Geographies of Temporary Staffing Unit

Working Paper 10

The embedded transnational: the internationalisation strategies of the leading transnational temporary staffing agencies

Neil M. Coe, Jennifer Johns & Kevin Ward

May 2009

Acknowledgements

This paper draws on a wider project exploring the globalization of the temporary staffing industry that ran from 2004 to 2006 (ESRC Project R000-23-0616). The project was an equal, three-way collaborative effort and all papers are authored alphabetically. We would like to acknowledge the financial support of the ESRC and to thank all our respondents for their time and involvement in this research. Kevin Ward acknowledges a 2005 Philip Leverhulme Prize. The paper has benefited from audience feedback during seminars at the Department of Geography, Trinity College Dublin (November 2008) and at the Department of Social and Economic Geography, University of Uppsala, Sweden (May 2009) and from comments by Peter Dicken. The usual disclaimers apply.

The embedded transnational: the internationalisation strategies of the leading transnational temporary staffing agencies

Abstract

This article aims to contribute to conceptual debates surrounding the embeddedness of transnational corporations (TNCs). In contrast to approaches that emphasise either the home country embeddedness of TNCs or their local embeddedness in supplier and institutional networks within specific regional economies, it seeks to delimit a distinctive form of *host market embeddedness* that prevails in certain market-facing service sectors. Here, variable national host market institutional formations are the dominant influence on the internationalisation strategies and organisational structures of TNCs. This argument is illustrated through an analysis of the leading 20 TNCs in the temporary staffing industry. While these TNCs broadly conform to a loosely coordinated decentralised or multinational organisational model, there is significant firm-to-firm, spatial and temporal variability in the internationalisation strategies that they employ, deriving both the *breadth* of the industry – i.e. the range of different staffing activities that it encompasses – and the inherently territorially-embedded *nature* of staffing industry activity. These complexities are exemplified through consideration, in turn, of the scope of staffing TNCs, their foreign direct investment strategies, levels of central coordination, and degrees of standardization. The analysis demonstrates that in sectors where host market embeddedness is very strong, TNCs exhibit highly spatially and temporally variable internationalisation strategies and there are considerable barriers to both the centralization of control and the standardization of business practices.

Keywords

Embeddedness, transnational corporations, temporary staffing industry, corporate strategy, labour markets, internationalization.

Introduction

Following its importation from economic sociology, the term embeddedness has become a key element of the economic-geographical lexicon over the last fifteen years (Grabher, 2006; Peck, 2005). While intuitively it seems to capture certain social elements of economic systems that geographers would choose to exemplify, at the same time it is an elusive concept that often defies precise definition and elucidation (although see Hess, 2004). One domain is which the term has been applied is with respect to the embeddedness of transnational corporations (TNCs). In general terms, this engagement has been useful in highlighting how 'all business firms are rooted within specific social, cultural, political and institutional contexts which help to influence the ways which they develop' (Dicken, 2002: 17). While the embeddedness of TNCs can be considered at a range of scales, within the existing literature two main – and interrelated – interpretations can arguably be discerned. First, there are those who emphasise the national roots of TNCs and how their internationalisation paths are shaped by the political, financial and institutional formations that predominate within the home territory (e.g. Jacoby, 2005). Second, others have chosen to focus on the embeddedness of TNC subsidiaries within host economies, and more specifically, on the existence and nature of connections to local firms and institutions at the subnational (regional) scale (e.g. Dicken *et al.*, 1994). While both of these interconnected sub-literatures have significantly advanced our conceptualisations of TNC activity, in this paper we seek to propose a second mode of understanding the host market embeddedness of TNCs, one which is derived from studying foreign direct investment in market-facing service sectors. In such sectors, the dominant force shaping internationalisation dynamics is the embeddedness of activity within *national* host market institutional regimes[1]. This is not to say that home-country embeddedness in particular is not important, but rather that in certain sectors, meeting the various needs of different national marketplaces is the more significant influence on corporate strategies and structures.

In this paper we seek to exemplify these arguments through an analysis of the internationalisation strategies of the leading transnational temporary staffing agencies. The temporary staffing industry consists of privately-owned labour market intermediaries that meet the needs of client organizations for (usually short-term) contract workers of many kinds. There are several important attributes that make the temporary staffing sector particularly worthy of study. First, it is a large, fast growing, and under-researched industry that has exhibited strong internationalisation dynamics since the mid-1990s. The sector, worth an estimated $105bn worldwide in 1996, had expanded to $310bn in global revenues by 2007 (CIETT, 2009), and, to give but one measure of internationalisation dynamics, the US giant Manpower expanded its presence from 52 to 82 countries over the decade 1999-2009. While studies on temporary staffing in general are widespread, work focused on the internationalisation of the industry itself is largely noticeable by its absence (although see Ward, 2004; Peck *et al.*, 2005; Coe *et al.*, 2007). Second, as the ensuing analysis will demonstrate, temporary staffing offers an example of a particular kind of service sector TNC in which internationalisation strategies are highly complex and spatially variable, shaped as they are to a high degree by host market conditions (*cf.* Faulconbridge *et al.*, 2008). As such it challenges the simplistic typologies of expansion strategies offered by much of the international business literature. Third, the international spread and expansion of temporary staffing markets is of economy-wide significance. Staffing agencies place workers in all sectors of the economy, and hence can be seen as promulgators of different kinds of labour market 'flexibility packages' across a range of clerical, technical and blue-collar occupations (Peck and Theodore, 2002; Theodore and Peck, 2002). Fourth, and relatedly, the industry provides an important window onto grounded processes of neoliberal labour market reform and the various actors and agents that are actually involved in spreading such practices – in this case with respect to flexible labour markets – across different territories (Ward, 2007). Overall, this paper contributes to a wider project that seeks to add to what we already know about temporary staffing workers and the clients that use them by exploring temporary staffing as a large global industry in its own right, and affording the agencies themselves the capacity to foster and shape labour market change (see http://www.sed.manchester.ac.uk/geography/research/gotsu/ for more).

The transnational temporary staffing agencies that form the specific focus of this paper are detailed in Table 1, which profiles the leading 20 firms ranked by their foreign revenues in 2007. The data reiterates the scale of transnational staffing activity: the top 19 agencies all gained over $200m from foreign markets in that year, with the top eight gaining over $1bn, and the top four over $8bn each. Three other observations are worth making at this stage. First, in line with many other business service sectors, the leading transnationals are based in the US and a small number of Western European countries, most importantly the UK and the Netherlands, but also France, Germany, Sweden and Switzerland. Second, foreign revenues tail off quite rapidly as one descends the list, illustrating the high degree of concentration that characterises transnational activity; the top five firms listed account for approximately 85 percent of the foreign revenues of the top twenty firms in total. As we shall show in more detail later, there are perhaps only a handful of firms that have a truly global coverage in this industry. Third, and relatedly, the data shows the variability in dependence on foreign revenues across the firms, ranging from a high of 98 percent with Switzerland's Adecco to a low of 24 percent in the case of Resources Connection from the US. Generally speaking the reliance on foreign revenues is higher in firms from Europe than from the US – although there are notable exceptions – reflecting the sheer size of the US market, which alone accounted for 38 percent of the global industry in 2006 (Coe *et al.*, 2008a).

Table 1: Top 20 transnational staffing firms, 2007

Rank 2007	Firm	Origin	Foreign revenue 2007 ($m)	% revenue foreign
1	Adecco	Switzerland	30,411.61	98
2	Manpower	US	18,033.50	88
3	Vedior	The Netherlands	11,523.58	93
4	Randstad	The Netherlands	8,806.32	65
5	USG People	The Netherlands	3,186.76	56
6	Kelly Services	US	2,212.67	39
7	Hays	UK	1,395.74	33
8	Robert Half International	US	1,136.37	25
9	Michael Page	UK	941.23	57
10	Hudson Highland	US	887.55	75
11	MPS Group	US	853.12	39
12	Synergie Group	France	536.41	31
13	Monster	US	511.48	38
14	Allbecon & Olympia	Germany	469.42	81
15	Harvey Nash	UK	417.78	67
16	CDI Corp.	US	365.73	31
17	Robert Walters	UK	341.64	54
18	SThree	UK	314.59	29
19	Proffice	Sweden	232.70	40
20	Resources Connection	US	173.98	24

Source: Company Annual Reports and websites.
For full details of data collation, see Coe *et al.*, 2008b.

The remainder of this article unfolds over four main sections. Next, we offer a critical overview of previous work on the embedded transnational corporation before distilling what we see as a distinctive mode of national host market embeddedness that helps to complement and extend existing interpretations. Second, we briefly review the methodology that underpins the analysis presented in this paper. Third, we present an initial overview of internationalisation processes and strategies in the staffing sector and start to characterise the predominant form of TNC within the industry. Fourth, we unpack the internationalisation strategies of the leading transnational agencies along four key dimensions to show the complexity and firm-to-firm, geographical, and temporal variability of expansion strategies that result from the necessity of national host market embeddedness.

Theorizing the embedded transnational

Our starting point is to position the discussion that follows within network approaches to the TNC. Such a relational perspective sees the TNC as a network form – constituted by a multiplicity of intra-, inter- and extra-firm connections – and in turn shaped by the environments in which those networks are embedded. Such a perspective allows us to open up the 'black box' of the corporation to reveal the competing social interests that lie within. As Yeung (2005: 309) describes: 'As a means of organizing social life, the firm is a constellation of network relations governed by social actors. Instead of being a mechanistic production or an abstract capitalist imperative, it is a contested site for material and discursive constructions at different organisational and spatial scales'. The TNC, then, can be thought of as a web of 'networks within networks' that is configured into particular power structures and forms of governance (Dicken and Malmberg, 2001).

