

Umbrella Companies in Europe – a study on their growth behaviors and job-creation

*An explorative study of all companies in
Sweden, France and United Kingdom who offers
Umbrella Employment, Portage Salarial, Egenanställning.*

Fredrik Arvas
Program member ID: 83000684, MBA: SW04

ISBN: 978-91-977926-2-2

For updated versions or more info about the subject, please contact:
fredrik@arvas.se +46708145595, www.fredrik.arvas.se

Management Challenge submitted in partial fulfillment of the requirements
for the Degree of Masters of Business Administration, 2011.

Henley Business School is the 5th in the EU, 17th in the world of the >100 schools in the Economist Intelligence Unit 2010* ratings of Executive MBAs. It also ranks: 1st in student quality, potential to Network, and Breadth of Alumni Network.

The only Nordic MBA and One of the group of top MBA providing business schools to hold triple accredited status from UK, European and US accreditation bodies (AMBA, EQUIS, AACSB) *<http://www.economist.com/whichmba/2010/free-ranking-tool>

Executive Summary

Umbrella Companies offer Employment Services for individuals who would like to invoice a customer but who currently do not have their own company. The service has been in commercial practice for more than twenty years in UK, France, Sweden and Holland but is still relatively unknown.

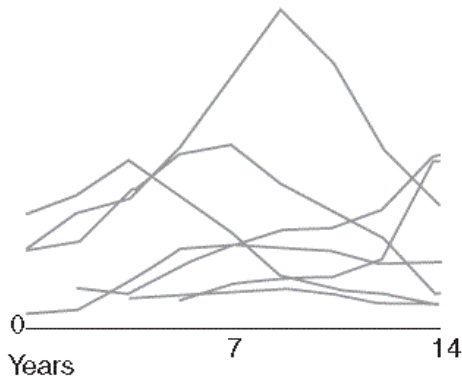
This Management Challenge Project and its dissertation report aims to *describe* and *quantify* these companies in terms of growth and their impact on *job-creation*, primarily for unemployed people. A research stand point is taken from the *Corporate Growth literature* to investigate the different growth related *behaviors* practiced by different companies. The aim with this perspective is to find meaningful behaviors that can be copied by other companies. Hopefully the industry can grow and thereby create more jobs and simpler ways to run micro companies.

The result from the study *lists the current 294 Umbrella Companies* for the first time (appendix 11). UK has more, older and larger Umbrella Companies followed by France and then Sweden.

The persons who work through Umbrella companies can be divided into two groups: *Agency-workers* (who have been hired by a Contracting agency and are collectively employed through an Umbrella Company) and *Consultants* (who individually invoice their own client through the Umbrella Company) see section 1.1 for terminology.

The dissertation has tested a framework for Exponential Growth developed by David Thomson in the USA. The framework lists 7 Essentials for Exponential growth. It is based on the behaviors of the 400 fastest growing companies in USA, as they exhibit high scores on five out of seven of these Essentials. Questions regarding *ambition* and *outcome of growth* and *scoring* on the 7 *Essentials* have been analyzed. Significant correlations have been found between the *intention to grow* and *the ability to grow* measured with these 7 Essentials. Significant *lower scores* on growth behavior have been found for the *Umbrella groups* and the *Reference group* compared with the US companies at the 95% alpha-level. Both groups are also growing slower than the US group.

Companies that did not achieve \$1B
\$250M



Blueprint Companies that achieved \$1B
\$1,000M

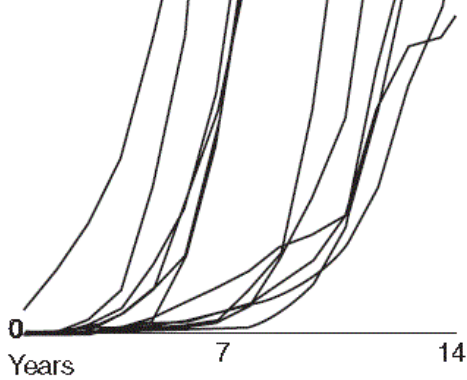


Figure 1: Ordinary and Blueprint companies’ turnover (Thomson 2006:p14).

The figure illustrates the turnover mapping of the “average company” going public between 1980 and 2005 compared to the 364 companies who reached 1 billion USD in turnover within the same period.

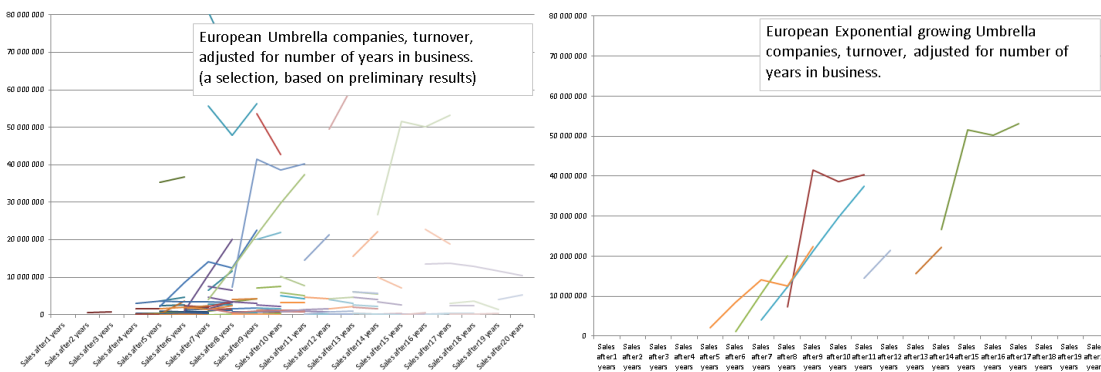


Figure 2: Turnover in Euro for the 294 Umbrella Companies in France, Sweden and UK.

The results indicate variation in growth speed for the most companies, while a few, 2 percent, indicate exponential growth. Most of these fast growing Umbrella Companies service Contracting agencies for large scale outsourcing projects and are not part of this dissertations main research focus. Companies who indicated faster growth correlates significantly with higher scores on the 7 Essentials. (See section 4.11).

For a complete listing of Hypothesis’s see Appendix for a summary.

The other question in this dissertation was how many new jobs can be created through this employment form. An indication has been found of approximately 30 percent of the total jobs. The total number of responses on this question is low (14 responses) and conclusions should be made with caution. The estimation is based on the Umbrella Company owners’ estimation of their staff’s

alternative to the Umbrella Employment. The question in itself is difficult to answer because the definition of *jobs* is not the same between companies.

The response rate from the Umbrella Companies has been less than 5 percent, despite three reminder emails and phone-follow-ups. See the section 3.2 for research procedure.

Recommendations are given for Umbrella Company Mangers and Governmental bodies.

Umbrella Owners are recommended to (1) include agency clients to increase profitability and to (2) focus on growth strategies to enhance chances for growth outcome. The industry is recommended to (3) differentiate the reporting of employed staff and external staff to facilitate further studies of the number of jobs.

Personal learning has been achieved in the wide variation of how Umbrella Employment is used in Europe and in the difficulty of getting international responses from small business owners. A personal goal was to become a national expert on Umbrella Employment and it seems to be achieved on the Swedish and possibly on the European level.

Key words: SME, growth strategies, Umbrella Employment, Self-Employment, Job-creation,

Acknowledgments

As a way of my endless gratitude and respect is this paragraph of *thank you* to: Peter Thustrup and Per Nydahl for continuous coaching and support in my career choices and the MBA. To Leif Bergmann for the commitment to guide us through the journey. To Dr. Tony Grundy for very insightful supervision and guidance through this Management Challenge. Your questions and analysis have lifted this report to higher standards than I would had managed without you. To Dr. Karl Wennberg for valuable insights on the Transaction Cost perspective. To all the respondents and especially Stephen Schad, Frilans Finans, for great conversations and for the work you do for your consultants. To my wife Ulrika and our Adam and Alice for allowing me to do the MBA and your patience when I was home but not available.

List of Contents

Executive Summary	2
Acknowledgments.....	5
List of Tables	9
List of figures	10
List of Dissertation Question Hypotheses'	11
1 Introduction	14
1.1 Background to the Umbrella Companies.....	14
1.2 Scope for the Management Challenge.....	17
1.3 Stakeholders and Sponsorship.....	18
1.4 Terms of Reference.....	19
1.5 The research questions.....	20
1.5.1 Who are the Umbrella Companies in France, UK and Sweden?	20
1.5.2 How do they operate their business?.....	20
1.5.3 What value do they create?	21
2 Current Thinking in each research area	22
2.1 The company environment.....	22
2.1.1 Demographic company studies	22
2.1.2 What are the numbers in each country?.....	24
2.1.3 What is their intention for growth?	26
2.1.4 Different measurements of size and growth.....	27
2.2 Growth studies among Small and Medium sized Enterprises	29
2.2.1 The Growth Area Innovation, in particularly <i>Transaction costs</i>	30
2.2.2 The Growth Area <i>Marketing & Sales</i>	32
2.2.3 The Growth Area <i>Delivery and Organization</i>	34
2.2.4 Three Growth practitioners frameworks	35
2.3 How the Job market is changing and what influences is	39
2.3.1 The distance to the company and the types of job available	40
2.4 Objectives of the Investigation.....	41
3 Methodology	42
3.1 Theoretical framing of the research.....	42
3.1.1 What kind of information is needed.....	42
3.1.2 What kind of methods are useful to get the needed information	44
3.2 Empirical research method	45
3.2.1 Identification of the Umbrella Companies.....	45

3.2.2	The process of creating the research question.....	45
3.2.3	Process for the Current thinking review.....	46
3.2.4	Availability of response groups.....	46
3.2.5	Data collection.....	47
3.3	The first simple survey.....	47
3.3.1	The second larger survey.....	48
3.3.2	Reminders to increase response rate.....	48
3.3.3	Encoding and recoding.....	49
3.3.4	Risk considerations.....	50
3.4	Statistical methods used.....	51
3.5	Limitations of the methodology.....	51
3.5.1	Limitation regarding Growth.....	51
3.5.2	Limitation regarding Job Creation.....	51
4	Findings and analysis reported and discussed.....	53
4.1	Introduction to the results.....	53
4.2	DQ 1 How many people have heard about Umbrella Employment?.....	54
4.3	DQ 2: How many Umbrella companies are there?.....	55
4.4	DQ 3: What is the intention for growth among the Umbrella Companies?.....	59
4.5	DQ 4: What are the growth rates among the different groups?.....	61
4.6	DQ 5: Do employers prefer to hire instead of employ?.....	64
4.7	DQ 6: Is Umbrella Employment a way into the workforce?.....	65
4.8	DQ 7: Are there differences between the groups of Leadership styles?.....	65
4.9	DQ 8: Are there any difference between the management teams?.....	66
4.10	DQ 9: Are there any special growth pattern?.....	66
4.11	DQ 10: Are there different “Essentials” values between the groups?.....	68
5	Conclusions and Recommendations.....	70
5.1	Discussion from an Umbrella Company Industry Perspective.....	70
5.2	The Umbrella Company management.....	71
5.2.1	<i>Enhance the volumes or focus on a strategy for growth.....</i>	<i>71</i>
5.2.2	<i>Harmonize reporting standards for future industry research.....</i>	<i>71</i>
5.2.3	<i>Cooperate in the industry to do shared market and lobby activities.....</i>	<i>72</i>
5.3	The Policy makers.....	73
5.3.1	Help the profitable “non-growing” companies to grow.....	73
5.3.2	Separate Entrepreneurial activity from Job-searching activities.....	73
5.4	All companies – test and evaluate these frameworks critically.....	74

6	Reflection	75
6.1	Evaluation of the findings	75
6.2	A Discussion of the choice of methods-revisited	76
7	Personal development.....	78
7.1	What objectives did I set	78
7.2	My development in the role of investigative practitioner	78
8	Appendix: Introduction of the author.....	80
9	Appendix: Method to estimate an Essential Mean for the Blueprint Companies	81
10	Appendix: Reference list.....	82
11	Appendix: Umbrella Company listing	85
12	Appendix: Project Plan	87
13	Appendix: Interview persons	88
15	Appendix: Thomson’s Original questions for the 7 Essentials.....	89
16	Appendix: The large questionnaire	91
17	Appendix: Result tables – the first smaller survey.....	97
18	Appendix: Result tables – the second large survey	98
19	Appendix: Grade	99

List of Tables

Table 1: Different types of work, price-principles and forms of legal agreement and payment. ...	31
Table 2: Cross tabulation between <i>Sample group</i> and <i>Society Sector</i>	53
Table 3: Cross tabulation of number of companies in each country.	Fel! Bokmärket är inte definierat.
Table 4: Listing of average <i>Umbrella Companies age</i> in each <i>country</i>	56
Table 5: Listing of average <i>Reference Companies age</i> in each <i>country</i>	56
Table 6: <i>Number of Staff, Clients, New jobs created</i> (percent) and <i>Women employed</i> (percent).....	57
Table 7: Company size numbers, average last three years, thousand Euros.....	58
Table 8: Average scores on the 7 Essentials Framework (Thomson 2005), per response group. .	68

List of figures

Figure 1: <i>Ordinary</i> and <i>Blueprint</i> companies' turnover (Thomson 2006:p14).....	3
Figure 2: Turnover in Euro for the 294 Umbrella Companies in France, Sweden and UK.	3
Figure 3 Schematic workflow for Umbrella Employment.	14
Figure 4: Umbrella Employment (highlighted) compared to other employment forms	15
Figure 5: Umbrella Employment compared with other Employment forms.....	16
Figure 6: Percentage of self-employed as a percentage of employed men and women.....	24
Figure 7: Established Entrepreneurial Activity for 59 Economies in 2010.	25
Figure 8: Explanation of the three groups that GEM uses for their reporting. (GEM 2010)	26
Figure 9: Job Growth Expectations for Early-Stage Entrepreneurship Activity 2008-2010	26
Figure 10: Seven different growth clusters. (Delmar et al 2003).	28
Figure 11: Thomson's (2005:p14) turnover mapping of turnover growth patterns.	36
Figure 12: <i>Blueprint Companies</i> relative part of the US economy (Thomson 2005).	37
Figure 13: The different types of job-creations and their net result (Storey 1994, p161)	40
Figure 14: The perceived distance to the company a.....	41
Figure 15: Turnover development for Umbrella Companies in France, Sweden and UK.....	58
Figure 16: Different number of Companies with service offering:.....	59
Figure 17: Number of respondents who have the ambition to grow their business,	60
Figure 18: Gross Domestic Product, GDP, changes per country (World Bank 2011).	61
Figure 19: Average turnover in turnover per year.	62
Figure 20: Average Umbrella Sales development per year, all reporting companies.	63
Figure 21: Turnover in Euro for the 294 Umbrella Companies in France, Sweden and UK.	67
Figure 22: "Essential averages mapped to company size-class.	68
Figure 23: Umbrella Employment (highlighted) compared to other employment forms	70
Figure 24: Distribution of "Mean-answers on the 7 Essentials" Turnover sizes.....	76

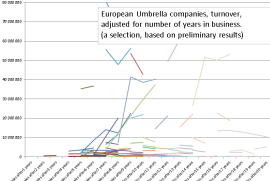
List of Dissertation Question Hypotheses'

Dissertation Question (DQ) 1: Knowledge about Umbrella Employment	
Are people recognizing this employment form?	36 % in average of the respondents. No significant differences between the groups.
DQ 2: How many are they?	
DQ2:1 <i>How many</i> companies are there?	106 in France 39 in Sweden 5 in the Netherlands 150 in the United Kingdom 1 in Norway 700 in the USA
DQ2:2 What is their size in terms of <i>turnover</i> and <i>staff</i> ?	Mean Age 7 years, SD=5.2 Mean Staff UK: 1,323, FR: 73, SE: 8 Mean Clients UK: 564, FR: 550, SE: 266 Median Turnover KEur: UK: 37,722 FR: 3,527, SE: 983
DQ2:3 How many of them are making a profit?	Median Profit KEur: UK: 129 FR: 49, SE: 0,7
DQ 3 What is the intention for growth among the Umbrella Companies?	
Hypothesis ₃₀ : No difference between the <i>ambitions to grow</i> and <i>Company sizes</i>	<i>Umbrella group</i> M = 1.5 SD = .74 <i>Reference groups</i> M = 1.2 SD=.50. t(132) = 2.96, p = .004. Hypothesis ₃₀ = Dismissed
Hypothesis ₃₁ : Companies with higher ambitions to grow are <i>larger</i>	r=-.17, p=.154. (Negative correlation) Hypothesis ₃₁ = Dismissed
Hypothesis ₃₂ : Companies with higher ambitions to grow are <i>smaller</i>	r=-.17, p=.154. (not significant) Hypothesis ₃₁ = Dismissed
DQ 4: What growth rates are there among the different groups	
Hypothesis ₄₀ : No difference between the <i>growth rates</i> and <i>Company sizes</i>	Umbrella Companies: M=1.55, SD=.74) Reference group:(M=1.17, SD=.5) T ₁₃₂ =2.96, P=.004. Hypothesis ₄₀ = Dismissed
Hypothesis ₄₁ : Companies with higher <i>growth rates</i> are <i>larger</i>	r ₂₉₄ =-.102, p=.465 Hypothesis ₄₁ = Dismissed Negative correlation
Hypothesis ₄₂ : Companies with higher <i>growth rates</i> are <i>smaller</i>	r ₂₉₄ =-.102, p=.465 Hypothesis ₄₁ = Dismissed Weak and not significant
DQ 5: Do employers prefer self-employed people compared to employed people?	
Hypothesis ₅₀ - there is no difference in preference of employment form	Hypothesis ₅₀ = Dismissed
Hypothesis ₅₁ – Small Business Owners prefer to <i>hire</i> compared to employ.	74% say yes. t ₂₂ =11.2, p=<.001 Hypothesis ₅₁ = Accepted
Hypothesis ₅₂ – Small Business Owners prefer to <i>employ</i> compared to hire.	Hypothesis ₅₂ = Dismissed

DQ 6: Is Umbrella Employment a way into the workforce?	
Hypothesis ₆₀ - there is an equal distribution of answers between the groups	Hypothesis ₆₀ = Dismissed
Hypothesis ₆₁ – There is an unequal distribution of answers	86% say yes. $t_{85}=24.1$, $p<.001$ Hypothesis ₅₁ = Accepted

DQ 7: Are there differences in Leadership styles between the groups?	
Hypothesis ₇₀ : There are no differences on Essential #6 between the <i>groups</i>	Hypothesis ₇₀ = Dismissed Umbrella Companies : M=3.3, SD=1.8 Reference group: M=3.0, SD=1.4) US Blueprint Companies M=4.4 $T_{86}=-9.6$, $p=.001$. Blueprint Companies have significantly higher scores.
Hypothesis ₇₁ – high scores on E#6 correlates positive with <i>turnover</i> (Thomson 2005)	Hypothesis ₇₁ = Dismissed Because of low significance.
Hypothesis ₇₂ – high scores on E#6 correlates positive with <i>growth pattern</i> (Thomson 2005)	$R_{106}=.16$, $p=.103$ Hypothesis ₇₂ = Dismissed Weak correlation and low significance.
Hypothesis ₇₃ – high scores on E#6 correlates positive with <i>country</i> (Hofstaede 1991)	$R_{106}=.071$, $p=.467$ Hypothesis ₇₃ = Dismissed Weak correlation and low significance.

DQ 8: Are there any difference between the board constitutions?	
Hypothesis ₈₀ : There are no differences between the boards constitution.	Hypothesis ₈₀ = Dismissed Umbrella Companies : M=3.0, SD=1.8 Reference group: M=2.9, SD=1.5) US Blueprint Companies M=4.4 $T_{108}=-10.4$, $p<.001$. Blueprint Companies have significantly higher scores.
Hypothesis ₈₁ – high scores on E#7 correlates positive with <i>turnover</i> (Thomson 2005)	$R_{89}=.021$, $p=.845$ Hypothesis ₈₁ = Dismissed Weak correlation and low significance.
Hypothesis ₈₂ – high scores on E#7 correlates positive with <i>growth pattern</i> (Thomson 2005)	$R_{109}=-.022$, $p=.820$ Hypothesis ₈₁ = Dismissed Weak correlation and low significance.

DQ 9: Is there an Exponential pattern of growth among the Umbrella companies?	
Hypothesis testing is not possible since comparable data is not available a graphical illustration will be used instead.	Cannot be tested due to lack of data. Graphically it looks like there is something in the supportive direction. 

DQ 10 Are there differences in Essential Means between the groups	
Hypothesis10 ₀ - there are no difference between the groups	Reference group M=2.5, SD=1.4, N=111, T ₁₁₀ = -13.7, P=<.001 Umbrella companies M=3.2, SD=1.3, N=22, T₂₁= -4.3, P=<.001 Blueprint Companies M=4.8, SD=1.0, N=387 Swedish Umbrellas M=3.1, SD=1.3, N=16, T ₁₅ = -3.64, P=.002 Hypothesis8 ₀ = Dismissed . Large and significant.
Hypothesis10 ₁ – companies with higher Essential means are larger	R ₉₀ =-.033, p=.758 Hypothesis10 ₁ = Dismissed Weak negative correlation and low significance.
Hypothesis10 ₂ – companies with higher Essential means are more profitable	Hypothesis10 ₂ = Dismissed Not enough data on profits
Hypothesis10 ₃ – companies with higher Essential means have more staff	R ₁₈ =-.101, p=.690 Hypothesis10 ₃ = Dismissed Weak negative correlation and low significance.
Hypothesis10 ₄ – companies with higher Essential intend to grow more	R ₇₈ =-.128, p=.269 Hypothesis10 ₄ = Dismissed Weak correlation and low significance.
Hypothesis10 ₅ – companies with higher Essential means have grown more	R ₁₁₀ =.295, p=.002 Hypothesis10 ₅ = Accepted Reasonable correlation and strong significance.
Hypothesis10 ₆ – companies with higher Essential means are from a specific country	ChiSquare ₁₁₀ =69.9, p=.071. Hypothesis10 ₆ = Dismissed Low significance of difference in scores.
Hypothesis10 ₇ – companies with higher Essential means are of a specific type	Umb Entrepren. Comp: M ₁₀ =3.8, t ₉ =27.1, p=<.001 Combination Comp.: M ₇ =2.8, t ₆ =11.8, p=<.001 Umb Agency Comp: M ₄ =3.6 t= n/a Hypothesis10 ₇ = Accepted Combination companies have lower essential average and strong significance. Interpretation should be done with caution because of low number of responses.

DQ11 How many new jobs have been created with Umbrella Employment	
Hypothesis11 ₀ : No difference in the level of new jobs have been created between groups	Umb Entrepren. Comp: M ₉ =34, t ₈ =2.7, p=<.026 Combination Comp.: M ₄ =35, t ₃ =3.6, p=<.037 Umb Agency Comp: M ₀ = n/a
Hypothesis11 ₁ : Younger companies contribute to more jobs (Davidsson & Delmar 2002)	R ₁₅ =-.166, p=.579 Hypothesis11 ₁ = Dismissed Weak correlation and low significance.
Hypothesis11 ₂ : Larger companies contribute to more jobs (Thomson 2005)	R ₁₅ =-.271, p=.371 Hypothesis11 ₂ = Dismissed <i>Medium correlation but low significance.</i> With a larger number of companies, a significant finding is probable.

