

Leadership – Recognising The Price Of Expansion



There's an almost constant flow of announcements in the trade press of company acquisitions or mergers in various industry sectors, especially in today's economic climate.

Whilst the acquiring company might rightly celebrate its purchase, it is important to recognise that the transaction also brings with it a number of challenges.

The buyer would be well advised to review immediately any serious incidents which either remain under investigation by the authorities or in respect of which prosecutions are pending. Strong leadership will require the new owners to gain a good understanding of the facts of any such matters and ensure that they are managed to a conclusion in an appropriate manner.

Undoubtedly, one of the greatest challenges in the short and medium term is ensuring full compliance with the enormous range of regulatory requirements which apply to the activities of both companies, especially where the company purchased needs to be brought up to the standards applied by the buyer.

Regulators such as the Health and Safety Executive and Environment Agency promise to behave fairly and proportionately and they will generally recognise that it takes a little bit of time for the newly expanded company to bring everything into line. However, the honeymoon period won't last long and the courts can be unforgiving when safety isn't prioritised quickly after acquisition.

In one case, for example, despite a period of some 4 months passing, a large construction company had failed to identify that it had inherited an excavation team whose training records revealed a significant absence of relevant and recent training in shoring requirements and they were in fact still working to their previous employer's risk assessment procedure which was less robust than their new employer's. The court accepted that there had been a lot to do in those early months but was concerned that these risks had not been prioritised. The company was fined £10,000, plus costs.

You should also understand that increasing the size of your business can trigger entirely new legal requirements, especially in the context of environmental law. By way of example, as soon as certain thresholds are passed in relation to both turnover and the amount of packaging waste it produces, registration of the business with the Environment Agency is necessary, as is complying with the requirements of the Producer Responsibility Obligations (Packaging Waste) Regulations 1997. Ignorance of the law is no defence and fines can be very substantial.

Staying alert to the implications of expansion, and ensuring the safety of your expanding team, is a vital part of responsible leadership.

Osborn Abas Hunt offer advice and training in leadership, and specialist advice on compliance with regulatory legal requirements.