

BI INTERNATIONAL CASE COMPETITION

CASE – JOBZONE



Jobzone - Embracing digital change



BI International Case Competition
2017

This case was written for the 2017 BIICC

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Introduction and challenge

It is January 2017. The founders of the staffing and recruiting company Jobzone Norge AS were reviewing the result for 2016, which was another good year for Jobzone.

Actually, 2016 was the best year ever since the company was founded back in 2002. Jobzone Norge AS is now the largest Norwegian-owned recruitment and staffing company and the third largest player in the Norwegian market, with a market share of 7% (2016).

In 2015 the Jobzone AS group had a turnover of NOK 1.19 billion in total and supplied more than 2000 clients with approximately 8000 employees. In 2016, the turnover grew to NOK 1.38 billion, with a net result after tax of NOK 27.25 million.

Staffing and recruiting in the world of increasing digitalization

The Jobzone founders discussed the future. To quote Bob Dylan, the recent Nobel Prize laureate; "The times they are a-changin' " and Jobzone is looking to take the company into the digital world.

New technologies are creating new opportunities and changing the way business is being done in most industries. Employer behaviour as well as candidate and temp behaviour is changing accordingly. How is this affecting the staffing and recruiting industry and the temp industry? What kind of services do clients (companies), temps (temporary staff) and candidates (people applying to become a temporary worker) expect from a staffing and recruiting company the next 3 to 5 years?

The Jobzone founders have decided that they need a fresh and new look at the situation. They want their products and services to be scrutinized and improved by young people, digital natives, the people who are future candidates and clients. People who know the digital world, but not necessarily the staffing and recruitment business.

The solution to their dilemma: Let 48 of the brightest bachelor students in the world study the problem and present a solution at the BI International Case Competition in 2017.

Your challenge is to help Jobzone make the transition into the digital age. How can digital solutions and new or better use of data from internal and external sources improve their existing products and services, or even be the base of entirely new services that add value for their clients, temps and candidates?

The solution(s) you present should enable continued growth and Jobzone's competitiveness in the future.

Here are some of the questions that need answers:

- What are the candidates', temps' and clients' expectations to digital recruiting processes in this digital age?
- How can new services enabled by technology or new/better use of accessible data enhance the user experience for Jobzone's clients, temps and candidates, and what kind of services would that be?
- How can digitalization and new or better use of data help build and maintain the loyalty of Jobzone's clients, temps and candidates in the future?
- What kind of functionality or digital services will provide added value for Jobzone's clients, temps and candidates?
- What would be the ultimate digital job application process for candidates and temps in the future?
- How can Jobzone use digital tools in the recruiting process?

Please keep in mind that Jobzone is not looking for sharing economy platforms like Uber and Airbnb, and unless you have very good arguments for that being part of your suggested solution, they should not be considered.

Norwegian law prevents staffing and recruiting services to charge the candidates/temps a fee – so the business value in your suggested solutions cannot be based on that as a source of revenue.

Good luck.

Jobzone Norge AS

Jobzone Norge AS is a staffing and recruiting company supplying clients with temporary staff and assisting in hiring and recruiting processes. The head office is in Oslo.

The company is run as a nation-wide franchise company with Jobzone Norge AS as franchisor. There are 21 franchises, 5 of these self-owned, at 40 local offices spread all over Norway. The franchise model enhances the success of the operations. The local offices are locally owned. Jobzone's consultants are either owners or partners at the local office. This creates extra motivation.

The local consultants are well acquainted with the needs of local businesses and with the temporary staff they provide for the clients, and are therefore able to make quick decisions and find the best solutions for their clients.

Jobzone Norge AS is part of Jobzone AS, a group of companies which comprises Jobzone Norge AS, Jobzone Sverige Ab, HR-Huset AS, Podium AS, Vskade and Insider Facility Services AS (part ownership), as well as the newly established (but not yet fully operative) Saga Engineering AS. The group as a whole has wide range of expertise in personnel, recruitment, restructuring and service.

History

Jobzone was founded in 2002 and is now the largest Norwegian-owned recruitment company. Jobzone covers the whole of Norway and has 40 local offices with a total of 150 employees. In 2016 Jobzone supplied more than 2000 clients with approximately 8000 employees.

