

## Geographies of Temporary Staffing Unit *Working Brief 21*

### Mapping the Geography of Transnational Staffing Firms: the case of Vedior

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#### ***Introduction***

This Working Brief aims to outline the changing organisational geographies of the world's third largest staffing agency, Vedior. We briefly 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 Vedior's geographical expansion. We make closer examination of Vedior's merger and acquisition activity since 1997. In conclusion, this Working Brief will summarise Vedior's geographical expansion to-date.

#### ***Historical Background to Vedior***

The early temporary staffing activities that are now known as Vedior existed for a number of years before Vedior itself was formed. Table 1 briefly outlines the background to Vedior's history.

**Table 1: Key events in the history of Vedior**

<b>Date</b>	<b>Event</b>
1973	Vroom & Dreesman Group (Netherlands) established incorporating retail, cleaning and employment agencies
1980's	Vedior name introduced as brand for staffing activities. Move into other markets including Belgium and Germany
Late 1980's	Reorganisation of group into new divisional structure. New name Vendex International established
early 1990's mid-1990's	Further restructuring. Stripping of unprofitable holdings Vendex International went public. Demerger of activities allowed under new Dutch law
end 1996	Vendex acquired Bis (France) for NLG 830m
1997	Vedior goes public
June 1998	Vedior spins off from Vendex

Source: Annual Reports and Company Websites.

As Table 1 shows, Vedior has its roots in the development of temporary staffing services in the Netherlands, and before it was spun-off from Vendex to become a separate entity, it had, under a different guise been internationalising within Continental Europe. Since 1998 Vedior has grown rapidly in size, and scope, to become the third largest temporary staffing agency in the world. Regarded by some competitors in the industry as a holding company, rather than a staffing firm *per se*, Vedior has used merger and acquisition to expand across geographies and sectors. The firm organisation is decentralised, maybe in part reflecting its early history as part of a large conglomerate, contrasting to the centralised organisational structures of its competitors, such as Adecco and Manpower. The following section examines in greater detail the geographical expansion of Vedior since 1999.

### ***Vedior's Internationalisation 1999-2005***

With a presence in over thirty countries and annual revenues in excess of \$8bn, Vedior has grown rapidly in its relatively short history. A key event in the history of Vedior was its acquisition of Select in 1999, which will be discussed in greater detail in the following section. Before this acquisition, 50% of Vedior's revenue was generated in France and Vedior's geographical focus was very much on Continental Europe. Since this time, Vedior's global network has expanded, forming a global company. This section deals with Vedior's recent history, using data collected from annual reports and press releases to reveal its internationalisation. Table 2 shows key figures for the years 1999-2005. It reveals a number of salient points regarding the development of Vedior's geographical network.

- The revenue figures presented in Table 1 are shown in US dollars, to facilitate comparison with the other top 5 firm Working Briefs (numbers 19 to 123). However, due to exchange rate fluctuations, in this case the impression is given of year on year growth by Vedior. In fact, Vedior's revenue declined in 2002 and 2003, as a result of global economic downturn. Revenues in 2004 and 2005 showed improved growth. Similarly, foreign revenues at Vedior have declined between 2001 and 2004.
- Vedior's percentage of revenue generated outside its home market of the Netherlands is consistently high, and is gradually increasing. It reached a high of 93% in 2004, up 8% on just five years earlier. This percentage reflects both Vedior's internationalisation strategy, and its number three position in the Netherlands behind Randstad (with 37% market share) and United Services Group.
- The number of Vedior offices globally has changed yearly, with 1999 seeing the addition of over 700 offices – the majority of which were a result of the acquisition of Select (UK). Similarly an acquisition of an American firm in 2000 (Acsys) contributed over 40 new offices.

**Table 2: Vedior yearly figures for revenue, foreign revenue, office network and new market entry, 1999-2005**

Date	Revenue (\$ m)	Foreign revenue (\$m)	% Revenue foreign	New offices added <sup>1</sup>	Total offices	New countries entered	Total countries present
1999	4,101.8	3,482.0	85	723	2,024	n/a	26
2000	5,914.5	5,301.0	90	172	2,196	Brazil and Ireland (India exited)	27
2001	6,029.7	5,475.4	91	73	2,269	Chile and Turkey (Norway exited)	28
2002*	6,273.5	5,666.9	90	-41	2,228	Sweden and Monaco	30
2003*	7,341.3	6,743.7	92	-3	2,225	Poland, Slovakia and United Arab Emirates	33
2004	8,670.0	8,029.2	93	20	2,245	India, Sri Lanka and Cape Verde	37
2005	8,125.8	7,511.5	92	31	2,276	Cyprus, Oman, Uruguay, Bulgaria, Romania, Croatia and Serbia and Montenegro	44

<sup>1</sup> Also includes offices added to branch network through acquisition, so does not distinguish from organic branch openings.

