

# **Case Study**

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Rotary Seminar Teams, Project Free Enterprise IV, 1994

My name is Tad Pilinski and it is an honor to be here speaking to this audience.

We are a team of business people selected by the Rotary District in Houston, Texas to present seminars in three Polish cities on how Americans do business.

I was born in Sosnowiec and educated at Politechnika Slaska and Machine Tool Institute of Moscow and immigrated to America in 1981.

I own my own company, QuaTech, which provides quality management consulting to existing and new businesses — our area of operation includes Eastern Europe and Russia.

It is my job to introduce today's seminar. In connection with our host Polish Rotarians we decided this seminar would include selected topics from today's business environment.

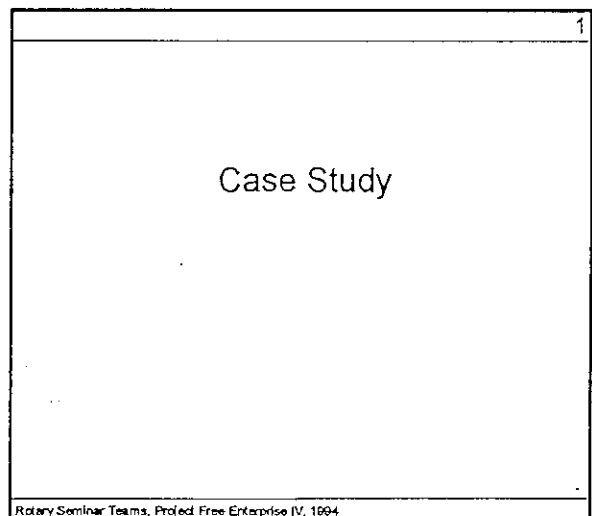
This is the fourth seminar team we have sent to Poland since 1991 and there are copies of speeches available from previous seminar teams which may cover some of the basics we presume to leave out today.

We will also have the opportunity to answer questions during the day so if we have left out something you want us to address then feel free to ask us to talk about it later.

The premise we are going to follow today is that our speakers are acting as if they are consultants called upon by an existing business. I will begin as a management consultant.

First, let me describe our hypothetical existing businesses, we are going to merge into one business. One is a small printing business, and the other is an office supply store.

These two businesses decided to merge to become more competitive by offering a more complete line of services to small businesses. However, the idea of the merger calls for a critical management analysis of the strengths and weaknesses of these two companies, this analysis will also be used for development of a business plan; and formally defined management strategies. Our seminar will include a discussion on marketing and sales, and on financial considerations. The discussion of this hypothetical merger is just a useful method for us to discuss management methods and principles which can apply to your own business. You can subject your business to a critical analysis and implement the same kind of procedures we will discuss in this hypothetical merger. We just happen to use



## Case Study

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the idea of a merger because such a business venture might need professional consultation.

Today we will pretend to be those consultants.

We hope to illustrate:

- An approach to business expansion with the objective of increasing profits with minimum capital
- The implementation of the merger with the aid of a consulting team
- A business plan for the newly merged company
- Effective businesses practices to achieve objectives of the plan
- Increased efficiency through the combination of the resources of the two merging companies.

Case Study	2
Seminar presentation	
• An approach to business expansion	
• The implementation of the merger	
• A business plan	
• Effective business practices	
• Improvement of efficiency	

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The hypothetical business environment assumptions for our "merger" are:

- A developing market economy lacking in some products and services
- Increasing number of new, small businesses as potential customers
- Increasing competition among companies serving the small businesses
- Limited/restricted access to capital

Case Study	3
A business environment.	
• Developing market economy	
• Increasing number of potential customers	
• Increasing competition	
• Limited / restricted access to capital	

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Let me now describe company A. We call it Alpha Office Supply Company:

## Case Study

- It is well established and well managed
- Has limited scope of business.
- It is marginally profitable
- It has limited capital for expansion

Case Study	4
The Alpha office supply company.	
<ul style="list-style-type: none"><li>• Well established and managed</li><li>• Has limited scope of business</li><li>• It is marginally profitable</li><li>• Limited capital for expansion</li></ul>	
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Alpha Company's vision of success is to merge with just the right company with the following objectives:

- To increase profits through expansion of services and products for sale.
- and improvement of their competitive position.

Case Study	5
Alpha company's vision of success.	
<ul style="list-style-type: none"><li>• Objective<ul style="list-style-type: none"><li>• Increase profits through expansion of services and products for sale</li><li>• Improvement of competitive position</li></ul></li></ul>	

This objective could be achieved using the following strategies.

The short-term plan: Add copying/printing services.

