



# Business Adaptive Strategies in Crisis: The case of an acquisition in the relocation industry

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## **Abstract:**

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Keywords: strategy, removal, moving, relocation, business, industry, synergies, crisis, international, impact, short-term, medium-term, long-term, retrenchment, persevering, innovating, exit.

I would like to highlight that this thesis is under NDA, no various companies' names or top management people will be mentioned across this thesis.

Through this thesis paper, a case study of an acquisition of an international relocation and moving firm facing financial difficulties will be presented. First of all, related to the academic demand, a presentation of different strategic answers will be presented adding up to an analysis of the strongest and weakest points of each strategic answer. Additionally, an interview will help to have a better understanding of the situation and the strategic choices made by the top managers of the holding company that bought the acquired firm with another company that was created by the holding conglomerate 50 years ago. The interview will be related to literature review and a discussion will arise from both supports. The discussion will present which kind of strategic answers are used and what are the arguments that pushed toward taking these decisions and choices to impact and improve the economic wealth of the acquired company. To conclude, a presentation of strategic choices will be fulfilled of the current and forecasted impacts of the answers. Finally, we will discuss how to continue with the same mindset, organisation, and track records without disrupting the acquired company.

Título: Estratégias adaptativas de negócios em crise: o caso de uma aquisição na indústria de mudanças.

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Palavras-chave: estratégia, remoção, mudança de indústria, remoção internacional, realocação, negócios, indústria, sinergias, crise, internacional, crescimento, impacto, curto prazo, médio prazo, longo prazo, contenção, perseverança, inovação, saída.

Gostaria de salientar que este trabalho de tese está sob NDA, não serão mencionados nomes de diferentes empresas ou equipas de gestão de topo ao longo desta tese.

Através deste trabalho de tese, será apresentado um estudo de caso de aquisição de uma empresa de mudanças internacionais que enfrenta dificuldades financeiras. Primeiramente, relacionado aos trabalhos académicos, será apresentada uma apresentação de diferentes respostas estratégicas somada a uma análise dos pontos fortes e fracos de cada resposta estratégica. Além disso, uma entrevista ajudará a compreender melhor a situação e as escolhas estratégicas feitas pela alta administração da holding que comprou a empresa adquirida com outra empresa criada pela holding há 50 anos. A entrevista estará vinculada à revisão da literatura e surgirá uma discussão de ambos os suportes. A discussão apresentará que tipo de respostas estratégicas são utilizadas e quais são os argumentos que levaram à tomada de decisões e escolhas para impactar e melhorar a riqueza económica da empresa adquirida. Para concluir, será feita uma apresentação de escolhas estratégicas sobre os impactos atuais e previstos das respostas. Como continuar com a mesma mentalidade e trilhar sem atrapalhar a empresa adquirida.

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**Table of Contents:**

**Abstract:**..... 1

**Acknowledgements:**..... 3

**Introduction:** ..... 5

**Literature review:**..... 6

    1. Retrenchment answer ..... 6

    2. Persevering answer..... 7

    3. Innovating answer ..... 9

    4. Exit answer ..... 10

    5. Other potential strategic answers ..... 10

**Case study:** ..... 11

    1. Acquisition phase ..... 11

    2. Strategic decisions phase..... 12

    3. Strategic implementation phase..... 15

    4. United Kingdom synergies ..... 16

    5. Czech Republic synergies..... 18

    6. Other operational synergies..... 20

    7. Future synergies ..... 21

**Conclusion:** ..... 23

**Appendices:**..... 25

**Bibliography:** ..... 29

## **Introduction:**

This following thesis presents a case study of the strategic integration between a holding company Mobility and two international relocation firms Horse and Bird. Bird is part of Mobility since the creation of the holding. The acquisition will be about Horse company. These three names are invented to respect a commitment of confidentiality. This thesis will be under anonymous nature, neither figure nor names will be disclosed.

In February 2024, Mobility bought a major actor of the international relocation industry, Horse firm. This company is facing internal crisis. Overall, the international moving industry is facing a crisis on different aspect. The first one has occurred in the beginning of the Covid 19 pandemic it has frozen all the transport activities for more than a year. Moreover, the removal industry is facing other crises and trends. One of the issues is due to corporation and international firms that are reducing international moves within their global structure and employees. The next issue is about the young generation and the following trend, the reduction of personal belongings. It is impacting the volume for removals and reducing the profit generated by the firms.

Bird was created by Mobility more than 50 years ago. One of the holding's target is to implement synergies within department of the internal activities of those two companies Bird and Horse, in order to face the Horse crises and the other crises that are impacting the relocation industry nowadays. The main department targeted by Mobility is the operational one, with Bird, Horse could benefit and reduce his financial expenses. Those high expenses are one of the main explanations of the low performance on-going within Horse.

The literature review will focus on the different kind of strategic answers that could be applied to face a crisis which are Retrenchment, Persevering, Innovation and Exit. A presentation of each will be made and arguments with their respecting strengths and weaknesses will be presented. A correlation with the case study will be done and reasoning behind the decisions taken by Mobility.

The case study is targeting the European region and mainly focus on the following countries, United Kingdom and Czech Republic. Each country has different strategies and synergies based

on the local structure and the strategic choices depending on short-, medium- and long-term actions for a long-term scenario. Other kind of synergies will be discussed and the reasoning will be supplemented with an interview from a Mobility top management employee who will explain the full decisions process related to Horse, from the acquisition to the future of this company.

The following case study is supported by theoretical backgrounds such as academic concepts and a summary of an interview made with a Mobility top management employee.

