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Thriving in uncertainty
Deloitte's fourth biennial cost survey: Cost improvement practices and trends in the Fortune 1000

April 2016

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Executive summary

Global macroeconomic factors are having a major impact on cost improvement priorities and actions for large US companies. Over the past few years, the US economy has been gaining significant strength; however, other parts of the world are still struggling—or even regressing—creating a drag on US multinationals, which are more reliant on foreign markets than ever in today's global economy.

According to the 210 senior executives of US-based Fortune 1000 companies who participated in our fourth biennial cost survey, these conflicting forces are creating a paradox we call "thriving in uncertainty," a situation in which many US companies are simultaneously pursuing seemingly conflicting goals of aggressive growth and aggressive cost improvement.

Does the strategy of "thriving in uncertainty" reflect a new and permanent state of cautious optimism? Or is it simply a byproduct of today's global macroeconomics—and ultimately just a temporary steppingstone to one of the more traditional cost management strategies? Only time will tell.

Whatever the future holds, a key to cost program success is choosing a cost management strategy that aligns with your company's needs and is capable of delivering the required level of savings. Using tactical initiatives to pursue aggressive cost targets is likely a recipe for failure.

Highlights from this year's survey

- Annual revenues are growing and this growth trend is expected to continue for at least the next 24 months. Sales growth is viewed as the top strategic priority, jumping to 51 percent from 36 percent in our previous survey. "Organization and talent" is also a top strategic priority, consistent with a growth mindset, since having qualified workers and deploying them effectively is key to successful growth.
- Despite these strong growth signals, balance sheet management is also viewed as an increasingly high priority, more than tripling from seven percent in our previous survey to 25 percent this year. This is somewhat surprising, since a focus on balance sheet management issues, such as working capital, treasury, credit, and cash flow, tends to be associated with business distress, not aggressive growth. Similarly, the vast majority of surveyed companies (88 percent) expect to pursue cost reduction over the next 24 months regardless of whether revenues are increasing or decreasing.
- "Macroeconomic concerns / recession" is viewed as the top external risk over the next 24 months. Other top external risks that fuel uncertainty are commodity price fluctuations and digital disruption.
- The "save to grow" strategy that emerged in our previous survey (using cost reduction to fund growth initiatives) remains prominent; however, it might now be viewed as table stakes for "thriving in uncertainty," which takes the idea of simultaneous growth and cost improvement to an entirely new level.
- The top cost reduction drivers are "gaining a competitive advantage" and "required investment in growth areas," which are both growth-oriented business factors. However, the next highest drivers are "international portfolio performance" and "reduction in consumer demand," which are more defensive in nature.
- Cost reduction targets continue to rise, with most companies surveyed (59 percent) now pursuing targets of 10 percent or more and 33 percent of companies pursuing targets of more than 20 percent. However, the percentage of cost programs that failed to meet their targets also rose significantly, from 48 percent in our prior survey to 58 percent this year.
- Although more aggressive targets are naturally harder to meet, one of the biggest causes of cost program failure is that companies are trying to cut costs using approaches that are relatively tactical, such as streamlining business processes and reducing external spend. In most cases, these tactical approaches are simply not capable of delivering the required level of savings. To achieve aggressive cost targets, companies should consider focusing on cost reduction approaches that are more strategic, for example, reconfiguring their businesses or restructuring how they operate through major changes such as increased centralization, outsourcing, and offshoring.
- Other key barriers to effective cost management include lack of understanding, a weak business case, poor design and tracking, and erosion of savings. To help address these kinds of barriers and institutionalize the lessons learned, 32 percent of the surveyed companies created a dedicated executive position to oversee cost management over the last 24 months, up from 16 percent in our previous survey.
- Zero-based budgeting (ZBB) has been a hot topic of conversation in the field of cost management; however, only 16 percent of the companies we surveyed used ZBB in the past 24 months, and only seven percent plan to use it in the next 24 months. Also, 65 percent of the companies that used ZBB failed to meet their cost reduction targets, a number almost 10 percent higher than the 57 percent failure rate for companies that did not use ZBB.
- When pursuing cost reduction, companies have traditionally fallen into one of three categories: (1) distressed, (2) positioned for growth, or (3) growing steadily. However, today's cost-growth paradox seems to be giving rise to a fourth category that we characterize as "thriving in uncertainty." Tackling this new cost management scenario requires a new approach.

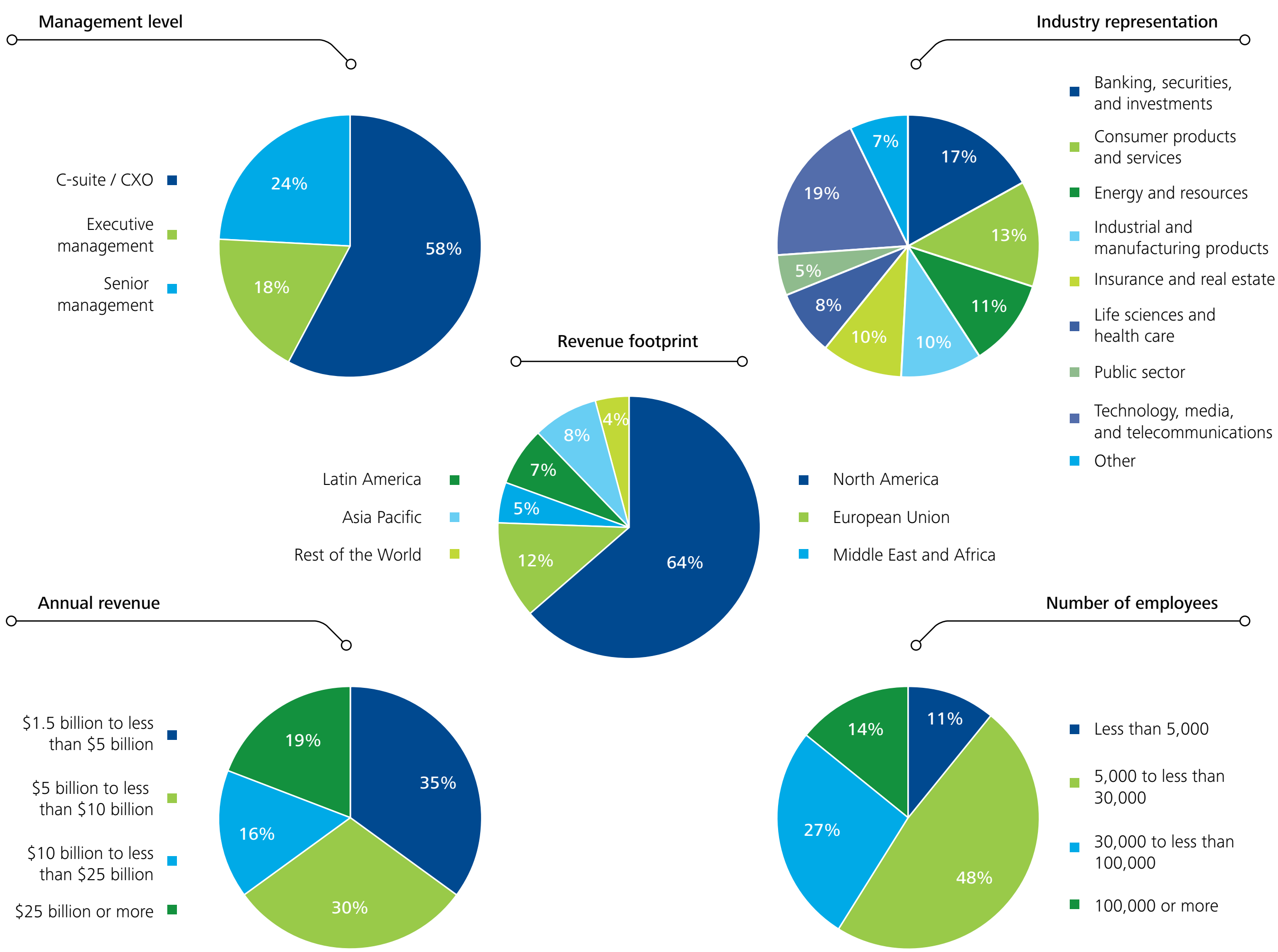
About the survey

This year's study included responses from 210 senior executives from large US-based companies and multinationals in every major industry (figure 1). The detailed survey was designed to gather real-world perspectives and practical insights about current and future cost reduction trends and priorities.

Key objectives:

- Understand factors, approaches, actions, and targets related to cost initiatives
- Assess the effectiveness of cost initiatives, including lessons learned from previous efforts
- Understand the drivers and scope of future cost initiatives
- Identify long-term cost improvement trends by comparing current survey results to data from our previous surveys, which date back to 2007

Figure 1: Survey filmographics

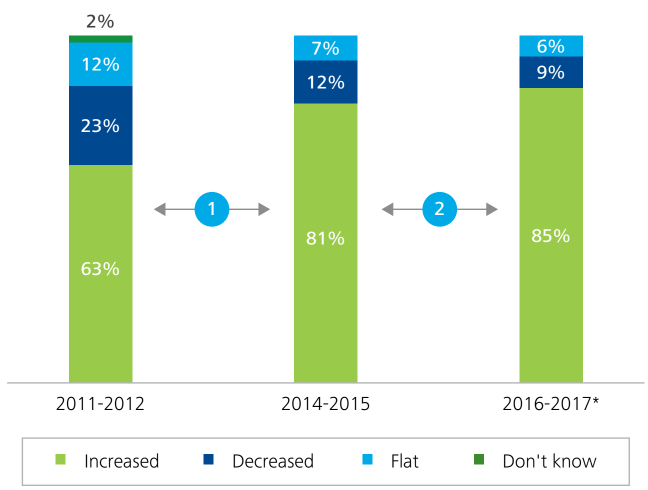


Findings

Companies are facing a cost-growth paradox

According to our survey results, annual revenues are growing, and this growth trend is expected to continue for at least the next 24 months (figure 2).

