Geographies of Temporary Staffing Unit
Working Brief 19

Mapping the Geography of Transnational Staffing Firms: the case of Adecco

Neil M. Coe, Jennifer Johns & Kevin Ward

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Introduction

This Working Brief aims to outline the changing organisational geographies of the world's largest staffing firm, Adecco. We outline the company's history before moving on to outline its current corporate configuration. Using data on total revenue, foreign revenue, office network growth and new market entry for the years 1999-2005 (inclusive), we examine and map Adecco's geographical expansion. We then turn to the Adecco's merger and acquisition activity since its creation in 1996. In conclusion, this Working Brief will summarise Adecco's geographical expansion to-date.

Historical Background: Adia and ECCO.

Adecco came into being in 1996 as a result of the merger of Adia (founded in 1957 in Switzerland) and ECCO (founded in 1964 in France). At this time, ECCO was the world's second largest staffing firm (after Manpower), and Adia was the third. The merger gave the company combined sales of CHF 8.524bn ($6.393 billion), pushing Manpower into second place in terms of global sales with revenues in 1996 of $6.079bn. While Adia and ECCO were seen by many industry analysts as a 'good match', the two firms had developed along rather different lines since their formation: Adia focused on international growth, while ECCO concentrated on developing it's presence in it's large domestic market, France. Table 1 charts the rapid international expansion of Adia from 1961-1992.

Table 1: Adia's Geographical Expansion

Date	Event
1961	First international office opened in Belgium
1962	Office opened in Germany
1965	Enters Danish market
1972	Enters the US
1975	Enters France
1976	Adia unsuccessfully tries to expand to Brazil
1977	Acquisition of Alfred Marks Bureau (UK) for $3.4m
1978	Enters Austria
1979	Enters the Netherlands
1981	Enters Australia
1983	Enters Canada
1985	Enters Japan
1986	Enters New Zealand, Spain and Hong Kong and 8 companies acquired in US
1987	Enters Norway
1988	Lee Lecht Harrison outplacement business acquired and 7 further acquisitions made
1989	3 more markets entered, including Italy
1990	Enters Brazil, Portugal, Greece, Thailand and Hungary
1991	Enters Morocco
1992	Enters Czechoslovakia

Source: Annual Reports and Company Websites.

By 1986, Adia's revenues had increased 12 fold over the same number of years, topping $1bn for the first time. The firm's geographical network had spread to 16 countries, with a focus on Western European markets and larger markets in Asia. This internationalisation was also accompanied by branch network expansion in existing markets, and by 1986 Adia had achieved the largest market share in Switzerland, France and Germany. In addition, Adia operated a highly decentralised organisational structure within which international operations – both greenfield start-ups and acquisitions – were given a high degree of autonomy. With the formation of Adecco, the new firm was faced with the task of integrating two complex organisations at the same time as maintaining their new leading global position.

Adecco's Internationalisation: 1999 to 2005

This section deals with Adecco's more recent history, using data collected from annual reports and press releases to reveal its further internationalisation. Table 2 shows key figures for the years 1999-2005. It reveals a number of salient points regarding the development of Adecco's geographical network.

Table 2: Adecco Yearly figures for revenue, foreign revenue, office network and new market entry, 1999-2005.

Date	Revenue ($m)	Foreign revenue ($m)[1]	% Revenue foreign	New offices added[2]	Total offices	New countries entered	Total countries present	Employee base (millions)
1999	12,375.6	9,858.4	80	400	3,517	not known	55	200,000
2000	15,710.5	13,035.5	83	1,848	5,365	Bolivia, Costa Rica, Dominican Republic, Guatemala (Macau no longer listed)	58	
2001	16,075.7	6,356.7	40	533	5,898	None	58	
2002	16,305.9	6,319.3	39	Reduction by 35	5,863	Slovakia, Russia and Tunisia	62	650,000
2003	17,735.9	6,019.4	34	Reduction by 63, but expansion in E. Europe	5,800	Nigeria, Namibia, Reunion, French Polynesia, Croatia, Estonia, St Martin, St Barthelemy, Martinique.	71	2,300,000 (in whole year)
2004	23,111.5	7,964.8[3]	35[3]	212	6,012	St Barthelemy, Namibia and Nigeria no longer present, replaced by Guatemala and Lithuania	70	
2005	21,708.8	7,269.5	34	350	6,362	None	70	700,000 daily

[1]Adecco presents Europe as it's home market in annual reports (rather than Switzerland). Therefore, figures for foreign revenue and % foreign revenue are not directly comparable with those of other firms. French revenues are separated from European figures until 2001, so are included in foreign figures for 2000 and 2001.

