Staffing Metrics

to Empower Your Leadership Team

Appcast™

About the Author

Mike Cleland

With over 23 years of experience in the staffing industry, Mike Cleland helps executives achieve their growth goals through leadership development and organization design. As the founder of Charted Path, Mike has worked with owners and executives on optimizing organizational structure, company governance, business planning, sales strategy, process improvement, performance management, and compensation plan development. In addition, he assists owners and investors with vetting and assimilation of strategic acquisitions. Mike has worked with over 80 companies ranging from start-up to $600 million in every major staffing vertical.

As a former president of a $60 million IT staffing company, Mike understands the practical challenges of execution and helps clients develop focused and feasible solutions that management teams can implement. When not working with his clients, Mike shares his knowledge through various articles and speaking engagements. His latest book *Breaking Through: Leadership Disciplines from Top Performing Staffing Firms*, was co-authored with Barry Asin, President of SIA, as a follow-up to *Behind the Wheel: Driving Excellence in Staffing Operations.* Mike was named to the Staffing Industry Analysts Top 100 in Staffing for 2014, 2017, and 2018. He is also an Everything DiSC and Five Behaviors of a Cohesive Team Partner as well as a Certified Contingent Workforce Professional through Staffing Industry Analysts.

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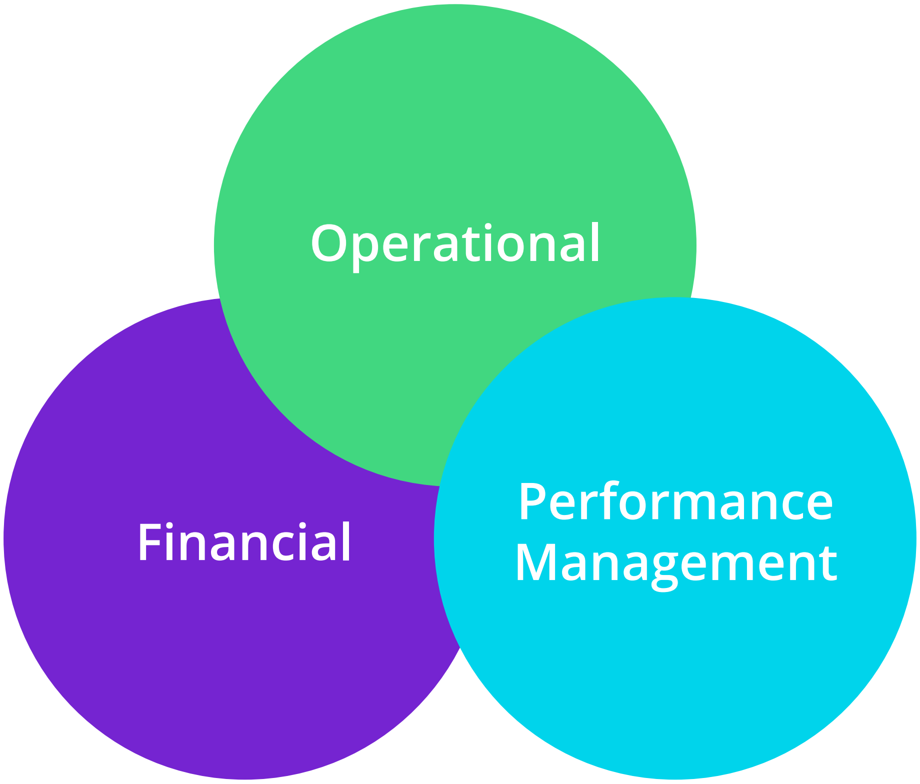
Staffing is referred to as a people business since much of the day-to-day is dominated by managing both internal and external relationships. While the ability to manage information was always an important component of success, the advent and acceleration of the internet along with job boards, VMS, and ATS technology increased data's role in all aspects of the industry. Data now impacts how we sell to clients, how we deliver our services, and equally important, how we lead the business. This paper focuses on the latter or, more specifically, the role of metrics in staffing leadership.

The Metrics Portfolio

As a staffing company grows, managing it becomes more complex. This complexity is exacerbated by the inability to directly observe what is occurring both strategically and on a day-to-day basis. Leaders use metrics to both analyze complex problems and provide crucial visibility into overall direction of the company. For this reason, the ability to capture, interpret, and properly act on metrics becomes a necessity for all levels of management.

