

# INCREASING PRODUCTIVITY BY MORE THAN 20% THROUGH RE-ORGANIZATION

A CASE STUDY

## **AUTHORS**

GREG RUNG

AASHISH WADHWA

# THE CHALLENGE

A mid-sized regional bank with strong revenue growth wanted to get better control over its rising operational costs. Despite the strong top-line growth, the bank had significantly higher operating costs per customer than the market. Moreover, anticipated future changes in business mix would only add to the cost base.

Amongst several cost rationalization opportunities across the bank, the senior management layer was identified as a key opportunity. Specifically, the management, including the Chairman and CEO, noted several issues in the organizational structure, such as the lack of transparency, inefficiency, complexity and structural inertia. Hence the management approached Oliver Wyman, their long-term advisors, to perform an organizational productivity review on the bank's management functions. The goal was simple-to increase productivity by identifying and executing on senior management staff rationalization opportunities.

# THE APPROACH

Oliver Wyman employed a three-step approach (see Exhibit 1):

1. We performed an objective as-is assessment and analysis in order to fully understand the bank’s current situation, determine gaps in performance, and develop options to address those gaps
2. We then reviewed the target options with management, evaluated them against a set of criteria (strategic, implementation viability, business value) and detailed out a priority list of initiatives for improving the organization’s performance
3. Finally, we developed a detailed implementation roadmap and change management strategy in order to detail prioritization of initiatives

The review covered the senior management layers from all business and support functions across the bank (14 units in total).

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## Exhibit 1: Project approach and outputs

### Steps



### Key Analyses

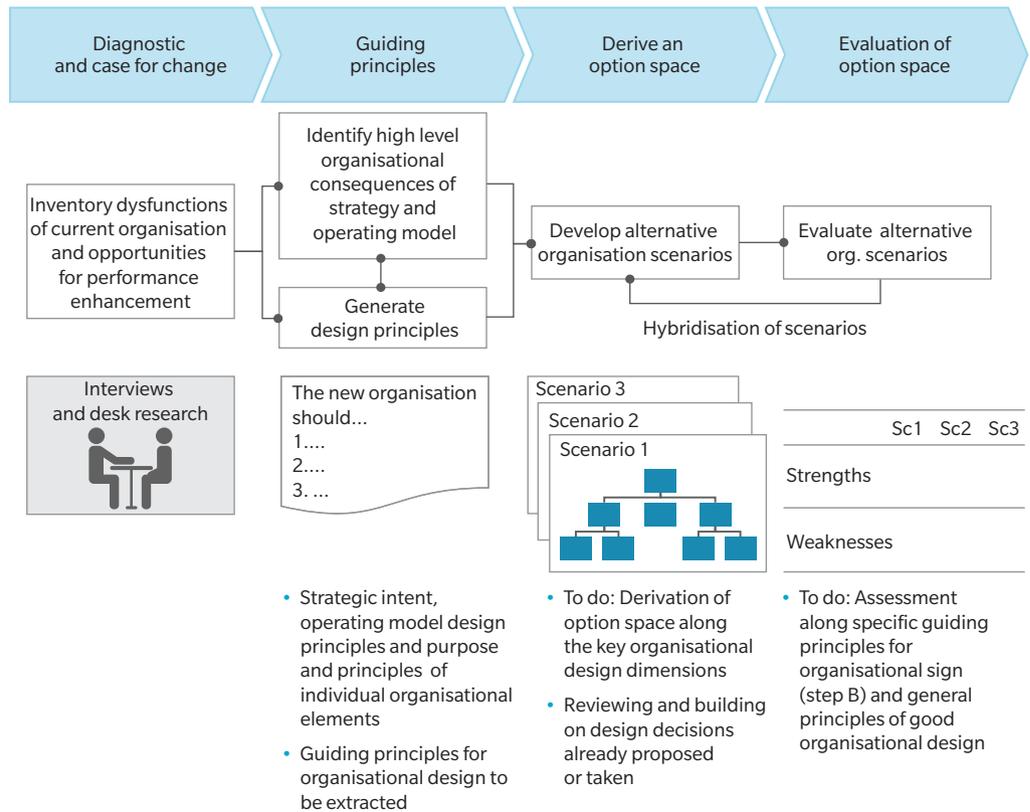
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|--|--|--|---|
| <ul style="list-style-type: none"> <li>• Gather internal data via documentation requests and key interviews and external data via Oliver Wyman databases and benchmarks</li> <li>• Develop a view on the key attributes of current state of the organization as well as strategy and future ambitions</li> </ul> | <ul style="list-style-type: none"> <li>• Produce analytical findings on current organizational structure, including identification of gaps</li> <li>• Develop target organizational structure options to optimize the current organization and address gaps</li> </ul> | <ul style="list-style-type: none"> <li>• Adjust and prioritize options via workshops with management</li> <li>• Develop underlying business case for each option and evaluate against strategic and requirements</li> <li>• Develop detailed design for future model (e.g. management layers, spans of control, etc.)</li> </ul> | <ul style="list-style-type: none"> <li>• Develop a detailed implementation plan focused on quick wins</li> <li>• Propose a credible and pragmatic change management strategy</li> </ul> |
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### Output

