How to scale a recruitment business transcript

Rhys Jones: Hi, I'm Rhys Jones. Welcome to my latest podcast whether you are watching on YouTube or whether you're listening to me on podcasts on your Spotify or Apple. Today's episode is about how to scale your recruitment business. The reason why I'm doing this particular podcast is I, as you probably know, speak to recruiters about setting up a business. That's what I do for a living now, now I've sold my businesses.

And the common theme is I want to scale the recruiting business. However, this seems to be a massive misconception about what scaling recruitment business is because technically scaling is increasing revenue but without increasing cost.

And in the recruiting business, you can't do that because it's largely based on staff. However, if you are looking to grow your recruitment business, you are kind of looking at a scaling model. So what I'm looking at today is about how you actually scale the business from a growth perspective isn't going to get to a ceiling because if you don't try and scale your business from a more tactical point of view, and you feel that just having lots of recruitment business is going to grow you a massive business, it isn't going to work because it doesn't work that way.

What size do you want to be?

So first of all, when I'm talking about scaling a business, I want to know, okay, what size of business do you want it to be? Because that will dictate to a degree how you scale the recruitment business. However, what I would say is you always build your foundation for the business you're aspiring to because you can't have too much of a solid foundation.

So for example, if you want to build a skyscraper, you don't have a bungalow foundation. So when we set up and build the business within Davidson Gray, we set the foundations so you can grow that skyscraper should you want to. So that is, you know, getting the logo spot on, getting your branding right, getting your website right.

So it's kind of setting a foundation that you're not going to sort of have to retrofit stuff, because retrofitting stuff within a recruitment business is really, really difficult. But when we get back to the scaling, as I mentioned, it's not about hiring loads of recruiters because that just won't work.

What you've got to look at is how are you going to grow the business going forward, because beyond the billers, so you set your business and let's say you've got four or five billers and you need to manage them, and then you grow and you have other managers and grows, and that's how it grows and that's how business grows.

Grow your leaders

One of the things that is massively missed and underestimated in growing and scaling and recruitment business, is it's essential that you have to grow leaders. Because you are ultimately a leader yourself and maybe a business partner, but as the business grows, that is going to dissipate. You can't cover everything.

So you've got to think about where the business is going to be, and you can't do everything. And that's the point of scaling, is to get people underneath you to be able to do what you can do, and then people underneath them to do what they can do. That's how scaling works. So if you are not going to create leaders, then you're really going to struggle because you just have a team of doers.

But you need to grow those leaders. So you need to have a leadership development strategy where you are truly coaching people. When I say coaching, the myth seems to be that anybody that trains now is coaching because coaching sounds sexy. Well, coaching is teaching people to think for themselves and do for themselves.

Make use of coaches

There's a famous quote by Andre Agassi, ex world number one tennis player, which is ‘The best coaches, are the coaches you don't need anymore’. And that is how it should work when you are looking at scaling a business is you've got somebody who is coaching somebody underneath them to get them to the point where they no longer need that person to do their job so they can climb further up the food chain.

So you need to have a culture within your business that people are looking to succession plan themselves through quality coaching and coaching is difficult because a recruiter relies on speed. Speed kills deals. Coaching is slower because you can train somebody by saying, this is how you do it, and you can give them solutions.

But I think the phrase is ‘Give a man a fish and he’ll be full for the day, teach them to fish and they never go hungry again’. So you've got to get people to fish for themselves or think for themselves and do for themselves. So it's not about telling 'em how to do it, it's asking how they would do it and getting them into that mindset of having to think for themselves. So that is critical if you're going to scale a business.

Solidify your processes

What's also critical, and this is again, another part that is massively flawed that I see in businesses growing. And the bit that the leaders don't appreciate is to scale a business is largely dependent a lot on process. Because something process is like, oh, I hate process. I hate process. But you can't grow and scale the business properly without a process. And when I say a process, what I mean is like the best way to put, it's a best working practice. So rather than let's say an example if you about hiring - rather than if you say you've got five managers and they're all hiring, and they're all hiring a different way.

