Eurofound

The Whole Company, Denmark

Type of restructuring:	Internal restructuring
Employees before restructuring:	50-249
Employees after restructuring:	50-249
Nace/Sector: Manufacturing	
Country:	Denmark
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Keywords:	Recession/Crisis

Abstract

In Denmark The Whole Company arose from a group of trade companies in the food sector, selling snacks, dried fruit products, tea, herbs, vinegar and nutritional supplements. For over a decade the original company grew by acquisition and continued to keep the brands of the acquired companies. In the face of the 2008 financial crisis the owner had to look hard at the strategic direction of the business. With all staff involved, the group developed a new strategy, put a management team in place and rebranded as The Whole Company.

Organisational profile

The Whole Company A/S is best described as a conglomerate of trade companies in the food business, selling snacks, dried fruit products, tea, herbs, vinegar and nutritional supplements. The original activity was selling healthy snacks in small bags – nuts, dried fruits and so on – but through a number of acquisitions, the company now sells a range of food brands that in general offer a healthy alternative to end-users. The Whole Company's direct customers are retailers.

The company was founded in 1988 by Henrik Winther-Olsen, who is also the current owner of the company and the main source for this case study. He was educated at a commercial school and is 'essentially an educated farmer', as he puts it, but his management skills have been learned along the way – from an active use of advisors and from being a board member in other companies outside The Whole Company.

The Whole Company is a holding company that owns different food brands in six separate companies, but with a common administration and with employees working across companies. The Whole Company is owned by Henrik Winther-Olsen, and he has a majority ownership in all subsidiary companies. The companies are managed by the same central management team of four to five people. Only daily operations are managed locally.

Table 1: Subsidiary companies owned by The Whole Company

Company	Products/activity	HWO ownership stake[1]
Castus A/S	Dried fruit snacks Vinegar	95%
Trope A/S	Healthy snacks in bags	95%
Fredsted The A/S	Tea and herbs	95%
Castus UK	Dried fruit snacks	100%
Jemo-pharm A/S	Nutritional supplements	76.4%
Real estate	Ownership of facilities	100%

[1] *HWO = Henrik Winther-Olsen*

Source: Henrik Winther-Olsen, owner of The Whole Company

The company operates from three different locations in Denmark – Køge and Stege, south of Copenhagen, and Vadum in northern Jutland – and has a sales company in the United Kingdom. Jemo-pharm is located in Stege and produces nutritional supplements. Castus is located in Vadum and produces fruit snacks.

Employees in The Whole Company are mainly in their forties – 'about my age', HWO points out, admitting that he would like to have more people in their twenties. Employees at the operational level are mainly unskilled, with a slight majority of women.

Since 2006, employment grew from 40 to 67, with a temporary reduction in staff during 2008. Most staff are organised in trade unions. The company employs about 10 graduates, who, for example, have masters degrees in science or are chemical engineers or business school graduates.

Most of the food brands are among the national leaders, and the company also has international ambitions for some of the brands. However, export to the UK is still just around 8% of turnover.

In relation to corporate social responsibility (CSR), the company is aware of the 10 principles in the UN's Global Compact and is doing preliminary research on its current status in relation to these. It wants to work on this issue, but is not yet ready to talk about it CSR activities in public.

A human resource strategy was defined during a recent strategy process.

The company has experienced constant growth in sales and employment since 2005. However, it experienced a net loss in 2008 and a general decrease in the EBITDA (earnings before interest, taxes, depreciation and amortisation) percentage at the time of the financial crisis in 2008.

Table 2: Earnings of The Whole Company, 2006–2010, DKK

	2006	2007	2008	2009	2010
Gross profit	31,165	39,833	41,111	50,607	58,579
EBITDA[1]	6,496	7,601	6,429	7,522	11,291

Net profit	6,315	4,295	-1,565	5,009	4,721

[1]*EBITDA = earnings before interest, taxes, depreciation and amortisation*

Source: Annual reports for The Whole Company

Background to restructuring event

The restructuring event described in this case study is an internal restructuring in management, with the purpose of establishing a management team and making the staff in a group of companies see and understand themselves as one company, with common goals and values. However, the background to this internal restructuring in management has been a series of acquisitions that have created the need for a new management structure and a common identity. Therefore, the challenges of acquiring and integrating new companies are also mentioned during the case study.

