

Chapter 6: Executive Recruiters

There are really only two different kinds of executive search firms: contingency and retainer. They both do the same thing: identify, select, and place candidates for their clients.

Contingency versus Retained

The big difference between the two types of firms is how they are compensated for their services. Contingency recruiters earn fees only when a candidate is placed, whereas retained firms usually get paid in thirds:

- 1/3 of estimated fee for up-front work
- 1/3 when candidates begin to interview
- 1/3 when the candidate starts the new job

While many search firms work on a retainer basis, there are many that actually prefer to work on contingency. Some firms work both ways. From your perspective as a candidate, each type of firm has both positive and negative aspects.

Contingency firms are more willing to actively market their candidates, sending them out for multiple openings. Retainer firms are reluctant to do so. Instead, they may insist that their candidates interview with only one company at a time, waiting until the client has made its decision. This limits your exposure to alternative job opportunities. On the other hand, retained firms often enter into exclusive agreements with their clients. There may be no other way to learn about or interview for some jobs except by working with the retained recruitment firm that holds the exclusive listing.

How They Work

Most of the “Big 5” generalist firms — Egon Zehnder, Korn Ferry, Heidrick & Struggles, Spencer Stuart, and Russell Reynolds — rely on an extensive network of contacts built up through thousands of searches and decades of experience. These firms are less likely to speak with “call-in” candidates. Smaller regional or specialty recruiting firms (“boutiques”) may be more interested in taking on new job seekers, because their focus is narrow and they work in specific industry “niches.”

The search community often nurtures a bias against currently unemployed individuals. This stigma is often nurtured by their client companies. Even in an age in which the statement is no longer valid or true, the bias continues to exist.

Executive recruiters believe that the best candidates are not actively looking for a new job. They believe that good candidates are already reasonably happy in their current jobs and need to be coaxed into making a change. They also believe that money is not the primary motivating factor for making a change. In fact, recruiters have difficulty controlling candidates whose prime concern is money. Instead, they want to know other areas where a candidate currently may be less than satisfied, such as:

- Better advancement potential
- Increased opportunities for growth
- Greater challenges
- A different management style
- A new company direction

Often, these are more compelling factors to get candidates to consider new positions.

As a candidate, it is always more to your advantage if the recruiting firm approaches you, rather than the other way around. This tips control in the relationship slightly to your favor. To achieve this, you may have to show a little subtlety. Network among your friends and alumni to learn who they have used, either when they were job-searching or as a client seeking new employees. Once you have identified a recruiter you like, get that same friend or alum to provide your name to the firm.

Keep in mind that the search firm exists to help client companies find employees, not to help people find jobs. The client company pays their fee. That is why you benefit when they come to you — if puts you in a position to help them out.

Check search firm websites to learn more about them. Along with contact information and short biographies about the partners, you can find instructions on submitting a resume, articles about their industry specialty, and even some sample searches. The SOM Alumni Career Services web page lists a directory of recruiters. It will help you identify those who specialize in your industry.

Pros and Cons

There are many reasons why companies work with search firms. Good reasons include:

- The company wants to screen applicants thoroughly
- It has a long wish list and wants to go directly to the marketplace
- It is growing too quickly to develop and train people for their positions
- It wants to lure a competitor
- It needs an internal change and must seek an outsider

Bad reasons include:

- The company can't attract candidates because of poor morale
- It has a poor reputation or is on the decline
- It employs incompetent decision makers and has a weak (or no) recruitment staff
- It has poor succession planning and is unable to develop talented individuals in-house
- It views human resources as a wasteful cost center, not a business partner

Fees charged by a search firm can reach as high as 35% of the placed candidates' first-year salary. For example, if a company hires a candidate at \$100,000, it pays a fee of 35% (\$35,000). This means that the employer effectively pays out \$135,000 for that candidate during his or her first year of employment. The fee is worth it if, for instance, the new hire is in a revenue-generating position. Sales

people can earn the placement fee back for the company in a few weeks or months. Another way to recoup the fee is through the value that a new hire might add, for instance, by getting the job done more efficiently than his or her predecessor.

However, if the company engages a recruiting firm simply to find somebody to “plug a hole,” the fee they must pay for the service may prove very costly.

Many companies don’t want to use search firms, not only because of cost factors, but also because of concerns about retaining good employees. Individuals who are placed by recruiters are more likely to move again, because the recruiter may call in a year or two with another good offer. It’s not uncommon for executive recruiters to place the same candidate numerous times throughout his (or her) career.

Some Tips for Working with Executive Recruiters

Remember that executive recruiters are salespeople. They earn their income from placements.

Some firms track placements the way car salesmen track car sales. For them, the only true measure of success is how many people they place. For some it is a profession, for some, a lucrative hustle. As with any brokered businesses, the buyer must beware.

Recruiters may offer advice on your career, and may even provide some valuable insights. But remember who they really work for. They may only counsel you in their own and their clients’ best interest.

HOW DO YOU KNOW WHO’S WHO?

How do you find a good real estate agent, attorney, or accountant? The answer: word-of-mouth, referrals, and a good understanding of their business. If you decide to work with an executive recruiter, here are some tips:

- Don’t just mail out resumes to any and all of them. Be selective. Contingency recruiters may encourage you to do this, but it is not a good idea to work with too many at once.
- Try to speak with them several different times, and try to get to know them before you send them anything.
- Try to meet the recruiter in person. This is not always possible because many of them are national or international in scope.
- Ask about their background and experience in the business. Do not hesitate to interview them.
- Be cautious about discussing the specifics of your job search (who you have met with, the specific positions, salary ranges, who it reports to, and so on) with a contingency recruiter. They frequently work on multiple openings, and candidates are often a valuable source of job orders.

Try not to give them a bottom-line salary figure. That should never be anyone’s business but your own. Recruiters are trained to close candidates on salary right at the start. Regardless of their claims that “The more you make the more I make,” keep in mind that frequently the company wants them to bring in their candidate at an agreed-upon price.

If you are compelled to give your bottom line, always make it 10% to 15% higher than you really want to get. No matter what number you give, you're going to be expected to compromise.

Better still, respond with ranges if they ask you about salary. Give a broad range, and talk about your "total compensation package." Find out their range first and try to work from that.

Finding the Right Firm

If you have carefully selected your search firms or agencies, they can be excellent sources of information about a particular company, its culture, benefits, growth, and opportunities. They can also be excellent guides to a particular industry or specialty. Try to work with an individual who specializes in a field and/or industry. Many recruiters were once employed in the discipline or industry in which they currently specialize.

Executive recruiters can be an ally in the job search, but they are not necessary for everyone. If you are successful in your own networking, and well-connected in your industry and discipline, then you can generate quality leads on your own. If you are looking to transition your career, most executive recruiters will not be interested in representing you. Nonetheless, cultivating a relationship with a good executive recruiter can benefit your career greatly.

If you are interested in finding a good recruitment firm, there is a page on the Alumni Career Services website that can serve as a helpful resource. The Career Development Office has researched the industry and has assembled a directory to guide you to some of the top firms. The directory identifies these firms according to a variety of categories: industries served; functions served; minimum salary level (that they work on); geographies covered; "boutiques"; and whether or not they work on contingency or require a retainer. Also, most of the firms that post on the alumni career services job site are featured here:

http://mba.yale.edu/alumni/career_resources/exec_search.shtml