

Mini-guide to Cost-Reduction Projects

Organisations often need to cut costs, and taking advice from those who have successfully run such projects helps to avoid the most common challenges. Whilst success isn't guaranteed, using effective, tried-and-tested strategies enhances the chances of achieving the required savings. This mini-guide highlights six key areas for action.

The 6 Key Areas

Get the Exec on board

Try to avoid seeing these as a step-by-step process to be followed in strict sequence.

Build and share a compelling narrative

Prioritise where to look

Work seamlessly with Finance

Work with the business areas

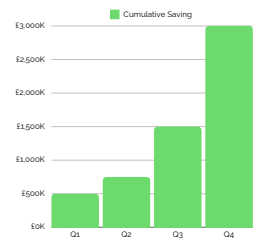
Challenge hard all the 'no-go' areas

Each area requires unwavering focus from the beginning to the end of the project.

Get the Executive team on board

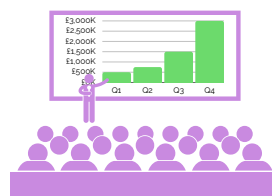
The Exec or Board sponsors the work and is accountable for achieving the cost savings.

Collaborate with them to clarify the savings needed and the desired timeline. Ensure they understand the support that will be required from them and the need for clear, timely responses to difficult questions throughout the process.



Build and share a compelling narrative

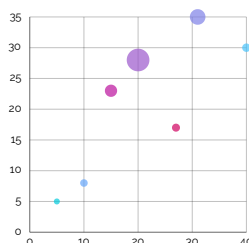
A vital aspect of cost reduction lies in the diligent tracking of progress and the clear, accurate reporting of findings.



Crafting a scorecard early on is essential, allowing all involved to familiarise themselves with the key elements, accompanied by a captivating narrative that illuminates the reasons behind the cost reductions, the specific areas of focus, the extent of savings achieved, the strides made thus far, and the path (and decisions) ahead.

Prioritise where to look

Collaborate with the Executive team also, to identify the specific areas where cost reductions will be targeted. Break these down into short-term, medium-term, and long-term goals, keeping in mind the reduction rate being aimed for. Additionally, look for some early quick wins to establish crucial credibility and generate momentum.



Spreadsheets help, but much better to visually plot three things.

X-Axis - how long to deliver the reduction.

Y-Axis - how difficult (costly) will the reduction be, and use the **size** of the bubble to give an indication of the value

Challenge hard all the 'no-go' areas

There could be certain areas that should be strictly off-limits; perhaps parts of the business that must remain out of scope due to ongoing changes. Identifying these areas early on will save considerable time in the future.

It is essential to question these areas thoroughly, reminding the executives of the necessity for cost reductions, and encourage the careful consideration of sacred cows and 'pet projects'.

Obviously there may be very practical reasons for protecting some areas:

Bad Contract:

Getting out of this may not easily be possible.

Redundancies:

Could have a dramatic effect locally or politically.

Off-shoring:

May not fit with the brand values or customer promise.

Work seamlessly with finance

Finance operate under specific rules, particularly regarding the management and measurement of costs.

Grasping these rules is crucial if you want to ensure strong support from the Finance Director when reporting on your plan and its progress.

It's also essential to closely align with finance and their processes; the earlier and clearer you establish this connection, the smoother your journey will be moving forward.

Work closely with the business

The business areas being looked at must have confidence in the process you will guide them through.

This could include workshops, surveys, interviews, and thorough analyses of the cost structure.

Engage the business leaders fully in the process and encourage them to communicate throughout their organisation, ensuring that everyone involved understands and supports the actions being taken.

Having a simple but clear process helps people engage consistently across the organisation.



Watch out for:

- The rationale becoming **less clear**
- Leadership who seem **less committed**
- Burdensome **control** from the centre
- **insufficient** control from the centre
- A lack of agreed, basic, **baseline data**
- Too many **sacred cows**!