

Geographies of Temporary Staffing Unit *Working Brief 23*

Mapping the Geography of Transnational Staffing Firms: the case of Kelly Services

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Introduction

This Working Brief aims to outline the changing organisational geographies of one of the world's largest staffing agencies, Kelly Services. When ranked according to international revenue, Kelly Services is fifth (see Working Brief 8). In this Working Brief 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 1994-2005 (inclusive), we examine and map Kelly Services' geographical expansion. We make closer examination of Kelly Services' merger and acquisition activity since 1994. In conclusion, this Working Brief will summarise Kelly Services' geographical expansion to-date.

Historical Background to Kelly Services

Many in the industry consider Kelly Services to be the founding temporary staffing firm in the world. Founded in 1946 by Russell Kelly, Kelly Services has grown into a staffing firm with operations worldwide and revenues in 2005 of \$5.3bn. Table 1 shows a brief outline of the history of Kelly Services, with a focus on its geographical expansion.

For the first twenty years Kelly Girl Service focussed on establishing a US-wide network of offices. Many of the new offices opened during the 1950s and 1960s were franchise operations, facilitating the rapid spread of the Kelly Girl office network, although many were bought back by Kelly Services later. A similar strategy was also used by Manpower in the US (see Working Brief 20). It wasn't until 1968 that Kelly Services opened its first international office in Canada. Kelly Services' first phase of internationalisation began at this time, when, in the early 1970s, it entered the European markets of France and the UK. By 1985 Kelly Services had 650 offices world-wide.

Table 1: Key events in the history of Kelly Services

Date	Event
1946	Russell Kelly Office Services established in Detroit
1952	Company reincorporated as Personnel Service
1955	First branch office opened in Kentucky By end of 1955 the company has 35 offices across the US
1957	Renamed to Kelly Girl Service
1961	Sales reach \$19.4m
1962	Sales top \$25m and Kelly Girl goes public 148 offices across the US. Move to expand services beyond office work
1964	169 offices in 44 states – the bulk are licensee operations and Kelly Girl moves to reacquire direct ownership of some Company expands into light industrial and technical staffing
1965	Puerto Rico office opened
1966	Engineering staffing added. Change of name to Kelly Services
1968	Office opened in Canada
1972	First European office opened in France
1973	Office opened in UK. Sales passed \$100m
1974	Second Paris office opened
1976	Sales reach \$150m. Kelly Services enters healthcare
1983	550 branches worldwide
1984	Office opened in Ireland
1985	650 branches worldwide
1986	Sales pass \$1bn
1988	New branch openings help office total to reach 800. Kelly Services makes a number of acquisitions in Australia, and one in Quebec
1990	Acquired temping agencies in Denmark, the Netherlands and New Zealand to enter these markets. Further acquisitions are made in the UK and Australia. Office opened in Mexico
1994	Acquisitions made in US – testing and training company and Your Staff. Outsourcing becomes important business segment. Kelly Services now present in 12 countries
1995	Kelly Scientific Resources created
1996	Acquired US based scientific staffing company
1997	Kelly Scientific Resources opens first international office in Canada. Kelly Services acquired a Russian staffing agency, and enters Italy. Sales reach \$3.85bn
1998	Kelly Scientific Resources opens French office

Source: Annual Reports and Company Websites.

However, Kelly did not further internationalise until the late 1980s as it focussed on consolidating its market position in the US. The second phase of internationalisation saw Kelly Services enter Australia, Denmark, the Netherlands, New Zealand and Mexico, through a mixture of acquisition and green-field market entry. By 1994 Kelly Services was present in 11 countries, a total well below that of its rival Manpower at this time. As Table 1 shows, since 1964 Kelly Services has also sought to expand its range of services, attempting to distance itself from its association with secretarial staffing, as demonstrated by the formation of Kelly Scientific Resources, for example. The following sections will examine Kelly Services' more recent history, focussing on its expansion into new geographies and sectors.

Kelly Services' Internationalisation: 1994 to 2005.

