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# Agenda

- What Do Growing Staffing Companies Do Well
- The Value of Using Data In Your Decision-Making Process
- Using Data to Celebrate Success and Drive Accountability
- Overview – "The Rule of Thirds"
- Production over Tenure (Ramp Schedule)
- Contribution Margin Dollars & Multiples
- TechServe 360 Management Dashboards
- Q&A

# What Growing Staffing Companies Do Well

1. Maintain a desirable culture*

2. Have effective accountability systems*

3. Follow effective hiring practices

4. Have strong people and team development systems

5. Develop a high-performance Leadership Team

6. Have consistent & effective compensation systems that emphasize pay for performance

7. Have effective planning & goal setting

8. Use Key Performance Metrics

9. Good at "Data Driven Decision Making"

10. Have strong "Discipline of Execution"

*More details on culture & accountability best practices from the culture session at Summit are available to Summit Attendees on the TechServe website.

# Using Data Effectively

1.  Understand and embrace that "you can't manage what you don't measure" so measure the right things.

2.  Practice and be good at "what is the story that the data is telling us and what should we do with it".

3.  Track Key Performance Metrics, understand them, and use them to help make informed decisions and drive accountability.

4.  Understand and track "The Rule of Thirds" data & concepts.

5.  Use great summarized "Scoreboards" to "see the forest through the trees".

# Best Practices For "Seeing The Forest Through The Trees"

1. Use roll up or summary data and only dive into the gory details as needed.

2. Use Visual Aids like color coding, scoreboards, and charts to convey information.

3. Establish a regular cadence for individual, team & company performance updates. Frequent, concise updates are better than infrequent, lengthy reports.

4. Establish a standing agenda for weekly, monthly or quarterly business reviews.

5. Distribute information at least one day in advance of a meeting and require everyone to review it prior to the meeting.

6. Help participants become adept at understanding the data by having non-financial executives start with "here are my observations" vs. the CFO telling them what the data is saying.

7. Practice. Practice. Practice.

# Data Driven Decision Making In Summary

- Data-driven decision-making involves collecting, analyzing, and interpreting relevant data to inform choices, strategies, and actions.

- Gut feel is not unimportant, though combining it with data provides factual and objective insights, reducing the influence of assumptions, personal biases, opinions, or less than fully informed decisions.

- Businesses that leverage data effectively gain a competitive edge.

- In summary, data-driven decision-making empowers businesses to make smarter choices that align with their goals and improve overall performance.

# Using Data to Celebrate Success and Drive Accountability

**Effective Accountability Systems Focus On Five Things**

1. Clear expectations*

2. Clear capability

3. Clear measurement*

4. Clear feedback

5. Clear consequences

**\*Good data is required for #1 and #3 to be effective!**

\*\*More details on culture & accountability best practices from the culture session at Summit are available to Summit Attendees on the TechServe website.

# "Rule of Thirds" Overview

Staffing & Solution Services Companies in the top quartile of industry profitability invariably have cost structures that are closely tied to their Gross Profit Margin. These are measured as follows:

- 1/3 of their GM$ covers Producer Costs (commissioned sales & recruiting)
- 1/3 of their GM$ covers all other expenses (G&A)
- 1/3 of their GM$ falls to their Operating Profit

**Example:** For a given period, a firm's GPM is 30% of Revenue. For the same period:

- Producer Costs (expenses are 10% of revenue)
- All other expenses are 10% of revenue
- Operating Profit is 10% of revenue

# Producer Cost Calculations

1. Total all commissioned sales staff and show "burdened" costs:
   - Salary
   - Commissions and bonuses
   - Employer taxes
   - Employer benefits
2. Do the same for Recruiters
3. Sum of 1 & 2 above equals total Producer Cost
4. Sales and Recruiting leaders should not be included in analysis – they are best booked under G&A Ratios

# Producer Ratio Analysis – Higher Ratio

**While the ideal Producer Ratio is 33% of GM$, what if the ratio is a lot higher?**

- Comp plan may be too rich (fairly rare)

- You are holding on to poor producers for too long (they don't bring in enough GM$ to cover their costs) – this is common, and an opportunity move producers out that consistently underperform.

