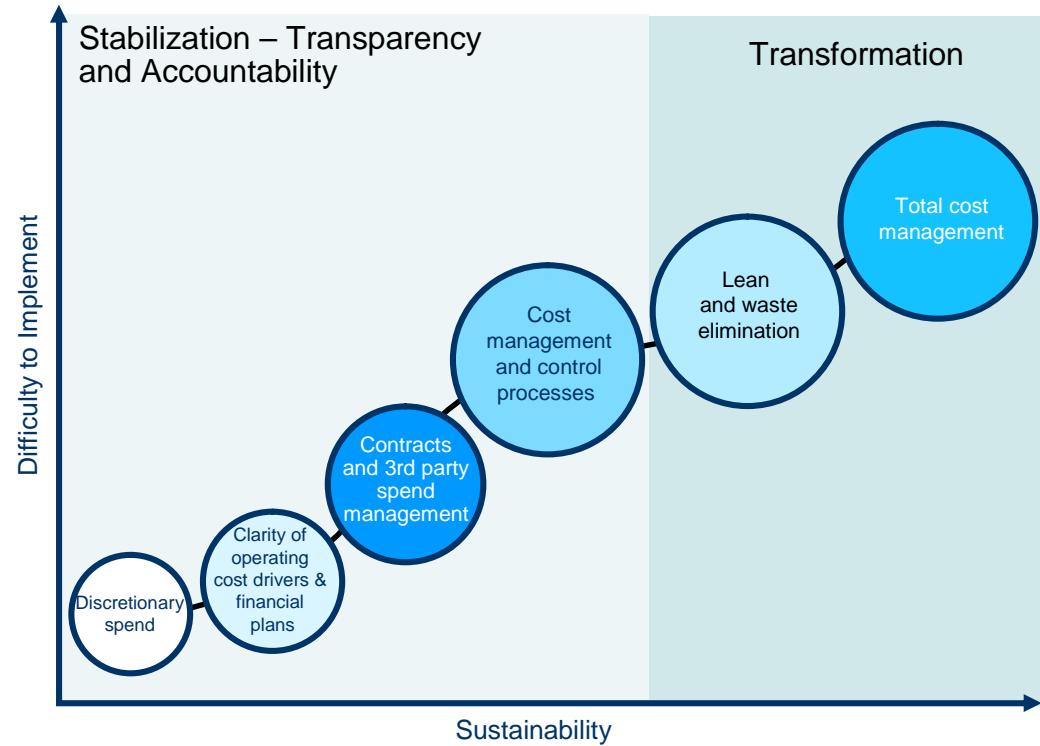


The cost reduction journey

Sustainable cost reduction is a journey or a progression of activities rather than “one-off” programs and interventions



Sustainable cost reductions can be achieved through transparent management information and accountability. By focusing on cost reduction as well as cost management and control processes in parallel, organizations can set the stage for, and perhaps self fund, more transformational activities.

Journey Steps:

Discretionary spend – Potential cost reductions are relatively small and typically creep back over time.

Clarity of operating cost drivers and financial plans – Defining business cost drivers and linking operating and financial plans improves transparency enabling better budget owner accountability.

Contracts and 3rd party spend management – This goes beyond better supply chain leverage to executing sound agreements and decisions.

Cost management and control processes – Cost reduction gains are sustainable only if the business improves its cost culture for managing spend (e.g., budgets, delegations, management info).

Lean and waste elimination – The full potential of simplifying processes and eliminating non-value added activities can only be realized once a baseline for managing costs is in place.

Total cost management – Cost is seen as an investment and optimized across the entire business model with quality management information.