This section deals with Kelly Services' recent history, using data collected from annual reports and press releases to reveal its further internationalisation. Table 2 shows key figures for the years 1994-2005. It reveals a number of salient points regarding the development of Kelly Services' geographical network:

- Since 1994, Kelly Services' revenues have increased year on year, with the exception of 2001, reflecting a difficult year for the US economy. Indeed, in ten years, Kelly Services' revenues have doubled, with particularly large gains made in 2004 and 2005. Similarly, foreign revenues have increased, although 2001-2 saw a slight drop, gain reflecting the global economic downturn.
- The percentage of revenue gained outside the US has increased substantially. In 1994, foreign revenues contributed just 15% of total revenues, a figure way behind rivals such as Manpower (see Working Brief 20). This reflects Kelly Services' focus historically on the US market and, when compared to other large staffing firms, Kelly Services could be seen to be late to internationalise. Over dependency upon a single market can be problematic, and Kelly Services has worked to increase its foreign revenues over the last decade, raising it to a third today.
- Kelly Services has not increased its office network at a remarkable rate, with the exception of 2000 and 2001 when intensified internationalisation contributed to branch totals.
- Until 2000, Kelly Services was only located in North America, Mexico, Australia and Europe. When placed in the context of global staffing firms 'racing' to enter emerging markets across the world, Kelly Services was not seen to actively participate. During the 1990s the firm was entering already mature, established, and often highly competitive markets such as the Netherlands and Germany. However, Kelly Services did enter Italy in 1997, the year temporary staffing was legislated. .
- Since 2000 Kelly Services has made a significant push to establish itself in Asia, with 6 new Asian countries added in 2000. This marks a shift in Kelly Services' internationalisation strategy and may represent a move to develop a more complete global network. Figure 1 shows Kelly Services' global presence in 1999 and 2004. From this it is clear that Kelly Services' activities were highly concentrated in North America, Europe and Australasia. In 2004, the firm had made a significant expansion into South East Asia and India, and into

Table 2: Kelly Services yearly figures for revenue, foreign revenue, office network and new market entry, 1994-2005

Date	Revenue (\$ m)	Foreign revenue (\$m)	% Revenue foreign	New offices added ¹	Total offices ²	New countries entered	Total countries present
1994	2,362.6	347.1	15		1,300		12
1995	2,689.8	517.7	19	200	1,500	Switzerland	13
1996	3,302.3	711.6	22		1,500	Luxembourg	14
1997 ³	3,852.9	854.5	22		1,500	Italy, Spain and Russia	17
1998	4,092.3	964.8	24		1,500	Belgium and Germany	19
1999	4,269.1	1,084.3	25		1,500	Sweden	20
2000	4,487.3	1,101.5	25	300	1,800	Singapore, India, Indonesia, Malaysia, Philippines, Thailand	26
2001	4,256.9	1,087.0	26	500	2,300	Hong Kong	27
2002	4,323.5	1,081.0	25	100	2,400		27
2003	4,325.2	1,298.6	30	100	2,500		27
2004	4,984.1	1,622.7	33	100	2,600	Hungary	28
2005	5,289.8	1,724.4	33		n/a	Japan	29

