HEIDRICK & STRUGGLES INTERNATIONAL INC
Form DEF 14A
April 20, 2009
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SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ **Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material under Rule 14a-12

Heidrick & Struggles International, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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NOTICE OF

ANNUAL MEETING OF STOCKHOLDERS

AND

PROXY STATEMENT

DATE:	May 21, 2009
TIME:	9:00 a.m. Eastern Daylight Time
PLACE:	Millennium Broadway Hotel
	145 West 44th Street
	New York, NY 10036

April 20, 2009

Greetings to the stockholders of Heidrick & Struggles International, Inc. I am pleased to invite you to attend our Annual Meeting of Stockholders.

The meeting will be held on May 21, 2009 at 9:00 a.m. Eastern Daylight Time at the Millennium Broadway Hotel, located at 145 West 44th Street, New York, NY 10036.

The Notice of Annual Meeting of Stockholders accompanying this letter describes the business we will be transacting at the meeting.

Whether or not you plan to attend the Annual Meeting in person, I urge you to sign, date and return the enclosed Proxy Card as soon as possible so that your shares will be represented at the meeting. The vote of every stockholder is important!

I look forward to seeing you on May 21st.

Sincerely,

L. Kevin Kelly

Chief Executive Officer

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HEIDRICK & STRUGGLES INTERNATIONAL, INC.

233 South Wacker Drive, Suite 4200

Chicago, Illinois 60606-6303

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

DATE:	May 21, 2009
TIME:	9:00 a.m. Eastern Daylight Time
PLACE:	Millennium Broadway Hotel
	145 West 44th Street
	New York, NY 10036

Dear Stockholders:

At our Annual Meeting, we will ask you to:

I. Elect two (2) directors to serve on the Board of Directors until the Annual Meeting in 2012;

II. Ratify our selection of KPMG LLP as the Company s independent registered public accounting firm for 2009; and

III. Transact any other business that may properly come before the Annual Meeting, or any adjournment of the Annual Meeting.

If you were a stockholder of record at the close of business on April 3, 2009, you are entitled to vote at the Annual Meeting or any adjournment of the meeting. A stockholder list will be available at our principal executive offices located at 233 South Wacker Drive, Suite 4200, Chicago, Illinois 60606, beginning April 20, 2009 during normal business hours, for examination by any stockholder registered on our stock ledger as of April 3, 2009, for any purpose germane to the Annual Meeting.

Your attention is called to the accompanying Proxy Card and Proxy Statement. A copy of our Annual Report to Stockholders (including our Annual Report on Form 10-K) for the year ended December 31, 2008 is also enclosed.

Sincerely,

K. Steven Blake

Secretary

YOUR VOTE IS IMPORTANT. Whether or not you plan to attend the Annual Meeting in person, please sign and return the Proxy Card in the enclosed postage prepaid envelope so your shares may be voted.

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VOTING INFORMATION

Proxy Solicitation. The Board of Directors is furnishing you with this Proxy Statement in connection with the solicitation of your proxy for the Annual Meeting of Stockholders to be held on May 21, 2009 and at any adjournment thereof. This solicitation is being made by mail. The Company may also use its officers and other employees to solicit proxies from stockholders, personally or by telephone, facsimile, letter or electronic mail. The Company will pay all costs associated with the solicitation of proxies. If the Company requests nominees and brokers to solicit their principals and customers for their proxies, it will reimburse the nominees and brokers for their reasonable out-of-pocket expenses.

Annual Meeting of Stockholders. The Annual Meeting of Stockholders will be held on May 21, 2009 at 9:00 a.m. Eastern Daylight Time at the Millennium Broadway Hotel located at 145 West 44th Street, New York, New York 10036. If you need directions to the Annual Meeting, please contact Julie Creed, VP, Investor Relations at 1-312-496-1200. This Proxy Statement is first being mailed on or about April 20, 2009 to Company stockholders entitled to notice of, and to vote at, the Annual Meeting.

Record Date. Each share of Company common stock that you owned as of April 3, 2009, the record date for the Annual Meeting, entitles you to one vote. On April 3, 2009 there were 16,959,518 shares of Company common stock outstanding.

Quorum. A quorum of stockholders is necessary for the Company to hold a valid meeting. If at least a majority of the Company s common stock is present in person or by proxy, a quorum will exist. The inspector of election appointed for the Annual Meeting will determine whether a quorum is present. Abstentions and broker non-votes are counted as present to establish a quorum. A broker non-vote occurs when a broker or other record holder does not vote on some matters presented at the meeting because the broker or other record holder does not have discretionary voting authority with respect to that matter and has not received voting instructions from the beneficial owner on those matters.

Voting. You may vote on the proposals presented at the Annual Meeting in one of two ways:

By Proxy: You can vote your shares by signing, dating and returning the enclosed Proxy Card. If you do this, the individuals named on the card will vote your shares in the manner you indicate and in their discretion on any other matters that may properly come before the meeting. You may specify on your Proxy Card how you would like your shares voted. If you do not indicate instructions on the card, your shares will be voted *for* the election of each individual nominated for director under Proposal I and *for* the ratification of the Board of Directors selection of KPMG LLP as the Company s independent registered accounting firm for 2009 under Proposal II; or

In Person: You may come to the Annual Meeting and cast your vote.