1 Introduction

The section introduces the Umbrella Employment and the dissertation.

Umbrella Employment is fairly new employment model and it has the potential to be more efficient than ordinary micro-companies. This study aims to *identify* all Umbrella Companies in Europe and *Benchmark* them against each other, against other companies in Europe. The comparison will be made on demographic and growth characteristics against the fastest growing companies in the US. The results will be reported back to the companies in order for them to learn from the best and thereby possible enhance the industry growth.

The study aims to identify useful *Growth patterns* and *Growth behaviors* for Umbrella Companies. The Umbrella Companies have only been researched once before in Sweden (Laurelli 2008) and no international comparison has been made before. If useful Growth Patterns and Growth Behaviors can be found, then these can be applied by the current or future generations of Umbrella companies and more jobs be hereby be created.

In Sweden this Employment form has been on the market for twenty years but the Umbrella Companies are not making much progress. Maybe there are lessons to be learned from the United Kingdom and France for more *economic growth* and *creation of more jobs!*

The introduction chapter covers an explanation of Umbrella Employment, the reasons of why a Management Challenge can enhance the knowledge for job-creation, and an introduction to the author.

1.1 Background to the Umbrella Companies

Umbrella Employment is *a new employment form*, in between an employment and self-employment. The characteristic of the employment is that the *person gets their own client*, agrees on the terms with that client as if he had his own company. He then asks the Umbrella Company for an employment for that contract.

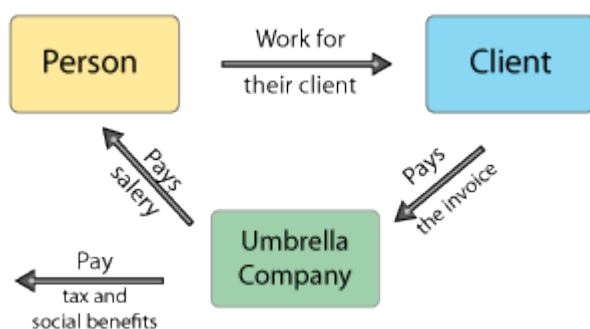


Figure 3: Schematic workflow for Umbrella Employment.

It is usually the same kind of jobs as freelancing individuals do. Kitching (2008) defines them as “skilled professional workers who [...] supply labor on a temporary basis under a contract for services for a fee to a range of business clients. The Umbrella Company agrees to employ the person against a fixed fee or a commission based on the size of the job. The fixed fee structure is more frequent in the UK, typically around 100 GBP/month, and the commission structure is more frequent in France and Sweden, typically ranging from 5-15 percent of the turnover. For further information about the different forms of Umbrella Employment see Wikipedia.com or RentAnEmployer.com for a listing of organizations or companies related to the subject.

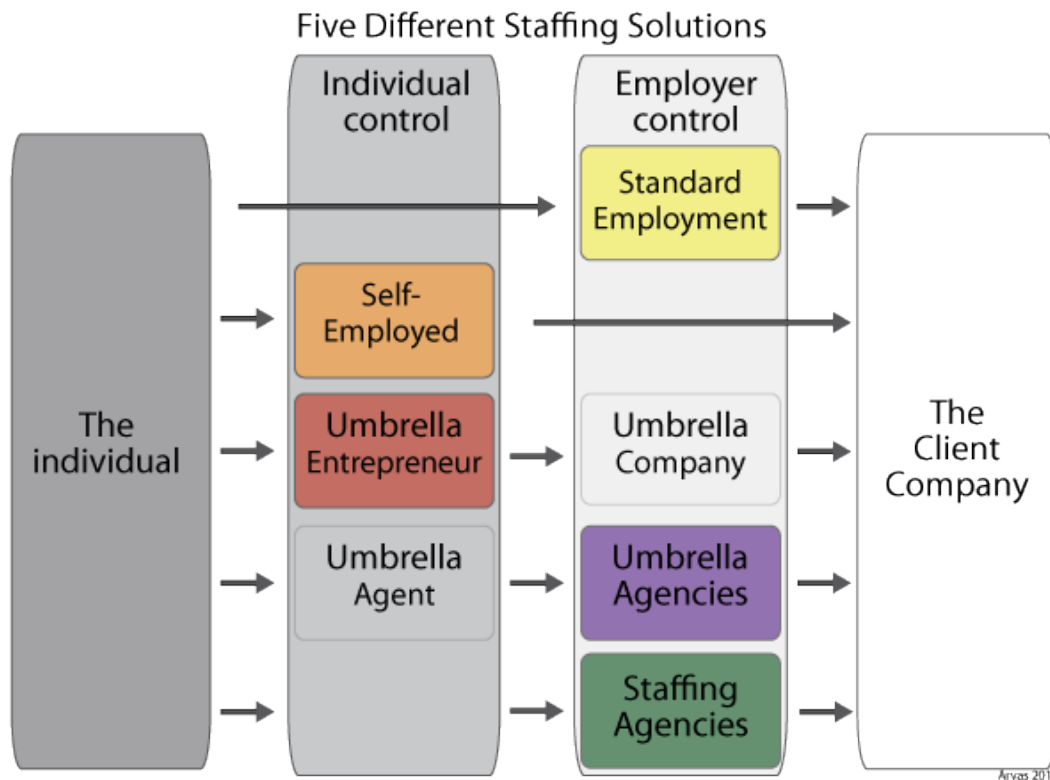


Figure 4: Umbrella Employment (highlighted) compared to other employment forms

This service is also used by people currently in a job, when they need to work on a contract or freelance basis beside or between jobs. People would otherwise have registered a private company with the authorities in the current company.

“An Umbrella Employment is an especially useful alternative for a person in the startup phase of a solo-company-ownership, since it gives a ready-to-run-company within virtually no time at all (IP3).

There are different kinds of Umbrella employments described in the figure below. In most cases the persons are looking for permanent contracts (Full Time Permanent Employment) and in many cases the customers are not willing to commit for that length of time. The entrepreneur plays their part as a matching agent between the two needs.

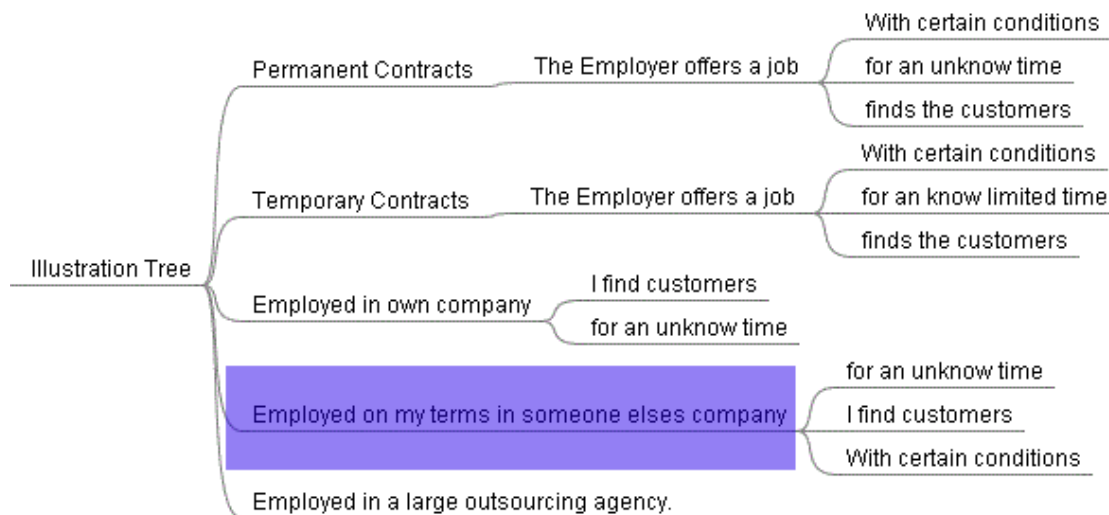


Figure 5: Umbrella Employment compared with other Employment forms

Since the Umbrella Employment is a rather new employment form, how well known is it? Are there any differences in the knowledge among different groups?

1.1.1.1 Dissertation Question (DQ)1: Knowledge about Umbrella Employment

Are people recognizing this employment form?

The other type of Umbrella Employment is like an outsourced *employment-service-company*. These help a contracting agency with the handling of pay-rolling and employment contracts. The recruitment is done by the contracting agency, which differentiates Umbrella Companies from Private Employment Agencies or Temporary Staff Agencies.

The entrepreneurial economic value created is shared between the Umbrella Company and the customer and the individual. Like a middle man in legal terms, since they do not do any matching of jobs. But from the persons and the agencies perspective they are a facilitator for company activities, decreasing transaction costs. More information about who they are and why they started – see section 4.3 below.

In summary: Umbrella Employment is a simplified way of running a micro company. This solution is also used as a stepping stone for unemployed people to enter the work-force with less transaction costs compared to ordinary work. Mainly in the UK, it is also used for handling the staff-administration for contracting agencies.

1.2 Scope for the Management Challenge

Introduction: The two main areas of study for this dissertation are *Growth Behaviors* and the *Job Creation*.

The literature on growth starts in the strategy literature with the unique value proposition and ends with three practitioners frame works. The dissertation describes the methods used to collect data with surveys and it discusses the results in order to give recommendations for Umbrella company managers and governmental bodies.

Either the direction of growth behaviors or job creation could be sufficient subjects for a dissertation on their own but a combination was chosen to get two perspectives of the Umbrella Companies development.

Four different groups of companies was compared; *Umbrella Companies (Entrepreneurial)* targeting the individual and *Umbrella Companies (Agency)* targeting Contracting agencies. These two company groups are compared to a group of fast growing US companies (*Blueprint Companies*) and a sample of European companies “with ambition” (*Henley student’s employers*).

The findings in the literature review were tested by empirical research collected with a survey to all Umbrella Companies in Sweden, UK and France.

The structure and word count of the dissertation is as follows.

- Executive Summary (689 words)
- Introduction and Research Question (2,030 words)
- Current Thinking/Literature Review (6,711 words)
- Investigation with Methodology and Results (8,098 words)
- Reflection and Recommendations (2,948 words)

Total of 20 476 words

1.3 Stakeholders and Sponsorship

The stakeholders are divided in three groups, External, Close and Partner stakeholders. The external stakeholders are different national organizations and government bodies like the unemployment agency and the unions. The close stakeholders are the different Umbrella Companies who follows the research of this dissertation and other umbrella companies who might benefit from the findings later. The third group is the partner stakeholders, in this case the largest Swedish Umbrella Company: Frilans Finans and a The Swedish Government's Agency for Economical and Regional Growth. Both have followed the research and contributed with information and resources to make this dissertation possible.

There is no formal sponsor for the MC other than myself.

1.4 Terms of Reference

There are three *mandatory stakeholders* stated in the requirements for Henley Management challenges: The student, Henley and a Sponsor. These stakeholders substitute an ordinary financier for a research project and should be treated as such.

The personal objective is to gain knowledge of the European *Umbrella Employment phenomena*, its markets and the actors. This includes a reference report listing what *company types* there are on the market (Appendix 9) and how they contribute to the *creation of jobs* in their communities. The result of the dissertation is meant to be an evidence based argument for further efforts to grow the Umbrella Industry in Europe. It is meant to be a viable way for people outside of the labor force to get back in again. On a personal side, the research is also meant to be a platform for a career as an evangelist and expert on Umbrella Employment in Europe.

It puzzles me that the Umbrella companies have existed in more than twenty years and appears to create competitive advantage for the economies they exist in and they help with the creation of jobs. Their actual role, the borders to ordinary employment vs. self-employment and functioning are still unclear as they haven't been researched before, nor do their owners seem know much of their colleagues/competition and are not very accessible to talk about it.

The Henley Objectives are specified in the study guide and are listed below with commentary: Build upon knowledge: The Literature review is based on Core-readings, Peer-reviewed articles and practitioner literature from governments and consultants.

The *Umbrella Employment* an opportunity to create jobs is uncharted in academic terms. How company value creation and company growth will affect the creation of jobs have been researched intensively, how does that research apply to the Umbrella companies?

Understand the investigative approaches: The chosen method is a quantitative design based on unstructured interviews with key managers and organizations within the industry.

Collect and analyze relevant evidence: The use of secondary data (business registers) to measure the sizes of the companies and the use of primary data (survey) to collect behaviors and opinions. All data are encoded and processed through SPSS software.

Formulate recommendations: The possible recommendation of using the fixed-fee-approach used in the UK might be an outcome of this study. A number of created jobs will be put in relationship to a possible number if growth of the industry continues.

Manage the investigative process: The current project is run as a 3/4-time project during the summer. It is done on a tight schedule.

Communicate the findings: Some newspaper articles are already written and dialogue is prepared with key industry and governmental leaders in Sweden.

Reflect on the practice and learning: A digital diary is kept with key-learning along the way of the project.

There is no formal contracted sponsor but there are two partner-stakeholders who monitor the work with an interest on the job-creation area for unemployed people in Sweden.

My goal with the MC is to establish myself as a national expert on Umbrella Companies to help increase the total market instead of starting a new Umbrella Company myself again. So there is no conflict of interests between the researcher and the respondents. For an extended introduction to the author, see Appendix 8.

1.5 The research questions

This chapter covers the overarching questions this research project aims to answer. These questions started as a vague wish to quantify *the number of new jobs* that could be created with Umbrella Employment. It grew from an initial understanding of the subject as a pioneer in the industry twenty year ago. After interviews with active actors and a literature review, the questions boiled down to three areas:

1.5.1 Who are the Umbrella Companies in France, UK and Sweden?

The research group of Umbrella companies; How many are there and in what sizes? How long have they been in business and what is their focus - individuals or contracting agencies? (See Section 4.3 for a description and appendix 11 for a listing)

The European reference group to the US Blueprint Companies is chosen from Henley Students and Alumni's. How do they compare to the research group in terms of size and age? (See Section 3.3.2 for a description).

The US reference group is only used through secondary data, but as such it needs to be compared to the Umbrella companies and the reference group (See Section 4.11 for a description and Thomson (2005:p223-225) for a listing).

1.5.2 How do they operate their business?

How do these companies compare on behavior that is linked to growth? What intention do they have in terms of growth and what growth have they achieved? What do they do in terms of

Growth related behavior, measured with Thomson's (2011) framework for Exponential growth? (See Section 2.2.4 for a description).

1.5.3 What value do they create?

What kind of jobs can the Umbrella companies create? What are the numbers of office staff and consultants who work through the Umbrella Company? (See Section 4.3 for a description and appendix 18 for a listing)

How many jobs can be estimated to be created based on who many are working with this solution now and how does the future look? (See Section 2.3.1 for a description)

What units are used for measurement for jobs? What is a new job and what is a transferred job from another employer? How many jobs can be turned from illegal to legal? Are there un-voluntary Umbrella consultants coming from un-employment or based on a *no-choice-hand-shake* from their current employer? (See Section 2.3.1 for a description)

2 Current Thinking in each research area

Summary: This chapter describes the current thinking based on a literature review and the author's attendance on conferences in the field of job creation. Relevant knowledge in the subject area is described and contrasted in order to define new questions for this dissertation to investigate. Among the most important for *growth* are: Williamson's view on transaction costs in organizations, Thomson's 7 Essentials for Exponential Growth. Global Entrepreneurship Monitor about the necessity or opportunity driven entrepreneurship. Different views on how high growth companies *create jobs* by different works by Storey, Henrekson, Delmar, Davidsson, Wiklund and Wennberg.

This dissertation aims to answer two issues, the *growth issue* with the growth perspective and the *society benefits* from new forms of jobs. The answers in the growth areas are based on secondary data in combination with answers from the (few) survey responses on growth ambition and creation of new jobs. The new forms of jobs might help decrease the transaction costs and increase the competitive advantage for the country.

Why are these companies experience struggle with their growth (Interview person 4, 7, 11, 12, 19) and are there any other experiences in elsewhere on how to run these companies successfully?

2.1 The company environment

This section describes the companies from a macro perspective, with the intention to understand the need for growth and the markets demand for alternative employment solutions.

2.1.1 Demographic company studies

The modern labor market is in need for more flexible solutions than the former long term fixed employment in large companies (Öman 2011:p55) because the competitive rivalry among the companies in Sweden, France and United Kingdom are operating on developed markets where the competition is more intense than in an undeveloped or oligopolistic market (Porter 1980). This is also because of the economy's development into from a manufacturing oriented market to a service oriented market. Delmar et al (2008) describes how the time-to-market cycles are faster now compared to before, with the need for flexibility in the matching processes.

What was previously considered to be a safe secure job is not so safe in terms of employment length anymore. In the North American labour market there is a different perception of a "life-time-employment compared to the Japanese labour market. This different view allows the US

based car manufacturers to optimize their labour volumes according to the changes in the economy, while the Japanese do not have that luxury (McManners 2010). The Japanese consider their employees as “fixed costs and can therefore invest in people or robots on equal terms, while the US sees the equipment as fixed cost and staff as variable. The consequence is that the Japanese companies have a more machine intensive production line compared to the US (McManners 2010). In between those two extremes there are other needs and other solutions to match the supply and demand for labour.

The younger generations of labour (born 1970-, 1980-) express other values compared to those born before and after. They value their freedom more than the security of a fixed contract. This would increase the demand for shorter and more flexible contract terms (Lewit, 2009) like Umbrella Employment.

Several solutions have emerged to help narrow the gap between self-employment and ordinary (dependent) employment. These solutions are a response to the markets demand of contractors instead of employed staff. A solution is the emergence of the Professional Employment Agencies, employing more than 9 million full time equivalents (Ciett 2011), which equals to the total of the twenty largest employers in the world (Financial times 2011) or the sum of the eight largest armies in the world (Wikipedia). Another new form is The Umbrella Company, who act as mediators between the workers and the companies in most types of industries. Umbrella companies offer a solution in between the full time employment and self-employment, Purelli (2003) describes it as needed since the demand is more nuanced than the two old ways of working as employed or self-employed.

The Umbrella Companies as they are described here offer a simplified version of being self-employed. It is used by people currently in a regular job when they need to work on a contract or freelance basis. Folta et al (2010) describes Hybrid Entrepreneurship as a form of “*combination of regular depended work and independent work or self-employment*”. They followed a large sample of with Swedish individuals in a longitudinal study to monitor the transitions between jobs and self-employment. They found that people who combine work and self-employment, also called “Combiners have greater chances to support them self’s without state subsidies.

The Umbrella Employment service is also essential for unemployed people in a crucial time of their life when on their way (back) into the workforce. Since it is a simplified platform for entrepreneurship compared to an ordinary owned legal entity, it is also a *preferred way of being self-employed, according to 40% of the employed staff (IP10).*

Despite the outlook in the community, why are these companies not growing substantially, when they have the potential to create lots of new opportunities for jobs? Is the situation the same in the UK and in France? Answers are described in section 4.5 along with comments regarding the relative growth compared to GDP in their respective country.

Conclusion: There is a growing interest of the growth of companies as the source for job-creation. People are also increasingly valuing their freedom of choice in their working life. Umbrella Employment combines these two as a flexible way to run an own company without leaving all the benefits of being employed.

2.1.2 What are the numbers in each country?

The total populations in the three countries studied are different. According to the CIA World Fact book UK has 31 520 000 people in the workforce, France has 29 320 000, . and Sweden has 4 961 000 people (CIA 2010).

The OECDs definition of self-employment is: *“more than one hour per week in self-employed activity”*. The rates are not coherent with the countries’ sizes. UK has the highest rate of self-employed people with 13 percent, while France 9 percent and Sweden has also 9 percent.

Sweden has increased the rate of self-employed people between the 1980s to the 1990s and stayed at the same level since. The UK has increased the rates from the 1970s and forward on while France has decreased the rates. See table below

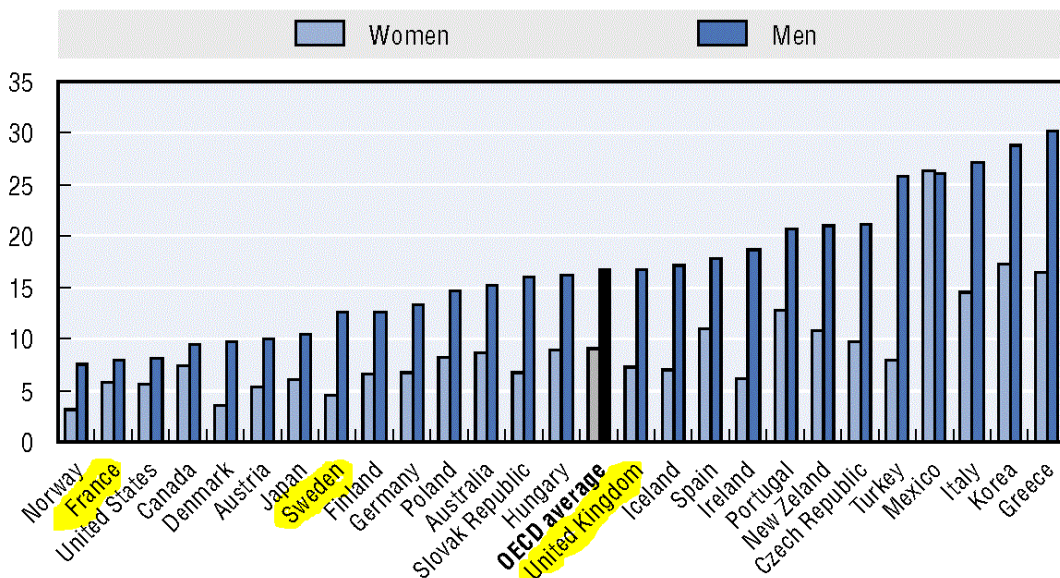


Figure 6: Percentage of self-employed as a percentage of employed men and women.

(Excluding self-employed in agriculture, 2004 or latest years available OECD 2005.)

A different picture comes from The Global Entrepreneurship Monitors' ranking of the *Total Entrepreneurial activity* (TEA) where France (7%) and the UK (8%) both are larger than Sweden's 5% (numbers estimated based on a graph in Entreprenörskapsforum 2010).

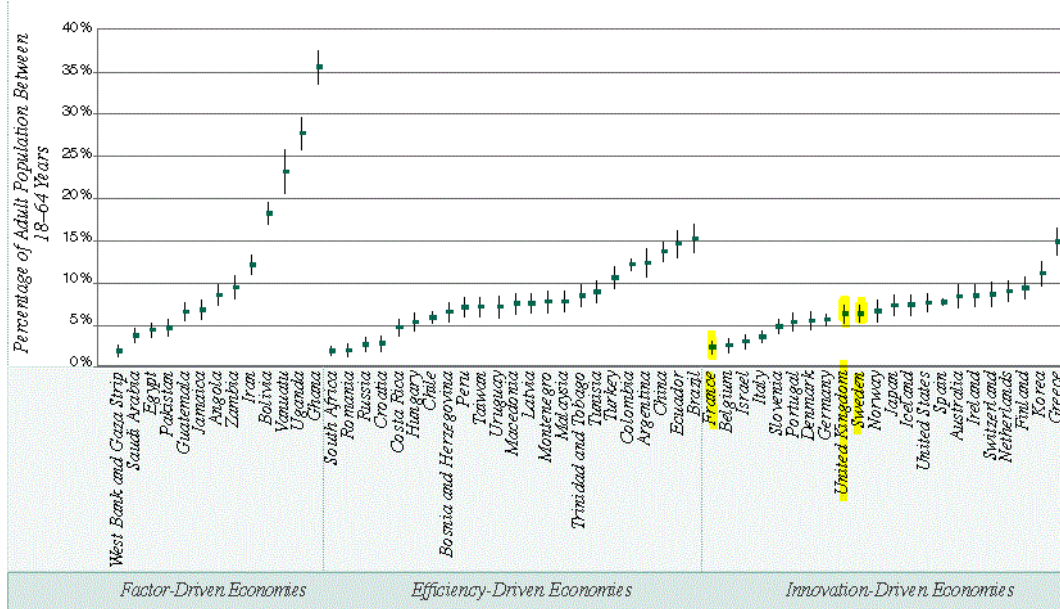


Figure 7: Established Entrepreneurial Activity for 59 Economies in 2010.

