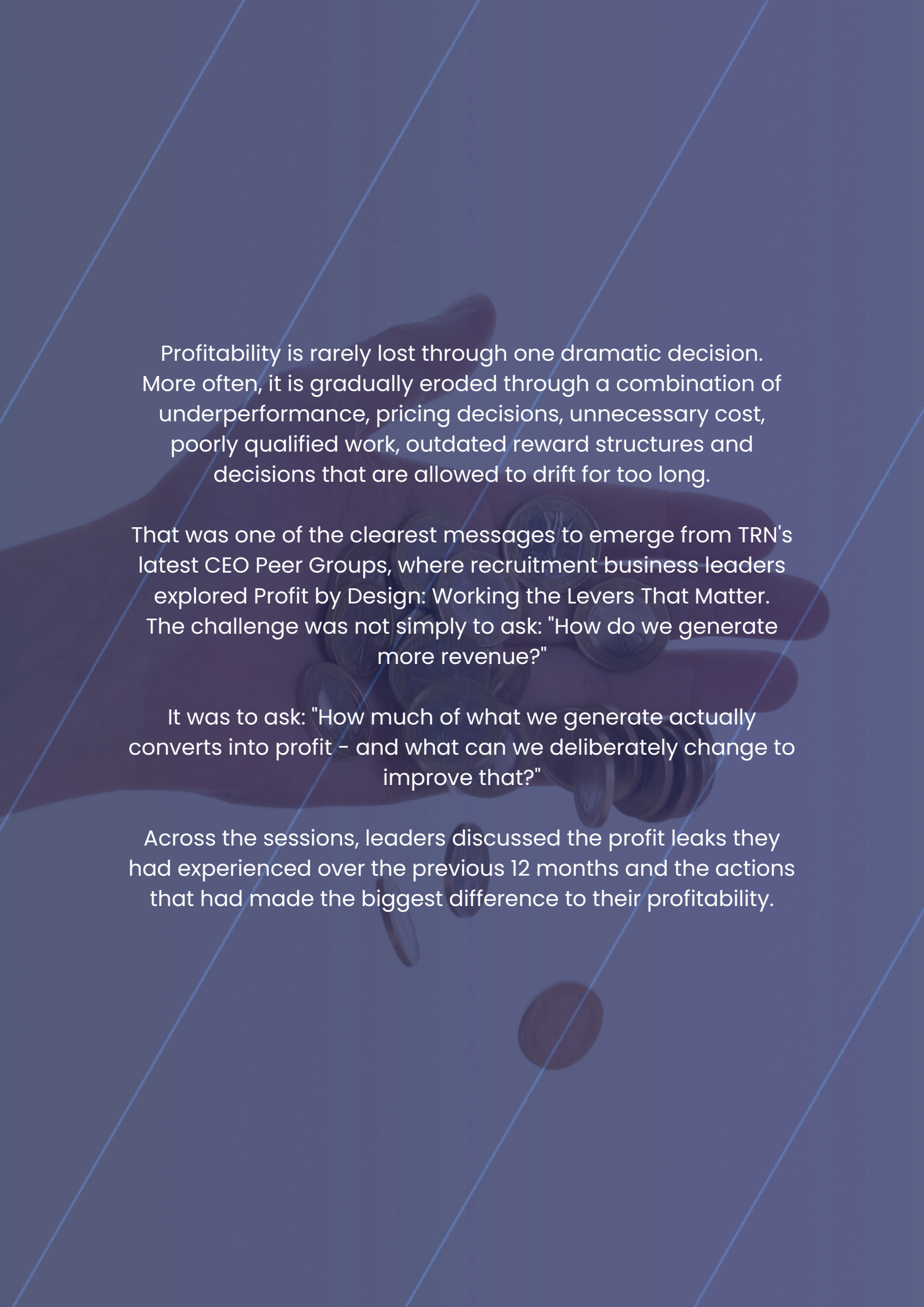




What 250 Recruitment CEOs Say Is Eroding Profit – And What They’re Doing About It

Profit doesn't disappear in one big decision. It leaks out through small choices left unchallenged.



