



## Working with Executive Search Firms

The single most important factor that will determine the ultimate success or failure of any organization is the energy and direction provided by its leadership. Hiring the right executive is more critical than ever, and with the intense focus on honest, prudent and responsible leadership, the stakes are even higher. Because of this, employers in need of senior executives with proven ability to make a real difference have turned to professional recruiting organizations for help when traditional recruiting methods fail to produce the best candidate for a specific job.

Traditional recruiting methods, such as relying on networks, running ads or posting positions on the internet, are *reactive* methods at best. They often fail to uncover the high-caliber talent not actively seeking new opportunities. It may come as no surprise that the Association of Executive Search Consultants (AESC) reported a 25 percent increase in retained executive searches from the second quarter of 1999 to the second quarter of 2000. For some jobs, the increase has been even more dramatic.

Using a professional recruiter is an effective way to seek out and attract star-talent within competing organizations and from other industries as well. The search industry has more than tripled since 1993 and, while the tools of the trade have changed, the time-tested methods of the true search professional remain constant.

The growth of the recruiting industry has spawned two major types of recruiting organizations - **contingent** agencies and **retained** search firms.

### Contingent vs. Retained Recruiters

Recruiters with **contingent agencies** are truly in sales and are compensated based on creating a transaction with a client. Their fee is "contingent" upon a hire being made. While they are under no obligation to fill a position, their incentive is to place candidates and maintain a high level of sales activity.

Contingent recruiters rarely conduct research or spend a great deal of time hunting for the best candidates. They instead rely on their storehouse of candidates available at their fingertips. These agencies receive resumes every day from job seekers and use advertisements and internet tools such as job boards and resume databases to identify candidates.

Due to the nature of their compensation, contingent recruiters must focus on the positions with the highest probability of a placement being made quickly and easily, often shying away from "hard to fill job orders." They have the freedom to do so since there is no up-front mutual commitment from either the client or the recruiter to fill the position. Companies who use contingent recruiters run the risk of the position not being filled or being presented with less qualified candidates since every candidate is fair game for every client. Due to the nature of the agency relationship, clients may be in competition with one another for the same candidate. A high-quality candidate may be hired away by another client of the agency before you have a run at them.

That being said, contingent agencies are especially useful on lower level, low impact "commodity" positions where there is a greater amount of turnover and a smaller monetary impact to an

organization if a bad hire were to be made. Typically contingent recruiters are used to fill positions below \$75K in annual salary.

**Retained search firms** are utilized to fill high-impact, management and executive level positions that require much more extensive research and the attraction of accomplished leaders who are not currently seeking new employment. Retained search firms take a focused approach in approaching key individuals on your behalf and take a great deal of care in assessing interested parties. Because they are put on a retainer with a portion of the fee paid up front, a retained search consultant has the ability and incentive to be completely objective in their assessment of every candidate, and truly recommend the best fit.

Working on a retained basis also allows the search firm to expend time and resources on research to identify and contact every possible source and potential candidate for your management position. Further, any candidate surfaced through a retained firm's recruiting efforts is solely assigned to that client, and is not available to interview for any other clients of the firm until your search has come to a complete resolution.

Retained firms are often times utilized to fill very difficult positions that other firms would not spend the time to fill. Because they are under a retained agreement, there is a high-level of commitment and obligation to get the search done. Retained firms survive only if they complete the work they are engaged in and produce the best quality candidates for their client companies. Due to the comprehensive nature of their work, retained firms are often able to guarantee their results for a much longer period of time.

High-quality retained firms employ consultants who know their respective industries and who take the time to advise their clients on trends in hiring and compensation. They are paid for the work they do, not just to complete a search.

### **Size Has Nothing to Do with Capability**

Some companies can fall into the trap of believing that the size of a firm or the number of offices it has can affect its ability to complete a search. This simply is not so. In fact, most high-impact positions are easily filled by single-office or boutique firms that operate on a nationwide or global basis. Of greater importance in retaining a firm's are the relationship you have with the firm's individual consultant and the resources and methodology they have at their disposal. Smaller firms often take a more personalized approach and work with fewer, but deeper, client relationships.

### **A Word About Off-Limits**

It is widely accepted that once a firm has been retained by a client company, that company is considered "off-limits" for recruiting purposes. Due to the global and multi-divisional nature of some client companies however, the parameters assigned to an off-limits agreement should be realistic and discussed up-front when beginning a relationship with a retained search firm.