If you grant the Company a proxy, you may revoke your proxy at any time before it is exercised by (1) sending notice to the Company Secretary at the Company s principal executive offices in writing; (2) providing to the Company a later-dated proxy; or (3) attending the Annual Meeting in person and voting your shares. Merely attending the Annual Meeting, without further action, will not revoke your proxy.

If your broker holds your shares in its name, the broker will inform you how to instruct it as to the manner in which you want your shares voted. The broker is permitted to vote your shares for the election of each nominee for director and for the ratification of the Board of Directors selection of KPMG LLP if the broker does not receive voting instructions from you. If your broker does receive voting instructions from you, it must vote in accordance with these instructions.

The inspector of election appointed for the Annual Meeting will tabulate votes.

Required Vote. Pursuant to the Company s Amended and Restated Bylaws, directors are elected by a plurality vote. This means that with respect to Proposal I, the two (2) director nominees receiving the highest number of votes cast FOR their election will be elected. Proposal II requires the affirmative vote of a majority of those shares present in person or represented by proxy and entitled to vote thereon at the Annual Meeting.

Votes withheld and abstentions are deemed present at the Annual Meeting and are counted for quorum purposes but are not counted for purposes of election of directors (Proposal I) and, with respect to Proposal II, will have the same effect as a vote against the matter.

Majority Vote Policy. The Company s Corporate Governance Guidelines provide that, in any uncontested election, any nominee for director who does not receive a majority of votes cast FOR his or her election is required to tender his or her resignation promptly following the failure to receive the required vote. The Corporate Governance Guidelines require the Nominating and Board Governance Committee of the Board of Directors to make recommendations to the Board with respect to any such resignation. The Board is required to take action with respect to this recommendation and to disclose its decision-making process. Full details of this policy are set forth under Practices (Resignation for Majority Withheld Vote) in the Company s Corporate Governance Guidelines, a copy of which is included in the Corporate Governance section of the Company s website at: http://www.heidrick.com.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 21, 2009.

The Proxy Statement and the Company s Annual Report are available at http://www.heidrick.com/proxy.

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DESCRIPTION OF THE COMPANY S CAPITAL STOCK

The Company s Amended and Restated Certificate of Incorporation provides for its authorized capital stock to consist of 100,000,000 shares of common stock, $.01 par value per share, of which 16,959,518 shares were issued and outstanding on April 3, 2009 and 10,000,000 shares of preferred stock, $.01 par value per share, none of which have been issued. The Company s common stock is listed on the NASDAQ Stock Market under the symbol HSII.

Each stockholder is entitled to one vote per share on all matters to be voted upon by the stockholders. The holders of common stock do not have cumulative voting rights. Holders of common stock are entitled to receive dividends if and when dividends are declared by the Board of Directors and out of funds legally available, after the required dividends are paid on outstanding preferred stock, if any. On September 19, 2007 the Board of Directors approved the initiation of a quarterly cash dividend in the amount of $0.13 per share. In the event of the Company s liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, accrued but unpaid dividends and liquidation preferences on any outstanding preferred stock. The shares of common stock have no preemptive or conversion rights and are not subject to the Company s further calls or assessment. There are no redemption or sinking fund provisions applicable to the common stock.

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PROPOSAL I

ELECTION OF CLASS III DIRECTORS

The Board of Directors currently has nine members, two of whom are Company employees and seven of whom are non-employees.

The Board of Directors is divided into three classes (Classes I, II, and III) for purposes of election. The Company s Amended and Restated Certificate of Incorporation calls for each class to consist, as nearly as possible, of one-third of the total number of directors that make up the Board of Directors. One class is elected at each Annual Meeting of Stockholders to serve for a three-year term. The Board of Directors recommends that two (2) directors be elected at the Annual Meeting as Class III directors to hold office for a three-year term expiring in 2012. Directors who are not standing for election this year will continue in office for the remainder of their respective terms.

The Board of Directors has recommended and nominated each of the following persons to be reelected to the Board of Directors as Class III directors with terms expiring in 2012: **Mr. Knell** and **Ms. Kanin-Lovers.**

The enclosed Proxy will be voted **FOR** the election of each of the two nominees unless it is marked to withhold authority to vote for one or more of the nominees. Proxies cannot be voted for more than two nominees.

If any nominee ceases to be a candidate for election for any reason, the Proxy will be voted for a substitute nominee designated by the Company s Board of Directors. The Board of Directors currently has no reason to believe that any nominee will not remain a candidate for election as a director or will be unwilling to serve as a director if elected.

Below is certain information about each director nominee and each director whose term of office will continue after the Annual Meeting. There are no family relations among any directors, executive officers, or persons nominated to become a director.

