

Views From the Marketplace

Strategic Costing For Yorkshire Manufacturers

Highlights:

- Improving cost management in manufacturing
- Client wins top award
- BEACON - international conference speech
- Intranet technology for project delivery
- Two new books by our partners
- Associate news

Yorkshire Forward, the UK Regional Development Agency, commissioned a programme for Cost Management within the Advanced Engineering and Metals sector in Yorkshire and Humber.

The pilot involved ServQ working with the Agency, the local Business Link in South Yorkshire and Leeds University. This team helped 10 firms develop a more effective method of strategic cost management, called Rapid Build ABC. The 10 companies have a combined turnover of £43m and employ over 600 people.

Rapid Build ABC

The process applies the techniques of Value Management and prototyping to capture fundamental cost information and business issues. It examines the key activities within a business from sales and receiving orders, through the manufacturing processes, to delivering to customers.

Rapid Build ABC allocates costs to products, customers, and services based on resources actually used. This is a distinct improvement over the arbitrary allocation of indirect costs sometimes used in traditional accounting systems.



Senior managers from the manufacturing companies after the project feedback session at Yorkshire Forward's new offices at Wath upon Dearne

The approach involves the management team and key members of staff. Their experience and judgement are used to map out the Key Activities, their linkage, pull and utilisation of corporate resources. This consultation process helps build consensus at each stage, where decisions on relevant weighting and resources are needed.

Summary of Findings

The 10 firms involved engaged very positively with the ServQ team. This collaborative working produced a significant body of information, several major findings within each firm and a data bank to benchmark key activities for future participants in Yorkshire Forward's Strategic Costing Programme. Some key highlights are:

- The group showed a wide range of indirect costs - from a low level of 15% up to 60% for companies making many different product lines and selling these into many markets;
- Only 39% of indirect costs related to production, therefore 61% of all indirect costs supported this key activity;
- There were 3 cases where whole product lines needed to be reviewed based on their true profitability;
- Several large potential and current customers received heavily subsidised products, especially in the early stages of the relationship;
- One of the areas of major interest for the pilot SMEs was the cost to serve customers. The impact of high costs to serve small and medium sized accounts became apparent when customers were classified using the activity matrix. Small accounts could cost up to 10 times as much to service, per pound of sales value, compared to larger key accounts;
- Most of the companies who undertook the customer analysis were reluctant to drop customers - however small and costly to serve. The important thing was to concentrate on reducing the cost to serve and sometimes to increase prices to more realistic levels;
- Participants' feedback has been enthusiastic, especially in the examination of critical business areas such as loss making product groups and high cost to serve customers; and
- The approach has proven to be flexible.

Several participants have been refining their entire approach to product and order estimating in a follow on project. The new approach gives greater cost accuracy and improved commercial control for these companies.

For more information about Rapid Build ABC please contact Andrew Crossley or George Weir - info@servq.com

Dewhurst Macfarlane Wins Major UK Award



Kimmel Center for the Performing Arts, Philadelphia

One of ServQ's clients, Dewhurst Macfarlane and Partners, has won a prestigious 2002 British Consultants Bureau Award for International Expertise for the practice's work on the Kimmel Center for the Performing Arts, Philadelphia, USA. ServQ's MD Andrew Crossley attended the award luncheon where Mr Laurence Dewhurst one the founding partners collected the award on behalf of Dewhurst Macfarlane and Partners.

"We were delighted to receive this award for our technical contribution to this major international project. This is peer group recognition of the expertise we have within the team. We are able to deliver structural engineering innovation on major building projects worldwide", says Mr. Dewhurst.

ServQ's Ian Watson and Andrew Crossley worked closely with the partners and senior associates on a business development programme involving:

- Assessing strategic accounts and the firm's offerings to their current and future clients;
- Developing key client plans;
- Preparing a marketing programme; and
- Publishing a practice handbook on client development.

The firm has implemented these action plans and the practice development approach.

To quote Mr Dewhurst *"We have never been so busy."*

BEACON Speech

ServQ was invited to present at the Second International Conference on Innovation in Architecture, Engineering and Construction, held at Loughborough in June 2003. Andrew Crossley's presentation was titled 'Building Relationships - Metrics for Successful Programmes'. The conference was chaired by one of our partners Professor Chimay Anumba of Loughborough University. A copy of the presentation is available from www.servq.com.

Intranet Technology For Project Delivery

So how do you work with 15 organisations in different locations and manage over 40 workshops in 12 weeks?

This was a challenge set to the ServQ team in the spring of 2003. After researching the team's requirements and which supplier could deliver the appropriate technology, we selected Intranets.com of the USA because bespoke software has inherent risk of delay, cost overrun and upgrade issues. ServQ selected Intranets.com because of:

- Outstanding functionality and ease of use;
- Numerous easy to adapt templates and databases;
- The ability to access and synchronise information over the web;
- Different levels of internal security;
- SSL encryption for the entire intranet;
- Daily backup of data;
- Host server security; and
- High degree of scalability and 'up time'.

The technology has already paid back the initial investment. It enabled a Virtual Enterprise Network (VEN) to focus on business rather than IT issues.

Associate News

ServQ is pleased to welcome Derek May and George Weir to our team as Senior Associates.

Derek has worked extensively in the Nuclear Sector as a Director of a £2bn plc and as the Managing Director of consulting firms. He has extensive international experience and is a Cambridge and Manchester Business School Graduate.

George has worked in financial research and management consulting since graduating from Manchester Business School in 1988. He has prepared and published benchmarking information for the SME sector in numerous industries. George is one of our lead consultants on the Yorkshire Forward Strategic Costing Programme.

Two New Books

Our colleagues in the USA have been very productive over the past year. Stephen Dent and Sandra Naiman published 'The Partnering Intelligence Fieldbook' which contains many tools and techniques for building lasting alliances. This book complements Stephen's previous publication 'Partnering Intelligence - Creating Value for Your Business by Building Strong Alliances.'

Andrew Sobel's new book 'Making Rain - The Secrets of Building Lifelong Client Loyalty' is based on over 6 years research into this area. It follows his previous best seller 'Clients for Life', which Andrew co-authored with Professor Jag Sheth of Emory University, Atlanta.

Stephen and Andrew recently visited the UK to deliver consulting assignments. Stephen also facilitated a workshop on the nuclear sector.

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ServQ's primary goal is helping directors and senior managers deliver sustainable performance improvement. We work in the following business critical activities: *Strategy Formulation, Organisational Alignment, Partnering & Alliances, Implementation*
Our focus is on helping you achieve exceptional, sustainable, performance.