[2]Also includes offices added to branch network through acquisition, so does not distinguish from organic branch openings.

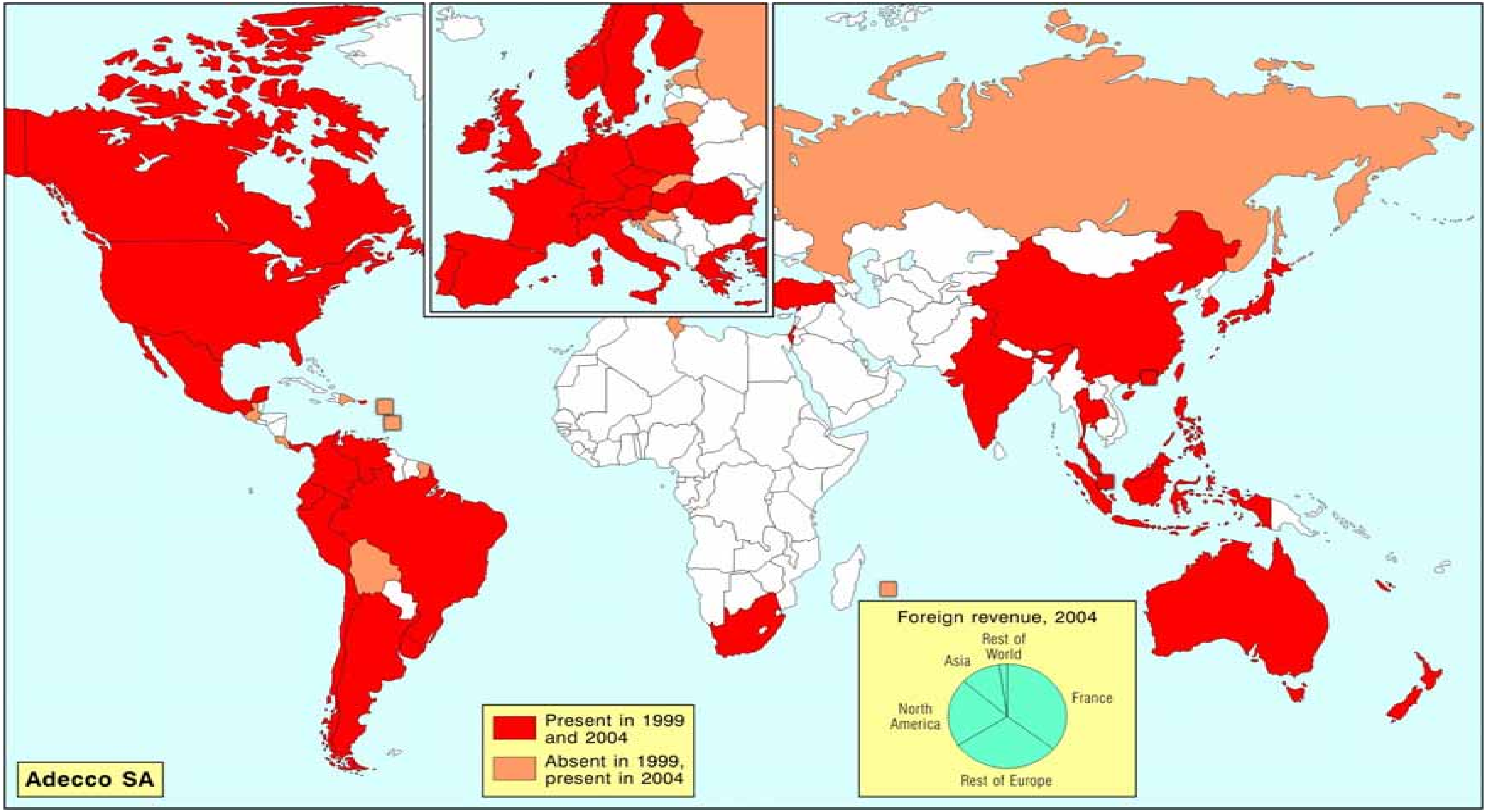
[3]Using estimates of the size of the Adecco's operations in Switzerland in 2004, foreign revenue is approximately $22,726.5m, or 98% of total revenues.

Exchange rates used: End 1996: 1 CHF = $0.75: end 1999: 1 CHF = $ 0.67; end 2000: 1 CHF = $ 0.95; end 2001: 1 CHF = $ 0.95; end 2002: 1 CHF = $ 0.65; end 2003: 1€ = $ 1.2297; end 2004: 1€ = $ 1.34065; end 2005: 1€ = $ 1.18608.

Source: Annual Reports and press releases.

