Differentiators of the Most Successful Staffing Firms

Sept. 27, 2011

Moderator

SPEAKERS

Sona Sharma

Sr. Research Analyst

Jim Childs

Managing Partner

CHILDS Advisory Partners

Ranjini Poddar

President

Artech Information Systems LLC

Kevin Knaul

Director, Strategy and Corporate Development

Indecon Solutions

Staffing Industry Analysts CORPORATE MEMBERSHIP

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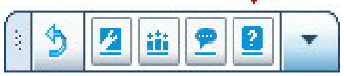

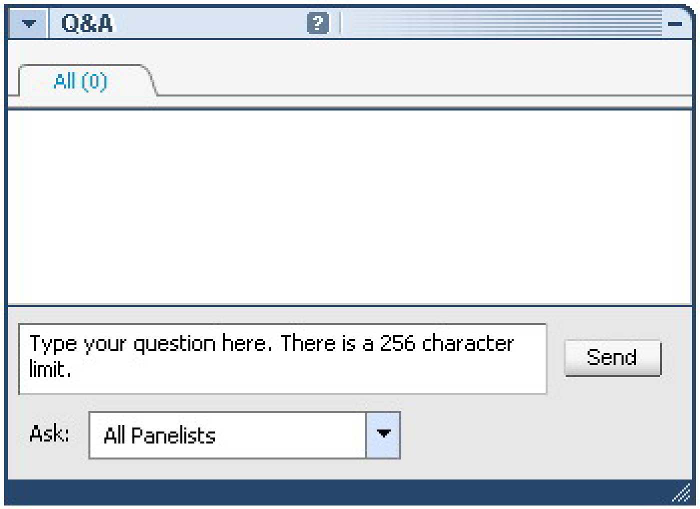

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Agenda

Section I	Fastest Growing Staffing Firms
Section II	The High Growth Local Branch Model
Section III	The High Volume/Centralized Delivery Model
Section IV	Questions/Thoughts/Observations

SIA's 2011 List of Fastest-Growing Staffing Firms

Rank	Company	2010 U.S. Staffing Revenue ($000)	CAGR (2006-2010)	Staffing Specialties
1	WorkSource Inc.	$6,578	52%	C/LI
2	Rose International	$205,000	46%	IT
3	Pinnacle Technical Resources	$188,000	44%	IT
4	TekPartners/MedPartners HIM	$41,466	41%	IT
5	Insight Global	$388,023	41%	IT
6	Industrial Labor Management Group Inc.	$18,884	39%	C/LI
7	Digital Intelligence Systems	$165,500	37%	IT
8	The Select Group	$18,432	36%	IT
9	Q Analysts	$19,100	35%	IT
10	TalentBurst Inc.	$21,438	34%	IT
11	Arrow Strategies LLC	$21,800	34%	IT
12	HealthCare Partners Inc.	$20,339	34%	HC
13	Amerit Family of Companies	$24,900	32%	P/C
14	Employment Plus	$175,486	32%	C/LI
15	Mindlance Inc.	$40,000	31%	IT
16	Portfolio Creative	$5,548	30%	MKTG
17	InfoGroup Northwest	$10,519	29%	IT
18	EdgeRock Technologies LLC	$14,893	29%	IT
19	Populus Group LLC	$46,800	29%	P/C
20	Akraya	$32,500	28%	IT
21	The Daniel Group	$27,500	27%	C/LI
22	American Cybersystems Staffing	$130,000	27%	IT

General Observations:

- 27 of 41 (66%) focus on IT
- Emergence of payrolling/compliance
- No F&A
- About half are diversity players
- 13 repeats

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SIA's 2011 List of Fastest-Growing Staffing Firms

Rank	Company	2010 U.S. Staffing Revenue ($000)	CAGR (2006-2010)	Staffing Specialties
23	Artech Information Systems	$271,604	25%	IT
24	Beacon Hill Staffing	$67,100	23%	IT
25	Bradsby Group	$13,524	23%	PERM
26	Ambrose Employer Group	$198,500	22%	PEO
27	Ardor Health Solutions	$20,339	22%	HC
28	ALTEK Information Technology	$11,042	22%	IT
29	The Delta Companies	$55,902	22%	HC
30	ClearPath Workforce Management	$61,000	21%	P/C
31	DIVERSANT LLC	$55,000	21%	IT
32	Extrinsic LLC	$14,712	21%	IT
33	Pyramid Consulting, Inc.	$88,566	1980%	IT
34	Integrity Staffing Solutions	$153,929	19%	C/LI
35	Synergis	$16,386	19%	IT
36	Mitchell Martin Inc.	$116,000	18%	IT
37	Search Services	$5,787	17%	IT
38	Apex	$546,996	16%	IT
39	MAKE Corporation	$15,810	16%	IT
40	Digital Prospectors Corp	$22,255	16%	IT
41	Indecon Solutions LLC	$30,455	15%	IT

General Observations:

