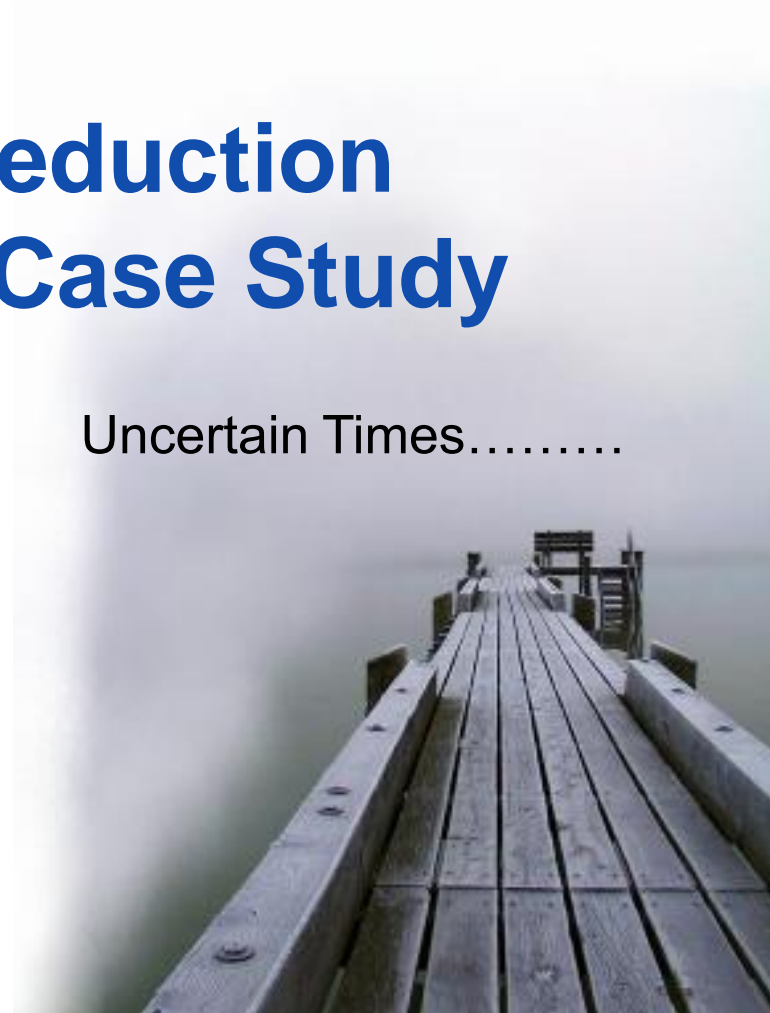


BEVINGTONGROUP

Sustainable Cost Reduction Finance Restructure Case Study

Uncertain Times.....



Project Background

❑ Company Background

- An Australian listed company with multiple divisions and businesses
- A history of strategic acquisition
- An effective organisation, however not fully efficient with respect to structure, processes and systems

❑ Drivers for Change

- Downturn of the economy has impacted significantly on sales
- Exchange rate fluctuations have also pressured margins
- Sagging share price and significant debt was providing a burning platform for immediate change

❑ Levers for Change

- Potential divestment of non-core businesses
- Rapid and effective reduction of cost base

Bevington Group was engaged to determine what sustainable reductions could be made across the commercial and finance areas