This perspective offers at least two particular advantages. First, it recognises that the boundaries of the TNC, rather than being clearly and tightly defined, are in fact quite porous and fluid in reality. 'The crucial strategic consideration for the modern-day firm …must be to build a social and economic context conducive to spontaneous and varied interactions of people inside and outside the firm. The boundary separating the interior and exterior …is not constant but is formed and continuously updated as a result of interactions' (Imai, 1989: 124). In turn, the competitive strategies implemented by firms are the result of contested power relations 'both inside the firm and, externally, with the constellation of institutions (including the state) with which TNCs interact' (Dicken, 1994: 106). Hence the significance of the wider institutional contexts in which the various elements of the TNC are situated becomes readily apparent. As Jacoby (2005: x) describes, it is vital to have 'an understanding of the distinctive ways in which corporations mesh with a nation's nonmarket institutions, including its legal structure, social insurance system, business-government relations, labor organizations, and norms of appropriate behavior'.

Second, and given the strong territorial component of many institutional formations, a network approach to the TNC points to the need for careful consideration of the *firm-territory nexus*, or '…the specific ways in which the particularities of a firm (with all its attributes and "histories") enmesh with the particularities of that territory (with all *its* attributes and histories)' (Dicken and Malmberg, 2001: 347). It is important to recognise that influences run both ways here in what is an essentially a dialectical relationship. On the one hand, the places in which TNCs originate, and subsequently invest, leave an imprint on firm strategies and structures – a process termed *placing firms* by Dicken (2000). On the other, firms can exert a wide range of influences on the places in which they are located, leading to a series of adaptive responses from local actors (*firming places*). Again, institutional context is seen to be a key shaper of the interface: 'the sets of institutions, rules and conventions that form the regulatory context of industrial systems, firms, and territories – pervade all aspects of the firm-territory nexus' (Dicken and Malmberg, 2001: 347).

Home country embeddedness and distinctive paths to internationalisation

One version of the embedded TNC within the literature emphasizes the placing of firms within their national home territory, or their societal embeddedness (Hess, 2004). Contrary to mythical convergence accounts about the emergence of global firms, this work highlights how firms are shaped by the national culture, political ideology, political institutions and economic institutions of their home country (Doremus *et al.*, 1998). Taken together, these various components delimit different national varieties of capitalism (Hall and Soskice, 2001) or business systems (Whitley, 1992) that are then seen to generate particular kinds of TNCs; 'The regulatory environment created by different states is still an immensely formative influence on the firm and network development. Even firms operating in highly internationalised sectors still tend to retain distinct organisational forms and practices that largely reflect the regulatory environment of their home country' (Yeung, 2005: 320). Doremus *et al.* (1998), for example, compared a range of characteristics of American, German and Japanese TNCs, finding little or no evidence of convergence between national types (see also Pauly and Reich, 1997). Evidence from Asia has also pointed to profound institutionally and politically-derived differences between firms emanating from Hong Kong, Singapore, Taiwan and South Korea (e.g. Hamilton and Feenstra, 1998; Yeung, 2002). These arguments have been given added weight by studies that have demonstrated the continued significance of the home country in terms of the assets and employment located there, particularly with respect to strategic headquarter and research and development activities (Dicken, 2007, ch.4; Hirst *et al.*, 2009): 'It is in the home base that [TNCs] are most deeply embedded, where they have their headquarter operations and cores of value-adding activity, and where upstream activities in research, development, design and engineering tend to be concentrated. It is there that [TNCs] are most strongly linked in historically conditioned relationships with external actors such as local, regional and national governments, banks, trades unions, industry associations, suppliers and customers' (Sally, 1994: 172).

Importantly, the national origins of TNCs are then seen to lead to distinctive national paths to internationalization (Morgan, 2001). As Whitley (2001: 32) describes, 'the kinds of investment they make, where and when they make them, and how they subsequently manage and develop them, depend on the sorts of governance structures and capabilities they have developed in their home business systems'. Some researchers have looked at how these national paths may determine the success, or not, of expansion into host economies. In the retail sector, for example, Christopherson (2007) has profiled how Wal-Mart's home country attributes proved to be an insuperable barrier to running a viable operation in Germany. Another strand within the literature has looked at how TNCs have sought to transfer elements of best practice to host environments – for example Japanese plants in the US – leading to the emergence of hybrid forms of subsidiary bearing traits of both home and host economies (e.g. Abo, 1994; Jacoby, 2005; Yeung, 2004), with other studies pointing to the profound difficulties in transferring business practices to different national institutional contexts (e.g. Gertler, 2004). As this latter work suggests, it is important that national attributes are not seen in overly deterministic or static terms. Berger *et al.'s* (2005: 44-5) theory of dynamic legacies, for example, seeks to blend institutional context with notions of corporate history, competences and culture in reflection of the way that 'the history of the business shapes the way the owners and managers structure their organizations. Their strategies and the way they implement them reflect the stamp of their origins, of previous successes and failures, of relationships over time with suppliers and customers, and of particular capabilities they have nurtured in their workforce'.

This body of research has provided many powerful insights into the structures and strategies of TNCs and has served as a powerful antidote to anodyne accounts of placeless TNCs. At the same time, it is possible to discern some limitations. Having powerfully demonstrated the importance of national institutional formations, the literature has – with good reason perhaps – tended to focus on the imprint of home rather than host environments. Some work, though, has sought to consider both dimensions. Whitley (2001), for example, has intersected firms from different kinds of home environments with different kinds of host environments – characterised as particularistic, collaborative and arm's length – in order to consider the implications for the nature, and management of, foreign direct investment. The broad sectoral and geographical categories used in this work, however, are not insensitive to sector-to-sector and market-to-market variations, and the nature and strength of home institutional environment – and in particular systems of economic coordination and control – are still seen as key. Our objective in this article is to consider certain kinds of sectors in which the need to adapt to the host market institutional context often outweighs home market factors as a shaper of TNC strategies.

Host market embeddedness: beyond the local scale

A second variant of the embedded TNC found in the existing literature draws attention to the depth and quality of the local/regional networks that TNC subsidiaries are necessarily embedded in with firms and organisations (e.g. Dicken *et al.*, 1994). Often such analyses are couched in terms of the developmental potential (e.g. Turok, 1993) or the perceived 'quality' (e.g. Amin *et al.*, 1994) of inward investment in comparison to weakly embedded enclave investments (although see Perkmann, 2006, for an alternative perspective). And as Dicken *et al.* (1994: 39) describe, the level of embeddedness is shaped both by corporate and external factors: 'Local embeddedness…is a double-sided coin: it reflects both the choices of the TNC and the existence of appropriate firms with which they can interact'[2]. This is an inherently dynamic perspective, with increasing embeddedness seen to be manifested in 'the attraction of higher-level corporate functions, higher levels of local sourcing and closer contact with local economic development organizations' (Phelps *et al.,* 2003: 28). Studies have also pointed to the potential for institutional capture – asymmetrical engagements between local institutions and external firms leading to the direct and indirect subsidisation of the activities of inward investors through economic development strategies that prioritise the needs of such firms at the expense of indigenous firms (Phelps, 2000; Christopherson and Clark, 2007)[3].

As with the home market perspective on the embedded TNC described above, this local embeddedness approach has made considerable advances in our understanding of the complex geographies of the TNC. Again, however, it is possible to point to shortcomings. Most importantly, while the approach is conceptually open to a range of firm-host territory interconnections at a variety of scales (e.g. Dicken, 2002), in reality empirical work has tended to focus on the network connections that tie firms, to differing degrees, into local, sub-national economies. Although relations with local institutions are considered, in many cases inter-firm connections to suppliers and partners are given precedence, often reflecting an implicit assumption that the TNC is some kind of manufacturing enterprise. Moreover, in many cases, often for powerful reasons, the inward investing TNCs are seen as the key shape of the firm-territory interface. What has received far less attention is the embeddedness of TNCs in national host market institutional and competitive environments which, particularly in market-facing service activities, can have a profound influence on their overall structures and strategies. For example, in sectors where the distribution intensity is high, TNCs will require extensive networks to tap into the whole national market. Other activities will be heavily shaped by consumption cultures, business cultures, and government market regulation, all domains that are dominantly, though not exclusively, experienced at the national scale. As we shall see shortly, several of these attributes overlap in the case of temporary staffing, exerting a powerful influence on the nature of internationalisation within the industry.

The notion of *national* host market embeddedness that we are proposing here seeks to capture these influences, and move the focus of the extra-firm connections of TNCs to the economic, political and institutional domains of host economies. In essence, it represents the mirror image of the constellation of forces presented in the home country embeddedness approach, and recognises that in certain sectors, and in certain times and places, host country factors can be the more significant influence. In accord with Sally (1994: 162, emphasis in original), TNCs are seen as the 'nodal points of and interface between two realms: that of *internationalization* in global structures, and that of *embeddedness* in the domestic structures of national political economies…the institutional relationships in which the [TNC] is *embedded* factor directly and indirectly into its own competitive advantages and organizational capacities' (see also Hardy *et al.*, 2005). TNC subsidiaries are therefore embedded not just in host market business networks, but also within the external business environment, necessitating the combination of two different kinds of market experience: business experience, that is knowledge about how to undertake their business, and institutional experience, which 'concerns such things as laws, regulations and public or semi-public authorities that implement laws and regulations. Thus, institutional experience is country-specific…' (Forsgren *et al.*, 2005: 68). Expansion into foreign markets thus depends on achieving 'organizational legitimacy' (Bianchi and Arnold, 2004) in a range of domains extending well beyond the TNC's immediate business networks.

