

Which Type of Search Is Best for You?

by Kevin Carroll

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During the winter, I coach youth basketball. I didn't plan to get so involved, frankly; but with four sons, I felt that the gravitational pull of sports in our house was just too strong to ignore.

One of the coaching lessons I've learned over the years is that you have to "coach to the team." In other words, some years you might have a tall group, and that dictates one type of approach. Other years you might get a group of small, scrappy players, and that suggests something else. The worst thing you can do (in my opinion) is pick a coaching strategy before the season begins and stick with it, all the while ignoring the realities of your team's strengths and weaknesses — and those of your competition.

When it comes to hiring — particularly in a specialized industry such as biopharmaceuticals — you'll find that the same kind of flexibility is required. Here's what I mean.

Chances are, whether you're head of a large organization or just starting to put together your team, the time will come when you'll need to tap outside sources (recruiters and the like) to assist. That's fine, and these professionals can save you a tremendous amount of time, money, and effort in bringing the right people on board more efficiently than you could on your own.

That said — and I tell you this as a recruiting industry veteran — if you

don't use the right type of recruiting approach to fit your particular needs at a particular time, you're just as likely to waste your time, money, and effort. The fact is, like coaching basketball, there is no best hiring strategy for all situations, and part of the challenge is matching the solution to your particular set of circumstances.

SOME DEFINITIONS

The two most common types of professional search arrangements are *retained* and *contingency*. Some recruiting firms offer both kinds, but the vast majority specialize in one or the other (and despite what an eager recruiter may tell you, neither approach is best in all situations).

A *retained* search firm charges a fixed fee for conducting a search and, like an accountant or an attorney, is compensated regardless of the successful completion of the search. Retained search fees are higher than other approaches, typically coming in at a third of the base plus first year's bonus.

With a *contingency* search, you pay only when you hire a candidate. A contingency firm may be brought in exclusively, but typically several firms are chasing a given position at a given time. Contingency fees range 20–30% of base plus bonus or an agreed upon flat fee.

At first glance, and from your perspective as the hiring company, contingency might always seem like



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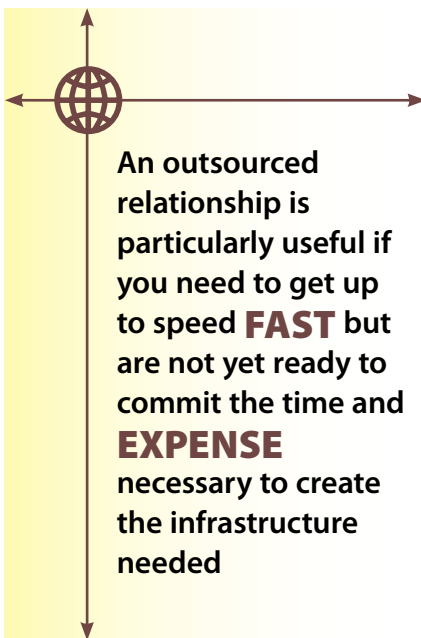
the better arrangement. After all, why pay higher fees and be on the hook to pay whether or not the search is successful? One word: commitment.

Commitment on the Part of the Hiring Company: Often, the first question a candidate asks after a recruiter identifies himself as such on the phone is, "Is this contingency or retained?" If the answer is "retained," candidates pay close attention. Senior-level players in particular know that when a company engages a retained search, it has put its money down and is serious about filling a key position.

Commitment on the Part of the Recruiter: A contingency recruiter quickly learns to play the odds; to pick the low hanging fruit that can be taken most efficiently. If you've got 10 open searches in front of you, for example, and you know you'll be compensated only following a successful placement, you're going to focus your energies on the positions that you can fill the fastest. With a retained search, on the other hand,

there's a greater commitment to a particular client and to staying focused on filling a given position.

So which is best? It depends. If you've got senior-level, hard-to-fill positions in your organization, you need to consider engaging a retained search firm. Sure, the fees are higher and there's a risk that you'll pay for a position that goes unfilled, but the risk to your organization may be even greater if you leave critical roles unoccupied for long periods of time. Particularly if you're in start-up phase



headed for a critical point such as a key round of fundraising, a pivotal regulatory filing, or a commercial launch, key position openings can cause irreparable harm.

Conversely, if you've got more tactical functions and mid-level management, easier-to-fill positions, you may be better off hiring a contingency firm and paying a lower fee. In this case, you represent the low hanging fruit in the mind of the recruiter.

Note that many contingency recruiters specialize in a specific niche such as clinical research or specialty sales. An ideal situation for using this approach, therefore, is when you need very targeted help in these areas but feel that your own internal resources can fill other positions on their own.

OTHER ARRANGEMENTS

Contingency and retained are the most common arrangements, but there are others as well, each of which can play an important role in getting the hiring job done.

Partnership: If you've got many positions to fill in a short amount of time, you may consider asking two or three contingency firms to partner together. Not only does this spread your risk, it also puts you in front of more candidates, because recruiting firms are prohibited from hiring out of their own client firms (that is, for any firm you hire, its clients as potential candidates are closed off to you from the start).

Keep in mind with partnerships that coordination and accountability are paramount; there's a lot of room for confusion and finger pointing when several firms are working the same job. Dividing the country geographically (from a candidate sourcing perspective) is a fairly effective way to minimize this problem, and I have seen this approach work very effectively when companies are building their initial or expansion specialty sales forces.

In-House Contracting: With this arrangement, you bring in a recruiter who is dedicated to filling your positions. This also works well when you've got many jobs to fill, and it offers a number of advantages. First, the contractor is 100% focused on you. Second, his approach and representation of your company is easier to manage because he's literally sitting in your office. Finally, it's understood that he's there on an interim basis, and when the job is done, you can cleanly unplug him. One caveat is understanding that in-house recruiters can recruit only for as many positions as they can handle. Often, a contract recruiter will turn to contingency or retained firms to assist with positions beyond his or her scope or time resources.

Outsourcing: If you choose to outsource, you will have a third-party firm staff a function of your organization (e.g., sales, clinical research) and run it for some period of time. The flexibility these organizations can provide can be a

godsend. This approach is particularly useful if you need to get up to speed fast but are not yet ready to commit the time and expense necessary to create the infrastructure needed (e.g., operations, software support, computers, phones, space). These organizations have evolved over the years and offer a high level of expertise in a variety of key functional and specialized areas ranging from bench research assistance to medical affairs to reimbursement expertise.

The downside to outsourcing is that many of the best candidates don't want to be outsourced (they want to be part of an organization), and keeping a handle on vision, morale, and productivity may be more difficult. For example, many biotech sales professionals are motivated by the prospect of stock options and the opportunity to be in on the "ground floor" of an entrepreneurial emerging biopharmaceutical company. If you need to attract sales veterans with years of contacts and earned access so you can launch a more "high tech" product in a therapeutic area like oncology, an outsourced arrangement may not work.

KNOW YOUR OPTIONS

In summary, and whether you're coaching basketball or hiring staff, there's a time and a place for everything. Representatives from each of the firm types mentioned here will do their best to convince you that their approach is always superior. If you don't understand your options, you're vulnerable to taking actions that may not be in your best interest. 🌐

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