## **Literature review:**

In order to explain the reasoning behind Mobility's decisions at a strategic level, I intend to present a literature review that highlights the four different types of responses that corporations, (including those in the international range), may employ faced to one or more crises. As a reminder, the primary objectives of Mobility are founded upon a long-term strategy that is primarily reinforced by decisions, synergies, or actions that aim to achieve a long-term growth, even though some of these actions, as you will observe in the case study, will be intermediate-term and short-term in nature.

To begin, it is imperative to define the four different types of strategic responses to face crises: retrenchment, perseverance, innovation, and exit (Strategic Responses to Crisis, SMS Journal, M. Wenzel, S. Stanske, M.B. Lieberman).

### **1. Retrenchment answer**

The retrenchment strategic response is often used by company while facing a crisis. The main principles of this response are “reduction in costs, assets, products lines, and overhead” (Pearce & Robbins, 1993). The scope of retrenchment is about narrowing the activities, focusing on the core business and stabilising the drop of performance on a long-term perspective (Pearce & Robbins, 1994). Additionally, if a firm is focusing more on his core and main activities, the

outputs generated will reduce the complexity and rise the transparency among the firm (Benner & Zenger, 2016; Gartenberg, 2014).

Retrenchment might also not be the perfect answer especially if for instance the management team is not conscious of the potential negative impact that can be generated by the cost-cutting measures taken during a crisis (De Figueiredo, Feldman, and Rawley's, 2019). Furthermore, if the duration of a crisis is expecting to last for a long time, the retrenchment response could destroy the resources and capabilities of the firm (Ndofor, Vanevenhoven & Baker, 2013). Additionally, some authors such as Barker, are stating that the retrenchment choice commit to the continual underperformance of a firm and a loss of synergies on the long-term perspective (Barker & Duhaime, 1997).

Nevertheless, even if the retrenchment strategic response is contested, it is still an obligatory answer to face a crisis in a short-run perspective. But due to the reduction of all kinds of assets, if the crisis last longer, the firm will have difficulties to thrive. Assets are a key factor to firms' success. It can be seen as a sustainable competitive advantage and in some cases a mandatory aspect to have. It could also lead to the development of the firm globally. Retrenchment might be the most used option to face a crisis because as it will be developed for the other kinds of strategic answers, it is the only strategic answers that does not need a lot of extra resources and that could be a great help in the management decision process. Although management should bear in mind the impacts of the cost-cutting strategies.

## 2. Persevering answer

The persevering strategic response is focusing on the sustainability of the activities as an answer to a crisis. The main goals are to maintain the status quo and reduce the potential impact of the crisis (Wenzel, 2015). This response is the most efficient when the crisis scenario affects the company daily. It can set up, for the firms that are choosing this strategy, a competitive advantage that result in an outperformance among the competition. The author Stieglitz mentioned, "frequent directional changes undermine the value of strategic renewal and decisively shift performance advantages to inert organizations that preserve the status quo" (Stieglitz et al., 2016).

A survey made by Chakrabarti (2015) highlights that the firms that were investing and shifting their strategies faced more difficulties and risks rather than firms that chose the persevering response during the crisis of 1997. The main reason why the persevering choice was stronger is due to the use of slack resources as well as to the help of external institutions that instored measures to “mitigate the disruptive effect of a shock”. Additionally, the authors Li and Tallman (2011), with their study on the impact of the terrorist attacks of the 9/11, state that the companies that are spread internationally could prosper more rather the non-international firms due to a positive portfolio effect. With the diversification the companies can survive more when crises occur in a specific country for a short-run crisis. There is less risk and exposure to them rather than a local firm that can only rely on a specific area or region. Using the slack resources, international corporation could hold on face the crisis and after take advantage when all the other actors exit the crisis because of the firms that might have left too fast.

Related to the international corporation it opens the debate regarding globalization and the impact of a crisis on a wide range. Based on Cuervo-Cazurran, Doz, and Gaur research (2020), using protective measures, the multinational companies can preserve the status quo rather than constantly reshape the business.

The remaining doubts are about what resources to use for firms to persevere in their activities. The study of De Carolis, Yang, Deeds, and Nelling (2009) states that firms are not required to use all the resources and capabilities accessible. The firm should also consider that there are different values based on the resource and it should be assessed by the level of importance and used it as a leverage.

Looking in a management perspective, the authors Lim, Das, and Das (2009) focus on the willingness to use debt financing when a crisis occurs. Managers have a higher tendency to go to debt financing to help the strategy to be put in place rather than using debt financing when the situation is stable.

Overall, persevering strategic response can be effective to face a crisis if the strategic actions are not taken early enough by the managers and if there is a huge number of slack resources that the company can use easily. It could be a good medium-term answer but if a crisis last

longer, slack resources and core capabilities will decrease overtime and the firm will not be able to rely on these anymore.

### 3. Innovating answer

Sometimes, crises can allow firms to achieve the unthinkable or unfeasible (Rosenbloom, 2000). The innovation can be also one of the possible strategic answers to a crisis. In an environment full of uncertainties, companies can open their business to ventures or alternatives by creating a strategic renewal (Reymen, Andries, Berends, Mauer, Stephan, & van Burg's, 2015). Innovation can be realized through R&D (Research and Development) or M&A (Merger and Acquisition).

The study of Wan and You (2009) states that the slack resources could only be profitable for acquisition during a crisis, although not before or after it. The authors insist on the importance to merge or acquire firms to broaden the core activities at the beginning of a crisis. On the process of taking the decisions to acquire firms, the decisions should be fast, and the top management shouldn't miss the opportunities. Based on this, the size of the board and the power of the CEO is important, the strongest the CEO is and smaller the board is, the easier the governance is and faster the decisions can be made (Dowell, Shackell, and Stuart, 2011).