- 27 of 41 (66%) focus on IT
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Source: Staffing Industry Analysts.
IT: Information Technology, HC: Healthcare, C/LI: Clerical and Light Industrial, P/C: Payrolling/Compliance, MKTG: Marketing and Creative, PERM: Direct Hire

SIA's 2011 Fastest-Growing Staffing Firms – Over $100mm

Rank	Company	2010 U.S. Staffing Revenue ($000)	CAGR (2006-2010)	Staffing Specialties	Diversity	Model
38	Apex	$546,996	16%	IT	N	Local IT
5	Insight Global	$388,023	41%	IT	N	Local IT
23	Artech Information Systems	$271,604	25%	IT	Y	VMS
2	Rose International	$205,000	46%	IT	Y	VMS
26	Ambrose Employer Group	$198,500	22%	PEO	N	-
3	Pinnacle Technical Resources	$188,000	44%	IT	Y	VMS
14	Employment Plus	$175,486	32%	C/LI	Y	VMS
7	Digital Intelligence Systems	$165,500	37%	IT	Y	VMS
34	Integrity Staffing Solutions	$153,929	19%	C/LI	N	VMS
22	American Cybersystems Staffing	$130,000	27%	IT	Y	VMS
36	Mitchell Martin Inc.	$116,000	18%	IT	N	VMS

Source: Staffing Industry Analysts.
IT: Information Technology, HC: Healthcare, C/LI: Clerical and Light Industrial, P/C: Payrolling/Compliance, MKTG: Marketing and Creative, PERM: Direct Hire

Our Observations

- Most growers are in IT but almost all segments represented
- 11 firms have over $100mm in sales AND high growth
- Over $100mm firms break into 2 very different models
  - High volume model many of which are diversity
  - High growth local branch model (Insight and Apex)
- The two largest firms, Insight Global ($388mm) and Apex Systems ($546mm) have posted clearly superior results vs. the industry

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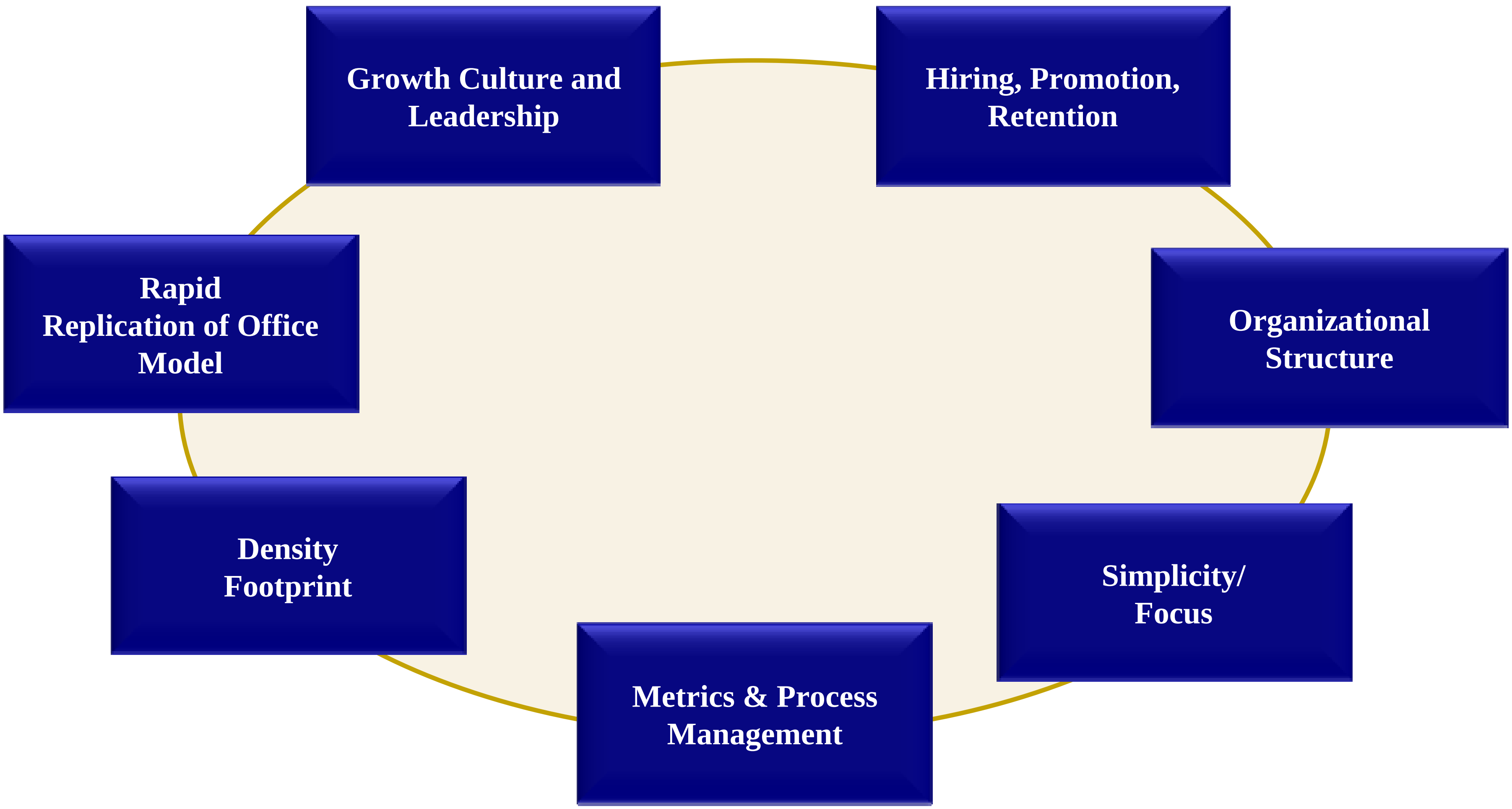
The Best Performing Firms of the Past Decade

