Who Says Yes When the Headhunter Calls?

Understanding Executive Job Search

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Abstract
We examine an aspect of job search in the important context of executive-level jobs using a unique data set from a prominent executive search firm. Specifically, we observe whether or not executives pursue offers to be considered for a position at other companies. The fact that the *initial* call from the search firm, which we observe, is an exogenous event for the executive makes the context particularly useful. We use insights from the Multi-Arm Bandit problem to analyze the individual's decision as it emphasizes assessments of future prospects in the decision process, which are particularly relevant for executive careers. More than half the executives we observe were willing to be a candidate for a job elsewhere. Executives are more likely to search where their current roles are less certain and where their career experience has been broader. Search is more likely even for broader experience within the same employer. In the latter case, the array of likely opportunities is also broader, making search more useful.

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Introduction

We examine an important aspect of executive search, an institution of growing importance in business. Specifically, when approached by a leading search firm about becoming a candidate for a position elsewhere, do the executives say yes or no? The decision, which is reported by the search firm (i.e., not self-reported), has real costs and consequences. Beyond helping us understand executive search processes per se, the response of the executives helps us understand something more general about job search. What makes the question from the search consultant particularly interesting is first, that the individual does not initiate the process. It is for all practical purposes exogenous to the individual. Second, saying yes and agreeing to search has to be answered before the individuals learn much, if anything, about the job in question, and the ultimate terms and conditions of an alternative job in any case result from negotiations after a job offer has been extended. As a result, their decision addresses concerns about establishing causation: those more inclined to say yes are not necessarily already searching, and the nature of the opportunity cannot be driving the outcome because it is not yet known. We describe these issues in detail below.

From the perspective of the potential applicant, the context mirrors the classic "exploitation vs. exploration" choice in the Multi-Arm Bandit problem: Respondents either stay with their current employer, hoping to exploit opportunities in their current organization, or agree to explore a less certain opportunity elsewhere. A central feature of Bandit models is that there is uncertainty about future prospects in one's current situation as well, something that is crucial in contemporary executive roles where career advancement in their current organization cannot be assumed.

We examine this question empirically with a unique data set from a prominent executive search firm and test hypotheses derived from the exploitation-exploration literature. Perhaps surprisingly, a majority of the executives contacted were willing to become candidates for a new job elsewhere. As other studies have found, potential candidates working in more attractive positions where compensation is higher are less likely to say yes. We also find that those with more uncertainty about the prospects in their current employer are more likely to say yes. Those with broader experiences who have moved across functions and business sectors, even within the same company, are also more likely to search because they have more to learn from search about the broader set of opportunities that might be presented to them.

Job Search and Executive Search

The literature on job search, which dates from Stigler (1961) and in its more formal context from McCall (1970) and Mortensen (1970), is far too broad ranging and extensive to be reviewed in detail here, but some summary conclusions are in order. First, the focus of this research, both at its beginning and even more so in recent years, has been on the unemployed worker and the decisions they make to find a job. In the standard model:

$W(w) = w + bW(w)$ where $W(w)$ represents what one earns from accepting a job with wage w while working (W). An individual has a reservation wage w_r such that $w(w_r) = U$ where U is the utility associated with not working.

Individuals are offered jobs with wages w_i drawn from $F(w_i|w)$ where each offer is an i.i.d. draw from that distribution of jobs and wages.

They accept a job with wage w when $w \geq w_r$.

The decision for a worker is whether to accept an offer or keep sampling job/wage offers and wait for something better to come along. In this context, the idea of "search" is in a passive process for the individual where offers come to them, and their decision is how long to wait before taking a job offer, enduring the opportunity cost of lost income in the process. In the simplest of these models, the game is over once the worker accepts a job.

Arguably the central aspect of research in the job search literature has been to calculate the optimal search strategy, or the conditions describing when they give up waiting and take a job offer. Rogerson, Shimer, and Wright (2005) describe more recent research in this area as being dominated by matching models, which are agnostic as to how workers and firms meet up. As with earlier search models, the idea is to explain broad patterns of labor market outcomes, such as unemployment and wage dispersion. (See also Davidson & Woodbury, 2002, for a survey.)

A subset of the literature has addressed the issue of transitions from one employer to another, the concern here. Such transitions represent the most typical form of job search. Akerlof, Rose, and Yellen (1988) calculated that about two-thirds of workers who leave their

employer transition directly into another job; Fallick and Fleischman (2004) more recently report a similar finding.

Burdett (1978) pioneered research on job search that takes place where one is already employed. The basic idea is similar to the above in that employed individuals also sample wage offers and take up a new position when they are offered a wage above their reservation price. The main conceptual issue is identifying the individual's reservation price.[1]

The empirical research examining why an individual currently employed undertakes active search is much more limited. DellaVigna and Passerman (2004) consider a series of variables including dispositional attributes related to personality (e.g., whether the respondent acts in an impatient manner) to predict the length of job search for a cross section of the labor force. Lise (2013) examines how savings decisions affect on-the-job search; Hagedorn and Manovskii (2013) explore how on-the-job search affects wage outcomes. There is a psychology-based literature on why individuals engage in job search (see, e.g., Schwab, Rynes, & Aldag, 1987; Turban et al. 2013) that mainly focuses on individual dispositions associated with personality. Research on the related topic as to what keeps employees from quitting is voluminous and far too extensive to review here (see, e.g., Griffeth, Hom, & Gaertner, 2000). Virtually all of that literature focuses on the relative attractiveness of one's current situation.[2]

[1] Subsequent papers added details about employed individuals that affect their decision to search. Jovanovic (1979), for example, argued that individuals learn about their competencies over time such that the longer they have been in a job, the less they have to learn about their capabilities and therefore the less they have to gain from trying other jobs. Albrecht and Axell (1984) consider the fact that workers differ in the value they place on leisure, so they have different reservation wages and search differently. Jovanovic (1987) also considers the case where workers care about leisure as well as the income from work and can decide to search if not satisfied with their current wage. Burdett, Lagos, and Wright (2003) outline a search model where firms pay higher wages in part to reduce quits. The logic is identical to earlier efficiency wage arguments from the perspective of the employee, although the conclusions for employers are more specific.

[2] There is a behavioral literature that examines *intentions* to quit, where individuals indicate whether they would like to quit irrespective of labor market opportunities. Whether stated intentions to quit accurately proxy one's behavior when actually confronted with the opportunity to quit is an open question. Research on these behavioral intentions constructs by Hom, Griffeth, and Sellaro (1984), Lee and Mowday (1987), and Hom and Griffeth (1991) find statistically significant relationships between turnover intentions and actual turnover, although the former explain relatively little of the latter (about six percent of the total variance in quits). Other research shows that employees do not have an accurate sense of their odds of changing jobs (Nicholson, West, & Cawsey 1985), and cognitive research has demonstrated that decision making is different when confronted by actual opportunities than when considering hypothetical choices

The context of executive labor markets is distinct from other jobs, which makes job search there distinctive as well. Firms looking to hire executives rarely post advertisements, and employed executives interested in moving rarely circulate resumes (Capell, 2001; Howell 2004). Executive jobs are much less standardized than other jobs. The functions an individual will perform and the terms and conditions of employment, especially pay, are virtually always subject to negotiation (Citrin & Smith 2003, pp. 256-257). Job search that leads to a new position for executives ultimately involves detailed discussions and negotiations with potential employers. Because executive loyalty is still valued by organizations, it may be damaging to the prospects of an executive in their current organization to appear to be searching for jobs elsewhere (Khurana 2002, pp.32-35). Opportunities for promotion are especially important for executive careers. They are uncertain in part because vacancies are not very predictable, and because the performance of executives, which depends on the performance of their operations, are also hard to predict.

