



Unravelling an old corporate strategy of consolidation, provides focus, growth and value realisation

Key outcomes:

- Renewed growth and profitability for the remaining two stand alone business units.
- Universal stakeholder support.
- The establishment of two new energised leadership teams.

The business challenge

At various times during the business development cycle in the corporate environment, either consolidation of similar activities under a common management structure, or the establishment of stand alone entities appears to make sense. The issues to be considered can include;

- Financial.
- Operational.
- Strategic.
- Cultural.
- Implementation.

The business consisted of three companies in the building services market, operating under the same corporate management structure. All three;

- Relied on technology from “parent” divisions located overseas.
- Sold via specification with building engineering design groups.
- Manufactured locally to varying degrees.
- Had onsite servicing capabilities.
- Had engineering and product supply capabilities that did not conflict with each other.

The division, over several reporting seasons had consistently failed to achieve the financial targets anticipated from the apparent synergies of combining the three businesses under one management structure. Why was this so and what needed to be done to radically improve business growth and profitability?

The solution

A complete review of the failed strategy was undertaken to determine the issues that had prevented the achievement of the planned growth and profit outcomes.

The key issues were;

- A “silo” culture.
- Exchange rate pressures.

- A bias in the strategic plan towards the financial savings as opposed to the operational benefits.
- Lacklustre support from the overseas “parent” divisions.
- The failure of the smallest of the three businesses to gain traction in the market place.
- Poor implementation.

The review suggested a flawed strategy compounded by poor implementation.

Subsequently, an in depth two day strategy review session was held independently at each of the three individual companies.

The outcomes were reviewed to ascertain whether any common ground existed to point towards a renewed effort to combine the businesses or otherwise.

The result

One of the three businesses was unlikely to gain a meaningful market share without significant investment. With no support locally or from the overseas “parent” the business was consequently closed.

The two remaining businesses whilst operating in the same general market were fundamentally different in nature. One being electronic whilst the other was electro/mechanical. This fact precluded any worthwhile manufacturing, sales or marketing efficiencies from combining the management of the two businesses.

These remaining two businesses would be structured as stand alone activities.

With these three decisions the common management structure was disbanded.

The two remaining businesses;

- Received new leadership.
- Finalised new strategies with comprehensive implementation plans.
- Relocated to more appropriate premises.
- Received capital injections.