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| <ul style="list-style-type: none"> <li>• Agreed view of current state including (formal and informal)             <ul style="list-style-type: none"> <li>– Organizational structure, job descriptions, KPIs</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Agility and efficiency potential determined</li> <li>• Options for organizational optimization developed</li> </ul> | <ul style="list-style-type: none"> <li>• Management buy-in and optimization potentials agreed</li> <li>• Agreed organizational blue print and business case</li> </ul> | <ul style="list-style-type: none"> <li>• Consolidated and comprehensive roadmap for the new organization implementation formalized</li> </ul> |
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Specifically, execution of steps 1 and 2 were essential to the successful generation of viable solutions. We followed a unique and comprehensive methodology for developing high level organizational blueprint scenarios (see Exhibit 2).

Exhibit 2: Overall methodology for high level organizational blueprint scenarios



We worked in an unconstrained manner as far as possible when developing options, considering constraints (such as people, feasibility etc.) only after the initial ideation process.

The “technical” approach above was combined, from the very start, with a change management approach to ensure the alignment of all stakeholders, with a step-by-step convergence to prepare implementation.

# THE SOLUTION

## Step 1: Assess and Analyze

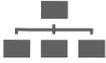
In order to conduct an effective and objective assessment, we chose a set of criteria with which to analyse the bank's organizational structure. The following set of criteria was selected:

- Span of Control
- Management layers
- Redundancy
- Functional capabilities

One by one, the assessment was conducted for each of the units and for the various levels of the management structure. These would later act as levers for creating productivity gains and designing an optimal organizational structure (see Exhibit 3).

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### Exhibit 3: Organizational Re-design Productivity Levers

	<b>Optimizing span of control</b>	<ul style="list-style-type: none"><li>• Introduction of double hatting (while some functions may be required they do not have to translate into separate individual managerial roles)</li></ul>
	<b>Optimizing Management Layers</b>	<ul style="list-style-type: none"><li>• Elimination of redundant management layers (Reduce management layer, where possible)</li><li>• Pool management resources (while the front line can be organized around segmented portfolios, the management layer does not have to be)</li></ul>
	<b>Removing duplication</b>	<ul style="list-style-type: none"><li>• Simplification of regional set-up (it is probably not required to replicate the central org structure into each region)</li><li>• Removal of duplication of functional capabilities across BUs and support functions (e.g. multiple MIS capabilities, local project management units etc.)</li></ul>
	<b>Rationalize functional capabilities</b>	<ul style="list-style-type: none"><li>• Review of staffing against capabilities deemed to be "nice to have" in light of bank's strategic direction</li></ul>