- You have several new producers who have not been around long enough to generate GM$ significantly higher than their costs.

# Producer Ratio Analysis – Lower Ratio

**While the ideal Producer Ratio is 33% of GM$, what if the ratio is a lot lower?**

- Comp plan may not be competitive
- If all producers are superstars, then mathematically the ratio may dip below 33% as their fixed costs (salary, cap on employer taxes & benefits) is significantly lower than variable costs (primarily commissions). This scenario is rare.

# All Other Expenses (G&A) Ratio Analysis

**After taking out "Producer Costs", look at all other expenses as a % of GM$:**

- If at or close to 33%, you are efficient and operating at scale given your costs.

- If less than 33%, this is an opportunity to invest more aggressively.

- If higher than 33%, further analysis is needed to determine why (new investments not yet the right ROI, staff and other fixed costs too high, etc.).

# Rule of Thirds Example: "High Touch Business"

| | $$ | % of Rev | % of GM |
|---|---|---|---|
| Revenue | $100 | 100% | |
| COGS | $70 | 70% | |
| Gross Profit | $30 | 30% | |
| SG&A Expenses: | | | |
| Producer Costs | $10 | 10% | 33.33% |
| All Other Costs | $10 | 10% | 33.33% |
| Operating Profit | $10 | 10% | 33.33% |

Converting ratios to GM$ is more effective to track assuming you have a heavy focus on good GM$/GM% business.

# Rule of Thirds Example: "Low Touch Business"

| | $$ | % of Rev | % of GM |
|---|---|---|---|
| Revenue | $100 | 100% | |
| COGS | $79 | 79 | |
| Gross Profit | $21 | 21% | |
| SG&A Expenses: | | | |
| Producer Costs | $7 | 7% | 33.33% |
| All Other Costs | $7 | 7% | 33.33% |
| Operating Profit | $7 | 7% | 33.33% |

Less profit $$ but still 33% of GM is profit. Can be achieved if producer costs are lower: offshore/RPO recruiting, account "manager" vs account "hunter" comp plans.

# Example of Clear Expectations: Producer Ramp Schedule

## Monthly Spread Ramp Schedule Based on Tenure With Company

| Tenure with Company (months) | Minimum Performance Monthly Spread | Typical BHC* To Achieve Spread | Avg Performance Monthly Spread | Typical BHC* To Achieve Spread | Star Performance Monthly Spread | Typical BHC* To Achieve Spread |
|---|---|---|---|---|---|---|
| 1 | $0 | 0.00 | $0 | 0.00 | $2,800 | 0.82 |
| 2 | $0 | 0.00 | $2,400 | 0.71 | $5,000 | 1.47 |
| 3 | $2,000 | 0.59 | $5,000 | 1.47 | $9,000 | 2.65 |
| 4 | $3,000 | 0.88 | $7,500 | 2.21 | $12,000 | 3.53 |
| 5 | $4,000 | 1.18 | $10,000 | 2.94 | $16,000 | 4.71 |
| 6 | $5,000 | 1.47 | $12,500 | 3.68 | $15,000 | 4.41 |
| 7 | $6,000 | 1.76 | $15,000 | 4.41 | $19,000 | 5.59 |
| 8 | $7,000 | 2.06 | $18,000 | 5.29 | $26,000 | 7.65 |
| 9 | $8,000 | 2.35 | $21,000 | 6.18 | $29,000 | 8.53 |
| 10 | $10,000 | 2.94 | $23,500 | 6.91 | $32,000 | 9.41 |
| 11 | $11,000 | 3.24 | $25,000 | 7.35 | $38,000 | 11.18 |
| 12 | $12,000 | 3.53 | $27,500 | 8.00 | $40,000 | 11.76 |
| 13 | $14,000 | 4.12 | $30,000 | 9.00 | $44,000 | 12.94 |
| 14 | $15,000 | 4.41 | $32,500 | 9.00 | $47,000 | 13.82 |
| 15 | $16,000 | 4.71 | $35,000 | 9.50 | $50,000 | 14.71 |
| 16 | $18,000 | 5.29 | $38,000 | 9.50 | $62,000 | 18.24 |
| 17 | $20,000 | 5.88 | $40,000 | 11.76 | $65,000 | 19.12 |
| 18 | $22,000 | 6.47 | $41,000 | 12.06 | $67,000 | 19.71 |
| 19 | $24,000 | 7.06 | $42,000 | 12.35 | $70,000 | 20.59 |
| 20 | $26,000 | 7.65 | $43,000 | 12.65 | $72,000 | 21.18 |
| 21 | $28,000 | 8.24 | $44,000 | 12.94 | $75,000 | 22.06 |
| 22 | $30,000 | 8.82 | $46,000 | 13.53 | $78,000 | 22.94 |
| 23 | $32,000 | 9.41 | $48,000 | 14.12 | $81,000 | 23.82 |
| 24 | $34,000 | 10.00 | $50,000 | 14.71 | $83,000 | 24.41 |
| >24 | $34,000 | 10.00 | $52,000 | 15.29 | $86,000 | 25.29 |