The Jobzone AS group has experienced significant growth since its inception. In 2015 the Jobzone AS group had a turnover of NOK 1.19 billion in total (NOK 815 million for Jobzone Norge AS) and supplied more than 2000 clients with approximately 8000 employees. In 2016, the turnover grew to NOK 1.38 billion for the group in total (NOK 993.5 million for Jobzone Norge).

Jobzone Norge AS places great emphasis on being a good employer for their temps, and it subscribes to the notion that clients prefer using the recruitment companies that attract the best job seekers and temps.

The business model:

A figure of the business model is shown on the next page.

Jobzone Norge AS has 2 main sources of income:

- A. Providing temporary staff to companies requiring temporary manpower.
- B. Recruiting services for companies looking to hire a person for a permanent position.

A. Providing temporary staff:

The companies (clients) requiring temporary manpower contact Jobzone who finds the right person to do the job and supplies the manpower. The temps are formally employed by Jobzone, not the client. Jobzone bills the client for the hours of labour performed by the Jobzone employee. The billed price per hour includes a fee to cover the extra services that

Jobzone delivers as part of the staffing service, such as advertising for candidates, the interview process and all the financial and legal matters involved.

Jobzone's income is the difference between the wage paid to the Jobzone employee (the temp) and the amount billed the client, where the fee for all the extra services is added.

The critical success factors in this model is:

- Understanding the needs of the client and the skills needed to do the job in question
- Finding the best qualified person, who usually needs to be available on short notice
- Make sure the temporary staff performs well and is a good match with the company culture in the client company
- Following up the temporary staff closely and being a good and supportive employer
- Making everything as easy and efficient as possible for the clients

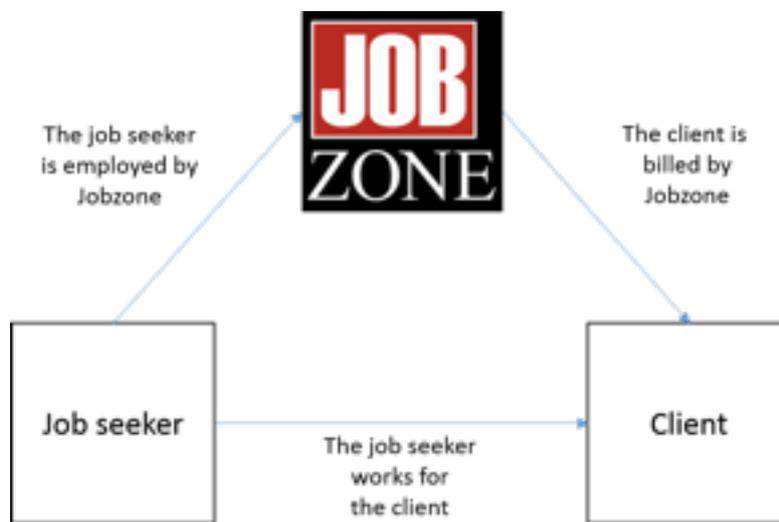


Figure 1 Jobzone's Business Model

B. Recruiting services:

Jobzone Norge AS provides traditional recruiting services for companies looking to hire someone for a permanent position.

The main reasons for companies hiring Jobzone to handle this for them are:

1. Because the company does not have the necessary resources or experience to handle the recruiting process themselves
2. Letting Jobzone handle the process saves time.
3. They want a professional and neutral approach

The clients can choose between letting Jobzone handle the entire process, or they can choose to only use Jobzone for parts of the process, for example testing or checking references. The figure below shows the different parts of a typical recruiting process.

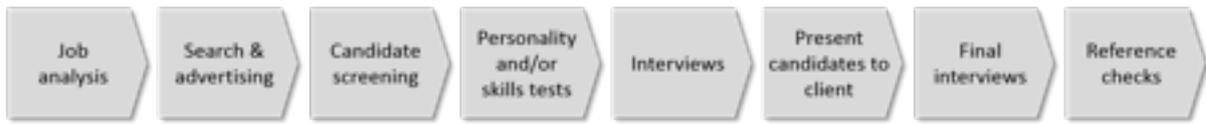


Figure 2 The typical recruiting process

The typical temporary worker

How do we describe the typical temporary worker? What type of work do they do? What is their educational background, and are they satisfied with the work they do?

NHO Service did a survey in 2015/2016 with a representative sample of 2137 temporary workers. Here are some of the results from the survey:

Figure 3 shows the distribution of the type of work they do.