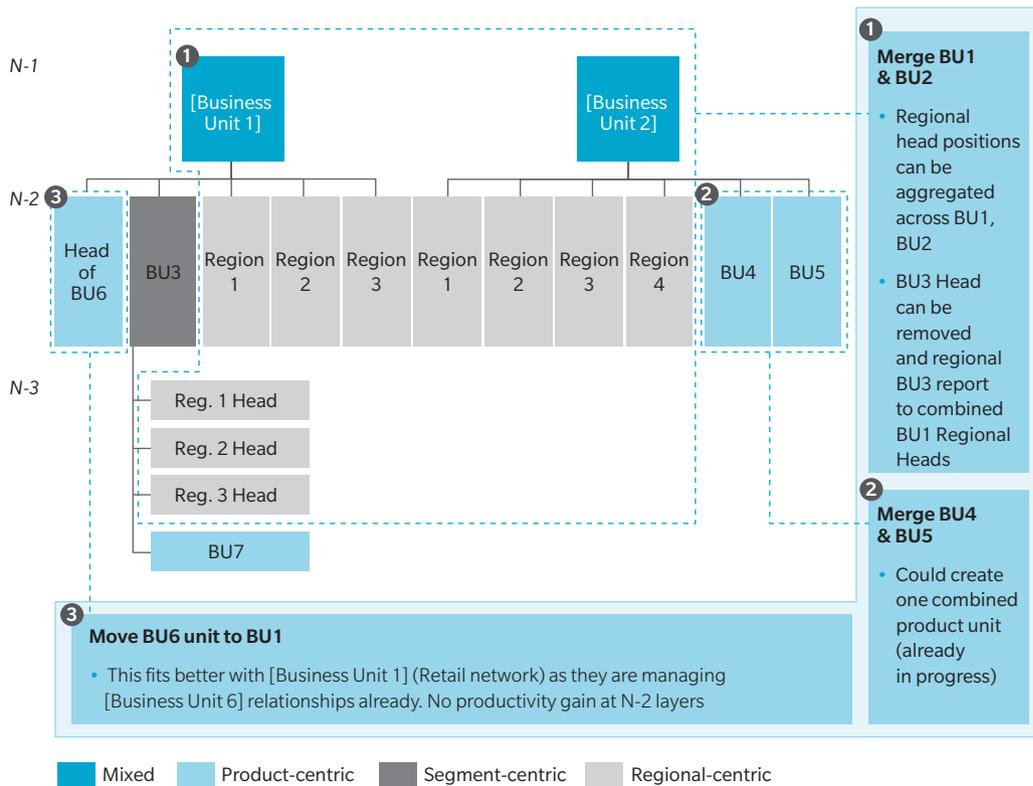
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## Step 2: Adjust and Prioritize Options

A business case assessment exercise was then carried out to better understand impact to business value. The recommendations (an example is shown in Exhibit 4) were then reviewed with management through a number of workshops. This was an important step to ensure that the bank's current context was sufficiently understood and incorporated all key stakeholders were being heard and to get alignment from everyone.

### Exhibit 4: Example of department-level organizational setup recommendations

#### (BUSINESS UNIT 1) AND (BUSINESS UNIT 2) ORGANISATIONAL SETUP



During this time, the recommendations were also evaluated against two sets of considerations:

- Implementation considerations: to determine viability of the recommendation and gauge complexity of implementation (see Exhibit 5)
- Strategic considerations: to ensure that the selected set of recommendations is in alignment the company’s broader strategic goals and objectives (see Exhibit 6)

Exhibit 5: Implementation considerations framework (illustrative)

Opportunity	Impact (#FTEs saved)	Implementation challenges				Remarks
		People	Process and governance	Customer	IT	
1. Merge BU1, BU2 and BU3	5					<ul style="list-style-type: none"> <li>• Mostly people impact at senior levels)</li> <li>• Changes required to credit processes and authorities</li> <li>• Client relationship handover (no portfolio transfers required)</li> </ul>
2. Merge BU4 and BU5	1					<ul style="list-style-type: none"> <li>• Change already underway</li> <li>• Cross-business training/ hand-over</li> </ul>
3. Move BU6 to BU7	0					<ul style="list-style-type: none"> <li>• Simply an org. move from BU1 to BU7</li> </ul>
4. Rationalize BU4 & BU5 team at N-3 levels	2					<ul style="list-style-type: none"> <li>• Mainly product roles. Double-hatting dependent on breadth of skill-set</li> <li>• Knowledge transfer and up-skilling</li> </ul>

Multiple sets of recommendations such as above were put forward. Alongside implementation considerations for individual recommendations, strategic considerations for each set of recommendations were also carefully looked at (see Exhibit 6).

