

Staffing firm grows by following own advice — hire a headhunter

BY SHERRI BEGIN

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After spending three years looking at potential acquisitions of small staffing companies in major markets, Venator Holdings L.L.C. did something unusual.

The Troy-based firm, which typically performs financial-accounting and technical employee searches for clients, hired an external headhunter to find the right out-of-state manager for its own company.

"We didn't pick Minneapolis," said Charlie James, executive vice president, one of Venator's three principals. "The guy we ended up hiring was just in Minneapolis. But it happens that it is also a growth market."

Venator expects its expansion to Minneapolis, at a cost off about \$600,000, to boost its total revenue by more than \$2 million in 2009, James said.

The company's new executive administrative staff and call center division, which launched Sept. 2, should bring in another \$500,000 in revenue, said F. Cedric Corera, CEO of Venator.

Since 2002, when James, Corera and Karl Roehrig, executive vice president and COO of the company and its third owner, left Ajilon Finance in Troy to start Venator with equity from their homes, the company has grown by leaps and



Karl Roehrig, F. Cedric Corera and Charlie James started Venator with equity from their homes in 2002. Projected revenue this year is \$11.5 million.

bounds.

The firm's revenue increased from \$1.1 million in 2003 to a projected \$11.5 million this year.

Two things are driving revenue, James said. The first is that more people are exiting the workforce than are coming in with skills in accounting, finance, engineering and information technology, which creates greater demand for headhunting services.

The need for a temporary, flexible workforce also is increasing demand for contract placements at companies that don't want to take on the legacy costs associated with permanent employees, James said.

"Our machine here at Venator is hitting its stride," he said. "It

takes a while to gain name recognition in the marketplace, but I believe we have."

Venator was included among *Inc.* magazine's ranking of the 5,000 fastest-growing private companies in America this year and last year, after being named to Michigan's 50 Companies to Watch in 2005 by the Edward Lowe Foundation.

Today, about 90 percent of the company's customers are in Michigan, James said.

The other 10 percent are Midwestern based companies, including Goodyear Tire & Rubber Co. and Owens Corning in Ohio and Chicago-based utility Exelon Corp.

"We get calls from people (wanting) to buy us," said James.

"But in talking to some investment bankers and private-equity firms, we're always told the value of a staffing firm increases exponentially with multiple locations, especially staffing firms here in Michigan."

Venator is growing because it's meeting clients' needs for professional staffing, the area of the staffing industry growing currently, said John Niehaus, an investment banker with Growth Capital Partners in Dallas, which specializes in professional staffing firms.

Those areas include: accounting-finance, engineering, information technology, health care and legal staffing.

"What buyers are looking for is the company scaleable? How do you grow after you acquire it?" Niehaus said.

Further penetration within its home market or expansion into other markets, as Venator is doing, are both good growth strategies to increase the size and multiple, he said.

Having offices outside of Michigan has helped Grosse Pointe Park-based ETS Staffing diversify its revenue, said President David Lockhart.

The company opened its first office outside Michigan 15 years ago in Rochester, N.Y. Today it has eight offices across Michigan, upstate New York, Massachusetts and Florida.

"Obviously, in the metro Detroit area ... the economy has been under considerable stress, as is our business," Lockhart said.

"Operations in other markets that are unrelated to the automotive industry have supplied a buffer."

Currently, about 70 percent of ETS' annual revenue of about \$20 million comes from its operations outside Michigan, he said.

A decade ago, it was just the opposite, with nearly three-quarters of the company's revenue coming from its 10 offices in Michigan, Lockhart said.

But today, the company has only three Michigan offices, with about 20 of its 45 direct employees.

Like Venator, ETS hired a headhunter to find a suitable manager for its first out-of-state office, and that turned out to be in Massachusetts, Lockhart said.

"Good managers are very important," he said.

A continuous challenge can be finding employees who are invested in your company and don't feel so disassociated that they decide they want to open their own business and do it for themselves, Lockhart said.

"I spend a great deal of my time personally traveling to our out-state operations so that they feel invested in the company," he said.

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