

# Getting back on track: helping an African business regain a commercially sustainable future

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The African business of a Fortune 500 manufacturer and retail company had been experiencing stagnating revenues, brand erosion, declining market share, very high conversion costs, operational instability and low levels of employee engagement. After the African business was placed under management of a new CEO, EY co-developed a three-phased approach to turn the business around. This was done through a series of visually-facilitated workshop, using design thinking and accessing leading insights from around the world.





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**E**Y was engaged by the newly appointed CEO and his executive team to help deliver a step-change in performance, with the aim of:

- ▶ Returning profitability to acceptable levels
- ▶ Recovering market share across Africa
- ▶ Achieving benchmark manufacturing performance
- ▶ Increasing employee engagement

**1. Diagnosing the present state**

The first phase was to examine every aspect of the business, compare it with leading practices and identify the root causes of underperformance.

We asked hypothesis-based questions, such as:

- ▶ **External environment:** What is the impact of the broader macroeconomic environment? What is the market in which the business operates (i.e., size, share, growth)? What are customers' needs and purchasing behaviors? Who are the competitors? What does the policy and regulatory landscape look like? What are the labor trends?
- ▶ **Product portfolio and distribution:** What has been the historical sales and market share performance? What is the growth potential? How could that be captured? What is the route to market, cost to serve, brand positioning, pricing

and marketing strategy? What is the role of online channels?

- ▶ **Manufacturing excellence:** What is the production performance and capacity? What are the key loss areas and bottlenecks? What are the factory cost drivers? How are digital and other disruptive technologies, such as Industry 4.0, artificial intelligence, IoT and robotics being exploited?
- ▶ **Technology:** Is the operational and business technology fit for purpose? Does it enable the business to deliver on its strategic objectives?
- ▶ **Culture and leadership:** What is the capability, capacity and commitment for a broad-based business transformation? What leadership, mindsets and behaviors are necessary to drive and sustain the turnaround? What is the organizational culture?
- ▶ **Cost drivers:** What are the levers of profitability?

Following a series of intensive workshops, the diagnostic phase resulted in a three-horizon turnaround plan to help operate and grow the business in a sustainable way, better than the competition and ahead of the market:

1. Simplify the organization and relentlessly pursue the basics
2. Optimize the operating model and customer value proposition
3. Innovate and disrupt

