



From £90K to Beans on Toast

A guide to starting your own recruitment business.



So, who's this guide for?

Recruiters.

Experienced Recruiters.

Not Software Developers, Call Centre Agents, Cat Behaviour Consultants, or anyone else who fancies having a go, because their mate, Tony, 'does recruitment' and recently traded in his Punto for a 5-series with electric cup holders.

Because a lot of folk think recruitment's easy. That you just pop onto a job board, stick out an Ad, and wait for the best people to roll in.

But companies wouldn't be paying 20% fees if it were that simple.

They'd be sauntering down to the candidate shop and getting 2for1 on Cambridge graduates, or browsing top talent in the 'skills shortage aisle'.

This guide isn't for every recruiter though either. It's for those who have what it takes to make the leap into the big scary world of business ownership.

And if that's you, or you're wondering if that's you, hopefully I can help point you in the right direction over the next few pages.

Dave Kershaw

Hilton Lord Associates



I'm in recruitment! Is it right for me?

We've been helping recruiters to start their own businesses for a long time now.

We can't claim to know it all, but we've seen lots of examples of what doesn't work. In fact, we spent the first 3 years of our business largely bugging it up by backing the wrong people, so we've learnt a lot. Here's what we think does work:

At least 4 years in the game

"But, Dave, I've only been in recruitment 6 months and I've already billed a million quid." If that's you, you're an exception. Congratulations, have a biscuit.

But in the vast majority of cases where we've seen people start successful agencies, they have a minimum of 4 years' experience. They've usually spent 3+ of those years recruiting into a single market, are still in it now, and want that same market to be the focus of their new business.

Do what's already working well for you.

You're billing big(ish)

You don't need to be bringing in so much that the gaffer's moved the office 'bell' next to your desk for convenience, but you should be billing upwards of £150K(ish) per year. Why? Because you'll bill less in your first year as a business owner. Almost certainly.

Year 2 will be a different story (hopefully record billings, fancy coffee machine and an office dog), but it will dip in year 1, and if the starting point for your top line is £80K, the dip doesn't leave you much wiggle room.

You're driven & resilient

This one's pretty self-explanatory, and perhaps a little obvious, but self-motivation is the single biggest factor in determining whether or not a business will be successful. There's no way you can go through the ups and downs of starting a business if you don't have the right approach to it.

Have a word with yourself. If you know, deep-down, you'll probably develop an unhealthy obsession with Knight Rider re-runs instead of talking to candidates, it's not for you. And that's fine – you'll have saved yourself a ton of cash and time.

You're in the right market

Make sure you're recruiting into the right market before you make the leap. You can make money in lots of sectors, but is yours doing well at the moment? And do you think it's likely to be for some time? If you believe there's a more lucrative sector, go and learn about that whilst someone else is paying you.

In our experience, specialists tend to be more successful than generalists, and temp / contract businesses build slightly faster than perm ones.

No ground-breaking discoveries there. And it certainly doesn't mean you can't make a success of a business that fills perm roles across a few markets, but we think that's harder to scale.

You're stable

There are a couple of points to this.

Firstly, you need financial stability. Whether that's savings, an investor or a rich uncle who's about to pop his clogs, you need to know you can survive.

Secondly, your personal life needs to be in decent shape, with no major events on the immediate horizon. A new business takes up a big chunk of your time. So does a wedding, a baby, or a mid-life crisis. If you're planning any of those things in the immediate future, it might be better to delay starting your business.



OK, I'm Ready. What's the first step?

You'll need a name.

Provided you avoid something completely moronic, this actually matters much less than people tend to think, but it's still bloody tricky to decide on one.

Do you go 'digital', 'fancy', 'sector-specific'...?

Our name, Hilton Lord Associates, is the combination of two old family surnames. It allows us to masquerade as a proper company run by grown-ups, with the added benefit of making our grannies proud.

Whichever way you go, you'll need to check that the name isn't already taken (Companies House), and that a sensible url is available (one of several domain name checkers).

Once you've settled on something you love (or can at least live with), it's time to consider some thoroughly dull stuff...



What's next?

When it's your business, there are quite a few things you need to consider that aren't nearly as interesting as the actual recruitment bit. Here goes...

