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M-TEC Energie.Innovativ, Austria

- Type of restructuring:
Internal restructuring
- Employees before restructuring:
50-249
- Employees after restructuring:
50-249
- Nace/Sector:
Construction
- Country:
Austria
- Date:
08/03/2012
- Keywords:
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Abstract

The internal restructuring of the Austrian company M-TEC Energie.Innovativ resulted in the introduction of a level of middle managers, the separation of office and sales staff, the establishment of job specification and the formal setting of targets. Company internal and market monitoring is now conducted in a more systematic and comprehensive way.

Organisational profile

The Austrian M-TEC Energie.Innovativ GmbH was founded in 1972 by Karl Mittermayr as an electronics company. In the early 1980s, it began specialising in heat pumps and heat recovery and was quickly leading the way in this field due to numerous innovations and patents. It has received several awards, including the Upper Austrian Provincial Award for Environment and Nature 2004, the Energy Globe 2006, and Actor of Sustainability 2011. The company deals in refrigeration and ventilation engineering as well as in photovoltaics. Private, trade and industrial clients are offered a comprehensive package including planning and advice related to individual systems solutions, and fitting as well as after-sales services. Most clients are private customers in Upper Austria.

Karl Mittermayr hoped that one of his sons would carry on the business after he retired, but initially this looked doubtful when the eldest opted for a career in banking. The middle son Dominik, after doing an apprenticeship in the family business, started studying medicine. Due to family developments he decided later on not to finalise these studies, but to begin working in his father's company in the administrative field. At this stage Klemens, the youngest brother, was working in the company. Both brothers liked working in the enterprise, but did not want to take over the management. In 1998, Karl Mittermayr fell sick and during the period of his convalescence, Dominik and Klemens Mittermayr took over the joint management of the company. This 'trial period' proved successful from the company's viewpoint, and the brothers realised that they would be able to manage the firm together, even if neither wished to do this on his own.

Karl Mittermayr gave his support to this idea and together they developed concrete plans for carrying out the business succession. The process was achieved within about three years without any problems.

In spring 2000, Dominik and Klemens started up a new company, the current M-TEC, and built a new company building. Then, from 1 January 2001, employees and customers, plus all the fixtures from the father's company were transferred to the new firm which is owned and managed by the two brothers. At this point Karl Mittermayr retired from the management of the firm, although he was still active in the company, first in the form of limited part-time hours and from 2005 onwards for 20 hours per week. He was looking forward to be released from management duties and being able to focus on tasks he considered to be fun, such as, for example, the field of product development. While this meant that he worked more than initially planned, his sons described this as a 'win-win situation' because he had meaningful duties during his retirement while the company benefited from the innovations. However, at the end of March 2012, he had left the company completely. After the sons took over the business, the company experienced continuous growth. In order to prepare for further expansion, the company was renamed M-TEC Energie.Innovativ GmbH in 2011, while a second company, M-TEC BeteiligungsgmbH was formed to invest in other companies in the future.

The company employs about 60 staff in administration, sales, planning/engineering, fitting, customer service, production and purchase/storage. Most are technically skilled workers. At the time of writing, in 2012, about one fifth of the employees are apprentices, and about 95% of staff is local. There is no works council.

In its mission statement, the company dedicates itself to good communication, with honesty and respect for clients, employees, suppliers and authorities. The company is also keen on social responsibility, and is involved in social projects in Austria and abroad.

Background to restructuring event

The majority of the company's customers are homeowners who want a heating system, either installed in a house they are building, or to replace an old system. The firm's marketing is based on the good quality of its products and services, with many orders coming from word-of-mouth recommendations. However, this strategy, although successful, hampers long-term planning. Since the business transfer, the number of requests for information and orders has increased dramatically. Ecological heating is particularly popular, and to meet this demand without compromising delivery times, more staff (especially fitters) have been employed. As a consequence, the number of employees increased from 13 at the point the business succession to almost 60 within about six years. The company was unprepared for this spontaneous growth; indeed Dominik and Klemens Mittermayr initially did not intend to employ more than 20 workers, and the company did not have the necessary organisational structure to deal with the influx and so, for example, the higher internal communication needs related to the increasing number of employees could no longer be adequately addressed.

