

Transnational Restructuring in Europe Zephron Marketing Group, Germany

*Debora JESKE et Thomas KIESELBACH (Institut für Psychologie der
Gesundheit, Arbeitslosigkeit und Arbeit), Germany
Gernot MÜHGE et Matthias KNUTH (Institut für Arbeit und Technik),
Germany*

Executive summary

The examined German case study is a European branch of the transnational Marketing company. This case of restructuring focuses on the company's development following a merger of three separate marketing firms, the repercussions for the regional branches in Europe following the merger, and the subsequent sale of the company to another investor of US American origin, which meant that the merger required a new common structure for both the branches in the USA and Europe.

Personell reduction was one consequence of the restructuring, which was ameliorated by professional development and qualification offers as well as outplacement measures in Germany. The case study describes the internal effects and regional challenges to the European branches following the merger and the required restructuring of the departments on the example of the German branch restructuring. The innovative element of this restructuring in the German branch relates to the use of unlimited outplacement services for all dismissed employees in the absence of a works council, using company funds instead of funding available for this transfer measures as outlined in SGB III (Social Security Code III).

A further innovation is the introduction of a new, European management level for the entire European area covered by *Zephron Marketing* and the closer association between the formerly independent operating branches, particularly specific departments which are now connected on a transnational level.

Monitoring Innovative Restructuring in Europe

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Debora Jeske, Gernot Mühge, Thomas Kieselbach, Matthias Knuth

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Transnational Restructuring in Europe

Zephron Marketing Group

Universität Bremen

IPG Institut für Psychologie der Arbeit
Arbeitslosigkeit und Gesundheit

Wissenschaftszentrum
Nordrhein-Westfalen
Kulturwissenschaftliches
Institut



Wuppertal Institut für
Klima, Umwelt, Energie
**Institut Arbeit
und Technik**

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1. Abstract

The examined German case study is a European branch of the transnational Marketing company called *Zephron Marketing*¹. This case of restructuring focuses on the development of *Zephron Marketing* following a merger of three separate marketing firms, the repercussions for the regional branches in Europe following the merger, and the subsequent sale of the company to another investor. Particularly relevant here is that two of the formerly individual companies are of US American origin and the third was solely based in Europe, which meant that the merger required a new common structure for both the branches in the USA and Europe.

Personell reduction was one consequence of the restructuring, which was ameliorated by professional development and qualification offers as well as outplacement measures in Germany. This case study describes the internal effects and regional challenges to the European branches following the merger and the required restructuring of the departments on the example of the German branch restructuring.

The innovative element of this restructuring in the German branch relates to the use of unlimited outplacement services for all dismissed employees in the absence of a works council, using company funds instead of funding available for this transfer measures as outlined in SGB III (Social Security Code III). A further innovation is the introduction of a new, European management level for the entire European area covered by *Zephron Marketing* and the closer association between the formerly independent operating branches, particularly specific departments which are now connected on a transnational level. The merger of the two US American and the European Marketing companies further led to a centralization of company decision-making but also a closer connection between individual departments. The department managers in all European branches are thus responsible for their regionally located clients, but they also have to report to their supervisors on the European level and in the US, requiring them to be cognizant of both the national and the international remit of their work.

The present study was compiled as part of the project „Monitoring Innovative Restructuring in Europe – MIRE“. This project is coordinated in Germany in a cooperation between the IPG (Institute for Psychology of Work, Unemployment and Health at the University Bremen) and the IAT (Institut Arbeit und Technik, Gelsenkirchen). It is the aim of the MIRE Project to identify innovative examples of restructuring in Europe and further to organise an international exchange and knowledge transfer. The project is funded by the European Social Fund, Article 6. It commenced in January 2005 and comes to an end in November 2006.

As part of the research project,

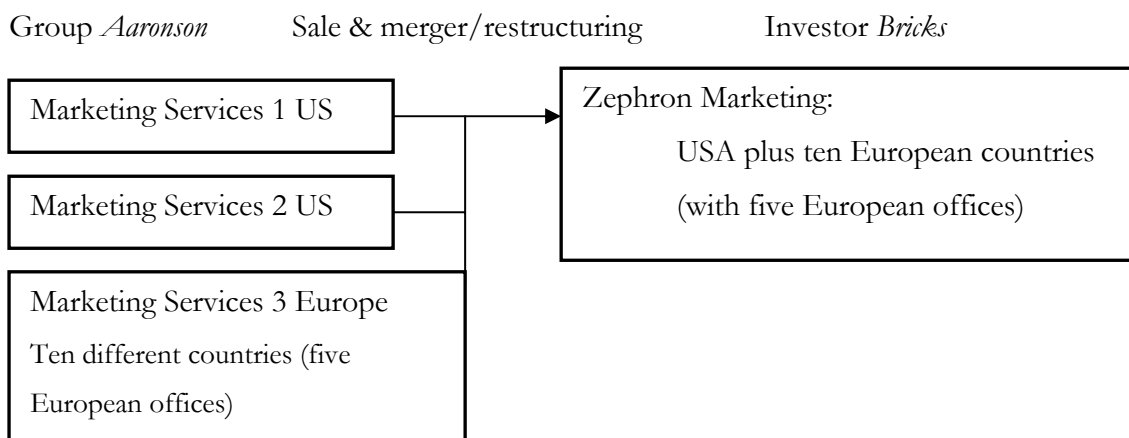
- each of the participating countries (Belgium, France, Germany, Sweden, United Kingdom) will set up national expert networks which will meet and connect more closely during the lifespan of the project,
- Each country will conduct case studies which will document present national „good practice“ examples of innovative restructuring.

