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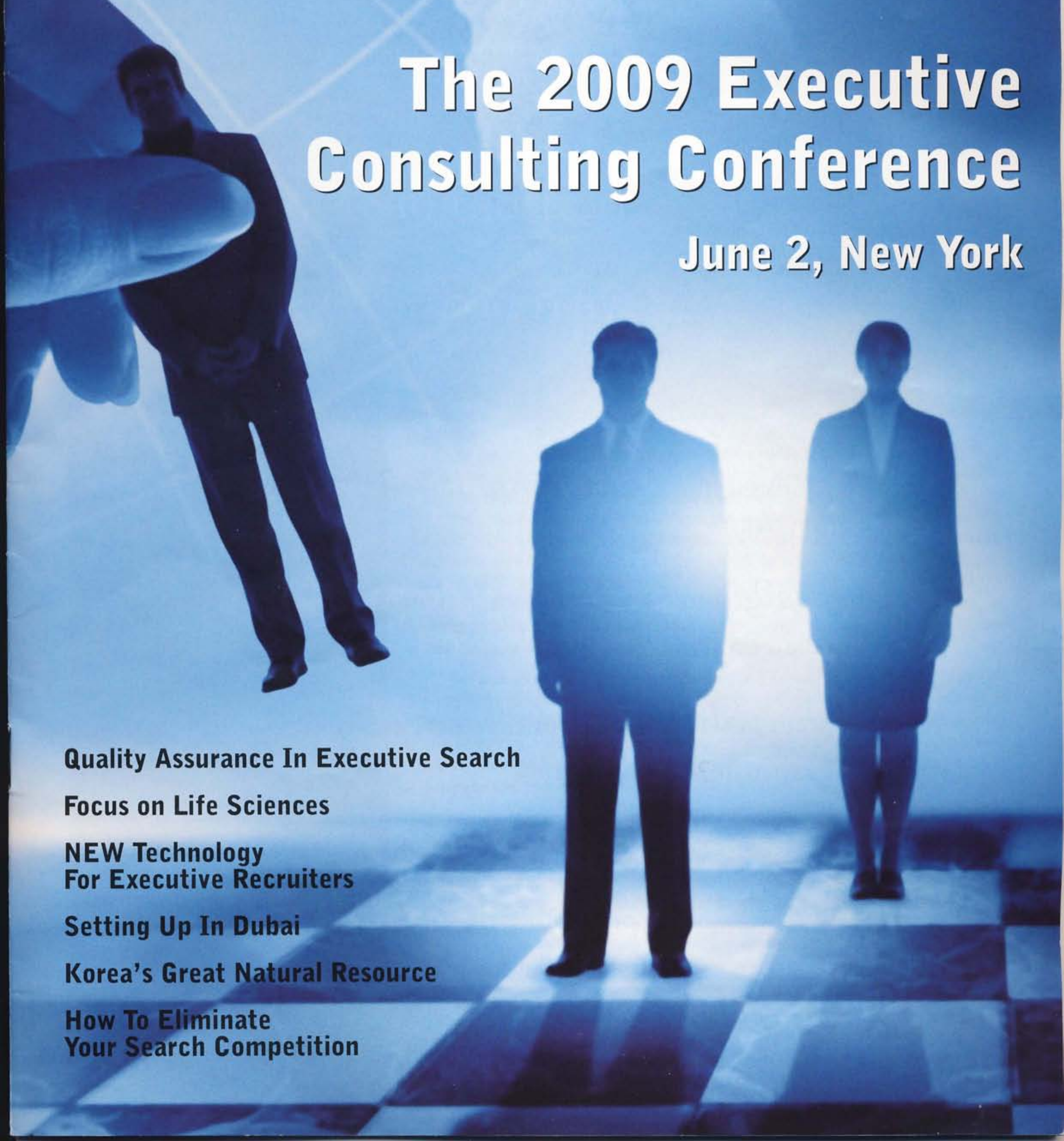

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How To Eliminate Your Search Competition

How We Can Eliminate Our Search Competition

By Tom Nevins

We can do it without a fight. The best way to eliminate the competition is to stop it before it even emerges. The best way to accomplish this is to:

- Pay your Executive Search Consultants more money;
- Give your consultants more autonomy;
- Become better at showing your consultants how much money really is left over after paying all the costs needed to run a firm.

PAY YOUR SEARCH CONSULTANTS MORE MONEY - THE RIGHT WAY

I have run TMT Inc., the partner of Glasford International in Japan, since I started this firm in 1978. We have been offering Executive Search since 1982. If I only knew, what I know now!!

Paying Executive Search Consultants high fixed salaries will not be good for them or the firm. However, based on the firm's revenue that month, it is possible to have significant financial support going to consultants - even if they have not generated personal placement revenue that month. The recruiting team is paid well, and can only maximize personal earnings when, company-wide, there is a higher-side revenue generated that month. Therefore, consultants will come to see new talent coming into the firm as essential and a positive factor instead of as direct competition. Headcount growth and monthly firm-wide sales growth is necessary to maximize individual earnings, even when an individual's personal revenues are dry for a month, or even longer. Consultants and the rest of the staff can see that keeping the team together is in everyone's best interest.