Profitability is rarely lost through one dramatic decision. More often, it is gradually eroded through a combination of underperformance, pricing decisions, unnecessary cost, poorly qualified work, outdated reward structures and decisions that are allowed to drift for too long.

That was one of the clearest messages to emerge from TRN's latest CEO Peer Groups, where recruitment business leaders explored Profit by Design: Working the Levers That Matter. The challenge was not simply to ask: "How do we generate more revenue?"

It was to ask: "How much of what we generate actually converts into profit – and what can we deliberately change to improve that?"

Across the sessions, leaders discussed the profit leaks they had experienced over the previous 12 months and the actions that had made the biggest difference to their profitability.

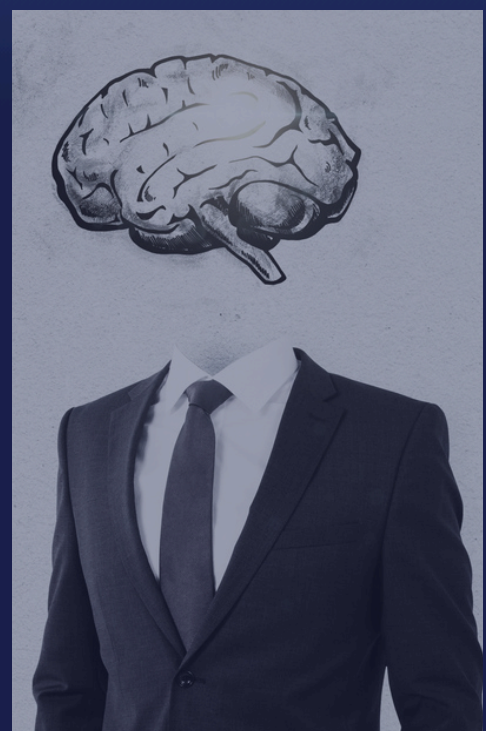
What emerged was a clear shift in mindset. **Profit is becoming an execution problem.**

Uncertainty remains across the recruitment market. But businesses operating in the same sectors and facing many of the same conditions are still producing very different results.

The distinction highlighted throughout the CEO Peer Groups was not simply market choice. Stronger performers were described as being more intentional about profitability, clearer strategically and operationally, more disciplined in execution and more willing to make decisions based on what was actually converting into profit.

One of the session examples illustrated the point particularly well. Rather than winning work, delivering it and seeing what profit remained afterwards, the business had begun designing work around a target conversion of NFI into net profit. Delivery model, technology, headcount and customer expectations were then built around achieving that outcome. That is the difference between **profit happening by accident and profit being created by design.**

Profit by Accident	Profit by Design
Grow revenue	Grow profitable revenue
Add headcount	Improve output per head
Price to the market	Understand cost to deliver
Review results afterwards	Set profit expectations upfront
Look at turnover	Track conversion to profit
React to problems	Identify and work the levers



Where is profit leaking?

Working with TRN Partners Recruitment Accountants and Azuki, the session grouped common profitability leaks into **four areas**:



FINANCIAL

- Pricing erosion
- Rebates and replacement costs
- Cash gaps and funding drags



OPERATIONAL

- Underperforming consultants
- Operational inefficiency and overhead control
- Poor financial visibility



STRATEGIC

- Client mix
- Commission plans not fit for purpose
- Free work creep



LEADERSHIP

- Founder dependency
- Leadership procrastination

The discussions around these areas went considerably deeper than the labels themselves.

Pricing erosion included discounted rates, misunderstood margins and additional delivery costs. Operational inefficiency included unused technology, legacy roles, empty desks and expensive long term commitments. Client mix included low win rate PSL work and work that required significant effort without sufficient commercial return. Founder dependency was not simply about founders working too hard – it was also about them becoming bottlenecks for sales and decision making

Ask 250 recruitment leaders which profit leak needs the most attention and the answer is clear: **people**.