Okay, well, there's going to be a better way to hire. So first of all, you need to have a proper job spec, so you know what you're hiring to because if you don't have a proper job spec, how would you interview against the job spec? Okay? And if you don't have a job spec, you know what you're looking for, how would you find the people to get them through the door?

But then also you need to have sufficient people through the door so that your criteria can be high, that you're setting the bar high. So if you don't have enough people through the door you'll have a tendency to hire people that aren't really the standard you're looking for. So, when I go to best working practice, this is an example, is you look at, okay, what is the staff attraction policy?

And that will mean that you have to step back and look at the, what is the best practice for attracting staff. And this is where I find a lot of recruitment business owner leaders fall down because we tend to all be a bit crap on completer finishing. Because we're all interested in oh, shiny new because that's how we’re brought up, you know, it's the psychometric profile of recruitment isn't necessarily the best person to grow a business because to grow a business, you've got to be able to see things through. And the smart thing that you do is okay, like for example, I'm an ideas man. I'm great on strategy, I'm great on coach, you get them. I'm not very good at following things through.

Follow things through

So I hired somebody who is brilliant at following things through. So I had the great ideas and I get somebody to solve, upwardly manage to make sure, follow these ideas through. So if you're going back to the recruitment as a process you'll spend a bit of time looking at, okay, what is our attraction strategy?

How do we attract enough? Because really, you've got to be, I don’t know, interviewing 10 people to get one rather than say two. So if you are looking at hiring, you say one person a month, you've got to be seeing between five or 10 people a month. That's a lot of people. So what is your attraction strategy?

You get people through the door, okay, what is your selection strategy and what are you actually looking for in these new recruits? And because we're recruiters, we think we can wing it. Well, that's not the best way to hire. And what you'll end up with is all your managers doing things a different way, but they won't necessarily be doing it the best way, and they'll be successful in spite of the environment they're in.

Make it easy for your team to succeed

Now, it's not a case of getting everybody to be robotic, but it's making it easy for them to succeed. That's the key. So what you're doing is you are getting a much better value and performance out of people because you are giving them the infrastructure to allow them to be better. So if you have say, job specs that are written for them, then they understand what they're hiring to, if they've got some form of structure of how they're actually doing the selection process.

So if you're doing psychometric profiling or if you're doing some sort of intelligence testing, whatever it might be, if there are certain criteria that you know you're looking for, they are interviewing to those criteria rather than just winging it, because again, as recruiters, we tend to move at pace, so all they'll do is if you don't watch it, you'll interview somebody and go, great.

The figures are fantastic. They seem really nice, they get on their way, give them a job. Okay? Looking at ratios of success within your business, if you're going to grow it properly, you have to look at ratios of success and that ties in nicely to the other thing that's critical in you scaling your business is your staff attraction strategy has to be key. Staff retention strategy also has to be key. So it's hiring good staff and keeping good staff. So if somebody joins your business and they don't work out, it's essential you look at why didn't it work out. Because ultimately, it's going to be your fault because they'll fail for a reason that's within the business.

Either they weren't the right hire, the induction wasn't right, the match wasn't right, they didn't get the right coach; you didn't get the right training. There's something that's not worked. So as far as if you're going back to the example of the attraction, selection, the hiring process, you're constantly finessing it to see how you can improve it.

But also as the business grows, your criteria will probably change. Because at the beginning, if you're looking at a small to medium-sized business or a micro business, you might be able to get somebody from a large organization that are a big biller there, but they're a big biller because they're used to working within structure.

A startup situation or a small situation or a micro situation, they may not be able to do that. So, you know, you're looking for a different type of person. What you're looking for is somebody who's going to be able to be autonomous, so be able to work without that much structure. So your criteria are going to change.

So again, it's essential that you're always reassessing these things. So in your processes, you're looking at the way you do things throughout the business, but also, you've got to hire somebody within your business to kind of make sure that these jobs get seen through. The other thing that is essential within scaling business is your culture.