\* Due to exchange rate fluctuations, these figures give the false impression of growing revenue. In fact, figures in € are as follows;

2001: Total revenue €6,766 m (foreign revenue €6,144m)

2002: €6,154m (€5,559m)

2003: €5,970m (€5,484m)

2004: €6,467m (€5,989m)

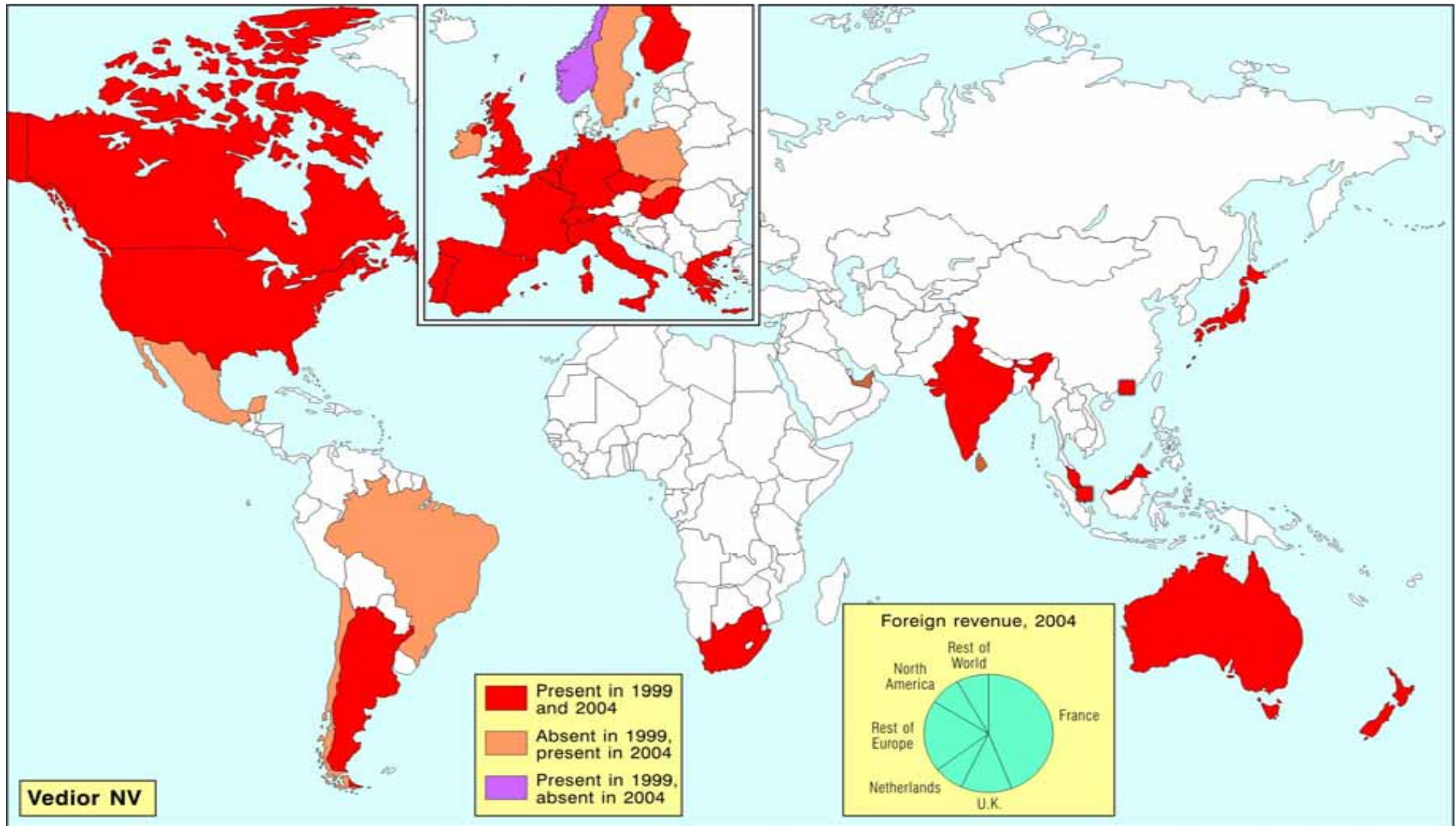
2005: €6,851m (€6,333m)

