DISCUSSION PAPER

The Cost of Prolonged Executive Search

How extended search duration reduces negotiation power and outcome quality in executive careers

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Abstract

Extended executive search reduces compensation outcomes through mechanisms that accumulate before contract stage. Callback rates decline with unemployment duration; employers use duration as a quality proxy; intermediary recommendation behavior shifts; negotiation leverage erodes. This paper maps these four mechanisms, documents the self-reinforcing feedback between them, and quantifies their combined cost. A lifetime earnings model estimates the present value loss of extending a transition from six to twelve months at approximately €260,000 for a senior executive aged 48 - the dominant component being not foregone salary but a permanent re-entry discount on the subsequent career.

Keywords: *executive careers · search duration · negotiation power · labor market signaling · duration dependence · outplacement*

JEL Classification: *J63 · J31 · M51*

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1. Introduction

Search duration in executive careers is typically treated as a neutral variable. In practice, it is not. Time alters outcomes.

The visible cost of a prolonged transition is the income forgone during the search period. The less visible cost lies in the gradual erosion of position in the market. This erosion affects how candidates are introduced, perceived, and ultimately evaluated.

Most of these effects remain latent during the process. They do not appear in early conversations or initial feedback. They become explicit only at the point where decisions are formalized. At contract stage, the cumulative impact of prior shifts in perception, access, and leverage becomes measurable.

This paper examines the mechanisms behind this effect. It focuses on how extended search duration changes the structure of opportunities and the balance of power in executive hiring processes. Figure 1 presents the conceptual framework.

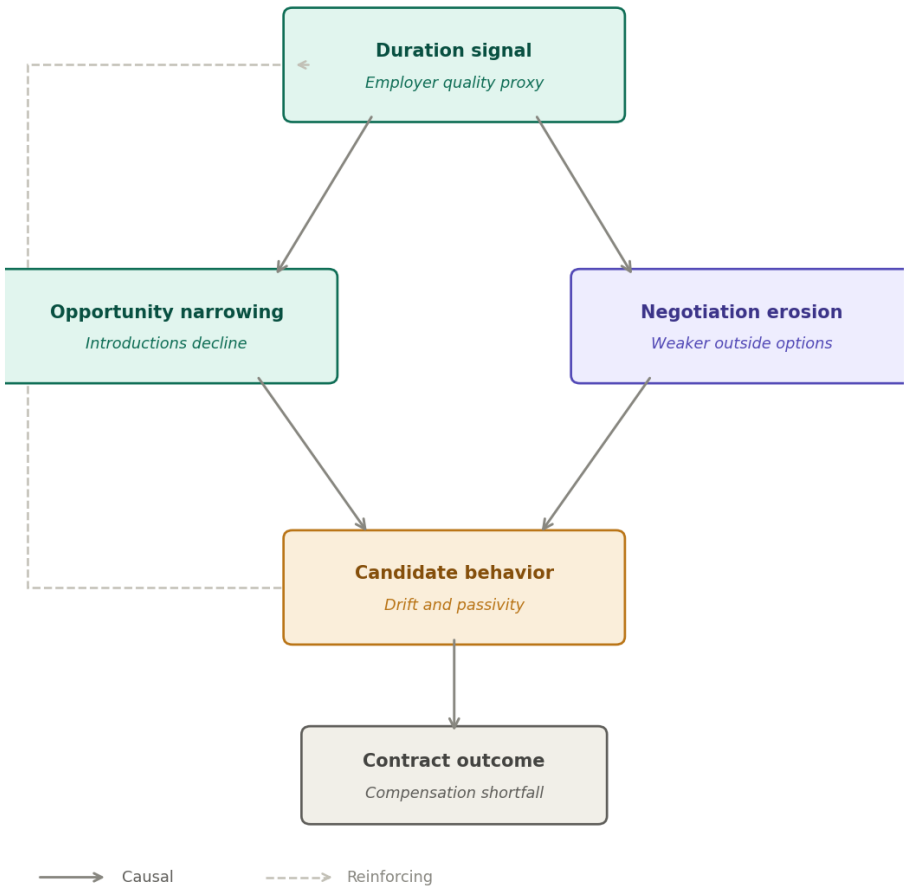

Figure 1: Mechanisms of search duration on executive market position. Four mechanisms - duration signal, opportunity narrowing, negotiation erosion, and candidate behavior - interact causally and through a self-

