



NEXT LEVEL
Recruiting Training

Client Series

Module 8

Establishing the Proper Service Charge

Training Workbook

Produced by:

Next Level Recruiting Training, LLC
214.556.8000 – www.NLRTTraining.com



Establishing the Proper Service Charge

Before we delve into the X's and O's, lets first look at the history of the Search Business

- 1. Originally 100% applicant paid**
- 2. Employer paid fees emerged and two paths began to form**
 - a) Retained Search**
 - 1. Good: Professional, thorough, consultative, knowledgeable**
 - 2. Bad: Lengthy processes, no or low performance requirements, high fees and expenses, and only senior levels.**
 - b) Contingency Recruiting**
 - 1. Good: Fast, specialists, results based, multi-level**
 - 2. Bad: Transactional, greater ethical issues, less expertise, and negative images of flesh peddlers.**

❖ The die was cast and lines were drawn

❖ Contingency for low levels and retained for more senior levels



- ❖ The urgency and critical nature of the position should be more important than the level of the position. Our industry classification of firms should not be on the basis of their fee structure. This not so in Law, CPA, and Consulting firms
- ❖ The 90's came and so did many changes
 1. Downsizing and rightsizing
 2. TQM, re-engineering and wisdom of teams
 3. All concepts centered around core competencies
 - a) Figure out what you do well and do it
 - b) Outsource the rest to preferred providers. As a result providers could expedite delivery of products, enhance quality of products and lower costs through economies of scale. Then the concept moved from only products to the service industry and then the search industry after the rebounding of the early 90s recession
- ❖ This rapid growth reversed itself drastically after the dot-com bust and the tragic events of 9/11
- ❖ The number of search firms was cut by 50% and the percentage of recruiters who left the business was even greater.



- ❖ 2005 – 2007 marked a return to the candidate driven market that was last seen in the late 1990s
- ❖ The reason why history and the economy are important is that these impact a company's willingness to pay fees and the structure in which they will pay them
- ❖ In the competitive landscape in which we live and with these experiences behind us, companies are more than ever concerned with results and performance first and cost as a close second
- ❖ The lines of Retained, Contingency, Container, Retingency, etc. continue to blur and companies will seek more than ever *Client Focused Search* firms or firms that can work in a variety of ways each reflecting the specific needs and circumstances of that client for a specific search

“An invasion of armies can be resisted, but not an idea whose time has come.”

- Victor Hugo



- ❖ Before we delve into more sophisticated approaches, let's first discuss the basic contingency approach

1. _____

Best when

1. Client already has many viable candidates
2. Client may not be committed enough to warrant a full search
3. Opening was created by an MPC
4. Position is less urgent and critical
5. You can't or aren't prepared to dedicate sufficient time to search
6. Your clients create blockage issues

Script

“Our service charge is one third of the first years estimated compensation for the position and is payable upon the offer acceptance and resignation of the selected candidate for the position.”

“Based on the estimate of \$90,000, the estimated service charge is \$30,000, but will be higher or lower based on final compensation offered.”

“Assuming our invoice is paid within ten days of receipt, we will conduct a replacement search at no additional charge should the placed candidate leave within 30 days of his/her start date.”

“Do I have your agreement on this?” (Closed ended)

“What needs to happen to initiate that agreement?” (Open ended)



1. _____

Best when

1. Need is urgent and critical
2. Client wants extensive coverage of the market
3. Client wants someone who is accountable and an expert in F.I.L.L.
4. Client needs tremendous amounts of documentation
5. Client's expectations are that you will act as a consultant

Script

“Our service charge is 35% of the first year’s estimated compensation for the position.”

“One third of the estimated service charge is due upon the initiation of this agreement.”

“The second third of the service charge is due 30 days after the initiation date and then the final third will be due 30 days from that date.”

“An additional payment will, however, be due if the actual compensation offered to a selected candidate is higher than the estimate when the search began.”

“If the search is completed prior to the final payment then we will simply adjust the final payment to reflect the actual final compensation offered.”

“What needs to happen to initiate our agreement?”



1. _____

This is the world in between the bookends of contingent recruiting and retained search.

