

JobAdder

GREG SAVAGE
THE SAVAGE TRUTH

Driving performance with recruitment metrics and KPIs

By Greg Savage





“ *I love KPIs. I believe you can't manage what you don't measure.*

Greg Savage



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Introduction

Recruiters often reject key performance indicators (KPIs), and it's true that a relentless focus on KPIs often does more harm than good.

Routinely, managers drive old-school KPIs because they are bereft of any new ideas to increase productivity, and the less success delivered by the old tactics, the more the manager pushes the KPI! It's a destructive cycle of pain and futility.

But, KPIs are intrinsically good. In recruitment, we must do a certain volume of activity. And you cannot manage what you don't measure.

I believe totally in clarity around activity goals, 41 years in this business has taught me that. But the many factors that ensure long-term recruiter success are changing, as the market changes.

In this eBook, we will explore how modern and relevant KPIs can help recruitment agencies and managers to drive performance.

Redefine productivity

It's all about effective, positive activity management.

You want recruiters with high self-esteem, retaining a sense of autonomy and hitting their activity numbers because they believe in them and they see the link between activity, quality and success.

Don't focus the recruiter on the outcome. Focus the recruiter on the activities that are proven to lead to success.

- Lift the measurement, don't drop it
- Reinvent KPIs
- Shape for each individual
- Measure selling, not spamming
- Reward the outcome
- Daily goals
- Laser-like focus
- Remember accountability and consequences
- Pivot and shift constantly

Activity x Quality x
Target Market

= Success
= Fun and Money



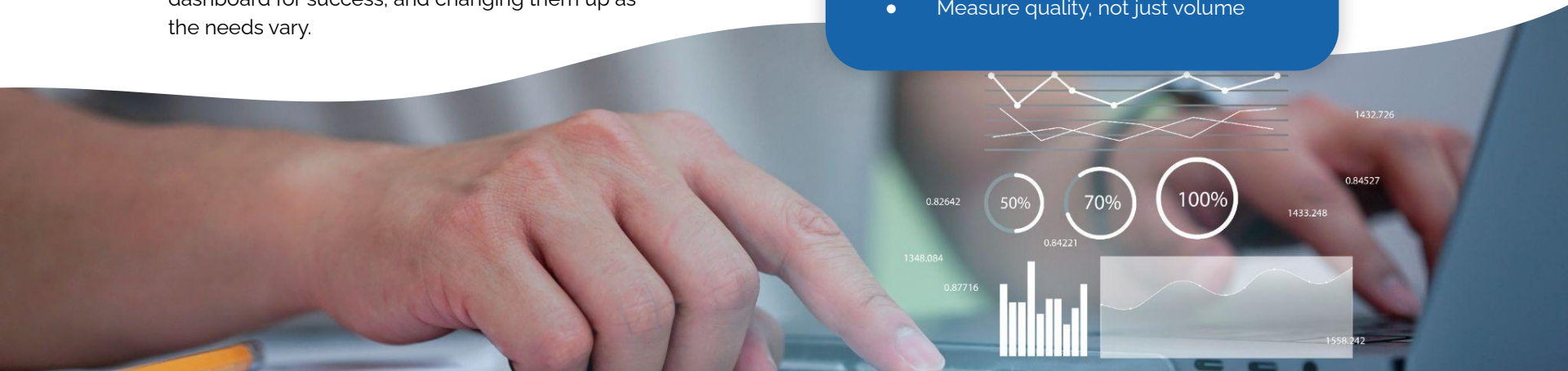
Reinvent KPIs

Activity is key in recruitment. But *smart* activity is what we want. Many recruitment agencies are still using the same old KPIs, ones that haven't changed in two decades!

There are many smart things a manager needs to do to ensure KPIs really work, including getting recruiter buy-in to the goals, managing them as a dashboard for success, and changing them up as the needs vary.

Here are a few quick tips for reinventing KPIs:

- Get recruiter buy-in
- Agree on goals
- Plan backwards
- Look at key imperatives
- Measure 'influencing' outcomes and branding
- Build branding on LinkedIn and other social channels
- Track social engagement
- Measure quality, not just volume



Best practices for recruitment KPIs



The right focus

KPIs should serve as a dashboard for recruiters to run their own desk. Recruiters can use it to manage their time and to keep track of personal productivity, with the focus in the right place. It's there to help the recruiter, not to satisfy management.