reinforcing feedback loop. The dashed arc shows how behavioral drift in the candidate amplifies the underlying duration signal, compounding the effect over time. All four mechanisms converge at contract stage.

2. Duration Signal

The probability of being invited for an interview declines with unemployment spell length. This relationship is well-established across labor markets and is referred to as duration dependence.

Kroft, Lange, and Notowidigdo (2013) demonstrate this through a field experiment using fictitious résumés: callback rates fall significantly as the stated unemployment duration increases, with the sharpest decline in the first eight months. Analysis of over 2.4 million monthly job seeker activity reports by Cederlöf et al. (2025) confirms a callback decline of approximately 6 percent per month of unemployment. Figure 2 illustrates this non-linear pattern, derived from the empirical literature.

The mechanism is not arbitrary. Jarosch and Pilossoph (2019) show that unemployment duration functions as a statistical signal: firms use it as a proxy for unobserved candidate quality. Because direct evaluation of candidates is costly and imperfect, observable characteristics such as time since last employment serve as screening inputs. A longer spell shifts the prior probability downward in the hiring firm's assessment.

In executive labor markets, this effect is amplified. Hiring decisions at senior level carry higher organizational consequences and longer integration periods. Decision-makers apply greater scrutiny. The same duration signal that filters broadly across white-collar markets carries more weight where the cost of a poor hire is higher and the candidate pool is thinner (Frydman & Jenter, 2017).

A firm that proceeds with a longer-tenured candidate does not ignore this signal - it prices it. The expected risk is absorbed into the contract offer. Whether expressed as a reduced base salary, a lower sign-on amount, or compressed target-setting, the accommodation of hiring risk becomes visible at contract stage.

Figure 2: Stylized illustration of callback rate decline as a function of unemployment duration, derived from Kroft, Lange, & Notowidigdo (2013) and Cederlöf et al. (2025). The decline is non-linear, with the steepest drop in months 3 through 8.

Sources: Kroft, Lange & Notowidigdo (2013); Jarosch & Pilossoph (2019); Cederlöf et al. (2025); Frydman & Jenter (2017).

3. Opportunity Narrowing

Access to senior roles is not determined by open application. It is determined by introduction. Search consultants, board advisors, and senior network contacts control the first point of entry into most executive processes. Whether a candidate is actively positioned, passively mentioned, or silently bypassed is a decision made by intermediaries - often before any formal process has begun.

Search consultants operate under reputational constraints. A placement that fails reflects on the recommending firm. As search duration increases, a candidate becomes harder to introduce without qualification. Explaining the length of a search adds friction to every recommendation. This friction does not produce immediate exclusion - profiles continue to be shared, meetings continue to occur. What changes is the intensity of the positioning: from proactive introduction to passive availability.

A second effect operates independently of intermediary behavior. Relationships with former supervisors and colleagues - the most credible sources of endorsement - weaken over time. Decision-makers who worked closely with the candidate move to new organizations, take on different mandates, or lose the freshness of their advocacy. The quality of reference and the

energy behind it both decline. This is not a behavioral failure; it is a consequence of elapsed time operating on network relationships (Granovetter, 1973).

A third factor operates at the competitive level. While a candidate searches, peers continue to accumulate mandates, promotions, and visible results. Position in an executive talent market is partly relative. A candidate who has been searching for twelve months has not only failed to advance - they have fallen behind a peer group that kept moving. The gap between their current profile and the leading edge of their cohort is wider at month twelve than at month one. This relative erosion is rarely acknowledged and entirely invisible from inside the search process.