When the decisions are made, some actions are still needed to avoid the collapse of the acquisition. Gartenger and Pierce (2017), states that when the scope of work is too wide and spread, there is high chance that it leads to disruption within the acquired firm, the authors warned about the vertical integration if the management is not supervised enough.

Globally, innovation is a mandatory strategic response to sustain a firm on the long term. Though, this answer requires a lot of liquidity (Kim & Bettis 2014). Furthermore, it is crucial to keep in mind that the window of action is little, and it does not give a lot of time to the CEO and the board to take decisions and think about pros and cons. It implies that if the opportunity is missed, the firm will have to get back to persevering or retrenchment responses to face the crisis.

#### 4. Exit answer

The last strategic response is exit or termination. It means that a company agrees to stop the business activities because the board does not believe that any other responses will provide enough support to face the crisis (Wenzel, Cornelissen, Koch, Hartmann & Rauch, 2020).

The study of Dai, Eden and Bemish (2017) highlights that the exit depends on different criterias such as the exposure and the vulnerability the firm has against a crisis. If the exposure is high and the firm could lose various assets that are hard to replace, the exit answer may be the optimal one for the top management. Other authors (Oh and Oetzel's, 2011) state that if the company is a multinational corporation, the tendency to choose the exit response to a crisis will not be the most likely option.

Nevertheless, exit can be interpreted as a failure by the management team. It can be interpreted as not achieving greatness and as a collapse (Xia, Dawley, Jiang, Ma & Boal, 2016), may allow the firm to release free resources and capabilities that could have been invested differently and used as innovation. For instance, meaning it can be a great option at any time (Carnahan, 2017). Nevertheless, an exit strategy will be costly to any company that will choose this answer rather than the other ones (Moulton & Thomas, 1993).

#### 5. Other potential strategic answers

For a firm to properly take the most accurate decisions while facing a crisis, the time horizon and the window of opportunity are crucial. Even with the four answers presented previously, it might not be the most optimal solution for company of any size if the window of opportunity is not well analysed by the management team (Huy, 2001; Tyre & Orlikowski, 1994). The window of opportunity also implies the proper moment to take the best decision, and then affects the effectiveness on the result of the chosen strategy. The authors Langley, Fallon and Kakabadse (2009), present the connection between the different strategic answers, one response can lead to another one and so on.

It opens the discussion to new ways of strategy renewal such as the use of slack resources to other external actors. By supporting external entities, these ones may offer a better help to firms by having more capabilities of support (Muller and Kräussl, 2011). Another answer could be about the creation of alliances and business pact between companies in the same business (Bucheli, Salvaj, and Kim, 2019). Finally, another answer could be about the acquisition. It does not always require acquiring medium or big firms however sometimes by acquiring smaller businesses, it may strengthen the global company itself when a crisis occurs (Cozzolino and Rothaermel, 2018).

### **Case study:**

To explain with more details this case study, an interview has been made with one manager of the Mobility top management, the interview questions can be found in Appendices 1 and the summary of the interview can be found in Appendices 2. The goals of the interview was to explain the decisions behind Horse and Mobility and which factors led to take specific strategic answers rather than others. Additionally, because I took part of the acquisition, synergies and decisions making process and implementation phase. I'll be able to bring additional information that will mainly focus on the synergies made and on-going activities.

#### **1. Acquisition phase**

To provide more context, the acquisition process of Horse begins several months before the acquisition date in February 2024. Even if as mentioned in the interview (Appendices 2.a), Mobility and Horse tried to reach an agreement 2 years ago. As mentioned in the literature review, considering the window of opportunity is primordial to face a crisis. If Mobility's feeling was to avoid the acquisition because either one side or another all the conditions to synergise or implement were too risky then the strategy should be post-poned or cancelled to avoid bigger troubles that could arise. For few years, Horse company applied the strategic answer Persevering, as it is explained in the literature review, it is mandatory for a short-term crisis but if it is starting to last longer then, the company will face difficulties. It was exactly the case of Horse. Most of the investment made by Horse stop few years ago in the Europe area

and created a lack of assets. Even the exit strategic answer was used by Horse in few locations in the world to reduce the financial bleeding.

The main intentions to do an acquisition without merging Horse with Bird are client retention and keeping the company culture that was already disrupted few years ago when Horse was bought by another company and got rebranded entirely (Appendices 2.b). Mobility wants to avoid that and not repeat the same mistake because with that rebranding, Horse lost many clients, and it also can be one of the reasons of the downfall of Horse firm. On Mobility perspective, this acquisition could also expand the market shares but keeping the competition among the firms because there is no merger, Horse and Bird remain competitors. Horse acquisition also offers an access to potential new capabilities and skills that could benefit the whole Mobility group (Appendices 2.c).

The acquisition team gathered different data from Bird and Horse companies such as the top management could work on the potential synergies and implement them as soon as the acquisition is complete. The information gathered were mainly about offices and warehouses rent, locations, operational data such as number of trucks, of wooden crates (7 to 10 cubic meter to store household goods) and containers. With all these information the team can analyse what are the strengths and weaknesses of Bird and Horse branches on each location. The key goal was to try theoretically to reduce the costs for both firms by merging both entity in one common office and warehouse when possible. Although most of the time because the team was not able to communicate with the teams on each location directly, some data could be not accurate or there is possibility of missing some key information that were not shared to us during the information gathering process.

