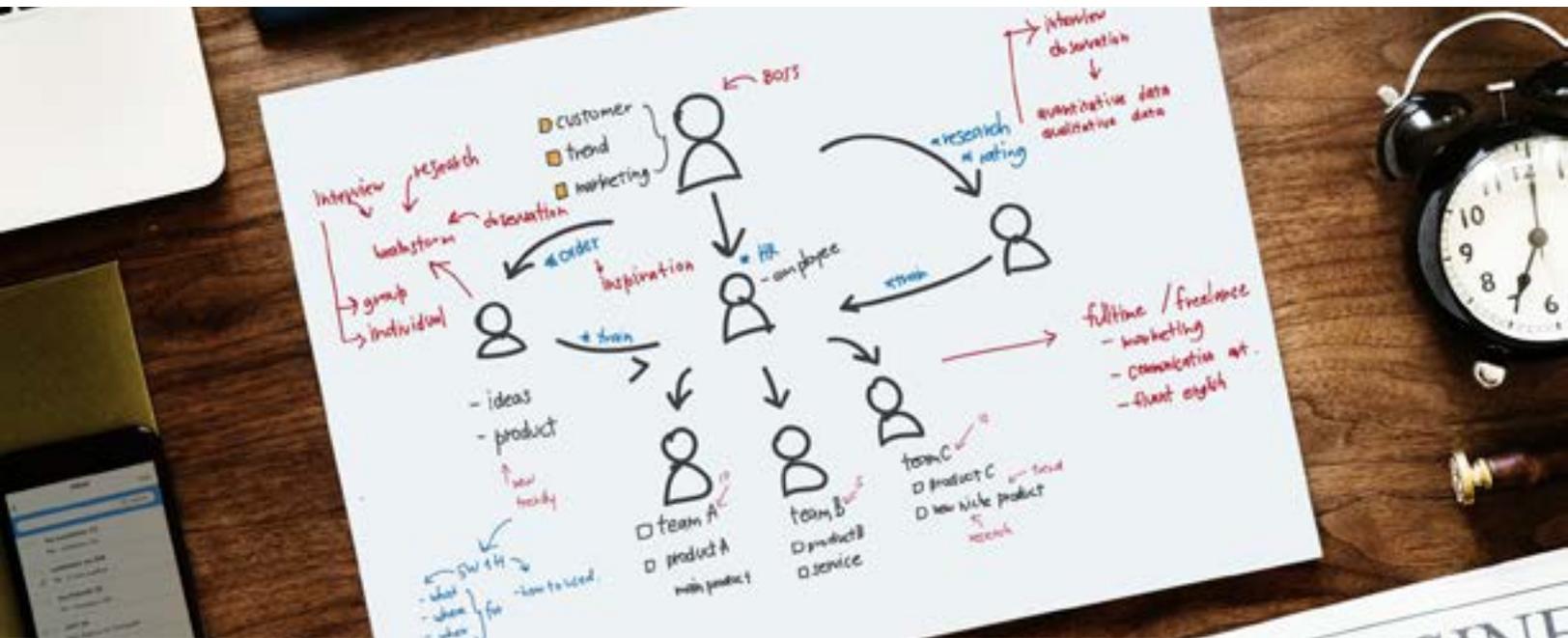


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## THE DOS & DON'TS OF STARTING A SUCCESSFUL STAFFING FIRM

Seven Crucial Elements to Consider When Starting Your Own Staffing Business

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## The Dos & Don'ts of Starting a Successful Staffing Firm

Seven Crucial Elements to Consider When Starting Your Own Staffing Business

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## Introduction

So you're thinking of starting a staffing firm. Or maybe you're well beyond tossing ideas around, and are now ready to fully commit yourself to a game plan. Either way, congratulations!

Starting a staffing firm can be a natural decision to make if you've been in the industry a while, and it's an especially great route to take if you're an entrepreneur at heart. After all, the staffing industry is expected to continue growing year over year—should be a piece of cake, right?

Not so fast! It's important to keep in mind that working in the staffing industry and owning a staffing firm are vastly different situations. Even if you're a stellar recruiter and have a lot of contacts, you must realize that starting a staffing firm isn't as simple (or easy) as it might seem.

With so many moving parts to keep track of, from government compliance, to calculating and administering payroll, to a variety of HR-related issues, etc., there's more to consider than just how to get clients to work with you, and how to recruit top talent.

