



NGS GLOBAL

SPECIAL REPORT

Disruptive Methodology

Why a Deliverables-Based Model is the Key to Client Satisfaction

David Nosal, Managing Partner at NGS Global

For over 50 years, major search brands have sold their services based on a retained, time-based fee structure and pledged a certain level of quality to clients without taking real accountability for the results. In my 30 years of watching the major search firms—and in fact, most other search firms—go to market with a time-based fee structure, I have come to realize that the only ones who benefit from this kind of model are search firms and the consultants they employ.

November 2014

In many situations, clients do not receive the value they desire from this outdated fee structure that encourages most of the major search brands to invoice within 60 days of initiating the search and requires payment in full within 90 days. The traditional fee structure at bulge-bracket firms looks like this: If the fee is \$300,000, the search firm will charge \$100,000 (one-third of the fee) up front on Day One, another \$100,000 on Day 30, and the final \$100,000 at the 60 day mark, all to be paid within the first 90 days of the search. The bottom line is that clients are contractually obligated to pay the entire search fee, plus an eight to 12 percent administrative fee, by the ninetieth day of the engagement even if the quality is not to the client's satisfaction or if the position goes unfilled. Most clients are discouraged by this fee structure because it does not hold search firms accountable for delivering candidates, let alone placing candidates, during that 60 day period. If the position remains open after the firm collects payment in full, search consultants are less inclined to spend energy and resources on completing the assignment that could otherwise be spent on selling new business. This antiquated, time-based model incentivizes partners at the major search brands to go out and sell more work because their compensation depends on the volume of searches booked, not the number of positions actually filled.

At NGS Global, we've turned the traditional model upside down. Although we are a global high-end, retained executive search firm, we tie hard deliverables into our fee structure. We believe that it is our mission to act in the best interests of our clients. Under the parameters set in the old-school, time-based fee structure, clients serve the interests of search firms by not requiring results before payment.

In our model, we charge one-third of the projected total fee for a given search assignment once the terms of the engagement are finalized. We send the second invoice for one-third of the fee only after our client agrees to move forward and interview a minimum of three candidates. This means that the harder our partners work to find the best candidates, the sooner we can invoice the client. We send the third and final invoice when a candidate accepts the position, unlike most of the bulge-bracket search firms. This fee structure is unheard of within the major search firms, but is core to our value proposition. Now what does this mean in the grand scheme of things? We are aligned to our clients' needs and clearly put their interests ahead of our own. It doesn't do our partners any good to take on more than three to five searches at a time because if our partners don't have the time to find and deliver best-in-class candidates to our clients, they can't invoice the client for the remaining two payments. If two-thirds of our

partners' salaries are tied up in and dependent on successfully executing each search assignment, they will work harder to ensure their clients are satisfied.

At NGS Global, consultants carry significantly fewer assignments at any given time than most consultants in the bulge-bracket search firms and as we've highlighted before, do their own candidate outreach versus leveraging an associate or senior associate. We hire partners who believe in the philosophy that they should be doing the work. If we go out and sell a piece of business to a client, we are selling ourselves, our capabilities; we are not selling the capabilities of a junior associate sitting in a back room making calls, as is often the case at bulge-bracket firms. Our concept is very different from that of the major search firms who customarily leverage junior associates to do the actual work so their senior consultants can go out and sell more business under the time-based fee structure they are accustomed to. We explored the importance of partner-led search execution in detail in our second article in this series, which you can access on our website at www.ngs-global.com or by clicking [here](#).

As I previously stated, we limit the aggregate number of searches and clients relationships our partners take on and tie hard deliverables into our fee structure because we know that it is in the best interest of both our clients and our candidates. Fewer assignments and client relationships mean that we aren't hampered by significant off-limits restrictions, which gives us the greatest access to talent. When consultants have skin in the game and a large pool of candidates to pull from, they complete searches faster than the majority of consultants in bulge-bracket firms that do a high volume of searches and face significant off-limits issues. To read the first article in this series about the impact of off-limits restrictions, please click [here](#).

The bottom line is this: our desire at NGS Global is to use our disruptive methodology to turn the world of retained executive search upside down. We believe it is high time for executive search firms to use a model that best serves their clients, not their bank accounts. With a deliverables-based model, where we are held accountable for delivering candidates to clients in a shorter period of time, our partners are incentivized to provide the best work possible to each and every client, not just those with large search fees or multiple assignments. Our clients are in turn more satisfied with our search process and results and recognize our mission to make their interests our priority.



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ABOUT DAVID NOSAL

David Nosal is Managing Partner at NGS Global and is a member of the firm's Global Operating Committee. He founded NGS Global's predecessor firm in the Americas, Nosal Partners, in 2005.

Mr. Nosal has conducted numerous executive search assignments across multiple industries throughout North and South America, Europe, and Asia on behalf of FORTUNE 1000 companies, as well as small- to mid-sized organizations.

The majority of Mr. Nosal's executive search assignments over the past 25 years have focused on recruiting CEOs/Presidents, board members and other C-level executives into a wide range of global companies—from early-stage private to multi-billion-dollar public firms.

Mr. Nosal was formerly with Korn/Ferry International, where he was Head of the firm's CEO Practice. He also led Korn/Ferry's West Coast Board Practice. In addition, Mr. Nosal was Managing Director for Korn/Ferry's Central and Northwest Regions, overseeing the firm's San Francisco, Silicon Valley, Seattle, Denver, Chicago, and Minneapolis offices. Prior to joining Korn/Ferry in 1996, Mr. Nosal was with another international executive search firm as a senior partner. He was previously a consultant with a senior-level executive search firm in Minneapolis. Mr. Nosal's career also includes tenure as a consultant with the American Consulting Association in Chicago, as well as at Abbott Laboratories in its Chicago corporate office.

Mr. Nosal graduated with a BS degree from the University of Wisconsin Whitewater.

ABOUT NGS GLOBAL

With offices across the Americas, Europe and Asia, NGS Global provides the extensive resources of major global executive search firms along with high-touch service, accelerated completion cycles and superior candidate access made possible by a mid-sized platform without external shareholders. Through our commitment to industry expertise, cultural knowledge and partner-led search execution, we deliver exceptional value to our clients.

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