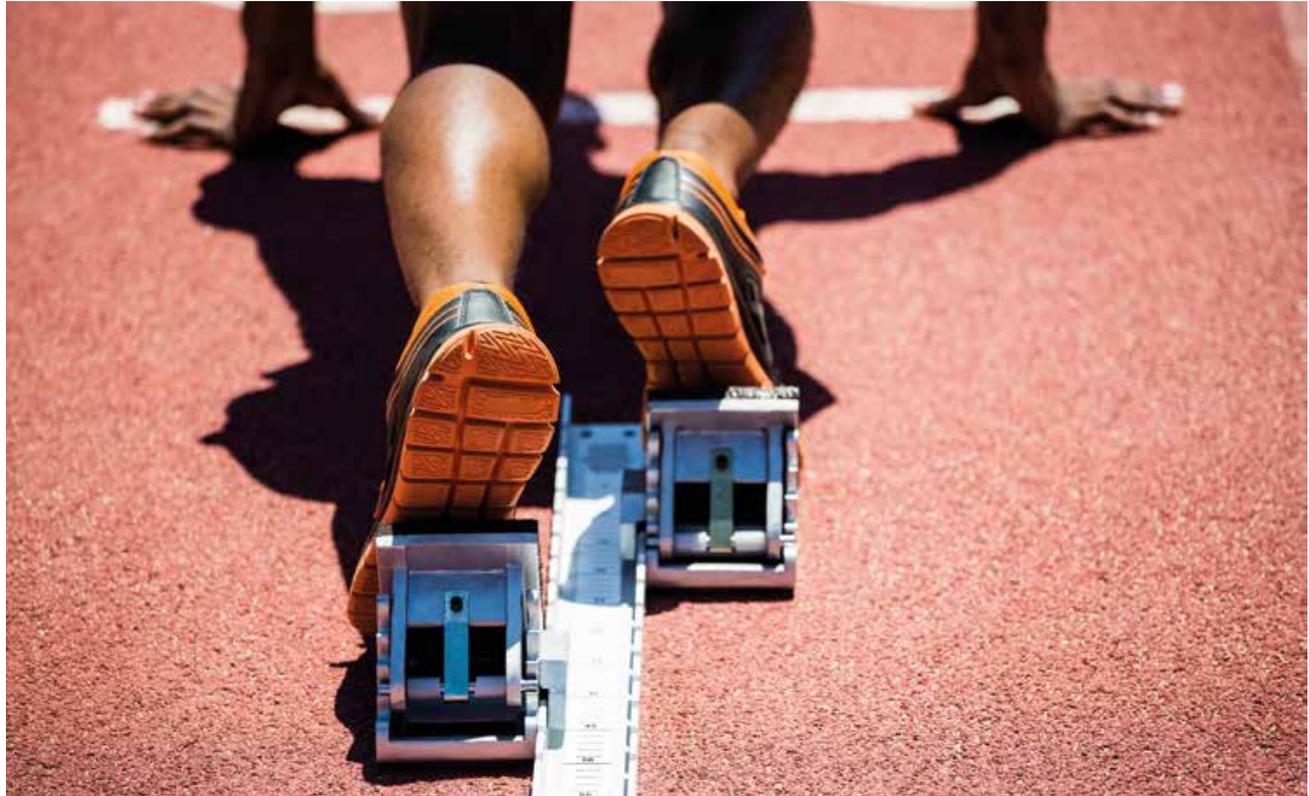
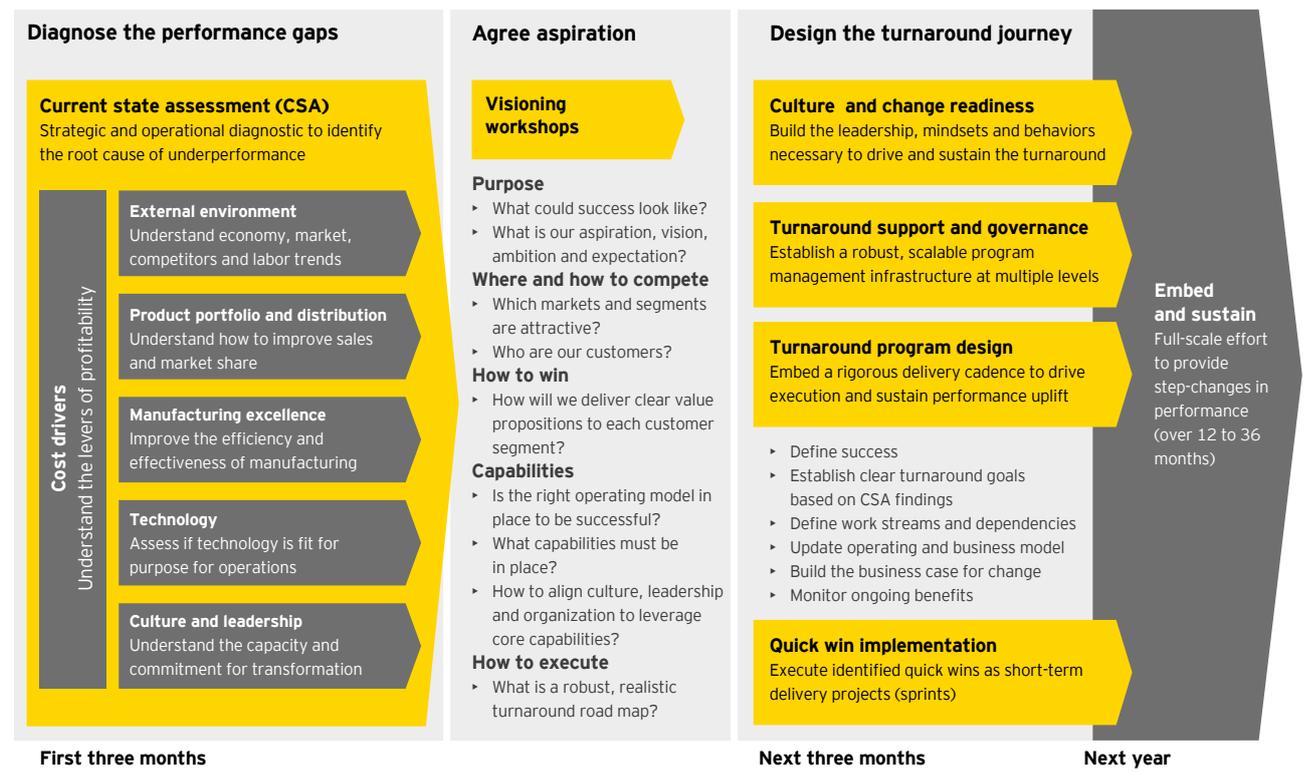


