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## Will Hot M&A Recruiting Market Cool and Reset Valuations?



Acquisitions made big news in the recruiting industry this year, and for good reason. Outside investors finally caught on to the sector's expansion potential and long growth runway ahead. Top search leaders also found ways to maximize profit (cutting back on office space helped every search firm achieve a better bottom line in 2022). That made them highly attractive to private equity firms looking for platforms they could accelerate. **Hunt Scanlon Ventures** was at the center of much of the consolidation activity, having closed nine deals in its first 24 months of operation. Hunt Scanlon's M&A business has another 11 deals in the pipeline for 2023.

**Diversified Search Group (DSG)**, a leading search firm backed by private equity firm ShoreView Industries, acquired **Alta Associates**, a Flemington, NJ-based search firm founded by Joyce Brocaglia specializing in cybersecurity, IT risk management, and data privacy earlier this year. "This is a strategic acquisition that will add significantly to our business offering in a key field that touches every client we serve," said Aileen Alexander, CEO of Diversified Search Group. "Cybersecurity, data privacy, and resiliency are top priorities for boards and senior leadership across every sector of our economy. Joyce Brocaglia has been a pioneer in this field, and we are delighted to welcome Joyce and her talented team who bring a shared sense of purpose along with deep expertise, insights, and knowledge of talent that will be valuable to our clients."

"There could not be a better match between our companies who share a mission for advancing diversity and cultivating new leadership, and fits with our strategic growth goals," said Judith M. von Seldeneck, the founder and chair of Diversified Search Group. "Joyce Brocaglia is a highly regarded leader in the industry, and I am delighted to welcome Alta Associates to our firm and look forward to joining forces to build upon our successes."

"We are thrilled to join Diversified Search Group and share our deep, trusted network with a firm that shares our mission and commitment to making a difference," said Ms. Brocaglia. "Alta Associates' expertise, combined with Diversified Search Group's stellar reputation and purposefully different approach to cultivating executive talent, creates a powerhouse that will deliver diverse and exceptional leaders in cybersecurity, risk, and transformational technology at a time when it's needed most."

### PE Firms Buying In

Private equity firms continue to pair up with executive recruiters at a blistering pace. High growth rates, new layers of incremental revenue streams, and AI-powered talent intelligence tools aimed at revolutionizing the recruiting sector are creating a perfect storm for PE investors who now view search firms as an investment of choice.

**Crescent Cove Advisors** recently took an investment stake in **Kingsley Gate Partners**.

### BY THE NUMBERS

#### Recruiting M&A Activity on the Rise

**20%** of executive search firms are looking to buy rivals or sell their own firms...

...while **25%** will explore the option to consolidate in the near future.

Source: Hunt Scanlon Ventures

The equity partnership is expected to fuel the search firm's growth through global expansion and accelerate a push into talent acquisition AI-enabled software. "The partnership with Crescent Cove Advisors is a testament to the value that Kingsley Gate Partners has created in just a little over six years. This partnership will ensure that we will continue to disrupt this industry through innovation, continuous improvement of the search process and further attracting world-class talent," said CEO Umesh Ramakrishnan.

Kingsley Gate marks the first private equity investment for Crescent Cove and expands the firm's capital solutions for founder-led technology companies. "As organizations are reshaped during and post-pandemic, we are excited to partner with the Kingsley Gate Partners team and support the company in redefining executive recruitment through the use of technology-driven solutions," said Jun Hong Heng, founder and chief investment officer of Crescent Cove.

(cont'd. to page 2)

## IN THE NEWS

**Venture Capital Firm QED Investors  
Acquires Lingua Franca Search**

**QED Investors**, an Alexandria, VA-based venture capital firm focused on investing in financial services companies, has acquired **Lingua Franca Search**, a boutique retained executive and professional search firm.

Financial terms of the deal were not disclosed. The search firm allows QED to support portfolio companies with senior-level hires. Led by CEO Thomas King, Lingua Franca Search is a boutique search firm that places experienced candidates in strategic and analytic roles in fintech and financial services roles. Originally focused on credit, risk, analytics, and performance marketing roles, the firm has over the past two years expanded its services to include placements in other critical leadership roles, including multiple chief operating officer, chief financial officer, chief revenue officer, and general counsel positions, in addition to critical mid-level and mid-senior positions reporting into these functions.

Founded by Nigel Morris and Frank Rotman in 2007, QED Investors is a venture capital firm focused on investing in disruptive financial services companies worldwide. Notable investments include Credit Karma, ClearScore, Nubank, SoFi, Avant, Remitly, GreenSky, Klarna, QuintoAndar, Konfio, Creditas, and Mission Lane.