As a rule, staffing companies are effective at using metrics to assist in performance management of their producers, and that limited use of metrics is appropriate during the owner/operator stage of a firm's development. However, as most organizations reach the $10 million to $15 million range, leaders benefit from a metrics portfolio that provides insight into the financial direction of the company as well as the operational execution of the company strategy by the sales and recruiting operations. As staffing businesses grow beyond that range, the need to assess and reevaluate the current metrics portfolio needs to be a thoughtful exercise conducted quarterly and annually.

The remainder of this section will discuss developing a well-balanced metrics portfolio of financial metrics, operational metrics, and performance management metrics, and how each enables leadership decision making and adaptability.



Financial Metrics

Traditional financial statements provide crucial information on the overall financial health of the company. However, their biggest weaknesses as a management tool is that they are lagging indicators of operational performance and they provide limited insight into the future financial direction of the company. Carefully selected financial metrics can fill both those gaps by measuring financial progress around three distinct areas of financial health: growth, profitability, and diversification.

Growth-based metrics measure focus on revenue and gross profit trends. Profitability metrics focus on both the overall financial health of the business being sold and the productivity of SG&A (selling, general & administrative expenses), both of which are closely linked to bottom-line profitability. Diversification metrics focus on ensuring the concentration of the business remains at acceptable levels. The chart below gives examples of common financial metrics.

Common Financial Metrics

	Metric	Purpose
Growth	End-of-Month Head Count/Billable Hours	Head count and billable hours feed into top-line revenue. For many companies, these can act as 30- to 60-day leading indicators for revenue but do not provide any insight into the overall health of that business.
	Average Weekly GM or Net New GM (GM of Ons Minus GM of the Offs)	Metrics focusing on gross profit growth are more useful from a management perspective. If a company grows revenue with low gross margins, then that growth can lead to a false sense of security. Gross profit captures both growth and the ability to pay for the operations.

Common Financial Metrics

	Metric	Purpose
Profitability	Gross Margin Percentage of New Business or Average Hourly Gross Margin	Measuring the gross margin percentage of the new business can be useful in forecasting the profitability, but for firms who have a wide range of bill and pay rates (and a bigger range of costs to acquire candidates), this measure becomes less predictive. In those cases, measuring average hourly gross margin is a better predictor of overall profitability.
	Percentage of Producers at or above GP Goal	Measuring the producers at or above GP goal measures the ROI on the biggest expense of the business. For any position, a firm should have defined expectations of producer ramp-up time and how much gross profit they are expected to produce.
Diversification	Gross Profit from Top Three Accounts Percentage of Total Gross Profit from Top Three Accounts	Diversification is typically viewed through the lens of client concentration. Measuring the gross profit from top accounts as a total number and as a percentage of the entire book of business captures the level of dependency and the progress of diversifying away from those accounts.
	Hourly/Weekly GM from New Managers/Accounts	Hourly/weekly GM from new accounts provides a leading indicator of GP diversification through new account development or through better account penetration.

