



**RETAINED
AND
CONTINGENCY
EXECUTIVE SEARCH:**
The Key Differences

The Association of Executive Search Consultants (AESC) represents retained executive search consulting firms worldwide. Frequently asked questions often result from a lack of understanding of the different processes involved as between retained and contingency search. Here is a guide for your information.



Association of Executive Search Consultants

The Worldwide Association for Retained Executive Search Consulting Firms

To learn more, visit: www.aesc.org

KEY DIFFERENTIATORS

RETAINED EXECUTIVE SEARCH FIRMS

CONTINGENCY SEARCH FIRMS



TYPE OF POSITION

Assist all types of organizations in the recruitment of senior executives for key positions.

Assist organizations in finding mostly middle level executives and professionals.

Fill senior positions which are seldom advertised.

Frequently represent individuals seeking placement.



METHODOLOGY

Proactive, systematic search and outreach to find and recruit the best possible executive candidate for the position in question.

Essentially reactive search methods involving database searching, internet job postings, advertising, etc.

The objective is to separate the exceptional from the average performer and assess them against the needs of the position and the client organization.

In a contingent search, the consultant cannot afford to be as structured and thorough as in a retained search. The focus is less on a precise candidate "fit" and more about getting potentially qualified candidates in front of the client so that the client can make his or her own final assessment.

The client obtains the consultants' full commitment, focus and resources and can expect regular feedback and consultation throughout the search process.



ENGAGEMENT CONTRACT

Conduct search assignments on an exclusive, retainer contract basis only.

A contingency search by definition means that the search firm will only collect a fee if they find and place a suitable candidate for the position in question.

The search firm commits to complete the assignment professionally and to the client's satisfaction.

Contingency recruiters often work in competition with other contingency firms for the placement.

Retained recruiters are paid by their clients in stage payments under contract, which are not solely dependent upon placement.

Candidates can be exposed to many opportunities by the same firm.

Candidates may only be presented to one client at a time.

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NATURE OF THE COLLABORATION

Recruiting process is consultative, research-based and solution oriented.

Recruiting process is transactional and placement oriented.

The consultant spends considerable time getting to know the client organization, position responsibility and all requirements before initiating the search.

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.

The consultant provides regular feedback to management on the market perception of their organization, on compensation levels and other issues that can affect their ability to recruit the best candidate.



FEE PAYMENT

Charge a retainer fee which is assignment rather than placement based.

Charge a fee only upon successful placement of a candidate.

Successful assignment completion may be achieved even by internal appointment.

Fees are typically a percentage of compensation and are paid on the successful placement of the candidate ("No cure, no pay").

Fees are normally a percentage of compensation or are fixed in advance and are paid in installments by the client during the search process.



CONSULTANT'S WORK

Must know client organization and position responsibility/requirements thoroughly before initiating the search.

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

A retained search consultant normally handles no more than 3-5 assignments at any given time and is responsible for the success or failure of each.

Their primary task is to present resumes/CVs in the hope that one will be successful.

He/she typically invests 40-60 hours per month per client assignment in recruiting, valuation, screening and client interaction.

Key success factor is speed.

Key success factor is quality.

KEY DIFFERENTIATORS



RESEARCH: FROM THE LONG LIST TO A SHORT LIST

RETAINED EXECUTIVE SEARCH FIRMS

Research is focused on a range of potential senior candidates, many of whom are currently employed in target companies and are not active in the job market.

A "long list" of potential candidates is drawn up and the most suitable are invited for a face-to-face interview with the consultant.

Usually recommends 3-5 highly qualified candidates to client company in 4-8 weeks.

The number of candidates presented will depend on the characteristics of the job and on candidate availability.

CONTINGENCY SEARCH FIRMS

Candidates are presented quickly and randomly without full research of the market of employed candidates.

Will present candidates within 1-2 weeks of obtaining job order for client to filter.

May submit substantial numbers to increase probability of a placement.



CONSULTANT'S BACKGROUND

Retained search consultants are experienced professionals, often with successful careers in executive management and/or management consulting.

They are able to relate to client management and the executive community as their equals and apply comparative judgment from meeting and assessing many executives.

Search consultants in contingency firms often have less experienced business backgrounds.



ADDITIONAL INVESTMENT BY THE CLIENT

The retained search consultant is engaged to save time and effort on the part of senior management.

He/she provides the client with comprehensive consulting and reporting (resume, references, interview, reports).

This requires minimal Human Resources and General Management time investment until interview process begins.

The client/hiring manager is most often flooded with resumes and is confronted with the challenging task of assessing them.

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

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ETHICS:
GUARANTEE,
CONFIDENTIALITY,
OFF-LIMITS, ETC.

All AESC members are retained consulting firms that abide by a strict Code of Conduct, Professional Practice Guidelines and Client's and Candidate's Bill of Rights.

Reputable firms offer a professional guarantee of candidate success (typically one year guarantee on the placement of the candidate) and are committed to thorough and ethical practices and results, including off-limits agreements with clients.

The search consultant helps close the negotiation with the chosen candidate who is exclusively presented to the client.

Confidentiality is guaranteed as is compliance with data privacy laws, since all parties involved consent to the transfer and receipt of personal data.

This greatly reduces the risk of litigation.

Contingency recruiting firms are under no contractual obligation to guarantee or produce results due to contingency fee arrangement (paid on placement only).

Contingency search firms normally do not have off-limits constraints nor offer a professional guarantee exceeding 30-90 days.

Candidates can be simultaneously presented to multiple organizations, often without their knowledge.

Confidentiality and data privacy is at risk since consent by candidates for transfer of data is often not obtained, which creates potential conflicts and enhance legal exposure.



COST VS RISKS

The costs of retaining an executive search firm, although sometimes higher than contingency, should be weighed against the potential costs of a hiring mistake.

A bad appointment to a crucial position can have detrimental consequences that can take much time and expenditure to recover from.

Decision to partner with an executive search firm is quality-motivated.

As a contingency firm offers a service with no money up-front, they will often only work on those searches that can be executed quickly, and do not have the time to focus on passive high-quality candidates.

With less time spent on securing a clear job description and understanding the client's needs, the chance of a candidate/client mismatch is significantly increased.

Decision to hire contingency firm is normally budgetary motivated.