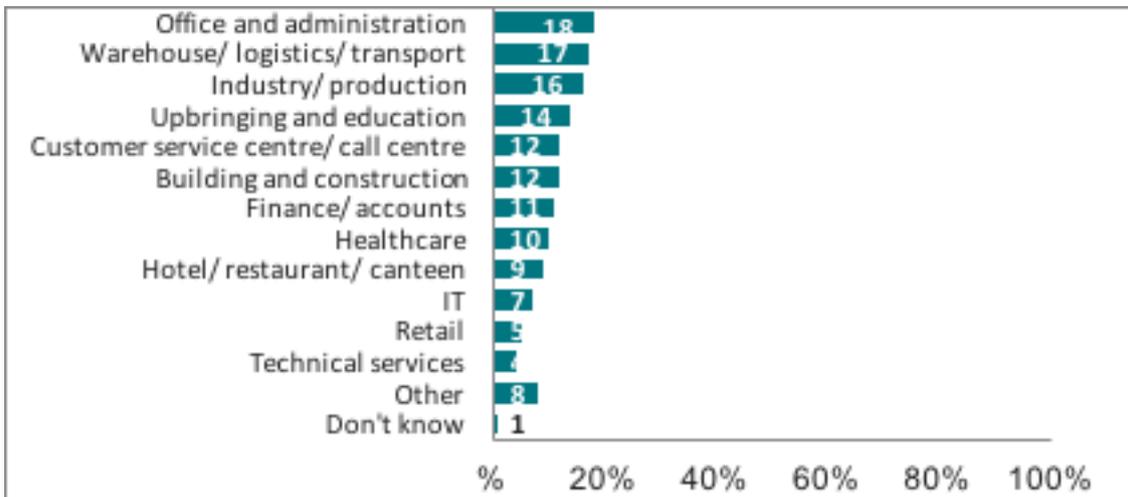


Figure 3 Type of work performed by temporary staff

These are the numbers for the branch as a whole. As we see from the table below, this is not quite representative for Jobzone. We see that a great part of their business is in the construction industry. They also supply a number of temporary workers to kindergartens.

Jobzone does not regard this as a static situation and has a dynamic approach to the market. Jobzone will pursue any major opportunities appearing in other areas of the market.

Type of work	Percentage
Construction	51 %
Industry/production	18 %
Warehouse/logistics/transport	12 %
Finance/accounts	5 %
Office administration	4 %
Upbringing and education	4 %
Customer call service/call centre	2.5%
Other	3.5%

Figure 4 Distribution of work done by Jobzone temps

The survey from NHO Service also shows that people working as temporary staff, on average, are generally better educated than the normal work force. Again, this is not the case for Jobzone employees as they primarily work in the construction business and kindergartens.