Set your culture early

Now, people talk a lot about culture, and again, I'm talking to a lot of aspiring business owners that you say, oh yeah, I want it to be a fun place to work. I want people to be recognized. I want everything to be transparent. And all these ideas are great, and I agree with all of them. But the thing is, at that point they're idealistic, how would you actually make them happen?

Okay, but also how do you make sure they stick? Because when you grow a business, initially, say you've got four or five people, you can kind of control the culture through how you behave and your personality, because that's how I grew a business initially was through just my core values and how I behave and how people should behave.

And it sort of is natural the way it grew. But as the business grows, you've got to make sure that culture stays in place, because the further you get removed, the easier it is for that culture to start to dissipate. So you've got to be constantly reactive to the culture to ensure it stays, because that's where I've seen a lot of businesses fall down, is where they get to a certain size, the person that had the businesses start to get a bit overconfident, they move away from it, and they don't know what's going on in the coalface and the culture starts to change. Say for example, the culture where there's no politics or it's constant need for development or, people like to be competitive, but work in teams.

You know, there's a culture thing that can quite easily dissipate if you don't watch it. And that's where what I found is, within scaling the business is you've got to be ruthless. And ruthless sounds like a horrible word because I'm a very caring person. And one of my ethos is, if ever you're going to let somebody go, it should never be a surprise.

You should always give 'em sufficient chance to change, to be able to stay in the business. So it should never come as surprise. So I'm not the sort of person, you can call ruthless. But if you've got, say for example, somebody doesn't fit your culture and they're not going to fit in your culture, you need to let them go.

Especially early on. Because once you've got a critical mass, the bigger the business with a strong culture, the harder it is for somebody to come and fuck it up. Whereas if it's quite small and say you've got four or five people, you get somebody in that's a political person, is a bit of a backstabber, it can easily fuck up the culture.

So you need to be ruthless on that. But also if you've got people within the business that aren't necessarily hitting your minimum criteria. So let's say one of the things I haven't mentioned actually is I recommend that with any business when you are looking on that growth journey is you set some sort of ground rules.

Set your ground rules

And one of them might be everybody has to hit 150 grand a year. Okay. Because what you can do is you'll let people go under the bar and say a hundred grand. But the problem is if you've got people that are performing at a lower level, they tend to drag people down. Because people will quite often perform somewhere between who is the biggest, who's the least? So some people will migrate towards, as long as I'm billing enough above the least, I'll be all right. So if the least is a hundred grand, you'll get some 120 billers. If the least is 150 grand, 180 grand billers. Similarly, you need big billers because people need something to aspire to.

So again, that drags the average billing up because that's another thing that you need to look at is your average billings per head. Because something that you can fall into when you're growing a business is the vanity. The vanity of, I've got 50 staff, or I've got 30 staff or 10 staff. That's just vanity and it's very easy to slip into.

Make use of a mentor or non-exec

So the other aspect I think is important in scaling your business is if you have a good non-exec or mentor to talk to you, because if you're in there all the time, you quite often can't see the things that are in front of you. And sometimes you need a reality check. And also if you are going from being a recruitment consultant to growing a business, say 50 staff, you're constantly going to a new job that you've never done before.

But with nobody to show you how to do it. So you haven't got somebody above you coaching you with a succession plan to show you how to do it. So how are you going to learn how to do with that? Are you going to wing it and learn by your mistakes? Well, that's not the smartest thing to do, is constantly learning by your mistakes.

I did that for the first five years and the next five years I didn't. And I'll tell you what, if I've done it the first five years, what I did the next five years, I made twice as much fucking money with half the stress because I was trying to self-teach all the time. But if you have a good mentor or a coach, then you can get somebody that is going to help you move into these new positions easier.

Going to make you more self-aware. And also, it's a reality check because somebody should be pushing back on you to ask you the questions that maybe you don't want to answer. And that's why I feel that any business at some point does need a non-exec or a coach to work with you to keep you honest.