Where CEOs say profit needs the most attention:

Profit leak	Responses
Underperforming consultants	29%
Pricing erosion	13%
Operational inefficiency and overhead control	13%
Founder dependency	12%
Client mix	12%
Commission plans not fit for purpose	7%
Free work creep	4%
Rebates and replacement costs	3%
Leadership procrastination	3%
Poor financial visibility	3%
Cash gaps and funding drags	1%

Underperforming consultants took 29% of votes, more than double the next leak.

The **six highest ranked leaks** accounted for 86% of the responses, so we looked more closely at what leaders were experiencing in these areas and the actions that were working.

Here is what that looked like in practice.

1. Underperforming consultants (29%)

What leaders saw

- Experienced hires who looked great on paper but "couldn't open up a single client" while on high basic salaries.
- Underperformers kept on too long, often through personal loyalty, during the 2024-25 downturn.
- Teams held in dead markets, and leaders spending their time on underperformers while top billers were ignored.
- Slow ramp up: long time to contribution for new hires.

What worked

- Moving researchers into business development rather than buying in expensive experienced recruiters.
- Earlier, supportive performance check ins and faster performance improvement plans.
- A hiring trigger: a team must hit a set monthly revenue per head before the next hire is approved.
- Moving consultants between markets or between BD and delivery, faster.
- On desk coaching ("performance pod") to lift consultant profitability.
- Starting the process sooner. One leader's lesson: a robust process is no use if you trigger it late. Waiting until month 3 of a new hire's tenure, then running a further 3-month process, meant six months of cost. Now they act when the first month is missed and do not pass probation by default.
- Tightening contracts and probation: one agency worked with an HR consultancy to rewrite policies and probation length with managers, so exits are faster and cleaner.
- Making the hiring trigger specific: each team must average around £20K revenue per head per month before a new person can start, backed by profitability per head reporting.



Try this month: list every consultant against cost to employ and trailing 6 month contribution. For anyone below break even, set a dated plan, not an open ended hope.



"We should have not passed probations and performance managed as soon as the first missed month."

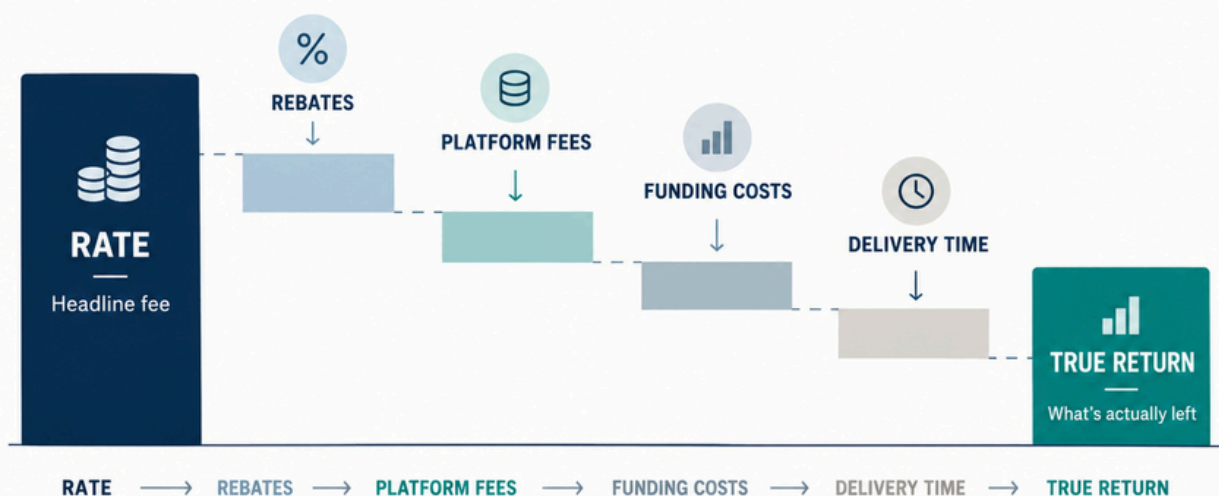
2. Pricing erosion (13%)

What leaders saw

- Long standing clients quietly drifting down in fee percentage (one from 14% to 12-13%).
- Managed service providers, vendor platforms and frameworks cutting margins through platform fees, rebates and single digit tendered margins, and in one case removing direct client contact.
- One of the clearest lessons was that headline fee percentage can be misleading. Leaders shared examples of work at 20-22% that was ultimately less profitable than lower-fee business because of the time, complexity and cost involved in delivery.
- Unpaid consultations and free market advice given away.
- Rebates that bite hardest on bigger fees: after moving into executive search at 25-30K fees, one leader noted a single rebate can turn a month from black to red.

