

## **Commando Consulting August 2009: Four Fundamental Flaws of Recruiting New Consultants Through Recruitment Consultancy Agencies**

By Tom “Bald Dog” Varjan

Over the last few years it has become increasingly popular for companies to use recruiting consultants for finding and hiring new workers.

And while the method is a bit of a disaster in terms of finding quality people, most companies continue in blissful ignorance to keep using it.

The sad reality is that this practice has also become the way for consulting firms to hire new associates.

When manual workers are hired this way, it may be a reasonable approach, but it's a huge mistake, even a cardinal sin of biblical proportions for consulting firms to acquire talents this way.

Sadly, when Friedrich Winslow Taylor, the world's first self-appointed management consultant, was peddling his “Scientific Management” concept, and basically said that in the past people came first, but in the future systems come first and people become tightly-controlled, fungible expenses.

He also said that with the help of tight systems and processes, people with the intelligence of oxen can be employed because even they can understand the simple tasks they have to repeatedly perform to serve the system.

And with this action, Taylor and his notorious stopwatch took pride and fulfilment out of work, and turned it into monotonous drudgery.

And this “Anyone can do any kind of work” has paved the path to...

### **The Rise Of Recruitment Agencies And Recruiting Consultants...**

HR generalists quickly realised that if anyone can do any kind of work, then HR generalists, most of them without any industry-specific content knowledge, can hire any person for any position in any industry.

And then they started the new industry.

First it became a norm for industrial companies to outsource their recruitment to recruitment agencies, and industrial companies enjoyed the expert help.

So the recruitment industry quickly cobbled together a so-called body of knowledge, mainly consisting of various pseudo-psychological testing, and an increasing number of recruitment consultancy agencies started promoting their services to time-strapped managers.

And by now we also know that traditional, industrial-age HR has miserably flopped in the knowledge age.

In his book *Conversations on Customer Service and Sales*, Ken Edmundson tells us that...

**"Mathematically we have a 52% chance of hiring the right person if we just flip a coin, and studies reveal that we only increase that a whopping 8% by using our wonderful interviewing skills."**

So, with some serious prodding from Taylor's Scientific Management, we got into the industrial age pretty quickly, but his message, although 99.999% obsolete, is so entrenched in managers, that they can't think in any other way of hiring people.

And what have this entrenched mindset and antiquated HR practices created?

A recent Gallup Poll study indicates that **59%** of the workforce is disengaged, that is goofing off. **14%** actively pursues non-work-related activities. And only a mere **27%** actually work.

According to a study by the Insurance Journal, over 50% of North American workers question the morality of their leaders and feel mistreated by their managers. Less than **15%** of workers feel strongly energised by their work and **42%** struggles with burnout.

And managers hold on to this obsolete "manual worker" type HR mindset, in spite of the loud and clear message from Peter Drucker, who, in his 1954 book, *The Practice Of Management*, introduced us to the concepts of knowledge age, knowledge work and knowledge worker by writing...

**"Knowledge workers are volunteers who own the means of their performance, and whether or not they remain with any one company is totally volitional. Just like most investors, they will go where they can earn a fair economic return-measured in wages, fringe benefits, and other pecuniary rewards-as well as where they are well treated and respected, the psychological return. In the knowledge society, the most probable assumption for organizations - and certainly the assumption on which they have to conduct their affairs - is that they need knowledge workers far more than knowledge workers need them."**

And after this short, but necessary detour, we arrive at the...

## **Problems Of Recruiting Consultants Through Recruitment Consultancy Agencies**

While in most industrial companies people are regarded merely as controllable expenses that have to be minimised, since it's the system that does the work, in consulting firms people are supposed to be the firms' greatest assets. Actually people are the very "things" consulting firms sell. Their people and their relationships.

Before consulting firms can sell their services to their clients, clients have to buy the firms' people. That is, clients have to be sold on the firms' overall culture and character traits, based on its people's character.