## 2. Strategic decisions phase

Throughout all this preparation, Mobility's targets are to gain and create synergies, practices, and operational efficiencies to impact the competitiveness and gain market share to make Mobility more sustainable on a long-term vision (Appendices 2.e). This acquisition also opens Mobility to a more diverse relationship with suppliers creating potential new synergies or opportunities to grow the whole Mobility Group (Appendices 2.n). Horse company is well-known to have a

strong footprint, client services and brand equity. Horse is known to be a relocation firms dealing mainly with corporate clients and know how to handle the retention delivering tailor made services to the clients (Appendices 2.o). This vision is shared to Horse and explained when questions are asked to the Mobility top management. It also reassures the headcounts cut with Bird merger is not a priority (Appendices 2.i). As the interview mentioned, the communication between Mobility and Horse are a key success factor for the integration to go well and the synergies go as planned. For both firms, top management got appointed to share information and open the discussion to take the most accurate decision concerning a synergy of any kind.

After few months of data gathering, most of the potential synergies were planned and ready to be implemented to not lose too much time as soon as the acquisition occurs and try to do significant cost savings that is the outcome and target of these synergies. Mobility dedicated separate teams to two continents where both Bird and Horse are implemented, Europe and Asia. In all the countries where Horse has a branch, Bird has one too (Appendices 2.f). Thus, it makes the synergies easier and better because there is potential for cost savings and strategic decisions in each country. Furthermore, Mobility plan is important to be implemented in the first weeks after the acquisition, everything must be plan and ready to reduce any potential negative impact, handle the management and headcounts and avoid total disruption (Appendices 2.d). Another point is the planning and the respect of a timeline divided in different strategic decisions and actions, based on Mobility opinion, it will help the stages to be more efficient and impactful (Appendices 2.l). There is also an important point to mention is the deadline for implementing some synergies. Because in relocation, the main period of activity is during summer, most of the families across the world move in summer due to school or any kind of education barrier that force families to only move in summer holiday season. This season starts at the end of May or beginning July, it implies that due to the acquisition of Horse in the beginning of February it gives a deadline of maximum 4 months to do as much as synergies as possible that will not disturb the branches during the season. If branches fail in summer season the whole year result will be negative. It is why for Mobility and Horse it is mandatory to not do any strategic decisions related the branches in the summer period. This aspect impacted the calendar of the strategic decisions to make, order them based on different aspects such as notice period date and delay for offices and warehouses or space available and when could it be available if it is not immediately.

Concerning the merging office and warehouse synergies, it will impact the cost reductions not only for Horse but also for Bird, these synergies will be the main one in terms of cost savings, during the acquisition process, we assessed the rent cost and the potential savings that could be beneficial for the financial crises Horse is facing. Usually, the plan is to reduce the rent that will be paid by half of the amount that Horse or Bird is paying. For instance, if Horse is paying 50 000 Euros of rent per year and Bird is paying 100 000 Euros per year, if the synergy is to merge office and warehouse then it will result of a total savings for Mobility of 50 000 Euros. Because the Horse's rent will be divided by half and will need to pay Bird 25 000 Euros. And on Bird perspective, the rent they are paying will be reduced by 25 000 Euros as well. In some cases, this method will not be applied if it does not make sense to do this cost reduction, it will depend on the kind of synergy chosen. This results not only on group level but also company level to make this synergy and try to apply it as much as possible if all the criteria are favourable.

Additionally, Mobility gathered experiences with the past merger and acquisitions made, as mentioned in the interview (Appendices 2.d), Mobility learned from mistakes made in the past during acquisitions process and implementation. For instance, Mobility learned that merging 2 companies from the same industry and that are competitors in the exact same office could rise management difficulties. Companies can chase the employees on both sides to hire them or by creating tension regarding the sales and the fact that people can spy on the sales & marketing part easily by sharing the same offices.

Furthermore, Mobility often use his connection with partners and competitors to sometimes rent a segment of a warehouse to reduce costs, it is part of a synergy across the acquisition of Horse (Appendices 2.h). The resulted impacts are positive for both sides, either the competitors and partners pay less and gain operational efficiency either Mobility reduce rent cost and use the full warehouse capacity and maximise the utilisation. In most cases, the competitors are in the same location where Bird and Horse are present, if the connection between them and both firms are good, it is a potential leverage that can be used to pursue synergies such as sharing a warehouse. As it has been covered in the literature review, partnerships with external partners or competitors might create a positive impact by improving the support capabilities. Additionally, in the case where Bird or Horse are present in a country where the competitors are not and that there is a good relationship it can result to gain market share by doing the import

or export moving. For instance, if a competitors want to do an export in South Africa, but they do not have a branch there they can reach out to Horse or Bird to do the unpacking, a margin can be made there and potentially gaining clients if the service provided is good. In the moving industry, it is called the Agent Business (Export and Import in terms of removal between competitors).

Overall, Mobility decisions regarding strategic answer is to go with Retrenchment over Persevering or Exit mainly because in top management's opinion the Persevering strategic answer is not sustainable expected if there are clear external factors that could influence the bottom line. In the case of Horse, there are none, and because Persevering cannot answer a loss situation with a low Asset company such as Horse. It leads to the decision of using the Retrenchment answer and opting for strategic reorganisation using the assets of Bird and Mobility in order to build a structure that is stronger and efficient and could grow in a near future (Appendices 2.g). Moreover, by not merging Horse, it allows to shift and adapt to new opportunities arising from the change in consumer behaviour. By keeping a separation between Horse and Bird, both firms focus on their respective core competencies and reduce the risk on Mobility view. Merging can impact negatively sustainable competitive advantages because Mobility would have need to do synergies that could disrupt one or both firms and the impact on a decision could be immediate and can generate butterfly effect that could operationally or financially end the firms including Mobility (Appendices 2.j). As, it is explained the literature review, the main aspect of Retrenchment strategic answer is to focus on core competencies and impact the long run of a firm, it is exactly the goal of Mobility by the decisions discussed above. By doing so, Mobility's strategy is to build up synergies that generate cost savings. And, with the addition of Mobility's and Bird's assets, build up potential cost savings for Horse and Bird. It counters in some terms the potential negative effects of the Retrenchment strategic answer that are mainly about a lack of assets that could breakdown on a long term the firms. Horse could highly benefit from the Bird's assets in term of operational gain that will be explained later during the strategic implementation phase.