¹ All names have been changed for confidentiality reasons. Interviewee partners were the German HR manager and the Call Center Manager. Additional information was based on the websites and press releases of the companies here called *Zephron Marketing*, *Aaronson* and *Bricks*.

2. Description of the Organisation - Zephron Marketing

Zephron Marketing is a marketing service provider and was founded following a merger of three separate marketing companies in 2005. Two of these companies were based in the USA; the third company was a solely European enterprise that was present in several European countries (France, Belgium, Germany, Austria, Switzerland, Italy, Great Britain, Denmark, Norway and Sweden). Five offices located in Germany, France, Italy, Great Britain and Norway look after the clients in these ten countries. All offices were maintained following the merger of the three companies to *Zephron Marketing*. The British office continues to serve a double function as the British office and the European headquarter.

Figure 1: Previous and current structure of *Marketing Zephron*



Since the same group owned all the original three companies, these three companies therefore also shared some common structures and reporting lines. However, some important differences can still be discerned between the US and the European branches even after all three companies were merged and sold to the new investor *Bricks*. These relate to the history and development of the European offices (all of which started of as individual small and medium-sized companies being bought up by *Aaronson*) as well as the differently structured markets and client needs which they continue to serve in Europe.

General activities of *Zephron Marketing* include membership programs, insurance services, as well as loyalty marketing schemes. In addition, the US based offices focus on the retail business, credit card protection, and direct product marketing to individual customers on the home market (where they have around 117 million individual customers). The European offices, in contrast, focus entirely on the European market and offer packaging solutions for clients, that is, they develop specific offers for financial institutions instead of individual customers. Therefore, the expertise of the current European *Zephron* offices entails the drawing up and development of regional product offers aimed at the customers of the various national bank and credit organisations – the actual clients - located in the ten European countries. The market share in Europe is significantly smaller where *Zephron* reaches just 15 million customers with their client products. The final customer is not directly approached as in the USA. Instead, the client – in this case the bank or credit institute – contract *Zephron* offices to forward approved offers to selected customers. That means that *Zephron's* services in Europe include specific product development for their clients as well as customer services via a call center (more details and description in the next section).

3. Description of the German office

Development prior to 2005 – short overview

The German office was founded in 1999. At this point, only a handful of employees were employed to work on a contract for a single client, a regional bank. The number of clients has increased continuously since then - and so have the number of staff employed in the office (the 100 mark was reached in 2005). The more clients were won, the more – increasingly specialist - personnel was recruited. The increase in staff numbers can also be attributed to the relocation of various units within Europe such as a Call Center that had been set up on a European basis. However, this was not a workable solution for the regional customers and the European Call Center was subsequently regionalized which meant that the various employees were relocated to work in regional Call Centers. The current office thus includes a Call Center unit. In addition, the German office cooperates with an onsite travel service so as to develop specific regional travel offers for its clients (the travel service was not sold with the main office and is thus still part of the *Aaronson* Group, see Box 1). Travels often feature regularly in client magazines.

3.1. Current structures and special features

Zephron Marketing in Europe maintains a specific, local focus in all its client and customer service provisions. Product and offers are being developed and published with the local customers in mind. The customer magazines are filled with locally available offers for the local zoo, restaurants, and leisure activities – in addition to a ‘lost key service’, emergency provisions, and credit card protection (in case a customer lost his purse), cinema tickets, football or hockey games etc.

The departments are identical in all *Zephron* offices and include Sales, Account and Product Management, Communications, the Call Center, and general Business Operations (IT, Human Resources, and Finance). The majority of client contracts focuses on the production of customer magazines with special offers. Therefore all offices in Europe include an additional department for ‘Print and Production’ (to develop, produce and sent out client magazines using a client’s provided customer contact information) and the Call Center to provide the customer service. Customers can make use of these offers outlined in their bank’s customer magazines by contacting the Call Center, which will provide customers with the details on behalf of their bank. These marketing services allow the clients (banks and credit institutes) to focus on their daily business while *Zephron* develops the bank’s customer loyalty schemes.

Box 1: *Zephron* Europe - special structural features

One particularity in all European offices of *Zephron* includes the continuing cooperation with the travel service. This travel service was not sold to *Bricks*, but remains an *Aaronson*-owned service. This continuing cooperation thus links both the marketing offices with a local travel service. The background to this association is explained by the fact that this link between the two is profitable and advantageous for each. It improves the offers that *Zephron* can make to clients for their magazines. It is also profitable as *Zephron* receives a share of the sold service in return for providing the travel service with a continuous stream of customers. *Zephron* operates independently from other divisions owned by *Bricks*. Therefore, no structural commonalities exist between *Zephron* and other *Bricks* companies – except for a few guidelines that were negotiated during the sales discussions between *Aaronson* and *Bricks*. *Zephron* is thus an independently operating company.

