

CONTINGENCY FIRMS VERSUS RETAINER FIRMS

Frequently asked questions about executive search often result from a lack of understanding of the two major types of practitioners in our industry. Here is a factual guide for your information.

CONTINGENCY FIRMS

1. Frequently represent individuals seeking placement.
2. Are usually in competition with other similar firms or agencies for the placement.
3. Professional staff is usually compensated on commission for placements made.
4. Usually search for lower level organizational positions including but not restricted to individual contributors.
5. Tend to spend little time on initial research and specification; often never meet company management or prospects.
6. Focus primarily on applicants/candidates actively seeking employment; recruiting is placement-oriented.

RETAINER FIRMS

1. Represent Companies employer only.
2. Conduct search assignments on an exclusive contract basis only.
3. Professional staff is usually compensated on salary and bonus with incentives for client business development.
4. Usually work at middle to senior management organizational levels.
5. Must know client organization and position responsibility/requirements thoroughly before initiating search. Typically document this in a position description.
6. Recruiting efforts are strategically focused on a broadly targeted range of potential candidates, most of whom are not active in the job market; recruiting is process and result oriented.

7. Search consultant works concurrently with a multitude of open job orders.

8. With no guarantee of payment for services performed, the consultant cannot afford to invest much time in a search beyond basic recruiting and submission of resumes.

9. Will present most candidates within 1-2 weeks of obtaining job order; may submit substantial paperwork to increase probability of a placement by pushing for interviews and hoping for interest on both sides.

10. Contingency search requires considerable Human Resource involvement in screening, interviewing and evaluating candidates presented.

11. Under no obligation to guarantee or produce results due to contingency fee arrangement (paid on placement only).

12. Fees range from 15-33% of compensation and are paid by company on placement (or shortly thereafter).

13. Decision to pay a fee is usually made by Human Resources and is budgetary motivated.

7. Typically the search consultant is personally committed to 3-5 assignments at any given time and is responsible for the success or failure of each.

8. Search consultant typically invests 40-160 hours per month per client assignment in recruiting, evaluation, screening and client interaction.

9. Usually recommends 3-10 highly qualified and ranked candidates to client company in 4-8 weeks.

10. Requires minimal Human Resources and General Management time investment until interview process begins.

11. Reputable firms offer a professional guarantee of candidate success and are committed to thorough and ethical practices and results including an off limits policy.

12. Fees range from 25-33% of compensation (or flat quote) plus expenses and are paid by company in installments.

13. Authorization for search is usually made by company General Management and Human Resources Management with rigorous selection criteria.

COMPARING EXECUTIVE SEARCH FIRMS (adapted from ERN 11/85)