

Case Study: Activity-Based Costing and Root Cause Analysis

I. Description

A financial institution's loan and operations area was experiencing inconsistent cost variation from month-to-month with no accompanying appreciable disparity in workload. The cost variation was not identified to the cost drivers, as aggregation of metrics did not provide visibility into cost drivers or the root cause of problems.

II. Methodology

- Instituted Activity Based Costing to determine high cost activities
- Evaluated defects for the high-value activities & gaps between As-Is and To-Be
- Implemented Process Changes to eliminate/minimize process defects
- Implemented Metrics Management system to support on-going process improvement and management reporting

III. Results Achieved

By creating a predictable and controllable back-office environment, the bank eliminated defects and increased profitability by 12%. The new system also provided an 'early warning' environment to allow management to quickly identify problems and take proactive measures.

**Specific project results are proprietary. For more information regarding this case study or to request an introductory meeting, email us at info@tefen.com*