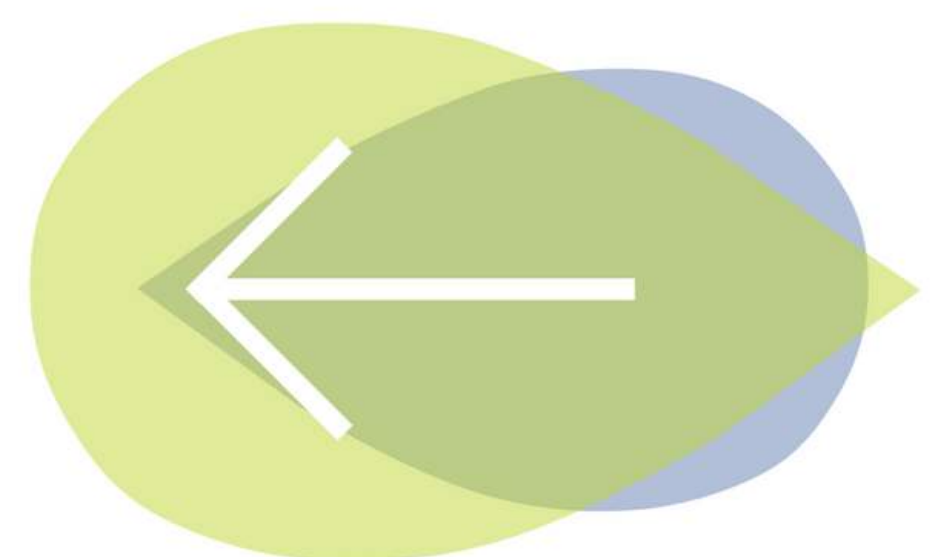




# Case Study: The Cost of Executive Search

This case examines the cost of using an executive search firm versus succession planning consultants. In this scenario, the client organization is looking to fill the president’s position, after the incumbent announced his resignation in order to attend to long-term family obligations. The urgency to find a successor is compounded by the lack of ready internal candidates. The company’s vice presidents (VPs) are either new to their roles or have been hired externally, and are not yet integrated enough to assume the presidency on their own. Consequently the chief human resources officer (CHRO) begins to investigate the costs of working with an executive search firm versus succession planning consultants.



## EXECUTIVE SEARCH FIRM COSTS BY TYPE

	Type of Executive Search Firm			
	Retained	Contingency	Hybrid	Research
Fee Model	35% + \$15,000 – \$20,000 admin and related expenses	20 – 30%	\$8,000 + 20 – 25%	\$50,000 – \$300,000
Expected Cost	\$85,000 – \$90,000	\$40,000 – \$60,000	\$48,000 – \$58,000	\$50,000 – \$60,000

Figure 1. Fee models and expected costs based on the type of executive search firm. Percentages refer to a percentage of the candidate’s first year salary.<sup>1-7</sup> For more information about the different types of executive search firms, please [download](#) the complete case study.

**CONCLUSION:** Hybrid executive search firms\* provide the most effective and cost-efficient solution for executive search. [Download the complete case](#) to read the full rationale for this decision.

\***HYBRID EXECUTIVE SEARCH FIRMS** operate on an exclusive basis similar to retained firms, however their fee model is more flexible. Clients pay a portion of the fee upfront, and the remainder when a candidate is successfully placed.

## EXECUTIVE SEARCH VERSUS SUCCESSION PLANNING



Figure 2a. Executive search firms recruit an external successor for critical roles when vacancies arise.