2. _____ and 3. _____

- Great way to migrate contingent clients who want higher level of service
- Good for first timers who cannot command retained search

The 4. _____

Best when

1. Client has multiple needs for the same position
2. Client does not have a specific need but wants you in the marketplace on a proactive basis
3. Client is okay with financial commitment but not wanting to commit on a specific search
4. Client wants market feedback in addition to the search
5. Client cannot authorize a retainer but can a consultant
6. Client does not want to work exclusively with you but is okay with a retainer



What it can look like

1. Go in market and search for an X, contact (____ #) of people doing what you want done
2. Present anyone interested
3. Provide monthly progress report of position/company called and categorized feedback

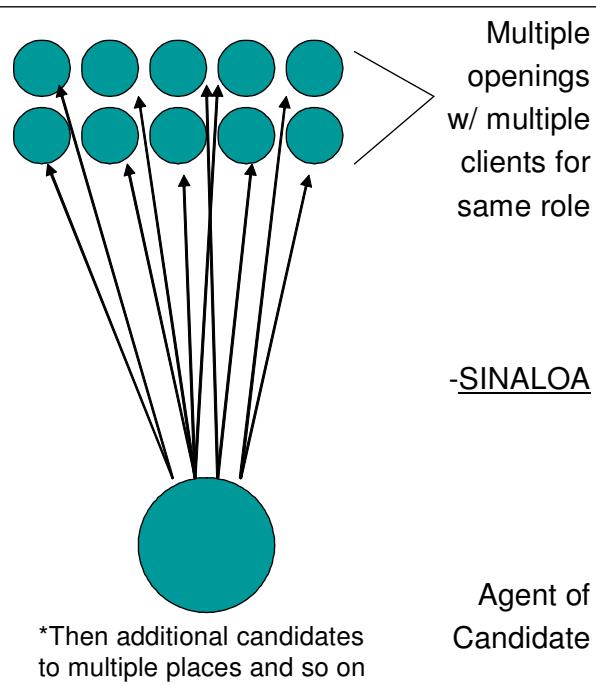
1. _____

1. Expedite delivery of service
2. Expand array of services offered
3. Enhance quality of service
4. Lower cost of service
 - Gateway to recruitment process outsourcing

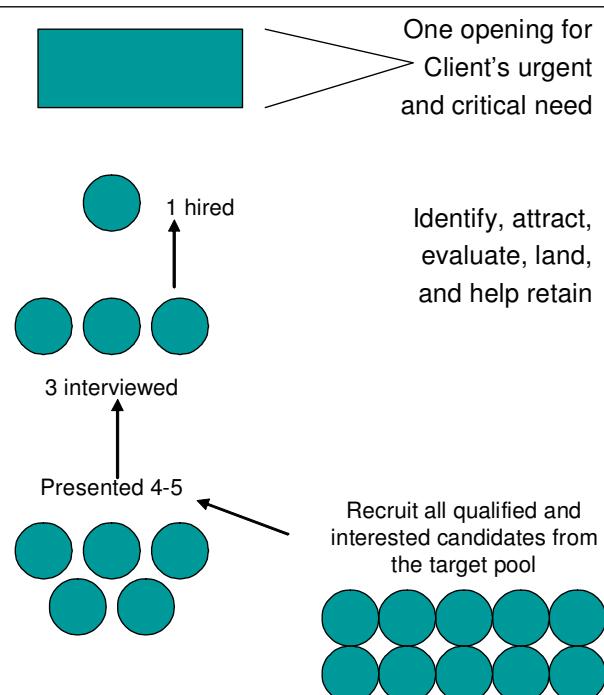
Now let's look at the differences of dedicated search and contingent recruiting from a visual perspective



Contingency Recruiting



Dedicated Search



Which would you choose without any reference to agreement terms?

Risk and fear? (solve through education)

Before we look at how to educate, let's briefly revisit *Market Mastery* concept to see how this *Market Mastery* approach integrates so well with a client focused search model

