



But It's Cheaper to Run an Ad or Post the Job.....Or Is It?

That used to be the number one reason for not using a search firm to fill an open position. As a matter of fact, ten years ago, we used to hear it daily. Now it's an excuse we hear only a few times a month. An experiential learning process among most companies across the country has changed that frequency drastically. And just in case you haven't been part of the process, here is what those companies have learned.

As a working example, let's take a \$100K CFO who wants to hire an \$85K Controller. A standard contingency search fee of 30% would result in a \$25,500 investment.

But let's say that the CFO decides to do the search on his own. He may work through a Human Resources Department but he likely will still have to amend or approve the ad or posting being used (say 20 minutes), review resumes that HR feels are worth considering (say 15 resumes at 10 minutes each), re-screen them to the top 5 (say 5 minutes each), ask HR to check references and review those (say 10 minutes each) and decide on the top 3 to see in person (maybe 5 minutes each).

So far the CFO even with the help of HR has invested 4 hours and 20 minutes of time in the process and he hasn't come to the interviewing phase yet. In fact, because of the time taken away from his routine responsibilities as CFO, most time management researchers double the manager's time figure to more accurately reflect both the actual time utilized and the forfeiture of his worth to the company in uncompleted or postponed responsibilities. If we adopt that industry gauge, we have a figure of 8 hours and 40 minutes committed thus far to the hiring process by the CFO. Of course, if a suitable candidate is not found among the applicants to the posting, more time will have to be invested to amend and re-post the position, problem-solve why there wasn't a better response and develop another means of conveying the opening to a more targeted audience.

Another critical aspect that needs to be taken into consideration is the loss endured by the company because of the Controller vacancy. Of course, the essential financial and regulatory reports get done by others in the organization but the non-essential ("can be done later") ones begin to back-log and that costs the organization money. The longer the position is vacant, the bigger the back-log and the more money it costs the company.

Logically, a search firm can speed up the hiring process significantly. Even if the recruiter has to contribute more hours to the effort, it doesn't have to be done on a piecemeal basis between other responsibilities. And because good recruiters do not use ads (What stellar performers spend their time looking at ads?), they do not have to wait for responses from interested candidates like the CFO does. A good



recruiter will typically come up with a targeted plan involving particular companies or geographical areas and begin calling to find candidates that fit the parameters identified by the client. Within a few days, a good recruiter can usually identify at least 3-4 potential “fits” for most positions. Most recent data shows an average difference of 6 weeks between a recruiter’s ability to source qualified initial candidates and that of a hiring authority. If that is true, the Controller vacancy (\$85K or about \$41/hour) costs the company an additional \$10,000 in lost productivity for the extra 6 weeks that the position remains open.

For the CFO doing his own search, he now has to set up scheduled interviews with the top 3 candidates (say 2 hours each), then hopefully a last one with the finalist (another 2 hours). Ideally that results in a match on both sides, an offer can be tendered and an acceptance and start date can be ascertained. If that happens, the CFO can turn his full attention back to his responsibilities until the new employee begins and he has to move into the training stage of the process. Of course, the training phase will take the CFO’s time too. Logically, the more closely the candidate’s previous experience aligns with that of the new position, the less training he will need, the sooner he can become a full benefit to the organization and the sooner the CFO can return to his responsibilities. Because of that, the CFO or any hiring authority for that matter should want the search to throw the widest possible net to obtain a candidate who really aligns well with the position. If the CFO is doing the search on his own, he may be forced to make the best choice from his sampling of candidates who happened to see the posting. That may work just fine or it may take more of the CFO’s time because an ideal candidate simply wasn’t among the choices. So even the length of the training phase (and thus the cost to the organization in terms of lost productivity) is affected by the selection method and the choices provided to the hiring authority.

There are also a few additional hurdles that can rob more time from the CFO if he is conducting his own search. AMA suggests that one middle manager out of three turns down a job offer at this stage and one out of four responds to a counter-offer from his current company. If that happens, the whole process has to begin again. Or what if the candidate begins at his new job and something unforeseen occurs (he can’t sell his house, his wife can’t adjust to the new area, no one knew that his personality would be so abrasive, etc.) and he chooses to leave or is asked to leave? The time and money already invested certainly cannot be regained and the process has to begin all over again. If you want to do your own calculations for your specific position, I invite you to use an on-line tool that many clients have found useful - <https://bonus.ly/cost-of-employee-turnover-calculator#>.

In contrast, a contingency search firm recruits, screens, qualifies and references candidates before the hiring authority even starts the process with them. By the time a CFO sees a resume, a recruiter would have already covered the area,



housing, spousal support, schools, personality fits and many other “hot button” issues that could be problematic in the future. This is done at no cost to the CFO since no fee is ever due unless a candidate is hired. The CFO’s time is needed only to review the recruiter’s top choices and to conduct the interviews. A good recruiter also takes care of salary negotiations, candidate acceptance, the resignation process and most of all, how to handle a counter-offer. In addition, a good recruiter offers the client a guarantee of replacement should the position not work out for whatever reason.

Someone once said, “I don’t know why your fee is so high. You just have to make a few calls.” Our response: “Yes, \$100 to make the calls and the rest for knowing what calls to make!” The fact of the matter is that having a good recruiter working for you is usually more cost-effective than you think if you consider all the issues surrounding the hiring process. If you haven’t found a dependable recruiter who is worth his fee, call the Executive Group and we will introduce you to one.