The Difference between *Retained* and *Contingency* Recruiting

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Executive Search Consulting Services: Executive search consulting is a professional service provided to organizations that need to attract, hire and develop leaders who will hold critical responsibilities that are important to achieving planned and evolving job assignments of the client company or organization. Potential job candidates are identified, qualified and presented to the client company or organization by the executive search firm based upon the degree of alignment with a written or verbal Job Specification developed in conjunction with the client representative(s). Assessing degree of potential fit of the candidate with the job specification is a key "deliverable" for the search firm since the most common reason a search consultant is engaged by a client company or organization is to save time and effort involved with identifying, qualifying and reviewing potential candidates for specific leadership positions.

Contingency Search:
When a search firm operates on a ***contingency basis*** it means that the firm will only earn a fee if the firm is responsible for identifying and presenting the hired candidate to the client. A contingent search may or may not be structured contractually with the client. Typically, the fee is 100% "back end" loaded based upon a percentage of the hired candidate's first year cash compensation. In contingent search there is no exclusivity to the arrangement; the client is free to work with other search firms or source candidates on their own. Contingent search tends to be less oriented toward candidate assessment and "fit" and more about getting the potential candidate's job resume in front of the client so that the client can make his or her own assessment. "Headhunting" is a euphemism most often associated with contingent search because the bulk of the effort is spent on finding potential candidates and getting them in front of the client as quickly as possible. Usually, in a contingent search, the job specification tends to be less structured--more fluid-- allowing for a greater breadth of candidates who could potentially "fit". More effort though, is expended by the client in assessing fit with the job and other aspects such as reference checking. The risk for a mismatch can be high in contingent search due to a lack of clarity on the client's true needs, the degree of "fit" with the position specification and the candidates understanding of what it will take to be successful in the position.

Retained Search means that the search firm has structured a contract signed by the client defining what will be provided in the way of outcomes and responsibilities for both the search firm and the client. The contract in a retained search typically calls for exclusivity for the search firm much the same way a company might expect to experience when retaining an accounting firm to perform an external audit or a law firm to handle a particular legal matter. In retained search, unless for some reason the project does not stay on the agreed-upon schedule or other defined process steps are missed, or unless the client does not get appropriate candidates, then the full agreed-upon fee is paid by the client. However, these fees are paid in "installments" to match the progress made by the search firm. In that regard, fees are paid only after certain milestones are reached. The final fee is paid once the selected "match" (by the client's standards) is met. In that regard, the search firm continues to deliver candidates to the client until the client is completely satisfied with their selection.

In retained search the firm agrees to pay an agreed-upon price for the consulting services of a search project, one where the search firm ultimately achieves a very clear understanding of what the job is as well as the attributes, style and work experience of potential candidates who will be a good fit in the current or developing culture of the client company. The Search Process is highly structured. Repeat business from existing client assignments is the goal of a retained search firm; key to making that outcome happen is the development of mutual respect and trust from working together on the assignment. We like to think that this comes about from real teamwork and great outcomes, (i.e.) a hired candidate who is happy in their new assignment meeting/ exceeding expectations! The real objective is to attract a hired candidate who will be happy and productive in their new job because he or she knows what it takes to succeed in that specific position—at any level of the organization. As a result, the ability of the search consultant to correctly assess fit of the potential candidate is a key skill that the client rightfully should expect and rely upon. We believe that the lead search consultant is best evaluated by asking about hiring outcomes as well as Client Satisfaction and Candidate Satisfaction ratings. In essence, the search firm has to be "referenceable" in the marketplace among people who the client can easily call.

When speaking with prospective candidates, an experienced retained search consultant will be eager to share detailed information about the search assignment--including client name--planned compensation and other salient facts-- once it is determined that a potential candidate may be a fit with the job specifications. Typically, the search firm will provide a detailed Job Specification to the potential candidate because the search consultant is looking for an in-depth reaction to the opportunity from the potential candidate. It is very important for the potential candidate to be scrupulously honest in all his or her responses to questions posed during the qualification process; particularly with respect to work history details supplied on their resume. The purpose for doing this should be obvious by now: the client only wants to meet with candidates who are highly qualified for the position and the candidate should only want to seriously consider and accept a job offer that he or she has very good shot at successfully fulfilling---truly a "win-win" scenario.

The adage of client saying: "don't worry --just show me candidates---I will know a good one when I see one" is something that we do not endorse; for the same reason that "blueprints" are required when attempting to construct a sound structure and, perhaps the recent failings of so many financial institutions. (Didn't they know any better?)

Candidate Interviews and Reference Checking

In retained search the consultant usually will meet face to face with potential candidates and provide a written assessment of the match with the job specification to the client. In addition, the search consultant will also complete in-depth reference background checks after receiving written permission from the candidate to do so. References are very important because they provide a real picture of the behavioral pattern of the candidate. It is our experience that a person's behavioral patterns change very little over time--good or bad--so a great deal of stock ought to be placed on the information gathered from references about the potential candidate. Interestingly, we have found that hiring managers are sometimes overly skeptical about the information contained in Candidate Reference Reports since there is often the perception that a candidate can somehow skew or "game" what is being said by their references. It has been our experience that if we speak with three or more listed reference contacts provided by the candidate and ask "open ended" questions in a friendly manner about the candidate's personal character, the nature of their working relationship, examples of problem definition and solving ability, ability to drive change, etc., a valid picture of the candidate's preferred work style and true ability to get things done –does, in fact, emerge. We like to then compare these findings with what is presented on the candidate's resume and what we have observed throughout the series of "touch points" during the sourcing, assessment and selection process. We have found that by being observant of the candidate's story and behavior patterns that emerge from this cross checking process does represent information that is highly reliable and helpful in painting a clear picture and prediction of how the candidate will behave, and ultimately perform, in their new job. A solid reference check and character assessment is a reason for SW|NW's strong track record ---and of course, high client and candidate satisfaction ratings.

Making the Job Offer

Once a decision to hire is reached by the hiring manager, the lead consultant communicates the verbal job offer to the finalist candidate so that any bargaining/haggling can be handled by the search firm and take place at "arms length" between the client and candidate. Once the verbal job offer is accepted, the client prepares a written offer spelling out compensation terms, any contractual arrangements, start date and the like which the candidate acknowledges with his or her signature. The search assignment is now complete and the real work for the hired candidate and hiring manager begins! Generally, a retained search should take about 90 -120 days to be completed, but with SWNW, we commit to approximately 60 days or slightly more, depending on the complexity of the project. We have found that the process moves the fastest when the hiring manager and team are closely aligned on their expectations about what they really want to see in the hired candidate---so a good position specification that everyone supports and endorses at the outset is crucial.

Final Words: Executive search consulting can be a valuable professional service for both clients and potential candidates to understand themselves and benefit from in many ways. Time and opportunity cost savings for client companies/organizations and career development for candidates occur regularly for those who learn how to effectively utilize and work with executive search consultants.