Exchange rates used: End 1999 €1 = \$1.01103; end 2000: €1 = \$0.898313; end 2001: €1 = \$0.89117; end 2002: €1 = \$1.01941; end 2003: €1 = \$1.2297; end 2004: €1 = \$1.34065; end 2005: €1 = \$1.18608.

Source: Annual Reports and company websites.

- The years 2002 and 2003 saw the number of Vedior offices decline as harsher economic conditions across Vedior's territories resulting in internal cost saving measure being implemented and office rationalisations occurred. While the figures for these years show a decrease in total office numbers, the entry of Vedior into new markets shows that new offices were added, just at a much slower rate than offices were consolidated in other territories. The decline in office numbers may also be a result of the integration of acquisitions made over recent years into the Vedior organisational structure.
- Table 1 also shows the number of territories in which Vedior is present. Despite Vedior's decline in revenues over the 2001-4 period, the international expansion of the company has continued. Since 1999, Vedior has entered 18 new markets, bringing the total presence to 44.
- Figure 1 maps the geography of Vedior in 1999 and 2004, showing the focus of Vedior's operations to be in the more established core staffing markets, such as the US, Western Europe and Australia. However, Vedior has expanded its presence to include potential growth markets, or emerging markets, such as those of Eastern Europe and India. Indeed, in 2005 Vedior entered Cyprus, Oman, Uruguay, Bulgaria, Romania, Croatia and Serbia and Montenegro.
- While Vedior's geographical network may not be as extensive of that of Manpower or Adecco (72 and 70 territories respectively), Vedior is present in all of the world's largest staffing markets – the US, UK, France, the Netherlands and Japan.
- Indeed, the geographical distribution of Vedior's activities is by no means even across the markets shown in Figure 1. In 1999 Vedior generated 58.8% of revenue from France. In 2004 this figure had lowered to 44.2%, with the UK generating 12.9%, the US 7.7%, the Netherlands 7.4%, the rest of Europe 19.7% and the rest of the world 8.1%. Therefore, although Vedior presents itself as a truly global company, and has the geographical network to show for it, it still generates over 84% of its revenue within Europe.
- Vedior's geographical expansion needs to be balanced against its exit from certain other markets, such as Norway. In addition, Vedior withdrew from India in 2000, only to return with a different investment in 2004. Indeed, Vedior has disposed of a number of investments in countries such as the US, Germany, and Japan. From this we can observe that not all new market entry is successful, and given Vedior's tendency to invest in a multitude of different types of staffing firms in different markets (which will be discussed in greater detail in the following section), exit from some international investments may be likely. This is also exacerbated by Vedior's highly decentralised organisational structure in which management are given a high degree of autonomy, which is rewarding when that

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



Source: Annual Reports and press releases.

management is successful, but difficult to adapt should the fortunes of particular investments change.

- Finally, it should be noted that Figure 1 shows just a binary presence or absence of Vedior offices in each nation, and does not reveal more detailed information about the density or geographical distribution of offices *within* these countries. In fact, the concentration of Vedior staffing activities varies greatly across territories, as does the scope and nature of those activities. The following section aims to better understand the evolution of Vedior through its merger and acquisition activities.

