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- [Case studies](#)
 - [Attractive workplace for all](#)
 - [Ageing workforce](#)
 - [Workers with care responsibilities](#)
- [Database of wages, working time and collective disputes](#)
 - [Dispute resolution](#)
- [News](#)
- [Events](#)

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You are here

- [Home](#)
- [Observatories](#)
- [EMCC](#)
- [ERM](#)
- [Restructuring in SMEs](#)
- [Europlan Engineering, Finland](#)

Europlan Engineering, Finland

- Type of restructuring:
Internal restructuring
- Employees before restructuring:
50-249
- Employees after restructuring:
50-249
- Nace/Sector:
Professional services
- Country:
Finland
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- Keywords:
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Abstract

When the major client of Finnish project management company Europlan Engineering experienced business difficulties, the company decided to look for new markets and to change its focus from planning and design towards the provision of turnkey solutions. It sold the design and planning side of its business, which involved the transfer of 50 out of 80 employees. Shortly afterwards, it acquired HN-Yhtiöt so that the company could have its own production. The two companies have been integrated to save costs and exploit synergies; however, this did involve the dismissal of administrative workers from HN-Yhtiöt.

Organisational profile

Europlan Engineering Ltd is a project management company offering turnkey solutions in shipbuilding, industry and building construction. The company was established in 1990 from the remains of Wärtsilä Marine Ltd, which went bankrupt in 1989. Europlan focused mainly on planning and design services for the marine industry up to the year 2010. At the end of the 1990s, Europlan Engineering Ltd also started to provide turnkey solutions for new buildings and conversions in the shipbuilding industry. Nowadays, the company offers complete turnkey solutions, from planning and design to installations and post-delivery support, and it has widened its target sectors to three.

The current Managing Director, Jari Savola, joined the company in 1996 after completing his studies in mechanical engineering. He worked in project management tasks and was responsible for the development of turnkey deliveries. He bought his first shares in the company in 1999 and in 2006 became the main owner. He served first as the chairman of the board, but became managing director as well in 2008. Nowadays, Jari Savola owns 92% and Financial Director Perttu Tuominen 8% of the company. The organisational structure is very flat. In addition to managing and financial directors, there are two other manager-level posts in the company: HR manager and network manager.

Euoplan Engineering Ltd employs about 30 employees and a further 30 employees work in Hermann's Finland Ltd (former HN-Yhtiöt Ltd), the company bought by Euoplan Engineering Ltd in 2010 (as part of the restructuring event described below). Hermann's Finland Ltd is a production technology company specialising in interior solutions. Both companies operate in the same premises in Raisio, Finland. The employees of Euoplan Engineering Ltd are mainly clerical workers such as project managers, project assistants, designers and supervisors. At Hermann's Finland Ltd, employees are more involved in production tasks. The educational background of employees varies from higher education to vocational degrees. Most of the employees have a technical education.

The company was on a growth path from 2000 until 2010. The turnover of Euoplan Engineering Ltd was about €10 million in 2005 and it rose to €60 million in 2008. In 2011 turnover fell to €5 million due to the difficult situation in the shipyard of Turku, Finland. A comprehensive restructuring was initiated.

There is no works council in the company, but there are shop stewards representing the employees. The shop steward serves as a local negotiator, conciliator and channel of communication between the employer and the employees. Shop stewards have been involved in the restructuring procedures related to dismissals as required by the Act on Cooperation within Undertakings (or [YT Act](#)) applied in all businesses with a regular staff of at least 20 employees in Finland. The company also has close relationships with the trade unions.

Background to restructuring event

During its history, the company has been heavily dependent on the Turku shipyard. Ten big cruise vessels were built in the shipyard during 1999–2010 and the shipyard has been an important employer in the region. Basically, the turnover of Euoplan Engineering Ltd was derived from the shipyard and the company was able to grow organically as a network partner of the marine cluster. In 2010, one large cruise ship was finalised in the shipyard. After that there were no big orders on their way and the shipyard lost a major order for a new cruise ship in February 2011. When the markets started to decline, competition increased. Due to these structural changes in the shipbuilding industry during the global financial and economic crisis, there were in practice almost no new orders received for a year and the turnover of the company started to decrease. To ensure its future survival, the company started to look for new markets and opportunities. Major restructuring was also required inside the company to get the business back on track.