A further aspect of host market embeddedness which tends to receive short shrift in the literature is the pre-existing/evolving landscape of domestic competition, or what Hansen (2008) terms the 'far side' of international business. The presence (or not) and activities of local competitors or 'national champions' requires an understanding of the 'internationalization process as an interactive relationship between a company entering new markets and production systems and local actors (i.e. competitors, customers, suppliers and employees)' (Hansen, 2008: 1). He rightly points out that most studies of internationalization focus solely on the activities of international firms, with far less attention paid to how local actors learn from, and respond to, the market entry of TNCs. The interactive relationships between TNCs and their key competitors within different markets will not only influence the relative success of the inward investment, but will also necessarily impact upon the structures and strategies of TNCs. This is particularly true in service sectors where barriers to entry are low or where domestic activity will have been long established. As Hansen (2008: 17) concludes, 'local actors absorb the effect of incoming companies and act upon them. New initiatives, ideas and values regarding management, quality and design emerge in this process, producing a hybrid culture and industrial structure at the doorstep where local and international actors meet'.

Having briefly introduced the notion of national host market embeddedness here, in the remainder of the paper we seek to exemplify our argument through a study of the leading TNCs in the temporary staffing industry, a sector which is powerfully influenced by the forces that we describe. First, however, we outline the research methodology upon which our analysis rests.

Methodology: investigating the embedded transnational

The analysis presented in this paper draws on the findings of a two-year research project funded by the UK's Economic and Social Research Council (ESRC) entitled 'The globalization of the temporary staffing industry' which ran from September 2004 to November 2006 (RES00023616). The project unfolded in three main stages. The first involved collecting data on the world's top 50 temporary staffing agencies and then endeavouring to produce a simple Transnationality Index to identify the top 20 *transnational* temporary staffing agencies. This posed many practical difficulties, concerning in particular the partial availability and comparability of corporate information and separating out temporary staffing from other firm activities. As a result, foreign revenue was ultimately used as the key metric for identifying and ranking the leading transnational agencies. The resulting listing for 2004 was used as the basis for our empirical studies although subsequent changes have also been rigorously tracked (e.g. see Coe *et al.*, 2004; 2008b). The 2004 list contained 17 of the firms already shown in Table 1 for 2007 with the exceptions being Allbecon and Olympia, SThree and Resources Connections; in 2004 their places in the top 20 were held by Corporate Services Group, Westaff and Glotel. More generally, background data and reports on the global temporary staffing industry were collected from a number of sources, including the International Labour Organisation (ILO), investment business analysts such as Deutsche Bank and SG Warburg, the International Confederation of Private Employment Agencies (CIETT) and the largest agencies themselves.

The second stage of this project involved conducting semi-structured interviews with senior executives from the headquarters of the top 20 transnational temporary staffing agencies. We managed to secure access to 15 of the top 20 from 2004, including all of the top six, which we believe allows us to write about the global industry with some confidence. These interviews were with executives with responsibility for corporate strategy and development, international operations, and knowledge management, and focused on both the *strategic dimensions* of overseas expansion (choice of markets, entry mechanisms, expansion strategies, localisation and branding etc.) and the *organisational structures* that enable transnational service delivery (corporate/geographical divisions, management and staffing structures, knowledge transfers, organisation of support functions, etc.). In contrast to other sectors in which we have worked (e.g. retailing, software) interviewees generally seemed comfortable with talking to us about their firm and the wider industry, perhaps reflecting the status of this project as the first to research the global industry, but also the general paucity of data on the sector which hampers firms as much as academic researchers.

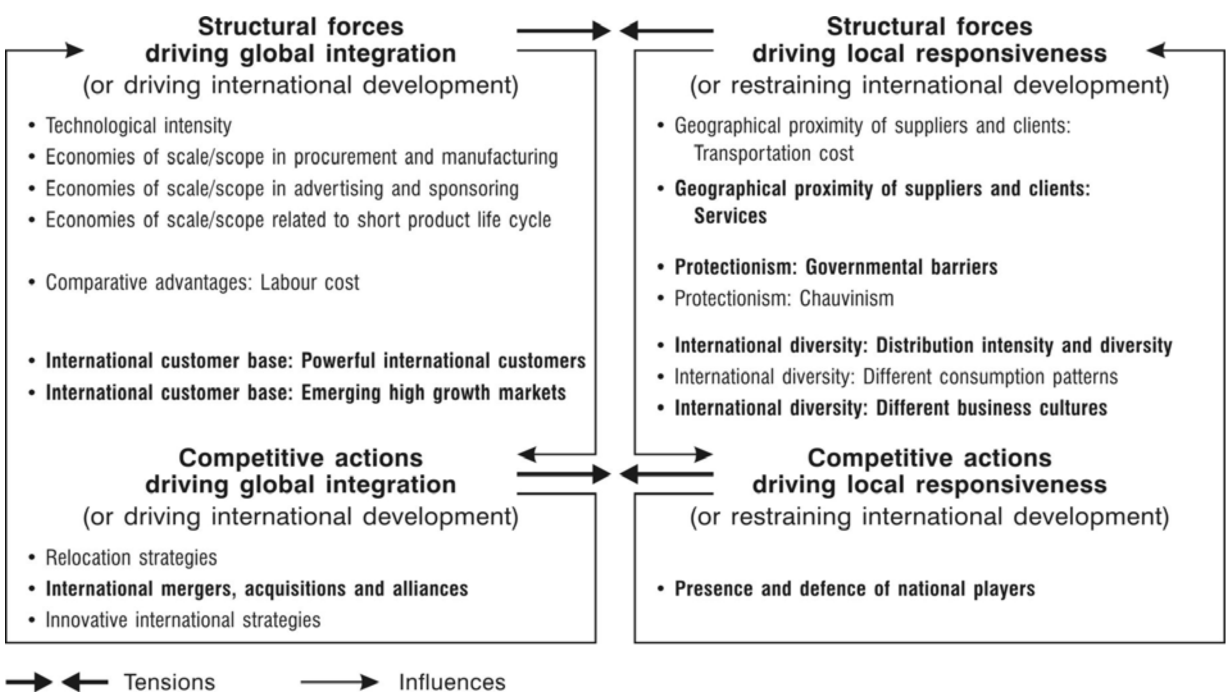
The third stage of the project overlapped with the second and focused on how the activities of the transnational agencies were both shaping, and shaped by, the nationally-specific political and institutional structures in which they were embedded. Five countries, chosen on the basis of differences in national welfare/labour regimes and their place in the global temporary staffing industry, were used as case studies: Australia as a 'neoliberal' regime, Japan as a 'corporatist'/developmental-state regime, Sweden as a 'social democratic' regime and the Czech Republic/Poland as 'post-socialist' environments. In each country semi-structured interviews were carried out with: country managers of the transnational agencies present in the country, managers of the leading domestic staffing agencies and representatives of relevant regulatory bodies, government departments, labour unions and trade associations. While the country manager interviews were crucial for cross-referencing with what we had heard at the corporate headquarters and for providing more specific evidence and examples, the remaining interviews were vital in building a picture of the different competitive and institutional/regulatory influences on the activities of subsidiaries of transnational staffing agencies in the various market contexts. These insights proved central to conceptualising the *nature* of TNCs in this industry. In total we conducted 91 semi-structured interviews during stages 2 and 3, all of which were fully transcribed and carefully analysed using standard coding techniques. We use quotations from the interviews extensively in that follows[4]. Since the project ended we have continued to monitor the leading transnational agencies through both secondary sources and a small number of follow-up interviews with agencies and trade associations.

Delimiting the transnational temporary staffing agency

In this section we introduce the essential characteristics of the temporary staffing industry and its leading transnational corporations. Following Calori *et al.* (2000: 3), a key starting point is to look for an approach that reconciles 'structural determinism and voluntaristic actions in order to explain the international dynamics of organizations and competitive systems … the international dynamics of industries are driven by structural *and* competitive determinants' (p.3). Put another way, it is important to recognise the global temporary staffing industry is shaped both by the nature of the macro-environment in which staffing takes place and the strategic actions of leading firms within the industry. Although somewhat simplistic, the global-integration/local responsiveness frameworks developed in the international business literature are a useful place to start. Calori *et al.* (2000) offer a nuanced version of this framework within which the characteristics of temporary staffing can be described. Figure 1 highlights in bold the structural and competitive forces that our research suggests are critical in the temporary staffing sector. In terms of global integration, both the demands of transnational customers and the revenue potential of emerging markets are strong incentives for international expansion, particularly in a context where established markets are often highly competitive and offer low profit margins.

These factors, however, have to be held against a strong set of forces driving local responsiveness within the industry. These reflect both the inherent nature of the business, and its geographically variable regulation. Staffing requires a physical presence in local labour markets, and hence firms require extensive office networks in the territories in which they invest. The core of their business – developing lists of candidates and matching them to the requirements of client firms – is an inherently local and spatially variable business. This closeness to market means that transnational staffing agencies are potentially open to strong local competition: 'distribution and sales typically are local activities. When distribution costs represent a high percentage of total cost, international competitors are no better placed than local players' (Calori *et al.*, 2000: 74). In turn, how staffing business can be conducted is heavily shaped by the prevailing national modes of labour market regulation in host economies. Three aspects are important here. First, the industry is influenced by general labour market regulation practices with respect to non-permanent employment (e.g. the rights of part-time, short-term workers). Second, it is affected by systems of welfare provision (e.g. the role of state agencies in placing unemployed workers) and the relationship between private and public sector labour market intermediaries. Third, in some countries the temporary staffing industry itself is directly regulated (e.g. licensing systems, restrictions on the kinds of workers that can be placed etc.) [5]. Staffing industries are also embedded in wider debates about the desirability of non-standard forms of working and may face local lobbying and resistance – for example from trade unions – to the expansion of their markets. Overall, these various conditions dictate the necessity of a high level of national host market embeddedness on the part of staffing TNCs.

