



Recruiting Best Practices
Online | Just-In-Time | Customized

Presented by

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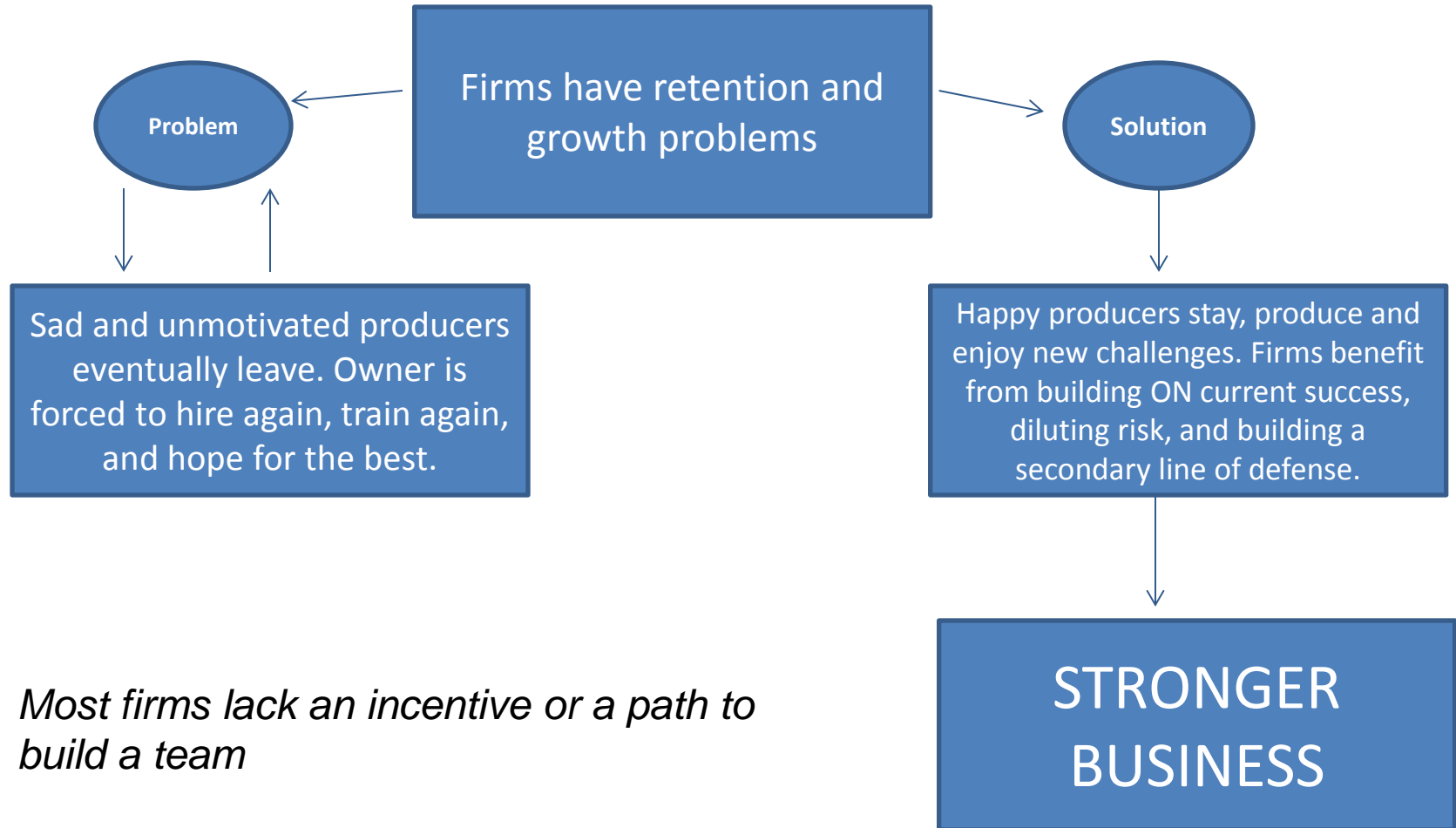
WELCOME