Job search among executives has become especially prominent in recent years. Cappelli and Hamori (2005) note, for example, a 25 percent decline in tenure of Fortune 100 top executives in their company between 1980 and 2001. Especially at the executive and more senior managerial levels, the transitions across employers are managed by executive search firms that operate as intermediaries between the client firms and the candidates (Britton & Ball 1999; Khurana 2002, pp. 137-150). From 2001 to 2003, large employers in the US used executive search firms to fill 54 percent of jobs paying above $150,000 (IACPR 2003). Many of the remaining vacancies would have been filled through internal promotion, which suggests that the percentage of outside hiring that does not use executive search firms may be quite small. Retained search (in which the search firm works under an exclusive contract with the client and is paid a fee even if no placement is secured) has become a fixture in the labor market for executives and other highly skilled workers, with companies spending an estimated $10.4 billion in search fees in 2011 alone (AESC 2011). Most important for our purposes, responses from 2,430 executives reveal that the number one trigger for job search by executives is receiving a call from an executive recruiter (AESC 2011).

Aside from descriptive accounts (Khurana 2002), we know little about the executive search process. There are studies of the characteristics of the executive search industry (Britton, Clark and Ball 1992a and b; Britton and Ball 1994; Feldman, Sapienza and Bolino 1997) and how that industry has grown (Beaverstock, Faulconbridge, and Hall 2010), as well as of the various roles and functions that executive search firms take over from client companies (Ammons and Glass 1988; Britton and Ball 1999; Clark and Salaman 1998;

Khurana 2002), but little on the search process per se and the interaction with candidates. One purpose of this study is to learn more about key aspects of that process.

While there is a substantial body of research on executive turnover, most of this literature is also limited by the difficulty in identifying voluntary turnover from dismissals,[3] and only a handful of empirical papers are able to address that question.[4] As noted above, quitting is not identical to job search. To our knowledge, only four studies have examined job search behavior in the executive context, all of which use the same sampling frame and similar data drawn from a sample of executives. Bretz et al. (1994) explored the drivers of the job search behaviors for employed managers; Boudreau et al. (2001) use the same data to look at the "Big Five" personality traits and cognitive ability as predictors of executive job search; Bingham, Boswell and Boudreau (2005) use a resurvey of the same sampling frame to examine the ways in which job demands altered job search behaviors; Dunford, Boudreau and Boswell (2005) use the Bingham, Boswell, and Boudreau (2005) data and find a positive association between the percentage of underwater stock options in executives' portfolios and job search. These studies do not include the most important path to new executive jobs, which is search initiated by an employer or search firm. With the exception of Tae Heon, Gerhart, Weller and Trevor 2008, who study the role of job satisfaction in turnover for a cross-section of the US workforce, we have no studies that examine the context of unsolicited job offers.

The challenges in studying actual job search behavior begin simply with measuring it. Self-reported data are subject to a number of biases. Search costs may also constrain the ability to search among those inclined to do so. Factors used to predict search behavior, such as the attributes of current jobs, may be the result of prior search behavior. The fact that individuals can either be "pushed" to search by their current circumstances or "pulled" to search by new opportunities means that sorting out the causes can be difficult. We address these issues below.

[3] Most of this research combines voluntary and involuntary turnover into an overall measure (Wiersema & Bantel 1993). Studies that attempt to distinguish between voluntary and involuntary turnover note the difficulty in doing so in part because organizations go to substantial lengths to cover up executive dismissals (DeFond & Park 1999; Krug & Hegarty 2001; Lubatkin et al. 1999).

[4] Veiga (1981) used self-reported measures similar to intentions to quit as the measure of the propensity of managers to leave. Gaertner and Nollen (1992) explore the variables that distinguish four groups of executives based on their intent to leave. Weil and Kimball (1995) use retrospective, self-reported data on the causes for leaving.

The Executive Search Context: [5]

The specific context of our study is the "retained search" business, where search firms are paid a retainer by clients to help them find candidates to fill executive vacancies, and they are paid whether or not they find an acceptable candidate (Spencer Stuart 2004). A retained search firm does not contact potential job candidates unless it has a specific vacancy to fill. Executives know that when these firms call, the position is real, and the executive is being seen as a potential candidate for it. The search firm secures an engagement from a client that includes a job description of the position to be filled. The search firm then begins assembling a pool of prospective candidates. Large search firms like the one considered here have their own staff of researchers who maintain a database of executives who could be contacted about vacancies. Candidates do not nominate themselves for these candidate pools (see below).

A search consultant then approaches individuals whom the consultant believes could be a good match for the vacancy and asks whether they are willing to be considered for the position. At this first point of contact, executives are given so little information about the potential job that it is very difficult to make an assessment of the value it represents (Citrin and Smith 2003, p. 255). It would be unusual at this initial point if the consultant even mentioned the client company by name (Jupina1992).[6] The other reason why candidates learn little about the opportunity is because the terms and conditions of the position, such as rates of pay and in most cases the scope and definition of the jobs, are virtually always subject to negotiation (Spencer Stuart 2004) and are not finalized until an agreement to hire has been reached (Citrin and Smith 2003, pp. 256-7.). Because the attributes of the open position are not yet known, those attributes cannot be driving the individual's initial decision to say yes to the search process. (The academic job market tends to be different in this regard, perhaps because so many are governed by public sector disclosure rules.)

When executive search consultants approach executive candidates, therefore, they are essentially offering them the opportunity to begin a search process which, if successful, will

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[5] In addition to reviewing published materials on executive search, one of the authors spent more than a hundred hours interviewing executive search consultants and experts within that industry, participating in the training program for new associates in one of the major search firms, and learning the process through which executive job search takes place from the inside.

[6] One of the search consultants in the firm whose data we use described the initial conversation with a potential candidate as follows: *I typically try to say: Hello, I'm working for [search firm] we are doing a senior search. What is your feeling at looking at other opportunities? What is your current situation?*

lead to a negotiated package that is attractive enough to cause them to leave their current job (Citrin and Smith 2003, p. 255).

From the perspective of the individual executive in this database, the call from the search firm is an exogenous event. Retained search consultants call candidates, not vice versa. Consultants have a good idea which individuals could fill a given position and do not approach candidates about positions that they believe would obviously be unattractive, such as those representing an apparent step down in pay and title (Howell 2004). The consultants we interviewed also indicated that attempts by executives to "market" themselves to consultants were rarely effective and may actually turn off the consultants. One obvious reason is adverse selection: Candidates who are anxious to leave their current position may well be troublesome. And while it may well be overconfidence, the search consultants also believe that they can persuade candidates to take up opportunities to search. In terms of identification, therefore, the likelihood of saying "yes" does not drive the invitation to search.

The decision to say "yes" to this initial request and become a candidate involves some costs, including the time and energy to prepare for an interview and meet with the consultant, think through and brief appropriate references, etc. There is also the anticipated psychological costs of rejection should the search not be successful, something that is difficult to quantify but is no doubt real, and the less tangible concern about disillusionment with one's current position that may result from looking elsewhere. While search consultants are very discrete, there is also the chance through references or one's own attempts to secure information that word of the candidate's search might get back to the current employer. Because search involves some costs, we should not expect that everyone will take up the opportunity.

As noted above, the quasi-experimental context of this study helps address some of the more difficult problems in estimation. Because the call is exogenous with respect to at least the immediate behavior of the executives, the variables we measure are not driving the immediate call. We also observe a yes or no response for each respondent, avoiding selection bias problems that occur where we can only observe those who are searching as well as some of the missing responses that are common in self-report data. The fact that the details of the job opening are not revealed when the search question is asked also makes it easier to be sure that the individual's response is driven by their current circumstances and not by the nature of the position being offered. Because all respondents here are given more or less the same invitation to search, we avoid the omitted variable complication that some individuals might find it more difficult to search than others.

