



The Strategic Value of Outsourced Research Partners:

A discussion concerning collaborative partnerships among executive search researchers.

With the demand for good research increasing daily, the executive search research sector faces a time of unprecedented growth.

Are you overloaded with work and in need of assistance?

Are you seeking to grow your business in the most cost effective manner possible?

Are you looking to expand internationally without the costs of opening an office in a foreign country?

If any of the above questions reverberate with you, you're not alone. With demand for executive research services increasing daily, the sector faces a time of unprecedented growth. However, with growth comes the need for it to be managed.

Here are the typical challenges many research firms face when managing and growing their businesses.

ISSUE # 1 WORKLOAD

In many firms these days, clients are calling, new business referrals are being obtained and generally times are good. Partners and owners of research firms are busy managing projects and some are even trying to expand. Yet, with increasing workloads and client timelines that must be met, finding the time to identify, hire, train and effectively manage a team of assistants can be a daunting task.

ISSUE #2 PERMANENT STAFF, PERMANENT OVERHEAD

With growth comes the need for additional resources to meet that growth. Competent staff must be recruited, hired and trained. Considerable costs can be associated with these activities. To obtain the true costs of hiring and training research staff the following should be considered:

- Initial and ongoing payroll, taxes and insurances.
- Lost time due to the learning curve while being trained.
- The amount of non-billable time an owner/partner must invest in the training process.
- Ongoing management time and effort.
- Downtime when the workload is light.
- Position turnover.

With growth comes the need for additional resources to meet that growth.

Competent staff must be recruited, hired and trained and with this comes considerable costs and sometimes frustration.

ISSUE #3 INTERNATIONAL CUSTOMER REQUESTS

With a globalized marketplace, clients often request assistance in locating candidates in foreign countries. However, in some cases the researcher may have no previous work experience within those countries. This can present a challenge because of the difference in time zones and social customs.

Sometimes when conducting a research assignment in foreign countries, schedules with friends and family must be adjusted to accommodate the time difference. If late night or early morning hours are required, it can have a significant effect on the motivation and output of the researcher the following day. To solve this issue some research firms have opted to establish offices in foreign countries, however as we'll see below this concept has its own set of challenges.

ISSUE #4 INTERNATIONAL EXPANSION

Some research firms in an attempt to gain market share and grow their businesses have either considered or have established an office within a foreign country. In doing so, generally research firms prefer to send "one of their own" to establish the office. However, while offering the advantage of installing someone who is trustworthy, trained and aware of procedures, there can be problems that arise, such as:

- They may find there are vast cultural differences within the marketplace.
- Even though they may speak the foreign language, they may not have done so in a business setting.
- Working by themselves or with limited support staff, they may find it hard to stay motivated on a day to day basis.
- No matter how successful, at some point the individual will want to "come home".

STAYING SMALL

With many challenges involved in managing and growing a successful firm, many researchers have opted to simply remain a one or two person business. There are both benefits and disadvantages to this line of thinking. Let's look at each:

According to Lorna Riley, president of the American Training Association (ATA), workers most susceptible to career burnout include those who love their work, are perfectionists and have Type-A personalities with high expectations.

Benefits of staying small:

- The ability to stay in control.
- The ability to serve clients personally.
- Simplicity.
- Few responsibilities other than serving clients.
- Limited financial overhead.
- Freedom of working style, space and pace.
- Few management headaches.

Disadvantages of staying small:

- High risk. The entire business is the researcher. If they aren't working, no income is created.
- Limited profit potential.
- Inability to service large clients or conduct a significant number of projects at one time without additional support.
- Limited day to day "in person" social contact.
- Self motivation at times can be challenging.

In summary there are good arguments on both sides of the fence for remaining small, but might there be a way to obtain the benefits of staying small while at the same time growing a research firm?

GROWTH WITHOUT INCONVENIENCE

With an ever increasing workload, significant time pressures and multiple time zones to be worked within it's no wonder that burnout or overload tends to be associated with the executive search sector. However, let's look at two possible solutions to the multitude of challenges.

These experienced, fully trained professionals may consider a short to medium term contract, allowing a research firm the ability to meet demand without the disadvantages of adding permanent staff.

SOLUTION #1 CONTRACT RESEARCH ASSISTANCE

For years corporate employers have utilized “interim” or “contract” executives to assist during times of business transition, reorganizations, new product launches, etc. Additionally, many professionals when establishing or launching a private legal or accounting practice will contract with other firms in order to maintain a steady workload. However, when it comes to the executive search research sector, the idea of “sharing a workload” has not been widely adopted and should be considered as a viable strategic method for meeting customer demand and growing a business.

Hiring an experienced, fully trained executive search researcher for a short to medium term contract allows a research firm the ability to meet increased demand without the disadvantages of adding permanent staff. With the advent of modern technology, this person could be working anywhere in the world.

A clear advantage to contracting with an experienced researcher is that both the time period and cost structure is predetermined thereby enabling the measurement of profit to the firm. Additionally, because the researcher is trained and accustomed to motivating themselves to meet client timelines, the time required to manage such an individual is limited. Let’s review an example.