Restructuring in the form of acquisitions has been an ongoing process in the company for more than a decade and a key to growth for The Whole Company. Since it is important to be the largest or second largest supplier to retailers in a product category, it has been a deliberate strategy to acquire new products or companies, but the individual acquisition has been more about current opportunities. However, around 2008 a series of internal and external events led to a major internal restructuring.

Everything was moving very fast and the company was continually growing. Relocating the company in 2007 to new facilities in the same town (Køge) and moving the subsidiary Fredsted from Glostrup to the new headquarters in Køge took a lot of *Henrik Winther-Olsen's* management resources. Trope was acquired in 2008 and then suddenly the financial crisis came. This was a shock that made *Henrik Winther-Olsen* stop and take a critical 'helicopter view' on his company. Do we still live by the values we had when we started? Are we still one company or are we separate units? Are we still working efficiently? Does the management system fit a company with more than 50 employees or are we still running it as a start-up? And do we actually know where we are heading?

In 2009 these reflections led to a strategy development process involving all employees, the building of a management team and rebranding the group of companies under a common name – The Whole Company – from 2011. Until then, each company had been branded as separate entities.

Henrik Winther-Olsen remembers that during the high-growth period before 2008 the company had hired almost anybody who applied for a job – perhaps too many were hired. The financial crisis made the company stop and take a critical view on the organisation. Subsequently, eight people were laid off, and the organisation decreased to around 50 employees.

One of the reasons why employment had run somewhat out of control could have been the relocation of the company in 2007 and also the move of subsidiary Fredsted The to the new facilities. This took up a lot of *Henrik Winther-Olsen's* attention in that period.

At that time, there was no real management team and no real common identity for the conglomerate, so *Henrik Winther-Olsen* decided to start a strategy process in 2009 in order to build a new management structure that would be able to grow the company further.

Like in many owner-managed companies, there is also a personal twist to the story. *Henrik Winther-Olsen* is driven by continuous learning and forcing himself out of his comfort zone. After successfully building and developing a number of small companies, it was time to try his management skills on building a larger company by bringing the existing small companies under one umbrella. Therefore he set himself the aim of doubling the size of The Whole Company conglomerate within five years and developing a strategy and management team that could take the company to a new level.

Alongside the strategy process, the company continued its acquisition strategy and acquired the brands or companies Trope, Urteteket, Womega and Jemo-pharm. Trope was actually a brand that the company had originally built and later sold to snack-market leader Kim's in 2004, when *Henrik Winther-Olsen* planned his early retirement. So in a way it was the original company that was bought back in 2008. Urteteket was a relatively small purchase of a brand that is now integrated in the headquarter operations. Jemo-pharm was a larger acquisition that still operates from a separate location.

Table 3: Timeline for the development of The Whole Company

1988	Henrik Winther-Olsen establishes the original company HWO Promotion
1990	Trading in nuts and dried fruits
1992	The Trope brand is born (nuts and dried fruits products)
1998	Thekompagniet acquired (now part of Fredsted The)
2002	Castus acquired from Unilever (dried fruit snacks)
2003	Heidelberg Eddike (vinegar) acquired from Unilever
2004	Trope sold to Kim's (market leader in snacks)
2006	Fredsted The acquired (tea)
2008	Trope acquired back from Kim's
2010	Urteteket acquired (dried organic herbs; now part of Fredsted The)
2010	Womega acquired (nutritional supplements)
2010	Jemo-pharm acquired (nutritional supplements)
2011	The Whole Company becomes the new common name for the group of companies

Source: www.thewholecompany.dk (Source:%20www.thewholecompany.dk)

The acquisitions were not directly caused by external events, although the increasing size and purchasing power of customers has meant that it is important for The Whole Company to grow.

Restructuring processes

The process of developing a strategy and building a management team started in 2009 and lasted until the summer of 2011.

A part of this process was defining a common brand name for the conglomerate of brands and a common identity for the company. Until then, only the brand names from each subsidiary were known to the public, and the common owner was just an anonymous holding company called HWO Holding A/S. The name was changed to The Whole Company in 2011.

Decisions about acquisitions had been made by *Henrik Winther-Olsen* alone, but for the strategy process he decided that he wanted a high level of involvement from the organisation. An external strategy coach was engaged to manage the process, and a management team was established internally from existing managers to be highly involved in the strategy process. During the process, all employees were also involved in defining the company values – and everybody got a personality profile (personality test).

According to *Henrik Winther-Olsen,* the company had become too big and complex, so it was necessary to write down who was doing what and what had the highest priority. It took a couple of years to implement the strategy plan, and the strategy coach helped with building the management team until the summer of 2011.