3.2. Personnel characteristics

All European offices shared structural similarities; they also employed similar number of staff before the merger and the subsequent restructuring. This has not changed significantly since then. However, each office differed in some respects from the others due to the developmental history of each branch, the market share in the countries serviced by the office, the customer preferences, the associated cultures and the number of languages spoken. The following section includes a survey of the staff employed in the German office.

Staff characteristics and differences

The German office currently employs 100 staff member; in addition, another 20 people work on site for the *Aaronson* travel service. About half of the staff is employed in the Call Center. Their remit is limited to providing customer services and support in German to those customers who call from Germany, Austria and Switzerland. The Call Center includes shift workers and has a generally more flexible hiring practice compared to other departments, which means employees in the Call Center have quite varying professional backgrounds.

By contrast, employees in the other departments tend to have university or similar qualifications, they are likely to be experts in their area and possess language skills as well as foreign work experience.

Outsourcing and external service providers

In addition to the workforce, *Zephyron* uses freelancers, experts and specialists that are hired on a project-basis. These are generally hired to develop client programs and products. In addition, *Zephyron* also relies on external service providers for their workforce's continuous professional development as well as software development and marketing. To address the specialized and increasingly differentiated service needs, several experts have been permanently recruited in some areas, such as 'Print and Productions'. That means the German office relies on internal know-how as well as external service providers when designing, producing and distributing customer magazines for their clients.

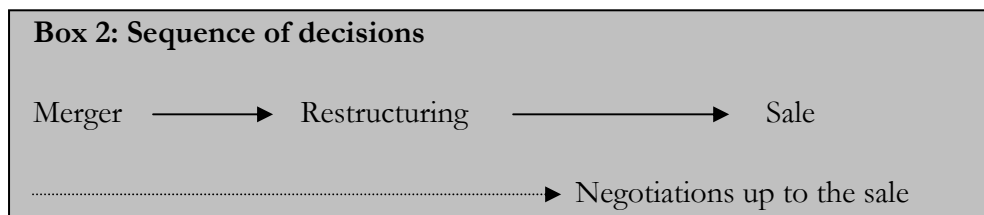
Staff representation and communication

Several of the European offices have Works Councils, however, the actual role of the Works Council varies in each office and is dependent on the staff's support and the national legal framework. There is no works council at present in the German office. Nevertheless, staff meetings are regularly organized in the office, in addition to the team and departmental meetings. At these meetings, all staff members have the opportunity to put questions to their managers and to request more information. Internal communication is fostered by an Intranet, which is particularly useful to shift workers in the Call Center, as these are not always able to attend the staff meetings.

4. Developments before restructuring

The US American *Aaronson* Group decided to strategically realign its organization in late 2004. This also included the sale of its Marketing Services Division – including the three companies it contained (two of these are based in the USA whereas the third company is based in Europe – now part of *Zephron Marketing*).

All three *Aaronson* Marketing companies were similarly structured and focused due the common ownership and the industrial sector. This positively influenced the *Aaronson* Group management's decision to merge all three companies and sell the new concept to the potential buyer and investor *Bricks*. Both the merger and first conceptualisations regarding the necessary restructuring required took place during the one-year negotiation process. *Aaronson* was hoping to convince the potential buyer *Bricks* by merging the three marketing companies a potential future vision and show them the potential for the new company. This means, *Aaronson* was the driver in this change. In case of a merger of several larger companies, especially where large data volumes are concerned, a thorough examination of all aspects of a company is decisive factor for the sales price. Not all mergers are successful, *Bricks* thus decided to not just check the business situation of the new company, its turnover and profits. The management culture and structure of these separate units was also investigated, as well as the salary and the qualification of the workforce.



The merger was agreed in Spring 2005. The restructuring started at the same time as the negotiations commenced. The negotiations ended in 2005 when *Bricks* bought *Zephron Marketing* in the autumn of the same year. The restructuring of the European part of the company came to an end shortly afterwards in late 2005.

5. General overview of the restructuring

The new structure was specified and outlined by the *Aaronson* management board, which in turn had been arranged jointly with the investor *Bricks*. The new structure could not be negotiated. All branch managers accepted this, as they realized that the success of this merger required a common structure due to the international dimension of the company and regional involvement of each office – for the international managers as well as the regional office managers.

The strict structural instructions were complemented by the room to manoeuvre on the regional level. The respective managers in the offices could decide whom to dismiss, retain and also for which posts had to be newly created and which employees had to be relocated.

The structure of the new one is very similar to the previous one – the exact development and change to the structure and departments is covered in the next sections.

