

Marketing retained searches

You've decided to put a key position or group of positions out for search. Perhaps you've advertised, posted, and networked the position on your own...with little success...and somewhat reluctantly face the task of choosing an executive search firm or employment agency to work with. But who?

Your choice is simplified, of course, if you have an existing relationship with a firm that knows your company, its people, and its hiring practices, and has delivered in the past on positions comparable to the new position(s). If not, the next best step is to seek referrals from people you trust who have worked with a variety of recruitment firms on similar searches.

Whether you talk to one firm or several, these few basic considerations will guide you toward the right search partner:

- How urgent is your hiring need?
- How senior is the position within your organization?
- How broad geographically do you want the search to be?
- How do you want your company and the position to be represented to candidates?
- How involved in the hiring process do you expect your recruiter(s) to be?
- How much can you afford to pay and how do you want to pay for it?

In general, low- to middle-level positions that must be filled quickly with local candidates and minimal recruiter involvement beyond sourcing of candidates call for *contingency search*. Here speed, cost, and especially an immediate flow of resumes are probably the deciding variables. Using multiple firms is often the best way to achieve this.

Critical middle-level and most senior-level positions that require careful evaluation of candidates drawn from competitors nationally and presented the opportunity by one firm exclusively are generally best handled under *retained search*. Here professionalism, thoroughness, and close candidate control throughout the process up through offer and counteroffer are usually vital.

Once you've decided what factors apply to your position and you begin the process of contacting firms, you should plan to test each potential search partner with some or all the following questions. Which of these questions are most important to you will say a great deal about the type of firm—and the type of relationship—you are likely to be comfortable with.

- *Do you work on contingency or retainer?*

Contingency firms get paid only if you make a hire through them. *Retainer firms* require payments prior to an actual hire (usually one-third at the outset, a second one-third at some intermediate time or step in the process, and the final one-third on hiring or after another period of time).

The primary advantage of contingency search, of course, is that you pay for ultimate performance only. It also can be much quicker than retained search, especially if you are working with several firms. Contingency search can work well when firms have a robust database of potential candidates and a good understanding of your needs.

The primary disadvantages of contingency search are apparent in examining the advantages of retained search, namely, (1) better recruiter control and communication (a single, dedicated recruiter or firm), (2) a higher level of professionalism, especially in how your company and the opportunity are being presented to candidates and how these candidates respond to recruiting calls, (3) a more thorough knowledge of the candidates through more intensive interviewing, (4) greater overall expertise on matters of interview feedback, offer negotiations, closing, and counteroffers; and (5) candidate exclusivity (vs. presenting to other clients).

- *Do you have specific expertise in our industry or do you work across the board in several industries?*
- *If the former, do you work in all functional areas and at all levels within your industry?*
- *If not, what are your functional specialties and at what levels do you work?*
- *What clients have you done the most work with over the past two years? On what specific positions?*
- *How many placements of (our sort) does your firm typically make in a year?*
- *What meetings or conferences in our industry have you attended in the last year? What journals do you subscribe to?*

Many search firms focus on one or a small number of industries, for example, financial services or pharmaceuticals. Others cover many industries but have no particular expertise in any. If you prefer to work with someone who already knows your industry and competitors, then put search firms through their paces. Find out with whom they've worked and on what type of positions. Are they equally adept at middle management and senior management positions? Sales, technical, and operational roles?

- *If the latter (you work in many industries), do you have a functional expertise (eg, sales positions, IT specialists, accountants, etc.) and do you work at all levels within these functional areas?*

Some firms specialize not by industry but by skill area. If candidates for your position could just as easily come from outside as inside your industry, this may be a plus.

- *Do you work nationally or only in your geographic region?*

Restricting a CEO search to local candidates only is probably not the best strategy, nor is doing a national search for telesales people. How broad geographically you want the search to be—and how well a firm knows either the local or national market, or both—may be important factors in your decision.