Operational Metrics

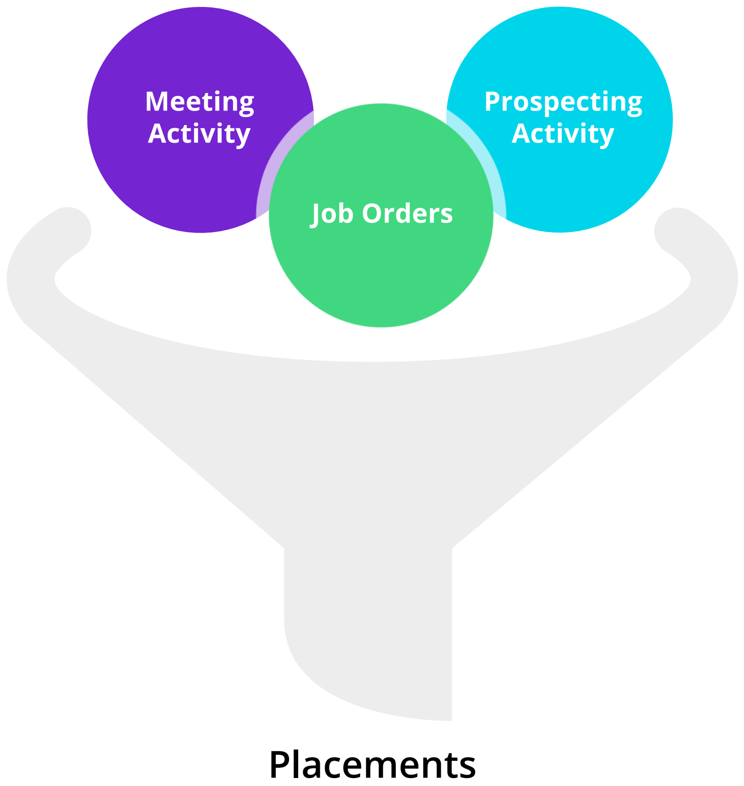
Once the financial metrics are established, the next step is to measure overall effectiveness of different parts of the organization through the use of operational metrics. The most common operational metrics measure the effectiveness of the sales and recruiting teams. However, as capabilities such as new branches or offshore recruiting are added, the operational metrics must evolve to accurately capture the effectiveness of each part of the organization.

As a general rule, operational metrics should provide insight to ensure that you have the right capabilities to execute the strategy and that those capabilities provide a sufficient ROI.

In other words, if the financial metrics are where you want to go, operational metrics measure how you get there by ensuring cost-effective growth. To provide further clarification to the concept of operational metrics, the balance of this section will focus on metrics for the sales and recruiting organizations.

Sales Metrics

The sales metrics must be customized based on the sales strategies a company is employing. Is the company targeting enterprise accounts with staffing programs? Are they targeting SMBs? What service offering(s) are they selling, or are they focusing on specific industry verticals? Those are just some examples of sales strategies that can impact what sales metrics a company should choose. However, regardless of the sales strategy, most metrics fall into three categories: prospecting activity, meeting activity, and job order identification and management.



Prospecting Activity

Prospecting activity focuses on the tactics used to connect with buyers by securing in-depth phone conversations or on-site meetings. The usefulness of measuring this far upstream in the sales process is that it establishes expectations for activity levels, which can be especially useful for junior-level sales teams or to foster a highly competitive culture. However, there are downsides to measuring and managing to prospecting activity. First is that it is difficult to verify and track accurately. Second, the focus on prospecting tactics can blur the focus on the intent of the activity, which is meetings. If managers put too much pressure on prospecting activity, then producers can just meet their activity goals without the end in mind. This wasted activity directly damages ROI by increasing team inefficiency and indirectly by impacting team morale, especially of senior salespeople, who often work more efficiently when they have more freedom in how they run their desk.

Meeting Activity

For many firms, meeting activity is as far upstream as they like to measure. After all, if the sales team is securing meetings with buyers, do the tactics they use to get the meetings really matter? There is significant value in not only measuring the number of meetings a salesperson has but also understanding whom they met with and the potential follow-up steps that are required to maximize the return on every meeting they have. Understanding the potential ROI for meetings is critical information that metrics simply cannot capture. For that reason, it is not uncommon for managers to have weekly debriefs with their sales teams to prepare for upcoming meetings and discuss follow-up from past meetings. At an operational level, leaders who focus on meeting activity, meeting quality, and meeting follow-up see greater return than those who focus more on prospecting activities.

Job Orders

Metrics that focus on job order volume and quality represent the first tangible deliverable the sales team brings to the organization. How salespeople identify and qualify jobs varies based on how different clients buy, and that variance must be taken when measuring job order data. As an example, measuring total job order volume for a VMS account has limited value, while that same metrics is crucial for a sales organization that focuses on small and medium-sized buyers. For that reason, it is important to define how the sales team must impact the business to drive the financial results, realizing you may require different metrics for different types of accounts. While this could be said for all sales metrics, this is especially true for job order data. A small sample of sales metrics can be seen in the following chart.