Multi-Arm Bandit Models and Executive Search:

A formalization of executive search that tracks the experience realistically is the "Bandit" model that is used extensively in statistics and operations research (see Thompson 1933 and Robbins 1952 for the seminal work). As is well-known, this approach draws an analogy with slot machines (i.e., "one-armed bandits") where different arms offer different and unknown probabilities of rewards. The odds of winning with each arm are independent from each other, so pursuing one avenue gives one no information about other avenues. One learns more about the rewards and the likelihood of receiving them that are associated with each arm the more one plays that arm. This model is particularly appropriate for examining executive search first because the value of opportunities for those who remain with their current employer (the exploitation choice) is far from certain. Promotions, compensation, assignments may all change suddenly and unpredictably. But one has a better sense about those opportunities the longer they remain with their employer. Second, opportunities elsewhere (the exploration choice) are even more uncertain, and the uncertainty is not eliminated when one gets a job offer.[7]

Jovanovic (1979b) examines quits or voluntary turnover as an optimal stopping problem where the choice is to keep working in one's current employer or quit to pursue jobs elsewhere, essentially a two-arm problem. Miller (1984) considers job search across multiple occupational options as an explicit example of a MAB problem. Among other things, Miller

[7] More formally, the exploitation vs. exploration decision considered by bandit models is an inter-temporal optimization problem where the decision maker evaluates alternatives based on the discounted value of expected rewards. Gittins and Jones' (1979) optimization theorem converts the standard Bandit problem into a stopping rule that tells us when it no longer makes sense to pursue a particular avenue or approach. The result is intuitive: continue to exploit the current approach until the returns fall below those expected from the alternative approach associated with exploration. If the value of the exploration approach cannot be estimated, as is the case here for the opportunity offered by the search firm at the time the executive is approached, then the decision to move on comes when the returns from the current arm exceed the opportunity costs of that approach. (McCall and McCall 1987 use this interpretation to examine migration decisions.)

The index as defined in Gittins and Jones tells us the value of the current arm or job as v:

$$\nu(i) = \sup_{\tau>0} \frac{\left\langle \sum_{t=0}^{\tau-1} \beta^t R[Z(t)] \right\rangle_{Z(0)=i}}{\left\langle \sum_{t=0}^{\tau-1} \beta^t \right\rangle_{Z(0)=i}}$$

where $Z(\cdot)$ is a stochastic process, $R(i)$ is the utility associated with state i, $\beta < 1$ is the probability that the stochastic process does not end, and $\langle \cdot \rangle_c$ is the conditional expectation operator given c:

$$\langle X \rangle_c \doteq \sum_{x \in \chi} x P\{x = X|c\}$$

finds that less experienced workers are more likely to try out jobs that are more risky and apparently have low expected return while those with more labor market experience and presumably a better understanding of the probability of success with such occupations do not. We return to this idea below. McCall and McCall (1987) model the decision to migrate (i.e., change jobs and also locations) across multiple locations as an MAB.

As a practical matter, the decision as to which arm of the bandit problem to choose is determined by the arm with the highest Gittens and Jone's index. The intuition here is to choose the approach with the highest present discounted value over the time period in question. The decision as to whether to abandon the current arm and pursue another approach is solved if the present discounted value of the expected returns in the current arm falls below the index for the other arms.[8]

Following the Bandit view, the individual executive in this context has two sets of calculations to make as the basis of their decision. The first has to do with the value of staying/exploiting their current role. That is based on the desirability of future prospects there and the uncertainty concerning those prospects, both of which are improved with experience. The second has to do with the possible value of the search process, which is best measured by how much they are likely to learn from search. The answer varies depending on how much they already know about other roles they might be offered, which is reflected in the breadth of their prior experience.

Hypotheses

Executives should be more likely to take up the invitation to search and become a candidate when their current job is more attractive, other things equal.

HYPOTHESIS 1 (H1). There is a negative relationship between the relative attractiveness of one's current position and job search.

One of the reasons why positions may be attractive is compensation. The idea that one's compensation relative to jobs elsewhere in the labor market is negatively associated with job search is well-established empirically, including in the executive context (Bretz et al. 1994). Another measure of attractiveness for executives is the financial performance of the

[8] Alternatively, where the index of other arms cannot be estimated, the decision to quit the current approach happens when the current returns fall below the price paid to use that arm. As we will see below, in the case of labor markets where the cost of pursing a given arm is the opportunity cost, these two approaches yield the same answer.

firm as executives typically receive part of their total compensation based on firm performance and in general are more likely to see better future career opportunities in a company that is doing well. Other studies have shown that firm performance in terms of net income and operating margins are negatively related to voluntary turnover among executives (Weil and Kimball 1995). Firms with more positive reputations in the business world may represent more attractive jobs, other things equal, reducing the interests of employees to look elsewhere. Similarly, the good social reputation of an organization increases the identification of organization members with the organization (Mael and Ashforth 1992; Dutton, Dukerich and Harquail 1994; Bhattacharya et al. 1995) arguably making it more difficult to leave.

A second hypothesis follows from Hypothesis 1 and addresses uncertainty in one's current role. Given the standard assumption that individuals are risk averse, if prospects for exploitation in their current role are less certain, that role is also less valuable.

HYPOTHESIS 2 (H2). There is a positive relationship between the uncertainty associated with one's current job and job search.

We test uncertainty in one's current position in two ways. The first approach echoes the standard conclusion from Bandit models, that more experience with one's current employer, other things equal, reduces uncertainty about the future there. That reduction in uncertainty makes staying put more attractive. Therefore, we propose that the longer is executives' tenure in their organization, the lower is their likelihood to engage in job search. The limitation to the above test is that standard search theory also predicts something similar, that longer tenure is associated with a lower incidence of search because the individuals have decided that overall, their current job is a better match for them than prospects elsewhere. In other words, tenure with the employer is also a proxy for H1, independent of greater certainty about the current role.

We also test the hypothesis about uncertainty in executives' current role in a different way by examining shocks to the employer that may affect uncertainty around future career prospects, as Kambourov and Manovskii (2004) find in the context of changes in occupation. We use a clear measure of such shocks that is likely to be exogenous to the individual's decision to search: whether their current employer has recently been engaged in a merger or acquisition (M&A). Prior research shows that M&As break implicit contracts for executives and other employees on employment and pay (Shleifer and Summers 1988) and lead to net job cuts in the US (Bhagat, Shleifer, and Vishny 1990; Haveman and Cohen 1994)

and UK (Conyon et al. 2002). These studies also show that the consequences of M&As take years to play out, so that recent M&A's add uncertainty to future prospects, especially for executives, whose positions are often consolidated or restructured as a result.

The third hypothesis relates to the value of the information one might gain from search. Executives hired through search firms are almost always brought in to do jobs that are similar to the ones they have performed elsewhere: marketing jobs go to those with marketing backgrounds, not legal backgrounds, e.g. (see Hamori 2010 for evidence.) The more focused one's career has been, the easier it is to have information about prospects elsewhere because those opportunities are quite likely to be in one's narrow labor market.

To illustrate, compare an executive with focused experience - a career in the marketing function in US insurance companies - to one with broad experience - an executive who worked in different industries in different countries and crossed functions in the process. The former executive is likely to be contacted about marketing positions in US insurance companies while the latter could be contacted about a wide range of jobs. S/he knows much less about the market for any one of those possible roles because, as compared to their more focused counterpart, s/he has had less experience in any one of them. As Lucas and Prescott (1974) note, information about jobs and prospects in them is highly specific to each occupation's labor market. Executives with broader, less focused experience about jobs for which they are likely to be recruited are therefore likely to learn more from search and to take up the search consultant's invitation.

We measure the breadth of an executive's experience using an index of the changes in their roles (changing industry, changing segments within the financial industry, changing occupations). We also examine whether they have had an international assignment because we know from prior research that individuals who have had expatriate roles often express uncertainty about what their next position will be. Their information has been shown to be less certain because they are far removed from the social networks in company headquarters (Kraimer, Shaffer, & Bolino 2009).