Figure 2: Annual revenue



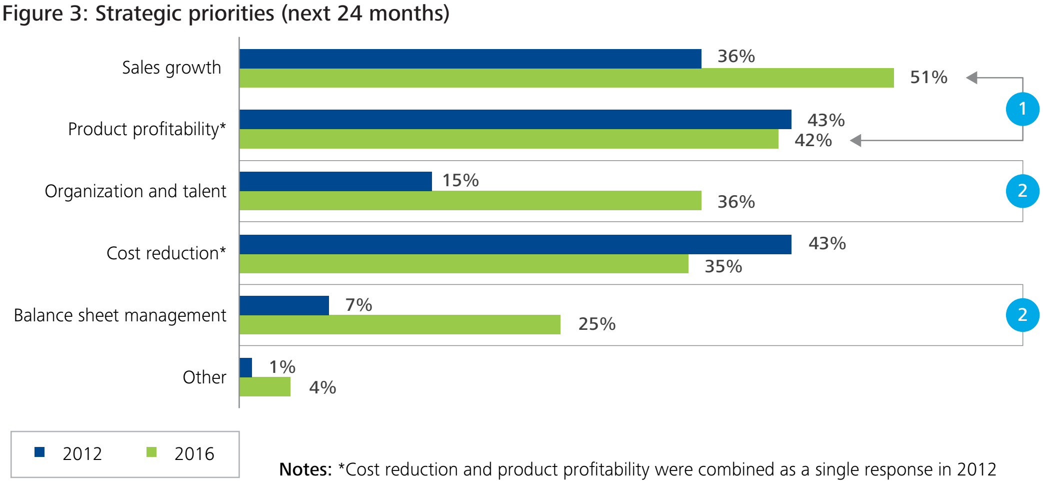
Survey findings

1. Annual revenues continue to grow over time
2. Annual revenues are expected to continue to grow into the future

Notes: *Projected

Sales growth emerged as the top strategic priority, jumping to 51 percent from 36 percent in our previous survey. Organization and talent is also a top strategic priority (figure 3). Both of these priorities are consistent with a growth orientation and mindset.

Figure 3: Strategic priorities (next 24 months)



Notes: *Cost reduction and product profitability were combined as a single response in 2012

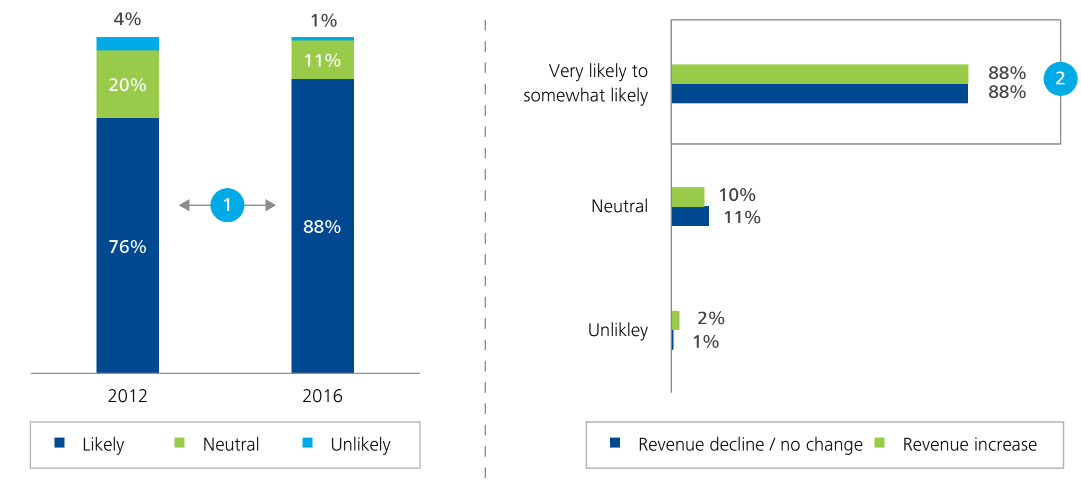
Survey findings

1. Sales growth and product profitability emerged as the top strategic priorities
2. The number of respondents citing organization and talent as a strategic priority more than doubled; for balance sheet management, response rates more than tripled

Despite these strong growth signals, balance sheet management is also viewed as an increasingly high priority, more than tripling from seven percent in our previous survey to 25 percent this year. This is unusual since a focus on balance sheet management issues such as working capital, treasury, credit, and cash flow tends to be associated with business distress, not aggressive growth.

Also, our survey found that the percentage of surveyed companies that expect to pursue cost reduction over the next 24 months increased significantly from 76 percent in our previous survey to 88 percent today—and that figure of 88 percent applies whether or not the companies' revenues have been increasing or decreasing (figure 4). In other words, nearly all companies surveyed are planning to pursue some sort of cost reduction program, regardless of their recent financial performance.

Figure 4: Likelihood of cost reduction (next 24 months)



Survey findings

1 **Almost nine in 10 organizations plan to pursue cost reduction, up sharply from 2012**

2 **Organizations plan to conduct cost reduction initiatives regardless of previous revenue growth**

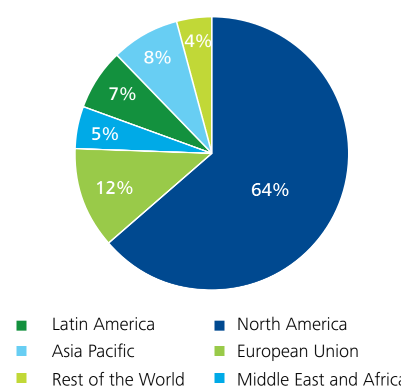
This rising focus on cost reduction is also unusual since companies have traditionally scaled back their cost management efforts during periods of growth. What could be driving this cost-growth paradox?

Global macroeconomic factors are the top external risk

In our previous survey, we observed an emerging cost-growth paradox that we characterized as "save to grow": using cost reduction initiatives to fund growth initiatives. Now it appears the trend may be expanding to the point that cost management is becoming a core competency that companies continue to focus on throughout all phases of the business cycle.

Uncertainty about the global economy and the risk of a global recession continue to weigh heavily on the minds of the executives we surveyed. Although the US economy has grown significantly stronger over the past few years, many other countries are continuing to struggle economically, or even regressing. This has a major impact on large US companies like those we surveyed, which now rely on foreign markets for almost 40 percent of their revenue (figure 5).

Figure 5: Revenue footprint



The difference between the strength of the US economy and the overall global economy is likely a key driver behind the cost-growth paradox. For the companies we surveyed, a relatively healthy domestic economy in the US provides a strong impetus to grow. However, concerns about the global economy and its potential negative impact on a wide range of business areas—from lower international consumer demand in key markets to foreign exchange rate volatility and higher rates on foreign loans, among others—are prompting those same large, multinational companies to continue ratcheting up the pressure on cost reduction and balance sheet management. Exchange rate volatility could be a major factor here since a strong dollar can dramatically reduce the value of foreign revenues and financial results when reported in US dollars.

According to our survey results, another major external risk is commodity price fluctuation. This is being driven by a number of factors, including weak demand for commodities in struggling markets (such as China) and the global surplus of oil. These factors can have a ripple effect throughout the global economy—an effect that is difficult for companies to predict and control—thereby adding to uncertainty.

Another major source of uncertainty in today's business environment is digital disruption. In our past surveys, digital disruption was grouped with other competitive risks. But given its growing importance, we broke out digital disruption separately in this year's survey, and it emerged as the third most frequently cited external risk (figure 6).

Figure 6: Top external risks (next 24 months)

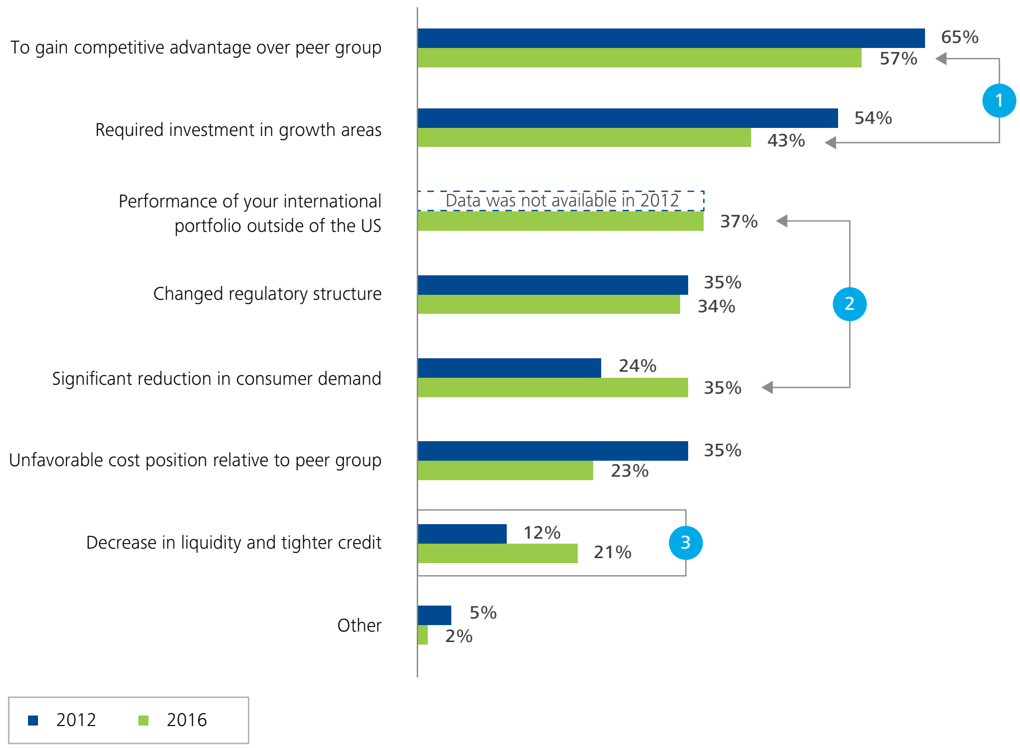
Survey findings

1. Macroeconomic concerns / recession and commodity price fluctuation remain top of mind
2. Digital disruption is a new category and was the third most frequently cited external risk

The strategy of "save to grow" is now table stakes

Our previous cost survey identified the emerging strategic trend of companies pursuing cost reduction in order to fund their growth initiatives. This year's survey shows that the "save to grow" strategy is continuing in full force, with the top two drivers of cost reduction being "to gain competitive advantage over peer group" and "required investment in growth areas" (figure 7).

