

Office World: A Financial turnaround

Andreas (Andy) Etherington is an experienced Chief Executive, with a record of achievement in leading and developing multi-site operations in the retail, consumer and healthcare sectors.

He has significant experience in managing complex change, turnaround, acquisition and disposal programmes, against a background of diverse stakeholder groups.

In this case study we explore Andy's contribution as Chief Executive of Office World.

The Situation

The company was a multi-site out of town / edge of town office products retailer, with a significant mail order business and its own distribution centre serving the UK market.

Office World, owned by an overseas parent, was a perennial loss maker.

Relationships were strained between parent and subsidiary.

Andy was appointed to identify the problems and turn the business around. He quickly identified that sales were declining, stock levels were out of control, marketing activities were haphazard and merchandising was

lack lustre. The processes and procedures were poorly defined, ill understood and that by only a few of the employees. There was a lack of an integrated or proactive approach to planning between the buying department, marketing department and logistics, leading to ineffective promotional campaigns. There were little or no HR processes in place, no job descriptions, performance reviews or employee objectives' setting.

After a recent head office move and a migration to SAP, the accounts department was in disarray and was

providing unreliable management accounts and management information.

The workforce was disillusioned, disgruntled and demoralised. The company was heading toward a serious cash flow crisis and insolvency.

A CEO had to be appointed to take control of the business, re-energise the entire workforce, but in particular the head office team. The company had to be returned to profitability against extremely tight deadlines.



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The Task

The board of directors had to be re-configured and re-energised.

The workforce had to be re-motivated; processes and procedures needed to be optimised, as did the finance function, marketing, buying and store operations. A fully functioning HR department needed swift implementation.

Agreement had to be reached with the bank for overdraft facilities.

Similarly an agreement needed to be reached with the parent company for short term financial liquidity, stock had to be turned into cash. A budget re-forecast was urgently required with a spotlight on cash flow.

To paraphrase: there was a pressing and urgent need for a revision and dramatic improvement of:

- Supply chain management and stock control
- Marketing and merchandising
- Store operational standards
- Cost control
- Financial information

The Approach

The board of directors was re-configured and re-energised.

Working closely with board and senior management team, Andy reviewed and restructured key areas of the business, these included:

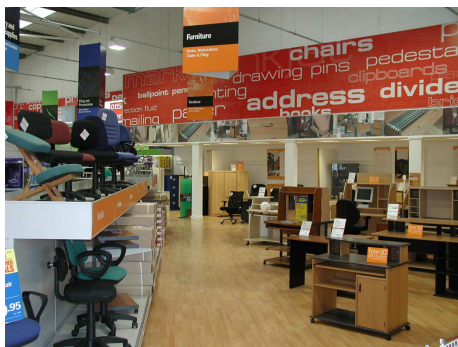
- Turning stock into cash
- A range review was undertaken
- Price points were reviewed and optimised

- Competitor analysis undertaken
 - Customer research to determine demographics and brand perception was undertaken
 - Marketing and promotional plans reviewed and rewritten
 - Financial plan reviewed and reforecast
- included;
- Buying Department
 - Finance and Accounting
 - Marketing
 - HR
 - Store Operations

Major departments were reviewed, rebuilt and or streamlined, these

“Andy was an instinctive, insightful CEO who knew what was required financially and physically to turn an organisation from loss to profit...”

Charles Craft, Logistics & IT Director Office World



Office World new store format, technology floor.



The Result

“Under Andy’s direction, Office World’s 59 Stores in the UK enjoyed a remarkable turnaround...”

Thomas Kern, Chief Executive Globus Group”

The customer was placed at the centre of all considerations and plans.

The finance department began to produce timely and accurate management accounts and management information.

This was disseminated to department heads, who were given training by the finance team on how to make most effective use of this information to gain control of departmental costs.

A new range was selected, leading to higher margins and increased sales. Supply chain was brought under control and stock was turned into cash. Systems were introduced, as was a de-stocking campaign, which led to a dramatic reduction in overall stock levels.

A new store concept was developed and tested.

The advertising and promotional plan was re-drafted, leading to a more cohesive and effective promotional plan.

All A&P plans, re-ranging and the new store concept were developed in the light of the customer research findings.

Weekly KPIs were implemented and the company became KPI driven.

The store operations review led to a tremendous improvement in store manpower plans, leading to increased efficiencies, cost reduction, increased customer service levels and improved average transaction values.

The distribution centre was reviewed and optimised, leading to more efficient delivery schedules and fewer out of stocks.

In short:

The workforce became highly motivated, involved in developing company philosophy, proud to be part of the Office World Team and entirely customer focussed.

The company moved from significant losses to a position of “best in breed” sustainable profits.

Efficiency and profitability were increased to such an extent, that it became easier for the major competitor, Staples, to buy Office World rather than to continue fighting it!



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