So, when firms hire new associates, they have to consider two main factors: 1) The candidate's character and 2) the candidate's expertise.

So, when hiring consultants, where do recruitment agencies fall flat on their faces?

Let's start the discovery...

### **Agency Recruitment Flow #1: No Or Very Little Subject Matter Expertise**

The first problem is that most recruitment agencies don't have subject matter expertise in your firm's area of expertise, so the candidate pre-screening is pretty haphazard.

Yes agencies can use various psychological testing methods, but most of these tests are merely pseudo-scientific, and can test only the candidate's character. And even for that they are not bulletproof.

But agencies can't determine candidates' expertise levels. That would require judgement and discernment, but in the absence of subject matter expertise, these agencies can't really judge or discern anything.

And when we don't have the knowledge to discern something, we resort to the usage of measuring sticks.

Imagine figure skating, for instance. Imagine that one of the judges doesn't understand figure skating, so, instead judging, he starts measuring how high skaters have jumped, how many degrees they've rotated their bodies and some other measurable nonsense.

No. Judges have to be able to make subjective decisions based on their expertise that is based

both in skating and evaluating skating.

But in the absence of subject matter expertise, agencies often end up...

## **Agency Recruitment Flow #2: Looking For And Hiring Resume Superstars**

These “resume superstars” look excellent on paper, because they’ve dedicated their lives to passing exams and looking good on paper. Every T is crossed and every I is “professionally” dotted from cradle to today.

Upon reading their resumes, recruiters pee themselves with delight because they think they’ve just found perfect candidates for their clients.

Or have they?

But one overlooked fact about superstars is that they became superstars in the very work environment and culture they worked before. And since you can’t offer the same circumstances, the superstar may not become your superstar.

We know from Peter Drucker that managers are excellent at destroying people’s innate motivation for doing great work...

**“90% of what we call ‘management’ consists of making it difficult for people to get things done.”**

Here are a few reasons to avoid superstars

- Superstars can be expensive relative to what they can bring to the table – Superstars need to operate in a superstar environment. But superstar environments can happen only at the expense of teamwork. So, what do we need? Superstars or superstar teams. My vote is on the latter. And a group of superstars is not a superstar team. No way, baby!
- Superstars can undermine the motivation of your current people.
- Superstars are seeking the highest bidder. If your competitor tops even by just a bit what you pay your superstars, they’re gone.

So, what’s the alternative?

Grow your superstars in-house.

The good thing is that they grow within your culture and values, and they can become superstars without the typical superstar attitudes. Also, they become great team players. And now you have the recipe for a superstar team. And what else can a firm leader wish for? Well, not a sausage really. Well, maybe a sausage on a good day.

### **Agency Recruitment Flow #3: Focusing On Filling A Vacancy Not To Advance The Firm's Performance**

Recruitment agencies are also called headhunters for a reason. They hunt down heads for their clients and fill their clients' vacancy slots.

In good consulting firms there aren't many vacancies. Since people enjoy both the work and the company of colleagues and clients, not to mention that they are paid well, talent attrition is pretty low.

In contrast look at a manufacturing company where people who work on the production lines may have an annual attrition of 20-30%.

Agencies are good at mass-hiring to fill vacancy slots, but hiring consultants is a bit more delicate.

It's like hiring staff to the White House. The public elects the president, and then the president personally handpicks his closest colleagues, including the Vice President, Secretary of State, Chief of Staff and a few other key people.

But the president is not personally involved in the selection of an apprentice potato peeler. These lower level slots can be filled through a recruitment agency.

I believe that in consulting firms, as in all tight-knit, firmly-integrated units, firm's leaders personally must recruit all new people simply because in a consulting firm there is no such thing as the proverbial potato peeler.

Due to its nature, consulting firms have only important people, and that includes the often undervalued receptionist who provides the firm's first "live" impression to acquiring prospects.

Leaders know their firms' cultures the best and, so they know who would best fit into those cultures.