"The global executive talent management industry is large and growing, yet little has changed in how companies approach talent acquisition," said Andrew Holmes, partner and head of private equity at Crescent Cove. "Umesh, Nancy, Buster and the talented team at Kingsley Gate Partners are recognized leaders in developing proprietary and differentiated technologies to help its global client base improve the speed and accuracy in their hiring processes. We cannot think of a better time to make this investment given today's global talent shortage and the premium companies place on talent acquisition. We are honored to join as partners in this exciting mission."

Investing in search firms is not just limited to private equity buyers. **Arthur J. Gallagher & Co.**, one of the world's largest consulting and risk management companies, acquired global HR search firm **Frederickson Partners** in 2022. **Frederickson Partners** has locations in a dozen cities across the U.S., including San Francisco, New York, Dallas, Chicago, Los Angeles and Nashville, and also serves global tech hubs in London, Berlin, Paris, Mexico City, Bogota, Seoul, and São Paulo. Founder Valerie Frederickson and her team continue to operate under the direction of Scott Hamilton, global managing director, human resources and compensation consulting for Gallagher's employee benefits consulting and brokerage operations.

**Opportunities for Growth**

"Frederickson Partners will expand Gallagher's executive search capabilities across all industries and offers us significant opportunities for collaboration and growth," said J. Patrick Gallagher Jr., chairman, president and CEO. "I am very excited to welcome Valerie and her team to our growing, global company."

Private equity firm **The Acacia Group** recently acquired **The Baer Group** – a full-service provider of contingent (cont'd. to page 3)



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## IN THE NEWS

### ZRG Partners Acquires RoseRyan Inc.



**ZRG Partners** has acquired RoseRyan Inc., a Silicon Valley-based provider of finance and accounting consulting solutions. Financial details were not disclosed.

"The nature of the workforce has evolved and having even greater bandwidth in the finance and accounting consulting sector through RoseRyan is fantastic," said Larry Hartmann, chief executive officer of ZRG. "This complements our current interim team, led by Mark Viner, and also adds important consulting capability to allow us to service a wide range of clients, who need support in accounting and HR."

Since 1993, Campbell, CA-based RoseRyan has engaged over 1,000 clients on projects including outsourced accounting for start-ups, corporate governance, interim solutions, and strategic projects such as IPO readiness, SEC reporting, financial planning and modeling, technical accounting, audit support and mergers and acquisitions. The addition substantially expands ZRG's consulting capabilities, adding to the firm's West Coast presence and breadth of solutions for their clients.

staffing in support of technology solutions for industry leading enterprise technology projects – as part of a strategy to address the growing shortage of skilled talent to lead and support digital transformation initiatives. The acquisition is seen as central to Acacia's strategy of building businesses adept at helping government and commercial organizations access the agile technical talent and services they need to deliver digital transformation. The Baer Group will form a new platform business within the Acacia portfolio.

"Global demand for the best technical talent is at an all-time high and will only continue to grow," said Craig Dawson, co-founder and partner with Acacia. "The team at Baer, who are exceptionally well regarded by their clients, oversees an expansive network of consultants and developers highly skilled in enabling clients to exploit the full commercial and mission potential of digital transformation."

"As a new platform within the Acacia portfolio, we're creating new possibilities for our company and new opportunities for our people," said Peter Aaron, president of The Baer Group. "Together we have ambitious plans that will enable us to grow in scale and boost our value to clients. We will be expanding and diversifying our technical capabilities and product partnerships, growing our team and strengthening our ability to deliver on an international scale. Acacia shares our commitment to building teams of highly skilled and motivated people around a culture of innovation. That shared philosophy will serve us well as we continue to grow Baer as a destination employer for the best talent in the industry."

The rationale for Acacia's acquisition of Baer stems from its direct experience of the growing challenges organizations face in attracting and retaining the best technical talent in a post-pandemic world, according to the company. "Skilled people are seeking greater career opportunity, diversity and flexibility," Acacia said. "These dynamics, combined with the shortage of experienced engineers and developers, make it more challenging and costly for large organizations to sustain in-house technical teams. Such organizations are increasingly turning to businesses like Baer for specialist support."

(cont'd. to page 4)

## Continued Interest in Search Firms

The interest of outside investors in executive search firms will continue for the foreseeable future, according to Tim Russell, managing partner of **The Tolan Group**. "There is extreme value in having an executive search firm in one's portfolio. Though I don't believe the multiples seen in recent transactions could be to the same degree they were, I do think that interest remains high in the executive search arena as a viable portfolio investment," he said. "Predictable revenue streams and market mastery of certain verticals can create a strong return on investment for those willing to invest in the sector. The other dynamic seen in the M&A activity is that of search firms acquiring other search firms. This strategy allows for expanded market share and the combination of cross selling among verticals that have noncompeting but similar service lines. For example, a firm with experience in hiring manufacturing executives could be well served joining forces with a search firm that specializes in hiring logistical executives. Combining these two firms could produce significant revenue but also be appealing to a PE suitor who might be interested in purchasing the firm down the road."