At this point the employers' association, the Upper Austrian Economic Chamber (*Wirtschaftskammer Oberösterreich*) together with the Austrian business council for sustainable development (respACT, – a business platform for Corporate Social Responsibility and sustainable development) wanted to increase companies' interest in corporate social responsibility (CSR) and funded a two-day consultation by a CSR expert. Due to the company's focus on sustainable heat and refrigeration engineering, aspects like ecology, economy and social responsibility had a significant value in the enterprise, even if CSR as a concept was new for the management. In spite of the little time available the brothers decided to participate in the CSR consultation.

In the framework of this initiative, a stocktaking of the company was carried out, identifying organisational challenges and possible courses of action. This gave the company the impetus to continue working in this direction and to develop – with professional support – internal activities leading to an employee-friendly organisational development.

Restructuring processes

Due to the limited possibilities to plan the order level, the growth process of the company in the beginning was rather reactive insofar as the number of employees increased depending on the number of customer requests and orders. At this time the company was a typical small firm with a familial structure and flat hierarchies. There were only two levels: the management (Karl Mittermayr, later Dominik and Klemens Mittermayr) and the rest of the staff. It became quickly obvious that the growing number of employees made this structure unsuitable, as management no longer had enough time to be the contact point for every worker, and there began to be problems in communication.

Consequently, when there were about 30 employees, a first restructuring was realised. This organisational development mainly focused on the administrative field. However, although vital, the measures soon became inadequate again as the company continued to grow (to about 55 employees).

In 2007–8, Dominik and Klemens Mittermayr finally decided to carry out an internal restructuring to ensure that the firm's growth would not negatively affect the quality of their products and services. They decided to act when the previously good working atmosphere began to experience tensions. Staff members had begun to group together; long-term workers missed the familial structures and the opportunity to approach management directly. The employees no longer felt looked after and either let management know this directly or the brothers observed this themselves due to their operational involvement in the firm. The entrepreneurs, assessing this situation as suboptimal, took steps to create a structure whereby the employees would have a person whom they could contact directly, resulting in better communication.

At about the same time, the Upper Austrian Economic Chamber (*Wirtschaftskammer Österreich*) informed the company about a joint project of

the employers' organisation and respACT dealing with Corporate Social Responsibility (CSR) to fund a two-day basic consultation. Dominik and Klemens Mittermayr decided to participate in this initiative and were contacted by a specialised CSR consultant. Up to this time, the entrepreneurs were not familiar with the concept of CSR but soon realised that the underlying ideas had been pursued by the company for years. They also felt, however, that a more systematic approach could benefit the company development. The consultation helped identify problem areas and the brothers decided to pay themselves for further help from the consultant.

In a first step, a stocktaking of the enterprise was conducted to attain a systematic overview of the management and the strategic instruments and procedures available in the company. This was used as a basis to identify different fields of activities and what measures needed to be taken. The consultant did this by talking to management and conducting an employee survey about their needs. The management had already been aware of some problems, but some of the issues raised were new to them. The planned measures were ranked according to their priority and then a plan was drafted, outlining when each step should be taken.

The measures referred to organisational and staff-related developments. The former entailed the development of an organigramme as well as job descriptions and a systematic documentation of all procedures. This meant that elements that previously only implicitly existed were made more explicit, providing a better orientation and traceability for management and staff. The system of appraisal interviews and employee communication, which had already existed, were expanded and adjusted to the demands of the growing company. For example, there are now structured weekly or monthly employee information sessions as it was realised that the growth made it necessary to keep individual departments better informed. This helps to avoid rumours and the dissemination of wrong information. One employee now has the task of keeping colleagues up to date. This comprehensive coverage is achieved by using everything from company notice boards, to intranet, e-mail, and Facebook.