Examples of Sales Metrics

	Metric	Purpose
Prospecting Activity	Number of Emails Number of Calls Number of Events Attended	To measure the tactics to land a meeting with a decision maker. Managing to prospecting activity can be effective for a junior team when attempting to meet with line-level buyers. However, if the sales team is more experienced or if they are attempting to meet with senior decision makers, these metrics can be counterproductive.
Meeting Activity	Number of Total Meetings Meetings at New Accounts	Total meetings provide context to how much relationship building is occurring within the sales organization. Meetings at new accounts and managers focuses on ensuring diversification is occurring along with account penetration.
	Meetings with New Managers Number Joint Sales Calls	Joints sales calls ensure sales management is staying externally focused and can also be used to measure the ability of the team to sell vertically if those calls target director level and above.
	Meetings with Key Decision Makers	Key decision makers focus on people who influence the ability to do business through a staffing program or preferred vendor list. In addition, these can be VP level and above who, while they do not directly have any needs, can provide insight into organizational structure and future spend.
Job Orders	Number of Total Jobs	Total job order volume is a crucial leading indicator that could reveal a potential slowdown in the account portfolio.
	Number of Direct Jobs	The direct jobs metric is meant to strip out VMS jobs that were not identified by direct sales activity.

Examples of Sales Metrics

	Metric	Purpose
Job Orders	Submittal-to-Interview Ratio	Submittal-to-interview ratios are a good indicator of job order qualification and the amount of control the sales organization has over the buying process. While there are some cases where candidate quality may impact that number, that variable tends to normalize over time, so continued degradation of that number typically falls on job order management.

Delivery Metrics

Much like sales metrics, the right delivery metrics vary based on the success factors of the account base the delivery organization is supporting. However, there are three capabilities that every company must balance, and it is these capabilities that should be tracked to ensure that the delivery organization can effectively support the account base. The first capability is speed. Speed is how quickly delivery can respond with submissions to the client once the job order is released. Speed is driven by efficiency and automation. The second capability is quality. Quality is not only reflected by the strengths of the candidates being presented but also the service level provided to both the candidate and the client. Quality relies on team collaboration, policies, and procedures to reinforce best practices. The last capability is coverage, which reflects the volume of submittals a delivery organization can generate while retaining an acceptable amount of quality.

Each competitive strategy has success factors that rely differently on speed, coverage, and quality. The impact of the competitive strategy on delivery capabilities can be seen in the following chart.

Competitive Strategy	Delivery Success Factors
Transactional Staffing	**High-Volume VMS Accounts** • Speed and price are primary differentiators • Little to no sales involvement • Streamlined processes • Low cost per submittal • Quick response time • Automated sourcing • Offshore recruiting/hybrid onshore/offshore

Competitive Strategy	Delivery Success Factors
Consultative Staffing	**Direct Buyer Access** • Service quality is the primary differentiator • Sales strives for customer intimacy • Sales acts as quality control for delivery • Processes focus on collaboration over speed
High-Demand Niche Staffing	**Direct Buyer Access** • Niche Talent is primary differentiator • Sales skill markets talents • Proactive candidate pipeline is key recruiting discipline • Processes focus on collaboration • Speed and quality are achieved by niche focus
Deliverable Based Staffing	**Direct Buyer Access** • Service scope is the primary differentiator • Sales must be able to develop and sell solutions • Collaborate with subject matter experts (SMEs) in selling service • Recruiting can be a mix of proactive and reactive sourcing • SMEs conduct final qualification

Building an organization that can deliver all three capabilities requires the right processes as well as significant investment in both personnel and the tools to support them. While most firms are at least somewhat effective at measuring the effectiveness of their recruiters, they tend to ignore or under measure the effectiveness of the tools they are using.

Ignoring the ROI of tools and the vendors that supply them is a significant blind spot and one that will exact a greater and greater cost as the industry becomes more data centric.

The ability to leverage and manage data from different tools not only protects a company from the hard costs of poor investments, but it also improves the ROI and scalability of recruiting teams by increasing recruiter productivity and broadening the pool of recruiters who can be successful, thus reducing the cost of hiring and the rate of turnover. For that reason, when developing and managing to metrics, it is important to view the root cause of performance not only through the lens of personnel but also through the processes and tools you are using to support them. Following are some examples of delivery metrics for all three capabilities.