Figure 7: Drivers of cost reduction



Survey findings

1. **Top drivers (gaining competitive advantage and required investment in growth areas) support "save to grow" theme**
2. **Other frequently cited drivers (performance of international portfolio and significant reduction in consumer demand) suggest increasing uncertainty about business performance**
3. **Although the response rate for decrease in liquidity / tighter credit still ranks lowest, it nearly doubled compared to 2012**

However, the idea of saving to grow now appears to be table stakes for many companies as they ratchet their cost reduction efforts even higher in response to global economic drivers such as "performance of your international portfolio outside of the US," "significant reduction in consumer demand" (presumably foreign demand, since demand in the United States is relatively strong), and "decrease in liquidity and tighter credit," which nearly doubled to 21 percent from 12 percent in the previous survey, despite the growing strength of the US economy.

Cost reduction targets are rising but so are cost program failure rates

Cost reduction targets are becoming even more aggressive, with the majority of organizations (59 percent) now pursuing targets of 10 percent or more. Also, the percentage of companies pursuing targets of more than 20 percent is way up, tripling from 11 percent in our prior survey to 33 percent today (figure 8).

At the same time, the percentage of cost programs that failed to meet their targets also rose significantly, from 48 percent in our prior survey to 58 percent this year, and the number of companies that exceeded their goals fell from 19 percent to 14 percent (figure 9).

Figure 8: Annual cost reduction targets

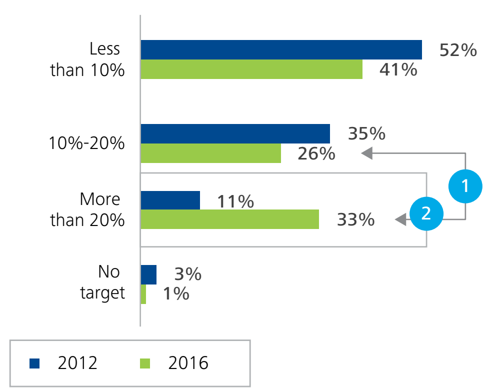
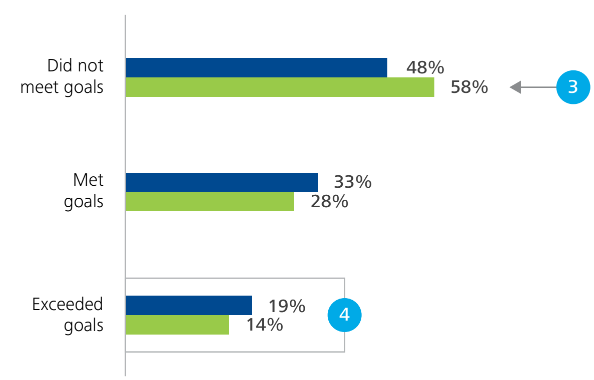


Figure 9: Success in meeting cost targets



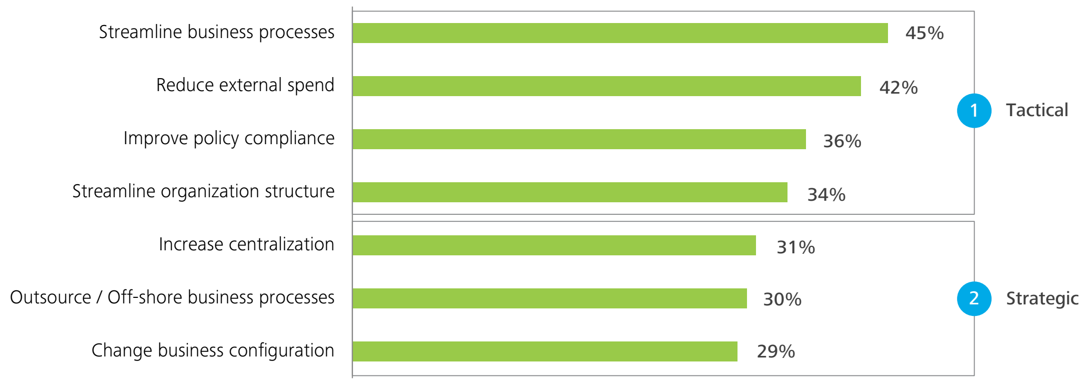
Survey findings

1. 59% of organizations have cost reduction targets of 10% or greater
2. Only 11% of organizations planned to pursue aggressive (>20%) cost reduction programs in 2012, but in 2016, the same figure jumped to 33%
3. Almost two-thirds of cost reduction initiatives are not meeting targets
4. In 2016, only 14% of respondents indicated cost programs exceeded their goals vs.19% in 2012

Aggressive targets require strategic improvements

Why are the majority of cost programs now failing? One problem is that increasingly aggressive targets are simply harder to hit. But we believe an even bigger problem is that companies are trying to cut costs using more tactical cost reduction strategies that are simply not capable of delivering the magnitude of savings required by their aggressive targets (figure 10).

Figure 10: Cost actions viewed as most likely (next 24 months)



Survey findings

1. **The most frequently cited cost actions in the next 24 months are tactical in nature**
2. **The three least likely actions to be implemented in the next 24 months are strategic in nature**

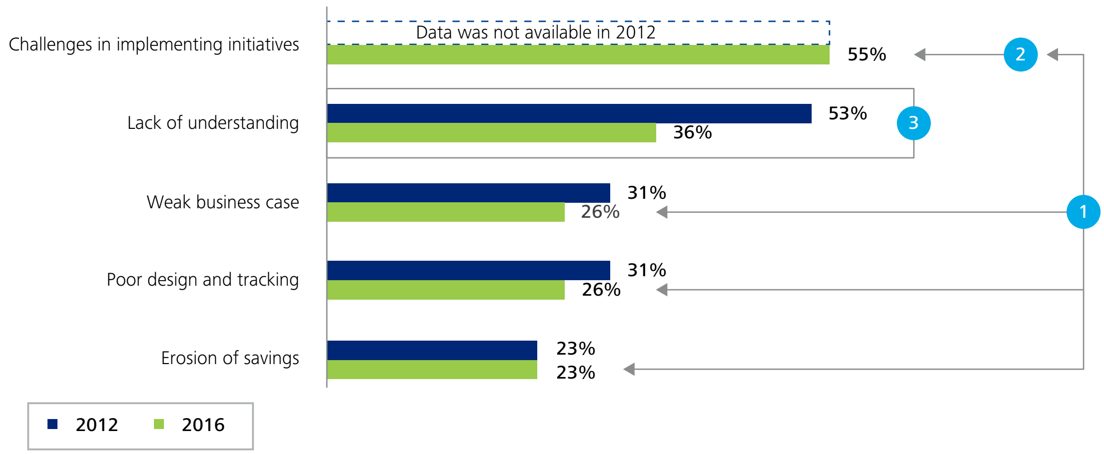
According to this year's survey, the top four most likely cost reduction actions over the next 24 months are all tactical in nature, such as "streamline business processes" and "reduce external spend." Such actions are valuable and important, but they are unlikely to deliver a 10 percent reduction in overall costs, much less 20 percent, especially since many companies have been pursuing those types of cost reduction actions for years and may not have much more fat to trim.

To achieve today's aggressive targets, companies should consider focusing their efforts on more strategic cost reduction approaches such as reconfiguring their businesses or restructuring how they operate through major changes such as increased centralization, outsourcing, and off-shoring.

Other challenges contribute to cost program failure

Although relying on tactical improvements to achieve strategic-level cost targets is likely the main reason so many cost programs have been falling short of their goals, there are other significant barriers as well. Most of the barriers to effective cost management cited by respondents are implementation issues, such as a weak business case, poor design and tracking, and erosion of savings. However, respondents also cited "lack of understanding," which is a change management issue (figure 11).