Mr. Russell explains that the number one factor that makes executive search firms a viable investment is the fact that recruiting assistance will always be needed. "The recruitment industry is a billion dollar industry for a reason," he said. "The cost of hiring is exorbitant and the cost of hiring again is more exorbitant still. Having a recruiting firm whose sole focus it is to procure, screen, vet and select top tier talent can considerably reduce hiring spend. The more specialized in a market, the more valuable the recruiter is to the company needing a top performing executive. An appealing aspect of search to investors is the long term sustainability of the industry. As long as there are people employed to do a task...there will be a need for recruiters."

Mr. Russell thinks sellers are motivated by a number of things. "This past year the M&A activity was robust," he said. "I think there were some search firms who not unlike homeowners wanted to test the market to see what kind of price they could get for their company. Valuations seem to be inflated and there were a few examples of high dollar transactions that netted the search firm founders a significant windfall. Some firm founders wondered if they could experience a similar kind of fortune. I think there were some sellers that were more testing the market than were intent or serious about actually selling. When valuations are high, it's human nature to wonder what you could get for the asset you own."

After taking a hit with the onset of COVID-19, the high-end recruiting sector has come roaring back over the past two years, culminating in the recent flurry of M&A activity, according to Dominic Lévesque, president of **Tatum**. Will that continue? "Looking ahead, all signs suggest that this level of heightened activity should carry over into Q1/Q2 2023, and potentially beyond," he said. The underlying reasons for that are multifarious. For one, voluntary turnover is at an all-time high at all levels of the workforce — and the C-suite is no exception. Meanwhile, even as the job market gets reactivated, job seekers themselves remain firmly in the driver's seat, and many are keen to identify opportunities and companies that align with their own values or sense of purpose. Faced (cont'd. to page 5)



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with key vacancies at the top, organizations will likely become more reliant, not less, on executive search partners. If that comes to pass, M&A activity should follow.”

What’s driving buyers/investors to our sector? Mr. Lévesque explains that when there are a significant number of vacancies on the job market, that translates to stronger financial returns for executive recruiting firms, which in turn generates interest in M&A activity. “From a productivity standpoint, executive recruiters themselves may be benefiting in surprising ways from the rise of mass remote work,” he said. “Gone are the days when you might have spent 70 or even 80 percent of your time traveling to meet with candidates and clients, for example. Now, you can pack in more meetings in less time on the client side. And on the candidate side, with digital meetings flattening geography, it’s easier to build more diverse pipelines as well, which means we can contribute more value when clients approach us with a huge backlog of searches.”

For sellers, there’s the broader economic landscape to keep in mind. “PE firms continue to have tremendous strongholds of dry powder, and they’re fueling most of the M&A activity in the executive search space,” Mr. Lévesque said. “Meanwhile, the accelerating pace of digital transformation initiatives is fueling growth across multiple sectors. And even if there have been notable fluctuations in the stock market in the past few months, investors by and large remain bullish. Businesses are showing solid cash flows and robust balance sheets. As a result, capital is available to fund deals.”

“Regardless of what happens in the broader macroeconomic context, it seems unlikely that demand for the services of executive search firms is going to decrease dramatically in the near- to mid-term future, which is also to say that the current deal flow probably won’t lose momentum,” Mr. Lévesque said. “No one knows what the future holds, obviously. But if you’re operating with the right mindset, however, a certain amount of market volatility can be exciting, as it often calls attention to the things you do best — and points the way to new opportunities.”

#### Search Firms Acquiring Search Firms

**Korn Ferry** acquired two executive search firm in 2022 that specialize in providing interim recruiting services. The firm acquired **Patina Solutions Group** and **Infinity Consulting Solutions (ICS)**. The acquisitions are expected to be immediately accretive to Korn Ferry’s adjusted earnings. “This combination presents real, tangible opportunity for Korn Ferry and our clients looking for the right talent, who are highly agile, with specialized skills and expertise, to help them drive superior performance, including on an interim basis,” said Gary D. Burnison, CEO of Korn Ferry. “Patina offers ideal solutions for today’s nomadic labor market. “Infinity Consulting Solutions will be a great fit, with interim professional placement offerings and expertise that are highly relevant for the new world of work.”

