

ALTERNATIVE FEE AGREEMENTS

There are times when a financially committed/retained search is the best option, and there are times when contingency recruiting is the appropriate approach. Certainly the urgency and critical nature of the position are factors. Accountability, access, and search status are all variables as well. There are times, though, when neither of these solutions is the best answer. Unfortunately, most recruiters tend to work one way or maybe two and then sell why their way is the best. A true consultant gathers all relevant information and then makes an informed professional recommendation. There are not retained or contingent consultants. There are just consultants, and they do not define themselves by their payment structures. In order to truly be a consultant, one has to be prepared to craft the appropriate agreement based on the client's unique needs and expectations. To illustrate this I would invite you to read the hiring challenge that follows and then determine your recommendation. The situation follows and then so does another approach that can become a very successful part of your arsenal!

Client situation:

- 1) Has multiple needs for the same position
- 2) Desires you to be proactive on their behalf in the market
- 3) Client does not want exclusivity for all positions (all are same), but does not object to a financially committed relationships
- 4) Client does not have authorization to use retained search, but does have budgetary discretion for consulting firms or market research firms
- 5) Needs are urgent and critical and wants some accountability that you will search on this
- 6) Client does not want you to present candidates you recruit for them to anyone else unless they pass on them

There are a number of reasons why a contingent or retained are not appropriate. So, while one possibility is to simply pick the one that has the least negatives another possibility is to craft an agreement that eliminates all if not most of them. What if an agreement was proposed with the following provisions:

- 1) A minimum of 50, 100, 200, etc. potential candidates are contacted each month specifically about the positions at the client company
- 2) All interested and qualified candidates are presented to the client for consideration
- 3) Each month the client is presented with a report documenting the companies and people (listed by title only) contacted and their response. Candidates can be classified by interest and fit. As an example, if 1/2 of all people are interested but 90% of those are making more money than the top end of the range, then this feedback can be used to assist the client in possible modification or course correction.
- 4) The client is free to use any of their own sources including other recruiters
- 5) The client may cancel this agreement any time after its initiation
- 6) The client agrees to pay ____ each month for the contacting of the potential target candidates.
- 7) The client agrees to pay a contingent fee of ____ upon the hiring of any candidate presented from those efforts and in such an event(s), all monthly payments will be subtracted from the contingent fee.
- 8) The agreement is labeled a consulting agreement or even market research agreement. During the calls, the recruiter could simultaneously conduct a salary survey as an example to justify the monthly market research agreement.

Now, are there some flaws in this? Of course there will be some, but far less than the traditional paradigms of retainer or contingent. If the only tool you have is a hammer, then everything starts to look like a nail. A client focused recruiter is one who makes a professional recommendation only after an understanding of the client's unique needs and expectations. As such, the agreement is crafted to reflect the mutual accountabilities and commitments rather than trying to force one or perhaps two boiler plate agreements to any situation. This type of consulting agreement can be extensive or simple. I have provided a very simple one below that covers only the basics for your ease and usage. Establishing the proper service charge and agreement requires tremendous study and practice. If you find yourself recommending the same service charge and agreement for every client need, then it just may be time to add some more tools to that toolbox. It has been my experience that, at times, veterans can be the most guilty of this myopic perspective. It is never too late to learn, and the first step in growth is being receptive to considering the addition of some new tools and ways of thinking into your professional arsenal.

Consulting Agreement

XYZ Search Firm ("XYZ") is authorized to provide the following services to _____ ("Client") under the following terms and conditions:

1. XYZ will contact a minimum of _____ (___) potential candidates for the _____ position, on Client's behalf during each successive thirty (30) day period following the initiation of this Agreement by the parties. The contacts with the potential candidates will include a presentation of Client's staffing needs. XYZ will provide Client with a report for each thirty (30) day period, setting forth the name of each potential candidate's present employer and a summary of each potential candidate's response to the contact. If a potential candidate expresses an interest in pursuing an opportunity with Client, he or she will be referred and his or her resume forwarded to Client. Client agrees that it shall not attempt, either directly or indirectly, to contact a potential candidate contacted by XYZ, until XYZ has referred the potential candidate to Client. All candidates identified by name shall be considered to be a referred candidate and are subject to a service fee per Paragraph 4. Client may however request XYZ to provide monthly reports with the candidates' names redacted but including the results of the potential candidates' responses to the contact.

**alternatively do not provide names but company only and perhaps title and no names

2. Client shall pay XYZ a non-refundable fee of \$_____ at the time Client signs this Agreement and a nonrefundable fee of \$_____ every thirty (30) days thereafter.
3. At the conclusion of the _____ (___) day period following the initiation of this Agreement, Client shall have five (5) days to notify XYZ of its decision to continue monthly installments as listed in Paragraph 2 or cease XYZ's efforts. This Agreement will continue on a monthly basis thereafter and at the conclusion of each successive thirty (30) day time frame, Client shall have the same five (5) days to notify XYZ of cancellation. Without such cancellation, the Agreement shall remain in force and monthly installments will continue and all other provisions contained herein shall also remain in effect. Cancellation must be provided in writing.

4. If Client retains the services of a candidate referred by XYZ for any position or in any capacity within one (1) year from the date the candidate was referred to Client by XYZ, Client will pay XYZ a service equal to _____ percent (___%) of the candidate's estimated first year's compensation for the position, which shall include a reasonable estimate of bonuses and incentives, in addition to the salary, to be earned by the candidate during the first twelve (12) months. The service fee, less a credit equal to the payments made to XYZ under Paragraph 2 of this Agreement, shall be due and payable on the date the candidate starts.
5. Although XYZ will use its best efforts to screen candidates, Client agrees to hold XYZ harmless from any and all claims or actions relating to any candidates referred to Client by XYZ.
6. Client's receipt of referrals from XYZ shall be conclusive evidence of Client's acceptance of our schedule of charges, terms and conditions, unless we have signed a written modification. If collection activities are necessary, Client agrees to pay all expenses thereof, including reasonable attorney's fees. Since we will be performing our work in the state of Texas, we both agree that its laws and the courts of the state of Texas shall govern our relationship.
7. Candidate referrals will be made solely on the basis of qualifications, without regard to race, color, religion, sex, national origin, handicap, disability, age or other protected characteristic.

The undersigned agree to all provisions in the Agreement.

XYZ Search Firm

[Company Name]

[Team Leader's Name and Title]

[Client's Name and Title]



ABOUT THE AUTHOR: *Jeff Kaye is President and CEO of Kaye/Bassman International and Next Level Recruiting Training. This former Management Recruiter National Recruiter of the year has helped build the largest single site search firm in the country with annual search revenue in excess of \$18M. His firm has won national awards for philanthropy and workplace flexibility as well as having been named the best company to work for in the state of Texas in 2005, 2006 & 2007. Kaye/Bassman has retained over 30 search professionals whose annual production exceeds \$400k. The same training that helped build this successful firm is now available through Next Level Recruiting Training. They have recently introduced new distance based learning programs and an entirely new subscription based program through an innovative delivery medium called NLE TV .To learn more about these programs or their other offerings please check out www.nlrtraining.com or www.nextlevelexchange.com . You can also email Jeff at jtk@nlrtraining.com.*