From the beginning, if I had the reward system that our firm now has in place, there would not have been nearly as many spin-offs as there were. Some of those spin-offs led to even more spin-offs, and sometimes even unruly off-spring. It can definitely be said that I am, perhaps "the", grandfather of spin-off in the Japan market. There is no doubt that this has made the market more difficult and less attractive. Luckily, for the last decade, the spinning has stopped, at least with us. If the commonly known story is true, that the Executive Search industry started in 1947 at Boyden, with Mr. Korn and Mr. Ferry spinning off from Boyden, it is a rather new industry. Just a few years of such 'spin-off behavior' can significantly affect a given local market, and in turn, the global market.

By paying a larger take to your Executive Search Consultants it may seem like in the short run an owner/partner will make less money—often less than key producers within the firm. However, it becomes appealing when you know that you are building a larger, more stable firm. The psychological benefits and peace of mind, of enhanced trust, more effective client service and the satisfaction of watching consultants grow and take initiative in running the firm, seems to more than compensate. They are partners before profit—a nice position to be in! But at least there are no fights, nor disagreements among the consultants or with the founding owner/partner on how money is spent. Instead, everyone works together to promote the business.

GIVE YOUR SEARCH CONSULTANTS MORE AUTONOMY

Personally, I was always good at providing consultants with more autonomy. Actually, for over 25 years, even when I was the one that primarily made a placement I preferred to distribute the incentives to consultants as if I were not involved. I realize that may not be possible at smaller firms, or firms just starting out. It also is true that in the earliest years, when I was more involved in hands-on, candidate-side executing placements, the incentives the firm paid out were not that much.

If you are not going to be personally involved, it is vital that you have very strong search consultants under you—ones you can depend on and ones that can even do a better job than you would. Retaining this talent, therefore, is critical.

Keep in mind that one reason good Search Consultants will leave a smaller firm, or perhaps even one of the strongest, more centrally-controlled global franchises, would be if the lead partner or partners kept to themselves a number of the delicious, lucrative assignments - making placements without distributing the incentives, or registering the revenue on the recruiting consultants' tabs.

I have many conversations with competitors who started their own firms, stating how they hated it when their old bosses continuously looked over their shoulders. Many have even said:"If I had entered the industry in a firm like yours I probably would still be there, and would not have started out on my own."

BECOME BETTER AT SHOWING HOW MUCH MONEY IS REALLY LEFT OVER

This area often amazes me, and can be quite frustrating. We think that our Search Consultants would readily understand how good 'the system' is, understand the various components of a pay system and be able to visualize the overhead costs. But, they don't...

There are the consultants who say: "I trust you. I never look at the details on my pay sheet". Great! They don't even see all the bells and whistles. So that means as senior players, they are not positively advocating the pay system. Then, there are those who only see the months when they made a placement. When they have placements, all they see is the portion that was not allocated to them. They don't see the months they were supported when they had no placement revenue.

There are Executive Search Consultants and staff who only see and remember the big company-wide total revenue months, when you celebrate with a company party.

They have an inability to see all the firm's overhead costs, such as marketing and advertising costs to make the firm more visible; paying salaries to recruiters who did not work out and never earned a yen; paying chamber of commerce fees; paying rent and utilities; paying internal recruiting costs; then, there is the database software purchase and yearly maintenance fees; there is the global network membership and biannual meeting and travel fees; access to helpful third party commercial data base costs; infrastructure costs, such as updating phone systems, office design and furnishings; there are the

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license and insurance fees; there are travel costs; don't forget to pay the corporate taxes, as the list goes on.

Many Executive Search Consultants, who are not adding up the numbers and paying the bills, perceive the firm to make 3x the fat that is actually there. Some months the fat is gone and you are down to the bone, with the owner injecting personal funds.

The best and most effective solution is to calculate and show that, on average, over a year, or over the years, only x amount per month remains after paying out consultant and staff salaries. Then, list a few large expenses so that your consultants will begin to grasp how much is really required to run the firm efficiently, and therefore, begin to get a picture of how very little really is left over. This point obviously needs periodic reminding to be effective.

CONCLUDING THOUGHTS

Within the Executive Search industry, only a wise application of all three statements explained above will largely eliminate spin-offs and therefore, eliminate new competition from emerging. It is possible to reach a place, where even your best, rainmaking Consultants can see that life is easier, and better within the firm, than working anywhere else.

This is especially evident when key money-makers realize all the difficulties they would have if they tried to hire and retain top talent like themselves. They would soon realize that if they trained and developed recruiters who never worked out - or worst, spun-off or left for 'greener pastures' - it would hurt them even more if they were an owner, rather than just another member of a larger organization.

As owners of their own firms, they would also come to realize that to avoid the trail of spin-offs - and, yes, the betrayal of trust rather prevalent in our industry - they would have to pay out so much in salary and incentives that the personal earnings level they now enjoy would be impossible to sustain, especially during those months when they would have to dip into their personal wealth just to pay the bills and keep the firm running.

The best way to eliminate this competition is to make sure it never comes about. It is better to divide the pie among fewer firms—each piece larger and tastier. Moreover, we would be in a better position to maintain fee levels and win retained searches, as our clients value the critical service we provide.

**The above views are mine and not necessarily shared by my Glasford Partners.*

Tom Nevins is the Founder & President of TMT Inc/Glasford International Japan. Based in Tokyo, this firm is celebrating its 30th anniversary.

Glasford International is an executive search network with partners in over 30 countries.

www.search-consult.com

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