ORGANIC GROWTH STRATEGIES FOR STAFFING FIRM SUCCESS

INSIGHTS TO DETERMINE YOUR BEST OPPORTUNITY AND HOW TO PLAN
This eBook addresses three strategies that staffing firms can implement to increase growth organically and provides advice to help staffing company owners determine the right path based on particular business situation and opportunities.

The three strategies explored are 1) geographic expansion, 2) expanding into a new vertical, and 3) increasing market share in current geographic footprint.

We outline advantages and obstacles, offer a series of questions for analysis and research, and identify how to prepare your organization and resources to accommodate growth.
What’s Your Growth Plan?

When it comes to growing your staffing firm, you have two options: Organic Growth or Acquisitive Growth. According to Rule of Thumb for Small Business, ‘The term organic’ refers to the process of expanding the company using the existing business base. Growth most often occurs from increasing customers or increasing sales to existing customers. Using internal or existing funds to finance growth allows management to choose the growth path and timeline. However, organic growth requires a commitment of resources, thereby limiting resources available for other corporate uses.

Whether by organic growth or by acquisition, you must start with a plan – and that plan should have a clearly defined business goal. Why are you looking to grow?

For example, do you plan to sell your business in five years and hope to get the most from your sale? Are you looking to grow in order to hand over the reins of the company to a family member? Are you looking to increase profits to allow you to hire people to run your business, allowing for a more comfortable lifestyle? Have the end (even if it’s short-term) in mind when developing the plan to reach that goal.

Be Objective about Obstacles

Being optimistic is admirable; being objective is valuable. With a clear goal and thoughtful plan in mind, it’s important to objectively identify and define possible challenges and obstacles. What deterrents to growth have you experienced in your past? Do you have challenges meeting sales objectives? Are you losing customers due to poor customer service? Is there difficulty finding the talent required to fill current opportunities? What’s holding you back and how can you overcome those obstacles? Be honest with yourself!
Is Organic Growth Your Best Option?

Organic sales growth can be achieved in several different ways – identify new clients or specialties; offer additional services to increase the revenue each client produces for you; and increase existing sales efforts and/or bring on additional sales people who can bring in new business. You may even have an opportunity to hire someone who can bring their own book of business.

There are important advantages to organic growth:

1. **It is normally cheaper than acquisitive growth.** With organic growth efforts, while you may add more to your ongoing overhead in the form of salaries and benefits, you avoid paying someone else a premium for having already built the business. Plus, you won’t require a large, up-front cash outlay.

2. **It is usually incremental and easier to manage and support.** Organic growth lets you grow in a more measured and managed way. You avoid having to digest a doubling of your business overnight (a key challenge in the acquisition model).

3. **It likely doesn’t require developing new, specialized skills or expertise.** Most staffing companies know how to produce organic growth, whereas the acquisition option requires various areas of expertise and experience.

The primary disadvantage of an organic growth strategy is that it can take longer to reach your goals. It is also limited by your present knowledge and capabilities. Do you have realistic expectations? It’s much more difficult than many think to expand into other sectors or markets, especially if you don’t know those markets and/or you lack experience in that sector.

On the other hand, while organic growth can be slower, it also carries less risk; the debt ceiling is not increased as it often is with mergers and acquisitions. It’s also important to realize that you will need to (1) realign corporate budgets to allow for necessary infrastructure, supplies, resources, etc. to accommodate growth, or (2) restructure existing debt to allow for needed cash flow for financing the infrastructure and resources needed for growth.

**Assess Your Back Office Resources for Growth**

Significant growth – whether organic or acquisitive – will add demand on your back office resources. With greater volume and greater diversity comes greater back office complexity. Do you have people with the technical, financial, and administrative experience needed to support substantial growth?
Does your company have the systems needed for reliable and efficient data management, time capture, payroll, billing, accounting, risk management, and management information?

Before you choose your path for growth, know what you have to work with and where you may need to invest to effectively manage and support the changing enterprise. For example, if you expand into new sectors or geographic areas, you will not only need more people on staff, but will need to ensure you have the right business licenses, insurances, and capacity to support the new opportunity.

