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Executive recruiter can end hiring horror

By Barry Shulman and Gordon Chiang

In high-growth, highly competitive industries, where talent is scarce and competition fierce, companies often make hiring decisions that turn into horror stories. This happens for several reasons. But most often mistakes are made when companies rely solely on their own resources to find and attract candidates.

When companies go it alone, they miss a huge opportunity to tap into a much larger group of candidates. This larger pool of potential hires is available only by engaging an outside executive search firm with an extensive database, vast knowledge of the talent marketplace and an excellent track record for identifying key talent. Companies may hire the best individuals they can find at the time of their search but without the support of a top-notch executive search firm they often miss the chance to find the perfect fit in a candidate.



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The consequence of hiring the wrong talent is huge. Human resource analysts warn that a bad hire can cost a company as much as three times the annual salary to replace that individual. And this does not count the loss of business and internal disruption caused by a poor hire.

Make a mistake on hiring a \$200,000 executive position, experts say, and you can count on a \$600,000 hit or more to the bottom line.

Smart companies avoid this nightmare by carefully selecting and managing an outside executive search firm to help fill their key positions. As a result, they are more successful at bringing on board the right talent during tight labor markets, as well as more robust times.

The question, therefore, is how to select and manage an outside executive search firm to achieve these positive results.

In our observation over the past 20 years of helping world-class companies recruit mission-critical players, we have found that successful companies follow these seven critical steps.

Hire an expert firm.

It's not about the number of consultants who work for the firm; it's about their knowledge of your industry and/or the function for which you're hiring. Be sure, therefore, to hire a firm that is known for the right specialization. These specialist firms have access to the best-qualified candidates through their personal knowledge of key players as well as proprietary databases. They also "talk the talk" in the marketplace, which helps them engage the best candidates for your company. In addition, be sure to check the references and reputation of any firm you are considering hiring. Completion rate and repeat business are also indicators that a firm is a good performer.

Demand their top talent.

Conducting a high-level search is a complex task that requires the skills of an experienced professional. Therefore, be sure to meet and interview all individuals who will be working on your search. In larger firms, senior consultants oversee multiple searches and therefore often rely on junior-level staff to do much of the legwork. In smaller firms, you'll be able to command the attention of more senior partners. Ask for principal participation.

Remember that your search team will represent your company in the marketplace, so look for individuals who best reflect and can articulate your style, brand, culture, products and services.

Engage them early in the process.

One of the biggest mistakes companies make is to draft a final job description and salary package before hiring a search firm. To be sure, hiring managers need to initially define the position and what they believe is necessary to achieve company goals. But this is not where it should end. The best executive search firms will insist on providing value in these early stages, based on their expert perspective of industry trends, their knowledge of how other companies define similar positions and their "take" on the vast talent pool from which to tap candidates.

Your costs do not increase by engaging your executive search firm early in the process; the consultant's fee structure is always a percentage of the salary of the position. The bottom line is: don't hire a firm that won't help you in this early stage.

Make them part of your team.

Some companies hire a search firm and never hear from them again until the candidates are ready to be interviewed. This is another huge mistake. Insist that your search consultants become part of your team. Make sure they meet all significant players, including those who will be peers and subordinates of the new hire as well as the hiring manager and human resource professionals. Give them free access to information and facilities so they can get an accurate picture of your company's atmosphere and culture. As they'll be representing you in the marketplace, they need to be totally immersed in your company.

By fostering a team approach you'll assure communication will be open and cooperative throughout the process. Not all searches travel perfect linear paths. There will be times when regrouping and revising certain aspects of the search will be required. By fostering a team spirit early on, you will not need to redirect and refocus later on.

Use their negotiating skills.

One of the most important elements of the search is the negotiation stage. Here is where the expert executive search firms separate themselves from the pack; they provide the invaluable service of facilitator and intermediary between the company and the candidate. Most candidates do not want to negotiate directly with their future boss. And most companies don't understand that a little give and take is necessary to present the right package deal for the best candidate. This mediation role from your executive search firm can make the difference between hiring an individual who is gung-ho or one who is lukewarm about the company and opportunity.

Pay a retainer fee.

There are two ways to compensate an executive search firm. Contingency recruiters earn fees when a candidate is placed in a job whereas retained firms usually get paid in thirds: one-third the estimated fee for up-front work, one-third four weeks into the work, and the final third when the candidate accepts the position. In either case, you are paying the same aggregate fee for the engagement.

Rarely will contingency recruiters meet external candidates or internal hiring managers face to face. With a retainer arrangement, you'll get a firmer commitment from your executive search firm, as well as more personalized attention, dedicated time and customized searches.

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