



# UNIT-8

## Developing a Business Strategy

### Learning Outcomes

By the end of this unit the learner will be able to:

## Unit 8

### Developing A Business Strategy

This chapter takes you through a step-by-step plan for developing your desk strategy. It will be of most help if you are a more experienced recruitment consultant who wants to start choosing which sectors and clients to work on, a team leader perhaps or head of a division who is interested in thinking about how to extend your own business through developing clients and candidates strategically. As an in-house recruiter you can also use some of this section to consider your candidate attraction strategy and the business proposition you make to your client. The principles and challenges, for both in-house and external clients remain the same.

You will find tools to help you identify different elements of your existing business and think through options for extending it. This chapter is less about how to do the job well and more about planning which clients and candidates to focus on to give you the greatest chance of success. Some of the choices may not be wholly open to you, as you may already work for an agency or consultancy that has a clear focus and you may also have a desk with a certain sector focus. Recruitment consultancies and agencies themselves have become much smarter and more strategic about focusing their business in an area where they can develop expertise and therefore offer an outstanding service to their clients. Equally, there will always be some choices in developing a desk or extending a business area; working proactively in this way will make you feel much more in control of your own destiny.

Want a happy, engaged workforce that's poised for long-term growth and success? Put a recruitment strategy in place to hire the best people, new research suggests. According to a recent report by Citation, a provider of HR and employment law solutions, 65 per cent of the 139 small business owners surveyed said that employing a specific recruitment HR strategy has a direct impact on business success and financial growth.

According to Zuraida Curtis, field HR consultant at Citation, good recruitment strategies not only help with employee morale and overall happiness, they also assist retention. Curtis explained that by keeping employees engaged, business can actually avoid having to undergo frequent recruitment processes. Allowing for growth potential and training creates a happier employee.

Oftentimes, starting a plan is the hardest part. You don't know where to start or what you need to consider. A great place to start is to think about where you are now, and where you want to be. This sets the goals of your plan and you will then be able to address how you might get there.

Examples of where you are/want to be might include:

I have eight contractors running currently and I want to get to 15 out by the end of this year.

- I work on an average of 20 temps a week out and I want to increase that to 25 to afford my holiday next year.
- We place 15 per cent of our candidates from direct in-house sources currently. I want to move that to 25 per cent by the end of this year.
- I billed £450,000 last year and want to hit that magic £1 million figure within three years.
- 42 per cent of possible recruits perceive our brand positively. I want to lift that to 65 per cent this year.
- I placed three 'heads of service' roles this year through search. I want to move towards 'C' suite level roles this year.

Often this is the hardest part, but once you have done it you'll have completed the first part of your business planning process.

### **Business Planning Process Objectives**

- setting goals;
- gap analysis;
- assessing the internal environment – SWOT analysis;
- assessing the external environment – PESTLEC analysis;
- business strategy development;
- tactical options;
- programme development;
- Measurement and review.

### **Setting goals**

What do you want to achieve? This could have a whole range of answers. In general if you are not clear what you want to achieve you are unlikely to achieve it – not least because you won't know whether you have been successful or not!

If you are working for a company your goals must 'fit' with the corporate objectives. So, if your company has an objective to increase its market share in its chosen sectors by 5 per cent while you want to start a new sector, this may not be in line with the corporate plan. So you first need to find out what your company's objectives are.

## Task

If you don't know what your company's strategy and objectives are, ask your manager or director before thinking about the next stage. When you know what the strategy and objectives are, or if you are choosing your own, you can move on to the next stage.

We have already looked at some possible scenarios but here are some more goals:

- an increase in revenue from last year of 50 per cent;
- an increase in graduate applications from top 20 universities this year by 25 per cent;
- 15 per cent more briefs filled than last year;
- 500 more qualified candidates on the database;
- a reduction in agency costs (if you are working in-house) by 15 per cent;
- my target of 220k permanent revenue;
- two deals a month each month above 15 per cent margin;
- Three retained assignments with fees above 30k per month.

## 'SMARTER' objectives

What do you notice about each of these? They are, as you may have noticed, all SMARTER objectives. If you do not make your objectives at least SMART then you will not know if you have achieved them.

**S** – Specific

**M** – Measurable

**A** – Agreed

**R** – Realistic

**T** – Time Bound

**E** – Enjoyable

**R** – Recorded

Let's look at those above and see what they look like when they are not SMART:

- more revenue than last year;
- an increase in graduate applications from top 20 universities this year;
- more briefs filled than last year;
- more qualified candidates on the database;
- a reduction in agency costs;
- bill well;
- improved margins on consistent number of deals;

- Sell retained assignments.

