RecruitHub

Recruitment Start-up Blueprint

Our step-by-step guide to launching your own agency

Contents:

As a successful recruiter, starting your own agency is one of the most exciting steps you can take. It puts your earnings firmly in your hands, allowing you to fully own the fees you earn.

Not only that, but it gives you a vehicle for long-term wealth creation, with the opportunity to build a sellable asset that could change your life financially.

However, although the 'recruitment' piece will be familiar territory, the business planning and management is new to most of the thousands of founders who create their own companies each year.

To maximize your chances of success, it's critical that your agency have the best possible foundation for success early on – avoiding pitfalls and trial-and-error mistakes that could cost you money, slow you down and ultimately cause your venture to fail.

Our blueprint walks through the key early steps of business planning, helping you construct a framework for a stable, successful launch.

1. Create your forecasts & figure out funding

Calculating how much money you require to launch your business securely shapes a lot of the other decisions you need to make on your way to getting started.

To work out your own income first, you'll need to know how much you need (net) to cover your personal monthly outgoings (mortgage or rent, groceries, utilities, insurance etc.) and how quickly you forecast that you'll be able to pay yourself through your business.

This will be impacted by:

- How much cash your business needs for monthly operating costs (overheads)
- How much cash your business needs for one-time start-up costs
- How quickly you can close your first placement(s)
- How quickly you can invoice your clients
- How long your clients will take to pay (and what happens if they're late)
- How much you'll pay in tax on income

The equation is more complex if you plan to hire additional staff members early on...

Most founders fall into one of two categories:

- They have enough saved up to cover their personal outgoings during launch, OR
- They need external financing to pay their bills (personal and business) until their company gains traction

If founders don't have the cash savings necessary, they will need to find other ways of plugging their cashflow gap during launch (see our guide on funding here).

This usually involves investors who provide cash in exchange for a share in the company (equity), or a loan (debt).

The basic calculations to work out investment needs are not complex, but they are open to a lot of potential errors that first-time founders can trip up on in their planning.

These can include:

Giving away too much equity

Many founders raise more capital than they truly need at launch, or accept deals where investors own a large (even majority) stake of the business from the beginning.

This can leave the founder at a big disadvantage as their agency begins to be successful, with someone else earning the lion's share of the rewards and ultimately controlling the business. In contrast, where RecruitHub has supported founders in securing investment to launch, they typically retain 80-90%+ of the equity in their companies.

Overestimating sales ramp-up

Many founders and investors will model out Excel scenarios which look hugely exciting and show shareholders raking in a fortune after just a few years of trading...

And, while these scenarios are exciting (and possible), 'best case' is rarely the right way to model a business launch.

Founders are better off building a conservative 'base case' model which they are completely confident they can achieve, and then aiming to over-deliver.

88% of RecruitHub founders out-perform their initial forecasts.

Misunedrstanding costs

When you model your cashflow, you'll need to understand a range of costs and taxes that may be new if you haven't operated a company before.

You'll also need to account for the balance between personal earnings and growth, if you plan to hire more staff and build your business beyond an independent brand.

As a director, you'll be able to choose whether to pay yourself a salary (and how much), as well as paying yourself through dividends from profit. The balance between these may have an impact on your personal taxation, and you'll also need to factor in things like taxes on employee earnings and corporation tax.

Undertaking cashflow modelling without a qualified or experienced professional supporting can make it hard to create accurate forecasts, which in turn can lead to serious problems once you start scaling up.

2. Configure your tech stack

Technology has the power to drastically shape the performance of your recruitment business, whether you're a boutique firm or a high-growth agency.

Many founders under-invest in tech, launching with the bare minimum to keep costs down. But failing to leverage the best tools can be a big false economy, and limit not just founder billings (and earnings) but the speed of company growth.

A well-integrated technology stack can automate and accelerate key phases of the sales and recruitment process, as well as business operations

This includes:

- Lead generation (job leads, company funding notifications, market events)
- Data sourcing, market mapping & prospect contact information
- Sales automation (scale personalisation, CRM integration and follow-up automation)
- Electronic document signing & templates
- LinkedIn + CRM integration
- CRM + digital accounting integration
- CRM + website integration
- Digital file storage & collaboration

Building for scale

The ROI on a strong tech stack only increases as headcount grows – standardizing the way your team recruits and levelling out lumps in fee generation.

Agencies built without a strong tech infrastructure often have patchy workflows, with some recruiters working differently (and potentially much more effectively) than others.

Instead of a passive resource, technology can (and should) be an active part of helping a business to improve recruiter performance.