| Variables: | |
|---|---|
| Avg Bill Rate | $85 |
| Avg GM% | 25.00% |
| Avg GM $ per Hours | $21.25 |
| Avg Monthly Hours | 160 |
| Avg Mthly GM$ per BHC | $3,400 |

*"BHC" is Billable Headcount or number of contractors that you are earning commissions on

# Contribution Margin/Multiple*

| Name | Tenure (Months) | Commissionable GM$ | Burdened Cost** | $$ Contribution^ | Multiple^^ | Comments |
|---|---|---|---|---|---|---|
| Sales Person 1 | 36 | $297,500 | $46,300 | $251,200 | 5.43 | Consider more comp! |
| Sales Person 2 | 5 | $21,325 | $18,500 | $2,825 | 0.15 | First Break Even Month! |
| Sales Person 3 | 12 | $17,250 | $21,250 | -$4,000 | -0.19 | Consider letting go? |
| Sales Person 4 | 24 | $88,000 | $31,250 | $56,750 | 1.82 | Needs to produce more |
| Sales Person 5 | 18 | $102,000 | $32,000 | $70,000 | 2.19 | On track |
| Recruiter 1 | 40 | $109,000 | $35,000 | $74,000 | 2.11 | Up or OUT |
| Recruiter 2 | 24 | $95,000 | $31,250 | $63,750 | 2.04 | B or C player |
| Recruiter 3 | 6 | $8,100 | $28,750 | -$20,650 | -0.72 | Consider letting go? |
| Recruiter 4 | 19 | $184,522 | $38,000 | $146,522 | 3.86 | Tracking very well |
| Recruiter 5 | 35 | $297,850 | $52,325 | $245,525 | 4.69 | Excellent - keep pushing |

*It is highly recommended that this data be shared with owners & Leaders only. Many producers will not understand all the $$ that needs to be left over after their comp to pay for everything and keep some for profit!

**Burdened Cost is salary, commissions, and bonuses plus all employers cost for taxes, benefits, etc.

^Contribution margin is how much GM$$ are left over after you pay the producer to cover all other costs plus profit.