NOMINEES FOR ELECTION AS CLASS III DIRECTORS

(Directors with Terms Expiring in 2012)

Name	Age	Principal Occupation and Employment History	Director Since
Gary E. Knell	55	Mr. Knell has served as President and Chief Executive Officer of Sesame Workshop (formerly known as Children s Television Workshop) since 2000. From 1998 to 2000, Mr. Knell was Chief Operations Officer of Children s Television Workshop. From 1996 to 1997, Mr. Knell was President and Managing Director of Manager Media International. From 1989 to 1996, Mr. Knell was Executive Vice President for Corporate Affairs at Children s Television Workshop. From 1982 to 1989, Mr. Knell was Senior Vice President and General Counsel of WNET/THIRTEEN. From 1978 to 1981, he was Counsel to the United States Senate Judiciary Subcommittee on Administrative Practice and Procedure and the Governmental Affairs Subcommittee on Intergovernmental Relations. From 1976 to 1977, he was the legal assistant to the Governor of California. Mr. Knell also serves on the boards of directors of AARP Services, Inc., American Public Television, Business For Diplomatic Action, and Save the Children, and on the board of governors of National Geographic Education Foundation.	9/2007
Jill Kanin-Lovers	57	Ms. Kanin-Lovers is the former Senior Vice President for Human Resources and Workplace Management of Avon Products, Inc., where she held that position from 1998 to 2004. Previously, Ms. Kanin-Lovers held executive-level positions in human resources at International Business Machines Corporation from 1995 to 1998 and American Express Company from 1992 to 1995. Prior to that, Ms. Kanin-Lovers worked at Towers Perrin for 17 years, leaving that company in 1992 as a Vice President and Principal. Ms. Kanin-Lovers also serves on the boards of directors of BearingPoint Inc., Dot Foods, Inc., and First Advantage Corporation.	06/2004

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CLASS I DIRECTORS

(Directors with Terms Expiring in 2011)

Name	Age	Principal Occupation and Employment History	Director Since
L. Kevin Kelly	43	Mr. Kelly has served as our President and Chief Executive Officer since September 2006. Prior to that, Mr. Kelly served as President of the Company s Europe, Middle East, and Africa (EMEA) and Asia Pacific regions. From 2002 to 2005, he was Regional Managing Partner, Asia Pacific, and he also led the Company s Tokyo office during 2002. He joined Heidrick & Struggles in 1997.	09/2006
Robert E. Knowling, Jr.	53	Mr. Knowling has served as Chief Executive Officer of Telwares Communications, LLC (formerly Vercuity Solutions, Inc.), since April 2005. From January 2002 to April 2005, Mr. Knowling was Chief Executive Officer of the New York City Leadership Academy. From February 2001 to January 2003, Mr. Knowling was Chairman and Chief Executive Officer of Simdesk Technologies, Inc. From July 1998 to November 2000, Mr. Knowling was Chairman, President and Chief Executive Officer of Covad Communications. From March 1996 to July 1998, Mr. Knowling was Executive Vice President of Operations and Technologies at US West Communications, and, from November 1994 to March 1996, Vice President of Network Operations at Ameritech Corp. Mr. Knowling also serves on the boards of directors of Aprimo, Incorporated, Ariba, Inc., and Roper Industries.	09/2000
Gerard R. Roche	77	Mr. Roche has been our Senior Chairman since the merger of Heidrick & Struggles, Inc., into Heidrick & Struggles International, Inc. in 1999 (the Merger) and was our acting Chief Executive Officer from April 2003 until June 2003. Mr. Roche joined Heidrick & Struggles, Inc., in 1964 and was a member of the Board of Directors of Heidrick & Struggles, Inc., from 1970 until the Merger. Mr. Roche has been a member of our Board of Directors since the Merger.	02/1999
V. Paul Unruh	60	Mr. Unruh is the former Vice Chairman of Bechtel Group, Inc. Mr. Unruh retired from Bechtel in 2003 after more than 25 years of service to the company. Mr. Unruh held numerous leadership positions at Bechtel, including President of Bechtel Enterprises from 1997 to 2001, Chief Financial Officer from 1992 to 1996, Controller from 1987 to 1991, Treasurer from 1983 to 1986 and Manager of Financial Systems Development from 1978 to 1982. Mr. Unruh also serves on the boards of directors of Move, Inc., and Symantec Corporation.	07/2004

CLASS II DIRECTORS

(Directors with Terms Expiring in 2010)

Name	Age	Principal Occupation and Employment History	Director Since
Richard I. Beattie	70	Mr. Beattie has served as Chairman of Simpson Thacher & Bartlett, an international law firm, since 2004. From 1991 until 2004, Mr. Beattie was Chairman of the Executive Committee of Simpson Thacher & Bartlett, and he has practiced law at the firm since 1968. Mr. Beattie also serves on the board of directors of Harley-Davidson, Inc.	03/2002
Antonio Borges	60	Mr. Borges has served as Director of The Champalimaud Foundation and Chairman of the Hedge Fund Standards Board since 2008. From 2000 to 2008, Mr. Borges was Vice Chairman of Goldman Sachs International. From 1993 to 2000, Mr. Borges was Dean of INSEAD, widely recognized as among the world s top-tier business schools. Mr. Borges also serves on the boards of directors of Caixa Seguros, CNP Assurances, Jeronimo Martins SGPS, S.A., and Scor S.A.	04/2004
John A. Fazio	65	Mr. Fazio is a former Senior General Practice Partner of PricewaterhouseCoopers. Mr. Fazio retired from PricewaterhouseCoopers in 2000 following 35 years of service to the global accounting and professional services company. A Certified Public Accountant and a Certified Management Accountant, Mr. Fazio held a variety of senior positions in accounting, auditing, consulting, and administration at PricewaterhouseCoopers. Mr. Fazio also serves on the board of directors of Sequenom, Inc.	09/2003

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE *FOR* THE ELECTION OF GARY E. KNELL AND JILL KANIN-LOVERS TO THE BOARD OF DIRECTORS.

