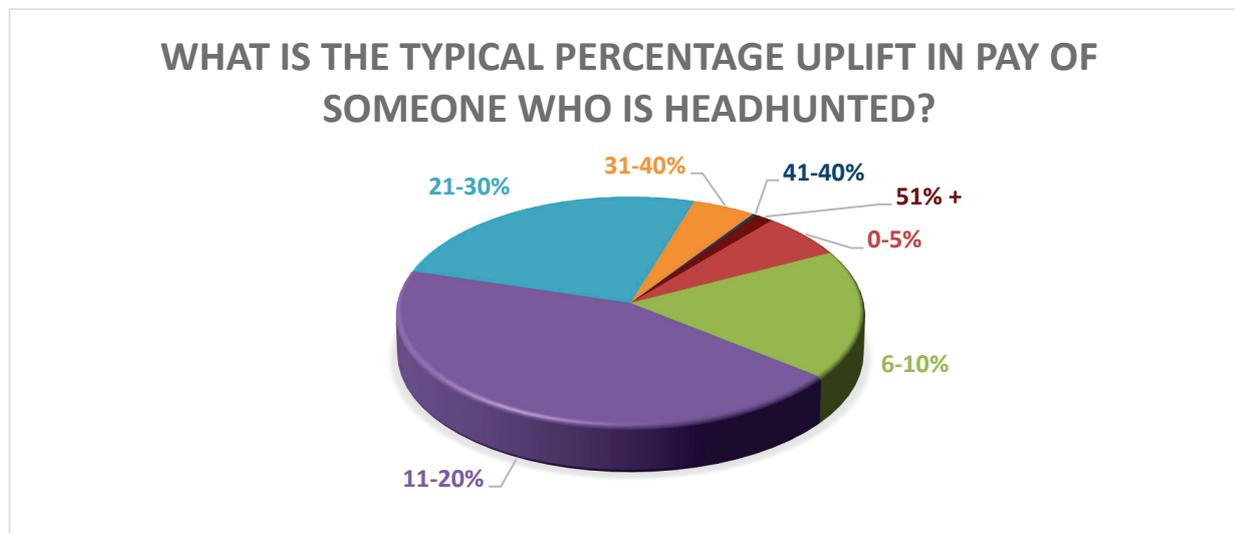
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Given the huge fines that could result from getting GDPR wrong, it's perhaps not surprising that the general feeling we detected was one of erring on the side of caution. Which, of course, is likely to mean that, at least in the short to medium term, from May 2018 there could be a drop off in the communication between search firms and talent. Bad for search firms, obviously. But also potentially very bad for individual careers.

In our survey, we asked search firms how many times they would expect an executive to make a significant career move. The average answer was five with at least two of these resulting from an external search.



We also asked what level of pay increase 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.



Let's apply this information to 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 two 'headhunt' moves via a search firm identified by our poll at just the mid-point of the 11-30% range – 20% - then their resultant salary would rise to \$276,462. Which, of course, means that if they dropped off the radar of search firms post-GDPR our hypothetical, but suddenly much poorer, executive would stand to lose \$84,474 in senior career earnings. A calculation which, while not exactly being proverbial rocket science hopefully drives home why this all matters to you.

Finding a solution

If you hadn't thought about how GDPR could affect the progress of your career, you are not alone. In fact, very few of the more than 350 search firms we surveyed expected you to be aware of the potential consequences. As one neatly summed it up, "I just don't think these individuals are fully aware of the impact GDPR is going to have on them."

Despite the uncertainty, even confusion about how GDPR will actually operate, search firms are acting to develop and implement data management systems that are simple and iterative to use, but, thanks to GDPR will also give you the confidence that your information will only be used for the purposes that match your own interests. As David Pierce Hallahan of Team Capital puts it, "GDPR could end up delivering a closer, tighter relationship based on quality and best practice and lead to executives thinking of us as a long-term partner in the same roster as their accountant, lawyer or financial adviser." But this, of course, will only work if you take the action to engage when contacted because what you have done or not done about your data in the past

may simply no longer apply. As one of our interviewees said, “Executives will almost (often) need to re-register in databases to ensure they remain on radar. Otherwise they might simply disappear.” Which unless you are considering a career in espionage could be very bad news indeed.