Restructuring processes

Euoplan Engineering Ltd had historically focused mostly on planning and design services, but Jari Savola saw the future potential in turnkey deliveries. He saw that the sizes of cruise ships have reached their limit, meaning that shipyard orders will get smaller in future. Therefore, the focus on the turnkey solutions would be more profitable. In addition to new buildings, Jari Savola also considered it necessary to operate more in conversion projects to be able to better compete in the markets. Euoplan Engineering Ltd started to implement changes in its strategy in 2010, a year before Turku shipyard lost the major order.

At first, the company gave up their design and planning business. Due to its project-based nature, Jari Savola had been thinking about selling out the business since he bought the company. The decision was finally made in spring 2010 when the order book was almost empty. At that time there were about 80 employees working at Euoplan Engineering Ltd and about 50 of those were sold out to another company. Jari Savola states that it was not a proper acquisition but it was more like a business transfer as the employees moved to a temporary work agency owned by the former owner of Euoplan Engineering Ltd. The process went smoothly as all the parties knew one another and the transferred employees were able to continue designing work. Some designers were left in Euoplan Engineering Ltd, but the company designs nowadays only for their own purposes as a part of their turnkey services. The company also uses the services of their former employees in their projects.

According to their new strategy focusing on turnkey deliveries and international markets, the directors of Euoplan Engineering Ltd considered it beneficial to have own production. This was the main motivation behind the acquisition of HN-Yhtiöt Ltd in the autumn 2010. Through the acquisition, Euoplan Engineering Ltd has been able to widen its business to new markets and fields and to offer turnkey services to the customers. HN-Yhtiöt Ltd had also offered turnkey deliveries in the maritime industry, but the focus had been more on interior solutions. Now, after the acquisition the focus of the company has been shifted more towards the Finnish construction industry, whereas Euoplan Engineering operates internationally in the marine industry.

Euoplan Engineering Ltd had not made any systematic plans to acquire another company, but Jari Savola got to know the CEO of HN-Yhtiöt Ltd, when the idea of buying the company arose. The first contacts with HN-Yhtiöt Ltd were made at the turn of the year 2009–2010, but the actual negotiations following the due diligence took place during summer 2010 and they lasted about three months. The negotiations were intense, but went smoothly as both parties had the same interest. There was a timetable, but no written, formal plans set for the acquisition process. Jari Savola and financial director Perttu Tuominen carried out the due diligence by themselves. The lawyer was used only in drawing up the official contracts. The key persons – that is, the managers – in Euoplan Engineering Ltd were informed about the plans to acquire HN-Yhtiöt Ltd and their opinions were sought.

The acquisition was finalised at the end of 2010 when Euoplan Engineering Ltd bought 51% of HN-Yhtiöt Ltd. The payment was made in cash. There were about 35 employees in HN-Yhtiöt Ltd at the time of the acquisition. The personnel of the two companies were informed when the deal had been finalised. A press release was issued to inform trade unions, customers and interest groups about the acquisition. HN-Yhtiöt Ltd was the bankrupted estate of Hermann's Finland Ltd formed in 2009. Due to its good reputation the name was changed back to Hermann's Finland Ltd in

February 2011.

The original plan was to have two separate companies operating in their own premises, but after the lost cruise ship order the managing director made a quick decision to integrate the two companies to save costs and exploit synergies of the two companies, for example by having a joint administration and data system. Jari Savola is the director of both companies, but despite the joint administration the two companies have the same organisational structure they used to have. These changes happened within a month. Europlan Engineering Ltd sold their own premises and moved to the premises of Hermann's Finland Ltd in Raisio in March 2011. Following this move, administrative workers (about 10) from Hermann's Finland Ltd were dismissed. As the CEO already knew the personnel in Europlan Engineering it was a rather straightforward decision for him to dismiss the personnel from Hermann's Finland Ltd. The codetermination negotiations went rather smoothly and were conducted in a constructive atmosphere, insofar as that is possible in situations where painful decisions are made.

Due to the poor order book in Turku shipyard, Europlan Engineering Ltd has looked for new markets for their services abroad. This has required lots of travelling by the managing director who is responsible for negotiating the deals. However, the internationalisation and expansion of business has been done systematically. The company has selected five shipping companies with which it cooperates. The idea is to learn the customers' way of working and build close relationship with them and this way to grow own business. The same kind of strategy was also applied in Turku shipyard.