The new structure – the starting point

The original three Marketing companies owned by *Aaronson* were differently sized and had varying employee numbers. In order to achieve a centralisation of management lines and structures, *Zephron* was modelled on the biggest of the three companies, that is one of the two US based ones that had the largest workforce (around 2.500 staff). Its structures was the baseline for the restructuring that took place in the other two companies – later *Zephron* units, with one company employing 500 additional staff in the US, and the European unit with 600 staff. A common structure should enable the increasing centralisation and conformity amongst the three companies that were to form *Zephron*, so as to enable the management to competently lead and guide the new company.

Departmental changes and a new European management level

Prior to the merger of the three companies to *Zephron Marketing*, all national departmental managers reported to their respective Country Head that again reported to the company management in the UK. The merger required an identical departmental structure in all *Zephron* units. This also meant that all national departmental manager in each unit were to report to an international department head as well who is now located either in Europe or in the USA. This also applies to the German office: here the majority of departments (i.e. Operations) report to the Departmental Head located in the UK. In a few cases (i.e. IT and HR), the actual Departmental Head is located in the USA.

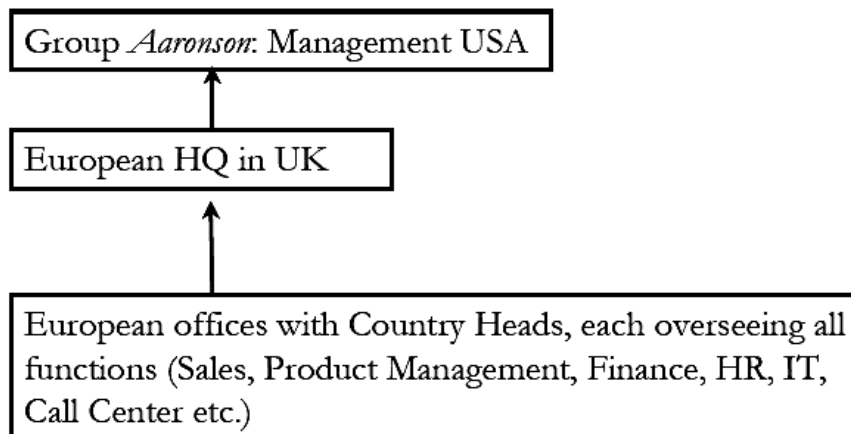
6. Repercussions for the European offices²

The restructuring already started during the sales negotiation that started at the beginning of August till autumn 2005. Therefore, the entire event took place in the short space of eight months: from the first announcement made by *Aaronson* in April 2005 regarding the proposed restructuring of the Group and its Marketing Division, to the actual restructuring and sale of the new company *Zephron Marketing*. The repercussion took different forms in Europe, which will be outlined briefly for all European offices and more detailed for the German office in particular.

The following figure 2 shows the old structure shared by all European offices prior to the merger. All offices operated independently from one another. As the result of the restructuring, departments were changed and new – international - Departmental Heads appointed. In effect, the departments Operations and IT were split into two each: Business Operations (office) and Client Operations (for the clients), IT (internal) and IT (client support in form of a Solutions Analyst). Nowadays, all offices share the same departmental layout, however small differences remain. For example, whereas the Operations Management in Germany includes just 2 employees, the Italian office has 10 staff in that department.

² The effects on the offices are discussed here in relation to the German office (the same processes took place in the other European offices as well, however, these are not covered in this case study).

Figure 2: Previous structure of Marketing Services 3 Europe



6.1. International reporting lines and centralisation

This means, managers report no longer just nationally to their Country Heads in the European offices, but primarily to their international Departmental Heads. This required an adjustment on the side of the departmental managers to the new international work dimension, particularly since English is now the official language for all reports.

As already outlined above, the restructuring included the creation of a new European level management structure. This implies that the individual manager in a department now reports to the national Country Head as well as his or her European (or US-based) Departmental Head. For example, the German HR manager now reports to the Country Head regarding development in the office, but also has to report the same in English to his American Departmental Head.

These new reporting lines was instrumental to achieve the targeted centralisation of all functions, where the managers are not just responsible to their national Country Head but also to the international department head and thus the owner as well management board of *Zephron Marketing*.

Figure 3 shows the current matrix structure, with new reporting lines going all the way up to the upper management level. The contrast between the international administration and the local business connection to the clients still remains, since client contracts and customer support remain locally bound activities (particularly in terms of the language). The new structure thus requires managers to manage a balancing act between the local and the international business. It is not surprising to note that this has created some problems as a result³.

³ One example is the lack of the local perspective being considered when employees participate in international projects „since everybody naturally focuses on their relevant area and considers different aspects as important. In effect, not sharing the same location can lead to all partners working a bit past each others“ (HR Manager).