Examples of Delivery Metrics

	Metric	Purpose
Speed	Percentage of Jobs with Submissions within 24 Hours	This metric is simple, but it captures the essence of speed by simply capturing how long it takes to get a submission to a client. However, the causes of delay could reside in different places within the workflow and may be driven by sales just as easily as recruiting. In essence, this measures the efficiency of the entire workflow once a job is received by the company.
Quality	Interview to Hire	Interview-to-hire is an effective measure of candidate qualification since it typically validates that the job order is real while at the same time measuring delivery's ability to identify, qualify, and prep a candidate. However, interview-to-hire can fluctuate due to other factors, so it is best to look at a large data set before conclusions can be made.
	Submittal to Hire	Submittal-to-hire can indicate a problem with job order qualification, but with a large enough data set, it may also identify a delivery organization that is trying to make up for quality with volume. It is also an indirect measure of cost per hire, since each submission has an operational cost associated with it. Reducing the cost per hire is a crucial step to building a more efficient operation and increasing ROI for production personnel and tools/vendors.

Examples of Delivery Metrics

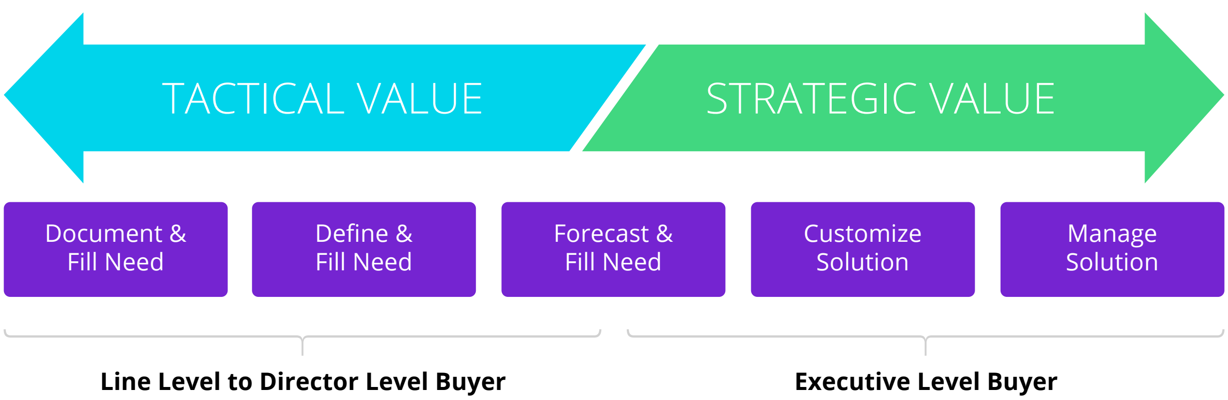
	Metric	Purpose
Quality	Turndown Percentage Early Resignations / Terminations	Turndowns measure the effectiveness of delivery being able to manage a candidate through the hiring process. High turndown rates indicate poor expectation setting and poor overall communication with candidates by the delivery organization. High turndown rates are especially damaging for consultative staffing firms.
Coverage	Number of Total Submissions	Total submissions measure the ability of the delivery organization to source, qualify, and submit candidates to the client. Some organizations measure both submission to account manager and submission to client. However, submission to account manager is an indirect way of measuring rejection rate, which is not a metric of coverage but of candidate quality.
	Percentage of Jobs Covered	Percentage of jobs covered captures the relationship between job order volume and submission volume. While the raw number of submissions is a direct measure of recruiting horsepower, it does not provide insight into whether that horsepower is enough to support the job coming in. Percentage of jobs covered provides that additional perspective.
	Number of Jobs with No Submittals	Percentage of jobs with no submittals captures the number of jobs that receive no support. This metric is especially important for ensuring new clients get the support they need from the recruiting team.

Performance Management Metrics

While operational metrics are meant to provide insight into the effectiveness of how departments are executing the strategy, performance management metrics focus on the management and development of individual producers. Performance management metrics should align with the operational metrics, but they rarely directly mirror them. There are primarily two reasons for differences between performance management metrics and operational metrics. The first is the need to customize metrics to measure the unique objectives of any given role, and the second is the experience level of the individual producer.

The account manager role is an excellent example of how a single job type can have different objectives. Most people associate account management with the ability to retain and grow large accounts through exerting influence. However, how that influence is exerted and its projected impact can vary widely from account to account. The graphic below summarizes the different value an account manager can bring to an account and the buyers that value can influence.

