How to make the first hires in your recruitment business Podcast Transcript

Hi, this is Rhys Jones. Welcome to my podcast ‘How to make the first hires into your start-up recruitment company’. The reason I wanted to talk about that today is your first few hires are possibly going to be the most critical you make in your business.

The first couple of hires are certainly going to be the toughest and the most critical because once you get past the first two or three hires, it becomes so much easier. But looking to hire somebody into your business that's a brand-new start-up with, maybe yourself and a business partner, or just yourself is going to take a certain leap of faith, especially if you want to hire quality people. Quality people are going to be in demand, especially in the recruitment industry. We know that a good recruiter can pretty much find a job tomorrow because they're walking money, so it's not easy.

How do you get that first hire?

Well, you can look at an existing recruiter if it's an ex-colleague or a colleague who just left. You'll have an existing relationship so that should be easier, but also what you don't want to do necessarily is hire on the basis that the person's a friend. They've got to be a guaranteed biller; they've got to be somebody preferably from your industry and obviously somebody that you can work with.

How would you lure that person in because it is going to take a certain leap of faith. If you're looking at hiring a biller that's generating £150,000 plus, which really you should be, they're probably going to want a little bit of an incentive over and above just joining you. There are ways of doing this. The easiest one is just to pay over the odds which might sound for a start-up unusual, but if you're going to pay an extra five or ten thousand pounds on the basic and the person's a guaranteed biller, what you do is you're adding critical mass to the business because once you get to four or five staff it starts to become so much easier. If you need to pay over the odds for your first one, two or even three staff it's not the end of the world because if you're overpaying by maybe five or ten thousand pounds maybe even fifteen, you should still be making profit.

Overpay if you must

If somebody's earning the business £150,000 a year, you'll be making profit anyway. You could give them a better commission structure, providing the finances work out but the other option you got, which is something you've got to think carefully about, is would the person be enticed by equity. Now equity is complicated; it's not as easy as people think. I did write a blog on the subject that if you have 10% of equity, it doesn't necessarily mean you get 10% of profit, it doesn't necessarily mean you get 10% on sale. It's whatever's written in the shareholders agreement. If you don't have a shareholder’s agreement, then traditionally that's how it would be, but in your shareholders agreement you can have whatever you want. Read my blog on it, it’ll explain more.

Offer them equity

Anyway, if you're looking at hiring somebody in and offering them equity, what I would say is you definitely need to have in your shareholders agreement that if they leave the business, that you keep the shares. You don't want somebody leaving after a year, two, three, four years. You grow the business, it's a very wealthy business and you come to sell it and you give a big chunk to somebody that doesn't work there anymore.

So having a clause in the shareholders agreement that you can buy it back at a nominal rate is appropriate and it's fair. So in addition to equity where you would pay a percentage of the sale of the business, think hard about whether you pay the person's profit because if the person is coming in and they're a biller, but then as you grow further down the line you're adding a team to it, is it fair they get part of the profit if they're just a biller. I would say no.

However, as time goes by, if they help you grow the business and they have a significant impact, that's different. You can reward them by giving them profit, and I think that's fair. Morally I think it's fair but also, it's smart from a business point of view that you want to lock in your best people by giving them a good deal. But initially it is a big risk and I think that's understandable to explain to the person that you're thinking of bringing in. It is a risk to give away a percentage of your company so a percentage up front that we realized on sale is fair on profit that will come as the person contributes towards the growth of the business.

Hire someone you know

So, if you don't go for somebody that you know, what do you do? Well, I would suggest looking at a resource. If you set up your own business you should be a successful recruiter that has good clients, can find vacancies and can find them often. So, getting a resourcer to resource on those vacancies, in particular the ones maybe that you wouldn't necessarily be interested in, is a very good middle ground because you can clearly get somebody cheaper but also to train somebody to do half the job is a lot easier.

If you've got somebody that's just helping you find candidates, that isn't as skilful as a 360 recruiter but also your first hire doesn't necessarily need to be just a resource to find candidates. And this is where a lot of start-up businesspeople within the recruitment industry don't do their job as recruiters. They simply go out and hire. We advise our clients they've got to write a good job spec so they can understand what skills they need in the person, but as recruiters who don't do it, we just wing it. Well, that's ridiculous. Certainly, in your first hire and a resourcer as well you've got to work out what skills you need in the business because another trap that start-up recruiters in business fall into, is hiring somebody just like them.

Well, what's the point of hiring somebody just like you if they're going to fill in for the areas that you need them. Because the areas that you need them are ones that you're either not very good at, not interested in or you just don't want to do. I mean things like do lots of searches on CV libraries or LinkedIn or God forbid you know filling in the database. The sort of things that you just don't want to do. But these are the things that some people will enjoy and are much better at than you. Because certainly for a resourcer you want somebody that is going to follow a task through because recruiters, good recruiters tend to be pretty poor generally following tasks through because you like the speed of recruitment and if you've got a vacancy that is labouring on past a few days or a week or two you can lose interest.

But if you hire somebody in that has that attention to detail and wants to see things through, they can be huge assets to your business. Also, doing your brand building, your LinkedIn, your social media - that could be something that could add it in because as a recruiter, you're born to move towards money and your first six twelve months you should do. You should be concentrating on getting cash in. But if you're concentrating on getting cash in, you're not going to be doing your social media and that is important, clearly, for brand building.

