

National retail chain

Rapid process and cost analysis to support organisational redesign

“This was a relationship at its best – bringing specialist external skills and working closely with client staff to maximise understanding and buy-in.

The results would have been excellent from a project twice as long, and were a remarkable achievement within 3 months.”

Andrew Pawlowicz
PA's Head of
Operations Consulting

PA Consulting Group carried out an assignment to redesign the organisation and operational processes of a leading UK retail chain. The principal objective was to reduce costs and improve controls and standards, while maintaining the flexibility to fit with a range of possible future ownership (or 'exit') strategies open to this merchant bank owned enterprise.

Business situation

As part of a refinancing programme the company had recently sold one of its divisions. This left it with a significant mismatch between the substantial corporate functions in place and the reduced estate. PA Consulting was asked to assist the business in realigning its governance and support service costs to compare favourably with the best in the industry. A major complication associated with the work was uncertainty over the future shape of the company. The financial backers might adopt any of several exit strategies, ranging from a sale of the business to a larger group, or an IPO which would first require growth through acquisition.

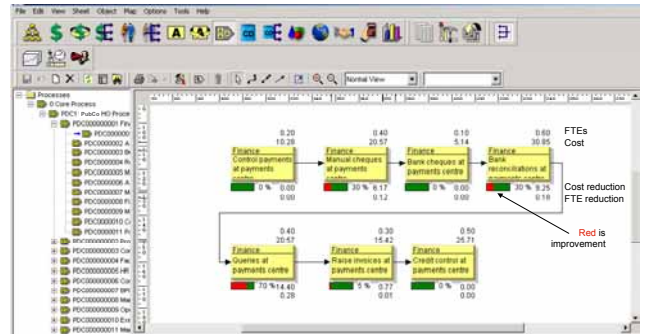
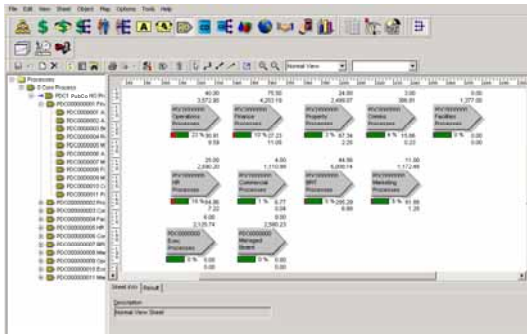
Because the exit might have come at any time, it was essential that PA's work quickly provided a sound basis for a detailed business redesign, so that the full benefits would be reflected in the next financial year, and so build a strong record of profitability in support of the exit.

What PA did

In part because there was little understanding of the manner in which costs were applied due to the disposal, PA undertook to provide an accurate assessment of current operations, performance and cost allocation within 4 weeks, analysing the possible cost savings in designing a new organisation. To achieve this detailed analysis so quickly, the team used two of PA's analytic tools – Casewise for process mapping and Prodacapo for cost allocation.

An important element to save time and ensure consistency was to first build a consolidated spreadsheet, which then exported data to the two tools. This enabled detailed process and cost models to be constructed very quickly, to provide accurate and robust estimates of the potential for cost reduction and process improvement. These models were then used to support the business

redesign, which included the areas of operations, finance, property, IT, trading and marketing.



By department the company's P&L is traced to fixed costs and people costs and on to all processes. Accurate process cost and improvement potential are then analysed.

Our work rapidly identified areas of inefficiency and surplus overhead, and also provided instant results for different cost reduction scenarios. The detailed process and cost information also allowed the joint PA and client team to work constructively with the main business to agree how to reach the targeted cost reductions and process improvements.

Benefits to the client

PA's approach used sophisticated techniques while fitting with the desire of the client to work with down to earth, practical information. The PA team was small, worked closely with a dedicated client team and, despite the project being critical to the future commercial well being of the company, freed up senior management to focus on business as usual at a time of significant challenge in the marketplace.

The overall project defined a detailed organisational redesign in three months, and a first major tranche of cost reductions was implemented within four months of the project start. This first phase of annual benefits alone repaid the client's investment in PA's fees ten times, and the business is on track to achieve further significant improvements and savings over the next 6-12 months.

To summarise, we were able to deliver accurate and robust models, incorporating consistency and reconciliation between process, organisation and financial modelling to enable rapid delivery of benefits.

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