

## Management Commitment: Critical for Successful Cost Reduction!

Like all management initiatives at the corporate level, cost improvement requires the commitment of management. Not just in the setting of targets and being present at the kick-off meeting, but more importantly to make it part of the business strategy, to be visibly involved and critically providing political cover to those implementing this policy.

Additionally, employees are sensitive to management commitment. In one Fortune 500 Corporation, we witnessed enormous enthusiasm and success when the individual contributors were given the opportunity to present their activity status to the CEO. However, at later meetings, where the CEO absented himself, and sent only a subordinate, both the enthusiasm and results were measurably weaker.

Cost improvement like sales planning, and budgeting needs to be a part of the business strategy. As part of the business strategy it holds a position of importance in the organization and protects the long-term perspective. This long-term perspective is critical when seeking sustainable measures and not just quick actions to get through another quarter-end.

Dividing-up the cake into smaller pieces, which can be addressed on the micro level is a key function of management in Cost Improvement. This means understanding the business and where improvement opportunities can be found. It also ensures that areas which need to be addressed are targeted, while performing areas are protected. Wide-sweeping cost reduction measures often ignore this point, and can damage the organization, by distressing healthy efficient units.

The assignment of "project managers" or what we call Measure Owners is also a function of management. The Measure Owner must be equipped with the know-how and the authority to plan and undertake the required actions, while understanding the risks and context of the activities.

Best in class organizations hold monthly steering committee meetings or review meetings, chaired by the CEO or CFO and reviewing both business unit and critical individual

measures, setting targets and discussing corrective action where required. Additionally, cost improvement scorecards are now becoming part of the standard presentation by business units at quarterly business reviews.

In a 1960 Guide to Cost Improvement at General Electric, management was told to: communicate, participate, (assign) responsibility, recognize and reward. 50 years later, while the type of cost improvement measures have significantly changed, these principles still hold true.

In conclusion, management has a far larger role than just setting high-level targets. A successful cost improvement program is strategic in nature and cared-for as a management priority, with ongoing personal involvement.

## About Cost Improvement

Our focus is continuous cost improvement – Our speciality is structuring cost savings programs – Our value proposition is target achievement.

We work with customers who recognize the need to implement a cost savings, cost improvement or turnaround program, and see the benefits of managing the cost saving activities under one project or program. We bring the structure – Our customers bring the savings ideas – although we can help here too, if requested.

Cost Improvement Consultants has its roots in the global Automotive Industry. Each partner has at least 15 years of hands-on operational experience. We represent many industry sectors and business functions. We understand the importance of working in a pragmatic, no-nonsense spirit with our client's team.

As an international team, we understand the challenges faced by cross-cultural and matrixed organizations, and can therefore operate effectively both nationally or internationally. Over the years, we have seen a lot of cost-improvement activities. Some were good, but many were only marginally successful. This experience together with the events of the Financial Crisis, gave us the drive to set-up the practice, with the vision of establishing a far higher standard in the area of cost-improvement.

We hope you share our vision, and look forward to working together.