Through structured and integrated workflows and well-designed reporting & analytics, founders can get the best out of their tech by:

- Ensuring a steady flow of leads and prospects to recruiters
- Creating and sharing high-performance sales & marketing outreach
- Automating sales & prospecting processes
- Building 'smart' workflows to automatically detect market opportunity & active hiring managers
- Defining best-practice (with prompts and guides) across the recruitment lifecycle

By launching with the right technology platform from the outset, recruitment companies of all sizes and ambitions can dramatically impact their performance – leading directly to increased returns and financial benefits for the founders.

3. Understand your restrictions

The big majority of new agency founders leave a job with some post-employment restrictions. All non-competes and restrictions are different, but in most cases there are two main things to understand:

- What your previous employer can legally do to restrict your activity
- How they may respond to your launch (e.g. what they may try and do)

These are not the same thing, and need to be addressed carefully.
Even if a former boss cannot legally enforce some or all of the restrictive agreements in your contract, they may still make life difficult for you if they decide to pursue you once you launch your new venture.

This can be distracting, time-consuming and expensive to deal with.

What's enforceable?

In most jurisdictions, legal processes typically seek to examine if contractual restrictions are fair and appropriate as measures to protect the legitimate business interests of the former employer. This is mostly a 'common sense' approach designed to stop departing employees from immediately taking business away their previous company.

How this is interpreted depends on a range of factors, including:

- Length of restricted period
- Geography of restricted activities
- Definition of restricted activities
- Definition of restricted clients and candidates
- Role and tenure of employee
- Up-to-date status of contract

It's also influenced by region (some US states having a virtual block on post-employment restrictions, for example), so will depend where the contract is being interpreted.

What is enforceable, in most cases, is a protection of the candidates and clients a recruiter has worked with or known a lot about (through team members etc.) for a fixed time period.

However, every situation is unique and depends entirely on the language and phrasing of the employment contract itself, so advice from a professional employment lawyer is always a good option.

What could my former boss try and do?

If your previous employer notices you've launched independently, they may try and take legal action to secure an injunction against you. This would legally block you from operating in certain ways, if successful.

They may also pursue monetary damages, if they feel they can prove there was a financial loss to their company resulting directly from a breach of contract.

Either way, it's bad news for any start-up to be fighting legal battles straight out of the gate, so mitigating the situation is always the best course of action.

This involves knowing your restrictions inside-out, with the advice of a professional, and ensuring your path to launch complies with your contract.

For most recruiters, this means not downloading or duplicating any data from their previous company before they resign, avoiding re-establishing certain client and candidate relationships for the duration of their restricted period, and – often – not actively soliciting former colleagues to join their new firm.

There are exceptions, and – again – it will come down to the exact language in your contract.

However, with proper preparation, founders who are challenged by their previous employers can usually respond to clearly demonstrate that they understand their restrictions and are abiding by them.

4. Define your brand

For a lot of founders, turning concept into reality really starts when work begins on brand development.

There's something about having a name, logo and colour scheme that makes an idea seem tangible and real.

All brands take time to gather weight, but it helps any new recruitment venture to have a strong identity in place when it first starts trading.

Brand pack

A brand pack includes core elements such as your logo (multiple file versions for use across marketing collateral, social etc.), font pack, colour palette and other components required to build marketing assets for your business.

Brand packs can be complex and expensive – spanning everything from tone of voice to use of imagery – but a basic one is good enough for most start-up ventures, and a very helpful tool to have available as you look to start creating coherent marketing materials.

Website

Along with logo, the website is your branding centrepiece – the core hub through which you broadcast your expertise to clients and candidates.

Nailing site design and content is key, and a few core principles really help to bring it alive:

Use 'social proof'

Quotes and testimonials showcase the experience of real-world customers, selling your services more effectively than anything else.

Avoid generic copy

It's easy to focus so much on communicating your "commitment to quality" or "speed of service" that you forget to spell out exactly what you do.

99% of start-up agencies have a niche-market focus, often on the back of years of specialist recruitment experience the founder brings with them.

Make sure this expertise shines through in your copy, and doesn't get hidden by general service claims that any non-specialist could easily write.

Decide who the brand is – you, or the agency?

Many founders launch as individuals or small teams in the first instance, and often build their sites around their personal track record.

While this is key to communicating expertise, it also highlights your "start-up" nature, which can be a turn-off to clients, depending on your market.

If you and your experience are very definitely "the brand", that's great – just make sure you plot a clear path, and don't go out to build a multi-headcount agency with an online presence that looks like a one-man band!

Picking a name

Having a name and a vision of the brand in mind makes your planning project feel much more 'real' and urgent.
When it comes to naming, it's important to get it right early.
Although you can technically rename both your business entity and your brand further down the line, it's harder than it sounds once you've built up some early momentum.

As you brainstorm names, keep the following ideas in mind:

Do you want to be visible as the owner?