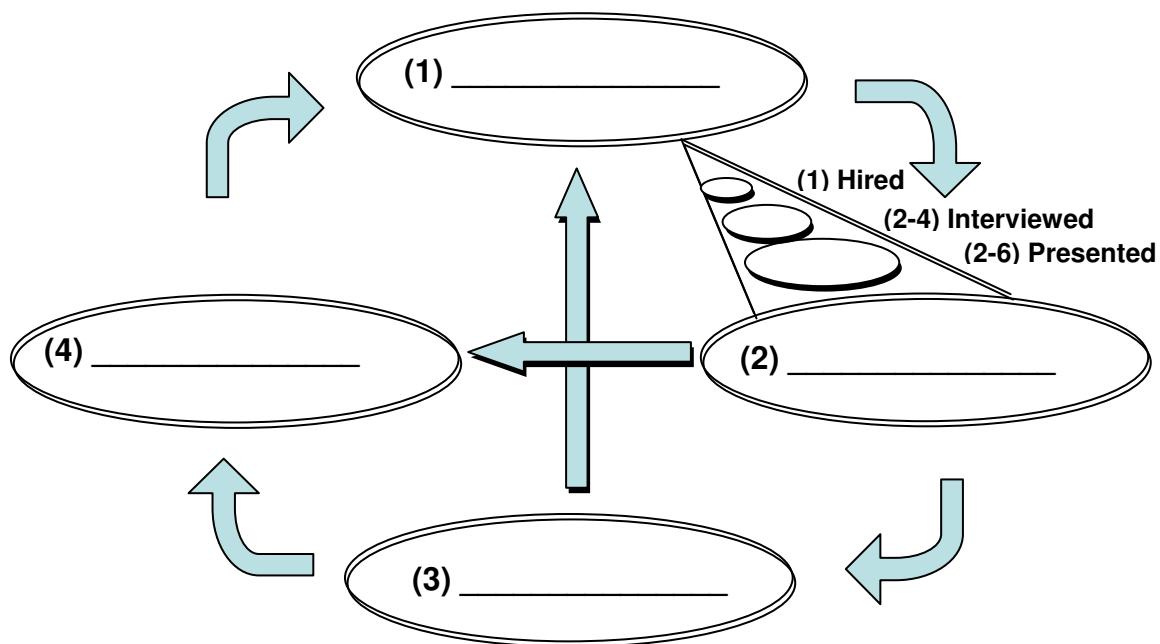


Market Selection

F.I.L.L. approach

1. Function (HR, Acct., IT, sales, R&D, etc.)
2. Industry (Healthcare, Banking, Consumer Products, etc.)
3. Location (Country, Region, State, City, etc.)
4. Level (Decide what levels you work)





1. Search for A/B Clients' needs and generate a candidate pool. Present the best 2-6 candidates to the client to generate the ultimate candidate that is selected
2. The candidate pool generated has many candidates that were under qualified, over qualified or not interested for a variety of reasons but still open to considering a career change
3. These "pool" candidates and/or your expertise with these candidates can be marketed to potential new clients. These new clients will become either A/B Clients or C/D Clients. You may consider presenting "pool" to existing clients who may not have an expressed need but consider you a talent scout
4. These same "pool" candidates can be presented to other current clients (C, D) who have needs but perhaps had not engaged your services yet or simply a less urgent and critical need

Essentially, this is the best of both worlds. You work in a manner that best suits clients' needs and allows specialization to benefit you and the client.



Educating the client

- We have identified three areas that best illustrate the differences between dedicated search and contingency recruiting
- These areas are search process, style of relationship, and contractual terms
- Rarely will you have that much time to educate the client of the process, relationship, and terms differences between a contingent and dedicated approach. So recruiters must master these differences, and fuse qualifying questions into the needs analysis profile to ensure an appropriate professional recommendation



Process – Differences of Financially Committed Search (Dedicated) vs. Contingency Recruiting