^^Multiple is Contribution Margin divided by Burdened Cost. Multiple target at 24 months is 4+: After their cost is covered then enough is left over for all other expense plus profit. Contribution Margin & Multiple is based on the "Rule of Thirds" concept.
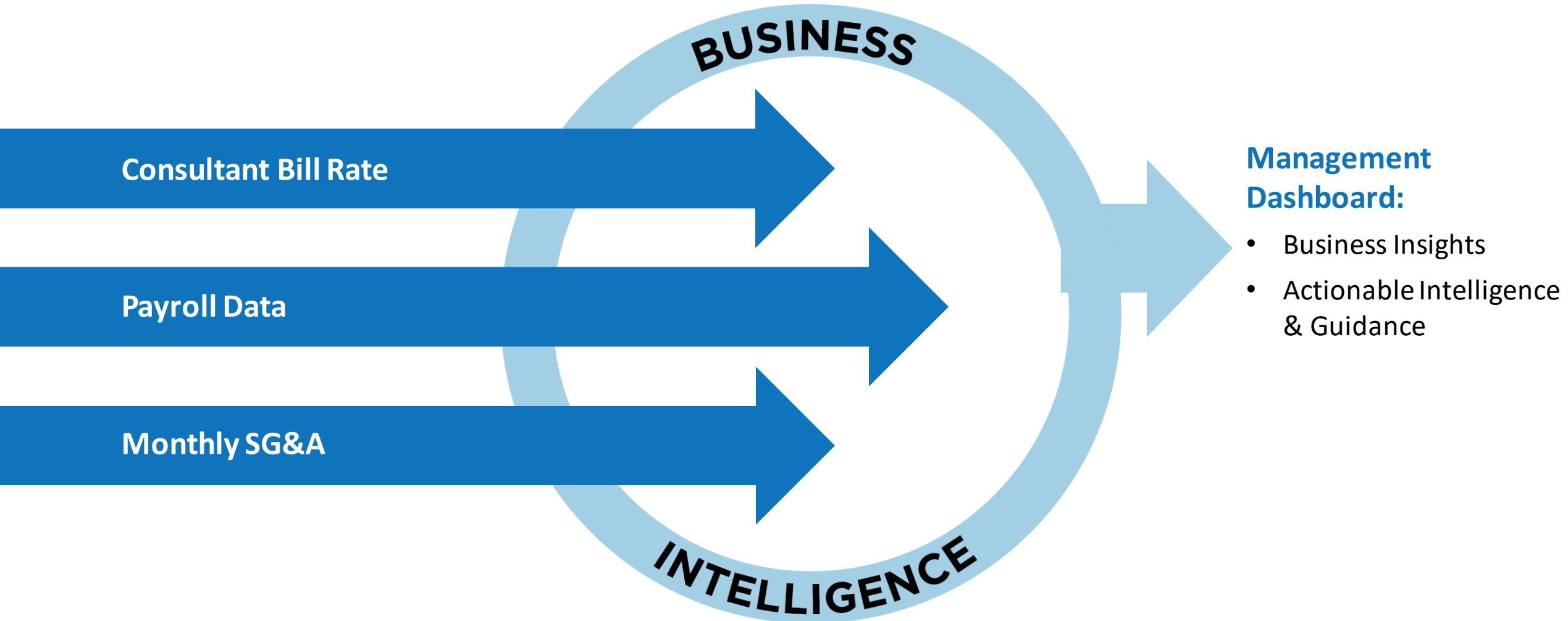
Burden Benefits