“Today, Boomers are retiring and career nomads are looking for change – early and often,” he said. “Our clients have entered a new reality where shortages of skilled labor are projected to persist, particularly in high-demand areas such as IT. Korn Ferry’s acquisition of ICS echoes our commitment to scale our solutions and further increase our focus at the

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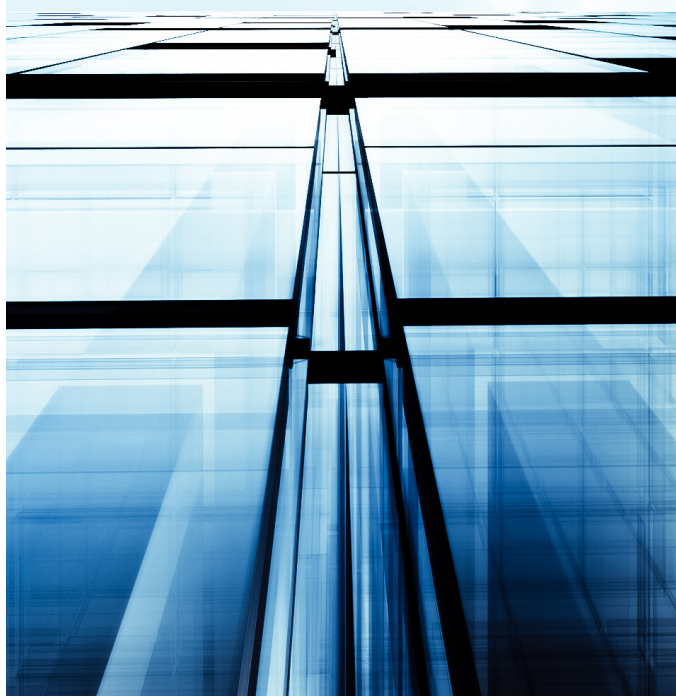
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intersection of talent and strategy – wherever and however the needs of organizations evolve.”

**ZRG Partners**, a leading search firm backed by private equity firm **RFE Investment Partners**, acquired Terra Search Partners, an executive search firm exclusive to the real estate industry in 2022. “The team at Terra Search is a great addition to our real estate practice,” said Larry Hartmann, CEO of ZRG. “Our data-driven approach to talent plus their deep expertise in the real estate sector is a boon for our clients across the globe. Real estate expertise is required in all sectors of the economy and all functional skill-sets are required within the real estate industry, which is ideally suited for ZRG’s cross-sector, interdisciplinary approach to human capital.”

Since 2006, Terra Search has advised real estate businesses throughout the U.S. on positive transformation through human capital. “We’re looking forward to joining the ZRG family, and I am excited to partner with Kevin Jones to lead the ZRG real estate practice,” said Matt Slepín, founder of Terra Search. “Real estate has become increasingly institutional where human capital is at a premium, and the power of the ZRG model can make a significant impact on the business. We are thrilled to be able to leverage the breadth of the ZRG platform to grow our practice.”

### M&A Activity Could Slow

Despite ZRG Partners growing with several acquisitions over the past few years, Mr. Hartmann thinks this activity could be slowing. “M&A is slowing down across sectors with more cautious buyers and resetting of valuations,” he said. “I believe there will be deals done but less of them and at more muted valuations and structures in 2023.”

“The market is a fragmented market with thousands of smaller firms competing against five major players, creating opportunity for scale through acquisitions,” said Mr. Hartmann. “The positive trends around human capital creating more value in recruiting platforms is also providing winds at the back of investors who see the sector having long term opportunity with the aging baby boomers retiring, more frequent job changes across the C-suite, a focus on DE&I on virtually every senior level search engagement creates more need and revenue growth.”

Mr. Hartmann also explains that sellers are being driven by an awakening in sorts that there is value in their boutique platforms beyond just the annual income being derived. “Five years ago, there was not much M&A activity in the retained search sector and today there is a velocity of transactions with even more buyers entering into the discussions,” he said.

“A potential economic slowdown will slow down deal flow and reset valuations, according to Mr. Hartmann. “2021 was a record year for most executive search firms and net income was at all time highs but we see a leveling off of revenues and net income, as firms now have to invest in the infrastructure to sustain the growth they experienced, while at the same time, battling for what looks like less business in 2023,” he said. “I believe there will be deals done and certain private equity backed buyers and some of the Big Five may sense value in the deals they pursue, so certainly activity but not sure it will be at the same pace as 2021 and 2022.”

## SPOTLIGHT

## What is Fueling the Surging M&amp;A Sector



*Ghada Sousou, CEO of **Sousou Partners**. She conducts senior management recruiting assignments for clients globally and is responsible for managing and building Sousou Partners' clients, who consist of general partners and limited partners, among the largest and most successful real estate,*

*hospitality, and infrastructure investors globally. Ms. Sousou is also responsible for the firm's board practice. In addition, she runs the company's management consulting solutions business including succession planning and deal/operating platform introductions. Ms. Sousou recently sat down with **Hunt Scanlon Media** to discuss the surging M&A market and what to expect looking forward.*

#### **Tell us why M&A activity in the executive search sector is so prevalent in today's market**

It's likely to become a tougher environment especially for non-competitive firms. There will be a flight to quality and anyone who doesn't represent or deliver quality will be vulnerable. This creates a natural environment for M&A as the stronger firms benefit and the weaker ones can be interesting targets. In addition, scale is important. The environment over the last decade has lent itself to allowing strong institutions to scale up and add product, and as they do so the infrastructure and HR capability within those institutions has also grown. The complexity of running larger product offerings has meant that it is easier for institutions to work with fewer executive search service providers. This generally means that the wider the offering of a service firm, the stronger their proposition is. Also, relationships for search firms have always been and continue to be crucial and it can be difficult to expand your network of relationships in a very competitive market. It can be tough to forge relationships in new sectors or new markets. Furthermore, M&A allows for the ability to leverage existing relationships into new verticals within client firms. Consolidation mainly through M&A activity has been a feature of our industry for a while now. We expect this to increase given the overall downturn in the economy, increasing costs and the resultant increasing number of distressed opportunities this will create. We believe M&A activity is a fundamentally a good thing for the sector as it tends to drive both value and scale.