Team Focused Search:
The Future Model for
Growth



Traditional Model

Traditional Model: A Model of the Past



Traditional Model: A Model of the Past

- 1) Hire 360 Search Consultants or recruiters to work on the leader's searches and doing splits in hope that one day s/he will business develop to get his/her own clients.
- 2) Coach, manage, train and get producer to achieve success
- 3) Use splits, culture, owner rainmaking, guilt and fear to retain as long as possible
- 4) Eventually lose the vast majority to burnout, going on their own, lack of value proposition, leaving the industry, etc.

Continue to do 1-3 hoping 1-3 gains greater than losses from 4

***This had been the model of our industry for decades but there have been several changes that have made it more difficult than ever to execute on this traditional model*

Traditional Model: A Model of the Past

Barriers to entry are easier than ever as evidenced by the ability to build a robust website, secure online training, recruiting software, telephony, insurance, tools, and the like within a few clicks

Legal changes have made non-compete agreement enforcement more difficult in some states and not legal in others

Greater difficulty in getting people to connect by phone, email, etc. due to technological evolution is creating a bombardment of messages from all sources

LinkedIn has made it easy for anyone to see the experience or lack thereof of a recruiter calling them to market to or recruit them (one upon a time the “fake it until you make it” was easier when no one knew by a couple clicks if you had 3 months or 3 years in recruiting)

Buyers are more sophisticated and less willing to add anyone to their “list” of suppliers

Traditional Model: A Model of the Past

The market in most industries has been good for ½ dozen + years and so they have been working with recruiters year in year out as of late and less likely to work with and trust new ones

The best producers who are most capable of recruiting new candidates and securing new clients are doing well but spending most of their time with process related activities (perhaps some recruiting) but with very little new outbound business development. They have benefitted from the surge of business from the most recent job market but as a result of more competition from recruiters both external and internal as well as greater candidate demand with a shrinking supply many have had flat production or even down more recently (granted from higher levels compared to the downturn)

Previously, hiring displaced industry executives, recent college graduates, and sales experienced professionals was easier but we are not immune to the candidate shortages and must offer far greater salaries or show a more promising path than join, get trained, make placements and operate a solo desk in these walls for the rest of your life

Owners and producers are so “busy” doing work that they are not willing to dedicate the time for course correction. Unfortunately, pain is usually the best teacher. When the pain of inaction or consequences of inaction occur, change is sought.



Staffing Model

Staffing Model

Staffing models have compartmentalized functions (like business development separate from recruiting) and have pushed a traditional hierarchical structure that leads to management and not being “in the trenches” for that long

A manufacturing plant approach creates a more efficient and reliable result vs having the solo 360 producer leave and with it 100% of the revenue. People are of course valued by staffing firms but more “expendable” as a result of the process

Barriers to entry are more difficult in staffing do to scale, MSA's (Master Services Agreements) and capital necessary for building this type of firm.

While great for staffing, this model would be antithetical to the highly entrepreneurial nature of a professional service search/recruiting firm



The Future:

Team Focused Search

Team Focused Search

Current 360 recruiters are incentivized to move to a leader role in a team model and new 360 recruiters are hired directly into a team leader role when truly capable as evidenced by industry or search experience or a special "X" factor

Some firms have moved in this direction with researchers or even recruiters who work under the direction of the 360 people but while systems, compensation structures, roles, career paths, territories, and rules are complex, they also can provide enormous talent acquisition and retention benefits. Most still have the issue of many team leaders being more caretakers and not new business engines.

The solo 360 still has a place for veterans who are happy and do not want to shift at this stage. It is VITAL not to force any change but rather to educate, incentivize and offer to veterans while contemplating a change for all new hires

Teams allow for career paths, greater psychic and financial rewards, diversity of strengths, fun, purpose, connection, challenge, and growth. These new systems and programs must be built and CUSTOMIZED to the individual office

*All want "off the shelf" but individual office/team has differences just as ratios and fees for placing doctors are not the same as placing salespeople.

