

# Starting your own recruitment agency

A step-by-step guide to  
help get you going.










# This is an exciting time.

It's also a huge step. Setting up your own recruitment business gives you the freedom of being your own boss, a chance to shape your future and to realise your ambitions. But it also needs a lot of thought and planning, as well as resilience and determination.

For many, it can be a long-held ambition; and whilst every business hopes to succeed, the truth is more than 50% last less than a couple of years. We've worked with many fledgling recruitment businesses and know just how hard it can be – and how taking the right approach at the start can make all the difference.

To help give your new recruitment business the best chance of success, we've put together this informative step-by-step guide.

## In this guide, you'll find out about...

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# Forming your company

**Setting up a business is a relatively simple process – you’ll probably be looking at a limited company, with your business owned by its shareholders and your company and personal finances kept separate.**

Then you’ll need the right name – probably the first thing most people will see of your business, so it needs a great deal of thought. Choosing a name isn’t just a matter of personal preference; ideally you want to use it (or something close to it) for your website too, so you’ll need to check what’s available as a domain name. Once you’ve got your name, register it with Companies House (they’ll need your company name and UK office address plus a few other details) and also with HMRC, who’ll contact you after you’ve registered through Companies House.



## Top tips:



Choose something relevant and memorable, that’s appropriate to the sectors you’ll service.



Check your proposed name or something very similar isn’t already registered at Companies House or with the Business Names register.



When you form a limited company, check the name doesn’t contain a sensitive word.



Make sure your proposed name isn’t too close to a registered trademark of a product or service in the same market.

**TM**



Make sure your name is capable of being trademarked.



Carry out a domain name search to check a suitable one is available – there are plenty of websites that can let you search for free.



# Developing your pitch

**There are around 40,000 recruitment businesses in the UK; which means you can't afford to be 'just another one'. That's why finding something you can offer your potential clients, that others can't, will make you stand out – and can be one of the most important factors of success.**

Start by thinking about how you can bring a fresh approach or different thinking to your prospective clients. Ask yourself why they should choose you over one of the many other recruiters, and what they're looking for from their partners. It might be something you can offer based on your experience and skills, a unique service, or by specialising in a specific type of employment or business sector. This will ultimately drive how your growth development, your marketing, your price positioning and even your legal requirements take shape.

You'll find working out what your business will offer and what it stands for will help you determine your 'brand', – the expectations, memories, stories and relationships that, taken together, account for a potential clients decision to choose one recruitment agency over another – and its values.

Your brand is how clients see you; the result of everything you do to make an impression on them – from the way you present the business, to the way your people answer the phone. Your logo, imagery and the way you talk about what you do will become the brand image – the thing that people recognise your company by – it should be applied consistently across everything you do – from business cards and website, to signage and social media.

## How will your business stand out?

- 1 Look at your own skill set and experience – if you have in-depth knowledge of a particular industry or role it can prove invaluable.
- 2 Will your experience mean you focus on temporary/contract or permanent roles (or both)?
- 3 Do you want to specialise in one particular recruitment sector? Perhaps because there's strong demand or you have experience?
- 4 To make sure you're offering something different, carry out detailed research into your sector and your competitors.
- 5 Make sure you fully understand your marketplace and know exactly what your potential clients are looking for from a recruiter – understanding their challenges may help you find your 'difference'.



# Developing your Business Plan

When you're setting up any business it's vital to have a business plan. It lays out how you'll operate over the first year and beyond, shows how well your business is performing against your objectives and provides a strategy for using limited resources effectively while highlighting issues.

You'll find plenty of help online on how to write a business plan, using free templates – the business section of the gov.uk website is a good place to start. Keep it realistic, and include marketing and sales strategies, financial forecasts and more. Think about where you want to be in 3 to 5 years, and set out objectives for the first year such as:

- Sales targets
- Personal targets
- Perm / contract deals
- Average fees / margins
- Client / candidate referrals
- Hires
- Key clients won / retained
- Perm / contract ratio
- Exclusive / retained assignments

## Resources and Budgets

Your plan should also set out the financial aspects of your business, including projected monthly cash flow and costs (fixed ones such as rent and salaries, variable expenses including materials and products, and one-off capital costs, such as a lease or buying a computer) and have revenue forecasts, based on expected future 'sales'. Your accountant can help with estimates for these.