Figure 11: Barriers to effective cost management

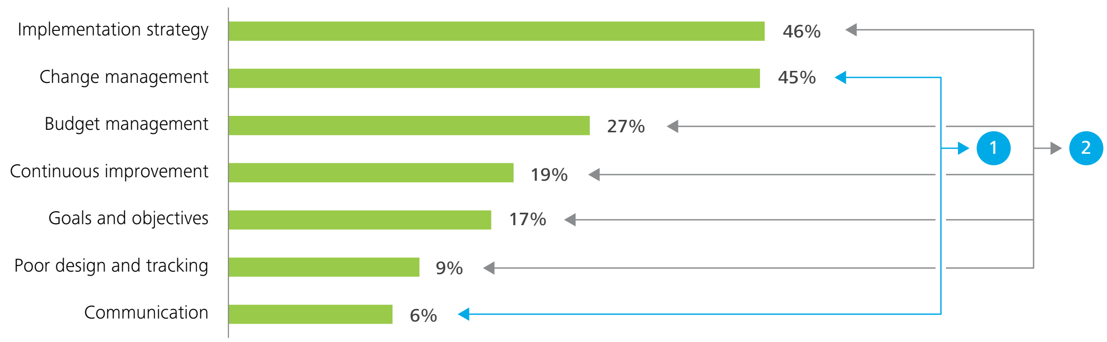


Survey findings

1. Four out of the top five barriers are related to implementation challenges
2. The most frequently cited barrier (new response option for 2016) is "challenges in implementing initiatives"
3. Only "lack of understanding" is related to change management; it still ranks highly but is down from 2012

In trying to tackle such barriers, the executives we surveyed reported learning a wide range of valuable lessons over the past 24 months, especially in the areas of implementation strategy and change management (figure 12).

Figure 12: Lessons learned (past 24 months)

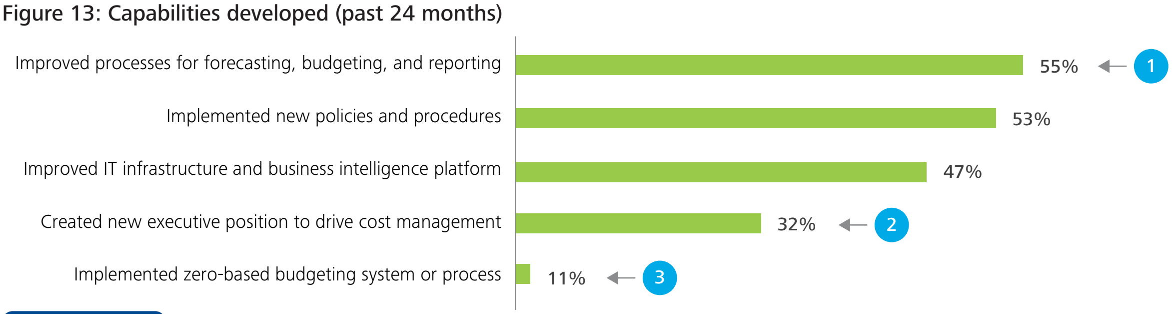


Survey findings

1. **Relatively few lessons learned relate to change management**
2. **Most lessons learned relate to implementation challenges**

One hidden reason that many cost programs fail may be that the typical tenure of a business executive is just two to four years, which may mean the lessons learned are not retained in an organization's memory from one leader to the next, causing the same mistakes to be repeated over and over again. A possible solution to this problem is to assign a dedicated executive who is responsible for overseeing cost management. This is an emerging trend, with nearly one in three companies (32 percent) reporting that in the past 24 months they created a new executive position to drive cost management (figure 13).

Figure 13: Capabilities developed (past 24 months)



Survey findings

1. **Organizations are focused on developing improved processes for forecasting, budgeting, and reporting**
2. **Nearly one in three organizations created a new executive position to drive cost management**
3. **Only 11% of respondents implemented a zero-based budgeting system or process**

Companies also focused significant time and resources on further developing key capabilities related to cost management, including improved processes for forecasting, budgeting, and reporting, new policies and procedures, and improved IT infrastructure and business intelligence platforms.

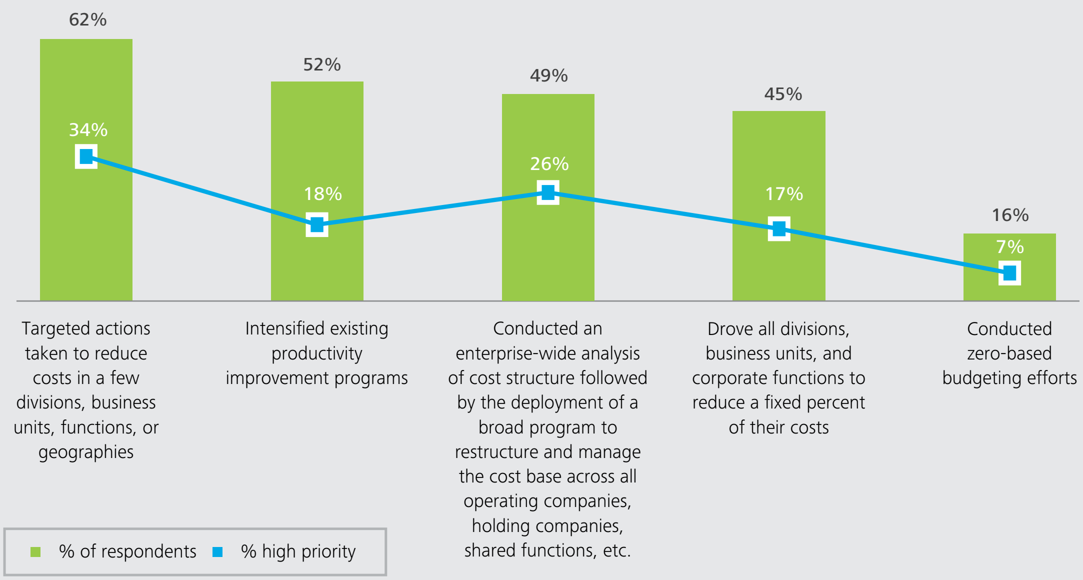
It should be noted that while zero-based budgeting has been a hot cost management topic in recent years, only 11 percent of the companies we surveyed actually implemented a zero-based budgeting system or process over the past 24 months. (See the sidebar on zero-based budgeting for more details.)

Zero-based budgeting: Cost management breakthrough or passing fad?

The traditional approach for developing a budget is to start with the previous period's budget and make adjustments as needed. Zero-based budgeting (ZBB) is a fundamentally different approach that involves developing a new budget from scratch every time (that is, starting from zero). The theory is that decision makers constantly look at the business with fresh eyes, free from the limitations of past assumptions and targets. But how well does the theory translate into practice? To find out, this year's survey included several detailed questions about zero-based budgeting. Here's what we found:

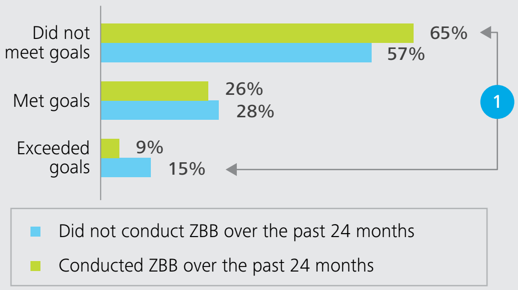
Despite widespread curiosity about zero-based budgeting, only 16 percent of the companies we surveyed actually managed costs using ZBB over the past 24 months, a much lower adoption rate than for other more traditional cost management approaches (figure A). Also, only seven percent view ZBB as a high priority.

Figure A: Approaches to manage costs (past 24 months)



What's more, companies that use ZBB tend to be less successful at meeting or exceeding their cost targets than companies that don't, with nearly two out of three ZBB users (65 percent) failing to meet their targets (figure B).

Figure B: Success in meeting cost targets (ZBB vs. non-ZBB)



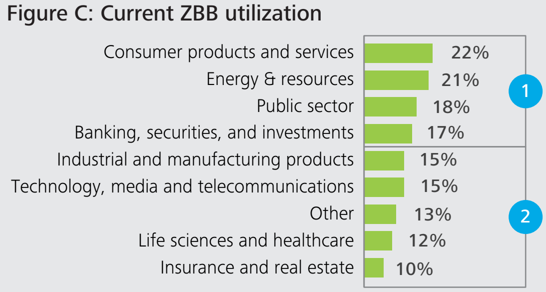
Survey findings

1. Nearly two thirds of respondents that conducted ZBB over the past 24 months did not meet cost targets, and only 9% exceeded goals for their targets

Of companies surveyed, zero-based budgeting has the highest industry adoption rates in consumer products and services (22 percent); energy and resources (21 percent); public sector (18 percent); and banking, securities, and investments (17 percent). The adoption rate for ZBB in all other major industries is 15 percent or less, with the lowest being insurance and real estate at 10 percent (figure C).

Digging deeper, companies surveyed that use ZBB report encountering significantly more barriers to effective cost management compared to companies that do not use ZBB (figure D). Specific barriers include: a weak business case (47 percent vs. 22 percent), lack of understanding (41 percent vs. 35 percent), poor design and tracking (41 percent vs. 23 percent), and erosion of savings.

