



Funding Growth for Staffing Firms | A Paychex® Company



THE GUIDE TO

DOUBLE DIGIT STAFFING FIRM GROWTH



The Guide to Double Digit Staffing Firm Growth

To outsiders, the staffing agency model appears simple and easy to expand: you play matchmaker between employers and workers. If you want to grow, simply match more workers to more employer.

Easy right? Yeah, not so much.

You know the truth. Growing can be a challenge in staffing because of factors like stiff competition, [talent shortages](#), and cash flow issues. That's why less than 1% of the 19,000+ staffing firms in the US have exceeded the \$100 million mark.

In 20+ years in business helping staffing firms grow, we have noticed some themes emerge from our clients who have grown successfully. In this whitepaper we will discuss lessons from fast growing firms, what qualities top performing firms have in common, the biggest growth challenges staffing firms face, how to understand your profitability in order to grow, and then to wrap it all together, seven key takeaways on growth.

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Lessons from Successful Clients

When we look at the fastest growing firms in our client list, we notice some trends in how they run their businesses and there are some key lessons that emerge. Here are a few lessons to learn from the successful firms that we know. These firms:

STAY COOL UNDER PRESSURE.

Competitive pressure among staffing firms is enormous. The fast growing firms present high-caliber candidates really quickly and know how to sell the candidate for the job.

PURSUE GOALS RELENTLESSLY.

Staffing is a relentless march forward. The most successful firms are resolute in pursuit of their goals and single-minded about success.

FIND THEIR COMPETITIVE ADVANTAGE.

For some firms, it's exceptional customer service. For some, it's being the best in a certain niche market. Whatever it may be for you, figure out your advantage and use it to the fullest.

STAY INVOLVED IN SALES AND DEVELOPMENT, NOT THE BACK OFFICE.

We find that owners of successful firms are very involved with the sales and business development efforts – aka, the things that really drives their business, client satisfaction, and growth. They outsource or delegate the rest.

REINVEST IN THEIR BUSINESS.

When owners of successful firms get savings from outsourcing or any kind of windfall, most of the time they are investing it back in the business, through training or more hiring.

COMMIT.

When you want to grow in staffing, you can't take half measures and expect results. Successful firms commit to their business wholeheartedly to succeed. It's not easy, but it's key.

OUTSOURCE NON-REVENUE PRODUCING TASKS.

As complexity increases in compliance, insurance, funding, and HR, we've seen fast growing firm owners consider outsourcing more of those activities than in the past. It frees up time to run the business and focus.



Real Client Growth Stories



GROWING OUT OF BUSINESS

'Professional Solutions', a contract IT/Engineering firm, was growing rapidly. As they added new clients, they had the recruiting capacity, the tools and systems, the right candidates, but not the finances to support it. Even with solid clients and payment terms, they didn't have the money to float payroll while waiting 30-45 days for payment.

"Early on I would use savings, credits cards, my 401K, even defer my own compensation as we went through periods of rapid growth. Bankers told me I was going to 'grow myself out of business.' They didn't understand my business." — Tom F.

After utilizing payroll funding, Professional Solutions no longer had to limit new sales because they could afford to confidently go after new clients, new candidates and any new staffing opportunity. Within the first six months of the year, they had already exceeded the year before and within a year had doubled their business.

DISASTER TURNED TO OPPORTUNITY

'PDQ Contractors' places highly skilled labor for marine & shipyard repair, as well as temps for emergency situations like hurricanes and oil spills.



After a notorious oil spill wreaked havoc on the Gulf of Mexico, their volume increased very suddenly with orders for temporary labor to assist. Within a very short time, they placed over 1,600 employees across four states, going from \$200,000 in weekly billings to \$2-3 million a week. With on-site operations assistance from Advance Partners including software integration, payroll, invoicing and tax functions, they were able to weather the storm and increase their annual billings by 500%.

DEVELOPMENT SESSION REAPS REWARDS

"Texas Staffing", an established firm with a strong client base, could not grow consistently. Business would trend up for several months, only to swing back down.



To help, a business development expert from Advance Partners met with Texas Staffing at their

location for an intensive, 8-hour development session. After a review of every aspect of the business, including sales, operations and recruiting, key areas for improvement were identified and process updates were implemented.

