



SPECIAL REPORT

Understanding Off-Limits Restrictions

Questions Companies Must Ask Before Signing on the Dotted Line

David Nosal, *Managing Partner of NGS Global Americas, LLC*

Executive search firms generally adhere to the off-limits principle of not recruiting candidates from a client organization for at least one year after executing a C-level search assignment for the company in question. Search firms first introduced this policy not only to ease clients' hesitation around welcoming third-party consultants into the inner workings—and sometimes chaos—of their organizations, but also and perhaps more importantly to reassure clients that the search consultants wouldn't poach key executives that they might get to know in the course of a search assignment. Originally geared towards protecting clients' interests, off-limits restrictions today have a very different effect in the largest search firms unless they are skirted around, manipulated, or worse yet, concealed entirely.

August 2013

To fully understand how off-limits restrictions impact client organizations, let's consider the case of the seven or eight biggest search firms. If you look at the sheer number of partners employed by each of these firms, and then multiply that number by a minimum of 10 to 15 searches in process per partner at any given time, the list of off-limits organizations for a major search firm grows to include upwards of tens of thousands of companies in any given year. For hiring organizations, this means that the pool of companies, and therefore candidates, from which a search firm can recruit is exceptionally small, making it incredibly difficult to access best-in-class talent to satisfy the requirements of the position at hand.

Clients will sometimes say, "It doesn't matter what the firm's off-limits restrictions look like; it's really about the partner I hire." Well, I'm here to tell you that partners, no matter how resourceful, trustworthy, or effective, are all guided by the basic principle of off-limits restrictions. That is to say that if the partner works for a search firm that has many clients in a given sector (as most large firms do), the partner will face a number of roadblocks that will ultimately inhibit his or her ability to complete the search in a timely and satisfactory manner, if at all.

It is crucial for hiring organizations to take the reins and demand a clear outline of a search firm's off-limits restrictions. Clients need to get very specific with search consultants and ask which companies in their industries the partners can recruit out of and which are off-limits. It is no longer acceptable for a consultant to answer with a simple, "None," or "Very few." Get the search consultant to write out each target company name and sign a document that lists the off-limits companies. So many times search professionals will say whatever they need to say to get a piece of work. For example, the consultant might indicate that only two of 30 to 40 companies in a specific sector are off limits, but in reality, they are doing work for eight to 10 of those companies. By having a signed document that lists the specific off-limits

restrictions of a search firm, the client is in a much better position to determine and compare the potential value-add of search professionals.

Clients should actually require search firms to identify all of the companies they can—yes, can—recruit from in every confirmation letter. This is important because it enables the client to ask the search consultant why he or she may not be seeing candidates from specific companies to which the search consultant claimed to have access. There can be a whole host of reasons as to why a client isn't seeing candidates from the original target list. For example, the position might not

be particularly exciting or the client might have a shaky reputation. In many cases, however, it is because those companies are in fact blocked and off-limits. The bottom line is that if clients require search professionals to list the companies they can recruit out of, clients have more control and can ask why they haven't seen candidates from 70 to 80 percent of the other companies originally identified. This will hold search firms and professionals responsible and create more transparency around this routinely hush-hush, yet critical component of executive search.

There is another aspect of off-limits restrictions that hiring organizations need to understand. Years ago, when I first started in the executive search industry, if a search firm conducted one search for a Section 16 officer, it would not recruit out of the client company anywhere in the region (the United States in this case) for one year. With the advent of super-sized search firms and their challenges with access to talent, search consultants are finding ways to skirt around off-limits restrictions and are constantly searching for loopholes. Today a lot of search firms will only keep their consultants away from clients' employees if guaranteed a half million dollars' worth or more of search work each year.

In my opinion, that's not the way to do business. I really believe that when we, NGS Global, do a search for a company, we should keep that company off-limits to the entire region. I

"We shouldn't be carving up the client in a way that suits the search community; we should be managing relationships with our clients in a way that best serves their interests, not the search firm's interests."

—David Nosal
Managing Partner
NGS Global Americas, LLC

don't care if the company is an early stage start-up or as large as General Motors. When a client hires us to do a search for any position, our clients share a tremendous amount of sensitive information with us and give us an opportunity to meet with many management team members. For me to then try to recruit someone I might have met or heard something good about out of that company just because the client didn't give me a half a million dollars' worth or more of work is in my opinion wrong

It's time to take this industry back to where it was 20 to 30 years ago. The rules are simple: with one search assignment the client organization is off limits for 12 months. If you give us more work within that 12 month period, we extend the off-limits restriction period another year. It's as simple as that. We shouldn't be carving up the client in a way that suits the search community; we should be managing relationships with our clients in a way that best serves their interests, not the search firm's interests.



AUTHOR



DAVID NOSAL
Managing Partner
NGS Global Americas, LLC

ABOUT DAVID NOSAL

David Nosal is Managing Partner at NGS Global Americas, LLC.

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.

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

ABOUT NGS GLOBAL

With 17 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.

GLOBAL COVERAGE

AMERICAS

Atlanta
Cleveland
Los Angeles
Milwaukee
Minneapolis
New York
San Diego
San Francisco (Americas HQ)

EUROPE

Frankfurt
Munich

ASIA

Beijing
Hong Kong
Melbourne
Shanghai
Singapore
Sydney
Tokyo