

# Do You Really Need An Executive Search Firm?



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# Do You Really Need an Executive Search Firm?

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Executive search firms exist to provide a very specific purpose within the broad range of service providers in the talent acquisition market. This paper will attempt to shed some light on the dynamics of using a search firm, when and why you would need to use one, the distinction between large and smaller firms, and the advantages of each.

## Why Should You Use an Executive Search Firm?

An organization's culture, effectiveness and success are almost entirely dependent upon its people. Having high quality competent leadership is essential to drive a business to successfully meet or exceed its objectives. The best way to recruit the highest performing people in any given market is by using an executive search firm aligned to your business culture and geographical region.

And yet, you probably do not want to retain a search firm if you can possibly avoid it. The best way to build and grow an effective organization is by promoting from within existing ranks.

If you have promotable talent within your organization, it is far better to offer the opportunity to someone currently with your company. ***The benefits are evident.*** It will save you time. You already know what kind of person you're hiring, you don't have to worry about their impact within the organization, and perhaps one of the strongest benefits is that you send a morale-enhancing message throughout your organization that can further drive internal development and motivation.

In any case, if you aren't fortunate enough to have someone ready to step into the needed role, then perhaps you should consider using a search firm.

If you aren't familiar with the role of an executive search firm or how one works, perhaps you may give pause to think about conducting a talent search on your own... With such tools as LinkedIn readily available to the entire world, a rational person may ask – ***why not do it yourself or task Human Resources to do so?***

## Doing it Ourselves

### Would Be So Much Less Expensive, or would it...?

It's easy to find candidates that are interested in an open position. Post a vacant position in the career section of your company website, or in a major Internet job board, or even on LinkedIn and you will quickly see that finding interested candidates is not hard at all.

***However, finding the BEST person for your specific needs is not that simple.***

In order to conduct a proper search for a specific type or profile of person, you will need:

- A thorough understanding of the market you will be recruiting from.

- Time to focus on sourcing the right people and then learning where they are and how you can make contact with them.
- You will then need to have an understanding of the drivers and motivators behind why these people are in the jobs they are in. What would motivate them to move? Is morale high or low in their present company? Are they in a position to benefit from the vacant role you have?
- Are you confident in your interviewing skills to ensure that you can conduct a thorough screening and evaluation process? Do you have the internal resources that you can trust to pre-screen active candidates on your behalf? Is interviewing potentially unqualified candidates a constructive use of your time?

After considering these questions, many hiring authorities will most likely understand the inherent difficulty in a do-it-yourself approach.

### **Retained Search Firms**

Retained search firms are typically structured to assist with middle management to senior executive level roles.

#### ***Areas where retained search services are appropriate include:***

- When confidentiality is critical to the process.
- Situations calling for a dedicated and focused effort to fill the position.
- When finding the most qualified candidate available is critical to the employer's competitive advantage.
- The employer is seeking an independent third party to thoroughly screen and vet candidates in-person before submitting a short list of finalists.
- The employer is looking to benchmark internal candidates against external candidates as part of the overall process.
- The employer values having an independent third party to assist in persuading a desired candidate to leave their current role for a role with them. Retained search consultants typically have a closer working relationship with the hiring organization which translates to being in a better position to sell the value of joining the employer as well as deal with any potential negative issues related to the vacant role.
- In some situations, it is better for the employer to remain in the background and a retained search consultant provides that buffer.
- The employer is seeking additional value-added data that can be gleaned from a retained search. Such data may include a more defined talent map of competitors or other targeted intelligence on competitors.

***Fee Structure:*** Retained search fees are typically structured in thirds. A retainer equal to a third of the projected fee is paid to start the search. A second payment equal to another third is paid after a milestone has been reached. (Example: The second payment is usually paid when continuing interest has been established in one or two candidates. Continuing interest means the candidate has been through a first level interview and hiring managers are interested in bringing him/her back again.) The final payment is then paid at a pre-determined milestone which could include

offer acceptance or simply at a pre-agreed upon date. Some retained search firms have performance elements built into the final payments and some do not.

### **What's the Difference Between a Recruiter and a Search Consultant?**

There are many names for people who engage in the profession of talent acquisition. Such names include headhunters, agents, agency recruiters or recruitment consultants.

For the purposes of this whitepaper, we use the titles "Recruiter" and "Search Consultant". Actual definitions of these two titles can vary, but we provide what we believe are the most accurate descriptions of each:

**Search Consultant** - someone that is engaged by an employer to conduct a measured and research-based search using objective and comparative assessment tools in order to secure a person that meets or exceeds a client's specific needs. Search Consultants operate in a retained or at a minimum – an engaged process.

**Recruiter** – someone engaging in the act of recruitment or the solicitation of individuals to fill a specific job or position. Internal or Corporate Recruiters typically work as employees of a company and engage in recruiting for positions internal to their employer. Third Party or Outsourced Recruiters typically work for an employment agency or firm on behalf of the agency's clients. Recruiters typically operate within the contingent model which allows them to take on a higher volume of search assignments than could be managed in a retained process.