LOOK BEYOND THE HEADLINE MARGIN

A higher fee doesn't automatically mean a more profitable client.



The headline fee can be misleading if you do not account for the real cost to deliver.

What worked

- Raising fees with core clients, with little or no pushback, and walking away from low margin, high effort contingent work.
- Good / better / best proposals for executive search (bronze, silver, gold), which cut negotiation and lifted average fee.
- Charging on the full package (bonus, car allowance, other benefits) rather than base salary alone.
- Removing blanket guarantees: one agency did this alongside a price rise for an immediate 5% margin gain.
- Fees for pulled roles (a £10,000 clause produced £20,000 of revenue in a year).
- Upfront retained elements, often around 20% of the fee, or a flat deposit for lower value vacancies.
- For contract: talking margin as a percentage, not a flat pound amount, which lifted day rates.
- For MSP and platform based accounts, leaders also highlighted the importance of looking beyond the headline margin. Rate, rebates, platform fees, funding costs and internal delivery time all need to be included to understand what the account really contributes.



Try this month: Pick your three largest MSP or framework accounts and build a simple margin bridge – rate, rebate, platform cost, funding cost and internal delivery time. Then look at the true return.



“We’ve massively upped our terms with core clients, earning 30-40% more on the same level of placements.”



3. Operational inefficiency and overhead control (13%)

What leaders saw

- Back office too heavy, or a management layer too top heavy.
- Sales people doing non-sales work for lack of operational support.
- Late purchase orders, delayed invoicing and slow processes.
- Data not clean after a CRM implementation, so ratios could not be trusted.

What worked

- Outsourcing or offshoring back office work (one team of two for roughly £1,600–£1,700 a month in total). TRN facilitators noted this as one of the strongest trends across peer groups: on some calls most of the leaders had team members in South Africa.
- Downsizing office space and cutting headcount to run a smaller, more focused team.
- A dedicated operational excellence owner or team driving daily improvements.
- Cleansing CRM data so key fields are easy to find: one agency saw a 12.5% rise in placements.
- AI and automation for screening, shortlists, proposal writing and ATS population. One leader cut longlist and proposal creation from hours to 30 minutes.
- Invoicing on acceptance rather than on start.



Try this month: Ask each salesperson to log a week of non-billing tasks. Anything that can be delegated, automated or outsourced is worth reviewing.



4. Founder dependency (12%)

What leaders saw

- › Owners stuck in operational tasks, data entry and business development.
- › Growth slowed because too much relied on the owner's time and attention.

What worked

- › Hiring an operations manager so the owner can spend time on clients and sales.
- › Giving the head of business development more bandwidth through offshore resource and email automation; one leader said it doubled output.
- › Defining roles clearly (BD, account management, resource) which produced happier staff and better performance.
- › Using AI to turn messy priorities into delegable task lists.
- › Being open with the team about market conditions and growth goals.



Try this month: Write down five things only you do today that someone else could handle to 80% of your standard. Delegate one this month.

5. client mix (12%)

What leaders saw

- Unprofitable clients and contract work, including whole markets that never made money.
- Preferred supplier lists with big brand names but poor return because of the time they consumed.
- Working unqualified business.
- Jobs lost to clients filling roles directly or cancelling: one agency put this at around £200,000 a month.
- A low fill rate on contingent work compared with managed accounts.

