



THE Talent Search

The stock market is in flux, the cost of newsprint is skyrocketing, and layoffs are a coast-to-coast sign of the Times—from The Seattle Times to The New York Times Co., that is. Hiring an executive-search firm in such a climate might seem like a luxury, and some newspaper managers may cut the expense from their budgets temporarily. But most have discovered it's a cost they cannot do without if they want to stay competitive.

"It's hard to generalize, but when economic times slow down, we need to be aggressive in recruiting talent, even more so at the executive level," says Jacqui Love Marshall, vice president for diversity and development at Knight Ridder in San Jose. "It might, in fact, be a better time to leverage our company against the competition."

by Heidi Ernst

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Even in a tight economy, recruiters flourish, but they do more than headhunting these days

Different types of outside firms can help fulfill whatever staffing needs a newspaper has. Costs vary depending on a number of factors: the type of recruiter, compensation of the open position, breadth of the search, and so on. Executives can sometimes negotiate, but in general, specific formulas help estimate how much it will cost to sign a contract with a search firm.

BEGINNING A HUNT

Newspaper executives turn to recruiters for a number of reasons: They've exhausted all inside networking; they're unfamiliar with the market of a highly specialized, new position; they want to run a thorough yet private nationwide search because the position's impact is so great.

One recruiter says a firm might be hired if a paper needs, say, 10 data-processing clerks. But a newspaper executive said in an interview that a search firm is hired to fill only six-figure-salary positions. Why such a discrepancy? Because two main types of firms conduct searches: contingency and retained.

Contingency search firms, according to a research paper by Roger D. Sommer for the Society for Human Resource Management in Alexandria, Va., "receive non-exclusive job orders from the client to fill specific positions." That type of firm would most likely be used in the first example above—generally, to fill lower-level jobs for lower-level fees. Newspapers also turn to such firms for hard-to-fill non-executive positions in, say, information technology or finance.

Contingency firms, writes Sommer, often charge fees on a sliding scale depending on the hire's compensation, and negotiate more readily than retained firms. In general, contingency firms charge 20-to-30 percent of the new employee's first-year base salary, and payment arrives at the end of a successful search. Contingency recruiters may charge for expenses such as phone, fax, postage, etc., but Sommer says most do not.

So, what could a publisher expect to pay a contingency firm to hire, say, an entry-level press operator? Using numbers compiled by the Inland Press Association in its 2000 Newspaper Industry Compensation Study and going right down the middle, the contingency category's 25 percent of the average base salary for that position, \$29,189, would equal a \$7,300 fee. For a Webmaster with an average base salary of \$36,401, the fee would be about \$9,100.

Here's what a newspaper typically pays a retained search firm, using a low-end 30 percent fee plus 7.5 percent for expenses, for 10 high-level positions. Salaries are based on the Inland Press Association 2000 Industry Compensation Study.

JOB	SALARY	FEE
Publisher	\$155,297	\$58,236
Editor	95,085	35,657
Top financial executive	82,919	31,095
Top operations executive	82,746	31,030
Top advertising executive	81,042	30,391
Top marketing executive	80,232	30,087
Top circulation executive	69,559	26,085
Top information-systems manager	67,167	25,188
Art/graphics director	57,996	21,749
Classified-advertising manager	54,186	20,320



MORE SUBSTANTIAL PREY

Retained search firms, by Sommer's definition, receive "an exclusive contract by the client company to source, interview and present qualified candidates for a particular position until the firm is successful in filling the opening."

Such businesses typically charge clients 30-to-35 percent of the annual salary and commissions or bonuses of the successful candidate's first year of employment, plus expenses. The fee is generally paid in portions throughout the search process.

Because retained firms have higher costs—and because some, especially sole practitioners or those with only one or two employees, don't work on searches for positions of less than \$50,000 annual compensation—newspapers usually turn to them to find executives. "It makes no sense to hire me for lower-level jobs. I'm too expensive," says Sibyl Masquelier of Executive Resource Group Inc. in Cape Elizabeth, Maine. Her minimum 30 percent fee is \$15,000.

To bring Masquelier on board, a publisher would pay one-third of her fee, or 10 percent of the base salary, to start the search; one-third when she produces candidates to interview; and the final third when the search is complete. Her fee can be negotiated if the new position has a low base salary and pays commission or bonuses.

