



# MOST COMMON CHALLENGES START-UP RECRUITMENT BUSINESSES FACE

## PART 2

JULY 2022



# Growing pains

Starting your own recruitment agency is exciting since it allows you to put your years of experience and knowledge to work in your own business. These exciting new tasks, however, are not without risk.

**As a result, we've looked at the many challenges a recruitment start-up may face and how to overcome them.**



# Business Plan

Many recruiters starting their own business will unlikely sit down and create a business plan. This doesn't have to be a business plan necessarily; it could be a forecast for the next 3, 6, or 12 months.

A comprehensive business plan may demonstrate a recruiter's commitment, skill, and business knowledge. These elements are more critical than ever, and the number of organisations requiring such a document is increasing. So here are a few examples of questions you should ask when writing a business plan.

- What does your plan look like?
- What do I need?
- How much cash do I need to support this plan/forecast?
- Your specialisation?

Before you start planning your business, ask yourself the following questions:

- What type of business are you setting up? Temp or Perm?
- How will you pay workers in 6 weeks when you haven't had your invoice paid?
- Do you understand what all your cash requirements will be?

Visit the [Recruitment Start-up Hub](#) to find out more about writing a business plan.



## Here and now, cash requirements

Are you simply concerned with the here and now? Your current challenge could be that you wish to start supplying workers to a client and need assistance paying your workers. Usually, just financial requirements are considered. You may fund this with your own money, a credit card, a factoring business, or a bank loan, among other options. This will be capable of resolving immediate difficulties. However, most recruiters will not be pleased with just that amount of money and want to expand their business. What will be the next step?

Some people use their company's cash flow to support their business. They have enough cash to last the first six weeks, after which the invoices raised six weeks ago will be paid, and the business will be funded by cash flow. It's excellent that the company can maintain itself, but there's no room for growth. For example, how will you fund twice as much payroll if one of your clients doubles its workforce?



Also, while launching a recruitment business, consider your expenses and other financial requirements, such as:

- Where will you operate from?
- Do you require an office, or will you work from home?
- What technology do you require?
- Will you hire anyone in the first six months?
- What Marketing activities will you be doing?
- What are the many forms of insurance, and which ones do you require?
- What branding do you need? Including logos, stationery, etc.
- You will also need to have cash for your payroll expenses.

Head over to [The Recruitment Start-up Hub](#) for more information, tips and hints on how to keep your overheads low when starting your recruitment agency.



# Growth

Entrepreneurs don't usually consider the requirements for growth from the start. This is seen as something that needs to be considered further down the line. But your client's requirements could change quite quickly, and they may need twice the number of workers you currently have. This means you'll need to locate twice the amount of cash to pay them. Assume you don't have access to instant funds; what will you do when you have a £10K loan or a credit card with a set limit when it runs out? These set amounts depend on you as an individual, whereas recruitment financing is based on your clients, which means you will have more cash available when you need it.

Growth may happen at any moment, even if you anticipate it coming in month three or six. For example, if you suddenly gain a customer, you will want cash instantly. What are your plans in this situation? How will you rapidly access large amounts of cash, given that you'll need it within the week to pay out perhaps twice as many workers as you presently have?





# Liability

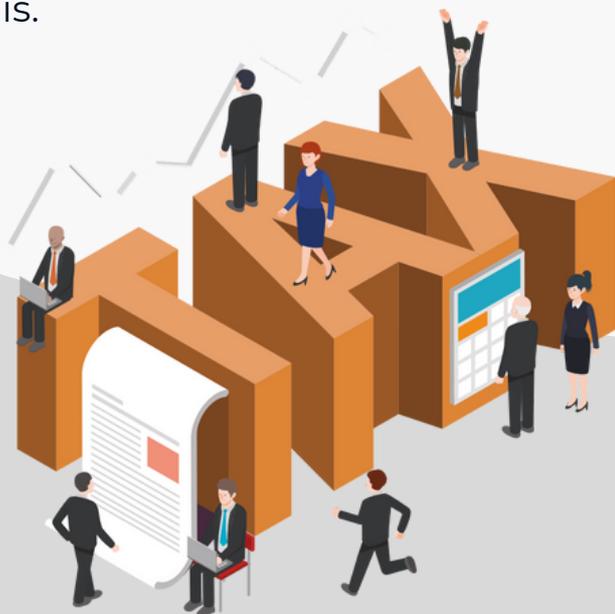
Your cash liabilities will increase proportionally as your business grows. This means that the more employees you have on payroll, the higher your PAYE costs to HMRC and the higher your VAT bill. As a result, the more successful you are, the more accountable you are, and the more cash you require as you pay out more.

What are your thoughts on how you will handle your money? You must complete your HMRC RTI on the 19th of each month. So, in addition to having the time to do your payroll, you must also ensure that you have the funds since there will be penalties if you do not.

You must have funds available for holiday pay and pension contributions if you handle PAYE payroll. You must also consider paying VAT if you pay contractors. In addition, you must also submit a VAT return every quarter. So, once again, you must consider tax and VAT management.

Find out more information on what tax you need to pay [here](#).

Also, you need to consider how you will get paid. Getting an accountant will help you with this.