By Phase of Economic Development, Showing 95 Percent confidence intervals (GEM 2010).

Another measurement of Entrepreneurial activity is the GEMs *Established rates*. It is defined as “businesses who have paid salaries for more than 42 months”. The differences between France and UK are the same, where France has low levels of self-employed activities. But Sweden is just above the UK in this ranking. One could interpret these differences as there is earlier phase Entrepreneurs in the UK, of which some do not make it until the 42 months bracket (GEM 2010).

2.1.2.1 DQ 2: How many are they?

- DQ2:1 How many companies are there in each segment
- DQ2:2 What is their size in terms of turnover and staff
- DQ2:3 How many of them are making a profit?

2.1.3 What is their intention for growth?

The Global Entrepreneurship Monitor divides the world in the Factor-, Efficiency- and Innovation driven economies. These groups follow different patterns and within each group GEM makes a ranking of different aspects.

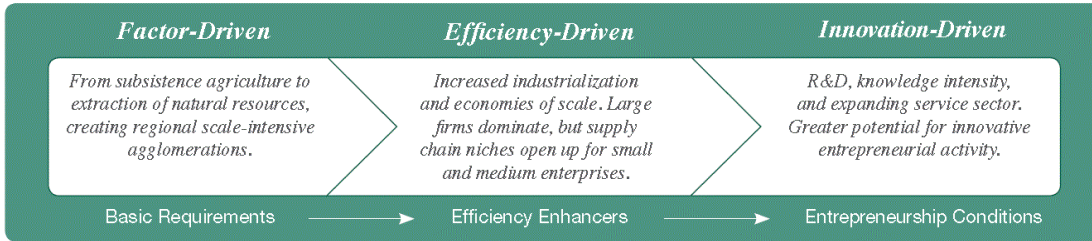


Figure 8: Explanation of the three groups that GEM uses for their reporting. (GEM 2010)

The GEM-report describes the different expectations of *company growth* and *job growth*. Sweden is not part of this list but France and United Kingdom are close, as they are in population. About one third of the “Early-Stage Entrepreneurship Activity” (0-24 months) expect their companies to grow with more than five jobs. The number is roughly in the global average.

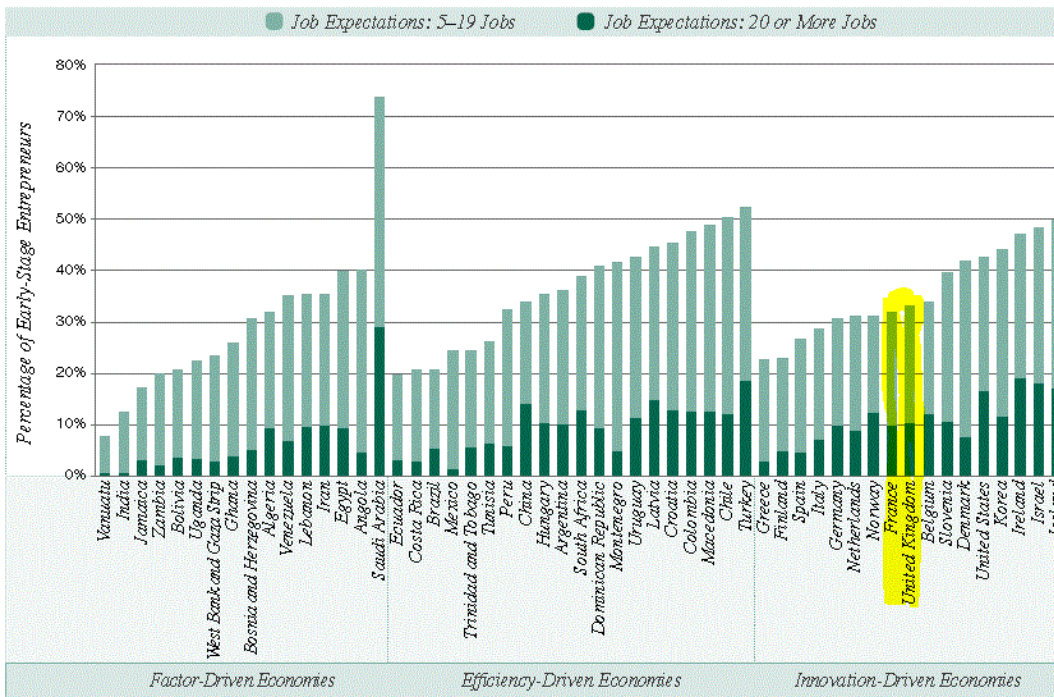


Figure 9: Job Growth Expectations for Early-Stage Entrepreneurship Activity 2008-2010 (GEM 2010.)

How does this compare with the Umbrella Company owners expectations?

The motive to start a company is the different in the research-group countries according to the Global Entrepreneurship Monitor 2010 cited in *Entreprenörskapsforum* (2010, Table A.2.6:p72).

Sweden has 13 percent entrepreneurs by *necessity*. France has 25 percent UK has 11 percent. These levels have been relatively stable for the UK and Sweden but France have increased from 3 to 39 percent during the last ten years. The numbers are higher for the ones that want to start their own company based on the *opportunity* to do something new or the *lifestyle* that an owned company offers. Sweden 72%, UK with 43% and France with 56%. The levels have changed up and down with 20 percent units over a period of five years, where the UK have decreased and France have increased. The question of *necessity* or *opportunity* based entrepreneurship can also be traced among Umbrella Employed people. Frilans Finans have done an employee survey where about one two thirds of the staff are employed through an Umbrella Company on a “opportunity basis.

Conclusion: About 1/10 of the population in Western Europe are engaged in some kind of “own company”-activity, and about 1/3 of all entrepreneurs have expansion plans in terms of new jobs in their company. These numbers vary with time – possibly with economic times in each country. People start their company more of necessity in some countries and more based on the opportunities it provides compared to employment. Umbrella Employed persons follows that pattern.

2.1.3.1 DQ 3 What is the intention for growth among the Umbrella Companies?

Hypothesis_{3₀}: No difference between the *ambitions to grow* and Company *sizes*

Hypothesis_{3₁}: Companies with higher ambitions to grow are *larger*

Hypothesis_{3₂}: Companies with higher ambitions to grow are *smaller*

2.1.4 Different measurements of size and growth

This section aims to define the different measurements used to describe growth and will be the foundation for the following chapter on Growth Strategies.

When it comes to measuring growth, there have been many studies and also a lot of argument of how the measurement should be done. Most studies uses turnover despite its limitations. The benefits are its availability in many markets, and in this study certainly in Sweden and France. The available numbers in the UK are in many times only the Assets. In France the legal capital base seems to be the most important while in Sweden and the US it is total Sales, also referred to as turnover in the UK and Revenue in the US.

To determine what a reasonable level of growth rate is there are at least two considerations to keep in mind.

The first is the sustainable growth rate for the company itself. This measure was originally defined by Higgins 1977 and has been updated by Ashta (2008) with a minor adjustment of the definition. The concept is about *what growth rate* is reasonable for the company to pursue without

going bankrupt because of the increased need for working capital. If the cash-flow is not increasing faster than the working capital - someone else has to add money to the company!

The second consideration to make for this study is the discrimination between slow and fast growers. The most common measurement in Sweden is the “Gazelle-definition, 20% annually over more than three years. (Henreksson & Johansson 2010, p240). Depending on which author one refers to there are also other limitations like a minimum turnover or number of staff during the period (Schimke 2010). There is also another way to determine the cut-off point for High Growth Firms and it refers to the relative size of the studied group (Storey 1998 in Delmar et al 2001). This method has the advantage of dividing a studied group into fast or not-fast growers. The disadvantage is that in many samples, the 10% fastest growing companies include companies who have grown with only one person per year. Weinzimmer et al (1998) recommends Beta Correlations as the measurement method to determine between high and low speed growing firms. It is calculated based on a company’s stocks return to its investors compared to the market as a whole. Since most of the Umbrella companies are privately held this measurement is not practically useful in this dissertation.

In most studies looked at during this study, there has been one measurement of growth, and in most cases it has been *turnover*. Delmar et al (2003) argues that this limited view of growth excludes a lot of companies who are growing by other measures and thereby creates jobs and value for their shareholders. In Delmar et al’s study they have found seven growth clusters based on the total Swedish companies with more than 20 employees (N=11,748). Their definition is based on the top 1, 5, or 10% of the studied group.

							6 Growth Criterias
Super absolute growers	Steady Sales growers	Aquisition growers	Super relative growers	Erratic Growers	Employment Growers	Steady overall growers	
+	-	+		-		++	Absolute total employment growth
+		-		-	+	++	Absolute organic employment growth
+	+	+		-	-	++	Absolute sales growth
			+			+	Relative total employment growth
			+			+	Relative organic employment growth
			+			+	Relative sales growth

Figure 10: Seven different growth clusters. (Delmar et al 2003).

“+”/”-” Indicates an increase/decrease in that growth criteria (horizontal) for the growth cluster (vertical).

Firm size, firm age and industry vary with the clusters. Relative sales growth does not correlate with any of the other measures and is therefore left from this study. (Delmar 2003)

2.1.4.1 DQ 4: What growth rates are there among the different groups

Hypothesis_{4_0}: No difference between the *growth rates* and *Company sizes*

Hypothesis_{4_1}: Companies with higher *growth rates* are *larger*

Hypothesis_{4_2}: Companies with higher *growth rates* are *smaller*

2.2 Growth studies among Small and Medium sized Enterprises

Introduction: This chapter on Growth in different aspects aims to describe different approaches to Growth management. It aims to give a theoretical platform of knowledge which is relevant for the Umbrella Owner/Manager in their work with the company's growth strategy. It covers growth measurements, transaction costs as a source of innovation, marketing aspects of growth and different frameworks to change growth speeds.

In the mainstream economical literature, the underlying assumption is that all companies want to grow in order to increase their earnings (Wiklund et al 2003). The growing small firms are also widely considered to be the source of new jobs, and especially the small proportion of the growing firms called *Gazelles*. Henreksson and Johansson have reviewed 20 growth studies to validate this claim and they find clear cut results supporting the claim (2010 p240).

As noted above there are other definitions of growing companies than the *Gazell*-definition, and there are also other definitions of *value creation* from these growth companies. The academic literature reviewed for this dissertation has not led to any real clear recommendations for the future. Most studies are retrospective and do not give much guidance for the manager in the day-to-day operations, apart for good theoretical understanding of growth principles in place.

Three main areas are identified as having large impact on the growth in the service oriented companies. *Innovation, Marketing/Sales* and *Delivery/Organization*.

2.2.1 The Growth Area Innovation, in particularly *Transaction costs*

In order for companies to grow, they need to offer something of value and preferably unique or easily differentiated from the competition. For this study of Umbrella Companies, the main Service offering is the *Umbrella Services*.

The business of Umbrella Companies is to offer a transaction service to enhance the matching between employers and staff. The 2009 years Economic Nobel prize winner Williamson describes the transition boundaries as the most important place to look for inefficiencies in an organization.

Williamson describes a model with three dimensions regarding the classification of a transaction cost (1981:p555). The (a) *Uncertainty of the consequences of the transaction*, (b) the *Frequency of the transactions* and finally (c) how durable is the *Specific investments needed* to facilitate the transaction.

Uncertainty can be transformed to skills needed to perform a certain task for an employer, exemplified by that a more skilled worker will lower the uncertainty of the outcome of a specified task. The important consideration is to have a person who's competence matches the needs for the assignment in question. If someone is "over-skilled, they will most probably not stay for the next repetition-cycle of the task.

This leads to the *frequency* of the transaction. If there is something that is done frequently, more attention should be assigned to the transaction cost compared to if it something done very rarely. Once again is the ordinary rivalry of the market (Porter 1980) in place to decrease the costs of inefficient frequent transactions.

The *durability* of the investments might be called start-up-costs for a project or a new employee. This differs a lot between different kind of work types. If the skills needed are general and applicable to many companies, the cost is low. It might be the case with a cleaning lady or a chef. On the other hand a very skilled person, like a doctor or lawyer, might have "general practitioner skills who can be performed for most employers. This dimension differentiates the highly trained person education wise from the highly trained person with specific company knowledge. One might need to know the physical premises very well, specific procedures or equipment in order to be able to perform the tasks in question. This takes time to learn on site and that investment needs to be considered in the transaction calculation.

When Williamson's organizational perspective based on transaction cost can be applied to different forms of employment. As here described with the length of the assignment and the reoccurrence.

Table 1: Different types of work, price-principles and forms of legal agreement and payment. Adjusted after Williamson (1981:p566).

	Short assignments	Long assignments
Irregular reoccurring need	<p>Installation</p> <p>Pricelist</p> <p>Easy to differentiate individuals</p> <p>Invoice through a solo-company or Umbrella Employment.</p>	<p>Contracting</p> <p>Long Building projects</p> <p>Project based Offer</p> <p>Easy to differentiate individuals</p> <p>Outsource HR and Salary to an Umbrella Employment Agency</p>
Regularly reoccurring need	<p>Emergency /Seasonal</p> <p>Orders on fixed contracts. (“Avrop på ramavtal” in swedish)</p> <p>Price/assignment</p> <p>Not easy to differentiate individuals</p> <p>Salary if Public /Invoice if Private</p>	<p>Elderly care/Maintenance</p> <p>Long term fixed contracts</p> <p>Fixed hourly Salaries</p> <p>Not easy to differentiate workers</p> <p>Salary if Public /Invoice if Private</p>

2.2.1.1 DQ 5: Do employers prefer to use self-employed people compared to employed people?

The theoretical answer could indicate the preference for employment (since there are more employed people than self-employed in the workforce).

Hypothesis_{5₀} - there is no difference in preference of employment form

Hypothesis_{5₁} – Small Business Owners prefer to *hire* compare to employ.

Hypothesis_{5₂} – Small Business Owners prefer to *employ* compare to hire.

Are there other non-material benefits from the services? Yes, It is easier according to Klingvall (1998:p302) and faster according to Ek & Holmlund (2011, Appendix 10:p153) to get a job if you are employed than if you are unemployed. The reason for this is probably that employed people are more up to speed with the working environment and systems and tools than people who have been out of the workforce for a while. It could however be argued that unemployed people would be more motivated to get back into a job, than someone who moves from job to job.

In Delmar et al's report about Combiners, people who combine an ordinary employment with some kind of self-employed activity, describes different ratios of combiner ships, from almost fulltime-employed with some extra income from the self-employment and vice versa. They find that self-employed people and combiners are less represented in the unemployment statistics compared to full-time-employees (Delmar et al 2008:p11). This would indicate something about these people's ability to take on a task as mentioned above in the Transaction Cost section.

2.2.1.2 DQ 6: *Is Umbrella Employment a way into the workforce?*

Hypothesis₀ - there is an equal distribution of answers between the groups

Hypothesis₁ – There is an unequal distribution of answers

2.2.2 The Growth Area *Marketing & Sales*

Introduction: This section introduces several areas of literature related to Sales and Marketing and it defines important areas for research. The area is very large and this will only be a brief overview because the respondents consider *marketing strategies as business secrets*.

This area is probably the most important to consider for any business manager, especially a small business owner/manager. The first thing to consider is to work in an area of the market that is growing by itself, it helps increase the turnover of the company and with increased turnover increases the chances for increased profits. The market size for self-employment and services around self-employment are increasing according to Jobs & Society (2011). There is also an increased demand for these services as the society changes its preference from a rather all-inclusive behaviour where most people are welcome to a more critical situation with scarcity of jobs.

Henreksson & Davidsson (2010:p240) and Thomson (2005) have found that there is no specific sector in the society that is a requirement for growth, but it helps if the market grows. There is neither any specific industry nor company type, the important thing is to be active in the market in what Thomson calls alliances for sales. These alliances based on a partnership with larger players where the growing part needs to be a niche player. Åberg (2011) describes their work with Ambassadors in Northern Sweden as very successful since the launch of a new Umbrella Company through the existing network of known individuals.

A similar form of marketing is the reference marketing performed by the network marketing companies, among Amway is the largest (Dornan 2011). The principle there is for satisfied customers to recommend the services or products to other people and hereby use the trust

established by a personal relationship as part of the value proposition. This leads over to Social Media as the latest version of a combination of reference marketing and technology. Smith & Wollan (2011) describes how the customer relationship can be enhanced by social media strategies and involve the customers in more of the value creation processes. It allows the customers to include different kinds of friends in the relationship with the company.

It is not always the most profitable strategy to be the first mover according to Ahrens (2008). The costs and risks are significantly higher as the first mover usually has not tested the invention on the market and the price is usually kept at a higher level. Ahrens argues for the Second Mover Strategy, where most of the development is done by the first mover and the market is established. This is right for the second mover to grow the market and they can use their financial efforts to invest in the market instead of investing in product development.

What strategies are the Umbrella Companies using to grow their markets? Are they growing the markets or their market share or both? This is a research question of great interest but it has been omitted from the study as a consequence of the early interviews with Umbrella Company owners. The managers are very reluctant to give any information about their company since the service offering is very transparent and easy to copy. The marketing strategy is considered secret and if questions about marketing would appear in the survey it would have been left un-answered (IP1, 2, 3, 13).

Conclusion: Systematic referral marketing would be very useful for Umbrella Companies because of the relative unknown phenomena and the high level of trust needed before the person starts. It is not always best to be the first mover, since it is associated with high costs and risk.

2.2.3 The Growth Area *Delivery and Organization*

This section describes leadership styles among the top management and the board of directors. It suggests to have a duo of inside-outside top manager and a board of experts of growth.

Managers of any organization need to cope with different expectations and pressures. There are also different cultural styles between countries (Hofstaele 1991). These styles are persistent over time and cannot be easily changed. One of the variables is the *Power Distance* or the hierarchical acceptance within an organization. These are different in Sweden, United Kingdom and France, where Sweden holds the shortest power distances with the consensus culture and France has the longest distance. Are there differences in leadership styles between these countries? Thomson's framework indicates one clear aspect of leadership attributed to the Exponential growing companies in the US. It is called an "*inside-outside-duo-leadership*. One of the top managers has a style and personality to be externally oriented, a market man, while the other is more internally oriented a nursing/caring person. Based on this it could be argued that the power distance would express itself as a difference between the countries and the leadership style would be visible differently *slowly-growing* companies and *fast growing* companies.

2.2.3.1 DQ 7: *Are there differences in Leadership styles between the groups?*

Hypothesis_{7₀}: There are no differences on Essential #6 between the *groups*

Hypothesis_{7₁} – high scores on E#6 correlates positive with *turnover* (Thomson 2005)

Hypothesis_{7₂} – high scores on E#6 correlates positive with *growth pattern* (Thomson 2005)

Hypothesis_{7₃} – high scores on E#6 correlates positive with *country* (Hofstaele 1991)

The individual manager's behaviour is crucial in a small company, and many of the Umbrella Companies are small and young. But when the company grows it is necessary to build management teams. One of these teams is the board of directors. Thomson's findings indicate that the slow growing companies have bankers, investors and operational managers on the board from the start. The fast growing teams have high growth experts on their teams, usually executives from other high growth firms. This would raise two questions for the Umbrella Companies, do they have management teams and boards at all and if they do, what kind of people are they formed by. A possible result would be that smaller companies have less active boards and larger companies have active boards. Thomson's essential is used as differentiator among the companies with boards to determine if these boards are filled with Essential Experts or company managers.

2.2.3.2 DQ 8: *Are there any difference between the board constitutions?*

Hypothesis_{8₀}: There are no differences between the boards constitution.

Hypothesis_{8₁} – high scores on E#7 correlates positive with *turnover* (Thomson 2005)

Hypothesis_{8₂} – high scores on E#7 correlates positive with *growth pattern* (Thomson 2005)

2.2.4 Three Growth practitioners frameworks

Introduction: This section describes both an academic and a non-academic approach to the study of company growth. It describes different frameworks and presents questions for the empirical part of this dissertation to answer. There are different perspectives from which one could investigate this area: Economics, - Competitive strategy, Business Administration, on one hand and Labour economics, Human Resourcing and the Legal perspective on the other hand. They offer pros and cons where the Economics and Competitive strategy are more general to companies in general and the Human Resources related areas are more specific to job-creation. Focus for this dissertation is the job-creation perspective from an economical view. A good alternative would be to look with the legal perspective for regulations and growth limitations, but it is not part of the Henley MBA.

The first practitioner: The literature review of growth studies has several frameworks for the study of growth: Ahrens (2011), Delmar et al (2003), Dornan (2008), Ejlertsson et al (2009), Etemad in Susman (2007) and Thomson (2005, 2009). The most wide spread in Sweden is *Ahrens (2011) Growth Barometer*, but it has little academic research behind it and it is only available in Swedish. Ahrens framework is based on 20 years of experience of working with Swedish companies with the Gazell-definition (25% annual organically growth for more than five years, more than 60 employees and more than 200 KEuro in turnover when they enter the growth period).

The second practitioner is the operating in the network marketing industry - direct sales. Jim Dornan has created a benchmarking system called *Vital Signs* (2008). It is based on about ten years counseling with leaders from about 20 countries who in total lead about 500 000 distributors at that time. The habits and behaviors of the most successful business builders were collected to a 6 steps action plan together with a 9 areas for benchmarking. Dornan and his colleagues claim these are the most important aspects to keep track of. The internal order of importance varies between the leaders.

The third practitioner, Thomson, has been mentioned several times earlier in this dissertation and his theory will be described in further detail in this section. There are three components to

the “*Blueprint to a Billion*” concept: **1)** A special growth pattern of exponential growth in three speed-classes, **2)** they grow in any industry and **3)** seven different behaviors related to growth.

The first growth pattern was derived by studying all private companies that went public from 1980 to 2005 on a study of secondary data through Standard & Poor’s database. The initial list of 7,454 companies contained companies in all sectors. Out of these companies had 387 reached to a turnover over a billion USD and while doing so had increased in size and number of employees.