A milestone in the company's organisational development was the introduction of another hierarchical level; middle management. There are now service, office, and sales managers, and by mid 2012 a chief fitting engineer should also have been recruited. These positions have been created to guarantee better support; provide a direct contact person for the employees and to relieve higher management. The idea was developed by the management with the support of an external advisor and the involvement of all employees. All affected engineers were involved in drafting the new job descriptions. As the recruitment was planned to take place internally, all the staff were encouraged to apply. However, as no one did, the management approached those staff members they deemed to be most suitable. After a short time for consideration all candidates agreed to take on the new tasks. This decision was communicated to the employees at a meeting. The new middle managers will participate in a management development programme initiated by management and financed by the company from mid 2012 onwards. This will mainly focus on the development of soft skills.

The introduction of middle management also brought about a separation of office and sales staff. Previously, there had been no specific sales people, with employees responsible for the whole project, from finding customers to the technical implementation on the construction site. This procedure worked well in the beginning, but as the company grew it led to a very uneven workload. The company is funding an on-the-job training programme for its sales force, after an external advisor listened to the sales people's pitches and devised individual training programmes for them.

Another big innovation is that for the first time concrete objectives (annual and monthly objectives) have been formulated for the individual departments (and as a result for individual sales people). These will be monitored in future by the new middle managers. Across the company a continuous monitoring of orders and sales now takes place to get a better overview of current and future development.

The restructuring process pinpointed the need for training. The company had already had a good experience of participating in a publicly supported qualification network, so management decided to do so again. However, M-TEC took the lead role in the design of the qualification network, in order to be able to tailor the training to its own needs. Another, anonymous, employee survey was carried out by external experts, on training needs and on more general mood indicators. This allowed employees the opportunity to voice their concerns freely, and the survey showed that training was mostly needed in the fields of communication, team-building, time-management, and dealing with stress and other soft skills. A training programme was developed and many employees participated.

In line with the CSR concept, the management tried to involve the main partners of the company, such as the suppliers or craft customers with whom there were longstanding business relationships, in the restructuring. Together, they discussed technical/product related issues, and also how they could improve their cooperation.

This process lasted for about three years and in 2012, is still not fully completed.

Challenges and constraints of restructuring

As with any change, the restructuring led to some anxieties. Employees were worried how it would affect their jobs, their work environment and the power/competence relationships. Management tried to allay these fears by open communication and information. For example, they explicitly said that the restructuring was not intended to cause job losses but sustainable growth.

Management also needed to convince some employees of the need for their involvement in the organisational development and training activities, as in the beginning they did not see the necessity for such measures. The vast majority, however, were quickly convinced and willing to participate in the restructuring.

During the three-year process there was a phase in which the external consultant was very active in the company, resulting in some reluctance by the employees to cooperate. However, this tendency was counteracted by the brothers' involvement.

The company strongly invests in apprenticeship training, as the main challenge to further growth is the scarcity of skilled craft workers, such as fitters

Another challenge is the active steering of growth. As the company mainly serves private new customers, it strongly depends on external requests which it cannot influence. This results in constantly needing to be able to react at short notice. In order to prepare as well as possible for future developments, the company conducts active market monitoring of new construction and internal monitoring of trends (for example, how many requests result on average in an order). In 2011 the company invested in marketing, with a redesigned webpage, a new corporate identity and corporate design, new image folder and unit folder, which have already increased the number of client requests.

Restructuring advice and support

The company approached consultants from the Upper Austrian Economic Chamber as well as using its own tax consultant in planning the transfer of the business from father to sons. Information from the employers' organisation is also used for continuous market monitoring. The entrepreneurs are very satisfied with these services, particularly as the recommendations from the public and private consultants complement each other well.

The publicly supported consultation on corporate social responsibility can be considered as one of the main reasons for entrepreneurs' willingness to work, with an external consultant, on further organisational development. The management assesses the advice as very good, and worth the consultancy fees they paid after experiencing the support project's two-day input. However, the entrepreneurs also pointed out that it is important to make sure that the external consultant does not have too much influence in the company as this might antagonise the employees.

