

Maurice Fuller

Hi, everyone. I'm Maurice Fuller and thanks for joining us. Today I'm with Tom Kosnik, President of Visus Group. Tom is one of the top most in demand management consultants in the staffing industry. Tom, welcome and thanks for joining me today.

Tom Kosnik

Great to be here, Maurice.

MF

Well, perhaps you could start by giving us a brief overview of your background in the staffing industry.

TK

Yeah, just very brief. My bio is on our website: visusgroup.com. I have twenty-five plus years consulting in the staffing industry and a masters in organizational development from Bowling Green State University, which is one of the top programs in the country. It's a roundtable; we manage a roundtable program for CFOs, Marketing Directors, Presidents, Owners, and CEOs of staffing companies. Then we do a ton of organizational development, organizational design, compensation analysis, and compensation design. It's not just me. I've got a small cadre of consultants that work with me to provide services to those people in the staffing industry that are trying to grow their businesses.

MF

Alright, fantastic. Well, we'll be talking more about your roundtable programs in a moment. Looking back at your twenty-five years in the industry and working with over 300 staffing firms that have been part of your roundtable program, what have you seen as the keys to growing a successful staffing firm?

TK

Great question, Maurice. Number one: I did not work in the staffing industry, and it's actually one of the benefits. When I come to a staffing business, I'm coming from a professional or certified organizational development perspective. And imagine—we have had over three hundred staffing companies go through our President's Roundtable program over the years, and there are some of them that have been with us for more than twenty years. So everything I'm going to talk about today, this is really important, comes from me seeing real people grow staffing businesses. This is not some theory that I read about in a book.

There's two things I want to mention. One thing is that staffing firms that grow know how to execute on business basics. I've got just a short list and I'm going to read it: they know how to do business planning, they plan to succeed, they know how to set goals, they have key performance indicators that they're looking at week to week and they capture that data. They use that data to make adjustments. They budget, they have a staffing

plan, they have structured interviewing processes, they have technology—this is your area, Maurice! They invest in technology and they make technology improvements either week to week or month to month. They have robust training and development, management training, and employee engagement. By the way regarding employee engagement, there's no variable more correlated to the increase in profitability of a company than employee engagement. Staffing companies that are growing know how to engage their internal employees. Focus sales plans, QBRS, quarterly business reviews with key clients, on and on and on. So business number one, staffing firms that are growing know how to execute on all those business basics.

Number two is leadership development. They invest in leadership development. Real quick, this is an old classic here: *The Next Level* by James Wood. I don't know if you ever read it. I'm going to read a quote. “ Every growth company reaches a critical transitionary point that requires fundamental change. Sooner or later it happens. Whatever brought you success in the past—the structure, strategies, the systems—no longer works.” That's in *The Next Level*, a great read. That book is out of print now but a great read. There's only two kinds of books to read in business: business books that are based on data collection analysis and data collection and business books that are based on theory. Both are very valid and good to read.

There was a longevity study on Inc. Five Hundred companies that got on a list and fell off the list and Inc. Five Hundred companies that got on a list and stayed on the list. Let me tell you about the five common things that those companies did. So those companies knew how to gather market intelligence. Those companies invested in the development of strategic leadership. They had a clarity of purpose. They had a commitment to strategic planning, and they wisely invested in the infrastructure of their companies. Those are the five things that companies did that got on the Inc. Five Hundred list and stayed on the list.

What's the most important thing I've seen with my clients in the staffing industry? Okay. Number one is business basics. Number two is that they invested in their development. Leadership development at the top, and that is not skill development. Skill development is I learned something new in the ATS, I learned something new in Outlook, I learned a new interviewing technique. That's not what we're talking about. We're talking about leadership development in terms of understanding who I am and changing at the gut level and the core level of who I am as an executive inside one of these staffing companies. It's a whole different ball game, a whole other big leagues.

MF

I have a quick follow up question. That was a phenomenal answer by the way. I agree with so many points that you made there. On the question of leadership development, as staffing firms become increasingly driven by technology, what do you think about technology leadership in the context of the staffing firm? Where does that fit in?

TK

It's a people business. So if you talk to the most successful CIOs in the industry, you know what they tell you, Maurice? They say "guys, it's still a people business." The technology leadership knows how to keep the human element primary and how to use the technology to accentuate and advance the human connection, with staffing companies to candidates and prospects and staffing companies to hiring managers and c-suite people. The CIO, specific to the technology leadership, they don't... Look, you and I see this all the time, right? The sales people and the recruiters are clamoring for these new technology tools. The CIO's job is not always to say no, but the CIO's job is to help everybody in the organization to understand, can this technology, number one, help us implement the business model that we're trying to implement in order for us to succeed, and number two, does it help us become better human communicators with hiring managers and candidates?