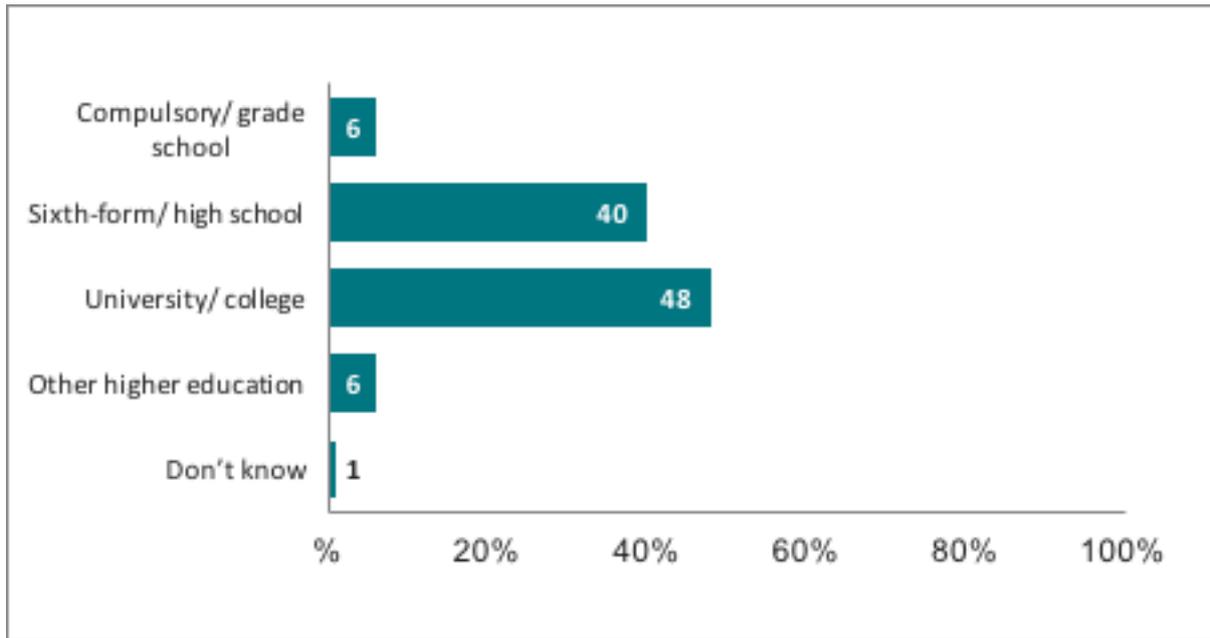


Figure 5 Level of completed education for temporary workers

The majority of those employed by staffing and recruitment companies are Norwegian citizens, about 38% of the hired staff had citizenship other than Norwegian in 2015. 63% of all the 80 000 who worked as temps in 2015 were under 34 years old, and only 6% were over 55 years old. There is a large turnover of people working as temps so the need for recruitment is large. The people working as temporary staff are in general very satisfied with the work they are offered as temporary staff. This is the case for Jobzone temps as well.

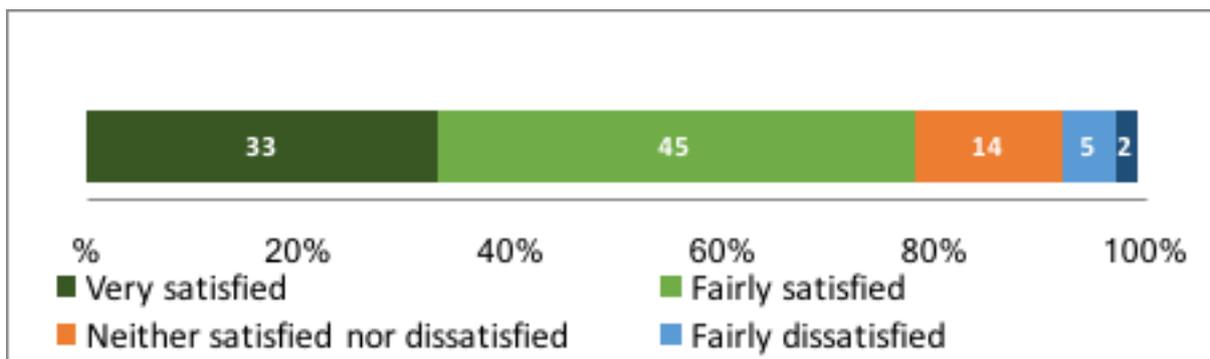


Figure 6 Overall - how satisfied are you with the content of your work as an agency worker

The market

The staffing and recruitment industry has an important role to ensure flexibility and employment in the labour market and reduce unemployment. It is a valuable door opener for many employees, as average time of employment is four months. Annually, around 25 000 FTEs (a FTE is the hours worked by one employee on a full-time basis) are produced from around 80 000 people (job seekers) within the staffing and recruitment industry in Norway, accounting for around 1% of the total FTE in Norway.

In 2015, around 41.2 million hours were billed by the staffing and recruitment industry in Norway. This is a decrease of 9.8% since 2014. The whole industry had a revenue of NOK 15 billion in 2015, 6% less than in 2014. The figure below shows the development of the number of billed hours per quarter.

