A case study of bentley security company

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Abstract

This case study about security company Bentley, which is providing both the products (alarms) and services (door supervisors) is ideal case study about the situation faced by medium firms and companies when they try some expansion strategy. Bentley tried an expansion strategy by going into security services along with its production business for that they went for acquisition. Unfortunately it was unable to manage it properly. There were many issues related to finance and human resource management. They have some solutions to regain their profiting position. Among those choices one is going for management buyout either for security Inc or for both businesses. They also need to look for efficiency issue of their work force. They must also invest some money into their research and development department which should brought innovation and advancement into their alarm products. Bentley can utilize their experience in industry to regain their position in the market and can also explore new market in future with innovation.

1 Introduction

Before making an introduction to case study we will go through the case study material to understand situation given in the case study to get a better understanding of this case study.

1. 1 Case study contents

Bentley is a Security Company that has been trading in Gotham City for twenty five years. Recently, the senior management team met to review progress.

Finance Director: I am concerned about our recent financial performance and it seems to me that we are in danger of being taken over at a bargain price. Our return on owner’s equity is 2% below the industry average and we have a large debt arising from the leverage purchase of Security Services Inc. What we can do to improve our financial results as soon as possible and, at the same time, convince the market that we have a long term viable future?

Marketing Manager: In my view we have an excellent portfolio and our problem are mainly due to poor cost control. We progressed from our base in producing domestic alarm systems into commercial systems and then acquired Security Services Inc – which provides guard and watch services for commercial premises – that capitalized on our core skills at each stage. We decided into diversify because the domestic market was saturated and there have been large increases in the number of suppliers because it is now an easy business to get into as the technology has become standardized. The commercial sector was growing due to the current economic boom; but we have been stuck at 12% market share in the commercial systems market and while Security Services Inc had over 300 service contracts when we acquired it, we have not yet been able to attract any new customers.

Human Resource Manager: I should point out that I find it difficult dealing with security personnel and this could be one reason for the fact that we don't make much profit on the security contracts.

CEO: If we address the short and long term issues mentioned by the finance director, then we shall remove the incentive for anyone to take us over. But in the meantime, we should investigate the possibility of undertaking a management buy-out (MBO).

1. 2 Introduction of study

In this case study we are going to look critically into the situation of the Bentley Security Company and issues faced by it. We will also try to find some solutions for its recovery from bad performance and we will in end see how it can do its management buyout to improve its financial and management situation. If we critically look at different aspects of Bentley's position in previous years we can easily draw following analysis about its situation to get clearer picture about its problem and its strengths. We will look into all the issues by using different analytical tools like value chain, porter five forces, PLC and Ansoff's matrix. We will also analyze the situation for management buyout. At end of study we will draw a conclusion of the study.

1. 3 Situation analysis

Bentley was successfully staying in the market since last 25 years till current times when it started facing many problems from finance to human resources.

Its major product in past was domestic and commercial alarms later it jumped into new business of providing door supervisors to its clients. This new acquisition did not brought good fortune for the business and it started facing many problems most of those were related to this new business of door supervisors. Finance position of Bentley is becoming poorer day by day as its generating 2% less returns on investments. Its debt is increasing. It is facing new rivals in the market. Its control over costs is becoming problematic. There are no new customers demanding for door supervisors as its staff performance remained poor.

There can be some new targets that can help Bentley to go again into a growth and it can meet its financial targets. As suggested by the CEO they are looking for incentives removal that can give help to their competitors and they are also planning for going into a management buyout.

2 Question One

Use strategic models to identify the actions the management team might take to deal with Bentley's short term and long term problems.

2 Answer

Bentley is a security company which was having alarm products since many years and later it started its door supervisors business. After some time due to poor performance of its staff at security jobs and advancement in technology its financial position started towards decline. To make investigation of circumstances and finding some remedies for Bentley's problems we will make analysis using different tools.

2. 1 Corporate Finance

Bentley is in a financial crisis as it is giving 2% less returns to its investors on their equity. Therefore Bentley management should put attention towards some short term and long term solutions for all financial matters.

Short Term Solutions

Bentley head office has extra work force compare to its requirements that putting burden on finance so they should make adjustments by using right man right place and they also should try to reduce extra management line at head office.

They should look into their loans and try to cut those rapidly so they need to make less payment on loans.

Long Term Choices

They should more focus on product development to inline their alarms with new technologies.

They should focus on human resource issue and solve it by recruiting competent staff for their security business.

2. 2 Ansoff matrix

Ansoff's Matrix is good tool to analyze the situation (Peter Cheverton 2005) of any company like Bentley.

Penetration in Market

Bentley can reorganize its business in existing market by focusing on its core competencies of alarm business. Further it can try innovative marketing strategy (Guy Masterman 2006) for this purpose.

Development of Market

Bentley can try to capture new markets by utilization of its advantage in domestic and commercial alarms. Further it needs to explore as many markets as it can. By going into new markets Bentley can regain its position in the business as it was before the crises started.

Development of Product

Bentley can go and develop new alarms with better design and technology and can launch it in its existing market. This way it can regain its customer's confidence with use of new technological advancement.

Diversification in Business

Bentley can also try a diversification that can be horizontal or vertical.

In horizontal diversification they can produce new kind of alarms.

While in vertical diversification they can bring some changes in their sales strategies.

2. 3 Product Life Cycle

For Bentley alarms we can see these products on maturity stage and facing a decline because Bentley failed to adopt new technologies. They must put some innovative change in their products to get benefit in sales. If we see on their Security Inc it also is on decline in the market. Now they have to make a decision either to keep with their core competency of alarms production for domestic and commercial purposes or they still can try to restructure their security inc to make it profitable business in future by attracting competent security staff into this.