#### **What impact did the COVID pandemic have on M&A activity?**

COVID caused two quite different reactions in M&A activity in executive search. The first and immediate reaction was a very natural curtailing of M&A activity. Initially, firms battened down the hatches, focusing on their own individual company challenges. Thoughts of expansion went down on the priority list in favor of staying in front of clients and top talent. And COVID also made it harder to connect with new firms to explore potential acquisitions. But this was very much the first initial reaction. When the dust settled and the recruitment market strengthened, many firms began to actively focus more on scale and exploring the M&A option. Now

that COVID appears to be lessening, the longer-term impact will be a significant ratcheting up of M&A activity. Because labor markets have tightened hugely since the pandemic – with plenty of people leaving the market, changing the way they work or downsizing their workloads – the need for people has exploded. Many sectors are feeling a real pinch now in available people and there is a real fight for talent going on. Acquisitions are a way of addressing this labor deficit.

#### **Anything else you want to add?**

For many organizations the most efficient way of gaining new relationships is to buy them in as part of an acquisition, the same way search firms will often be asked to identify and recruit whole teams to build capability rather than via individual hires. Buying a firm delivers this in spades. Also older, more mature firms are starting to think of their exit-creating opportunities and looking for other firms to possibly step in. So, the impact of COVID on M&A activity has really come in two waves with the initial "withdrawal" followed by intensifying activity. This activity doesn't seem to be slowing down.

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*"There are significant hurdles and barriers to entry in the executive search sector and expanding via an acquisition can be the best way of entering a new market or adding new sector expertise."*

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#### **Why can this be a good option for search firms?**

Acquisition is a good way to expand into new relationships. There are significant hurdles and barriers to entry in the executive search sector and expanding via an acquisition can be the best way of entering a new market or adding new sector expertise. Search firms, like many organizations, are coping with significantly more regulation around personal data these days. For example, GDPR (General Data Protection Regulation) in the European Union and similar legislation in certain states in the U.S. broadly limits what information can be stored about a person without their express consent. The infrastructure you need to cope with increased regulation and expand your database is a major investment cost. Buying another firm gets you access to these new relationships and information very quickly. It is a very efficient way of entering a new market.

#### **How important is culture?**

As everyone knows, acquisitions are very challenging from a culture point of view. Culture is paramount. Getting culture right is the difference between success and failure. And you need to be careful with the communication of why you are making the acquisition, keeping it simple so that it makes sense to all the interested parties. You don't want to upset any critical

*(cont'd. to page 8)*



business processes and you need to be vigilant in minimizing any conflicts. There is a lot to learn from our own industry in terms of failed businesses and deals that just didn't work out. A core goal in an acquisition must be retaining key talent and the producers of value. And appreciating local differences is hugely important. What works in London does not necessarily work in Germany. So, understanding the labor market, retaining the drivers of value and ensuring you have the right culture are key success factors. Culture is what makes the search business – in our case it is our prime differentiator.

*"As everyone knows, acquisitions are very challenging from a culture point of view. Culture is paramount. Getting culture right is the difference between success and failure."*

#### How can private equity firms help grow and support a struggling search firm?

Private equity firms can play a key role in helping support and grow search firms by funding rollups – that is helping a well-managed search business acquire multiple business and scale-up to one, larger business. This would entail consolidating, centralizing costs, and increasing profitability etc. They can help in identifying value, driving efficiency, and putting firms together. They can create the engine behind the firm, the impetus to grow, and provide a pool of funding. We have seen this kind of activity become much more pronounced over the past four years as consolidation has continued across the sector. Lots of mid-market and smaller firms have been rolled up. With smaller firms the multiple gained once consolidation has happened, might improve two or three times. But if this firm, with private equity backing and funding then went on to make a series of consolidations or bought a much larger firm – a multiple of 10 or 15 times could be realized, with much improved profitability.