Area of Focus	Dedicated	Contingency
1. Candidate Identification	<ul style="list-style-type: none"> Customized search plan with a comprehensive and continuous search until project is completed 	<ul style="list-style-type: none"> Contacting existing network of candidates previously recruited, then keeping "eyes open"
2. Screening	<ul style="list-style-type: none"> All candidates, regardless of source, put through homogenous screen with the recruiter acting as the filter and exclusively directing the search 	<ul style="list-style-type: none"> Presenting some candidates as quick as possible with client bearing responsibility to direct overall search and handle various source contacts
3. Presentation of Candidates	<ul style="list-style-type: none"> Customized format for each client which could include in-depth candidate evaluation reports, preliminary references, behavioral assessment profile, etc. 	<ul style="list-style-type: none"> Resume and verbal assessment by search consultant commenting only on limited perspective of those candidates called (speed over thoroughness)
4. Search Updates	<ul style="list-style-type: none"> Periodic progress reports can be customized detailing search activity and market feedback 	<ul style="list-style-type: none"> When identified a candidate will send information. No news means no candidates
5. Interviewing	<ul style="list-style-type: none"> Extensive preparation of both sides; candidates are given in-depth understanding of position, company, and people. Hiring managers are provided with detailed "hot buttons" regarding candidate's interests, motivations, compensation, and personal family issues 	<ul style="list-style-type: none"> Arranging mutually agreed upon dates and selling both sides on the other to maximize the odds of a successful encounter
6. Negotiations	<ul style="list-style-type: none"> Dealing from position of strength to determine best hire with the appropriate package. Candidate knows you are working with all candidates so less likely to be unrealistic or flaky 	<ul style="list-style-type: none"> Dealing from a position of weakness as the candidate feels your vested interest is with him/her
7. Resignation, Counteroffer/ Follow-up	<ul style="list-style-type: none"> Extensive coverage of resignation process potentially with a customized follow-up report once candidate in position for a specified length of time 	<ul style="list-style-type: none"> Same
Commitment	<ul style="list-style-type: none"> Mutual commitment to achievement of target dates for these various steps with shared accountability 	<ul style="list-style-type: none"> The steps occur as needed when candidate is identified and accountability is 100% with hiring manager
Summary	<ul style="list-style-type: none"> Thorough, constant, continuous search with myopic focus, a dedicated search utilizing a variety of resources to identify, attract and hire the best possible talent for the client 	<ul style="list-style-type: none"> Less urgent and critical needs without commitment or obligation on either party, solely an "if you happen to find it, then we will pay" mindset



1. Candidate 1. questions

- *Market Mastery process questions*
 1. *“How many companies have this role?”*
 2. *“How many, on average, at each?”*
 3. *“How many in your compensation range willing to relocate to, or currently in, your city?”*
 4. *“If search has been open _____ business days, and only _____ people, and a recruiter can talk with _____ a day, why hasn’t everyone been contacted?”*
- *“Have you ever experienced the Start/Stop phenomenon? (A flood of resumes at the beginning and then it tapers off...the horserace vs. truly searching and getting you the best.) Why do you think that is?”*
- *“Do you know how many candidates were contacted about the opportunity? Do you know what their response was?”*
- *“How do you know that you will have hired the best possible qualified candidate vs. a possible qualified candidate?”*
- *“How important is it to know that all potential candidates were called about your opportunity?”*
- *“How much time a day is being specifically dedicated to your search?”*
- *“How much of the market do you think has been penetrated at this point and time?”*



2. Candidate 1. _____ questions

- *“How vital is it that recruiters thoroughly qualify the candidate’s qualifications and interests before presenting them to you?”*
- *“Have you ever had two firms present the same candidate? How did you handle it and which referral did you recognize?”*
- *“How often do recruiters present people where issues, that would have prevented you from considering the candidate otherwise, arise after you have already exhausted time and resources on the interview?”*
- *“Have recruiters ever shared with you what they are saying to prospects about your opportunity? How do you know if they are accurately representing you?”*

3. 2. _____ of candidates questions

- *“Have you ever had a search firm provide you with a customized in depth candidate evaluation summary along with the resume? Would that be of interest to you?”*
- *“Have you ever co-developed screening questions with a recruiter and then received the answers to those questions from the candidate in a document attached to the resume? Would that be of interest to you?”*



4. 1. _____ questions

- *“What kind of search updates or progress reports do you normally get on a search (this one)? If none, how do you know then how much market has been contacted and that a recruiter is actually working on your assignment?”*
- *“Do you know how many people have been contacted about your assignment and why qualified people are not interested? Is that feedback valuable to you?”*
- *“Do you know how much time is being spent or is typically spent in a day on your search?”*

5. 2. _____ questions

- *“How do recruiters typically prepare you for an interview? (not the generic skills, but for each specific candidate) What do they usually provide you with if/when they do?”*
- *“Would you like to know detailed motivations for considering change, compensation expectations, status with other companies, and more of this type of information about each candidate prior to your interview? If so, and you are not getting it, then why?”*
- *“Have you ever been in the middle of the interview and decided that the candidate you were interviewing was “the one” but lacked sufficient knowledge of specifically what you needed to share to attract him/her?”*



6. 1. **questions**

- *“Have you ever felt like the recruiter really did not have the correct pulse on where the candidate’s head was when it was time to make an offer? Have you ever felt that the recruiter was usually suggesting very high raises?”*
- *“Have you ever experienced a recruiter losing control of a candidate you really wanted at the tail end of a search?”*



