

# What You Should Know about "Headhunters" and How to Use Them

Look upon a professional executive search as an investment in improving the quality of your managerial and technical horsepower

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by James H. Kennedy

The next time you have an important managerial or technical slot to fill in your company, consider putting an executive search firm to work for you. "I can't afford it," you might say. An executive search may certainly seem to be expensive (at a fee of 30% of the first year's compensation plus out-of-pocket incidental expenses, this works out to around \$25,000 for a \$75,000 job).

What you really can't afford, however, is to make a selection mistake, or to settle for less than the best available. What sense does it make to "save" a headhunter's fee and wind up hiring someone who makes a few \$100,000 mistakes, or who puts in a day's work and looks the part, but doesn't really share your values or your motivation?

Here's What A Search Firm Can Do For You That You Can't Do For Yourself:

- Cast a wider net to increase your chances of finding a superior person.
- Preserve confidentiality, if it's important.
- Evaluate candidates objectively.
- Get reference-givers to really open up.
- Advise on compensation levels and packages.

You won't get this kind of service from your banker or your lawyer or accountant or your college alumni office or any of the other people you might turn to for suggestions.

## Matchmaking: A Team Effort

I think the term "matchmaker" is much more appropriate than "headhunter." A good recruiter spends more time on the potential fit than on digging up candidates, more time reference-checking than running ads or telephoning prospects. True, executive search is widely accepted by the corporate giants, but it's even more important for smaller companies, where one hiring mistake can have disastrous results.

Filling an important post, however, isn't a task that you can farm out entirely to anyone, not even the most competent retainer-based executive search firm. The very best executive search is done on a teamwork basis, insiders working hand in hand with professionals and sharing information, reactions, expectations, and disappointments.

### An Unofficial Definition of Executive Search

Executive search/recruiting is a specialized branch of management consulting in which outside professionals are authorized by organizations to identify, attract and refer qualified candidates for important executive, managerial and technical positions. This usually confidential process involves research, search, and evaluation based on clear understanding of position and person specifications, and it is always employer-paid.

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## 10 Questions to Ask in Selecting A Search Firm

As a recruiter, Roger Williams points out in *How To Evaluate, Select and Work With Executive Recruiters (Consultants News '81)*, picking competent professionals in this field can be quite a challenge:

*"Since there are no laws or regulatory agencies at this time to certify or license executive recruiters, it may be difficult for you to identify legitimate practitioners. There is a professional organization--Association of Executive Recruiting Consultants, Inc.--but many firms are not members. Lack of membership in AERC does not imply that a recruitment consultant is not highly qualified. The fact remains, however, that anyone can hang out a shingle and represent himself as an executive search or recruitment consultant. Therefore, the same caution should be exercised in selecting a recruiter as you employ in looking for a doctor, lawyer, banker, or anyone else in whom you place your confidence."*

Here are some key questions to ask of a firm you're considering using:

- Are you really an executive recruiter? Or are you basically an employment agency? Would I find you under employment agencies in the Yellow Pages. How long have you been in business, and what are your credentials?
- Do you operate on a contingency or retainer basis - and why? You can't expect the same level of service from a firm where total income rests on contingency.  
While some of these firms do excellent work, many tend to refer a plethora of candidates in hopes that one will stick. They can't afford to do interviewing and reference checking on every candidate they handle.
- How does your firm match our needs? You don't need the worldwide resources of a big international firm for a local or regional search. Many quality searchers operate regionally, or within a given industry, or among

certain functional specialties (training directors for example).

- How much do you charge? Don't be satisfied with "25-33% plus expenses." Ask percentage of what? Guaranteed first-year income? Salary and guaranteed bonus? If there are progress payments, is the final portion contingent on any actual hiring?
- Who'll do the work? Are you dealing with a PR person or the person doing the actual work? Through how many levels will our work be filtered? Some search firms have research departments. In others, the recruiter does everything (there's a case for each approach).
- What guarantees do you offer? Most searchers won't recruit people from client organizations for a year or two. Does this mean your whole company, this division, or what? What if the new person doesn't work out? Will the recruiter find a replacement at no cost or for expenses only?
- What is your expense reimbursement policy? Out-of-pocket only? Is there a mark-up on research or administrative expenses? How much detail will be on the invoice? (A recent *Executive Recruiter News* survey showed expenses averaging 16 percent of the fee.)
- What are the ethical guidelines? If you don't really care ("Just find me the right guy: I don't care how"), be prepared: the same techniques may be used against you. Posing as a reporter to get the name of your Product Manager is illegal and immoral.  
Ask to see the code of ethics and professional practices of the Association of Executive Search Consultants. Compare it to your recruiter's policies.
- What's your hidden agenda? How much of your business is search? Do you really just want to get your foot in the door to sell us outplacement or management consulting or accounting/auditing services?
- For whom have you done similar work? While search is a confidential service, beware of the firm that hides totally behind this veil. Insist on talking to someone

(locally or for away) for whom the firm has worked.

Asking these questions will help you pick the firm that is best for you, and it will also further your understanding of the executive search process.

## When Things Go Wrong

Despite all precautions in selecting and working with executive recruiters, problems are bound to arise, especially when dealing in such an unscientific area. Veteran recruiter A. Robert Taylor (*How To Select and Use An Executive Search Firm*, McGraw-Hill, '84) cites 13 complaints most frequently voiced by organizations that retain executive search firms:

1. The consultant does not understand our requirement.
2. The consultant fails to understand the human chemistry in our organization.
3. The consultant is obviously overloaded.
4. The consultant has not conducted a thorough search.
5. The consultant was arrogant.
6. The consultant inflated the compensation package.
7. The consultant failed to check the candidate's background thoroughly.
8. The consultant was of little help during the negotiations with the candidate.
9. The consultant ignored us after the candidate accepted our offer.
10. The consultant tried to overcharge us.
11. A search firm recruited one of our executives after we had become a client of theirs.
12. The search took far too long.
13. The firm presented only one really good candidate.

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