HYPOTHESIS 3 (H3). There is a positive relationship between career breadth and job search.

Because this experience should be true for individuals who have experienced changes in roles even within the same employer, we also examine the following:

HYPOTHESIS 3a (H3a). There is a positive relationship between career breadth inside the same employer and job search.

The Data

We examine the hypotheses with unique data from one of the world's largest and most influential retained executive search firms. Their databases identify the most prominent executives in the search firm's target markets. This dataset is limited to financial service companies in the New York area: asset management companies, banks, consumer finance companies, and investment banks. This helps to control for other sources of variation across jobs at the expense of the generalizability of the findings to other industries and occupations.

In addition to executives who hold jobs in prominent companies listed in industry-specific rankings such as those by the *American Banker Magazine* or *Institutional Investor*, potential candidates may also find their way into the database through references from industry experts.

In terms of representativeness of the sample, we believe it is large enough to capture a substantial percentage of the target population. The Bureau of Labor Statistics (2011 and 2012) reports that there are 740,000 people employed in "financial activities" (a label that seems to approximate the financial services industry) in New York-Northern New Jersey-Long Island MSMA, which is also the focus of our database. The sample here contains 14,000 executives, roughly two percent of that population. Interestingly, Bureau of Labor Statistics data suggests that "executive" jobs account for about two percent of the private sector workforce, (in a large financial firm like Citibank, for example, that would be the equivalent of 5200 jobs), closer to five percent in companies with more than 500 employees, which are large enough to have true executive titles.

The search firm makes no claim that its database is representative of all executives in the industry, however. Its claim is that it includes executives who would be attractive as candidates for positions elsewhere. Nevertheless, the database does contain a large proportion of executives in the industry.

We limited the logistical challenges of coding the data and adding information to it by drawing a random sample of 2,000 executives from the original 14,000. (This figure was well in excess of statistical power issues and was determined by exhausting available resources for the study.) Confidentiality constraints prevented us from learning the identity of the executives in the database or from contacting them to collect further information. Available data includes information on the executive's current job and most recent previous job (the

name of the employing organization, the executive's title, function and function segment, industry affiliation, industry segment and the month and year when the executive started and ended the job) as well as the executive's educational background and international experience. Additional data on the executives' employer, which is included in the database, were collected from the Hoover's and Compustat databases.

As described in more detail below, executives in the top echelon (CEOs and Chairpersons) represent 13 percent of our dataset, Chief Financial Officers 5 percent, Executive and Senior Vice Presidents 18 percent, Senior Managers including directors, vice presidents and managing directors, as well as partners and principals 48 percent. Managers and professionals account for most of the remainder of the entries. The executives are employed in four segments of the financial services industry: investment banks and securities (45 percent), asset and money management firms (23 percent), banks (20 percent) and finance companies (12 percent). Ninety-two percent of the executives work for a U.S. company, the others for financial institutions situated in Europe, Canada, South America, and East Asia (mostly Japan and Hong Kong). The executives have extensive educational experience: 55 percent earned a Master's degree (76 percent of which were MBA degrees), 6 percent were Ph.D.s, and 0.1% had only a high school diploma. Based on their human capital attributes, the executives in this sample are comparable to the executives that were sampled by an executive search firm in Bretz et al. (1994), Judge et al. (1995), and Boudreau et al. (2001).

A second selection bias concern associated with endogeneity is whether the database disproportionately represents executives who want to move. This would constrain the variance of the sample and make it more difficult to find statistically significant results. If those already inclined to say yes respond differently than those inclined to say no, then the appropriate conclusions would be applicable only for the kind of candidates visible to search consultants. That situation would not be so limiting, given that conclusions about executive search by definition apply to those candidates who could be approached by search consultants.

But there is no evidence that the search firm selects into the database executives it believes are more inclined to move. The firm says that it is looking for candidates that are attractive to clients and that an individual's willingness or interest in moving plays no role in the decision to include them in the database. There is compelling evidence that the firm does what it says: it is in the firm's interest to have as broad and as high-quality a database of possible candidates as possible. This firm maintains a research department whose job it is to

create and maintain the database.[9] The four largest executive search firms – Korn/Ferry, Heidrick and Struggles, Spencer Stuart, and Russell Reynolds – all report that they have databases that are used in this same way. The firms have an incentive to make the information in the database as accurate as possible because it enables them to target potential candidates better and save effort and cost on sourcing calls (Howell 2004).

More to the point, it is hard to imagine how one would identify those who are a priori willing to move because individuals change their view about the desirability of moving over time and across contexts. Unless executives were continually asked, it would be impossible to keep such a database up to date. It is easier and more sensible to have a database of candidates who are desirable because of their experience and accomplishments.

Further, there is no reason to constrain the database to candidates interested in moving even if it was possible to do so. The search firm can simply ask them whether they will consider changing employers at the point when each search takes place, which is in fact what they do. As representatives in this firm and in others report, they also believe that virtually all candidates can be moved if the right fit comes along, so there is no reason to exclude any otherwise promising candidate from initial consideration based on a priori statements about willingness to move.

Variables

Dependent variable: Job search. In order to identify the executives who have agreed to be considered for a search assignment, we follow the search firm's own internal classification of candidates, which is based on the most recent type of contact that it had with the executive. Of the 2,000 executives in our sample, there were 875 executives for whom there was no information about their response to a search invitation. According to the firm, this should be because they had yet to be contacted, but we cannot rule out other factors, such as missing responses. One approach for addressing this situation would be to examine who says yes subject to having been contacted. Results using that approach are available on request. Another approach is to model the contact explicitly through a two-stage Heckman estimation technique where the first stage estimates the decision to contact the candidate and the second estimates the decision to say yes given that contact. The advantage of this

[9] In response to a more general question about whether the ability to move a candidate enters into the search process at all, one of the search consultants told us: "We never think about that (in identifying candidates). We think about who is the best person, first. We do not think about it up front. First you think about who the best person is, and after that, can you catch them? But do we come up with a target list based on who we can get? No."

approach is that it is then possible to generalize conclusions to the broader pool of candidates, not just to those who have been contacted.

We classify executives who agreed to share their resumes and be interviewed by the search consultant for a position as "searchers" (=1) and "stayers" (=0) if they turned down the invitation.

Independent variables. We examine Hypothesis 1 with a series of variables that measure the attractiveness of one's current position. These are:

Reputation. Reputation is the sum of two variables: *Best employer* and *Most admired employer*. *"Best employer"* (0 to 10) measures the perception of the executives' employer in the business world as obtained from *Fortune* magazine's 100 Best Companies to work for rankings, which rank candidate organizations based on their trustworthiness (credibility, fairness, and socially friendly atmosphere) and ten HRM practices (recruiting, development and learning, work/life programs, etc.). *"Most admired employer"* (0 to 10) was obtained from the score of the organization on *Fortune* Magazine's "America's most admired" and "Global most admired" rankings. The *Fortune* rankings ask 10,000 executives, directors, and securities analysts to rate the ten largest companies (by revenues) in 58 industries based on eight criteria: innovation, financial soundness, employee talent, use of corporate assets, long-term investment value, social responsibility, quality of management, and quality of products and services (Sung and Tkaczyk 2002).

Compensation. We do not have information on the pay of each executive in our sample. As a proxy, we use the total annual compensation received by the CEO in the company as reported by Compustat. This information is only available for publicly held companies, an issue we consider further below. We measure the extent to which executives in each company are paid above or below prevailing levels by constructing a standard wage equation (see Appendix 1) where industry, organization size, and financial performance are regressed against the logarithm of annual total compensation. Positive residuals suggest that the executive's organization pays a premium and, as a result, that jobs elsewhere will not pay as well while negative residuals suggest the opposite and that search should be more worthwhile. We include these residuals as an independent variable in the analysis.