Relationship – Differences of Financially Committed Search (Dedicated) vs. Contingency Recruiting

Area of Focus	Dedicated	Contingency
1. Label	<ul style="list-style-type: none">• Consultant• Long-term staffing partner	<ul style="list-style-type: none">• Vendor• Staffing transaction seller
2. Operating Framework	<ul style="list-style-type: none">• No vested interest in candidate selection	<ul style="list-style-type: none">• Vested interest in candidate selection
3. Candidate Perception	<ul style="list-style-type: none">• Perceived by candidates as a member of a client's team but with an interest to serve both sides fairly	<ul style="list-style-type: none">• Perceived by candidates as their "agent" without as much client influence
4. Recruiting Approach	<ul style="list-style-type: none">• Recruit openly with objective to widen the "recruiting net" and serve as "PR" for firm	<ul style="list-style-type: none">• Recruit solely in confidence to prevent other candidates from contacting directly
5. Presentation of Candidates	<ul style="list-style-type: none">• Comprehensive and as in-depth as necessary screening of candidate prior to presentation to client	<ul style="list-style-type: none">• Ensure credited with the referral with speed more important than thoroughness
6. Search Consultant Advice	<ul style="list-style-type: none">• Tell why not to hire as often as why to hire	<ul style="list-style-type: none">• Usually only telling why to hire unless not "their" candidate, then only why not to
7. Search Consultant Understanding of Need	<ul style="list-style-type: none">• Truly understand culture as it relates to need for appropriate personality profiles and match on appropriate skills	<ul style="list-style-type: none">• Utilize job description to match candidates with appropriate skills



1. 1. _____ questions

- *“Do you sometimes feel like the recruiter is representing the candidate even though they are being paid by you?”*
- *“Do you see an advantage in building a long-term relationship/staffing partnership with a company that can act as your partner instead of a vendor who is always selling you?”*
- *“Have you ever felt that recruiters frequently act more like vendors than consultants or partners?”*
- *“Have you had bad experiences with recruiters? What were they?”*

2. 2. _____ questions

- *“Do you think that recruiters that are only paid when they sell you a candidate can remain unbiased in their interaction with you?”*
- *“If people are one of your most precious assets, then how do you feel about recruiters who act more like salespeople selling products than a consultant providing a professional service?”*
- *“Do you think recruiters are biased? If so, what impact do you think that has when they are sharing information with you about the candidate?”*



3. Candidate 1. _____ questions

- *“Do you sometimes feel like the candidates think that the recruiter represents him/her as opposed to you and if so, how do you feel about that/what do you think about that?”*
- *“Do you think that candidate’s demands become greater to the extent that they think the recruiter will only benefit if he/she eventually accepts an offer?”*

4. 2. _____ approach questions

- *“When you yourself have been contacted by recruiters, have they mentioned the company’s name to you? If not, why do you think that is?”*
- *“How do you feel when the recruiter wants to know everything about you (housing, family, career, etc.) but won’t disclose something as simple as the name of the company they are presenting to you?”*
- *“Do you feel that you would be presented with more viable candidates if candidates knew the name of the company they were being contacted about in the initial call?”*

5. 3. _____ of candidates questions

- *“Do you feel that recruiters always seem to be selling you people with at times limited information about the candidates they are pushing?”*
- *“Have you experienced recruiters who always are creating urgency with candidates even when there might not be?”*



6. 1. _____ advice questions

- *“How often, if ever, have you had a recruiter share with you reasons why not to hire a person they presented after you have expressed interest in that candidate?”*
- *“Have you experienced recruiters who only tell you reasons why to hire their candidates yet find many reasons why not to hire candidates you surface yourself or through other recruiters?”*
- *“What have recruiters done to minimize your exposure to rising compensation demands and counter offers?”*



Terms – Differences of Financially Committed Search (Dedicated) vs. Contingency Recruiting