Obviously, the greater the number of client companies a firm has, the fewer places their consultants have to recruit from. Larger firms often run into encumbrance issues, since they have a smaller pool of non-client companies from which to recruit. It is important to recognize this represents a major reason why there has been a healthy trend towards using smaller, more flexible firms.

## Important Qualities to Look For

When looking for the right search consultant, keep in mind following:

**Presentation skills and communication style** - This person will be representing you in the marketplace. They should be polished and articulate.

**Persuasiveness** - This person should have the ability to tell a compelling story about your company and the opportunity.

**Knowledge** - Do they have sufficient industry and functional knowledge to make sound recommendations and help you stay on track?

**Integrity** - Do they represent themselves and their firm as operating in with the highest in ethical and honest standards?

**Perception** - They must have the ability to assess and see past a candidate's experiences into their true leadership style and competency. Good recruiters are students of human psychology and utilize sophisticated methods to interview potential hires.

## Questions to Ask

Before you retain a firm to fill a position of high-importance you should ask several key questions:

**What is their completion rate?** - Some of the largest and best-known firms have completion rates at or below 70 percent.

**Who will be doing the work?** - Make sure you know the team who will be doing the search. In larger firms, the partner you meet with may have little if any involvement once the search is underway. Make sure the consultant you build a relationship with is the one representing you to the marketplace.

**What are their methods for interviewing and referencing potential candidates?** - Not all firms are the same. There are preferred methods available to assess leaders, and double-check their credentials and work history. Make sure you fully understand your firm's strategies.

**How long will the firm continue to work on a search once the fee has been paid?** - Some firms limit the time they will continue to work on a very difficult search. Better firms have built their reputations getting searches done quickly or committing to continuing the work until the search is done, period.

**What is the duration and nature of their guarantee after the work is done?** - Be wary of firms who offer either no guarantee or guarantees of less than 90 days.

**How will the firm bill the client company for expenses?** - How, and for what, you are billed is critically important and must be transparent. Many firms charge expenses over and above the normal and attributable costs of doing a search. Make sure you understand exactly what you are paying for.

## Fees and Guarantees

The standard fee for a comprehensive retained search is generally represented as 1/3 of the candidate's first year cash compensation. The fee is generally divided into 3 equal payments, with the first due at the commencement of the project, the second due after 30 days, and the final payment at 60 days. The search fee is estimated and agreed upon at the beginning of the process and reconciled to reflect the actual amount at the end of the search.

Conducting a comprehensive search may also involve incurring expenses such as travel, lodging, long distance phone calls and postage. As professional services firms, retained consultants are generally reimbursed for these out of pocket expenses on an as-needed basis. Make sure you understand exactly how the firm will be billing you for these fees and what they estimate those costs to be.

### **The Starting Point of the Retained Search**

It is critically important to spend the necessary time with your consultant on the front-end of the search process. He or she must get to know you, your company's culture and overall business strategy in order to be successful. Through a detailed interview, your consultant will help you explore the problems you are seeking to solve through hiring the individual, as well as seek to fully understand what competencies and credentials will be needed. Once you and your consultant agree upon the job description and specific needs of the organization, a road map can be produced which will guide both you and the firm through the process of finding the best match available.

Spending this time up front will help you avoid shooting at "moving targets" and save you both time and money as the search progresses.

### **During the Search**

Make sure your consultant has the ability to reach you whenever possible and maintain a high level of communication throughout the process. This will help you and your consultant head off any issues that may come up and address time-sensitive information regarding the search. It is also a good idea to "calibrate" their efforts against your expectations to ensure the best result. At minimum, request weekly progress reports, and don't be afraid to raise concerns or questions to your consultant.

### **Closing the Deal**

One of the most valuable and important services a firm can provide you is their involvement in the negotiations and offer stage of a search. The firm should provide you with complete and detailed information as to the candidate's current compensation. They should then take the time to help you put together a new compensation package that makes sense. Good recruiters will know from a broad-market perspective what executives in your industry should earn for specific positions. This knowledge is an invaluable resource given the fact most talented candidates receive lucrative counter-offers and incentives to remain with their current affiliation.

The amount of attention and follow-up a consultant pays to a placed candidate will vary from firm to firm. Be sure the firm works with you to transition the new employee into your culture and helps with the inevitable hurdles along the way.