Conclusions for individuals

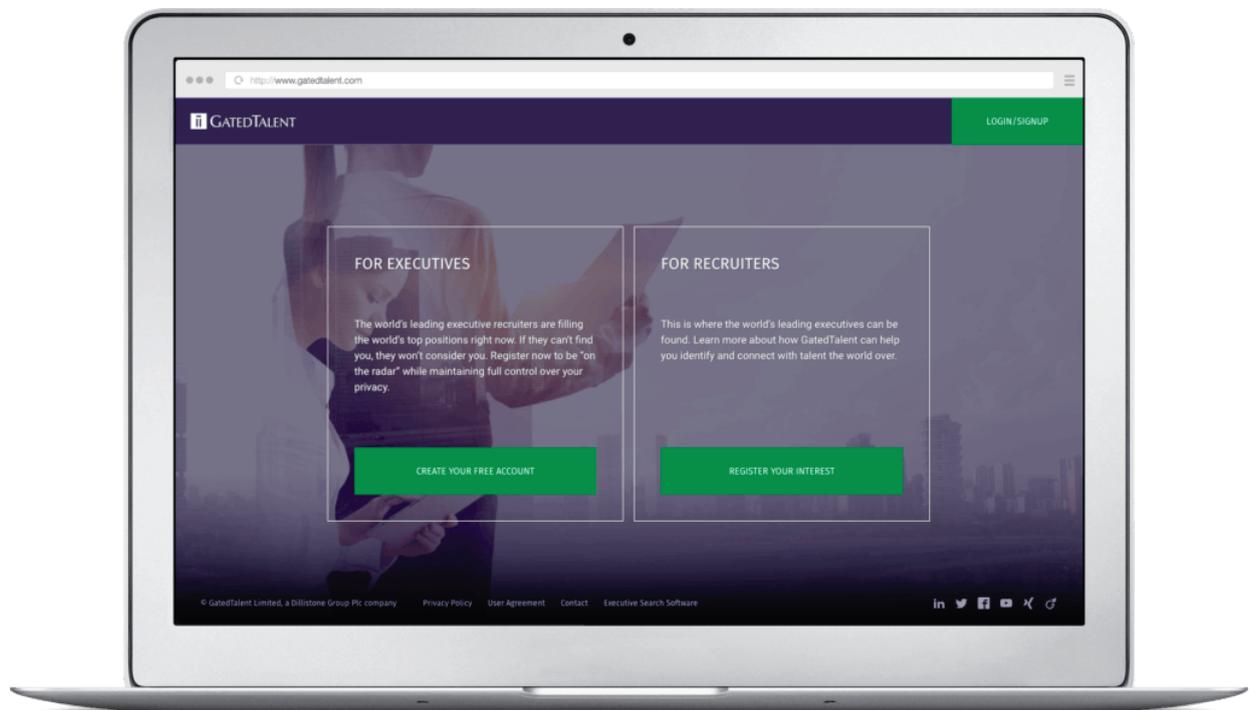
1. The effects of GDPR will not be limited to the boundaries of the European Union but could affect your relationships with search firms around the world
2. GDPR will make it more difficult for search firms to interact with you and consider you for career moves
3. Giving consent to a search firm to hold your data in the past will not necessarily allow the firm to use it in the future
4. Unless you take action to give consent you may disappear off search firms’ radar with almost certain negative consequences for your career
5. Giving consent is also an opportunity to update the firms you trust with your latest information. There’s no point simply allowing search firms to store information about you from 3 years ago – firms are better able to consider you if they know your current role and your current aspirations.



About GatedTalent

GatedTalent is a new service from Dillistone Group, the global leader in technology solutions for the recruitment industry, which 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.





50 Leaman Street | London E1 8HQ | United Kingdom
+44 (0)20 7749 6100 | info@gatedtalent.com | www.GatedTalent.com