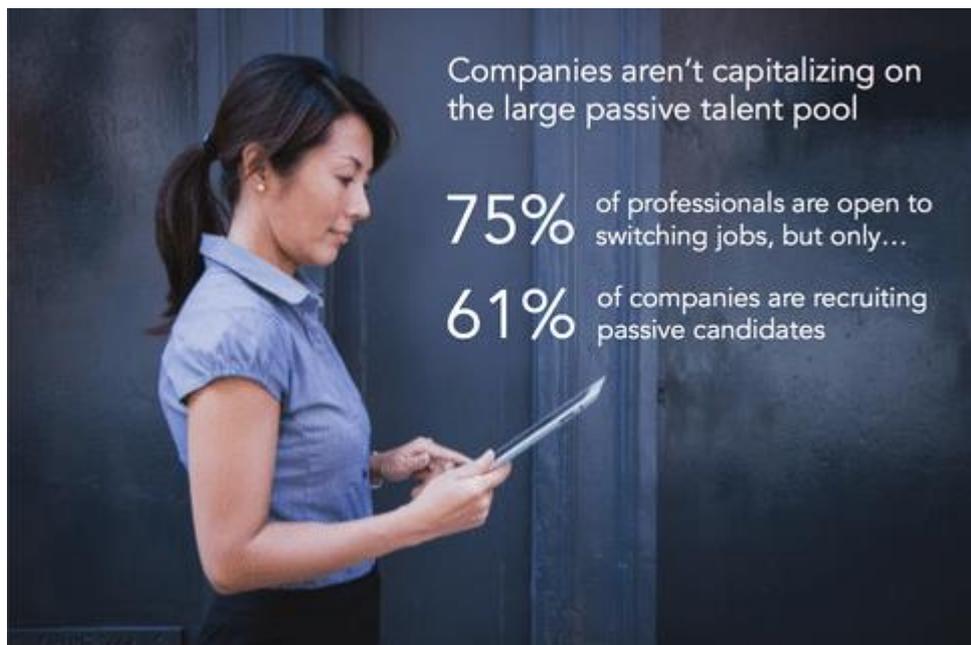


# The Hidden Benefits of Retained Executive Search

Oliver Liegel

When companies seek to attract management and professional talent from outside their organization, they have various options. They can decide to manage the process internally by posting job advertisements and leveraging their own networks or they can outsource the recruitment process to a professional search consultant. In case they decide to work with an external service provider they can either engage a contingency recruiter or a retained executive search firm. Why might organizations face limitations of managing the recruitment process in-house? What are the differences between contingent recruiters and retained executive search consultants? How will these different recruitment approaches affect your business?



## 1.) Limitations of In-House Recruitment

There are several limitations associated to manage the recruitment process internally. First of all many qualified candidates, including some of those most qualified, are not actively looking for new career opportunities and might not respond to a job advertisement. Only about 25% of the total workforce is actively looking for new career opportunities, whereas passive candidates account for 75% of the total working population. The potential of reaching out to a large pool of passive candidates can only be achieved by following a structured and time-consuming active sourcing strategy. Except a few large multinational organizations, which have built up a team of qualified active sourcing professionals over the past years, most small and mid-sized businesses do not have the internal resources and experience in how to effectively approach and attract these candidates.

A common complaint we hear from in-house recruiters is also the number of unqualified candidates they receive from job postings, and they need to invest in screening plenty of resumes. Once qualified candidates have been identified, companies are confronted with a time-consuming negotiation process. Outsourcing this responsibility to a professional search consultant allows your organizations to focus on its core business and can create a competitive advantage by reducing fixed overhead costs while speeding up the recruitment process and increase the quality of the candidates.

As a result, organizations might choose to engage an external professional recruiter. But how do they decide whether to use a contingency recruiter or a retained executive search firm?

## **2.) Contingency Recruiter vs. Retained Executive Search**

Unfortunately, executive search consulting and contingency recruiting are often thought of interchangeably when they are indeed completely different professions. On the surface, the main difference between a contingency recruiter and an executive search consultant appears to be simply an issue of how the recruiter gets paid. A contingency recruiter will only get paid if a candidate is hired. In contrast, engaging a retained executive search consultant means the client will pay a proportion of the fee upfront to conduct a search. However, that difference dictates a completely different approach of searching for a suitable candidate.