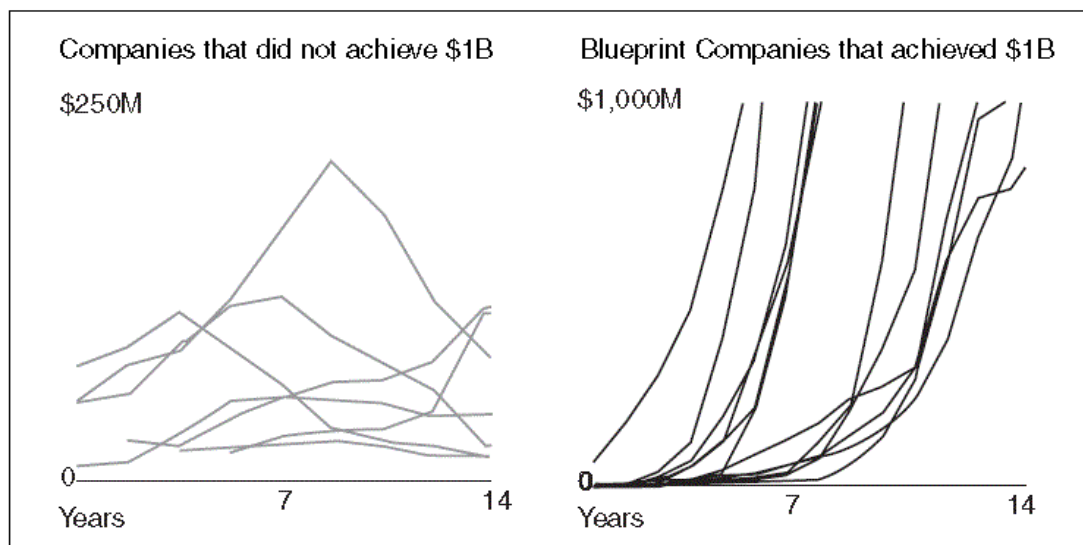


Figure 11: Thomson’s (2005:p14) turnover mapping of turnover growth patterns.

The “average company going public between 1980 and 2005 compared to the 364 companies who reached 1 B USD in turnover within the same period.

Are there similar growth patterns among the Umbrella companies? In order to get answers to that questions register data needs to be found or the companies needs to share their financial data. The company registers differ from country to country and the consistency of reporting for the smaller companies is very unreliable.

2.2.4.1 DQ 9: Is there an Exponential pattern of growth among the Umbrella companies?

Hypothesis testing is not possible since comparable data is not available.

A graphical illustration will be used instead.

The *Blueprint companies* represented were 5% of the company population, but represented 56% of the employees and 64% of the market value. Thomson calls them “*Americas Growth Engines*” (2005:p3).

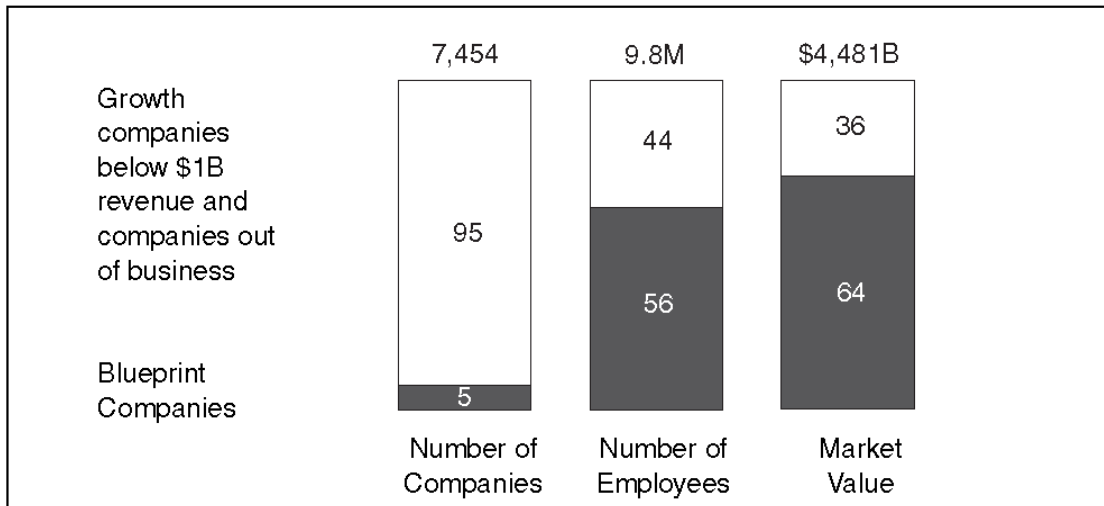


Figure 12: *Blueprint Companies* relative part of the US economy (Thomson 2005).

These companies are usually also cash flow positive from start and earn an approximate 20% profit annually. These profits are needed to fund the growth and they also have on average greater returns (87%) to their shareholders than ordinary companies.

The second finding is that there are no particular sectors overrepresented (Thomson 2005:p9). This question cannot be transferred directly with the Umbrella Companies as the unit of analysis. These companies are all working in the same sector. But their consultants are working in completely wide spread sectors, since the Umbrella Companies are dependent on the success of their consultants, it is important to use a framework that is independent of industry.

Out of more than 7 000 companies Thomson’s team chose some 400 based on the above characteristics of growth pattern regardless of their industry. They then worked through case studies, newspaper articles and interviewed 75 managers to find behavioral differences between these companies and the rest of slow or normal growing companies. They found “*7 Essentials*. #1 **The Big Idea**. Something new and revolutionary in their current industry that changes the market logic and when applied “changes the rules of the game. #2 **Exploit a High Growth Market**. It is a lot easier to achieve high growth if the market grows. #3 **Marquee Customers**. The strategic use of satisfied and high profile customers who actively sell your solution based on their satisfaction. #5 **Master Exponential Returns**. These companies have an typically 20% or above in profit margin on sales. It fuels the growth since the company can use its own resources to expand the business. #6 **Inside-Outside Management Team**. A complementary Inside-

Outside Leadership pair leads the company. One is outside-facing focusing on customers, alliances and the community while the other is inside-facing focusing on operations. This Inside-Outside Leadership is applied throughout the organization. #7: **Board of Essentials Experts**. The board of directors has people with experience of growth from other high growth companies not financing or operations.

2.2.4.2 DQ 10 Are there differences in Essential Means between the groups?

Hypothesis₁₀₀ - there are no difference between the groups

Hypothesis₁₀₁ – companies with higher Essential means are larger

Hypothesis₁₀₂ – companies with higher Essential means are more profitable

Hypothesis₁₀₃ – companies with higher Essential means have more staff

Hypothesis₁₀₄ – companies with higher Essential intend to grow more

Hypothesis₁₀₅ – companies with higher Essential means have grown more

Hypothesis₁₀₆ – companies with higher Essential means are from a specific country

Hypothesis₁₀₇ – companies with higher Essential means are of a specific type

Summary: Out of several frameworks for growth have a practitioner frame work been chosen because of its face validity. It has its roots in the characteristics of the US companies that grew larger than 1 B USD. These companies are contributing significantly to more new jobs compared to the ordinary growing companies.

2.3 How the Job market is changing and what influences is

This section covers the driving forces for the labour markets transition from stable long term contracts to flexible short term agreements.

There are two basic reasons for people to start their own company according to the Global Entrepreneurship Monitor (GEM 2010), out of necessity or out of options. On the global scale the GEM divides the world in three sectors Factor-, Efficiency and Innovation driven Economies. The factor driven economies are mainly economies with entrepreneurs who create value based on the land they live on. The Efficiency Driven economies are industrialized countries where entrepreneurs make more of the same but more efficient than the competition. Finally the innovation driven economies are the countries where innovation for enhancement in life style and higher hierarchy needs.

Johansson (2009) has interviewed people in Sweden who were more or less assigned to start their own business after being made redundant. Some of them did it because they wanted and some because they lacked alternatives. These are also new jobs, in micro companies, despite many of this company owner's lack of ambition to grow their companies beyond themselves.

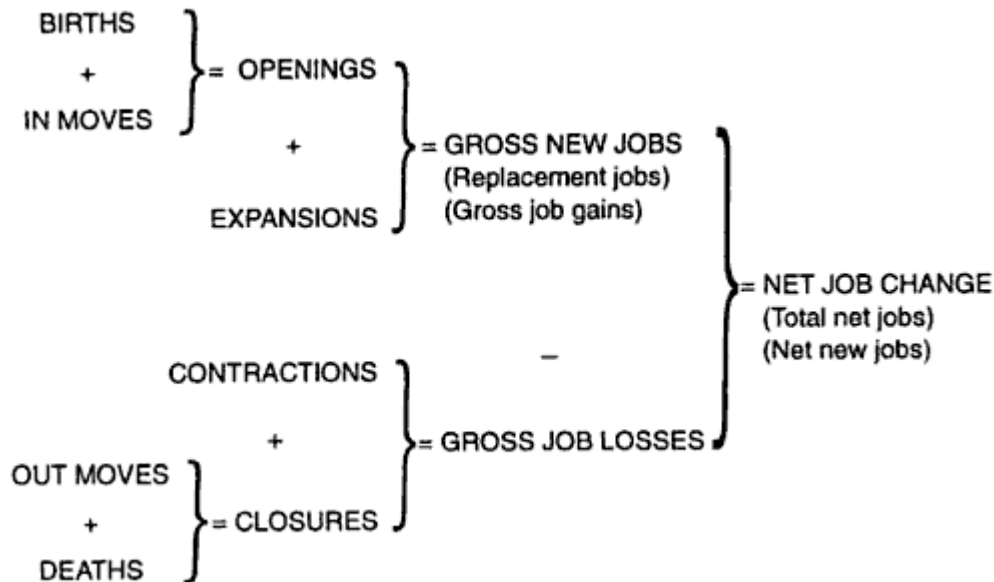
This dissertation focuses on Growth Factors in general and how Umbrella Companies can help create new jobs specifically. In order to make a start - one need to *define what impact growth has on jobs*.

Where do the new jobs come from? The general thesis about the high-growth companies, usually defined as 20% annual increase of turnover, amounts for the majority of the new jobs in USA (Birch & Medoff 1994, Thomson 2005) and in England (Storey 1994:p161)

Another study by Davidson & Delmar (2002,p11) reports that the Swedish Growth companies do not create substantially many new jobs. The creation of Swedish jobs comes instead of small increases in many micro companies. These firms do also recruit people from the less fortunate parts of the labor force (Coad et al 2011). But when they have grown to a size big enough to buy other companies, then things are reversed. They do not recruit as many people as they let go, thus they produce a net loss of jobs, despite their growth.

These two views of where the new jobs are created raise an interesting question: Should the society focus on a few numbers of high growth companies or should we focus on many micro companies. The Umbrella Employment would in this case be a version of the Micro companies' content wise, but could be part of the few high-growth companies for employment.

The general definition of firm growth by Storey (1994) is based on a simple principle: The amount of new firms plus the expanded firms minus contracted and closed firms. When these firms' employees are added together - a net change in the number of jobs is the result.



Note: Terms in parenthesis are synonyms

Figure 13: The different types of job-creations and their net result (Storey 1994, p161)

The dream would of course be to find the golden recipe for new jobs for everyone. The question is of course not that simple and the answer is a lot more complex. Several ways to find out a measure have been sought after in the literature. These are the results.

Some paid jobs are done today but they are not part of the economy. That is the illegal work done by people without work permits or workers in parts of the economy where taxes are not paid. The work is actually not new, but it is being registered when it is turned to white jobs.

A common definition of new jobs is new persons within a unit of measurement. If the company is such a unit, *"whenever a net plus is achieved on the pay-roll - that is a new job (IP18)*. Some of these jobs might have been transferred from another company and the net result might not be an increase, as mentioned earlier.

2.3.1 The distance to the company and the types of job available

In a company there are different roles for the employees and the managers. There are formal contracts defining what to expect from each other. There are also informal agreements and cultures, also known as Psychological contracts (Guest 2004, page 553), where there are a part of the agreement which is formal and another part which is agreed upon by a non-verbal agreement. Depending on how close to the manager an individual is, the more formalized is the agreement.

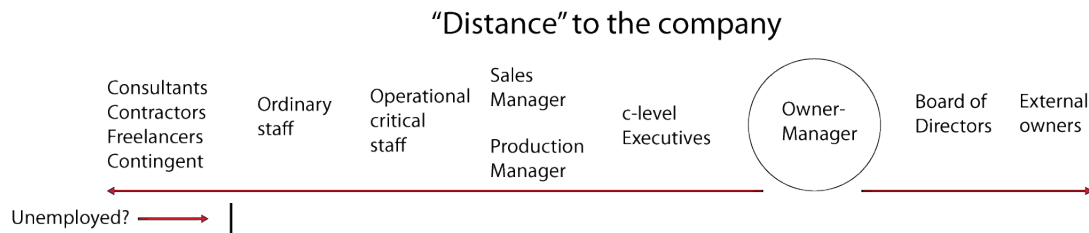


Figure 14: The perceived distance to the company and why Umbrella Employment can help overcome the border (own work).

There is also a category of work that was not done before. These are considered new jobs. These are the jobs that have been fallen between the chairs before, possibly because there were too high transaction costs in terms of lack of skilled staff or too many legal hurdles to overcome. To what degree can Umbrella Employment assist here?

2.3.1.1 DQ11 How many new jobs have been created with Umbrella Employment

Hypothesis11₀: No difference in the level of new jobs have been created between groups

Hypothesis11₁: Younger companies contribute to more jobs (Davidsson & Delmar 2002)

Hypothesis11₂: Larger companies contribute to more jobs (Thomson 2005)

2.4 Objectives of the Investigation

The research objective is to describe the Umbrella Companies in Europe, from a Growth and Job creation perspective.

This is done by finding them and describing them on demographical terms. Then survey them on what kind of business they are in and how they intend and have grown. The third step is to evaluate what impact they might have on job-creation.

3 Methodology

This chapter describes the theoretical framing of the research conducted, introduces the empirical considerations regarding which methods to use, the statistical calculations and finally the limitations of the methodology. Among the alternative methods available the choice ended up for several unstructured interviews followed up with two surveys. In retrospect, it was a good strategy because there had not been any complete description of the population before. But the response rates were too low for any strong conclusions to be drawn based on the target groups.

3.1 Theoretical framing of the research

Academic work serves the purpose to collect, organize and distribute findings.

It is therefore important for the researcher to gain knowledge of previous work and recycle that work into refined or expanded knowledge. In the Study Guide (Henley 2010) it is recommended to read several previous dissertations together with several studies, in order to get an understanding of the structure and setup for studies.

In order to minimize the risk of repeating other students' mistakes, Rudestam & Newton (2001:84 in Krautzberger 2010) explains the risks of creating new research instruments. The reason is that questions are easy to misunderstand by the respondents and conclusions might be drawn based on the misunderstandings instead of the original intention.

Hair et al (2007:237) argues for the re-use of existing scales in order to get a good scale. If the chosen scale is not fully applicable it can be adjusted, but that limits the risk of questions that are difficult to understand.

This dissertation has two main aims: Firstly to explore the Umbrella companies in the UK, France and Sweden and their impact on job-creation. Secondly it aim is to explore differences in the growth behaviors between the Umbrella Companies and a reference group of Henley Students employers.

3.1.1 What kind of information is needed

In order to describe the Umbrella companies the first thing is to find them. There has not been any international or national study (known to any one I have been in contact with). In this case there were two listing sites in the UK (umbrellasupermarket.com and umbrelladetective.com), and two in France (sneps.fr, fenps.fr) and one in Sweden (egenanstallningsforetagen.se). Other

sites were also researched and listed at the author's international listing of Umbrella companies (rentanemployer.com).

The second step in the process is to determine what kind of Umbrella Companies there are; in brief there are three types. The first form are the PEO (professional Employers Organizations are frequent in USA. They offer a co-employment in which the Client-Company partners with a PEO-company with a shared employment ship. The second form and the most frequent form in the UK is a Contracting-Agency-Service. The third form and the most frequent in Sweden and France is where the Client Company has been approached by the consultant and an agreement has been made for a certain job. The Consultant then asks the Umbrella Company to send an invoice and pay salary for the agreed work. This last form has the interesting potential to help individuals from unemployment into work.

Finally some measurement of number of employees is needed. This is unfortunately difficult because the companies report their staff in different ways. Some report on individuals who ever sent an invoice; some on full time equivalents' and others report the number of active consultants per annum.

The stakeholders are also necessary to define in order to set the boundaries of the business. This dissertation has been focusing on the Individual using the Umbrella Company and the stakeholders for that group are: the consultants, their client-companies and the unemployment-agencies who benefit from having their customers leaving them.

3.1.2 What kind of methods are useful to get the needed information

The first decision to make is to decide which of the two main directions for data collection to use; an *exploratory inductive* method where the researcher looks for data to build a theory or the *hypothesis testing deductive* approach where previous knowledge is tested with new data. (Study Guide:p31). For this assignment there has been certain knowledge about the area but not enough previous research for a straight deductive method. A combination of methods was therefore chosen, first unstructured shorter phone-interviews with 19 interview persons (referred to as IP1-20) and then two surveys.

There are two basic options (Hair et al 2007) *primary* or *secondary* data. Primary is more expensive and takes longer time, but has the advantage of being more specific to the research problem at hand. Secondary data, where someone else has gathered the information is simpler to use, since it is already organized, but one needs to be cautious about the risk of how it was collected.

For this dissertation both methods have been used. Secondary data in order to collect information about the companies and primary methods to collect information about how they operate.

Summary: Information about the company's turnover, number of employees has been collected through business registers. Two surveys have been designed to collect data about what people know of Umbrella Employment and how these companies grow.

3.2 Empirical research method

This section describes the methods used to collect data. Initial phone interviews, a pilot survey and a larger survey, finally followed up with reminders and follow-up questions by phone.

3.2.1 Identification of the Umbrella Companies

In order to find the Umbrella Companies an initial list of the Swedish Umbrella companies known to the author was made. It served as a basis to find key-search-words for the structured search via several search engines. Google was the most use one. Several companies were found through Google's image search since several of the companies had images encoded with keywords but not text-pages. This was a surprise for the author.

The next step was to go through Swedish industry report on job creation and self-employment subsidies in order to find patterns or information related to the Umbrella Employment phenomenon. This also included interviews with active Umbrella company owners of what they knew.

To get the international perspective a former EU financed an Equal-fund-project proved helpful to identify the French term for Umbrella Employment. The same was with the term in English, which was a result from one of the interviews.

3.2.2 The process of creating the research question

Then began an interview process via email and phone to stakeholders to establish the borders of the umbrella concept. The proximity to the Staffing Agencies and organizations geared to help people start their own legal entity business.

In parallel the research question developed from an initial Job-creation-focus to a wider scope via Corporate Strategy to Growth and its *impact on job-creation*. The reasons for this were the personal objective of creating a platform from which the author could search for a new job. If the focus would have been kept at job-creation, it was considered to limit the possible future employers to just a few.

3.2.3 Process for the Current thinking review

The two subject areas Growth and Job Creation proved very different in response from the literature databases. Strategy and Growth had vast number of articles, most of which was retrospective. Job Creation on the other hand did not have as much academic literature but a large number of reports and studies financed with different EU and governmental institutions.

Three growth practitioners appeared rather early in the process, of which one (Thomson's 7 Essentials for Exponential Growth) became a favorite because its face validity. It also resembled Dornan's Vital Signs' system and Ahrens' Growth Barometer.

A direct contact was made to Mr. Thomson in order to get access to the original questions which proved very easy. Full access was granted at no cost. The other two did not offer the same openness for external studies.

A limitation was however found with Thomson's questionnaire of 56 questions, since they were not reliability or validity tested. To use such a large questionnaire on voluntary respondents without knowing the quality of the output was not a preferred option. An attempt to cooperate over that matter failed and a decision was made to use the concepts, but not the full 56 questions. See Appendix 15 for the full questions and Appendix 16 the seven abbreviated questions ones used in the large survey for this dissertation.

The literature review also proposed a set of questions related to the subject area. These were listed and survey questions were created and tested (see section 3.3 for the resulting questions) on 12 different persons, mostly people knowledgeable in the field over email.

3.2.4 Availability of response groups

One of the considerations for the survey was the availability enough of respondents to low enough cost. The first group was the Umbrella Company owners, who were considered an easy option. The research project was about their business and the possibility for them to grow faster. This proved wrong, see the results section.

Since Thomson's framework was the most interesting but it was tested neither proactively in the US nor in Europe, a reference group was needed. This group would serve as a base-line to compare Thomson's findings against as well as the Umbrella companies.

Thomson's (2005) research was done through analysis of secondary data (business registers and newspaper articles) together with 75 "C-level"-interviews. But it had not been tested with a survey where the validity of the framework was proved. According to Danielsson & Delmar (2002) all companies do not want to grow, about ten percent have the intention to grow and about 60

percent do not want to grow despite the resources to do it. In Thomson's work, about five percent reached one billion of all the companies he studied, and of them only five percent reached ten billion.

Out of a population of some 300 companies, something between ten and twenty five would be interested in growing their business. The population seemed too small to make a good possibility for a study if not all responded to the survey.

3.2.5 Data collection

The secondary data was collected as described above, section Identification of Umbrella Companies.

The Primary data was collected via several different pilot-surveys in print, Facebook.com poll, Surveypirate.com and two main surveys administered via Surveymonkey.com. A standard procedure was used with selection of respondents, an invitation letter a follow-up email and an reminder. For the large survey to the reference group of Henley students and Alumni's, a complimentary gift book (ovillkorlig.se) was offered and accepted by 48 percent of the respondents.

3.3 The first simple survey

(See Appendix 15) contained three content questions and several background questions for selection purposes. The stakeholder groups were lobby-active organizations at the Swedish Politician week in Almedalen, Visby. Around 10 000 participants out of 200 survey forms were administered with a response rate of 25%. For details see the Results section below.

With the following questions:

- Do you know of Umbrella companies (40% knew about it)
- Can Umbrella Employed staff help competence sourcing for SME? (92 % yes)
- Can Umbrella Employment help create new jobs? (87% yes)

The third question was altered to the second target group. Would a company owner rather hire somebody against an invoice than salary (74% yes)

3.3.1 The second larger survey

The larger survey was developed based on the two main areas of research. The first to see who the Umbrella companies were, the second how they operated. The survey was created in English and translated into Swedish and French to enhance the response rate. For the English version, see Appendix 15). The questions from Thomson's 7 Essentials used a five-step Likert Scale, while most other questions used text-alternatives. The reason for the Likert Scale was to be able to create correlations between the Growth behavior (independent variable) and Growth Effects (dependent variables).

Reliability have been calculated for internal correlation of the variables Chronbachs Alpha =.678. An Item-Total statistics with "if deleted" calculation resulting in weaker reliability if any of the 7 factors would be deleted. A rotated Varimax Factor Reduction indicating the factors to be grouped in three components. E#1 + E#2 grouped, E#3, E#4, E#6 grouped and E#5, E#6 E#7 grouped.

The causality was considered between the growth behaviors and the result, but it was decided not to go in that direction since data about growth behavior three years ago was not available. A separate question was instead developed to correlate Growth Intention (Q10) with Growth Result (Q11) see Appendix 15 for wording of the questions.

Another question was designed to see if there were any limitations for growth (Q13) and what kind of value the companies perceived they created Q12.

The rest of the questions were basically for segmentation and background control of respondents.

3.3.2 Reminders to increase response rate

The response rate for the pilot survey was good. People responded on site 20 percent, or via internet within a couple of days 5 percent.