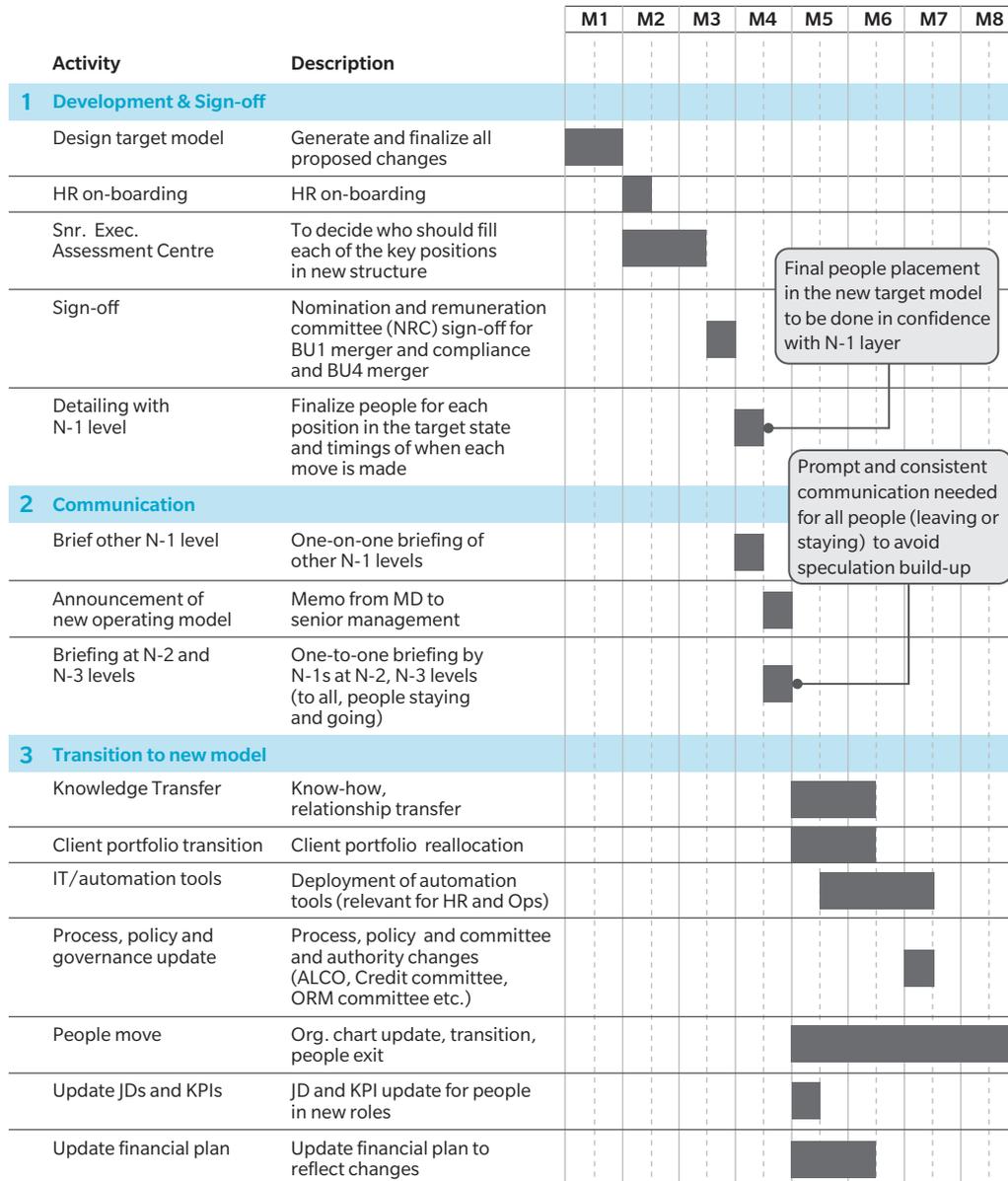
Exhibit 6: Strategic considerations framework (illustrative)

		Status Quo	Option A	Option B	Option C
<b>Design criteria</b>					
<b>Strategy execution</b>	Enables our ability to deliver our strategy				
	Strengthens consistent execution across the organization				
	Strengthens our ability to participate in M&A				
<b>Organization effectiveness</b>	Eliminates organizational complexity and confusion and creates clear roles				
	Increases cost efficiency and reduces overhead				
	Accelerates deployment of change programs				
<b>Innovation</b>	Creates an effective innovation model and improves our ability to innovate				
<b>Stakeholders</b>	Increases customer experience and execution consistency				
	Preserves our engagement in our local communities				
	Improves our talent proposition with defined career paths and a greater ownership and sense of belonging				
	Appeals to investors as an intelligent evolution to organization				
<b>Transition</b>	Confidence in our ability to execute the transition without adversely impacting culture				

### Step 3: Formalize Implementation Plan

It was important to our client that any implementation plan developed took into consideration the complexity and sensitives around making organizational changes. These complexities were identified and assessed in step 2; however, a change management strategy with an effective communication plan would also be developed.