How would you know if you had achieved those? How many more briefs? How many candidates? How many more applicants? Does success mean one or two or half a dozen? If it's not clear, the goals are pretty worthless.

So making your goals SMART is crucial to success, or at least to knowing when you have been successful. There is a story – which may be an urban myth – that in one year at Harvard all the graduates were invited to write down three goals they had. Some did and some did not. Several years later they all met at a reunion and found that the ones who had written their goals down had achieved them and more. Those who had not written down their goals had not achieved as much.

Equally we should not let goals constrain us – you'll get to know yourself quite well and you'll recognize what works for you. Some people are happiest when they have a goal set for them, some will hate that and want to set the goal for themselves. Others won't be keen on goals at all and feel constrained by them. They will need to have a minimum level that they know they need to achieve and then the freedom thereafter to achieve as much or as little as they want, or are able to.

If you find your SMART goals, when you have set them, don't inspire a sense of job satisfaction to come, a sense of excitement, a sense of reward or recognition to follow, then they may not be the right goals. If you personally are not motivated and enthused about achieving your goals, you need to ask yourself some long hard questions about whether this is what you really want.

Let's assume, however, that you are clear about what you want to achieve and that you are motivated to achieve it. After all, there are fantastic rewards to be had from working within the recruitment industry both agency- and client-side.

### **Task**

Take some time out to write your goals now. You can be as short or long term as you like – you can focus on this week's goal or this quarter's, or use this as a planning tool for next year's business activity. You wouldn't want to complete this whole process each week of course but it will get you started.

### **Gap analysis**

This is the second stage of the process. Let's take the first two SMARTER goals as an example.

- An increase in revenue by 50 per cent. This could apply to any discipline in recruitment; permanent revenue, contractor revenue written or search revenue.

- An increase in graduate applications by 15 per cent. More likely to apply to an in-house recruiter or someone outsourcing a graduate recruitment scheme. Of course you can still apply this to any group of candidates, so this can apply to anyone as a goal focusing on candidate attraction.

The first action is to establish what this involves in real terms. Whenever you identify an increase or uplift in anything you'll need to do a gap analysis to see what this really means.

### **Assessing the internal environment – doing a 'SWOT' analysis**

This is the first step in looking at your desk. It means taking an analytical view of you and your desk or your internal business in order to look for ways to fill your 'gap'. SWOT (SWOT analysis originated at Stanford Research Institute from 1960–70 and was developed from research funded by Fortune 500 companies as a way to discover why corporate planning failed) stands for:

**S** – Strengths

**W** – Weaknesses

**O** – Opportunities

**T** – Threats

- Strength is a particular skill or distinctive competence that you have in yourself or within your team or organization that will help you in your role. So the strengths you list must be relevant strengths to your work. These might be experience in particular client groups or abilities in certain aspects of the recruitment process.
- A weakness will be anything likely to stop you achieving – it could be a lack of knowledge, support, skills, experience or process.
- An opportunity is any aspect of the external environment that could help you achieve your business objectives. This might be a forthcoming event that could increase demand, like the Olympics or another sporting event.
- A threat is anything in the external environment that could hinder you achieving your objectives; this might be a competitor for example. Something that is a threat to one organization could of course be an opportunity for another.

The first stage of populating your SWOT analysis is to examine the external environment and assess what external factors might have an impact on your business. Once you have done this you can then complete the S/W elements.

## **Examining the external environment – PESTLEC analysis**

This tool enables you to look outside your business into your market sector and beyond, to check out what influences might be around to adversely or otherwise affect your sector. Cyclical activity can impact on the recruitment industry and this is one way to stay on top of it.

PESTLEC stands for different areas of our world. Ask yourself how this element impacts your business in the future. Consider what impact might this have and how you can maximize its opportunity, or minimize its threat.

**P** – Political

**E** – Economic

**S** – Sociological

**T** – Technological

**L** – Legal

**E** – Environmental

**C** – Cultural

Some of these may be more relevant than others – it depends upon the business you are in. In our industry LEST might be, arguably, the key ones.

### **Political**

This refers to the political landscape. This will be particularly relevant to organizations involved in recruiting overseas, search firms conducting global searches, or multinational corporations moving executives from one country to another. The impact on the process and IT industries of offshore working and of labour arriving from emerging markets occurred as a result of political actions. Labour shortages in some developed countries mean that labour has to be imported from overseas, and political immigration policies can affect that one way or another. Closer to home, any change in a political party may or may not impact on the business environment. Shifts in public sector spending are of particular relevance, as recruitment markets will shift up and down depending upon whether the public or private sectors are increasing their spending.