Area of Focus	Dedicated	Contingency
1. The Cost	<ul style="list-style-type: none"> Greater upfront financial commitment, thereby sharing risk results in a lower cost per hire and enhanced cash flow 	<ul style="list-style-type: none"> No up front financial commitment, risk one-sided results in a higher cost per hire with a single payment for services provided
2. Time Allocation	<ul style="list-style-type: none"> Dedicated search with myopic focus with high percentage of search consultants and potentially other recruiters' time spent on fulfillment of client need until project completed (fluid, consistency of effort until completed) 	<ul style="list-style-type: none"> No warranties are made as to the level of effort or lack thereof, usually search effort ends when some candidates are presented and new effort would potentially ensue if candidates presented didn't produce a hire (start and stop, lack of consistency)
3. Competition	<ul style="list-style-type: none"> Clients are given a right of first refusal on candidates, once a candidate is interviewed, he/she will not be presented to a competing organization until client has determined that there is no interest in pursuing the relationship (within specific time frame) 	<ul style="list-style-type: none"> Candidates can be presented to any organization looking for a similar person and potential competition for candidate could ensue
4. Accountability of Hire: Replacement Guarantee	<ul style="list-style-type: none"> Greater role in candidate selection results in a greater accountability should candidate quit or be let go, which results in a longer replacement guarantee time frame 	<ul style="list-style-type: none"> Emphasis on generating candidates and less role in selection results in less accountability of search consultant, which results in a nominal, replacement guarantee time frame
5. Performance Guarantee	<ul style="list-style-type: none"> Mutual commitment to perform; if client cancels search, then financial commitment is kept, if search consultant fails to perform, then financial commitment is forgiven as performances objectives are woven into agreement 	<ul style="list-style-type: none"> There is no guarantee on either side, the search consultant makes no guarantee of achievement of any performance milestone including fulfillment, as there has been no "consideration" given by client
6. Search Tools and Procedures	<ul style="list-style-type: none"> Candidates, behavioral profiling, compensation surveys, relocation assistance, additional recruiting assistance, competitive analysis, consulting, etc can be incorporated into the search 	<ul style="list-style-type: none"> Some tools and services can be accessed at higher costs; some can not be provided with contingency recruiting



1. The 1. _____ questions

- *“Would you be open to reducing your cost through a shared risk model?”*
- *“Would you be open to a dedicated/financially committed, retained approach if I could lower the cost of the search?”*

2. 2. _____ questions

- *“Have recruiters ever committed to how much time, energy or effort they will expend on a search?”*
- *“How do you know how much time is being spent or resources allocated to your search?”*
- *“Do you ever experience a search process that ends when a few candidates are presented and new candidates are only presented when the lead ones begin to fall off?”*

3. 3. _____ questions

- *“Have you often found yourself competing with other companies for the same candidate?”*
- *“How would you feel about the possibility that the candidates being recruited for your opportunity are being presented to your competitors simultaneously?”*



4. Accountability of hire – 1. _____ questions

- “Have you ever hired a candidate, from a recruiter, who left after only a short time period only to discover that the recruiter’s replacement guarantee had just expired?”
- “Do you think the recruiter should be accountable in the event a candidate they place with you fails?”
- “Do you see a benefit in a longer replacement guarantee?”

5. 2. _____ questions

- “Have you ever set up milestones to determine that acceptable progress is being made on a search?”
- “What milestones in a search give you comfort that the search is progressing favorably?”
- “How have you ever held recruiters accountable to ensuring that they perform on a search that you assign them?”
- “What are the consequences for them for failure with you?”

6. 3. _____ and 4. _____

questions

- “Have you ever wasted time and resources interviewing candidates who looked very viable on paper but disappointed significantly on “chemistry” or behavioral issues?”
- “Have you ever used any behavioral profiling tools on a search? Which ones? What were the results?”



- *“Have you uncovered issues in background and reference checks at the “offer stage” that you wish would have been uncovered earlier in the process?”*
- *“Have you ever had a recruiter conduct a competitive analysis, compensation survey, or market survey concurrently with conducting a search on your behalf?”*
- *“Would it be valuable to you if a recruiter could leverage a recruiting call on your behalf to gain additional insight in the market place that you could utilize for your gain? Compensation surveys? Competitive analysis? Competitors policies on relocation, vacation time, benefits, etc.?”*

Professional Recommendation

- Segue to professional recommendation

“Based on the information you shared, I would like to make a professional recommendation regarding our service charge. However, before I do, I would like to ask you a few additional questions that will ensure I make the appropriate recommendation.”
- The professional recommendation can be a combination of what you have scripted and what you modify based on what you have picked up
- It is in the Professional Recommendation that you weave your findings together from the search assignment



Sample professional recommendation

Intro: *“Based on what you want, I feel confident in my ability to fill this search in a timely manner with an excellent candidate. (I have no doubt we can knock this out in short order and get you a super star).”*

