

# **Executive Pursuit**

## ***Hiring an outside recruiter may save company time and money***

By Norman E. VanMaldegiam

Often a company can upgrade its executive search by using an outside recruiter to screen, interview and conduct all phases of the employment process. Retainer and contingency search are the two recruiter options for executive search. But, regardless of choice, each method has certain advantages and disadvantages.

The choice depends on the focus of the search, the level of the position to be filled, company authorization and need for confidentiality.

Retainer search grew out of general management consulting firms following World War II. Companies were expanding faster than they could internally develop management talent. For a fee, consultants would find, evaluate and recommend experienced professional managers from outside sources to fill a company's management gap.

Independent retainer search firms quickly grew out of general management consulting firms, and today they dominate the field. They continue to work for a retainer fee, they represent and are paid by the hiring company, and usually they are given assignments for top and upper management positions.

Soon after retainer search firms emerged, contingency search firms were created from the employment agency industry. Major employment agencies found that hiring companies would pay the employment fee. Unlike retainer search, contingency search firms get paid only when they place an individual with the hiring company.

Often contingency search firms represent the individual seeking a job, they may specialize in a technical or industry area, and assignments may involve lower level positions.

### ***Search direction***

The focus of the search is critical in choosing a retainer or contingency search firm. Usually retainer search is more suitable for an upper management position that must be filled in strict confidence, has a specific and often unique set of requirements, prefers several candidates to be simultaneously evaluated, and offers the successful candidate additional long-term career potential. Such an assignment requires formal management approval and most prospective candidates are not actively seeking a new position.

Contingency search tends to be more effective at lower management level searches where confidentiality may not be a significant factor, or where multiple openings for a job exist (such as several industrial engineers, salespeople or chemists). Assignments require no major authorization since no payment is required unless the position is filled. Most candidates are actively seeking a new position, and such candidates may be presented to several different companies at the same time.

### ***Method of working***

Both types of search firms work quite differently. A retainer firm will work on a specific assignment for a particular client, but a contingency firm usually works on numerous similar assignments for one or several clients simultaneously. A retainer firm will present a candidate to only one client, while a contingency firm can introduce a candidate to many clients.

At the outset of a retainer search assignment, the consultant will submit a letter of agreement and develop

specifications and salary/benefits requirements in counsel with the hiring company. Because of the consultant's knowledge of the executive marketplace, the consultant will often suggest changes in the job specifications in order to attract the best candidates. In contingency searches, the hiring company provides a given set of specifications which are well-fixed without further discussion.

The retainer firms frequently will discuss and evaluate the qualifications of internal candidates for the specific position in question as part of the assignment, especially when the hiring company wants to measure internal candidates against outstanding outside candidates. Internal candidates are not discussed by contingency firms.

The standard practice for a retainer firm is to research, personally interview and screen many candidates before submitting written evaluation on a few final candidates. The contingency firm will work with resumes, interview job seekers and then will offer the client company a number of applicable candidate resumes for its consideration.

The retainer firm will assist in the negotiation process once the client decides to offer a candidate the position. In addition, the contingency firm's consultant will follow up with the hired candidate during the first year of employment to help assure transition into the new job and identify impediments. If a placed candidate does not succeed in the first year, many retainer firms will seek a replacement at no additional professional fee but just out-of-pocket costs.

On the other hand, most positions filled by a contingency firm will not involve employment negotiations or on-the-job follow-up.

### ***Time factors***

The retainer consultant handles a few assignments at a time and may invest from six to 12 weeks in the search assignment. The consultant significantly reduces the time investment of client management by presenting a few best qualified final candidates.

The contingency consultant works on a multitude of open job orders simultaneously, and may not conduct in-depth reference checking. The contingency consultant will offer a number of candidates within a few weeks and leaves the substantive time of screening, interviewing, reference checking and evaluating in the hands of the hiring company's management.

### ***Cost consideration***

The retainer firm will charge a fee for its services, whether a successful placement is made or not. This is 30 percent to 35 percent of the placed candidate's final compensation package, or a fixed fee. Usually one-third of the fee is paid at the outset, one-third during the search and the final amount at the conclusion of the search. In addition, the hiring company pays out-of-pocket costs for the consultant's and candidates' travel, telephone and other expenses incurred during the assignment.

The contingency firm charges nothing until the company hired an individual, and then the hiring company will pay a one-time fee that is approximately the same as the retainer firm's. Out-of-pocket costs are minimal since the contingency consultant does little travel to interview and evaluate candidates.

### ***Choosing firms***

Obviously, each type of search firm has a role to fill. While there are always exceptions to general guidelines, here are some basic considerations for each.

Retainer search may be more effective when the position:

- is high or upper management

- requires confidentiality
- is a difficult or one-of-a-kind situation
- will affect the long-term success of the company
- is authorized by management for retainer fee work
- needs to measure internal candidates against external candidates
- is new to the company because it requires an individual with technical skills, managerial abilities or market experience that is just being developed by the hiring company

Contingency search may be more effective when the position:

- is middle or lower management (or salespeople, technicians or other salaried white-collar employees)
- calls for multiple individuals with the same qualifications
- requires immediate placement
- is not essential to fill immediately but the company wants to continually look at good candidates
- should be filled at minimum cost
- is best filled by someone living in the immediate area, eliminating moving expenses
- does not require authorization by management
- will be filled by a candidate whom the hiring company screens, evaluates and reference checks

The *Directory of Executive Recruiters*, published by *Consultants' News*, can answer most recruitment questions based on executive search.

The directory provides an alphabetical listing of approximately 1,600 firms, names of 4,000 key consultants and a brief description of the firms, all of which are cross-indexed geographically, by SIC code and by management functions. Equally important, it includes a variety of useful topics. A sample of subjects covered include:

- Information for organizations seeking search assistance.
- What you should know about headhunters and how to use them.
- Six simple steps to get a job search rolling again.
- How to work with an outplacement consultant.

Finally, the hiring company must carefully evaluate the search firm's consultant who will actually do the work. If the consultant does not communicate professionalism, knowledge, interest, understanding and insights into the company's needs, then neither retainer nor contingency search can be successful.

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