Figure 1: Global integration and local responsiveness in the temporary staffing sector



Source: adapted from Calori *et al.*, 2000, Figure I.2.

Moreover, this powerful combination of structural forces shaping driving local responsiveness exerts a strong influence on the structures and strategies of leading TNCs in the industry. In general terms, Calori *et al.* (2000: 84) relate that such sectors usually exhibit the presence of strong national competitors, expansion through merger and acquisition activity, and the management of diversity by TNCs through loose coordination rather than centralized control: 'Coordination is viewed as the best way to manage diversity, differences in distribution systems, customer behaviour and business cultures. Policies are discussed and defined at the centre, but coordination is preferred to centralization. Headquarters staff is small, and diverse geographical units have a coordination role, depending on their expertise'. This view accords closely with the findings of our research. In general terms, temporary staffing firms are a relatively simple form of transnational corporation conforming to the notion of a multinational organizational model (Bartlett and Ghoshal, 1998) in which most key assets, responsibilities and decisions are decentralised and there are relatively informal headquarter-subsidiary relationships concerned primarily with financial control and reporting. The two key assets of these firms – their office networks and candidate databases – are by definition dispersed, with the result that the transnational agencies tend to run as decentralised federations. As one respondent described: 'A lot of the hard work is done at the coal face which is the interaction with the client…yes you can centralise some functions and we were looking at the IT, those sort of areas, but invariably you have to give some autonomy to the countries bearing in mind the cultural differences, the economic environment and the regulatory environment in which the country's operating…' (Corporate Affairs Director, global generalist, 16H, April 2005).

Within temporary staffing TNCs, management hierarchies tend to be fairly flat, and headquarters operations relatively small, with marketing, IT and human resources the key functions organised at a global scale. As one manager described, 'It is a very flat structure, I think [company's] view is that you submit your budgets, your business plan, your growth strategy, you put in place a capable management team and [company] audits that. There's very much an understanding that they have an intimate knowledge of who all the management team are, your processes, your risk management strategy, all of those sorts of things but if you're delivering, they pretty much allow you to do your own thing…' (Subsidiary Managing Director, global generalist, 23A, May 2005). Similarly; 'you have a small headquarters ultimately in this type of model, where it's basically the functional heads of these staff areas, the leads of the business units and so on, and that group is setting strategy' (Chief Operating Officer, global generalist, 13H, April 2005). As another indication, at the time of interview, one company, with annual revenues of over $500m, was seeking to reduce its central headquarters staff from just 15, while one of the top five transnational firms had only 80 people in its global headquarters, covering the functions of information technology, finance, human resources, public affairs, communications and investor relations. In short, lean corporate structures prevail; 'We don't, as an organisation, retain a very sizable corporate structure that is capable of delivering all sorts of centralised policies and strategies; it's quite a lean, mean, fighting machine' (Corporate Affairs Director, global generalist, 35H, June 2005).

In sum, the general form of temporary staffing transnational resonates strongly with Whitley's (2001: 36) notion of the *fragmented* transnational, operating across a wide range of institutional contexts, and with low organizational integration. As such, his depiction is worth quoting at length: 'Fragmented [TNCs]…operate their foreign subsidiaries at arm's length but are... committed to markets and locations in very different kinds of business system. Here, we would expect more of the firm's key activities to adapt to strong isomorphic pressures in host economies, and so develop novel organizational routines in local subsidiaries, but these would have little impact on domestic operations or on those in other subsidiaries. Such [TNCs][become highly differentiated organizations, more so than their domestic counterparts, but do not greatly alter their core capabilities and priorities or institutionalize new routines throughout the whole organization. "Learning" takes place in each distinctive business system the firm operates in, without being extended elsewhere. Firms that grow through foreign acquisitions often develop such differentiated structures'. We turn to attempts by firms to reduce differentiation and promote core capabilities in the next section.

Complex and variable internationalization strategies in temporary staffing

Having characterised the nature of staffing TNCs in general terms, we now move on to explore the inherent complexity and variability of the internationalization strategies of these firms, which, as other commentators on business services have observed, challenges simplistic categories such as those of Bartlett and Ghoshal (Faulconbridge *et al.*, 2008; Jones, 2003; Taylor *et al.*, 2004). As we shall see, this complexity derives from both the *breadth* of the industry – i.e. the wide range of different staffing activities that it encompasses – and the inherent *nature* of staffing industry activity, which, as argued above, is unavoidably highly territorially embedded in host market institutional systems. In line with Calori *et al.* (2000: 166), we find it helpful to consider four different, but closely interrelated, dimensions of internationalization strategies, namely the scope of the firm, foreign direct investment strategies, levels of international coordination and degrees of standardization. We now consider each in turn in building a more rounded and nuanced picture of the temporary staffing TNC.

1. The scope of the firm (by geography and function)

The scope of the firm refers here both to its *geographic* scope – in terms of the number of countries/regions in which it operates – and its *functional* scope – i.e. the range of staffing activities which it undertakes. A useful starting point for profiling the scope of transnational staffing firms is provided in Table 2 (see also Coe *et al.*, 2007), which intersects the degree of international expansion of firm operations with the range of staffing services that they offer. With respect to the geographical dimension, it profiles the presence of the leading transnational agencies in the key regional markets in 2007. The variability in geographical expansion immediately becomes evident, ranging from firms with operations in four (Proffice) to 80 (Manpower) countries. By looking at these numbers in combination with an assessment of the regional geography of firms operations (i.e. presence in Western Europe, Eastern Europe, North America, Asia etc.), firms can be broadly categorized firms as either *regional* (one to three regions) or *global* in scope (four plus regions).

Table 2: A typology of the top 20 transnational staffing firms, 2007

Rank	Firm	Origin	Foreign Revenue ($m)	No. of territories
	'Global Generalist'			
1	Adecco	Switzerland	30,411.61	60
2	Manpower	US	18,033.50	80
3	Vedior	Netherlands	11,523.58	52
4	Randstad	Netherlands	8,806.32	20
6	Kelly Services	US	2,212.67	36
	'Regional Generalist'			
5	USG People	Netherlands	3,186.76	13
12	Synergie	France	536.41	10
14	Allbecon & Olympia	Germany	469.42	7
19	Proffice	Sweden	232.70	4
	'Global Specialist'			
7	Hays	UK	1,395.74	25
8	Robert Half International	US	1,136.37	19
9	Michael Page	UK	941.23	25
10	Hudson Highland	US	887.55	23
13	Monster	US	511.48	22
17	Robert Walters	UK	341.64	15
20	Resources Connection	US	173.98	20
	'Regional Specialist'			
11	MPS Group	US	853.12	10
15	Harvey Nash	UK	417.78	9
16	CDI Corp.*	US	365.73	4
18	SThree	UK	314.59	8

* Discounts CDI Corp. franchise network. If included, territory count would be 37.
Source: Company Annual Reports and Websites.

In functional terms, we can also distinguish between *generalist* staffing firms that offer a broad range of staffing services economy-wide – usually based around a core of traditional short-term temporary staffing activity – and *specialist* agencies that offer more targeted staffing services to particular occupations/sectors. These latter firms largely provide services in the areas of financial services and IT, offering a mixture of permanent and temporary recruitment services. This functional distinction is not as clear cut as it might first appear, however. Most generalist firms also offer specialist services as part of their wider portfolio, and, almost without exception, are looking to expand their business into the higher-value added specialist segments serving professional markets. Intersecting the geographical and functional dimensions results in the typology detailed in Table 2. While this is a somewhat crude framework, it does usefully unpack the top 20 transnational staffing agencies to reveal the range of organizational geographies within the sector. Ultimately, where an individual firm is allocated in this schema is far less important than the recognition there are clear differences in the scale and nature of firm activities within the broad arena of transnational staffing firms.

The *global generalist* category brings together firms with a significant global presence, namely the 'big five' of Adecco, Manpower, Vedior, Randstad and Kelly Services. All the firms in this category have significant levels of foreign sales and are present, with the exception of Randstad, in six or more regional markets. While Randstad only had operations in four regions and 20 countries, it accrued foreign revenues of almost $9bn in 2007 and was looking to expand its international network further (witness the 2008 merger with Vedior which increased its coverage to 53 countries). Global generalist firms have extensive geographical networks that have expanded significantly over the last twenty years. These firms have tended to initially focus on providing *general* staffing services across their territories, with diversification into more specialist markets following over time. The operations of r*egional generalist* firms, by contrast, are not as geographically extensive. While they may generate large levels of foreign revenues (e.g. Allbecon & Olympia), their operations tend to be constrained to one to three regions. There is often a clear geographical logic to these firms, which tend to be European, or European and US oriented. Examples include USG People's focus on Western Europe, and Proffice's concentration on the Scandinavian markets. In most cases, these firms are large and significant players in their core regions, and are pursuing deliberate strategies to consolidate their position in existing, established markets rather than becoming more geographically extensive. These firms seek to grow by combining expansion into markets that enhance their regional portfolios at the same time as diversifying into new market niches in their existing territories.

Global specialist firms perform specialist staffing functions, often in the IT and financial service markets. They have relatively high proportions of foreign revenue, but do not have global operations of the scale or extent of the global generalists. In addition, their office networks are less dense *within* their various countries of operation, a reflection of their markets primarily being other business services, which tend to cluster in leading cities. Robert Walters, for example, has just 38 offices worldwide compared to Adecco's 6600, and serves the UK market from just four offices in London, Guilford, Birmingham and Manchester compared to Adecco's network of 400 offices (with an additional presence at 80 client sites) reflecting the wider dispersal of blue collar and basic office/clerical jobs across the economy. Global specialist firms are located in four or more regions and are either British or American in origin. They tend to focus more on the world's most advanced economies – and thereby key centres of demand for professional staff – than generalist firms. *Regional specialist* firms generate a smaller proportion of foreign revenue: as with the regional generalist firms, their activities are restricted to two or three regions of the world economy. As with the global specialists, the firms in this category are all either British or American-owned, and like the regional generalists, the geographic focus of their operations tends to be on Western Europe and North America. Harvey Nash, for example, has operations in the US and several leading Western European markets, in addition to an operation in Poland, and MPS Group is similarly focused on North America and Western Europe.

