HOW TO WRITE A RECRUITMENT BUSINESS PLAN

How to write a recruitment business plan Podcast Transcript

Hi, this is Rhys Jones. Welcome to my podcast. Today's podcast is on how to write a business plan for your start-up recruitment business.

Start with a plan

To a lot of recruiters who want to set their own recruitment company, the idea of business plan more often than not is something they don't fancy doing because it's admin and as recruiters we're not particularly excited about admin. But the old saying is fail to plan, plan to fail. The good news in writing your recruitment business plan is it doesn't have to be big; it doesn't have to be full of narrative and it can actually be really simple. At the end of the day the recruitment industry and the recruitment business is actually very simple. It's not rocket science, it's not like you're manufacturing something or there's an R&D department or you're buying stock in.

You're doing what you do now which is running a desk so writing your business plan can be really small. If you want to add more to it that is obviously going to help but the backbone of your recruiting business plan is to find out if it is viable and how much cash you need to set up your recruitment company. I have done another blog sorry about another podcast I've also written a blog on this on how much money it costs to set up your recruitment company, so you can have a listen to that, and it gives you more detail. But the backbone of any start-up business plan is your sales forecast because your sales forecast turned into a cash flow forecast and your cash flow forecast tells you how much money you need and if you haven't got the money, it's not viable, as simple as that. Business can be simple - it's just as human beings we try and make things complicated.

Do a sales forecast

So how would I write a sales forecast? Well, a lot of you are thinking, well that's easy because I do that in the office. However, you're not in the office, you're sat probably in your back bedroom or in an office on your own and you haven't got the facilities you have now. You don't have the same database, you don't have the PSLs, you don't have the brand, you don’t have the people around, you don't have those other things that help you build so don't assume that you can replicate what you bill now. So how do you find out if you can. The best method I found is a very simplistic method and this is a method that I actually used in my own recruitment businesses with the recruiters at the end of each year so they could plan for the following year and how much and how they would make more money.

And it's as simple as looking at your previous six months or previous 12 months billings and put them in a spreadsheet. Next is vacancies - where do you get the vacancies from and next the candidates - where do you get the candidates from. Now this allows you to see scientifically, where you actually get your business from because you'll assume you get it from let's say job ads, LinkedIn, all the clients got from you and other PSLs so whatever it might be, but I found through a real life experience of building my teams, that more often than not there were some things in there that surprised them. So, when your livelihood depends on your business succeeding, then your sales forecast has to be really good and well thought through. And to do that you've got to analyse where your money came from. So that’s where you start. You look at where your money comes from and if there's things that you won't have, you've got to take those into account. So that’s one big issue.

Consider things that will impact your cash flow

The other issue is looking at restrictive covenants. I advise you to get them checked by a legal expert. For the recruiters that join my business, we have a barrister retained who looks at the restrictive covenants. You’ve got to bear in mind those restrictive covenants - that will impact any sales forecast. So, once you've considered both those things, that's when you do your sales forecast. Now the sales forecast then should be relatively simple but then it's turning it into a cash flow forecast. This is where I think recruiters find a P&L, a cash flow is a little bit daunting. Again, it's relatively simple. However, I'm not ignorant to the fact that I am particularly naturally good with numbers and spreadsheets, so although I find it easy doesn't necessarily mean everybody finds it easy.

I'll try and explain why I think it's easy. You simply put the months across the top of your spreadsheet with the figures in and then if you're in a contracted business you get your cash straight away so that's quite easy if you’re a factoring company. If you're in a perm business then, how quickly do your people start and does it take a month, two months, two weeks, whatever it might be. So underneath the placed I would suggest then you put an invoice line which is when your candidates start. Then underneath that is how long on average your clients take to pay. Now if you're in for example the construction industry, that's horrendous with paying. Sometimes it takes two, three months.

Consider payment cycles

Some industries, for example like legal, they tend to pay the same month. So that'll impact when you get paid. So, if you look at a simple in January you placed £10k, you think that person would then start in Feb, and then your client would then pay in March. You then know from January, if you've got a placement you're not going to get paid till March. So that is your cash coming in. Your cash flow is underneath that and that's obviously all your expenses. So that'll be your website, your CRM, accountancy costs, all the various things that go into your business and also how much you need to live off. Now this is a sort of greyish area because how much you want to live off and how much you want your business is one thing you've got to think about.

How much do you want to tighten your belt. But then again, do you want to put yourself under lots of stress and pressure by living on a shoestring. So that is something you've got to think about. You've got to put in there what you're going to pay yourself. So, once you've done that, all those things added up that your costs are the minus from the bottom line, which is your cash in and that will tell you where you hit going in the black rather than the red. Because the first couple or three months, whatever it might be, there'll be a minus figure. As soon as the cash comes in that'll reduce the minus figure and then it might even go to a positive figure.

