



▶ NEXT MONTH...

ADVISORY ROLE OR JUST TRANSACTIONAL DELIVERY?

DATABASE ANALYSIS: WHAT DRIVES THE PROCESS – YOU OR THE DATABASE?

CLIENT PERSPECTIVE: LOWER MY RISK, I'LL PAY FOR PERFORMANCE AND PLEASE JUST GO AWAY AFTER THE TRANSACTION.

○ THIRTEEN | ○ TWO | ○ 2008

Recruiting Entrepreneur

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

With continued concerns about a recession, executive recruiters can be hit hard by an imbalance in revenue vs. operating costs. What you do now can mean the difference between...

Surviving vs. Thriving in a Weak Market

Executive search reacts to market conditions in different ways depending on the firm's focus. In a broad recession firms that are impacted usually make efforts to reduce operating costs while focusing business development on low-impact markets.

Finding New Markets

With the popularity of green services and functions within companies, the Presidential candidates are promoting this area of growth to soften the blow of a recession and even reverse it. While it's unlikely this can reverse a recession, many firms are already preparing by adding environmentally focused services and practices to their portfolios, including Clean Technology and Green Services.

A Focus on Recovery

For some firms impacted by the financial services meltdown, they may already be ahead of the game. Since this industry was

hit early in the slowdown, some are already on a road to slowly recover. Stock Market indicators see financial services companies such as Washington Mutual and others already showing improvement over their earlier stock price lows. Many recruiters expect peripheral industries to soon follow. However, there are many other industries that are just now showing significant signs of a slowdown, including retail and industrial.

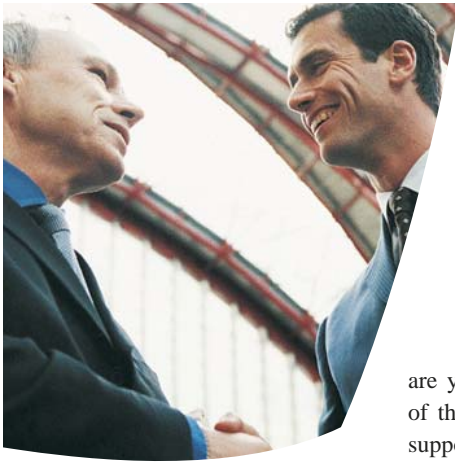
Efficient Modeling: Operating Costs

Firms can use the slowdown as an opportunity to adjust their operating structure to better manage and support search during a slowdown and later, upon recovery. Some suggestions include transitioning employees to sub-contractor status; lowering base pay in exchange for execution and completion bonuses; downsizing office space; distributed or portable employees; part-time options; VoIP phone systems; web-based technology platforms; replacing paper with digital formats and more.



BusDev - Tip o' the month...

Start the search in advance of the pitch for a specific project. Some firms, particularly those with niche expertise, look for advantages ahead of the shoot-out, including the delivery of prospective candidates to prospective buyers. It demonstrates expertise, pool-strength and a commitment to the client's success. For many clients this helps remove elements of risk associated with using a new firm, or a boutique firm. By identifying and speaking with potential candidates ahead of the search start it also gives clients a sense that your firm already understands their need as well as their sense of urgency. However, you'll need to solicit position specifications in advance in order to present appropriate individuals.



Startup Lessons: Portability leads to profitability

In any market, having a successful portability strategy will lower obligatory costs and raise profits while keeping efficiency and quality high.

As market conditions fluctuate among search industries and practice specialties, firms find the focus changing from new business development “solving our revenue issues” to a focus on profiting more from fewer search projects.

To improve profitability without adversely affecting the quality of service, search firms should first identify operating costs on a business-wide scale and later identify and compare the cost of search.

Obligatory

The business-wide scale addresses the broad costs associated with operating your business but are don't necessarily correspond to individual searches. These include rent, office supplies, postage, phones, etc.) When search activity drops, these costs usually remain static.

Performance

Costs that are impacted by search activity levels include research tools/subscriptions, travel, marketing and business development. These costs tend to move up or down in conjunction with revenue.

Flex

The primary flex costs in a firm

are your personnel. The impact of the salaries of recruiters and support can fluctuate depending on revenue levels, but tend to surface in response to change rather than in lock-step. In a traditional firm where both base salary and bonuses apply, firms can reduce the impact of people by lowering or removing bonuses when revenue is low. However, since bonuses tend to come from a profit pool, reducing or eliminating bonuses may not have enough impact on your obligatory cost of base salaries. Often in down market conditions it's these people costs that stand out the most as the largest component of the operating budget. Most firms address these costs in the simplest way – by terminating employees.

What Strategy?

Each time a firm reduces staff as a result of low revenues it has a unique opportunity to start from a clean slate, building a better operating structure. Many firms just terminate staff like ripping off a band-aid. When market conditions improve they apply another band-aid knowing it will have to come off again the next time the market conditions drop. However, some firms have implemented new strategies, not only to reduce the need to terminate employees,

but to improve profitability in all market conditions. some firms are re-building with a new strategy.

Portability = Flexibility

After grouping operating costs into the categories described above, firms can approach each individual cost uniquely in an effort to make them portable.

Examples Include:

Obligatory (phones): Firms can recover phone costs through client invoices or they can reduce costs by using VoIP systems.

Obligatory (postage): While the cost of stamps is fixed, the cost of the machinery is not. Look online for sites that allow you to print stamps on your local printers.

Performance (researcher):

Consider building relationships with a select few independent researchers. The hourly cost may seem high, but the firm can keep the cost under control by directly correlating the costs to the new business development. By building relationships with a select few, the firm will have the opportunity to replicate the close relationship provided by an employee while also gaining scalability to address changing market conditions.

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Performance (research tools): There is a strong conflict between the annual commitment required from popular research tools and the 90-day financial commitment of the search firm's client. To bridge this divide, search firms can look for monthly payment options that can be applied to client invoices. Some firms have even added a line item to all invoices called “non-itemized expenses” to recover the cost of these tools.

Performance (travel): Firms are addressing travel costs in several ways, including low-cost airlines, priceline.com, and “piggy-backing”, a term used to describe the practice of booking sales calls in conjunction with candidate interview trips in order to be reimbursed by existing clients for these sales trips.

True Portability

Even true portability; the consolidation office space in exchange for home-office flexibility is worth exploring and can save money while gaining loyalty among those who relish family time. Leading firms are following the portable office strategy implemented by Xerox in the early 1990s. This includes an office reservation system, portable/moveable file cabinets and portable VoIP telephones that function as an internal phone regardless of their location.

Acquisition: Is my data worth anything?

Many firms use their large data pool as an asset when pitching for new business. By this practice alone, large firms that house several hundred thousand contacts and supportive data are pitching data as an asset. However, the value of the data may be exaggerated. During a data migration at one large firm it was determined that only 10% of the firm's 300,000+ contacts had enough value to be migrated to the new system. Most firms agree fresh research is required for new searches because the data moves and changes too quickly for any firm to manage. What about an acquisition asset? Everyone we polled agreed that the value in an acquisition resides first with the revenue generating recruiters.

Data only plays a part when those newly acquired recruiters depend on that data to succeed – and few do.



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