Exhibit 7: High-level implementation plan (illustrative)

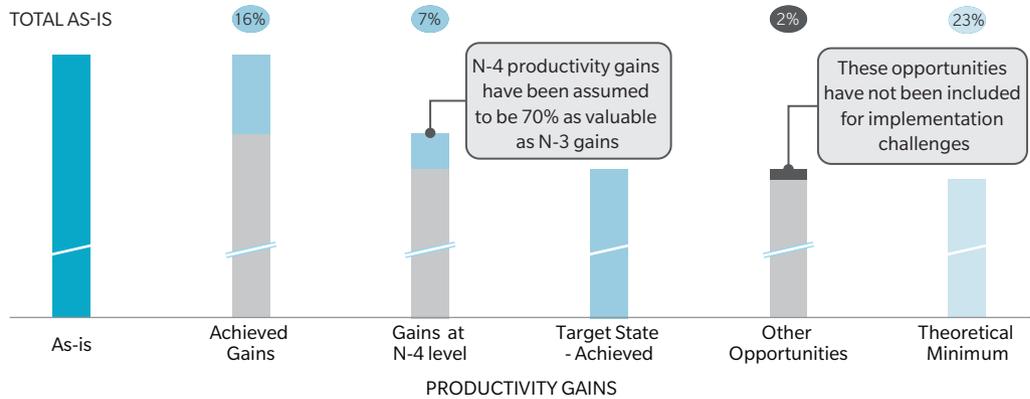


# CLIENT BENEFITS

In totality, the proposed initiatives led to a productivity gain of 23% due to reduction in the headcount. These translated into substantial annual savings of up to 24% of the existing staff costs for the top 4 management layers.

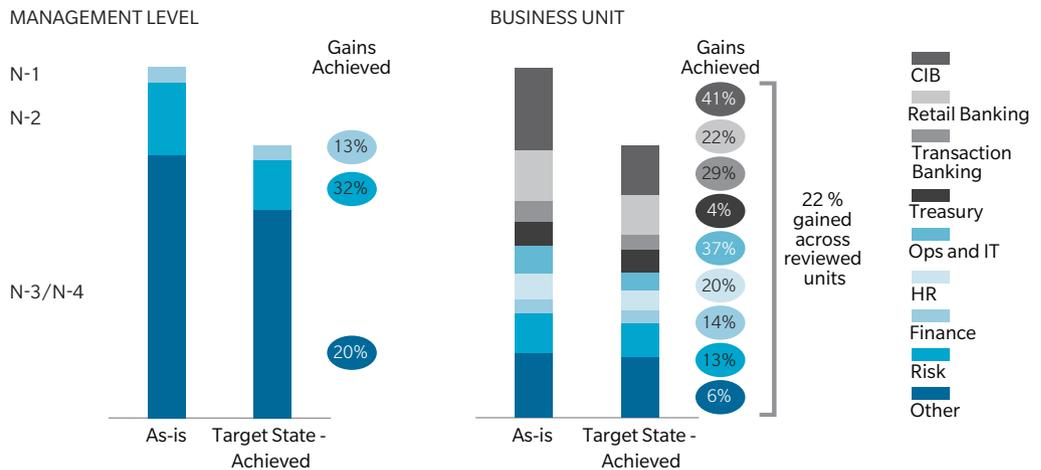
## Exhibit 8: Summary of productivity gains

Breakdown of all productivity gains achieved and considered (FTE)



The productivity gains came predominantly from the top 4 layers of management, and were distributed across the business units, ensuring productivity uplift across the board.

## Exhibit 9: Productivity gains by management layer and business units



# CONCLUSION

Re-organization is only one of the key drivers of operational efficiency, though it that can yield results in relatively short timeframe. A more broader operational efficiency review can be structured to cover a comprehensive set of efficiency drivers such as processes, systems, operating model etc.

The success achieved at this client has led us to offer the similar review more broadly. To make the experience more relevant and tangible, the review process and the resulting recommendations need to be customized to the situation of each client.

Oliver Wyman is a global leader in management consulting that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation.

For more information please contact the marketing department by email at [impact@oliverwyman.com](mailto:impact@oliverwyman.com) or by phone at one of the following locations:

DUBAI

+971 4 425 7072

AMERICAS

+1 212 541 8100

EUROPE

+44 20 7333 8333

ASIA PACIFIC

+65 6510 9700

[www.oliverwyman.com](http://www.oliverwyman.com)

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