The biggest minus figure you have before it starts going smaller, that's how much money you need to set up your recruitment business. Now what you probably want to do is add a bit more money on that just in case your sales forecast doesn't go according to plan but that is roughly what you need to set up your business. So that is the answers to the question of how much it costs to set your recruitment business up.

How much money will you need

Going back to the good news about your business plan is that is the most important thing. It is understanding how much money you need and when you start making money and what the profit looks like. Because the rest of what you do as a recruitment consultant is finding the candidates and finding the clients and making the money because what we do every day is we run a desk and we go to the desk, and we look at is that candidate worth canvassing out today. Is that vacancy worth working on or do I go out and find something else. So, we make commercial decisions every day.

There's stuff that surrounds it that, if you're systematic, can get done. There's a contradiction in what I'm going to say now which is that it's very difficult to break a recruitment business or fail in your recruitment business but it's also very easy, which is kind of contradictory, I know. It's not rocket science, but it's also easy as a recruiter because we chase vacancies, and we chase candidate because that's how we're bred. You miss stuff and that's where you're going to make mistakes. But coming back to the business plan, that's where you can start padding it out from your sales and cash flow forecast and that's just listing the things you've got to think about.

The devil's in the detail

For example, how do you register your company, what are you going to call your company and when I talk about what you're going to call your company, you need to Google if a recruitment company exists with that name. That's really important, because if a company exists with that name, then you've got an issue that they could force you to change your name. If you look at company's house as well and look for a company name, it's not as big a problem if there's another company with that name, provided it's not a recruitment company.

So, for example, if you want to call yourself ABC Recruitment and there's an ABC company already there, you can call yourself ABC Recruitment UK Limited. It doesn't really matter too much at company's house but what you're going to brand yourself as does, so you need to Google that. You've also got to think about which CRM to use, which accountants are you going to use. What you're going to do for job boards, and this is where you've got to go through a checklist of all the things that you think you might need.

So, imagine where you are now, what do you take for granted and when you’re sat in your back bedroom or in your office, what are you going to need? Whether you need a website, what CRM do you want, what happens when the IT goes down? Who's going to do the invoicing? Who's going to do the accounts? Do you go VAT? Are you limited, sole trader? You've got to list all the things that you've got to think about.

That to me isn't necessarily so much a business plan - that is you going through a checklist to make sure that you've got all these things covered because you know what to do with them. If you find a good accountant, quite often they can help you with the rest of those parts. Not so much the CRM obviously; that's for you to choose. IT support may come recommended. The accountant sometimes can be a good place to start to fill in some of those gaps. As far as the recruitment business plan goes, as I mentioned you don't really need a narrative, you don't need to put down what your mission statement is or what culture you want or how many staff you can have in years two and three.

It's really about the basics of making money and getting cash in because that's the most important thing to get through your first 6-12 months, is to get money in. After that, then you can start thinking about your expansion. Obviously, it's a good idea to think where you want to be - do you want a boutique company, do you want a big company, do you want to sell it. Those are nice things, but you will find that your attitude to these will change as the business grows. You might want a small business and once you get smaller you want a big business. You might think you want a big business, then when you get to a boutique size you decide you don't. And certainly, in the first year or two you will react to opportunities and setbacks.

Hopefully more to opportunities and usually it is, to be fair opportunities, and opportunities quite often can be major accounts you didn't think you'd get or you didn't see coming, or ex-colleagues that ask if they can join you, so you've got guaranteed billers that you know you can work with that are going to make money. Those sorts of opportunities you've got to react to, so you can't really put those in a business plan. So, I'm not saying do a flimsy business plan but what I am saying as a recruitment consultant myself none of us really like admin so don't be put off setting up your own business because you don't know about the business plan.

What I would say though is you've got to start with your cash flow forecast, because that'll tell you if it's viable and what I mean by viable is:

1) is it going to make profit, which is pretty obvious,

2) how much money do you need.

And this is where I find some recruiters who inquire with me about setting up, they haven't really thought how much money they need. They don't know. That is a deal breaker. So, say for example you need your cash flow tells you, you need £15k and you haven't got £15k, there's no point in writing your business plan is there, because you haven't got the £15k. You've got to find the £15k first. If you work with me that's a bit different because I fund it. So, if somebody comes to me, they haven't worked it out; I help them work it out and explain how I actually fund it because that's what I do. I'm a recruitment business investor, in addition obviously to being the mentor, the coach, providing support services; but I want to turn this into an advert for what I do. But that's the core of it - is looking at your cash flow forecast, how much money do I need and then doing a checklist. That's really it.

Conclusion

So, I hope you've enjoyed this talking about how to write your recruitment business plan. I have written a series on this which is on my series of blogs which is on my website, if you check that out. I've also got an eBook there as well but if you are interested in finding out how I might be able to help you, you can find me on LinkedIn and send me a message.