



The recruitment industry

BUYER BEWARE

Advertised executive recruitment is big business now, and, according to MARTIN DARKE, clients need to ask the hard questions.

The advertised executive recruitment industry is in full flight. HR managers in commercial firms are constantly bombarded by cold calls from consultants touting for business. More and more players are entering the market, perhaps because of the positive outlook for the economy and the lack of entry barriers.

Yet the advertised executive recruitment industry does little to promote a favourable image. Looking behind the scenes reveals some practices that are worth questioning.

Many recruitment firms have a rule of thumb that fees (usually 15-20 per cent of the remuneration package) are split equally between the consultant, the firm and 'administration' costs. Therefore, any consultant successfully handling at least 20 assignments per year with an average package of \$75,000 can expect to earn a decent salary, whilst the consultant's employer will have no difficulty making a profit.

But there is an argument for capping fees, say, above \$100,000. Only a little extra work goes into finding someone for a bigger package of \$150,000 for example. The way fees are applied is also cause for concern. Fees are usually applied to all components of a salary package, although such packages at middle management levels are largely made up of cash. Applying a percentage fee to superannuation, a car and any other

benefits, seems an unjustifiable means of increasing that fee.

Many recruitment firms employ sales people as consultants. But the skills required to glean information from a candidate are different to those required to obtain the assignment. Equally problematic is the 'handballing' firm that sells the product via one consultant and then handballs the assignment to another member of their staff.

Curiously, some recruitment firms re-type candidates' résumés before submitting them to the client. This does not make sense. How candidates present themselves on paper is relevant and whose right is it to edit résumés anyway?

One of the more disturbing features of the recruitment industry is the high number of young consultants. Most lack direct work experience and, unless they have had considerable training, the interpersonal skills and presence to make them credible interviewers of more experienced candidates.

The vast majority of recruitment advertisements in Australia refer to the anonymous 'client'. In (rare) cases of utmost confidentiality, a client needs to protect its name. But it is possible that the recruitment consultant is suggesting anonymity merely to prevent the client from being approached by competitors in the recruitment sector.

Some candidates will not respond to anonymous advertisements. They may be concerned about the confidentiality of their application, but they may also doubt that a vacancy exists.

The recruitment advertisement is a wonderful marketing opportunity to promote your firm as an employer of first choice. And a properly attributed advertisement will also attract applicants

genuinely interested in working for your firm.

The trend in recent years has been for recruitment firms to indicate that they are experts in certain areas such as 'sales and marketing', 'finance and accounting', and 'technology'. There is no harm in questioning the degree of expertise in any such field, because the obvious corollary is that 'experts' ought to be concentrating on what they are good at rather than recruiting.

Good recruiters are able to demonstrate their understanding of roles by the depth of the questions that they ask. There can be an advantage in using a generalist recruiter who may look at the issues from a new perspective, compared to the 'blinkered' approach taken by a specialist who has only ever worked in one field.

Most recruitment consultancies offer a guarantee. If a successful candidate resigns or is dismissed within three to six months, for example, the consultancy will find a replacement free of charge, other than expenses incurred.

This is very one-sided. What happens if the client decides that they don't want a replacement, or if they find someone by other means? The occasional offer of a credit against future assignments is not good enough. Why shouldn't a refund be in order?

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Given that recruitment consultants expect to get it right over 90 per cent of the time, it seems entirely reasonable for them to offer a refund of their final invoice as part of their terms and conditions. An occasional refund is surely not going to have a major impact on the bottom line. But it is bound to improve the overall relationship with the client.

All recruitment consultancies talk about building long-term relationships with clients, even those that suffer from high turnover of their own consultants. Don't forget this is a secretive industry with no barriers to entry and one that is driven by commission. **Caveat emptor.** ■

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