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Michael Debono, Malta

- Type of restructuring:
Internal restructuring
- Employees before restructuring:
10-49
- Employees after restructuring:
50-249
- Nace/Sector:
Retail
- Country:
Malta
- Date:
12/04/2012

Abstract

A family-owned car sales and repair company in Malta decided that for it to be able to grow and survive, it had to modernise work practices and company structures. Over three years and with the help of representatives of the car manufacturer whose products were sold, the company introduced price transparency, increased services and sales for used cars, computerised business management processes. This helped the company to grow, doubling also the number of employees.

Organisational profile

Michael Debono Ltd. is a typical family-owned but professionally run business. It operates mainly in the motor car sector, retailing new and used Toyota vehicles, Toyota industrial equipment and commercial vehicles under the Hino brand, a Toyota subsidiary. It is now retailing multi-brand used cars. Its fully integrated operation includes service maintenance, body repairs and spare parts retail operations on one site.

In August 1960, the late Michael Debono imported the first Toyota car into Malta – the Toyopet Crowne Deluxe. This was the very first Toyota car sold in Europe and it heralded the beginning of a dynamic future in a business which would be passed down to subsequent generations.

In 1960, a company was formed with two other partners under the name Michael Debono & Co., which was subsequently appointed by Toyota as the official sole importer and distributor for Malta. It was not, however, until the early 1970s that Michael Debono became sole owner of the business and from there on operated as a sole trader.

In 1988, Michael Debono Ltd. was formed, with Michael and his only son Philip as the shareholders. Michael Debono passed away in 1999 and the running of the business was taken over by Philip.

Philip Debono passed away in 2002, and his spouse Therese continued to run the business on her own, while her two young sons Geoffrey and Michael continued to pursue their studies.

In 2003, a senior representative of Toyota visited Malta and a decision was taken to provide the Debono family with the necessary assistance to continue running the company, and enhance the brand perception in Malta. Plans were subsequently put into place to put the responsibility for Malta under Toyota Great Britain given that they had the necessary resources to support the family in the management of the company.

In March 2005, Toyota GB signed a formal agreement with Michael Debono Ltd. to transfer one of their senior managers to Malta for three years, during which time he would work with the family to establish Toyota proven procedures and work practices, and help spearhead the business towards future growth.

When he graduated as a bachelor of commerce in June 2005, Geoffrey Debono took over as Managing Director of the company at the age of 21. His educational background is complemented by personal enthusiasm for the business, which he developed in his early teens, having spent most summer holidays working within it.

In 2008, Geoffrey was awarded Malta's Outstanding Young Person of the Year for Entrepreneurial Accomplishment, following his restructuring of Michael Debono Ltd.

In 2010, the company reconfirmed representation of Toyota Industrial Equipment and in the following year it established representation of Hino commercial vehicles.

The shareholding of the company is held by the Debono family. The board of directors comprises three family members – Geoffrey, his mother Therese and younger sibling Michael – and one non-family member. As managing director, Geoffrey reports directly to the board. The board has also appointed a management team which handles the running of the company, which operates from its main premises in Żebbuġ. There are five managers who report directly to the managing director.

Michael Debono Ltd. operates within the local market and has a workforce of 80 full-time employees: 61 male and 19 female. Its core workforce consists of a number of highly trained, skilled technicians for both servicing and maintenance/repair operations.

Management is currently in the process of finalising a human resources strategy setting out the type of behaviour and attitude that is expected from employees, and which conforms to the ten principles of the United Nations Global Compact, dealing with policies on anti-corruption, anti-discrimination, labour law and the environment. The company also operates a Corporate Social Responsibility (CSR) strategy, which is effected through the company's board.

The human resource policies of the company are based on democratic, caring concepts and there is a strong owner-manager/employee ethic which results in good industrial relations.

