Change Management – The Price Of Getting It Wrong

UK Real Estate And Construction Edition — Why Integration Governance Is The Bedrock Of Sustainable Growth

A Charterhouse Consultants white paper by Bridget Convey, June 2026.

Executive Summary

This paper makes one claim, applied to UK real estate and construction specifically. Growth through acquisition is not, in itself, a risk. Growth through acquisition without a matching discipline for integrating what has been bought is. Carillion, once the UK's second-largest construction and support services company, collapsed into liquidation in January 2018 with debts exceeding £1 billion, a pension deficit of over £500 million, and just £29 million left in the bank. One of its acquisitions, Eaga, had generated £31 million in accumulated profit in the years before Carillion bought it. In the five years after acquisition, it generated £260 million in accumulated losses. That is not a market downturn. It is what happens when a company buys businesses faster than it can genuinely manage the change of integrating them.

The Premise: The Gap Is The Danger, Not The Growth Itself

Carillion grew through a long series of acquisitions, including major rivals Mowlem, Alfred McAlpine, and Eaga, expanding from a 1999 demerger into one of the sector's largest players. Each acquisition is, on paper, a change programme: new systems, new reporting lines, new operational cultures to fold into the parent company's own. Academic analysis of the collapse found that the increasing complexity of Carillion's internal management structure, built to oversee an increasingly diversified portfolio of acquired businesses, rendered the company unable to properly control and coordinate its own subsidiaries. The company was not undone by a single bad contract or a single failed project. It was undone by the accumulated weight of change it had taken on without building the governance capacity to actually absorb it.

This is the mechanism this paper is built on. Deal-making capability and integration governance are two different disciplines, and in real estate and construction specifically, the incentive structure rewards the first far more visibly than the second. A completed acquisition is a headline. A properly governed, multi-year integration is invisible when it goes well and only becomes visible, publicly and catastrophically, when it does not.

What Carillion's Collapse Shows When The Gap Is Left Open

The financial mechanics of Carillion's collapse are now well documented. Acquisitions were frequently made at prices that included substantial goodwill, effectively paying more than the tangible value of the business being acquired, on the assumption that synergies and integration would eventually justify the premium. By the time of its collapse, Carillion carried an estimated £1.57 billion in goodwill on its books, a value that, in the words of one governance analysis, did not actually exist. Realising synergies from an acquisition requires senior management time and sustained integration effort that can take years to bear fruit, if it does so at all. Carillion's own pattern shows what happens when that integration effort is assumed rather than resourced: Eaga's post-acquisition losses of £260 million, against £31 million in profit before the deal, is the clearest single data point that integration, not the acquisition itself, was where value was destroyed.

A House of Commons inquiry and multiple governance reviews concluded that warnings about Carillion's trajectory were raised years before the collapse, including by a major institutional shareholder who progressively reduced its stake from 10.8 percent in 2015 to zero by the end of 2017, citing concerns over strategy, financial management, and corporate governance directly. The company continued paying record dividends, including £79 million in June 2017, just weeks before a profit warning wiped out the equivalent of seven years of accumulated profit in a single announcement. The gap between what the business appeared to be managing and what it was actually managing had been visible to sophisticated outside observers for years before it became visible to everyone else.

The Evidence: A Sector-Wide Pattern, Not A Single Company's Failure

Two bodies of evidence anchor this paper: Carillion's own acquisition record, and the wider sector's documented difficulty absorbing large system and process change even without the complexity of M&A layered on top.

Carillion: Change Absorbed Faster Than It Was Governed

Carillion's diversification strategy pulled the company across three distinct lines of business, support services, project finance, and construction services, each acquired and folded in at speed. Governance analysis of the collapse describes a company where executives, board members, and both internal and external auditors were, in the words of one academic review, complicit in choosing not to see the gap between the company's stated position and its actual position. This is the change governance failure this paper is built around, at its most extreme: not a lack of technical or commercial capability, but a structural unwillingness to slow deal-making down to the pace integration governance could actually support.