Payrate **Bill Rates** Gross Margin

**PAYROLL DATA**

Operating Profit Contribution Margin

Taxes **Gross Revenue**

# Actionable Intelligence & Guidance

# Summary Dashboard

**XYZ IT Staffing** — Finding Hard to Find Talent

**TechServe 360**

## Gross Revenue

| Nov 2023 |
|---|
| **$901,992** ▲ |
| Oct 2023: $882,464 |

### Average Bill Rate

| Nov 2023 |
|---|
| **$101.30** ▲ |
| Oct 2023: $96.42 |

## Gross Margin

| Nov 2023 |
|---|
| **$206,770** ▼ |
| Oct 2023: $234,778 |

| Nov 2023 |
|---|
| **22.5%** ▼ |
| Oct 2023: 26.2% |

| Starts Only Nov 2023 |
|---|
| **22.2%** |

## Head Count

| Nov 2023 |
|---|
| **53** ▲ |
| Oct 2023: 52 |

| Starts Nov 2023 |
|---|
| **6** ▲ |
| Oct 2023: 6 |

| Stops Nov 2023 |
|---|
| **5** ▲ |
| Oct 2023: 4 |

## Sales Contribution Margin/Multiple

| | Acct Exec | Month | Revenue | Gross Profit | Avg Gross Margin | Personnel Cost | Contribution $ | Contribution Multiple |
|---|---|---|---|---|---|---|---|---|
| 1 | Anderson, Camila | Nov 2023 | $319,368.00 | $76,464.83 | 23.2% | $14,460.41 | $62,004.42 | 4.29 |
| 2 | Moore, Daniel | Nov 2023 | $369,768.00 | $78,995.40 | 21.3% | $15,487.78 | $63,507.62 | 4.10 |
| 3 | Taylor, Sofia | Nov 2023 | $148,680.00 | $34,447.98 | 22.9% | $9,305.12 | $25,142.86 | 2.70 |
| 4 | Thomas, Sebastian | Nov 2023 | $64,176.00 | $16,861.81 | 25.0% | $8,120.11 | $8,741.70 | 1.08 |

## Recruiter Contribution Margin/Multiple

| | Recruiter | Month | Revenue | Gross Profit | Avg Gross Margin | Personnel Cost | Contribution $ | Contribution Multiple |
|---|---|---|---|---|---|---|---|---|
| 1 | Jackson, Scarlett | Nov 2023 | $232,008.00 | $51,768.06 | 22.1% | $10,591.67 | $41,176.39 | 3.89 |
| 2 | Lee, Elizabeth | Nov 2023 | $208,992.00 | $47,232.52 | 22.4% | $9,980.35 | $37,252.17 | 3.73 |
| 3 | Martin, Jack | Nov 2023 | $136,920.00 | $30,381.52 | 22.0% | $7,925.17 | $22,456.35 | 2.83 |
| 4 | Perez, Michael | Nov 2023 | $118,440.00 | $27,369.09 | 22.0% | $7,505.02 | $19,864.07 | 2.65 |
| 5 | Thompson, Eleanor | Nov 2023 | $138,432.00 | $35,592.33 | 24.9% | $8,310.45 | $27,281.88 | 3.28 |
| 6 | White, Alexander | Nov 2023 | $67,200.00 | $14,426.50 | 21.5% | $6,652.12 | $7,774.38 | 1.17 |

