



Hiring Recruiters-You Get What You Pay For! *By Roger Manning*

John a hiring manager for XYZ Company felt he was doing what was best for his company by negotiating hard with his new recruiter to take a fee of 20% compared to the usual 30% that the recruiter had asked for. The recruiter agreed however and both parties signed their fee agreement. On the surface, it sounds like both parties have agreed and are satisfied with the outcome. However, once the search started, John didn't feel like the recruiter really did a good job since he wasn't initially flooded with resumes. The recruiter didn't feel that John was a conscientious hiring manager that valued his services because he couldn't get John to spend enough time on the front end of the job order to gain valuable insight as to what John wanted to see in the candidate's background and experience. The employer was always rushed in his communication with the recruiter.

This story really isn't unusual and unfortunately quite common between recruiters who don't demand certain things from their employers that will meet their minimum expectations. Also they give in on their fees for a chance to "fill a job opening" rather than building a case for a true partnership that will bring value to the employer. If they are any good at their profession, you have to wonder why they would compromise on their standards. You might also wonder how do know from your initial contact if a recruiter is any good at their profession and thus worth the fee that they have asked for?

Let's start by answering the question, "What is wrong in this story"?

1. If this recruiter is truly a seasoned and well accomplished recruiter, he/she will not take a lesser fee. You will be turned down. Taking a lesser fee is one sign of a recruiter being desperate for work or perhaps even task-oriented (working on anything). But if they are tempted to negotiate, this recruiter will take the job order but also may not seriously spend any search time on this job because his/her time is being spent on other job orders paying 30% contingency or retained fees with employers who value their time. Retained searches always get top priority in terms of the recruiter's time. Contingency searches are ranked and prioritized by the recruiter on a daily basis based upon a number of factors. Fee compared to the employer's sense of urgency are high motivation-determination factors. Therefore jobs are ranked A, B and C with C-jobs getting little time or effort. If your job is ranked a C, it could still be filled by the recruiter just coming across the right candidate in his files and/or advertisement. A-searches always get the recruiters time in terms of out-bound phone calls and maximum time spent in "live" networking. Thus the employer gets what they paid for in terms of the recruiter's time.
2. This recruiter recognizes that this employer (John) doesn't really value what they do for a living or they wouldn't have beat them up so badly on their fee which



should also be recognized as their salary. Dropping from 30% to 20% fee is viewed by most employers as a drop of 10% however it is really 33.3% discount ($10/30 = 33.3\%$). As a comparison, a 10% discount would be 27% vs. 30%. When you hire any other professional for professional services rendered, you wouldn't ask them to take a huge discount on their time. Hiring a professional recruiter should be viewed much like the hiring of a Consultant, lawyer or other person who has professional expertise. There are usual and customary fees for their services and negotiating too far out of the usual is viewed as insulting. Again, you get what you pay for.

3. The hurriedness and unwillingness to give the recruiter ample time to learn about the company, the job and the hiring manager background also sends a clear message to the recruiter that this will be the hiring manager's future behavior. He knows that if the hiring manager doesn't see this as important enough to spend time on now, he will not return phone calls, debrief interviews or answer future questions in a timely fashion. The recruiter further realizes that what this manager wants in this relationship is just resumes. The recruiter doesn't get to fully demonstrate their skills and abilities other than their ability to provide resumes. Outstanding executive search consultants will not get much job enrichment from such a relationship and will strive to work for employers where they are viewed as a partial partner in the process.

If you are a hiring manager reading this article then I will assume that you are used to being paid a fair salary for your time spent working for your employer. It is important for me to open with this assumptive statement in order to put my comments regarding recruiters' motivation into perspective when you give them a job order to work for you. I would hope that you wouldn't expect any of your employees to work for "free" or even spend money on your behalf without being paid. Unfortunately many recruiters fall victim to this scenario thus the vast majority of low fee contingency searches go unfilled by the recruiter. Some time and money is spent by the recruiter but not enough to make the search an A-job search. The recruiter knows that this relationship has small chance to make a deal. The employer is also competing and hoping not to use the recruiter in many of these scenarios by finding candidates through other sources. This is not a win-win situation and thus another reason why search and recruitment fees are as high as they are to off-set the many losses that occur during the year.

