

## **Choose Wisely When Hiring a Search Firm to Recruit for Key Positions**

**Like accounting firms, not all recruiters are created equal.**

*By Jeremy C. Cepin*

If your firm is similar to most firms in the accounting industry, you have been trying to fill one or more key positions that have been open for months without any success. Recruiting professionals and management with the highly sought after skills needed to grow your firm is no easy feat. Because of this dilemma, firms will occasionally turn to an executive search professional for assistance. However, just like accounting firms, not all recruiters are created equal. Choosing the right type of search firm to fill your organization's key vacancies is one of the most important decisions your company will make for the following two reasons:

1. The potential upside the right person can deliver; and
2. The huge cost (not only measured in dollars) of making a bad hire.

### **Use a search firm**

Search firms exist because of two factors: (1) the lack of suitable talent in an organization; and (2) the growing needs of a firm. There is a shortage of highly skilled talent and the success of an organization is determined by the quality of talent it can attract and retain.

Finding top talent isn't easy. Top candidates are not scouring job boards or engaging other firms because they are presently engaged in their current work. These individuals need to be made aware of other career opportunities. A recruitment process that includes an executive search firm has a competitive edge because it locates and engages top-tier performers who would not otherwise know about the opportunity your firm has to offer.

By using a search approach, a company can increase its chance of finding the right candidate. Some companies know well enough that they will have a small pool of candidates to choose from when trying to fill certain roles (*e.g.*, a technical specialist). If the search isn't performed with dexterity using proven methodologies, the company can suffer the risk of not getting the position filled.

A search firm acts as an extension of its client, and is an impartial agent between the client and the candidate. It performs a proactive intermediary role that is indispensable in communicating, assessing, and negotiating with professionals who are not necessarily active job applicants, but rather passive, potentially interested candidates. The delicate manner in which these relationships are handled during the courting of recruitment is critical to a successful outcome. It is best performed by a consultant who has the trust of both sides and can smooth the obstacles that will inevitably arise.

A third party can help provide communication and resolution during difficult negotiations. A third party can also act as an ambassador and problem resolver without the main parties involved becoming negatively influenced by each other's negotiating stance. Search consultants will be actively involved during the recruitment process and also after the hiring decision is made because they continue to be in touch with the client and the successful candidate.

## Contingency vs. retained

If you are considering using a search firm to find critical talent, you need to decide whether to use a contingency firm or a retained search firm.

Contingency firms are transaction-oriented (*i.e.*, they get paid only if you hire a candidate they present to you). Typically, contingency firms maintain relationships with dozens of companies. When they find a first-rate candidate, they present the hot prospect to as many firms as possible to ensure a successful placement.

Retained search firms, on the other hand, are consulting-oriented (*i.e.*, they get the same fees no matter how long it takes to find the right candidate). Similar to accountants, lawyers, and architects, retained search firms are hired for their specialized skills.

A retained search firm will fill the desired job openings by: (1) getting to know your organization's needs; and (2) finding a candidate with the exact skill set your firm is looking for. In essence, retained search firms are working for you. They are best-suited at filling senior-level management positions where there are fewer qualified candidates, and the challenge is recruiting the talent from a competitor.

## Difference in methodology

On the surface, the only decision appears to be determining how the recruiter gets paid:

- A contingency recruiter earns a fee only when the organization hires someone.
- A retained search consultant is paid in advance to conduct a search that usually results in a hiring.

There are actually two key differences in how the processes for a retained search and a contingency search are carried out:

1. A retained search consultant typically works exclusively on the search and is expected to assess all candidates being considered for the position. A retained consultant will never present a candidate to more than one client at a time.
2. A contingency recruiter usually does not have an exclusive assignment, but instead is in a race against other sources to present a winning candidate. A contingency recruiter often presents attractive candidates to as many clients as possible to ensure a successful placement.

When a company retains an executive search firm to fill a particular job, it is paying for the process of conducting a search. Without being paid in advance, a contingency recruiter has no assurance of being paid at all. Therefore, a contingency recruiter cannot afford to invest a great deal of time working on any particular engagement because a successful outcome depends on factors beyond the recruiter's control.

Contingency recruiters typically work with a large number of job openings and, using a database of known candidates, look for matches on paper. Then, they send those candidates' resumes—as many as possible—to clients for possible interviews. As such, the contingency search process is geared to identify qualified candidates, but not necessarily the *most* qualified candidates who could be found if significant research and in-person interviews had been applied to ensure that the hiring organization's particular needs were filled.