There are some best practices you need to establish immediately, and mistakes you should avoid at all costs. As such, we've compiled a helpful list of dos and don'ts to set you up for success as you get started on your staffing-firm journey!

## Do: Find Your Niche

Many start-up staffing firms fail because they want to please everyone. And truthfully, it's going to be tempting to open yourself up to all clients in all industries in order to increase your chances of getting business—especially at the beginning. However, you must resist—instead, focus on finding your niche.

The best staffing firms typically work within a specialized sector, and clients are more likely to come to you because you have specific expertise in your market. In this industry, defining a specialty staffing area is the key to success.



### Consider Your Past Experience

What fields did you work in? What do you know a lot about? Now, think about the need in your market. Keep your specific location in mind—there has to be a need for the type of candidates you'll place. Do some research, learn about the competition in the area, and find out which sector will allow for the biggest client and candidate base.

### Become an Expert

People want to deal with professionals. If you become an expert in your field, clients will more likely value the relationship with your agency, return for repeat business, and spread the word. Take the time to learn about your specialty recruitment area, about the industry, about your clients, and about top candidates. A few ways you can go about doing this include earning new certifications, attending industry conferences and sessions, and signing up for field-related webinars.

## Don't: Price Your Services Incorrectly

Hitting the right balance with your pricing can be tricky. You want to make sure you price your services high enough that you can make a profit, but low enough that clients will want to work with you. However, if you choose the wrong mark-up, you could end up putting your staffing agency out of business before you even have a real chance at success. Undercutting the competition might work to win a few clients, but you'll need to increase the cost eventually to stay afloat; but get too greedy, and you'll never get a client.

### Research the Standard Pricing

To start, make sure you know what other staffing firms in your location, as well as in your industry, are charging. Further, it's important to consider how specialized your placements will be, and how difficult it will be to source candidates.

Again, it's important to utilize your expertise and experience when determining pricing. If you're concerned about meeting the financial mark, you might want to think about providing additional services to client companies, in order to charge additional fees.

## Do: Secure Payroll Financing

Bad cash flow is enough to sink your new staffing firm before you've begun. In fact, 82 percent of businesses fail as a result of cash-flow problems. You might think you have enough in savings— even funds lined up from investors—to make a go at it, but trust us, you're going to need payroll financing.

### Understand the Different Payroll Models

For most businesses, the function of payroll is directly related to an income source allowing the system to flow easily from cash in to payroll out. Unfortunately for staffing agencies, this model does not work. Payroll (along with other expenses) is due several weeks before the agency receives any payment from the client. For this reason, staffing agencies need to look at payroll financing to make sure the expense of employee payroll is covered.

When looking at funding options, find a financing partner that understands and values your business. For best results, choose a partner that has the same characteristics your business requires for success: reliability, flexibility, fast response, scalability, and the capacity to support growth.

### Use Your Available Capital in Other Areas

Freeing up money by financing your payroll will provide you with many opportunities to grow your business. Money once used for payroll can now be put into marketing, investments and business improvements.

## Don't: Under-Insure

Insuring your workers is undoubtedly going to be expensive, but this isn't a place where you're going to want to cheap out. Clients might not want to work with you if they aren't fully protected, and neither will candidates.

### Types of Payroll Financing

**Line of Credit-** Usually arranged through a financial institution, cash available is tied to a percentage of your overall outstanding invoices.

**Factoring-** Requires selling your accounts receivables to a third-party at a steep discount, while the factor assumes responsibility for collecting outstanding receivable amounts.

**Full-service funding-** provides payroll funding & a wide range of services (e.g. credit & collections, payroll processing, reporting, etc.), costing 3-5% of total invoices.

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### Recommended insurance coverage for your staffing firm:

- **Statutory Workers' Compensation Insurance** (\$1,000,000 per accident)
- **Crime insurance** (minimum \$50,000, up to \$100,000 depending on the criminal act)
- **Hired and Non-Hired Automobile Liability** (\$1,000,000 combined single limits)
- **International Travel Workers' Compensation Insurance** (\$1,000,000 per accident, \$2,000,000 in the aggregate) if employees will be traveling outside the U.S.
- **Commercial Liability Insurance** (\$1,000,000 per occurrence, \$2,000,000 in the aggregate)
- **Professional Liability** (\$1,000,000 combined single limits, \$2,500 deductible)
- **Commercial Excess Liability/ Umbrella** (\$5,000,000 per occurrence, \$5,000,000 in the aggregate)

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increase your productivity and efficiency, and will help put you on par with big national firms.