Financial performance of one's employer is measured by its Return-on-Equity (*ROE*). This information is also only available for publicly held companies.

Hypothesis 2 states that uncertainty in one's current employer should increase one's willingness to search. We measure uncertainty with tenure in one's current employer where

greater tenure should be associated with better information and greater certainty about future prospects. *Tenure since last employer change* stands for the number of years with the current employer. In order to control for the fact that some employer changes were missing from the data, we include a dummy, *Employer change observed.* "1" signifies that the executive made an across-employer move that is recorded by the dataset. 0 values indicate executives whose current and previous jobs were with the same employer. The binary variable *M&A* indicates the employers that were involved in a merger or acquisition in the past two years.

Hypothesis 3 proposes that search is less likely where potential candidates have broader prior experience. We examine breadth of experience with an index. *Career breadth* is the simple sum of the following items: *Change in job function* (0/1) indicates whether the current job represents a change in job functions (e.g., a job change from the sales to the finance function) from the previous job. *Change in industry* (0/1) represents moves that take place across industries. *Change in industry segment* (0/1) represents moves that take place across different industry segments within the financial services industry. *International assignments* (0/1) identifies whether executives have had a work assignment outside the United States in their current or previous job.

Control Variables. There are many variables that might be relevant that we cannot control for here, the most important of which are attributes of the individuals that have been shown as relevant in prior studies. We have no reason to believe that those attributes are related to the independent variables we consider here, however, and we can control for a range of variables that identify separate labor markets where search attributes and behavior may differ:

Executives are grouped into five binary categories by job title, which may represent separate labor markets: 1. Non-managers and managers (omitted category), 2. *Senior managers* including Directors, Vice Presidents and Managing Directors, also principals and partners 3. *Executive and Senior Vice Presidents* 4. *Chief Financial Officers* (also includes the few other types of officers such as Chief Information or Chief Operation Officers 5. *Top Echelon*: CEOs, Chairpersons and Presidents.

Functional background. One can think of this variable as identifying occupational labor markets: finance, general management, sales, marketing, IT, human resources, legal, operations, planning and development, research and development and other. We condense these into three (0/1) categories: *general management* (omitted category), *finance*, and *support functions* (human resource management, IT, sales, marketing, law, etc.).

Industry segment. We group employers into four sub-categories of the financial industry: 1. asset and money management firms, 2. domestic and international banks, 3. consumer finance companies, and 4. investment banks (omitted category). There is a strong perception in the search industry that investment banking is a segment of the economy with extremely low executive loyalty, a perception we can test. Both functional background and industry segment may represent different labor markets with different supply and demand characteristics.

Organizational size is the logarithm value of the total annual sales of the organization.

Variables in the selection equation. Because the individuals who were contacted by the search firm and those who may not have been contacted may differ in certain ways, we use Heckman two-stage Probit models to control for selection bias with respect to who is contacted. In order to obtain the variables used in the selection equation, we begin with t-tests to compare these two groups of executives across observable characteristics, such as the characteristics of their current and previous jobs and their education. Individuals working in the finance function (*Finance Function*, 0/1) were more likely to be contacted, those working at investment banks (*Investment Banks*, 0/1) and those with longer *Tenure in* their *current job* were less likely to be contacted by the search firm (*Tenure in current job* is the number of years that the executives have spent in their current position.) The search firm's favorite target was Senior and Executive Vice Presidents, Chief Financial Officers and the Top Echelon. We created a compound measure out of these three dummy variables: *Target population* (0/1).

Results

Descriptive Statistics

Table 1 displays the means, standard deviations and Pearson correlations of the dependent variable and the key independent variables in the analysis. Table 1a displays the means, standard deviation and correlations for the subset of publicly held companies on which financial data were available.

-- Insert Tables 1 and 1a about here --

Descriptive statistics for the key variables reveal intriguing insights concerning the mobility of executives. Over half of the executives (52 percent) in the sample were willing to consider a job opportunity when the executive search firm contacted them. As a comparison, empirical studies of actual job search in the U.S. find that the percentage of employees across

all job titles who are actively searching for alternative jobs is rather small – about five percent in the late 1990s, the period with the most recent, reliable data (Meisenheimer 2000).

A large majority (68 percent) of executives changed employers to get into their current job. The average executive has spent about 5 years with their current organization. In terms of tenure in their current job, the figure here of 4.06 years is remarkably close to an Execunet (2002) survey of executives in the same year (2002), where tenure in their current role was 4.1 years. Table 2 presents additional descriptive data about who says yes to search. It is interesting that senior executives are more inclined to say yes ("other" category includes titles below VP level).

-Insert Table 2 about here –

The companies represented in the database reveal a great deal about the type of firms that clients of search consultants see as desirable sources for talent. Thirty-six percent of the executives in the database are employed by a *Fortune* 500 employer. Thirty-four percent of the executives have an employer who was in *Fortune's* America's or Global most admired companies. Only six percent of those employers have been included on *Fortune's* 100 Best Places to Work list: Being admired appears to be much more important than being a good place to work for being included in the database.

Table 3 begins the tests of the hypotheses and shows the results of probit regression models that predict executives' willingness to engage in job search (DV: Job search). As shown in the Heckman selection models, except for *Investment banks*, all the other selection variables (*Target population, Tenure in current job* and *Finance function*) are significant predictors in our analyses.

-- Insert Table 3 about here –

In the second stage models, positive coefficients suggest greater likelihood of taking up the invitation to search. Model I enters the control variables. Compared to the investment banking segment (omitted category), executives in the asset and money management segment are less likely to engage in job search ($Z=-.22$, $p<.05$). Compared to individuals working in general management, those in the support functions are less likely to engage in search ($Z=-.22$, $p<.1$). Compared to those in non-managerial and managerial positions, *Senior managers* ($Z=.21$, $p<.1$) and *Executive and Senior Vice Presidents* ($Z=.28$, $p<.1$) are slightly more likely to engage in search.

Hypothesis 1 proposes that executives are less likely to search the more attractive their current position is compared to positions elsewhere. Model II reveals that executives affiliated with organizations that have a good social reputation and that are renowned for their excellence are more likely to decline an invitation to explore a new opportunity by the search firm (*Reputation*, Z=-.03, p<.01). Model III adds firm financial performance and CEO compensation relative to peers.[10] Above-par financial performance (*ROE,* Z=-.02, p<.05) creates attachment, and so do higher levels of compensation relative to peers (*Compensation*, Z=-.22, p<.01). *Reputation*, however, is not significant when financial performance (*ROE*) and *Compensation* enter the equation[11]. Overall, these results find support for Hypothesis 1.

Hypothesis 2 assessed the influence of current position uncertainty on job search. Model IV in Table 2 shows that more years with the same employer (*Time since last employer change,* Z=-.12, p<.1) reduces the probability of job search. Because the dataset records the current and the previous jobs of each executive and given that 32 percent of the individuals did not change employers between these jobs, the analyses control for *Employer change observed*. This suggests that time in one's current role in the same organization also reduces the likelihood of search, a result that is independent of employer match effects. Alternatively, we also run these analyses without *Employer change observed*. These results are shown in Table 4.

-- Insert Table 4 here --

Overall, the coefficients for the main predictors are larger and the significance levels improve, too: in Model I of Table 4 *Time since last employer change* has a significant negative relationship to job search (Z=-.28, p<.05), indicating that the more time elapsed since executives changed employers, the lower is the likelihood that they will engage in job search.

Hypothesis 2 also implies that shocks that affect the prospects for one's future career increase uncertainty as well as the likelihood of job search. Mergers and acquisitions represent such a shock, and Model VII of Table 3 shows that M&A within the past two years

[10] We attempted a similar analysis replacing CEO pay with the compensation for the top five highest paid employees in each of the public companies. The drawback to this approach is that the jobs held by the top five vary considerably across companies, making them not strictly comparable. We find no significant effects with this approach.