### ***Vedior's Growth Strategy: Merger and Acquisition Activities***

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. A number of these have been highly publicised large acquisitions and mergers, such as that of Adia and ECCO in 1996. However, a plethora of smaller, yet potentially just as significant, acquisitions have been contributing to the global consolidation of staffing activities. Amongst the staffing firms most noted for their acquisition activities, Vedior has developed a strategy and organisational structure that uses acquisition to expand both geographically and across sectors. Table 3 outlines the mergers and acquisitions conducted by Vedior since 1997. The following observations can be made about Vedior's strategy in relation to such activities, with a particular focus on internationalisation:

- The most striking observation regarding Vedior's merger and acquisition activity is the sheer number of acquisitions made over a relatively short space of time. However, with the exception of a number of strategically significant large acquisitions, such as that of BIS and Select, Vedior's acquisition strategy has been focussed upon small and medium sized staffing agencies. This strategy contrasts with those of Vedior's competitors, most notably Adecco (see Working Brief 19).
- Vedior's acquisitions are geographically diverse, and are often a method of market entry. As the acquired firms tend to be smaller in size, most are nationally-based. For proponents of acquisition, compared with greenfield office start-up, as a method of market entry, the perceived benefits relate to the instant access to local knowledge, client bases and temporary staff.
- Vedior rarely purchases a firm in its entirety, preferring to leave a percentage (below 49%), with the local management. This is a 'put and call' option whereby Vedior can purchase the remaining shares at current market value after a specified period of time. This is designed to encourage the retention of management and entrepreneurial spirit.

**Table 3: Vedior's merger and acquisition activities, 1997-2005.**

<b>Date</b>	<b>Firm(s) acquired/merged</b>	<b>Notes</b>	<b>Geography</b>	<b>Current brand<sup>1</sup></b>
February 1997	BIS	Acquired the general staffing firm with €1,396m turnover in 1996	France	Vediorbis
April 1998	ISU	Acquired the technical and unskilled temping agency.	Germany with 5 offices in SW Germany	ISU
July 1998	Unitech	Acquired staffing agency	France with two offices	Vediorbis
August 1998	Laborman	Acquired general staffing agency	Spain	Vedior Laborman
April 1999	Psico Group and More-Recursos Humanos	Acquired the third largest temporary staffing agency in Portugal and a smaller operation	Portugal	Vedior PsicoForma & Select Recursos Humanos
June 1999	MentorGroup	Acquired IT staffing company	Belgium	Sapphire Technologies
June 1999	S2D	Acquired IT staffing company	Spain	Expectra
August 1999	Abilis	Vedior sells its cleaning services business		
November 1999	Select	Vedior acquires the large staffing firm for €1,825 million. Select management take key positions in Vedior organisation	UK with operations in N. America, Australia and South Africa	Select Appointments and a range of other specialist brands
November 1999	Hill McGlynn	Acquired a 95% stake	UK	Hill McGlynn
1999	Fairplace Consulting, Japan	Established Fairplace Consulting Japan. Joint venture between Select, Fairplace and Staff Service. Investment levels undisclosed	Japan	Fairplace Consulting
1999	Panache	Acquired shares in IT staffing firm. Level undisclosed.	Japan	Panache
1999	Niscom	Acquired 51% share in Niscom (IT staffing).	Japan	Niscom
February 2000	Erik Lund	Acquired initial 60% stake in general staffing firm	Norway	n/a. no longer present in Norway
April 2000	RH International Limitada	Acquired initial 50% stake	Brazil with five offices	RH International
May 2000	Acsys	Acquired large staffing firm for \$76 million	US with 40 offices	Acsys
October 2000	International Career Programme	Acquired initial 80% stake in outplacement business	Argentina	Select Executives
2001	Rekenmeesters	Acquired niche provider of specialist accounting and finance personnel	Netherlands	Rekenmeesters
2001	MSSA	Acquired care worker recruiter and placer	Australia	Select Care Personnel
2001	Atoll	Acquired temporary staffing provider	France with 25 offices	Atoll