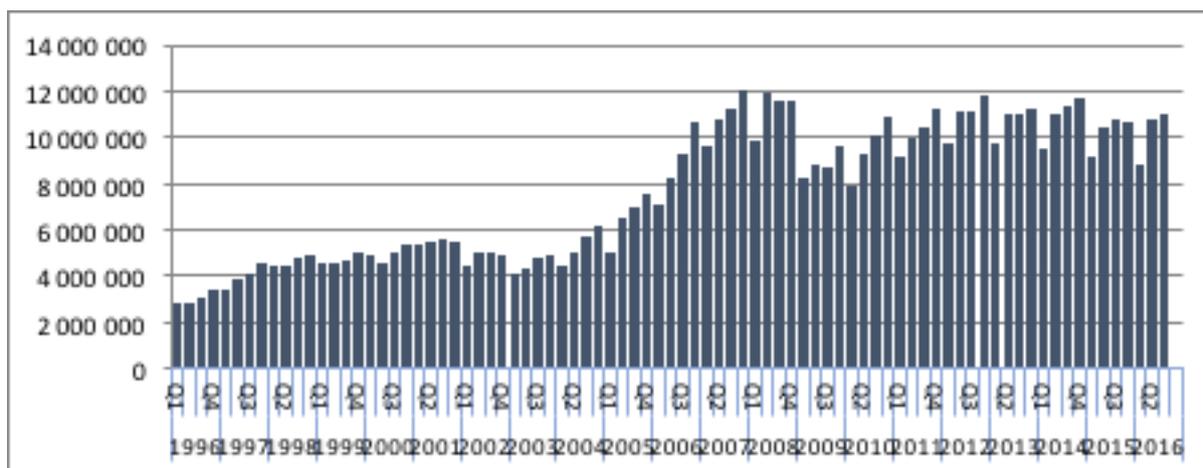


Figure 7 Work hours billed, per quarter

The activity in the industry has decreased, which is partly related to the downsizing in the Norwegian oil industry. There are also large regional differences in Norway.

Figure 8 shows the development of sales revenue from the different sectors.

2015 was a challenging year for the staffing and recruitment industry. This industry is typically characterised by being highly influenced by macroeconomic changes in the economy. During recessions, markets hold back in investments and employment. Therefore, the staffing and recruitment industry is an important buffer for the Norwegian macro economy and will normally be affected both strongly and early by the economic cycles.

Fluctuations in the macro economy, and up- and downturns in the national economic cycles, lead to variations in demand for labour.

This is largely the reason why the staffing and recruitment industry is in demand.

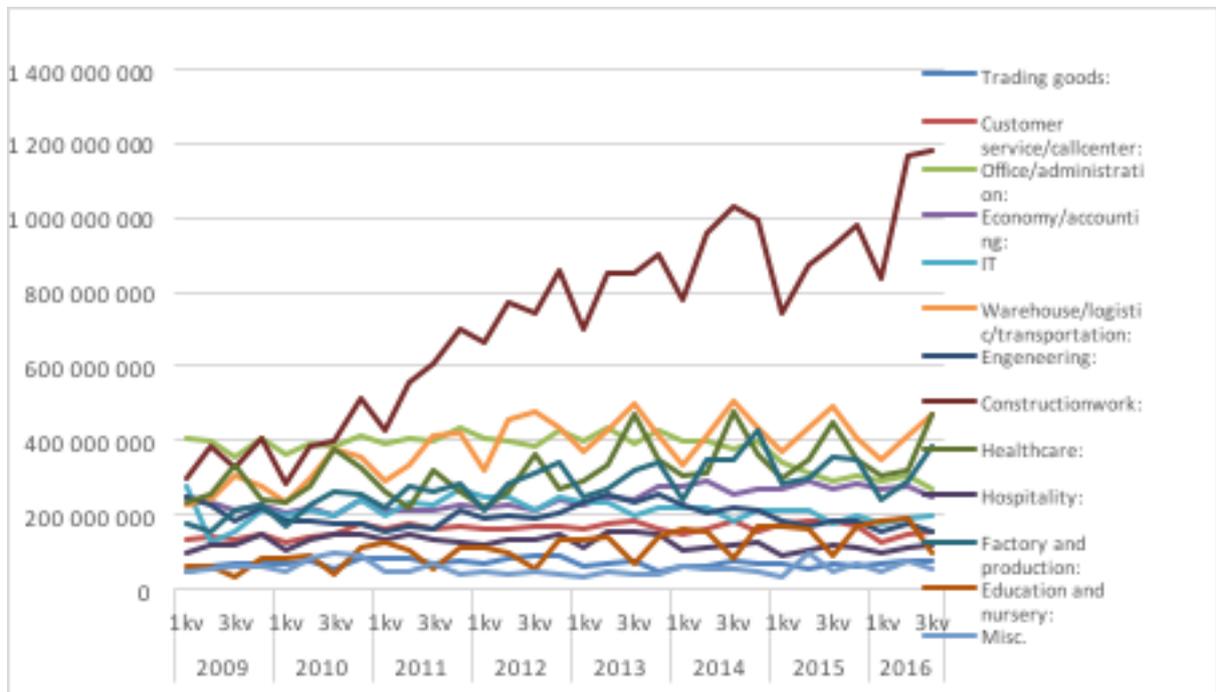


Figure 8 Revenue per sector

The temporary employment market has decreased since 2010 (figure 9), with a slight increase in 2016. A study conducted by Manpower Group shows that employers are slightly optimistic for the development of temporary employment for 2017.

