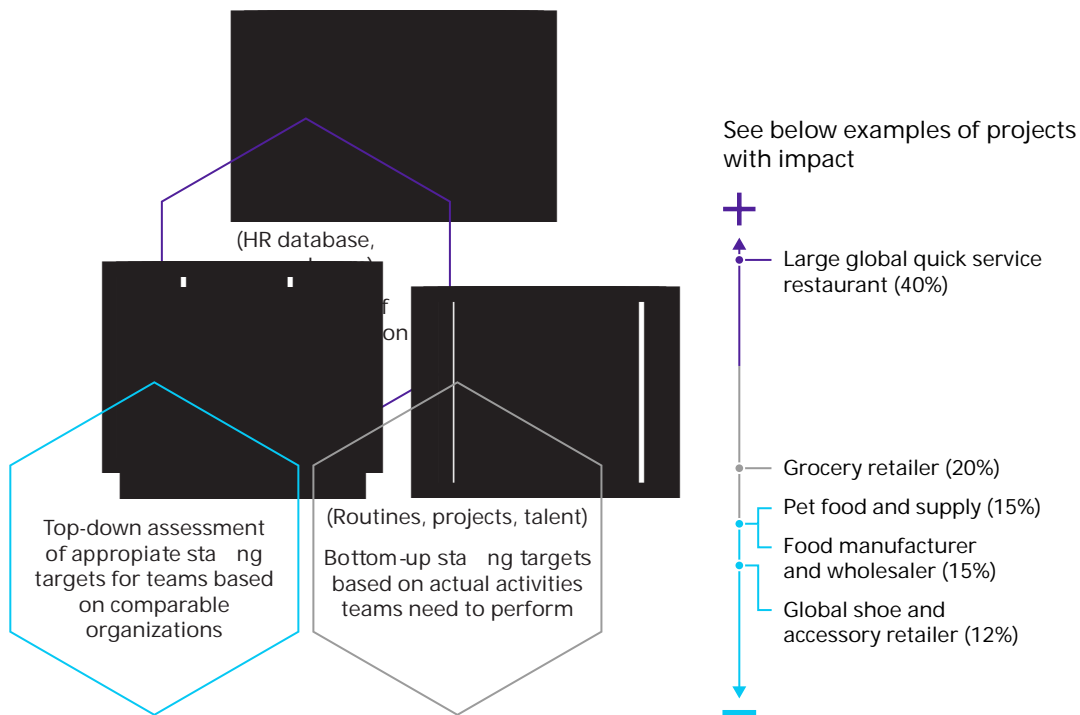




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Source: Oliver Wyman analysis

The initial focus lies on establishing the organization's baseline state and juxtaposing it against organizational-design best practices. The analysis is carried out by tapping into human resources data, supported by interviews with leadership of the organization to establish the "state of departure." The process identifies and maps the current organizational design in terms of reporting spans, managerial layers, and number of direct reports. From our experience, most organizations develop anomalies in their organizational structure over time. These quirks tend to arise from leadership changes and the evolution of individual departmental reporting structures. By applying standard organizational design principles, the analysis produces a preliminary list of areas at the corporate and individual store level that can achieve improved efficiency. Many traditional efforts would move straight to implementation at this point, but ZBO does not. It is first important to establish what impact such changes might have on the entire business.

A review of in-store operations is also needed to identify points of inefficiency within each retail process and determine optimization opportunities. These retail processes include ordering and planning, goods reception and restocking, shelving and checkout, and finally cleaning. Once the status quo of the operation is understood, ZBO entails establishing potential solutions to address the inefficiencies, such as poor on-shelf availability, manual labor scheduling, and ineffective training programs. Retail is already plagued with a very high industry turnover rate.

: Our approach to ZBO exploits benchmarking while remaining cognizant that a given organization varies along different dimensions — sector, scale, areas of business, mix of products and services, culture, and geographical location. Such wide variation produces challenges in creating a relevant data yardstick to measure against. Crude benchmarking ignores such nuances, seeking to imagine uniformity where there is none. In contrast, ZBO introduces a point of comparison that highlights glaring discrepancies, but more often stimulates further thinking and examination. We believe that an organization knows who it is comparable with — or not. In cases where the organization can acquire tailored data from comparable organizations, such data is likely to have greater weight in the ZBO triangulation and be more effective in establishing best practices.

: A bottom-up evaluation is at the heart of the ZBO methodology. The objective is to establish the right organization for the company based on its ways of working and its culture. The database for this exercise comes from employees. This approach brings the employees within the “circle of trust”: ZBO is not being “done to them;” instead, they are an integral part of the process, helping determine its outcomes.¹ In addition to focusing on people at the head-of-office level, ZBO also addresses the people within the company’s stores. By identifying areas of inefficiency within store operations and developing solutions to address these issues and streamline in-store processes, ZBO ensures a comprehensive reorganization throughout the entire company.

This bottom-up element analyzes all current routines (recurring tasks completed by employees) and projects (non-recurring tasks addressing one-off needs) to establish exactly what is done and by whom. What comes next differs from top-down approaches to cost reduction: ZBO asks why activities are done the way they are and evaluates the value they create. By leveraging industry expertise and specialist knowledge, this process distinguishes between activities that add real value from those that represent low value. Some activities can be eliminated altogether, while others require further investment to better align with strategic priorities. For example, remote

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collaborative approach, and the customizable nature of its methodology requires leaders to be in the driving seat when adapting the scale and scope of its approach to specific functions. This involvement is critical in enabling the optimization of operations and in ensuring that they are targeted to the strategic

ABOUT OLIVER WYMAN

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.

In the Retail & Consumer Goods Practice, we draw on unrivaled customer and strategic insight and state-of-the-art analytical techniques to deliver better results for our clients. We understand what it takes to win in retail: an obsession with serving the customer, constant dedication to better execution, and a relentless drive to improve capabilities. We believe our hands-on approach to making change happen is truly unique — and over the past 20 years, we've built our business by helping retailers build theirs.

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