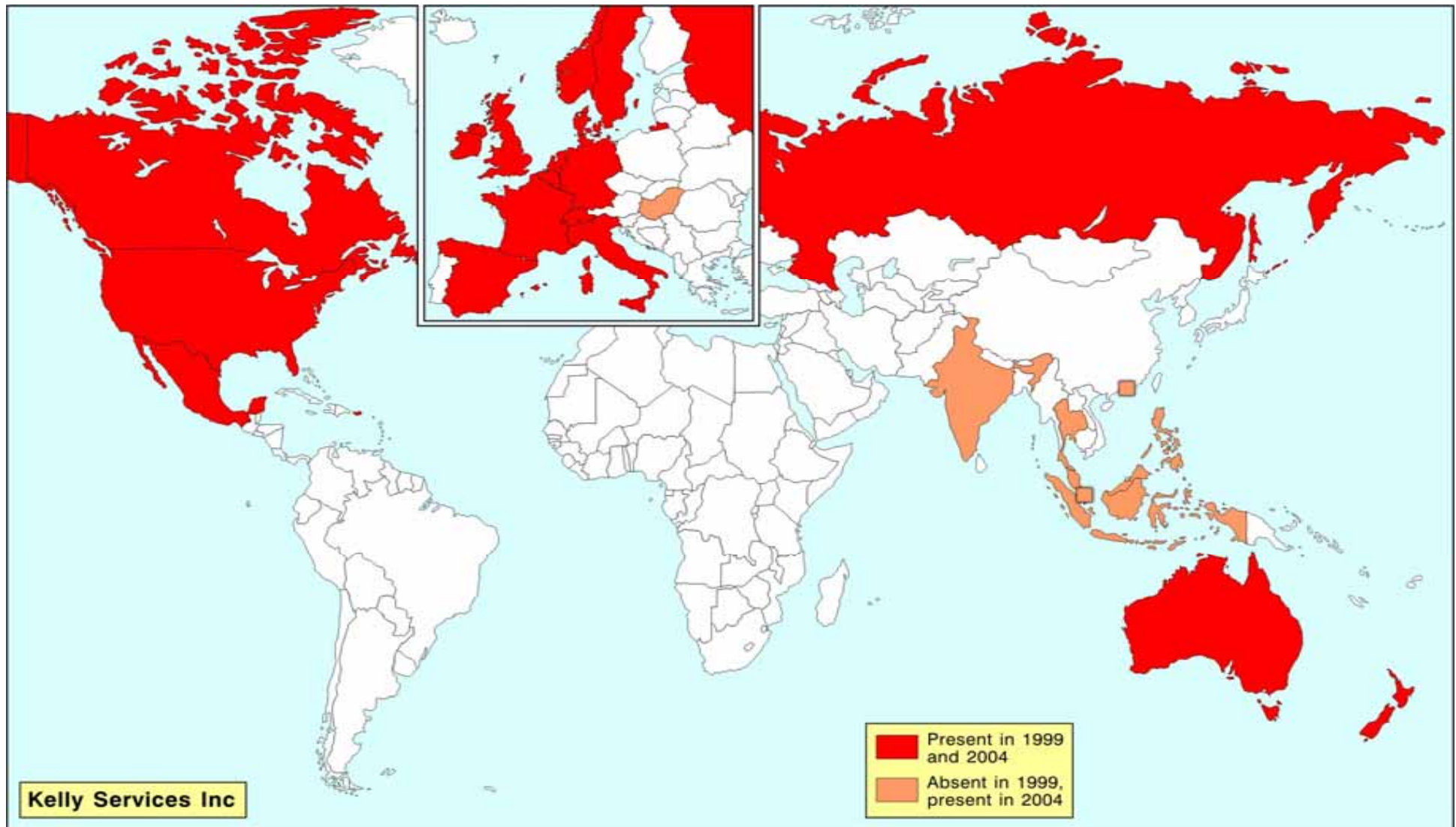
¹ Also includes offices added to branch network through acquisition, so does not distinguish from organic branch openings.

² Approximate figures.

³ Before 1997 Kelly Services annual reports report 'domestic' and 'foreign' revenue. After corporate restructuring in 1997, three segments are reported; 'US Commercial Staffing', 'PTSA' and 'International'.

Source: Annual Reports and company websites.

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



Source: Annual Reports and press releases.

Eastern Europe (Hungary). However, there are still significant absences in Kelly Services' global network, such as Latin and Central America and Central and Eastern Europe. In 2005 Kelly Services entered Japan, and Turkey in 2006.

- Finally, it should be noted that Figure 1 shows just a binary presence or absence of Kelly Services offices in each nation, and does not reveal more detailed information about the density or geographical distribution of offices *within* these countries.

Kelly Services' Growth Strategy: M&A Activities and Greenfield Start-up

This section aims to discuss in more detail the strategies used by Kelly Services to grow, and to situate that strategy within other methods of geographical and sector expansion. As outlined above, Kelly Services has traditionally sought to expand through organic growth, particularly in North America. This has contrasted greatly with the strategies of many of its rivals, such as Adecco (see Working Brief 19) and Vedior (see Working Brief 21), both of which have used merger and acquisition activities to consolidate their positions in particular markets and expand geographically. Kelly Services' strategy is more akin to Manpower's growth strategy (see Working Brief 20), perhaps reflecting both firms' roots in the US. Kelly Services' apparent reluctance to make acquisitions was considered by many in the industry to be surprising, particularly during the 1990s, when consolidation in the global staffing market was the norm. However, Kelly Services has managed to grow substantially through organic growth strategies, and has made a number of acquisitions, particularly since 1994 (see Table 3). The following observations can be made about Kelly Services' strategy in relation to such activities, with a particular focus on internationalisation:

- Since 1994, Kelly Services has made relatively few acquisitions, and no mergers. One of the largest acquisitions was that of Your Staff in January 1994, representing part of a drive to consolidate Kelly Services' position in the US. A similar consolidatory acquisition occurred in August 2000 with ProStaff.
- Kelly Services has used acquisition as a method of market entry, such as in Sweden and Spain. Under this market entry strategy, a general staffing firm is acquired, and may be followed by a later acquisition a few years later of a more specialised firm. This occurred in Spain, with the acquisition of a specialised automotive staffing firm, and in Luxembourg with the purchase of a banking and finance personnel firm.
- Kelly Services always buys 100% of the shares of the firm when making an acquisition.
- Table 3 shows that the expansion of Kelly Services into Asia in 2000 was facilitated by their acquisition of Business Trends Group in September. This acquisition expanded Kelly

Table 3: Kelly Services' merger and acquisition activities, 1994-2005.