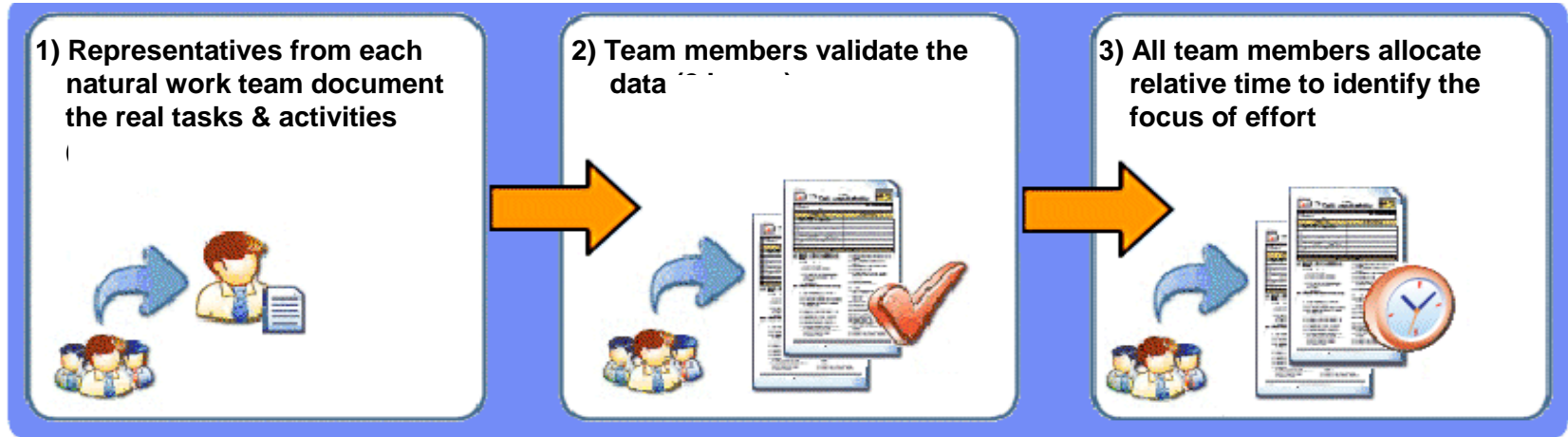
❑ Objective

- To identify how the commercial and finance function could be delivered effectively with a 35% reduction in headcount

❑ Method Employed

- Obtain fact base activity data on what commercial and finance staff do
- Collaborate with management to identify how 35% of the activity could be removed, whilst maintaining (or improving) the functionality and level of service to the business
- Design 'to be' organisational structures, roles and responsibilities to deliver the modified functionality and service

‘SMART’ was used to capture data across the commercial and finance areas. Over 80% of staff had to be interviewed as management generally had a low level of understanding as to what their staff did



- ❑ 100+ staff were interviewed in 3 weeks to understand what it was the commercial and finance staff did in detail
- ❑ Interviews were predominantly captured by ‘SMART’ trained client staff, this enabled:
 - Development of in house capability
 - Improvement in the client’s staff knowledge of the business
 - Reduction in the cost of the assignment

Rapidly capturing appropriate data was essential as it quickly highlighted that the target of 35% was realistic

- ❑ 30% noise was identified in ineffective extraction and manipulation of data prior to it being used for its desired purpose
- ❑ Similar roles performing near identical functions were identified in different businesses. A lack of detailed understanding of the roles and a range of historical drivers (e.g. multiple systems and geographical diversity) had been barriers for consolidation
- ❑ Current structural and system initiatives being driven by the executive were clearly going to enable some of the identified opportunity to be realised
- ❑ The data also highlighted some poor processes that, if addressed, would also contribute towards reaching the target

The next step of the process was to conduct a ‘SMART’ review to identify task based opportunity across the six key commercial / finance areas

- Consolidated views of tasks were created for each area (up to 30 staff in some areas)
- 4 hr management workshops were conducted where the data was assessed across the ‘SMART’ framework
- Enablers to stopping, reducing and transferring activity were identified with management
- 1st Pass delivered only 15-20% on average per area

“SMART”	MEANING
S TOP	Stop this task (Do not do it anywhere any more)
M AINTEIN	Keep this task in this team
A DD	Do more of this task (New effort – not currently being done elsewhere)
R EDUCE	Do less of this task (lower volume/lower frequency)
T RANSFER	Do this task in another team (benefit in cost to perform or focus)

Activity	CSDN	Hours	Review Classification	%	Hours Saved	Notes
Receive SAP Reports		0.5	MAINTAIN	0.0%	0.0	
1 Receive ECR Report from FA	D	0.1				
2 Receive DTR Report from FA	D	0.1				
3 [DTR] Report Generation Slow because it compiles all information		0.0				
4 Receive (view via SAP system) Transaction listings FA	D	0.1				
5 Request Ebit Report from FA	D	0.1				
6 Receive Ebit Report from FA	D	0.1				
Analyse Reports		2.7	ADD	50.0%	-1.4	Extra Analysis will help reduce queries & management
1 Line by Line look for variations to budget	D	2.7				
Investigate Significant Variances		4.6	ADD	50.0%	-2.3	Like extra investigation and control reduce the amount of queries back to
1 If find variation drill down on line item	D	0.3				
2 Investigate causes for variations	D	3.0				
3 If required determine who to contact for more information on the transaction	N	0.3				
4 If required contact originator or person responsible and resolve	N	0.3				
5 (A lot of Focus on REM lines, storage issues, occupancies)	N	0.0				
6 If originator is not available then follow up in next period	N	0.8				
Make Adjustments with Journals		0.9	REDUCE	50.0%	0.5	
1 Make assessment if variance is acceptable	D	0.6				
2 If acceptable then make notes on reasons for variance (for future reference)	D	0.3				
3 If not acceptable then prepare journal and send to SC admin mail box	N	0.0				
4 If not acceptable then instruct FA to create journal	N	0.0				
Approve Results for Issue		0.5	REDUCE	50.0%	0.2	More analysis will reduce the amount of checking and approving
1 Receive updated reports from FA	D	0.0				
2 Conduct final review	D	0.3				
3 If required then further investigate an issue	N	0.0				