What worked

- Exiting unprofitable markets and geographies decisively, including shutting a loss making overseas business.
- Focusing on specific sectors and niches rather than "whack-a-mole" generalism.
- Moving toward retained, partnership and contract models for more forecastable revenue. One agency is now around 50% retained versus contingent, and another reported 100% fill on all retained and exclusive assignments.
- Using a 180 delivery model (one salesperson, separate delivery team) in contract and perm. One leader found these divisions the most profitable: lower commission cost, bigger businesses through retained clients, and less risk of a consultant taking the client relationships elsewhere, which they saw as a weakness of the 360 model.
- Tighter qualification and onboarding to cut "jobs lost".
- Cross selling permanent services into existing temp clients, and winning work through community and peer networks.



Try this month: Rank clients by gross profit and by hours consumed. Look hard at the bottom quartile.



6. Commission plans not fit for purpose (7%)

What leaders saw

- Commission schemes designed in stronger markets that still pay generously when performance drops - including one perm scheme paying up to 16%.
- Commission being paid for sub-target performance, with incentives becoming difficult to change once they are seen as an expectation.
- Unpredictable monthly commission payouts putting pressure on cash flow.

What worked

- **Introducing a "commercial line".** One 17-18 person agency set a quarterly revenue requirement for each consultant, typically £45,000-£60,000 depending on salary. The figure factored in salary, employer costs and a contribution towards shared overheads such as LinkedIn, rent and operational support. Commission continued to be calculated monthly, but commission continued to be calculated monthly, but the quarterly total had to clear the commercial line. After some initial resistance, the leader reported significantly higher fees and much greater clarity around the level of performance required.
- **Setting a minimum performance gate.** One leader introduced a rule that consultants must achieve at least 90% of target before commission is paid above the threshold. Their analysis showed around £52,000 of commission had previously been paid on sub-90% performance. It was the first major change to the scheme in 18 years.



6. Commission plans not fit for purpose (7%) cont.

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- **Splitting commission plans by role.** Different structures for key account and specialist market roles reduced average commission payout from around 18-19% to approximately 15%.
- **Time limiting commission on contract runners.** One group pays up to 17% on contract runners where a salesperson bills more than £15,000 a month, with that entitlement reducing once the client has been established for 12 months.
- **Using annual kickers and accelerators.** Leaders linked additional rewards to annual performance rather than relying solely on monthly results. One retained-focused agency combines monthly commission with an annual kicker, while recognising retained fees in thirds.
- **Using rolling annual revenue** to give a more consistent view of performance and reduce the impact of unusually strong or weak individual months.



TRN facilitators noted that 3 of 12 leaders on one call had just changed their commission scheme, and all were already seeing better ROI and less paid out for performance.



Try this month: Model last year's commission payouts under a threshold based scheme, then stress test it against a 20% fall in revenue. Would it still protect an acceptable level of profit? Compare the financial impact with the potential retention risk before making any changes.



The other five leaks

1. **Free work creep (4%):** Charge for consultations and insight work where appropriate, or use retained and deposit-based terms to create a clearer commercial return.
2. **Rebates and replacement costs (3%):** Tier your guarantees, remove blanket free replacements and be clear on the real cost of rework.
3. **Leadership procrastination (3%):** A common admission was holding onto people or decisions for too long. Set review dates in advance and act when the evidence is clear.
4. **Poor financial visibility (3%):** Keep reporting focused on the numbers that drive decisions. Use concise board packs, track GP and profitability rather than turnover alone, and create a regular rhythm of finance conversations.
5. **Cash gaps and funding drags (1%):** Invoice earlier where possible, shorten contractor payment terms and review the true cost of funding arrangements such as factoring.

Know your numbers: the discipline underneath every profit lever

One theme ran underneath almost every profitability discussion: **leaders need better visibility of what is actually happening inside the business.**

The sessions repeatedly challenged the value of lengthy management packs that provide plenty of numbers but little insight. The stronger approach was to focus on fewer, more meaningful metrics that help leaders make decisions.

If you are not sure where to start, five useful numbers are cash, NFI, conversion of NFI into profit, profit per head and debtor position. From there, add the measures that expose the specific levers in your own business.