Team Focused Search

Teams provide greater stability organizationally and even for the individual producer by being able to rely on the need for others

Team structures also increase the need for support, capital, coaching, and infrastructure and thus greater retention

Greater success early on with quantifiable career paths lead to less turnover and longer retention. When turnover does occur it is on a team that can easily take over the activity done (safety net).

Abandon the idea that the 360 person must be willing to market more. They just need more opportunities to close more business not a willingness to do all the work to get those opportunities (cold calls, mass emails, LinkedIn, blogs, targeted research, marketing automation, etc.)

** not needing more searches because you have too many unfilled is the same logic as not needing more candidates as you have too many in your database that are not placed.
PERPETUAL new recruiting and business development are EQUALLY important and VITAL to successful teams long term*

Team Focused Search

**The current team paradigm: Produce to a certain level, work really hard, get more quantity of quality searches and then maybe they can hire others and benefit somehow from their work*

What about someone who has talent, capability and market knowledge and reputation but wants to work the same or even LESS but produce more by letting others work hard and develop under them?

What about someone who has a great year one or two, and then burns out and leaves?

Outsourcing and Leverage are the keys (same for doctors, lawyers, accountants, consultants, etc.)

Team Focused Search Benefit

Benefits:

- 1) Incentivize greater levels of production
- 2) Increase number of recruiters successfully hired, onboarded and developed into successful producers
- 3) Provide relief for your span of control
- 4) Allow others producers to diversify their own income from solo beyond their own personal production
- 5) Provide a career path for all joining to potentially do the same
- 6) Allows anyone who wants to lead/manage a path vs the one "sales manager" who "gets" to be the anointed one

Outsource and Leverage*

*unless love and enjoy

<u>Home</u>	<u>Desk</u>	<u>Firm</u>
Lawn Care	Research/Sourcing	Legal
Home Repairs/Cleaning	Recruiting	Hiring
Commercials	MAPPING	Training/Learning
Traffic	Prepping	MarCom
Car Maintenance & Care	Scheduling & Admin	Tech
Etc	Initial business development/lead gen Etc.	Operations

Last to Outsource

<u>Home</u>	<u>Desk</u>	<u>Firm</u>
Bills	Securing Search/Fee Agreement	Coaching
Kids	Making Matches	Performance Management
Activity Planning	Closing on Complex Deals	Culture



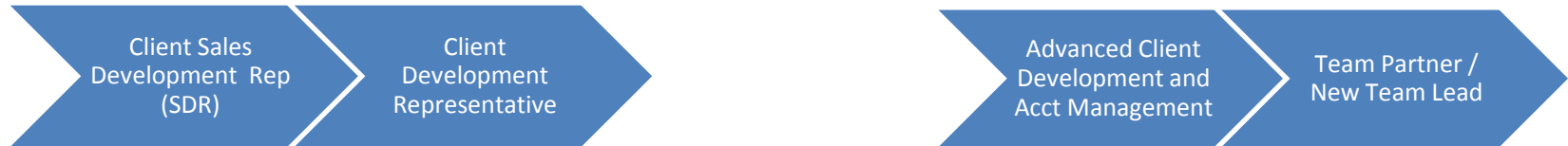
VISUAL: High-Performance Team

Example Roles/Career Path

Candidate Development Track



Client Development Track (Sales)



Responsible for research surveys, lead generation, appointment setting, outbound LinkedIn, voicemails, emails, etc to target candidates/clients or both