Initially the required opportunity wasn't identified, therefore benchmarking was used to align the managers on what the key enablers were and what impact they would have

Best in group targets were highlighted

Enablers were suggested based on other manager input



		Combined Finance teams				
		% AU (overall)	% Reduction Target	% AU Saved	% AU Remaining	Assumption to achieve target
Monthly Reporting						
	Early Advice	1.20%	100%	1.20%	0.00%	Remove Early Advise and Just Report On Actuals
	P&L Reporting / Actuals	2.39%	20%	0.48%	1.92%	Central Transfer of data extraction
	Ebit Bridge Reporting	0.06%	68%	0.04%	0.02%	
	KPI Reporting	1.07%	75%	0.80%	0.27%	System automation of reports; reduction fo KPIs reported on
	Inventory Reporting	0.80%	67%	0.54%	0.26%	System automation of reports
	Various Sales Reports (eg. Sales Trends, customer analysis, etc)	2.39%	76%	1.82%	0.57%	FLM and Non FLM system automation of reports
	Various Operational and Cost Analysis Reports	2.63%	30%	0.79%	1.84%	System automation of reports
	Other/misc reporting	0.70%	50%	0.35%	0.35%	System automation of reports
	GM reporting	0.16%	90%	0.14%	0.02%	System automation of reports
	Board Book	1.26%	36%	0.45%	0.81%	Board book simplificaion to reduce time to compile
	CAC checklist	0.03%	20%	0.01%	0.02%	
	Total	12.69%		6.61%	6.08%	
Weekly Reporting						
	SKU Reporting	0.13%	0%	0.00%	0.13%	
	CashFlow	0.60%	100%	0.60%	0.00%	Requires common master data management & EIS tool (enables treasury to g
	Various Sales Reports	1.71%	53%	0.90%	0.80%	System Automation
	Various Operational Reports	1.22%	50%	0.61%	0.61%	System Automation
	DIFOT meeting	0.12%	100%	0.12%	0.00%	Commercial Manager not required to attend meeting
	Cost Reports	0.26%	40%	0.11%	0.16%	System Automation
	Raw material reporting (For Factories)	0.07%	0%	0.00%	0.07%	
	Daily Reporting (Sales and Operations)	2.16%	54%	1.17%	0.99%	System Automation
	Total	6.28%		3.51%	2.77%	
Quarterly Reporting						
	Category P&L	0.36%	86%	0.31%	0.05%	FLM
	Sales Ladder	0.09%	100%	0.09%	0.00%	Transfer activity to sales
	Sales Bonus	0.07%	100%	0.07%	0.00%	Transfer activity to sales
	Other quarterly reporting	0.23%	0%	0.00%	0.23%	
	Total	0.75%		0.47%	0.28%	