Work together to create

Consultants must help develop the KPIs in the first place. It's done in collaboration, with the recruiter working out what they need to do to succeed. Of course the manager massages and debates this until all parties are happy. But if the recruiter is invested in the goals, they will achieve them.



Build understanding

Consultants must understand why activity leads to the desired results. This is an assumption managers often make. Take the time to work out a backwards plan, which we will explore later in this eBook.



Best practices for recruitment KPIs



What you measure

Only measure 4–6 key metrics. A massive spreadsheet of KPIs that the recruiter has to monitor is a distraction. Just the crucial ones are required for weekly time management. And those KPIs might be different for people doing different things, or working in different markets within the team.



Customise

Change the metrics measured depending on the market, and depending on the state of the consultants' desk. Got no jobs? Measure BD activities more. Got no candidates? Measure candidate acquisition activities. Flex the KPI report for the outcome desired. It's a means to an end, not an end in itself.



Key to success

The management of the KPIs is key. A good manager will look not only at numbers, but also the quality e.g. "you interviewed 10 candidates last week, but none of them have been referred to clients" or "good to see you sent out 25 CVs to clients last month, but that has resulted in only four interviews". Dig beyond numbers.



The most important metric to track in a candidate-short market

Business development will always be important, but what we really need to be focusing on in our industry is what I call the Seduction Conversion Rate (SCR), which means the recruiter hit-rate when approaching target candidates. This is the recruitment metric that matters now.

A successful recruiter will be skilled at finding unique candidates (UC). That is, candidates not available to our clients, and candidates who have not yet started their job search, through a competitor, or themselves. Clients will not pay us big fees to 'screen' candidates. That will be a given. The value will be in hunting down unique talent and bringing them to the hiring table.

Plan backwards

Successful recruitment is where art meets science. The 'art' is the influencing skills. One aspect of the 'science' is setting recruiters activities that are empirically proven to lead to success.

The key to working on the right activity, and getting recruiter buy-in to that activity, is backwards planning. Get your recruiters to focus on the activities that are proven to lead to success. Goal setting (and KPIs) is a science, not a whim.

My classic backwards plan gives you a basic starting point for making sure you are working on the right stuff. This plan is designed for permanent, contingent recruiters.

Also, feel free to customise your own plan, it's all about applying the science of KPIs to determine what drives success, whatever that looks like to you.

Bring your recruiters on the journey, devise activities accordingly, prioritise quality and remember to measure, adjust and repeat.



Some important variables to consider:

- The market you are in
- Contingent vs. exclusive vs. retainer
- The level at which you recruit
- The maturity of your business
- The relationships you have with clients
- The maturity/experience of each individual consultant
- Candidate flow vs. job flow (the market)

The classic backwards plan

The classic backwards plan is based on a CCI goal per week (CCI = Candidate/Client Interview). For a permanent recruiter, CCIs is the only metric that *really* matters, so let's put some science behind our daily goal.

Target quarterly billings	120,000	Insert the GP required to hit quarterly goal
Average placement value	6,000	Insert the average fee per placement
Placements required per quarter	20	Divide 1 by 2
Placements required per week	2	That's your weekly goal! (rounded)
Clients interviews per placement	5	Insert the average CCI/placement
Interviews per week to meet goal	10	This is the crucial KPI!
CCI interviews per day to meet goal	2	Your easy to digest daily goal

Start with your gross profit (GP) goal and divide by average placement value. That gives you the goal of 20 placements per quarter. Then you know you need two placements a week to hit your goal. Work out your average interview to placement ratio (CCI/Placement). Your ATS will tell you this (if you actually enter that data, of course). That tells you that you need to set up 10 CCIs per week or two a day.

The job order backwards plan

Here is your second backwards plan for a permanent recruiter, the magic job order backwards plan.

Target quarterly billings	120,000	Insert the GP required to hit quarterly goal
Average placement value	10,000	Insert the average fee per placement
Placements required per quarter	12	Divide 1 by 2
Average job order/placement conversion	3	Jobs filled out of jobs taken
Job orders required per quarter	36	Multiply 3 by 4
Average job orders per week	3	This is your job order weekly goal!

Again, it's simple. You want to bill 120,000 in a quarter? And each placement is worth 10,000, on average? So, you must make 12 placements in a quarter, right? But you only fill one job out of three that you take. Your ATS will tell you this. That tells us, if we fill one out of three, and we need to fill 12, that we must take 36 jobs in a quarter. That's three new job orders per week.