#### Do you foresee continued consolidation in the executive search industry in coming years? If so, why?

Yes. We are still only at the beginning of this story. The macro-economic situation has meant that increased consolidation is inevitable and a normal by-product of the natural cycle of growth. Clients are expecting consolidation to continue and search firms have learned a lot in terms of needing to deliver quality in a consistent manner. A lot of mistakes have been and will continue to be made and the market still looks super fragmented. Researching our peers, we've been surprised at the number of firms that are operating below the radar. There are a lot of firms out there and not all of them will continue to exist in the next five to seven years. In this kind of landscape, brand is important – your reputation and what you are known for. We've been building our brand for 20 years as a global player specializing in sovereign wealth funds, multiple family offices, private equity, among other client groups, but above all for the quality of our relationships, our service offering, and our people-first approach. We are excited about the activity that this environment has brought into our industry as it will only strengthen the fundamentals and make for an environment where quality wins.



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## SPOTLIGHT

## Looking Ahead: Will M&amp;A Activity Remain Hot?



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*company leaders for networking 30 to 60 days in advance of an opportunity posting.*

David Barnette is managing partner of Prais+Barnette and has over 20 years of experience as an operating executive focusing on omnichannel sales and marketing, digital transformation, and product development. Since making the shift to talent acquisition in 2017, he has led technology practices at Korn Ferry and August Leadership. Mr. Barnette recently sat down with **Hunt Scanlon Media** to discuss the active M&A market within the search industry.

#### David, would you expect deals to keep occurring in the search industry as we move towards 2023?

I would. As we all know, the market for executive search down to RPO has been on fire since late 2020 as firms emerged from a few quarters of hiring freezes with burned-out teams, facing accelerated transformation on both the digital and human capital fronts. And even with a significant amount of uncertainty around the global economy, the supply of talent across levels and functions remains far lower than the demand for it. To that point, in 2022 we've seen the correlation between jobs data and the stock market defy anything we've seen to date with record low unemployment perched alongside a tumbling Dow and Nasdaq.

#### What do you see looking even further into the future?

Some projections even have the talent wars raging on into the 2030s. It's not that hard to look back and see a perfect storm of a large and aging generation having realized astronomical gains in the stock market being finally enticed into retirement by a pandemic. Leaving us with a serious gap of senior to mid-level talent that just cannot be replaced anytime soon. In sum, we don't have enough people and firms skilled at attracting talent to meet the current level of demand for placing it and there's nothing to indicate that hiring is going to get easier anytime soon. Meaning that ours is going to remain an attractive sector to invest in for some time.

#### What's driving buyers/investors to our sector?

Solid returns that are relatively simple to understand. Compared to others, the investment thesis for our sector looks pretty compelling and it's not a super hard case to get your head around: There's no fancy IP that has layers of global dependencies in being scaled and brought to market, there's no complex supply planning across channels and continents that can make or break profits, it's a very clear, very clean services model that you can look everywhere around you and see the need for. And in some cases, the buying case is as simple as acquiring new or incremental talent acquisition capabilities

to feed a portfolio of companies that lacks enough of those to create the value committed to investors. One great way to get a leg up on the competition in this market is to have a truly differentiated, scalable approach to recruitment and acquiring that externally is certainly an attractive option that can be easily cost justified. In the end there are very good returns from investing in talent acquisition across multiple case types that compare favorably against other investment options right now, and likely for the foreseeable future.

#### What's driving sellers?

I can't speak universally of course, but the smarter ones know that we have this amazing window of opportunity out in front of us this decade. We have all wished that we had more capacity from execution to operations to marketing to help us fully capitalize on the last two years at different points since things heated up after the pandemic. So I think a lot of it is about seizing the ability to scale, and do that faster than organic or debt-fueled options can offer. I also think there are a lot of people trying to challenge the status quo in executive search as well – we're seeing millennials reach the point in their careers that they are becoming decision making buyers and the way they want to engage with us is noticeably different than the way things have been done in the past so there's a clear and emerging opportunity with this contra positioning. We certainly fit into this challenger mindset and approach in the way that we have built our firm from the ground up. While it's exciting to be disruptive and see that positioning get embraced in the market, it also takes extra time and resources to cut through the established order in a sector and realize success at scale as a challenger brand. You get excited about all the ways you can shake things up and evolve the space which also gets you excited about avenues that could allow you to do that even faster. Finally, I am sure there are some sellers approaching the twilight of their career that see this market as pretty nice exit opportunity!

#### Do you feel the potential economic slowdown will hurt deal flow to the market or would it accelerate deal flow?

A recession will slow deal flows across sectors regardless. I do believe that the deal flow in executive search will be less affected by a downturn than many other sectors but it's impossible to say to what extent. It's a relatively easy to understand value proposition with a simpler income statement than many other businesses. But we all know that there's a segment of investors that is more sensitive to macroeconomic conditions and looking for positive NPV on a shorter horizon with little to no risk over that period.

#### So do recessions always slow down deals?

There is no doubt that recessions make it much harder to get potential deals to conform to usual deal parameters, and the assumption sets – particularly the top line piece – are always going to have to withstand greater scrutiny than they do in periods of economic growth. But the added challenges in getting deals across the line in a recession will be a fabulous thing for the more strategic, long-term thinkers in the arena.

