



▶ NEXT MONTH...



A RECESSION USUALLY MEANS BAD NEWS FOR RECRUITERS: WHAT CAN WE DO NOW TO GET THROUGH IT?



PORTABILITY

ACQUISITION: IS MY DATA WORTH SOMETHING?

Recruiting *Entrepreneur*

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

With concerns about a recession, some firms are exploring creative solutions to retain and expand their hold on clients. One of these solutions is unbundled services, but what are the risks?

Unbundled Services: At What Risk?

Executive search is a transactional business. For many years, firms have looked for creative solutions to hold onto relationships beyond the transaction. As talk of a recession becomes more prominent in today's market discussions some firms are addressing their concerns about fewer transactions by unbundling services.

Unbundled Services is simply described as a search firm separating the components of the search process into menu-based items such as market intelligence, talent intelligence, targeting, succession planning, referencing, compensation analysis and more.

Each of these unbundled services allow the recruiting firms to stay "up front" in the minds of their clients at a time when the full-cycle transaction may not be necessary. Providing great service at the component level may seem to put the firm in a great position when a search is actually warranted,

but there certainly are risks.

Brand Risk

By unbundling services, a firm can change the perception of their business expertise, moving it away from high-level, high-touch executive search toward research and broader consulting.

Execution Risk

By opening up your business's internal workings and providing unbundled services, firms may risk exposure to areas where they don't perform as expected. Unbundling can expose your internal macro-level processes to the scrutiny of clients.

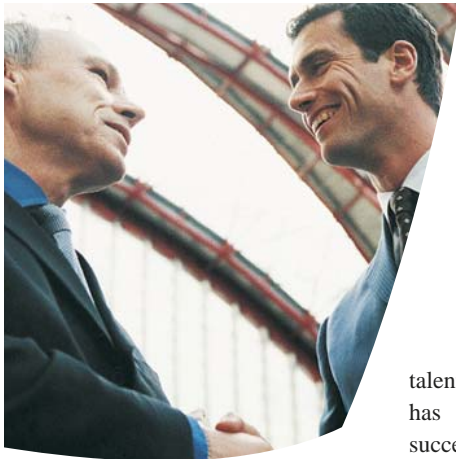
Profit Risk

Because of the execution risk listed above, your firm will need to perform well at the macro level. To do this it may mean more resources and more time – which equals more money. Considering most of the unbundled services come at a dramatically lower price than search, profits will be much smaller than that of search.



BusDev - Tip o' the month...

Network with competitors. Yes, it sounds strange, but having trusted relationships with other search firms can be rewarding. Many niche firms have clients looking for expertise in other areas. Being a trusted resource for other search firms can result in new opportunities as they make recommendations to their clients. Even large-firm recruiters pass business outside the firm on occasion, but remember to return the favor. Intermediaries can help too, as mentioned in previous issues. These resources have one-to-many relationships that can prove fruitful to you and your business. They include management consultants, legal firms and even industry sources such as Hunt Scanlon, for example.



Startup Lessons: Does Outsourced Research Work?

In a down market, operating costs loom large as a drain on profits and many firms cut back on people. Can outsourced research help?

Most senior recruiting firms include an internal research function which provides an important service to the senior recruiter. In fact, a seasoned researcher who goes well beyond Internet sourcing to include phone skills and pre-qualification is a highly valued part of the search business. Many recruiters hold these resources close at almost any cost – even during a down market. With such a large investment in this relationship who can blame them?

Hiring an external, sub-contracted researcher from a network of professionals is risky. Too often recruiters have to suffer through a long process to find the right researcher, including disappointment over shoddy work, incomplete results and a general disconnect from the recruiter.

Even popular resources such as the Exchange Hub, an online marketplace for researchers and executive recruiters, can connect you with researchers easily and quickly. However, it is still somewhat uncomfortable hiring a stranger to represent your firm in identifying and pre-qualifying

talent. While the Exchange Hub has many examples of successful matches that have grown into strong, long-term relationships, there are alternative solutions that address a boutique firm's need for reliability and scalability.

Conversion
Some firms have migrated their internal researcher(s) from employee to subcontracted service provider. How does one do this without hurting the relationship with the researcher? After all, an employee can easily mistake this as being terminated. There are several issues the firm should address:

Income
Assure your researcher that he/she will remain an important part of your success. Give them a commitment of six months at a rate comparable to their current income in exchange for the highest priority among their future clients. Give them an additional six-month contract at a rate comparable to 50-75% of their current salary. You may even provide incentives for success. This will provide a stable transition allowing them to grow their business based on your financial commitment.

Infrastructure
Offer to support their transition by paying for the tools they need to become an independent contractor, including web site, email, phone, technology and business registration as an LLC. These costs are nominal and will go far in supporting their transition. It may even keep them in-house, providing close support.

Business Development
The executive recruiter can assure the researcher that he/she will make efforts to recommend them to others, including unbundled components of search if the opportunity arises.

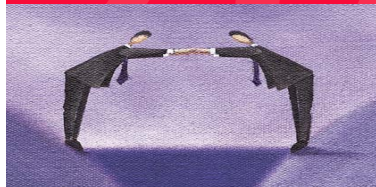
Respect
The executive recruiter must relinquish control of the researcher. For a researcher, having their own business can be exciting. Recruiters should understand that the researcher's internal business operations are private, so be respectful of their ability to manage their time without your input.


For recruiters, the change allows for scalability, a direct cost-of-search application to search, and a reduction of stress over employees.


Advice: A Sole Proprietor


Initially, I was peeved that my Partners had chosen to move off in different directions. However, after much reflection I concluded that this can be a good thing – and I can *make* it a good thing. The situation gave me an opportunity to rebuild the firm from scratch without changing the market's perception of my business. With Partners it was difficult for us to meet or exceed a profit rate of 50%. My focus would be on rebuilding the firm to maximize my profit rate so I could manage fewer searches, focus more on *selective* business development, and have more quality time with my family. I connected with a business consultant in executive recruitment infrastructure and we spent 60 days building a plan to increase my keep through a redefined structure. I transitioned all my employees to subcontractor status while maintaining these great relationships and incorporated their cost into my client invoices. That alone grew my net profit to over 70%. I outsourced all of my technology to externally hosted solutions, eliminating my need for servers, software and internal support. In addition, I even outsourced my accounting to an external bookkeeper who invoiced, collected and even paid my bills. Today I embark on a journey to add quality to my life. Wish me luck!

TIPS & QUIPS Reader Suggestions



RESEARCH

You can better incorporate outsourced researchers into your business by providing tools to allow them to market under your banner. If you have a VoIP phone system, give the researcher a phone and add them as an internal extension during the project. Ask them to use your company name and funnel returned calls back through your business. Without a VoIP system this can still be accomplished through creative call forwarding on a standard phone system.

TECHNOLOGY

Web-based Software as a Service (SaaS) models work well in recruitment. These systems eliminate internal IT support requirements and allow employees to access systems from anywhere, via almost any computer (even PDAs such as the Blackberry). In addition, you can give external resources such as researchers, candidates and even clients an ability to see limited information in your database.

ACCOUNTING

Will a client reimburse me for business development travel? Of course not! However, some firms have found a creative solution. After booking a trip to interview candidates, the recruiter should scour the database for business development contacts in the trip's area. Book the flights far enough apart to spend time with these prospective clients. If you spend extra dollars on needs directly associated with the BD aspect of the trip (such as a rental car), be ethical about absorbing these costs. Otherwise it's quite efficient.


Recruiting Entrepreneur
Questions or comments?
rcruz@recruitingentrepreneur.com