The industry can deliver staff rental to all professions, which is divided into thirteen sectors as shown in the table below (figure 10).

In most of the professions, the market is tough; in nine of the thirteen sectors there was a decrease in 2016 compared to the same time the year before (figure 11).

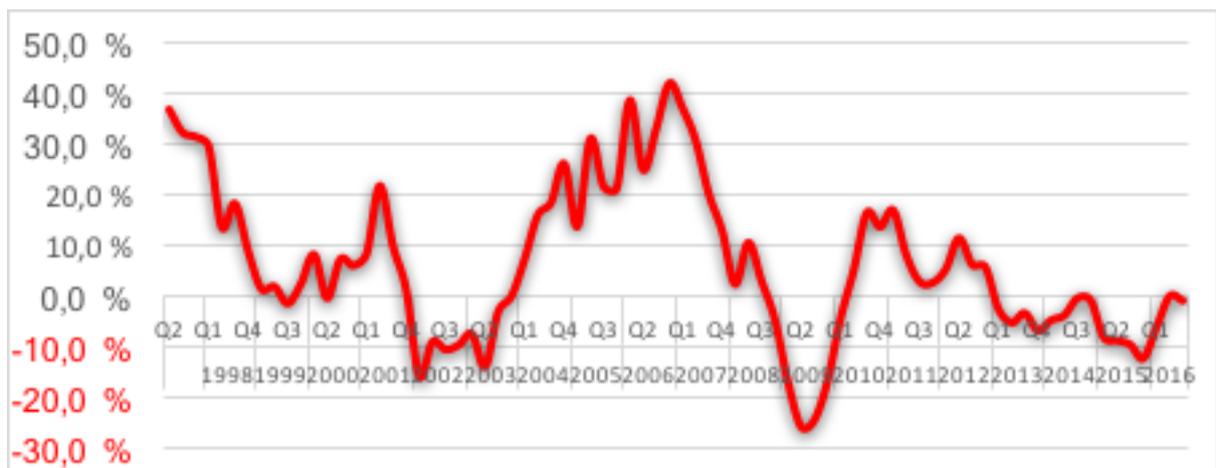


Figure 9 Annual percentage development of temp market

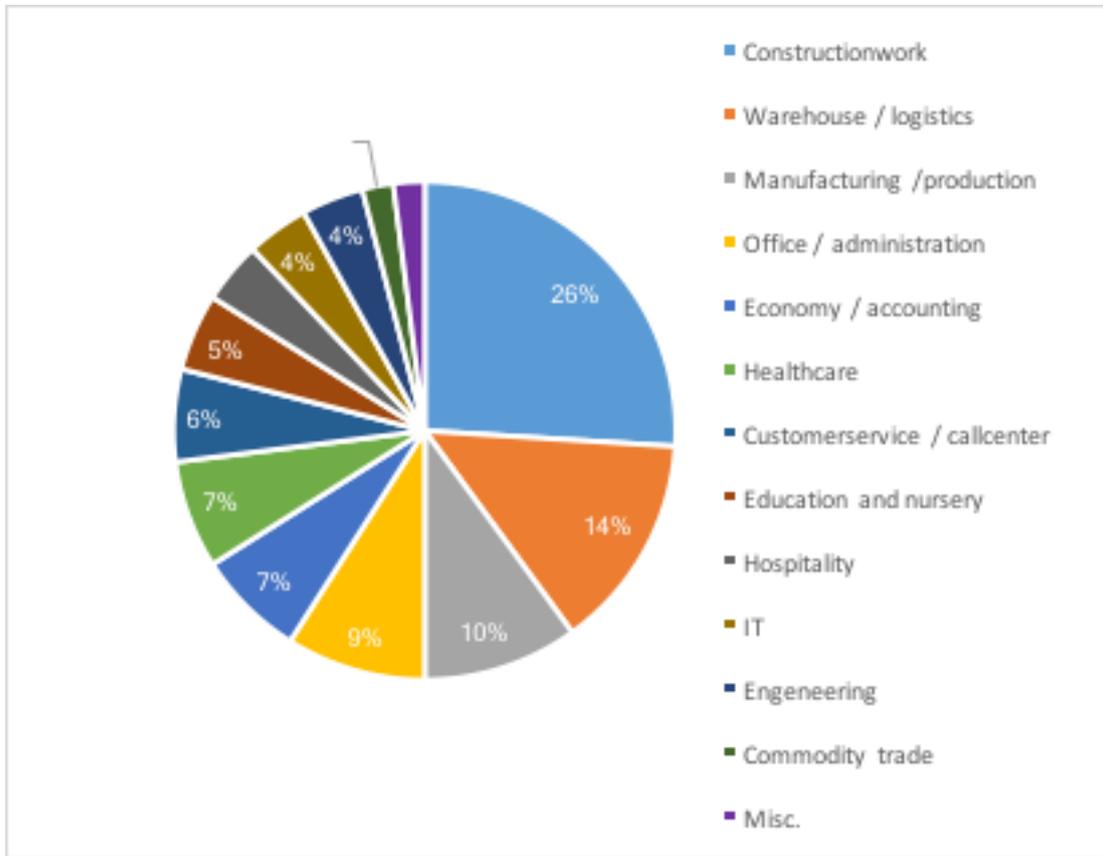


Figure 10 Distribution of hours worked by temps in 2015

	3Q 2016
Construction work	16,6 %
Warehouse / logistics	-9,9 %
Manufacturing / production	6,2 %
Office / administration	-11,4 %
Economy / accounting	-10,9 %
Healthcare	-10,7 %
Customer service / call center	-15,0 %
Education and nursery	10,6 %
Hospitality	3,6 %
IT	-12,2 %
Engeneering	-16,7 %
Commodity trade	-6,8 %
Misc.	5,6 %
Total	-0,9 %

Figure 11 Percentage annual change in work hours in the different work areas

The competition