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CORPORATE GOVERNANCE

Board of Directors and Stockholder Meetings. The Board of Directors met five times during 2008. Each of the directors attended at least 75 percent of the meetings of the Board and the committees of which he or she was a member. The Company expects directors to attend the Annual Meetings of Stockholders unless circumstances impair their ability to do so. Eight of the Company s directors attended the 2008 Annual Meeting of Stockholders.

Director Independence. Each year, the Board of Directors reviews the relationships that each director has with the Company and with other parties. Only those directors who do not have any of the categorical relationships that preclude them from being independent within the meaning of applicable NASDAQ Stock Market, Inc. Marketplace Rules (the NASDAQ Rules), and who the Board of Directors affirmatively determines have no relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, are considered to be independent directors. The Board of Directors has adopted Director Independence Standards to use in evaluating the independence of directors. After a review of the relevant information, the Board of Directors has determined that Richard I. Beattie, Antonio Borges, John A. Fazio, Jill Kanin-Lovers, Gary E. Knell, Robert E. Knowling, Jr. and V. Paul Unruh are independent directors of the Company within the meaning of applicable NASDAQ Rules and the Company s Director Independence Standards. You can access the Director Independence Standards in the Corporate Governance section of the Company s website at: http://www.heidrick.com.

Corporate Governance Guidelines. The Board of Directors has adopted corporate governance guidelines to help it fulfill its responsibilities to the stockholders in overseeing the work of management and the Company s business results. These guidelines are intended to ensure that the Board of Directors has the necessary authority and practices in place to review and evaluate the business operations of the Company, as needed, and to make decisions that are independent of management. In addition, the guidelines are intended to align the interests of directors and management with those of the Company s stockholders. A copy of the Corporate Governance Guidelines is available in the Corporate Governance section of the Company s website at: http://www.heidrick.com.

Director Nominating Procedures. Directors may be nominated by the Board of Directors or by stockholders in accordance with the Company s Amended and Restated Bylaws. The Nominating and Board Governance Committee reviews all proposed nominees for the Board of Directors, including those proposed by stockholders, in accordance with the mandate contained in its charter. This includes a review of the person s occupation, experience, time commitments, financial literacy, independence, judgment, understanding of the Company s business or other related industries, and such other factors as the Nominating and Board Governance Committee determines are relevant in light of the needs of the Board of Directors and the Company. The Nominating and Board Governance Committee selects qualified candidates and reviews its recommendations with the Board of Directors, which determines whether to nominate them for election to the Board of Directors. To date, the Nominating and Board Governance Committee has not paid a fee to any third party to assist in the process of identifying or evaluating director candidates; however, the Nominating and Board Governance Committee has worked with search consultants from the Company to identify director candidates.

Stockholder Recommendations for Nominations. Stockholders who wish to recommend individuals for consideration by the Nominating and Board Governance Committee to be nominees for election to the Board of Directors may do so by notifying the Company s Corporate Secretary. In addition, the Company s Amended and Restated Bylaws permit stockholders to nominate directors at a stockholder meeting. To nominate a director at the 2010 Annual Meeting, a stockholder must notify the Corporate Secretary not less than 60 days, nor more than 90 days, prior to May 21, 2010. Notices should be sent to: Corporate Secretary, Heidrick & Struggles International, Inc., 233 South Wacker Drive, Suite 4200, Chicago, Illinois 60606. In either case, the notice must meet all of the requirements contained in the Company s Amended and Restated Bylaws. The notice must set forth:

(1) the name, age, business address and residence address of the proposed nominee, the class and number of voting shares of the Company s capital stock the nominee beneficially owns and any other

information relating to the nominee that is required to be disclosed in solicitations for proxies for the election of directors pursuant to Section 14 of the Securities Exchange Act of 1934 and the rules and regulations thereunder; and

(2) as to the stockholder proposing such nominee, that stockholder s name and address, the class and number of voting shares of the Company s capital stock the stockholder beneficially owns, a description of all arrangements and understandings between the stockholder and the nominee or any other person (including their names) pursuant to which the nomination is made, a representation that the stockholder intends to appear in person or by proxy at the meeting to nominate the person named in its notice and any other information relating to the stockholder that is required to be disclosed in solicitations for proxies for the election of directors pursuant to Section 14 of the Securities Exchange Act of 1934 and the rules and regulations thereunder.

The notice must also be accompanied by a written consent of the proposed nominee both to being named as a nominee and to serving as a director if elected.

Stockholder Communications. Stockholders may communicate directly with the Board of Directors. All communications should be directed to: Corporate Secretary, Heidrick & Struggles International, Inc., 233 South Wacker Drive, Suite 4200, Chicago, Illinois 60606. Any such communication should prominently indicate on the outside of the envelope that it is intended for the Board of Directors or a particular director. Each communication intended for the Board of Directors or a particular director and received by the Secretary will be forwarded to the specified party following its clearance through normal security procedures.

Code of Ethics. The Board of Directors has adopted a Code of Business Conduct that applies to all of the Company s employees, officers and directors. You can access this Code of Business Conduct in the Corporate Governance section of the Company s website at: http://www.heidrick.com.

EthicsLine. The Board of Directors has established the Heidrick & Struggles EthicsLine, a service that provides a mechanism for reporting to the Company alleged breaches of any legal or regulatory obligations, financial fraud, including accounting, internal controls and auditing, or any alleged violation of the Company s Code of Business Conduct or corporate policies.