To do this: *“My professional recommendation is to initiate a dedicated search where I will create an extensive search plan customized for this search (process: identification) to ensure that we don’t simply fill your position with a qualified candidate but to identify, evaluate, attract, and secure the very best talent available in a timely, yet thorough manner.” (Process: screening)*

“I will offer you a right of refusal where I will not present candidates recruited for you to any other company until you have made a decision on each candidate. (Terms: competition)

“I will create a straightforward and compelling presentation about your opportunity and deliver it openly to every possible candidate in hopes of widening our net spreading the positive story about you, your department, your company, and this opportunity.” (Relationship: recruiting approach)

“The service charge for this search will be based on 35% (or one-third) of the candidate’s estimated first year’s compensation. The service charge will be divided into three installments based on the achievement of specific performance milestones.”

“The first installment of one third of the estimated service charge will be due upon the submission of the search plan and position presentation.”

“A second installment of one-third of the estimated service charge will be due upon your agreement to interview a minimum of two candidates for the position.”

“The final installment will be due upon the completion of the search and will be adjusted to reflect the final compensation offered.”

“What needs to happen to initiate this agreement and commence our search efforts?” (Close)



Let's Put It All To Work

1. List three “good” aspects of a retained search model:

a) _____

b) _____

c) _____

2. List three “bad” aspects of a retained search model:

a) _____

b) _____

c) _____

3. List three “good” aspects of a contingency search model:

a) _____

b) _____

c) _____



4. List three “bad” aspects of a contingency search model:

a) _____

b) _____

c) _____

5. List four scenarios under which it might be best to work on a contingency basis?

a) _____

b) _____

c) _____

d) _____

6. List four scenarios under which it might be best to work on a retained basis?

a) _____

b) _____

c) _____

d) _____



7. Why might a *financially committed search* model be best?

a) _____

b) _____

c) _____

8. When might a *consulting agreement* be best?

a) _____

b) _____

c) _____

9. List a few candidate *identification* questions you will use with clients.

a) _____

b) _____

c) _____

d) _____

e) _____

f) _____



10. List a few candidate *screening* questions you will use with clients.

- a) _____
- b) _____
- c) _____
- d) _____
- e) _____
- f) _____
- g) _____

11. List two *search update* questions you will use with clients.

- a) _____

- b) _____

12. List two *interviewing* questions you will use with clients.

- a) _____

- b) _____



13. List two *negotiating* questions you will use with clients.

a) _____

b) _____

14. List two *operating framework* questions you will use with clients.

a) _____

b) _____

15. List two *perception* questions you will use with clients.

a) _____

b) _____



16. List two *recruiting approach* questions you will use with clients.

a) _____

b) _____

17. List two *presentation of candidate* questions you will use with clients.

a) _____

b) _____

18. List two *search consultant advice* questions you will use with clients.

a) _____

b) _____



19. List two *cost* questions you will use with clients.

a) _____

b) _____

20. List two *time allocation* questions you will use with clients.

a) _____

b) _____

21. List two *competition* questions you will use with clients.

a) _____

b) _____



22. List two *replacement guarantee* questions you will use with clients.

a) _____

b) _____

23. List three *performance guarantee of candidate* questions you will use with clients.

a) _____

b) _____

c) _____



24. List four *search tool and procedures* questions you will use with clients.

a) _____

b) _____

c) _____

d) _____

25. Write a script, below, that you will use when making *professional recommendations* to clients.



26. List at least one thing that you are committed to changing and by what date that change will occur as a result of ideas and concepts in this module.



Answer Key

Page 5

1. Contingent recruiting

Page 6

1. Retained search

Page 7

1. Financially committed search
2. Upfront payment
3. Balance upon completion
4. Consulting agreement

Page 8

1. Annualized agreements

Page 11

1. A/B clients and/or needs
2. Candidate pool
3. Potential client
4. C/D clients and/or needs

Page 14

1. Identification

Page 15

1. Screening
2. Presentation

Page 16

1. Search update
2. Interviewing

Page 17

1. Negotiating

Page 19

1. Label
2. Operating framework

Page 20

1. Perception
2. Recruiting
3. Presentation

Page 21

1. Search consultant

Page 23

1. Cost
2. Time allocation
3. Competition

Page 24

1. Replacement guarantee
2. Performance guarantee
3. Search tools
4. Procedures

