

## Why Use an Executive Recruiter?

By Frederick Hornberger, C.P.C.

Executive recruiters project a certain mystique. Part of it arises from their own professional stature, at the very top of the personnel industry. A greater cause, however, is the strict confidentiality which their work requires. Executive recruiters deal with powerful individuals, major corporations, and the sensitive transitions they go through. The least indiscretion could ruin a placement - or a career. So, recruiters tend not to offer anecdotes at cocktail parties.

While recruiters will not discuss individual placements (especially those still in progress) they would be pleased for you to know, in general terms, who they are and what they do for their clients. With this information, you'll be better prepared to recognize when you should seek the services of an executive recruiter in staffing your own operation.

### Rare Birds

Within the wide-ranging field that encompasses tens of thousands of employment recruiting and placement agencies, there are just 2,893 retained and contingency search firms: 1,153 retainer firms and 1,740 contingency firms, according to Kennedy Publications. Total revenues for these firms are a bit over \$3 billion. Executive recruiters are skilled specialists and paid accordingly.

Both retainer and contingency search firms perform the same essential service: to locate and place qualified candidates for specific job openings within their client companies. However, their working relationship with their clients is different, and so is the way these firms charge for their service. Retained fee and contingency fee firms, therefore, each bring certain advantages to particular kinds of executive searches.

### Retained Firms: Great Service, and You'll Pay For It...

Retained executive search firms are generally employed to fill senior management positions. They are paid a retainer fee at the beginning of an assignment -- typically, one-third of the total fee.

Compared with contingency firms (which we will discuss momentarily), retained fee firms play a more intimate and involved role in a series of events

which ultimately lead to a hire. Access to top management is usually considered essential.

Retained firms often assert that the service which they render is a "process," not mere provision of referrals. This process is thorough, detailed, and specific. The firm initially evaluates the client's employment need and the job description. It usually participates in an internal search of the client company for individuals who might be promoted to the job, or might be appropriate with judicious restructuring of the job.

Then the search is expanded -- not merely outside the firm, but nationally or internationally depending on the importance of the job and the rarity of appropriate candidates. The search firm engages in extensive industry research, networking, personal interviews, thorough reference checking, and initial selection of the most promising candidates. More interviews are held, the client is prepared to meet with candidates, and the retained search firm remains involved until a qualified candidate is hired.

The executive recruiter may participate in all client interviews with candidates, all related discussions within the client company, all negotiations, offers, and settlements. While the process may take three or four months, the hire is typically guaranteed for a year or longer. Because a retained executive recruiter spends so much time on behalf of each client company, he or she can only work with a few clients at a time.

### **Contingency Firms: Less Attention, But You Only Pay For Results...**

Contingency executive search firms derive their name from the fact that they work "on contingency." You only pay for their services if you hire a candidate referred by their firm. Their fees are also between 30 and 35 percent of the candidate's first-year compensation.

Contingency recruiters most often fill lower to middle management positions. Recruiters are therefore not called upon to do such intensive research. The relationship between contingency firms and their clients is less intense, with less personal contact and a lower level of mutual commitment. It is not unusual for a client company to use several contingency firms on a single search, pay nothing just to read resumes and interview candidates -- and continue to employ its own efforts in trying to fill the position in question.

Contingency search firms typically provide a referral service, hoping that interviews will ensue and one of their candidates will be hired. Contingency firms usually serve many clients at a time to maximize their odds of placing someone -- and getting paid. These firms usually have less time to spend with each client in understanding their special needs and qualifying and researching specific candidates. However, many contingency firms provide complete research and recruitment capabilities, and carry on specialized and intimate working relationships with management.

Contingency firms generally guarantee their placements for 30 to 90 days. Their advantage over retained firms is that they can usually refer candidates immediately. They are accustomed to working under time constraints. Many contingency firms specialize in specific fields and industries, giving them an excellent working knowledge of client companies' standards and needs. Moreover, their networks and research capabilities are focused, and they often bring forward exceptional talent, ready for hire. Another advantage is that search fees are sometimes negotiable. In addition, contingency firms rarely charge for expenses which must be reimbursed, as is the case with retained firms. And contingency firms are paid strictly for their performance. If they do not help you, they do not charge you.

As the search industry evolves, contingency firms have grown in expertise and effectiveness. Many even offer retainer service, and a new generation of quality contingency service is emerging and competing for senior management searches.

