

Observations from the Bridge

Industry Staffing News

For the Industrial and Consumer Goods Industry

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The Top 10 Reasons to Hire an Executive Retained Search Firm

Many companies today look to outside recruiting firms to fulfill their talent requirements. As Michael Dell of Dell computers says, "The ability to find and hire the right people can make or break your business. It's as simple as that." Having been involved with hundreds of downsizings and re-engineering of companies in the last decade, I have been exposed to both sides of the talent wars; the overabundance of people in the marketplace and the shortage of qualified and specifically talented personnel to fill specific and critical positions.

Below are the reasons I believe a company should hire an executive search firm to fill their vital roles within their organization. Many companies feel that they could just advertise or use their own contracted workers to find people. But I would submit to you that you should not be cavalier in your efforts to find the very best talent for your vital and critical roles.

Hot Topic - When Should Companies Hire a Recruitment Firm:

Our previous newsletter illustrated how companies struggle with recruiting the right talent. Today's newsletter features an article that details how recruitment firms can help overcome these challenges.

Enjoy reading the "Guide to Hiring Recruitment Firms", which shares thoughts on how to evaluate firms and what type of an arrangement to consider. Please feel free to contact us for further information. We look forward to assist you with your personnel requirements.

Sincerely,

Joachim Woerner
Managing Director

The Q Works Group



A Guide To Hiring Recruitment Firms

Hiring the right employees for any size company can be extremely difficult and very time consuming. Nevertheless, recruiting top workers should be a priority for every firm and your company should be no different. Since staffing talent can take significant effort and internal HR costs can prove expensive, many organizations consider using a recruitment company. As an employer, if you're considering this route, the following guide should help you:

When Should Your Company Hire a Recruiting Firm?

There are a few circumstances in which your company could utilize recruiting services. Most often, employers use recruiters when one or more of the following in the case:

1. They don't have enough time to recruit the open position.
2. They have had trouble filling the job for some time now.
3. They have seen high turnover rates for the position and seek expert help.
4. They have posted the position and have not received the response they desire.
5. They do not have internal HR and would rather outsource hiring than do it internally.

1. Experience:

Retained search firms (RSFs) have been around for decades. They have built their businesses around relationships. Those relationships allow them to find talent that would normally not look at advertisements for "new" jobs. They have a litany of contacts and databases available to them that make them global players in the "relationship" business of search.

2. Confidential:

What happens to a public company's stock or market share when news is revealed that a "major" player in the company is missing? Retained search companies are discreet in finding talent inside other companies.

3. Commitment: Retained search companies employ rigorous techniques to find candidates for your company. They also work on "your" search exclusively. Your company is buying their exclusivity, which allows them to focus on your search, which produces quick results with qualified candidates.

4. Expediency: Proactive search techniques allow for quicker time to placement. When looking at the cost of a vacant critical position within a company, this could literally be thousands of dollars per day.

5. Top Candidates: Retained search firms can find the right people for the right job, especially if you are looking for a specialized talent or a candidate that can bring your company his/her proven ability.

6. Higher ratio of resources per candidate: On average most in-house recruiters are a one-person show. With retained search, a company may assign up to 8 people to assist with a search.

7. It is more cost effective: With more

Typical Fees

"When looking for a recruiter, you should not cut corners when it comes to fees. You get what you pay for. If a few extra thousand dollars in recruitment costs means better employees, it's well worth it."

Mainly, recruiters charge their clients in two ways - retained and contingency staffing agreements. Here is a rundown of the two:

1. Retained Fee Structure - This is when your firm pays an upfront, guaranteed fee to the recruiters for their services. While all retained recruiting contracts are different, more often than not retained agreements give the recruiter exclusive access to your open listing.

2. Contingency Fee Structure - Contingency agreements are entirely performance based and you don't pay a recruiter until they successfully recruit an employee for your company. Typically, this is a percentage of the employee's first year compensation package and can range from 15% - 25% of that individuals pay.

Contingency recruiting contracts are non-exclusive and you can work with as many headhunters as you wish. It would seem that option #2 would be a no-brainer, but it's not so simple. There are pros and cons to each.

Retained Contract Advantages and Disadvantages

When you work with a retained recruiter, you do have to pay an upfront guaranteed fee and there is more risk associated with that account.

However, when you pay a headhunter upfront, they are more obligated to work on your account and prioritize above other searches they are doing. Many times, with retained recruiters you are paying for expertise and important hiring insight that a contingency recruiter is not going to provide. With retained recruiting firms, it's best that you get some references prior to signing the contract and have more than one conversation with the headhunters that will be working on your account.

This is in lieu of just speaking with the sales rep. selling those services. If you have a good feel for those individuals and believe that they can represent your company in a matter that other recruitment firms can't, you're getting your money's worth.

Contingency Contract Advantages and Disadvantages

With a contingency contract, you have the advantage of working with multiple recruiters and only pay when a staffing firm successfully places an applicant.

While this is a clear advantage, contingency recruitment agreements have their downsides including:

resources available, the position will probably be filled faster. This saves cost associated with vacant critical positions.

8. Retained search firms are professional: If you are looking to partner with someone that has your best interest in mind and will handle things for your company in a professional manner with honesty and integrity, you should definitely use a RSF.

9. Retained search firms provide additional value-added services: Some of these may include screening candidates, background checks, performing pre-interviews and giving assessments.

10. Lastly, as third parties to their customers, RSFs don't have problems asking candidates to reveal information about salary history, reporting or organizational structures, relocation and other perceived sensitive topics.

By: Art Eyzaguirre

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1. You have no guarantee that the staffing agency is going to prioritize your account.
2. You are able to get less insight regarding the job market from those recruiters.
3. Often, you have to keep on top of the headhunters working on your account as they can leave the agreement as easily as you can.
4. Most employee guarantees are only 90 days which is a very short time in which you must assess a new hire.

In the End

When and if your company decides to use a recruitment firm, do it correctly. If you're going to pay a significant fee for the hire, don't worry about a few thousand here and there. Rather, be concerned about the quality of employee you're going to get.

By: Ken Sundheim

References

If you know somebody who wants to look at a next career step, please let us know.

We will keep all information highly confidential.

Our success is based on your referrals! Thank you!