Figure 3: Current structure and reporting lines

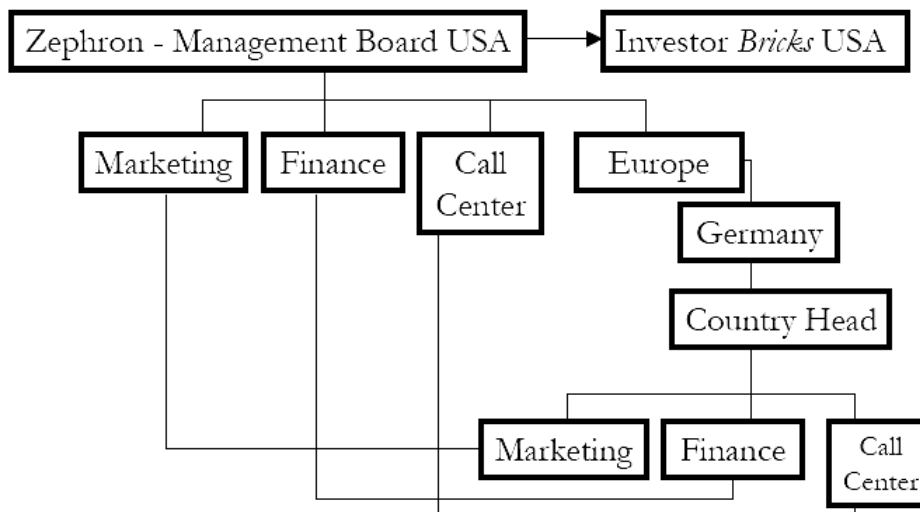


Figure 3 shows that the reporting lines are not consistent for all departments. This depends on the size as well as the importance of each department. The new reporting lines differ significantly from the previous structure due to the new centralisation of functions.

6.2. Personnel reduction and redeployment

The changed departmental structures also resulted in redeployment as well as staff cuts in the various offices. To implement these changes, particularly the staff redeployment and dismissals due to operational requirements⁴, took different amounts of time and was dependent on the number of employees that had to be relocated or lost their jobs.

All offices had similar staff numbers prior to the restructuring with about 100 people working in each – with a few more in the United Kingdom (since this office operates as a normal local office as well as the main European *Zephron* headquarter for the other European branches). The restructuring and centralisation led to staff cuts in all offices. On a brief note, the British office not only lost staff but also status. Since the new management board is located in the USA, all main decisions are now made there, meaning that UK office now serves as a meeting place for European and US managers rather than an actual headquarter.

Dismissals and Outplacement in Germany

According to the German HR manager, about 10% of the workforce in Germany were dismissed, a similar percentage as in all the other European offices. Considering the natural staff fluctuation (i.e. temporary contracts) and redeployment, only 9 people with a permanent contract were selected for redundancy in Germany – a relatively small dismissal rate.

⁴ “betriebsbedingte Kündigung”, equivalent to the French licenciements économiques, in English “dismissal for economic reasons”

Box 3: Outplacement – An Introduction

Outplacement was initially invented in the USA after World War II so as to place returning soldiers back into new work. Since then, the instrument has become popular in the upper management and has spread to other countries since then. Outplacement measures to dismissed employees usually take place outside the restructuring company and include support and counselling on the following: information about the labour market and the possible market opportunities, assessment of strengths and weaknesses in relation to the qualification level of the employee, and continuous professional development (including internships up to university education). Particularly relevant to many users of outplacement services are the support during the separation process and the return to employment. Several agencies thus offer job search assistance, support with interview preparations as well as job entry coaching, as well as support during the probation period.

Outplacement options can vary from service provider to service provider. They can be temporary as well as long-term / unlimited, the latter are usually paid by the employer with a flat rate. The guarantee - which is usually part of the unlimited outplacement offers - is particularly useful to those employees who did not successfully finish their probation period with a potential employer and can thus return to their respective consultant.

The Outplacement can also include individual as well as group counseling. Whereas individual counselling offers support till the counselled person has signed the new contract, group counselling includes a professional reorientation for a group of people who have a similar profile and who may have been dismissed by the same employer.

The counselling offers also depend on the employer's or individual's budget, but are also dependent on foreseeable difficulties expected during the job search for unusual professions and mobility constraints. While the majority of users are still employees in middle and upper management, service providers increasingly include offers for technicians, academics as well as internationally operative specialists. The offers are also important for the employers, since the consequences of these dismissals will be noticeable amongst the survivors of layoffs, such as in term of reduced loyalty towards and identification with the employer.

Other advantages of outplacement relate to the reduced number of legal disputes, improved transparency regarding the company's procedure for reducing personnel, higher motivation amongst those who will be dismissed, improved work productivity amongst the survivors, and all of this helps to maintain employee loyalties towards the employer. If employees anticipate professional and thorough counselling support in the case of future restructuring, the workforce's sense of stress and insecurity will be reduced.

The use of external service providers is often desirable for both sides since internal counselling might lead to conflicts. In some way outplacement offers can be considered by the workforce as a confirmation that the dismissing employer is facing up to its social corporate responsibility towards its workforce, in that it provides the dismissed employees with competent advisors.

The success of job placement depend on a variety of factors, including the competence of the outplacement advisor, the profile of the person to be placed into new employment, and the previous efforts of the employer (in relation to continuous professional development, support via the original employer's personnel department and previous manager following dismissal)⁵.

⁵ More information, please see bibliography.