The temp/contract backwards plan

Here is the temp/contract backwards plan, which is very different. You still start with the ultimate goal and work backwards, but we target different metrics and it's designed for a temp/contract team.

Target quarterly temp billings	250,000	Insert the temp GP required to hit profit goal
Average net margin per hour	10	Insert the average net margin per hour (10)
Required billed hours per quarter	25,000	Divide 1 by 2
Average assignment length	150	Insert average assignment length (150 hours)
Filled assignments per quarter	167	Divide billed hours/assignment length
Number of consultants	3	Insert number of consultants
Quarterly filled orders target per consultant	56	Divide 5 by 6
Weekly filled orders target per consultant	5	Weeks in quarter, minus holidays (12)
Daily filled orders target per consultant	1	Divide by 5 (days)



Candidate interview goals



Client visit goals

To modernise your KPIs - focus on the three C's

It's time to update some of your old KPIs and change what you actually measure.

For this to make sense, you have to believe that it's key for recruiters to build their personal brand (*as I do*), that social selling is more powerful than relentless untargeted cold-calling (*as I do*), and that digital relationship building is the forerunner to opening doors to business relationships in real life (*as I do*).

Don't rush to consign all your old performance measures to the garbage. Many activities we have always measured need to be measured still. But open your mind to new deliverables, and these fall into three broad areas; catchment, conversation and conversion.



1. Catchment

Here we measure the recruiter on building an audience and a community.

This is key to modern recruiting because old-school sourcing techniques, like job boards and LinkedIn are becoming less effective, fast. So too with old-school business development techniques like unsophisticated, untargeted tele-selling.

Measure growth in targeted LinkedIn connections. For me, LinkedIn is more about branding than about sourcing.

Measure growth in blog subscribers on blogs published on the company blog or on LinkedIn, job-alert subscribers, Twitter followers or social connections.

Set KPIs around 'following' goals per week (e.g. Twitter) and total connections achieved by a certain date (a growth target).





2. Conversation

This is all about measuring engagement as a KPI: building an audience and a community is step one, but engaging with and building relationships with that audience is the next phase.

Well-run recruitment businesses have always measured, 'keeping in touch with current candidates'. I remember organising candidate phone nights to reconnect with candidates 30 years ago at Recruitment Solutions.

But now, the measure is engagement with future candidates. It's tapping into the 'talent community' you are building via catchment, and starting the nurturing process on social, via email, over coffee, on Twitter, on LinkedIn, etc.

So you're connected on LinkedIn to the Digital Director of a big-target company? Good, that goes against your KPI for catchment. But now the next activity is to engage. Share her material. Comment on her blog. Start a meaningful conversation. I know, it might feel forced. But it's smarter than making cold calls to her voice mail, which she never returns, and only serves to irritate and alienate. There is much you can do to engage and converse. We need to measure it to manage it. Set KPIs around a number target for engagement activity.

3. Conversion

This is where the magic happens. Where all the catchment and conversation is converted into a real live candidate or client.

So this (for example) is the measure of a person who was not originally looking for a job that you connected to on social via catchment, secured via your digital conversation, who has now been converted into a fully active candidate, prepared to listen to live opportunities and be managed through the job-search process.

Or it's a potential client, unknown to us, and without any prior relationship, who is reeled in via digital, and who accepts a client visit or places an order (you have to decide how you define a conversion as far as a hiring manager goes). Set weekly or monthly goals. Measure the GP that eventuates from these conversions.



14 recruitment metrics to run your agency

These are my 'Sacred Agency Recruitment Metrics' which I believe every recruitment agency owner should know.

Right now, they are more critical than ever, you need these ratios and benchmarks to help you drive excellence and performance.

1. **GP/Staff member (month):** A simple but telling number. Add up all your GP (this equals permanent placement fees plus net temp/contract margin). Divide that number by the number of people you employ (FTEs). That number is an exact productivity metric. You want it trending upwards. Track it monthly. You can track it quarterly but it might be a bit late to detect an ugly trend.
2. **GP/income producer (month):** Same calculation as above but now divide only by income producers (those involved in generating sales).
3. **GP multiple/all staff remuneration (quarter):** Divide total GP by total staff salary. This is a good measure as it helps assess whether those non-billing people you are adding are assisting recruiters in generating sales.

14 recruitment metrics to run your agency cont.

4. GP multiple/income producer remuneration (quarter): Divide total GP by total income producer salary. This is a key and long-standing industry productivity measure.

