

On the Hunt: ZRG's Global Talent Search



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CEO Larry Hartmann discusses the tech-enabled talent advisory group's M&A strategy and being private in an executive search downturn.



By Chris Nolter

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With nearly a dozen acquisitions over the last half decade, executive search and talent
adviser **ZRG Partners LLC** is targeting the domain of the largest global executive

search and recruiting firms such as [Spencer Stuart Inc.](#), [Korn Ferry International Inc.](#) (KFY), [Heidrick & Struggles International Inc.](#) and [Robert Half International Inc.](#) (RHI).

“They have kind of had an oligopoly on size and scale,” ZRG CEO [Larry Hartmann](#) said.

“Boutiques could never really invest to build out a footprint to be able to service clients around the world,” Hartmann said. “For us, being a global player that is able to service clients from Asia to Europe and South America is a key part of what we’re doing.”

Backed by [RFE Investment Partners](#) and [Timber Bay Partners LLC](#), the tech-enabled search and talent advisory company generates about \$230 million in revenue and has about 600 employees. Acquisitions have brought ZRG new technology and access to niches such as sports and media, resulting in high-profile mandates such as Texas A&M's football program and Jeff Bezos' [Washington Post Co.](#)

While hiring freezes and cutbacks have hit executive search revenue, they also highlight the importance of diversifying. As ZRG looks to acquire or hire its way into new geographic markets or services, Singapore and Dubai and niches such as consulting are on Hartmann's dashboard.

Being private has helped in a rocky period for search, Hartmann suggested. “Private equity has allowed us to look at five-year windows to execute strategies and look at downturns as opportunities,” he said.

Hiring, Acquiring in New Markets

ZRG's most recent move was the late-November launch of a Mexico City office, following shifts in offshoring from parts of Asia to Latin America.

The company has capacity for acquisitions following a December 2022 debt and equity raise of more than \$90 million, Hartmann said.



ZRG has been active in Shanghai but is looking to hire or acquire in Singapore. Likewise, expanding in Dubai in the United Arab Emirates is on ZRG's dashboard.

"We need a stronghold in the region, but some of the business centers have moved out of mainland China for a lot of the global multinationals into other parts," Hartmann said. "We're looking to double and triple the size of [the Dubai] team because of the opportunities in the Middle East and companies taking advantage of that market when other geographic areas aren't experiencing that same growth," he said.

In terms of services, ZRG wants to expand its consulting and advisory business, leadership development, executive coaching and succession planning.

Adding Tech, Expertise Through Deals:

- Buying **Hub Recruiting LLC** in December 2022 brought data analytics and the capacity to recruit teams of, say, 10 to 15 software engineers.
- Purchasing **Turnkey Search** in January 2021 provided entry to the sports arena. "We've actually scaled it and quadrupled it and today that business is the largest recruiting firm in North American sports," Hartmann said. The unit is searching for the replacement to Texas A&M coach Jimbo Fisher.
- Acquiring **Sucherman Group** in June 2021 added media expertise. The deal paid off when ZRG advised Bezos' team in placing Washington Post CEO and publisher **Will Lewis**, a former Dow Jones chief executive.

Acquisitions typically improve margins by 5% to 7%.

"Our strategy is typically not to look for significant cost take outs in our acquisitions, but to expand margin through growth and cross sale," Hartmann said.

Recruiting Crunch

Diversification is a broad industry theme.



Korn Ferry CFO Bob Rozek said in a late November presentation that executive search has fallen from 80% to 85% of revenue in 2012 to about 30% today, thanks to more than a dozen acquisitions. It's good that the firm diversified. In its most recent quarter, Korn Ferry's executive search fee revenues were down 12% and professional search placement fees dropped 21%.

"The margin on search and direct placement is really strong," said **Solomon Partners** managing director **Connor Mitchell**. "The knock on that is it tends to be pretty lumpy. And so a lot of the businesses that have built really successful models tend to diversify a bit."

Appealing niches include the office of the CFO; digital strategy and transformation; environmental health and safety; diversity, equity and inclusion; and corporate governance, Mitchell said. Industries such as life sciences-pharma and engineering — whether software engineering, systems engineering, civil engineering or product engineering — are attractive.

"It really is about growing share of wallet with clients and staying relevant throughout the talent solutions lifecycle," Mitchell added.

Services like recruitment process outsourcing, in which a company offloads some or all of recruitment, and assessing talent and skills come early in the cycle. "All of that on the front end is great work," he said.

The mid-cycle includes leadership development, career coaching, training and certification and related services. Outplacement and career transition services are on the back end.

"It's not fun to talk about but this is really valuable because it's countercyclical business," Mitchell said. "When companies are doing layoffs of higher salary professionals, they offer services to them to help them transition into the next gig."

ZRG's Private Equity Timeline

ate equity has backed ZRG's growth trajectory.

- Northcreek Mazzanine provided capital in 2015, when ZRG had about \$10 million in revenue.
- **RFE Investment Partners** invested in 2018, when revenues hit about \$40 million.
- Following the round by Timber Bay Partners and RFE last year, revenues are about \$230 million.

"The private equity structure works really well for the type of business we have — in some ways a cyclical business tied to the economy," Hartmann said.

Private ownership has appealed to peers as well.

- **Phaidon International** Inc. received capital from **Further Global Capital Management LP** in July 2022. The sponsor typically invests \$75 million to \$200 million.
- Recruitment outsourcer **Alexander Mann Solutions Ltd.** sold to **Omers Private Equity Inc.** for \$1.1 billion in May 2018. Moody's Investors Services Inc. noted that net fee income exceeds £500 million (\$630 million) and has doubled since 2019, in an August 2023 report.
- RPO provider Job Mobz acquired Flawless Recruit in May 2023 and has rolled up search and talent advisory assets. Founder and CEO Jesse Tinsley owns 100% of the company.
- Tech-enabled search and data company **Riviera Partners LLC** raised funds from **Insight Partners** in December 2022.

While many of the largest search companies are public, Hartmann expects ZRG to remain private and seek its next sponsor in 18 to 24 months.

"We think it's the right structure for professional service business that provides the capital and the equity incentives for key members of the team," Hartmann said.

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COMPANIES MENTIONED

Alexander Mann Solutions Ltd.	Banco Zaragozano	Dow Jones Indexes	
Further Global Capital Management LP	Hartmann Inc.	Heidrick & Struggles International Inc.	
Hub Recruiting LLC	Insight Partners	Korn Ferry International Inc.	
Moody's Investors Service Inc.	NCAB Group AB	NXTThing RPO	Northcreek Mezzanine
Omers Private Equity Inc.	Phaidon International	RFE Investment Partners	RFE VI SBIC LP
RHI AG	Riviera Partners LLC	Robert Half International Inc.	Solomon Partners
Spencer Stuart Inc.	Sucherman Group	Texas A&M University	Timber Bay Partners LLC
Turnkey Search	Wall Street Nevada LLC	Washington Post Co.	ZRG Partners LLC

PEOPLE MENTIONED

Jeffrey P. Bezos	Larry Hartmann	Will Lewis	Connor Mitchell
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