2001	Travel Job Shop	Acquired corporate travel recruitment company	UK	Select Appointments
June 2001	KRM	Acquired initial 60% stake in HR consultancy	Turkey	KRM
July 2001	BIS	Remaining 2.6% of shares acquired	France	Vediorbis
August 2001	Best Servicios Personales	Acquired traditional staffing agency	Chile	Best Select Chile
2002	High Flyer	Acquired legal staffing business	France	High Flyer Group is the holding company for Recrulex and Adwelson Hughes Castells brands
2002	JBM	Acquired healthcare staffing business	France	JBM
2002	Funkie Mediair	Acquired interim management provider	Netherlands	Funkie Mediair
2002	Multilabor and Solisform	Acquired shipyard staffing firm and training firm	Portugal	Solisform & Multilabor
2002	Janet Dean	Acquired legal staffing firm	Australia	Janet Dean
2002	Tanner Menzies	Acquired executive placement firm	Australia	Tanner Menzies
2002	Interim	Acquired outplacement firm	Australia with 8 offices	Interim
2002	Twin Hills	Acquired healthcare staffing firm	Australia	Twin Hills
2002	Human Pro	Acquired 7 <sup>th</sup> largest traditional staffing firm	Sweden with 6 offices	Human Pro
February 2002	Teleprofs	Acquired outstanding 50% share of Teleprofs (telebusiness personnel) from joint venture partner KPN Telecom	Netherlands	SPARQ
May 2002	FAA Bildungsgekschaft	Disposed of training company	Germany	n/a
October 2002	Panache	Disposed of interest in IT staffing company	Japan	n/a
January 2003	Fairplace Consulting	Increased shareholding to 26%	UK with global operations, including Japan	Fairplace
May 2003	The Bloomfield Group	Acquired 18% share in the leading recruitment services provider which also owns 14% of Fairplace Consulting	UK with operations also in Ireland	The Bloomfield Group
July 2003	Active Plus	Acquired initial 70% interest in traditional staffing agency	Poland with 4 offices	Vedior Polska
September 2003	Supernurse	Minority interest in healthcare personnel provider	Japan with 4 offices	Supernurse
December 2003	The Publicity Agency (TPA)	Acquired highly specialised staffing services provider	Australia	TPA
December 2003	Amplitude	Acquired small training company	France	Amplitude

May 2004	Ma Foi	Acquired initial 76% interest in specialist temporary and permanent staffing firm	India with 31 offices in India, United Arab Emirates, Singapore and Sri Lanka	Ma Foi
May 2004	Platoforma	Acquired call-centre staffing firm	Portugal with offices in Brazil and the Cape Verde islands	Teleresources
July 2004	Top Personnel	Acquired initial 51% interest in outsourcing and traditional office administration staffing firm. 5 <sup>th</sup> largest firm in Mexico.	Mexico	Vedior Mexico
2004	Niscom	Sold back to management for €128m (\$174m)	Japan	n/a
January 2005	Viawerk Group	Disposed of light industrial personnel staffing provider	Netherlands	n/a
February 2005	Vedior Career established	Vedior Career established as joint venture with Staff Service (Japan) to provide permanent placement services	Japan	Vedior Career
June 2005	Locum Medial Group	Acquired initial 80% share in niche healthcare recruiter.	US	Locum Medical Group
June 2005	Becker Executive Search	Acquired initial 70% share in executive search company	US	Becker Executive Search
June 2005	TriNet Group	Disposed of minority holding in business process outsourcing firm for \$43 million	US	n/a
July 2005	Mandeville Recruitment Group	Acquired initial 75% share in permanent recruiter	UK	Mandeville Recruitment Group
July 2005	ConsulTeam	Acquired initial 55% share in market leader in staffing services	Bulgaria with operations in Romania, Croatia and Serbia & Montenegro	ConsulTeam
August 2005	Qualitair Aviation Group	Acquired initial 74% share in market leader in placing contract aircraft engineers and technicians.	UK with operations also in the Netherlands	Qualitair
October 2005	Compliance	Acquired initial 80% share in legal staffing and outsourcing firm	US	Compliance
October 2005	Vedior Contec established	Vedior Contec established as joint venture with Frontier Construction (Japan) to provide construction recruitment services	Japan	Vedior Contec
November 2005	Delta Pharma and Delta Solutions	Acquired initial 80% share in life sciences recruitment firm, and initial 80% share in specialist IT staffing firm operating in life sciences	US	Delta

November 2005	Capsil Oy	sector Acquired initial 75% share in outsourced pharmaceutical sales and telemarketing personnel services provider	Finland	Capsil Oy
February 2006	Talisman Software Holding	Acquired initial 66% interest in flexible resource provisioning and IT business consulting firm	Switzerland with offices in Germany, the Netherlands and the UK	Talisman Software Holding
February 2006	Special Agent	Acquired initial 85% share in temporary and permanent education support personnel provider	UK	Special Agent
April 2006	The Bloomfield Group	Increased share by 52% to 70% in the leading recruitment services provider	UK with operations also in Ireland	Joslin Rowe Assoc.; Joslin Rowe Temporaries; Firth Ross Martin, JR Selection and Origin HR
May 2006	CNC Global Ltd	Acquired 93% interest in leading provider of IT recruitment and resource management solutions	Canada with 10 offices	CNC Global
May 2006	MOT Models Ltd	Acquired 75% of the model agency	UK and Continental Europe	MOT Models
May 2006	Rest Personnel Eventual	Vedior's Argentinean subsidiary SESA Select acquired 100% of the staffing firm specialising in the oil and gas industry in Patagonia	Argentina	n/a

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Source: Annual Reports and company websites.

