



RETAINED EXECUTIVE SEARCH: A LEVERAGED INVESTMENT

Experienced managers recognize that recruiting at the executive, managerial or senior staff level is an investment decision. They scrutinize each internal and external candidate for their potential impact on the company's bottom line. In essence, candidates are assessed relative to their expected productivity – similar to the analysis undertaken in evaluating merger candidates or capitol equipment acquisitions.

When employing an executive or manager in a role that can significantly leverage results, it is crucial that the investment be maximized. Failure to hire the greatest talent available within the hiring organization's means is a serious risk. A person of lesser talent can result in years of sub-optimized organizational performance – a potentially enormous loss.

Everyone involved in major hiring decisions would be well served to adopt the investment viewpoint in evaluating recruitment strategies. Because the leverage differential between selecting an average performer who has nominal impact on results or a truly exceptional performer who has a multiplier effect on results is so significant, the selection vehicle that will consistently identify the best candidates becomes the preferred investment option.

Let's compare the resource acquisition choices available.

HEDGING YOUR RISK

For a small incremental increase in front-end investment, retained search provides a significantly enhanced set of services compared to contingency recruiting firms or advertising brochures. Benefits include the application of scientific method to the recruiting process; an in-depth study of the client company, the open position and the marketplace; custom tailored research; and an intensive recruiting program which is executed utilizing knowledgeable third-party sourcing.

The critical difference in the retained search methodology is that it focuses on the correct market segment – that is, the highly productive contributors who are not in an active job change program and are being recognized by their current employers for their ability to generate results. Executive search consultants develop these highly capable people into candidates, a more complicated task than simply providing a distribution mechanism to introduce individuals who have a stated interest in a new job.

As the client's personal representative, the executive search consultant identifies the most highly regarded practitioners, gains their confidence and, with insight into their motivations, guides them to a sincere interest in the client's position. This pro-active recruiting process is carried out by highly experienced consultants who are skilled interviewers and who believe in the power of the reference process to assure the correct



match of candidate with client need. They also provide recruiting process consulting advice to their client organization on interviewing, recruiting tactics and compensation.

Clients develop a partnership with their recruiter who brings not only significant past experience, but objectivity, which can extend the efficiency of the process itself. Most importantly, the goals of the executive recruiter and the client are perfectly aligned. Owners and practitioners in retained search are not heavily commissioned and are quality performance driven. They have an absolute obligation to maximize the return on the client's investment.

A team-based partnership allows both the client and the recruiter to be responsive to redirection ideas when changes in an assignment's focus are required. Frequently, a wide range of local candidates can be developed through persistent sourcing efforts, thereby eliminating significant relocation costs. Further, the use of retained sourcing techniques will often generate candidates who, although initially indifferent, respond favorably to a series of recruiter solicitations that identify the inherent benefits of a position and enunciate the client organization's strengths and market strategies. This targeted effort generates high caliber candidates who do not generally respond favorably to any other means of recruitment, yet they are the very individuals who can make the greatest long-term contributions to the client organization.

The search firm's obligation does not end with the introduction of candidates. It includes referencing, assisting in candidate relocation and post-engagement follow up consulting to the client and candidate. Services also include a no-fee effort to replace a non-performer in those rare instances when the candidate proves unable to meet the requirements of the position -- up to a year after the original assignment.

RESUME ROULETTE

Employment advertising for senior positions often becomes a game of "resume roulette" which can cost thousands of dollars in direct expense and will normally draw a heavy response from the unemployed and the disenchanted. In addition to expensive advertising space, high processing costs incur from professional staff studying submitted resumes, telephone screening of selected respondents, and interviewing and referencing candidates of probable merit. In addition, time is committed to handle in-bound phone inquiries and send rejection letters to those not selected.

Fully loaded for benefits, staff time probably costs \$25 to \$50 per hour and executive time \$50 to \$100 or more per hour during the selection process. These costs, when added to the advertising expense, can be substantial -- particularly in those instances where an advertisement generates several hundred inappropriate resumes.

Aside from the cost involved, there is the additional disadvantage of long lead time -- as high as 60 days for the last resumes to arrive if the best advertising medium is a specialty



monthly publication. Because there is no control over the respondents, months can pass with no appropriate candidates identified, precipitating the use of an alternate strategy. Another potentially significant problem is the deterioration of productivity and sales results while a key job is open and major problems go unsolved.

