

Maximizing Results Through People
A CEO to CEO Quarterly Newsletter

11-15-04

Problems vs. Opportunities – The Fun Stuff

Dear Fellow CEO:

When people discover I am president of a business, there are typically two kinds of reactions. Sometimes, there's the, "Wow, it must be cool to have your own company!" response. There's also the, "Gosh, I'd never want to run my own business – who'd want all that responsibility?"

I can't say I really think much about either of those perspectives. I'm here and I do what I do – no big deal. Generally, it's not overly cool or overly daunting. It's just what it is.

However, there are some really cool things a CEO gets to do. For me, the coolest one is creating an environment where we capitalize on opportunities that could be seen as problems. The evolution of the Search and Recruitment business at BWA is a case in point.

I've always seen an opportunity for us to excel in the search and recruitment business. It just seems like a good fit. We've been in it for the last 5 years. While I can't say the opportunity has truly blossomed, I've inherently felt we could satisfy clients and make some money providing the service. The feeling hasn't yet become reality. Yes, we get on hot streaks where we get real busy, make a little money... then, we go into another lull. Generally, clients like what we do for them, but we've never really made any money at it. As time has passed, team members have increasingly suggested we pull the plug.

On the plus side, search provides additional service aligned with our mission and values. It also provides gainful employment and can serve as a training spot to develop future consultants. Generally, our client satisfaction with the process is high. With Heather leading the effort and Gina and Penny on the team, we've got a terrific group of smart, hard-working people that really put out effort to deliver results to our clients.

On the negative side, clients interested in the service frequently don't want to pay for it at a level that makes it profitable to us – so, it frequently doesn't get sold. The work, because of our limited staff as well as the nature of the industry, is cyclical in a boom or bust manner. And, finally, when a candidate is hired by a client and doesn't work out (which occasionally happens even when we do everything right), no one is happy – the client, the search team, the consultant, or me. So, is search at BWA really an opportunity or is it becoming a problem? I've always seen opportunity, but am I looking through rose colored glasses?

Earlier this year, one of our clients asked us if we would alter our search and recruitment business model to suit their needs. Rather than traditional search terms or even traditional search, they wanted to outsource to us the administrative part of the recruitment process. They'd deliver the PRO Forms, performance measures, write, place and pay for ads as well as develop the list of potential candidates. Our role would be to vet the resumes, run the P.I.'s, conduct phone and / or personal screens and provide the client with viable candidates. They'd pay us on an hourly basis. We'd simply track the hours and submit a bill at the end of each month.

While this wasn't how we'd done business, nor did it seem to be nearly as profitable a way of doing business as traditional search, we had (human) inventory and Heather and I agreed we'd give the idea a shot for a period of time, see what happened, and go from there.

Watching the process has been extremely interesting.

While we did take the work, our initial reaction was that this was simply a mechanism for the client to squeeze costs. Rather than paying 30% of a new employees' first year salary, we were receiving an hourly payment that added up to 10 cents on the dollar of what we'd receive for conducting a search for the exact same position! That sure didn't seem right! But, we decided we'd give it a shot and do our best to deliver results.

We performed the service and the client kept offering us more work. Since our search business still had some gaps, we figured, "What the heck? We may as well fill up our inventory." So, we took all the work that was offered.

One of our consultants was in the office as we were discussing how "Administrative Search" was evolving and he said, "I've got a client who will jump at Administrative Search. They'll never buy a full fledged recruitment. Is this something I can offer them?" We decided, again, to give it a shot. We would continue the test.

Meanwhile, the client who first put forward the idea of our doing administrative search had another proposition for us. They wanted us to solicit candidates of prospective employees (not from any of our clients) who were gainfully employed by their competitors. They'd supply us with the names of the candidates from other sources. Again, we'd contact the people, assess their interest, and if there seemed to be a match, we'd set them up for an interview. The client again offered to pay us for these services by the hour at a higher rate reflecting that this effort required more than an administrative skill. We evaluated the proposition and concluded that it was worth trying for a job or two to see if it could be a profitable, viable operation.

Again, we felt this was an effort on the clients' part to cut their costs / our revenues. We'd do all the tough work of recruitment and the result was getting paid 10 cents on the dollar. While it didn't seem fair, it was work and the rates did cover costs. So, we took it, albeit a tad reluctantly. We'd do our best and evaluate the results when we were finished.

It's been several months and we're in the process of conducting the post mortem on both of these services. Here's what we're finding.

On the negative side, Administrative Search delivers nowhere near the revenues that Retained Search might on a job by job basis.

On the positive side, Administrative Search has made our overall effort more profitable in the last two months than Search and Recruitment had been for any two month period in the last two years! Administrative Recruitment is a much easier process to manage than traditional search. Every job we've been involved with has turned out positively from the client's perspective. We're doing work we have great expertise in delivering. While the marginal rewards are considerably less, the risks are as well and the overall risk / reward calculation seems to work in our favor. Customers perceive the offering as an economical alternative to typical recruitment services. Our consultants have responded with real enthusiasm about the opportunity. And, at the least, it covers the fixed costs of our recruiting business to allow for the businesses natural cyclical downturns.

It's too early to know how much administrative search will blossom or if it will blossom at all. We're not sure how it will fit in with our regular search and recruitment offering. What we do know is that two things that we perceived as problems now loom as wonderful opportunities. If we can take those opportunities and bring value to them for both BWA and our clients it will bring a smile to everyone's face.

And it's the prospect of just that smiling moment that makes running a business so much fun. It's not the power. It's not the fear. It's the joy of turning a problem into an opportunity and turning the opportunity into a reality that makes being a CEO so much fun.

May your day be filled with problems. And their resultant opportunities.

I hope you enjoyed reading.



Bob Wilson, President
Bob Wilson & Associates, Inc.