### 3. Strategic implementation phase

Few days after the acquisition and the finalisation of the strategic decisions to instore, the implementation phase begins. Each top management employees from Mobility have one or

more tasks as it was discussed above such as offices and warehouses merger and operational decisions regarding suppliers or tools used by Horse or Bird.

Concerning the first implementation, a small team made of Mobility employees oversaw Europe while for Asia it is the top management that was appointed as new CEO and COO (that used to be part of the Mobility top management team) including the help of few Mobility employees. During this synergies' description, the scope of work will only focus on the Europe area, Asia region has the same kind of synergies but due to a lack of access to the data it was more beneficial to present one region. Each region created a calendar to respect the actions plans and synergies, this segment will cover with more details and explanations the synergies made and the ones on-going or planned in a near future. As discussed already most of the synergies can be seen or compared to the Retrenchment strategic answer but some of the synergies will open to new strategic answers such as Innovation answer or even other kind of strategic answers such as alliance or the use of external factors that was covered in the last part of the literature review.

Mobility and Horse work together to bring new synergies and implement the strategic decisions already made. In some countries there is a lot of synergies and potential but in other countries there is almost no synergies due to the lack of assets for both companies, Bird, and Horse. Because Mobility chose Retrenchment strategic answer, in some cases such as United Kingdom or Czech Republic, many synergies were found, and even unpredictable synergies are found. While, in some countries, few synergies or none was made explained by the lack of assets and potential gain generated by synergies.

#### 4. United Kingdom synergies

Firstly, about the United Kingdom's synergies, the Horse's branch has two offices and two warehouses. The first main task was to assess to possible synergies and plan based on the cost reduction strategy that Mobility wanted to put in place. United Kingdom is known to be an expensive country in terms of headcounts, rent and operational costs. Due to the number of Horse's warehouses, an evaluation was conducted to determine the space that could offer Bird warehouses, after discussions with Bird's team, an agreement was found but it was not solving

the entire problem mainly because the space required was not enough to fit the two Horse's warehouses.

Related to the part of the warehouse that was mainly for long term storage was to find an external contractor where Horse could rent for a lower cost a small space to be able to store the long-term storage crates. Additionally, because it is long term storage, the presence of a team daily is not mandatory, usually clients are not asking long term storage often and they pay in the meantime an amount per square meter. In this particular case, Mobility team found a subcontractor that is a competitor on the removal industry of Horse and Bird. Still because you pay the rent on a space, they are not using it is beneficial for both parties. And for Horse, it results in an operational reduction cost that can be explain by a reduction of the operational headcounts that are needed to take care of the long-term storage. This staff can be relocated to the operational warehouse part where there is a lack of packers and warehouse maintenance employees.

Since the warehouse topic got solved, other problematic was still without solutions. The main ones were about the headcounts, the offices place and how to shift and reduce potential disruption among the employees. Because one of the goals was to fit Horse operational team into Bird's office, studies were required to create an action plan. In Bird office, space was available with a full floor split from Bird's team to avoid mixing the employees and creating unnecessary tensions throughout the sales mainly. An inquiry was made to assess the cost of installation to have an overview of the transfer cost and how to offset them and finally the impact on the budget. If on a budget perspective, it makes sense to move forward to change office then it was given a green flag to continue the on-going synergy. But one of the issues arising from the office change is about the employees and their willingness to switch offices. In Horse, a lot of the employees work most of time remotely and sometimes the remote employees can leave far from the offices, one of the main impacts that the Covid Crises created. In the United Kingdom case, a lot of the operational employees from Horse will leave far from Bird's office. It opens a question and makes us wonder if they will stay and continue working for Horse or not due the circumstances.

On one hand, Mobility willingness to reduce cost leads to the office merger decisions and split by more than half the global rent for the whole group (including Horse and Bird), because of

Horse coming to Bird office, the rent that is paying Bird will be reduced due to the reduction of space used by Bird to the profit of Horse. On the other hand, Mobility also would like to keep the headcounts and avoid losing some of them especially if they are the most qualified just because of an office move. In the removal industry, qualified workers are highly valuable and becoming rare to find outside. It leads to the intention to retain them as much as possible by reduction the potential risk generated by some synergies that could negatively affect their mindset or opinion of Mobility and Horse's new owners. After few discussions, the decisions were taken by the CEO and COO of Horse to change office mainly due to the cost reduction that could be highly beneficial financially to Horse. Even if some employees might leave because of this decision, it is unfortunately a cost to endure sometimes. It bares in mind that is almost impossible to always keep the satisfaction of all the stakeholders at the maximum in a case of a crises and strategic repercussions. Furthermore, as the timeline is short as it was explained above. The lack of time to put in place all these synergies with a short notice will force to postpone the office move from Horse old office to Bird office place. It is also a key factor for Mobility to not disturb the summer season activity and by doing so reducing as much as possible the negative impacts that decisions of this kind could generate.