## Summary-Client Gross Rev/Profit YTD

| | Client | Total Gross Revenue | Total Gross Profit | Avg Gross Margin |
|---|---|---|---|---|
| 1 | Liquid Holdings Group, Inc. | $223,608.00 | $47,503.62 | 21.2% |
| 2 | Pluralsight, Inc. | $108,864.00 | $22,907.97 | 21.0% |
| 3 | SVMK Inc. | $104,328.00 | $22,415.76 | 21.3% |
| 4 | ImaginOn, Inc. | $84,840.00 | $20,651.83 | 23.9% |
| 5 | Adaptive Medias, Inc. | $67,536.00 | $16,996.16 | 23.5% |
| 6 | LongFin Corp | $55,944.00 | $17,232.70 | 29.8% |
| 7 | Affinity Networks, Inc. | $49,896.00 | $10,274.82 | 20.8% |
| 8 | XcelMobility, Inc. | $41,832.00 | $9,076.02 | 21.7% |
| 9 | Andiamo Corp | $36,288.00 | $10,811.13 | 28.3% |
| 10 | Primal Solutions, Inc. | $35,952.00 | $7,745.47 | 21.5% |
| 11 | MedLink International, Inc. | $27,888.00 | $6,050.68 | 21.7% |
| 12 | SofTech, Inc. | $23,184.00 | $6,027.84 | 26.0% |
| 13 | Speed Commerce, Inc. | $13,944.00 | $3,025.34 | 21.7% |
| 14 | Simtrol, Inc. | $13,944.00 | $3,025.34 | 21.7% |
| 15 | Enterprise Informatics, Inc. | $13,944.00 | $3,025.34 | 21.7% |
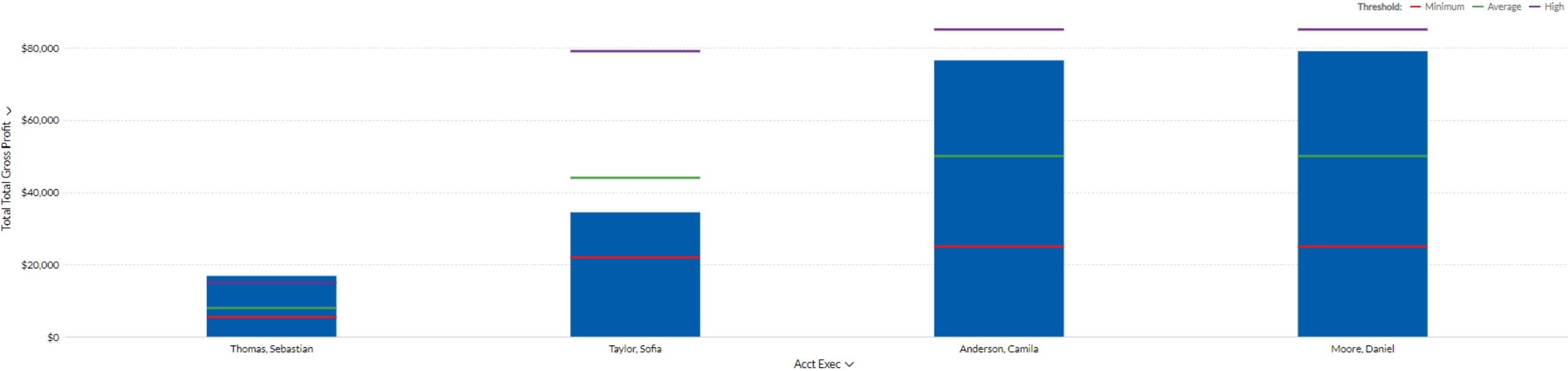
# Sales-Gross Profit-By Quarter
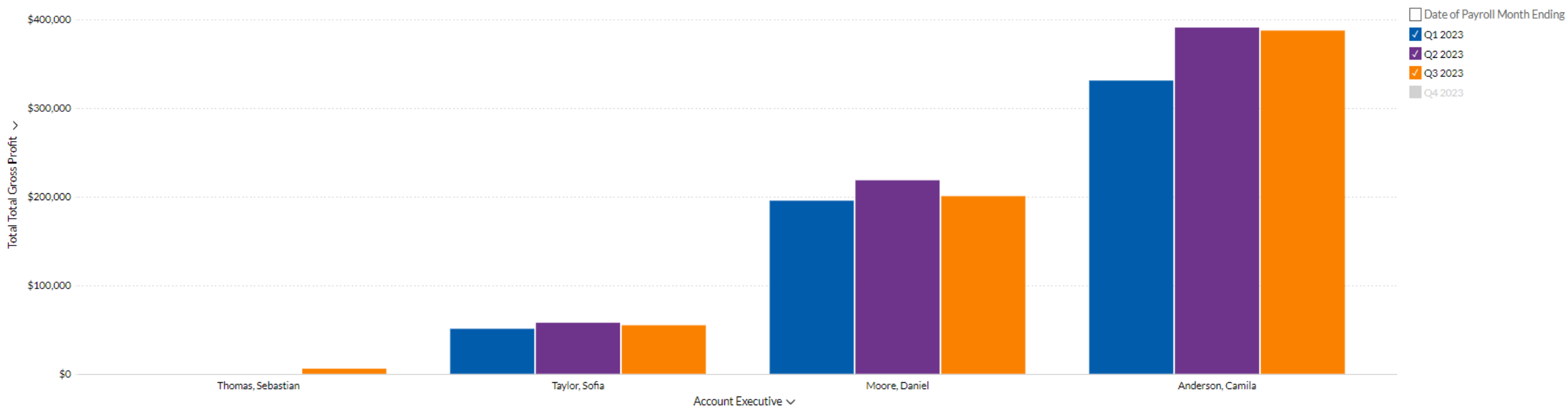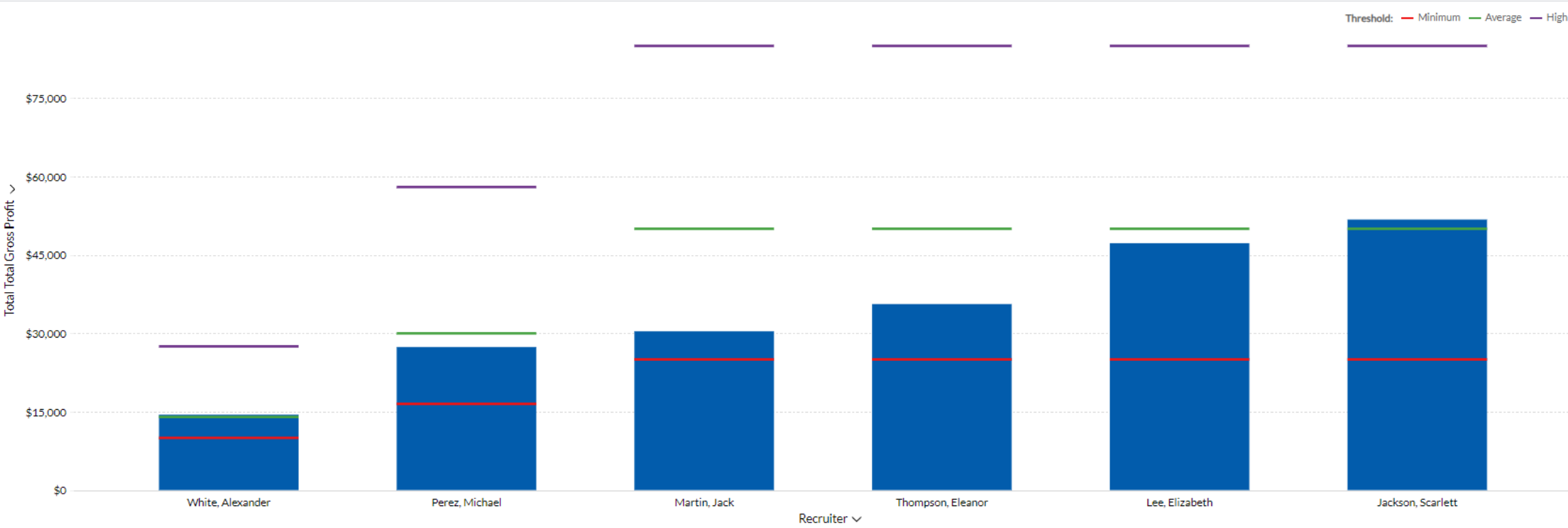
# Recruiter-Gross Profit by Quarter



