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Houston HR firm to open Austin office in major expansion

Austin Business Journal - by [Greg Barr](#) Contributing writer

A Houston human resources firm is primed for an Austin office and Sun Belt expansion after a \$2.5 million private- equity infusion.

Achilles Group received the majority of the funding from Chicago-based First Analysis, which was brought into the deal by Houston-based Ephor Group. The Houston midmarket business development and management firm has been working with Achilles for the past 14 months to improve the company's business model and operating efficiencies.

The equity infusion, completed in November but announced this month, has Achilles preparing to open a first office in Austin by the end of February, on the heels of a Dallas-Fort Worth office opening in November.

The fast-growing firm added eight employees in 2007 to finish the year with a staff of 28.

Ephor's Garry Meier became Achilles' chairman when he arrived at the end of 2006, and now runs the firm's operations after taking over as CEO in November.

Achilles co-founder and former CEO Arch Payne has retired and will remain on the board as a consultant. He is still a shareholder.

"The [operational] improvements shown at Achilles were instrumental to my partners [at Ephor] and First Analysis in order to capitalize the company and get it ready for this growth," Meier says.

Achilles specializes in offering human resources services on an outsourced basis using shared services to companies across all industry sectors with 25 to as many as 2,000 employees.

Rather than focus on administrative tasks, Achilles looks to make workforce productivity improvements at client firms.

Bill Bradshaw, an Achilles co-founder and vice president, says the firm had at one time talked to a group of about 10 customers who were considering pooling as much as

\$100,000 apiece to help fund the firm's growth plan. Instead, Meier was able to make the connection with First Analysis to fund the deal.

"The hardest amount of money to find is a small amount of money. If we had a business plan that showed we needed \$10 million, we would have gotten it quickly," Bradshaw says. "Our business is human -capital-intensive. We don't need a lot of funding to expand to new locations but it would have taken longer to grow the company on our own money."

Bradshaw says Ephor's expertise and focus on helping to grow human resources firms has paid off since Meier's arrival at Achilles.

The firm applies a Fortune 500-style business model to address human resources needs of customers. Achilles' client firms -- which have offices spread across 30 states -- can outsource the human resources executive position to Achilles for about half the cost of hiring one.

Bradshaw says the firm is starting to line up customers outside of Texas. Other markets seen as suitable for expansion include Atlanta, Miami and Orlando, Fla.

Jim Macdonald, managing director of First Analysis, says Achilles was a good fit considering how the Chicago firm has already invested in several human resources companies. First Analysis has more than \$240 million in active portfolio investments.

Meier would not disclose Achilles' annual revenue, but noted that its annual run rate was more than \$3 million. Typically, a run rate is about one-fourth of total revenue.

Macdonald and another First Analysis executive, vice president Todd Van Fleet, have joined the Achilles board as a result of the minority-position cash infusion.

The Achilles founders chose the name of the company to reflect the fact that, like the Greek warrior of the same name, human resource functions are often a weak spot in corporate America.

Macdonald says First Analysis was attracted by the fact that Achilles has found a strong operating niche.

"We like this sort of gap that Achilles operates in, bringing large-company HR practices to midsize businesses. They're not in the temporary staffing business," Macdonald says.

Greg Barr is a staff writer at the Houston Business Journal, an affiliate of the Austin Business Journal.

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