Date	Firm(s) acquired/merged	Notes	Geography	Current brand
January 1994	Your Staff	Acquires the California-based staff leasing firm	US	Kelly Staff Leasing
February 1996	Top Interim	Acquires the clerical personnel placement firm working primarily in the financial services industry	Luxembourg	Kelly Services
1996	n/a	Acquires two Madrid-based staffing firms	Spain	Kelly Services
April 1997	Personnel Corps	Merger between Kelly Services and Personnel Corps, the first recruitment company in St Petersburg	Russia	Kelly Services
1998	Workshop Zeitarbeit	Acquires staffing firm placing office and clerical personnel	Germany, with offices in Hamburg and Munich	Kelly Services
May 1999	Lab Staff	Acquires specialist scientific staffing firm	Australia	Kelly Scientific Resources
October 1999	HTM Group	Acquires staffing firm specialising in banking and finance placements	Mexico	Kelly Services
1999	The Help Group	Acquires staffing firm	Sweden	Kelly Services
1999	Interim	Acquires staffing firm specialising in banking and finance placements	Luxembourg	Kelly Services
February 2000	Extra ETT	Acquires specialist staffing firm placing personnel in the automotive industry	Spain	Kelly Services
August 2000	ProStaff Group	Acquires the 7 th largest firm in the Milwaukee area.	US	Kelly Services
September 2000	Business Trends Group	Acquires Singapore-based permanent and temporary staffing firm which includes BTI Group executive search.	Singapore, with offices in India, Indonesia, Malaysia, the Philippines and Thailand	Kelly Services and BTI Consultants
May 2002	Nisso Group	Cooperative business alliance established with the outsourcing service provider	Japan	Nisso
November 2002	Tempstaff	Cooperative business alliance established with second largest staffing firm in Japan	Japan	Tempstaff
February 2005	Tempstaff	Acquires less than 5% of shares in Tempstaff for	Japan	Tempstaff

July 2005	Tempstaff and Sony Corp.	\$18 million Joint venture firm established with Tempstaff and Sony Corp, initially to supply the Sony Group's staffing requirements	Japan and across Sony's global network	Tempstaff Kelly Inc.
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Source: Annual Reports and company websites

Services' geographical network to include Singapore, India, Indonesia, Malaysia, the Philippines and Thailand.

- Acquired firms are rebranded Kelly Services, or rather one of the specialist subsections of the Kelly brand, where appropriate. A notable exception to this is the BTI Consultants – part of Business Trends Group – which has continued to use this brand.
- Kelly Services rarely enters into business alliances, or joint ventures. However, recently Kelly Services formed a business alliance with Tempstaff, Japan's second largest staffing agency. Through this relationship, Kelly and Tempstaff have entered into a joint venture with Sony Corporation to provide some of their temporary staffing requirements. One interpretation of this strategy is that it reveals how Kelly Services' late internationalisation means they are unable to enter successfully the Japanese market through acquisition (as Adecco did in 1985), or through green-field start-up (as Manpower did in 1966). The Japanese market is highly competitive, and a number of international firms have entered the market (see Working Brief 17). However, increasingly foreign firms are developing business alliances with Japanese firms to gain competitive information and local knowledge (such as Vedior and Staff Service).

Conclusion

As the first, and one of the most famous, staffing agencies in the world, Kelly Services has come a long way since its beginnings. It is now the world's fifth largest staffing firm, with revenues of over \$5bn in 2005 and a presence in 30 countries. However, this is dwarfed by Adecco's \$21bn revenues, and Manpower's 72 countries. In an era in which competitive advantages are claimed to stem from having a 'global presence', it is questionable as to whether Kelly Services is actually a 'global' firm. Throughout its history, Kelly Services has concentrated on the US market, and in later years, on developing a presence in more specialised niches of the staffing sector. The firm's internationalisation began relatively late, and occurred only sporadically. Kelly Services has often entered new markets several years after its competitors, making capturing market share rather more difficult. Until 2000, Kelly Services' focus was on North America and Europe, but it has recently made a strategic decision to enter Asia. Finally, Kelly Services has traditionally preferred to grow organically, and to enter new markets through green-field office establishment. However, partly as a result of their late internationalisation, green-field entry is more difficult, and in many markets it has been necessary for Kelly Services to adapt their strategies and make acquisitions or business alliances. As Kelly Services reaps the benefits of less dependence on their home market, we may see a further phase of internationalisation expanding into more potentially lucrative staffing markets.

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