Responsible for quality data sheets or quality search leads

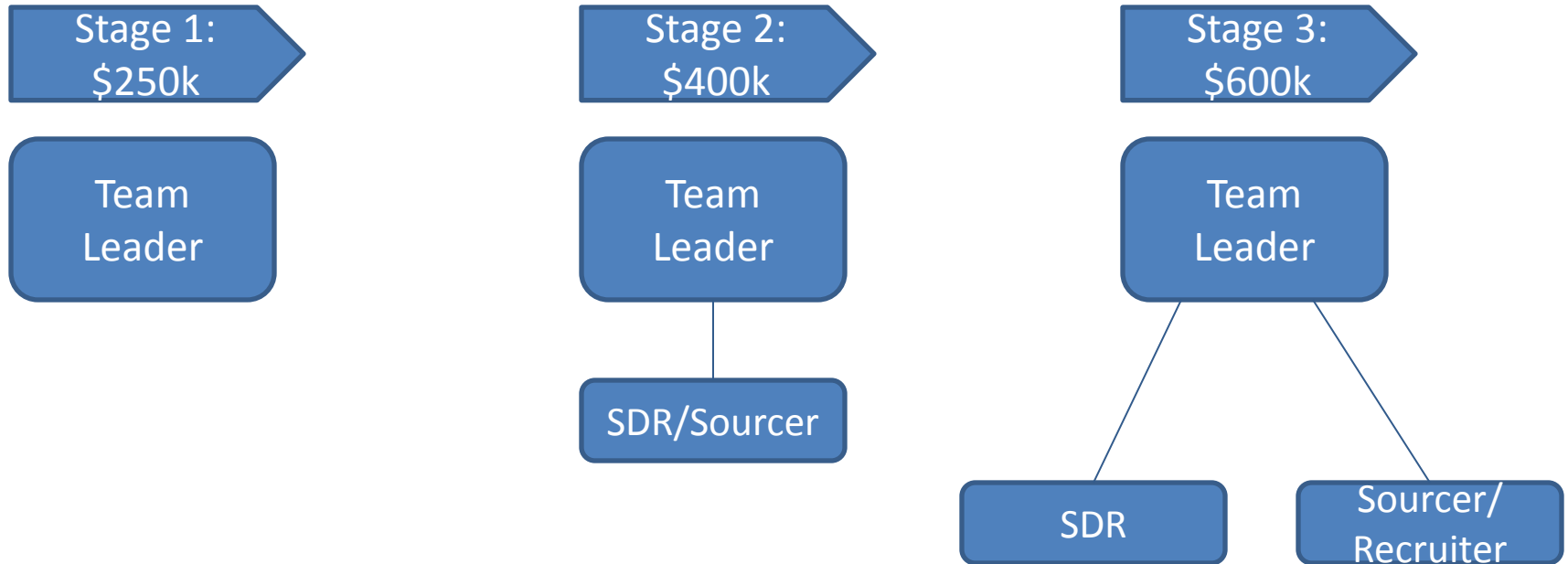
Capable of running deals and handling process related issues on many searches

Ready to start new team as team leader or become team partner sharing top line percentage