Three important aspects are somewhat obscured by this static typology, however. First, in addition to the strong internationalisation dynamic in the industry over the past 10-15 years identified in the introduction, a key trend has been for generalist firms to try and increase their presence in more profitable specialist segments through *diversification*. These diversification trends have been driven by competitive pressures and low profit margins in their traditional temporary staffing markets. As one manager commented: 'I think our strategy is the right one because I think the blue-collar market is going to ultimately continue to shrink and continue to commoditize' (International General Manager, global generalist, 38H, June 2005). In general, this means a relative move away from short-term staffing provision to longer-term and permanent placements: 'if you came into [our company] three or four years ago, we wouldn't have been into the permanent hiring of staff; we're now into permanent hiring in quite a big way …that is if you like a sort of a deviance from temporary work but it's a natural extension into it' (Corporate Affairs Director, global generalist, 35H, June 2005). However, most generalist firms still accrue the majority of their revenues from temporary staffing, although the proportion gained from specialist placements and other services is growing. In 2008, for example, 66 percent of Randstad's revenues (post Vedior merger) came from temporary staffing, 21 percent from professional placement, two percent from 'human resource solutions' and the remaining 11 percent from 'in-house services', a combination of standard staffing and human resource services provided at client sites (http://www.ir.randstad.com/, accessed 19/3/09).

Second, these diversification trends are themselves part of wider attempts to move up the human resources value chain in a search for higher profitability. This means developing beyond just providing either general or specialist temporary workers to undertaking a range of other functions including on-site services, full recruitment and selection services, training, human resource management consultancy and, in some cases, running fully outsourced human resource functions. The aim is to cover what one respondent termed the whole 'human capital continuum'. The logic behind these moves is both about securing higher profit margins and becoming more indispensable to clients: 'You want to move up the value chain for a lot of reasons … the more value you provide to an organization to meet their business objectives, their business requirements, the more you become a valued supplier. It is a proven fact that the more services that I provide to a customer, the more difficult it is for a competitor to displace me' (VP International Operations, global generalist, 40H, June 2005). Similarly; 'So I want to see the staffing firm viewed in the same strategic light as the accounting firm, the law firm, the ad agency, the PR firm, their other key external advisors. To do that…we have to keep moving up the value chain [in terms of] the staffing services we offer' (Chief Operating Officer, global generalist, 13H, April 2005). Our research found that corporate rhetoric was often far ahead on actual revenue generation in these areas (as the above Randstad figures indicate). However, those that do succeed in attracting such business are arguable redefining the boundaries of the staffing industry and thereby coming into contact with different competitors who specialise in business process outsourcing (BPO): 'To survive and prosper in the staffing world I think you have to evolve from being a transaction-oriented business to being a consultative organization. So ten years down the line I'm not looking at Adecco, Manpower, Vedior and Randstad as my key competitors, I'm looking at Accenture, I'm looking at IBM Global Services etc.' (International General Manager, global generalist, 38H, June 2005).

Third, it is important to recognise that there is considerable market-to-market variation in strategy and operations *within* individual firms. Global generalist Vedior, for example, was (before the Randstad merger) effectively just a specialist agency in several of its foreign markets. It is common for firms that operate in a relatively decentralised manner with a range of brands to have highly uneven coverage of those brands across different territories, reflecting the industrial structure and pattern of demand in those markets. As subsequent sections will show, the particular form of host-market embeddedness that characterises temporary staffing TNCs drives such patterns of variation.

2. Foreign direct investment strategies

The second area for exploration is the various modes of internationalisation that temporary staffing firms use to enter, and subsequently expand within, foreign markets. We follow Glückler (2006) in adopting a relational perspective on market entry, i.e. one that focuses on the social network relations between firms and their suppliers, clients and strategic partners and explores how those relations influence the nature and geography of international expansion. Glückler contrasts this approach with those that seek to make false analytical distinctions between (1) the decision to internationalise (2) the choice of market and (3) the mode of market entry, decisions which have a tendency to blur and merge in reality. His work on professional service firms demonstrates the empirical prevalence of 'relational entry contexts' such as following-the-client, alumni networks (former employees referring business) and piggybacking (following partners/collaborators) in comparison to more detached, 'atomistic' assessments of investment decisions.

This perspective resonates strongly with our findings in the temporary staffing industry, where client following was a crucial motivation for international expansion. In particular, demand from large transnational clients was highlighted: 'If you want to follow your customers you need to expand geographically because more international customers are requiring suppliers to be present in all the countries' (Chief Executive Officer, regional generalist, 59H, December 2005). In some cases, the requirements of just one key client can be enough to stimulate the opening of a particular office, particularly when supported by a positive assessment about the potential for expanding the business subsequently. 'We started in Tokyo because Goldman Sachs – one of our clients – actually asked us to open an office there because we were doing work for them everywhere else in the world and they said it would be a real shame if you don't have one in Tokyo and we said if you think you've got some work we can do we'll open on the back of that understanding: its not the cheapest place to open, but we did it and it is becoming the most profitable office' (Chief Executive Officer, global specialist, 77H, March 2006). The importance of key global relationships in initially triggering international expansion points to how '*future* strategic activities are enabled by the opening of overseas offices in addition to the benefits gained in relation to serving *existing* markets and clients' (Faulconbridge *et al.* 2008: 211).

As in many other business service sectors (e.g. see Beaverstock *et al.*, 1999, on law), temporary staffing firms can pursue a range of different internationalisation modes. Five are found in the staffing industry: greenfield investment, acquisitions, working with local partners, franchising, and Internet-based expansion. In terms of the top 20 firms shown in Table 1, CDI Corporation is the most significant user of franchising, with its franchised MRINetwork totaling over 1000 offices across 35 countries (http://www.mrinetwork.com/, accessed 21/3/09). Monster is the sole highly Internet-oriented company with its online job board service available in over 35 countries, although the firm does have a physical presence in around half of those markets in addition to its main bases in the USA and UK (http://corporate.monster.com/, accessed 21/3/09). Beyond these two examples, establishing directly owned subsidiaries through either greenfield investment or acquisition are by far the most popular entry strategies.

Overall, acquisition was the most common mode of expansion across our sample. One respondent, for example, described his company's growth strategy as follows: 'Yes, mainly through acquisitions, it is a kind of buy and build model. Buy a company. And then build your framework in countries afterwards' (Chief Executive Officer, regional generalist, 59H, December 2005). Acquisitions offer several advantages. They allow firms to purchase the existing business networks, client list and knowledge personnel of the target firm, they offer the potential of profits from day one, and they are a relatively quick mode of entry that can deliver significant market share virtually overnight. It was often noted that the nature of the staffing industry leant itself to this mode of expansion: '…the language is completely different, the thinking is different, the legislation is rather complicated and to get into the market is very, very difficult if you don't have local connections. So the strategy we have in this context is to acquire local companies that are already established in the market and we don't have to work and start from scratch. If you have to work from scratch, can you trust the people? How is the business going to develop? It is rather difficult actually' (Regional Manager Eastern Europe, global generalist, 4P, October 2004). Again reiterating the relational nature of international expansion, senior managers often spoke of acquisitions being opportunistic rather than part of a carefully designed strategy: indeed, the process may often be initiated by firms in the host market that are looking to be acquired. 'It would be opportunistic, by and large. There is no point in having some master plan for acquisitions and say OK, we'll go here and here … it is driven from a number of different ways. We may spot a market that we think we should be in and therefore that would generally be a decision from the board of management…We quite often get approached independently by companies, we have opportunities coming to us all the time, companies that are interested in being acquired…' (Corporate Development Manager, global generalist, 80H, November 2006).

The downsides of this model are the possibility of insuperable challenges in the integration process and the reputational damage that may ensue, and the dangers of paying too much for the target company. For example, Kristensen and Zeitlin (2005) have evocatively described the many challenges of developing cooperative strategies in TNCs built through the coming together of previously autonomous firms in different countries. Staffing TNCs differ in terms of whether they rebrand purchased firms, leave the brand untouched, or adopt some hybrid of the two. As we shall see shortly, this reflects different attitudes to centralisation and standardisation across staffing TNCs.

In reality, many firms seek to reap the rewards of both protecting established brands and leveraging the advantages of being part of a larger firm: 'So the name continues in the market, and also from the marketing efforts, they don't have to build up a new name, but continue with the name and we have a certain input concerning the strategy, the development of the business, the introduction of new products, and we do this quite successfully' (Regional Manager Eastern Europe, global generalist, 4P, October 2004).

In contrast, greenfield investment allows for easier international transfer of knowledge and standardised practices and offers, in theory at least, full control over corporate development and intra-firm coordination. 'We have this kind of [firm name] image and culture in terms of the way in which we do business and we always feel that if you're entering a new market its best to put our stamp in terms of the [firm] way from outset rather than taking something about which you don't know the genesis of and the origins of and maybe they're set in their ways, its going to be more difficult to manage and to change the mindset so you know, this is the way [firm] does business and now you've got to conform to this, whereas if it's a start up then we can instil in it from the outset … I think invariably its better to put the [firm] stamp there and do it from scratch' (Corporate Affairs Director, global generalist, 16H, April 2005). In some contexts, staffing TNCs see greenfield investment as preferable to the potential problems of managing the integration of acquired businesses: 'We do smaller acquisitions, we don't do large acquisitions. The biggest challenge is integration. How do you take different cultures and try to integrate them in a proactive way that is meaningful and beneficial not only to the internal employees, but also doesn't create issues in the marketplace or with the customer base?' (VP International Operations, global generalist, 40H, June 2005). The downsides of the greenfield strategy are that growth may be slow, it is hard to build a local client list from scratch, and it may take several years until the initial investment costs have been paid back.

