



▶ NEXT MONTH...

○ sixteen | ○ five | ○ 2008



HOW WE CAN PREPARE FOR A MARKET SLOWDOWN



BALANCING BUSINESS DEVELOPMENT EFFORTS WITH SEARCH EXECUTION

Q&A WITH THE #1 BILLER

Recruiting *Entrepreneur*

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

At large search firms, senior level recruiters often weigh the prospect of building their own firm. As internal infrastructure resources surpasses business development for the #1 concern of those considering an exit...

Every Recruiter Should Know *This Guy*.

For many successful recruiters, the idea of breaking out on their own is always on their mind. Over the course of their career they are often intrigued by the prospect – especially as they see friends and former associates make the move successfully. But overriding concerns lie on the forefront: the risks of leaving the mother ship, a daunting investment, business development barriers, confidence, and the infrastructure needed to support such a bold initiative.

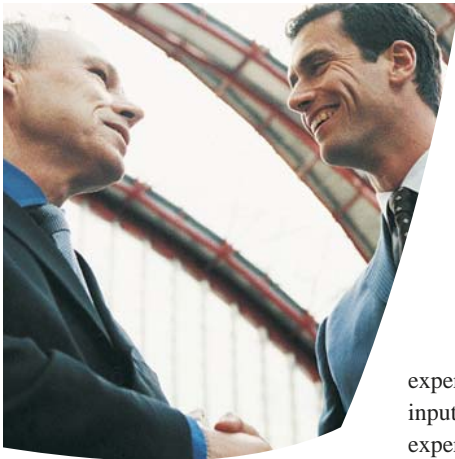
With the help of Robert Stein and his company, Prospect City, this initiative is more achievable than ever. Prospect City is the first and perhaps the only known business to focus exclusively on building new search firms and providing all the tools needed to operate successfully. Stein has spent a recruiting lifetime (25 years) working in every facet of search businesses, large and small, and has offered this experience as a key component of his

service portfolio. The firm has assisted in building numerous search firms since its formation in 2000 – all of which remain successful today.

Stein parlayed his experience with Russell Reynolds, Crist Partners and other firms into one that not only consults, but provides all of the infrastructure products and services needed to run a firm. “Our top recommendation to recruiting entrepreneurs is to line up new business ahead of the build, so these firms can be built on the client’s dime” says Stein. “Having two or three searches at the start will lower the risks significantly.” The firm’s tools and services help a recruiter form the business within two weeks, and includes everything the recruiter needs to succeed, including optional components such as research support, technology, accounting and administrative support. “We fully expect recruiters to dial

back our services as they grow their firm, particularly for those recruiters who intend to expand their employee base with executive assistants and internal researchers, for example. That’s why we require no long-term contracts.” In fact, most of Stein’s clients migrate toward internal infrastructure, but retain key components permanently – most often technology and accounting management. “Although our researchers are top-shelf, many recruiters migrate toward having a researcher they are familiar with, such as a colleague recruited from their old firm. Often it’s just a matter of having the familiarity of a leverage resource just down the hall from the recruiter.” But Stein adds, “Our original platform was built to identify and network the global community of independent research professionals and this platform (The Exchange Hub) continues to serve hundreds of recruiters and hiring executives today – while providing scalability to Prospect City’s infrastructure clients.” Geoff Smart, of Top-Grading fame continues to





Continued: Every Recruiter Should Know This Guy.

"Perhaps the only firm that addresses the unique needs of senior recruiters... Prospect City's Stein is a reference of industry know-how."



Promote Prospect City as a unique resource to his seminar participants. Stein: "I know when Geoff has completed a seminar because the phone starts ringing off the hook." [Picture the movie scene where reporters run for the phones after a press conference]

Q&A

RecEntrep: In your experience, what is the attraction for recruiters to set out on their own?

Stein: There are two: Quality of life, which allows for independence in how recruiters operate, freedom from being judged, and flexibility to spend more quality time with life's passions. The second is a bit more self-serving: We call it "the keep". With an efficient operation, recruiters can move from a large firm compensation model that rewards at 30-40% of revenue to a model that offers a 60-80% net profit. In dollars it means a lot, but what it also means is flexibility to do fewer searches to address financial needs so one can have more time for a personal life.

RecEntrep: What are the pitfalls?

Stein: Well, the biggest pitfalls often become a reality when recruiters build without the help of

experts like us. Without the input from *recruiting industry* experts, recruiters often find themselves overpaying drastically for fundamental services such as legal and financial advice. Coming from a larger firm, recruiters often reach out to large legal firms and accounting firms that can charge as high as \$50,000 for business formation when a recruiter can do it alone for just several hundred dollars. In addition, we allow recruiters to focus on generating new business to support the build instead of spending too heavily on the front end with pricey items such as office space, furniture, phone and computer equipment. They'll get those things, but with our advice they'll get them on the client's dime.

RecEntrep: Most recruiters say they need only a phone and a rolodex to be successful. How do you address that notion?

Well, to some extent that notion is true. However, to operate efficiently, the recruiter needs to first understand the value of his/her time. If, for example a recruiter generates \$100,000 in revenue per month, it translates to about \$850 per hour. Inefficiency

in the way a recruiter operates can translate to a lot of wasted money. In an inefficient business model recruiters can easily find themselves spending a few hours per week working on tasks better assigned to others, including bookkeeping, organizing data, searching the Internet, managing technology, writing or typing correspondence, etc. On average a recruiter of this level can waste more than \$260,000 per year.

RecEntrep: So what do you offer to reduce inefficiency?

Stein: We offer several unique tools and services – all of which were developed in response to lessons learned by us and by our clients. For example, our database is designed to reduce or eliminate the need for high-value recruiters to manage data. Instead the system automatically delegates data management to low-cost support. It's designed to be intuitive, basic and simple in its presentation of information for the senior partner. This database is web-based so recruiters need no in-house equipment. It's customizable too, resulting

in a proprietary system that meets the needs of the recruiter today – and later if their firm grows to global proportions. We offer integrated IP phone systems that create a caller experience that is indistinguishable from the largest companies. We offer website hosting, email and just about every piece needed to build and operate the business. All of our tools and services are designed to be the last purchase needed, because we found so many firms that outgrew other popular off-the-shelf tools. We are a single source that manages all of the firm's technology off-site so the recruiter has no worries and no responsibilities for support. In addition to technology we offer bookkeeping services, proposal design and development, research (both clerical and leverage) as well as administrative support.

To summarize, recruiters can come to us as a one-stop shop to get everything they need to build and support their firm.

We also apply our services to existing firms. Firms of all sizes come to us to analyze and improve their processes, replace technology and improve efficiency in an effort to lower operating costs. All of these efforts result in higher profits.

What's the next big thing?

We asked Stein if he could offer his thoughts on the next big thing in executive search. "There's no doubt in my mind that the acquisition of talent is of growing importance. What is changing is the transaction-mentality of recruitment." In private equity firms there is a growing emphasis on identifying stars and building relationships with them early – well in advance of the transaction. "This is a best practice and will migrate into more traditional corporate recruiting functions. An intermediary can help identify market talent on an ongoing basis and generate a smaller pool of exceptional talent to be presented to a client for future needs. Clients build relationships with these individuals and pull the trigger on a deal or on a hire when it's needed, shortening the time-to-hire while getting a better assessment from the ongoing relationship. For recruiters it calls for a lower retainer in exchange for a long-term commitment.



Recruiting Entrepreneur

Questions or comments?
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