**Date of Payroll Month Ending**
- ☑ Q1 2023
- ☑ Q2 2023
- ☑ Q3 2023
- ☐ Q4 2023
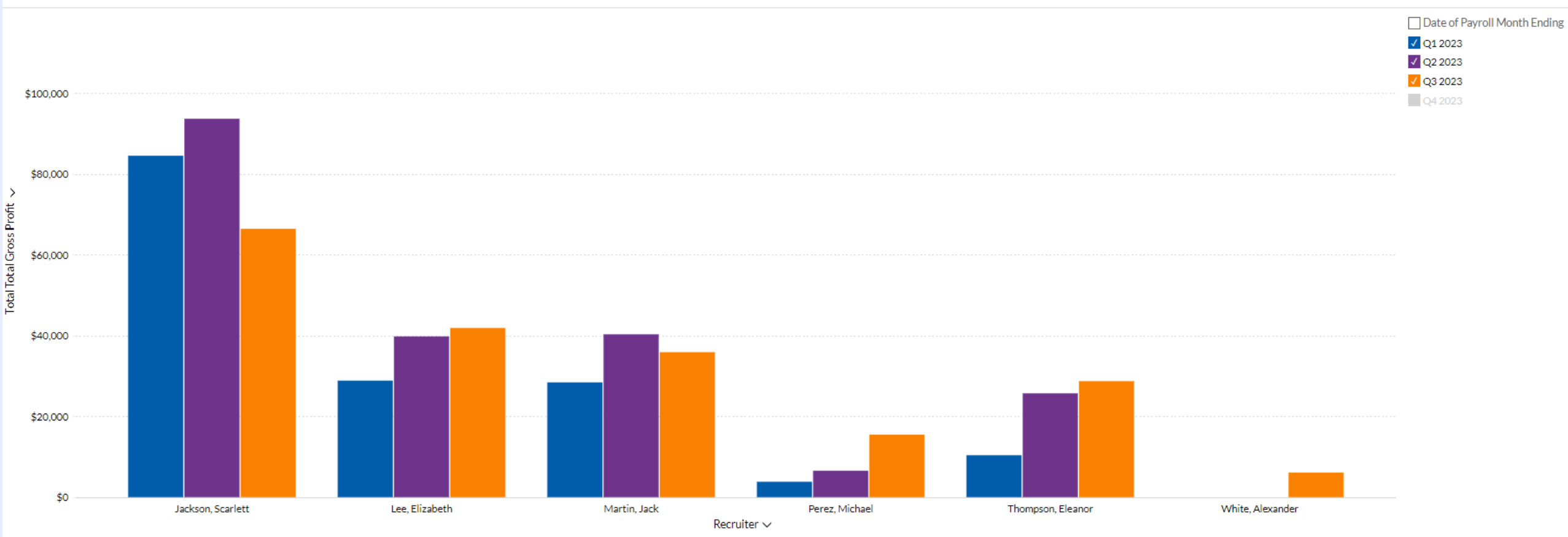
# Q & A

