



staffing times

HELPING YOUR STAFFING BUSINESS GROW

WINTER 2012

Information Technology:

HOT NICHE

How to
capitalize
for your
staffing
firm



LEGAL / Temporary employee benefits
MARKETING / Maximizing LinkedIn
FINANCE / Determining fees
SERVICE / Better feedback programs

HOT *Niche*



HOW TO CAPITALIZE ON IT STAFFING

BY DANIELLE TOTH

Growth in the staffing industry continues – an estimated 9 percent expected for 2012, according to Staffing Industry Analysts. Long-term growth, though, is expected to shift more toward the professional sector (a 10 percent revenue jump this year.)

Information technology and engineering are projected to be the strongest segments in the professional sector, according to analysts.

“It’s a logical option to have contract labor in IT departments,” says Cam Shipley, business development manager at Ebit Information Systems, an IT staffing firm in Louisville, Ky. “When a company’s rolling out an IT project, a contract employee is a good way to supplement the workforce on that specific project.

“And because these temporary employees are employed by the staffing firm, we handle the human resources end of the hiring, which means companies can get their work done and don’t need to worry about the additional HR cost associated with bringing on a new employee.”

WHY NOW?

Emerging technology

One of the reasons IT professionals are in demand is that technology is constantly evolving and every company wants to have the newest offerings to both be on par with its peers and beat out its competitors, Shipley says.

“It used to be that only Fortune 500 companies had access to the latest and greatest technology, but the price point has come down now so even start-up businesses can have as good or even better technology than the largest companies out there,” he says.

One of the most popular technologies seeing widespread use is mobile devices for business, Shipley says. Of the world’s 4 billion mobile phones, 1 billion are smartphones and 3 billion are SMS-enabled, according to Microsoft Tag. By 2014, mobile Internet use will be greater than desktop computer-based Internet use.

To take advantage of the flexibility of this trend, many businesses allow their employees to hook their phones

CIOs reveal 1Q hiring plans

Twenty percent of CIOs said they plan to expand their IT departments, and 10 percent expect cutbacks, for a net 10-percent projected increase in hiring activity, according to the Robert Half Technology IT Hiring Index and Skills Report.

The report is based on telephone interviews with more than 1,400 CIOs from companies across the United States with 100 or more employees.



or tablets up to corporate networks or provide phones or tablets for employee use. With so much technology to continually update and troubleshoot, IT professionals continue to be in demand, Shipley says.

Better economy

Companies are hiring more help overall because business is improving, says Pamela Wasley, CEO of Cerius Interim Executive Solutions, an Irvine, Calif.-based staffing firm that places interim executive management personnel.

As the economy improves, businesses are less fearful of investing money in personnel and equipment but are still wary of full-time hires, Wasley says. This creates an excellent environment for temporary employment.

“The reason temporary IT employees are very interesting to businesses is that most technology implementation does not require a high-level person on the payroll for a long period,” she explains. “Typically, companies will have someone come in to help decide the right technology for their infrastructure and then help them implement it. After that, companies will use a low-level permanent employee to maintain the technology.”

More readily accepted

Another reason the IT industry is so hot is because it's only fairly recently that IT staffing has been seen as a necessary component of a modern, corporate infrastructure, says Mike Barefoot, senior account executive at Red Zone Resources, a Raleigh, N.C.-based IT staffing firm.

More companies recognize that technology impacts their bottom line, he says. For example, paperless systems increase efficiency and reduce redundancy, resulting in financial savings for a company.

“Companies are trying to become more seamless and move away from the pen-and-pad mentality,” Barefoot says. “With that being stated, more money has to be spent,

systems have to be implemented and cooperation among departments utilizing these newer technologies has to be realized.”

Shifting work atmosphere

The IT industry favors temporary workers because technology such as cloud computing and remote services enable an IT professional to access and troubleshoot a company's network or an individual employee desktop from anywhere in the world, Wasley says.

“We've placed employees who aren't even in the same city as a client we've contracted with,” she says. “Companies are more comfortable with using these types of workers, and the employees enjoy the flexibility and mobility.”

Companies also enjoy the flexibility, as they can bring in a worker for a specific project and then not have to worry about unemployment obligations after the project is complete, she says.

GAIN FROM THE TREND

This increased IT hiring provides many opportunities for IT staffing firms, Shipley says.