Choosing a company name that contains your own name or initials is common, but comes with some potential downsides. Customers will usually be able to see immediately that you are likely to be the owner of the business, and may push for additional flexibility on discounts or payment terms. When you're clearly in charge, everything becomes a personal negotiation with the customer.

Is it taken?

Obviously, you won't want any other recruitment and staffing businesses with your name, and with thousands of new start-ups each year it's likely a lot of the most obvious ideas have already been snapped up.

A quick Google search of your ideas adding keywords like "recruitment", "search" and "staffing" etc. usually lets you know what's taken.

You can also check business registries (such as Companies House in the UK) to check registered companies.

Keep in mind, however, that your business name and trade brand don't have to be the same – so if there is a company with a similar-sounding name but in a different sector, this doesn't need to be a blocker.

Is it flexible enough?

As well as making sure your name sounds cool and is memorable (and ideally easy to spell...), you also need to think about the future of your agency's brand development.

It won't work, for example, to launch your agency as "MedStaff Partners" if you later plan to open a legal division.

If your business does plan to have a multi-sector focus in future, then part of you planning should include whether to do this through a single, flexible central brand with specialist divisions (e.g. "GCL Search", covering engineering, life sciences and construction), or through a generically-named company with multiple trade brands (each with a separate website, logo etc.).

These are decisions which can evolve over time as your business expands, but it's best not to box yourself off from the start with an overly restrictive name.

5. Scale your operations

One of the biggest challenge start-ups face is how to convert the expertise and early success of founders into a scalable, profitable business.

Even founders who have previous experience hiring and managing teams can find it tougher when operating solo – there's a lot of infrastructure, process and documentation to build in order to replicate the resources of the agencies where they succeeded as employees.

We've built a **scale checklist** to help founders on their journey, but there are also two key ideas to keep in mind:

Invest in process development early

The most successful start-ups run their companies like a bigger company from day one. This means that founders map out the most important processes and resources needed to operate at scale, and use them even when they are a small team.

Doing the thinking and building up-front not only mean that early growth is smoother and less error-prone, but that as the company starts to grow founders aren't distracted by having to retro-fit processes and policies.

Examples of key processes include:

- Sales strategy, market mapping & sector assignation
- Talent acquisition, candidate evaluation & onboarding
- Training & skills development
- Performance monitoring, KPIs & management frameworks
- Incentives, promotions & career development structures
- Employee equity plans
  Reporting & analytics

Leverage tech to scale your teams

Technology isn't just about making good recruiters better – it can also help new recruiters quickly learn to work and behave like experts.

As a business owner, this is crucial.

Scaling teams effectively ultimately comes down to ensuring that each consultant or 'desk' in the business is optimally equipped with the tools, market opportunity and processes to consistently generate profit.

Relying on managers and incentives to drive performance is a risky strategy – especially when modern tech platforms make it vastly easier for younger or less experienced recruiters to rapidly start imitating the workflows of a top-performer.

Tech can also be used to create internal collaboration, helping recruiters to better share opportunity and work examples across teams, ultimately raising skill levels and leading to increased billings.

6.Build your asset

Some entrepreneurs are aggressively targeting an exit – launching the business is all about creating a high-value asset to sell on to another recruitment firm or an investor in future.

For others, running and earning from the company is the immediate goal, but they want the option to sell the business later down the line – even if they're not in a hurry.

In both cases, building the business with a clear idea of 'value drivers' is critical – understanding how a future buyer will evaluate the business, and what they'll be prepared to pay more (or less) for when it comes to an acquisition.

Why starting early matters:

It might seem unnecessary to think about value creation at the start of your business journey – but it's helpful in avoiding frustration or disappointment later on.
Many agency owners initially focus purely on growth – only interested in expanding their top-line sales by any means possible.

Taking this approach is risky – it may be that by the time the founders start thinking about how to position their business for maximum exit valuation, it's already too late to make certain important changes.

Keeping value creation firmly in mind from the beginning helps founders make important business decisions in two lights:

- Thinking about how they will impact near-term revenues and profits, AND
- Considering how they will shape the long-term equity value of the company

What drives value?

Though it's a big topic (covered in our blog), some of the most important drivers that impact recruitment agency valuations include:

- Owner involvement – how important is the owner in the day-to-day successful operation of the business?
- Profit forecasts – how are profits trending? How accurately and securely can the business predict its future income?
- Management – who are the leaders in the company, and how committed are they to its future success?
- Specialism & brand strength – how firmly is the business embedded in its niche?
- Client book – how concentrated is client spend, and how deep are the relationships?
- Platform – does the business offer a new owner a base for continued growth?
- Compliance – are business process and operations fully compliant to reduce buyer risk?

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Contact us now to see how we can help

Learn more about RecruitHub's market-leading recruitment start-up solution.

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