### **2.1) Retained Executive Search**

A retained executive search firm operates on an exclusive, client-centered basis and works on a limited number of search assignments at a time to ensure a speedy delivery process while maintaining a high-level of quality. They will invest all their resources and dedicate their research capacity on each search assignment while leveraging the full spectrum of active and passive candidates available in the market and often find candidates with unique backgrounds. Retained executive search professionals represent your business in a confidential manner and will be engaged in all aspects of the search process, starting from defining a tailor-made search strategy through candidate integration. Their goal is defined by providing their client with a selection of highly qualified candidates that have the right background and experience for the specific job opportunity and fit well with the client's culture. Their success is based on long-term commitment and impact of the person hired, therefore they are motivated to help secure a lasting, successful executive hire for their client.

Retained executive search consulting firms are typically used for mid to senior level executive or advanced specialist positions which require a unique set of skills. Assignments are generally for positions where the best candidate is difficult to find and hard to persuade to make a move, and where the potential impact of a wrong hiring decision will have a significant impact on the future success of the business.

### **2.2) Contingency Recruiter**

Contingency recruiters, on the other hand typically work with a large number of job openings concurrently and seek to place as many candidates as possible in the shortest possible time. They leverage networks, advertising and use online databases to identify a large number of potential candidates who likely fit the client's criteria. Resumes are shared with the client who then takes a more hands-on approach to reviewing and evaluating the candidates. By virtue of the payment upon placement nature of this business model, contingent recruiters are motivated to get many resumes in front of many clients, as quickly as possible. The contingency search follows a volume-based search approach and if a particular assignment is not getting traction, contingency recruiters have little incentive to continue. Fees are generally lower, reflecting their limited scope of work.

Contingent recruiters are most often used for junior to mid-level positions or positions where there are a large number of qualified candidates available in the market. They focus on candidates actively looking for a new role and positions that have a lower potential impact within the client organization.

## **3.) Conclusion**

Companies make hiring decisions and select recruitment service providers based on a variety of factors that are important to their specific need. Critical factors in making this choice will include budget restraints, management style, confidentiality, competitors, skill set and market availability, company culture and the seniority level of the position. When hiring senior level individuals, most business leaders, and HR Executives would agree that retained executive search is the fastest, most effective and targeted method of identifying, sourcing and attracting the best candidates.

- What are the possible consequences of using the wrong type of recruitment service that actually can harm your business? What about the hidden benefits of engaging a retained executive search consultancy?
- Turnover cost has been estimated as high as 150% of the position's annual salary, which is a lot of money for a senior-level role. So the longer a position is unfilled, the more money is lost. In the long

run, retained executive search firms will complete the search more quickly than others and provide more highly qualified candidates.

- Companies are sometimes looking for very specific talent requirements in extremely narrow markets. Searching for candidates in such a market environment will require a search professional with a profound knowledge and network within your specific industry sector. • Contingency recruiters know their chances of a successful hire are limited. This is especially the case if there are a number of other recruiters working on the same job. Therefore, they will not invest optimal resources into your assignment.
- If exclusivity for a specific search is not agreed candidates will be approached by several recruiters for the same position. This looks unprofessional and demonstrates to the market that the client is unwilling to invest in a professional and discreet retained executive search service.
- Any data provided to a contingency recruiter will be distributed to the market at large. Contingency recruitment firms often add resumes to their database without asking for the prior consent of the candidates.
- Contingency recruiters are comparatively expensive considering the service they provide. Unlike retained executive search consultants whose researchers will systematically screen the talent market, they might only source from their passive candidate pool. Retained executive search firms have a wider reach of potential candidates with access beyond people who are actively looking for jobs. When deciding which kind of executive search firm to choose it is crucial to understand the different business models and methodologies applied by each service provider. As opposed to contingent placement agencies or in-house recruiting departments, retained executive search firms offer meticulous research, extensive talent pools, and thorough investigations of candidates. If you partner with the right executive search consultancy, the return on the investment will be exponential, and the new hire should be able to add value quickly to your organization. By taking advantage of retained executive search, you eliminate a lot of the risk involved during the hiring process and it is the most professional and secure method of identifying and attracting the industry's best high achievers to your organization.

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