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For my interview, I chose Roz Ackermann, the founder and co-owner of eXpertalent, a boutique recruiting firm specializing in matching IT companies with candidates for the open positions. She founded the company in 2002, and has developed contract relationships with a number of influential clients, including the Southland Corporation, which is the parent company of the 7-11 convenience store chain; Southwest Airlines, one of the most reliably profitable airlines in the United States; Freescale, which is a subcontractor for Microsoft; American Airlines, Dell, and several other firms based in Texas.

Roz and her husband, Martin, were the co-owners of the Mr. Micro computer store chain, which opened in the Dallas area in 1985 and remained open until Mr. Ackermann’s death in 1999. This store specialized in Apple computers, peripherals and software; while the store was open, the Ackermanns made a number of connections with executives in local IT companies in the area that were having a hard time finding candidates with the skill sets necessary to perform their jobs. After Mr. Ackermann passed away, Roz did not have the energy to run the chain herself, and their children were already into careers as lawyers, so the business was not going to progress through the family. So she sold the chain to Circuit City, a big-box retailer that wanted to absorb the company and its merchandise – and also close the stores and eliminate them as a competitor, even though the company was not interested in opening smaller brick-and-mortar locations.

Although Roz did not need the money, she decided that she would utilize her connections to open eXpertalent. She knew there was a need for a local firm to provide candidates in IT professions to locally and regionally based firms, and she had a plan to open the company with a relatively low overhead profile, so the initial capital risk was quite low.

Roz’s own parents had owned a successful clothing retailer in her home country, South Africa. Roz came to the United States after high school and stayed after graduating college and meeting Martin, so she was never involved in the business, except for working as a cashier during middle and high school. She always admired the independence that her parents had by owning their own business, and she knew that it would take a considerable work ethic to make her business work. Her parents were her role models in putting together her business with Martin as well as her own business later. Her mother would rise before dawn each day, to get the house in order and get Roz and her brother ready for school. Then, she would head to the store to work during the school day, and then come home and be ready for the children when they returned. Even after working a six-hour day, six days a week, Roz’s mother was able to keep their home in tip-top shape and attend the children’s school functions. Her father would also rise extremely early, and go into the office to work on business matters for the store, before emerging around noon and then staying out on the floor until closing. This meant that he was not able to be as active in his children’s lives as their mother was, but it did mean that he was able to provide for his family in an admirable way.

As was said earlier, Roz developed a network of contacts in IT companies based in north and central Texas. A couple of years after Martins’ death, she felt ready to get back out of the house, and so she contacted one of the HR managers that she had met, and the two of them went to lunch. By the end of the lunch, she had an initial idea of how her firm would work – and the HR manager that she went to lunch with was interested in being her business partner. eXpertalent was born.

Roz Ackermann and Sam Harrison opened the doors of eXpertalent on September 15, 2002, in an office building in Addison, Texas, a suburb of Dallas. Their initial office space featured three offices and a reception area: the third office would be used to run the screening interviews for candidates before Roz and Sam would send the names on to the client firms for further consideration. They did not hire a receptionist, to save on initial expenses, but they did put an aftermarket desktop computer at that station and hooked it up to the office-wide Internet access, in case they wanted to hire a third recruiter on a part-time or commission basis. Their initial goals were to have contracts with 10 companies, and to have 25 employees in place with those firms, within six months.

At that point in time, there were not any other boutique firms that were seeking to meet the needs of local companies, with connections to the local community. The closest thing that resembled competition for eXpertalent were the temporary firms such as Manpower, as well as some high-end recruiting firms that were charging much higher percentages, or up-front payments, than those that eXpertalent was charging. Because of this, Roz and Sam felt optimistic about meeting those targets.

Initially, Roz and Sam were able to finance the first six months of operations without having to take on any debt. The primary expenses included rent, utilities and marketing expenses, which included placement of online advertisements and fees to join several local associations, and computer hardware. A membership to an online database where candidates would submit their resumes for consideration for IT positions was also a major expense at first. They both decided that they would not take salary out of the company until they had met their initial goal, which meant that they wanted to move quickly.

Roz and Sam signed their first two client companies to contracts within the first week: Southland Corporation and Cadbury Schweppes. By the end of their second month, they had lined up nine more companies (giving them a total of 11), but they had only placed 4 employees. None of these contracts were exclusive, of course, and so eXpertalent had quite a bit of competition. Not only was eXpertalent competing over the same pools of candidates, when it entered databases, but at the time when the company opened, the economy was still struggling in the aftermath of the 9/11 attacks, and so client companies were being extremely selective, as there were many candidates that were interested in each position.

According to Roz, one of the longstanding strengths of the company has been the connections that she and Sam have developed in the recruiting and IT communities. By the end of the six-month goal period, eXpertalent had contracts with 18 companies. Six of them brought in one-time placement fees, whether the hiring was permanent or contract, and the other 12 paid a monthly percentage of the candidate’s salary, either for the duration of the entire contract, or for the first year, if the placement was permanent.

Early on, it was difficult for Roz and Sam to handle the workload. Both of them were over 55 years old when they founded the company, and establishing a niche in the recruiting market takes much more than the typical 9-5 workday. At least two or three days a week, Roz and Sam found themselves heading out after work to networking happy hours and mixers, making connections with candidates. At the same time, Roz’s son Craig and his wife had their first son, out in Los Angeles, and so Roz was gone for six weeks, beginning just after the six-month initial phase had come to an end, which left Sam with a bunch of new contracts, each of which was posting multiple openings each week. However, both of them agreed that having too much work to do was definitely better than the alternative, and so when Roz returned, they found a way to balance the demands of work. Because they were so far above their targets, they brought in a commission-based recruiter three days a week, and they found that the business expanded with their new capacity. Because they did not have ambitions to expand their business beyond one location, though, they never made the third recruiter full-time, and so they soon reached maximum capacity.

Once eXpertalent had contracts with 30 companies, Roz and Sam decided that it was time to become a little bit more selective with the job postings that came up. Rather than chase down candidates for each position, they decided to review their existing pool of candidates and line them up by qualifications and desired job functions, so that when a posting came up from a client, if they had someone to interview in their files, or if someone came up fairly quickly in a candidate search, they would screen that person. They stopped chasing down new candidates as aggressively, because the residual income that came in from their existing clients was making things quite comfortable.

I learned several concepts from my interview with Roz. First, and most importantly, was the idea that having contacts in place is vital when beginning a new company. If Roz had not known Sam from her years with Mr. Micro, it is likely that she would have had a much more difficult time getting underway, because Sam’s network ended up bringing in about three-fourths of the client contracts. Having those contacts in place built the trust that was necessary to bring the contracts in.

Second, I learned that, even in a low-overhead business, work ethic is important. Even at her age, Roz would often work 60 or 70 hours a week on the company, and Sam probably worked closer to 80 hours. Without this hard work, they would not have been able to find so many candidates for their initial contracts.

Finally, I learned that overhead should be kept as low as possible, without sacrificing quality. Sam and Roz chose a location for their company that was around the median for rent in the area, and they chose a location in the building that was not a premium rent, as it did not have an exterior window. Also, by waiting to hire a receptionist or a third employee, they saved themselves a fixed cost that really turned out to be unnecessary – in their 10 years of business, they have never had a receptionist. These lessons will help me as I contemplate my own entrepreneurial future.