You and I have talked about this. There are CIOs all through the staffing industry where they're technicians and not leaders. They don't understand it at that level. The best staffing companies out there, by the way, they have CIOs on staff that get that. They exude it and communicate it to the rest of the organization. Does that make sense?

MF

Yes, that makes complete sense. To one of your earlier points, it's this idea of the human connection as being high touch using high technology.

TK

It's high touch but it's also continued communication and value add information. It's really a change of disposition of the staffing company being a conduit for candidates. That's where the game is right now, and that's where people are winning the day to day.

MF

Winning or losing depending on how well they execute. I want to circle back to the roundtables. Your roundtables are absolutely phenomenal and your customers rave about them. Tell us a little bit more about your roundtables, how they're structured, and the value that they bring to staffing firm leaders.

TK

I want to say two things about the roundtable program. It's really a leadership development program. We've been thinking about whether we should rebrand it, and on and on and on. There are other groups out there in the staffing industry, but they don't do what we do.

Number one: our core competency is that we build a small community of staffing executives that care about one another and help one another grow their businesses. The leadership development piece about it—and this is going to make a lot of sense to you,

Maurice, because you've been inside some big staffing companies—is a lot of times I don't know what I don't know about my own decision making, about my my strategic thinking, about the way I'm communicating with people, on and on and on. Well, somebody comes to the roundtable program and they put an issue out on the table or they've got a topic that they want to talk about. Well, they get input from the other members that they're not going to get from other people within their organization, even people that are on the C-suite.

MF

That's right.

TK

That's number one. Number two—and this is what we do that all these other groups don't do—is that we facilitate through a structured and creative problem solving process that I learned from the grandfather of structured creative problem solving. Somebody comes to the roundtable, and they have certain assumptions about who, what, where, when, and why of that issue. Our process gets those assumptions out on the table. We don't talk about it but we all have assumptions about contractors, temporaries, the economy, politics, clients, internal employees, technology..... and our behavior follows based on those assumptions. Well, a lot of times we never question our assumptions. We just make decisions based on them.

This is why people have said to me, Tom, I hate meetings but I love your roundtable. It's not a meeting; it's an interactive dialogue of people that care about one another. In that process, we get those assumptions out on the table. Maurice, this is the magic of what we do. If I can get the assumptions out and if somebody can change their assumption about any one of those variables that I just talked about, I can get them to see differently. I can get them to see the issue and the problem differently. And if they see it differently, they behave differently. If they behave differently... We've all heard that you can't solve the problem by behaving the same way and by doing the same thing you've always done before. That is the key.

MF

That leads to real growth of all the people on your roundtable, which makes them more valuable to their firms and drives more value.

TK

Visus is Latin for vision. That's what we're about: we help people see the world differently. We help entrepreneurs see the world differently and that's what happens in our roundtable program. Honestly, it's very humbling sitting in that room and watching that happen. It's very humbling. But anyway.

MF

I want to talk a little bit about compensation. It's such an important part of staffing firms. Incentives and getting incentives right is critical to the success of the staffing firm business, and you've done a lot of work in compensation for staffing firms. So can you take us through some of the best practices that you've seen or developed over the years?

TK

Oh sure. Absolutely, yeah. We're a leader in compensation. At any given time we're working on a half a dozen comp plans with different clients of all different sizes. You have to have some kind of an economic model. A lot of the owner operator type businesses—that's the staffing businesses that are under fifteen million in revenue, and even some of those that are middle market that are fifteen to eighty million—don't do a good job of budgeting. There's budgeting and then there's economic models, and there's a difference between those two. With compensation design, you really have to start with a good strong economic model. How much net income am I looking to make, what's my gross margin, what percentage of the gross margin am I going to allocate to the sales and recruiting and to the general and administrative? On and on and on. That then bleeds all the way down into production numbers, revenue, gross profit, and more. So you've got to start with an economic model. You cannot know if your comp plans are financially in line if you don't start with an economic model and know what those targets are. That's number one.

I used to never say to have two different plans, but I would say now to start thinking about having a new employee plan that is just a simple salary plus an activity bonus. It's a beautiful plan. It gets money in their pockets, month to month. You and I have heard this all the time: a staffing company hires a sales guy, and three months later the sales guy has yet to make a commission, and the sales guy says I've been sold a bill of goods and goes out and starts looking for another job. You've got to get money in that recruiter's pocket within the first ninety days. If your comp plan is not doing that, you have a lot of those folks are gonna walk out the door. Have a plan that's salary plus activity, and the activities are those things that you know they need to do on a day to day basis to succeed. So you're reinforcing the good behaviors that they need to do, and you get money in their pocket until they get to a point where six months later you transition over to your other plan.