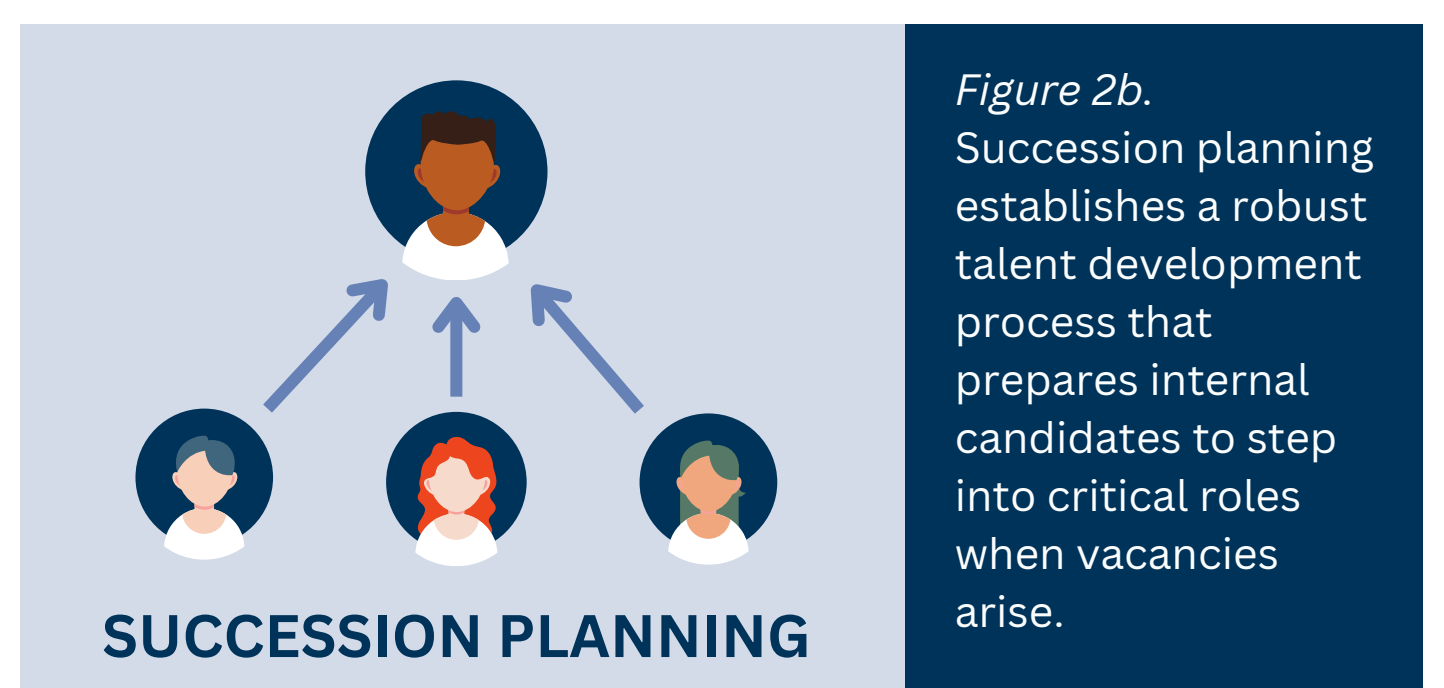


Figure 2b. Succession planning establishes a robust talent development process that prepares internal candidates to step into critical roles when vacancies arise.



➔ **PROS, CONS, AND COSTS OF EXECUTIVE SEARCH VS. SUCCESSION**

	Types of Service	
	Hybrid Executive Search	Succession Planning Consulting
<b>Expected Cost</b>	\$48,000 - \$58,000	\$20,000
<b>Pros</b>	<ul style="list-style-type: none"> <li>• Able to fill the president’s role without requiring any re-allocation of internal talent.</li> </ul>	<ul style="list-style-type: none"> <li>• Able to fill the president’s role, however it would require the reallocation of internal talent.</li> <li>• Includes a comprehensive succession planning process.</li> <li>• Candidates are internal, allowing them to carry organizational knowledge, experience, and relationships to their new position.</li> <li>• Organization receives support during the onboarding and talent development process</li> </ul>
<b>Cons</b>	<ul style="list-style-type: none"> <li>• No overall succession plan process: executive search is a temporary, “Band-Aid” solution to the problem.</li> <li>• The candidate will be external and have no pre-existing organizational knowledge or relationships.</li> <li>• The organization is responsible for most of the onboarding and talent development.</li> </ul>	<ul style="list-style-type: none"> <li>• In the immediate future, the president’s role will be split into multiple roles — it will take longer to fill the role permanently in terms of a single, fully-equipped candidate.</li> </ul>

Figure 3. Pros, cons, and cost of working with a hybrid executive search firm versus a succession planning consulting firm.

**EXECUTIVE SEARCH = \$48,000 - \$58,000**

**SUCCESSION PLANNING = \$20,000**

**THE ROI OF SUCCESSION PLANNING**

SIGMA's Succession Planning Launch requires an investment of only \$20,000 and two workshops with your leaders. Following the workshop, our consultants will deliver a comprehensive 12-month succession plan tailored for each member of your team. Save thousands of dollars in executive search firm fees and get succession done right with SIGMA.

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