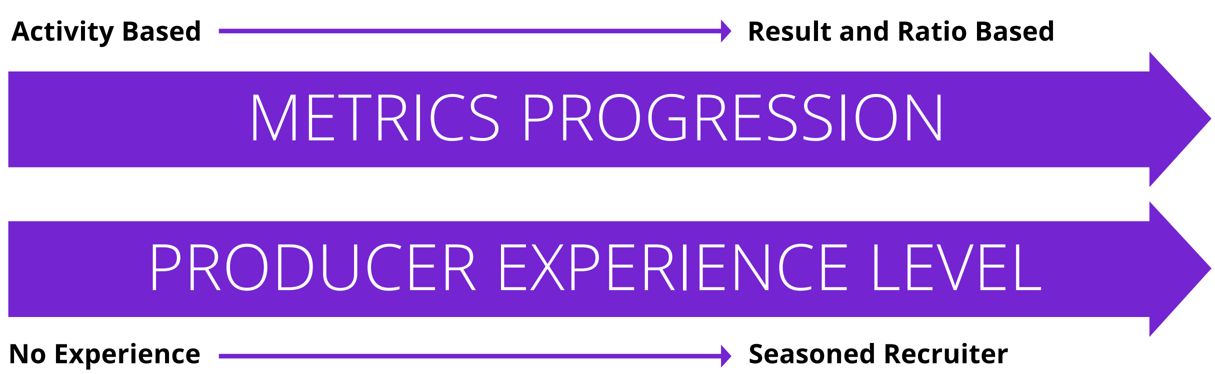
On the most tactical end is the account manager who simply manages job orders as they come through the VMS with no access to the direct buyer. Their job is to simply document and manage the process to fill the need. Contrast that role with the account manager who can influence buyers directly and use that influence to better define the need. The first account manager's metrics may include close rates and submittal-to-hire ratio, whereas the second account manager should also be held accountable to job orders they have personally qualified. Going further up the value chain, the account manager who can forecast need may be measured on jobs received before the competition. The account manager who is expected to customize solutions may be measured on time and material Statement of Work (SoW) or bundled staffing work, while the account manager who sells managed solutions can bring in deliverable based projects.



Most staffing companies that are managing multiple enterprise accounts have at least two of the first three roles in the organization. However, the tendency is to measure them against the same metrics, which is a fundamental mistake. Similar disconnects occur when managing different types of business developers. For example, business developers who focus on large enterprise accounts should be measured differently than ones who are calling on small and medium-sized businesses.

Recruiting metrics can also vary based on the account portfolio they are supporting and the tools they are using for sourcing their candidates. Recruiters who are focused on VMS accounts need to get a large volume of submissions out quickly and at a low cost. This brings the cost per submission down to help compensate for the high submittal-to-hire ratios often seen at VMS accounts. For recruiters who are servicing direct accounts, candidate quality overrides quantity, and speed, while still important, is secondary. The ability to network and leverage tools such as social networks, job sites, and recruitment marketing techniques as well as the ability to replace qualified candidates often provides an important competitive advantage.

Experience level oftentimes should influence the metrics you use to manage both sales and recruiting. When managing producers with little to no experience, the first priority is to teach them the work habits required in being successful in staffing. Establishing work habits begins with focusing on controllable actions such as calls or screens. As a producer becomes more experienced, the metrics should become more result and ratio based, the assumption being that the employee has mastered activity and is now learning how to apply their experience in running their desk more efficiently.



It is inevitable that experienced producers backslide and have to be managed further upstream with a greater focus on activity, but the end goal of any manager is to be able to manage to results as much as possible.

Key Considerations

As organizations grow and become more complex, the ability to effectively manage operations through metrics becomes increasingly important. An effective metrics portfolio will allow leaders to forecast financial trends, improve the operations, and effectively lead individual producers. However, while data can help transform a business by making it smarter, faster, and more efficient, it must be used properly to achieve those results. Below are some key considerations to help maximize the benefit of a metrics portfolio.

Simplicity

When building a metrics portfolio, it is easy to get carried away and attempt to measure every part of the business. This leads to portfolios that are difficult to populate with accurate data, as well as distracting management teams from the most important items. Steve Jobs's mantra of simplicity and focus applies to metrics. While it often requires more work to implement simpler systems, it translates to a more focused and effective leadership team.