Most of the plans that I look at in the staffing industry are boring. The salary percentage of gross profit—which by the way, the percentage of gross profit is going to change radically here in the future. But these staffing companies don't use multiple sales levers. For the comp plans, you should have four or five different sales levers in order to reward the behavior that you're looking for. The last best practice or tip: one of those sales levers should be rewarding lead performance driving indicators. I get push back from sales managers all the time. We implement the plan. Salespeople love it. Recruiters love it. You're in line there. But anyway, it's a sales driven industry, and compensation is so key and critical.

MF

I feel like we could do an entire podcast just on compensation. We just scratched the surface and some really interesting ideas. I can't let you go on to the next question without pointing to how you mentioned changes in gross profit. That's so common in the industry. What did you mean when you said that part of the comp is going to change in the future?

TK

We cannot pay the levels that we've been paying. With wage and salary, wage increases have been going up. Internal operating expenses have been going up. Benefits have been going up. All these staffing companies will have to adjust and leverage their compensation down. The other huge problem compwise that we have in the industry is that we are not commissioning on client satisfaction or client retention, two key variables that the best companies in the world commission on. Client satisfaction and client retention. I don't know anybody in the staffing industry that does it.

I've already started seeing stuff happen here, but the percentage of gross profit production is going to diminish, and you're going to see other sales levers that are going to come onto the stage of the whole compensation thing. It's super exciting. It sounds kind of goofy, but it's super exciting because this is all about strategy and alignment and business models, and then work tasks and job descriptions that support and align with all that stuff. I find it all exciting.

MF

Very interesting. I want to talk a little bit about leadership development, and specifically about managers and selecting managers. We know that that's one of the key hires in making an office successful. What tips can you share with us on selecting and developing great managers?

TK

Yes, management training. You'll get a far stronger return on investment by investing in management training, and I'm talking about branch managers and regional managers because they're directly dealing with producers. You will get a stronger ROI on branch manager and regional manager training than you will on sales training and recruiting training. The focus is on the branch managers and the regional managers because people leave managers; they don't leave companies. Staffing companies grow, they take salespeople and sales reps and recruiters, and they get sucked up in these management roles. They never had any management training, and then it's a mess.

So investing in management training is key, key, key. But so is having a structured interviewing process for managers. Again, the best companies in the United States have a highly, highly structured interview process. A lot of times when people are getting hired for certain departments, the manager in that department does not make the hiring

decision. It's being had somewhere else by people that know how to do that. Number two is personality, and utilizing some kind of personality profile. There's a lot of good ones out there, so find one, use it, master it, and understand how it works within your organization. The third thing, and this is something that a lot of staffing companies don't do, is a good cultural assessment tool. What does that mean? Well, there are some staffing companies that are highly structured, and there are some staffing companies that are very loosely structured both in the work tasks and jobs and feedback loops and all that other stuff. There are some companies that are very adventurous; they try a lot of new ideas. There are some staffing companies that don't try. They try very few ideas. There are some that are very centralized. There are some that are very decentralized.

It's all about understanding your culture. We've got a fantastic tool—there's nothing like this in this space—that is a cultural survey so that you're hiring people that match your culture. Why does a staffing company hire a guy that was a 10 million dollar producer? “Oh my gosh! The guy, he's a rainmaker. He's gonna put us on the map!” Then that 10 million dollar producer goes to work for that staffing company, and a year later it's a goose egg of a production. It's because there's a high probability it's a cultural mismatch. He's a frog out of water. It just doesn't fit. A highly structured interview process; there's some good ones. The Who is a hired structure, the Top Grading is a hired structure, the Gallup poll guys have got some really good structured interviewing stuff. I recommend utilizing a good personality profile tool and then having a good cultural assessment as well. One quick last thing there—

MF

Sure, go ahead.

TK

Values and ethics. You've got to hire, and you just don't look at the numbers. Having a values and ethics match is more important than the number production.

MF

Interesting. I want to talk about a topic that's near and dear to the hearts of almost everyone in the staffing industry right now, which is sourcing candidates. It's super hard right now, with talent shortages everywhere. We know that unemployment benefits are expiring or about to expire. Is that going to have an impact? Is that going to make it easier for staffing firms to source candidates for their openings?

TK

If I owned a staffing company, I would be all about a world class fulfillment process. I would brand that process, and it would be all over the internet. It would be in my marketing materials. My salespeople would know how to talk about it and whatnot because it's going to be a candidate short market for the next 10 years, Maurice. First off, on the low end of the scale with these fifteen to eighteen dollars an hour jobs and those staffing companies that think there's gonna be a line here at the beginning of

October out their door of candidates applying for jobs... will we see a bump? Yes, we're gonna see a bump, but there are so many other variables that are involved on why employees that are in that job category are not going to be standing outside your door waiting for jobs. The extra unemployment benefits are only one of the variables. There are many other variables.

