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FASTEST-GROWING PRIVATE COMPANIES



Laurel Group

Staffing agencies bulk up
at amazing rates.

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OCTOBER 19-25, 2007

▼ 100 FASTEST-GROWING PRIVATE COMPANIES

People need people

Tight labor market expands placement agencies' confidence in future

A changing work force looking for the flexibility provided by temporary workers and companies tapping into the flexible labor market to keep fully staffed during busy times are driving the staffing industry's growth nationally.

The statistics are eye-popping.

According to the American Staffing Association (ASA), 3 million people per day are employed by staffing companies. Over the course of a year, 12 million temporary and

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contract employees are hired by U.S. staffing firms. Last year the staffing industry generated

approximately \$87 billion in sales, up from \$68.8 billion five years earlier.

Locally, evidence of staffing industry growth between 2004 and 2006 can be found locally on this year's Fastest-Growing Private Companies list, with several companies making the list.

The temporary help services industry is watched carefully by economists and business leaders as an indicator for economic activity and a leading indicator of overall employment, according to ASA. Changes in employment trends for this sector often forecast subsequent changes in overall employment because businesses use temporary workers to quickly adjust operations to meet fluctuating demands for products and services, the ASA reported.

In September, the U.S. Bureau of Labor Statistics reported a national dip in temporary help jobs. They were down 0.8 percent from the same month last year.

Locally, most of the staffing agencies on the 2007 Fastest-Growing Private Companies list said the national blip hasn't fazed them and they don't believe a national economy troubled by a housing crisis and credit crunch will significantly curtail their growth.

Not all of these staffing firms provide identical services or have grown for the same reasons.



BUSINESS JOURNAL PHOTO/ DAN SCHLATTER

Tom Taft, co-founder and managing partner at Laurel Group, in his office overlooking the Lake Washington Ship Canal. In the foreground is Eric Mead, vice president of sales, who handles Laurel Group's Microsoft account.

PEOPLE: *Economic outlook doesn't faze local firms*

Two of the firms focus on blue-collar staffing. One is Integrated Management Systems, which has offices in Kent and Puyallup and provides personnel for distribution and warehouse operations. "Most of our people are general labor, forklift, pick-and-pack and production," said Dean Dorcas, Integrated's president.

But don't call his company a traditional staffing firm, he said: "A big part of what we do is manage production crews." One example: 95 percent of the workers at a facility handling distribution of clothing and shoes for Wal-Mart are Integrated Management employees. In effect, its supervisors and crews run this operation.

Integrated Management also provides systems that help businesses increase productivity. "When customers hear what we offer, they're intrigued," said Dorcas, emphasizing that his company's business model is the primary reason for its growth.

The other blue-collar staffing firm on the Fastest-Growing Companies list is LaborWorks, headquartered in Gig Harbor. CEO Scott Sabo attributes his company's growth partly to its "just-in-time staffing model." Wannabe workers are in the company's offices — there are nine of them — by 5 a.m., ready to be at a client's job site within an hour so they can put in a full day.

Also fueling LaborWorks' growth is a tight labor market. This worker shortage, said Sabo, results from aging baby boomers exiting the workplace and because "lots of product is coming from China and being distributed." Unable to find workers on their own, businesses must rely on staffing firms.

Staffing firms also help immunize businesses from immigration hassles. Increased raids by immigration authorities, said Sabo, have made many employers skittish about hiring. Rather than hire their own employees, they prefer employees of a staffing firm, which assumes the responsibility for ensuring those employees aren't illegal aliens.

Sabo isn't fazed by talk of an economic slowdown. Conceding it might dampen blue-collar construction hiring, he points out that only a small percentage of LaborWorks' placements are construction related. Dorcas isn't worried about the economy either. Because many of his employees constitute

nearly all the blue-collar personnel at client facilities, a decision to cut, say 10 percent, of those employees wouldn't negatively affect Integrated Management the way it would if the company had only a few of its employees at a facility and all were dismissed.

All of the other staffing firms on the Fastest-Growing Companies do professional staffing, with a heavy focus on technology. Yet these companies aren't clones.

Consider The Laurel Group in Seattle. At one level, it operates as an executive search firm, placing executives at VP and higher levels. But it also hires out, on an hourly basis, contract consultants. Providing both executive search and consulting services is unique, according to co-founder Tom Taft.

Seattle's Wimmer Solutions also provides contract consultants. "Our main skill set is in the project and program management area," said CEO Matt Sauri. The consultants are primarily technology professionals. However, Wimmer Solutions also fulfills client staffing needs for marketing, business and administrative personnel. Many of his company's clients, said Sauri, are brick-and-mortar firms lacking in-house technology expertise, which is why they turn to firms like his.

At Bellevue's Protingent Staffing, virtually all the staffing is for temporary employees. Most are high-end electrical, mechanical and software engineers. "We're known as the go-to place for engineers. If you need one, you call Protingent," said CEO Donn Harvey.

At least in part, the reason firms like The Laurel Group, Wimmer Solutions and Techlink Northwest Inc., which is doing business as Protingent Staffing, have grown so rapidly is the same reason blue-collar staffing firms have experienced rapid growth: an insatiable demand for qualified employees. Demand for his company's services, said Sauri, "feels like it did in 2000, but much more solid."