The EthicsLine is a telephonic reporting hotline, (toll free in the US) available to all Company employees, contractors, vendors, stockholders or other interested parties. The EthicsLine is administered by a third-party company that is separate and independent of Heidrick & Struggles and specializes in running whistleblower hotline programs for companies throughout the U.S. Calls are not recorded and callers may remain anonymous. The EthicsLine is operational 24 hours a day, seven days a week and may be reached at ***1-800-735-0589*** or, if calling from outside the United States, at ***+1-704-731-7242***.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has a standing Audit and Finance Committee, Human Resources and Compensation Committee, and Nominating and Board Governance Committee. The Board of Directors has determined that all of the directors who serve on these committees are independent within the meaning of the Company s Director Independence Standards and the applicable NASDAQ Rules, including, in the case of members of the Audit and Finance Committee, the specific independence requirements for audit committees.

The Board of Directors has adopted a charter for each of the three standing committees. You can access these committee charters in the Corporate Governance section of the Company s website at: http://www.heidrick.com.

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Audit and Finance Committee. The Audit and Finance Committee of the Board of Directors consists of four independent directors, Messrs. Fazio, Knowling and Unruh and Ms. Kanin-Lovers. Mr. Fazio is the Chair of the Audit and Finance Committee. The Board of Directors has determined that Messrs. Fazio and Unruh are audit committee financial experts as defined in the rules and regulations of the Securities and Exchange Commission (the SEC Rules). During 2008, the Audit and Finance Committee met twelve times.

The Audit and Finance Committee recommends to the Board of Directors the appointment of an independent registered public accounting firm annually to audit the Company s books and records; meets with and reviews the activities and the reports of the Company s independent registered public accounting firm; and reports the results of the review to the Board of Directors. The Audit and Finance Committee also periodically reviews the adequacy of the Company s internal controls and pre-approves all services to be provided by the Company s independent registered public accounting firm. These and other aspects of the Audit and Finance Committee s authority are more particularly described in the Audit and Finance Committee Charter.

Nominating and Board Governance Committee. The Nominating and Board Governance Committee consists of three independent directors, Messrs. Beattie, Borges and Knell. Mr. Beattie is the Chair of the Nominating and Board Governance Committee. The Nominating and Board Governance Committee makes recommendations to the Board of Directors concerning candidates for nomination to the Board of Directors, the membership on committees of the Board of Directors, compensation of the Board of Directors and other corporate governance matters. The Nominating and Board Governance Committee also reviews and approves related party transactions. These and other aspects of the Nominating and Board Governance Committee s authority are more particularly described in the Nominating and Board Governance Committee Charter. During 2008, the Nominating and Board Governance Committee met four times.

Human Resources and Compensation Committee. The Human Resources and Compensation Committee consists of four independent directors, Messrs. Borges, Knell and Knowling and Ms. Kanin-Lovers. Ms. Kanin-Lovers is the Chair of the Human Resources and Compensation Committee. Each member also qualifies as a non-employee director for purposes of Section 16 of the Securities Exchange Act of 1934 and an outside director for purposes of Section 162(m) of the Internal Revenue Code.

The Human Resources and Compensation Committee reviews and approves employment and compensation matters involving the Company s executive officers, as well as those of other key employees that the Committee deems material. Specifically, the Human Resources and Compensation Committee s responsibilities include:

- Reviewing and approving the Chief Executive Officer s compensation and evaluating the Chief Executive Officer s performance against pre-established metrics;
- Reviewing and approving individual executive officer compensation recommendations made by the Chief Executive Officer for his or her direct reports;
- Reviewing and approving terms of employment, severance or other compensation-related agreements to be entered into, or amended, for any executive officer or key employee;
- Adopting, administering and approving equity-related incentives and awards under the Company s equity compensation plans; and
- Reviewing the Company s incentive and employee benefit plans, including any equity compensation plans and recommending to the Board (and stockholders where necessary) any amendments or material changes to the plans.

The agenda for meetings of the Human Resources and Compensation Committee is determined by its Chair with the assistance of the Company s Secretary and Chief Human Resources Officer. The Chief Executive Officer and the Chief Financial Officer regularly attend Human Resources and Compensation Committee meetings. The Human Resources and Compensation Committee also meets in executive session as appropriate. The Chair of the Human Resources and Compensation Committee reports the Committee s recommendations on

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executive compensation to the Board of Directors. Outside advisors and the Company s Human Resources Department support the Human Resources and Compensation Committee in its duties and the Committee may delegate authority to fulfill certain administrative duties regarding the compensation programs to the Chief Executive Officer and Chief Human Resources Officer. The Human Resources and Compensation Committee has authority under its charter to retain advisors, consultants and agents as it deems necessary to assist in the fulfillment of its responsibilities. The Human Resources and Compensation Committee has retained Mercer US, Inc. (Mercer) to advise it on executive compensation, equity plan design and administration and related corporate governance matters. During 2008, the Human Resources and Compensation Committee met five times.

