

## Retained vs. Contingency---What are the pros and cons?

Competition for top tier talent is fierce, regardless of the economic conditions. When business is brisk, it is hard to attract successful people. Conversely, when faced with challenging economic times it is imperative to assess your team and replace underperformers with strong revenue producers. In order to accomplish this task, many companies decide to collaborate with an Executive Search firm. The tough decisions begin once you have determined that working with a search firm is the right choice. Which firm will deliver the best results for your specific needs? Should you give them an exclusive? Would you be better off with a retained or contingent search, and is there really a difference? These questions are tough because few people are familiar with what the terms mean and what benefits are likely to be derived from different approaches. This article will attempt to clear up some of the confusion.

It is not always advisable to use the services of a search firm. For positions that are (relatively) lower in compensation and local in origin, such as receptionist, admin positions, etc. the Internet or local employment agencies will most likely deliver more value for your dollar. Search firm fees are high relative to the positions mentioned and the recruiter's time is better invested in more sophisticated searches. On the other hand, if you need someone who can quickly, and with insight, tap into the appropriate talent pool for your needs and who will do the screening, qualifying, and interfacing, then a search firm is the most cost effective approach. It is a mistaken belief that using Internet resume sites and other similar venues will save money by avoiding fees. The time that management spends contacting, screening, arranging and re-arranging interviews, reference checking, and negotiating almost always costs more than the fee the Executive Search firm would charge. Additionally, while management is committing their time to these tasks, they are not able to perform their primary responsibilities as efficiently. We tend to move in circles of people we have worked for or with over the years. We all know some people, but rarely do we know most people in our industry unless it is our profession. Many times managers tasked with identifying talent are unable to identify people beyond their circle and do not have access to the "inside scoop" about the realities of candidates' careers.

Clients may assume that if one search firm will improve the hiring process then five will be five times better. How should you go about determining how many firms to work with and whether to enter into a retained or contingent agreement? Tough questions again, until you understand the pros and cons. It is never in a company's best interests to engage as many recruiters as are willing to work on an assignment. For one thing, the relationship between client and recruiter needs to be deep and meaningful. If developed correctly, the two should work as partners with a common goal. This can only occur when there is commitment, loyalty, and trust. If multiple recruiters are working on a specific search, they have no choice but to "beat the clock" and get resume submittals time stamped. This benefits no one, including the recruiter. Successful identification of superior talent requires that a recruiter speak with many people without exposing them to risk. A review of resumes uncovers subjective and objective information and allows a skilled recruiter to determine what they do **not** say. Lengthy discussions are necessary in order to get the onion peeled down. This is time consuming. Less scrupulous recruiters do not go to these lengths to properly screen candidates. As a result, the firms that do invest the time and effort are at a significant disadvantage because some firms shot gun resumes. The diligent recruiters know that by the time they finish, recruiters who may never even have talked with the candidate will already have submitted resumes from their files. Everyone loses. Disputes over who is "really" representing them can result in the rejection of qualified candidates. Hiring managers may select second tier candidates because they received their resumes in short order. Companies sometimes receive resumes from candidates who were not aware that someone submitted their resumes until they are contacted for interviews. This "shot in the dark" approach to identifying and attracting talent sends a negative message. Receiving multiple calls about the same opportunity leads people to conclude that the company is desperate or disorganized, or that something is wrong with the position. It is like the game of "telephone" kids play. One person whispers into another's ear, and by the time it goes around the circle, the message is totally distorted. The same thing happens when too many people tell a story. Some exaggerate, some misunderstand, and others are boring. In the end, the impression is rarely good.