The response rate for the Reference group was fairly low 12 percent out of 950 sent emails. Since it was a reference group and because of Henley Nordics routines, no reminder was sent out. 12 percent is considered a high response rate based on previous surveys to the same response group (Amdi 2011)

The Research group of Umbrella Companies was even lower in response. Out of the 150 UK invitations, 2 responded immediately, 3 after the first reminder. To mitigate the risk of failure telephone calls were made to the respondents basically with the answer: "We do not respond to surveys. A third round of call was therefor designed to investigate what kind of Umbrella

Company they were. Therefore the information about company size was taken from the business register instead. Unexpected from an experience of Swedish and French company registers, the UK companies do unfortunately not report *sales* in many cases.

The French companies demonstrated a similar behavior 1 response out of 75 invitations, and 1 after the first reminder. Follow up calls were given to these too, but the language proved a barrier apart from the busy life of people.

The Swedish Umbrella group responded slowly up to half the group. The same reminder pattern was used here but in Swedish language. Most company owners recognized the author and said they liked the initiative and would answer when they would find time to it.

3.3.3 Encoding and recoding

To make the statistical analysis more comprehensive a few corrections were done after the data collection.

- Anonymous answers are coded to Country based on IP-addresses. (ip2location.com)
- Owner Manager are recoded to Owner/Manager

The responses for detailed answers like Age, Industry, Growth Limitations were divided into groups of fewer groups in order to make cross tabulations easier. The groups were divided based on either medians or perceived strata's of the respondents. See the Results section for more details of this.

Outlier analysis has been done to exclude very odd company ages and turnover sizes compared to the samples (Hair et al 2007. P322). In the Henley Reference group there are some very old companies (236 and 387 years old). The mean age with these companies included is: 53 years while it is 28 years if they are omitted. Further analysis will state if they are omitted or not. One of the UK Umbrellas Agency Companies (Giant) is five times larger than number two. It is sometimes excluded also.

The total average turnover has been recoded to match the means for each company and these averages have then been reported as three years means. This was because many most companies do not report three consecutive years with the effect that the averages are not comparable.

The questions for type of industry of the consultants and what value the companies create have been omitted from the report because of lack of data in the responses.

3.3.4 Risk considerations

Risk for lack of data

Some of the Umbrella companies are sole proprietorships, and they do not disclose their reporting. Some of them have also indicated they will not share information about their staff. The work-around is to secure access to enough companies with public business register-data.

- UK-based paid database with the 5 last years of financial reports.
- In Sweden the 3 last years are available for free over Internet.
- In France the 2 last years are available for free over the internet.

To mitigate the lack of interest, an invitation letter was sent out to the population informing them about the research project. The letter explained the immediate benefits of answering the survey by their response link to a personal benchmark-response-sheet. The same letter was also published on the International Umbrella Company site (rentanemployer.com) to ensure the officiality of the research.

Percentages are reported without decimals, as 0,01% represents 1/10,000-difference and the small sample sizes in this dissertation are less than 1,000.

Risk of receiving late responses

To cope with the risk of late responses, a data processing work-flow was developed that allows data to be updated in cycles. The report is adjustable for changes in the answers. This procedure also controls for differences in early vs. late respondents. The method did not come use since the research group answered so poorly.

Lost questions

Questions around marking were intended to be asked. The following areas have been considered interesting: printed ads, word of mouth, alliances, social media, web-ads, direct emails, direct mails. The questions have been omitted totally because the preliminary interviews indicated that the respondents would not be willing to answer such questions at this time.

- In what direction do you see the industry for the next five years?
- What would happen with these jobs if the umbrella companies did not exist?

3.4 Statistical methods used

In order to be able to extrapolate results from the received responses, standard statistical methods have been used. For data of nominal character like country names, numbers have been assigned in order for SPSS to be able to use more common methods like t-test (Hair et al 2007:p332). It can be discussed whether countries can be assigned numbers and the differences could be calculated with mean variances, but a difference can be detected, it is simple to understand. Conclusions from the difference should however be taken with caution. For other questions, dummy variables have been assigned in order to get hypothesis testing in a more clear format (Hair et al 2007:p386).

3.5 Limitations of the methodology

This section discusses the limitations of the studies for the two main areas: Growth and Job-Creation.

3.5.1 Limitation regarding Growth

The relatively small population of Umbrella Companies gives limited number of growth companies. As stated earlier Thomson (2005) found 5 percent and Danielsson (2002) found 10 percent of their studied companies could or wanted to grow. It gives a small chance to find enough to draw conclusions outside of the researched sample.

Thomson's research was a reverse-engineering study, of the companies that had reached 1 billion USD in sales; none of the Umbrella companies have reached that level yet. 20 companies (15 percent) in the reference group have reached more than 1 billion. It is therefore possible that his findings will not replicate on a significant level in this sample.

Thomson research has a limitation to only follow up companies that were introduced to the US stock market. None of the Umbrella companies are publicly traded companies at the time of this study while most of the Reference group companies are. For further discussion of these companies' possibilities to reach a billion and beyond - see the results section 2.2.4 below.

3.5.2 Limitation regarding Job Creation

The obvious limitation is the measurement of jobs. It is not clear in theory and is neither consistent between the companies. Any result regarding new jobs needs to be taken with caution. It is however a measurement, which is argued to be better than nothing. It gives an indication for something to do further studying around. A recommendation for the industry is provided in the Recommendation section below.

The other lack of robustness is the lack of data from many companies in the public registers. Originally these were thought of as been a backup, not a primary source. Currently most companies did not respond to the survey and the public data is the only data available. About one third has no data recorded, one third of the UK companies have only assets recorded. In a few cases, the company's answers differ from the public records, and in those cases the survey-response has been recorded if it was lower than the public data. The rationale for this is that the company might have other turnover than the Umbrella Business and that is excluded in the survey response but not in the official registers.

Conclusion: An important decision for any growth-study is what measurement should be used. *Turnover* is the most frequent but not the best. It is chosen in this study based on availability of data. The same issue is for *staff* since there are many definitions. Here any response (administrative staff, consultants, persons, full time equivalents) have been used to give an indication of what size the company has. Not perfect but better than nothing.

4 Findings and analysis reported and discussed

4.1 Introduction to the results

This section describes the findings from the pilot survey and the large survey. The first part describes the respondents and their populations. It is structured to match the questions asked in the literature review in section 2. It covers who the Umbrella companies are in terms of size and numbers, their ambition to grow and the growth result. The growth behavior is also described with Thomsons' framework for Exponential Growth

To answer the questions set in this dissertation, several pilot studies have been done and one major survey to the Umbrella companies. The first pilot study was done at the “*Swedish politician’s week*”, at Almedalen, Visby in June 2011. The week hosted more than 1400 seminars and was attended by more than 10 000 people. 200 survey forms were handed out semi-randomly (according to willingness to accept the form) at various places during the week. 25% were returned. Of the respondents were 20 percent privately employed and 77% percent were employed by some kind of public employer. 3 percent were unemployed in that group. This group was chosen to represent the policy makers among the stakeholders.

Table 2: Cross tabulation between *Sample group* and *Society Sector*. Indicating an even distribution between the samples, with an overweight towards the public sector in the Political Week-group.

		Sample Group		Total Count
		BusNetwork	PoliticsWeek	
Sector	Private	80%	22%	44
	Public	18%	63%	34
	Unemployed	2%	15%	7
Total		100.0%	100%	85

The other target group was two groups of *small business owners*. They were chosen to represent the Supply-side for Employment/New jobs. The first sample was chosen to represent small business owners who would like to grow their business but are not in the active search for new employees. Business Referral Networks groups were chosen to hold such business owners with an open mind to do “speed-interviews while distributing the form. Two groups previously known to the author was chosen with a total of 75 people (BNI Haninge N=32 and OAN-gruppen Stockholm N=43). 44 of them responded to the survey (59%).

The respondents to the pilot study are taken from two samples, none of them statistically representative.

4.2 DQ 1 How many people have heard about Umbrella Employment?

The first question to answer is wheatear the research groups know of the Employment form. About one third (36 percent) of the pilot-study-respondents recognize the concept of Umbrella companies since before. The response has also been analyzed based on the following background-variables; Age, Gender, Region, Sector of Society, Income Source and Sample Group. No significant differences have been found between the groups. The only difference found was a correlation of .15, indicating that the small business owners know a little bit more than the politicians?. But the difference is weak (Hair et al 2007;p358) and not significant at the 0.95 level.

4.3 DQ 2: How many Umbrella companies are there?

The research of this dissertation has identified the following in the spring 2011.

- 106 Umbrella Companies in France (Societeté de Portage),
- 39 in Sweden (Egenanställningsföretag),
- 5 in the Netherlands (Total Pay-Rolling companies),
- 150 in the United Kingdom (Umbrella Companies) and
- 1 in Norway (Egenanstillingsföretagning)
- 700 in the USA (Professional Employers Organization, offering Co-Employment).

(The Private Employment Agencies, staffing companies, are excluded from this study.)

These companies have been categorized into three groups (terminology from the author).

Table 3: Cross tabulation of number of companies in each country.

			Country			Total
			France	Sweden	England	
Type of Umbrella Company	Unknown	Count	105 _a	0 _b	56 _c	161
		% within Type of Umbrella Company	65%	.0%	34.8%	100%
	Agencies	Count	0 _a	1 _{a, b}	8 _b	9
		% within Type of Umbrella Company	.0%	11.1%	88.9%	100%
Agencies & Entrepreneurial	Count	0 _a	2 _b	58 _c	60	
	% within Type of Umbrella Company	.0%	3%	97%	100%	
Entrepreneurials	Count	1 _a	36 _b	27 _c	64	
	% within Type of Umbrella Company	2%	56%	42%	100%	
Total	Count	106	39	149	294	
	% within Type of Umbrella Company	36%	13%	51%	100%	

Each subscript letter (a-d) denotes a subset of *Country* categories whose column proportions do not differ significantly from each other at the .05 level.

- Umbrella *Entrepreneurial* Employment Companies - servicing Individual Consultants with the consultants' clients.
- Umbrella *Agency* Employment Companies - servicing a Contracting Agency with Pay rolling.

- Umbrella *Co-Employment* Companies - Servicing a Company with their Pay rolling.

For a more details of the typology - see section 1.1 above.

The interest for this dissertation has been the Umbrella Entrepreneurial Employment companies of which some also do Umbrella Agency Employment Services. The other are omitted as well as the Netherlands and Norway.

Comment: Umbrella Companies in Countries and Types. England has the most companies and the most contractors, followed by France and Sweden.

The companies has been around in average 7 years (M=7.4, SD=5.2). There are significant differences between the companies ages between the countries ($t(195)=19.9, p<.<0.001$)

Table 4: Listing of average *Umbrella Companies age* in each *country*.

Country	Mean	Median	N	Std. Deviation
France	7.34	7.00	68	4.227
Sweden	8.94	8.00	35	5.821
England	6.83	6.00	93	5.492

The Reference group comes mainly from Denmark and has an average age of 52 years. There are two companies who are very old 387, 236 years old. If these companies are excluded the median value is 47. These companies are significantly older than the Umbrella companies ($p<.<0.001$).

Table 5: Listing of average *Reference Companies age* in each *country*.

Country	Mean	Median	N	Std. Deviation
Denmark	68	52	69	66
Germany	78	78	2	72
Italy	9	9	1	.
Norway	1	1	1	.
Poland	71	71	1	.
Sweden	44	27	9	48
Togo	6	6	1	.
UK	27	27	1	.
Ukraine	78	78	1	.
USA	56	56	2	63

The financial reporting in the public business registers differs between the countries; it was noted from the start of this project but was considered unimportant at the time because high response

rates were anticipated from the research groups. That assumption was incorrect; the response rate has been very low in general (2% in France, 0.5% in UK and 15% in Sweden). The alternative way to collect data through secondary sources is therefore the only method for the complete group.

The issued share capital varies a lot between companies and is reported frequently, in the UK the total assets are the most reported figure and turnover is the reported figure in Sweden. Estimates have been made to quantify the industry, based on the averages achieved in each country.

Table 6: *Number of Staff, Clients, New jobs created (percent) and Women employed (percent).*

Country		Staff	Clients	Percent new Jobs created	WomenProc
France	Mean	73	550	20	20
	Median	49	450	20	
	N	40	4	2	1
Sweden	Mean	8	266	34	46
	Median	4	47	25	40
	N	19	18	10	8
England	Mean	1,323	564	15	25
	Median	430	225		
	N	20	103	1	1

The number of staff and clients is reported in an un-standardized fashion by the companies. This makes these findings of lower quality and should be taken with caution. The overall trend is that Company Staff differs between the countries, where British companies have substantially more staff. The problem is that the reporting is sometimes mixed with the Umbrella Companies internal staff and the consultants. The same problem has been in the Private Employment Agencies until they decided to report internal staff and agency workers (who are at the customer's sites).

The UK has a mean value of about thousand employees per company, (M=1,323, SD=2,091)¹, while France has less than hundred (M=73, SD=91) and Sweden less than ten (M=8, SD=10). Transformed to percentages of Consultants, also sometimes referred to as Clients, UK has 1.8 Staff on each Consultant, while Sweden has 0.02 staff on each consultant. France has not reported any figures. The Private Employment Agencies has about 0.04 staff on each Agency

¹ (Note for Swedish readers, unlike in Swedish a , is used as a separator for thousands and . for decimals.)

worker (CIETT 2010), which gives the Swedish number some reason (- but... A failure of accuracy would be the proper word for this part of the research!).

The financials provide a slightly better picture with the British companies with the largest turnovers again (M= 37,722 K€, SD= 77,256 K€), compared to France about 1/20 of the size (M=3,793 K€, SD=6,081K€) and Sweden being the smallest with (M=965 K€, SD=3,310 K€).

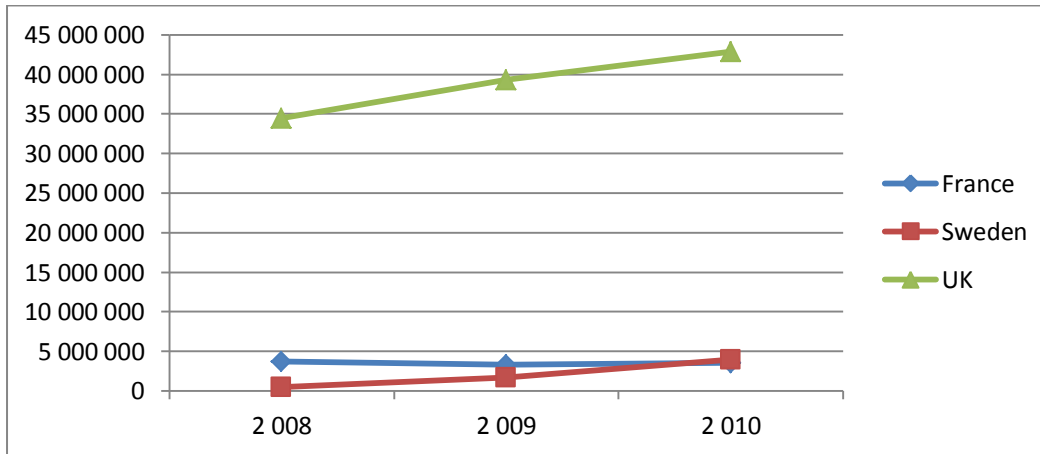


Figure 15: Turnover development for Umbrella Companies in France, Sweden and UK

An estimation of the total industry would give total almost six billion Euro for the three countries, where the UK provides 5.6 bn €, France 0.402 bn € and Sweden 0.038 bn €.

The accuracy of these figures is relatively low. Out of 149 UK companies, only five have responded to the survey. As an alternative way to find data an alphabetical random sample of 30 (20%) companies were chosen and checked with the business register. 22 of them have reported turnover (estimated to 73% of the all UK Umbrella Companies). The conclusion is that the turnover will only be an estimate until all companies are contacted.

Table 7: Company size numbers, average last three years, thousand Euros.

Country	Percent of cased	Capital	Avg. Tot. Assets	Average Sales	Avg. Profit	Profit %
France	56	83	457	3,527	49	1.3%
Sweden	60	11,111	182	983	0,7	0.1%
England	13	21	401	37,722	129	0.3%

Profits are better in France (1.3%), compared to UK (0.4%) and Sweden (0.1%). These figures are however dependent on reported numbers from about half (France=75%, Sweden 82% and UK 13%).

Phone-calls were done to all UK and Swedish companies to follow up the survey. The secretaries and managers were clear = we do not answer surveys. The strategy was changed to ask for company types. Most UK companies service both individuals and agencies. The larger companies tend to have more agency consultants than individuals. The same pattern holds for Sweden. The situation in France is still unknown due to language barriers when calling to follow up the survey.

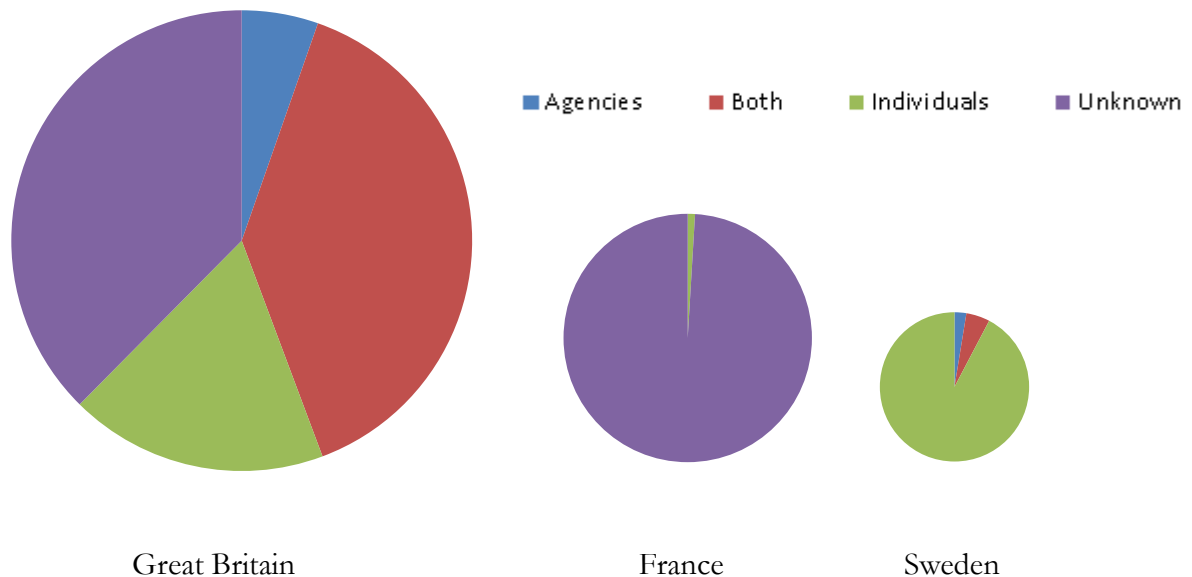


Figure 16: Different number of Companies with service offering: Agencies, Both and Individuals. Size of circle indicates volumes of Turnover/Staff. UK, France, Sweden.

4.4 DQ 3: What is the intention for growth among the Umbrella Companies?

This question has its reason in the article from Daunfeldt and Borhäll (2011) in a seminar report presented at the Swedish Political Week 2011. The basic question is: *Why are the companies not growing* - and the answer is: *Most of them do not want to!* (Wiklund et al 2003, Delmar et al 2003, Coad et al 2011). Out of the total population of Swedish companies the top 10:th percentile includes companies who grow with one person per year.

In this dissertation the *ambition towards* growth is higher for the *Umbrella Companies* compared to the *Reference Group*. A t-test for Independent samples give The *Umbrella group* $M = 1.5$ $SD = .74$ compared to the *Reference groups* $M = 1.2$ $SD = .50$. $t(132) = 2.96$, $p = .004$. **This is a significant difference between** the groups. The next question would then be to ask what does this difference indicate?

It could be based on differences in the companies industries, their origin or their size. Size is the variable that has the most to do with growth and it is therefore chosen for the further analysis. Previous sections have reported that the reference group has substantially larger companies.

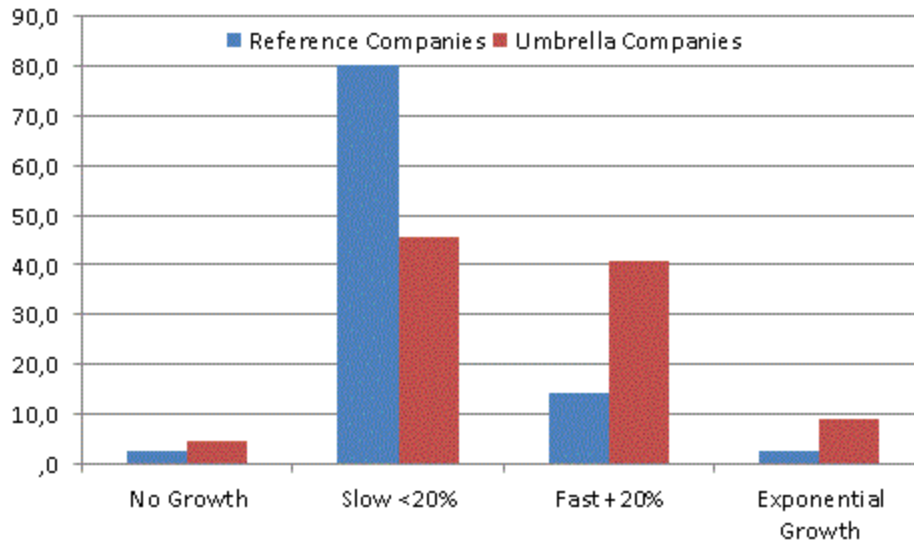


Figure 17: Number of respondents who have an ambition to grow, % of respondents.

Based on Thomson’s (2010) research on the US Blueprint Companies, who grew above 1 B USD, these results did not find a limitation on the “ambition to grow with “company size. Most companies have the ambition to grow.

It is something else that *drives* the growth and it is not limited to smaller companies, but rather increases with company size. In Thomson’s findings, there are 3 areas (“special exponential growth pattern, “they grow in any sector and “7 different Essentials or behaviors) that indicated growth possibility.

There are conflicting possibilities based on the findings and the literature. Either do smaller companies have higher ambition, or do higher companies have higher ambitions for growth.

Based on these non-significant findings, three hypotheses could be formed:

4.4.1.1 DQ 3 What is the intention for growth among the Umbrella Companies?

Hypothesis_{3₀}: No difference between the *ambitions to grow* and *Company sizes*

Hypothesis_{3₁}: Companies with higher ambitions to grow are *larger*

Hypothesis_{3₂}: Companies with higher ambitions to grow are *smaller*

The result from a 2-tailed correlation between *Ambition to grow* and *Company Size* (measured as an average of the last three years turnover) is negative. It means an increased turnover correlates with a decrease in ambition. ($r=-.17$, $p=.154$)

H_{3₀} is discarded kept since there is a significant difference. If it would have been significant, we would have accepted a weak correlation for H_{3₂}.

Growth is measured in relative numbers in the questions, at first glance a 10 percent increase in a small business is easier to achieve than a 10 percent increase in a giant business. On a second glance would economies of scale counteract that statement and argue for easier growth in larger companies. The question remains unanswered here.

Conclusion: There is a small difference between small and large companies' ambition to grow in this study; smaller companies have a little higher ambition for growth compared to the larger companies.