- Adecco's revenue has increased annually. Due to exchange rate fluctuations, it appears in Table 2 as if revenue in 2005 was lower than that in 2004. In fact, when expressed in Euros, the figures are €17,239 m in 2004 and €18,303 m in 2005.
- The total foreign revenue and percentage of foreign revenue figures vary widely. This is due to changes in the manner in which Adecco reports its segment figures. However, for the years 2001 to 2005, where greater consistency in reporting has been achieved, the percentage of foreign revenue has decreased. Again, this can be explained due to Adecco reporting domestic revenues as 'Europe' rather than 'Switzerland'. Therefore, it is very difficult to unpick the true percentage of foreign revenue, although our own estimates are that in 2004, 98% of revenues were generated outside Switzerland. Given the small size of the Swiss market, this is plausible. However, it is important to note that the figures contained in this Working Brief are not directly comparable with those in Working Briefs 20 to 23.
- Since 1999, Adecco has extended its geographical network into a further 15 countries. Figure 1 maps the geography of Adecco in 1999 and 2004. Table 2 shows that the majority of new market entries in this period are to smaller markets. Many new countries entered are in South America and Eastern Europe, with the largest new markets entered being Russia and Slovakia. Such expansion needs to be balanced against Adecco's exit from certain other markets, such as Namibia and Nigeria. Indeed, overall, in 2004 Adecco was present in one less market than in 2003.
- As Figure 1 shows, a high proportion (35.8%) of Adecco's revenue in 2004 was generated in Europe, with the rest of Europe contributing 29.7%. Therefore, Europe contributes over 65% of total revenue. The next largest region for Adecco is North America, with 21.5%, followed by Asia Pacific with 10.7%. The rest of the world contributes just 2.3%, reflecting the high concentration of global staffing activities in a small number of large, mature markets such as the US, UK and France.
- Adecco has entered new markets through merger and acquisition, and greenfield start-up. Both have perceived advantages and disadvantages with the nature of market entry depending upon the size, nature and maturity of the new market (see Working Brief 10 for a typology of firm entry to emerging markets). Adecco has historically tended to use acquisition to enter larger markets, such as the US and UK. However, changes in the organisational structure of Adecco have seen a shift from the decentralised autonomy of international operations to a tighter centralised focus with standardised branding and operational procedures. The following section will discuss Adecco's major acquisitions in greater detail.

Figure 1: Mapping Adecco's global network 1999-2004.



Source: Annual Reports and company websites.

- While Adecco has been extending its global reach between the years 1999 and 2003, further expansion has occurred in existing markets through a programme of office network expansion. A great number of offices were added to the Adecco network over recent years, particularly in 2000 when the Olsten merger contributed over 1,400 US offices to the tally (see Table 3). The global economic downturn of the early 2000's saw Adecco making cost saving efforts, and a number of offices were closed. However, these changes to the office network were highly geographically uneven, with greatest volumes of closures occurring in older markets such as the US or underperforming markets, and additional offices opened in expanding markets such as those of Eastern Europe. Since 2004 Adecco has continued to grow its office network, forming the largest in the world, dwarfing Manpower's 4,429 offices (see Working Brief 19).

Market Consolidation and Merger and Acquisition Activity

Over the last three decades, the staffing industry has witnessed a proliferation of mergers and acquisitions as the larger players have sought to gain global, and territorially specific, market share and to increase their range of service offerings. One of the largest mergers to date was that of Adia and ECCO, and since this time Adecco has made a number of further acquisitions and mergers. Adecco has used M&A activity alongside greenfield start-ups to enter new markets and to capture greater market share in particular territories, such as the US and UK. Table 3 outlines Adecco's key mergers and acquisitions since its formation in 1996. The following observations can be made about Adecco's strategy in relation to such activities, with a particular focus on internationalisation:

- Adecco has acquired relatively large firms in particular key markets, such as the UK (Delphi), Japan (Career Staff) and the US (Olsten). These acquisitions follow Adecco already having entered these markets, often many years previously, and represent an attempt to gain large portions of market share.
- Acquisitions have also been used to gain greater market share in particular specialisms. For example, the TAD acquisition greatly increased Adecco's position with the technical and IT specialist market in the US. Similarly, the more recent acquisition of Staffwise Legal has provided an inroad into the legal staffing and recruitment market in the US. This can be placed within Adecco's broader global strategy to move into more profitable higher-end services.

Table 3: Adecco's merger and acquisition activities, 1999-2006.