Key Considerations for Organic Growth

New business from sales efforts is the single most important driver of organic growth. To choose your organic growth strategy, it’s valuable to have a clear assessment of your situation, your strengths, your readiness, and more. That assessment can be achieved with a series of probing questions that allow you to profile yourself and your company:

1. **What is your budget for growth?** This question is first because it influences the rest. Do you have cash reserves that can be used for capital expenditures, hiring new people, opening new offices, technology, sales, and marketing?

2. **What are your key considerations?** What options do you want to investigate? Where is the low hanging fruit? What would be the most difficult to achieve?

3. **Do you know what to look for?** Is your area of interest a growing market? Does it support growth long-term?

4. **When will you be ready?** What do you need to do to be ready to start? Do you need to hire and train additional resources? Do you need to open new offices? Do you need to invest in technology before you start?

5. **What are your strengths?** What talent do you have internally now that could help achieve your objectives? Are you the best person to manage this, and if not, who is?

6. **What are your assets?** Do you have the management skills to drive toward these goals? Does someone in your organization have them?

7. **Where is the best Return on Investment (ROI)?** Do a cost analysis on each area of exploration. Some may have great rewards, but could cost a lot more and take more time to realize the benefits.

With greater volume and greater diversity comes greater back office complexity. Do you have the people with the technical, financial, and administrative experience needed to support substantial growth?
8. What talent do you have currently that can be utilized in your growth efforts? Do you have someone doing clerical recruiting who used to be an IT recruiter, or does someone have a finance degree that could help you build out those verticals?

9. What talent would you need to procure or develop? If you want to grow more into a new market, how much personnel do you need to build there effectively? If you want a new vertical, who do you need to hire to be able to build relationships in that space?

10. What is the business opportunity within your current market? If your market share is small in a large market, this can often be the quickest and cheapest way to growth. You just need to identify why you haven’t considered those opportunities before and create a plan to move forward.

Now that you’ve done your research, it’s time to decide what option you want to pursue – growth in new geographic area within the same vertical, grow a new vertical, or aggressively pursue an increase in market share in your current geographic footprint? Once you are clear on your growth goal and have a plan in place, you must have a strategy in mind. We’ll explore three organic growth options as follows – expanding geographic service area, expanding into another vertical, and increasing market share in your current space.

**Expand Geographic Service Area**

To determine if it’s in your best interest to expand your geographic service area via organic growth, there are essential steps to take. First, conduct market analysis to uncover where there are opportunities. Are they client-based? Is there economic development in a market? Is something new bubbling up and you can meet an emerging need? Investigate and ask questions.

Next, you must take thoughtful steps to truly assess all requirements that may be involved. For example, if you’re opening an office in a new geographic area, ask yourself: What are the costs of establishing your presence and space, of hiring personnel, and so on? There are many cost considerations when opening a branch.
How much is the rent? What will new technology and infrastructure cost? How many people do you need on staff to be effective? Will this be just a recruiting office or a full-service office? How much opportunity do you need to see to break even financially? How long will that take? (Some free advice – once you determine the length of time it will take to become profitable, you should double it).

Other questions to help flesh out your plan include:

- Do you have local relationships? If not, can you hire someone who does? Keep in mind, if you aren’t a national staffing company, your brand might be great in your current market but not recognized in the new market. How will you overcome that?

- Do you need storefront visibility? That’s important in an urban market. This could be for marketing your brand or to make access easy for candidates; either way, how important is it to your success?

- Will you need to see candidates in person or can this be accomplished remotely?

When answering these questions, realize that what worked for you in previous years may not be effective or even necessary today. You can also learn lessons from recent industry history. Remember that during the economic downturn many branches closed and local relationships were no longer essential. The gig employment ecosystem of human cloud and remote engagement became a new norm. Depending on the vertical you’re working in, accessibility to employees is not always an influential factor. In short, the old measurement of success doesn’t always apply in the new marketplace. That’s important to bear in mind when looking to expand geographically, or in any organic growth model for that matter.

**Expand Into Another Vertical**

Considering organic growth by expanding into another vertical also requires addressing a slew of questions and considerations. Bottom line – Do your research!