Heritage Researchers receive a call from a client seeking a managing director. The project is estimated to take 7 days at € 600 per day. With a current workload of 5 projects, an additional 7 day project is not feasible unless it can be contracted out. Heritage Researchers decides to contact Ralph Clague, an executive search researcher. Heritage extends an offer for 7 days work at € 40 per hour or € 320 per day, which Ralph accepts. The end result is as follows:

€ 4,200 gross
- € 2,240 paid to Ralph Clague
€ 1,960 profit to Heritage Researchers

While the advantages of such an arrangement are clear, there are some challenges involved in finding an experienced researcher willing to work under contract. Here are some suggestions:

1. Approach newly established research firms and ask if they are receptive to a short or medium term agreement.
2. During various industry trade shows and association meetings, begin sharing with others that you are seeking prospective contractors.
3. Advertise in select industry publications and association newsletters.

Olson Research made 300% more money in one day's work than they would otherwise have made.

SOLUTION #2 COLLABORATIVE PARTNERSHIPS AMONG FIRMS

Another option to consider is adopting an informal partnership with a research firm that is in the country in which the research assignment resides. This “split fee” model is very similar to those adopted by the executive search community.

The benefit of obtaining local support in a foreign country is fairly obvious when it comes to language and social customs. However, there may be a benefit to a research firm's customer base as well. Some clients may be using multiple research firms in different parts of the world. Offering to be the client's single point of contact for all international research would simplify their lives and increase revenues for the referring firm.

Is sharing business under a “split fee” model worth the time and effort involved in establishing partnerships with other research firms? Let's review an example:

Olson Research located in Oslo, Norway receives a 10 day assignment from a local oil & gas customer, to locate an engineering director for the firm's office in Houston, Texas USA.

Anticipating the 7 hour time difference between Oslo and Houston and their current workload, Olson Research decides to contact Yankee Brothers Research in Detroit, Michigan USA. Yankee Brothers is pleased to hear from Olson as they just finished a major project for a key client and have 2 weeks of capacity before another project is scheduled to start. In order to maintain their revenue stream and workload, Yankee Brothers and Olson agree to the following split - 2/3 going to the firm performing the research work and 1/3 going to the referring research firm.

Upon completion of the assignment, Olson Research bills their client for 10 days of research work at their normal rate of € 600 per day.

Yankee Brothers sends a bill to Olson Research for the equivalent of 2/3 of the project.

€ 6,000 gross
-€ 3,960 paid to Yankee Brothers
€ 2,040 profit to Olson Research

In the above example Olson Research spent the equivalent of one day's work in referring the project, managing its progress and communicating with the client. Yet the firm made over 300% more money in one day's work than they would otherwise have made. **They have leveraged their time which will translate into even higher profits if they wisely invest the time gained in marketing and business development activities.**

(Note this example utilized a 2/3 split, but some partnerships might be established at a higher rate (3/4) or lower rate (50/50).

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HOW TO SELECT A CONTRACT RESEARCHER OR RESEARCH FIRM AS A PARTNER

The process of selecting a contract researcher or research firm needs to be well thought out and planned. Here is a summary of prospective steps that could be taken in assessing the strengths of a potential partner:

1. Have the researcher or firm provide you with a written overview of their experience and history within the profession of executive search research. (This demonstrates their organization and writing abilities)
2. Inquire as to how they were trained. Ask them to outline the steps they go through in constructing a target list. How do they establish qualifying criteria? How do they handle objections – do they roll over or are they persistent?
3. Request a sample of their work. How neat is it? How user friendly? How many layers deep is the name generation?
4. Role-play typical telephone calls with a prospective partner.
5. Obtain and check references.
6. Have them perform two half-day trial projects concerning target list development, candidate ID or direct approach sourcing.

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about action,
only inaction.”

Winston
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CONCLUSION

Throughout this paper some of the challenges involved in successfully managing and growing an executive research firm have been discussed and two solutions, among many, have been suggested. However, at the end of the day it's neither the challenges we recognize nor the solutions we research that solve the problems we all grapple with, but action taken towards our goals that makes the difference.

“I never worry about action, only inaction.”

- Winston Churchill.

This paper was written by Jeff Ketchum, the founder and president of Lordstone Corporation. His career in executive search research originally began in 1988 where as a research analyst he followed the emerging technology sector for an international executive search firm. In 1998 he founded the retained search firm of Ketchum & Associates, Inc. where working as a generalist he conducted searches for senior levels of management throughout a variety of industries. After 8 years of retained search work, extensive travel and the birth of 3 more children, Jeff decided that a lifestyle change was in order. At the same time assessed a need in the marketplace for high quality research services. Having been an end user of executive search research for several years, he gained practical insights that have translated into the current service offerings of Lordstone Corporation.

A strong believer in continuing education, Jeff has been privately trained by Rachel Roche, one of the worlds leading recruitment research educators who conducts training for the AESC (<http://www.aesc.org>). This mentoring over the last 5 years has elevated his executive research skills to new levels of performance.