Figure 1. Diagnosing the present state

A rapid, iterative workshop-based approach to refine insights from rigorous analyses and develop a robust turnaround plan



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A new sales and operations planning process linked the company's strategy to tactical planning and operational execution.

**2. Building the future**

The second phase saw EY and the client working in small teams to progress five workstreams.

**a. Developing a compelling vision for the future**

Establishing a clear purpose laid the foundation for the company's future vision and strategy. Through a series of rapid design workshops with the organization's top 50 employees, we helped develop a compelling future state vision and business strategy. The team connected with subject matter experts globally, used visual facilitation techniques, storytelling, design thinking and digital simulation to explore the implications of decisions.

This next level of leaders explored questions such as:

- ▶ What is our purpose?
- ▶ What could success look like?
- ▶ What is our aspiration, vision, ambition and expectation?
- ▶ Where and how should we compete?
- ▶ Which markets and segments are attractive?
- ▶ Who are our customers?
- ▶ How can we win?
- ▶ How will we deliver clear value propositions to each customer segment?
- ▶ Is the right operating model in place to be successful?
- ▶ What capabilities must be in place?

- ▶ How should we align culture, leadership and organization to leverage our core capabilities?
- ▶ What is a robust, realistic turnaround road map?

The insights from these conversations laid the foundation for a pragmatic redesign of the operating model. This, in turn, led to a simpler organization and a more tax-effective and lower-cost structure, with clear accountabilities across functions.

It also supported the alignment of the business's mid-term planning and budgeting process. It was now based on solid business fundamentals and aligned with the organization's purpose and vision.

The resulting workstreams, called "sprints and marathons," were executed by cross-functional teams, each led by an executive committee member. They were (and still are) supported by rigorous governance, a robust delivery cadence and regular, inspired communication so that targeted benefits are delivered as planned. This agile approach sees measurable turnaround results achieved in weeks rather than months.

**b. Increasing revenue**

A customer value proposition (CVP) was defined for each customer segment. This was based on the mystery shopper experiences in owned and competitor stores, and the insights from street intercepts on brand awareness and purchasing behavior. We quantified the incremental revenue that could be captured



through a new product and service proposition, which required refinements to the organization's go-to-market approach, pricing strategy, channels, brand positioning and marketing communications.

With 22% customer churn, increasing customer retention was critical. EY developed and piloted a toolkit to support area and store managers, in each of their 250 stores, reach their target sell out percentage (SOP) and improve their customers' experience.

We helped upskill the sales force and embed rigor into prospecting, lead generation and follow-up. This improved productivity, increased sales conversion and provided a higher share of wallet growth through cross- and up-selling.

Capturing this significant revenue uplift required refining the franchise agreement, optimizing the network footprint and addressing several external market factors.

**Figure 2. Customer value proposition principles**



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The leadership development program focused on all organizational layers, from the executive committee to supervisors, in a quick cascade.