6.3. Outplacement measures

The employees who were selected for redundancy had to sign a cancellation agreement, cancelling their contract with Zephron. In return, they received several offers including a compensation payment (no details were available) and unlimited outplacement counselling, which was paid with a flat rate from a restructuring funds provided by *Aaronson*. The flat rate represented 20-30% of the employee's annual salary (on average, the flat rate was about 15.000 Euro to 20.000 Euro per person). According to the HR Manager, the restructuring funds was never specified, the instructions of the former owner Aaronson was simply to provide whatever was needed to those who were being dismissed. Usually, in the presence of a works council, a certain nominal value is negotiated as part of a social compensation plan – which was not the case here. In addition, the sales price alone for Zephron was considerable (several billion Euros). Accordingly, the financing of the restructuring measures was not going to be an issue in this case in contrast to other, much smaller organizations.

Before their dismissal, all employees were offered a chance to personally meet with the outplacement advisors and to analyse the offers that the outplacement would include. All 9 individuals made use of this opportunity beforehand. The outplacement that they were offered included the support of employees during their probation period until they received a definite job offer with a new employer. In addition, the outplacement agency would provide support to those wishing to gain more qualifications (building on the internal training already provided by the German office) and assist with the career planning.

Following this first visit to the agency all dismissed employees decided to take up the offer. A number of employees also decided to put their individual effort into finding new work on their own initiative - which also shows up in the high rate of reemployment (more below).

Outplacement was a voluntary option for all nine employees. The reasons for choosing this instrument was outlined by the HR Manager, who remarked that the dismissals had nothing to do with the individual employees as such or their work, but rather with the fact that the new structure simply did not include job positions for them. Choosing the outplacement option was about providing them with support to end their employment with the company while also providing them with a good starting base for the future. In the end, only four of the nine employees actually used the outplacement offer in the end since five others found jobs elsewhere or decided to change career. Of these four, two found a new job pretty much immediately after the dismissal whereas the other two were still using the outplacement services by mid-2006 (at the time of the interview). More details are not available regarding the results of the outplacement, as the information about the individual former employers is confidential. *Zephron* has no access to the materials.

7. Restructuring results

The internal effects and the challenges put to the European office following the merger and the corresponding restructuring are outlined below for the German office in particular.

7.1. Structural similarities and differences

Due to the similar structures that were already common to the three companies that later became *Zephyron Marketing*, actual differences are only noticeable in a few departments where the structure changed. Important changes relate primarily to the centralisation of functions and the international reporting lines. One example here is the IT department, which was split into two (local and client oriented) with two different departmental managers and two different international department heads.

In effect, the structure is the same, however, some departments have diversified and split into two. Whereas these departments used to have on common, local Country Head to report to, the managers now report to the various European department heads (in the case of Operations Management und Field Operations) or directly to a department head located in the USA (examples here are HR and IT).

7.2. Personnel reactions to the restructuring

The dismissal process was positively supported by the open and honest office culture and climate. „We introduced the new structure and talked to all [staff]. We told them ‘that is it, this is our offer’ and negotiated” what is possible thereafter (HR Manager). It took only four weeks, a relatively short time frame, to decide the number of dismissals until the signing of the respective cancellation agreements. The German office was the fastest of the five European offices to successfully achieve the planned staff cuts. The personnel changes were implemented without any problems, particularly because – as mentioned above - five of the nine employees wanted a career change and considered the dismissal as a positive new starting point for their future.

The dismissal rate of 10% was similar to other offices. The actual reactions of the staff varied according to their professional experience, openness and their tenure in the office. The reactions of those with the longest tenure were very telling. Many had been involved in the start-up processes and the development of the office since 1999. These employees had worked in various departments; their flexibility, interest in improving their qualifications, as well as the mobility at work were particularly commendable. The restructuring came thus as a shock to many after six years of continuous growth, especially, since the changes included dismissals. The employees had not expected these developments due to the steady growth and were surprised as well as felt insecure now that the company had to cut those supposedly permanent posts.

Different effects on the German workforce and managers

The reactions to the restructuring varied according to the impact of the changes onto employee day-to-day work. On advantage was probably that the new structure was comprehensible to the general workforce. The majority of the German office staff did not have to adjust to the same changes as managers, who had to face significant difference regarding their reporting lines and departmental remits. This was one reason why it was possible to avoid dismissals, since the general employee could be moved into new posts without to many problems in most cases. In some departments, the restructuring and split into two units led to a shortfall of experts who could not be replaced by current or dismissed employees and had to be newly recruited to the company.

The German Country Head and the HR Manager also attempted to assist the workforce by talking to employees about the restructuring and their changed responsibilities, also providing additional coaching and training opportunities to all. The training aimed at improving manager's leadership skills. Other events included a "change management" seminar organized by a consultancy. In addition, manager meetings made change management a particular priority, which resulted in regular and carefully planned information events for all staff. Additional offers included cross-cultural training for the workforce aimed at introducing all employees to the differences, commonalities, values, and cultural standards in various cultures in the hope of fostering successful working relationships with the US and European colleagues. This supportive environment has certainly prevented certain difficulties and issues that could have arisen otherwise.

