



Case study summary sheet : DINOSOL

PN, Oct. 10th, 2006

- ✓ The commercial (food...) distribution sector in Europe has been characterised since the beginning of the 90s by transformations related to competition between networks and new forms of supplier relations (globalisation of procurement, economies of scale, etc.). The major distribution groups have become key players in the European economy. Until these past few years the sector has been characterised by low levels of productivity. However, the growth in the last period has not resulted in a proportional growth in employment in the sector. Therefore one can speak of a productivity catch-up in the sector. The sector is in the process of concentrating, but with differences based on the country. In Spain, it is less advanced than in other European countries. For the different brands, it involves meeting demand and the new urban lifestyles (shopping centres, etc.) and strengthening their negotiation position vis-à-vis suppliers.
- ✓ DINOSOL is a distribution group with several supermarket brands of different formats (they tend to be in local shop, mini-market and supermarket formats). In 2004 the group had 600 stores in Spain and owned the Dutch group Royal Ahold (since 1998). After carrying out an extensive and precise in-house strategic analysis – a medium term forecast – on DINOSOL's situation and prospects, the PERMIRA investment fund (venture capital) purchased the group in March 2005 with the objective of quickly increasing its asset's value in order to then sell it. The adopted and announced business plan involved closing 60 stores and eliminating more than 800 jobs. This analysis was in line with the former management team's analysis and the estimates of the trade unions with a significant presence in the company. A new management team was put in place that quickly incorporated the group's culture. It had the shareholder's "carte blanche" to implement the adaptation plan and to find a cooperative context with the employee representatives. A very innovative agreement compared to the Spanish legislation was concluded that involves all parties concerned in implementing the group's reorganisation process. A national joint monitoring committee effectively monitors the restructuring: closure of stores, mobility within the group, transfers of employment contracts as well as prospects for future developments. Such an *ad hoc* system doesn't exist in national legislation and to a certain extent it allows employees to take advantage of a national inter-establishment representation body and a coordinated approach to the restructuring's operational aspects. It should be noted that the company players have been totally autonomous and the public authorities have definitely not intervened.
- ✓ Implementing this coordinated plan has substantially limited the restructuring's negative effects on employment and the workforce. Only 150 people have been forced to leave the company (other contracts transferred with the sale of a store ?). This "employment plan" and the consultation system will be extended for the coming period and are a reference in Spain for other sectors undergoing restructuring. The DINOSOL case shows the need to have sectorial monitoring mechanisms to anticipate future changes in numerous sectors and to manage restructurings in a socially responsible manner.