That's because the Seattle area is a "high-tech hotbed," said Mike Luckenbaugh, co-founder of Kirkland's Chameleon Technologies Inc., a staffing firm that also takes on project work, like testing the latest release of Halo 3 of Microsoft's Xbox. The area's expanding high-tech industry is attracting high-profile companies such as Google, which recently decided to open a Kirkland office. Google and local technology companies,

especially ones in growth mode, need qualified technology professionals. They often get them by raiding Microsoft and other companies. This creates what Luckenbaugh characterizes as a vicious cycle.

"As they lose people, companies like Microsoft have to boost their own recruiting resources or use more services like ours," said Luckenbaugh.

Like their blue-collar counterparts, staffing firms dealing in professionals don't seem overly concerned about the economy. Case in point: The Laurel Group plans to open several offices along the West Coast. Chameleon Technologies plans to do the same in Portland and Las Vegas.

Even if the economy slows, Sauri said, Wimmer Solutions' national and global client base will insulate it to some extent from a downturn. Protingent's Harvey emphasizes that a strong economy actually can hurt the temporary staffing business by making it extremely difficult to find qualified people. Temporary staffing companies like his fare better in a soft economy, he said, because "companies become unsure about the economy and want more temps."

All of the staffing firms on the Fastest-Growing Companies list have profited from a change in how businesses view them. Once considered a luxury, these firms have become essential tools for hiring good people who can quickly get up to speed.

"Businesses realize it pays to have a staffing company provide people because it eliminates the cost of training," said Sauri. Without the right people and systems in place, businesses now realize, opportunities for increased revenue may be squandered.

Another reason staffing firms feel optimistic about the future is another key statistic for their industry: Globally 4 percent of today's work force is contingent, but the U.S. figure is only 2 percent.

"There's some room to grow," said Harvey.

Sauri agreed. "If you're in the staffing industry and serious about doing a thorough job understanding who your candidates are, the future looks bright."

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Staffing firm melds headhunting, temp services

BY PAUL FREEMAN
CONTRIBUTING WRITER

There's an ironic twist to The Laurel Group opening an office last year in California's Walnut Creek.

When the tech bubble burst in the early part of the decade, the company's co-founders, Jeff Hibbert and Tom Taft, were employed in the Seattle office of Heidrick & Struggles. Soon afterward, the executive search firm shuttered its Seattle office and pulled back operations to Northern California. "Their business model was too high end and wasn't working," recalls Taft.

To stay at Heidrick & Struggles, he and Hibbert would have had to move to California, something both were loath to do. Instead, they stayed in Seattle and launched their own staffing firm.

Staying put was a wise move. Revenues at The Laurel Group hit \$9.46 million in 2006, a ninefold increase over 2004 revenues of \$1.05 million. For 2007, the company expects revenues in the \$20 million range, with much of that coming from Puget Sound area operations.



Taft

In part, The Laurel Group does what Hibbert and Taft did at Heidrick & Struggles. It serves as an executive search firm, finding qualified people for permanent positions at the level of vice president and higher. But the company also provides staffing services, filling finance, marketing and sales slots for employers. In addition, it employs 80 or so consultants, most of them technology professionals, who are contracted out to clients on an hourly basis.

According to Hibbert, it's highly unusual for a firm to meld staffing with executive search services. "We've not found a true competitor that offers the complete business model we do," he said.

Taft characterizes this model as a "top-down sales leverage approach." For example, the Laurel Group will place a CEO at a company, then through the CEO get introductions to others at the company who need consulting services.

"We've never seen executive search firms build up consulting companies beneath them (like we've done)," he said. "It's been the catalyst for our growth."

Hibbert and Taft have been methodical about growth. For the first year after launching their company, they worked out of their homes rather than renting office space. Instead of trying to attract business by hiring more people, they hire only when the business is there.

In addition to adding the Walnut Creek office, the Laurel Group plans to open a second Northern California office next year in San Jose and a third in South San Francisco. The three offices, said Hibbert, will enable the company to service the entire San Francisco Bay Area. "We feel this area has a \$50 (million) to \$75 million annual potential for us."

Hibbert and Taft plan to expand into Southern California, too. Based on preliminary market research, they envision two to three offices in Los Angeles and at least one in San Diego.

So far the Laurel Group's growth has been organic. But the company hasn't ruled out the possibility of growth through acquisitions.

Like most businesses, the Laurel Group can be affected by the economy. But even if the housing crisis and credit crunch slow down the economy, Taft and Hibbert aren't overly concerned. In a soft economy, there may be fewer permanent placements, but temporary ones will pick up the slack, they said. In addition, the company's clients are a diverse mix that includes municipalities, the Port of Seattle and the Bill & Melinda Gates Foundation. Hibbert said clients like these are largely recession proof.



LAUREL GROUP

Seattle

Staffing firm

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Fiscal year	Total operating revenue	No. of employees
2004	\$1.05M	5
2005	\$5.24M	10
2006	\$9.46M	60

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