



AGENCY SUCCESS FOUNDATIONS
Recruiting for Profit

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Continual recruitment is the cornerstone to agency success.

Before embarking on a recruitment program, real estate agents who desire to build a profitable sales business must contemplate some key considerations.



1. Am I clear on my long and short term plans for my business and am I committed to monitor and manage progress?
2. How strongly does my business attract sellers and potential new team members?
3. Would I work for me?
4. Would I be happy operating within the business environment?
5. Is the agencies incentive structure tailored to meet the needs of a changing environment?
6. Am I prepared to continually prospect for new team members?
7. Am I clear about the business values to enable effective selection of new team members?
8. Do I have a program in place to ensure that my team members have the necessary skills for success?

LONG & SHORT TERM PLANS

Am I clear on my long and short term plans for my business and am I committed to monitoring and managing progress?



This is about being clear on your financial objectives and what is required to achieve them, particularly as it relates to the size of your sales and property management team, and the activity they must generate. The motivation to pursue a course of action to increase profitability and business value over time has much to do with the level of certainty and confidence that desired outcomes will be achieved. Important issues to consider include: -

1. The date you will exit the business and how the business will look on that date.
2. The current 'Break Even Point' of the business.
3. Yearly milestones showing how the business will look up to the date of exit.

The Date of Exit



'Beginning with the end in mind' is an age-old notion that requires the clear visualization of the desired final state of an endeavor.

Business owners should firstly set the date on which they intend to exit the business, then clearly articulate how that business will 'look' on that date.

Although it's likely that this date may change over time, it provides a time bounded end-point within in which the business owner works toward building the business to the desired state based on a series of milestones that provide clear direction along the way.

ANTICIPATED DATE OF EXIT	
SALES DIVISION	
Sales revenue prior to the exit date	*\$
Net Profit for the final year	*\$
Principals % of sales production during the final year	%
No. of Sales Producers (excluding the Principal)	
Size and accuracy of the client database	
PROPERTY MANAGEMENT DIVISION	
No. of property managements	
Average annual rent per property	*\$
Average % management fee	%
Total management fees collected (\$) final year	*\$
Estimated value (\$'s per \$ management fees)	*\$
Estimated total value of the portfolio	*\$
GENERAL	

*Expressed in current dollar terms (inflation adjusted each year)

The Break Even Point of the business

In simple terms, the agency Break Even Point (BEP) is calculated as: -

$$\text{Revenue} - (\text{Variable costs} + \text{Fixed Costs}) = 0$$



For the Sales Division, variable costs are costs directly related to the cost of a sale such as salespersons commissions and property advertising. Fixed and semi fixed costs include rent, cost of administrative staff, insurances, general promotion etc.

The BEP must include ‘adequate compensation’ for the agency owner.

The agency owner may wear one or more of the following ‘hats’ and should therefore be compensated for these roles within a break-even scenario. This is an allowance for the ‘opportunity cost’ of time spent in each of the roles. Business owners can either accept that they will not be adequately compensated for their efforts, or commit to taking the actions required to work toward this position.

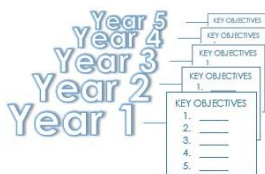


Role	Compensation
Business Owner:	Margin of Net Profit for ‘risk and reward’.
Business Manager:	Management fee for the time spent managing.
Listing/Selling:	50% of personally generated sales commissions.

“What is the optimum size and output of the sales team required to achieve the Break Even Point?”

Use ‘agentprofitplanner®’ and ‘pmpfitplanner®’ to calculate the Break Even Point of the business and to understand the required size and output of the sales team.

Yearly Milestones



These are the clearly articulated descriptions of the status of the business for each of the years progressing toward the desired date of exit.

Milestones should include the same amount of detail applied to the description of the desired state of the business on the nominated date of exit.

LEADERSHIP & STRUCTURE

Would I work for me?

This is about the ‘climate’ that employees will experience in your business – the combination of those factors which enable them to engage, grow and prosper.

Leadership is about setting an example and creating an environment in which people enthusiastically commit to upholding the core values of the business while working together to achieve common goals.



Well designed and communicated systems and processes provide structure for all employees and underpin the effective and efficient day to day operation of the business.

With effective leadership, healthy team culture and supporting systems and processes, both the business and individuals prosper and grow.

Key considerations include: -

- Defining the core values of the business and wrapping them within a Mission Statement that provides clear direction on how members of the team will act on a day to day basis.
- Continual reinforcement of these values at every opportunity.
- Selecting employees around their 'fit' with the values of the business.
- Leading by example.
- Reward and recognition.
- Design, implementation and communication of effective and efficient systems and processes.

RECRUITMENT & STAFF DEVELOPMENT MINDSET

Am I prepared to continually prospect for new sales staff?

This is about constant action to ensure that you're able to maintain the right number of sales producers to sustain your revenue/profit objectives.



Successful agency principals understand that good people come before good listings.

They have a continual recruitment focus and know exactly how many salespeople are necessary to achieve the required level of business. They also understand and accept that it is inevitable that salespeople will leave.

Good recruitment practice is about being proactive rather than reactive. Many agency principals are too focused on personal production at the expense of this critical aspect of the business.

Do I have an effective selection process in place?

This is about ensuring that you maximize the chances of securing the right people and minimize the chance of loss arising from poor selection.



Successful agencies ensure that they do everything possible to select the right people for the job. They use a targeted prospecting program, have a structured interview process and use third parties and assessment tools to assist with selection.

Do I have a program in place to ensure that my sales staff have the necessary skills for success?

This is about understanding the training needs of the sales team and that the business needs to be represented by competent people who are equipped with the necessary skills for success.

Salespeople are selected primarily on their attitude. The level of success of the salesperson is enhanced when skills are refined and a knowledge base is developed.



Skills must first be developed and then must be continually practiced and refined to ensure the ongoing success of the sales team and to minimize the level of employee churn that results from dependency linked to skill deficiency.