

Case exercise

Anglia Vending Services

Anglia Vending Services (AVS) is part of Anglia Food Services, a large company specialising in providing contract catering services to large organisations both in the private and public sector in the UK. The board of Anglia Food Services have conducted a strategic review and decided that AVS is no longer core to their future strategy and they are seeking a buyer for it. One of the potential buyers is its AVS's own management team, who are being backed by a private equity company, Martins. Sales and profits have been declining for the last five years but the management are confident that as an independent entity, they can turn this around. Martins Private Equity (MPE) believe that this is a good investment for the medium term but the manager in charge wants an independent review of the proposed acquisition.

You have been called in by MPE as an expert in this industry to look at the AVS management team's business plan. The senior staff at AVS are naturally wary of you and reluctant for you to talk to their customers. This is a business based on customer relationships. They think that you may inadvertently jeopardise these relationships, as the customers will want to know why you are talking to them. So they give you a very limited number of customers to contact. These you find have been 'briefed' by the AVS team and so you are mainly getting a very positive message about AVS ...

However there is a more major problem you need to address when trying to evaluate the long-term prospects for AVS. Unlike the contracts of the main parent company, which tend to be fixed for at least five years, those that AVS deal with are 'rolling ones'

renewable every year over a three- to five-year period. The management team optimistically believe that this means they can pick up a lot of new business. You though realise the downside of this 'flexibility' in the marketplace. In a worst-case scenario, AVS could lose all its existing contracts within three to five years. While they may be able to replace them with new business, it will probably be at a higher cost, thus impacting profits.

You are therefore very concerned about this project, as you feel you have one hand tied behind your back in the execution. You also do not believe that the business model the management team at AVS is using, is a viable investment opportunity. You meet with the Manager at MPE to discuss your concerns. However, he is under pressure from his bosses to complete the deal and instead asks you to work with the management team to prepare a more robust plan. This would involve changing the way AVS operates to ensure longer, more sustainable contracts.

- Q1** You have two 'project shocks' here: one relating to the consulting process and one impacting on the outcome. How do you address these?
- Q2** The scope of the consulting project has changed. How will you deal with this?
- Q3** Assuming that you are happy to work with the management team at GVS, how would you get them to change their way of thinking about their business?