The combined effect is a contraction of the accessible opportunity set - produced not by any single decision but through a series of small adjustments made by intermediaries, references, and the competitive field over time.

Sources: Pissarides (2000); Granovetter (1973); practitioner observation (Detert & Urban).

4. Negotiation Erosion

Contract negotiation is not a moment of independent judgment. It is the resolution of a prior balance of power.

Standard bargaining models show that outcomes depend on the relative value of outside options (Nash, 1950; Pissarides, 2000). A party who can credibly walk away - because a comparable alternative exists - holds the stronger position. A party with no viable alternative negotiates under different conditions. Empirical evidence confirms this: wages are reliably higher when workers hold competing offers, and workers without alternatives consistently settle for less (Caldwell & Harmon, 2019). Rubinstein (1982) formalizes the patience argument: in extended bargaining, the less patient party accepts worse terms. A candidate under visible time pressure is, by definition, the less patient party.

Extended search duration erodes negotiation power through three distinct channels.

First, the alternative set shrinks. A candidate who has been searching for twelve months typically holds fewer credible competing options than one at month six. The absence of parallel processes is observable to the hiring firm. Without a credible outside option, the candidate's threat point - the minimum acceptable offer - loses credibility.

Second, the compensation anchor weakens. In salary negotiations, the candidate's most recent package establishes the reference frame for what constitutes a reasonable starting point. This anchor loses persuasive force as elapsed time grows. The hiring firm is not bound by a salary history that predates an extended absence. In practice, employers reset expectations downward - not necessarily to the candidate's absolute detriment, but relative to what could have been negotiated at month three (Postel-Vinay & Robin, 2002).

Third, time pressure becomes visible and asymmetric. A firm filling a position has a deadline set by organizational need. A candidate who has been searching for an extended period also has a deadline - but a more pressing one. When this asymmetry is apparent, it changes the dynamics of the final negotiation. Urgency on one side reduces the need for urgency on the other.

The outcome of this erosion is not necessarily a poor offer. It is a narrowed negotiating range: the variance in outcomes shrinks as leverage diminishes.

Sources: Nash (1950); Pissarides (2000); Caldwell & Harmon (2019); Rubinstein (1982); Postel-Vinay & Robin (2002).

5. Candidate Behavior

The mechanisms described in Sections 2 through 4 operate on the market side. They produce effects regardless of what the candidate does. A parallel set of changes occurs within the candidate - and these changes amplify the external effects rather than counterbalancing them.

Search intensity follows a recognizable pattern over time. Cederlöf et al. (2025) document measurable reductions in application and contact activity around key milestones in the unemployment spell. This is not irrational: repeated effort without visible response creates a feedback effect that discourages further investment. The result is a reduction in the number of processes entered, the frequency of network contact, and the preparation invested in individual interactions.

Positioning also shifts. Early in a search, candidates typically maintain a precise articulation of target role, sector, and value proposition. As duration extends without results, the natural response is to broaden the stated target. This is intended to increase access. Its effect is frequently the opposite. A broader message is harder for intermediaries to act on. Search consultants position candidates with specific, defensible profiles. A candidate who is open to a

wide range of leadership roles across sectors provides less usable material than one who names a specific type of mandate in a defined context. Breadth signals uncertainty; precision signals conviction.

Network activation follows the same pattern. Contacts engaged in the first three months are approached less frequently as the search extends. Prior conversations that did not lead to immediate outcomes are not revisited. The assumption is that those contacts have been activated and have nothing further to offer. In practice, the relevant situation for those contacts may have changed - a role may have emerged, a process may have opened - but reduced contact frequency means this information does not flow back.

These behavioral adjustments feed directly into the mechanisms described earlier. Reduced positioning precision worsens the duration signal: the candidate is harder to read, which amplifies the ambiguity that employers and intermediaries use to discount the profile. Reduced network activity deepens opportunity narrowing further. The self-reinforcing structure of the system makes early behavioral correction more valuable than late-stage adjustment.