2. 4 Value Chain

We can make a value chain analysis (Porter 1998) for Bentley business to see how it can create maximum value for its products. Any company can create a better value of its product by getting advantage over cost through cost control either in supply of raw materials, human resource effectiveness, use of technology, or by using the economy of scale in alarms production.

It can further reduce the cost and increase the quality by inducting efficient workforce in its production units. Technology is another option that can bring advantage (Carr 2004) in its value chain for its production and also in its security business. Bentley should adopt new advance technology to meet the challenges and competitions. That technology can be used in both primary activities for business or in supporting activities. Further it can more focus on effective marketing strategy and supply to markets on time.

Bentley can further try to redesign alarms with different shapes and qualities. Managers can decide about outsourcing, they must know the firm’s strength and weakness.

Competitive position of Bentley

Bentley has good business history as it has been into alarm business since last twenty five years. Its performance remained good for many years. It has good business with cost leading position in alarm business. After its acquisition of Security inc things started bad for company. Company is cost leader in the market, it have strength in alarm business. They Bentley easily can attract new customers on its fair price.

3 Question Two

Is the CEO correct to conclude that these actions will remove all incentive for another company to take over Bentley?

3 Answer

3. 1 Porter Five Analysis of Company

Harvard professor Michael Porter gave the analytical tools of five forces (Porter, 2008) that affect the companies in their businesses. These five forces, give any company's position and future threats profitability for its business.

Threat of Rivalry

Bentley's rivals are companies with new technology and which have efficient work force in security business. Competitor rivalry in this industry is very high for Bentley.

Threat of New Entrants

As Bentley is holding market position since 25 years it has advantages in alarm systems. This advantage is also due to industry's barrier to entry. In security industry there are always barriers from government regulating agencies.

Threat of Substitute

As in security business companies are adopting new and innovative approaches. Bentley is facing high threat from substitutes. It should put extra efforts and innovation in the business to compete the market.

Bargain power of Buyer

Bentley has fair price policy in its products so it has advantage in buyer's bargain power problem.

Bargain power of Supplier

Bentley depend less on number of items as raw materials so it can face easily the bargain power of the suppliers. For Bentley its low.

4 Question Three

If the team decides on MBO, how much should they be prepared to pay?

4 Answer

4. 1 Bentley's Management Buyouts

A management buyout is rare phenomena in businesses that mean purchase of a business or its share by the people in management team (Rick Rickertsen 2001).

When companies are facing problems they decide to sell their business or assets some time they feel happy to sell these shares to their own management. These managers can be good and keen buyers as they are aware with the all details of business its strength and weakness. When they are getting shares then main investor which is current owner can expect an extra input from those new share holders.

Bentley can also make management buy out for its security Inc that is not performing well. For a successful management buyout, Bentley team may require sitting and discus their future plans. They should take their management into full confidence so they can arrange a successful arrangement. They not must look just to secure their investment; they should keep the vision and proper skills to modify their business and to bring improved results. Further necessity is their keenness and assurance to encourage the management which will become future shareholders in Bentley business, to work more passionately. There will be following actions that necessary to be followed for successful management buyout.

Decision of proceeding

Managers of the Bentley as new investors will be enthusiastic to put their money in Bentley with targets for gaining profits. Their likely profits in future can be high than present profits since managers in new setup will effort more for themselves. By understanding these factors which will be moving Bentley forward they can lay foundations for better future.

Business plans

Bentley requires being able to create money and growth in its business for short term before they go into this kind of buyout. They need to adopt tactics that are useful in the long run; definitely it will be a tricky business to guarantee your own management team which will come forward for buyout about the growth.

Management team perspective

An important part for a successful management buyout is arrangement of your management team such way that it could create high-quality results. As they are the investors they must be aware with the changes being done at organization and their point of view must have importance in all process. Bentley should put a clear purposeful plan in favor of the company.

Arranging for the funds

Assessing the value of any business like Bentley Company is difficult affair and there are no defined rules for going for assessment. Investors vision will be relate to different aspects of the company. These can be some balance sheets and current profit records. It will also require to initially putting some money into current assets of the company either to raise its capital or to boost its performance by using different strategies that surely need some extra funding. This funding can be arranged by existing investors or by try some loan for short terms.

Agreeing terms for business

The financing for any investment always depends upon the equity and debt situation. Different investors among management will be looking for diverse profiting results from the deal, base on the assessed risk they will be calculating. There is important for both side to set some agreeable rules for all the business and process in future, they should minimize the ambiguity in the business.

Deal arrangement

We can’t set well defined rules for the management buyout. Bentley needs to ensure the management team that at end they will be get benefits in this deal. They must mutually arrange all financial and legal terms for finalization of the deal.

Completion of the process

Holding any talks for a buyout will not always be a simple task; there must be piece of concern as there are always some insufficient current relations that putting problems on company earnings and management. It will be a multipart activity always and there will be great test for the current sellers of Bentley shares. Hence they can start a new beginning together for best results putting skills and money together.

5 Conclusion

Bentley has good record in alarm business unfortunately they were unable to manage the new acquisition of security personals business. Secondly they were not good at adaptation of new technology as they had less budget reserved for research and development. Headquarter had extra spending on staffing comparing to over all human resource costs. Now it is the time for Bentley to take important steps for its future business. It’s good if they are going into management buyout for security inc. further they need to focus more on their staff performance which in past showing poor results. Bentley have core competency in alarm business they can do more growth and earnings in that business. For any future decision they need to look the current environment of the industry which is safe in many ways from new rivals. But still they need to be innovative and updated in their approach.