- *How long typically does it take you to complete a search at the level of (our position)?*

Contingency recruiters often get “lucky” with their first wave of resumes. But keep in mind that may have worked years to develop the resume database that accounted for this “luck.” Regardless, don't expect even the luckiest contingency recruiters to maintain a flow of resumes once they've harvested the low-hanging fruit. Contingency search by nature is hit-or-miss; thus the search process may take three weeks...or an eternity. There are no guarantees.

With retained search the process of developing a target list of source companies and candidates often takes a month or more, and the entire search process can run four to six months. Here is

where knowledge of your industry or of a wide range of functional specialists can be critical—an experienced retainer firm who knows your industry should have as many or more potential candidates in its database as a specialized contingency firm. Thus it too can get “lucky.” *The difference is that a specialized retainer firm also has mechanisms in place for sustaining a recruitment plan beyond the initial database stage. And they should be willing to guarantee results—that’s why you pay them upfront.*

- *How is your office organized, i.e., do you have separate recruiters or “project managers” whose only function is to fulfill searches? If so, do these recruiters have research support?*

Successful search is a team process involving three or more individuals: a project manager (who manages the assignment); a fulfillment specialist, or recruiter (who presents the opportunity to candidates then qualifies their skills, interest, money, and geographic availability); and a researcher (who identifies the individuals whom the recruiter will attempt to recruit). Sometimes the first two functions are combined. Get a sense of how the firms you talk to are organized and to what extent they utilize separate researchers and recruiters.

- *Who will we actually be working with, i.e., who in your office will be in charge of this search if we give it to you?*

Every search needs a “point person”—an individual you can always count on for information and updates. Ideally this individual should be the person who knows you and the position best. Find out who will be in charge. Also find out who will be doing the actual recruiting, how much experience that individual has with similar searches, and how much contact you will have with that individual.

- *How do you get a new search underway, i.e., what should we expect from you during the first few weeks of the search?*

The first few weeks of a search are spent building a framework. Typically this means (1) working with you to define the position, its responsibilities and compensation, the ideal candidate, potential source companies, the hiring process, and the desired reporting/update arrangements; (2) creating or refining the job description; (3) posting the description on selected websites and possibly advertising it in newspapers; (4) benchmarking the position with test candidates; (5) conducting research into source companies and candidates; and (6) preparing for the start of recruitment. In some (fortunate) cases—if the firm has a solid database of candidates—the firm may produce a few qualified candidates almost immediately.

- *How long before we begin to see candidates?*

Much depends on the proverbial “low-hanging fruit”—candidates the search firm has already qualified, and in many cases interviewed, who are available, affordable, and appropriate to your position. Frequently this means candidates ready to interview within a few days. Once this first wave has been processed, however, it may be another three or four weeks before additional candidates have been qualified and are ready to be seen.

- *Do you interview all candidates face-to-face or by televideo, or is qualifying of candidates done by telephone only?*

In the best of all possible worlds, interviewing of candidates by a search firm should be face-to-face. Only in the presence of candidates can one fully evaluate the individual's non-resume qualifications—forcefulness, presence, demeanor, warmth, and so forth. Next best is videoconferencing (an imperfect technology), which offers some of the advantages of face-to-interviewing without the time and cost of bringing candidate and recruiter together physically.

In reality, there are times when both you and the recruiter are sufficiently sold on a candidate that the advantages of face-to-face or video-conferenced interviewing must be weighed against the time lost in setting up and conducting such an interview. This is especially true in the Internet arena, where candidates may be off the market in days. Ultimately the decision of how much screening you expect from your recruiter is yours. Your confidence in the recruiter is one factor. Time, cost, and level of position are others. What is important to determine is that your recruiter is willing and able to conduct face-to-face and/or videoconferenced interviews if you request.