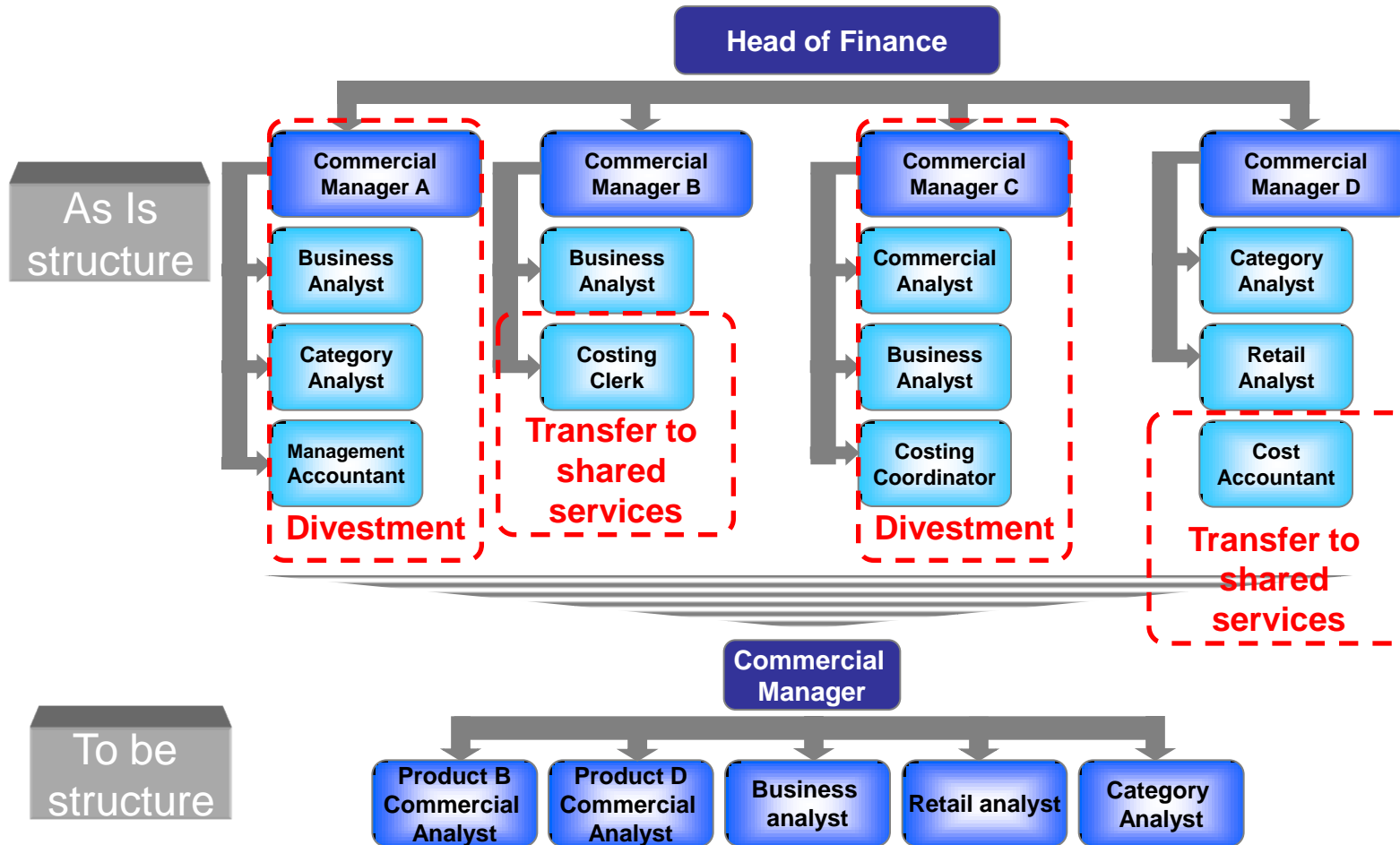
2nd pass workshops were successful as management were able to justify how they could sustainably remove 37% of the FTE effort

- ❑ Opportunity identified increased to 37%

- ❑ A prioritised and quantified list of enablers was created for the executive team to review and accept (or otherwise)

- ❑ Examples of Key Enablers
 - Reporting system upgrade
 - Removal of non essential reports
 - Removal of early advice
 - Process improvement initiatives around high effort activity (budgeting and forecasting)
 - Other system enhancements (data extraction and BI reporting)
 - Structural changes within the business that help facilitate common sites, systems and processes

To Be structure designs were developed to deliver the new functional requirements of the commercial and finance team



Corresponding roles and responsibility matrices were constructed using a RACI framework to provide definition around the To Be roles

R = Responsible A = Accountable	C = Consult I = Inform	Com Mgr	Business Analyst	Com Analyst	Category Analyst	Mgmt Acct
Monthly Reporting						
	Early Advice					
	P&L Reporting / Actuals	A		R		
	Ebit Bridge Reporting	A		R		
	KPI Reporting	A	R		R	
	Inventory Reporting	A		R	R	
	Various Sales Reports (eg. Sales Trends, customer analysis, etc)	A	R		R	
	Various Operational and Cost Analysis Reports	A	R			R
	Other/misc reporting	A		R	R	R
	GM reporting	A		R		
	Board Book	A		R		
	CAC checklist	A		R		
Weekly Reporting						
	SKU Reporting	A	R			
	CashFlow	A		R		
	Various Sales Reports	A		R	R	
	Various Operational Reports	A	R			R
	Cost Reports	A	R			R
	Raw material reporting (For Factories)	A				R
	Daily Reporting (Sales and Operations)	A		R	R	
Quarterly Reporting						
	Category P&L	A		R	R	
	Sales Ladder	A		R	R	
	Sales Bonus	A				
	Other quarterly reporting	A	R	R	R	

