

MARKET INDICATORS

Time to make New Year revolutions not just resolutions

At the start of last year, recruiters looked forward with confidence and predictions that the year would continue in the same vein as 2007 ended. History will look back at 2008 as an exceptional year, but for all the wrong reasons. In the current climate recruiters must review their performance regularly and have a contingency plan in place to cope with the surprises that the coming year will bring.

Research from BDO Stoy Hayward's review of the latest Recruitment Industry Benchmarking (RIB) shows that the number of clients billed has dropped dramatically over the last quarter:

Managing the fundamentals

It has never been empirically proved, but actions taken by recruiters 18 months ago will have a significant effect on how they are coping now. Likewise, actions taken now are most likely to influence their performance 18 months from now. It is worth considering three of the most important areas in managing a recruitment business.

Clients billed

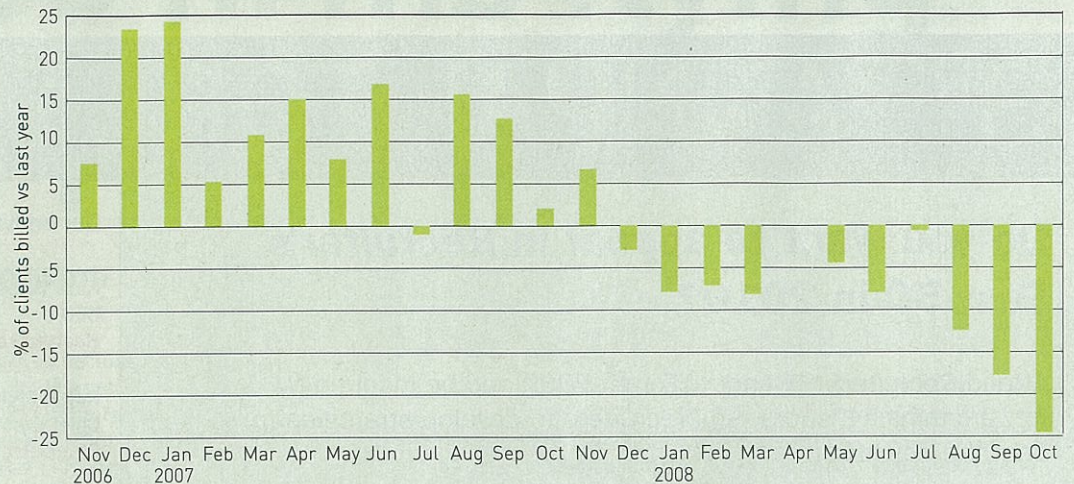
Recruiters that have paid particular attention to clients' needs are more likely to be able to increase their share of the potential recruitment spend available. Relationships are not built overnight so there is no instant fix to this. It is also worth remembering that not every client can be your favourite and have special treatment.

Employees

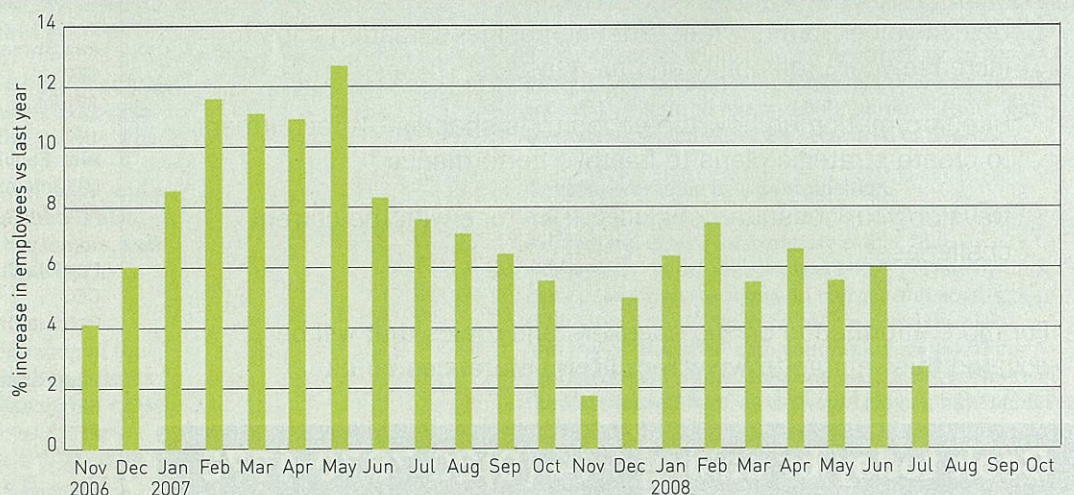
The engine room of the organisation is often difficult to manage and needs constant care and attention. Holding a team of good recruiters together is challenging in the current environment. For leaders, the question is how long to keep the team together before reductions have to be made.

RIB members appear to have taken the view that employee numbers should be kept in place as long as possible, with no increase or decrease seen in the last quarter. Reductions in the size of the team may initially save costs, but this can damage morale and lead to expensive recruitment when replacements are required

NUMBER OF CLIENTS BILLED



TOTAL EMPLOYEES VS LAST YEAR



as business picks up. New recruits can take time to adapt and can drag a high performing team down with the help they require. Whether a business is quoted or private is likely to influence the decision about staff numbers. Being in the public spotlight will show the losses incurred keeping staff in place, and pressure will be applied from shareholders to manage the cost base. Private companies have more liberty in this respect, as long as there is sufficient cash resources to fund the costs.

Collecting the cash

There should be more focus on collecting debts. There is always room for improvement and credit limits should be reviewed constantly. A good customer last week will not necessarily be able to continue to pay you next week,

given the uncertainty around the economy at present.

While RIB members have kept their collections consistently between 40 and 44 days, not only does each additional day increase the amount of debts due but also highlights an increased potential risk of non-payment.

Christopher Clark, corporate finance partner at BDO Stoy Hayward, told *Recruiter*: "The current market represents a mixed opportunity for recruiters. Those companies that have managed their business well, kept

the level of debt in the business low and controlled costs will be well placed to face the challenges ahead. There is no reason to stop investing but it has to be planned and show a return quicker than previously."

Crawford Walker, director at RIB, told *Recruiter*: "Our members are aware of the need to guard against complacency and we will work with them in 2009 to continue to provide the data and support they need to continue to manage and improve their performance."

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