[11] We also ran Model III of Table 3 without the three industry controls, since the three coefficients were all far from statistical significance levels and including them in the models would have made the Wald statistics considerably worse.

increases the odds that an executive will engage in job search (*M&A*, Z=.31, p<.1).[12] Overall, these findings lend support to Hypothesis 2.

Hypothesis 3 states that individuals with a broader experience set are more likely to search. Model IV of Table 3 finds support for Hypothesis 3: the index that measures four types of changes: job function change, change across industries and industry segments, and international experience, is positive and significant (*Job change compound.* Z=.26, p<.001)[13], meaning that those with more changes, i.e. with a broader experience set are more likely to engage in search. Model II in Table 4 that shows the regression equation without the control *Employer change observed* has almost identical results: Z=.29, p<.001.

Model V reveals that - controlling for change in employer - taking a job in a different industry (*Change in industry;* Z=.25, p<.05) and in a different country (*International assignments;* Z=.51, p<.001) also increase the willingness to search, while *Job function change* and *Change in industry segments* do not seem to have a significant influence. As Model III in Table 4 reveals, the coefficients for *Change in industry* and *International assignments* are larger when we do not control for *Employer change observed*: they are Z=.32 (p<.05) and Z=.53 (p<.001) respectively.[14]

H3a states that there is a positive relationship between career breadth inside the same employer and job search. To test H3a, we looked at the relationship between *Career breadth* and the dependent variable *Job search* in a split sample that included only moves within the same employer.

- Insert Table 5 about here –

-

Model I in Table 5 includes the control variables, while Model II adds the independent variable *Career breadth*. Model II in Table 5 reveals that *Career breadth* is positively related to *Job search* (Z=.19, p<.1), which provides support for H3a.

[12] We also attempted to examine the effects of variability in firm performance on the search decision with various measures of financial performance, including Black-Scholes measures and found no relationships. One reason might be that share price volatility might actually be a good thing for executives receiving stock options, especially if there is a chance that underwater options are repriced or replaced with new ones.

[13] Alternatively, we operationalized *Career breadth* as the sum of *Change in industry*, *Change in industry segments* and *Change in job functions*. The alternative operationalization thus excludes *International assignments*. The conclusions from this alternative model are similar, although the coefficient for the alternative *Career breadth* loses both in size and in significance level (Coeff=.129*; p=.019).

[14] Based on a comment by an anonymous reviewer, we also tested whether "Career breadth" has a different relationship with the dependent variable *Job search*, depending on whether the executive's most recent job change took place within the same employer or across employers. In these analyses we used "Employer change observed" as the moderator variable between Career breadth and Job search. "Employer change observed" was not a significant moderator in the alternative analyses.

Discussion and Conclusions

Previous studies have shown how search firms structure labor markets and influence executive mobility patterns. As gatekeepers to corporate executive positions, they underrepresent women and non-white applicants from lower socioeconomic backgrounds (Dreher, Lee, & Clerkin 2011; Judge, Cable, & Bretz 1995) and certain skill sets. Specifically, they are less likely to consider professionals with longer experience in the labor market and with more previous employers (King, Burke, and Pemberton 2005). Salient and "elite" human capital resources (i.e., human capital gained at reputable, well-performing corporations or at reputable educational institutions) gain more importance as predictors of executive mobility because executive search firms take a conservative approach that targets "defendable" candidates (Khurana, 2002). Further, that research also shows that the intensity and the history of an individual's relationship with the mediating agency (Dreher et al. 2011; Fernandez-Mateo 2007; King et al. 2005) and the agency's reputation and situation in the industry (Bielby & Bielby 1999) shapes who gains access to new jobs and, ultimately, career advancement.

We find something similar here in that the pool of executives that the search firm tracks disproportionately includes executives from large, well-performing organizations. Two-stage Heckman models also show that the search firm tends to target potential candidates at the executive vice president and senior vice president levels, with certain types of functional and industry experience, and from firms with high reputations.

Despite the fact that executive jobs are often associated with promotion from within systems and organization-specific careers, we find that executives are quite willing to take concrete steps to change employers. Bandit models and the exploitation/exploration dichotomy are particularly appropriate for considering executive job search decisions because, in contrast to other models, they are built on the realistic assumption that executives face uncertainty in their future career with their current employer as well as uncertainty about opportunities elsewhere. Specifically, the uncertainty around one's current circumstances, as measured by shocks like M&A activity but also by prior experience that gives one better or less accurate information about current prospects and those elsewhere, affects the decision to look for a new job. This holds even for individuals who have remained with the same employer.

Perhaps most importantly, we show that career breadth is positively associated with the likelihood of job search. Focused experience may reduce uncertainty about future prospects in one's current role, and broader experience that opens up possibilities for a

broader set of alternative jobs makes search more informative. Executive programs that seek to broaden the experience of promising executives may also have the effect of increasing their willingness to search for positions elsewhere.

More generally, the study identifies a highly credible measure of search that is not self-reported and that has real consequences for the individual: do executives say yes when presented with an opportunity to become a candidate for a current job opening. The fact that the process is initiated by the search firm and not by the candidate also helps to address concerns about endogeneity and omitted variables. We know relatively little about how individuals holding these important executive jobs get into them, and the results here advance our understanding.

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Table I. Means, Standard deviations and correlations

Variable	Mean	S. D.	1	2	3	4	5	6	7	8	9	10	11	12
1. Job search	.52	.50	1.00											
2. Asset mgmt firms	.23	.42	-0.11***	1.00										
3. Banks	.20	.40	0.09**	-0.30***	1.00									
4. Finance comps	.12	.33	0.04	-0.20***	-0.18***	1.00								
5. Investment banks	.45	.50	0.00	-0.51***	-0.44***	-0.30***	1.00							
6. Support function	.22	.42	-0.01	-0.03	0.11***	0.13***	-0.14***	1.00						
7. Finance function	.64	.48	-0.05	0.07*	-0.08**	-0.18***	0.12***	-0.71***	1.00					
8. General mgt	.14	.34	0.07*	-0.05*	-0.02	0.09**	0.00	-0.21***	-0.53***	1.00				
9. Mgrs and non-mgs	.16	.36	-0.06	0.15***	-0.07**	-0.08**	-0.03	0.01	0.13***	-0.16***	1.00			
10. Senior managers	.48	.50	-0.03	-0.06*	-0.02	-0.04	0.10***	0.06**	0.06**	-0.16***	-0.41***	1.00		
11. EVPs and SVPs	.18	.38	0.08*	-0.00	0.17***	0.11***	-0.21***	0.08***	-0.05	-0.03	-0.20***	-0.46***	1.00	
12. Chief Fin Offs	.05	.22	-0.01	0.04	0.02	-0.01	-0.04	-0.02	0.02	-0.00	-0.10***	-0.23***	-0.11***	1.00
13. Top Echelon	.13	.33	0.04	-0.06*	-0.02	0.10***	0.00	-0.15***	-0.28***	0.55***	-0.17***	-0.38***	-0.13***	-0.07*
14. Organization size	3.06	1.64	-0.05	-0.19***	0.27***	0.05	-0.08*	0.9***	-0.01	-0.09**	-0.09***	0.16***	0.10***	-0.05