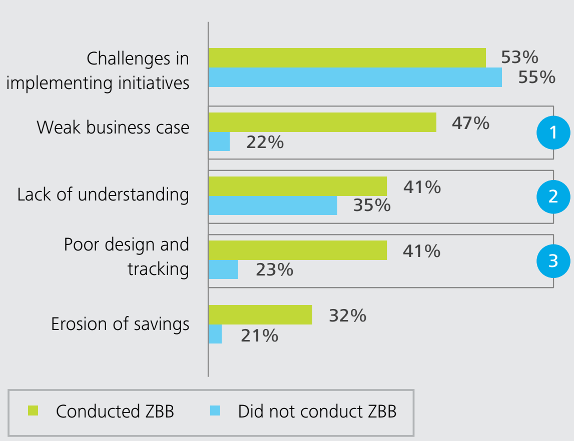
Figure C: Current ZBB utilization



Survey findings

1. Consumer products and services, energy and resources, public sector and banking, securities, and investments are utilizing ZBB more frequently than other industries
2. The range of ZBB utilization across industries goes from one in five organizations at the high end to one in 10 organizations at the low end

Figure D: Barriers to effective cost management (ZBB vs. non-ZBB)



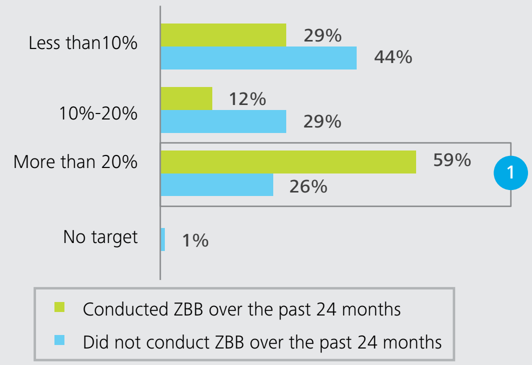
Survey findings

1. Organizations conducting ZBB over the past 24 months struggled with "weak business cases" at more than double the rate of organizations that did not conduct ZBB over the past 24 months
2. Organizations conducting ZBB over the past 24 months tended to cite higher rates of "lack of understanding" relative to organizations that did not conduct ZBB over the past 24 months
3. Organizations conducting ZBB over the past 24 months struggled with "poor design and tracking" at nearly double the rate of organizations that did not conduct ZBB over the past 24 months

Companies that use ZBB tend to have more aggressive cost targets than companies that do not use ZBB (figure E), which suggests a possible misalignment between their cost reduction objectives and their chosen methods. Specifically, zero-based budgeting is a tactical tool, but their aggressive targets may require a more strategic approach.

Looking ahead, the number of companies surveyed that plan to conduct zero-based budgeting efforts in the next 24 months is less than half the number that reported using it in the past 24 months, down from 16 percent to only seven percent (figure F). These numbers suggest that zero-based budgeting might be a passing fad whose time has already come and gone.

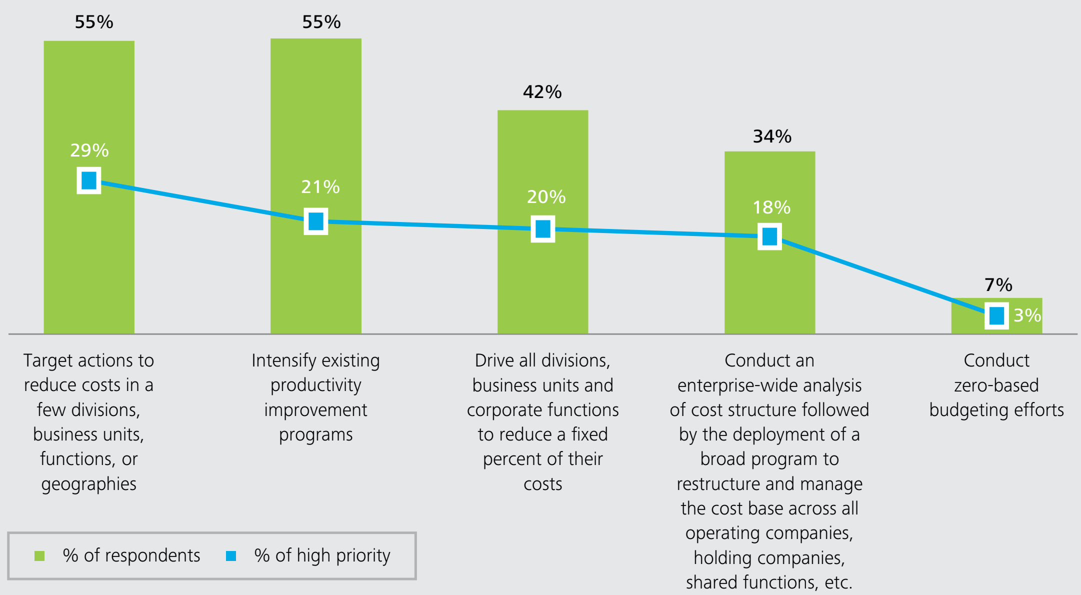
Figure E: Cost reduction targets (ZBB vs. non-ZBB)



Survey findings

1. **The frequency at which respondents conducting ZBB over the past 24 months cite aggressive (>20%) cost reduction targets is more than double that of respondents not conducting ZBB over the past 24 months**

Figure F: Cost improvement initiatives (next 24 months)



Industry insights

In addition to the overall themes presented throughout this report, a number of sector-specific insights emerged from this year's survey.

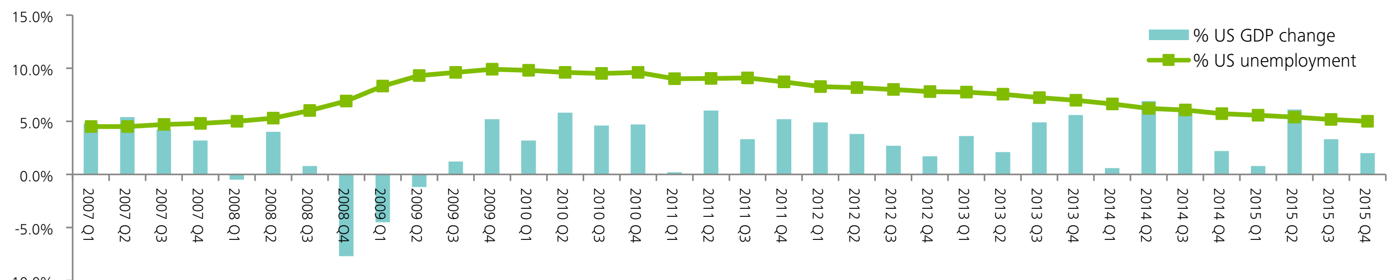
Sector	Insights
Consumer products and services	• Gaining a competitive advantage over peer group is a singularly important driver of cost management • A focus on reducing sales and marketing costs represents a top area for cost reduction
Industrial and manufacturing products	• Changed regulatory structure is a key driver of cost management • A focus on increasing centralization is a likely cost action in the next 24 months
Banking, securities, and investments	• Cost reduction is a top strategic priority • Reduction in administration costs is the most popular area for cost reduction
Life sciences and health care	• Political climate and government regulations represent top external risks • Improving policy compliance is a likely cost action
Technology, media, and telecommunications	• Reducing purchased products and services is a top area for cost reduction • Commodity price fluctuation and digital disruption represent top external risks

Refer to the appendix for a detailed discussion of the survey results for each sector.

Choosing the right cost management approach

Since our first survey in 2007, we have seen cost program failure rates continually climb, most likely because companies have continued to focus on tactical cost reduction initiatives that are simply not capable of delivering the required level of savings (figure 14).

Figure 14: Insights from Deloitte cost surveys over time



	2007	**2010**	**2012**	**2016**
	Pre-recession economic climate with a few signs of economic crisis	***Financial crisis resulted in tighter credit and a reduction in overall demand***	***Recovery has been slow and there is prolonged uncertainty in the business climate***	***Economy has recovered and stabilized, but new uncertainty exists as global economy slows***
Typical cost action from survey results	Companies focused on continuous improvement programs before the downturn	Companies focused on cost programs aimed at low hanging fruit to recover from reduction in consumer demand	Companies still focused on tactical changes mostly by targeting processes and organization streamlining	Companies continue to be focused on tactical cost reduction strategies
Reported cost program failure rate	**14%**	**36%**	**48%**	**58%**
Actual response needed	Broad restructuring and liquidity improvements	Structural cost and business model changes to gain efficiency	Structural cost and business model changes to fuel growth	Balance cost, liquidity, and talent to fuel growth while mitigating uncertainty

◆ Deloitte Cost Management Survey

Sources: Economist Intelligence Unit and Bureau of Economic Analysis, Deloitte Analysis

The "right" approach to cost management varies from one business to the next depending on a company's situation, priorities, and objectives. However, companies have traditionally fallen into one of three categories: (1) distressed, (2) positioned for growth, or (3) growing steadily (figure 15).