HUMAN RESOURCES AND COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2008, no person who was a member of the Human Resources and Compensation Committee was one of the Company s officers or employees, nor did any of those executive officers serve as a member of the Board of Directors or compensation committee of any entity that has one or more executive officers serving on the Company s Board of Directors or Human Resources and Compensation Committee. From time to time, the Chief Executive Officer, certain other officers and outside consultants may attend meetings of the Human Resources and Compensation Committee, but none of the Company s officers may be present during discussions or deliberations regarding his or her own compensation, nor may they vote on any matters brought before the Human Resources and Compensation Committee.

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EXECUTIVE COMPENSATION

Compensation Discussion & Analysis

Our Business

Heidrick & Struggles is a leading provider of executive search and leadership advisory services. The Company helps its clients build leadership teams by facilitating the recruitment, management and deployment of senior executives. Focusing on top-level services offers the Company several advantages, including access to, and influence with, key decision makers, increased potential for recurring consulting engagements, higher fees, and enhanced brand visibility, all of which create added barriers to entry for potential competitors. Working at the top of client organizations also allows the Company to attract and retain high-caliber consultants.

In addition to executive search, the Company provides a range of leadership advisory services to clients. These services include succession planning, talent retention management, executive assessment, executive development, transition consulting for newly appointed executives, and M&A human capital integration consulting.

Heidrick & Struggles has been in the executive search business for more than 50 years. The Company provides its services to a broad range of clients through the expertise of approximately 400 consultants located in major cities around the world. As such, the executives of the Company need to have the skills and experience to manage and motivate an organization spread over a large number of countries with varying business and regulatory environments. The market for these talented individuals is competitive, and as such, the Company s compensation philosophy is focused on ensuring that the right candidates can be attracted, retained and properly rewarded for their contributions.

Oversight of Compensation Programs

The Human Resources and Compensation Committee of the Board (the Committee) is responsible for overseeing the Company s executive compensation programs. The Company s Chief Executive Officer and Chief Financial Officer, as well as the other executives included in the Summary Compensation Table on page 21, are referred to as the named executive officers throughout this proxy statement. See page 8 of this proxy statement for more information on the role and responsibilities of the Committee with regards to executive compensation and related corporate governance.

Role of Executive Officers in Compensation Decisions

The Committee approves all compensation decisions for the Company s executive officers. The Chief Executive Officer annually reviews the performance of each of the executive officers (other than the Chief Executive Officer, whose performance is reviewed by the Committee with input from the full Board of Directors). Following the performance reviews with the assistance of the Chief Human Resources Officer, the Chief Executive Officer presents compensation recommendations to the Committee for consideration. The Committee generally can exercise its discretion in modifying any recommended adjustments or awards to executives.

Executive Compensation Philosophy

The Company believes that the executive compensation programs should (i) link pay and performance and (ii) attract, retain, and reward the best talent. To achieve this, the Company s executive compensation philosophy is to provide compensation levels and programs that are:

- Competitive with executive recruiting and other consulting firms with which the Company competes for executive talent;

- Fair and equitable among executives;

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Directly linked to stockholder value creation and the long-term profitable growth of the Company;

Supportive of the Company s key business strategies, as well as its objectives to achieve revenue and operating income growth;

Reflective of an executive s individual performance and career potential; and

Designed to facilitate ownership of Company stock.

Setting Executive Compensation

The Committee evaluates the Company s executive compensation programs in comparison to those of a select peer group consisting of 16 similarly-sized professional services companies. The peer group is used to compare total direct compensation and the mix of compensation elements for each named executive officer against peer group positions with similar responsibilities. The peer group is also used to review executive pay programs and practices in general at those companies.

For 2008, the Committee approved three changes to its peer group to achieve improved comparability in terms of size and/or industry focus. The revised peer group consists of the following companies:

CRA International	KForce
Ciber Inc. *(replaced Diamond Management & Technology Consultants)*	Korn/Ferry International
First Consulting Group	Labor Ready *(replaced Sotheby s)*
FTI Consulting	LECG Corp
Hudson Highland Group	Navigant Consulting
Huron Consulting Group *(replaced Gartner)*	Resources Connection
Keane	The Advisory Board Company

The Corporate Executive Board

Watson Wyatt Worldwide

Mercer provides the Committee with an analysis of peer group compensation data to assist the Committee in making informed executive compensation decisions. In setting compensation levels, the Committee often gives the most consideration to the peer group companies with which it directly competes for executive talent and stockholder investment. The Committee also relies on its general knowledge of executive compensation levels and practices since most of the Company s executive search and leadership advisory competitors, from which executive talent is often recruited, are privately held.

The Company does not set a relative percentile positioning for total direct compensation, or the elements of total direct compensation, as a target for executive pay levels. Rather, it reviews the total direct compensation range for each position and the mix of elements to ensure that compensation is adequate to attract and retain key executives.

To ensure that compensation is linked to performance, the Company s executive compensation program is designed to deliver more than 50% of total direct compensation through variable pay. The Chief Executive Officer s salary accounted for only 30% of his 2008 target total direct compensation. The management salary as a percentage of 2008 target total direct management compensation was 33% for the other executive officers.

The Company s executive compensation program is also designed to ensure that a significant proportion of the executive s compensation is delivered in equity and directly aligned with the interests of its stockholders. In 2008, the Chief Executive Officer received 50% of his actual total direct compensation in the form of equity (the remainder was cash), which compares to approximately 40% for the other named executive officers who were employed by the Company for the full year.

Overview of Executive Compensation Components

Alignment with the Company s executive compensation philosophy is achieved through the three direct compensation components outlined below.