Leader of team and usually a Team Leader as well

Example Team Structure Evolution



Example Team Structures

Stage 4:
\$800k

Team
Leader

Advanced
Recruiter

Sourcer/
Recruiter

SDR

Stage 5: \$1m

Team
Leader

SDR

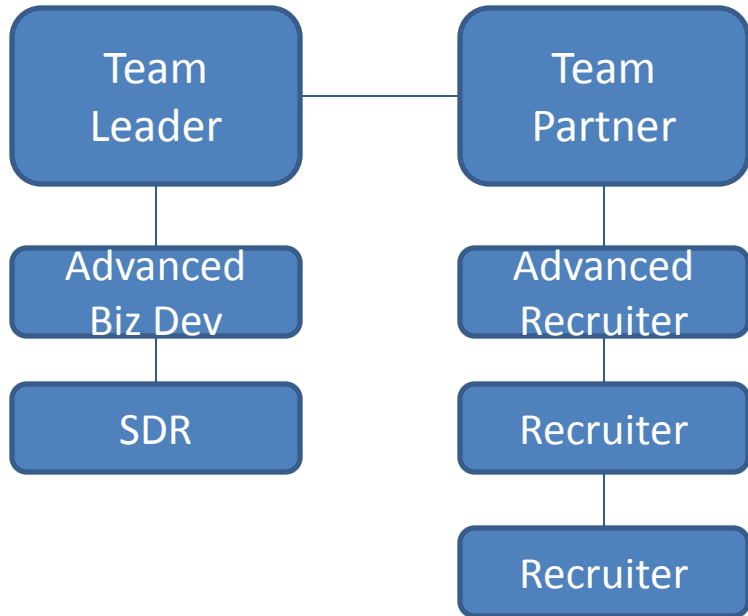
Team
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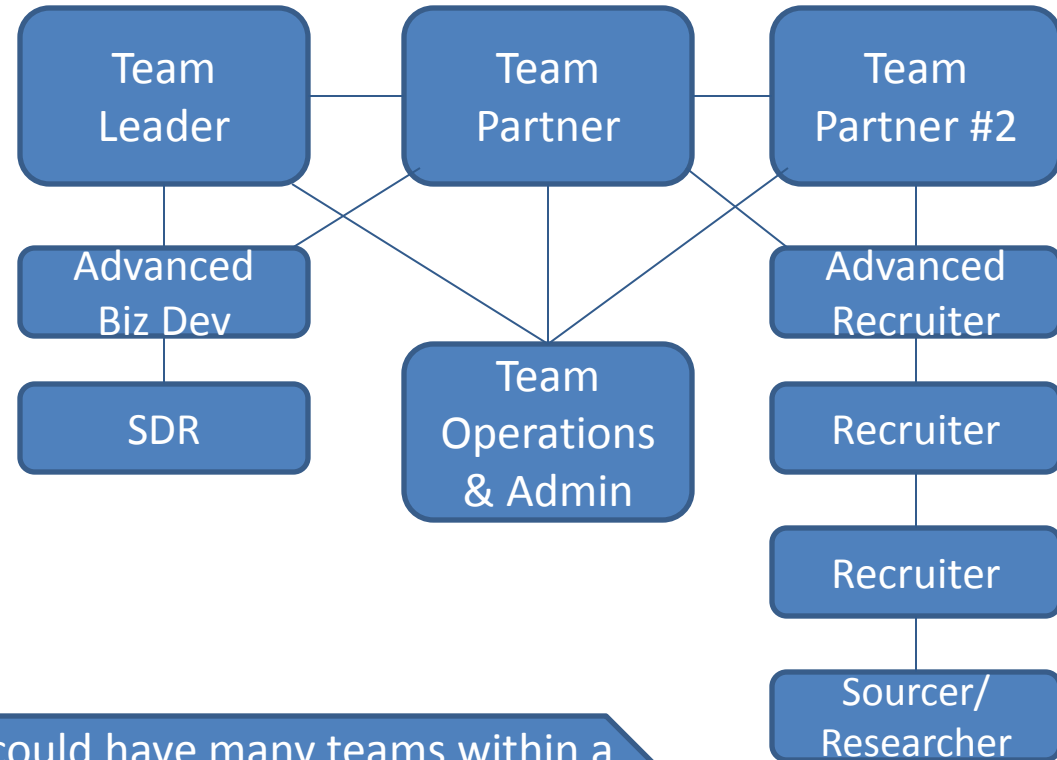
Sourcer/
Recruiter

Example Team Structures

Stage 6:
\$1.5m



Stage 7:
\$2.5m



Team 8: Any combination possible and could have many teams within a practice and many practices within a firm

Compensation Structures

Compensation Structures

VC Fund (10%): Venture Capital to fund team growth

A percent of revenue which must be allocated to hiring of people and to resources for growth

Pool of allocated earnings that MUST be used to pay for hiring costs (compensation of producers or support producers on their team)