### **What Criteria Should I Consider?**

If you lack the talent needed and you've exhausted your network and of those you trust, then you may want to consider selecting a search firm. If you are considering a do-it-yourself approach or you are open to using a search firm but unsure what process is best, you may want to consider the following points of value before making a decision:

**CONFIDENTIALITY** – If the position you are trying to fill requires an element of discretion, then you can rest assured that a search firm will be able to maintain that confidentiality. Most top tier executives have experience in being approached by a search consultant that has signed a Non-Disclosure Agreement and they are also more likely to understand why. Having an inexperienced internal person conduct the search greatly increases the risk of your confidentiality being compromised.

**EXPERTISE** – Recruiters and search consultants spend the bulk of their time immersed in finding, engaging and closing on talent for their clients. That process involves research that provides them with extensive inside information on companies, their internal reporting structure, morale, and numerous other details that contribute to properly understanding how to attract desired talent.

Recruiters and Search Consultants are also highly experienced at building a candidate's interest. They know what the compensation structure is within the market and can provide inside information that is hard to obtain anywhere else. And in most cases, they will have the existing network to conduct discrete reference checking to ensure that your candidate is thoroughly qualified.

**OBJECTIVITY** – Objectivity is critical to ensuring a successful outcome to a search project. All recruiters and search consultants who consider themselves professionals in talent acquisition are driven by delivering what their clients want.

However, an argument can be made that objectivity can become blurred depending upon how a search is measured. What's more important to you? Following an intensive search process designed to engage and deliver the top talent available within your industry or function OR engaging in a process that's designed to deliver a short list of highly qualified candidates in a short amount of time? In some cases, the latter may be all that you need.

If objectivity is absolutely critical to your needs, then you should strongly consider the retained approach. The retained search model typically ensures the highest level of objectivity. When you engage a retained firm, you are engaging them to conduct a defined and methodical process with payments tied to performance and process milestones. The retained firm is motivated to deliver a thorough objective evaluation and selection process resulting in a short list of three or four candidates that are both available for hire and are also of the highest caliber within your market.

Any process where all or a portion of the fee is contingent upon hire typically means that on some level, objectivity could possibly be compromised by the recruiter's motivation to push one candidate over another in order to secure his/her fee.

Reputable search firms depend upon referrals for a considerable portion of their new business, so securing talent that can deliver competitive advantage over the long term is also critical to the search consultant's long term success. Oftentimes a highly successful placement can result in future referrals of new business, so any search firm seeking to be in business for the long haul will also be highly motivated to ensure objectivity.

**MEANS & METHOD** – Search Consultants are singularly dedicated to this process. A search firm with depth will have the internal resources to conduct the search. Such resources include a search leader, researcher and administrative staff to assist in reporting and preparing deliverables. A properly equipped search firm will also have industry directories, a proprietary CRM software system, and other available tools to ensure a proper search is conducted.

When considering the above points, ask yourself what it would cost your company if you were to lose out on the opportunity to get the best person in the market. What if you made a mistake and hired the wrong person? What mistakes might be made and what are the costs? Would you possibly lose some opportunities or profitability if this position were to go unfilled for a long period of time?

### **Yes, You Have LinkedIn, Job Boards and Advertising; but....**

It's a statistical fact that the best people are almost always currently employed. These same people are not reading or responding to job postings or LinkedIn InMails. Do you have the time to read every e-mail or unsolicited intrusion?

**Yes, You Have LinkedIn, Job Boards and Advertising; but....** *(continued from page 4)*

Search firms have the network, resources and ability to identify top performers where they work. Experienced consultants know how to approach these people directly or through introductions by trusted intermediaries and then engage them on your behalf in a professional manner.

**But There Are So Many to Choose From!**

Yes! Picking up a copy of the hefty *The Directory of Executive Recruiters* categorizing more than 7,000 search firms around the world can be perplexing. **Where to begin?**

**Large or Boutique?**

Large executive search firms by definition have more diversity in terms of capabilities and depth; however there are numerous disadvantages to using a large firm. Large firms become large by expanding their client base. As their client base expands so does the off-limit restrictions they have. Larger firms also have far greater overhead which ultimately is translated into chasing the most senior assignments with the highest fees. During the economic downturn starting in 2008, many large search firms were forced to drastically reduce their internal staff and resources to survive the decrease in demand for services.

Boutique firms on the other hand, offer a far more personalized experience to their clients. Partners and principals of boutique firms have a deeply personal need to ensure client satisfaction. Their very survival and success is dependent upon it.

Additionally, boutique firms typically have few, if any, off-limit or client conflict situations.

**How Do I Begin the Process of Selection?**

Regardless of whether you select a large firm or a boutique firm, you will want to select one that has the requisite capabilities to ensure you get the talent you need. To achieve this, consider the following:

- Overall experience of the search firm and more specifically the search consultant/s that would be involved in your search. Do they have experience with this type of position?
- Do they have the experience and intellect to understand your needs?
- Some large global firms are renowned for handing off search assignments to lesser experienced search consultants. Who will actually conduct and manage your search? Smaller boutique firms often have an advantage in that their senior partners are more involved in the search process.
- Does the search firm have the bandwidth and internal resources to conduct the search within the time constraints necessary?
- Do they have any “off-limit” conflicts with your industry? If you are particularly interested in candidates from a specific company, you should inquire whether the search firm has conducted work with that company. According to the guidelines of the **Association of Executive Search Consultants (AESC)** states that a search firm should not recruit from any company where that firm has accepted a fee within the most recent 12 month period.