Alignment

A common misunderstanding among staffing leaders is that metrics and the management systems they support is something that can be readily copied from one staffing firm to another. While there is no question that executives can learn from studying other management systems, an effective metrics portfolio is part of a system that must be customized to measure a company's competitive strategy and operational capabilities. Alignment must also be considered when developing processes and investing in tools that make those processes more efficient. Whether it is the choosing and properly configuring your ATS or selecting the right tools to assist in sourcing, the effectiveness of all investments begins with their alignment to the competitive strategy.

Proper Governance

Metrics are meant to empower management discernment, not replace it. Learning how to manage to metrics is arguably more crucial than the measurements themselves. When developing a metrics portfolio, it is critical that you do not just worry about what metrics you will use but how you will use them to manage the business. Metrics should be accompanied by governing principles that answer the following questions:

- Why are we reviewing these metrics?
- Who will review these metrics?
- How often will these metrics be reviewed?
- Does the data suggest opportunities for streamlining or automation?
- What decisions do we expect to be made from this data?

Empowering Your Leadership Team

When assessing the effectiveness of your metrics portfolio, the question any executive must answer is, does our metrics portfolio make my leadership team more effective? It is important to understand that implementing metrics may or may not make your leadership team better leaders. It is not uncommon for leaders to become less effective once a metrics portfolio is implemented. To ensure your metrics portfolio is properly empowering your leadership team, consider three behaviors an effective portfolio should enable.

Planning

Even with companies that have well-established metrics, an in-depth review of the portfolio should be part of any annual planning exercise and is often more impactful to company performance than budgeting. The metrics portfolio should provide objective measures on how effective the current strategy is at achieving the company's financial goals, what opportunities and threats the company is facing, and what efficiencies must be implemented to become more competitive and profitable. If your team is not effective at forecasting, there is a high likelihood that there are weaknesses in the portfolio or their ability to use it.

Collaboration

There is a saying that accounting is the language of business. While that is true, the same can be said for a well-developed metrics portfolio. As organizations mature, leadership teams must become more sophisticated collaborators. The metrics portfolio provides that language for that collaboration. With the right data, leaders can supplement their business intuition with data and have more informed discussions about issues facing the business. In addition, this data-centric communication improves collaboration by giving the leadership team a common set of facts to deliberate on. Without data, all that is left is subjective opinion, which encourages unproductive conflict and division among the team. A side-effect of this approach is a focus that allows the leadership team to easily determine which issues are business critical versus noise.

Clarity

While the ability for a leadership team to effectively collaborate is important, data must also be used to clearly communicate important information to line-level employees. Within the context of performance management, the role of data is obvious. The leader establishes the goal, and the metrics track the progress to that goal. However, what is often ignored is how metrics can be used to educate employees on the direction of the company and be used to reinforce behavior to a common goal. Carefully chosen metrics properly used are a powerful communication tool because they are both objective and measurable, providing organizational clarity on both expectations and overall performance.

Summary

It is never too soon to develop a metrics portfolio. Even for small staffing firms, a well-thought-out metrics portfolio can empower management by identifying improvements and ensuring a return on investments in personnel and tools. In addition, using data to make decisions and guide employee behavior is a skill that takes time to develop and must be done in a way that is consistent with both the company strategy and their culture.

Too often, leadership teams only decide to implement metrics when performance begins to suffer. Implementing metrics during difficult times tends to lead to portfolios that are overly complicated, which in turn can make the portfolio burdensome on both management and employees. Build your portfolio now and give your managers and producers time to adjust so that when they are used during difficult times, both managers and producers understand their value in making them and the entire company more successful. Once established, holding every part of your business and your business partners accountable to data allows for better collaboration and decision making. Metrics does this largely by removing emotions out of decisions and replacing it with objective insights, ultimately setting your business up for growth and long-term success.

About Appcast

Appcast is using data and programmatic targeting to revolutionize the global recruitment advertising industry. From its namesake pay-per-applicant job ad exchange to its market-leading recruitment media optimization platform, Appcast is changing how leading employers, staffing firms, ad agencies and job boards attract high-quality job seekers.

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