In the year following the business development session, the processes remain in place and Texas Staffing's business was up over 50 percent with strong projections for continued growth.

What Do Top Performing Firms Have in Common?

In the book [**“Breaking Through: Leadership Disciplines from Top Performing Staffing Firms”**](#), authors Barry Asin and Mike Cleland researched the biggest, most successful, top performing firms in the country to find the shared qualities that determine their success. Here are five of those qualities summarized:

1 COMMITMENT

To succeed in staffing, you have to be committed to building your business – and it starts at the top. The leadership team has to ask the most important question. Why are you in business? If it's to succeed and grow, you can't just put in a half effort. The simple reason that most staffing firms do not grow is that they don't want to. Success means sacrificing time with your family, or taking big risks like investing your own money in your business for a time.

2 DIRECTION

Even if you and your team are 100% committed, a rudderless firm will soon find themselves adrift in a sea of tight competition. That's why direction is the second key quality that most successful firms share in common. The decisions you make about your firm from the outset are critically important when it comes to success. What customers will you serve? Will it be in a specific industry? A big part of a successful strategy is also to determine what you are not going to do. To succeed, it is critical to say no to business that does not align with your goals.

3 CULTURE

While there is no one answer to what your company culture should be, the most successful firms have pervasive cultures that are driven from the top,

aligned with strategy, and consistent in all things big and small. Culture is not just your mission statement. It's much more about how you create and motivate your team – who you fire, who you hire, and who you promote. Actions speak louder than words when it comes to embodying the culture you develop.

4 TALENT DEVELOPMENT

Finding good people is critical in staffing, and that goes for both your internal team and your temporary employees. Talent development goes beyond just hiring though. It includes the training, development, and motivation of your recruiters and others in your company.

5 EXECUTION

Finally, we come to the last key discipline: execution. Some firms want to jump right to execution, but it's important to have the other disciplines in place first. Execution is all about identifying essential practices, scaling key processes, and then replicating results over multiple organizations. Easy to say – and very hard to do. Executing from a standard operating system and practices makes opening up new business units or training new leadership easier than “winging it.” Successful staffing firms follow a playbook, and that makes it easier to grow.

Growth Hurdles to Overcome

If growing your staffing firm were easy, everyone would do it. Growing your firm requires commitment, sacrifice, and tackling the challenges that arise. Here are a few common challenges that we see staffing firms face, and how to overcome them.



CHALLENGE #1: CAN'T FIND THE TALENT

As of August 2018, the US had 6.9 million job openings and 6.2 million unemployed people. With numbers like these, you'd think finding a suitable person for every job would be a snap. Said no staffing agency ever. The skills gap – the gap between the specialized skills that jobs need vs the available talent, makes for an increasing talent shortage in the US and that can encumber your growth as a staffing firm.

- **Solution:** While there is no easy solution for this issue, some things you can do are to encourage candidates to train for highly sought after skills, narrow your scope and focus on areas you know you can win, and be creative when sourcing candidates.

CHALLENGE #2: CAPITAL TIED UP IN UNPAID INVOICES

If your firm is growing, you may be receiving payment on invoices for 10 temporary workers, but now you have 20 of them that need to be paid. The more you grow, the bigger that gap becomes, thus, the larger your need for working capital. Not to mention, you're looking at payment 40 to 45 days after invoicing, and we are even seeing that stretch out.

- **Solution:** You can cover your working capital needs by self-financing through your savings or credit cards, you can go the traditional route of financing through a bank, or you can explore alternative financing options such as payroll funding.

CHALLENGE #3: BANKS DON'T ALWAYS LIKE STAFFING AGENCIES

Traditional sources of working capital typically don't understand the staffing industry well and are not comfortable lending money to a company that doesn't have hard assets like inventory or real estate. The main asset a staffing firm has is its accounts receivable, and that tends to fluctuate based on vertical or seasonal needs. There isn't always the consistency that a bank is going to want to see.

- **Solution:** Access to working capital doesn't have to be a limiting factor, and the right working capital program can help staffing firms grow. Work with a vendor who understands the industry and can provide a flexible growth solution.



Understanding Your Profitability

One of the most important parts of the growth process is to really understand the true metrics and drivers of your business from an operational and financial perspective. Here are some questions to ask yourself if you are trying to grow.