He advises firms to network and get their name out. The more people who know about your staffing company, the better reputation you will have and the more companies will come to you for their IT staffing needs, he says.

“The best thing you can do is have a good reputation,” he says. “Unfortunately, it takes a long time to get a good reputation, but you can lose it overnight. The main thing is the customer is always right. Treat people well because if they choose to start a campaign against you, you're at their mercy. Word travels faster than it used to, especially with the Internet.”

Barefoot agrees, saying networking is the most important element to maintain and further success. He advises staffing professionals to askew technology and get face to face at networking events that attract

corporate IT professionals.

“The goal should not only be to meet the workers but the employer as well,” he says. “Many employers can become hurt by this economy via layoffs or downsizing, and what was originally a hiring manager now becomes a marketable candidate for the right opportunity.”

Shipley also suggests offering recruiters from your firm to work with various companies. While a staffing firm usually doesn't get paid for recruiting assistance, companies most often only use one or two recruiters. Staffing firms get paid when a temporary employee is hired, making this option attractive to companies. While this recruiting assistance might cost your firm a little more time and money, the payoff could be big because these clients hire your talent. After they see you consistently offer solid talent who meets their needs, they might even choose your company over their current IT staffing firm.

“I often talk to companies who have a need for talent but say they already have a recruiter they work with,” Shipley explains. “Once I explain to them that having another recruiter doesn't cost them anything, they'll jump on board and we're in the door.”

Barefoot says any staffing firm already servicing the IT sector should have a deep database of IT professionals, including both passive and active candidates.

To develop this database, Barefoot suggests creating a presence on social media sites such as LinkedIn, Twitter, Facebook, etc. and seeing who joins your activity or posts on related topics. You can use social media tools such as SocialBro, which analyzes your Twitter account and tells you the best time to tweet your followers, compares your company's information to other companies in your industry and tells you about what your followers are saying.

Barefoot also suggests posting jobs on various job-related websites, looking for candidates on job boards and using candidate referrals to keep your IT staff pipeline constantly streaming for current and upcoming needs.

"Companies need to be proactive as opposed to reactive," he says.

GET INTO THE NICHE

All staffing firms should not jump into the IT staffing market. If your firm specializes in light industrial or nursing staffing solutions,

for example, offering IT staffing just because it's hot right now might not be the best idea for your firm, Shipley says.

"IT people speak a different language, and unless you have someone in your company who is tech savvy and can speak that language, you're not going to know both what your client wants and what your temporary employees want," he says. "The value of staffing firms is that we do the recruiting, interviewing, etc. for our clients. You're not going to know how to write a job description, review a resume or even interview a candidate if you don't speak their language."

Wasley agrees, saying plenty of staffing firms specialize in IT. She recommends firms stick to the niches in which they are comfortable and have experience.

"If you're in the finance space and all of a sudden you decide to enter the IT space, you shouldn't expect a lot of business because there are others out there already covering the niche," she says. "It's just not worth your time."

Start-up staffing firms should follow the same rule, Shipley says, meaning a potential owner shouldn't just one day decide to start an IT staffing firm and think the company will do well because the industry is doing well. A new owner should head into an industry he or she is familiar with to have the best chance of success, he says.

Barefoot shares an example of a coworker who attempted entry into IT staffing from general staffing even though she had no experience in the industry.

"She would come by several times per week to ask me what acronyms such as DBA or UNIX stood for, and I'm sure this naiveté was fairly transparent when she went out on sales calls and the conversation went into deeper realms," he says. "Executives have very little time, and when they do take the time to meet with you, they want you to bring a value-added proposition to them to increase their production value."

WHAT'S AHEAD

Companies seek all types of IT professionals but particular interest exists in expertise in .NET, SQL and Java, Shipley says.

"If an IT person is skilled and good at what they do, they can find a position because companies need work done," he says.

Executive-level IT professionals also are in demand, Wasley says. About 10 percent of the more than 800 executives placed by Cerius Interim Executive Solutions are IT professionals, she says.

Wasley explains that companies are looking for talent that specializes in multiple technologies because they have learned to do more with less and give their employees multiple responsibilities. A staffing firm can take advantage of this need by recruiting talent with diverse backgrounds and multiple specialties.

