



## Transforming Branch-Based Business Operations

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### **WHILE EVERY INDUSTRY WILL FEEL THE EFFECTS OF THE CURRENT BUMPY, RECESSION-LIKE MARKET, BRANCH-BASED BUSINESSES WILL BE DISPROPORTIONATELY NEGATIVELY IMPACTED.**

This series will cover the three steps private equity (PE) funds need to take to transform the operations of the branch-based businesses in their portfolios.

#### **Why Are Branch-Based Businesses Especially at Risk?**

Disseminated labor-intensive service businesses often operate with each branch acting as a separate business, do not take advantage of scale and so are inherently high fixed cost. Each high fixed cost branch becomes a significant cost issue during economic slowdowns as volume declines.

Limited standardization of their organizational structures, functions and processes also hinders their ability to adjust cost structures to deal with economic volatility.

As a result, many of these businesses have locked cost structures as well as utilization and overhead inefficiencies that cause them to run at much higher costs than needed. Lack of standardization makes company-wide changes risky and hard to implement in a short time period, limiting the ability to adjust operations as markets change.

Addressing these operating model restrictions can enable businesses to become more agile and, hence, lessen the market downturn impact.

#### **Step 1: How to Identify and Build an Ideal Operational and Pricing Model**

This first article outlines both key questions that PE deal teams should ask during diligence, and the ideal operating design that PE operating teams should use as a guide to transform portfolio companies post-acquisition.

There are five elements to consider when creating an ideal model:

- Network
- Pricing and Contracts
- Frontline Processes

- Metrics
- Organizational Structure

READ PART 1 HERE

## Step 2: How to Migrate the Ideal Model

The second article outlines how best to migrate to the new model.

From our experience as operators focused on disciplined execution, three components are critical for the migration:

1. Making the right **Operational Decisions** for the change
2. **Sequencing** the Transition correctly
3. Applying the proper **Governance** throughout the transition to ensure sustained success

READ PART 2 HERE

The third article will detail how to make the changes sustainable through market swings.

## How A&M Can Help

A&M's Private Equity Business Services-focused group has deep, hands-on experience supporting PE funds with branch-based businesses, both pre- and post-acquisition.

Utilizing third-party support to guide the transition of change programs greatly increases the branch-based business's value, adoption and sustainability while reducing the time to impact EBITDA and the risk and disruption to the ongoing business.

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