4.5 DQ 4: What are the growth rates among the different groups?

When the subject for this dissertation took form and the operationalization of the question around the creation of new jobs became clear, it was natural that it would be linked to growth. When the results are presented here, there is one problem, GDP change due to the financial crisis in the spring 2008. The result is that the economies in Sweden, France and Great Britain took a step backwards and the GDP decreased -4.3 percent (World Bank 2011).

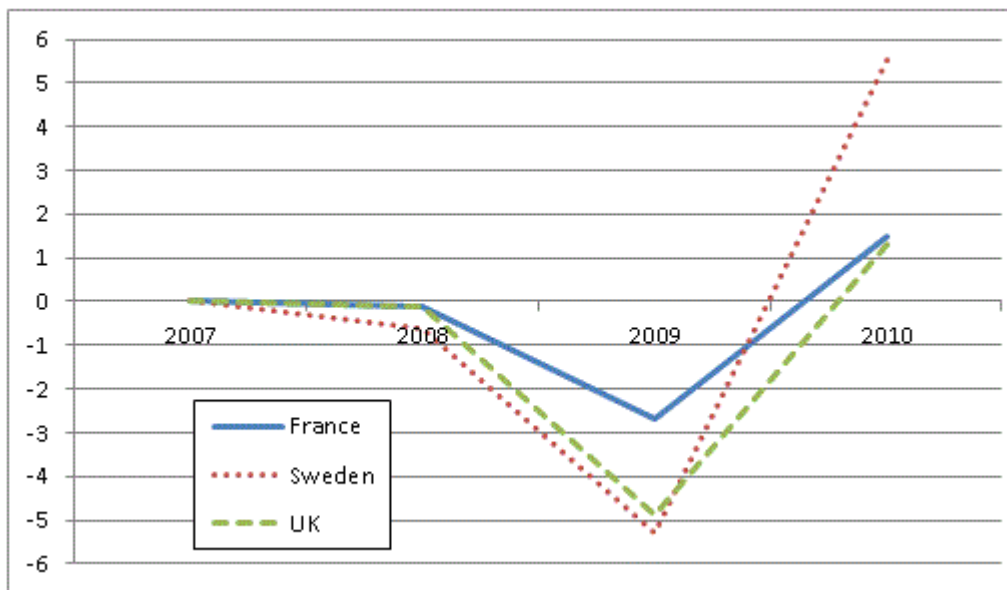


Figure 18: Gross Domestic Product, GDP, changes per country (World Bank 2011).

The economies recovered during 2010 but are still not back to the absolute levels of 2007. An ambition to evaluate how companies are growing during a period of falling business volumes is not the perfect situation. But according to Thomson's findings (2010), the *Exponential growing companies* grow fast regardless of the economic cycles. Umbrella Companies offer simplified solutions for people who would like to be able to invoice their customers. This means they could possibly increase their volumes during bad times. If people are losing their ordinary jobs, they try elsewhere! If employers experience risk, they might want to decrease that risk (transaction costs)

by hiring some freelancers instead of employing staff. The argument could be presented both ways.

Summary: The Companies in Sweden and UK are growing during this period, while France is decreasing.

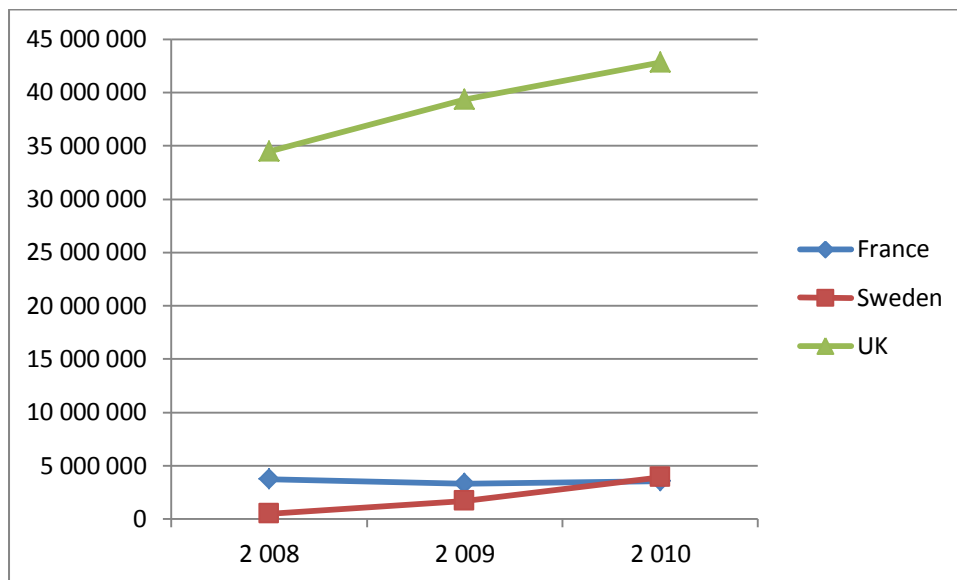


Figure 19: Average turnover in turnover per year.

Only companies that have reported two or three years. Correction is made for the total average deviation based on the companies who only reported two years.

A reason for the decrease is stated from a French Umbrella Company owner (IP3), “the French government made a big change in the legislation for self-employed people. This change made it easier to register as “Auto-Entrepreneur and get tax-subsidies up to 36 200 Euro in turnover. It took away a lot of the individual consultant’s clients for us very quickly.

Again caution is needed to interpret these numbers since the UK companies do both Individual and Agency Umbrella Contracting Services. As illustrated in the figure below, the dispersion, i.e. the difference between the companies is also larger than the mean value itself, which indicates a very diverse group of respondents (Hair et al 2007:p320).

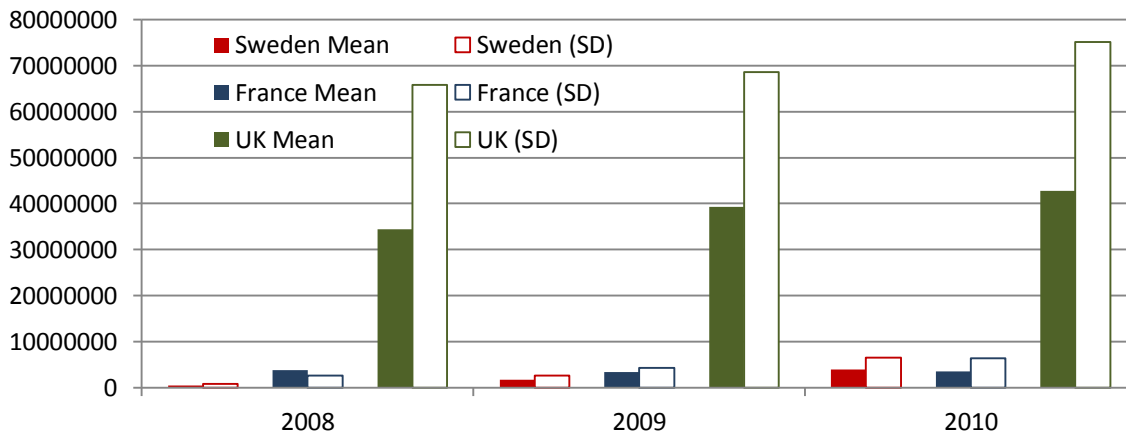


Figure 20: Average Umbrella Sales development per year, all reporting companies.

(Filled pillars = mean values, outlined pillars = standard deviation.)

Sweden has increased the turnover very much, due to one company. Thus the largest relative increase (810%) and UK has increased which is very good during a period of overall decrease in the economy (24%). France has decreased a little (-4%) as mentioned above.

This dissertation aims to investigate Umbrella Employment from a job-creation perspective. It is therefore necessary to differentiate between Umbrella *Entrepreneurial* Employment and Umbrella *Agency* Employment. To be able to calculate how many new jobs have been created, it is important to decide what unit is used for the analysis. There are jobs that agencies have “created” and jobs that the consultants themselves have created. In order to compare the turnover on the Umbrella Companies as the unit of analysis, it is therefore necessary to determine how many individuals who create their jobs themselves and how many are employed via an agency.

One large Umbrella Company in the UK (Giant) stands for about five times the size in turnover compared to the second and third (iPaye and Danbro). Median values are used to compensate this skewness of the normal-distribution of turnover. The median-value comes from the middle-observation instead of the average of all observations.

The average Umbrella *Agency* company (based on 10 observations) has 430 consultants and a turnover of 2 280 KEUR. The average Umbrella *Entrepreneurial* Company (based on 62 observations) has 125 consultants and 228 KEUR in turnover. The Umbrella Agency Companies have higher profits (Median 8 KEUR compared to 5.5 KEUR). There is also a group who service both types with 17 KEUR in median profit.

Conclusion: Companies are growing in UK and Sweden. Umbrella Agency Companies are larger and earn more money per consultant.

4.5.1.1 Growth in number of staff/Consultants

Another aspect of growth is how many clients, consultants or staff each company employs. Because of the unreliable reporting on this question the median values are reported but conclusions should not be made until better reliability of the measurements is used by the companies.

Staff is the number of Full Time Equivalents reported to the business registers. Clients are the number of consultants reported either by UmbrellaShoppingmarket.co.uk, the large dissertation survey or by phone-follow-up for non-responses to the survey.

Median values: UK $staff=430$ compared to $clients=212$ c. France have $staff=40$ vs. $=4$ and Sweden has $Staff=19$ and $Clients=18$. The data quality is best for Sweden with half of the companies having reported, of the French companies have one third reported staff and out of the UK companies, two thirds have reported Clients. The ratio between proper numbers would be about 2/3:s Staff (FTE) on every Client according to the initial interviews (IP 4, 7, 10, 11, 13, 19).

In order to find good correlations between *fast growing* companies and Thomson's 7 *Essentials*, it is important to identify the companies that grow during this period. It is therefore interesting to see if there are other variables correlating with company size.

One such area is the difference between the types of companies on the Intention to grow Q11. Umbrella companies have are scoring significantly higher ($M=1.55$, $SD=.74$) then the reference group companies. ($M=1.17$, $SD=.5$) $T(132)=2.96$, $P=.004$.

There are no significant differences on "*Perceived Growth type* Q12, or relative turnover growth. In order to get significant numbers with small response groups, the differences need to very clear, and in the *behavioral research* of companies, there are many factors that link together. **Within the Henley reference group, there is a significant correlation between *Company size* and *Growth rate*.** But since it is not part of the objective for this dissertation to evaluate growth rates among reference companies it is left aside.

Conclusion: No significant differences on *Perceived Growth Type* between the Umbrella company types.

4.6 DQ 5: Do employers prefer to hire instead of employ?

This question takes the theoretical standpoint in Williamson's (2009) transaction costs for employers when recruiting staff to their company. In Sweden, an invoice is a fairly straight forward contract for an assignment compared to other countries (Wennberg 2011). The costs of

ending an person working for a company on an hourly basis is very low if that person invoices compared to if that person is employed. Umbrella Employment can therefore be seen as a way to decrease the risk for the employer when hiring a new person. If that person has an immediate un-employment history, it is crucial to reduce that risk as much as possible from the employer's perspective (IP3).

The question of the legal form does matter when small companies recruit to their company was formed a bit later in the project, and hence only one respondent group has answered. It is the group of small business owners. They are however the ones that should answer. 17 out of 23 responses on this question (74%) have said they prefer to engage staff against invoice instead of salary when the person is unknown to them. A T-test on a dummy variable gives a significance of: $M=.74$, $t(22)=11.2$, $p<.001$ despite the low numbers of respondents. This result is also confirmed by Arvas in a small national representative study of unemployed and small business owners. More than half of the both respondent groups N= agree. (2011).

Conclusion: The respondents believe that Small Business Owners prefer to hire instead of employ to their firms.

4.7 DQ 6: Is Umbrella Employment a way into the workforce?

Based on the Dissertation Question 5 above, a hypothesis was formed regarding Umbrella Employment is a way into the workforce. The answer is a resounding yes from all parties. No one of the 84 respondents says no to the question $t_{85}=24.1$, $p<.001$. In the business owner groups, 15% percent says *Do not know*.

Hypothesis5₁ = **Accepted** since there is significant support for Umbrella Employment to be a way into the work-force again.

The critic would argue that a question should give some kind of distribution of the answers, and this is a good argument against the formulation of the question. In another project for Tillväxtverket (Swedish Agency for Economic and Regional Growth) has different formulations been tested on a small national strata sample (n=129) with similar result. Almost no one disagrees with: "*it is a possible way back into work* (Arvas 2011).

4.8 DQ 7: Are there differences between the groups of Leadership styles?

This question tests if there are different styles of leaderships between the American companies who are growing fast and the two groups of companies in this dissertation. The question is

operationalized with Thomson's Essentials #6 Inside-Outside Leadership. The hypothesis is that the fast growing companies perform better because they have an Inside-Outside Duo of top management. A high score (close to 5) on the essential would indicate the same kind of leadership on this issue between the Umbrella companies and the Exponential growers.

The Umbrella companies score average **3.3**, SD=1.8, while the reference group score **3.0**, SD=1.4. The t-test gives $t(103)=6.25$, **p=.36**, a non-significant difference between the two researched groups. But the difference between the *US Blueprint Companies* and the EU-companies are significant with a t-test $p<.001$. More interesting is that the companies *targeting individuals* (n=87) have lower average **M=2.9** ($t(86)=-9.6$, **p=<.001**) than the companies that *target agencies* **M=3.4**, $t(14)=-2.0$, **p=<.06**.

Conclusion: Larger companies in closer partnerships with a “Big Brother-Agency” have higher degree of leadership that is associated with high growth companies.

4.9 DQ 8: Are there any difference between the management teams?

Thomson found that slow growing companies normally have investors, banker and managers on the company board, while fast growing companies normally have other fast growing CEOs and other Essentials Experts on the board. Are there researched companies different from the US Blueprint Companies in this respect and do they differ from each other?

The mean value from the Umbrella Companies is **3.1**, SD=1.8 and for the reference group slightly lower. The difference is not significant. But the difference between **5** as the American group is reported to score and 3.1 is significant. There is a difference between the European companies and the US Blueprint Companies in this and their Board members.

4.10 DQ 9: Are there any special growth pattern?

This question aims at finding special growth patterns similar to Thomson's for exponential growth. The figure illustrates the available data zoomed in on the

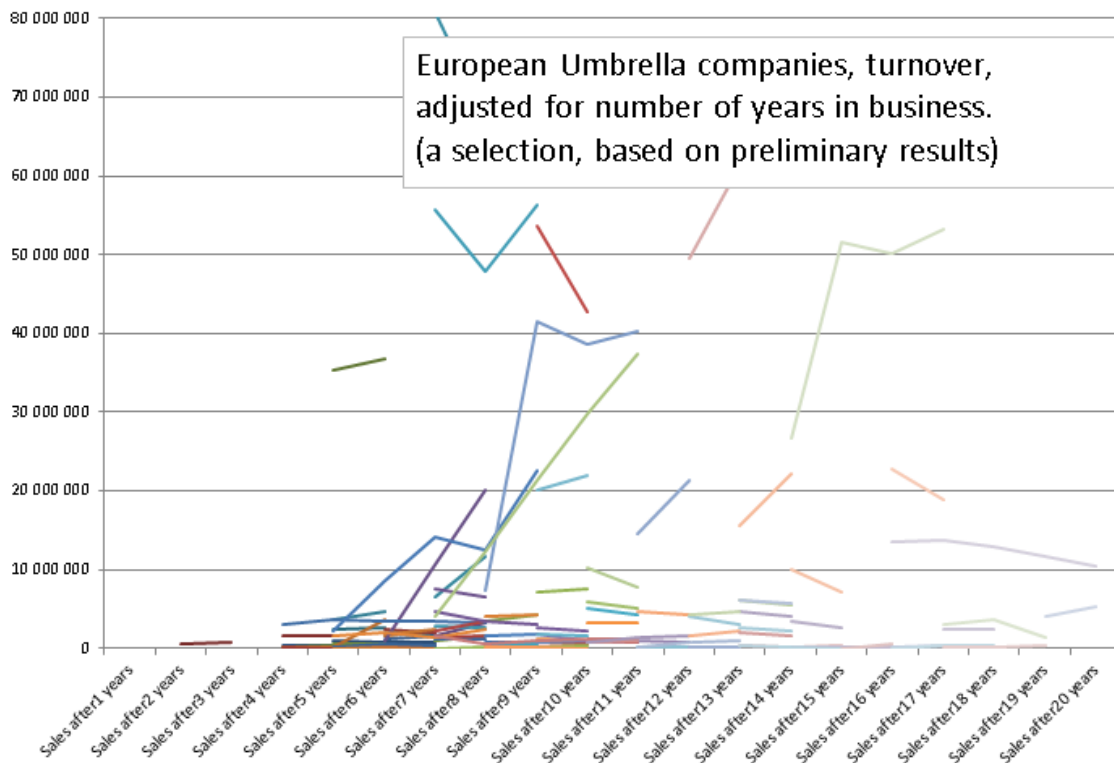


Figure 21: Turnover in Euro for the 294 Umbrella Companies in France, Sweden and UK.

Because we do not have five years of consecutive data on more than a handful of companies, the growth curves described above are fragmented when compared to the Thomson's in Figure 1. It is not possible to calculate a proper exponential growing curve, which needs 4-6 years after the inflection point to appear. But some interesting patterns occur in the image. Some companies, have steep angles on their turnover development, and most have flat lines. How are these companies comparing on the other variables like the *Essentials* and *job-creation*?

There is a positive correlation between company age and turnover size visible on the image above (it is non-significant statistically), but most companies with reported figures are around 6 years and of these a handful have grown substantially, some seem to have grown exponentially (diagonal lines in the right upper half of the diagram). A separate study of these companies would bring more insight in their behavior. Out of the 24 Umbrella companies that have responded reports 2/3 that they intend to grow, that is similar to the reference group of Henley alumni's. Delmar & Davidsson (2002) reports that a small group (6%) of all new companies have an ambition to grow more than six employees after five years (corresponding to survey question 10: ambition category is *Grow fast +20%* or *Grow Exponentially*), which has half of the responding *Umbrella Companies* and on third of the *Reference Henley companies*. A possible explanation is that the companies who answer surveys are interested in growth, while the "non-growers" do not spend their time on the subject.

Conclusion: Most companies do not want to grow (including the ones that have the capabilities Delmar & Davidsson 2002:p6). Among the Umbrella Companies who have responded half of them want to grow.

4.11 DQ 10: Are there different “Essentials” values between the groups?

There are significant differences at the between the two researched groups and the US Blueprint Companies. The Swedish Company group is also significantly lower than the US in scores. See appendix 9 for a method description of the Essential mean for the US Blueprint companies.

Table 8: Average scores on the 7 Essentials Framework (Thomson 2005), per response group.

- Reference group M=2.5, SD=1.4, N=111, T(110)= -13.7, P=<.001
- Umbrella company **M=3.2**, SD=1.3, N=22, T(21)= -4.3, **P=<.001**
- Blueprint Companies **M=4.8**, SD=1.0, N=387
- Swedish Umbrellas **M=3,1**, SD=1,3, N=16, T(15)= -3.64, **P=.002**

The material indicates that the **researched group is different** on the scoring compared to the US Blueprint group, as it should be according to the literature, since the companies does not show the special increase in growth as Thomson found.

Tests have been done to see if there are differences between the mean scores for individual questions and company size groups. There are significant differences between the groups, but they do not show a pattern of any clear meaning.

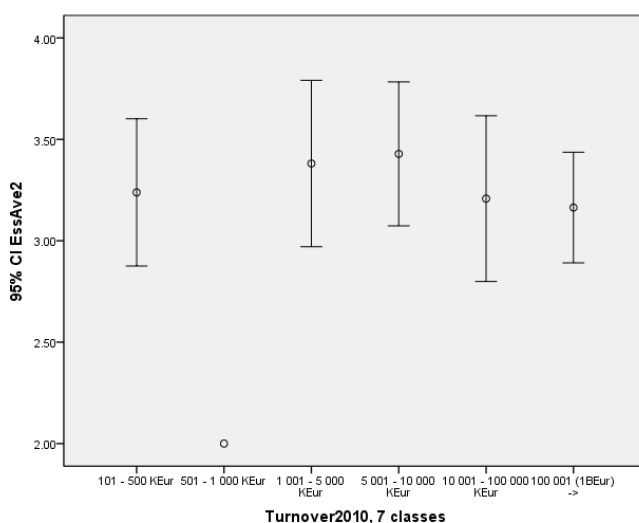


Figure 22: “Essential averages mapped to company size-class.

There is no clear indication of higher scores with larger company size.

But the findings for Growth Pattern (Q11) and Essential Average indicates strong support for the Hypothesis that Higher scores is associated with faster growth. ($R_{110} = .295$, $p = .002$)

Conclusion: Both types of companies have significant lower levels of average scores on Thomson's *7 Essentials* ($p < .001$), the *Umbrella Entrepreneurial Companies* score a half step lower ($M = 3.8$, $sd = .14$, $n = 10$, $t_9 = -3.9$, $p = .004$) compared to the estimate of $M = 4.4$ on the *US Blueprint Companies*. With higher response rates these differences could be analysed further.

5 Conclusions and Recommendations

The aim with this dissertation was to identify the Umbrella Companies and to describe them in terms of Size and Growth. This section is divided in recommendations for the three stakeholder groups: Umbrella Company Managers, the governmental bodies and Companies in General.

5.1 Discussion from an Umbrella Company Industry Perspective

The difference between the Private Employer Organizations, the Umbrella Agency Companies and the Umbrella Entrepreneurial Companies needs to be made clearer from the industry in order to explain the benefits to their respective target groups. The difference is large for someone in the industry, but from an outsider Umbrella Agency companies and Staffing Companies look very similar. From an outsider a Micro-company and an Umbrella Entrepreneurial Employment looks the same.

