

## Why Hire a Retained Search Firm? *Retained Vs Contingency*

Many prospective clients have asked us why they should consider using a retained search firm instead of one that works on a contingency model. The purpose of this article is to explain some of the major differences between retained search and contingency search. We will also highlight a few key benefits of a retained search so you know why and when you should consider engaging a retained search firm to help you recruit talent into your company.

The three words we would use that sum up the key differences between a Retained Search and a Contingency Search are: *Effort*, *Commitment*, and *Result*.

Without an assurance of being paid at all, a contingency firm cannot afford to invest a great deal of time and effort working on any particular engagement, in essence betting on the outcome. They would typically focus on sending you candidates who are already known to them and whom they know are active job seekers. The all or nothing reward scheme also encourages that each contingency firm must concentrate their efforts on those mandates that they can fill with a minimum of effort. When a search becomes difficult or time consuming, a contingency firm would tend to abandon it and focus their resources on other searches with higher chances of a “hit”. As a result, the success rate of a contingency firm is low for difficult searches.

Like a law firm, an accounting firm or a management consulting firm, a Retained Search firm has an exclusive client vendor partnership with you and works in a genuine consultancy capacity with you in your executive search. The exclusivity and retained fees to a Retained Search firm also secures a high level of commitment and dedication from the firm. Because of the commitment on both sides, the Retained Search consultants can concentrate on seeking out and attracting the most qualified and talented candidates who normally are not on the market, and then undertaking significant screening, objective assessments, and background checks. This level of effort and commitment from Retained Search consultants result in a much higher chance in finding top tier and best-fit candidates for their clients.

We will further outline below the key differences between Retained Search and Contingency Search.

### **Start of Engagement / Pre-Search**

#### *Contingency*

Without an exclusive relationship and no assurance that they will get paid at all, a contingency search recruiter cannot afford and would typically not invest a great deal of time getting to know the position and preparing for the start of a search engagement. They normally would rely on the client to supply them the job description (which the client also shares with other contingency search firms on

#### *Retained*

Once an exclusive engagement is granted, a Retained Search firm would spend a significant amount of time and effort with the client (typically HR, the hiring manager and senior management) to thoroughly understand the position to be filled (the experience and skills requirements, why is it open, etc). If this were the first assignment with the client, the search consultants would also spend time

the same search) or they would use a generic JD if the client does not supply one.

Having to compete with other contingency search firms on the same search, a contingency search firm's approach is to get out of the gate as quickly as possible so they do not typically have a well thought out search strategy if they have one at all.

understanding the company's business, people, culture and whatever is relevant and helpful for the consultants to devise a search strategy in order to identify and attract talent to the position.

The search consultants would then assist the client in drafting and finalizing a tailor made Job Specifications and Profile for the position. Next, based on the search strategy, a target list of companies is developed. This list typically includes direct and indirect competitors, as well as other companies that may produce strong, relevant pool of candidates.

**Benefit to Client:** Retained Search's target and research based approach to the search ensures more complete coverage of candidate pool and that "no stone is left unturned".

## Quality of Candidate Pool

### *Contingency*

Contingency firms perform their engagement in a transactional manner and normally use passive recruiting methods to source candidates. They rely heavily on people who have posted their CVs to job boards or recruiting agencies as well as on the firms' own resume databases. In addition, some contingency search recruiters who specialize in a particular industry (e.g. Insurance) may have developed relationships with a number of candidates in the industry.

The worry of not being the first to deliver the winning candidate and send you the easy to find candidates thwarts any efforts by Contingency recruiters to go the "extra mile" to find you less obvious but higher quality candidates. This explains why Contingency recruiters rarely seek beyond their own databases and networks to find you the most qualified candidates.

### *Retained*

Due to the targeted, research based approach to the search process, Retained Search firms seek out top tier, "A" candidates who are successful in their careers, generally happy at their current positions and who rarely send their CVs to job boards.

These candidates are generally huge contributors and adding great value to their current employers (many of them are perhaps your direct competitors). They don't job hop and are careful and strategic about when and where they make a career move. For them, confidentiality about their future career plans is of the utmost importance so they would typically not talk to a search firm that does not have exclusivity on the search.

**Benefit to Client:** Retained Search gives you the "A" candidates from direct and structured research, not just from active job seekers.

## Marketing/Selling the Position:

### *Contingency*

To save time, effort and costs, Contingency recruiters would focus on presenting the job opportunity to candidates who have posted their CVs to job sites or public networks. Since many of these candidates are active job seekers, the Contingency recruiters do not usually have to spend a great deal of effort convincing them to considering a position. Most of these conversations are typically done over the phone.

### *Retained*

An experienced Retained Search consultant would invest the time and effort as well as have the ability to pursue potentially well-qualified candidates (many of them are busy executives, not actively looking for jobs and hence usually not overly interested in listening for a job opportunity) to meet in person to discuss the position. These discussions are typically conducted discreetly over a cup of coffee, lunch or dinner.

