



## Case Study – MERGER AND INTEGRATION OF A SERVICE BUSINESS

### *The Company*

A MAJOR SUCCESSFUL PLC, SUPPLYING SERVICES TO THE WATER UTILITY MARKET, ACQUIRED ONE OF ITS SUPPLIER COMPANIES AS PART OF A VERTICAL INTEGRATION STRATEGY. THE ACQUIRED COMPANY HAD BEEN OWNER MANAGED SINCE ITS INCEPTION.

### *The Business Problem*



The issue was the integration of the financial, HR, IT and operations of the two companies systems as well as a review of the human capital. This had to be achieved within a 12 week period and the acquired company had to achieve the required consistent profitability and improve its profit by 15% over a 12 month timeframe. Most of the senior managers of the acquired company had left during the acquisition

process. As such there was a need to develop a succession planning strategy and groom the new management team. The new team also had to be empowered to deliver services on a global basis. This was deemed to be a critical issue. The parent company's directors did not have the time to integrate the new acquisition and wanted a full commercial review of all processes and procedures to maximise the benefits of the acquisition.

### *The Solution*

Avangarde Consulting was appointed to co-ordinate between the two companies, produce a SWOT analysis and from this understand the synergies between the two business units. Using its own integration planning tools, including financial modelling, Avangarde was able to get a better understanding of the variable and fixed costs quickly and this facilitated the deployment of new working practices in the newly acquired company. Using workshops and facilitation sessions a smooth transfer of personnel between the two businesses was achieved. By developing new job descriptions and responsibilities together with the transfer of certain functions from the Head Office to the acquired Company, enabled a cost reduction in delivery of procurement and transport but this at the same time gave a psychological boost to employees of the acquired company as they now felt that they were needed and they were a going concern.

### *The Benefits*

A reduction in senior staffing of 12% of total workforce assisted in lowering fixed overheads and ensured that young managers took on more responsibilities. The movement of managers between the two companies enhanced communications and stopped "them and us" arguments. The integration of the two businesses gave economies of scale and the purchase price for the acquired company was paid back in 18 months. Combined sales increased from £ 55 million pre-acquisition to £ 80 million, one year post acquisition .

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