### **Economic**

Arguably this is the strongest area of influence on the recruitment industry. Often the industry experiences a downturn earlier than anyone else, but it can also be early to recover out of a recession. Sometimes there is a selective down-turn. In the lead up to 'Y2K', spending on IT systems to prevent a possible crash in the year 2000 was at an all-time high. This precipitated an immediate slump in IT immediately thereafter. It was 18–24 months before there was a reprieve. Many search and selection

firms went out of business as the scarce talent they were being retained to source was suddenly no longer scarce. On the other hand, some firms in the IT sector actually grew during this period as they had a wide spread of clients.

A study on Working Futures from 2004 to 2014, produced by the Warwick Institute for Employment Research, has some detailed predictions about the labour market (expected to remain largely steady with employment growing slightly), the pattern of that labour market, the sectors that are expected to grow, those expected to decline and the roles within sectors similarly. This is their prediction for occupational change:

**Faster growth is now indicated for:**

- Managers, some professional and many associate professional occupations;
- Protective service occupations and culture /media/ sports occupations;
- caring personal service and customer service occupations.

**More rapid declines have been observed for:**

- Administrative, clerical and secretarial occupations;
- Skilled manual and electrical trades;
- Other skilled trades.

**The business life cycle**

Some markets may also need, in their planning, to consider how the economic business life cycle impacts on them. Sectors such as hotel and catering may experience an upsurge in temporary staffing needs during peak periods like Christmas and New Year. The weather may also affect demand for services; catering at Wimbledon is less busy during bad weather!

**Sociological**

The sociological aspect covers the way people live and work, and the shifts in a range of different areas of life have an influence on the recruitment industry in one way or another. Such changes include the move towards working more from home, portfolio careers instead of a job for life, the mobility of the labour market in general, the decline in extended families staying together, and the increase in the number of single people, the lengthening of the working life, the return of women into the workplace and greater longevity. All these have effects on the workforce. B&Q, the home improvement retailer, is well known as an employer that recruited people aged over 50 to fulfil a range of roles in its business to wide acclaim and great success. We may not always live in the same way that we do now. The potential for change may also have impacts on your desk and make a difference about where you

focus your business efforts. It may affect your candidate flow in a corporation as an in-house recruiter and should always be included as part of your external analysis.

### **Technological**

Technology has increased the pace of everything, not least recruitment. This is probably the biggest single revolution the world has seen. Generation Y (the sub-30-year-old labour market) expect to be online 24/7 and consider their iPhone the norm, instant messaging and texting their candidates to keep in touch. One of the biggest changes here has been the advent of social networking sites to develop relationships with candidates and present a profile to your client and candidate base.

Recruitment consultants need to take care not to let the technology available rule the way they work. Systems are there to help get the work done, not to dictate how it should be done. Finding a way in which technology can help build a competitive advantage is the way forward.

### **Legal**

This includes not only the laws that have had impacts on the industry recently and the ones that are on the horizon, but also the ones that might affect our client and candidate base. A shift in immigration laws might have a major impact on the capacity for some firms to attract labour. Recruitment itself is becoming increasingly constrained by legal developments.

Laws will need to keep up with the changes in society so those changes we can see coming in relation to society are likely at some point to be reflected in new laws. As recruiters it is our responsibility, and that of the business leaders within our industry, to ensure we have a good understanding of the law so we comply with it in all areas of recruitment from interviewing through to reference taking and giving. However, it is unlikely to be a key factor in deciding where to focus your desk unless you are working in an area where working practices legislation is likely to have an adverse impact on your business.

### **Environmental**

The environment is an increasingly important agenda for us as a society, as well as organizations. This will doubtless grow and affect everything from the paper we use – and whether we use it at all – to the vehicles we drive, the offices we design and work in, the amount of home-working done, the energy we burn and the way we travel to work. Responsible organizations will want to be conserving energy. The key here is to use the environmental analysis to consider your clients and also their clients – in other words your client's supply chain – and to understand the impact of potential environmental changes to their business and their clients' businesses and to see whether this will be of help to you or a threat.

## **Cultural**

This affects a product or service in a range of ways. Culture can mean the dominant behaviour in a certain sector, which could be divided in a range of ways: gender, nationality, religion, regional base or social group. In rural areas, for example – where people have less internet access, more access to printed media and are more likely to look in recruitment consultants' 'shop windows' at the jobs on offer – the face-to-face recruitment model is still highly prevalent. For agencies working in a rural environment, although the internet as a recruitment tool must be part of their range of tools, it is much less applicable than it is in urban environments.