Write a good job spec

So, when you're looking to hire somebody, think what you need, write down what you want them to do, and then the attributes. That could be, if you want somebody that's going to the candidate attraction side it's somebody that's good on LinkedIn mining, somebody that's digitally aware, maybe someone that’s got a good written form for the adverts. And maybe test them on it. Give them a test, give them a piece of writing you've done on an A4 paper with mistakes in it and ask them to ring the mistakes. You can see if they've got good written form.

You need to spend quite a bit of time on getting the right person because trust me, if you get the wrong person, the chances are you're going to give them too long because if they fail you feel like you felt. You also might fall into the, what I call, the slot machine situation where you put 5 10 15 pounds into slot machine, you don't want to lose that money, you think it's waiting to drop so you keep putting the money in. But then you put too much money in to walk away.

Hire for attitude

And that's what you can do with a resource so you can put too much time into the person, and they get further down the line, and you can't let them go. And that's what costs you money. Unfortunately, you've got to be pretty cut-throat and what I would say you need to look out for more than anything is attitude because aptitude and skills you can teach attitude is the difficult thing.

We've all seen recruiters within our business that aren't necessarily the brightest or academic but are really, really good and that'll come down to attitude, so you need to watch closely the person's attitude. Things like do they get in early in the morning, do they get on the phones early, do they take the full lunch hour every day.

There's nothing wrong with taking a lunch hour but if you're busy you should be cutting it short. Do you see them playing on social media on the phone or social media when they're looking through LinkedIn, these sort of things. It's attitude that counts and if it's not right you've got to cut quickly. It might sound harsh, but certainly for your first few hires you've got to be so careful. So, make sure they know what's expected of them and watch them properly.

Marketing

The third option I've got for your hire is actually not hire at all. It's marketing. As recruiters most of us have a need to inflate the ego and that can be getting your first hire. It's understandable, it feels more of a business if you've got somebody working for you. But if you're looking for the safest bet and the best return on investment, marketing can be the best one. Now marketing can be an instant situation it could be a slow burn it can be brand building. But there's certain things that you can do that can give you a quicker return.

To give you an example: if you're looking at SEO of your website, which takes time and that's a slow burner. It's something you should do but it isn't going to give results now, whereas pay-per-click will do and if it's done well, it can give you a much better return on investment than staff. Because staff in general for every pound that you pay, you get two pounds profit and that's how I like to look at the numbers within a business.

For every pound employed, what do you get as profit. If you're looking at marketing, something like say for example pay-per-click, looking at the businesses that I partner with, every business makes profit on the pay-per-click; every single one. Because we run it well and you could be looking at two pounds profit, but the average is more like five pounds profit. Some even as high as 15 pounds profit for every pound spent. Now just jumping on PPC, it's like any skill: don't think you're necessarily going to make that profit. We have a PPC specialist that make sure the money's spent wisely, because you can flush a lot of money down the drain on PPC.

But my point is, is if you look at investing in a person, say for example you take somebody on at twenty-four thousand pound a year for argument's sake. That's two thousand pounds a month. Two thousand pounds a month is a lot of spend if you think of sponsored updates or LinkedIn job adverts or PPC. There are various things that you can invest in. There are bots that you can add onto your LinkedIn.

Marketing can be a cash generator

There are various things, lots of different things you do with your marketing that could give you a better return on investment, and the reason why I'm so passionate about marketing is if you make your marketing strategy work for you and you are getting a good return, it can't walk out the door unlike staff. But also, the better it is, the easier it makes your environment to make money, and that's not for you, that's for your staff. So, if you can make your environment an easier place to make money, they're less likely to leave.

Also people are more likely to want to join you and then it becomes more of a cash generator because one of my passions in growing your business is making the business make money for you, not you making money for it and in doing that, it comes into the brand building, the marketing, the structure of your business. How low is your staff attrition, there's various things that come into it, but key for me is the brand building so candidates know who you are, clients know who you are.

They'll likely to come to you rather than you having to go to them. If you do contact them, they know who you are. There are many many reasons why brand building is important. Brand building is a slow burner, but it does come back to the marketing situation, which is if you can get your marketing right it's much safer than having the staff and if you get the platform right with the marketing, when you do make your first few hires, your environment's a lot safer because your business brand is already known to your clients. You should get enquiries already coming in and hopefully the job section on your website is starting to get a lot of attraction.

I'm not going to give you company names, but one of the businesses that would have been with us now for two years, they've said that they get far far better quality and numbers from the vacancies part of their website than all the job boards that we offer put together, and we offer a lot of job boards. But they're getting much much better quality from their website and that's fantastic because that won't walk out the door and that will only get better. So yes, I'm very passionate about the marketing and I'm not saying that you shouldn't be making your first few hires because clearly, it's exciting and it's a part of growing the business that gave me a huge buzz when I did it. But you've got to get it right because if the people don't work out, emotionally it's going to hurt you and it can knock you back and knock your confidence such that you don't want to do it again.

Conclusion

So, before you make your first hires, do think more clearly about how you want to do it. If you get somebody that you know that's a good biller, you've worked with before and is in your sector, yes, take them on and if you need to overpay, do so, but do think about it. Also, with the resource, you've got to think about getting it right but there's also marketing. Don't forget marketing. It isn't as glamorous as having a member of staff, but it can be a very good platform to make sure your first hire is successful rather than going for your first hire and then doing your marketing.

Anyway, I hope you found this podcast helpful. If you've got any questions, feel free to send me a message on LinkedIn or if you're listening to this and think you can set up your own business, please do give me a shout. Thanks for listening.