*** p<0.001; **p<0.01; *p<0.05

Table 1. continued

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14
15. Reputation	-0.11***	-0.11***	0.01	-0.00	0.09***	0.05*	0.04	-0.07***	-0.06***	0.02	-0.00	-0.04	-0.04	0.48***
16. Time_er chg	-0.13***	0.01	0.03	-0.00	-0.03	0.03	-0.01	0.01	-0.04	-0.06*	0.06*	-0.04	-0.02	0.13***
17. Er change	0.14***	0.02	-0.08**	-0.03	0.06*	0.02	0.02	-0.06*	0.09***	0.00	-0.09**	-0.03	-0.05	-0.28***
18. Career breadth	0.18***	-0.01	-0.04	0.09**	-0.02	0.09**	-0.23***	0.21***	-0.04	-0.05	-0.05	0.01	0.11***	-0.12***
19. Change_ind	0.08**	-0.03	-0.05	0.09**	0.01	0.20***	-0.19***	0.02	0.05	-0.05	-0.07*	0.02	0.06*	-0.17***
20. Change_segm	0.04	0.09**	-0.04	0.06*	-0.09**	-0.01	0.00	0.02	-0.00	-0.01	0.05	-0.02	0.00	0.02
21. Ch job function	0.07*	-0.04	-0.05	0.05	0.04	0.01	-0.23***	0.29***	-0.10***	0.08*	-0.03	0.01	0.13***	-0.11***
22. Intl assignment	0.18***	-0.04	0.09**	-0.02	-0.03	-0.03	-0.02	0.07	-0.04	0.03	-0.01	0.02	0.02	0.04
23. M&A	0.05	-0.09**	0.22***	-0.09**	-0.04	0.02	0.04	-0.07	-0.04	-0.01	0.08**	-0.00	-0.04	0.18 ***
24. Target pop.	0.08**	-0.02	0.07*	0.09**	-0.09**	-0.08***	-0.18***	0.35***	-0.22***	-0.41***	0.27***	0.45***	0.56***	-0.03
25. Current tenure	-0.06	0.05	0.03	-0.01	-0.06*	0.01	-0.01	0.01	0.00	-0.01	0.01	-0.04	-0.02	-0.05

Table 1 continued

Variable	Mean	S.D.	15	16	17	18	19	20	21	22	23	24	25
15. Reputation	2.51	3.93	1.00										
16. Time_er change	5.01	3.66	0.07***	1.00									
17. Employr change	.68	.47	-0.23***	-0.49***	1.00								
18. Career breadth	1.06	.84	-0.12***	-0.18***	0.26***	1.00							
19. Change_industry	.29	.45	-0.11***	-0.19***	0.31***	0.45***	1.00						
20. Ch_segments	.23	.42	0.01	-0.02	0.09**	0.33***	-0.35***	1.00					
21. Ch job function	.33	.47	-0.11***	-0.08**	0.08**	0.65***	0.18***	-0.01	1.00				
22. Intl assignment	.20	.40	0.00	-0.05	0.01	0.49***	-0.02	0.05	0.00	1.00			
23. M&A	.07	.26	0.16***	-0.02	-0.09**	-0.07*	-0.06*	0.02	-0.07*	-0.02	1.00		
24. Target pop.	.36	.43	-0.04*	-0.03	-0.08**	0.07*	0.04	0.01	0.08**	0.03	0.00	1.00	
25. Current tenure	3.69	2.83	-0.08***	0.72***	0.03	-0.03	-0.01	0.02	-0.03	-0.07*	-0.05	-0.05	1.00

Table 1a. Correlation table for the sample of public companies where financial and compensation data are available

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Job search	.45	.50	1.00															
2. Asset mgmt firms	.17	.38	-.11***	1.00														
3. Banks	.35	.48	.09**	-.30***	1.00													
4. Finance comps	.10	.29	.04	-.20***	-.18***	1.00												
5. Investment banks	.38	.49	.00	-.51***	-.44***	-.30***	1.00											
6. Support function	.25	.43	-.01	-.03	.11***	.13***	-.14***	1.00										
7. Finance function	.65	.48	-.05	.07*	-.08***	-.18***	.12***	-.72***	1.00									
8. General mgt	.10	.30	.07*	-.05	-.02	.09***	.00	-.21***	-.53***	1.00								
9. Mgrs and non-mgs	.12	.32	-.06*	.16***	-.07**	-.08***	-.03	-.01	.13***	-.16***	1.00							
10. Senior managers	.55	.50	-.03	-.06*	-.03	-.05*	.10***	.06**	.06**	-.16***	-.41***	1.00						
11. EVPs and SVPs	.22	.42	.07*	-.00	.17***	.11***	-.20***	.08***	-.05*	-.03	-.20***	-.46***	1.00					
12. Chief Fin Offs	.05	.22	-.01	.04	.02	-.01	-.04	-.02	.02	-.00	-.10***	-.23***	-.11***	1.00				
13. Top Echelon	.06	.24	.02	-.09***	-.10***	.03	.14***	-.15***	-.19***	.44***	-.17***	-.38***	-.18***	-.09***	1.00			
14. Organization size	4.29	.60	-.05	-.19***	.27***	.05*	-.08***	.09***	-.02	-.09***	-.09***	.16***	.10***	-.05*	-.24***	1.00		
15. Reputation	5.47	4.69	-.11***	-.11***	.01	-.00	.09***	.02	.04	-.07***	-.07**	.15***	.00	-.04	-.12***	.48***	1.00	
16. ROE	13.41	7.45	-.12***	.18***	.01	.22***	-.28***	.07*	-.13***	.10**	.02	-.11***	.08*	.03	.02	-.09**	.02	1.00
17. Compensation	.00	.85	-.16***	.00	-.01	.00	.00	-.08	.13***	-.09*	.05	-.02	-.02	-.02	-.09*	.19***	.27***	-.08*

TABLE 2 Frequencies of responses to search request

	No to search (% of total)	Yes to search (% of total)	Total
By function			
General management	71 *39.7%*	108 *60.3%*	179 *100.0%*
Finance	112 *50.7%*	109 *49.3%*	221 *100.0%*
Support functions	334 *49.6%*	339 *50.4%*	673 *100.0%*
By industry segment			
Asset mgmt	173 *56.7%*	132 *43.3%*	305 *100.0%*
Banks	90 *39.5%*	138 *60.5%*	228 *100.0%*
Finance companies	56 *43.1%*	74 *56.9%*	130 *100.0%*
Investment banks	222 *48.1%*	240 *51.9%*	462 *100.0%*
By position			
CEO	91 *44.8%*	112 *55.2%*	203 *100.0%*
EVP	24 *35.3%*	44 *64.7%*	68 *100.0%*
SVP	166 *45.9%*	196 *54.1%*	362 *100.0%*
VP	110 *53.2%*	97 *46.8%*	207 *100.0%*
Other	118 *50.2%*	117 *49.8%*	235 *100.0%*

Table 3. Two-stage Heckman probit models. DV=Job search

	I		II		III	
Control variables						
Asset management firms	-0.22*	(0.09)	-0.22*	(0.09)		
Banks	0.15	(0.11)	0.09	(0.11)		
Finance companies	0.00	(0.12)	-0.03	(0.12)		
Support function	-0.25+	(0.14)	-0.25+	(0.14)	-0.45+	(0.27)
Finance function	-0.11	(0.13)	-0.10	(0.13)	-0.17	(0.22)
Senior managers	0.21+	(0.12)	0.22+	(0.12)	0.42+	(0.26)
Executive and Senior Vice Presidents	0.28+	(0.15)	0.27+	(0.14)	0.53+	(0.13)
Chief Financial Officers	-0.03	(0.18)	-0.05	(0.18)	0.33	(0.17)
Top Echelon: Presidents, CEOs, Chairmen	-0.04	(0.16)	-0.03	(0.15)	-0.18	(0.26)
Organization size	-0.06*	(0.03)	-0.02	(0.03)	0.13	(0.10)
Independent variables						
Reputation index			-0.03***	(0.01)	-0.01	(0.01)
ROE					-0.02*	(0.01)
Compensation					-0.22**	(0.10)
Constant	0.85***	(0.19)	0.83***	(0.18)	0.36	(0.62)
Selection equation						
Target population	0.35***	(0.08)	0.35***	(0.08)	0.29**	(0.10)
Finance function	-0.12+	(0.07)	-0.12+	(0.07)	-0.01	(0.08)
Tenure in current job	-0.03***	(0.02)	-0.03***	(0.01)	-0.06***	(0.02)
Investment Banks	-0.11+	(0.07)	-0.11+	(0.06)	-0.25**	(0.08)
Constant	0.22***	(0.09)	0.22***	(0.07)	-0.22*	(0.10)
Wald chi-square	20.15*		25.40**		17.18+	
Rho	-.78		-.82		-.73	
N (total)	1561		1561		1168	
N (selection equation)	809		809		809	
N (main equation)	752		752		359	

