

Executive search firms face a cash-flow reckoning

Extended recruiting cycles are exposing weaknesses in traditional search economics, prompting firms to rethink how engagements are structured.

AUSTIN, TX, UNITED STATES, July 1, 2026 /EINPresswire.com/ -- With the global economic slowdown, hiring cycles across multiple industries have slowed. As a result, recruiting firms and their clients face a growing challenge: understanding the true cost of hiring. Vacant positions are staying open longer, recruiting resources are tied up for extended periods, and searches increasingly stall before completion. Without clear visibility into where time and labor are being spent, the economics of hiring are becoming harder to manage for both employers and executive search firms.

A slower economy has employers hiring at a slower rate — ballooning the costs associated with hiring. In 2019, the average cost per hire was \$4,129; by 2023, that figure had jumped by 14% (to say nothing of the cost of an executive search).

For both executive search firms and their clients, longer timelines are creating a black hole of expense — making it more difficult to understand exactly how much a new hire is costing them.

The result of this new hiring landscape is that executive search firms aren't getting paid. Traditionally, executive search firms work through retainers, charging a fee equal to roughly 25% to 33% of a hired executive's first-year compensation. In a strong economy, searches tend to move quickly and most engagements reach completion. But as searches stall mid-process and companies delay hiring decisions, tracking cost per hire is more difficult. HR teams are lost in their own hiring pipelines, and search firms struggle to understand how much unrecovered work is on their books.

This shift has exposed a structural feature of the business model: Most of the work on a given search happens early in the cycle. Market mapping, vetting and other high-labor work happens within days of launching a search. If a search pauses before the next payment milestone, the search firm may have already absorbed most of that cost.

To be sure, delayed or halted searches come at a cost to hiring businesses as well, such as reputational harm as candidates lose confidence in the idea that companies are serious about making an offer. As their existing talent pool vanishes over time, companies and their teams

have to restart their searches, often at significant cost to both time and money.

For recruiting firms, though, the threat is more existential. Staffing firms in several markets have reported revenue declines in recent years, and dozens of recruitment businesses have entered liquidation as hiring demand has cooled. These firms need to fundamentally reshape their industry's dynamics.

Reshaping the Industry

There are recent developments that could reshape the industry's economics.

Some companies are creating hybrid fee structures that combine a smaller upfront retainer with a larger success-based payment. This model is gaining traction as firms experiment with ways to balance client flexibility with financial stability.

The growth of fractional executive roles may also shorten revenue cycles, as companies increasingly engage senior leaders on a project or part-time basis. Technology is another variable: AI tools are beginning to automate portions of candidate sourcing and screening, potentially reducing the labor required for early-stage search work.

Whether those shifts fundamentally alter the retained search model remains to be seen. But what's clear is that teams looking to hire can no longer rely on outdated models to project their ultimate costs.

Operational discipline has historically played a secondary role in an industry built on relationships and reputation. But firms that gain a clearer understanding of the economics behind their pipelines will be better positioned to navigate hiring slowdowns and uncertainty.

The retained executive search model developed during decades when hiring demand was relatively stable and most engagements ran to completion. As insolvencies rise and hiring timelines stretch, the gap between when firms spend money and when they get paid becomes harder to ignore.

The key now for the team is to build the operational discipline to understand, in real time, where labor is being spent and how these costs are adding up. Businesses and firms that can standardize how searches move through their pipelines gain a financial clarity that's invaluable in difficult economies.

We built [Loxo](#) to allow executive search firms to bake operational discipline into the platform they use every day so efficiency is the default, not the exception.

Sam Kuehnle

Loxo Holdings, LLC

+1 4195311154

[email us here](#)

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