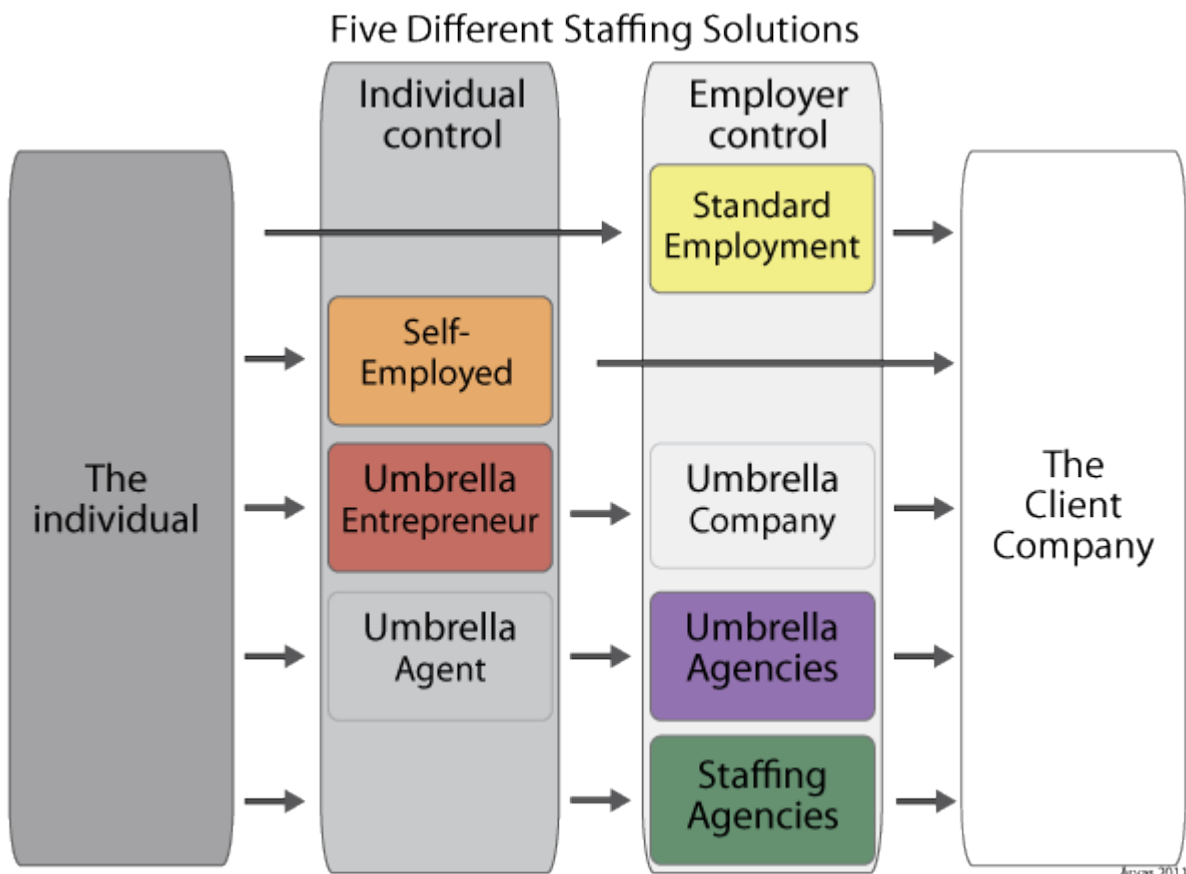


Figure 23: Umbrella Employment (highlighted) compared to other employment forms

5.2 The Umbrella Company management

This section aims so summarize the findings in practical terms and contains the authors recommendations based on the findings in this dissertation.

5.2.1 *Enhance the volumes or focus on a strategy for growth*

There are two choices to make as a manager for an Umbrella Company. Should one target the Agency market or the Entrepreneurial market? In Sweden, the choice has been made by the unemployment-subsidies-regulations. A development in the industry in Sweden led to an agreement for permanent employment for agency workers, with payment between assignments, with a similar development (Agency Workers Regulations) in the UK in October 1st, 2011. The findings in this dissertation indicate that Umbrella Agency Companies are larger and more profitable per consultant than the smaller Umbrella Entrepreneurial Companies (see section 4.3). Most of the UK Umbrella Companies offer both Agency and Individual services, and an internal grading of these companies has not been done due to lack of data.

Since the business in itself is a business of *operational excellency*, where standardized routines and high volumes lead to increased performance, it seems natural to recommend the a manager to involve agencies as a target group. An alternative is to become an agency for Entrepreneurial activity (like Convoy in Sweden), who have outsourced the administrative work to another Umbrella Company (Uppdragshuset) or iBalance and RedEgo which are brand names of Pro Corporate. Economies of scale looks strategy the use.

Recommendation: Focus on coaching and outsource the administrative work or evaluate the possibility to include agencies in the operation to add volumes in the system.

5.2.2 *Harmonize reporting standards for future industry research*

The reporting of the number of staff and turnover is problematic in the Umbrella Business. The reason is that there are two kinds of content described with the same numbers. The internal staff, i.e. administrative people running the service production, differ from the company's value added services to the consultants. These consultants are legally employees, but the run their own business content. The Umbrella management does not interfere with their sales calls or market offering as they would do if they worked in a Private Employment Agency (PrEA).

The CIETT (PrEAs world industry organization) reports their numbers in Agency workers and internal staff. Global average is 741 000 internal to 9 000 000 agency workers, 8 percent. The similar figure for Umbrella Companies is 24 percent for but the data is not complete.

So far the similarities to the Private Employment Agencies are simple, but when it comes to turnover it is not as similar. Both industries would preferably report the cost of salary for their consultants as cost of goods sold, since the service these companies are delivering is the

administration of employments and salaries. The difference lies in that the consultant's business volume (salary and material costs) drives the turnover for the Umbrella Company, while it does not for the PrEA since they only handle staff. There are two different pricing models, the fixed fee (UK) and the commission based (France and Sweden). In the case of the fixed fee, then the consultant's turnover should not be considered a key performance indicator for the Umbrella Company, opposite to the French and Swedish ones.

Recommendation: Report consultants as cost of goods and administrative staff as personnel.

5.2.3 Cooperate in the industry to do shared market and lobby activities

The marketing and lobby work has not been part of this assignment but it appears that the industry could benefit by organizing itself in Sweden as it has done in France and UK. There are two industry organizations in France with $\frac{3}{4}$ of the companies as members and a surveillance organization with these organizations, the unions and the government. In the UK there are several active websites guiding the users and there are initiatives for industry organizations but they only have a tenth of the companies as members. In Sweden there is an initiative as of September 2011 for an industry organization.

Recommendation: Form national strong lobby organizations for joint marketing and legislative initiatives. Cooperate internationally with research to prove the efficiencies of Umbrella Employment as a way into work. Be careful about the marketing positioning to differentiate between the different activities.

5.3 The Policy makers

These comments are intending to discuss and recommend possible changes on the society level.

5.3.1 Help the profitable “non-growing” companies to grow

Danielsson & Delmar (2002) reasons that there are two groups of potential growers among small companies, both groups need to be profitable and have a positive cash-flow in order to be able to self-finance their growth. One group has the intention to grow. These companies will most likely figure out a way to grow on their own. The other group, which also is a lot larger according to Davidsson’s findings are not interested in growing. The reason for this is mostly the risk of changing the good feeling in the company at the current size. If these companies would be encouraged or educated to grow their companies, a lot of healthy new jobs would be created in companies who have proven they know how to run the show.

Differentiate between self-sustaining contractors and unemployed contractors. The first group is in essence outsourcing their business administration to an Umbrella Company since they are voluntarily running their own companies. While the other groups of Unemployed people are unvoluntarily running their own company and could (in most cases) not support themselves from the income of their umbrella business.

Recommendation: Use government initiatives for Entrepreneurial activity as a way to find work for unemployed people. Let the Umbrella Companies find the self-sustaining consultants.

5.3.2 Separate Entrepreneurial activity from Job-searching activities

The Umbrella Companies report *Rules* as their biggest Growth limitation, while the reference group reports *Resources*. This could be interpreted in the light of the Umbrella Business as being a business of “buffering” for rules for their consultants. The Umbrella Employment stands by itself between ordinary employment and self-employment. For the Swedish Umbrella Companies, the unemployment subsidies legislation is the main limitation.

Recommendation: Differentiate between Umbrella Employment as a job-hunting and self-supporting work. The first could be assisted by close monitoring and clear rules from the unemployment governmental bodies, while the other should be treated like an ordinary employment.

5.4 All companies – test and evaluate these frameworks critically

My intention would be to say go for the “7 Essentials” and you will *grow*. These were the early findings of my responses. But when the responses continued to flow in the pattern changed from a significant support of the theory into a non-significant. The framework still holds its face validity and it is still simple to understand and apply. If it is also a prerequisite or a promise for growth remains unanswered.

Recommendation: Keep investigating the links between Growth behaviors and Growth

Growth intention and Growth resources are positively linked by these respondents. The consequences become clear to make the intention clear with the company. Companies without an intention to grow are smaller,

Recommendation: If you want to grow – start to make the intention clear.

The framework for transaction cost indicates areas for improvement which are normally outside of the companies boundaries. It gives a magnifying lens to see waste of resources that otherwise might have been missed. Umbrella Employment helps reduce the transactions costs around staffing and especially in temporary staffing for people the company have access to in their network.

Recommendation: Use the transaction cost framework as one of the tools when looking to cut costs.

6 Reflection

This section discusses the value and usefulness of the findings in this dissertation. It is based on the author's personal reflections and is written in a personal form.

6.1 Evaluation of the findings

My ambition with this Management Challenge was to establish a field of research for the third way into employment: Umbrella Employment. The findings are important for the companies in their effort to create an industry identity, since there has not been any previous work done on an international full-scale level. There has been an Equal project between 2005-2007 (Laurelli 2008) with cooperation between social entrepreneurial activities companies in Sweden and in France, and there might be some research done somewhere that I have not been able to find.

Now there is at least a complete list of Umbrella Entrepreneurial Companies for individuals and Umbrella Agency Companies for Contracting and Recruitment Agencies. There have been several very good conversations with business managers and there is a growing awareness among the companies that these managers are not alone. One manager said in an interview:

"I have been a banker for all my life and have been so frustrated to see good people come with good business ideas but lousy accounting skills. I thought I was the only one who saw the problem and did something about it. I am so glad there is someone to speak to out there (IP5).

The limitations of the results are obvious: the response rate from the UK and French companies (5 and 2 full responses). This limits the conclusions of all information that is company specific and not presented on the company's websites or in business registers. One of the reasons for this might be that the managers do not see the value for them to use the survey, despite its intention to survey a manager's behaviour and at the same time *give an idea of a fruitful direction* in order for them to get an immediate value back. I could simply not imagine how difficult it was to get a complete dataset with a reasonable number of responses. Just the transformation of three currencies took un-proportionally long time since I started to collect one set of data, then tested it and needed to do changes. Then all of a sudden I found a new group of companies and needed to collect new data and redo the categorization and the statistical analysis.

The findings related to the growth literature are not strong; simply because I do not have a large enough sample to draw good conclusions. There is a significant correlation between higher scores on the "7 Essentials" and "Growth Intention" $p < 0.05$. Companies who answer the have an intention to grow fast are also scoring higher on the essentials. Among the companies without intention to grow, they are scoring more randomly.

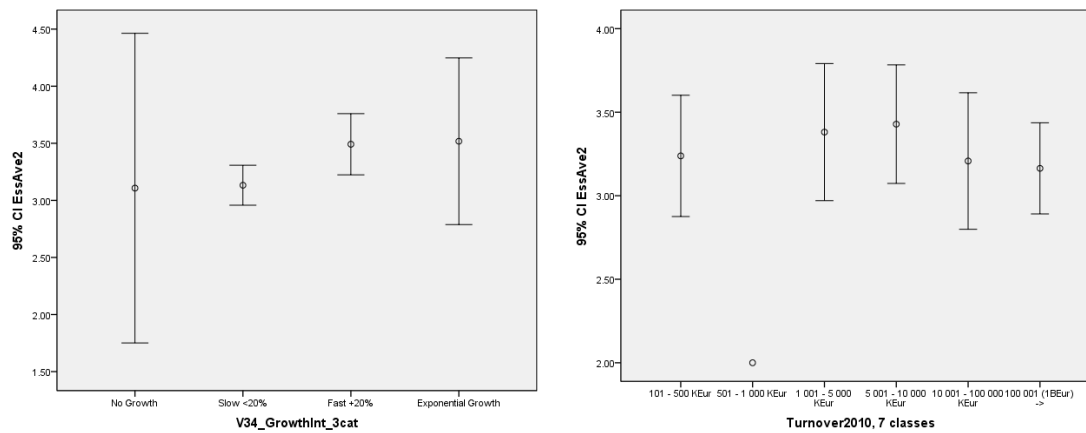


Figure 24: Distribution of “Mean-answers on the 7 Essentials”.

The figure is grouped for “*Intention to grow*” on the left compared with groups of Turnover sizes.

But I wish I would find the similar distribution on turnover size, but it simply does not look like that. There might be many explanations, one of them the financial crisis 2008, which hits at the start of my period of data collection. But I think there are more to it than that. Possibly are the 7 Essentials alone not a good enough predictor for growth.

Comment: I think the results have been influenced by my interest in the job-creation-aspect of Umbrella Companies. If I would have come from the outsourcing perspective, I would probably have left all small companies aside and just focused on the big-scale operation it requires to run a smooth pay-rolling-department. Not bad, just a different thing. My passion is with the people who would like to be independent but who do not dream of a moon-light-career as accountant.

6.2 A Discussion of the choice of methods-revisited

The aim was to quantify an uncharted industry on the European level. That has been accomplished with names of 294 companies. Complete contact details and sizes have been found for most of them, type of Umbrella Business have been found for all the Swedish and half the British companies. The method chosen was a “population-approach. If a sample-approach would have been done, a better knowledge of the researched companies would have been accomplished, but I think that should be the next step. There has been a case-study in an Equal project with five companies before (Laurelli, 2008) I knew of it but only got hold of it the last week of the work. I don’t think it is possible to expect to know at the start in an exploratory project.

With the experience I have now, I would have done interview-design for the part with the *growth intentions* instead of a survey with a small sample of companies, not because it is what I want, but

because it is a more secure way of getting data. It has been very difficult to get hold of managers on the phone – most secretaries or managers say they are busy.

But as mentioned in section 3.2 the aim was to describe the population in the first step and then understand their behaviours.

I have logged 143 interesting references for the project and done more than 19 exploratory phone-interviews see appendix 13, there are a lot of people who have experience in the field.

I miss the marketing research, it would have been very interesting to see how these companies acquire their customers, but it was omitted because of company integrity and I think it was wise.

Conclusion: The initial focus on job-creation through Umbrella Entrepreneurial Companies has been widened to include Umbrella Agency Company Activities too. A discarded thought when I sold my Umbrella Company ten years ago has been tested here through this research, and proven to work: *Focus on people who are full time (through Agencies) to support people who are unemployed.*

Now is the time to tell the industry!

7 Personal development

This section describes the process the author has experienced through the work of the dissertation. It aims to reinforce learning and be an evidence of development.

7.1 What objectives did I set

I expected to learn more about the international Umbrella Companies and the differences between the different versions of Umbrella Companies. By contacting them I also wanted to expand my network in the industry for future references and collaboration. Both have been achieved.

I wanted to learn how to create evidence based argument and write a large project report. I also wanted to learn to search for information in research reports to get perspective and answers to future issues. Both have also been achieved.

Another area for personal learning was to practice a defined project with a clear structure, as opposite to the dynamic development projects I usually do in my consultancy business. It has been very difficult at the early stages of the project and has been more and simpler along the journey. My mental ability and focus has increased after the many hours with the material.

My goal with the MBA was to change career from a small business consultant to be part of something national who would make a lasting difference in the country. I am on my way in that direction. The operationalization of that goal was to do my Management Challenge on a subject where I invented something (and several other people invented it independently) and it would be for the benefit of others. Umbrella Employment fits that requirement. I have been asked to document the current thinking in the field of Umbrella Companies as a national expert by the Swedish governments Agency for Economic and Regional Growth. At my level of expertise, I consider the goal to have been achieved.

7.2 My development in the role of investigative practitioner

The MCs I have found vary a lot in quality, some are strong in the literature part and others are strong in the data collection part. Since I have done my bachelor's degree in organizational psychology, it took some time to understand the lower requirements for statistical analysis when working with an economical dissertation. Rarely were there any analysis of the samples representativeness for the population, it is fine in a school report, but in real life, I consider it important.

The structure of the research articles appear cleverer to me now than at the time I started and my urge to do fieldwork is a lot less compared to when I started. My eagerness to do fieldwork is now subdued, since there is so much research done already. But to explore new concepts or to test a variant of an existing study - to me that is the important part now.

I think the searching for literature is something I think should come a lot earlier in the MBA-course than in the last assignment. I have not been asked or forced to search for literature in the databases until now. It is a skill of its own to select an important article out of the thousands available.

Summary: It has been an interesting journey, with a lot of experiences and new knowledge during these last three years. The key lesson for success is:

Identify the Goal, Aim, Focus, Deliver, Evaluate

(repeat until success is achieved)

End of the main text. The rest are Appendices.

8 Appendix: Introduction of the author

My background to the subject area is as founder to the first Swedish Umbrella Company, Vascaia AB 1991. The idea was to help people who had a potential client, to act as self-employed through my company. It allowed them all the benefits of having a company, without all the hassle of actually owning one. I ran that company for ten years with various degrees of success. When I sold the company 1999, I had then helped hundreds of people going from unemployment to a job. Some as self-employed through my company some had changed their self-image and become more attractive to employers. Others had decided they wanted something else, and finally some had started their own regular company. The profitability was far too low with only 10-15 invoices per month, but the basic concept was in place for someone else to take over.

Educational wise I have a Bachelor's degree in Organizational Psychology from the University of Stockholm. In this project I expect to learn more about the international companies and the differences between the different versions of Umbrella Companies. By contacting them I also want to expand my network in the industry for future references and collaboration.

Professionally I run my own consultancy company in the field of organizational change management to owner led companies and I work together with other consultants in projects. In this research am I cooperating with several organizations interested in the field and several Umbrella Companies in Sweden. The results in the form of the full report will be emailed to all participating Umbrella companies as well as individual results based on the responses from the company. A summary report will be sent to all Umbrella Companies and it will be published as a press release to news agencies in Sweden, France and the UK. It will also be published on the International information site for Umbrella Employment, run by the author (rent-an-employer.com).

Privately am I happily married to Ulrika and we have been blessed with Adam 10 and Alice 7.

9 Appendix: Method to estimate an Essential Mean for the Blueprint Companies

Thomson's framework is developed with an exploratory based design on a population of 7.454 *US Blueprint Companies* all that went public with less than a 1 billion USD capitalization between 1980 and 2005. Growth behaviors have been identified based on a selection of 387 companies (5.1%) that reached 1 billion USD in Revenue within the period (Thomson 2005). Thomson's team has collected information about these companies from newspapers and they have done 75 C-level-interviews. It resulted in seven different growth characteristics. The team have assigned a High and Low on these companies' behaviors based on the material collected and found that the 387 companies have been assigned 5 out of 7 on the characteristics.

Since there has not been a formal deductive surveying on these companies, an assumption could nevertheless be made like this: The 387 companies score high (5 on the 5-step Lickert-scale used in this dissertations questions) on five out of the seven Essential growth characteristics, say 5, 5, 3, 5, 3, 5, 5. It gives an average of 4.4 with a standard deviation of =0.98. This could be used as the average measurement to benchmark the Umbrella companies and the Henley Reference group against.

10 Appendix: Reference list

- Ahrens, T. (2008) High Growth Companies: Driving the Tiger, Ahrens Rapid Growth Syd
- Ahrens, T. (2011) Tillväxtbarometern, www.ahrens.se Webbsite last visited: 2011-08-22
- CIA World Facts Book (2011) Global labor force, web
- Ciett (2011) The agency work industry around the world, web
- Davidsson, P., & Delmar, F. (2002) Tillväxt i små och nya - och något större och mognare - företag, Ratio
- Delmar, F, Davidsson, P, Gartner, W. (2003) Arriving at the high-growth firm , Journal of Business Venturing, Volume 18, Issue 2, March 2003, Pages 189-216
- Delmar, F., Folta, T. & Wennberg, K. (2008) Dynamiken bland företagare, anställda och kombinatörer, IFAU Rapport 2008:22
- Delmar, F., Folta, T. & Wennberg, K. (2008) The dynamics of combining self-employment and employment, IAFU
- Dornan, J (2011) System for Succes - Onwer's Manual, Network 21
- Ejlertsson Torstensson, J. & Holmberg, J (2009) Benchmarking – Ett verktyg för småföretag?, University of Lund, Department of Economics, Sweden.
- Ek, S., Holmlund, B. (2011) Långtidsutredningen 2011, Bilaga 10, LU 2011, Sweden
- Entreprenörskapsforum (2010) Entreprenörskap i Sverige Nationell Rapport 2011, Entreprenörskapsforum
- Etemad, H. in Susman, A. (2007) Small and medium-sized enterprises and the global economy , Edward Elgar Publ., UK.
- Folta, T., Delmar, F. & Wennberg, K. (2010) Hybrid Entrepreneurship, Management Science archive, Volume 56 Issue 2, February 2010
- GEM (2010) Global Entrepreneurship Monitor 2010 Global Report, Global Entrepreneurship Monitor
- Guest, D. (2004) The Psychology of the Employment Relationship: An Analysis Based on the Psychological Contract, Applied Psychology Volume 53, Issue 4, pages 541–555

Henrekson, M. and Johansson, D. (2008) Gazelles as job creators: a survey and interpretation of the evidence, *Small Business Economics* Volume 35, Number 2, 227-244,

Hofstaede, G (1991) *Cultures and Organizations: Software of the Mind*, Administrative Science Quarterly (Johnson Graduate School of Management, Cornell University)

Johansson, C. (2009), Linköpings University, Sweden

Kitching, J. & Smallbone, D. (2008) *DEFINING AND ESTIMATING THE SIZE OF THE UK FREELANCE WORKFORCE*, Kingston University, Small Business Research Centre.

Klingvall (2011) *Flödesstatistik avseende Arbetskraftsundersökningarna (AKU)*, Statistics Sweden

Krautzberger, A. (2009) *Transparency and Trust as Key Differentiators*, Henley Business School, London, UK

Laurelli (2008) *Utvärdering Egenanställningsföregan Equal projektet*, Göteborgs Universitet

Levit, A. (2009) *The Future World of Work: A Gen Xer's Perspective*

Wall Street Journal columnist Alexandra Levit parses today's and tomorrow's job market for new grads

McManners, P. (2010) *Global Business Environment - workshop slides*, Henley Business School, London, Uk

Perulli, A. (2003) *Study on economically dependent work/ parasubordinate (quasi-subordinate) work*, European Parliament,

Porter, M. (1985) *Competitive Advantage: Creating and Sustaining Superior Performance* ,

Schimke, A. (2010) *Gazelles – High-growth companies*, Europé innova

Smith, N. & Wollan, R. (2011) *The Social Media Management Handbook*, Wiley

Storey, D J., (1994, p 161) *Understanding the small business sector* ,

Thomson, D (2011) *Welcome to the 7 Essentials Scorecard experience!* Website last visited: 2011-06-22

Thomson, D (2006) *Blueprint to a Billion*, Wiley, New Jersey, USA

Tovstiga, G (2010) *Strategic Direction - handouts*, Henley Business School, London, UK

Weinzimmer, L., Nystrom, P. & Freeman, S. (1998) Measuring Organizational Growth: Issues, Consequences and Guidelines, *Journal of Management* April 1998 vol. 24 no. 2 235-262

Westerberg, M, Önell, K (2011) Seminar on Where the competence is, Almedalen, TNS Sifo, Visby, Sweden

Wiklund, J., Davidsson, P. & Delmar, F. (2003) What Do They Think and Feel about Growth? An Expectancy-Value Approach to Small Business Managers' Attitudes Toward Growth, Baylor University

Williamson, O. (1981) *The Economics of Organization: The Transaction Cost Approach*, University of Chicago

Åberg, T. (2011) Egenanställningsföretaget Convoy - Project Reporting Seminar, Interview, Umeå, Sweden.