Sources: Cederlöf et al. (2025); practitioner observation (Detert & Urban).

6. Accumulation

No single mechanism described above determines the outcome. Each produces a shift; together, they produce a direction.

The four mechanisms interact. A weakening duration signal reduces the quality of intermediary introductions. Reduced introductions narrow the competitive set. A narrower competitive set weakens negotiation leverage. Behavioral drift - positioning becoming less precise, network activation declining - feeds back into the duration signal, making the candidate harder to read and the signal easier to discount (Jarosch & Pilossoph, 2019).

None of these transitions announce themselves. Candidates continue to receive meeting invitations. Conversations are substantive. Feedback refers to fit, to timing, to a crowded competitive field. The deterioration is not experienced as exclusion. It is experienced as a persistent near-miss: processes that close without explanation, offers that arrive at terms slightly below expectations.

By the point of contract negotiation, the cumulative effect has already been determined. The candidate's negotiating range, option set, and perceived urgency are all products of what

happened in the preceding months. The contract does not create these conditions. It records them.

7. Observable Outcomes at Contract Stage

The cumulative effect becomes visible at the point of contract negotiation.

By this stage, the candidate's effective bargaining position has already been defined. The contract reflects this position.

Typical outcomes include reduced flexibility in compensation structure, lower probability of sign-on incentives, and limited room for adjustment in entry timing and role design. These are not isolated decisions. They reflect prior changes in leverage.

The key point is timing. The contract does not create these outcomes. It reveals them.

8. A Quantitative Illustration

Candidates experiencing prolonged transitions typically account for one component of this cost: the income foregone during the search period. The structural costs - accumulated through the four mechanisms described above - are invisible during the process itself. They appear only in retrospect, at the point where the final contract is compared against earlier expectations. The model below makes these invisible costs explicit.

Model parameters. The model is parameterized for an executive aged 48 with a base salary of €180,000 and a fixed career horizon to age 67. All values are discounted to the start of the search period at a rate of 3.0% p.a. Salary growth is assumed at 1.5% p.a. Full model assumptions and the reproduction script are set out in Appendix A.

Cost components. The model separates three compensation-related components:

1. **Shorter career phase to age 67.** With a fixed retirement date, a later re-entry means six fewer months of earned income. This component captures the foregone salary of months 7 through 12 in present value terms.
2. **Re-entry salary discount.** Extended transitions reduce negotiation power at the point of contract. The model applies a permanent 5% discount to the salary path from month 13 onward, reflecting the persistent wage scar documented in the labor market literature (Caldwell & Harmon, 2019; Postel-Vinay & Robin, 2002).

3. **Sign-on probability loss.** Sign-on bonuses are modeled as expected values. The model assumes full probability of a sign-on bonus equivalent to 10% of base salary at month 6, and a 30% probability at month 12, reflecting reduced employer urgency and weaker candidate negotiation position.

Private savings gap (reported separately). The reduction in salary contributions to private savings during the extended transition produces a separate pension-equivalent gap. This component is not included in the main indicator, as it depends on individual savings behavior.

Results.