Make sure you go with a web-based system that requires no server and operates via the cloud. Additionally, your system must be setup to allow for the placement of temporary and contract workers. Some of the industry's top systems are available for as little as \$150/month.

### Don't Cut Corners When It Comes to Insurance

Even a small claim can ruin your start-up and put you out of business if you're under-insured. Your clients will want proof that your employees are insured should they cause damage, get hurt, steal, or make errors while on their job sites. It not only looks more professional and will help you gain and retain clients, but it could save you from bankruptcy.

## Do: Invest in Technology

Technology is the staffing firm owner's best friend. If you plan on competing with big conglomerates and established staffing agencies, you'll need to invest in technology.

### Don't Rely on Spreadsheets

Although sufficient in the early stages, outdated methods (like Excel) just won't cut it. You'll want an applicant tracking system in order to track and place your candidates. And you'll want to use big data to make more informed hiring decisions. Luckily, there are several high-quality, easy-to-use independent systems in the market to choose from to best fit your business' needs and get up and running quickly!

### Compete with the Big Firms

Purchasing state-of-the-art technology for payroll processing, HR administration, applicant tracking and more will not only make your life easier and less stressful, but it will allow you to have access to valuable data, will

## Don't: Try and Do It All Yourself

When starting a staffing firm, there are many mistakes you should avoid; but the number one mistake you absolutely shouldn't make is trying to do it all on your own. Sure, you might be an experienced recruiter, but you might not have the expertise required to process payroll, to handle complex HR issues, and to ensure your staffing agency is compliant with all rules and regulations.

What's more, you might not have the time to do it all, either. Trying to juggle everything on your own to save on the expense of hiring experts might seem like a good idea, but it can really damage your business.

### It's Unnecessarily Risky

Not only is it expensive and time-consuming to try and go at it alone, you could end up making critical payroll errors and HR mistakes that ruin your credibility with your clients and candidates, or end up being non-compliant with serious regulations. This can all lead to lawsuits, fines, penalties, interest fees, or losing of clients, and it's truly not worth the risk. Engaging a back-office solutions provider can help you manage your company in an efficient, expertly, and law-abiding manner.



## Do: Give Yourself an Edge by Outsourcing

While the idea of outsourcing can be expensive, it truly doesn't have to be. However, if you were to hire a payroll clerk, an HR administrator, and a compliance expert to take care of your back-office functions for you, the costs would be high. You would not only have to pay their salaries, but also benefits, vacation days, and sick days, too. Plus, you'll have to pay for equipment, software, and upgrades as well as training and supplies.

Instead, you can significantly reduce the cost of your back office by rolling all of these expenses into one small and convenient fee paid to an outsourced back-office solutions provider. In addition to handling all of the administrative burdens that comes from running a staffing company, a back-office provider can give you back the time you need to focus on business operations. Further, if you find a back-office provider that also serves as the employer of record (EOR), they can help you enhance your placement capabilities and ensure all of your placements remain compliant and properly classified, while foregoing all of the other responsibilities that comes with being an employer.

## Conclusion

Starting any kind of business can be a struggle—and the truth is, despite the incredible opportunities for growth, many people fail in the staffing industry. You're bound to make some mistakes along the way; it's a natural part of any new experience. However, while some mistakes might be minor and have little impact, others can have significant consequences for your start-up.

The great thing is, you really don't have to go it alone! People 2.0 was founded on the belief that staffing owners and recruiters should focus on doing what they do best: growing their business, providing quality customer service, and placing top contract talent for their customers. As an EOR and back-office solutions provider, we can help make sure your staffing firm is well equipped to withstand the hardships that come with starting your own business, while guiding you towards your own little slice of success in this ever-growing industry!

## A Partner You Can Trust

As a part of our comprehensive back-office and global, employer of record (EOR) solution, People 2.0 provides expert-driven advice and support for all things staffing related. Whether you're seeking guidance on how to get your new staffing firm up and running, looking for back-office operations support, or ensuring proper compliance, People 2.0 serves as a strategic resource in helping you efficiently and profitably place talent, while growing your business!

**Learn more about how we can help you  
ensure your start-up staffing firm's success**  
call 888-270-3579 or visit [www.people20.com](http://www.people20.com)

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