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TWO Services, United Kingdom

- Type of restructuring:
Business expansion
- Employees before restructuring:
50-249
- Employees after restructuring:
50-249
- Nace/Sector:
Administrative services
- Country:
United Kingdom
- Date:
22/02/2012
- Keywords:
GreeningRecession/Crisis

Abstract

In 2008–2009 TWO Services (a family-run cleaning, repair and maintenance business in the UK) reacted to slowing demand and growing competition with actions to cut costs and generate revenue. These included reducing prices, cutting costs (advertising and fuel for transport), maintaining staff levels and seeking to grow business. The main restructuring events of recent years were opening a new office in 2009 and a new telesales department in 2010 as part of a strategic adjustment to build the business even in a challenging market.

Organisational profile

Established in 1986 in Basildon, Essex, TWO Services is a family-run cleaning, repair and maintenance business that operates across the UK. The business is registered – TWO Services Ltd – and divided into three operations. In the current form, it offers the following services:

1. TWO Catering Equipment Supply & Maintenance: this includes maintenance of catering and refrigeration equipment, gas and electrical maintenance, breakdown repair of kitchen equipment, and an emergency response service;
2. TWO Kitchen Hygiene Services: deep-cleaning of kitchens, including ventilation systems, all equipment, walls, ceilings and floors;
3. TWO Daily Cleaning: cleaning of commercial premises and offices, including the cleaning of windows and carpets, and dusting.

The first two services are in most demand, each representing around 45 % of the business. The company started as a kitchen cleaning business but gradually introduced supply, maintenance and repair of equipment in the mid-1990s, initially as a separate company. This was, however, creating too much administrative work, and so the directors decided to incorporate the second company into the existing TWO Services Ltd. Since 2008, the demand for maintenance of equipment has increased as a result of recession. In the difficult financial times, many clients have opted to have their kitchen equipment repaired and cleaned rather than purchasing new equipment.

Alan Osborn is one of the five directors of TWO Services and chairman of the company. Mr Osborn used to be a chef in the 1960s in hotels and later moved into industrial catering. He was made redundant in 1985 and then opened his own business, a catering consultancy, in 1986. Soon after, the business focus changed from catering to cleaning services, following the owner's experience of taking on a cleaning job which proved more profitable.

Over the years, the business has expanded from south-east England to the rest of the country, with offices in Basildon, London and Leeds. TWO Services works with most of the leading catering contractors in the business and industry market. The catering contractors that provide catering to big blue-chip companies would usually nominate TWO Services to be their supplier of kitchen cleaning and maintenance and for equipment supply and installation for their catering contracts or tenders. If the contractors are successful in winning the tender, then TWO Services also gets the job. The company works for individual restaurants but also directly for major facilities management companies, along with large businesses within the UK. It also works for the public sector, hospitals, care homes and charity organisations.

Mr Osborn is nearing retirement and has passed responsibilities to his sons, who are both directors. The business has grown massively over the past 25 years, from employing 2 people in 1986 to 120 in 2012. The company prides itself for building relationships with clients, offering good quality service, and investing in its staff. As a family business, the motto of TWO Services is 'It takes two'.

TWO Services has a written corporate social responsibility policy and a human resource (HR) policy. Its first HR policy was developed in the 1990s. Over the years, as the business expanded, it sought the services of an outside consultant to help it develop a new policy and quality operating standards. The company holds management meetings on a monthly basis to discuss company performance and any issues.

TWO Services is accredited under the government's Contractors Health and Safety scheme (CHAS) and the safecontractor Health and Safety Assessment scheme. Moreover, the company holds various quality ISO certifications, including quality management systems (ISO 9001:2008), environmental management systems (ISO 14001), and occupational health and safety management systems (OHSAS 18001).

Background to restructuring event

In 2008–2009, TWO Services took a number of actions, both cost-cutting and revenue-generating measures, in response to slowing demand and growing competition. Its main competitors targeted the company's clients by offering to charge 10% less than TWO Services for the same work. In order to maintain the existing level of profits, the company took steps to increase turnover and cut costs.