VC Fund is not a “budget” but rather a pool of funds based on an applied formula % that will motivate the SC/Partner to hire producers to join their team

Compensation Structures

Possibility: VC Fund (10%)

1. Un-necessary expenses (LinkedIn, Directories, Events, etc...) CAN 100%, 50%, ETC be paid out of the VC fund
2. Researchers and lead generators (sourcers / sales development representatives) (Internal / External)
3. Recruiters, account managers and business development professionals
 - a. Paid Salary + Bonus / Draw + Commission until they leave to be their own 360 search consultant/team leader or become a co-team leader (desk partner at some % of the revenue and expenses)
 - b. If they leave then they can be a new team entirely or remain in the same area and possibly incentivize the Team Leader to encourage this and pay an override to that person as the Practice Leader (Leader of Team Leaders and usually the search firm owner)

Comp Structures: Team Leaders(s) Plan

EXAMPLE OF A COMPENSATION PLAN AND HOW IT COULD WORK

Full 360- SEARCH CONSULTANT/TEAM LEADER

\$0 - \$400k annual calendar until greater than \$400k in a year or \$450k in 12 months. Continues until \$400k / \$450k is met.

Plan A: Salary (25% target + 10% VC):

Salary + lower % so that overall payout is less than Plan B with higher levels of production

Could also do a higher draw but against lower level % payouts

** Additional 10% of Revenue into VC fund

Comp Structures: Team Leaders(s) Plan

EXAMPLE OF A COMPENSATION PLAN AND HOW IT COULD WORK

Plan B: Draw (30% target + 10% VC):

\$25/36k-50k (depending on state) Draw against **30%**

** Additional **10%** of Revenue in VC fund

** Once \$400k achieved then they move to Partner Plan.

*** (example of 150k at 6 months with salary vs draw plan)

**** by creating Plan A vs B people are compensated proportionally to the risk assumption or lack thereof

PROMOTION TO SENIOR SEARCH CONSULTANT/SENIOR TEAM LEADER (40% + 10%)

(\$0 - \$400k or) all revenue at 40% and 10% versus what was 30% and 10% (could be permanent or based in some annual standard)

Compensation Structures

Revenue

- \$400k - \$800k
 - 45% + 10%

- \$800 k -1.2M
 - 55% + 5%

- \$1.2M +
 - 60% + 5%

**These are examples. The amount an office spends on benefits, overhead, technology, culture, etc. should be factored and thus above adjusted up or down based on those numbers*

Compensation Structures

4. Comp Plans for staff :

- a. Researchers and lead generators can be salary/hourly plus incentives based on desired controllable outcomes (qualified appointments set, candidates added to database, etc)
- b. Recruiters, Account Managers and Business Development professionals could have 1,2 or even 3 levels within an area. Some may have only path of recruiters and marketers who will gradually take on account management activity

Example: Recruiter 1—Only recruiting of candidates until promoted to Recruiter 2 (could be production, years, etc)

Recruiter 2- Recruiting of candidates but also taking on account management (process) activities and when ready to take over and run accounts would be eligible for promotion to a co-team leader or depart as a new team leader

Compensation Structures

5. Comp Plans for Team:
 - a. Salary + Incentive Plan based on behaviors
 - Example: \$50k Salary + \$10k in misc activity bonuses
 - b. Salary + Commission or Draw against commission of portion of placement they are credited
 - Example:
 - a) \$50k Salary + 5% of first \$200k of their revenue (1/2 of candidate only for example)
 - b) \$35k Draw against 35% of first \$200k of their revenue (1/2 of candidate only for example)

Compensation Structures

EXAMPLE:

Biz Dev 1- Only new client business development until promoted to Biz Dev 2 (could be production, years, etc)

Biz Dev 2- Business development but also taking on account management (process) activities and when ready to take over and run accounts would be eligible for promotion to a co-team leader or depart as a new team leader