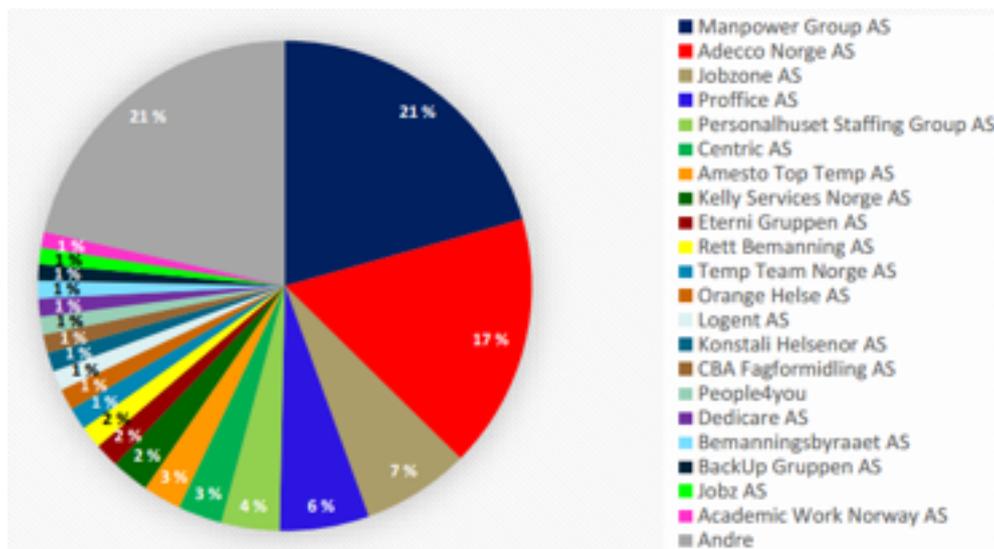


Figure 12 Market share in 2015 (by turnover)

In 2015 around 800 companies delivered staff – and recruitment services in Norway. As we see from the figure above Jobzone is the third largest recruiting and staffing company in Norway (7% market share) measured in turnover. We also see that the two main competitors are Manpower Group AS (21% market share) and Adecco Norge AS (17% market share).



Manpower was founded in Milwaukee, Wisconsin, U.S., in 1948 by attorneys Elmer Winter and Aaron Scheinfeld. Manpower began with an idea – Winter and Scheinfeld needed a typist to work on a deadline project but were unable to source a substitute on a temporary basis. This led them to ask other businesses how they coped with staffing emergencies – none had a satisfactory answer. Winter and Scheinfeld concluded that there was a market for a temporary help agency – and Manpower was born.