Yes, agencies can compare resumes, cover letters and other factual pieces of information, but when it comes to such a highly personalised profession as consulting, we have to go way beyond explicit information, thus pieces of papers become pretty meaningless.

Is this the agencies' fault? No. I don't think so.

But agencies have many clients and many types of clients to recruit for. There is no time to

give due attention to each hiring situation.

The largest part of the hiring process is to find a match between the candidate's and the firm's character and values. And no agency can do that because the agency is not part of the firm's culture.

And just because the agency fills the firm with people who look superstars on paper, it doesn't mean that the firm becomes a superstar firm. It means it becomes the collection of people who've dedicated their lives to looking excellent on paper.

But let's not confuse resume expertise and applicable expertise.

### **Agency Recruitment Flow #4: Conflict Of Interest Regarding Compensation**

Once upon a time, companies – erroneously - realised that instead of paying agencies flat fees, they can create an incentive for agencies by paying them a percentage of the new recruit's salary for a certain number of years.

And this creates a conflict of interest.

Once an agency recruits a candidate, that candidate becomes the agency's client.

And we all know that it's many times cheaper and easier to work with existing clients than acquiring new ones. Agencies know this rule too.

So, let's say, the agency recruits Jill for a consulting position. The consulting firm agrees to pay the agency 15% of Jill's total compensation for three years.

So far so good. The consulting firm's problem starts when on 1<sup>st</sup> January of the fourth year, the agency calls Jill and offers her a new and better position with another consulting firm.

This way the agency can re-start the three year period during which it receives a percentage of Jill's compensation.

Yes, agencies can recruit good people for your firm. But as soon as the agency stops receiving payments on this person, the agency has a vested interest in poaching this person away from your firm, send her to another firm and get paid again for a few years.

So, what can consulting firms do?

If you need an agency's help, then pay for it a flat fee upfront, and that's it.

It costs the agency some serious money in the present to land a new person for you, and if all what the agency gets is a small percentage of future money, then the agency rightly tries to keep receiving that future money as long as possible.

## **So, To Use Or Not To Use Agencies?**

I've always been surprised how keen many firm leaders are in personally selecting the wallpaper for their offices, the photocopier or the toilet seats for the staff loo, but then relegating the role of acquiring their profit-generating assets, their people, to a third-party agency.

It's the equivalent of asking your friend to knock your wife up, because you need a baby by Easter, but you have neither time nor inclination to do it yourself. The example is pretty wild, but demonstrates the point.

What is the message sent out through the recruiting agency?

Simple: **Our people are NOT important enough for us to invest time and energy to select them personally.**

And guess what? If people are not important enough before recruiting, they won't be important enough after recruitment either. This is why talent attrition is so high among consulting firms? And since most firms promote internal competition, when associates leave, they are highly likely to take their clients with them.

Firms keep shouting at the world they want to partner up with their clients, while often treating their own people like dirt. I believe, first they ought to partner up with their own people and create the kind of environment in which people are excited, energised and enthused to do their best and brightest day in day out.

And it all starts at the recruitment stage.

The basic difference is that while other industries hire people for jobs, consulting firms ought to recruit people for careers. Failing to distinguish between jobs and careers can cause high talent turnover. And that leads to increasing client attrition, and gradually eroding revenues.

I leave you with a thought from the renegade musical genius, Frank Zappa. He once noted...

**"When people started taking MBA seriously, that was the beginning of the ruination the North American industrial society. When all decisions are based on an MBA concept of numerical reality, you are deep shit, because the only thing that can be judged as real is that which can be proved by columns of figures. And when all aesthetic decisions are turned over to these kinds of people, who use these criteria**

to make steering decisions for a company with no regard to people and no regard for what the product really is, and the only thing that matters is maximising your profit, you have a problem."

Agencies can compare the numerical stuff, but unless firms go deeper, they will always fail to engage their people at the heart level, where enthusiasm, passion and dedication lie.

But clients don't buy consulting services per se. They buy into relationships with people of specific character. And agencies can't hire this character, only the firms.