While it is possible to detect corporate-level preferences for either greenfield or acquisitions within the leading transnational staffing agencies, in reality many use complex combinations of both methods. As one manager succinctly put it, 'it's a mixed bag. It's actually a very elegant strategy' (International General Manager, global generalist, 38H, June 2005). These strategies vary through both space and time. *Geographically*, in line with the notion of host-market embeddedness we are developing in this paper, it is often host market conditions rather than top-down corporate strategy that determine the most effective mode. The emerging markets of Eastern Europe and East Asia were often contrasted in this regard: 'You can do eastern Europe and …certainly in Hungary there is a greenfield. I think that in Asia and in some markets where you need to have some representation from a local organization, you have to either do it or you do an acquisition. So certainly in markets like China and other places where there are legal requirements from the government that it has to be a joint, there has to be local nationals involved in that operation, that sometimes drive that' (VP International Operations, global generalist, 40H, June 2005). Japan, more specifically, was often cited as a market that is virtually impossible to penetrate through greenfield investment. 'There are cultural differences all around the world… it has a significant impact on, for example, how you would go about approaching an acquisition. If your mindset is "I want 100% ownership" and you want to enter the Japanese market, that's kind of a difficult position to take, as some people are learning, including us' (International General Manager, global generalist, 38H, June 2005). Even within the same region, however, there are significant variations. To give but one example of many, Randstad expanded into Spain (in 1993) through a greenfield investment but chose an acquisition when entering Sweden (in 2004).

There are two distinct *temporal* dimensions worth noting. The first relates again to host market conditions, and more specifically, the timing of entry in relation to the establishment and development of a market for temporary staffing. If firms choose to enter a market early in this process – for example an Eastern European market in the mid-1990s – then greenfield investment may be only feasible option due to a lack of takeover targets: 'Eastern Europe they were all start-ups, it wasn't a question of acquisitions it was a question of going in there employing local management and setting up the business and aggressively growing it very quickly' (Corporate Affairs Director, global generalist, 16H, April 2005). Later entrants may pursue acquisitions once local firms have established a significant market presence and share (reiterating the potential importance of Hansen's (2008) 'far side' of international business). The second temporal dimension points to the need to look beyond market entry and to include subsequent growth and expansion in the analysis. We found examples of firms entering through acquisition and then pursing aggressive organic growth, and conversely, firms starting from scratch in certain territories and then subsequently adding acquisitions to their portfolio. Moreover, firms favouring the acquisition route often undertake several over a period of time to extend both their geographical and sectoral coverage within host markets (e.g. adding a specialist agency to their general staffing business). Overall, the key point is that temporary staffing TNCs use combinations of greenfield/organic investment and acquisitions to expand into different kinds of markets at different times. As Faulconbridge *et al.* (2008: 231) describe, international expansion 'is not a temporally linear process as many firms may engage in multiple modes of internationalization simultaneously, reflecting the range of marketplaces they are attempting to develop'.

3. Levels of international coordination

The third aspect we shall consider is the extent to which temporary staffing TNCs seek to exert centralized control over the activities of their various national subsidiaries. We have already set out the generally decentralised, multinational organisational model that prevails in the industry. There are, however, interesting firm-to-firm variations in the levels of centralization pursued by leadings TNCs. More specifically, we can contrast firms that adhere closely to the multinational model (e.g. Vedior) with those that show characteristics of an *international* organization model (Bartlett and Ghoshal, 1998) in which there is a somewhat greater degree of centralisation (e.g. Manpower)[6]. Many respondents themselves described the challenges of achieving the 'right balance', for example: 'I think one of the things that differentiates the staffing industry from other global industries is the fact that in every market, the way that labour exists is actually quite different, so you've got to have a pretty high degree of local touch…so we give our local country managers a lot of autonomy and one of the debates that rages with ourselves and with our competitors is what's the balance?' (Corporate Affairs Director, global generalist, 35H, June 2005). The inherent nature of the staffing business is seen to lie behind this conundrum: 'This business is very much a locally, market-driven business. You really have to understand, for example in Europe, the different country cultures, labour laws, etc. in order to effectively market and go help your clients to hire people in… we have a single brand out there and we go to market …but at the same time the specific offerings and exactly how we go to market are more driven by the local teams there who know those markets inside out' (Corporate Development Manager, global specialist, 78H, March 2006).

For adherents of the more decentralised model, local managerial autonomy is seen to be key to responding to the needs of local markets. 'Our decentralised management structure is designed to enhance communication and minimise corporate overheads. Local management retains a high degree of autonomy in the day-to-day running of their business including hiring, prices, training and sales and marketing. This enables them to respond quickly to market changes. The organisational structure stimulates an entrepreneurial working environment…' (Corporate Development Manager, global generalist, 80H, November 2006). Or as another manager pithily observed, 'We believe in the local manager. They know the market, they know the language, they have the relationships. Why should we interfere?' (Regional Manager, global generalist, 4P, October 2004). Such firms, which have often expanded through an ongoing sequence of acquisitions, are run in a federal manner as a series of relatively distinct national subsidiaries. Local managers, in turn, appreciate the autonomy they are afforded within such structures, but also the fact that they can draw on the resources of the wider corporation as and when required. 'They advise us when we need advice…we are allowed autonomy. We are not told what to do. I think that is one of the advantages to being part of [company] is they respect your local knowledge and they encourage you to use that. But if you need anything, you know that they are there and as a part of a big multinational you have a better chance to win some contracts' (Subsidiary Managing Director, global generalist, 3C, October 2004).

Respondents in somewhat more centralized enterprises, by contrast, cast doubts over this 'federal' approach: 'It's a collection of companies that are not bound and don't communicate with one another. Multiple brands in multiple markets doing multiple things, and that's their strategy…I only look at them as a potential threat in isolated markets…' (International General Manager, global generalist, 38H, June 2005). Often driven by the demands of global customers, these firms have implemented more centrally-determined strategies in order to try and provide a consistent service despite the vagaries of different national labour systems: 'when you have global customers, we're different. We have to be different than other companies because we have 100 companies and do 70% of our business with them, and they demand a consistency across our enterprise…and so I have to have some centralized leaders who have the authority to impose that consistency because every country manager will claim we're different, every product manager claims we're different' (Chief Operating Officer, global generalist, 13H, April 2005). Even in these firms, however, national managers retain significant autonomy to shape their service offering to meet the particular demands of the host economy. 'There is a reasonable autonomy on how we achieve our goals. As long as we stay in line with the corporate guidelines and policies …again market conditions, local market forces dictate how we do that and why we do that and we are given some autonomy to make those calls. We are the experts in these countries' (Subsidiary General Manager, global generalist, 29A, May 2005).

In dynamic terms, companies are generally shifting towards more centralized structures that are going some way to undermine the autonomy of national managers and implementing greater elements of global strategy. For example, 'there's a pendulum shift, now 10 years ago if you'd gone into [company] the pendulum would have been almost totally towards the countries having total autonomy, the pendulum has swung round… but one of the things we're quite conscious of is that as we do more centrally driven stuff we don't surrender the local of cultural sensitivity' (Corporate Affairs Director, global generalist, 35H, June 2005). More specifically, there are tendencies to move from geographical to more functional organisational structures leading to the emergence of matrix-like management formations. These global functions are often associated with marketing and back-office functions, however, with service delivery remaining stubbornly local in character. For example, over the period 2005-06, Adecco put all its various businesses under one name and moved to six global professional business lines (e.g. human resource solutions, finance and legal) and four global functions (e.g. finance, human resources) as part of a wider drive to move into professional, high value-added markets. Similarly, 'with the development of a global strategy for the business to focus on developing these more specialised, functionally based, project business solution teams…there is more and more collaboration happening at that senior management team level around more global strategies' (Corporate Development Manager, global specialist, 78H, March 2006). Change is not always unidirectional, however. In 2006, for example, Kelly Services undertook a restructuring that sought to lessen its dependence and centralization on the US market by establishing new regional tiers for the Americas, Asia-Pacific and Europe that are designed to create a more responsive structure and thereby facilitate international expansion.

4. Degrees of standardization

Intimately related to issues of (de)centralization is the extent to which firms seek to standardize aspects of their business across the various national subsidiaries. In general, the more centralized a firm in terms of managerial control, the more advanced were efforts to standardize business practices. Respondents, however, were realistic about the limits to such moves in the staffing industry. 'To be honest with you, I would say that the list is very short of things that are common across the entire globe… we've got five core service lines: we have permanent recruitment, we have contract professionals, we have these project solution teams, we have talent management…we also have outsourcing… we also have a core philosophical value model, which talks about attracting, selecting, aging and developing talent for our client organisations. Beyond that, is there one method that we use globally? We don't have one enterprise system across the entire globe – few if any companies do' (Corporate Development Manager, global specialist, 78H, March 2006). More specifically, they talked about a stubborn core to their operation that continues to defy attempts to standardize practices. 'Standardization…There are people who believe that one size fits all…I don't think that's accurate. I think it's accurate to say that 80% of what we do from a transactional staffing perspective is uniform and consistent around the world…But there's a 20% variable component that is influenced by the legal, regulatory environment, some aspects of culture, etc.' (International General Manager, global generalist, 38H, June 2005).

