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Manufacturing company, the Netherlands

- Type of restructuring:
Business expansion
- Employees before restructuring:
50-249
- Employees after restructuring:
50-249
- Nace/Sector:
Manufacturing
- Country:
Netherlands
- Date:
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- Keywords:
Globalisation

Abstract

A one-person company has slowly expanded since the 1980s and now has offices in Belgium and Spain. The expansion to Spain was the result of a business opportunity spotted by the owner based on personal experience and finding a local business partner and not previously planned.

Organisational profile

The company in this case study was established late in the 1980s, and is a manufacturing company. It has a production line in the Netherlands and in Spain, and also a sales office in Belgium. The company sells its products throughout Europe. The main export countries are Spain, Belgium, Germany, France and Austria.

Most of the turnover of the company (about 70%) is generated in the Netherlands. Next to that, Spain and Belgium are the two biggest countries regarding the generated turnover.

For this case study an interview was held with the sole owner of the company, who also founded the company in the late 1980s. The company started as a one-person business, but the first three employees were hired in the first year of the company's existence. Mid 2012, the office in the Netherlands employs around 65 employees. The production line in Spain employs eight people, and the sales office in Belgium has one employee (a sales manager).

The organisation structure of the company in the Netherlands is relative compact, with three people in the management team (next to the owner). The company does not have a works council. The owner has asked, in the past, the employees if they wanted to form a works council, but they

did not feel the need to organise themselves via a works council. The work culture in the company is very positive and productive, and the employees did not see/feel the need to organise themselves in a works council.

The sales office in Belgium falls under the management responsibility of the commercial manager in the Netherlands. The production line in Spain has its own management responsibility, but does fall directly under the owner of the company (in the Netherlands).

The company has had, since the start-up, a relatively stable growth in its number of employees. Even the crisis of recent years did not have a large impact on the company. The product in itself is relatively crisis proof: the demand is relatively stable in most economic times. The only effect of the crisis at the moment is that the turnover is not increasing, this mainly because of the heavier competition in regards to the margins of the products.

Background to restructuring event(s)

The company has opened two offices abroad since the start of the production line in the Netherlands (late 1980s). This encompasses a sales office in Belgium, and a sales office in Spain which eventually resulted in a production line in Spain.

The sales office in Belgium was formed at the end of the 1990's. In 2012, one person is employed at this office. The main reason for having this sales office was for the company to be able to (better) serve the Belgian market. The owner noticed that Belgian customers find it more agreeable to have a local partner with whom they can do business, established in Belgium and with a Belgian address. With this local sales office the company is better suited to supply the Belgian market. The orders that are placed via this sales office are sent to the production line in the Netherlands.

The company has a production facility in Spain, which opened its doors in 2007. Before this, the company just had a sales office in Spain (comparable to the one in Belgium). The sales office in Spain started early in the 2000's, and employed one person. When the sales office was running for about five years, the owner of the company (in the Netherlands) bought a piece of land in Spain on which he had a production facility build. The sales office was consolidated with this production facility.

Restructuring processes

The main focus of this case is the opening of the production facility in Spain. But before this, the owner has had some experience in setting up sales offices in other EU countries. First of all, the owner recruited a person for a sales office in Belgium at the end of the 1990's. Although the office operates very independently, the main (management) responsibility lies with the commercial manager in the Netherlands. The recruited person got a (internal) training at the production facility in the Netherlands. The aim of this was to better familiarise the person with the business and production process.

The sales office was opened with the funds that the company had available. There was enough reserve in the company to facilitate and finance the opening of a sales office in Belgium. No additional funding was needed.

Before the beginning of this century the company was doing a lot of business with one customer in Spain. Early in the 2000's an employee at this customer wanted to set up a sales office for the manufacturing company in Spain. The owner of the manufacturing company had a very good working relation with this person and they both saw the potential of having a sales office in Spain, specifically aimed at the Spanish market. This was generally for the same reasons for why the sales office was opened in Belgium. Being able to serve the local market with a local sales office made it easier to generate turnover in this country. The setup here was the same as with the sales office in Belgium: the sales office runs very independently, the main (management) responsibility lies with the commercial manager in the Netherlands.

During 2005 the owner got the possibility to buy a piece of land in Spain, on which he built several warehouses. He talked about this with the office manager of the sales office in Spain, and they both concluded that there was a business opportunity here. They both came to the conclusion that buying the land, building several warehouses and selling them all but one (keeping this one for their own production facility) would be a very good investment. The other three managers of the manufacturing company in t

he Netherlands were also consulted by the owner, and they agreed with the investment. The company has had some profitable years, so no additional funds were necessary for this investment.

The person that was running the sales office was eventually made responsible for the production facility, and thus became the CEO of the production facility in Spain. The production site in Spain is a very independent company with its own management, and falls directly under the owner of the company (in the Netherlands). At the moment there are eight people working at the production facility in Spain. This growth was very gradual, and there were no big difficulties in finding these employees. The labour market for employees for the production line was very positive for the employer.

Overall, the process of opening the production facility in Spain went very well. It took a lot of time of the owner in overseeing and helping in the process, but having the manager of the sales office in Spain helping in the process had a positive effect on the process. There were some minor delays in the building of the production line in Spain, but this was not a big problem.

The opening of the production line in Spain was not planned at forehand, but was an opportunity the owner saw. He got, via his network, the opportunity to buy a piece of land in Spain. This land did not have anything on it, and he saw the opportunity that this granted. He discussed the investment with the other three managers, and they agreed with the investment. Also, the employees were very positive about the growth of the company. He bought the land. The process after the sale went very fast, within about a year and a half the warehouses were completed (the warehouses were relatively simple), and most of them were sold very quickly. The building of the warehouses was contracted to a local contractor, and for the sale of the warehouses a local real estate agent was hired. The overall process was supervised by the owner of the manufacturing company and the manager of sales office in Spain.