### **Why Buying Help Yields Savings**

The services of an executive recruiter appear costly. Typically, you will pay from 30 to 35 percent of a hiree's first-year compensation plus expenses, for each hire you make with professional assistance. The best way to view this expenditure is in contrast to the cost of a bad hire. When an incompetent new employee makes bad decisions, hundreds of thousands -- even millions -- of dollars may be lost. The employee will have to be replaced (and the cost may become damaging). Companies engage executive search firms to ensure that such trauma and expense are kept to a minimum.

In house personnel departments tend to be limited in their insider contacts. Their leads are often exhausted long before an appropriate hire can be made. The costs involved in preparing and executing an advertising campaign, screening and qualifying candidates -- and in operating without the needed employee for an extended length of time -- make the services of an executive search firm

justifiable, even profitable. The alternative can be an expensive, time-consuming effort which leads to a hire from an inadequate pool of candidates.

It is common knowledge that the best executives are usually employed at the time of your search. They have little time to read or respond to nebulous, generic advertisements, and they know that responding to such ads can be risky. They would rather be approached discreetly by someone who knows of their reputation, knows the art of recruiting, and can handle the hiring process professionally and confidentially.

If you lack a needed executive, you cannot fully respond to business needs and opportunities. When you factor this cost into the cost of mounting a search with your in-house department, using the specialized and time-efficient services of an executive search firm makes good economic sense. And it frees you to do what you do best instead of what you must do under duress.

### **Their Expertise Has No Competition**

Executive recruiters are specialized professionals. They work at the search process exclusively, on a full-time basis, and survive on their ability to get results in a competitive marketplace. Most executive recruiters bring years of experience to their work, and are intimately familiar with every aspect of the job hiring process, from the initial job evaluation through negotiation and hire.

Executive recruiters cultivate a profound, far-flung network which enables them to research the local, regional, national, and worldwide marketplace, identify currently employed prospects, and screen them for suitability. Recruiters remove a tremendous burden from management by presenting a small number of highly-appropriate candidates who are prepared to accept a good offer.

Executive recruiters know what to look for in a candidate and how to quickly find out if it's there. They know how to attract and hire a candidate who is employed and successful. They know, too, how to advise and counsel management so that the best hire gets made -- the choice with the longest range likelihood of mutual benefit and satisfaction.

The objectivity and feedback that an executive recruiter offers is invaluable. He or she can help balance the emotional reactions and biases of corporate management. Likewise, the recruiter can act as a skilled intermediary -- a diplomat, if you will -- to clear up misunderstandings, straighten out miscommunications, and tactfully convey each party's concerns to the other.

Executive recruiters have the advantage of meeting with candidates outside the interviewing arena. Recruiters often spend significant personal time with candidates to better understand and evaluate them, to respond to their concerns, and to ease the challenging transition from the present job to the new opportunity.

### **Recruiters Provide Strict Confidentiality**

Another key reason to use executive recruiters is the need to keep important company decisions and initiatives confidential. Executive recruiters are committed to strict confidentiality -- both by professional ethics and common sense. They understand the privileged relationship they have with their client companies. They know that all must be kept quiet until the hiring takes place.

To safeguard their confidentiality, management will often hire an executive recruiter to deal with only a single authority within the client company. Candidates, too, need the confidentiality which recruiters protect so carefully. Most ambitious individuals wish to hear of outstanding opportunities which could advance their careers, but few are willing to explore those opportunities on their own, and thereby jeopardize their current position. An executive recruiter knows how to provide information to the candidate with utter discretion, so that his colleagues and superiors are not alerted to his possible departure.

Many candidates will only consider third party representation by an executive recruiter in considering career opportunities. Most client companies understand this, and appreciate the fact that confidentiality and professional mediation benefit both them and their ultimate hires.

When a company announces a key vacancy -- particularly if the company is publicly held -- it can create apprehension among stockholders, suppliers, employees, and the general business community. Likewise, a company which announces a critical new position can inadvertently tip off its rivals about an impending new product, direction, or market initiative.

The need for confidentiality will become even more important as worldwide information access combines with the post-baby-boom decrease in job candidates. Already-employed, proven candidates will get an increasing number of job offers over the foreseeable future.

Altogether, executive recruiters perform a vital service to business and industry. They bring expertise, effectiveness, efficiency, and confidentiality to the process

RENASCENT GROUP L.L.C. PO BOX 6446 FAIR HAVEN, NJ 07704

of finding and hiring executive talent. For these reasons, executive recruiters will play an ever-expanding role in shaping are corporate futures.

WWW.RGROUPUS.COM  
732-576-8758