# TechServe 360 Contacts



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Click here to schedule a meeting to learn more about TechServe 360.

# Tom Nunn – Bio

Tom Nunn is the president of Tom Nunn Consulting, LLC, a company he started in 2009 that specializes in helping owners and executive teams of growing companies implement best practices to enable long term growth, profitability and health. Since starting his consulting practice, Tom has worked with over 120 IT & Engineering staffing company across the country and also facilitates several peer group roundtables. He is actively involved in TechServe Alliance as a speaker, facilitator and currently serves as Secretary-Treasurer for the Board of Directors.

Prior to starting his own company, Tom was president of a national IT staffing company headquartered in Boston, MA. Over the nine years that he was there, Tom helped develop and lead a high-performance team that grew the company from $25MM to $100MM and top quartile profitability. Tom has over 40 years of diverse business experience including many years as an executive in the financial services industry where he led teams that oversaw IT and back-office support for various investment management functions in multi-national banks.

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TOM NUNN CONSULTING, LLC
strategic growth planning

# Michele Grassley Clarke - Bio

Michele was president & CEO of The Grassley Group (TGG), an association management company that provided front and back-office services for the nonprofit sector for nearly 20 years. TechServe was a client of TGG for most of those 20 years. In 2018, TGG was acquired by a nonprofit professional association, and Michele joined the buyer's leadership team as Vice President of Member & Chapter Services.

Michele joined TechServe in May 2020 as the chief operating officer of its for-profit subsidiaries and chief financial officer for the enterprise.

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