Management is happy with the financial support from the qualification network, even if most of the training costs still have to be borne by the company. Although the monetary benefit of this investment is difficult to measure, the entrepreneurs are convinced they have made the right decision. In 2012, they were planning to participate in a qualification network again, focusing on content oriented/technical training. This time, however, they are not taking the lead role, in order to avoid a big administrative burden.

Furthermore, public support that positively influences demand in the energy field is beneficial for the growth of the enterprise, as this gives an incentive for private customers to buy its products.

Outcomes of restructuring

As the creation of the new management level happened at the end of 2011, no assessment of its effectiveness can yet be given. However, it has been generally welcomed by the employees, particularly as no one was recruited externally. The new middle managers already knew the structures, procedures and employees. In the first months after this measure was put in place there were no conflicts among the employees, and no one complained that the promotion of specific colleagues was unfair.

The separation of office and sales force is in transition in 2012, resulting in a double burden for employees who have to finalise previous projects. It is, however, assumed that in future, there will be a more even workload throughout the year for employees.

The staff liked the new objectives as they introduced for the first time concrete structures and objectives against which they can measure themselves. Besides the positive motivation due to the challenge, some of the employees are also concerned as to whether the targeted objectives can be reached.

The company is now following a more strategic approach, aiming to act more proactively. The first steps in this direction have been set by the improved company internal and market monitoring as well as increased marketing activities.

Management thinks the new company structure, enabling short and effective decision paths, is now prepared for further growth. Achieving sustainable growth is also incorporated in the company's mission statement. There are plans for another employee survey after the restructuring process is finished, in order to assess satisfaction with the new structures and procedures. Clients are also to be surveyed, in order to assess the external effects of the restructuring.

The management also wants to give staff the opportunity to continuously participate in training events and is willing to further invest in workers' skills. At the same time they hope that the employees practically apply what they have learned – particularly in the field of soft skills, such as time and stress management or respectfully dealing with colleagues – and further develop their skills in communication. This would not only help the company's development, but would also positively affect staff living and working conditions.

The restructuring proved an intensive process for the management, in terms of time and emotion, and could not have been done alongside normal daily business. It was an advantage for the brothers that they could master this task together, giving them someone to talk to at an organisational and a personal level. Their good relationship contributed to the successful achievement of the organisational development and was further fostered by this jointly realised process.

Commentary

The company wants to increase the popularity of its brand M-TEC, expanding its market leading position in heat pumps in Austria. The company development programme is seen as laying the foundations for this, and management think the employees are crucial to the company's success.

The management also considers that the initial consultation on corporate social responsibility was an important factor in the success of the restructuring as it provided, for the first time, an external company analysis and made the entrepreneurs take the time to assess which structures and procedures in the company work well and which should be improved. In addition, it also introduced the idea of 'responsible management', allowing it to be considered and thought through.

Information and communication with the employees was also an important element during and after restructuring, helping to guarantee that all the staff are motivated to follow company goals. It was also advantageous that both owners and managers had been working in the company for a long time and were known to the employees as colleagues, enabling personal communication.

The management of a medium-sized company should always be actively and strongly involved in the business in order to be aware of what is happening, so that issues can be addressed if necessary. There should be certain proximity with the employees, but at the same time there needs to be a certain distance as it is not possible for management to be directly contacted by all employees. Accordingly, it is important, as a boss, to admit that one needs to delegate tasks and to establish a good management team to do this.

There is also an important difference between small and large enterprises. In large firms there is already a certain basic structure which is not influenced by further growth. In small, growing enterprises, however, new structures have to be developed to cope with growth. Nevertheless, it takes longer to make a decision in larger enterprises, whereas smaller businesses have the advantage of being able to react more quickly. Another advantage of small businesses is their independence in making decisions.

To other small and medium-sized enterprises experiencing quick growth, M-TEC entrepreneurs recommend involving an external consultant matching the company and the management. They feel that it is necessary to be made aware of specific aspects from an external person, particularly in intensive growth phases when management are so strongly involved in operations that they do not have time to work on new methods of organisation.

For sustainable growth, it is important to be open to change and to be willing to invest effort and energy in that change, without which the company will not survive in the long run.

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