
Company turnaround and restructure

A Case Study from TCii Strategic and Management Consultants

SUMMARY:

A remodelled sales structure and the acquisition of a competitor increased both business and profitability.

Background

We carried out a review of a ceramic tile distribution business operating out of two depots, one in the North of England and one in Oxfordshire. The business possessed many strengths and the owner had a great deal of experience in the industry.

It quickly became apparent that the managerial and organisational structure was weak and therefore an exit for the owner through a business sale was unlikely to be attractive, as too much day-to-day activity was being handled by him without sufficient consistent administration, systems and underpinning.

Our challenge

The company's organisational and staffing structure needed a complete overhaul if performance and profitability were to improve.

What we did

We totally remodelled the company's sales structure. A "commercial director" departed and was replaced by two more dedicated and focused senior managers – one handling sales and some procurement, the other logistics and administration/finance.

One of the salesmen was promoted to have a broader managerial role and was placed in charge of distinct key accounts, merchandising and sales development for the north, and another sales representative was recruited – all at little extra addition to overhead.

It was our belief that the business required greater critical mass, and we encouraged the owner to research target businesses and ultimately consider acquiring a trade competitor.

Acquisition talks took place and, after a two-month negotiation, the new business was purchased on favourable terms that included deferred payments and a structured earn-out.

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On our recommendation, the client replaced an underperforming accounts assistant with an experienced and committed person who was able to pull the monthly management accounts back in-house and also tackle in-house payroll and credit control.

Our activity focused on:

- attending and chairing meetings
- taking the lead role in interviewing potential candidates and then appointing them with clear job specifications and motivational incentive schemes
- undertaking due diligence for the new business and formulating a deal that was acceptable to and affordable for all parties
- putting in place systems and reporting procedures to include appraisal schemes, contact reports and job specifications for all staff.

The outcome

The two businesses were fully integrated, with two regional sales offices – one covering the north and the other the south. The computer systems were successfully combined, and the logistics, warehousing and transportation operations were optimised.

Employment contracts are also now in place. Our consultant has attended key account and major supplier meetings.

The business is on forecast and achieving budgeted profitability. The new staff and management team are producing substantially more business. While some salary costs have increased, the overall mix is balanced and some redundancies have been made in the newly acquired business to reduce costs and use shared facilities.

If you would like more information on any of the points covered in this Case Study, please contact **TCii** on **020 7099 2621**.