## Business Support

Think about what you'll need as a start-up. Such as the equipment you might need (don't forget you can claim for the cost of business equipment on your tax return), and those things you need in place ideally before your start date. Consider the following:

- IT kit
- Office furniture
- Mobile phone
- Transport
- Website
- Marketing support
- Accountant
- Back office services for payroll, funding and credit control

## Candidate Relationship Management (CRM)

A CRM system is a great way to improve your efficiency, using technology to organise, automate and maintain your relationships with candidates and manage the entire recruitment process – and while it's not essential from day one, it's worth starting as you mean to go on. Here's what to look for.

- Map out your hiring process, from sourcing to post-placement, and decide which features you think are essential and non-essential
- Ask friends and ex-colleagues about CRM systems they've used
- Use demos of each CRM to see how it works with your workflow, including the various integrations and add-ons
- Ideally it should include key reports such as pipeline and candidate source
- Make sure the system's totally secure and meets relevant data protection laws
- Success will depend on certain key metrics, such as application rates, candidates per hire, cost per hire, fill rate, retention rate, sourcing channel effectiveness and time to hire – so you'll need to create reports on those

# Why a Business Plan is so important



## You get the bigger picture

One of the key advantages is it gives you a clearer picture of your business as a whole, connecting strategy and tactics and making everything easier to work out.



## It gives you strategic focus

As we mentioned earlier, identifying ways to stand out is important – your Business Plan will help keep you focussed and stay true to your brand.



## You can set priorities

You can't do everything at once – but your Business Plan will help you put things in order of importance and use your resources most effectively.



## It helps you manage change

An effective plan lets you check assumptions, track your progress and see new developments right from the beginning, allowing you to adjust accordingly.



## It makes you more accountable

By having expectations and a means to track results, you can constantly review your Business Plan in terms of what you expect and what eventually happens.







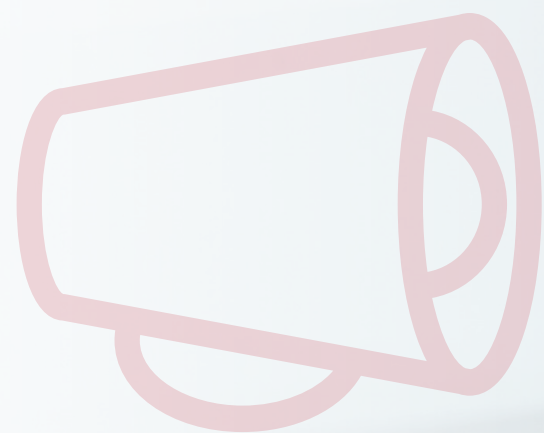
# Marketing and growing your business

Marketing will play a huge part of getting your business off the ground, so this is another area you'll need to plan for to be seen and heard in a busy marketplace. Think about which types of marketing would best suit your business: digital marketing, public relations, press advertising or email marketing, for example.

## The next level?

One of the biggest restrictions in recruitment has been the tight talent pools of recent years – so to grow your business, focus on building on existing relationships and customer loyalty.

As you plan for growth, bear that in mind when you're putting systems in place and working with marketing partners. It's important they can grow with you; it makes life much easier further down the line.



## Using social as a powerful tool

Setting up your new business's social media accounts properly and building your presence is crucial to your success. Here are some top tips.



### Choose the right channels

Think about where your prospect audience is; will they be using LinkedIn, Twitter, Facebook, Instagram or a more specialist channel?



### Keep track of how they do

One of the big benefits of social media is measurability, so you can look at what you want to achieve and track the results.

#### Awareness

Use metrics like volume, reach, exposure and amplification

#### Engagement

Look for likes, shares and comments

#### Website traffic

Track clicks and conversions



### Use LinkedIn to your advantage

The world's largest professional network is a must for any recruitment business. You'll need a company page, which is important for building your online presence.





# Knowing your recruitment law

Like any new business, there are regulations you'll need to be aware of – including National Insurance and VAT registration. But recruitment agencies are bound by law to meet certain standards, so make sure your business is legally compliant. Here are the main ones you'll need to be familiar with.

## **HMRC: the income tax (pay as you earn) (amendment No. 2) regulations 2015**

In the UK recruitment firms are required to report all payments made (in relation to the supply of staff) where employment taxes and NI aren't deducted at source.

## **Data Protection Act**

Combined with the recent GDPR laws, this Act makes sure client and candidate data is properly and securely handled, and treated fairly, confidentially and professionally.

## **Agency Worker Regulations (AWR)**

The legislation designed to make sure agency workers aren't treated less favourably than permanent staff, covering things like pay rates, working time and benefits.