Ongoing attempts to increase the level of standardization are most advanced – albeit unevenly across different companies – in three areas. First, the varying degrees of centralization already noted are often reflected in the extent to which firms use a standard *brand* in all their territories (e.g. Manpower, Adecco) or operate as a looser coalition of national and/or functional brands (e.g. Vedior). In terms of the latter approach, most decentralised, federal companies use a multi-brand approach that recognises the different needs of their various market segments: 'What we see as the company's strengths are the multi-branding and the fact that we able to address so many diverse aspects of the market. Our branding strategy we think gives us an advantage because we think that job seekers like to use companies that are experts in their particular skill set. So accountants want to go to accounting staffing companies, lawyers want to go to legal staffing companies…we continue to think that multi-branding is the way forward…' (Corporate Development Manager, 80H, November 2006). In large part this reflects a gradual expansion through acquisition activity and a desire to preserve established brands in host markets rather than imposing a 'global' brand from outside that does not resonate with the existing local customer base. Others firms, however, have taken clear steps to develop a global brand as part of wider attempts to centralise their activities. 'And a lot of what I was doing initially was unifying the brands… my job has been to bring all that together and so we become a global company and not a company that happens to be operating in lots of countries' (Chief Operating Officer, global generalist, 13H, April 2005).

Second, and closely related to branding, has been the development of global approaches to sales and marketing, as reflected in Adecco's restructuring described above. Such developments are most advanced in the global specialists who operate in relatively transnational labour markets (e.g. finance, information technology). 'In 2004 there was a global re-branding and there is now almost uniform branding …you should find that brand is the same, although the office look different but in terms of adverts, marketing you shouldn't be able to distinguish whether it came from the UK or Australia' (Subsidiary General Manager, global specialist, 26A, April 2005). Respondents distinguished the actual delivery of services from attempts to harmonise initial engagements with potential clients: 'so what is standardised is the bigger picture sales, things like that whether it's to clients or candidates, the look, the feel, the international presence and we try and make it quite slick, quite stylish. What we do in the localised way is the job' (Chief Executive Officer, global specialist, 77H, March 2006). Again, this sensibility was particularly developed in firms that undertook a significant proportion of business for global clients, meaning that 'you need to have some level of standardization in how you operate. If you're just letting the countries market however they want, then there is no linkage, so you're basically just a series of states' (Marketing Manager & VP, global generalist, 39H, June 2005). Third, many firms are taking steps to harmonise certain back office procedures, and in particular, to use various combinations of seminars, conferences, codification and online repositories to distil elements of best practice for their various subsidiaries to draw upon: 'Over the last three or four years we have spent a huge amount of time and money in standardisation of our processes in back office and front office, and how we organise databases…we have manuals and our concepts are all standardised... we invest a lot … in getting best practices, putting them onto paper and then spreading them around the world' (Subsidiary General Manager, global generalist, 67J, January 2006).

The contested domain of global contracts – i.e. multi-country agreements between a transnational agency and a transnational client – is another which illustrates both the possibilities and limits to standardized practices. Global contracts emerged as a competitive strategy in the late 1990s and early 2000s as large agencies tried to capture market share and insulate themselves from local competitors (Ward, 2004). However, they do not yet account for a high proportion of business within the leading transnational agencies, and our research suggests that the problems of implementing global agreements across vastly different labour market formations often out-weigh the potential benefits. One key challenge is to produce an agreement which straddles many different legislative and institutional settings: 'Yes we do [operate global contracts] and they're always a challenge…what you need to manage is that you have different legal frameworks, different cultures... and different cost structures … so with the global agreement we've always got to be very careful in terms of delivering the service, there's no compromise…' (Corporate Affairs Director, global generalist, 16H, April 2005). Another is that transnational staffing agencies are often torn between meeting the needs of global clients and preserving more the profitable, locally-negotiated aspects of their business. 'Definitely it is growing [global contract business]: in some countries you would find that the global agreements would account for more than 60 percent of their business, so its quite a growth area and what we're striving for is not to lose the focus on *ad hoc* business where invariably the margins are higher because *ad hoc* is when somebody needs something urgently and then they will pay a premium for that, whereas the global agreement could be over three years…' (Corporate Affairs Director, global generalist, 16H, April 2005). Other respondents were entirely sceptical about the possibility of global contracts. One commented that 'if you've got different employment laws in different countries I don't see how it [global contracting] works in practice' (Chief Operating Officer, global generalist, 11H, March 2005). Another suggested that while it was something clients pushed for, it was rarely achieved in practice: 'A lot of customers will come and say, "we want a global agreement… we want global pricing, one price around the world" … There's no such animal. And they know that, but they're just kind of pushing it a little bit… you say you've got to negotiate to the local legislative requirements of each country, and that has to be addressed' (VP International Operations, global generalist, 40H, June 2005). Ultimately, the high levels of host market embeddedness of transnational staffing agencies places very real constraints on the extent to which they can offer standardised services across their constituent territories.

Conclusion

In this paper we have sought to conceptually delimit, and empirically demonstrate, a particular form of embedded transnational corporation. On a conceptual level, we have argued for recognition of a specific kind of TNC that can be found in certain market-facing service sectors. In contrast to existing interpretations of home country and local host market subsidiary embeddedness with respect to TNCs, this is a form of embedded transnational that is notable for the degree to which it is shaped by *national* host market institutional conditions. Rather than the TNC/host market interface being driven by the activities and demands of the inward-investing TNC, this is a mode of interaction in which TNCs are largely responsive to host market regulatory and competitive conditions (at the same time as they seek to change those conditions and shape markets in their own image through ongoing lobbying and competitive activities). Importantly, our approach does not seek to simply proffer a generalized argument about the importance of national differences, but rather to delimit the precise configuration of host-market influences shaping particular sectors. As Forsgren *et al.* (2005: 186) argue, 'the institutional differences between countries do matter, but *how* they matter is connected with the specific business involved'.

On an empirical level, we have illustrated this form of host-market embedded TNC through the example of the leading transnationals in the temporary staffing industry, although we would argue that the argument also extends to other forms of service sector activity, for example retailing (see Wrigley *et al*., 2005), and by inference, to other domains such as legal and health services, education and logistics. The very business of temporary staffing – placing workers – is both geographically extensive across host markets and heavily shaped by the regulatory conditions that prevail upon both the industry itself and non-standard working practices more generally. Both the office networks of these firms and the activities that take place within them are heavily conditioned by national host market formations. The empirical sections of the paper have fleshed out the nature and implications of this host market embeddedness for temporary staffing TNCs. This analysis has demonstrated how the nationally-specific nature of staffing activity places significant constraints on attempts to develop globally-integrated organisational structures, and leads to spatially and temporally variable internationalisation strategies both within, and between, different staffing agencies. Notions of societal embeddedness, in which the national origins of TNCs are used to explain differential internationalisation paths, are not enough to understand this complexity. While it is true that some of the US agencies have pushed furthest along the path of centralisation and standardisation (e.g. Manpower) – in part as a result of the desire to meet the needs of US transnational clients – several Western European agencies have also pursued this route (e.g. Adecco). More pertinent, perhaps, is the fact that firms operating in specialist, professional segments have been able to achieve most in these respects due to the transnational nature of the labour markets in which they operate, and also the more geographically circumscribed range of their operations both across and within countries. Nor does it make sense to think about the embeddedness of staffing transnationals in webs of suppliers within particular regional economies. Instead, what emerges from the analysis is a picture of a sector in which the necessarily high level of embeddedness in the national host market institutional environment ultimately determines both the nature of international expansion and the internal strategies and structures developed by staffing agencies as they straddle a growing number of national jurisdictions.

References

Abo, T. ed. 1994. *Hybrid factory: the Japanese production system in the United States*. New York: OUP.

Amin, A., Bradley, D., Howells, J., Tomaney, J. and Gentle, C. 1994. Regional incentives and the quality of mobile investment in the less favoured regions of the EC, *Progress in Planning* 41: 1-112.

Bartlett, C.A. and Ghoshal, S. 1998. *Managing across borders: the transnational solution* (2nd edn). New York: Random House.

Beaverstock, J.V., Smith, R. and Taylor, P.J. 1999. 'The long arm of the law': London's law firms in a globalising world economy, *Environment and Planning A* 31: 1857-1876.

Berger, S. and collective. 2005. *How we compete: what companies around the world are doing to make it in today's global economy*. New York: Doubleday.

Bianchi, C. and Arnold, S. 2004. An institutional perspective on retail internationalization success, *International Review of Retail, Distribution and Consumer Research*, 14: 149-69.

Birkinshaw, J. 1996. How multinational subsidiary mandates are gained and lost. *Journal of International Business Studies* 27: 467-496.

Birkinshaw, J. and Hood, N. ed. 1998: *Multinational corporate evolution and subsidiary development*. London: Macmillan.

Calori, R., Atamer, T. and Nunes, P., ed. 2000. *The dynamics of international competition*. London: Sage.

Christopherson, S. 2007. Barriers to 'US style' lean retailing: the case of Wal-Mart's failure in Germany, *Journal of Economic Geography* 7: 451-470.

Christopherson, S. and Clark, J. 2007. *Remaking regional economies: power, labor and firm strategies in the knowledge economy*. New York: Routledge.

CIETT (2009) *The agency work industry around the world: main statistics*. Brussels: CIETT.

Coe, N.M., Johns, J. and Ward, K. 2004. Mapping the globalization of services: the top 20 international temporary staffing agencies, *Geographies of Temporary Staffing Unit Working Brief 8* (see: http://www.sed.manchester.ac.uk/geography/research/gotsu/).

Coe, N.M., Johns, J.L. and Ward, K. 2007. Mapping the globalization of the temporary staffing industry, *Professional Geographer* 59: 503-520.