## **Are you firm quality or budgetary motivated?**

If your company is looking to fill a position quickly or needs to fill a low- to mid-level position, using a contingency firm could be a good decision. Contingency firms have a great inbound flow of candidates, which means they can meet short-term staffing needs. However, contingency firms rarely take the time to really get to know your company's specific needs. They cannot afford to invest a great deal of time on any one assignment. Their business is a high volume business and they often serve direct competitors for the same positions. They collect as many resumes as possible from sources (*e.g.*, databases or job postings) and then send them as quickly as possible to multiple clients to beat their competitors to the punch. They often don't have time to interview candidates (or clients) personally to evaluate suitability.

Retained search firms, on the other hand, are consulting-oriented and best-suited for senior-level management positions where there are fewer qualified candidates, and the challenge is recruiting the talent from a competitor. Retained search firms get the same fees no matter how long it takes to find the right candidate. They fill your firm's vacancies by: (1) getting to know your organization's needs; and (2) finding a candidate with the exact skills and experience your firm is looking for. In essence, they are working for you. They typically source passive candidates who are not seeking current employment and are considered successful and stable in their current jobs. They will personally interview and assess each candidate for suitability. Most retained recruiters either have many years of management recruiting experience or are themselves former senior-level managers.

Although retained executive recruitment firms typically charge more than contingency search firms, you are assured that they will only send you the best person for your particular vacancy.

Retained executive search consulting is appropriate when:

- The salary level of the position is above \$100,000;
- The hiring firm wants a recruiter who will make a dedicated effort on its behalf to fill the position;
- It is critical to hire not just any qualified person, but the most qualified person available;
- The hiring organization wants an independent third party to thoroughly screen candidates, including in-person interviews, before the finalists are presented;
- The hiring firm wants an independent third party to help persuade a candidate to leave a desirable position for a better opportunity and to help negotiate the terms of the move;
- The hiring firm wants to approach prospective candidates on a confidential basis; or
- The hiring firm wants to establish a close working relationship with the recruiter to ensure that the hiring process takes into account the nuances of the hiring organization's culture and the issues related to the job vacancy.

## **How you pay is what you get**

Fees for the two kinds of service are similar (*i.e.*, typically between 30 to 33 percent of guaranteed first-year compensation for the hired candidate). Retained recruiters make an estimate of the fee and bill for a portion of the fee to initiate the engagement, with several subsequent invoices leading to a final bill that makes an adjustment based on the actual compensation package awarded to the hired candidate. Contingency recruiters, on the other hand, receive one lump sum on hiring.

Neither contingency nor retained executive search consultants accept fees from individuals for the purpose of helping them find a job. However, contingency firms are motivated to “market” highly attractive candidates to several potential employers at the same time. Retained consultants are not motivated to sell candidates in the same way. They are paid for the process of selecting the best candidate so they can be more objective about whether a particular individual is the right choice.

### **Who works for whom?**

Another difference between a retained search and a contingency search has to do with exclusivity. Retained search consultants spend a lot of time sourcing candidates who are happy and stable with their employers and are not actively seeking other employment. They evaluate candidates for a particular client and will never present candidates to more than one client at a time. Therefore, the client will almost never find himself or herself in a bidding competition for a desirable candidate.

The nature of contingency recruiting is such that exclusivity is not possible. A contingency recruiter is in a race against others to present candidates. When desirable candidates are found, a contingency recruiter must present them to as many clients as possible to have the greatest chance of making a placement.

### **How long does it take?**

The contingency recruiting process is straightforward and fast. Recruiters get some basic facts of the job, scan for candidates from resume databases and Internet sources, and send the raw resumes to clients as soon as they get them.

The retained search process is more involved and takes longer. The consultant will typically meet with the client to learn about his or her firm and its culture, as well as details regarding the type of candidate desired. The consultant will target candidates who are successful and have a history of career stability from firms/companies identified as suitable by the client. Through this research, a “long list” of candidates who are possibly suitable and interested is compiled. Screened candidates are personally interviewed by the consultant to determine fit and interest. Several qualified candidates are submitted to the client for interviews along with detailed interview notes of the candidate’s background. The consultant conducts reference checks from formal and informal sources, advises on a job offer, and mediates acceptance by the candidate. Afterward, the consultant will stay in touch with the candidate to ensure a smooth transition. The key differences between a retained search firm and a contingent search firm are detailed in Exhibit 1.