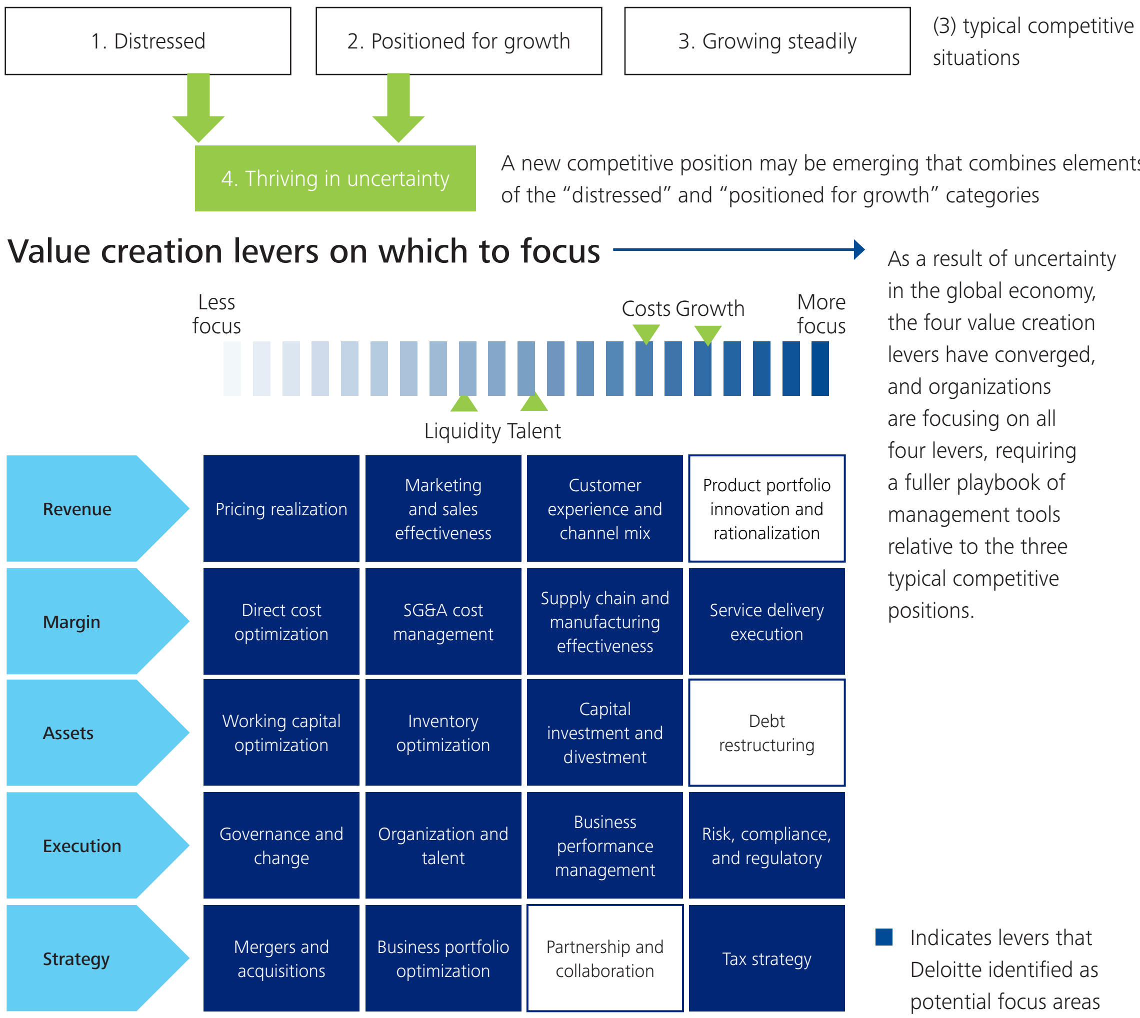
Figure 15: Traditional cost management scenarios

	1. Distressed	2. Positioned for growth	3. Growing steadily
Competitive situation	• Losing market share • Structural operating flaws • Liquidity concerns • No clear growth options	• Recovering from recession • Adjusting to demand levels • Growth concerns • Conditional options for growth	• Healthy balance sheet • Excess cash flow / reserves • High growth potential • Unconstrained growth options
Priority balance	Costs, Liquidity Growth, Talent	Growth, Costs Liquidity, Talent	Growth, Talent Liquidity, Costs Low Focus / High Focus
Primary objectives	• Conserve cash • Renegotiate costs • Restructure debt • Downscale business model	• Transform operating model • Optimize business processes • Right-size FTE structure • Fuel growth through savings (capital efficiency)	• Focus on investment and M&A • Optimize and align customer and product portfolios • Focus on efficient execution and delivery

A "distressed" company typically needs to focus on short-term survival and balance sheet improvement, looking for cost and liquidity improvements that can stabilize the business. A company "positioned for growth" needs to first focus on structural improvements, such as choosing the right operating model; it can then look for cost savings opportunities to help fund its growth initiatives. A company that is already "growing steadily" typically focuses on achieving profitable and sustainable growth through structural cost efficiencies and improvements (such as smart investments, M&A, and management of customer and product portfolios) that can help ratchet up its performance and strengthen its competitive edge.

In the past, most companies operated under one of those three traditional scenarios; however, today's cost-growth paradox seems to be giving rise to a fourth scenario that we call "thriving in uncertainty." Tackling this new cost management scenario requires a new playbook (figure 16).

Figure 16: Thriving in uncertainty



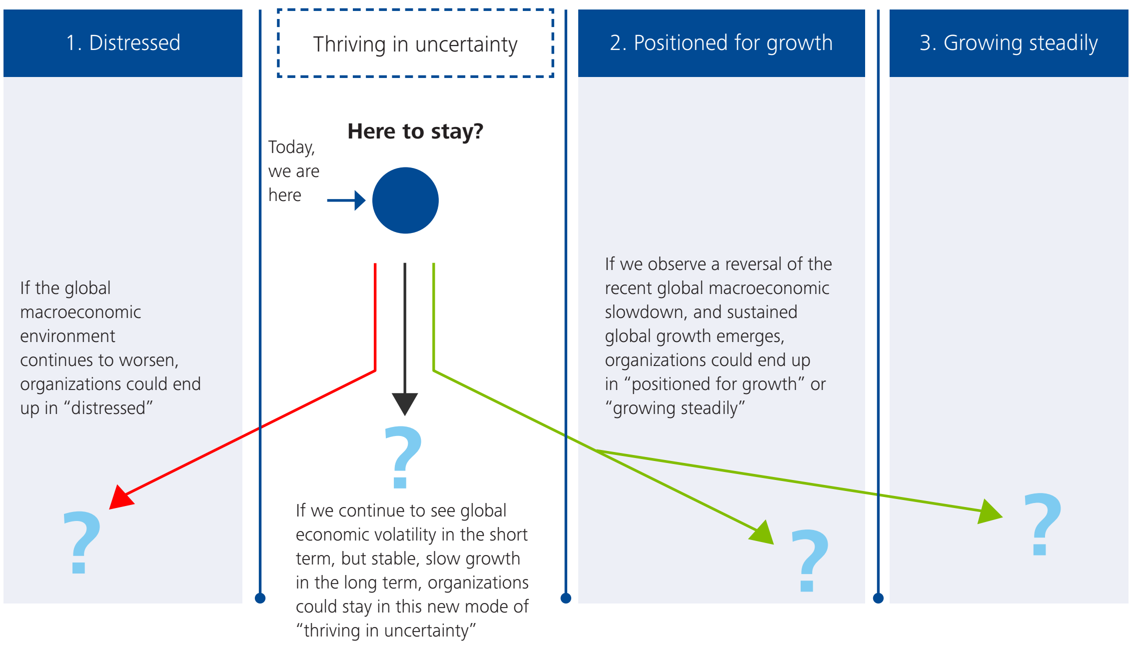
Top priorities for thriving in uncertainty:

- Balance growth, cost, liquidity, and talent—with a focus on growth and cost
- Focus on growth by optimizing pricing and sales execution and by pursuing targeted inorganic growth opportunities in currently-distressed markets
- Focus on cost by taking broad and strategic actions for cost reduction that are structural and sustainable
- For liquidity, strive to maximize working capital opportunities, assess hedging and foreign currency positions, assess foreign credit facilities, and identify alternative actions to revenue repatriation, such as local investment
- For talent, continue to emphasize flexibility for nimble growth

Looking ahead

Does "thriving in uncertainty" reflect a new and permanent state of cautious optimism? Or is it simply a byproduct of today's conflicting global macroeconomic factors and ultimately just a temporary steppingstone to one of the three traditional cost management categories? (figure 17)

Figure 17: Peeking into the future



If the global macroeconomic environment continues to deteriorate, many companies could find themselves "distressed." Conversely, if the recent global economic slowdown reverses and sustained global growth emerges, companies could end up being "positioned for growth" or "growing steadily."

However, if we continue to see global economic volatility in the short term combined with slow but stable domestic growth in the long term, it is possible that the cost reduction approach for "thriving in uncertainty" could become a more standard approach for managing costs.

Whatever the future holds, a key to success will be choosing a cost management strategy that aligns with your company's needs and is capable of delivering the required level of savings. One fact is clear: Using tactical cost reduction initiatives to pursue aggressive, strategic-level cost targets is likely a recipe for cost program failure.

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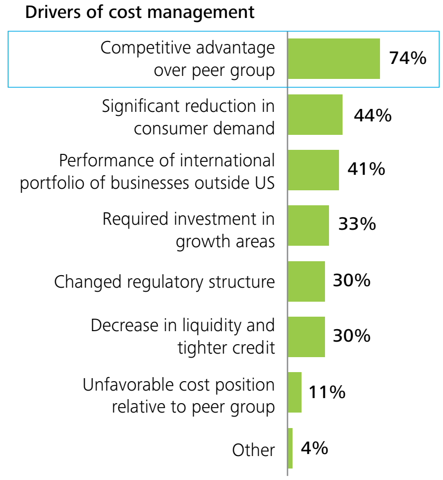
Appendix: Survey findings by industry

Cost management in consumer products and services

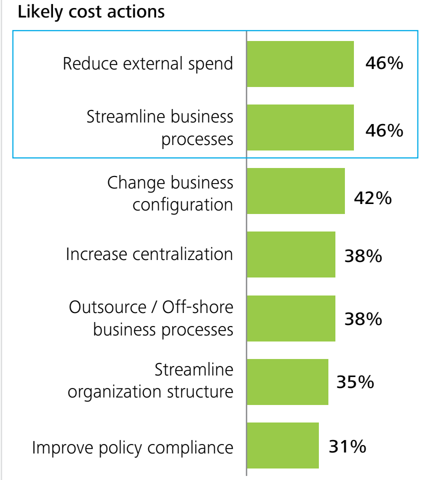
Gaining a competitive advantage over peer group is the top driver of cost management for this sector. Sales growth is the top strategic priority. Likely cost actions include reducing external spend and streamlining business processes with a focus on reducing operational and sales & marketing costs.

