

Geographies of Temporary Staffing Unit *Working Brief 35*

Charting the Foreign Revenues of the Top 20 Transnational Staffing Firms: 2004-7

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Introduction

This Working Brief aims to build on data presented on the top 20 transnational firms in 2007 in Working Briefs 33 and 34. The focus is on the foreign revenues of the world's most transnational firms to highlight the increasing importance of activities outside home territories for most agencies. Supplementary data on the geographies of these firms can be found in Working Briefs 36 and 37 which chart the number of territories in which agencies are present and their distribution across the world's regions.

Transnational Firm Foreign Revenues

The top 20 firms in 2007 all generated significant revenues outside their home territories – between \$173.98m and \$30.41bn. Table 1 charts the percentage of foreign revenue for each of the top 20, the annual percentage changes and overall change between 2004 and 2007. This is an initial attempt to begin to trace changes in the relative importance of overseas operations. Several points can be made about the data presented in the table;

- The degree to which the top 20 firms are generating revenue outside their home markets varies widely – from 24% to 98% in 2007. This is dependent upon a number of factors such as the number of territories in which the firm is present (see Working Brief 36), the size of the firm's home market and the degree to which internationalisation is a central part of firm strategies;
- Since 2004 most firms have annually increased the percentage of revenue generated abroad. 2004 saw just four decrease the percentage, e.g. Proffice seeing a 7% reduction. A notable increase between 2004 and 2005 came from USG People (20%) as a result of their acquisition of Solvus Resource Group which increased their geographical branch network in

Table 1: Changes in percentage of revenue generated outside home market, top 20 firms 2004-7.

| Firm | % revenue foreign 2004 | % revenue foreign 2005 | 2004 - 2005 % change | % revenue foreign 2006 | 2005 - 2006 % change | % revenue foreign 2007 | 2006 - 2007 % change | 2004 - 2007 % change |
|---------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------|-------------------------------------------|-------------------------------------|-------------------------------------------|-------------------------------------|-------------------------------------|
| Adecco | 98 | 98 | - | 98 | - | 98 | - | - |
| Manpower | 83 | 84 | ↑ 1 | 88 | ↑ 4 | 88 | - | ↑ 5 |
| Vedior | 93 | 92 | ↓ 1 | 92 | - | 93 | ↑ 1 | - |
| Randstad | 63 | 63 | - | 64 | ↑ 1 | 65 | ↑ 1 | ↑ 2 |
| USG People | 35 | 55 | ↑ 20 | 55 | - | 56 | ↑ 1 | ↑ 21 |
| Kelly Services | 33 | 33 | - | 34 | ↑ 1 | 39 | ↑ 5 | ↑ 6 |
| Hays | 22 | 25 | ↑ 3 | 31 | ↑ 6 | 33 | ↑ 2 | ↑ 11 |
| Robert Half International | 15 | 19 | ↑ 4 | 21 | ↑ 2 | 25 | ↑ 4 | ↑ 10 |
| Michael Page | 46 | 49 | ↑ 3 | 52 | ↑ 3 | 57 | ↑ 5 | ↑ 11 |
| Hudson Highland | 69 | 65 | ↓ 4 | 67 | ↑ 2 | 75 | ↑ 8 | ↑ 6 |
| MPS Group | 38 | 38 | - | 39 | ↑ 1 | 39 | - | ↑ 1 |
| Synergie Group | 21 | 22 | ↑ 1 | 27 | ↑ 5 | 31 | ↑ 4 | ↑ 10 |
| Monster | 25 | 34 | ↑ 9 | 29 | ↓ 5 | 38 | ↑ 9 | ↑ 13 |
| Allbecon & Olympia | 60 | 58 | ↓ 2 | 80 | ↑ 22 | 81 | ↑ 1 | ↑ 21 |
| Harvey Nash | 47 | 51 | ↑ 4 | 63 | ↑ 12 | 67 | ↑ 4 | ↑ 20 |
| CDI Corp. | 23 | 24 | ↑ 1 | 27 | ↑ 3 | 31 | ↑ 4 | ↑ 8 |
| Robert Walters | 46 | 48 | ↑ 2 | 50 | ↑ 2 | 54 | ↑ 4 | ↑ 8 |
| SThree | n/a | 23 | n/a | 25 | ↑ 2 | 29 | ↑ 4 | n/a |
| Proffice | 48 | 41 | ↓ 7 | 42 | ↑ 1 | 40 | ↓ 2 | ↓ 8 |
| Resources Connection | 19 | 19 | - | 21 | ↑ 2 | 24 | ↑ 3 | ↑ 5 |

Source: Company Annual Report and Websites.

continental Europe. In addition, USG implemented an explicit internationalisation strategy, declaring in 2004 that they needed to reduce their dependence on their home Dutch market and aimed to generate at least 45% of turnover abroad;

- Between 2005 and 2006 the majority of firms increase their foreign revenue contributions relative to domestic turnover. The only exception was Monster (5% decline). Notable increases were made by Allbecon & Olympia (22%) and Harvey Nash (12%). Allbecon and Olympica's increase was a result of Allbecon's acquisition of Olympia. Olympia was one of the largest staffing agencies in the Netherlands, so this significantly increased turnover generation outside Germany. Harvey Nash's increase did not result from an increase in the number of territories in which it is present, but may be seen as an outcome of the firm's presence in booming Asian markets such as Japan;
- Again, between 2006 and 2007 only one firm decreased in foreign revenue contributions relative to domestic. This was Proffice (2%). Large increases came from Monster (9%) and Hudson Highland (8%);
- The cumulative figures for 2004 and 2007 allow a medium-term perspective to be taken. Here we can observe that only one firm decreased – Proffice (8%). This may reflect the recovery of the firm's home market – Sweden – over this time period. It is striking that eight of the top 20 firms have increased the contribution of foreign revenues by 10% or more in just three years. There appears to be no relationship to home market here – with the eight firms originating from the US (2), UK (3), the Netherlands (1), Germany (1) and France (1);
- The four largest staffing agencies have made more modest increases, if at all. Adecco and Vedior did not increase their foreign revenue percentages over this time period. This may well be due to the already very high percentages generated outside their home markets already (both over 90%). However, Vedior did enter 15 new territories between 2004 and 2007. This reflects the dominance of the world's largest staffing markets, such as the US, France and the UK in which Vedior is already present. The new territories to which they are expanding are relatively small, or under-developed and hence the relatively small contribution to revenues in percentage terms. Manpower's foreign revenues increased from 83% to 88% between 2004 and 2008. This may be due to a combination of new market entry (but as in the case of Vedior these are often small or immature markets) and the recent challenges presented by Manpower's home US market. Randstad percentages of foreign revenue increased by 2% over the three years, but figures for 2008 will show a large increase following the firm's acquisition of Vedior.

Conclusion

The aim of this Working Brief was to present data to make a number of general observations about the internationalisation of the temporary staffing industry. We can see that revenues generated outside firm home markets are of increasing importance. This is the outcome of firm internationalisation strategies that offer greater geographical coverage for clients, and greater diversity and reduction of risk for shareholders. There is great diversity in the percentages generated overseas, although most firms state a desire to reduce dependency on home markets. We can also observe that percentages fluctuate – in many cases widely – year on year. This reflects broader cycles and geographies of the global economy more generally. While the majority of firms report overseas revenues, profitability is rarely reported at the individual country level. If this data were available, a more sophisticated picture of overseas revenue generation and its relative importance could be painted.

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