The company has generated growth in revenue and an increase in profit for most of its departments. The following is a break-down of the revenue generated by the company since 2004:

Year	Revenue
2004	€12 million
2005	€16 million
2006	€19 million
2007	€21.4 million
2008	€24 million
2009	€22.2 million
2010	€15.9 million
2011	€19.9 million

Background to restructuring event

The restructuring carried out by Michael Debono Ltd. is best described as an internal one, which led to something of a paradigm shift in the operations of the business.

After Geoffrey took over as managing director of Michael Debono Ltd. in 2005, a series of decisions were taken in favour of modernising the business's operations. As sales were static, it was felt that new blood was required to change the direction of the company. It was also firmly believed that the brand had considerable potential.

Restructuring processes

The decision which led to the internal restructuring of the company was part of a long-term strategy which would see the company develop into a

more modern and customer-focused business.

The management team decided that further investment was needed for the company to enhance its operations and develop into a more entrepreneurial business. This required looking beyond the standard practices adopted by the company and its competitors at the time. The strategy needed to be forward-looking with a focus on customer and employee satisfaction. The management believes that it is only by investing in the customer, and its personnel that customer and employee loyalty is achieved.

As the representative of the Toyota brand in Malta, the company also receives Toyota support, particularly through the provision of people with experience to help in the modernisation process.

In 2004, with its targets firmly set, the management team devised a business plan which would set out the projections, budget plan, timeframes and deliverables for the restructuring project.

Plans were immediately put in place to construct a new Toyota 'Retail Concept' showroom complex, together with underground parking and a larger area for sale of parts. The new showroom was completed in two years.

In addition, a fully computerised business management system was installed, together with a review of management and staffing levels and 'Toyota Way' work practices.

Management also planned for new profitable revenue streams. It identified the used car market as a key area for growth. All used cars are imported and meet strict requirements with regard to age, condition and mileage. Also, having experienced a drop in its marginal return on new cars, the company invested in the development of a new and larger workshop for its service department and also in a larger parts area. By diversifying its portfolio, the company worked to secure multiple revenue streams; and hence, more secure/stable profitability and better working conditions.

Price transparency is considered to be a critical selling tool. On the basis of this principle, the company also implemented a transparent pricing system for new cars. A price list of all its new and used cars was introduced on the company's website. People visiting the showroom will also find an information stand, together with a price list of all models on display.

The company also embarked on setting up new departments so as to offer customers a wider range of products and services on the basis of a one-stop shop. For example, in recent years Michael Debono Ltd. has begun to act as a broker for a leading insurance company. This provided customers with the opportunity to purchase an insurance policy when buying a new or used car, thereby meeting customers' needs from a single point of service.

The management team decided to departmentalise operations to ensure that each department was managed as a separate business unit, each monitoring its own respective profitability. This decision was viewed positively by both management and employees.

The whole restructuring process took over three years to complete: from June 2005 to December 2008 – and was self-funded.

Employees were informed in advance of the restructuring project. A management consultant was commissioned by the company during the initial planning stage to interview each and every employee on a one-to-one basis. The consultant explained the restructuring process to the employees and reported on their views, ambitions and objectives within the company. This process also served to identify key players around whom the new structure would be built.

A number of employees were initially hesitant about the restructuring of the company, job security being their main concern. However, once employees were informed of what and how these changes were to be effected, the general reaction of the workforce was both positive and supportive. Improved facilities and conditions of work fostered the right attitude and approach to achieve the corporate objectives.

Challenges and constraints of restructuring

One of the main challenges encountered during the restructuring process was in helping employees understand the benefits that would arise from the modernisation of the company, which would consequently result in a better and more efficient working environment for all.

Initially, employees were reluctant to endorse the planned changes for the business: in particular, the decision to involve a foreign service manager in the management of the company. Employees were anxious about how 'a foreigner' would assess their performance and even affect the usual way of conducting day-to-day business, representing a possible threat to their job security.

However, this anxiety was soon dispelled once employees understood how the restructuring was to take place. They even managed to develop a good working relationship with the new member of the management team.