**How Do I Begin the Process of Selection?** *(continued from page 5)*

- They should be able to discuss what their search process is and have printed material that not only describes their process but also the milestones to achieving a successful outcome.
- The world is indeed growing smaller year-by-year. If your company is international in scope, you should consider whether the firm has the ability to handle cross border or international search assignments. Many hiring authorities mistakenly think that the large global firms have a unique advantage when it comes to international search. Many boutique firms have made investments to become members of international executive search alliances. If you are considering a boutique firm that is a member of an international alliance, consider the size, scope and depth of the alliance. Is it a large global search firm disguised as an alliance? Is it a loose confederation of boutique firms lacking a uniform code of ethics and standards or the ability to enforce them? Is the network substantial enough in size to see that there is a significant amount of transfer business going on?
- Does the search firm have a website that reflects their capabilities but also projects competence and a solid reputation? Is the website maintained regularly, and will it be a positive reflection on your company?
- The search firm should be able to provide a fee and expense agreement that is succinct and removes any ambiguity as to the scope of the services, fees, terms and guarantees. While contingent firms have to sell you a candidate to earn a fee, a retained firm is paid to act thoroughly and objectively on your behalf. Retained fee policies can vary from firm to firm but usually consist of one or more of the following:
  - > A percentage of first year's cash compensation that include projected bonus amounts. In some cases, a bonus for the firm can be tied to the successful hire's actual performance bonus which further incentivizes a best possible hire.
  - > In some situations, an agreed upon fixed fee, regardless of the successful hire's compensation.
  - > An hourly rate for the search consultant's time.
  - > Or some combination of any of the above that mutually benefits both parties.
- What about expenses? Routine expenses include such items as research, telephone, and general office-related expenses such as postage. Non-routine expenses include such unforeseen items as travel to interview candidates. Non-routine expenses can be agreed to in advance or just prior to being incurred. Expense policies will vary from firm-to-firm, but they are typically billed monthly during the search. You will want to ensure that the agreement clearly states what the firm's policy is towards expenses.
- If geography permits, you will want to meet with the partners of the firm. But if that's not possible; at a minimum conduct a thorough conference call or engage them via Skype. Ask them the same tough questions you would ask any other critically important service provider.

### **So, Who Will Actually Conduct the Search?**

For the sake of this paper, assume that after meeting or conferencing with a sales person, partner or principal of a prospective search firm, you find that the firm is capable of meeting your needs. If that's the case, your due diligence is still not complete. You need to meet or speak with the person that will actually conduct the search.

Large global firms often have dedicated sales people that sell search assignments. Once the engagement letter is signed, the search could then be passed along to a junior associate to actually conduct the search. Such junior staff often never meet with the clients they serve and may lack the experience and depth to best represent you. Will they have the experience and judgment to both conduct the search but also screen and assess the talent you need?

On the other hand, smaller boutique firms are more likely to have a partner that actually leads or conducts the search themselves. If your initial discussions were with a partner, your secondary discussion should be with the person that would actually be conducting the search.

Conducting a search is an extremely personal and hands-on function. The search leader will be the face of your organization to the group of desired candidates. If the search is not confidential, you should ensure that the consultant you are working with is fully capable of representing your organization or established employment brand the way you desire. Will the consultant be able to capture the attention of the higher caliber candidates? And when the search is confidential, you want assurance that this person is capable of conducting the search with the utmost discretion.

Every company is unique as are the reasons for each search. Your recruiter or search consultant should have the professional maturity and business acumen to understand your problems and desired solutions. Does the consultant ask you questions that provide evidence that they understand both your business but also the greater market from which they will seek talent?

What is the search consultant's background? Does the firm have a bio readily available on the consultant?

You know what you need in a candidate. Does this particular consultant have the ability to quickly grasp what your needs are and can he/she articulate those needs in summary back to you?

You should determine what the consultant's bandwidth is for managing your search. If they are managing other searches simultaneously to yours, you should know how many. Given the intensive process required of retained search, a search consultant cannot feasibly simultaneously manage as many searches as a contingent recruiter can. Will the consultant take other search assignments that could potentially conflict with yours?



**In Closing...**

If you've read this far, you are aware of the impact hiring the right people has on the future of your business. You are also likely to be astutely aware of how valuable your time is.

You know that you can invest valuable time in reviewing advertising responses from those people that are currently active, or spend it on trying to engage candidates in LinkedIn and hope for a response. You can also put out the word through your network and hope someone responds. The key word here is "hope".

However, after evaluating these options, it is this author's belief that you will find the solution to your problem lies in engaging a qualified search firm to meet your needs. Taking a modest amount of time to properly evaluate and screen a search partner will greatly increase the probability of being in a position to make an offer to the best person your industry has to offer. And this will pay dividends to your business in the long run.



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