New problems and identification with the new company

The internationalisation and centralisation required staff to adjust in their daily work, particularly the managers and those working on international projects. New problems include the language, but also others: "We have many company contacts to the United Kingdom, to the US; that is quite a distance – notwithstanding the time difference. Not actually meeting and seeing each other, that does not make it any easier. Many projects only progress slowly due to the distance and it is a great easier, if you are sitting closer to one another. On the other hand, many managers but also employees are not sufficiently qualified to work virtually" (HR manager). At present, there is no company-wide concept how to support those international teams who work jointly on projects.

The sense of identification with the old company Marketing Service 3 Europe and now *Zephyron* varies according to the how much the internationalisation and centralisation has affected employees and managers. Those who daily interact with international colleagues since the restructuring may perceive the changes more acutely than those whose work has not really changed at all – such as those employees working in the Call Center.

Different personnel reactions in other European offices

Whereas it had been possible to transfer employees in the German office, some of the other offices reported stronger effects. According to the HR manager's knowledge, several other offices had problems with a large number of employees handed in their notices themselves. This was not the case in Germany, which is believed to have been the result of the clear communication strategy

adopted by the managers in the German office. The relatively disadvantageous labour market situation in Germany may, of course, also explain the low voluntary turnover.

7.3. Participation and influence in decision-making processes

The reorganisation of the European offices in terms of departmental structure, particularly the new reporting lines and the considerable size of the new global company, all contribute to a situation where the European office no longer have any real influence on the business decisions of the American management. When such a large company, „as in this case the buyer or the main business management says ‚this is how the new structure will look like‘, [the European office] may be able to bring in their thoughts and suggestions, but it may not necessarily interest anybody“ (HR manager). The offices no longer have as much influence on decision-making processes since the restructuring, since they do not have the same independent structure and status.

Despite these instructions coming from the top, the local managers were able to effectively use their staff knowledge during the restructuring. The majority of departmental managers remained in their positions and departments and were given asked to independently organise required departmental changes and the necessary personnel cuts according to their own judgement.

8. Evaluation of restructuring

Results and data on the restructuring

The restructuring of *Zephron Marketing* following the merger of the three former companies aimed at achieving certain strategic long-term goals by forming new, internationally competitive company. Due to large size of the companies and the confidentiality clauses put to the researcher when producing the case study, it was not possible to provide specific financial statements of the business management on the restructuring. Despite these missing details, the following conclusions can be drawn:

The German office was restructured on time and according to plan. Decisive conditions for this successful reorganisation were the following circumstances:

- Since starting out in 1999, the German office underwent several organisational changes in terms of structure and business volume. The staff therefore had experience with restructuring (even if these reorganisations were related to business growth which did not require an international adjustment);
- None of the dismissed employees went to court and they all accepted the offered compensation measures (such as outplacement and compensation payments);
- The announcement of the restructuring did not lead to any voluntary redundancies on the side of the employees in the German office - in comparison to such employees reactions in other offices;
- The structural changes could be realised internally without any problems due to a flexible and very well educated workforce;

- The cooperation between the local management and the workforce was supported by the open communication climate and the fact that the managers took pains to clearly and comprehensibly explain the new structure and association with a new owner to the affected workforce.

The restructuring resulted in a variety of disadvantages as well as long-term challenges for the German office:

- Project work has become significantly more complex due to the international dimension (language wise and also due to the time difference) and resulted in a general slowing down of all processes at work that in turn reduces efficiency.
- The remit of the departmental managers have broadened and become multi-dimensional which means that the departmental managers now have to account for the activities at the local as well as the international level. This leads to new challenges and an increased strain, especially when local issues have to be debated at the international level (such as the various small details related to office moves, which also have to be shared with the international Departmental Heads).
- The demands in the day-to-day work (i.e., multi-lingual and virtual work) require new qualifications and new – currently not existing - concepts on a company-wide basis.
- The possibility to participate in decision-making process is complicated by the international dimension. Cultural differences in management practices could potentially lead to problems due to the directive style of the American management board.
- The involvement of external freelancers provides the office with the necessary flexibility to fulfil its contracts, but it also confirms the general nature of the employment amongst service providers where insecure and temporary appointments have become the norm.

The change from a decentralised organisation to a central orientation with limited influence and decision-making room will certainly produce a number of challenges and repercussions for the workforces, which are not discernible at this point.

Evaluation of personnel measures – outplacement in the absence of a works council

The personnel measures used in the German office restructuring included compensation payments and cancellation agreements and were thus rather traditional. The unlimited outplacement instrument was a very successful suggestion, since it represented a generous offer and also enabled the employees to decide for themselves if they wished to make use of it.

The use of this instrument in the absence of a works council and without the usual funding via the Social Civil Code (§216a SGB III) is a quite a rare occurrence and shows that this instrument is becoming ever more popular as a means to support and counsel laid off employees. However, it is essential to note that the commitment of the HR manager in the German office was a prerequisite for the identification of the outplacement offers according to the needs of the employees.