Operating staff were involved in defining the values early in the strategy process through a company workshop, and they also now meet twice a year for social and team-building events. At these events, staff received information about the key financial figures of the company, like sales, orders and costs and earnings. They get current information through a monthly newsletter.

To keep in touch with each of the three physical locations in Denmark, *Henrik Winther-Olsen* pays quarterly visits to each location.

The employee interviewee saw the information meetings as very valuable and informative, and points out that *Henrik Winther-Olsen* encourages the staff to ask questions when the key figures for the company are presented and explained. He admitted, though, that it could be difficult for some staff members to completely understand what the numbers mean. But, according to the employee, the meeting creates a sense of unity in the company, where people understand that a problem in another department is also their problem.

An important part of the new growth strategy and a new management challenge for *Henrik Winther-Olsen* is international expansion. The Whole Company established Castus UK as a sales subsidiary in 2010, selling dried fruit snacks in the United Kingdom. This is still a minor activity, but an important part of the long-term strategy.

Challenges and constraints of restructuring

Running a comprehensive strategy process while still integrating and managing new acquisitions has obviously given The Whole Company a few challenges.

For the factory manager, especially, the integration of acquisitions has been a big challenge, since he has had to travel frequently to different locations. It has been important for *Henrik Winther-Olsen* to build the company as a unified company and not as separate units with separate management. After the acquisition of Jemo-pharm, it actually considered running Jemo-pharm as a separate unit, but soon learned that management and administration would be too heavy that way. Now the only local management is a production manager.

In the process of integrating and harmonising management practices, the management has learned also that not everything can be done in the same way across different locations. The company has to accept and adapt to regional differences.

For *Henrik Winther-Olsen,* it has been important to maintain a flat structure in management to keep in touch with staff and to communicate that there is no difference in status between production and administration and that each should respect the other.

In the process of building a management team and organising the company, the major challenges have been the shift in mindset of the team.

One of the challenges in the transformation from entrepreneurial company to an established organisation has been to integrate strategic thinking in the organisation. As a small company with the execution virtues of entrepreneurship, it is challenging to integrate graduates in the company. But

Henrik Winther-Olsen acknowledges that long-term thinking and strategic planning is important for the company now, and he wants to employ more graduates in the company.

Henrik Winther-Olsen defined the overall goal as doubling sales within five years. The management team found this somewhat ambitious, but it forced them to focus on projects that had the highest impact on the overall goal.

One learning outcome from the implementation of the strategy has been that too many strategic projects should not be prioritised. The original strategic plan had about 20 strategic projects. That was too many, so now only the big common projects like IT systems and new concepts are on the agenda for the management team.

The ambitious goals have been a challenge in the Castus UK unit and that is a little behind schedule. According to *Henrik Winther-Olsen,* this is mainly due to the fact that recruiting a manager for international operations has taken longer than expected. Furthermore, entering the British retail market is an either-or situation, where the right customer can mean instant growth.

Restructuring advice and support

All acquisitions in The Whole Company have been funded by bank loans without further problems.

The Whole Company has not taken advantage of public advice and support schemes in the process, apart from some advice from the Trade Council under the Ministry of Foreign Affairs in relation to exporting to and establishing a subsidiary in the UK market. The Trade Council offers free initial counselling and subsidised market research on new markets.

However, Henrik Wither-Olsen actively uses advisors to the board and advisory board, and he is an active networker.

One of the public schemes that he is currently considering is the Videnpilot scheme, where the company can get a subsidised graduate to work on research and other projects in the company. He also mentions that he would really like it if it was possible to receive subsidies for an energy-saving project.

Outcomes of restructuring

The main outcome of the internal restructuring process has been a stronger management structure for a larger and growing organisation. It has changed from entrepreneur management to team management. Furthermore, The Whole Company has become a more unified company, with common values and with a higher level of communication with employees. Finally, it has become a leaner organisation after the years of abundance leading up to 2008.

According to *Henrik Winther-Olsen,* the company has traditionally been better at focusing on daily operations than long-term goals. However, the strategy process and setting ambitious goals has forced it to think more in terms of long-term growth and to focus on projects with higher impact. It has learned to say no to small projects and customers.

Before the strategy process, there were no formal management meetings and no real management team. It was more like separate departments that were at times in conflict with each other. Today, the management team representing the different functions of sales, marketing, purchasing, financials and production has strategy meetings four times a year and a strategy plan running until 2014. However, the more specific planning is generally only for a year; changing conditions makes it hard to plan much further. The strategy process has meant that different functions and levels in the company respect each other more. They are working towards the same goals and help each other more.