Because if you are going to scale a business, then it's not, like I said, I can't stress enough; it's not just about hiring lots of recruiters and expecting it to work, because it just won't work that way. You'll get success to a point. I mean, for example, you might be able to get away with up to 20 or 30 staff and think, oh, this is a piece of piss, and carry on.

But the problem is, if you've got away with it, it's a bit of a paradox. If you've got away with it, you kid yourself, it works and then you carry on. Because you're so far away from the coal face, it could be fucking up further down, but you don't see it because you're too far away from it.

So this is why having the benefit of somebody with experience can help you avoid the mistakes. And can help you develop quicker because ultimately your development is massively important to the growth of the business because you are the head of the business. Now, I also want to mention, you don't have to be the perfect MD or some people call themselves CEO.

Now, I don't like that. You don't have to be the perfect head of the business because I, for example, I said I'm a great ideas man. I'm great on strategy, good on coaching, and I'm a pretty good leader, but I'm terrible at completer finishing. You know, I'll get halfway through a great idea, and I can't be bothered.

Hire good people around you

So I make sure I make up for my failings by hiring good people around me. So if you look at any large business, now, the MD won't do the finance. Won't do the marketing won't do the operations, not they wouldn't do that. That's just silly. You have people in those speciality areas, and you've got to empower them and let them take control of those areas, because if they're going to be in that position, they should be better than you at that.

Obviously. So if they're better than you, you can't fucking listen to them. Otherwise, what's the point? Because if you don't listen to them, they're likely to leave. And if you don't listen to the m, also you're going to make mistakes. So again, if you're going to grow throughout the business, you've kind of got to leave your ego at the door.

Now there's a difference between arrogance and confidence. I kept myself a very confident person and I have a lot of self-belief, but I wouldn't count myself as arrogant, because arrogant, I think is where you're not really in touch with yourself and understanding your own abilities and what you need really, as someone who's going to grow a business is they have the confidence and the conviction, but also the humility to understand the limitations and listen to people, how they're going to grow the business. Because that is how you're going to scale the business. It's the quality of the mass that's going to make the difference.

It's not all about you. So the key factors are you've got to look after your culture. You've got to have a repeatable process. You've got to constantly reevaluate your process. You've got to trust experts in their jobs. You have to give them empowerment. What else was there? Yeah, finance.

Learn to manage your cash

You've got to be able to manage your cash because that's another thing that can trip you up if you have a lot of success and you're growing a business, is you get a bit carried away. So you start hiring more staff and hiring more staff. But the problem is, is you are speculating to accumulate, which obviously you should be doing.

But if there's too much speculation and the money runs out, then that's when you really hit the buffers. So you really need to have a good handle on the cash. And going back to what I said about recruiters not being good at everything, most recruiters are a bit shit on cash because you are used to working on PAYE, which is basically you get taxed at source, you spending money and earning lots of money and you're not used to running a budget for yourself because most good recruiters, certainly ones that set up are pretty well off.

Running a business. There's a lot to it. I mean, things like budget and variance analysis is, do you know what a budget and variance analysis is? I didn't. Well, basically all that is, is you just have an average of what spend is on each particular category, and then you'll have somebody with the business that every time the P&L comes through, they'll look at, are you above or below what the average is on the budget variance analysis?

So if it's high, then they'll look into it as to why it's high, if it's low, look to why it's low. So when the figures come to you, you don't have to go through the P&L. Look at everything. You've got somebody who already has looked at and goes, oh, that's higher. Look into it. So you've got people that are doing the work for you because you should only be doing the job that only you can do.

Conclusion

And that's how it falls down in the whole growth of the business. How you scale the business is that the people that you pay the big money only do what they can do. They don't have to do the jobs that you can pay somebody else to do. That's commerce. So if you've got somebody who can do that particular aspect of the job, half the price.

That's how you get 'em to do it. And again, that's a common scaling technique that you use throughout industry. But anyway, the whole scaling subject is a huge one. I try and keep my podcasts quite short. And the reason for that is, you know, most recruiters don't have the same attention span, so keeping it short on this, I might do a follow up at a later stage on different types of scaling, but I hope you've enjoyed this.

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