The odds are slim that the most productive and talented people -- those whose return on investment would be greatest -- will read or respond to print media initiatives. The advertising medium clearly has the potential to be the *least* effective way to generate the *most* effective candidates for a key opening.

HIGH STAKES POKER

For the high roller, one can play the same quasi-random resume game for much higher stakes -- through the use of contingent fee recruiters. When advertising doesn't work, there is a strong tendency to respond to agency-generated candidates. With no front-end fee commitment, the feeling is "There is nothing to lose by looking." *This is just not true.* What is lost is a targeted effort to identify the very *best* practitioners in the field. What is often substituted -- at fairly high cost -- are introductions to those who happen to be on file or are quickly accessible by a particular agency.

The vast majority of candidates a contingent fee recruiter introduces are people who are "in play" -- they have, for one or more reasons, decided to put themselves into an active job-seeking role. They are a group with highly similar characteristics to those which newspaper advertising draws and, although there are notable exceptions, they are not generally the best and the brightest -- only the most available. The candidates presented through contingent fee agencies may be talented, however they are primarily self-nominated and many are prone to frequent job changes -- perhaps not the best group of candidates to maximize results in your organization.

There are many potential risks in the general use of contingent fee recruiting organizations. Just what is returned for an investment in this relationship? There are numerous inexperienced contingent fee recruiters who have no professional interviewing skills. Many are encouraged by imposed production demands to be superficial in their approach. Lack of production leads to turnover and the infusion of new (inexperienced) recruiters, most of whom never meet with candidates, conduct references nor provide detailed reference documentation as a part of their service. While there are some who operate with the highest of ethical intentions, they are generally unaccustomed to working in a consistently confidential atmosphere.

The primary issue, however, is that there is no leverage on the behavior of these recruiters. Leverage only exists when there has been payment for services -- and there is none with a contingent fee recruiter unless and until an employment agreement is reached with one of their candidates. Moreover, because most contingent fee recruiters work on a low- or no-



draw basis and receive commissions effective with the date of hire, one could surmise that a job counselor may be prone to “market” candidates very aggressively in this atmosphere.

The objectives of the counselor and the client are in potential conflict. The contingent recruiter’s objective is to get paid by placing *anyone* the client might hire while the client’s objective is to employ the *best* talent obtainable. This dynamic does not favor the employer.

The owners of contingent fee organizations know they must operate their business on a probability table basis. They try to amass as many resumes and job listings as possible and expect to fill a certain percentage of those openings to create the cash flow necessary to operate the enterprise. Any individual job opening, therefore, is expected to be filled at something well below 100 percent certainty. There is no enduring commitment on the part of a contingency recruiting organization to create success in a specific job listing. There is only an expectation that some will be filled to create cash flow and others will not.

An individual recruiter may expend considerable time on a targeted opening when it is newly listed. However, the longer the position remains open and the greater the number of candidates rejected by the client, the lower the “fill expectation” becomes in the recruiter’s mind. Most likely, this will trigger a diminishing effort expended on such openings, with activity shifting to newer jobs with greater apparent payoff potential.

SUMMARY

In hiring at the manager and executive levels, the most expedient recruiting methods are not normally the most prudent. Distressingly, many organizations -- in a focused attempt to control costs -- put their potential for achieving organizational excellence at risk through dependence on less reliable advertising and contingency recruitment methodologies.

Achieving full organizational potential calls for professional attention and a slightly greater front-end investment in recruiting. Retained search enhances the probabilities that the “right” candidate will be hired -- and avoids most of the risks of hiring the “wrong” person.

Because the search process is time consuming, it is not the least expensive initially. However, it does represent the best method through which value can be added to you senior work force. Using retained search, clients gain a relationship with proven professionals and, more importantly, dramatically increase the likelihood of employing candidates of significantly greater capability -- executives who will return the front-end investment many times over.

We would urge you to re-evaluate the use of advertising and contingency recruiters for senior staff and management positions. Your recruiting investment -- and the long-term



effectiveness of your organization -- may be considerably enhanced through expanded use of retained executive search.