**Salary Plans and Draw plans would work conceptually the same such that higher levels of risk would equal greater upside. The overall payout could be based on activity or a percent credit of the placement. In the later case, the overall percent pay out should be in the 25-40% to provide the economic incentive for the Team Leader*

***Direct compensation costs are taken out of VC fund*

Structural Issues

Compensation Nuances/assumptions (to make for easier examples and concept absorption)

- 1) Funding risk: assume company funds all hires but all compensation loss responsibility of business until leader
- 2) All non-direct compensation (benefits, payroll tax, rent, etc.): 100% paid by firm
- 3) Per person average (PPA): 2 people doing 500k more profitable than 8 people doing it- examples done not based on high or low but norm (200K-300k ISH per person)
- 4) Plan duration: Assume all plans annual calendar (prorated when hired and then all calendar annual perpetually after year one)
- 5) Interim/Contract vs Perm/Search- Gross Margin
- 6) Market compensation: more competitive markets may find numbers higher or lower than what is needed (San Fran vs Omaha)

Structural Issues

7) Compensation by itself can't be isolated from other factors. Example: "Firm Alpha" has private offices in a class A space, provides full health insurance, large 401k match, expensive incentive trips, and pays for expensive tools for everyone that cost thousands per person. "Firm Beta" spends 20k less annually per person in those areas. That firm pays 5% more.

**A 200k producer benefits more by getting paid 5% less.*

8) High Producing Solo producers should not only feel it is ok to remain that way, but a compensation plan that rewards having a higher PPA (per person average) is a good idea.

*For example, take the above plan and make the percentages get even higher for very high production. Paying 70% out on the volume over 500k for example may seem high but not much compared to the consequence of that person leaving. The first 500k at 50% (for example) appropriately provides the bulk of profitability on a producer (as it should).

Other Possible Ideas

- Stimulus Plan
- Shared SDR/Sourcer across teams
- Outsource to overseas 3rd party
- A certain percent of compensation above 50% (or whatever) could go to structure long term compensation, equity, salary, etc
- Marty Plan/Swing Plan
- Socialism: Maybe a Team Leader decides s/he will make hires team partners so they simply share 100% of the commissions based on some percentage the leader determines. (70/30, 50/35/15, 35/30/25/10, 50/50 or whatever) By removing column there is complete alignment and no worries over ownership and see a future based on growing pie larger, removing who gets credit for what obstacles, and focusing on the law of abundance.

Your Blueprint

Blueprint for a Next Level Firm

1. Establish vision and structure of your ideal future blueprint (custom)
2. Determine roles and career path for the organization (custom)
3. Design compensation plans appropriate for all growth scenarios (custom)
4. Establish territories based on ideal combination of F.I.L.L. (custom)
5. Ensure effective team rules (custom)
6. Provide solid value proposition wrapped in a high-performance, connected, and caring culture (custom)

*Compare the above today with what is needed to design and implement your future blueprint (Risks? Costs? Time? People? Resources? Focus?)

** When will you begin the work? How long will it take you to educate and implement? Who will help you design and perhaps educate? What will change if no action is taken?

Future OT's on compensation plans, team rules, SDR/CDRs, etc

Final Thoughts

- ❖ This is COMPLEX. It is time consuming. Many will think it is easier to just go make a couple placements. This is true but what are the long term consequences of that short term decision? PRIORITIES ARE WHAT YOU MAKE THEM.
- ❖ CUSTOM, CUSTOM, CUSTOM! (Our firm is different...)
- ❖ Simplified:
 1. Teams are good
 2. Outsource and compartmentalize to BD, Recruiter and Account Manager expertise
 3. Create roles, career paths and compensation plans
 4. Understand team, practice and firm differences as well as owner, leader and producer ones
 5. Engage experts to work on designing and implementing the right plan for you/your firm
 6. Build a strong educational process to help producers understand
 7. Slowly transition only at a rate of internal absorption: "Measure twice, cut once"

CONTACT

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