The management asserts that good communication was the tool that smoothed out the initial challenges encountered within the workforce.

Restructuring advice and support

Fundamental to the success of the restructuring of the company was the professionalism adopted in the study, planning, and implementation of the project. The support received by Michael Debono Ltd. was mainly in the form of guidance and operational support provided by Toyota. In particular, the decision taken by Toyota GB to transfer one of their senior managers to Malta in order to assist in the modernisation of the company proved to be of considerable benefit.

Michael Debono Ltd. believes that the most valuable type of assistance which could be received in a restructuring exercise is that of guidance on how to sustain a business in a highly competitive market; together with assistance in restructuring, planning and implementation through knowledge transfer and the exchange of best practices between professionals in the field.

Outcomes of restructuring

The modernisation project executed by Michael Debono Ltd. not only led to a restructuring of its internal organisational set-up, but also resulted in business expansion and profitable returns for the company.

The development linked to the core Toyota business, which was carried out in the shape of a fully-fledged, on-site centre combining body repair and a paint shop, augmented turnover considerably. As the development link to the Toyota business started to take place, new personnel were recruited with the company. For example, in the body repair and paint shop, 18 new people were employed over a short span of years in order to be able to meet the growing demand from customers for such services. An experienced body shop administrator was also recruited to manage such developments.

The company has also experienced a return on its investment in the used car market and the development of its parts and services departments. Revenues went up and increase in profit was reported for most departments; a factor which Michael Debono Ltd. attributes to the investment and hard work injected into the restructuring of the company.

Following the restructuring measures undertaken, Michael Debono Ltd. has more than doubled the number of its full-time employees. In fact, the number of workers employed on a full-time contract increased from 34 to 80 after the restructuring process. Young, energetic people were brought into the business, and together with other members of staff were provided with various training programmes which would ensure that all employees acquired the skills and knowledge commensurate with their responsibilities and the targeted customer satisfactory.

The review of management and staffing performance within the company led to the dismissal of a few employees who were considered to be ill-fitted to their job. Organisational adjustments were also introduced at managerial level. Some employees were promoted as a result of growth in other areas of the business. Three new managers were brought in and one manager's job was terminated because of his resistance to change. An experienced outside director was also brought on to the board to help in business diversification.

After all the planning which went into the implementation of the project, the management team is satisfied with the overall outcome of the project, which brought about positive results in employer-employee relations and in customer relations. A formal human resources policy is also being developed for the company and remuneration improvement has been introduced as a result of a comprehensive review of tasks and the introduction of a more formal salary and wages structure. The company also offers a remuneration adjustment for employees who choose to invest further in their development. The company ultimately believes that customer and employee satisfaction are inextricably intertwined.

Michael Debono Ltd. has a number of projects in the pipeline, which would feed into the future expansion of the company and the development of new opportunities. The company is also studying the possibility of tapping into foreign markets; in particular, the company has plans to set up a base in Libya.

Commentary

The process of restructuring in large companies is considered to be more immune to the interpersonal relationships that develop between individuals working within SMEs, although other influences (such as the presence of trade unions) may make it a more challenging process for larger companies.

The management believes that at the root of a restructuring process is how the activity is perceived by employees and the way in which the company communicates with employees about restructuring.

If communication is right, employees will feel part of the process and the likelihood is that most employees would be willing to collaborate and contribute towards the overall process of restructuring. Communication also breeds security and a sense of belonging, effectively diminishing the chances of employees' resistance to change.

Geoffrey Debono looks positively on the overall outcome of the restructuring process and attributes its success to the development and careful implementation of its sound Business Plan and to the assistance provided by Toyota GB. Geoffrey also commends the dedication and personal effort demonstrated by the management team and members of staff to make the final outcome a positive experience for everyone.

All the above factors ultimately add up to a good formula for success.

Author

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Information sources

Interviews

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