To enable it to maintain a high-quality service, TWO Services decided to readjust costs rather than cut down on staff. It reduced prices by 20 % in order to retain the existing customer base. At the same time, it continued to provide a quality service for a value price rather than trying to be cheap. It reduced its prices but only up to a point where it was not making loss. Other measures TWO Services have taken to cut costs include putting speed limiters on vans so they can only drive at a maximum of 70 miles an hour, and trackers, which make them more fuel efficient. It has also put dual-fuel vehicles on road and purchased a number of Toyota Prius vehicles. These hybrid vehicles can be propelled by both [gasoline](#) and electric power, which makes them one of the most fuel-efficient cars.

Mr Osborn notes that there are more people entering the kitchen-cleaning market. As a result of much stricter food safety regulations, there is a greater demand for kitchen-cleaning services and therefore more opportunities in the industry. While competitors may have taken advantage of the recession by offering cheaper services and thus attracting clients who look for savings in difficult times, they are not a serious threat to the company in the longer term. The directors believe that many are short on the quality of services, qualifications and public liability insurance that TWO Services offers.

Despite the slowing demand, TWO Services was able to increase sales gradually. Its income has been increasing steadily. Rather than retrench during the recession, the company decided to expand its business. The main restructuring events undertaken in recent years have been the opening up of a new office in 2009 and a new telesales department in 2010 associated with strategic adjustment.

Restructuring processes

The owners had been planning to expand the business for some time and considered opening a telesales department as part of their plans for 2009–2011. The telesales department was intended to cover all services. The motivation was to increase the client base and subsequently turnover as a way of keeping its profit margins at a level consistent with previous years.

The company sales department had always been 'reactive': when a request was made for quotation, someone was sent to quote. It was decided to change this approach so that sales staff would make a proactive contact with companies and increase the client base. A telesales person was employed in 2008, but this did not work out for both parties, and it proved to be difficult to get the right people.

The company advertised the telesales positions a number of times over 2008 but no suitable candidates came forward for the roles. In early 2010, a company near the head office in Essex, which used to sell office machines, photocopiers and fax machines, was acquired by a large multinational firm, and the staff were made redundant. This company had a telesales department, so TWO Services took this opportunity to recruit, offering the vacant sales positions to two experienced sales staff from the acquired company, who both had a good track record. The employees took redundancy payment from their previous employer and almost immediately started working for TWO Services.

The telesales department, with two new employees, started working at the beginning of 2010. Initially, the sales staff had to learn to understand the business and its requirements and needs in relation to kitchen cleaning and maintenance. They were given specific training for this. To familiarise themselves with the business operations and the services offered, they were taken out by the company's sales manager to visit various operations. The employees also underwent an internet-based training programme, covering health and safety, environment and driving, as part of the company standards.

Apart from the two telesales staff, the company recruited another five external people during that time. A northern office was opened in November of the same year, as the volume of new business in the north was increasing. Three employees moved from the south to the new office, one as northern operations manager and one as cleaning supervisor. The other employees were employed locally from advertising. TWO Services had far too many applications for the remaining positions.

The restructuring event was financed from internal funds obtained by reducing advertising expenditure in the Yellow Pages in 2009. This has enabled TWO Services to cover the additional overhead cost of the new staff.

Challenges and constraints of restructuring

In order to open a new telesales department, TWO Services needed to recruit experienced sales staff. This has been a challenge for the company as this is not a job for just anyone, due to the nature of this type of work. Additionally, the company had an issue with one new employee who was quite strong minded, and it took a time for that person to adjust to the new working conditions and the type of services being sold. This, however, was soon resolved and their work generally improved.

Restructuring advice and support

The company received advice and support from two business consultants regarding the development of an integrated quality management system, including the environment policy, health and safety policy, and staff induction training programmes. It did not seek any specific advice during the restructuring process, but its management plans were developed with the help of these two consultants, who have worked with the company since 2008.

Outcomes of restructuring

The new telesales department proved to be a success for the company. As a consequence, it has employed seven new staff members. Having dedicated sales staff enabled the company to set itself targets. Deals are now regularly closed by making appointments via telephone and visiting clients face-to-face. The company introduced a bonus payment for the sales staff. The staff work towards targets and receive a bonus payment if they meet the target. This has increased the volume of sales.