Base Salary. The objective of base salary is to compensate executives for services rendered during the year in the form of fixed cash compensation. Base salary levels are set to reflect the executive s role and responsibilities, value to the Company, experience and performance, internal equity and other relevant criteria.

Annual Incentives. The objective of annual incentives is to motivate and reward executives for achieving specific performance goals over a one-year period. Payment is not guaranteed and levels vary according to Company and individual performance. From 2005 to 2007, annual incentives were paid in cash with up to 20% deferred in restricted stock units. Starting in 2008, to ensure consistency among executives, annual incentives are payable in cash with 85% paid currently and 15% deferred over three years. The primary purpose of the bonus deferral is to facilitate retention.

Long Term Incentives. The objective of long-term incentives is to directly align executives interests with those of its stockholders and to retain top talent. Long-term incentive awards are made 100% in the form of equity, specifically, stock options and restricted stock units. Equity-based long-term incentives also facilitate ownership of Company stock and thus, the achievement of the stock ownership guidelines adopted by the Committee.

Base Salary

For each executive, base salaries are reviewed against levels for positions with similar responsibilities at the peer companies using comparative data prepared by Mercer. The Committee then gives consideration to individual performance, internal equity, functional expertise, experience and scope of responsibilities in approving any changes to the base salary.

For executives with dual roles (management and consultant), the base salary consists of a combination of management salary and consultant salary. In 2008, those executives included Mr. Davis, Ms. Germain and Mr. Peters. A management salary is paid to an executive with dual roles in consideration of the executive s management and policy-making responsibilities within the Company, while a consultant salary is paid in consideration of the executive s consulting presence in the marketplace. A consultant salary is referred to as a Fee and Source of Business (FSOB) salary and is applied against any annual incentive amount earned under the Company s FSOB Bonus Plan. The Company does not reduce the consultant salary if the FSOB incentive amount earned for a fiscal year is less than the FSOB salary paid. The other named executive officers have only management roles and thus are paid only a management salary.

For all consultants, including dual-role named executive officers, FSOB salaries are determined on the basis of the Company s knowledge of the market for recruiting professionals and are set at levels intended to be competitive with base salaries for similarly productive consultants at the Company s major competitors.

On February 8, 2008, the Committee approved base salary increases for Mr. Kelly, Mr. Davis, Mr. Blake and Mr. Peters after reviewing the comparative data available for each position and taking into consideration each executive s individual performance. To better reflect the current expectations and job duties of the Regional Managing Partner role with the existing compensation structure, the Committee approved the shift of some consultant salary into additional management salary for Mr. Davis and Mr. Peters as each executive continues to spend a proportionately larger amount of time managing his respective region versus carrying out consulting duties.

In connection with Mr. Krenz joining the Company, the Committee approved his base salary on May 22, 2008. In making its decision, the Committee reviewed comparative data, focusing on base salary levels for Chief Financial Officers hired over the past year at the peer group companies, and determined that Mr. Krenz s salary was competitive with these levels.

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In 2008, the Committee did not approve any changes to the 2007 base salaries for Ms. Kamerick, Ms. Germain or Mr. Hines. Ms. Germain s management and consultant salaries had been increased during the latter part of 2007 in connection with her appointment to Managing Partner, Strategic Partners. Mr. Hines management salary had been increased in 2007 in connection with his appointment to Managing Partner, Americas and Chief Operating Officer.

2009 Changes to Base Salary. In light of the current economic climate, the Committee froze base salaries for Company executives in 2009, except for Mr. Davis for whom the Committee approved an increase in base salary in connection with his promotion to Managing Partner, Global Practices.

See the Summary Compensation Table on page 21 for more details on base salary levels approved by the Committee in 2008 for the named executive officers.

Annual Incentives

Management Incentive Plan. For the named executive officers, annual incentives are provided pursuant to the Management Incentive Plan (MIP) under the Heidrick & Struggles, Inc. Incentive Plan.

The MIP is primarily designed to link an executive s performance to the attainment of specific Company financial and individual goals. Each named executive officer has a target management incentive opportunity under the MIP equal to 100% of the management salary. Please see the Grants of Plan-Based Awards Table on page 24 for more details on non-equity incentive plan levels approved by the Committee in 2008 for the named executive officers.

The Committee approved a MIP design for 2008 consisting of a financial component (75% weighting) plus an individual component (25% weighting). Annual incentive payouts are determined using the MIP design but the Committee has the ability to adjust the payouts at its discretion.

For 2008, the financial component consisted of an alignment matrix that blended consolidated net revenue goals with operating margin goals. The payout ranged from 0% to 150% of the target bonus opportunity depending on financial performance. The alignment matrix was designed to primarily emphasize operating income margin performance with limited leverage to recognize net revenue growth performance. In setting 2008 goals, the Committee paid particular attention to the budget targets set for the year, year-over-year growth, stockholder expectations and probability of achievement. The table below outlines the year-over-year growth in net revenue and operating income margin that was required to generate payouts under the 2008 alignment matrix.