Table 3. continued

	IV		V		VI		VII	
Asset management firms	-0.18+	(0.10)	-0.17	(0.11)	-0.16	(0.11)	-0.14	(0.11)
Banks	0.16	(0.13)	0.19	(0.13)	0.17	(0.13)	0.16	(0.13)
Finance companies	0.02	(0.13)	0.03	(0.14)	0.05	(0.15)	0.08	(0.15)
Support function	-0.19	(0.15)	-0.16	(0.16)	-0.18	(0.16)	-0.18	(0.16)
Finance function	-0.00	(0.15)	0.11	(0.15)	0.08	(0.15)	0.08	(0.15)
Senior managers	0.15	(0.14)	0.14	(0.15)	0.14	(0.15)	0.14	(0.15)
Executive and Senior Vice Presidents	0.20	(0.17)	0.22	(0.18)	0.25	(0.18)	0.25	(0.18)
Chief Financial Officers	-0.14	(0.20)	-0.14	(0.22)	-0.13	(0.22)	-0.12	(0.22)
Top Echelon: Presidents, CEOs, Chairmen	-0.15	(0.17)	-0.21	(0.20)	-0.18	(0.20)	-0.17	(0.20)
Organization size	-0.04	(0.03)	-0.03	(0.03)	-0.03	(0.03)	-0.03	(0.03)
Independent variables								
Time since last employer change	-0.12+	(0.07)	-0.12+	(0.06)	-0.12+	(0.06)	-0.11+	(0.06)
Employer change observed	0.10*	(0.04)	0.06	(0.04)	0.08+	(0.04)	0.08+	(0.04)
Career breadth			0.26***	(0.07)				
Change across industries					0.25*	(0.12)	0.25*	(0.12)
Change across industry segments					0.13	(0.11)	0.12	(0.11)
Job function change					0.13	(0.10)	0.14	(0.10)
International assignments					0.49***	(0.13)	0.51***	(0.13)
Mergers and acquisitions							0.31+	(0.17)
Constant	0.88***	(0.25)	0.43	(0.46)	0.47	(0.34)	0.45	(0.34)
Selection equation								
Target population	0.41***	(0.08)	0.41***	(0.08)	0.41***	(0.08)	0.41***	(0.08)
Finance function	-0.14*	(0.07)	-0.15*	(0.07)	-0.15*	(0.06)	-0.14*	(0.07)
Tenure in current job	-0.05***	(0.01)	-0.05***	(0.01)	-0.05***	(0.01)	-0.05***	(0.01)
Investment Banks	-0.10	(0.07)	-0.10	(0.07)	-0.10	(0.06)	-0.10	(0.07)
Constant	0.19*	(0.08)	0.20*	(0.08)	0.20*	(0.08)	0.20*	(0.08)
Wald chi-square	26.78**		37.98***		41.14***		42.72***	
Rho	-.78		-.60		-.62		-.61	
N (total)	1561		1561		1561		1561	
N (selection equation)	809		809		809		809	
N (main equation)	752		752		752		752	

Table 4. Analyses without *Employer change observed*. DV=Job search

	I		II		III	
Control variables						
Asset management firms	-0.18	(0.12)	-0.17	(0.12)	-0.16	(0.12)
Banks	0.22	(0.14)	0.21	(0.14)	0.20	(0.14)
Finance companies	0.05	(0.16)	0.04	(0.15)	0.05	(0.16)
Support function	-0.23	(0.17)	-0.16	(0.17)	-0.19	(0.18)
Finance function	-0.07	(0.18)	0.10	(0.16)	0.07	(0.16)
Senior managers	0.18	(0.17)	0.14	(0.16)	0.14	(0.16)
Executive and Senior Vice Presidents	0.28	(0.20)	0.24	(0.20)	0.28	(0.20)
Chief Financial Officers	-0.07	(0.27)	-0.13	(0.24)	-0.11	(0.25)
Top Echelon: Presidents, CEOs, Chairmen	-0.12	(0.22)	-0.21	(0.21)	-0.19	(0.22)
Organization size	-0.06+	(0.03)	-0.04	(0.03)	-0.04	(0.03)
Independent variables						
Time since last employer change	-0.28*	(0.11)	-0.22*	(0.10)	-0.22*	(0.10)
Career breadth			0.29***	(0.07)		
Change across industries					0.32*	(0.12)
Change across industry segments					0.18	(0.12)
Job function change					0.15	(0.11)
International assignments					0.53***	(0.13)
Constant	10.06**	(0.40)	0.63+	(0.36)	0.65+	(0.36)
Selection equation						
Target population	0.40***	(0.08)	0.40***	(0.08)	0.40***	(0.08)
Finance function	-0.15*	(0.07)	-0.15*	(0.07)	-0.15*	(0.07)
Tenure in current job	-0.05***	(0.01)	-0.05***	(0.01)	-0.05***	(0.01)
Investment Banks	-0.10	(0.07)	-0.10	(0.07)	-0.10	(0.07)
Constant	0.21*	(0.09)	0.20*	(0.08)	0.21*	(0.08)
Wald chi-square	25.84**		40.00***		44.03***	
Rho	-.29		-.42		-.41	
N (total)	1561		1561		1561	
N (selection equation)	809		809		809	
N (main equation)	752		752		752	

Table 5. Two-stage Heckman models in the split sample (if *Employer change observed*=0). DV=Job search

	I		II	
Control variables				
Asset management firms	0.12	(0.21)	0.13	(0.22)
Banks	0.41*	(0.21)	0.44*	(0.21)
Finance companies	0.31	(0.24)	0.31	(0.24)
Support function	-0.44	(0.29)	-0.38	(0.29)
Finance function	-0.10	(0.24)	0.00	(0.26)
Senior managers	0.12	(0.21)	0.05	(0.22)
Executive and Senior Vice Presidents	0.40+	(0.22)	0.40+	(0.22)
Chief Financial Officers	0.00	(0.37)	-0.05	(0.38)
Top Echelon: Presidents, CEOs, Chairmen	-0.02	(0.39)	-0.04	(0.40)
Organization size	0.06	(0.06)	0.06	(0.07)
Time since last employer change	-0.24	(0.19)	-0.21	(0.20)
Independent variables				
Career breadth			0.19+	(0.11)
Constant	-0.32	(0.58)	-0.58	(0.60)
Selection equation				
Target population	0.56***	(0.12)	0.55***	(0.12)
Finance function	-0.24*	(0.10)	-0.23*	(0.10)
Tenure in current job	-0.09***	(0.02)	-0.09***	(0.02)
Investment Banks	-0.08	(0.10)	-0.08	(0.10)
Constant	0.03	(0.13)	0.02	(0.13)
Wald chi-square	15.79		20.34+	
Rho	.45		.41	
N (total)	770		770	
N (selection equation)	503		503	
N (main equation)	267		267	

Appendix 1. Regression model to determine *Compensation*

DV: Ln(total compensation of the CEO)

Variables	β	Stand. error
ROE compared to industry average	.016**	(.004)
Ln(number of employees)	.315***	(.026)
Asset management companies	-.190*	(.096)
Banks	-.472***	(.080)
Finance companies	-.337*	(.125)
Net income per employee	-.019	(.022)
Constant	5.346***	(.274)
R-squared	.198	
F(6, 661)	27.16***	