- *How will these candidates be presented to us?*

You have two choices: (1) Candidates can be presented in "short list" form—three or more candidates whom you and the search firm agree are qualified. This approach allows you to interview all candidates within a brief period, compare them, and select the one you feel can do the best job. The disadvantage to this approach is that candidates recruited early in the process are being kept on hold until the short list is completed. The risk is losing candidates with short shelf-lives. (2) Candidates can be presented linearly, as they are qualified and ready to interview. This approach can lead to a faster hire...if you find the right person quickly. It also reduces the risk of losing a highly qualified candidate who is interviewing elsewhere. The disadvantage is that you don't have the benefit of comparing candidates in close sequence.

Regardless of how candidates are introduced, most companies expect the following when a candidate is introduced: a resume, a completed job questionnaire or other document completed by the candidate that addresses his or her specific qualifications for your position, and an evaluation of the candidate's qualifications created by the search firm. The latter may include references, interview reports, videotapes, and key issues to address during interviewing.

- *Will you be giving us weekly reports on your progress?*

You should require this, whether weekly or bi-weekly. You may want the report to cover all candidates contacted or only those candidates who are interested and potentially qualified. For qualified candidates company, title, compensation, relo issues, motivation to interview, and current status all should be included.

- *Will the candidates you send to us also be sent to other clients with whom you are working?*

Not if you have (1) retained the search firm and (2) been assured by them that you have the right of first refusal on all candidates recruited by them for your search. Gray areas involve the length of candidate exclusivity and exclusivity when candidates come from the firm's existing

database or have already been presented by the firm on a contingency search. (Many retained firms do limited contingency search as well, usually for good clients or when speed is of the essence.) If you are working with a contingency firm or firms, you should not expect any level of candidate exclusivity.

- *Who actually makes the offer to candidates—you or your clients?*

Your call...but most good search firms prefer to extend offers themselves. One reason is that it distances the client from the negotiation process, and any unpleasantness that develops during the “end game.” Another reason is that search firms are in the business of closing deals and can anticipate snags in the process. Regardless of who makes the offer, it should be *pro forma* if the search firm has done its job and communicated effectively to both client and candidate. There should be no surprises.

- *What other value (beyond “headhunting”) can you add to the search process if we give you this assignment, e.g., compensation consulting or personality profiling?*

Good search firms look for ways to add value to their client relationships. Compensation and personality assessment are two areas; advice on position titles, organizational structures, and interviewing techniques are others. Some industry-specific firms are able to go beyond adding value to the hiring process to offer suggestions for potential partnerships, products, sources of capital, and even acquisitions. After all, who else works with as many companies within your industry as a national search firm who specializes in your industry?

- *How do you charge?*

What you pay any recruiter—retainer or contingency—should be based on a simple formula: competence \times commitment. By *competence* we mean a combination of industry knowledge and recruiting skills that translate into an ability to fill a position capably and quickly. By *commitment* we mean a willingness to dedicate sufficient time and resources to do so. In essence, the more knowledgeable, experienced, talented, and *dedicated* the recruiter (or firm), the more you should be willing to pay.

Fees you will hear typically range from 20% to 33 1/3% of either base salary only or of total estimated first-year compensation (salary and other cash, including bonuses). For a firm that does nothing but submit resumes based on loose job specifications, 20% may be generous. Sourcing is the easy part of recruiting, especially with so many resumes of unemployed candidates available through Internet resume banks. Random and accidental discoveries should be treated accordingly.

For a firm that can answer to your satisfaction the questions above, paying a fee as high as 33 1/3% of total estimated first-year compensation (\$60,000 for a \$180,000 position) may be entirely justified. But what you should expect in return is an *intense, professional, and full-scale search*, with the majority of candidates falling into the “passive,” or “not-looking,” category, by an experienced search professional who knows your industry inside and out.

Because they are well-treated and well-paid, non-lookers are content in their jobs and, unless their company is in serious trouble, are generally not looking for new opportunities at another

firm. In short, this means that employed non-lookers must be "talked into" looking for new job, and that opportunity must be a superior one to spur their interest. This takes time and expertise.