	Target	Maximum	Actual
Financial Performance			
1) Net Revenue	$ 650M	$ 750M	**$ 619M**
2) Operating Income Margin	13.0%	15.0%	**9.0%**
MIP Payout			
(as a % of financial component)	100%	150%	**50%**

Below target performance, the payout can range from 0% to 100% of the target bonus opportunity for the financial component at the discretion of the Committee. Since the Company s 2008 net revenue and operating income margin results fell below the financial performance goals, the Committee approved a payout of 50% on February 6, 2009. In making its decision, the Committee considered many factors including the Company s overall operating performance relative to prior years, and the actions taken by the executive team to ensure that the Company was well positioned for growth in a challenging economic environment.

This 50% financial performance payout applied to all named executive officers other than Mr. Krenz and Ms. Kamerick. Mr. Krenz was paid a bonus of $156,250, which was guaranteed for 2008 pursuant to his employment agreement, and Ms. Kamerick was paid a pro rata portion of her targeted bonus opportunity pursuant to her separation agreement.

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For 2008, the individual component consisted of strategic goals for each executive. The payout for the individual component ranged from 0% to 150% of the target amount of bonus opportunity depending on each executive s performance against his or her respective 2008 goals. For the Regional Managing Partners, the individual component also included regional budgeted net revenue and operating income margin goals. On February 23, 2009, the Committee approved individual payouts (as a percentage of the target opportunity) for each named executive officer (other than Mr. Krenz, whose 2008 bonus was guaranteed) as follows: Mr. Kelly 50%, Mr. Davis 148%, Mr. Hines 72%, Mr. Blake 73%, Ms. Germain 70% and Mr. Peters 75%.

The total average payout which combines the financial and individual components as a percentage of the target management incentive was 58%.

Fee and Source of Business Bonus Plan. Executives who have dual roles participate in the Company s FSOB Bonus Plan in addition to the MIP. The named executive officers who participated in the FSOB Bonus Plan for 2008 were Mr. Davis, Ms. Germain and Mr. Peters. The primary purpose of this incentive plan is to reward revenue generated through individual business development and client service productivity. The FSOB Bonus Plan is reviewed and amended by the Committee from time to time.

FSOB bonuses are determined in accordance with the Company s FSOB Bonus Plan. Under this Plan, all consultants, including dual-role executives, earn revenue credits for both origination of new business (Source of Business or SOB) and execution of client service engagements (Fee). For each consultant, the FSOB bonus is calculated by applying the Fee and SOB credits earned independently to a tiered payout structure. A percentage payout is associated with each respective tier of Fee and SOB credits, with the percentage payout increasing as the level of Fee and SOB credits earned increase. To determine the final value of the FSOB bonus, the payout at each tier level is aggregated and the FSOB salary is deducted. If a negative value is calculated for the FSOB bonus, then no FSOB bonus is paid. The Committee has the discretion to make adjustments to the calculated FSOB incentive payout based on the Company s financial performance.

On February 6, 2009, the Committee approved the payment of a FSOB incentive for Ms. Germain for 2008 performance as calculated under the Plan (no adjustment was made at the discretion of the Committee). Since a negative value was calculated under the FSOB Bonus Plan for both Mr. Davis and Mr. Peters, they were not paid a FSOB bonus. As such, Ms. Germain was the only named executive officer in 2008 to receive a FSOB incentive payment.

Discretionary Bonus Plan. The Discretionary Bonus (DB) Plan is a subset of the FSOB Bonus Plan. Company employees that have received an incentive payment under the FSOB Bonus Plan for a particular year (including executives who have dual roles) are eligible to receive an incentive payment under the Company s DB Plan. The purpose of this incentive plan is to reward partnership behaviors and Company contributions in key areas beyond individual revenue generation. Ms. Germain was the only named executive officer who received a FSOB bonus and thus was the only named executive officer eligible for a DB Plan bonus for 2008. The DB Bonus Plan funds a bonus pool for consultants based on the Company s annual financial performance. An amount equal to a percentage of each eligible consultant s FSOB bonus is set aside to fund the DB pool. On March 27, 2008, the Committee approved consolidated operating income margin goals. This measure was selected to better align consultants interests with those of the Company s stockholders by applying a corporate performance factor to the total of the DB pool. The table below sets forth the Company s DB Plan funding payouts (as a percentage of the total DB pool) under threshold, target, maximum and actual levels of performance as approved by the Committee.

	Threshold	Target	Maximum	Actual
Financial Performance				
Operating Income Margin	11.0%	13.0%	15.0%	**9.0%**
DB Plan Payout				
(as a % of financial component)	0%	100%	150%	**0%**

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Given the Company s 2008 operating income margin, the Committee did not approve a payout under the DB Plan for 2008. As such, there were no named executive officers receiving an incentive payment under the DB Plan in 2008.

Other Bonuses. Upon joining the Company as its Chief Financial Officer, Mr. Krenz received a sign-on bonus of $100,000. Ms. Germain also received a cash payment of $83,333, which reflected the vesting and payment of one-third of a $250,000 long-term incentive awarded to her on October 1, 2007 in connection with her promotion and to recognize her contributions to the Company s future success at that time.

Payment of Annual Incentives. On February 6, 2009, the Committee approved the payment of the annual incentives, 85% of which was paid in cash on March 13, 2009, and the remaining 15% to be paid over three years. To facilitate retention, this 15% of the 2008 annual incentives paid to employees, including the named executive officers, under the MIP and FSOB Bonus Plan is payable over three years in equal cash installments beginning February 26, 2010. A premium of 10% of the deferred amount was added to the mandatory bonus deferral to recognize the length of the deferral period and the time v