

What to Find Out When Retaining a Search Firm

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Recruiting executive talent is not easy. If you do it on your own, it takes your valuable time to call your contacts, conduct the search, screen candidates, and make the right decision. If you utilize a search firm, it takes vigilance to hire the right firm, monitor its performance and make sure you get your money's worth.

If you know what to look for in a search firm, you can save time and avoid mistakes. Here are some questions to ask your search firm before you hand over this important task:

Who will conduct the search? Ask the consultant making the initial client presentation to explain the roles and responsibilities of junior staff members. Too often, a senior partner will make the pitch but then delegate the assignment to a junior staff member who learns your business (or the business of search) at your expense. You may not realize what is happening until a crisis develops and the junior staff member's lack of experience causes a problem or results in no acceptable candidates. Make sure you know who's taking the lead and who will ride "shotgun." Ask the partner how many individuals he or she screens in order to come up with the final list.

How many other searches is the recruiter currently conducting? The consultant should be candid about the number of other searches in progress. More than one organization has hired an experienced and well-known consultant only to learn that he or she is simultaneously involved in a dozen or more searches. Executives and board members know from experience that the ability to attract top management talent is directly related to the person who manages and executes the search.

How do you conduct reference checks? A consultant should express willingness to ask tough questions of references and not be intimidated by the legal climate developing around this area. A thorough search should go beyond the list of sources provided by candidates and include tactful contact with candidates' superiors, colleagues and subordinates in both the current position and in past positions. Will you get transcripts of these conversations, summaries or paraphrased reports, or simply "I checked references and they were terrific."

The search firm also should provide each reference with an accurate description of your organization so the individual providing the reference can realistically evaluate the candidates' appropriateness for your position. This should include the culture and personalities of the team as well as the job description. The reference's description of the candidate's past performance should go beyond the superficial to identify genuine weaknesses and traits of personality and character.

How do you evaluate our requirements? A good consultant will ask both "What kind of person do you want?" and "What does your organization really need, both now and in the years ahead?" This probing should challenge your organizational assumptions, tradition, culture, and long-standing structures. In the process, the consultant's questions should help you look at your needs with a fresh perspective. He or she should help you to clarify your expectations, develop profiles of potential candidates, and even help you modify your organizational structure and reporting relationships to create the best fit for the long term.

How do you act as an arbitrator or mediator? In addition to acting as your agent to recruit candidates, the consultant should work to bring candidates' concerns and reservations back to you. If candidates have second thoughts about the opportunity, or have special requirements for compensation, title, or reporting relationships, the search consultant should act as a mediator and try to meet the needs of both the client and the candidate.

Have you recruited for this type of position before? Your friend or former colleague may have gone on to become an executive search consultant, but the skills and abilities that make an executive successful in one industry or function doesn't always translate into success in the search field. In the same way, a search firm's track record of success in conducting searches for one function or industry doesn't always guarantee success in finding executives for another. Review the credentials of several search firms, not just one that is recommended by a cohort. Base your review on predetermined criteria, including the number of searches executed within a specific field or within a comparable market.

How do you calculate your fees and how do you track expenses? While the fees quoted by some executive search consultants may seem exorbitant, resist the temptation to seek out the lowest bidder. The stakes of finding a qualified executive who can address your organization's needs are too high to waste time negotiating bargains or waging a price war among competing search firms.

Traditionally, executive search firms have charged a percentage of the executive's first-year compensation, usually one-third. For example, if an executive is paid \$200,000 in total compensation, the total fee will be \$66,000. Some search firms will charge a fixed dollar amount that's roughly equivalent to the fixed percentage. In this way, even if an executive is hired at a salary greater than what was originally estimated, the organization pays no more than the fixed fee. Will the fee include an estimate of bonus to be earned? Signing bonus? Stock options? Benefits? You don't want any surprises once the new executive has been hired.

Also critical is the issue of expenses, which typically include travel for the search consultant and candidates, lodging, meals, phone calls and expenses such as printing. While these expenses vary with the location of candidates and the difficulty of the search, hiring organizations should ask search consultants to estimate the type and extent of expenses before an agreement is signed. While the majority of search firms are reputable, some firms have been known to charge clients for office overhead and secretarial support under the category of research.

What is your guarantee? Most search firms will provide a replacement guarantee in the case that the hired individual does not work out for some reason. One year is a typical guarantee period. However, it is difficult to get most firms to concentrate on a replacement search when there is no longer a financial incentive. Ask for references from the search firm from companies which required a replacement search, and find out whether they felt well taken care of, or had to badger the search firm to get the replacement search completed.

Recruiting and retaining a top quality executive is one of the most important decisions you can make. Choose a search firm that operates with a style, approach and sense of values that complement and reflect your own organization.