You'll need some cash

One thing all start-ups need is money. Perhaps for an office or job boards, perhaps to pay staff, perhaps just to stave off starvation for a few months.

And if you're a temp / contract recruiter...

You'll also need to finance contractor payments

Bridging the gap between making payments to your temps and receiving payments from your clients will require further cash.

A factoring agreement is often the best way to achieve this, with the factor buying your invoices and advancing you the majority of their value immediately.

You'll also need a mechanism to make payments to your contractors – pretty straight forward for Ltd Company Contractors; less so if you need to payroll them directly.

There are a number of companies that can help you with all this – some handling both the funding and the payroll, others handling individual aspects.

You'll need an accountant

Recording purchase invoices, filing VAT returns, and all the other fun stuff that goes on in the background of running a business doesn't fall within your typical recruiter's skillset.

Get someone else to do it for you. An experienced local accountant / bookkeeper will do nicely.

Just don't look them directly in the eye. Unhealthy attachments are easily formed by people who consider spreadsheets fun.

You'll need a website

Version one doesn't need to wow anyone – it isn't going to win you any business on its own. It does need to look credible though. A decent designer is much better than a DIY job.

If you can afford it, hire a professional copywriter. If you can't, keep it simple. Write like you would talk, and make it largely about your clients / candidates, rather than yourself. No-one cares about your 'honest, tailored approach'.

You'll need a professional looking email address

recruitment4u@gmail.com?

Probably best not.

Buy yourself a custom domain from a domain name provider, get a business email account, and follow one of the many guides to setting up an email address linked to your shiny, new domain name.

You'll need some recruitment software

The two alternatives are:

1. Excel
2. Remembering Stuff

1 is only marginally better than 2.

There are loads of software options on the market, some of which will allow a free trial with scaled-down functionality. Often, different products suit different markets. Whatever you're using in your employed role is probably a decent starting point.

You'll need to advertise

People need to know you exist. Social Media, Job Boards, Referrals, Networking Events – whatever works in your market. Some are free; some are bloody pricey. Think about whether or not you can get by without Job Boards, or a LinkedIn Recruiter licence, initially.

You'll need some kind of technical support

Because it's important that someone with some real technical know-how tells you to turn your laptop off and on again when it's playing up.

Assuming that doesn't do the job, though, you can't afford to lose days to technology-related frustrations.

A support contract is probably overkill whilst it's just you in the business – find someone who can help you on an ad-hoc basis initially.

You'll need legal support

- Client terms of business
- Candidate terms of engagement
- Employment contracts
- Employment Law advice
- Commercial Law advice

You'll need some, if not all, of the above at some point. Paying for a membership with one of the recruitment bodies can be a good option whilst you don't have much cash. Longer-term, bespoke commercial stuff is going to cost you.

You'll need a business bank account

Once you've actually made some money, you'll need somewhere to put it (we've reached the expert-level strategic stuff here).

But what's less obvious is how involved it can be to open a business account these days, even if you're not asking for an overdraft. Especially if your credit history isn't exactly gleaming.

Some of the traditional banks are more flexible than others.

If your credit is such that none of the major banks will entertain you, there are more and more challenger banks available to UK businesses now. There are downsides, but they're convenient and can usually be opened relatively quickly.

Premises

Initially, you may well be happy to work from the kitchen table in your SpongeBob PJs, but if things go well you might want to work at a desk in your very own office.

Loads of options here. Traditional, Serviced, Flexible, Co-working.

Doesn't need to cost a fortune. If you like the idea of sharing with a few other business-folk, and choose carefully, you can probably make it back in free coffee and beer.



I'm all set. Time to pick up the phone?

Absolutely. But think carefully about who you call.

There's a general consensus amongst recruitment consultants that restrictive covenants are nonsense. Over Friday night drinks, you might hear someone harping on about how "it's in your contract, but they can't actually do anything about it."

Unfortunately, those are the words of a pissed-up know-it-all.

Some covenants are enforceable.

Whether or not they actually are enforced might depend on the motivation levels, confidence, and financial strength of your ex-employer, but it definitely happens. We've seen it first-hand. And if you've been taking the mickey, you'll probably lose.

Some contracts are poorly drafted, making the covenants unenforceable, and regardless, the vast majority of situations don't result in a court date, but don't automatically assume you can work with all your existing clients when you jump ship.