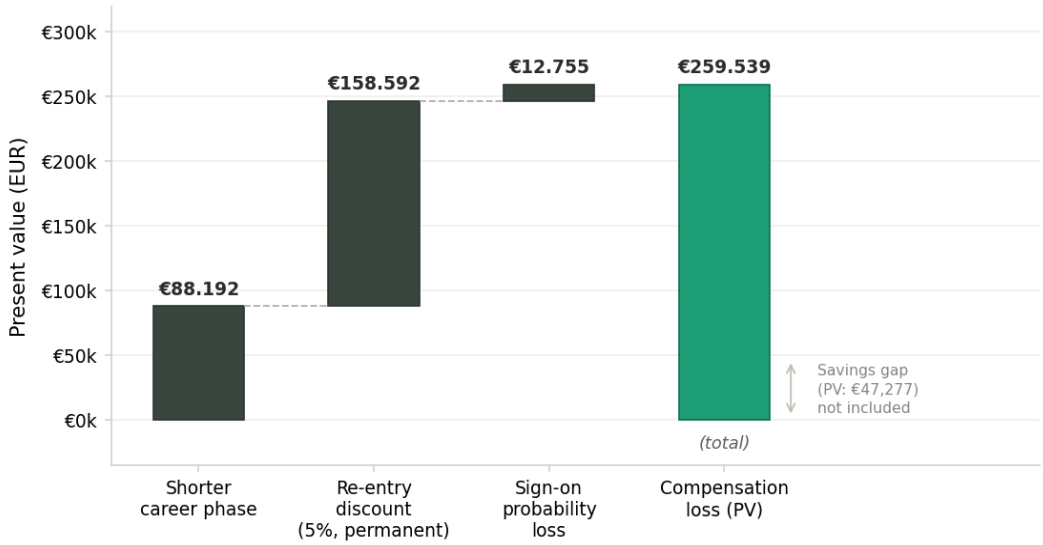

Figure 3: Waterfall decomposition of the present value cost of a 12-month versus 6-month transition. Three components - shorter career phase (€88,192), permanent re-entry discount (€158,592), and sign-on probability loss (€12,755) - sum to a total compensation loss of €259,539. The private savings gap (€47,277 in present value; €55,404 at age 67) is shown separately and not included in the headline figure.

The total present value compensation loss is **€259,539**. The re-entry discount is the largest single component at €158,592 - accounting for 61 percent of the total. This reflects the fact that a permanent wage scar, even at 5%, accumulates over a 19-year career horizon.

The shorter career phase contributes €88,192. This component is entirely invisible during the transition itself: the candidate has not yet retired and the foregone earnings lie far in the future.

The sign-on component (€12,755) is comparatively small in absolute terms, but directionally important. It reflects the reduced probability of receiving any sign-on payment, which in turn signals reduced leverage at contract stage.

The private savings gap adds a further €47,277 in present value, or €55,404 as a capital shortfall at age 67. This is reported separately because it depends on individual savings behavior and asset returns, not on the compensation structure alone.

Scope and interpretation. The model compares a single reference scenario. The input parameters - salary level, re-entry discount, sign-on probability - are based on practitioner observation and represent order-of-magnitude estimates. They should be read as directional. Sensitivity analysis is set out in Appendix A.

9. Practical Implications

The mechanisms described in this paper have direct consequences for how executive transitions should be structured.

First, pace matters structurally. A transition managed for speed - not rushed, but actively compressed - preserves negotiation power at the point where it matters most. This is an economic argument: every additional month shifts the candidate's outside option value downward.

Second, positioning precision must be maintained throughout. The behavioral drift documented in Section 5 - broader messaging, reduced network activation - is understandable but counterproductive. Consistent, precise positioning maintains the signal quality on which intermediaries base their recommendation behavior.

Third, the cost of delay should be made explicit early. Candidates typically experience prolonged transitions as a sequence of near-misses rather than as a shift in market position. Making the full cost visible - including the re-entry discount and sign-on probability effect - changes the incentive structure of the search itself.

Fourth, contract stage outcomes should be diagnosed retrospectively. When a final package falls short of initial expectations, the explanation is often attributed to market conditions or employer preferences. The analysis here suggests that the more common cause is the prior erosion of negotiation power - determined before the offer stage.

10. Limitations

This paper is a discussion paper. It translates established labor market mechanisms into an executive career context and develops a conceptual framework supported by empirical literature. It does not present primary data from the executive labor market.

The quantitative illustration in Section 8 is intended to make the argument tangible. The input parameters - salary level, re-entry discount, sign-on probability - are based on practitioner observation and order-of-magnitude assumptions. They should be interpreted as directional rather than as empirically derived figures.