## 5. Czech Republic synergies

Another synergy that has been under development over the past month is in Czech Republic. In this case, Bird and Horse have both offices linked with a warehouse. Because on Horse side the lease was ending in April 2024, it was an urgent matter to solve. The plan directly was to find an office big enough where Horse and Bird could fit in, of course with two floors to as it has been seen avoid any disruption between the two entities. The other goal was to find a linked warehouse big enough to facilitate the operations.

On Bird side, Mobility wanted to change and improve the office and warehouse of the branch mainly due to poor quality and location that is not convenient with transport. The plan was to explore the different options available and if no office and warehouse where found, either to extend to the current facilities and not merging the offices and warehouses into one. The issue with this last proposition is the non-cost savings synergies. Also, after consideration and inquiries, Mobility team found out that most of the warehouses and offices where too expensive or too big for both firms. Then, the only option was to extend the lease on Horse side and later

find another office and warehouse when Bird lease will end. However, luckily, one of the neighbours of Horse was planning to leave his facility in May, Mobility team saw this as a massive opportunity due to a perfect office place with 2 floors where both teams could fit and a warehouse big enough to allow both companies to pursue the operations and even with an extra space. But one of the issues there was the cost, because Bird has a low-rate facility, the rent paid is low compared to the current market price. And the increase of rent compared to the cumulation of both rents was higher, both firms could not do cost savings. But, after a long period of negotiation, an agreement was reached with the landlord and little cost savings could be made. In the meantime, because Mobility assessed an extra space available in the warehouse, one option was available which is to sublease the segment of the warehouse and generate some cash for both firms. On the opposite side of what happened in United Kingdom, here it is Mobility that will look for a competitor that will agree to rent the segment of the warehouse, with the connection of Bird and Horse including Mobility, the team found out that a main competitor was looking for a small warehouse to rent. It was one of the best opportunities based on the good relationships Mobility has with this competitor and an agreement was found quick. This synergy is a huge cost savings for Bird and Horse because it will reduce drastically their renting costs especially for Horse. During this process, another discussion arises for the rent, due to the low rent on Bird, it would not make sense to decrease the rent for them because the firm will pay a lower price for a much better facility. In this country all the cost savings only went to Horse excluding for the cash generated by the competitor's rent which is as explained before divided by half.

At this moment, synergies are not complete mainly due to a longer process with legal complication and delay on contract redaction between the landlord and Horse for the new facility. Because of the on-going delay, Bird will not be able to move on to the new facility before the beginning of the season, time is too short to move a warehouse and set up the office. But to release some space and use the available space on the new warehouse Bird can send all the long-term storage crates and keep their warehouse as operational for the summer season and move it in September. Additionally, by moving the long-term storage it will give a better idea of the warehouse management and improve the current mapping made and do some potential optimisations for September when everything will be gathered.

## 6. Other operational synergies

On another note, in countries such as Germany or Portugal, due to a lack of space at the office place, the location of it or the rent price that complexify the cost savings strategy, the decisions was not to merge office or to ask employees to change office place. For instance, in Germany, the distance from Horse and Bird office is approximately one hour by car which make it impossible to ask the employees to change workplace. But, in these cases the cost savings could still be on the warehouse. Because for Germany or Portugal, the operational and long-term storage was handled by external stakeholders, the plan was to move from these subcontractors to the Bird's warehouse where space was available. Then the outcome will be positive for both brand because Horse will pay less for storage, keep operational synergies, and will also generate some income to Bird by renting free room on their warehouse.

Nevertheless, when warehouses are not able to store both household goods from Bird and Horse without affecting the operational efficiency, it gives two possible synergies options. The first one will be about the construction of new bigger facility, warehouse, office, or both, of course the investment cost to consider in that case is huge but this cost on the long term will be offset. Indeed, because it is Mobility's ownership, it will allow the holding to offset the cost on the long run with the rent that will be generated by the lease contract to Horse and Bird. With this calculation, the outcome will generate cost savings for all the stakeholders, on one side for Bird and Horse, it will be an upgrade on the facilities, the rent reduction will not be huge, but savings will occur with operational gains and will improve the working conditions and improve the employees' satisfaction with much modern facilities. On the other side, for Mobility, as a real estate investment the cost will be offset after several years that is mainly about a long-term vision. A dedicated team in Mobility handled the real estate and manage the studies and quotations to be able to do cost savings based on the current rents paid. For instance, in Switzerland, Romania, Belgium or Poland, construction projects started to gain space on the warehouse and potentially build offices if needed to after merge into one facility Horse and Bird. The fact that it is Mobility building the facility is also help the management issue related to the company split. By doing so, Mobility also solves this problem by planning a divided office place where both firms could grow without creating tensions.

The second option is keeping the status quo, in case of not having the possibility to either build a new facility nor having the free office and warehouse space. The strategy applied here is like the Persevering strategic answer. Mobility teams are trying to avoid choosing this answer because there will be no positive outcome by maintaining the same situation. This case can also occur when in some branches there is already a lot of tensions on-going and that it will be also riskier to merge the office place and warehouse into one common location. Even if the strategic target is not reached, Mobility can plan other operational synergies such as honorarium, suppliers, subcontractors, and future synergies that will be beneficial for the Horse after the implementation and the conclusion of these operational synergies presented.