5. Management and staff cost/all GP (quarter): We're starting to get a bit wordy now, but don't be put off! This metric works nicely if examined quarterly. You take all your salaries and on-costs and you divide that by your total GP for that quarter. Lower is better! If it starts to climb, you need to act.

6. Temp/contract GP/total GP: A sustainable, robust business will have more than 50% of its GP from temporary operations. However, we don't want that number rising because our permanent GP is shrinking! We love perm. It's profitable and chunky, but it's very unfaithful, and it evaporates in a downturn. I like a 70/30 split. With both growing!

7. Temp/contract GP/total operating cost: This is a nirvana type scenario. Your GP from temp/contract operations covers all your expenses. So every permanent placement is... profit! Just make sure you have a healthy, vibrant perm business and you will see the money flowing in.



14 recruitment metrics to run your agency cont.

8. Marketing cost/GP: I get this a lot! "How much of my GP should I be spending on marketing?" Many owners are fixated on this number. The truth is it does not matter what the percentage is, or the amount you spend, if the money is spent on the wrong activities or the marketing itself is garbage. Marketing is not a 'nice to have' in recruitment, it's essential. I have always considered 5% a minimum spend.

9. EBIT/GP: This is a crucial productivity measure. Tread carefully though. If you are perm only or have a 'perm-heavy' business, your percentage EBIT return will be much higher. You might think you are in fine form as a result, but you will be much more vulnerable. It's harder to maintain the profit return as you grow, but you must undoubtedly fight that fight with all your resources.

10. Debtor days: Oh, stay calm, Greg! So many owners and managers are acting as a bank for their clients by providing free credit. And often waiting too long to collect their debts. So many recruitment companies are growing revenue and running out of cash! Get it under 30 days and hold it there



14 recruitment metrics to run your agency cont.

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11. Total expenditure per staff member (quarter): Pretty simple and very telling. As we grow, we should be getting leverage. Expenses per staff member should be going down, or at worst staying stable. Usually, it grows, decimating profit, even though your GP is rising.

12. Back of house (support and corporate cost)/GP: Everyone not involved in sales or delivery. Accounts, IT, marketing etc. Divide their salary costs by the total GP. Very revealing.

13. Temp margin % monthly trending: I am amazed how few owners track this. Many do not even know their average temp or contract margin. A one percentage point drop in margin across a sizeable temp count can mean thousands (even hundreds of thousands) of dollars a year.

14. Profit per staff member trending (month): This cuts through everything. Is our profit per staff member trending up? Or down? Total profit divided by total FTEs.

These metrics developed in collaboration with Staffing Industry Metrics. [Click here](#)



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Some final thoughts

Let me be blunt. I love KPIs. I don't think you can be a successful recruiter over the long term without them. If the term "KPI" is too loaded for you, change it. But how KPIs are managed has needed to change for a long time. Now the actual activities and outcomes we measure need to change too.

Be brave. Resist the temptation to go back to what you have always done. Disrupt your business from the inside.

Modern KPIs are the smart start your agency needs.

About Greg Savage

With a career spanning four decades, Greg is a founder of four highly successful businesses and is a trusted advisor and respected voice across the global recruitment and professional services industries.

Greg works with JobAdder in a product advisory capacity to tackle the biggest challenges faced by recruitment owners.

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About JobAdder

JobAdder is a leading cloud-based recruitment software solution that helps in-house and agency recruiters to find and manage talent more effectively through automation. The optional PowerAdder Analytics tool provides real-time insights into agency performance.

JobAdder's flexible powerful technology works with existing recruitment processes and HR systems to offer a seamless experience. Recruiters get the tools they need to do great work, ultimately enabling them to focus on what matters most.

If you would like to know more about JobAdder, [click here](#) to contact us or visit www.jobadder.com



Analytics & Dashboards

Unleash the power of your recruitment data with PowerAdder, the JobAdder analytics tool that delivers in-depth analysis and insights.

Dashboards provide quarter by quarter insights. They allow you to compare new jobs, CV submissions, client interviews, placements and even placement fees.

PowerAdder provides a snapshot of agency health, including: open jobs per consultant, live ads, jobs at client interview and jobs at offer stages.



Attract candidates faster

Effortlessly post to more than 200 job boards and social sites. Create branded career pages.



Integrate

Connect JobAdder with the tools you already use as part of your recruitment process and talent management.



Track

See job status, review resumes, conduct interviews, update candidates and hiring managers.

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