## NFP Acquires Juno Search Partners

It's not only private equity firms and search firms acquiring rivals. Now billion dollar consulting firms and insurance brokerages want in on the action. **Hunt Scanlon Ventures** goes inside the latest deal.

Philadelphia-based executive search firm **Juno Search Partners LLC**, has been acquired by **NFP**, a property and casualty broker, benefits consultant, wealth manager, and retirement plan advisor. Financial terms of the deal were not disclosed. Co-founders Mikal C. Harden and Vicki Sack will join NFP as senior vice presidents. "I'm beyond excited to welcome Mikal, Vicki, and the entire Juno Search Partners team to NFP," said Ethan Foxman, president, NFP's Atlantic region. "The addition of Juno complements our existing resources and capabilities in the human capital solutions space, while also giving NFP a scalable search and talent solutions platform that we can grow nationally for the benefit of our clients and their workforce."

Acquiring Juno, a Philadelphia Business Journal Best Places to Work award winner in 2022, will help NFP grow its presence in Philadelphia. "Adding Juno to the NFP family is significant for our work in the Philadelphia market and enables us to deliver even more value to client partners," said Rich Krekstein, managing director, employee benefits, NFP, who is based in Philadelphia.

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*"The addition of Juno complements our existing resources and capabilities in the human capital solutions space, while also giving NFP a scalable search and talent solutions platform that we can grow nationally for the benefit of our clients and their workforce."*

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"We're thrilled to join NFP and work with Rich and new colleagues, many of whom we've developed strong relationships with over the years," said Harden and Sack in a joint statement. "Attracting and retaining talent is on everyone's minds, and we are excited to be the talent experts in the room. NFP's collaborative culture that prioritizes diversity, equity, inclusion, and belonging, and its commitment to delivering thoughtful, cost-effective solutions tailored to each unique client, squarely align with our values. We are excited for the next chapter in the Juno story."

Juno specializes in contingent search, contractor placement, executive search and custom talent solutions for employers to grow and sustain their workforce.

NFP is a property and casualty broker, benefits consultant, wealth manager, HR services consultant, and retirement plan advisor that provides solutions enabling client success through the expertise of over 7,000 global employees, investments in innovative technologies, and enduring relationships with highly rated insurers, vendors and financial institutions. NFP is the 9th best place to work for large employers in insurance, 7th largest privately-owned broker, 5th largest benefits broker by global revenue and 13th largest broker of U.S. business (according to Business Insurance).



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## HireQuest Acquires MRINetwork's 252 Franchise Offices

**HireQuest Inc.**, a NASDAQ-traded national franchisor of on-demand, temporary and commercial staffing services, has entered into a definitive agreement to acquire certain assets of **MRINetwork**, a global executive recruiting network headquartered in Delray Beach, FL, for approximately \$13.5 million before working capital adjustments. The assets include MRI's 232 franchise offices in the U.S. and internationally, which generated approximately \$283 million in systemwide sales and standalone adjusted EBITDA of \$1.9 million for the trailing 12-month period ended September 30, 2022.

"MRI is recognized as one of the top permanent placement executive search and professional staffing networks in the U.S.," said Rick Hermanns, president and CEO of HireQuest. "The addition of MRI as a franchise offering for executive search provides HireQuest with immediate scale in the segment and is highly complementary with our existing HireQuest direct and snelling offerings. For more than 50 years, MRI's franchisees have provided their clients with exemplary service, we are looking forward to providing them with additional tools and support they need to grow that success in the future."

"I've spent over 27 years as an MRI franchisee and became its CEO three years ago with a goal of carrying on the innovation established by our original founder, Alan Schonberg," said Bert Miller, president and CEO of MRI. "Through this time, we've successfully guided the organization through a digital transformation to prepare the business for the future and help our franchisees build real businesses that also happen to be search firms."

"I'm extremely proud of what we've built at MRI, and believe HireQuest will be a perfect partner to further develop our corporate and leadership teams and, most importantly, provide our franchisees with more resources, broader scope, and the ability to strategically scale," said Mr. Miller. "We believe that becoming part of the HireQuest family is the right pathway to grow MRINetwork and give our franchisees every opportunity to further their success."

HireQuest will fund this acquisition with cash on hand and its existing line of credit. Completion of this transaction is subject to a number of closing conditions. Subject to such conditions, the transaction is expected to close December 12, 2022. During the interim, both HireQuest and MRINetwork offices will remain open for business without interruption.

Richmond, VA-based Transact Capital Securities, LLC, served as financial advisor to MRINetwork.

HireQuest is a nationwide franchisor that provides on-demand labor and commercial staffing solutions in the light industrial, blue-collar and commercial segments of the recruiting industry for HireQuest Direct, HireQuest, Snelling and Link franchised offices across the U.S. Through its national network of over 210 franchisee-owned offices in more than 35 states and Washington, D.C., HireQuest provides employment for more than 60,000 individuals annually that work for thousands of customers in numerous industries.