Expenses vary for each assignment, of course, but the industry average is about another 10 percent of the first year's total compensation, says Masquelier. Executive Search Consultant Jeff Kohler of Jeff Kohler & Associates, in Blue Bell, Pa., says,

"Some candidates you put up in the Four Seasons, some in the Holiday Inn, depending on the client and the level and stage of the search."

For a full, nationwide search, Masquelier quotes estimates of 4 percent for expenses because she and others interviewed try to dovetail certain items to lower costs. Those include airplane tickets, hotels, rental cars or taxis, meals with candidates, convention costs, long-distance phone calls, and more. If the newspaper wants applicants culled from outside the industry, Masquelier may hire a researcher at \$75 an hour to help identify candidates in, say, radio or television.

Looking at the numbers in the right-hand column of the table above, and even at the smaller figures associated with contingency firms, observers might ask what justifies such seemingly large expenditures. "This is someone you're hoping to retain for a good while," says Marshall of Knight Ridder. "So you're looking at a long-term investment."

It's worth it, says Alan Johnson, an executive-compensation consultant at Johnson Associates Inc. in New York City, because a search firm can generally find candidates "in a faster, better, cleaner way than a [newspaper] company can."

In addition, such top hires can often cut costs or increase revenues enough that the publishers feel they have "made up" the expense of finding them.

ADDED AMMUNITION

Executives at newspapers from the 17,000-circulation Wyoming Tribune-Eagle in Cheyenne to the 411,000-daily-



circulation Star Tribune in Minneapolis agree that firms sometimes locate high-quality candidates that publishers couldn't have found on their own, for less money or in the same amount of time.

Kohler offers that, by hiring a retained search firm, a newspaper often gains not only a recruiter, but also a business partner. For that reason, he prefers the title "executive-search consultant" rather than "headhunter."

"To recruit the right individual," he says, "you have to know what's going on in the organization. They share a lot of very proprietary information about business plans and strategic plans."

For one thing, Kohler says, many of his clients seek an ethnically diverse pool of candidates. "Diversity is required to enrich the process."

Kohler, like Masquelier and some other recruiters who specialize in the newspaper industry, worked for many years at newspapers himself and remains knowledgeable about his clients' professions.

John Walsh, senior vice president of operations at the Phila-

delphia Inquirer and Daily News, has ongoing dialogues with the firms he engages. "I typically try to talk throughout the year about where we're heading as a company, so we both have a pretty good idea of what the opportunities might be over the long haul," he says.

Such a relationship usually helps dispel what Johnson calls a perceived "oddity" about how recruiters are paid. "They have a built-in perceived bias to

want the first year's compensation to be a high number," he says. "It's not so much a reality, just a matter of perception. A good search person isn't looking to jack up the pay package."

Nancy Koo, vice president of human resources at the Star Tribune, says "Certainly, there's some incentive to try to get the most compensation for the candidate." Good-quality firms that a paper has used over time will present a market-competitive package, she adds, but it's important for human-resources professionals to understand the market to keep numbers from becoming inflated.

Cost-conscious employers like the Star Tribune are finding new ways to streamline staffing efforts and develop new alliances with recruiters. For the past year, the paper has had an agreement with Pro Staff, a nationwide agency based in Minneapolis, to guide its temporary and project hiring. An average of 50 such people work full-time each day at the paper's headquarters. The Pro Staff resident manager, Stephanie Rowh, also helps regulate the paper's use of contingency search firms and negotiates the fee structure when hiring such firms.

Rowh says that in her year at the Star Tribune, costs related to hiring temporary staffers have decreased 50 percent. "I'm helping to reduce turnover by getting qualified people who want to be here and by making sure we don't over-order the number of people we really need," she says.

Rowh obtains clearance passes for new temporary workers, takes them on tours of the building and secures their computer access so managers can focus on more important tasks.

A more common scenario for most papers is simply using different kinds of firms for different needs. Walsh has used both contingency and retained firms, depending on the chosen firm's specialty and the size of its network.

The bottom line is hiring the best possible person. "In an economy like today's, everyone is working diligently toward maintaining an appropriate level of staffing. Using a search firm is an investment," says Walsh.

"If we've exhausted our internal networking, it pays dividends from my perspective to broaden the search." ■

Sources

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