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Golden Harvest, Malta

- Type of restructuring:
Internal restructuring
- Employees before restructuring:
50-249
- Employees after restructuring:
50-249
- Nace/Sector:
Manufacturing
- Country:
Malta
- Date:
19/03/2012
- Keywords:
Globalisation

Abstract

Maltese producer of baked goods Golden Harvest in 2008 relocated its operations out of a residential area to a new site in an industrial zone. The new bakery was larger, and it better met the company's needs for greater efficiency. To ensure a smooth transition of operations without disturbing productivity, a migration plan was implemented and carried out over a 60-day period. Following the transition, the company embarked on a restructuring of its internal management. Since the move, the company has seen a gradual increase in turnover and a rise in the number of full-time employees.

Organisational profile

The name Golden Harvest is synonymous in Malta with the manufacture of freshly baked bread, pastry goods and cakes, and ice-cream. The company traces its origin back to a modest traditional bakery set up in the small village of Floriana back in 1946. It did not take long for the reputation of this small bakery to spread beyond the confines of the small local community; and in a short time, consumers were able to purchase its goods, in particular its unconventional fancy bread, from various village shops across Malta.

By 1949, the company employed 20 workers and introduced new baked goods to its production lines. As its customer base continued to grow, the next logical step was to shift its operations to a larger facility which would accommodate the needs of a growing business. The new factory began to operate from the town of Gzira, now under the name of 'Golden Harvest'.

Between 1952 and 1958, the company invested in more machinery and introduced the first spiral mixers to the local market. New silos and moving tunnel ovens which led to an automated line were introduced in 1964. This allowed for the introduction of new baked goods to its production line, such as the popular French Slice and Slimex, appealing to the more weight-conscious consumer.

The company continues to use the latest technology to offer Maltese consumers a wide variety of baked products. Golden Harvest also continues to ensure that time-honoured Maltese bakery and confectionary items remain on their production schedules using traditional recipes. The company also provides finished goods and pre-mixes to order and have been entrusted by companies and large fast-food outlets, restaurants and hotels to produce their products under licence. Together with its traditional confectionary items, the company also sells frozen foods and seasonal items.

A fundamental rule by which the company continues to abide is that whatever the situation, there should be no compromise on quality standards. Golden Harvest strives to maintain high quality standards in its operations to consistently deliver the best products to its customers. This is achieved through its highly trained quality assurance staff, who effectively monitor that all BRC (British Retailers Consortium) procedures are followed through each stage of production. This procedure incorporates a systematic, preventative approach to food safety that addresses physical, chemical and biological hazards.

Six decades down the line, Golden Harvest has remained a family-run business which has reached its third generation all of whom are key members of the company's management, as well as Board of Directors.

Mark Aquilina was appointed Chief Executive Officer at Golden Harvest Ltd. in June 2011. As a member of the family and a firm believer in the continued success of the company, Mr Aquilina was involved in the operations of the business at a relatively young age. Indeed, He has been involved in the business for over 22 years and prior to his appointment as CEO of the company, already served as a member of the Board of Directors. Throughout the years, Mr Aquilina has gathered a wealth of experience in the management and operations of the company which allows him to administer the day-to-day running of the business and set out projections for future growth.

Renewed investment continues to be injected into the company, producing on average 70,000 products each day. The company owns a fleet of 23 vehicles and delivers to 14 direct distribution branches and over 1,000 retail outlets daily across the Maltese islands. Its branch stores are independently run by store managers who oversee every aspect of the business. Notwithstanding, any restructuring which would impact the company's business activities would need to be conferred with the Board of Directors for approval.

As of spring 2012, the company employs 143 full-time employees. The skills employed by the company include amongst others; accountants, delivery men and electronic operators.

Almost 100% of the company's production is produced for the local market, with only a fraction of its production line intended for export.

Management strives to promote and maintain good industrial relations with its employees. In so doing, it promotes active measures such as staff training and development which helps stimulate further development and motivation on the job and consequently increase the average skill level of the company.

Background to restructuring event

In 2008, Golden Harvest Ltd. moved into a new bakery in the industrial zone of San Ġwann. The inauguration of the new premises marked the successful completion of the company's long-term plan to relocate out of its former plant in Gżira – which due to developments in building construction in the area throughout the years found itself located at the centre of what eventually became a residential area. The relocation also served to accommodate a larger, more functional factory layout which would support the growing demands of the factory facilitating greater efficiency. The management also sought to ensure that the changes implemented in the new factory set-up, such as equipment design and procedures, complied with HACCP (Hazard Analysis and Critical Control Point) certified standards.