Let’s take Healthcare as the vertical you want to grow into. What does that expansion mean? Do you have to go into another market to leverage it? Do you have the skill sets to move into that vertical? Do you require resources to attain or develop those skills? What additional insurances do you need to carry to operate in the Healthcare sector? What other new risks are involved? What are the legal requirements? Do you need to be licensed in the state as a healthcare provider?
Some states may require that you have a licensed RN on staff and some clients require Joint Commission Certification. It’s essential you understand all of these requirements and ramifications.

When looking into vertical expansion, it is also worthwhile to consider if you have talent currently on staff who could help you effectively expand in that new direction. For example, if you have a core staff member that was previously a school principal, it might be prudent to leverage that person’s experience and move into the Education sector. When delving into such a scenario, you want to think about where the opportunity will take you geographically. Will it require you to be licensed in multiple states? How will the expansion affect your back office? Will you need to purchase additional technology (i.e., new ATS, new tracking, etc.) to manage the new vertical?

The questions may feel never-ending, but they are all critical to determine your readiness and capacity, as well as help identify resources and investment required to proceed when you choose to expand into another vertical.

**Increase Market Share in Current Space**

Now here's something that many business owners may honestly overlook when thinking about organic growth. It’s that untapped opportunity right under your nose! Don't get revved up on expansion into new markets and territories without asking yourself: Should I grow sales by increasing market share in my current market?

This growth effort is the least costly and least drastic measure but often the most overlooked way to increase your sales. Yet, to determine if it's the best option for you at this time, again do your research.
Don’t get revved up on expansion into new markets and territories without asking yourself:

Should I grow sales by increasing market share in my current market?
With answers to those questions, think about how you can do even more with where you are:

- How can you train your sales team for better results?
- Are you going after the wrong clients? Do they purchase solely on price because of volume?
- Are your salespeople spending enough time on all opportunity levels?
- What is your value proposition to clients?
- Are you going after the same prospects utilizing the same approach but expecting different results?
- Are you approaching the right person within the organization? One of the biggest time wasters is spending time on an individual at a company who doesn't have any buying power.

Be disciplined and thorough in your analysis of your current market situation, the opportunity and potential, and your company’s resources. Your research may reveal dormant client activity, a chance to evolve your sales initiatives, a way to differentiate your business for greater competitive advantage, and a myriad of other insights that can guide your decisions for organic growth.

**Conclusion**

Whether by increasing your current market share, reaching into new verticals, or by expanding your geographic service area, your organic growth endeavors must involve a clear plan. Developing that plan and executing on it (remember all that research?!) will require you to invest time and money. Be prepared to see profit margins dip during the beginning stages. Also be prepared to make changes to the plan during the process, but don’t act rashly – things take time to develop. Be patient and diligent and always keep the end goal in mind.

**Is Growth the Right Plan?**

Accomplishing your plan and the goals it sets forth requires your management team to take an in-depth look at the existing and projected financial situation, the need for the anticipated growth, the resources required to obtain that growth, and the organization’s change-readiness and ability to adapt swiftly. While growth may be desirable, it is not always advisable depending on a variety of financial and operational factors facing your company at this time.
Is Your Back Office Ready?

It can be easy (and problematic) to overlook the fact that significant growth – whether organic or acquisitive – will add demand on your back office resources. With greater volume and greater diversity comes greater back office complexity. Therefore, you also must determine your readiness and scalability for achieving growth.

Some key questions to consider:

- Does your current infrastructure support the expected increase in sales?
- Does your team include people with the technical, financial, and administrative experience needed to support substantial growth?
- Does your company have the back office support and systems needed for reliable and efficient management of data, time capture, workers’ compensation, HR, on-boarding, invoicing, payroll, billing, accounting, etc.?
- Does your company have the financial resources to fund payroll for an increasing number of temporary employees?
- How will you ensure that you, as the owner and growth-driver of the organization, do not get mired down in back office minutia?

Taking stock of your capacity to handle growth (whether it’s incremental or a drastic jump), is essential to managing your business for sustainable, long-term success. The failure to do so could mean a disruption of your current business and failure of your objectives.
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