And since most Retained Search consultants are great marketers and consultative sales professionals, once they meet the candidates, they would professionally uncover pain points, identify motivation, clarify perceptions, and then convey your value proposition for the position. This may require in most cases, discussing the industry, the company's business model, future growth prospects, and challenges, as well as the attractiveness of the position as applied to their career.

In some cases, if a strong candidate is not very motivated to move, a Retained Search consultant may need more than one meeting to successfully persuade the candidate to consider.

***Benefit to Client:*** A Retained consultant acts as an extension of you, representing your unique culture and position requirements and pitching on your behalf about the position would ensure to attract the most qualified candidates to be interested in the role.

## Screening and Assessment of Candidates:

### *Contingency*

Contingency Search firm primarily focus on scanning known candidates whom they have CVs for, look for matches on paper and then send their CVs to clients as quickly as possible (since they are in a race against other contingency search firms to present a winning candidate). They leave the bulk of the detailed screening and evaluation works to the client.

### *Retained*

The nature of Retained Search is it requires experienced consultants to perform the service. Most Retained Search consultants are former senior executives themselves with many years of management level experience and therefore are skilled at screening and assessing senior level candidates.

***Benefit to Client:*** Clients do not lose valuable time screening unsuitable CVs and interviewing inappropriate candidates.

## Presentation of the Candidates

### *Contingency*

Since a Contingency Search firm does not have a client's commitment for a guaranteed fee, it is to their interest to present the best candidates to multiple clients, thereby giving them a better chance for a successful hit. Therefore there is a possibility that you may engage in a bidding war with the Contingency firm's other clients for the same candidate.

Contingency recruiters would typically scan known CVs for matches on the job descriptions send as many candidates' CVs to the client as quickly as possible. The responsibility of detailed screening and assessment therefore falls into the client. It is not unusual for the client to be bombarded with a flood of CVs and have to spend precious time filtering many of them before finding any candidates (if at all) that are worth an interview.

### *Retained*

A retained consultant is typically working exclusively on the search and is expected to evaluate all candidates being considered for the position. A Retained consultant will never present a candidate to more than one client at a time.

After thorough screening and assessment by the Retained Search firm, the consultants would typically present the best three to five candidates for the client to interview. The Retained consultant would provide to the client a full detailed report (which contains candidate's experience, credentials, compensation information and most important of all, written assessment of the candidate) for each of these "short-listed" candidates.

***Benefit to Client:*** Retained Search consultants save you time by doing most of the pre-screening for you. Since you have paid for the search process, the entire candidate pool belongs to you and therefore you also have the right of first refusal on every candidate.

## Managing Offer Negotiations and Closing:

### *Contingency*

Contingency Search firm typically do not get involved in the detailed offer negotiations between the candidate and the client. Since the same candidate from the Contingency firm may have been presented to multiple clients, there may also be a potential conflict of interest if the Contingency recruiter gets involved in the negotiation when there is a bidding war for the candidate.

### *Retained*

After you have selected the best candidate for the position, a Retained Search consultant will manage the offer negotiations. Acting as an intermediary. A skillful Retained Search consultant would facilitate the negotiation process and manage the expectations from both sides to reach a mutually acceptable terms and subsequent closure.

***Benefit to Client:*** Retained Consultant helps move the two parties to meet somewhere acceptable to both, in terms of interest, expectations, and budget. This saves any of the embarrassment or surprises that could arise when both parties negotiate directly.

## Conclusion

We have so far explained the benefits of a Retained Search but when should you consider hiring a Retained Search firm? The answer is when you are serious about quality hiring for your most important, confidential, strategic positions that are critical to the success of your organization. A Retained Search firm would be a more sensible option and a much better bet in bringing you top tier candidates that can directly impact the performance of your organization. However, for more junior, less mission critical and/or time sensitive hires, the Contingency model can indeed work.

Retained Search firm works in partnership with you, to conduct a thorough and transparent due diligence process that maximizes the hiring opportunity within a given time frame, so that you can hire the best available talent, as a competitive advantage for your business.

*Contingency Search brings you CVs; Retained Search brings you Qualified Talents*



Based in Shanghai, **Alfred Pong** is the Managing Director, Greater China of the Strategic Executive Search (SES) Group. He is a member of the SES's Private Equity and Technology Practice Groups. He specializes in recruiting investment and operations professionals for VC/PE and other investment firms, senior leaderships (CFO, COO, CIO, etc) for VC/PE backed companies, as well as senior executives for global multinationals across both Greater China and the Asia Pacific. Alfred's strength lies in his nearly 20 years of technical, management, investment and consulting experiences and deep understanding of the technology and private equity/venture capital industries. He also brings a wealth of knowledge as a serial entrepreneur, involved in the start up of several successful technology ventures, combined with his unique and inspiring leadership style.

### **Contact Information:**

Email: [apong@sesasia.com](mailto:apong@sesasia.com) Phone: +86 186 0211 2902