When reviewing potential firms, whomever you chose should be a specialist in your industry and be familiar with your market. Talk to them. Ask questions and see how they strategize in conjunction with you. Find out what you can expect from them and what they will expect from you. If it does not feel right, then it most likely is not. If possible, make a commitment to one firm. In the end, it is better to limit the length of the exclusive so you can dissolve the arrangement if they don't work out than it is to muddy the waters. If you feel you must diversify, for example, to learn about various firms before making a long-term commitment, limit your engagement to two firms. Give different assignments to each for the first round so that you may compare. Once you have selected the firm who delivers the most in the way that is appropriate for you, use them exclusively from that point on. They will become more familiar with your managers and the corporate personality with each search so that the process continues to improve with every placement. Candidates will know to call them when they desire an introduction to your firm. It makes good business sense.

In order to tackle the question of contingency vs. retained, let us define the terms. Contingency searches pay a fee if the recruiter presents a person/s whom the company hires within 12 months of the date of introduction. It is that simple. They get paid when they deliver. Giving a firm an exclusive has nothing to do with whether or not the search is contingent or retained. The company retains the right to hire someone referred by a different source (other than a recruiter) such as an employee referral, or someone you used to work with, and not owe a fee. Depending on the specifics of the assignment, both types of searches can be appropriate. In the strictest sense, retained searches require payment of a fee even if the search firm does not present a candidate that is hired. It also means you must pay them for someone who applies without any connection with the recruiter. However, there are many derivations and some allow for only partial payment if no one is hired or if the recruiter does not source them. Although different firms structure retained fee agreements differently, there is usually upfront good faith money. Up front money demonstrates that the company is serious about filling the position and it forces them to be consistent in what they are looking for. Search firms often find themselves conducting multiple searches for one fee because their client is unsure of what they want.

Some retained recruiters state that the retainer provides a dedicated recruiter focused on the client's needs before everyone else's. It doesn't necessarily work out that way, however. For one thing, they often employ people they call "recruiters" who do the legwork. In other words, these staff "recruiters" contact, screen, and qualify a short list of candidates from a large pool. Therefore, if you retain a firm because you like the way you assume your contact will represent your firm, they will not be the ones who are, in fact, representing you. Their "recruiters" will be.

Retained recruiters may suggest that a contingency recruiter is not as motivated to successfully conclude the search without the guaranty of a fee. In truth, most are equally, if not more, motivated since they must deliver in order to receive payment. Retained firms indicate additional services, such as reference checking, justify the guaranty of a fee. In many cases, contingency firms provide the extras that retained searches offer at no charge.

Retained recruiters will conduct face-to-face interviews at the client's request. While this eliminates the risk of a client interviewing a person who makes a bad impression, plane fare, hotel fees, and other expenses are billed in addition to the fee. This extra step in the process can be very costly and time consuming with minimal benefit. A professional recruiter knows how to look, see, and hear very well over the phone during several in depth telephone conversations. Short of knowing about physical appearances, they should be more than able to provide ample information.

Write-ups detailing extensive information about candidates' experience, education, and earnings are included in retained fees. These presentations make a nice visual impression. The question is whether you prefer the recruiter spend their time talking to the industry on your behalf or writing formal reports. Depending on who will be reviewing these reports, email or verbal conversations provide the same information in a timelier manner and the information will be just as weighty. A properly formatted formal presentation is indicated, however, if a board is reviewing the material. Keep in mind, whichever type of search you select, specific services can and should be negotiated.

There are circumstances when it makes sense to use a retained search firm. When the position you are trying to fill is senior, someone who intimately knows your company's history, culture, challenges, assets, etc should always do these types of searches on an exclusive basis. They must be polished, well known, and respected. The approach

is more formal, in depth, and sophisticated. Candidates qualified for senior opportunities expect the search to be retained, as it tends to lend credence to the process.

In the final analysis, the best possible approach to working with search firms is to find one that does it all. Sales, credit, asset management, (to name a few) positions can easily be completed on a contingency basis. Mid to senior level positions are better handled on a retained basis. Finding a search firm that does both means you won't have to start over when the level or number of searches you have changes. Sometimes they can work on your behalf for a contingency fee, and for the more sophisticated or extensive assignments (multiple positions simultaneously) a retainer affirms your commitment to both search firm and candidates.