Where are you investing your time or money most? Some kinds of work also require you to invest more, in insurance or recruiting, for example. Knowing where your money is going and the ROI will help you focus on what matters.

Where is your net margin coming from? You need to understand where your margin is coming from, across all your different

lines of business or regions. Is there a sector where you are killing it, or one where you are spending time but shouldn't be? In order to grow, you need to know that.

How are you pricing your services? When you price your services, do you compare to market rates and understand all the true costs that are involved in working with your clients? To help, we

developed a [profitability calculator](#) on our website for any staffing firm to utilize when pricing out a deal on the spot or back in the office.

Do you understand what your financial documents are telling you? Your balance sheet and income statement are two good starting points. If you don't understand what you're looking at, learn more about it.

When you are trying to grow, here are some Financial Dos and Don'ts:

DO THIS



- Have a budget
- Revise and update your budget or forecast
- Review your margins and ways to increase
- Look at refinancing expensive debt
- Explore other revenue opportunities

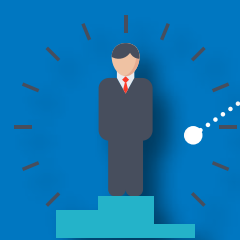
NOT THAT



- Pocket money and not reinvest in the business (Technology, People, Equipment, etc.)
- Lose control of your expenses
- Live beyond your means
- Add any new debt without good reason (aka don't borrow your way out of a problem)

7 Takeaways on Growth

To summarize, here are seven quick takeaways on growth to remember:



1

STAND OUT FROM THE CROWD.

Differentiate yourself in a meaningful way and provide a high level of customer service to your clients, but also to your temporary workers so they choose to work for you.

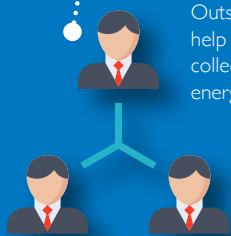
FOCUS ON YOUR STRENGTHS.

You probably didn't get in to staffing to spend hours doing invoice collecting or payroll taxes. Focus on revenue generating activities that make your business strong, like sales and business development efforts.

4

OUTSOURCE WHAT YOU CAN.

Increasing complexity in compliance, insurance and HR makes it is wise to consider outsourcing more of those activities than in the past. Outsourcing crucial back-office support to help with credit decisions, invoice accuracy, and collection can allow you to focus your time and energy where you need it to grow.



UNDERSTAND THE TRUE DRIVERS OF BUSINESS.

What are the metrics and drivers of your business from an operational and financial perspective? Some kinds of work require you to invest more, in insurance or recruiting, for example. To be able to grow, you need to really understand where your net margin is coming from.



6

7

CHOOSE YOUR PARTNERS WISELY.

When it comes to both working capital and back-office and technology support, it's important to choose vendors and partners that really understand and are focused on the complexities of the staffing industry.



2

SECURE YOUR WORKING CAPITAL.

What happens when you are receiving payments for 10 workers but have grown and need to pay 20? Access to working capital doesn't have to be a limiting factor, and a flexible, staffing-focused working capital program can help staffing firms grow.



3



REINVEST YOUR SAVINGS.

If you get savings from outsourcing or have an unexpected boom in business, don't pocket it. Figure out how you want to invest it — perhaps in training or in hiring more recruiters or technology. It's a better play for long-term growth, to invest back in your business.

At Advance Partners, we are in business for one simple reason: to help staffing firms grow. If you are ready to start the growth conversation, request a [consultation](#) today.



ABOUT THE AUTHOR

Jeremy Bilsky is the Senior Director and General Manager at Advance Partners. Jeremy has direct leadership responsibility for the Advance Partners business unit, leading the senior management team and all related functional areas. Jeremy has been with Advance Partners for over 15 years in many capacities, including General Counsel, Director of Portfolio Management, and serving on the executive team managing and overseeing Advance Partner's internal risk functions.



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ABOUT ADVANCE PARTNERS

Advance Partners champions next-level staffing firm growth through payroll funding, back office solutions and strategic business coaching. A company 100% dedicated to the talent acquisition industry, we're proud to support businesses that put millions of people to work every day.

We were founded to serve as a growth partner to the go-getters of the talent acquisition industry and that remains essential to our core. We've shaped our close-range approach to customer care and funding to give staffing firms the trust and confidence to say yes to game-changing opportunities.

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