Manpower Group established an office in Oslo, Norway in 1965 and is owned (100%) by Manpower Norway Holdings AS. From a humble beginning of one office with 67 temporary workers, they now daily have 6 000 temporary workers working for clients, run from 35 offices spread around Norway. Manpower has more than 200 consultants and has 11 000 affiliated temporary worker. The Manpower Groups own (100%) the following staffing companies in Norway:

- Experis AS
- Manpower Framnæs installasjon AS
- Manpower Staffing Services AS
- Manpower Business Solutions AS
- Right Management



In 1948 Else Widerø started the company Contact Service.

Her business plan was to supply secretarial help to foreigners coming to Norway after the 2nd World War. In 1984 the company was further developed and changed its name to Norsk Personal.

In 1997 company equity was bought by the American company Olsten, and the company became Olsten Personal Norden. This company was sold to Adecco, the world's largest staffing company, in 2001.

The three largest players (Manpower, Adecco and Jobzone) have a combined market share of 45%. The rest of the competition is diverse. Some specialise in certain areas, other work in specific geographic areas.

Neither of the main competitors are Norwegian owned. This, combined with Jobzone's franchise model, its proximity to the market with local offices, gives Jobzone an advantage in a tough market. Utilising this advantage, Jobzone should be able to increase their market share.

The Norwegian labour market is highly regulated. For an overview of the rules and regulations, we refer you to the following web page:

<http://www.arbeidstilsynet.no/fakta.html?tid=240338>

Looking to the future

The staffing and recruiting business in Norway is highly competitive, and with the digital changes that are going on in the world, there will soon be even more competition from new types of companies that specialises in digital solutions for isolated parts of the value chain.

Jobzone delivers a wide range of products and services within recruiting and staffing, and their goal is to be the best possible employer for the temps, as well as the best partner for clients who rely on them for temporary staff or finding the best candidates for permanent positions.

So how can Jobzone become the most attractive staffing and recruitment company, delivering the best digital services to their clients and attracting the best temps and job seekers?

The Third and Fourth Industrial Revolution

In an interview in the Norwegian newspaper Dagens Næringsliv on the 6th of October last year, Christoffer Hernæs, newly appointed head of Scandiabanken's innovation and development department, said: Digitalisation is more than adding current to an old business model. Digitalisation is all about utilising the opportunities made possible by technology, creating new user experiences and new business models.....Digitalisation doesn't have to be "rocket science", but necessitates that you think in a new way.

Sondre Gravir, then CEO of Finn.no said, at NHO's annual conference in 2016, that new players challenge existing companies and value chains by giving customers or users "... a smoother and more seamless experience". He said further that the new players aimed at two main areas: The parts of the value chain that are most profitable, or the parts where inefficiency is greatest.

There is also a danger of sharing economy platforms like Uber and Airbnb "stealing" part of the value chain in the taxi and hospitality industries. In the recruiting and staffing business, we are already seeing sites like uWork (<https://uwork.no/>) and Konsus (<https://www.konsus.com/>) appearing. For Jobzone this is not a major threat at the moment, since the matching and connecting of candidates and clients is not their (uWork's and Konsus') main business. Jobzone is open to cooperating with these companies or using their platforms as part of their process.

But there will be other digital services and platforms emerging soon that could disrupt the industry and be a major threat to Jobzone's business model. It is therefore important for Jobzone to provide modern and efficient (and preferably unique) digital services to both clients, temps and candidates.

Embracing the digital change

As stated before, 63% of all the 80 000 who worked as temps in 2015 were under 34 years old, and only 6% were over 55 years old. There is a large turnover of people working as temps so the need for recruitment is large.

Jobzone needs to be actively embracing and utilizing the new product and market possibilities enabled by the digital development and the change in client and temp/candidate behaviour.

Let us remind you of the challenge presented in the introduction:

Your challenge is to help Jobzone make the transition into the digital age. How can digital solutions, and a new or better use of data from internal and external sources improve their existing products and services, or even be the base of entirely new services that add value for their clients, temps and candidates?

The solution(s) you present should enable continued growth and Jobzone's competitiveness in the future.

Here are some of the questions that need answers:

- What are the candidates', temps' and clients' expectations to digital recruiting processes in this digital age?
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In addition, you need to keep in mind that Norwegian law prevents staffing and recruiting services to charge the candidates/temps a fee – so the business value in your suggested solutions cannot be based on that as a source of revenue.

Good luck.

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