Torch Group
Executive Talent That's A PERFECT FIT™

Talent Acquisition

Your Organization's Most Important Investment

In standard accounting models, organizations are divided into revenue and cost centers, and woe to whatever or whomever falls into the second category. Whereas facilities and capital equipment are typically categorized as net assets, human capital and associated costs—compensation, benefits, development, 401K and defined pension contributions, even recruitment—are typically viewed as costs of doing business, or worse yet, as necessary evils that reduce profits.

The above might seem like an exaggeration, but, in reality, it's just a statement of fact—the reason a business exists is to make money, not to spend it. If you lose sight of that core truth, then you're on the way to being out of business. Of course, this does not address the fact that, often, you have to spend money to make money—the key is what you spend money on and whether or not you get a robust return on your investment (ROI).

When it comes to gaging the ROI of product research and development (R&D) or of information technology (IT) deployment, you can refer to a variety of accounting industry metrics to gage satisfactory ROI; unfortunately, these might or might not provide your business with useful insights into its return on human capital acquisition and retention. This is because even the most intricate accounting models will likely not account for all of the operational and market factors that affect an investment's contribution to the overall success or failure of a company, and, as such, can "miss the forest for the trees."

The metrics by which human resources (HR) is typically evaluated are myriad and reflect its ownership of compensation and benefits administration as well as its responsibilities for regulatory compliance, workforce retention, and employee recruitment. The last two areas are perhaps the most important in terms of long-term company performance—in part, because, far from being a hollow platitude, an organization's people are in fact its strongest asset. Without them, most operations don't function and innovation generally does not occur—which is why the attraction and retention of key employees is so important to a company's ultimate financial performance. They are the literally invaluable assets that fuel growth and fire the creativity and ingenuity that drive present and future profits. This is especially true in the case of management and senior leadership positions, as the individuals in these roles are the stewards of the company's legacy and the captains of its destiny.

These are only a few of the many reasons that make it so important for organizations to view talent acquisition and management not as a grudging expense but as a necessary investment in a successful present and future. This logic applies as much to talent recruitment as it does to talent retention, particularly if a company wants to infuse itself with new blood to galvanize its current business and to forge a path to the future.

HOW TO GET THE BEST BANG FOR YOUR BUCK

Although human capital is not usually included among a company's intangible assets, it is among the assets that provide your best return on investment, since it is integral to your company's ability to meet current business challenges and achieve long-term growth.

The need for new talent can be driven by different factors. Sometimes you must fill a vacancy while, at other times, you need to gear up for future expansion. Whatever the reason, you strive to fill openings with the best candidates, in the most cost-effective fashion possible.

The obvious solution might seem to be to promote from within or to have your in-house HR people recruit external candidates. However, filling an opening with a current employee creates an organizational vacancy elsewhere, while having your HR generalists scout for external hires diverts them from other responsibilities, such as ensuring equal opportunity employer (EOE) compliance or devising compensation guidelines. And, even if your HR department is up to the challenge, the truth is that searching for external candidates can be time consuming and resource intensive.

In-house recruiters need to create employment ads, sift through a flood of résumés, conduct phone screenings, hold live interviews, perform background checks, and, finally, develop the ffer. Some of this, such as defining compensation, is difficult to outsource, but other parts of the process, such as the identification and evaluation of candidates, can be moved to recruiting firms.

CHOOSE A RECRUITING FIRM BASED ON YOUR NEEDS

Recruiting firm types vary widely. There are staffing and temporary recruitment firms that concentrate on administrative and short-term positions; contingency recruiters focused on individual contributors; and retained executive recruiters, who often have a functional specialty, such as product development. Today, we will focus on contingency and retained executive search recruiters.

Contingency recruiters accept non-exclusive assignments and are paid only if they fill a position. Usually, they source low- to mid-level individual-contributor jobs, ranging from administrators to professionals like technical writers and production artists. Theirs is a numbers game: they cast a wide net via job boards, which typically results in a huge catch of un-vetted candidates. After remote or in-person screenings, candidates who seem to have a fair chance of meeting your functional needs will usually be referred to you, since the more candidates you meet, the greater the chance that you'll hire one and that the recruiter will collect its 15-25% commission—because until you hire, they are paid nothing. This might seem like a good deal, but, remember, you typically get what you pay for.

Retained search firms conduct in-depth candidate research, provide a higher level of service, and deliver more impressive results. The better retained firms, which can charge 30% to 35% of a candidate's salary, usually have clear areas of functional expertise—such as marketing, sales, or engineering—and deep knowledge of certain industries—such as B-to-B manufacturing, consumer packaged goods, or communications.

In addition to testing a candidate's functional competence, a good retained recruiter assesses the candidate's cultural fit, achievement track record, and ability to collaborate and lead. Retained search firms provide the best results for senior management and executive roles with a significant impact on a company's day-to-day performance. To deliver the desired business outcomes, the people in such jobs have to be great performers who are adept at juggling many responsibilities and dealing with diverse stakeholders.

Leading retained research firms can deliver such candidates because they have extensive industry contacts, long relationships with passive candidates, and conduct both functional and behavioral assessments. Perhaps most importantly, unlike some contingency firms that simply base searches on job descriptions, a good retained recruiter understands its client's operational needs and culture, as well as the candidate's ability to meet these needs and support the culture. The outstanding retained search firm provides candidates with functional, operational, and cultural alignment. This is what makes the marginally higher cost of retained search well worth the investment.