ERP And System Change: The Same Pattern At Smaller Scale

The same mechanism shows up at far smaller scale across the sector every year. Industry analysis of ERP implementations in construction and real estate finds failure rates in the 55 to 75 percent range, consistent with Gartner and Panorama Consulting's figures for the sector generally. Failure in this context rarely means total collapse. It more commonly means a system that goes live six to twelve months late, costs 40 to 80 percent more than budgeted, delivers around 60 percent of the functionality originally scoped, and achieves only 30 to 40 percent of the productivity improvement projected. Poor data quality, migrated uncleaned into a new system because pre-migration governance was treated as an IT chore rather than a strategic gate, is repeatedly identified as a leading cause of these failures alongside change management itself. The pattern is identical to Carillion's, simply operating at the scale of a single system rollout rather than an entire company: change executed faster than it is governed, with the bill arriving later and larger than anyone budgeted for.

UK Real Estate And Construction In Three Horizons: The Gap Closes Or It Does Not?

Two Years: 2026 To 2028

What happens everywhere: consolidation continues across UK real estate and construction, alongside a fresh wave of ERP and digital system replacement as firms modernise ahead of tightening compliance requirements, including the Domestic Reverse Charge VAT regime and Construction Industry Scheme obligations.

- Thrive path. Firms build a formal, resourced integration governance function that sits alongside, not underneath, deal-making, with authority to slow or stage an acquisition or system rollout when integration capacity is genuinely exceeded.
- Die path. Firms continue treating integration as something that happens automatically once a deal or system go-live is announced, and the Carillion pattern, complexity outrunning the ability to coordinate it, repeats at a smaller but still material scale.

Five Years: 2028 To 2031

What happens everywhere: the sector's largest firms face renewed pressure to consolidate further as margins on public sector contracts remain thin and private finance models evolve.

- Thrive path. Firms treat goodwill and integration risk as board-level metrics reported with the same rigour as revenue and order book, closing the exact disclosure gap that let Carillion's true position remain hidden until weeks before collapse.
- Die path. Firms continue reporting deal completion as the success metric rather than integration outcome, and goodwill accumulates on balance sheets faster than it is genuinely earned back.

Ten Years: 2031 To 2036

What happens everywhere: post-Carillion procurement reforms and stricter government vetting of contractors for public sector work become fully embedded across the industry.

- Thrive path. Firms that built genuine integration governance capability are the ones still eligible for major public contracts, having demonstrably closed the exact governance gap regulators and government procurement teams now screen for directly.
- Die path. Firms that never built that capability find themselves structurally excluded from the largest contracts, regardless of technical capability, because the market has permanently priced in the risk Carillion made visible.

What I Am Recommending To Real Estate And Construction Boards

- Separate deal-making accountability from integration accountability, explicitly, so that the team completing an acquisition is not the same team judging whether it has actually been successfully absorbed.
- Treat goodwill and integration progress as a standing board reporting item, not a one-off disclosure at the time of acquisition, following the lesson of Carillion's £1.57 billion in goodwill that had stopped reflecting real value long before the collapse became public.
- Apply the same pre-migration data and process governance discipline to system change as to M&A integration, since the ERP failure pattern across the sector shows the mechanism is identical at any scale.

Conclusion

Carillion did not fail because it lacked construction expertise or because the UK construction market collapsed beneath it. It failed because the company's appetite for change, acquisition after acquisition, system after system, consistently outran its capacity to genuinely govern that change once the deal was signed. Eaga's collapse from £31 million in profit to £260 million in losses within five years of acquisition is not a footnote to the Carillion story. It is the mechanism this entire paper describes, rendered in a single, brutal set of numbers. The sector's ongoing ERP failure rate, in the 55 to 75 percent range, shows the same pattern is still playing out today, simply at smaller scale and lower visibility, in firms that have learned nothing from what happened in January 2018. The only question left for a real estate and construction board is whether integration governance is being resourced at the same level as deal-making appetite, or whether, as at Carillion, it is being assumed until the year it very publicly is not.

Sources: House of Commons Work and Pensions and BEIS Committees joint inquiry into Carillion, London Business School analysis, IMD Business School case study, The Corporate Governance Institute, ACCA Global (Carillion's collapse and the future of PFI), academic governance reviews (ResearchGate), Gartner and Panorama Consulting ERP failure research, Cherry Bekaert and Hartman Executive Advisors construction ERP analysis. All figures current as of mid-2026, verified at time of writing. This is a first draft prepared for internal discussion.