

From Contingency to Retained

Presenter: Jon Bartos – Founding Partner, The Global Performance Group

Jon Bartos is a premier writer, speaker and consultant on all aspects of personal performance, human capital and performance analytics. Jon is one of an elite group of executive recruiters who have billed over \$1 million annually. Within a 12-year period, Jon has cashed in over \$11 million in personal production. His office has won over 17 international awards, including International Billing Manager of the Year and Top 10 SC Office.

In this presentation, Jon shares how you can transform your search practice from contingency to the retained business model.

Meeting: “From Contingency to Retained” by Jon Bartos

If you are reviewing this episode with a team, watch the entire Episode. Use the notes below to implement the material shared.

Facilitator: Executive search originated from recurring need of management consulting firms to recruit executives who could implement a recommended strategy to solve a client’s problem. The management consulting firms would identify solutions for organizational growth or evolution – but that solution was missing the link of the right person. Eventually, firms established by veterans from McKinsey as well as Booz Allen began recruiting executives for client companies. The search consultants who came out of these firms applied the tenets of management consulting to their endeavors from the start, thus laying the foundation for the legitimacy of executive search as a consulting discipline.

As the retained search world grew, so did another world – that of contingent recruiting and it too has become a multi-billion dollar industry. The contingent recruiting world had a reputation of being fantastic partners because they worked quickly – they knew their niches intimately well and could identify the best of the best candidates quickly and work at multiple levels within an organization. The contingent search world was only paid for results - so there wasn’t a need for a lengthy process if it wasn’t required. On the other hand, the reputation of recruiters being very transactional providers came out of this industry. The recruiters tended to not necessarily be as professional or consultative in many client’s minds and thus the reputation tended to have some negative imagery associated with our business.

Ultimately, two lines seemed to have been clearly drawn: contingency was for the mid and lower level positions, while retained was for the higher levels.

Several decades ago, the concept called Client Focused Search has evolved our industry to this day. Why wouldn’t the urgency and critical nature of a position dictate the financial arrangement, as opposed to the role? Why it is that the recruiting industry classifies itself that way? There aren’t contingent law firms and retained law firms. There aren’t contingent consulting firms and retained consulting firms. There are just law firms and consulting firms that work in a manner that best suits the need of that client. If a retained solution was appropriate for that law firm, that’s the way they would work for that client and if a contingent program was appropriate, that’s the way they would work for that client.

The reason this history lesson is important is because our industry evolved during those times – and clients craved search firms who were able to be flexible when crafting the way they worked to solve their organization’s needs.

Clients don't want to go to a restaurant that only serves chicken, or only serves steak, or only serves lobster, or only know how to cook burgers – they want chefs that help create for them what's suitable for their palette at that moment in time.

Jon's episode speaks to the need to be that customized and capable chef. A client-focused search firm can work in a variety of ways, each reflecting the specific needs and circumstances of that client for a specific search. We have a responsibility to educate our clients as to the differences between dedicated search and contingency recruiting as it relates to the search process, the style of relationship, and the contractual terms – but we should not do our clients a disservice by only knowing how to prepare chicken if what they really need is a steak.

So, how do we educate our clients? The following charts break down the difference between the process, relationship and terms associated with contingent recruiting and financially committed search.

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

RELATIONSHIP

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

TERMS

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

ESTABLISHING THE PROPER PROCESS

Scripted Dialogue: *In order for me to best prescribe what solution fits your current needs, I need to get an understanding of the kind of recruiting process that you envision. One of the three most crucial areas for us to gain common ground is around the area of the search process itself – how I go about identifying, attracting, and evaluating the select handful of individuals that are going to be put in front of you for consideration.*

- Candidate Identification Questions:
 - (Utilizing Market Mastery)
 - Based on my knowledge of the market, there are approximately (# of) companies that have the role/title you are looking for. Would you say that's about accurate?
 - At each of those (# of) companies, on average I would estimate that they have (# of) titles within each company. Would you agree?
 - Let's use that math. Your search currently has been open for (# of) business days. If there are (# of) candidates that need to be contacted about your search, and a good recruiter can talk with (# of) candidates each day, why hasn't everyone in the market been contacted?
 - Have other recruiters presented their script to you for your approval/suggestions? Is this important to you? Do you know your recruiters are saying about you in the marketplace?
 - Have you ever experienced the "Start/Stop" phenomenon? (A flood of resumes at the beginning of you giving the search to a recruiter, and then the resumes taper off) Why do you think that is?
 - Do you know how many candidates were contacted about your opportunity? Do you know what their response was?
 - Have your recruiters used your name in the marketplace or have they kept it confidential? Have you ever experienced the benefits of the "free PR" that comes from employing a recruiter on a retained basis?
 - How do you know that you will have hired the *best* possible qualified candidate versus simply 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?
- Candidate Screening 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?
 - Do you have pre-screening questions that you would like completed on every candidate prior to submittal? If not, can we build a list?
- Candidate Presentation 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?"

- Search/Status Update 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?
- Interviewing Process 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?
- Offer Negotiation 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?

ESTABLISHING THE PROPER RELATIONSHIP

Scripted Dialogue: *Typically, the area that clients usually express the most frustration to me is the area of the relationship with the recruiters they work with. It would be helpful for us to spend just a few moments talking about what has worked for you in the past, what hasn't, and what you want to see from me.*

- Partnership 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?

- Operating Framework 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?
- Candidate Perception 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?
- Recruiting 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?
- Presentation 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?
- Unbiased 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?

ESTABLISHING THE PROPER TERMS

Scripted Dialogue: *I want to make sure that I don't just propose a one-size-fits-all approach when it comes to the terms of the search we will execute for you. Help me make sure that I'm customizing something that really gives you coverage in those areas that are most important to you – things like replacement guarantees, performance milestones, or the tools we use to perform this search.*

- The Cost 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?
- Time Allocation 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?
- Competition 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?
- Replacement Guarantee 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?
 - Have you ever seen an example of a "sliding scale" when it comes to a replacement guarantee?
 - Do you see a benefit in a longer replacement guarantee?
- Performance Guarantee 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?
 - What are the most important indicators for you to see as a means of communicating to you that this search is being thoroughly performed?

- Search Tools and Procedures 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.?

Jon’s Suggested Script: *“I’m going to suggest that we look at a different avenue called shared risk. I’m not going to go after people who are just 50, 60, or 70% fits. I want to go out there and find the 3-5 of the best players in the marketplace: the A players. Now, these players are invisible to anyone else. Their noses are down to the grindstone, working their tails off for your competitor, so they’re not answering job board ads or anywhere else. This is where someone has to do the due diligence to find them, research them, come up with an employer value proposition, to extract them out of their current situation. This takes real work – and it doesn’t take a day or two. But by doing this shared risk process, and creating a quality-based process instead of a speed-based process, you have the ability to make the best decision from the best talent in the marketplace – almost guaranteeing you won’t have a mishire.”*

Script – Contingent moving to Financially Committed: *“We are a retained search firm. There are two situations in which we will work on a contingent basis – the first is on a peripheral search for one of our retained clients. The second is as a stepping stone to establishing a retained relationship. I am open to working on this initial search on a contingent basis **if** upon our successful and timely execution of this search, we move forward on a retained basis. Our service charge on a contingent basis is 35% of the first year’s total identifiable compensation and isn’t paid until offer acceptance from the candidate you’ve hired. Of course, our following searches when done on a financially committed basis is a lower overall fee and longer guarantee period, but we can discuss that once we’ve successfully completed this initial search. If I send you the agreement now, is there any reason you would not be able to sign and send back today?”*