# For someone starting their own recruitment business, where is their time best spent

Your company time is critical as you progress. As a result, the administrative side of the business might drag you down, diverting your attention away from growing your organisation. You will spend significant time ensuring that all of the business's legal, compliance and risk-related activities are correct and compliant. The amount of time you will spend processing and administering payroll is proportionate.

Administrative tasks take up around two days every week on average. What would you do if you could relive those days?

At this moment in time, businesses are struggling to find the best talent. A significant amount of your time is spent on locating the appropriate personnel. Therefore, those two days could be highly beneficial when looking for top talent. As a result, if you use your time wisely to supply clients with quality talent. Clients will be more than happy to pay premium fees, enhancing your income and offering significant value to your clients.





It is more cost-effective to service existing clients and earn more business from them. It is estimated that 20% of a company's business provides 80% of its revenue.

- It takes 8 to 10 physical phone calls to sell to a new client and 2 to 3 phone calls to sell to an existing customer.
- Acquiring a new client is 5 to 10 times more expensive than obtaining recurring business from an existing one.
- A 5% increase in customer retention translates into a 25% or more significant increase in profitability.

Furthermore, obtaining new business is one of the three essential places recruiters should focus their efforts.



# Where are recruitment start-ups wasting their time

**Permanent** - The process of creating and pursuing payment for invoices. You don't want to be performing admin and chasing to be the most effective perm recruitment business. You want to be servicing clients and finding quality candidates. Therefore, you want phone calls to be fee-generating ones, not chasing debt.

**Temp** – Payroll can consume up to 40% of your time, resulting in two days per week spent on non-fee-generating duties. And that time will only grow the more successful you become. But, it's not just about the money. What steps will you take to become a payroll expert? How will you stay informed about the new legislation? For example, you may not be aware of the recent increase in National Insurance. Therefore, you could be violating the law without even realising it.



**Timesheets** - How are you going to manage your worker's timesheets? Will you be processing paper timesheets or electronic timesheets? If so, how long will that take you each week, and what technology will you need to assist you? All of this costs time and money, so you must ensure you have a process in place from the start.

**Credit control** — If you're funding your business the old-fashioned way and doing it yourself, the longer it takes clients to pay, the more time you'll spend on credit management and pursuing invoices. However, failing to spend time on credit control will result in you not being paid and affect your cash flow.



# The answer is Simplicity.

Simplicity has provided market-leading recruitment finance and back-office solutions to start-up and growing recruitment businesses for over 18 years. We only work in the recruitment industry, which means we understand your challenges and how to overcome them. Whether you are looking for a temporary or permanent solution, we have the funding, team, and technology to get you started and support the growth of your recruitment business.

Our Finance Solution offers recruitment businesses 100% cash upfront as standard on temporary workers and permanent placements. Our unrivalled team will take care of your client's due diligence and credit checks and process payroll, and pay all of your workers each week. Plus, invoice your clients and chase any outstanding payments.

Simplicity can instantly solve many of the challenges you may face from the start. Leaving you to focus on pursuing new business, searching for the best talent and other fee-generating activities.



## KEEP IT SIMPLE, GET IN TOUCH

Contact us on 01594 888518 or [sales@simplicityinbusiness.com](mailto:sales@simplicityinbusiness.com) to find out more about our start-up recruitment solutions.

# Watch the show

This whitepaper is based on Part one of the UK Recruiters Start-up Focus Chat Show.

Simplicity's Business Development Executives Helen Edwards and Alex Goode discussed with Louise Triance 'The Most Common Challenges Facing High-Growth Start-Up Recruiters' Part 2

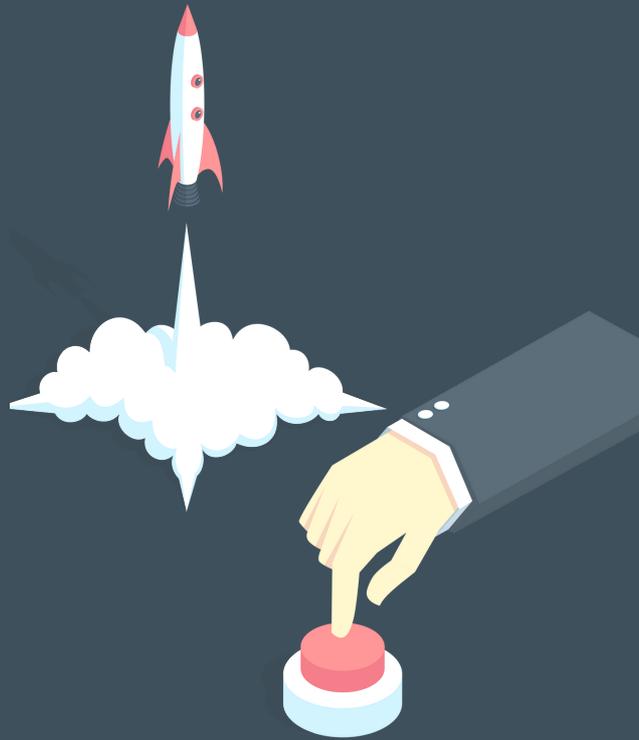
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This eBook is meant as a guide only and is the opinion of the Simplicity team following many years of working with recruitment businesses. However, this does not constitute professional advice or direction and the final decisions made in relation to any new business are the responsibility of the business owner and/or director. Simplicity does not accept responsibility for any outcome based on the opinions given in this document.