- Likely cost actions, strategic priorities and top external risks are consistent with the majority of responses from other industries
- While top drivers of cost management are consistent with other sectors' responses, gaining a competitive advantage over peer group is singularly important to this sector
- The focus on reducing sales / marketing costs is not commonly cited by other sectors

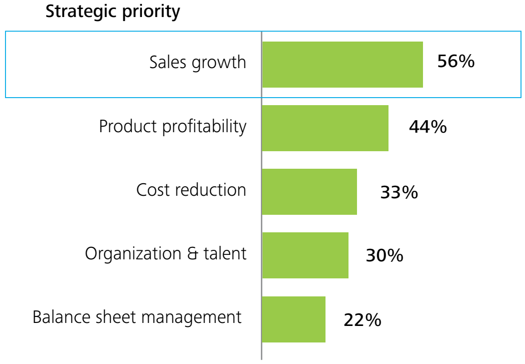
Drivers of cost management



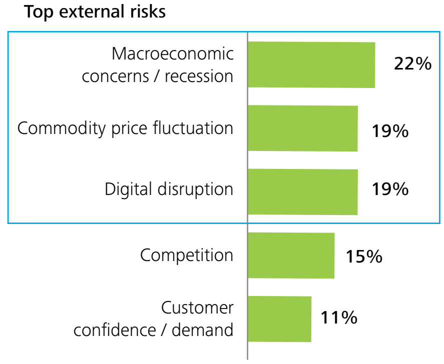
Likely cost actions



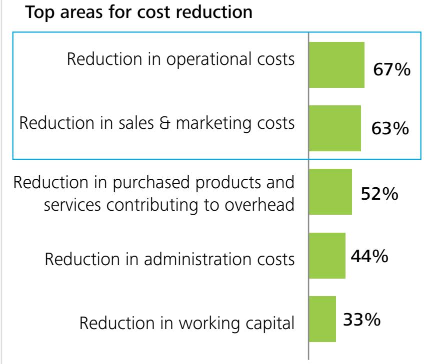
Strategic priority



Top external risks



Top areas for cost reduction

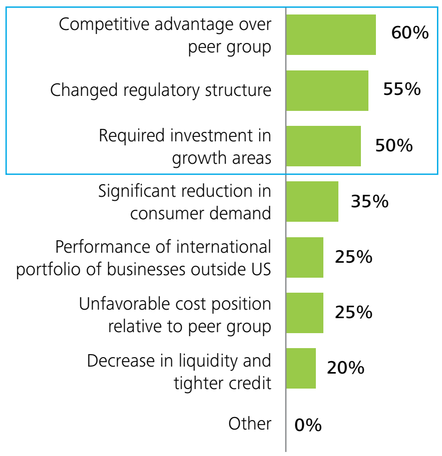


Cost management in industrial and manufacturing products

Gaining a competitive advantage over peer group, changed regulatory structure and required investment in growth areas are top drivers of cost management in this sector. Sales growth, product profitability and organization & talent are top strategic priorities. Likely cost actions include reducing external spend and increasing centralization with a focus on reducing operational and administrative costs.

- Top external risks and top areas for cost reduction are consistent with responses from other industries
- A focus on changed regulatory structure as a driver of cost management is not frequently cited by other sectors
- A focus on increasing centralization (a more strategic lever) is not commonly cited by other sectors
- Organization & talent as a top strategic priority is not commonly cited by other sectors

Drivers of cost management



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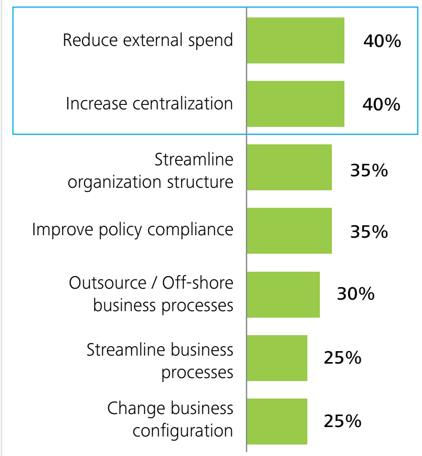

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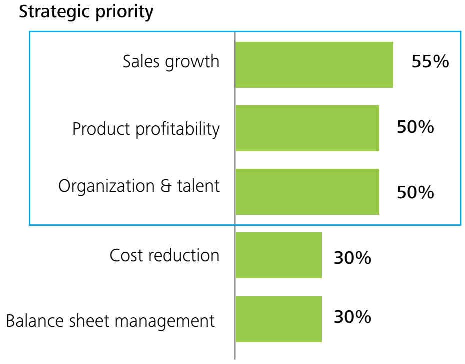
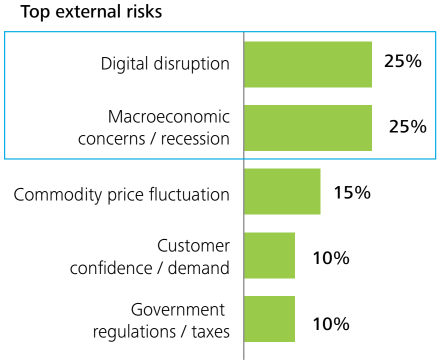
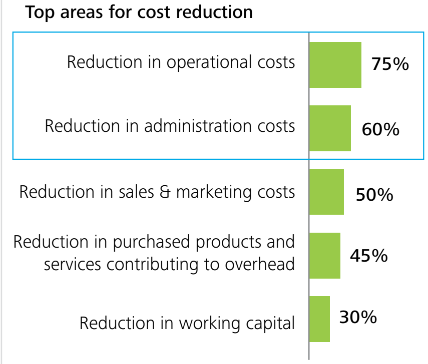


Top external risks



Top areas for cost reduction

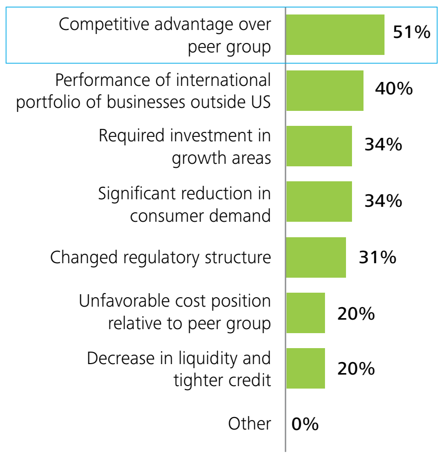


Cost management in banking, securities, and investments

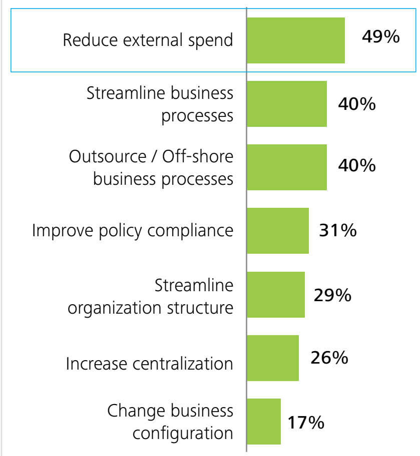
Gaining a competitive advantage over peer group is the top driver of cost management in this sector. Cost reduction along with product profitability are the top strategic priorities. Likely cost actions center around reducing external spend with a focus on reducing administration costs.

- Top drivers of cost management, likely cost actions and top external risks are consistent with responses from other industries
- The top strategic priority of cost reduction is not frequently cited by other sectors
- Although top areas for cost reduction are consistent with responses from other industries, reduction in administration costs stands out as more prevalent in this sector

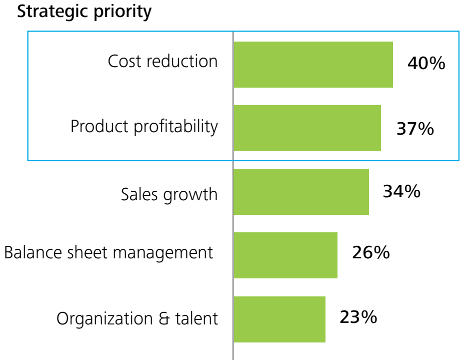
Drivers of cost management



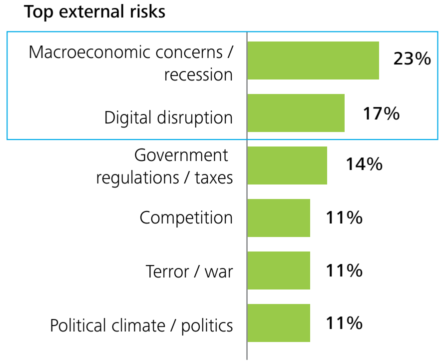
Likely cost actions



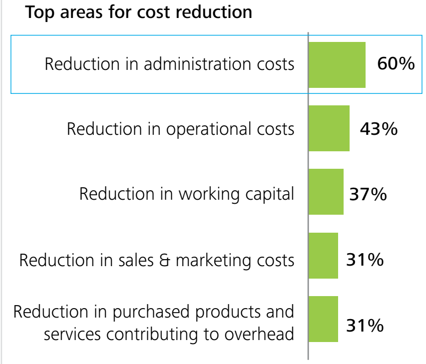
Strategic priority



Top external risks



Top areas for cost reduction

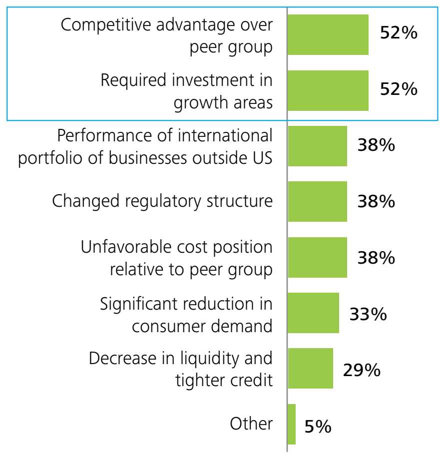


Cost management in insurance and real estate

Gaining a competitive advantage over peer group and required investment in growth areas are top drivers of cost management in this sector. Sales growth and product profitability are top strategic priorities. Likely cost actions include streamlining organization structure and business processes with a focus on reducing administration and operational costs.