Barefoot says demand for temporary IT professionals will continue for at least the next five years and most likely beyond because technology is only evolving.

"Companies aren't going back to the abacus or the sun dial," he says. "Companies are constantly trying to stay ahead of the curve and will need professionals to maintain these advancements in technology." **i**

IT FILES

Not an IT staffing firm? *Still good advice*

Even if your staffing firm does not contract IT employees, you can still take advantage of this trend and the advice from our experts. Apply these nuggets to your staffing firm to increase new clients and increase efficiencies:

- **Network** – Mike Barefoot of Red Zone Resources advises firms to search business networking sites such as LinkedIn to find events to attend. Get involved in area chambers of commerce or other community groups.
- **Use mobile technology** – Make sure your staffing firm's website can be displayed on mobile devices such as smartphones and tablets. Consider creating a specific mobile site or even an app so busy talent can have their staffing information at their fingertips.
- **Stick to what you're good at** – Don't jump head first into any industry without doing your research. Companies like specialized staffing firms because they know their stuff, says Pamela Wasley of Cerius Interim Executive Solutions.
- **Implement technology to create efficiencies** – Cam Shipley of Ebit Information Systems says focus on what technologies can help create efficiencies within your company, saving you dollars in the long run.

GET YOUR FEE STRUCTURE RIGHTED THE BEST WAY

Setting fees isn't as simple as 1, 2, 3. Determining what to charge involves many facets and must be revisited from time to time to make sure the formula is still appropriate.

Consider the advice from these experts – whether you're starting a staffing firm or settled in your business – their insight and tips can help evaluate and tweak your methods for maximum return.

RIGHT STRUCTURE

Staffing firms use three main fee structures: retainer, contingency and flat fees, says Pamela Wasley, CEO of Cerius Interim Executive Solutions, an Irvine, Calif.-based staffing firm that places interim executive management personnel.

Cerius uses a retainer fee structure – it charges an upfront fee that clients pay for the firm to start an employee search. Wasley explains that retainer fees typically are used for higher-level talent recruiting because the firm conducts a comprehensive search from a specialized pool of candidates to find the perfect match for the client and position.

Contingency fees allow a staffing firm to receive payment only if it makes a successful permanent placement. Smaller firms are more likely to use this method because they don't have a ready specialized pool from which to tap and may take longer to find an acceptable candidate, Wasley says.

Retainer and contingency fees vary rates based on the client and nature of the search. A flat rate – a staffing firm charges a set fee or percentage of base pay – typically is charged by staffing firms conducting a higher volume of work rather than high-paying searches, Wasley says.

RIGHT PRICE

Fees are typically 20 to 25 percent of the temporary employee's starting salary, but vary depending on the client and type of search, Wasley says. Fees also can be charged per hour or even per day depending on the length and nature of the assignment.



“If you're good at what you do and can provide a client with an employee who has the talent and skills necessary for the job but is also a good fit for the company's culture, clients will see you are worth the fee.”

— Pamela Wasley, CEO of Cerius Interim Executive Solutions

Bruce Friedman, director of Assurance Services at SS&G, a national accounting and business consulting firm, says a staffing firm must look at all its direct costs to provide a temporary employee. This includes payroll processing and taxes, workers' compensation, benefits, background checks, drug testing and advertising for the position.

Subtract the direct costs from the billed rate to determine the profit from a particular client, Friedman says. If you typically earn 20 percent profit from a client, consider accepting 17 to 18 percent if the client relationship is good and the arrangement could cause the client to give you more business, he says.

Likewise, Friedman suggests, research into the client's unemployment or workers' compensation risks. If the client has a lot of claims, you might want to charge as much as 25 or 30 percent to cover the risks,

Friedman also advises staffing firms to be competitive. Talk to other staffing firms and colleagues in your industry to see what they're offering.

RIGHT TIME

Evaluate your fee structure annually or biennially, Wasley says, as the staffing market can change quickly. If your fees are higher than your competitors make sure the added value is apparent. For example, if the fees are higher because temporary employees receive advanced training or education, make sure your clients know about that added value.

It's just all about communicating that worth. As Wasley says, “If you're good at what you do and can provide a client with an employee who has the talent and skills necessary for the job but is also a good fit for the company's culture, clients will see you are worth the fee.” **i**