## 7. Future synergies

Touching to the future synergies matter, Mobility and Horse top management team already started working on a few topics by assessing potential plans with the sett up of targets and goals to grow Horse after fixing the financial difficulties. Because of a lack of available financial resources, it complexify the current Investment strategic answer. Ideally, in one year or two, one of the strategic choices will be rather than closing branches and applying the exit strategy or applying the innovative strategic answer. Usually in Mobility, innovation is divided into three parts. The first one, is creating from scratch a new branch by Mobility itself, using the legal department for the structure and after using other employees to create all the action plans needed regarding market survey with potential clients and main competitors with local and international relocation firms. Then, preparing all the steps for the accounting, financial and operational parts such as finding local accounting firms, getting all the commercial permits, finding a potential warehouse and office for rent, and potentially doing an acquisition of these last two options if the budget allows it. After doing all these steps, the next steps are the hiring and sales strategy. For these two parts, Mobility could use the network and his brand reputation to easily access such as Commercial Chambers or French Commercial Advisor that are spread across the world. Through these networks, it opens new possibilities for hiring employees or establish the sales approach.

The second strategy to develop the Innovation answer is by acquisition, in the case of Horse for instance Mobility developed his network and expand his presence in some regions of the World. Even if Horse is a big size firm, one of the Mobility's strategies is to do acquisition on small or

medium size actors that are known locally rather than big players. As stated in the literature review, acquisition of small companies can open new opportunities and strengthen the network. Local actors usually can help a lot the implementation by knowing very well the market and the actors. That is a key success factors for Mobility to have a better understanding and to pursue the implementation of Horse or Bird. The small acquisition could also be rebranded to Horse or Bird flag if all the criteria are matching. It is also easier to rebrand a small company rather than Horse that is present in more than 30 countries across the world and has a worldwide reputation in the moving industry.

The last type of innovation where Mobility is investing is IT systems and software, with a specific team Mobility is developing his own software for accounting and operational purposes. Rather than paying for an external software provider, it is a strategy applied to reduce the cost and adapt the software to the need of Bird and all the other firms Mobility own. It also grants a better access and safer access to the tools and reduce the risk if for instance if an external provider decides to increase the using price or is facing difficulties and forced to close the business. A synergy between Mobility software and Horse could come up in the future after finalising the studies and comparison and merge Mobility's software to Horse. But this synergy requires a lot of assets and a test phase to avoid a global disruption among Horse branches. The test phase will most probably happen in one branch and based on the result of this test a decision will be made to know if Horse is shifting to the new operating and financial system. The impact generated will be a cost savings mainly due to the current market price of operational and financial software nowadays but also operational gain. And on the long term also effect on a group perspective giving the same outcome.

Although, even if there are possible future synergies between Mobility and Horse, Mobility as Horse could still face some challenges on a short-term basis. The transition with a new top management including all the new Mobility rules could complexity the incorporation of Horse within the group. Horse has a different way to work compared to Bird and Mobility and sometimes the synergies presented above could affect the working environment. The target is still to do cost savings and stop the financial bleeding Horse is suffering. Then, if everything goes as planned and the integration phase goes well, the strategic goal will be reached and on a long-term basis there will be almost no negative impact forecasted (Appendices 2.m). It opens the discussion about the current synergies on-going and what will be the outcome of it.

## **Conclusion:**

As a final point, this thesis describes over this literature review and case study about the acquisition and incorporation of a firm with financial difficulties in the international relocation industry and the related strategic answer possible to face this crisis. The four kinds of strategic answers possible could each solve a part of the problem but only one remain efficient based on the current Horse situation. Even if Persevering, Innovation and Exit strategic answers could be accurate for some cases, Mobility decided to go with the Retrenchment strategic answer. This one is perfectly matching the situation and the strategic target of Mobility which is growing Horse on a long-term perspective. As it was seen in the literature review, Retrenchment matches all these criteria and is known to impact positively the firm on a long run. Rather than Persevering that requires extra assets or Innovation that need financial wealth to invest. Same for Exit that is not an option and can be explained mainly because Mobility is not willing to kill the brand and everything that was built since Horse exists by merging it to Bird. Across the literature review, it is also presented that other strategic answers could help a firm facing a crisis by creating alliance or use the help of external actors and even doing little size acquisition to strengthen their international networks. Mobility also see Horse as a main actor in the moving industry that could grow the global network and shift the strategy easily if Horse is separated from Bird if another crisis occurs. And maybe also because as mentioned in the literature review, the exit strategy is also seen as a failure by top management team while it could be using to relocate the assets and reorganise the company to face the crises. Mobility's opinion is to reduce cost and optimise them as it is mentioned in the interview, but the risk of disruption can happen at any time if one of the decisions taken was not well assessed and create a negative outcome that could affect mainly the new management.

Using the Retrenchment strategic answers open Horse to create new synergy with another company owned by Mobility, Bird. Those synergies as discussed along the case study are mainly focus on cost-savings to stop the financial crisis. The synergies are focus on rent reduction with offices and warehouses merger between Horse and Bird branches, but also with suppliers, partners, and subcontractors to reduce operational expenses related to transports, packing materials or external packers. As mentioned in the interview all these synergies are respecting a calendar and a specific action plan to avoid as much as possible disruption that could be generated by them. Indeed, merging two firms into one same office can be difficult

and Mobility team will have to carefully look on these aspects to reduce the tensions as mentioned above when describing the synergies in United Kingdom or Czech Republic. If the synergies implementation goes as planned even if sometimes external stakeholders could slow the process and force to shift plans and make Horse and Bird adapt, the outcome will be positive on every aspect. The forecasted outcome will mainly be financial to stop the Horse's crisis. After stopping the crisis because of Mobility long-term vision, the target is also to grow Horse that was forced to stop doing innovation such as expansion with creation of new branches across Europe or Asia or investing in assets.