Two specific limitations warrant attention. First, the 5% permanent re-entry discount is a modeled assumption. The empirical literature on wage scarring (Caldwell & Harmon, 2019; Postel-Vinay & Robin, 2002) supports the direction and persistence of this effect but does not provide a precise parameter for senior executive labor markets in the DACH region. The actual magnitude may be higher or lower depending on sector and role level. Second, the sign-on probability parameters (100% at six months, 30% at twelve months) are informed by practitioner observation, not survey data. They reflect patterns in D-level placements observed by the authors.

The underlying research on duration dependence and bargaining power draws primarily on general labor market studies, not executive-specific samples. Whether the magnitude of these effects applies equally at senior hierarchical levels remains an open question. Executive labor markets differ from broader white-collar markets in several respects - lower search intensity, longer baseline timelines, and greater reliance on personal networks - which may attenuate or amplify the documented mechanisms.

Direct empirical validation of the proposed framework in senior executive markets in the DACH region remains an avenue for future research.

11. Discussion

The cost of prolonged executive search is not a single event. It is a process.

Time affects both sides of the market. Candidates adjust behavior. Firms adjust perception. Intermediaries adjust recommendation intensity. Each adjustment is small. Together, they shift outcomes.

These effects are often underestimated because they do not interrupt the process. Interviews continue. Feedback is given. The signal remains incomplete.

Only when terms are fixed does the accumulated effect become fully visible.

12. Conclusion

Search duration functions as an economic variable in executive careers.

It shapes access, perception, and negotiation power. These factors determine outcomes.

A prolonged search reduces optionality and shifts bargaining power away from the candidate. The financial impact observed at contract stage reflects changes that occurred earlier.

Effective executive transitions are therefore not defined only by positioning, but by pace. Delay reduces degrees of freedom. Once reduced, they are difficult to recover.

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Appendix A: Model Assumptions and Calculation

A.1 Parameters

Parameter	Value	Comment
Age at start of search	48	Fixed start of model period
Retirement age	67	Fixed end of career horizon
Model horizon	19 years (228 months)	
Base annual salary	€180,000	Gross
Salary growth rate	1.5% p.a.	Nominal, constant
Baseline search duration	6 months	Re-entry in month 7
Extended search duration	12 months	Re-entry in month 13
Re-entry salary discount	5%	Permanent reduction on salary path from month 13
Sign-on bonus rate	10% of annual salary	Modeled as expected value
Sign-on probability, 6-month scenario	100%	Calibration anchor
Sign-on probability, 12-month scenario	30%	Practitioner estimate
Savings rate	10%	Used for separate savings component only
Investment return on savings	5.0% p.a.	Used for savings component only
Discount rate	3.0% p.a.	Applied to all present values

A.2 Results

Component	Present Value (€)
Shorter career phase (months 7–12 foregone)	€88,191.71
Re-entry salary discount (permanent 5%, months 13–228)	€158,591.83
Sign-on probability loss	€12,755.34
Total compensation loss (PV)	€259,538.89
Private savings gap (PV, reported separately)	€47,276.55
Private savings gap (value at age 67)	€55,404.41

A.3 Sensitivity

The dominant driver is the re-entry discount. A change of ±1 percentage point in the re-entry discount (from 5% to 4% or 6%) shifts the re-entry component by approximately ±€31,700. The total compensation loss ranges from approximately €228,000 at a 4% re-entry discount to €291,000 at a 6% discount, all other parameters held constant.

A.4 Statutory Pension

Under the assumption that the candidate receives Arbeitslosengeld I throughout the extended search period, no additional statutory pension loss arises. The applicable contribution base (Beitragsbemessungsgrenze 2026: €101,400 p.a.) is reached under both employment income (€180,000) and ALG I (80% × €180,000 = €144,000). The pension contribution base is therefore identical in both scenarios.

Sources: Deutsche Rentenversicherung, Beitragsbemessungsgrenze ab 01.01.2026. SGB VI § 166.

A.5 Reproduction

The full calculation is implemented in discussion_paper_barwert_modell.py. Running the script reproduces all figures in A.2 exactly.