Firm	HQ	Yr. Started	Number of offices	2006 Revenue	2010 Revenue
Insight Global	Atlanta	2001	26	$99mm	$388mm
Apex	Richmond	1998	51	$300mm	$546mm

- Both firms hit the $100 million mark in about 5 years and grew through economic downturns
- Both have accomplished this with little/no outside capital and no acquisitions
- Both started by ex-TEK Systems employees

Elements of the High Growth Local Branch Model



Elements of the High Growth Local Branch Model

Growth Culture and Leadership

- Everything starts with leadership and vision
- Growth culture results to support leaders' vision
- Growth culture attracts certain kind of people and repels others

Hiring, Promotion, Retention

- Hire inexperienced people into a very rigorous system
- All hires start as recruiters (low pressure training)
- Quick promotions; long-term incentive plans

The beauty of this model is that it is constrained by the number of inexperienced people they can hire/train up rather than by finding the next "HERO"

Organizational Structure

- Self-managing "pods" allow for quick promotion, leadership and replication
- Drives sense of ownership/leadership, attracting career-minded people
- Allows branch model to stay flat

Elements of the High Growth Local Branch Model

Simplicity/ Focus

- IT contract staffing only; no perm; no solutions
- Same metrics & process apply to everyone
- Substantial reduction in complexity which allows deeper process learning
- Systems decisions are easier and less time-consuming

Metrics & Process Management

- Consistent and rigorous execution
- Comprehensive process to allocate time/activity
- Clear expectations and accountability

Rigorous execution is absolutely the key to any business!

Elements of the High Growth Local Branch Model

Density Footprint

- Acknowledgement of the $$ sitting under your nose
- Strict territory and account management
- Applying substantial resources to the area/account

Rapid Replication of Office Model

- Reinvesting profits aggressively into new offices
- Using the HQ as the "launching pad"
- Systems, culture, process consistency

Creates opportunity for your people

Creates multiple growth engines

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Environmental Trends Leading to Emergence of the HV/CD Model

- Higher spend levels and a tight economy have led procurement to become more involved in the selection of staffing suppliers at F1000
- Emergence of supplier-funded VMS/MSP solutions at more than 60% of F1000 vs. very low penetration in 2000
- Increasing importance of diversity status to large corporate buyers
  - Social responsibility
  - Avoidance of lawsuits
- ***Competitor reaction to the above trends:***
  - Many traditional local "high touch" models have resisted VMS or have served VMS without materially changing their cost or delivery structure
  - Emergence of the High Volume/Centralized Delivery model

Key Operational Elements of the High Volume/Centralized Delivery Model

- Recruiting:
  - Centralized delivery centers (onshore and offshore)
  - Process for filling high volume of requirements
  - Technology and compensation systems to support delivery

- Sales and Marketing:
  - Segmentation of customers by desired sales contact
  - Organize and compensate sales force accordingly
  - Work the MSP channel
  - Differentiation strategies

- Geographic Presence:
  - Local market presence focused on client facing activities
  - VMS accounts allow geographic expansion
  - Build local “high touch model to pursue low volume/high margin biz

Agenda

Financial Profile of the Models

High Growth, Local Branch Model	High Volume/Centralized Delivery Model
GP% of 30%	GP% of 18%
SGA of 20%	SGA of 10%
EBITDA of 10%	EBITDA of 8%

Both models can grow substantially and can be very profitable.

Final Conclusions

- No matter the model it comes down to execution. Simpler appears better.
- Despite talk of recessions and margin declines, etc the best firms are finding a way to grow

Questions

- Are the two models effective together?
  - Lower cost centralized fulfillment for VMS and local high touch for local mid-market business
  - May be the ideal combination?
  - What internal conflicts are inherent in building such a model?
  - What internal benefits are gained from a talent perspective?
- Are these models equally effective in other segments besides IT?
- What effect, if any, does diversity status have on an owner's ability to sell?
- Is it an effective strategy for a firm to ignore VMS altogether?
- Does the high volume model result in less deep client relationships?

Questions and answers