The employees in the Netherlands were informed after the management of the company agreed with the investment in Spain. The employees of the office and production facility in the Netherlands were very willing in, for example, helping with the training of the office managers in Belgium and Spain. The management/owner also asked if someone wanted to go to Spain in helping setting up the production line over there. One employee volunteered for this (for which he got an extra financial compensation).

Challenges and constraints of restructuring

An important aspect of opening an office abroad is local knowledge. This was not that big of a problem with the opening of a sales office in Belgium, because the legislation here is not very dissimilar with the Netherlands, and language is also less of an issue.

But especially with the building of a small industrial location, it is important that you work with someone who knows about the work mentality in Spain, and who can oversee the building process. This is why the owner choose to work with a local contractor and real estate agent, also with the aid of the manager of the sales office in Spain.

Furthermore, when it was time to set up the production line itself an employee from the production line in the Netherlands moved (temporarily) to Spain to help with the setup. He had a lot of experience in working in the sector and at the company, and could thus help with organising and implementing a good and efficient production process. Also, one of the first machines that was placed in the production line in Spain was a (older) machine of the production line in the Netherlands. The employee from The Netherlands could therefore also help at the production line in Spain in setting up the machine and show them the intricacies of how the machine works.

Restructuring advice and support

A lot of the support in the expansion process was given by the employees of the company in the Netherlands. They helped the sales office managers in teaching them the intricacies of the production process and the lessons learned in the Netherlands over the years. The employees were very willing in helping with the launch of the sales offices in Belgium and Spain, and later with the opening of the production line in Spain.

Furthermore, most of the (informal) support came via the help of local business partners, who were able to help in finding and hiring a reliable building contractor and real estate agent. These were people who know the country, and therefore know the most important things to pay attention to. The owner also played a very big role in helping and mentoring the manager of the sales office in Spain (who eventually became the CEO of the production facility in Spain). He has a very hands on approach to this, and therefore spent a lot of time in Spain in helping with the realisation of his plans and ambitions. He was able to do this, because the production line in the Netherlands was running smoothly. The owner could take a step back in managing this company so that he could focus a lot of his energy on the expansion in Spain. The three managers were willing and able to keep the company running successfully without the direct presence of the owner.

Outcomes of restructuring

The most practical outcome of the restructuring was the opening of two sales offices in Belgium and Spain. The good contacts and eager sales officer in Spain led eventually to the opening of a production line in Spain.

Having a sales office in these countries helps in generating (additional) turnover. Local businesses feel more comfortable in doing business with a company in their own country than from abroad. This creates more trust, and made it easier to (actively) approach potential customers.

In busier times there were two people employed in Belgium, so this fluctuates a little bit. This was also the case for the sales office in Spain. But when the production line opened, the company in Spain grew steadily since mid 2000s from one employee to the current eight employees.

The main consequence for the employees in the Netherlands was that some (experienced) employees were asked to help in training and advising the (soon to be) CEO of the production facility in Spain. This was done on a voluntary basis. The employee from the Netherlands who went to Spain (for about a month) did get an extra financial compensation for his work abroad.

At the moment, all the businesses (in the Netherlands, Belgium and Spain) have very stable turnover figures. The turnover was increasing, before the crisis, but the current stable position seems to be maintained. There are no plans for growing any further the coming period.

Commentary

The owner does not have any plans to expand at the moment. The size of the company is about the size he wants. Perhaps a little growth might be possible, but it does not have any priority. The owner has a good overview of the company at the moment, and becoming any bigger will give additional controlling issues. Some growth might be desirable in Spain, but this is not the main focus at the moment.

The owner is very happy about the growth of the company by expanding across the borders. It took a lot of time and energy but the results are good. Looking back there are not many things he would do differently. The only thing he overlooked during the process was the possibility to get a subsidy (in Belgium) for starting up a company and keeping people employed in Belgium.

The owner also mentions that within the EU there are little differences between the countries. Everything has (at the basis) the same look and feel to it, and that makes it a lot easier to open offices in other EU countries. This is why the owner saw (and felt) no big obstacles in investing in a production facility in Spain. However, he did feel the need to get specific expertise and manpower on certain subjects (like the building contractor and real estate agent).

The most key element of successfully opening an office in another country is in working with people from the country. The main function of the office and employees in the Netherlands was to train and educate the local contacts who were going to be responsible for the office in that country. This worked very well, and the employees were very willing to help.

The owner has had a very hands-on approach regarding the expansion process. He has spent a lot of time helping and stimulating the local employees in getting the work done. This means that he has spent a lot of time abroad, which was not a problem for the owner. He had the ambition to expand and was very motivated in achieving his ambition.

The owner does not feel that additional (professional) guidance would have helped him in the expansion process. He has a very good network of contacts in the different countries from doing business with them, and can thus use the expertise of these local contacts.

When looking at the differences between small, large and medium company, in expanding abroad the interviewed owner sees one big difference. He feels that larger companies are more likely to buy / take-over a company in the country. Smaller companies are more likely to, like in this case, build up an office in another country, whereas a large company has more financial means to buy a company that already exists on their market in that country.

Author

Michel Winnubst, EIM

Information sources

Interview with the owner and information from the website of the company

- [European Monitoring Centre on Change - EMCC](#)
 - [About EMCC](#)
 - [European Restructuring Monitor](#)
 - [About the European Restructuring Monitor](#)
 - [Restructuring events database](#)
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Contact us

Eurofound, Wyattville Road, Loughlinstown, Co. Dublin, D18 KP65, Ireland

Phone: (00) 353 1 2043100

E-Mail: information@eurofound.europa.eu

Press: media@eurofound.europa.eu



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