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**Exhibit 1: Key Differentiators**

<b>Retained Search Firms</b>	<b>Contingent Search Firms</b>
<ul style="list-style-type: none"> <li>• Organizations are assisted in the recruitment of senior professionals and management for key positions.</li> <li>• A proactive, systematic search and outreach are provided to find and recruit the best possible candidate for the position in question.</li> <li>• The objective is to separate the exceptional from the average performer and assess the candidate against the needs of the position and the client organization.</li> <li>• The client obtains the consultants' full commitment, focus, and resources and can expect regular feedback and consultation throughout the search process.</li> <li>• Search assignments are conducted on an exclusive, retainer contract basis only.</li> <li>• The search firm makes a commitment to complete the assignment professionally and to the client's satisfaction.</li> <li>• Candidates may only be presented to one client at a time.</li> <li>• The search process is consultative, research-based, and solution oriented.</li> <li>• Before initiating the search, the consultant must spend considerable time getting to know the client organization, the responsibilities of the position, and all other requirements.</li> <li>• The key success factor is quality. The consultant provides regular feedback to management on the market perception of the organization, its compensation levels, and other issues that can affect the firm's ability to recruit the best candidate.</li> <li>• Consultants normally handle no more than three to five assignments at any given time and are responsible for the success or failure of each assignment.</li> <li>• The retained search consultant is engaged to save time and effort on the part of senior management.</li> <li>• The consultant provides the client with</li> </ul>	<ul style="list-style-type: none"> <li>• Organizations are assisted in finding mostly lower to middle level professionals and management positions.</li> <li>• Individuals seeking placement are frequently represented.</li> <li>• Reactive search methods are used that involve database searching, Internet job postings, advertising, and so forth.</li> <li>• The focus is less about a precise candidate "fit" and more about getting potentially qualified candidates in front of the client so that the client can make his or her own final assessment.</li> <li>• Contingency recruiters will often work in competition with other contingency firms for the job placement.</li> <li>• Candidates can be exposed to many opportunities by the same firm.</li> <li>• The recruiting process is transactional and placement oriented.</li> <li>• With no guarantee of payment for services performed, the consultant cannot afford to invest much time in a search beyond basic recruiting and the submission of resumes.</li> <li>• The search consultant often works concurrently with a multitude of open job orders.</li> <li>• The consultant's primary task is to present resumes/CVs in the hope that one will result in a successful placement.</li> <li>• The key success factor is speed.</li> <li>• Candidates are presented quickly and randomly without full research of the market of employed candidates.</li> <li>• The consultant will present candidates quickly for the client to filter through.</li> <li>• The consultant may submit substantial numbers to increase probability of a placement.</li> <li>• The client/hiring manager is often</li> </ul>

<p>comprehensive consulting and reporting (e.g., resumes, references, interview, and reports).</p> <ul style="list-style-type: none"> <li>• The consultant offers a professional guarantee of candidate success (typically one-year guarantee on the placement of the candidate) and is committed to thorough and ethical practices and results.</li> <li>• The number of candidates presented will depend on the characteristics of the job and on candidate availability.</li> <li>• Confidentiality is guaranteed as is compliance with data privacy laws.</li> <li>• Research is focused on a range of potential senior candidates, most of whom are currently employed in target companies and are not active in the job market.</li> <li>• The search consultant helps close the negotiation with the chosen candidate who is exclusively presented to the client.</li> </ul>	<p>flooded with resumes and is confronted with the challenging task of assessing them.</p> <ul style="list-style-type: none"> <li>• With less time spent on securing a clear job description and understanding the client's needs, the chance of a candidate/client mismatch is significantly increased.</li> <li>• There is no contractual obligation to guarantee or produce results due to the contingency fee arrangement.</li> <li>• The consultant normally does not offer a professional guarantee that exceeds 30 to 90 days.</li> <li>• Candidates can be simultaneously presented to multiple organizations, often without their knowledge.</li> <li>• Confidentiality and data privacy is at risk because consent by candidates for transfer of data is often not obtained, which creates potential conflicts and enhances legal exposure.</li> <li>• The consultant only works on those searches that can be executed quickly and does not have time to focus on passive high-quality candidates.</li> </ul>
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Before deciding whether to hire a contingency recruiting firm or a retained search firm, you should know what your firm really needs, who you are specifically looking for, and how much time is available to look for qualified candidates. Once you determine these needs, you are ready to partner with the right recruitment/search firm, penetrate the marketplace, uncover the best and brightest candidates, and grow your firm by enormous proportions.

**About the author:** Jeremy C. Cepin is a Managing Director in the Executive Search practice at Koltin Consulting Group. A highly experienced search professional, Jeremy helps public accounting and advisory firms hire exceptional people to drive growth, client service, and profitability. Jeremy specializes in conducting retained executive searches for positions including Partner, Practice Leader, Subject Matter Expert, COO, CFO, Firm Administrator, and Director of Marketing & Business Development. Jeremy's regular clients include many firms listed as Best of the Best, Fastest Growing, or Top-100/200 by INSIDE Public Accounting, and ACCOUNTING TODAY.