AN ORGANIZATION'S

PEOPLE

ARE IN FACT ITS STRONGEST ASSETS

IDENTIFY	ATTRACT	EVALUATE	RETAIN
Profile	Message	Personal Phone Interview	Perfect Fit
Source Environment	Listen/Understand	Competency-based Behavioral Interviews	Compensation/Benefits
Passive Candidate Research	Recruit	Assessments/References	On-boarding

RETAINED EXECUTIVE SEARCH — A HORSE OF A DIFFERENT COLOR

Although human capital is typically not listed among corporate assets, if optimally sourced, it has the potential to provide a company's best return on investment, since employee talent is central to an organization's ability to prevail in the marketplace. Perhaps nowhere is this truer than in respect to senior management and executive leadership.

The search for key leaders is very different than that for individual contributors and middle managers. The latter are frequently the responsibility of internal or contingency recruiters, who rely on job postings to attract active candidates (i.e., individuals actively searching for new employment). In contrast, a search for top leadership is often conducted by retained executive search firms, who fill such positions by either calling on their own networks or conducting research to discover and evaluate passive candidates (i.e., individuals who are not actively looking for new employment and so are unlikely to be aware of posted positions).

The most widespread types of retained search firms are major global executive search firms and "boutique" retained executive search firms. The first sort, such as Korn Ferry or Witt Keifer, usually have offices worldwide and concentrate on searches for Fortune 500 executives, C-suite officers, and board-level directors, whereas the second sort often focus on particular industries, such as enterprise-wide software or the food and hospitality industries, as well as on functional areas, such as finance and accounting or marketing, business development, and sales.

EMPLOYEE TALENT
is central to an
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marketplace

DIFFERENTIATING CHARACTERISTICS

There are other significant distinctions between major executive search firms and boutique recruiting firms, some of which help determine the kind of firm that is best for a particular type of client. Because major search firms source high-level roles for the world's biggest companies they are adept at finding elite managers who thrive in immense, well-resourced, and, typically, complicated companies; in an effort to meet the needs of such huge international corporations, most of these search firms have themselves grown large and complex, and sometimes have scores of practice areas, thousands of employees, and annual billings in excess of $500 million. This global footprint can be an advantage if a client needs to find a general manager for its multibillion-dollar Asian semiconductor subsidiary, but it can be more of an impediment than an enabler if you are trying to find a chief marketing officer (CMO) or a vice-president for your $300 million Midwest-based food service company.

The sheer scale of the major executive search firms gives rise to other challenges. For example, it is unlikely that a search for a small client will be conducted by a senior partner. Such comparatively low-profile opportunities—which might not lead to significant repeat business—are delegated to junior staff, while a partner might merely oversee the search from a distance. Also, given the many different companies with which a major firm will work in the average year, the search industry's "no poaching" rules (which bar a recruiter from drawing candidates from recent clients) might have the unintended consequence of shrinking the available talent pool for smaller clients. The above notwithstanding, the major executive search firms can offer clients broad capability and capacity; however, these benefits might not be equally accessible to all clients and their availability might not depend on the size of the current opportunity but, instead, on the long-term potential of the client account.

THEY'RE CALLED ***"BOUTIQUE"*** RETAINED SEARCH FIRMS FOR A REASON

Originally a French word, "boutique" literally means a small specialty shop that provides personalized service and is geared to meeting the unique needs of its clientele. As such, the term is wholly appropriate when applied to mid-sized retained executive search firms, many of whom specialize in finding candidates for upper management roles in medium-sized and smaller companies.

Because such search firms usually have only a few partners, they are typically involved in just about every senior management search that passes through their doors. This is because, unlike consultants in major search firms whose concerns about their further career advancement might lead them to spend most of their time on high-profile accounts, in "boutique" firms the senior partners might have already achieved their ultimate career goals and as such can devote their complete attention to filling each client's needs. They might personally conduct or directly oversee as many as twenty-to-forty phone and in-person interviews before selecting a handful of ideal candidates to meet with a client's hiring team. Also, the best firms typically subject candidates to behavioral and functional competency testing, ensuring a better skills match and cultural fit with the client organization. What's more, some "boutique" retained executive search firms have deep expertise in select industries and functions, such as engineering, product, or marketing communications management.

DO YOU GET WHAT YOU PAY FOR? IT DEPENDS

Most retained executive search firms, whether gigantic global firms or more specialized and modestly scaled “boutique” firms, use roughly the same fee structures. For example, they usually charge the client from 30% to 35% of a new hire’s salary, depending on the responsibility and seniority of the position in question. Payment terms typically require a third of the fee at the start of the search process, another third at the search’s anticipated midpoint, and the remainder when the candidate accepts the client’s offer. For this remuneration, either type of retained search firm will usually consult with hiring managers to review the job profile, create a recruitment strategy and ideal talent profile, research client competitors, conduct pre-screening and full-screening, collate client interviewer feedback, and provide the client with ongoing progress reports. The very best firms—i.e., those who are certain enough of their ability to deliver the optimal hire—will also offer their clients a one-year guarantee, whereby they promise to undertake a replacement search at no charge if a placed hire leaves a client within a year of onboarding.

So, how do the services offered by a major global retained executive search firm differ from those provided by a smaller, specialized “boutique” firm if each charges roughly the same amount? They don’t, really—except perhaps in so far as the major firm will deliver heavy hitters skilled at charting the course and navigating the political undercurrents of mammoth organizations, whereas the boutique firms will deliver candidates that excel at running and growing smaller to mid-sized companies—in other words, leaders who can make a difference, sometimes by taking organizations from good to great. It all depends on your starting point and your need. If you are a Fortune 500 that must land a “celebrity” CEO or chairman of the board, then a major “brand name” recruiting firm is probably best, as it will certainly provide you with the “white glove” service that your organizational footprint warrants. However, if you are a smaller company that nonetheless demands top-level service and must find leaders for mission-critical roles, then a boutique firm is perhaps more likely to deliver on its brand promise: results that will meet your expectations and that won’t disappoint.

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