Following the establishment of a fully-fledged bakery plant, the company also embarked on a restructuring of its internal management structure. The change embraced the appointment of Mark Aquilina as Chief Executive Officer and the assigning of other members of the family to key management posts. The changes introduced to the management structure came about as part of a family succession planning exercise, executed and agreed upon by the Board of Directors, composed mainly of family members.

Restructuring processes

The idea to relocate the operations of the factory to a new site outside of Gżira dates back to 1999. The construction of a new building, to be designed and tailored for the specific operational and physical capacity of the company, was considered to be the single most viable option.

Once the decision was taken by the Board of Directors to push forward with this project, the company started to carry out the necessary research which would form the basis of what would be a solid Business Plan for the company's restructuring process. The plan also included a feasibility study, an architectural plan, engineers' report and a design and layout for the new production line.

The site which was to host the new factory was acquired through Malta Industrial Parks, the corporation responsible for the administration and maintenance of industrial estates in Malta. The new factory was to be located approximately 5km away from the old factory site. By January 2007, work on the new premises started to progress at a steady pace, and in December 2008 the company inaugurated the opening of its fully-fledged plant in San Ġwann. The factory was built on the site of what was an old factory. The old building was subsequently demolished and became the site of the new Golden Harvest factory. The site was acquired through Malta Industrial Parks, an organisation created to manage industrial estates in Malta.

The new plant represented an investment of over €20 million supported through equity and bank financing. Management claims that given the good standing which the company enjoys with its bank, no major difficulties were encountered during negotiations on the financing of the project.

Employees and suppliers were informed in advance of the relocation to the new plant. In order to ensure a smooth transition of the plants' operations without disturbing productivity, a migration plan was implemented and carried out over a 60-day period. The new factory started to operate trial runs, which required mainly production line workers to work extra shifts over the 60 day period, until all employees completed the necessary training to be able to operate the new machinery. Specialised training on the new machinery was provided on-site by the supplier. Operation from the new plant continued to work in parallel with on-going work from the old plant until the full migration of its operations was complete. This was done in order not to disrupt productivity and supply for the local market. Only small pieces of equipment were transferred to the new plant, with most machinery from the old plant sold to a foreign buyer. The old plant remains the property of Golden Harvest Ltd.; however it is currently not in operation.

A different approach was adopted with some of the administrative staff of the company, who was asked to translocate to the new premises at short notice, claiming that not enough time was allowed for them to see to the shifting of most of their archives. Other than the mentioned hitch in relation to the short notification period applied to some members of staff, the overall experience of the restructuring process was viewed to be a positive one.

Challenges and constraints of restructuring

The inauguration of a new and more sophisticated factory marked another milestone achievement for Golden Harvest Ltd.

Like any other large-scale project, the process had its fair share of challenges. The project involved a list of deliverables which needed to be met by the project team, such as the gradual migration of employees to the new premises whilst at the same time providing them with the necessary training required in order to be able to operate the new machinery. In order to meet the projections set out in the Business Plan, the management engaged the services of an external management consultant to sit with the Board of Directors; a legal officer; financial and business consultants and a civil engineer.

Restructuring advice and support

The company attributes the success of the project to good planning, which ultimately makes the implementation process easier. The ability to guarantee quantifiable results for a project in advance is a way of staving off any undesirable impact on the company's operations, finance and employees.

By engaging a team of experts which would assist in the planning and implementation of the project, and developing a sound Business Plan for its undertaking, Golden Harvest Ltd. managed to avoid certain constraints which could have been detrimental to the successful outcome of the project. Management did not consider cost to be a real factor when evaluating the engagement of experts for this project.

Golden Harvest Ltd. has also benefited from Government incentives such as interest rate subsidies which offer support to new investment projects undertaken by enterprises engaged in manufacturing. Other favourable incentives include Government subsidies on investment projects supporting renewable energy, which was an integral concept of the designs of the new factory premises.

Outcomes of restructuring

Golden Harvest has continued to register a growth in turnover, which is conducive to the continued investment injected into the company.