## News in the M&A Sector...

### Caldwell Acquires The Counsel Network



Caldwell has acquired **The Counsel Network Inc.**, a Canada-based executive search firm specializing in the Canadian legal market. The acquisition was an all-cash deal, and no securities of Caldwell were issued in connection with the acquisition. "The Counsel Network is the most respected, connected, and powerful legal recruitment firm in Canada," said Michael DeCosta, managing partner of Caldwell's professional services practice. "This combination brings together two strong executive search brands with exceptional reputations borne of a true passion for achieving the best results for clients and candidates." Founded in 1988, The Counsel Network's team is led by Dal Bhathal (Toronto) and Sameera Sereda (Calgary), who have advised the profession through economic cycles in the industry over the last 25 years.

### WilsonHCG Acquires Claro Analytics

Global talent solutions provider **Wilson Human Capital Group (WilsonHCG)** has acquired **Claro Analytics** as it continues to grow its talent intelligence capabilities. Claro Analytics, which was established in 2014 by Michael Beygelman, is a talent intelligence technology platform with unique capabilities to provide real-time talent market insights to help organizations make more evidence-based, strategic decisions about talent. "WilsonHCG identified a gap in the market for talent intelligence insights delivered 'as a service' that Claro Analytics was filling," said John Wilson, CEO at WilsonHCG. In this competitive talent landscape, global organizations need access to real-time labor market data more than ever before, but many lack the resources to be able to collect and apply the insights.



### TalentoHCM Acquires De Forest Search




**TalentoHCM** acquired **De Forest Search**, a Los Angeles-based search firm known for its 28-year history with Fortune 500 companies in consumer products, media and entertainment, alongside deep

functional experience in sales, marketing, creative, product, ecommerce, human resources, finance and supply chain. Together, the combined organizations offer a broader human capital services menu and are projected to grow to \$1 billion in revenue by 2030.

**Hunt Scanlon Ventures**, based in Greenwich, Conn., facilitated the introduction and transaction between both organizations. "We are thrilled to bring the deep industry and functional expertise of the Los Angeles team into the TalentoHCM platform to continue to obsess over delivering innovative customer experiences," said Juan Gaitan, CEO of TalentoHCM. "Today's customers need more from their partners. Our combined executive, management, and professional recruiting offerings as well as contingent workforce solutions bring tremendous capabilities to today's HR and business leaders."



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## ...More News in the M&A Sector

### DHR Global Acquires Westmont Search



**DHR Global** acquired Philadelphia-based **Westmont Search**. The move adds two search consultants to the DHR roster and will strengthen the firm's presence in the healthcare sector. Wendy Brown-Blau and Peter Blau, co-founders of Westmont Search,

will join DHR as managing partners with a focus on health systems, managed care services and government programs. "We are pleased to welcome Wendy, Peter and the Westmont Search team to DHR," said Geoff Hoffmann, CEO. "DHR and Westmont Search are a perfect fit – with a shared vision of supporting clients with high-touch services delivered by experienced search consultants. Through DHR's global platform, Westmont Search's clients will have the same great service with access to a wider range of talent solutions, including individual, team and organizational development consulting services and deep expertise in diversity, equity, and inclusion solutions."

### N2Growth Acquires FluidMind Consulting

**N2Growth**, a Philadelphia-based management consulting and executive search firm, has expanded to Mexico with its acquisition of Mexican talent and leadership advisory firm **FluidMind Consulting**



and appointing the firm's founder, Carlos Alfonso Gonzalez, as managing partner. Mr. Gonzalez is responsible for all operations in Mexico and neighboring countries and will report directly to Kelli Vukelic, chief executive officer of N2Growth. The firm's new location will be in Mexico City. "In today's ultra competitive global climate, our clients entrust us to help them find top leaders who can build notable leadership teams who can drive exceptional performance from all corners of the globe, and Mexico is no exception," said Ms. Vukelic. "Furthermore, FluidMind Consulting's leadership advisory practice was a perfect fit for our firm's mission and philosophy: to find the best leaders by first identifying their leadership DNA."

### The Judge Group Acquires Slayton Search Partners



Professional services firm **The Judge Group** has acquired Chicago-based **Slayton Search Partners**. The Judge Group is a provider of consulting, learning and talent services with over 50 years of experience. The acquisition

of Slayton Search Partners brings a retained executive search capabilities to Judge's broad portfolio, the company said. "The acquisition of Slayton combines two leading providers of search services with decades of experience and expertise," said Marty Judge, CEO of The Judge Group. "Slayton's reach, depth, and expertise in executive search coupled with a dedication to creating impactful client experiences make them an ideal partner. Together, we will leverage our collective expertise to build new business relationships, develop deeper partnerships with existing clients, and grow into untapped markets."