Coe, N.M., Johns, J. and Ward, K. 2008a. Prime numbers: help wanted, *Foreign Policy*, May/June: 36-7.

Coe, N.M., Johns, J. and Ward, K. 2008b. Updating the top 20 transnational temporary staffing agencies: 2007 rankings, *Geographies of Temporary Staffing Unit Working Brief 33* (see: http://www.sed.manchester.ac.uk/geography/research/gotsu/).

Coe, N.M., Johns, J.L. and Ward, K. 2009. Agents of casualisation? The temporary staffing industry and labour market restructuring in Australia, *Journal of Economic Geography,* 9: 55-84.

Dicken, P. 1994. Global-local tensions: firms and states in the global space economy, *Economic Geography*, 70: 101-128.

Dicken, P. 2000. Places and flows: situating international investment. In *The Oxford handbook of economic geography,* ed. G.L. Clark, M.P. Feldman and M.S. Gertler, 275-291. Oxford: Oxford University Press.

Dicken, P. 2002. Placing firms, firming places: grounding the debate on the global corporation, paper presented at the conference on *Responding to Globalization: Societies, Groups, and Individuals*, University of Colorado, Boulder, 4-7th April (http://www.colorado.edu/ibs/pec/gadconf/).

Dicken, P. 2007. *Global shift: mapping the changing contours of the world economy* (5th edn.). London: Sage.

Dicken, P. and Malmberg, A. 2001. Firms in territories: a relational perspective, *Economic Geography*, 77: 345-363.

Dicken, P., Forsgren, M. and Malmberg, A. 1994. The local embeddedness of transnational corporations. In *Globalization, institutions and regional development in Europe*, ed. A. Amin and N. Thrift, 23-45. Oxford: OUP.

Doremus, P.N., Keller, W.W., Pauly, L.W., and Reich, S. 1998. *The myth of the global corporation*. Princeton: Princeton University Press.

Faulconbridge, J.R., Hall, S.J.E. and Beaverstock, J.V. 2008. New insights into the internationalization of producer services: organizational strategies and spatial economies for global headhunting firms, *Environment and Planning A,* 40: 210-234.

Forsgren, M., Holm, U., and Johanson, J. 2005. *Managing the embedded multinational: a business network view*. Cheltenham: Edward Elgar.

Gertler, M. 2004. *Manufacturing culture: the institutional geography of industrial practice.* Oxford: OUP.

Glückler, J. 2006. A relational assessment of international market entry in management consulting, *Journal of Economic Geography* 6: 369-393.

Grabher, G. 2006. Trading routes, bypasses, and risky intersections: mapping the travels of 'networks' between economic sociology and economic geography, *Progress in Human Geography* 30: 1–27.

Hall, P. and Soskice, D. ed. 2001. V*arieties of capitalism: the institutional foundations of comparative advantage*, Oxford: OUP.

Hamilton, G.G. and Feenstra, R.C. 1995. Varieties of hierarchies and markets: an introduction, *Industrial and Corporate Change* 4: 51-91.

Hansen, G.H. 2008. The far side of international business: local initiatives in the global workshop. *Journal of Economic Geography* 8: 1-19.

Hess, M. 2004. 'Spatial' relationships? Towards a re-conceptualization of embeddedness, *Progress in Human Geography* 28: 165-186.

Hirst, P., Thompson, G. and Bromley, S. 2009. *Globalization in question* (3rd edn.). Cambridge: Polity.

Imai, K-I. 1989. Evolution of Japan's corporate and industrial networks. In *Industrial dynamics: technological, organizational and structural changes in industries and firms*, ed. B. Carlsson, 123-157. London: Kluwer.

Jacoby, S.M. 2005. *The embedded corporation: corporate governance and employment relations in Japan and the United States*. Princeton: Princeton University Press.

Jones, A 2003. *Management consultancy and banking in an era of globalization*. Basingstoke: Palgrave.

Kristensen, P.H. and Zeitlin, J. 2005. *Local players in global games: the strategic constitution of a multinational corporation.* Oxford: OUP.

Liu, W. and Dicken, P. 2006. Transnational corporations and 'obligated embeddedness': foreign direct investment in China's automobile industry. *Environment and Planning A* 38**:** 1229-1247.

Morgan, G. 2001. The multinational firm: organizing across institutional and national divides. In *The multinational firm: organizing across institutional and national divides*, ed. G. Morgan, P.H. Kristensen and R. Whitley, 1-24. Oxford: OUP.

Pauly, L.W. and Reich, S. 1997. National structures and multinational corporate behaviour: enduring differences in the age of globalization, *International Organization* 51: 1-30.

Peck, J. 2005. Economic sociologies in space, *Economic Geography* 5: 127–76.

Peck, J. and Theodore, N. 2002. Tempted out? Industry rhetoric, labour regulation and economic restructuring in the temporary staffing business, *Economic and Industrial Democracy* 23: 143-175.

Peck, J. Theodore, N. and Ward, K. 2005. Constructing markets for temporary labour: employment liberalization and the internationalization of the staffing industry, *Global Networks* 5: 3-26.

Perkmann, M. 2006. Extraregional linkages and the territorial embeddedness of multinational branch plants: evidence from the South Tyrol region in Northeast Italy, *Economic Geography* 82: 421-441.

Phelps, N. 2000. The locally embedded multinational and institutional capture, *Area* 32:169-78.

Phelps, N.A., MacKinnon, D., Stone, I. and Braidford, P. 2003. Embedding the multinationals? Institutions and the development of overseas manufacturing affiliates in Wales and North East England, *Regional Studies* 37: 27-40.

Sally, R. 1994. Multinational enterprises, political economy and international theory: domestic embeddedness in the context of internationalization, *Review of International Political Economy* 1: 161-192.

Taggart, J.H. 1997. Autonomy and procedural justice: a framework for evaluating subsidiary strategy, *Journal of International Business Studies* 28: 51-76.

Taylor, P.J., Catalana, G. and Walker, D. 2004. Multiple globalisations: regional, hierarchical and sectoral articulations of global business services through world cities, *The Service Industries Journal*, 24: 63-81.

Theodore, N. and Peck, J. 2002. The temporary staffing industry: growth imperatives and limits to contingency, *Economic Geography* 78: 463-94.

Turok, I. 1993 Inward investment and local linkages: how deeply embedded is 'Silicon Glen'? *Regional Studies* 27: 401-418.

Ward, K. 2004. Going global? Internationalisation and diversification in the temporary staffing industry, *Journal of Economic Geography* 4: 251-273.

Ward, K. 2007. Temporary staffing, 'geographies of circulation', and the business of delivering neoliberalization. In *Neoliberalization: states, networks, peoples*, ed. K. England and K. Ward, 110-136. Oxford: Blackwell.

Whitley, R. 1992 *Business systems in East Asia*, London: Sage.

Whitley, R. 2001. How and why are international firms different? The consequences of cross-border managerial coordination for firm characteristics and behaviour. In *The multinational firm: organizing across institutional and national divides*, ed. G. Morgan, P.H. Kristensen and R. Whitley, 27-68. Oxford: OUP.

Wrigley, N., Coe, N.M. and Currah, A. 2005. Globalizing retail: conceptualizing the distribution-based TNC, *Progress in Human Geography,* 29: 437-457.

Yeung, H. W-C. 2002. *Entrepreneurship and the internationalization of Asian firms*. Cheltenham: Edward Elgar.

Yeung, H. W-C. 2004. *Chinese capitalism in a global era: towards hybrid capitalism*. London: Routledge.

Yeung, H. W-C. 2005. The firm as social networks: an organisational perspective, *Growth and Change* 36, 307-328.

[1] In this paper we use 'institutional' in the broad sense to refer to both formal regulatory frameworks and less formal economic cultures and 'ways of doing business'. Our analysis will demonstrate that in the case of temporary staffing the former are of prime importance, but that need not always be the case.

[2] In some contexts, local embeddedness may be obligated in that it is a necessary condition of inward investment in the first place (Liu and Dicken, 2006).

[3] These ideas resonate with a body of research in management studies that explores the changing relationships between headquarters and subsidiaries (e.g. Birkinshaw, 1996; Birkinshaw and Hood, 1998; Taggart, 1997). There are at least two strands to this work. The first looks at the complex power relations involved in such relations and how best to conceptualize the heterarchical TNC that results (e.g. Kristensen and Zeitlin, 2005). A second strand looks at the processes through which subsidiaries are able to shape distinctive and influential roles within the wider firm, rather than simply being passive recipients of central diktats (e.g. Forsgren *et al.,* 2005). While factors such as subsidiary size and management competences will play a part, the ability of a subsidiary to enhance its position will also be shaped by its external network relations with, for example, customers, suppliers and competitors, or in other words, its local embeddedness.

[4] Interview quotations are referenced in the text in the following manner: role of interviewee; broad category of firm; interview code number; month of interview. With respect to the interview code, the number reflects the chronological position of the interview in the total list of 91 and the letter reflects the location of the interview (A = Australia; C = Czech Republic; H = Headquarters; J = Japan; P = Poland; S = Sweden). It is not possible to name the companies involved, or specify their nationality, for reasons of confidentiality.

[5] While we are primarily focussing here on the nationally-variable nature of these intersecting regulations, Federal countries in particular (e.g. the US or Australia) may exhibit multi-scalar regulatory regimes wherein both Federal and state/provincial governments significantly shape labour market regulation. For an exploration of how this multi-scalarity of regulation further enhances the challenges facing transnational agencies in the Australian context, see Coe *et al.* (2009).

[6] It is worth noting that we found no examples of firms significantly resembling Bartlett and Ghoshal's (1998) more sophisticated *global* or *integrated network* organisational ideal-types.