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Why Top Search Firms Command High Fees

By Paul Hawkinson

"When I need a heart bypass, rest assured that I won't select my surgeon on the basis of what they charge." That's what an ailing executive recently said when his doctor informed him about his arterial-blockage problems.

Why then can corporate executives be so tightfisted when dealing with what is so commonly thought of as the "heartbeat" of their companies: top talent?

When faced with brain drains, talent deficiencies or the need to replace an employee with someone better, they too often become parsimonious. This "shop at Wal-Mart" mentality belies and contradicts their stated objectives to "hire the best," especially for positions below the executive suite.

Recruiting fees can vary from firm to firm. But you will almost always find that those charging on the low side exclude some important parts of the search process. You get what you pay for.

So why are recruiters worth what they charge? Here are a few reasons corporate executives seldom consider:

Expertise. Nobody knows the employment marketplace better than a professional recruiter. In-house human-resource executives, no matter how effective, view the marketplace through an imperfect prism, and for them, tunnel vision is an occupational hazard.

Just as physicians are cautioned against treating members of their own families, so too is it folly for in-house HR professionals to believe that they have an undistorted and unbiased picture of the employment landscape. They are vulnerable to the pressures of internal politics and cultural dimensions that do not hinder the outsider.

Street-smart recruiters already know the neighborhood, including the unlisted addresses so often overlooked by the HR insiders.

Wider nets. A professional fisherman always will catch a bigger, better fish than a weekend angler. Recruiters are in the marketplace day in and day out. They know the unfished coves, reefs and inlets that are unknown to others. The job-hunter bookshelves are filled with lore about the "hidden job market." The same holds true for professional recruiters who have a detailed roadmap to the hidden talent sources that HR pros

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can't access through newspaper ads, alumni associations, applicant databases, the Internet or any other more familiar sources of candidates.

Someone inevitably wins the Publisher's Clearinghouse Sweepstakes, and nonrecruiter sources occasionally do find a pearl. But they must shuck a lot of smelly oysters to discover it.

Cost. Employers have the misconception that the cost of a hire equals the cost of the ads run to attract the new staffer. Try adding these to the true cost, and you'll see just how cost effective hiring an outside recruiter can be. Companies rarely calculate the true metrics of a hire.

Third-party input. Contrary to what some believe, recruiters don't try to put square employees into round jobs. A recruiter's stock-in-trade is his or her integrity and reputation for finding someone better than a company could have found by itself.

For a midlevel to senior executive, the average recruiter may develop a "long list" of a hundred or more possibilities. Each must be called and evaluated against the position specifications as well as for a personality "fit" with the company and prospective co-workers. Once this starting group is winnowed to the "short list," the recruiter conducts even more intensive interviews to develop a panel of finalists for the client's review.

This process is not, as some believe, simply romping through file cabinets, job boards or announcing the job opening to the recruiter's network with crossed fingers that someone good will show up.

It is unlikely that professional recruiters will be plowing brand-new ground with your opening. They deal within spheres of influence far more familiar with your needs than any internal recruiter and, more often than not, view the finalists as people who are competent to solve client problems rather than just fill an open slot in the organizational chart.

Confidentiality. Advertising or otherwise publicly proclaiming an opening, aside from its cost and demonstrated ineffectiveness for filling sensitive senior-level openings, often creates anxiety and apprehension among current employees who wonder why they aren't being considered or worry about transition problems. Just as often it alerts competitors to a weakness or void within the company.

Speed. The recruiting process is always faster through a search professional acquainted with the marketplace than one starting the process from scratch. For every day that a key opening remains unfilled, a company's other employees must grudgingly do double duty. And this doesn't account for the lost profit opportunities or competitive advantages because a position remains unfilled or is being done part time by less qualified staffers.

Post-hire downtime. Not only is speed an essential part of the professional recruiter's process, the ability to locate a person who can immediately "hit the ground running" with a minimum of "ramp-up time" saves time after the hire. All too often, a hire selected through less effective sources, offering a smaller talent pool, requires several months of expensive training and orientation.

Reality checks. It's the duty of professional recruiters to inform clients that they may be mistaken about the type of candidate sought, the salary required to attract them or the possibility that the solution might lie in areas outside traditional target industries. An internal recruiter may not do this. Too many hiring managers don't understand that a professional recruiter's primary function is not necessarily to fill a slot but to find a candidate who can solve a problem.

Negotiation. By serving as a buffer and informed intermediary, the professional recruiter can help both parties to negotiate a mutually beneficial arrangement without getting stuck at polarizing roadblocks that too frequently develop in face-to-face dealings.

Company priorities. I am often amazed at how a company will squander its revenues on nonproductive perks for existing high-level employees while penny-pinching on its lifeblood: talent acquisition.

Club memberships and the like may be fine, but no one with an IQ higher than room temperature believes that these expenditures contribute to a company's profit margin. But a single well-placed executive can be the reason why a company's profits skyrocket. The fee paid to a recruiter for finding such an executive pales in comparison to the contributions this person makes to the bottom line.

The next time you think a recruiter's fees are too high, put them into perspective before asking for the blue-light special or spinning your own wheels trying to fill vital openings. Savvy executives learned long ago that the fee paid to a recruiter is a strategic investment, not an extraneous expense.

-- Mr. Hawkinson is publisher of *The Fordyce Letter*, a monthly newsletter for executive-search and recruiting professionals. He is a former executive recruiter and consultant.

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