



▶ NEXT MONTH...

○ FIFTEEN | ○ FOUR | ○ 2008

Recruiting *Entrepreneur*

ADDRESSING THE UNIQUE NEEDS OF SENIOR LEVEL EXECUTIVE
RECRUITERS AND EXECUTIVE SEARCH FIRM OPERATIONS

Most credit doled out at search firms is centered on one's record of generating revenue. With so many firms claiming a high repeat-business rate, is there a strong enough focus on successful execution? We ask

Are You Getting Enough Credit?

For many executive recruiters, the annual bonuses are a key component of a job well done. These bonuses are usually made up of business development revenues and execution of searches.

Business Development

Often in executive search, there is a strong focus on the generation of revenues that support the business. This leads to policies of ownership among recruiters at mid-size and larger firms. Often recruiters find themselves boxed in by other recruiters and their territorial control of client companies. As it becomes increasingly difficult for recruiters to plant and harvest new fields, there is a growing effort to emphasize search execution and its ability to grow business. While most firms claim a repeat business rate of 70% and up, the originators of these clients often get credit for continuing revenues with less effort. We're seeing more and more mid-level recruiters

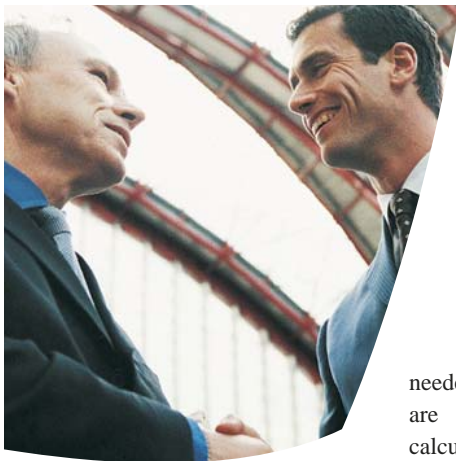
(principals, associates and executive directors) press for credit on the execution of search as a means to support a slowing of growth in their career paths. In a tightening market senior recruiters are holding tight to the existing clients and are sharing less with supportive recruiters. In fact many of these senior recruiters are failing in their promises to transition some clients to support recruiters in an effort to grow their business development capabilities. For the individual senior level recruiters this is an attempt to squeeze more out of a slowing economy. But for supportive recruiters it's becoming a frustrating practice – especially because they are more likely to get the pink slip in the event of a significant downturn in the market. "I feel the firm is failing to hold its promise that I'd become a revenue generator within 18 months. I've been bogged down with execution, handling 18 searches in 12 months and having success with over 90% of them. I expected that my track record would have proven my capabilities with these clients, but I'm frustrated in the shadow of my boss." said one principal.



BusDev - Tip o' the month...

Make the news! The definition of success in the market is perception over reality. Many recruiters view news opportunities in limited circumstances such as a successful completion. However, more firms are getting permission to make new searches public in an effort to "advertise" for their clients. This announcement has benefits for the recruiter too, so be aggressive about these opportunities. For example, any announcement should have a description of your firm – one that can be repeated in every document, email, and ad. In addition, look for other ways to get your name in the public space, including whiter papers, and vendor purchases (yes, vendors often announce their new customers). All of these instances add to your presence on the Internet too. Google results are a key channel for validation of your business.





Startup Lessons: Assigning a Time Value to Your Team

To manage processes and streamline your business, you'll need to know the details of how much it costs your firm to operate, beginning with...

your employees. Employees are cited as the most expensive component of any executive recruiting business. Most owners bundle the cost of their business into monthly figures, known as "the nut".

The nut easily helps a recruiter understand how much revenue they need to bring in to satisfy the nut and their own personal financial needs.

Crack the Nut

It's important, especially in down market cycles, to have a deep understanding of what's inside the nut. These details are essential in forming a plan to cut costs and operate efficiently.

Each employee has a time-value that can be broken down to an hourly rate (and even minutes). This figure should be used to contrast and compare employees in your firm – including the partner-level recruiter. Once you have this raw data, you can begin to calculate time (and money) spent in various parts of the business.

Search Execution

Most searches are supported by a team of individuals, including admins, research, recruiters, accounting and IT. Combining their time with special resources

needed to support the business are necessary in your calculations. (Accounting software, research subscriptions, IT subscriptions, utilities, phones, office supplies, etc.)

Combining people costs with other operating components will give you a better understanding of the profit associated with each search, each partner, each recruiter and even the supportive components such as technology, utilities, research resources, etc.

In 2007 a global firm incorporated an online system of tracking the time of employees, assigning it to searches, BD efforts and internal corporate accounts. With accounting's support they incorporated the cost of several operating components such as research subscriptions, phones and utilities.

The results gave recruiters the ability to monitor the cost of search and profitability percentage of each search in real time. More importantly, the firm could establish patterns among client companies, functions, industries and individual recruiters to better plan for the future cost and billing of new clients. In the case of

the firm's recruiters, firm leaders were able to better justify the annual bonuses factored with an accurate profitability. Recruiters found it appealing as they reviewed real facts in support of their bonus figures.

The firm was able to better predict the future cost of search and improve internal processes and its employees by getting the most for its investment. This secondary focus on improving efficiency actually led to higher profits and higher bonuses among its employees.

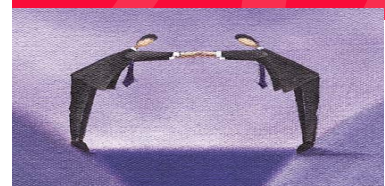
In this particular example, the firm used a portion of its savings to create a pool for re-investment into cost-saving solutions to improve profitability, including VoIP telephones, outsourced web-based technology and a remote home-office (hoteling) environment.

It's employees have shifted focus to increasing profitability, taking an ownership perspective on its business. In its second year of the process, we'll update you on the experience of this firm throughout the year. Write us with comments.

Will the Web replace MS Office?

Google has been offering online tools that hope to replace MS Office. While they are a long way off, it's inevitable that web products (Software as a Service) will replace desktop software. Pushing processing power off the local computer to more powerful servers may be the next logical step. However, the makers of the most popular desktop software, Microsoft, may be best positioned to replicate its product online. It remains to be seen whether they eventually back on online initiative, but pressure from others such as Google will likely make it an inevitable component of the next generation of desktop software. Let's just see who's first to the finish line.

TIPS & QUIPS Reader Suggestions



RESEARCH



Unbundled research is becoming an increasingly popular service offered by midsize and smaller search firms as the market slows. In an effort to recover the high cost of employees, some firms are selling research services to other search firms – and even internal client recruitment functions. As a boutique owner I found it extremely helpful and cost effective to use the high-end research services offered by a friend some might consider a competitor. It was a win-win for both of us.

TECHNOLOGY



Unified communications describes a single platform strategy that connects all of your technology components in support of your business. I find the idea that all of my technology can and should interact a critical part of my productivity. Our database exchanges info with Outlook; dials our phone system with a mouse click, retrieves records based on caller ID, changes my IM status automatically (on the phone), etc.

ACCOUNTING



Most firms begin to have concerns about QuickBooks as they grow. I strongly believe this is a natural feeling based on a perception QB is just for very small businesses. However, I think switching away from QB is a mistake. My old firm grew to 15 Partners and felt it was time to change their accounting system but later found it was extremely costly and led to the need for an additional accounting person to support the needs of the system. Make sure you consider all the possibilities before switching away from QB – it's been terrific for even large firms.



Recruiting Entrepreneur

Questions or comments?
rcruz@recruitingentrepreneur.com