## **UK Code of Non-broadcast Advertising, Sales Promotion and Direct Marketing (CAP Code)**

Overseen by the Advertising Standards Authority, this makes sure every job ad you post represents a real job, is fair and is non-discriminatory.

## **Equality Act 2010**

This replaced the Sex Discrimination Act, Race Relations Act and the Disability Discrimination Act and is designed to make sure people are treated fairly.



# Protecting your business

Of course, legal compliance is necessary to protect you and your candidates. The other way you'll need to protect your business is by having adequate insurance cover, and there are several types to consider.

## Public Liability Insurance

This protects against claims if someone's injured, or property damaged, as a result of you going about your business or supplying products – so if you're placing contractors, make sure your agency has the same cover as the contractors themselves so liability can be passed down the line. In such cases, legal fees alone can cost your business thousands so it's well worth having.

## Professional Indemnity Insurance

Covers against the costs of defending your business if someone alleges professional negligence – such as you giving them bad advice, for example.

## Employers' Liability Insurance

If you'll have other employees, this is a legal requirement and covers you against claims for injury or illness arising from their employment.

## Cyber and Data Risks Insurance

As you'll be handling sensitive data, this could prove a worthwhile investment. It protects you against the costs of restoring data and equipment, informing clients, meeting ransom demands, and profits lost as a result of a cyber-attack, including costs and damages you might be liable for.

## Don't forget your T&Cs!

When you set up your business, you'll need to have your Terms of Business and Contract for Services in place, both of which are important legal documents. There are various templates available online to help you with this.



# Managing your cash flow

A top priority for any new business is making sure it's financially solid. A good accountant will help and can advise you on many things (deciding whether to be a limited company or partnership, for example).

**Once you're trading, it's vital to manage your cash flow well – being organised and keeping accurate records as you go is vital.**

## How invoice funding can help

Temporary and contract recruitment is particularly hard on cash flow: the more workers and contractors you place the more cash you'll spend and you'll often be paying workers 5 to 6 weeks before your invoices are paid. That's where invoice funding can help.

Invoice funding with Back Office, for example, means we'll provide 100% recruitment funding (although some only let you draw down as little as 70% until your invoice is paid), paying Contractors and Temps on time and paying your margin (minus fees) into your bank account every Friday.

Back Office also takes care of processing payroll, raising invoices in your name (with your branding) and chasing any outstanding payments – with full protection against bad debt – giving you more time to focus on getting your business up and running.





# The benefits of a mentor

**Having a mentor when you start up a business can prove invaluable. Your mentor will take an objective view, provide experience, open up a network of useful contacts, offer encouragement and much more. There are many different ways to find a mentor – it could be someone senior you've worked with in the past, someone from your network or a professional organisation who charges a commercial fee. You'll often find funding available for mentors and growth advisors.**

## Use helping hands

It's all too easy to think you need to do everything when you start your business. But in reality, you'd be better taking a look at your own skills and experience to spot any gaps you need help with, and then look at how to fill them. If you need a particular type of support (such as a design for your brand, help sourcing premises and so on), start by asking your network for recommendations.

## How a mentor can help you

### 1. Life experience

However well-prepared you feel, nothing will fully prepare you for real life situations that may arise. You can talk to your mentor about any issues you might be facing, and they'll be able to use their real-life experiences and insight to help solve them.

### 2. Keeping you on track

Your time and resources are limited, so your mentor will help you focus on your strengths and prevent you going off in the wrong direction.

### 3. Setting realistic goals

You shouldn't expect to see big returns in your first year – your mentor will help make sure your business has time to grow and your financial ambitions reflect that.

### 4. Being clear and consistent

Taking an objective view, your mentor can help make sure the first impression you give to clients is clear and honest, so they know what you're about.

### 5. Judging the competition

Your competitors won't stand by and let you take their business – and your mentor can help you keep a close watch on how they respond to your initiatives.

### 6. Encouragement

Your mentor's always there to encourage you when you might become disheartened and despondent if things aren't going well – they'll give you the will to go on!



# Be prepared to live and breathe recruitment!

Remember, you're doing this because it's what you love; your business will need nurturing to turn it into what you want it to be. But doing that will become second nature, and if you love what you do, you'll find overcoming the challenges of running a business very rewarding.

## Follow this simple checklist so you don't forget anything

- ☐ Understand your market
- ☐ Analyse competitors
- ☐ Create your business plan
- ☐ Consider costs
- ☐ Register your company
- ☐ Think about resources you'll need
- ☐ Look at finance and cash flow options
- ☐ Keep up with legislation
- ☐ Get a mentor on-side
- ☐ Enjoy what you do!



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