Look at the initial 6 months as an opportunity to build new relationships.

Yes, it's slower than simply continuing to work with the client that was about to give you 3 retainers just before you implied that your boss might be overfamiliar with his mum and walked out last Friday, but your business will be stronger for it in the long-term.

6 months will fly, after which you'll have a bigger client-base, comprising both new and older relationships.



OK, what else should I consider?

Marketing

I'm not going to talk about how I think recruitment should be done. If you're reading this, there's a decent chance you know how to build a desk better than I do.

What you did was working pretty well in your employed role. Don't bugger about with it too much - carry on doing the same things.

But what some good recruiters are still pretty crap at is marketing. Particularly if your career has been with a big brand where you've had no personal input or control, and everything is still quite corporate.

Start by checking out the competition. Particularly some of the smaller, more recently established companies where consultants have the freedom to build personal brands.

Get a bit weird and stalk their employees on LinkedIn. What do they post, and where? Do they get a lot of engagement?

Then try to get good at one thing - one channel. Try different types of post, join discussions, be yourself - don't feel like you have to maintain a bullshit 'professional' façade.

Don't bombard your network with posts about jobs. But when you do post a Job Ad, it's a real opportunity to differentiate yourself. Most of them are crap. Incredibly, some of them are copy & pasted job specs. Ads are a massive marketing opportunity. As well as considerably improving your chances of attracting good people, you can build credibility & get noticed by relevant people in your market - and not just candidates.

Getting your marketing right takes time. Keep it relevant, as consistent as you can, and to the right audience, and you'll stand out above a lot of your competitors.



And how do I avoid becoming a statistic?

Don't 97% of recruitment businesses fail within the first 3 weeks?

The stats will vary depending on the source and their angle, but there's no denying that a large percentage of recruitment businesses do fail.

There are several factors that can contribute to a failure, but in my opinion, by far the biggest two are as follows:

1. **Letting your head go down.**

You've either got the drive or you haven't. Some people don't find out until they've made the leap.

If things don't go as quickly as you'd like, the worst thing you can do is become disheartened by that and let your activity levels drop.

If you keep doing the things you know work (because you've done them successfully for the past 6 years) you will get there. Lean on people you trust. Have a moan. Talk to other people in the industry – even competitors. Just don't stop working.

2. **Taking bugger all notice of your accountant's advice.**

An all too common theme for Directors of new companies is that they take too much cash from the business.

A business accrues VAT and Corporation Tax liabilities all the time. It doesn't pay that money to HMRC immediately, so it's sat there in your business account, winking at you. Daring you to shift it to your personal account and nip off to Dubai for the weekend.

But it's not yours.

If you take too much money out in the early days, on the assumption that you'll make it back in the long term, there's a bloody good chance you'll put yourself in a difficult position. And it's then very difficult to claw your way back.

Your accountant should be sending you monthly reports, telling you how much you need to keep aside for various things. They should also be advising you on any personal tax liabilities you might be accruing. You're paying them for that advice, so listen to it. And act on it.

Pay yourself the minimum you need to get by at first. Embrace the Beans on Toast lifestyle! Gradually increase what you take out as the business becomes more successful. The big money will come. Eventually you'll be making much more than you were as an employed consultant. But you can't live a playboy millionaire lifestyle in month 3.



Year 1's gone well. Where do I go from here?

For some people, the answer will be 'nowhere'. You carry on doing the same thing, billing £150K from your back bedroom. A 10 second commute, plenty of time with your family, no-one telling you what to do, and twice as much money. Nowt wrong wi' that.

But most people want to grow something. Which is where it gets really exciting. And that's a whole new set of challenges...



The end bit...

Starting a recruitment agency can be tough, but it isn't actually that complex. The barriers to entry are pretty low. Lots of people do it every year.

Lots of them shouldn't, which is partly why only a relatively small percentage of them make it, but if you've been doing it successfully in one market for a few years, have a bit of cash, and outsource the bits you don't know about to experts, there's no reason you shouldn't be successful.

And that success typically means a lot more money, autonomy, flexibility and excitement.

It's one of the best things you'll ever do.

And if you need support, financial backing or just want some advice, I'm always happy to chat.

Drop me an email.

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Thanks for reading!

Dave