Following the restructuring project, Golden Harvest also experienced a gradual increase in the number of full-time employees. At the beginning of the restructuring process the number of full-time employees stood at 106. By spring 2012 the company expanded its operations, and employs a workforce of 143 full-time employees. As part of the new operational arrangements which came about from relocation to the new premises, the company also introduced changes to its human resource set up in order to enhance the value added of the company. These changes were mainly applied to key personnel performing production and administrative functions, including sales, marketing and finance. Such changes would ensure that key functions and responsibilities were allocated to the right individuals according to their competence.

The introduction of new cutting-edge technology for its machinery resulted in an increase in operational efficiency and an initial cut in employees' overtime. However, over the period 2010 and 2011, Golden Harvest continued to witness an expansion in its production line which came about as a response to accelerating growth in product demand. This led to the re-introduction of overtime shifts for its employees.

The new bakery, which is spread over 14,500 square metres of space, is powered by 16,000 KVA transformers and houses a large cold room that can store up to 1,100 pallets and nine loading bays. The new space also incorporates two new production lines for loaf production and a bun line that provide 100% of additional capacity over the old plant. The building has also been designed to accommodate any future expansion of the company.

Another outcome of the restructuring process is the improvement in cost structure. For Golden Harvest Ltd, the concept 'going green' translates into energy efficient technology which ensures environmental quality. This concept was a key element in the design of its sustainable high-end factory. The new structure was designed and built in close collaboration with an internationally renowned foreign bakery management consultancy firm which supervised the works from beginning to end.

Design for environment is a concept which was integrated into the company's business plans for the new factory. The bakery incorporates a photovoltaic system, together with a solar water-heating system which supplies hot water throughout the building, a modern waste separation system and a large water reservoir that has a capacity to store 96,000 gallons of rain water for every four inches of rainfall. The water is then purified through a reverse osmosis system and used for second class water. Moreover, all oven burners use LPG gas, thereby reducing emissions and contributing towards a greener environment.

Today, the measures implemented by the company translate into a 20% drop in the factory's energy uptake. A surge in the country's utility rates has neutralised, rather than cut down on the factory's cost savings on energy. Notwithstanding, had the company opted not to invest in green technology, the company would today have experienced a 20% increase in utility costs.

Future plans for the company include increasing its production for export. The company is also investing in research and development, seeking to extend the shelf life of its products and introduce a healthier product range on the market, such as baked goods which have low gluten content. The company has also recently launched a Low Gi Multiseed Loaf containing a major source of fibre and is therefore ideal for healthy eaters, dieters, vegetarians and type 2 diabetics who follow a low Gi diet. This product was developed by Bakels (UK) and is produced under license by Golden Harvest.

Commentary

The management at Golden Harvest Ltd. believe that the root of their success in the restructuring process lies in the time and energy invested in developing a well-structured plan – together with ambition, which is the driving force behind its achievements.

Two significant decisions taken by the company include: the drafting and implementation of a Business Plan which clearly sets out the marketing, operational and financial plan in relation to the project. The plan also includes clearly defined targets and deliverables set out to be achieved by the company.

By investing in a team of experts with distinct professional backgrounds, Golden Harvest Ltd. increased its chances of project success, avoiding any pitfalls which could have resulted in a less desirable outcome.

On a general note, respondents remarked positively on the assistance available for helping SMEs and micro enterprises in Malta to invest in their economic growth. A shared perception was that larger companies tend to garner more interest and backing from Government due to their higher productivity and export share, and their sustenance of a larger workforce.

Nevertheless, it is felt that the importance given to larger companies does not significantly outweigh the collective strength and contribution of SMEs to the sustainability of the local economy. A shared perception which emerged during the interviews is the awareness of Government incentives which aim to assist and promote the growth and sustainability of SMEs on the islands. In particular, respondents mentioned assistance offered to small businesses through Malta Enterprise, such as the interest rate subsidy scheme. Other incentives include the promotion of investment in renewable energy, such as subsidies on the installation of solar water heaters and photovoltaic panels.

Another observation made during the interviews was the need for more on-going dialogue and guidance relating to the assistance available to local SMEs, in particular, access to finance.

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Information sources

Interviews

Mark Aquilina, Chief Executive Officer, and one employee

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www.goldenharvest.com.mt

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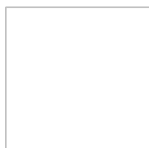
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