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**c. Synchronizing the supply chain**

Getting the right product available at each sales outlet required a different level of supply chain synchronization. A new sales and operations planning (S&OP) process linked the company's strategy to tactical planning and operational execution. This new form of collaboration, decision-making and performance monitoring was initially piloted on a limited number of stock keeping units (SKUs). We quickly demonstrated the value of outcome-based decision-making, and extended the S&OP process to the full product range. We also trained and coached the factory floor personnel on the use of the master production schedule and how to sustain their improved planning performance.

A further part of the synchronization efforts was to have inventory available in the right location at all times. We helped define the required customer-service levels and identify the supply chain strategies for each customer, channel, product and geography through a series of focused workshops. In those, we coached the client teams on how to determine supply chain variability and other constraints (e.g., lead time and required service levels) for finished goods and raw materials, and helped integrate distribution requirements planning and allocation (DRP) processes with forecasting and inventory planning.

The final initiative was to rationalize the product portfolio on the basis of financial criteria, strategic fit and complexity. Simplifying the range has also assisted in improving master data management governance.

#### d. Increasing manufacturing productivity, improving quality and reducing conversion costs

Through two eight-week, run-to-target proof of concepts on bottleneck equipment, we demonstrated that rapid performance improvement was possible. A critical element was to create data registration capabilities on the equipment, and to agree baseline performance and targets for throughput and waste. Cell structures were selected and all stakeholders (i.e., operators, supervisors, shop stewards and management) onboarded. Through training and on-the-job coaching on standards (e.g., centerlines, clean-inspect-lubricate, defect handling, breakdown elimination and change-over) and tools (e.g., loss trees, daily-direction setting and problem solving), equipment performance rapidly improved from week five.

Building capability on the shop floor was key to sustaining and further improving results. Lean Six Sigma belt certification provided the means and confidence to continue on the improvement journey to benchmark performance. This was done through a “see one, do one, run one” approach to knowledge transfer, applying what was learned immediately on reducing energy consumption, optimizing maintenance, and minimizing scrap and waste.

These initiatives laid the foundation for the organization to proceed with its broad-reaching manufacturing excellence journey.

#### e. Embedding servant leadership culture

A critical enabler to the turnaround was gaining commitment from leadership that they needed to demonstrate a collective responsibility for turning the business around and to become role models for the required behaviors.

To help shift the leadership style from command and control to servant leadership, EY used a personality profiling tool to design the servant leadership development program: a combination of cross-functional workshops and 12-months executive coaching.

The leadership development program focused on all organizational layers, from the executive committee to supervisors, in a quick cascade. The workshops were made up of a series of experiential modules focused on leading self, others and the organization. It drove a deep shift in mindset. People management became more effective. In addition, the shift in leadership style deepened trust and quickly improved employee engagement and morale.

An important element is that the new leadership style is sustained by building it into the formal performance management system.

Arguably the most exciting activity was socializing and embedding the desired culture and behaviors. This was done through:

- ▶ Introducing a monthly recognition and incentive scheme

- ▶ Communicating organization wide, on a regular basis, through townhalls, videos and other creative channels
- ▶ Implementing a change champion network to promote effective two-way communication and provide a channel for employees to be heard
- ▶ Launching an Olympic-themed behavior change game to foster collaboration and innovation using a reward-driven mechanism

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The journey continues with rapid execution of the various turnaround initiatives, by cross-functional teams in agile sprints and longer-term marathons, governed by a strong, practical program management office.

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**3. Providing bottom-line results**

Nine months in, tremendous progress has been made across many dimensions: financially, in market share, customer satisfaction, manufacturing performance, organizational renewal and capability uplift.

Importantly, the African business is now much more connected. Connected with its customers, its employees, the communities in which it operates, with its business partners and with its global organization.

The journey continues with rapid execution of the various turnaround

initiatives, by cross-functional teams in agile sprints and longer-term marathons. These are governed by a strong, practical program management office. This robust delivery cadence is characterized by managed delivery of targeted benefits, reinforced through regular, inspired communication of the strategic vision and progress with the turnaround.

The next phase, disruptive innovation, will focus on exploiting digitization and other technological advances to profitably grow in an environment where industry sectors are blurring and combining. ■

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Figure 3. Turnaround process and progress