Date	Firm(s) acquired/merged	Notes	Geography	Current brand[1]
August 1996	Adia and Ecco	Merger of Adia (Switzerland) and Ecco (France); the world's third and second largest staffing companies in the world, respectively.	Combined total of 2,400 offices in 40 countries	Adecco
October 1997	TAD	Acquired the technical, IT, clerical and light industrial staffing firm for 570 m CHF ($406.5 m)	US, with offices in 350 locations across the US.	Adecco Engineering & Technical
April 1999	Delphi	Acquired the IT services and staffing business for 395m CHF ($264.7 m)	UK, with operations across Continental Europe	Adecco IT
May 1999	Career Staff	Acquired generalist staffing firm for 128 m CHF ($85.8 m)	Japan, with 50 branches across Japan.	Adecco
January 2000	Jobs.com	Acquired a 5% stake in the internet-based recruiting site for undisclosed price.	Internet-based	n/a
March 2000	Adecco and Olsten	Merger with Olsten (general staffing and IT) for purchase price of $1.55 bn.	US, with 1,400 offices in 14 countries.	Adecco
May 2002	Jobpilot	Acquired jobpilot for approximately €70m.	Germany, with operations in Austria, Belgium, Czech Republic, Denmark, France, Hungary, Italy, Netherlands, Norway, Poland, Spain, Switzerland and UK	n/a
April 2004	Sold Jobpilot	Jobpilot sold to Monster Worldwide for €88m	n/a	n/a
September 2004	PeopleOne	Acquired 67% stake in the staffing services firm.	India, with 12 offices nationally	Adecco Peopleone
November 2004	Sydelis	Acquired the IT consulting firm	France	Adecco IT
January 2005	Altedia	Acquired 50.5% stake in the HR solutions provider	France, with offices in Belgium, Spain and Portugal	Adecco Human Capital Management
April 2005	Humangroup	Acquired the HR company with staffing services and outsourcing solutions for logistics, manufacturing, call centres and sales and marketing	Spain	Adecco
October 2005	Staffwise Legal	Acquired the legal staffing and recruitment firm	US, with 6 offices across the US	Adecco Finance and Legal
January 2006	DIS	Acquired 82.57% stake in the leading professional staffing firm in Germany	Germany	??

[1]Following the 2006 restructuring of Adecco into six professional global business lines

Source: Annual Reports and press releases.

- There is an absence of business alliances or joint ventures in Adecco's strategy (compared to Kelly Services or Vedior – see Working Briefs 19 and 20). The majority of acquisitions are for 100% of shares, and Adecco tends to always purchase a controlling interest of over 50%.
- The majority of acquisitions are incorporated into the Adecco global structure with standardisation of brands and operational practices. From 2002 to 2005, all purchased firms were rebranded within one of Adecco's three divisions; Adecco Staffing, Ajilon Professional and LHH Career Services. From 2006 onwards, Adecco has adopted a new divisional structure in which professional staffing is defined by occupational fields, alongside Adecco's core industrial and office staffing. The six new professional staffing divisions are; Adecco Finance and Legal; Adecco Engineering and Technical; Adecco Information Technology; Adecco Medical and Science; Adecco Sales Marketing and Events and Adecco Human Capital Solutions.
- Not all acquisitions are successful. For example, Jobpilot was only part of the Adecco organisation for just under two years, before being sold to Monster Worldwide. Information on the reasons for this divestment is not publicly available.
- Finally, with the exception of a lull in acquisition activity due to depressed market conditions in the early 2000's, Adecco has continued to make large acquisitions in key markets. This can be contrasted with the more piecemeal strategy of firms such as Vedior (see Working Brief 21). In line with Adecco's stated ambition to be the number 1 or number 2 market leaders in all the territories in which it is present, it is expected that Adecco will continue to make large acquisitions to gain market share. Their acquisition of DIS in Germany this year illustrates this point.

Conclusion

Since its formation in 1996, and previously as Adia, Adecco has sought to internationalise rapidly, with the number of new markets entered each decade increasing exponentially. The geographical pattern of this expansion has evolved as Adecco has expanded from its presence in the key global staffing markets of the US, UK, the Netherlands and France, to include smaller, but expanding markets across Asia and South America. Adecco has strategically focussed not only on increasing its global network, but on increasing market share in growing and emerging markets, such as Japan. Given Adecco's already extensive 70 country-wide global network, it may be that future growth occurs in the form of consolidation in existing markets rather than through the entrance into new ones. Regardless of this, Adecco's future strategy does include increasing its range of service offerings, possibly necessitating the purchase of specialist staffing firms across a number of territories. Much of this strategy, is of course dependent upon the evolving demands of Adecco's customers and the activities of its competitors.

For more information about this working brief, please contact:
Jennifer Johns (j.johns@liverpool.ac.uk)

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