Potential repercussions of these restructurings on the local labour market, the general region and the five countries that are home to the European offices are not known.

Innovative potential and applicability

This case study demonstrates another side of company restructuring: these are no longer determined solely by regional factors, but also by a number of international actors and objectives.

This case study is relevant to the MIRE projects for the following reasons:

- When considering restructurings in Europe, are we correct to assume that all the relevant actors are situated in Europe? If this is not the case, how can the agenda of the respective European countries and the EU be communicated to the international actors involved?
- The internationalisation requires a reorientation of all employees working for international companies. The focus of management should no longer be solely on the company's immediate environment. How can this be effectively communicated to the regionally focused companies? Which barriers exist on both sides – that is on the side of the increasingly international company boards and the European employees?
- What role could the European Union play in terms of providing instruments and professional education directives that could improve the job chances of employees in Europe given the increased global competition (i.e. language training, *Exchange Programs* for employees in Europe, employing national actors to convey EU guidelines to those outside the EU)?

Future perspectives

The restructuring efforts at the European offices were not as substantial or problematic as one might have imaged, primarily because the offices shared several similarities with the proposed US model. This could primarily contributed to the fact, that the European offices – including the German office - did not resist the planned restructuring, their new status as subsidiaries, or the increasing importance of the US based management board.

Some aspects did not change due to the restructuring. The different market orientations and client services offered by the US based companies compared to the European offices were maintained. (The European offices do not provide support to private individuals but only institutional clients such as banks). This certainly helped to avoid potential conflicts, as the actual expertise of the Europeans was not put into questions. The positive cooperation of the various US and European offices up to this point, particularly since the first restructuring, speaks for the success of the new transnational company.

The changes in personnel, remits, and the introduction of international reporting lines were successfully managed with the help of well qualified, committed and internationally experienced managers in the case of the German office. The dismissal of staff did not have any lasting negative effects on the commitment of the remaining workforce due to the exemplary support and help (in the form of outplacement etc) which these individuals received from the personnel. This suggests to the workforce, that similar instruments will be employed should future restructuring lead to further dismissals which will certainly have helped to quieten the remaining workforce's concerns.

The European offices are medium-sized organisation. The association with the larger investor *Bricks* may be useful for the future. However, this relationship also implies a new hierarchy and a loss of status and consideration of the local context. This could also lead to problems in the future, particularly if the next reorganisation is less successful than the 2005 restructuring.

Transferability

Recommendations for future restructuring could include the following measures as demonstrated in this case study:

- Supplementation of conventional personnel reduction measures with unlimited outplacement offers;
- Undertaking relevant continuous professional development in the case of international project teams and management responsibilities (i.e. cross-cultural training, training for virtual teams);
- Open and clear communication and employee support during the restructuring (i.e. addressing all employees with an Intranet, regular staff meetings and information events) and
- Support provisions to managers if their areas of responsibility increase significantly so that they can continue to support their own staff.

Conclusions

The case study under investigation focuses on the creation of the international company *Zephron Marketing* and the restructuring effects on the European offices following the merger and sale of *Zephron Marketing* to a new owner. The internal effects and the regional challenges put to the European offices are outlined and evaluated in great detail following the merger and the required restructuring of departments. Some last thoughts in this case study concern the potential outcomes and possibilities of international companies undergoing restructuring.

The introduction of new international - that is European - management structures in Europe and in other countries provide us with an opportunity to observe globalisation effects and to recognise trends in Europe. The new challenging combination of a regionally as well as internationally responsible manager requires a very good national as well as European education. However, this also means that these managers are the best contact points to locate and to test potential transferability and applicability of innovations.

Whereas the USA and Canada have a common management culture due to the size of the countries and the shared language, this is not quite the case in Europe where you have several different national and cultural frameworks to consider. Case studies such as the presented example of *Zephron Marketing* may present the missing link between those innovative restructuring cases found in smaller regions and those innovations, that are not related to a regional or even national development – meaning those restructuring efforts that are driven by global conglomerates such as *Aaronson* and *Bricks*.

This case study also shows that the national or even European managers have less opportunities to influence the decision-making processes because the local perspective of the European offices play

no longer the same role considering the new international agenda and a management board that is based outside Europe. These kind of managers nevertheless represent the best contact points for national restructuring cases like the current one. They understand not only the national context but can also make international comparisons – something that many locally focused managers do not pay attention to, particularly in relation to sectoral developments of their industry.

Globalisation trends amongst companies and sector do not necessarily mean that the personnel policy on the local ground becomes less important. As was shown in this case study, the support of the dismissed employees with the help of a German outplacement agency played a powerful and successful role in this case of a transnational restructuring. This, plus a good communication climate, and a relationship build on trust between the local management and the workforce can make a large difference when companies restructure in the process of becoming more international.

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Appendix

- This case study did not include any health measures.
- Neither the public employment service nor unions played any role in this case study.
- All costs relating to the restructuring and the support measures were carried by the original owner of Zephron - that is the *Aaronson Group*.
- All names have been changed for confidentiality reasons.