Challenges and constraints of restructuring

According to Jari Savola, there were no major challenges related to the implementation of restructuring. The acquisition of HN-Yhtiöt Ltd went smoothly as the buyers were already familiar with the business type and sector. The only thing that the management would have done differently is related to the due diligence. After the acquisition the management realised they had relied too much on the good reputation and the long history of Hermann's Finland Ltd and they should have paid more attention to its current deals and projects. The results of the current deals should have been evaluated in more detail and taken into account in the selling price as it was found out later that two of the projects of the company were unprofitable.

Restructuring advice and support

The managing director Jari Savola has had the main role in the restructuring implemented in the company and basically no external help has been used. He described the acquisition process as a challenging and interesting learning process. For him it was an obvious decision to carry out the process by himself together with the financial director and not to access any support: 'When you do everything by yourself, you can be sure of what you are buying.' Jari Savola can be defined as a serial and portfolio entrepreneur currently owning five or six companies. His previous experience in selling and buying companies has taught him a lot and was also helpful in the restructuring of Europlan Engineering Ltd.

Financial support was not obtained for the actual restructuring events, but Europlan Engineering Ltd has received support for activities carried out after the restructuring. Financing from Tekes (the Finnish Funding Agency for Technology and Innovation) and ELY Centre (Centre for Economic Development, Transport and the Environment) has been received for projects related to launching the services business and product development. These supports were considered important in terms of the internationalisation.

Outcomes of restructuring

The first reactions of employees towards the acquisition were varied. Some had a neutral reaction while some saw the changes in a more negative light. As Europlan Engineering Ltd moved to new facilities, there was some resistance. While the distance between the old and new location is only about 15 kilometres, for some employees the journey to work became longer; however, on the other hand, for some people it got shorter.

The split into two companies was evident in the beginning, but after a year both sides are seeing the positive sides of the restructuring. The management has tried its best to create a good working atmosphere, for example by organising some joint events for the staff.

Many types of cost savings have been used in the company. There have been some redundancies made in both of the companies among all employee groups. Also there was a one-week-long compulsory unpaid leave for all the workers. Typically the company offers a lot of training for their clerical workers, but during the past few years the amount of training offered has been limited. Furthermore, the board work has been disbanded, meaning that currently there are no persons outside the company on the board who are involved with the development of the company. The idea is to have new members on the board and continue more active board work in the future. There has also been a break in management teamwork, but it has been quite recently started again and the aim is to make it systematic. As a result of the integration, the responsibilities of administrative workers have been broadened.

The integration has required a lot of energy from many workers, but especially from management. The managing director needed to invest a great deal of his time in Hermann's Finland in order to get to know the business and the way of working, integrate all the systems and to change an unprofitable business into a profitable one. This meant that in 2011 Jari Savola was not able to put that much effort into Europlan Engineering Ltd and its turnover remained at lower level than it probably would have been in other circumstances. However, this paid off and the results of Hermann's Finland Ltd were positive apart from the unprofitable old projects.

The new internationalisation strategy was devised after the acquisition and the direction seems to be right. With its own production Europlan Engineering Ltd is able to take care of the project from beginning to end. This is seen as positive by the customers and more profitable for the company as there is no need to buy some of the services outside. Many employees of Europlan Engineering Ltd are currently working abroad and nowadays almost the entire turnover of the company is derived from international projects. International projects are viewed by employees as a pleasant change. However, the whole process is slow: the seeds have just been sown, but no fruits have yet been borne, according to the managing director.

Commentary

Jari Savola considers the commitment of the management and their ability to secure the support of the employees as the key factor for the successful implementation of the restructurings. In SME restructuring the role of the owner–manager is greater, whereas in larger companies the owner is in a sense ‘faceless’. The board makes the decisions and the personal money of the directors is not involved. In SMEs, management and employees have daily contact and emotions can be involved in these sensitive processes. Also, it might be more difficult for the SMEs to acquire finance. On the other hand, in SMEs the decision-making process is often quicker.

In terms of advice for SMEs buying another company, it was recommended to carry out the due diligence very carefully. Enough time must be invested in it in order to find all possible hidden costs. Tax inspection could be a useful tool in this process.

Author

Elisa Akola, TSE Entre, Turku School of Economics, University of Turku

Information sources

Interviews

Jari Savola, Managing Director, Chairman of the Board, Europlan Engineering Ltd

Perttu Tuominen, Financial Director, Europlan Engineering Ltd

Company address

Europlan Engineering Ltd

Koppelonkuja 10, 21210 Raisio, Finland

Website of the company

<http://www.europlan.fi/>

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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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