As an open questions, I invite students to answer the following questions and do some research to assess the impact and evolution of Horse. Will the result be as planned and what will be the impact generated by the decisions took over the past months, that's a question that will need to be answered later after a further analysis. How is the impact of these synergies to assess if the Retrenchment strategic answer was the most accurate in the given Horse situation. Another opening question can focus on the growing potential of Horse and how to plan and establish a strategy to innovate and invest in order to make Horse the main actor of the international moving industry in Europe and Asia.

## Appendices:

### 1. Interview Questionnaire:

- Could you describe the initial situation that led to considering an acquisition rather than a merger between Horse and Bird?
- Were there particular advantages you aimed to gain from an acquisition that a merger would not have provided?
- How does the acquisition position Mobility in the competitive landscape?
- What improvements are made related to the strategy based on the past acquisitions and experiences?
- What are the long-term strategic plans for Horse company within your corporate structure?
- What are the main strategy goals right after the acquisition?
- Why choosing retrenchment over persevering or exit as a strategic response?
- How came the idea of doing partnerships with competitors?
- How is the management for the cultural integration handled?
- How does not merging help in managing or reducing strategic or operational risks?
- Could you explain the expected synergies from this acquisition?
- How is planning to achieve and measure the synergies for the integration phase structured?
- Are you expecting any negative impact or challenges on the long run?
- How does the acquisition influence your company's capabilities?
- Which were the main capabilities of Horse than made it attractive?

### 2. List of questions:

- a) Could you describe the initial situation that led to considering an acquisition rather than a merger between Horse and Bird?

Horse was looking for a buyer after some financial challenges and change in management structure. Mobility undertook discussions 2 years prior but could not align. The discussion

reopened and alignment was found. The plan would be to acquire a strong brand into the group rather than merge with Bird.

- b) Were there particular advantages you aimed to gain from an acquisition that a merger would not have provided?

The main advantages of acquisition over merger were brand identity, client retention and company culture. Acquisition allows retention of these drivers whereas a merger would dilute them.

- c) How does the acquisition position Mobility in the competitive landscape?

The acquisition reduces competition in the market, expands market share and in this case provides access to new technology and expertise that will be incorporated across the group. Overall, it will enhance the group's strategic positioning in the market.

- d) What improvements are made related to the strategy based on the past acquisitions and experiences?

With every acquisition there is learning and the experience the group has obtained allows improvements to be made. The first few weeks are most important and the experience of acquisitions in the past has allowed a clear plan of initial actions and timeline for the actions. This knowledge makes the initial stages more efficient and impactful. The learnings from previous experience also provides the group with understandings of what does and doesn't work which allows the strategy to be developed and actioned much quicker.

- e) What are the long-term strategic plans for Horse company within your corporate structure?

Integration and creating value from Horse via synergies, best practices, and operational efficiency. This will allow the group to become more competitive within our market which will add to the overall group strategy of legacy and sustainability.

f) What are the main strategy goals right after the acquisition?

The primary strategy is synergies where combining business areas can create better value than running independently. The benefit comes with improved services and capabilities, economies of scale and fixed cost savings.

g) Why choosing retrenchment over persevering or exit as a strategic response?

In reply to inefficiencies and loss situation, a strategy of perseverance is not sustainable unless there are clear external factors that will positively impact the bottom line. An acquisition would not be made if exiting the business was the first thought. Retrenchment is a strategy of reorganisation to build a more efficient structure and reduce the overheads in fixed costs. Growth can then be more agile and aligned with the business.

h) How came the idea of doing partnerships with competitors?

With the industry being global and servicing locations in every corner, working with partners is essential in servicing clients. It can be that a competitor is present in a location that requires partnering with them to provide the service. Additionally partnering with competitors can help leverage purchase power and create operational efficiency by consolidating parts of the supply chain.

i) How is the management for the cultural integration handled?

The cultural integration is handled by both firms, Mobility and Horse, town halls and meetings are made. When top management teams from Mobility are travelling in the different branches of Horse, town hall are made, and a common message is shared across the teams to reduce the potential disruption such as rumors of merging or firing employees.

j) How does not merging help in managing or reducing strategic or operational risks?

Not merging allows brand and sales strategy flexibility which can result in faster adaption to opportunities or changes in consumer behaviour. Keeping separate entities and brands also allows to keep focus on core competencies of the brands strengths. Merging can dilute these competencies. Not merging also helps with risk isolation from the group for legal or financial matters.

k) Could you explain the expected synergies from this acquisition?

Mobility teams with the help of Horse are working on different synergies that is about cost savings. The main cost savings are first related rent of offices and warehouses, in each branch, teams are trying to find a common warehouse and offices, if possible, even if it is not a merger and that offices will be separated, the rent price that Bird and Horse are paying could be reduce by half. Another cost savings is the economies of scale for supplies and freight such as packing materials, partners for sea or air transports, honorariums such as audit companies in different fields of accounting, legal or financing.

l) How is planning to achieve and measure the synergies for the integration phase structured?

Each sector of the business is analysed, and a specific plan formulated by those in charge. The synergy targets are then set, and actions are set to achieve them, monitored by a tracker against each objective.

m) Are you expecting any negative impact or challenges on the long run?

Most challenges will be in the short term whilst transitioning into new management and way of working. In the long term we do not expect any negative impact and all actions are focused on growth and improvement of the acquired company.

n) How does the acquisition influence your company's capabilities?

This acquisition brings deeper market knowledge and more diverse relationships with suppliers. It allows the combination of best practices from each company which will enhance our client services and operational product. The synergies will allow more competitive services to our clients, helping us grow within our market.

o) Which were the main capabilities of Horse than made it attractive?

Footprint, brand equity and client services. The brand has a very strong reputation to its client base allowing access to diverse opportunities. Horse also provided solutions to its bottom line through the opportunities of synergies when brought into the group.

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