Öman, S. (2011) Uppdragstagare i arbetslöshetsförsäkringen, sid 55, SOU 2011:52, Sweden

11 Appendix: Umbrella Company listing

A=Agency, B=Both, E=Entrepreneurial

Sweden

addCompetence	Cool Company (B)	Herrevaden Konsult (E)	Rolser
Affärs- & idébyrå	Ditt bolag, Tactic	Jagab (E)	SR Konsult
All Music Agency (B)	Doris & Balder	JBG Gruppen (E)	Starta Eget företagande
Apparans (B)	Eföretaget	Kompetensia Utv.	Sund Affärsbyrå (E)
BolagsBolaget (E)	Egenan.ftg Östergötland	Mimo företag	Teaterförb. Service (B)
Bolagskraft (B)	Egna Affärer (A)	Musek (B)	Trampolin Syd
C Företaget (B)	F-Bolaget (E)	New Business	Uppdragshuset i Väst (E)
Carlsons Nöje (B)	Frilans Finans (B)	Consulting	Vascaia (E)
Chamerion	Frilansjobbarna	Noak Resurs	
Cloffiz (B)	Företagskompaniet	kooperativ (E)	
Convoy (E)	Helpia	RMS Egenanställning (E)	

France

Abondance Portage (E)	Portage Salarial	Aleter & Co	Himalaya Conseil
Acced'Performances	Caraïbéen	Altorem Group	Hura Facilities
Actunion	Portage SI	Altros	Institute du Temps Gere
ADAC-Newfreelance	Portagéo	AP Portage	Itervia consulting
ADPI Portage	Relaistel	Aprioris	JAM Conseil
Agor'Alpes Conseils	Ressources 3C	Assemblance	Le Monde Après
Alsa Portage	Synesia	Autrement 10	Missions-Cadres
Alse 76	Webportage	AVS Concept	Monday Consultants
Alter&Co	Ventoris BTP	Axe Entreprises	Neopol Axioprise
AP Conseils	2i Portage	Baya Consulting	Newfreelance
AS'COM Ingénierie	A.A.S.T.I.	Cadres en Mission	Nexource
Atout Portage	Aastrio	Calleo	Octet Conseil
Axessio	ABC Portage	CAPE Services	Opéra
Benett Portage	Abscisse Partners	Cenolia Portage	P,SI
BNPSI	Access Etoile	Concretio	PluS by Delta S.I
CED Entreprises	Acefas	CRH	Port'Ability
Cipres	Aclys Ouest	Didaxis	PortéO
D-Habitat	ACPI	Dreamteam Portage	RH Solutions
Dorhel Portage	Activ' Portage	ETM Management	Rhône-Alpes Portage
Dtalents	Adequalliance	Euro-American	Savoir-Faire & Cie
Escendo Conseil	Ad'Missions	Experiance	Sud-Convergences
Links Conseil	Adpartners	Freecadre	Surfjob
Maia Services	Advizium	Freecadre Immobilier	Talorig
Montgomery Conseil	Aegid	Globo Europe Fr	Urban Distribution
O Portage	AGC	GPS Consult	Service
Portage Com	Akuit	Groupe BNPSI	Valor
Portage Plus	Altéis Horizon	High Potential Resources	Ventoris Consulting

Updated: September 21st, 2011. See www.rent-an-employer.com for a current listing

United Kingdom

A=Agency, B=Both, E=Entrepreneurial

1st Contact Umbrella (B)	Dasa Consulting (B)	Liberty Bishop (B)	Pendragon (B)
A2Omega	Drole Computing	Liquid Friday (B)	planIT Services (B)
Accountax Solutions	Services (B)	Logic Rapid (E)	Priory Contractors (B)
Accounting Freedom	Eagle Umbrella (B)	MAC umbrella (E)	Provincial Payroll (B)
Advance Contracting (B)	Easy2Contract	Maddison Group	Pulse Umbrella (B)
Alternet UK (E)	Easypay Umbrella	MainPay (B)	RACS Group (B)
Atlantic Umbrella (B)	Eden Outsource	Marble Contracting (B)	Red Ego (B)
Azebra (E)	Elsiat Payroll	March Mutual	Red Umbrella (B)
Backoffice UK (A)	ePayMe (A)	Maxim Finance	Redego
Bar 2	Esential	MaxiPay Accounting	Redfox Contracting (B)
Bbuffalo	Evolve Management	MoneyBox5 (B)	Ricson Services (B)
Black Diamond	Excellium Umbrella	MSL Forza (B)	Shield Contract (B)
Umbrella	Focused Consulting	My Key Pay	ShipShapePay (B)
Blue Intellect (B)	Foremans (E)	MY OE (UK) (B)	Simple Umbrella (B)
Brookson	FPS Group	My Umbrella (B)	Simplify Business (E)
BSL Umbrella	Freelance Global	MyPay (B)	Simply Umbrella (B)
Cannons Payroll Serv.	Freelance Supermark (E)	Nasa Umbrella (B)	Smart Tax (E)
Career Management	Freelance World	NISI Services (E)	SmartPay (B)
Carrington Umbrella (E)	Futurelink	NoPalaver (B)	SmartWork (B)
CFC Global	Gabem Management (A)	Nova Business Supp. (B)	Sombrilla (E)
Champion Contractors	Gain Advantage	Nova Contracting	Springboard (B)
Choice Umbrella (E)	Ganumbra	NWM Umbrella (B)	Sprite (B)
Churchill Knight (B)	Giant (A)	O2 Professional (B)	Sterling Solutions (B)
Clear Umbrella	GoUmbrella (E)	Orange and Gold	Tarpon (E)
Cloud 9	Green Lantern 35 (E)	OrangeGenie (B)	TechnicalE (B)
Comply Umbrella	Guide UK	Oriel Contractors (B)	Total (E)
Conduit People	Hexagon Services	Oxygen360 (E)	Trafalgar (E)
Management	Horizon Payroll	Pacific Umbrella (B)	UCC (B)
Conto Direct	i4 Group (B)	Paramount Solutions (E)	Umbrella paraplus (E)
Contractor Solutions	iBalance	Parasol Umbrella (E)	Umbrella Staff (B)
Contractor Umbrella	IFL Management	Participay	Umbrella 4 Contract. (E)
Contractors Umbrella	Independent Contract (A)	Pavilion Associates	Under Our Umbrella (B)
Company	Intelligent Umbrella	Pavillion Umbrella (B)	Universal Payroll (B)
CPM People (B)	ipaye (B)	Pay Quest (B)	Work2Live (A)
Crest Plus	IPS Umbrella (E)	Paycheck Services (E)	Your Parasol
Crystal Umbrella (A)	JBT Umbrella	Payco (E)	Zeva (A)
CXC Global	JMK Group UK (A)	Payerise (E)	
D J Colom	JSA (B)	PayMatters (B)	
Danbro (B)	LesterPay (B)	PayStream (B)	

Updated: September 21st, 2011. See www.rent-an-employer.com for a current listing

12 Appendix: Project Plan

2011-07-10 Report Structure and headers

2011-06-07 Pilot study for Stakeholders

2011-07-04 Pilot-study of stake holders

2011-07-07 Data analysis

2011-07-01 Submit of first proposal

2011-07-14 Create Survey Questions.

2011-07-30 Send Survey

2011-08-10 Survey reminder

2011-08-20 Analysis of responses

2011-09-01 Report writing

2011-09-19 Submittal of MC

13 Appendix: Interview persons

IP1	Male	Umbrella Company
IP2	Male	Umbrella Company
IP3	Male	Umbrella Company
IP4	Male	Advisor
IP5	Male	Advisor
IP6	Male	Advisor
IP7	Male	Umbrella Company
IP8	Male	Umbrella Company
IP9	Male	Advisor
IP10	Male	Umbrella Company
IP11	Female	Umbrella Company
IP12	Male	Umbrella Company
IP13	Male	Umbrella Company
IP14	Male	Advisor
IP15	Female	Advisor
IP16	Female	Advisor
IP17	Male	Advisor
IP18	Female	Advisor
IP19	Female	Umbrella Company

15 Appendix: Thomson's Original questions for the 7 Essentials

Essential #1 Create and Sustain a Breakthrough Value Proposition

1. Our products and/or services are creating a new world for customers by uniquely solving a compelling, unmet need
2. Our products and services are redefining the market by providing a product of higher perceived value
3. Our products and/or services are streamlining the market by leveraging supply chain advantages to offer lower prices with good enough quality
4. The higher-order benefits (emotional or financial) are the primary reasons that customers buy from this company
5. The value proposition provides unique higher order benefits across each product, location, and experience
6. We clearly articulate to ourselves, our board, and our customers our target market, customer profile, and value provided
7. The creation and delivery of new products or services dominate this company's product line (or services) offering

Essential #2 Exploit a High-Growth Market

8. We can clearly identify the (demographic and needs) characteristics of the market segment being served
9. The market segment targeted by our products and services is growing at annual compounding rates
10. There is an achievable opportunity to grow at least one billion-dollar company in this company's market segment
11. As far as can be determined, our company's revenue growth rate is higher (meaning greater) than our industry's peers
12. There is market opportunity to grow our overall business at least 10 times its current size
13. Our industry has a demonstrated track record for customers buying from small, next generation high-growth companies
14. There is a low number of competitors we truly compete with because our product or service is so distinctive

Essential #3 Marquee Customers Shape the Revenue Powerhouse

15. Our best customers partner with our company to define the value of our offering in terms associated with customer benefits' not capabilities
16. Our most important customers are providing feedback on product requirements through field trials, surveys and/or advisor councils
17. Our best customers proactively share the value created from buying and deploying our products and services with other customers
18. A small percentage of our customers account for a disproportionate level of sales
19. Sales to our best customers are growing at compound growth rates and exceed the growth rate of our company's revenue growth rate
20. The company uses customer testimonials in most public relations initiatives and/or utilizes customer testimonials at tradeshow
21. Our most important customers proactively sell for us by recommending or introducing us to peers

Essential #4 Leverage Big Brother Alliances

22. We have an explicit strategy to leverage complimentary alliances with bigger companies
23. We have an impactful alliance with a bigger company and we are actively cultivating that alliance
24. We realize significant business benefits from alliances (lower costs, supply, revenues, etc.)
25. The executive champions in this company and in its alliance partners are involved in the alliance relationship: communicate regularly about aligned incentives/goals, programs being executed and future plans
26. Our Big Brother alliance partner does not have similar alliances with competitors to our company
27. Alliances account for a measurable impact on our business (i.e. revenue growth or profitability)
28. There is a clearly articulated and agreed on set of win-win interests with our Big Brother alliance partner(s). These interests are regularly checked on and, if necessary, updated

Essential #5 Become the Masters of Exponential Returns

29. The management is transparent about its financial picture to shareholders and employees; this information is easily accessible
30. This company consistently exceeds management's stated quarterly goals as well as analysts' expectations; when quarterly goals are not met, management quickly takes corrective action as an integrated team
31. Return on investment greatly exceeds the cost of capital
32. The management team balances investment decisions in R&D and SG&A with achievement of earnings. This balance comes from honest discussion and clearly stated long-term goals
33. We are generating positive free cash flow
34. Free cash flow growth is compounding at a rate equal to or greater than revenue growth
35. If this company over-delivers on earnings within the year, it reinvests to accelerate revenue growth or new product development

Essential #6 The Management Team: Inside-Outside Leadership

36. The leadership of this company has a dynamic duo pair of 'C' (i.e. CEO, COO) level leaders: one is clearly outside facing and the other is inside facing (though both acknowledge that these lines sometimes can and should blur)
37. Our leadership demonstrates actions based on a consistent set of company values, particularly during times of crisis
38. Our culture is based on exploration and innovation in a way that is distinctive and that is conveyed to our employees
39. Leadership takes an active role in problem solving as well as decision making
40. Our leadership speaks a common language of innovation and avoids mindset traps that will limit growth
41. The management team is quick to self-correct and tries to do so effectively and with teamwork
42. We execute cross-functional initiatives well

Essential #7 The Board of Directors: Comprised of Essentials Experts

43. The board of this company is not dominated by investors and management team members but instead includes CEOs of other billion-dollar companies and customers
44. There is a CEO on the board who had grown an exponentially growing business that has achieved \$1B revenue
45. There is a board member who understands and represents customer requirements
46. A Big Brother alliance partner is an active member of the Board of Directors
47. A well-respected community member is a member of the Board of Directors
48. The board focuses more on the long-term growth of the business than achieving "short-term" returns for investors
49. The management team is well prepared for board meetings and "the best it can be" when engaging with board members

Linking the 7 Essentials

50. The management team of this company meets regularly with our most important customers - and when we do we listen carefully and non-defensively
51. This company measures and optimizes its initiatives to maximize profitability per customer
52. The suppliers of this company are a strategic source for lower cost or highly differentiated products or services
53. Marquee Customers and Big Brother Alliance partners proactively helping to grow our market or our share of the market
54. The research and development resources of this company work directly with leading customers
55. The management clearly identifies top strategic priorities that are shared with all employees
56. High performance, cross-functional teamwork is an established work/culture norm

16 Appendix: The large questionnaire



I thank you for your participation to understand what Growth Factors are applicable for Umbrella companies in France, UK and Sweden.

The survey will also gather information to try to establish how many jobs are created with Umbrella Employment.

Your individual responses are confidential. It means that they will be separated from your name before statistical analysis and will never be shown to anyone (apart from myself).

Thanks again

Fredrik Arvas, fredrik@arvas.se
+46708145595



There are statements that describe each of the 7 Essentials of the 400 fastest growing american 1 billion USD companies. See David Thomsons framework: <http://www.blueprintgrowth.com>.

Please click on one of the dots labeled 1 thru 5 depending if you disagree or agree with these statements.

Answer the questions to the best of your knowledge. Check the number that best corresponds to your response.

You will get a comparison report with your responses and the 400 fastest growing companies within a day from now.



Legend

- 1 = Strongly Disagree
- 2 = Slightly Disagree
- 3 = Average / Undecided
- 4 = Slightly Agree
- 5 = Strongly Agree
- N/A = Not Applicable

1. Essential #1

We create and maintain a break-through value proposition.

1 2 3 4 5

Other (please specify)

A value proposition is what the customers gets in return for their money when they buy something from you.

If you are answering for an Umbrella company, the customer is the employee and the service is the "Employment-service".

2. Essential #2

The question is about selling products and services on a market that grows.

We Exploit a high-growth-market. 1 2 3 4 5

Other (please specify)

3. Essential #3

We focus on Marquee Customers 1 2 3 4 5

Other (please specify)

The question is about using high-profile ambassadors and reference customers who can sell for you

4. Essential #4

We leverage with Big Brother Alliances 1 2 3 4 5

Other (please specify)

The question is about using a few large organizations as partners.

5. Essential #5

We master Exponential Returns 1 2 3 4 5

Other (please specify)

The company generates a positive cash flow and positive return of investment for the owners.

6. Essential #6

The leadership of this company has a dynamic duo pair of 'C' (i.e. CEO, COO) level leaders: one is clearly outside facing and the other is inside facing (though both acknowledge that these lines sometimes can and should blur)

We use Inside-Outside Leadership 1 2 3 4 5

Other (please specify)

7. Essential #7

The board of this company is not dominated by investors and management team members but instead includes CEOs of other billion-dollar companies and customers

We have a Board of Directors with Essentials Experts. 1 2 3 4 5

Other (please specify)

8. What year was your company founded?

9. What is your approximate company turnover? (please state the currency)

2008

2009

2010

10. What is your intention for the company's growth?

(There is no right or wrong answer here. The question is to compare growth speed with growth intention.)

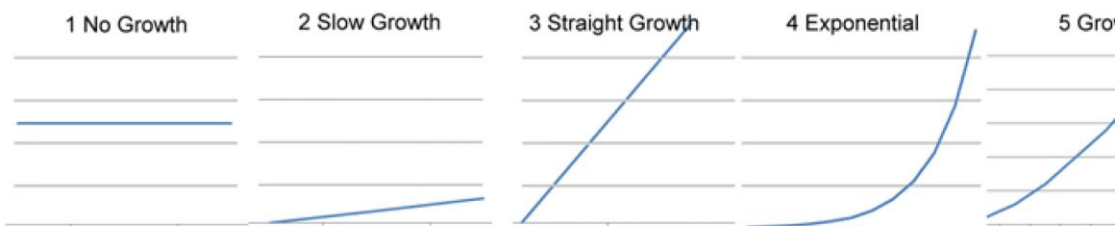
- No set Growth Targets
- Slow Growth (less than 20% per year)
- Fast Growth (more than 20% per year)
- Exponential Growth (with increasing speed)
- We do not want to grow more
- Other (se the comments field)

Other (please specify)

11. Which of the following images represents your growth best?

- No Growth
- Slow Growth
- Straight Growth
- Exponential Growth
- Growth and then Decline

Other (please specify)



12. What value does your company produce? (Please explain below)

- Services for an Agency
- Jobs for individual consultants
- Jobs for our staff
- Shareholder value
- Community value
- Other

Other (please specify)

13. Do you experience any limitations for growth?

- We do not experience any limitations for growth
- Rules and Legislations (i.e. accounting and governmental reporting)
- Rules for the consultants (i.e. unemployment subsidies)
- Lack of financial resources
- Lack of internal staff
- Others (see comments field)

Other (please specify)

14. What year did the Umbrella Services start?**15. Number of active consultants last year?
(Please state if they come through an agency or if they work independantly for their clients.)****16. How many of your consultants are women (percent)?****17. How many invoices did your company send to customers on behalf of your consultants (per year)?
(Please remember that the questions are voluntarily and the responses are confidential)**

2008	<input type="text"/>
2009	<input type="text"/>
2010	<input type="text"/>

18. If you know, what was the median invoice amount (not average/mean). Please state the currency.

2008	<input type="text"/>
2009	<input type="text"/>
2010	<input type="text"/>
Do not know	<input type="text"/>

19. What industries are your consultants active in?

Please distribute 100 percent on the alternatives.

	0	10	20	30	40	50	60	70	80	90	100
Agriculture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Manufacturing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transport	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Wholesale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Retail	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Public Service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other (please specify)

20. If you could estimate how many new jobs have been created through your company. (New jobs are defined as black-work being turned to white, or jobs that would not have been done otherwise). Rate against your turnover from 0-100%

Final comments

21. What is your primary role in the company

- Owner
 Managing Director
 Information Manager
 Operations manager
 Sales Manager
 Other

Other (please specify)

22. Are you male or female?

- Male
 Female

23. What is your birth-year?

24. How many years have you gone to school? (Not Kindergarten or Pre-School)

- Less than 9 years of school
 10-12 years of school
 12 basic school + 1-3 years of higher studies
 More than 15 years of school

25. Would it be interesting for you to participate in an international follow up study where your consultants would answer similar questions?

- Yes Please!
- Maybe...
- No thanks.

26. Please add your email.

You will get the results of your answers compared to the 378 fastest growing american companies within a day from now.

You will also get the report when it is finished in September.

Name:

Company:

State/Province:

Country:

Email Address:

27. Please feel free to comment or ask questions here.

17 Appendix: Result tables – the first smaller survey

Variable:	Responses
SampleGroup	86
Know_Umbrella Employment	86
Umbrella for_Employment	84
Umbrella for_Staffing	62
Legal form when hiring	23
Profession of respondent	86
Incomesource	86
AgeGroup	85
Gender	83
Region	86

18 Appendix: Result tables – the second large survey

Variable:		Average	Responses
Company type	2 categories		134
Company Industry	9 categories		134
Umbrella company	2 categories		134
Umbrella country	3 categories		23
Essential #1	1 thorough 5	3.84	109
Essential #2	1 thorough 5	3.17	110
Essential #3	1 thorough 5	3.24	108
Essential #4	1 thorough 5	3.00	109
Essential #5	1 thorough 5	3.41	110
Essential #6	1 thorough 5	3.06	106
Essential #7	1 thorough 5	2.88	109
Founded year		1958	134
Growing intention	5 categories		110
Growing Pattern	5 categories		111
Value created	7 categories	multiple answers	112
Growth Limitations	7 categories	multiple answers	107
Umbrella starting year		1801	20
Active consultants		297	19
Percent Women employees		27%	19
Role in the			
Company	Owner= 15%, CEO= 18%, Sales=15%,		134
Gender	Men: 83%. Women: 17%		106
Respondents birth year		1966	100
Turnover 2008 €		4289344	77
Turnover 2009 €		1952090	79
Turnover 2010 €		4054200	93

See www.fredrik.arvas.se for more information about current version of this report and other reports.

19 Appendix: Grade

Your submission for the module The Management Challenge (draft version only) has been received.

The marker and moderator comments (where applicable) are shown below. If you have any queries regarding this assessment, please contact the Assessments Office.

Moderator comments will be first followed by the marker's comments.

Final Management Challenge Report
Supervisor Feedback Form

Name: Fredrik Johan Arvas ID: 83000684

Programme: MBA SW04

Please refer to the Assessment Criteria for the Management Challenge using the following headings and tick the boxes accordingly.

1. Introduction

There was a very clear, informative abstract and this led into an equally well explained and illustrated introduction. There was a good explanation of the different employment forms and where “umbrella companies” fitted in. The student had a very clear mission and justification for the study and personal objectives.

2. Review of current thinking

There was a very good review of the various literatures-economics, labour economics, transaction economic theory, marketing, leadership, governance. Perhaps resource based theory might have been touched on?-small point. This was well summarized, structured and argued.

3. The investigation

This went down the route of a survey very much dictated by the personal objectives of the student. He did do some piloting but clearly not sufficiently to expose the likely low response rates. He made the most of what he had got and showed great tenacity in the follow up, and still applied the statistical tests with rigor and with some fruit coming out. The failure –if there was one was not in the methodology but in the risk assessment of the research strategy. This chapter was well argued and explained.

4. Findings and analysis

These were clearly laid out the findings show how inherently difficult it is to find out useful insights about these particular types of companies. Their lack of interest in the study in part is because of their excessive operational focus –they are unlikely to think much about strategies and are focused on efficiency and performance, which might account for the fact that so few break out into mega growth mode: that alongside the fact that whilst they do leverage off entrepreneurial spirit by nature they don't control the development of their resources.

There are probably untapped lines of enquiry here that might have been delved into more-and a more qualitative study might have –with hindsight unearthed these and more.

This chapter was long and data and analysis heavy and probably needed a little more signposting still beyond that added. Also a summary at the end/conclusion would have helped here to round this off.

5. Recommendations and conclusions

There were some useful practical recommendations but there might have been a lot more had the core empirical research produced clearer insights. The transaction model could definitely be developed for further research and is of interest generally.

The findings on likely job creation were a little soft as they are based on estimates and are relatively intangible and hard to pin down with any degree of reliability.

6. Reflection on the Management Challenge experience and personal learning

The student was very reflective and open in doing so. He did steer the research differently when the original difficulties arose and it would have been very hard to abandon the approach at that time rather than to push on.

7. Standard of presentation and overall comments on the quality of the work.

Generally this was of high quality although some more signposting here and there would have helped even more.

The student acknowledges the lessons of going down this methodology route and given what he did get, he optimized it very well.

A more qualitative route would have given him more opportunity to demonstrate greater theoretical ability at the end (see below*) and wider demonstration of ability to suggest practical recommendations that might be possible.

The theory parts were very good indeed and show that the student is highly competent *.

Supervisor's signature:

Date: 20 September 2011

Supervisor's name: Dr Tony Grundy

Supervisor's mark: 70 % (B-)