While previously the company was rather reactive, mainly responding to clients' queries and providing quotes, it has since become more proactive by telephoning existing and potential clients and trying to bring in new business. Moreover, the process has become more organised. The telesales department keeps records of sales and can make comparisons with previous years. The information is recorded in a sales database so that all staff have access to it and can plan visits without duplication. As a result, they have become much more efficient.

Opening a telesales department has also affected the existing employees. Due to the increase in sales, the sales staff who go out to meet clients and complete quotes have become busier. There is also an increase in the volume of work for staff organising and arranging dates and times and for employees undertaking the cleaning and maintenance work.

Anne Haydock is the contract manager for the Maintenance Department. Her role is to administer all documentation related to new contracts, to do quotes and to respond to queries. Anne previously worked for the NHS. She started working for the company in 2007 on a part-time basis, 25 hours a week. Due to increased volume of work generated through the telesales department but also the growing demand for maintenance services in recent years, her workload has also increased in terms of quotes and documents that she has to process. Ms. Haydock subsequently moved into a full-time position in 2011, which has been a positive development for her personally.

Laurence Freeman joined the company in 1996, initially working as a cleaner. About six years ago when an employee went on maternity leave, Mr Freeman progressed into a managerial role and became responsible for office cleaning services. When TWO Services introduced the telesales division, it started to produce more opportunities, increasing sales. At the time, Mr Freeman was offered the position of sales manager. This was not a vacant position advertised externally. As the business started to expand, TWO Services required more sales staff and tried to draw from its existing human resources. As a sales manager, Mr. Freeman meets clients face-to-face and converts quotes into sales. Although he did not have any prior sales experience, he had a working knowledge of kitchen and office cleaning. Mr. Freeman attended several training courses for the role in order to learn how to price jobs and provide quotes for customers. Becoming a sales manager has been a positive experience in terms of personal progress, job satisfaction, financial rewards as well as company benefits such as having a company car, mobile phone and laptop.

In terms of net profit, 2009 was one of the best years ever for TWO Services. In 2010, the company sales were higher than in 2009 as a result of restructuring. However, due to the investments made into the new office and the additional overhead cost of seven new full-time employees, profit

margins in 2010 were lower than in 2009. Calling and getting in touch with previous clients has helped the company maintain its profile in the market place.

Commentary

The case study of TWO Services provides an example of a company with a successful expansion strategy in difficult economic circumstances. The restructuring was associated with strategic reorientation in response to shifting demand patterns. The recession has strengthened rather than weakened the business. The company has capitalised on its strong market and financial positions, using these to expand the business by opening a new office in the north of England and a new telesales department in the head office. As a result, it has employed additional people as well as making use of its existing human resources to strengthen sales and organisation of work. Increasing its turnover meant that the company was able to drop its prices and still retain good profit margins and good quality of service.

For Alan Osborn, the main lesson learnt from the restructuring event is the importance of having the right employees, with experience and knowledge, who can do the work and who have the right attitude. In the case of TWO Services, the sales employees need to be confident communicators and be able to use certain techniques to elicit information from potential clients and to get them interested in talking in order to sell the service. Potential clients can often be abusive on the telephone, so this work requires a strong personality. The experience of restructuring would not have been positive and the subsequent increase in sales would not have occurred without having the right team of people in place.

Mr Osborn believes that the company has made the right decisions at the right time. It has also been lucky to operate in the services industry, which has not been severely hit by the recession. The director's understanding is that people still have to go out and eat and still spend money on food. TWO Services has taken advantage of its strong financial position by implementing measures that can put it in an even stronger position when the crisis is over and clients are ready to spend again.

Authors

Eva Kašperová, Small Business Research Centre, Kingston University

David Smallbone, Small Business Research Centre, Kingston University

John Kitching, Small Business Research Centre, Kingston University

Information sources

Interviews

Alan Osborn, owner and chairman

Anne Haydock, contract manager

Laurence Freeman, sales manager

Company address

TWO Services Limited

2-3 Hovefields Lodge

Burnt Mills

Basildon

Essex, SS13 1EB

Company website

<http://www.two-services.com/>

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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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