The personality profiles have been very valuable to people in understanding each other's behaviour. 'Some think it is fantastic when we grow, while others are less enthusiastic. But I have learned that the people who are less enthusiastic are also contributing', *Henrik Winther-Olsen* says. And getting to know each other better also means that they are better at dealing with conflicts directly and openly. Understanding each other's personality profiles was also valuable at the operational level, where the employee interviewee reported that it was an active part of his daily communication with colleagues.

Henrik Winther-Olsen sees the restructuring process as a restart of the company and a mental shift from being a small entrepreneurial business to an established company. The company had grown so fast that it was hard to see the original company values in all the new employees. 'We had become to self-complacent', he says and points out that his motto is that 'you always come out stronger after a crisis'.

The strategy process has also led to a trimming of the organisation, and *Henrik Winther-Olsen* perceives The Whole Company as a very lean organisation today. After the lay-off of eight people in 2008, the trimming has been gradual. The exception was Jemo-pharm, where staff were reduced from 28 to 22 after the acquisition, which was mentally tough on the organisation. Furthermore, the weekly work hours were harmonised upwards since Jemo-pharm had a shorter working week than the rest of the organisation.

From an employee point of view, there was a calm reaction to the lay-offs in 2008. There was already a feeling that there was too little to do. Before the staff selected to be laid off were named, they received a lot of information about what would happen and why, and it was underlined that people were not laid off because they weren't performing. Some of those who left have subsequently been recruited back to the company.

From a personal perspective, another outcome of the restructuring was a learning opportunity for *Henrik Winther-Olsen*. His ambition is to learn how to run a bigger company and not just a small niche company. This also meant involving the management team in decisions, so while acquisitions were earlier made by *Henrik Winther-Olsen* alone, the big 2010 acquisition of Jemo-pharm was planned by the management team.

The acquisitions have had varying impacts on the company performance. Some have contributed strongly to profitability, whereas others had to be trimmed to be profitable. One learning outcome has been that buying small brands selling around DKK 5 million (€650,000) or less per year is not worth the effort. Because of the work involved in the process, new acquisitions should have an annual turnover of at least DKK 20–25 million.

For production employees, the acquisitions involve work intensification or longer working hours. The extra workload depends on whether the acquisition must be integrated into current production or is run as a separate company. On one occasion, the integration of a new acquisition happened very fast and with little information in advance. This is probably why employees pointed out that 'We like it when something new happens. This makes it interesting to work here, but also tough. But information is gold!'

It also makes things more complicated – or 'advanced' as the employee interviewee said – to manage products from separate companies in one order, but for the employee it was a better feeling that he was now handling larger orders.

Commentary

In his reflections on differences between SMEs and big corporations, *Henrik Winther-Olsen* points out that a large corporation has more financial resources and more skilled and experienced employees who may have undergone the process before. On the other hand, an SME is faster and more dynamic, but the challenge is that employees are also occupied by daily operations in the restructuring process. 'We can't just take out five people for a month', according to *Mr Winther-Olsen*.

When asked about what he would do differently, the only thing he mentions is that he would not buy companies or brands that are too small, as mentioned above.

The employee interviewed had worked in a large retail chain before and found that it was very valuable in an SME to have direct access to the owner or top management. ‘We in the store are experienced people from the retail industry, and we know a problem when we see it, so we just go to the management and tell them.’ His experience is that in large corporations some ideas are never uttered because the path to the decision-makers is too long. In addition, if each business unit perceives itself as a separate entity, it starts to function sub-optimally and avoids sticking out – top or bottom – because it attracts attention from top management.

Henrik Winther-Olsen’s opinion on public support schemes is that they are often too general. He would like to see more targeted programmes for companies with growth potential and recommends that companies focus their resources on a few large projects for committed companies. Furthermore, he mentions the strict and inflexible administration of food security regulations as a major administrative constraint for the company.

In his advice to other SMEs who want to do the same, *Mr Winther-Olsen* recommends using advisors and sparring partners in the process and getting strong competences in-house. And, finally, he highlights the importance of always knowing whether you are making money at the present time.

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Information sources

Interviews

Henrik Winther-Olsen, Founder and owner–manager

An employee working in the storehouse at The Whole Company in Køge

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Company website

http://www.thewholecompany.dk/ (http://www.thewholecompany.dk/)

Secondary sources

Annual reports for 2008, 2009 and 2010

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