- Another striking feature of Table 3 is the absence of a strong global branding strategy by Vedior. Indeed, the majority of acquired firms retain their original brand. Vedior terms this a multi-brand formula, emphasising a 'global presence and local focus'. This again contrasts with the branding strategies of Vedior's competitors, the majority of which have chosen a global brand that is implemented in each market. It could be suggested that a possible outcome of Vedior's multi-brand formula is a significant reduction in the level of awareness of Vedior as the world's third largest staffing company, which has been further exacerbated by the continuing use of the Select brand in many territories. Whether this reduces Vedior's competitive advantage is a point for debate.
- Throughout the period shown in Table 3, the geographical distribution of Vedior's acquisitions has been diverse, but acquisitions in particular markets often tend to be clustered together, reflecting a strategic targeting by Vedior. For example, two acquisitions were made in 1999 in Japan, four in Australia in 2002, and three in the US in June 2005. In addition to the nationally-based acquisitions frequently made by Vedior to enter new markets, or expand either service offering in an existing market, Vedior occasionally makes acquisitions that expand their geographical network. For example, the acquisition in May 2004 of Ma Foi expanded Vedior's presence in this region to include India, United Arab Emirates, Singapore and Sri Lanka; and the July 2005 acquisition of ConsulTeam expanded Vedior's presence in Central and Eastern Europe to include Bulgaria, Romania, Croatia and Serbia & Montenegro.
- The types of firms acquired by Vedior reflect their strategy to strengthen their market position in professional and executive recruitment. This drive towards higher-end, more specialist staffing is due in part to higher profit margins. Therefore, as Table 3 shows, the range of services added to Vedior's offering has been extended between 1999 and 2005, as exemplified by Vedior's recent acquisition of a UK modelling agency. Therefore, in contrast to competitors, Vedior's acquisition strategy has evolved away from larger acquisitions of generalist staffing firms, towards a strategy that looks to increase the range of service offerings, or as a method of new market entry.
- Vedior also utilises business alliances and joint ventures as a method of market entry, in addition to, or alongside acquisition. The most prominent example is that of Vedior's relationship with Japan's largest staffing agency Staff Service. Together the firms operate a permanent recruitment firm through a joint venture and have shared interests in a number of other operations. This relationship may have been necessitated by the strong local embeddedness of staffing in Japan (see Working Briefs 15-17).

- Finally, not all acquisitions are successful and occasionally Vedior makes divestments. This may be for a variety of reasons, such as continuing loss-making, management conflict, or simply that the firm's activities no longer match Vedior's broader corporate vision.

### ***Conclusion***

When compared to that of some of its competitors, Vedior's history is relatively short. However, since it emerged independent of Vendex in 1998, the company has grown at a rapid rate, both in terms of revenues and geographical extent. The intensive internationalisation of Vedior has been driven by merger and acquisition, all be it accompanied by greenfield office expansion by existing firms in the Vedior group. Vedior has expanded from a Continental European base to become a 'global' company with an office network spanning 44 countries (compared though to Manpower's 72 and Adecco's 70). However, while Vedior has focussed on internationalising, the bulk of its revenues are still generated within Europe, implying that there is still much work to do to reduce Vedior's dependency on European markets. Vedior's merger and acquisition strategy is markedly different from that of its competitors, as it has concentrated on acquiring small and medium sized firms that are offering professional and/or executive staffing services. Finally, Vedior's decentralised organisational structure has allowed it to pursue a multi-brand formula that values local difference and local management. The lack of a centralised branding strategy is another point of differentiation from its competitors, and has resulted in Vedior being significantly less well known (outside the industry) as a staffing firm than the likes of Adecco, Randstad and Kelly Services.

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