

DO YOU NEGOTIATE OR SURRENDER?

Does this set of circumstances look familiar?

An experienced Recruiter markets a management candidate to a company that is not a client. The company agrees to interview the candidate but negotiates the Recruiter's fee down from \$30,000 to \$20,000. There is no signed agreement.

The company evaluates the candidate and decides to make an offer. At this point they call the Recruiter and tell him they plan to issue an offer. However, they will only hire the candidate if the Recruiter agrees to the following payment terms; \$6666.66 paid after the new hire has successfully completed 30 days of employment, \$6,666.66 paid after successfully completing 60 days of employment, and \$6,666.66 paid after successfully completing 90 days of employment.

The Recruiter agreed to the terms, the placement was made, the candidate has been employed now for over 50 days and the Recruiter has yet to receive the first payment.

The Recruiter's comments were, ***"I did the best I could at negotiating with this client. But after the fact, he had me over a barrel and I agreed to his terms of payment. I figured that \$20,000 spread over 90 days was better than nothing."***

Since many Recruiters almost on a daily basis encounter circumstances that are similar to this situation, let's take a closer look at exactly what happened and why it happened.

First of all there is the confusion between effort and value. Many Recruiters have a difficult time justifying their standard fee when marketing candidates. After all, it's not the same as completing a comprehensive search process. That's true but has nothing to do with deviating from your standard fee schedule.

Remember

Any time you allow a client to compare the effort you expend on their behalf with the size of the fee, you will probably lose.

Ultimately, the cost of your service must be justified by the positive impact the candidates you place have on the performance capacity of your client's organization. And this has little correlation with your effort.

Prior to marketing a candidate, you need to determine whether or not that candidate can bring enough value to the targeted prospects in order for them to justify paying your full. If not, select a different candidate, different prospects, or prepare to be compromised on your fee.

Bottom Line On Fees

What you charge for your services, regardless of the amount is a business decision that can only be made by you. However, make certain that decision is a positive reflection on you, the value of your services and lends support to the overall objectives of your organization.

In the scenario described above, the Recruiter believed he successfully negotiated his fee because the client agreed to interview the candidate. In fact, he surrendered as soon as the prospect balked at paying \$30,000 based on one phone call.

Negotiation is a two way street and in a successful negotiation both parties should receive equal value for each concession they make whether real or perceived. If this candidate is truly worth a \$30,000 fee based on the value he brings to the prospect's organization, then the Recruiter surrendered \$10,000 without receiving equal consideration.

Something else to consider is the impression the Recruiter left in the mind of the prospect when he surrendered the \$10,000. No doubt the prospect had one or more of the following thoughts:

1. **This Recruiter does not have the courage of his convictions or belief in the validity of what he charges.**
2. **This Recruiter was trying to “rip me off” by asking for \$30,000. This was obvious by how quickly he backed down to \$20,000.**
3. **If I had pushed a little harder, how much more would he have discounted his fee (“The Better Deal Theory”)?**
4. **Does he give other employers a better deal on the fee than he gave me (always a question when you negotiate)?**

To unilaterally give a concession when negotiating without gaining a corresponding benefit is tantamount to surrender. The Recruiter allowed the prospect to place a value on his candidate prior to completing a proper evaluation and all the Recruiter received in return was a compromised position and a heavily discounted fee, which has yet to be paid. Quite a deal.

The two articles referenced above will provide several examples of alternatives the Recruiter may have utilized that could produce a realistic and equitable negotiated agreement.

Now to the second part of the problem, the extended payment terms.

After the Recruiter surrendered his position on the fee, it was only natural for the client to leverage the payment terms. In the client's mind, the Recruiter would give in because he doesn't want to lose a \$20,000 fee. Unfortunately, for many Recruiters in similar situations, the client was right.

Herb Cohen, in his book, *“You Can Negotiate Anything”* states, **“In negotiating, power, whether real or perceived, is everything. If you believe you have power... you have power”**.

In this situation, the Recruiter does not believe he has power. After all, the client can hire someone else and the Recruiter will be out \$20,000. So, instead of negotiating, he surrendered and agreed to the client's payment terms. The Recruiter's fear of loss was greater than his desire for gain.

The Recruiter neglected to consider that if the client were not truly interested in hiring the candidate, they would never have attempted to change the payment terms in the first place. They would have just simply said “No” and closed out the relationship.

The source of the Recruiter's power at this point is the client's interest in hiring the candidate. The terms of payment are just another concession the client is trying to exact from the Recruiter. In almost every instance, if the Recruiter stands firm, even if they have already surrendered on their fee, they will achieve a better outcome.

However, the best position to be in when confronted with a negotiation of this nature is to have options. In this case, to have more than one client interested in hiring the candidate. The options then become the source of power. It is remarkable how much negotiating power you possess if you have options, if you do not NEED to make the deal.

Time will tell whether or not this Recruiter will ever see his full \$20,000. Nevertheless, if it served as an object lesson as well as an opportunity to realize where and how he can improve as a professional, then the experience may well be of benefit.

Negotiate if you must. But without achieving concessions of equal or greater value, you may be surrendering more than just the size of your fee. You may also be surrendering your self-respect.



*Terry Petra is available for one-on-one coaching, consulting and group training through “**Petra On Call**”, a cost effective approach to receiving the full benefit of his expertise. For details on Terry's products and services, including “**Business Appraisals**”, visit his web site at: www.tpetra.com. As always, if you have questions or comments about this article or wish to receive Terry's input on any other topic related to this business, your calls and e-mails are most welcome. Terry can be reached at (651) 738-8561 or e-mail him at Terry@tpetra.com.*