The role of finance came through strongly too. Whether that capability sits internally or externally, leaders should expect more than historical reporting and bookkeeping. They need information that identifies the real operational issue, challenges assumptions and supports faster decisions.

The profit question: Are your numbers telling you what happened, or helping you decide what to do next?

Three themes that cut across the profit leaks

Some issues came up repeatedly across the Peer Groups but did not sit neatly within a single category. These were some of the clearest cross-cutting themes.

- 1. Technology sprawl.** Overlapping CRMs and diallers, unused licences and over committed LinkedIn contracts were common. The fixes were straightforward: audit the stack, move to one year contracts, trial tools before committing, and give one person ownership of evaluating new technology. Several leaders found easy savings simply by reviewing what they were already paying for. One business saved thousands after creating a technology register and identifying tools nobody was using. Another dropped paid LinkedIn entirely, using free adverts, consultant led social activity, Boolean search and AI-generated content instead, with no reported drop in candidate quality or volume. Others increased LinkedIn investment after analysing source ROI. The lesson was not to copy either approach, but to measure what actually delivers.
- 2. Low ROI events, sponsorships and advertising.** Some spend continued simply because it always had. One event ran for another year after the return had disappeared. Better results came from fewer, more purposeful events and from reviewing job board spend against actual placements rather than CV volume alone.
- 3. Expensive failed hires made to "hire your way out" of a soft market.** This overlaps with the people leak, but the underlying issue was decision quality. The better approach was to define the market opportunity and commercial case before opening the vacancy, rather than assuming additional headcount would create growth.

1 Technology sprawl



Overlapping CRMs and diallers, unused licences and over-committed LinkedIn contracts were common.

2 Low ROI events, sponsorships and advertising



Some spend continued simply because it always had.

3 Expensive failed hires



This often came from trying to hire your way out of a soft market.

Profit by design means choosing where to act

Across the CEO Peer Groups, leaders shared dozens of actions that had improved profitability.

Some reduced headcount.

Some invested in technology.

Some increased fees.

Some changed commission.

Some exited markets.

Some moved towards retained or exclusive work.

Some outsourced.

Some monetised services that had previously been free.

There is no single formula to copy.

The common thread is **intentionality**.

The strongest businesses are getting clearer about:

Where profit is created.

Where it is being lost.

What activity genuinely deserves investment.

And which decisions can no longer be allowed to drift.



Five actions for the next 30 days

- ✓ Score every consultant on contribution against cost, and set dated decisions.
- ✓ Review fee percentages and guarantees by client.
- ✓ Audit every software and job board subscription against usage and placements.
- ✓ Test your commission plan against a bad quarter.
- ✓ List the tasks only you do, and hand over one.

Next step → Use the Profit Lever Calculator Tool



The Profit Lever Calculator Tool

Designed to help recruitment business leaders move from discussion to action.

By entering your own business data, you can use the tool to identify, quantify and prioritise the levers with the greatest potential impact on profitability – rather than relying purely on instinct or headline revenue figures.

Use it alongside the insights from the CEO Peer Groups to challenge:

- Your people costs and productivity
- Pricing and cost to deliver
- Client and work mix
- Commission structures
- Overheads and technology
- Financial visibility
- Leadership decisions

Don't try to improve everything at once.

Find the few levers that matter most, and work them by design.

Profit by design means acting on what matters most.

Profit does not improve because you track more.

It improves because you see the leak, make the decision and act on the right lever.

It is not about chasing every opportunity or cutting every cost. It is about understanding where profit is created, where it is leaking away and which decisions will make the biggest difference now.

The strongest businesses in the Peer Groups were not necessarily operating in easier markets – they were clearer on the numbers, quicker to act and more disciplined about the work, people and investment they chose to back.

The challenge is to identify the few levers that matter most in your business, put a value against them and act before small leaks become expensive ones.

Work the levers that matter.

The logo for IITRN, featuring the letters 'IITRN' in a bold, white, sans-serif font. The 'I' is composed of three vertical bars. The background of the slide features a dark blue geometric pattern of overlapping rectangles and lines.