- The longer-term sales plan:
  - Increase product line
  - typewriters
  - calculators
  - fax systems
- Increase service line
  - fax service
  - mail packaging/handling
  - part time clerical and office support

Case Study	6
Alpha company's strategy to achieve its objective.	
<ul style="list-style-type: none"><li>• Short-term<ul style="list-style-type: none"><li>• Add copying / printing services</li></ul></li><li>• Long-term<ul style="list-style-type: none"><li>• Increase product line for sale<ul style="list-style-type: none"><li>• Typewriters</li><li>• Calculators</li><li>• Fax systems</li></ul></li><li>• Increase service lines<ul style="list-style-type: none"><li>• Fax service</li><li>• Mail packaging and handling</li><li>• Clerical and office support</li></ul></li></ul></li></ul>	
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The problem motivating the merger, as we mentioned before, was limited capital available to add these product lines and services -- either in the form of cash on hand, or as a loan or credit line.

Our company B is a copying/printing company. We call it Beta Company:

- This is a relatively new company
- It has modern equipment
- It has printing and marketing expertise
- It has a weak financial position
- It has cash flow problems by being in debt and not collecting well for its printing jobs
- It has weak business management, particularly in the bookkeeping/accounting area

Case Study	7
The Beta copying and printing company.	
<ul style="list-style-type: none"><li>• Relatively new</li><li>• Modern equipment</li><li>• Printing and marketing expertise</li><li>• Weak financial position</li><li>• Cash flow problems</li><li>• Weak business management</li></ul>	
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The merger option looks good to these two companies because in the absence of capital for independent expansion, if the right "fit" exists they can become stronger quickly as a new entity which can do more business.

The advantages:

- Requires limited capital
- The expansion may be effected quickly
- Increases customer base and operating capability
- Provides additional management and specialized expertise

Case Study	8
The advantages of the merger.	
<ul style="list-style-type: none"><li>• Requires limited capital</li><li>• Quick expansion</li><li>• Increased customer base and operating capability</li><li>• Additional management and specialized expertise</li></ul>	
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Possible disadvantages might be:

- Ownership/management shared
- Integration problems

Case Study	9
Possible disadvantages of the merger.	
<ul style="list-style-type: none"><li>• Shared ownership/management</li><li>• Integration problems</li></ul>	
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Although we are not really trying to give a seminar on how to merge, per se, let me finish this hypothetical case study by mentioning the criteria they used for selecting a merger partner.

The merger partner must be able to provide the desired product / service line. The respective customers of each company should need the combined product / service line. The new partners should have common management philosophy, i.e. integrity, business ethics, quality level, attitude toward customer, risk comfort level. The personnel, equipment and facilities should be complementary to increase overall efficiency.

Case Study	10
Selecting a merger partner (criteria).	
<ul style="list-style-type: none"><li>• Compatibility of product / service lines</li><li>• The combined customer base should be interested in the combined product / service line</li><li>• Both companies should have similar management philosophies, i.e., integrity, ethics, attitude toward customers, risk comfort level</li><li>• Personnel, equipment and facilities should be complementary to increase overall efficiency</li></ul>	
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So the merger decision was made. The two companies concluded that the merger was of mutual advantage.

- It improves the profit potential and competitive position.
- It allows expansion with limited capital.
- It increases personnel and equipment resources.

Case Study	11
The merger decision.	
• The merger is of mutual advantage	
• The expertise of a consulting firm is desirable to guide the integration of the two companies	
• The merger meets previously described criteria	
• Improves profit potential	
• Improves competitive position	
• Allows expansion with limited capital	
• Increases personnel and equipment resources	
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They decide they need the expertise of a consulting firm to guide the integration of the two companies.

For example the company needs a new mission statement. It needs a new image and name. It needs an organizational chart defining executive roles and areas of responsibility. It needs a new marketing plan, a sales philosophy, and it needs to put its financial house in order both records and procedures. All of these areas are resolved by writing a formal business plan. The two partners engage in writing this business plan together with consultants; but more importantly, if they cannot agree to the elements covered in a business plan they are going to have a hard time running a business together.

Case Study	12
Merged company needs.	
• New mission statement	
• New name and image	
• New organizational chart	
• Formal company policy	
• Marketing plan	
• Sales philosophy	
• Financial policy and practices	
• Management considerations	
• Formal business plan	
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Your businesses may benefit from going through the same formal business plan process — to develop your management policies and philosophy, define your marketing strategy, and put your own financial house in order. Indeed, you might use a formal business plan to run your business, or to seek a loan, or to find investors for your company. Or to just get your own thinking and procedures clear to yourself — so you can stay on track, and so you can convey your vision and methods to others who assist you.

Case Study	13
New company name.	
<b>One Stop Copy Shop</b> Copy, printing, office supply and clerical services	
The "one stop" for business support services	
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