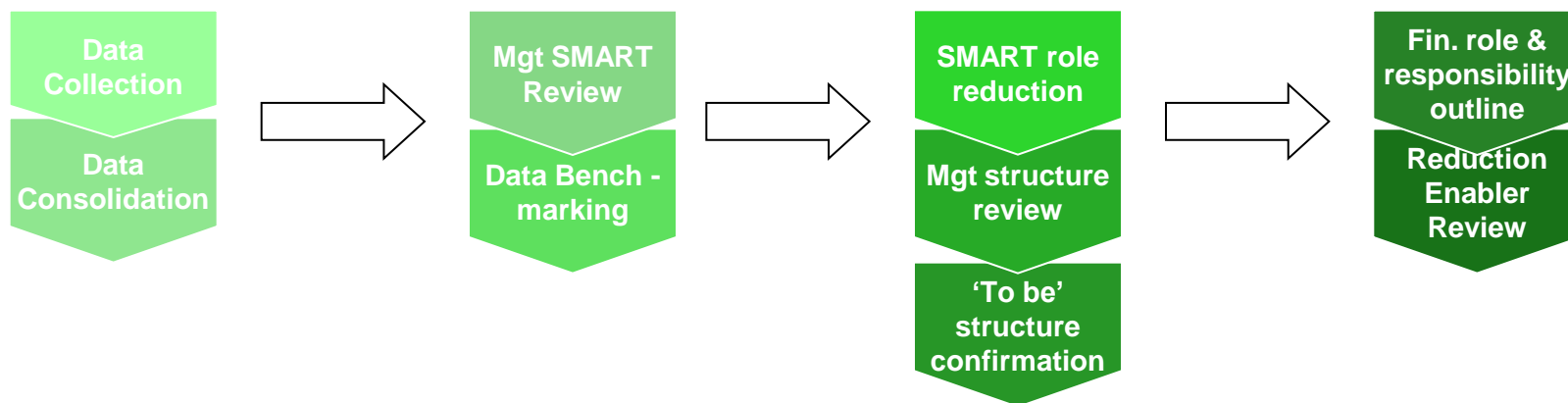
A To Be structure sustainability test is applied to ensure the FTE saving in the new structures equalled the planned task reduction determined in the SMART process

Recommendations for each group were made to ensure that the FTE gap for each group was zero

Reduction sustainability test & Recommendations					
Group	Structural Reduction %	SMART Reduction %	Gap %	Gap FTE	High level recommendations
Group A	11%	24%	13%	1.2	Reduce 'To be' by 1 - opportunity to come from Finance stream
Group B	47%	26%	-21%	-3.1	SMART Reduction % under-estimated - further reductions are available
Group C	17%	37%	21%	1.2	Reduce 'To be' by 1 - opportunity to come from removal of Group Commercial Manager
Group D	62%	37%	-24%	-3.1	Saving opportunity in 'to be' structure overstated - consider increasing support structure for Commercial Managers to mitigate risk of unrealistic workload
Group E	29%	46%	17%	2.8	Further reductions available - revision of 2-business strategy will lead to further FTE savings
Total	37%	36%	1%	0	



The process involved a number of different stages delivering a range of outputs with each stage utilising the outputs from the last



OUTPUTS

- Detailed task and activity data
- Standardised list of tasks and activities
- Savings estimates and enablers
- Best practice reduction targets
- List of To Be hours
- Savings aligned to enablers
- To be structures
- To Be Role Designs
- RACI accountability Matrices

**Implementation
plan**

Key Outcomes.....

- ❑ 35% reduction target achieved using a transparent sustainable process
- ❑ High level of management ownership due to their involvement in the process
- ❑ Education of management on “what their staff actually do”
- ❑ To Be roles defined with precision based on a detailed knowledge of current activity and effectiveness
- ❑ Standardisation of roles within the business provides many advantages in flexibility, rotation efficiency, training and recruitment
- ❑ Remaining staff not overloaded by a high reduction in FTE
- ❑ Less frustration for staff as significant non value activity was removed
- ❑ Heavy client staff involvement in the process and therefore they picked up the required skills and capabilities of using the XeP3 and SMART methodologies in other parts of the business