Some of it has to do with them moving and they've relocated. Some of it has to do with the fact that they've gone out and got some training and they're off to another career somewhere. Some of it has to do with the fact they've got a couple of kids at home and schools are up and down. But there are multiple variables. On the professional side, there's just so much great data out there. And this is where you want to go find that data. There's the immigration policy in the United States on one piece of it. The other piece of it is that we're just not having enough babies in this country. When you look at the population growth in the United States, we're just not immigrating enough and we're not having enough babies. Look at IT, engineering, accounting, and finance: we're dying on the vine. We're going to be dying on the vine for the next x number of years.

MF

Right.

TK

That's until we're going to have to bring people into the country that can do these jobs. Healthcare is the same thing, by the way. Nurses and doctors and all that stuff. For all those professional positions, we're just not graduating enough kids from college. And by the way, college enrollment is going down down down down down. They shot themselves in the foot with the cost of education. Back to compensation real quick, I'd be recruiting kids out of high school or out of the community colleges and two year colleges. If I were a staffing company, I'd be recruiting kids out of community colleges or high school and put them through a robust training program, and in a matter of few years those kids are making sixty, eighty, or a hundred thousand.

MF

Yes, I think that's brilliant. Very interesting commentary about the labor shortage in this decade: the roaring twenties. I think you're spot on. I think we're on the cusp of massive growth, and then you have the demographics on top of that. It's going to make it really challenging for staffing firms, I completely agree. The staffing firms that are going to succeed will be world class at sourcing candidates and being super creative at being able to recruit. I want to go through one more topic here, and that is the role of marketing in the staffing firm. You have some provocative thoughts on how that's changing. Walk us through that, please.

TK

Yeah. I know sometimes I'm like somebody put a quarter in a jukebox. First off, I love the staffing industry, and I've got such great clients. They care about the industry. They care

about their internal employees and their temps and all that. The industry has been great to me and my family and I really enjoy helping them grow.

The CMO in a lot of the larger staffing firms has become a more important role in the c-suite than the vice president of sales. The reason why is because of the advent of social media. When it comes to candidate engagement, job boards, website marketing, image marketing, brand awareness, and all that stuff on the candidate's side—and some of that bleeds over onto the client side—all of that stuff now is being touched by the CMO. So the CMOs are working directly with or have people working directly with recruiters in terms of all of that and the human touch with candidates.

On the sales side there are a couple of things that are happening. Marketing used to be ten percent of the entire sales funnel to bring somebody from a prospect to a close. Now marketing does eighty percent of the work, and sales is doing twenty percent. One thing I'm seeing in the staffing industry is that staffing companies are restructuring their sales departments. The sales departments are becoming strictly new business development folks that are coming in in the bottom of the bottom of the seventh inning to take it to a close. So all that work prospecting, suspecting, prospecting, and qualifying is happening now through the marketing department. I will say that in terms of positioning not only the staffing company but positioning the sales executive to be in the best role possible to succeed with that client, giving them the data they need in order to present to the prospect or the client and all that... I'm not talking about proposals. I'm talking about valid and reliable wage data, on and on and on. You've got this recruiting side, which we know it's going to be years where we're going to be in a candidate short market. Social media is not going away; it's only going to get better. Then you look on the client engagement side and see all the stuff that the CMO and the marketing department is doing on that side of the equation. The CMO is becoming more important than the vice president of sales, and the larger staff companies are restructuring their whole sales function. I'm seeing it. I'm hearing about it.

Maurice

Yes, it's profound.

TK

Oh my gosh. Just think about just a few of the things that we talked about last—it's pretty fascinating what's happening in this industry.

MF

It is. And that's why I love this industry so much. There's so much change and so many interesting dynamics.

TK

It's not going away. It's not going away.

MF

Yeah. The other thing is I'm seeing is more and more heads of marketing that are leading big pieces of the automation that's happening within staffing firms.

TK

Oh absolutely.

MF

They have complete visibility on what's happening across the whole company. That automation, marketing automation and operational automation, that's a key part of the sales process and the delivery process as well. That's another pillar of the role of marketing today.

TK

Absolutely, absolutely.

MF

Tom, I've enjoyed this podcast very much. Thank you so much. This has been a great discussion. If you'd like to learn more about Tom's services and his roundtables, I would strongly encourage you to reach out to Tom and his team at Visus Group. Thanks everyone, and I look forward to seeing you on the next Staffing Technology podcast.

TK

Thanks so much, Maurice.