BUSINESS INTELLIGENCE

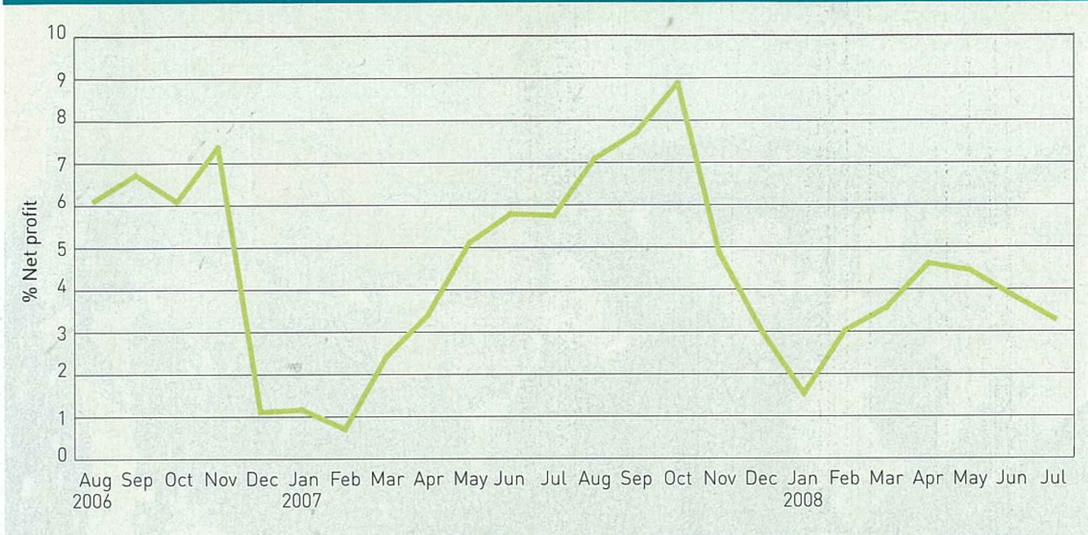
INDUSTRY BENCHMARKS

Closer monitoring will lead to sustained profitability

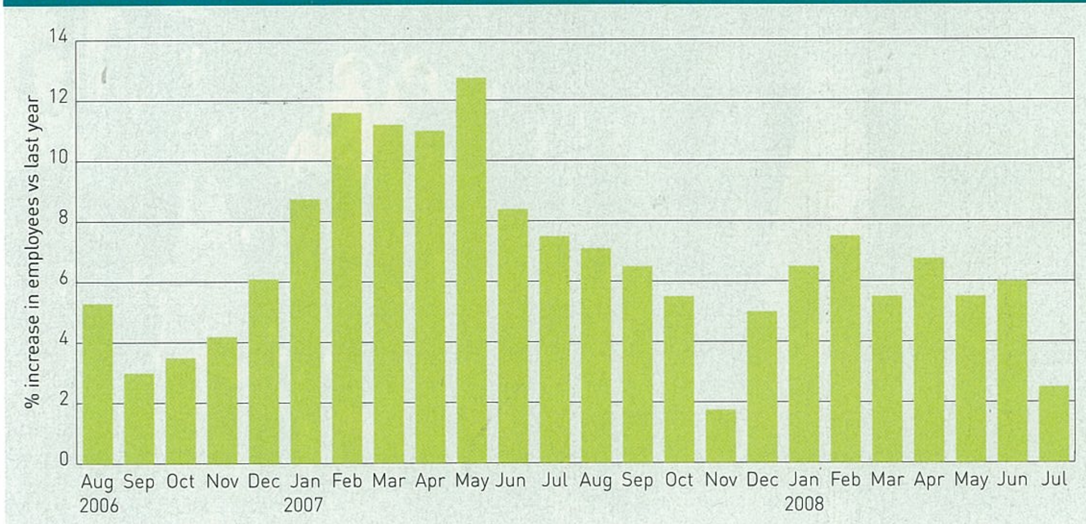
The City headlines do not make pleasant reading at the moment, for employees particularly, as fears over potential job losses increase and, for some, become a reality. Are recruiters seeing this as an opportunity or threat and how is their financial performance holding up?

According to BDO Stoy Hayward's review of the latest data outputs from Recruitment Industry Benchmarking (RIB), members' performances are holding up, but that should not lead to complacency. At the top of recruiters to-do lists should be the consistent monitoring of performance, with the top objectives for the next six months being to remain profitable and, more importantly, have sufficient cash or facilities to operate.

MONTHLY PROFITABILITY



TOTAL EMPLOYEES VS LAST YEAR



Remain profitable

While your business may be profitable now the management team needs to have a plan, monitor against the plan and know what action needs to be taken, and by when, to ensure financial difficulties are not around the corner. At present, RIB members continue to remain profitable, although the monthly profitability chart highlights both the variability that can occur as well as a decline since April.

Headcount for RIB members continues to grow, although at a lower rate than the previous year. July's RIB average for increase in employees versus last year is 2.3%, compared with the previous year's increase of 7.6%.

Christopher Clark, corporate finance partner at BDO Stoy Hayward, told *Recruiter*: "In the current economic climate, understanding and continually measuring KPIs [key performance indicators] of a business will be essential in assisting management in making important decisions as they are required, as opposed to rectifying historic events."

Have sufficient cash and facilities

Generating cash is the true measure of a business's worth and having the right facilities to support growth is often considered. But having the right facilities in place during more difficult times is often overlooked or left until the last minute. Recruiters need to closely manage the debtor's ledger to identify an ageing debt or to highlight increased reliance on a particular client.

RIB members have been very proactive in keeping debts below 44 days during the year with the exception of February, at 45 days, a month which is traditionally high. This compares favourably with other industries (and the wider recruitment market) but should not be allowed to slip. The increase over the last quarter, from an average of 39 to just below 42 days should not sound alarm bells, but the trend should not be allowed to continue. It is worth noting that for each additional day within debtors, the recruitment industry is providing an additional £75m of working capital to the UK economy.

A number of agencies in the financial services sector are likely to have amounts owing from Lehman Brothers. Not only are the recovery of these debts doubtful, the timing of any compensation is also uncertain. These scenarios obviously have a double impact on profits and cash.

"Agencies using invoice discounting to finance their business may also see closer monitoring of their borrowings against the facility limits. Lenders are likely to be more nervous about agencies' exposure to financial services clients so it may be worth having a contingency plan. The most important thing any recruiter can do is have an open and honest dialogue with their funders early on," said Clark.

Recruitment Industry Benchmarking (RIB) provides its members with monthly up-to-date analysis of their performance on key industry measurements. This enables them to measure, manage and improve their business performance.