It has been my professional experience as a Search Consultant that there are direct correlations between my fees and the expected working relationship of my prospective employer. It goes like this:

- The lower the fee, the worse the communication, less respect, and less cooperation of the employer towards the recruiter all throughout the search process. The employer doesn't feel the recruiter should earn that high of a fee or possibly resents the recruiter for earning such a fee (income). Many times the employer will make statements like, "I have other recruiters that are willing to do it for a flat fee of \$5,000.00." In other words, a lower fee gets the job order but doesn't necessarily guarantee the placement or better



working relationship with the employer. There is no incentive in place to partner with the search consultant if multiple recruiters are involved. A lower fee of 20% or less also implies by the employer themselves that this position is not worthy of a higher fee, perhaps a commodity position or insignificant position.

- Conversely, the higher the fee, the more communication, more respect and more cooperation comes from the employer. The employer appreciates the recruiter's time and wants to give the recruiter ample time to develop a strong search plan for a very effective outcome. A higher fee implies by the employer themselves that this is an important position and/or project for the company and hiring the right person will make a significant impact upon our company.
- The higher the level of the position ie: executive, the more cooperation and respect for the services of the recruiter. The converse is true of lesser level positions.
- Contingency searches are viewed as a less risk to the employer since they pay nothing unless they hire a candidate from the recruiter. Most employers don't recognize that this is not a win-win situation for both however. Contingency employers don't recognize that the recruiter is actually spending money on their behalf through long distance phone charges, postage, and possible internet fees or other marketing expenditures. It is very possible that the objective of the employer in a contingency relationship is to hire a candidate but hopefully not through the recruiter. The recruiter is viewed as a last-stitch effort.
- Retained relationships recognize that the recruiter is a partner in their objective to make a successful hire and they recognize that a high quality hire will come through the recruiter. The recruiter is recognized as being an expert in their field and is entrusted with more responsibilities other than just sending resumes. Many retained search firms manage the employer's ads, news releases, website inquiries, interview employer-owned candidates vs. recruiter-owned candidates, conduct personality profiles, on-site visits, and involved in telephone conference calls with candidate and employers. The employer recognizes that they are going to pay the fee so they let the recruiter earn the fee. Interestingly, many employers will only pay a contingency fee that could be as high as a retained search fee but are reluctant to let the search firm/recruiter earn that fee as they would if they were retained!

This last point leads into the whole question of what are your expectations of a recruiter as to what are the recruiter's expectations of working for an employer. This is a subject for a whole new article.

Again, it has been my experience that the most rewarding working relationships that I have ever had have come from employers who saw me as someone to partner with the goal of finding and hiring an outstanding employee. They valued my prior career experience, my ability to manage the



search process, my insight into the candidate before and during the interview process and often asked for my opinion on related matters. Most of these relationships were executive searches at a 30% fee, either exclusive contingency or retained searches.

If you put money aside on lower-level, lower-fee search assignments, my job satisfaction working with employers has been less gratifying.

Finally, let's answer the question as to how can you determine a quality recruiter relationship from your initial contact?

Look for these signs:

- Recruiter has strong same-industry experience and can talk shop with you;
- Recruiter is not willing just to take your job order without wanting to spend much more time on your expectations, reviews their expectations of you and has a plan for the search process including a thorough job order. In short, thoroughness of the job-order process.
- Thoroughness of the search process including but not limited to:
 - a. Initial telephone interview screening
 - b. Cover letter synopsis provide with the candidate's resume which outlines pros & cons of the candidate's resume and career
 - c. In-depth interviewing and strong knowledge of the candidate's motivation throughout their career
 - d. Ability to sell the merits of your company and job opening
 - e. Provides references on their candidate;
 - f. Willingness to verify education or credentials;
 - g. Ability to become your Public Relations manager so-to-speak in handling negative commentary about your company, position or management
 - h. Willingness to give tentative target dates for search outcomes and what to expect
- Recruiter that is not just willing to send resumes but wants to be a partner in the process. The recruiter is working for a long term relationship and not just wanting to make a quick placement. The recruiter will speak of looking out for your best interests as compared to your competitor companies. Can this recruiter give you competitive and market surveillance without violating client confidentiality?

If you had frustrations working with recruiters in the past and would like vent those frustrations towards developing a better working relationship, give me a call and we can discuss some ideas. Roger Manning (636) 875-5080.