The reduction in global barriers to the movement of labour has meant a surge in different nationalities available to work in the UK. Some consultancies have a thriving business recruiting overseas staff to work in UK skill-short markets. It has also meant that searches for senior roles are invariably global. This cultural change has meant the global recruiters need to consider whom they are recruiting to be able to deal with a range of cultures.

## **Task**

Complete the appropriate aspects of your PESTLEC analysis and then use these elements to complete your SWOT for your desk. The strengths and weaknesses are about you as a recruiter or are internal to the company and the opportunities and threats are drawn from your PESTLEC analysis, include your competition and are external or independent of you or the company.

## **Business strategy development**

A strategy is a systematic plan of action stating how you are going to achieve your objectives – an action plan if you like. So this might be to develop your top three clients so as to double your revenue from them, and to open three new ones. It might be to develop excellent relationships with all of your internal clients and to advise and help them with interviews, so that you are adding value over and above just generating candidates for them.

To be effective, the action plan must detail how to offer services and candidates that client will want to adopt or hire. So any strategy has to be developed in the framework of the market knowledge developed in your SWOT and PESTLEC.

Tactics are the specific actions you take to fulfil the strategy. This might be mailing and then ringing six clients about a fantastic candidate, with a view to developing three of those new clients. It might be to invite those six new clients to a drinks evening where you have already invited good existing clients. It might be to gain a meeting with those clients. It might be to do all three, or anything else appropriate for your market. You are likely to have a range of tactics for any strategy. Your tactic for developing

relationships in-house might be to walk the floors more and 'drop-in' on people more regularly, or wander round with CVs and present them personally rather than relying on the system. It might also be ensuring that you are seen as the fabric of the business by going to, and being invited to, social occasions from work and holding some yourself.

## Tactical Options

### Price

For recruitment consultants this is about fees. For internal recruiters it is about setting fees for suppliers or setting salary bands for hires.

If you are a recruitment consultant you may have no control over terms and conditions that are offered to your business but you will always have control over whether you charge a full fee or not.

Reducing fees or margins brings a range of significant problems; it suggests a lack of confidence in your own ability to deliver; it sends a signal of desperation to the client, who may wonder why you are charging so little and worry that there is a problem with the temp or the service. It also devalues the industry as a whole.

There will, however, be times where negotiating terms in exchange for something else from the client may be advantageous to both of you. The opportunity to have an exclusive on a vacancy may on occasion be worth a small fee reduction, depending upon the amount of work required to find the right person for the role. The inclusion on a good PSL may also be worth a reduction – of course in many circumstances you will be required to reduce your fees for this. You'll need to decide if this is worthwhile and whether the reduced 'cost of sale' justifies the reduction.

### Place

This relates to how you will distribute your service or product. It is relevant to a recruitment business owner or someone starting up in business, but recruitment consultants joining an organization will already have this decided for them. 'Place' is about whether you will set up a shop front on a busy high street or offer an internet service or whether you will network and work with other consultancies or stand alone.

### Product

This means the type of candidates and services you can offer to clients. To be successful here the candidates and services you offer must be in demand. (This may sound obvious but is easily overlooked.)

In a candidate-short market, services such as search, headhunting and selection are sought after as demand outstrips supply and really strong, focused recruiting methods are needed to deliver quality candidates. In a client-short market these services become less critical for mid-range recruiters, as demand outstrips supply and good people are much easier to find. The top search firms will always have a business that offers this service as there are always senior executives to place, but they too are not immune to recessionary times by any means.

Your product tactic is about which candidates or services you are offering, and the key to success is the capacity to be aware of market changes before or as they happen and the agility to switch your offering in response.

### **Promotion**

The way you communicate with your clients and candidates is crucial. It will impact upon:

- Whether they have heard of you. If they do not hear of you or from you regularly you will not be in their mind as a possible supplier.
- How well you communicate with the clients and candidates. If you are writing e-mails and letters to introduce yourself, make sure you are good at doing this.
- The messages you are giving about you and your business to your clients and candidates.
- The profitability of your business.
- How you are perceived by your candidates and clients.

If you are working in-house, this aspect is no less critical. Your delivery to your clients is as important as your suppliers' service to you. It is just as important to manage the relationships in this service role to the business as it is in an external consultancy role.

### **Measurement and review**

The last thing to do with your business plan is to put in some measures and review points so you don't just fold it up in a drawer and never look at it again. You might want to think about reviewing every month or so and if you are slipping your targets, then shift your activity measurements to weekly.

The next thing to explore is how much activity you need to do to achieve your aims, and how to manage your time to achieve your activity goals. You've already considered how best to plan your day, when to do what. Next you'll need to work on what to do and how often, and how to get it all done!

**Further Reading:**