- Top drivers of cost management, likely cost actions, strategic priorities and top areas for cost reduction are consistent with responses from other industries
- Although top external risks are consistent with responses from other industries, macroeconomic / recessionary concerns stand out as especially important to this sector

Drivers of cost management



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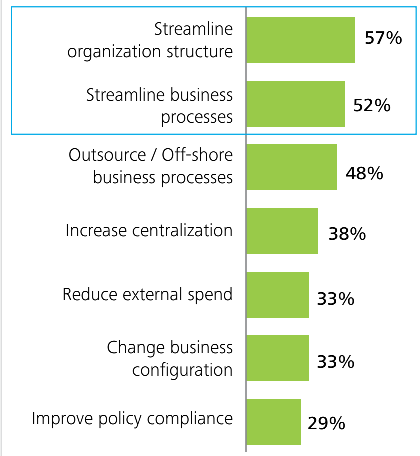

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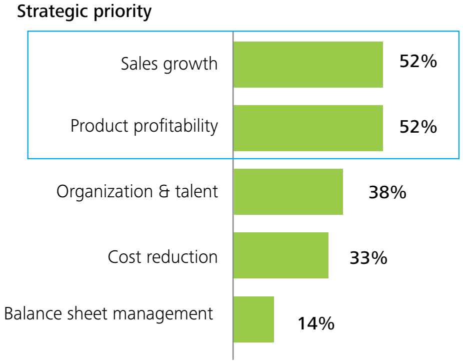
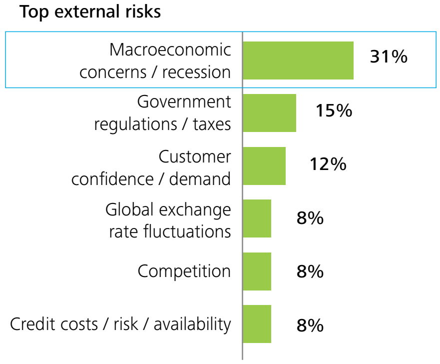
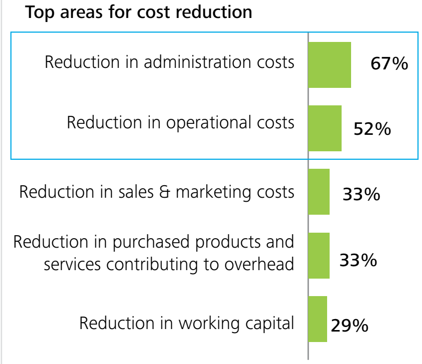


Top external risks



Top areas for cost reduction

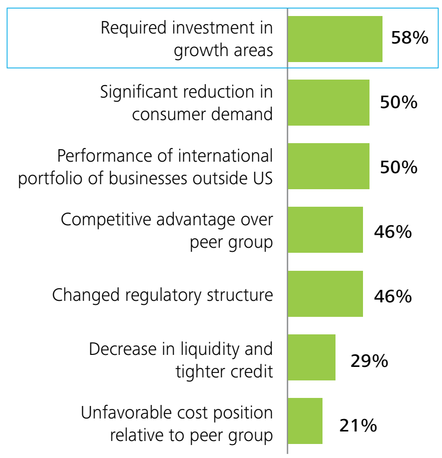


Cost management in energy and resources

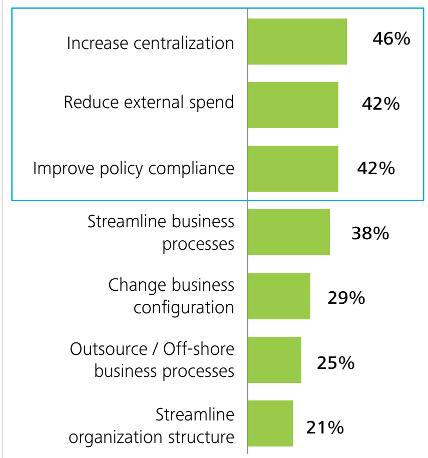
Required investment in growth areas is a top driver of cost management in this sector. Sales growth is a top strategic priority. Likely cost actions include increasing centralization, reducing external spend and improving policy compliance with a focus on reducing purchased products & services, administration costs and working capital.

- Top drivers of cost management and strategic priorities are consistent with responses from other industries
- Response areas relating to increasing centralization, political climate, reducing purchased products and services and reducing working capital were not frequently cited by other industries

Drivers of cost management

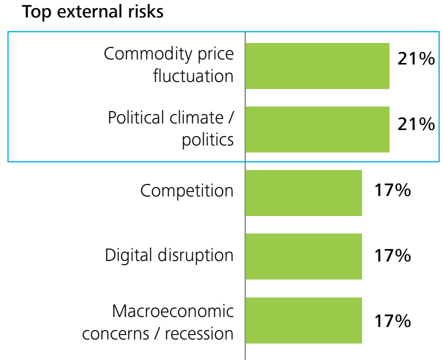


Likely cost actions

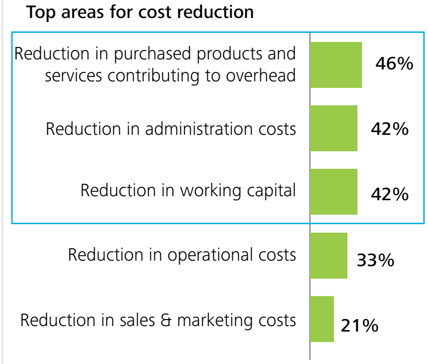


Strategic priority

Top external risks



Top areas for cost reduction

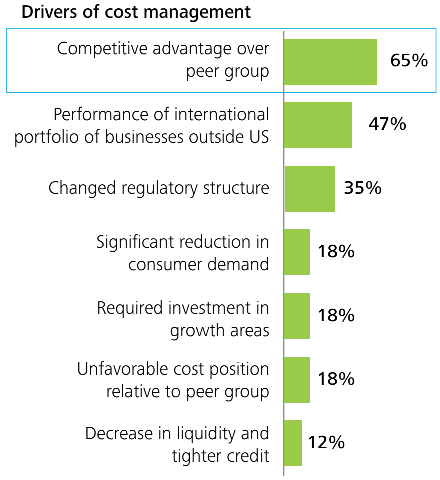


Cost management in life sciences and health care

Gaining a competitive advantage over peer group is the top driver of cost management in this sector. Sales growth is the top strategic priority. Likely cost actions include streamlining business processes and improving policy compliance with a focus on reducing administration and operational costs.

- Top areas for cost reduction are consistent with responses from other industries
- Top external risks of political climate and government regulations and likely cost action of improving policy compliance are not frequently cited by other industries
- Although top drivers of cost management and top strategic priorities are consistent with responses from other industries, gaining a competitive advantage over peer group and sales growth, respectively, stand out as more relevant to this sector

Drivers of cost management



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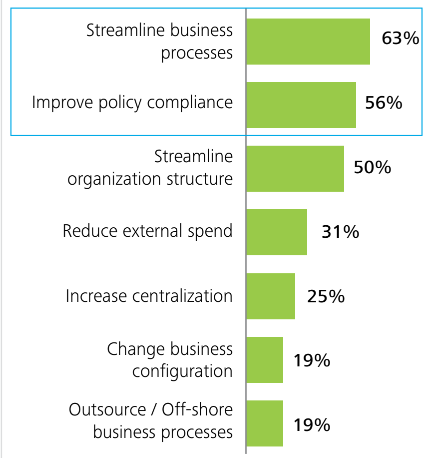

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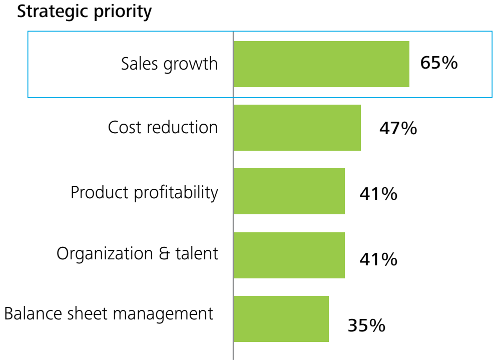
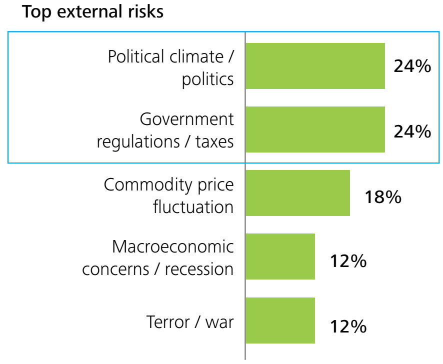
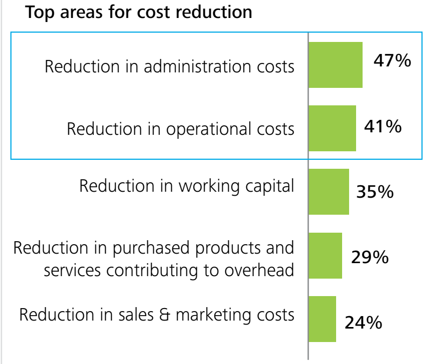


Top external risks



Top areas for cost reduction

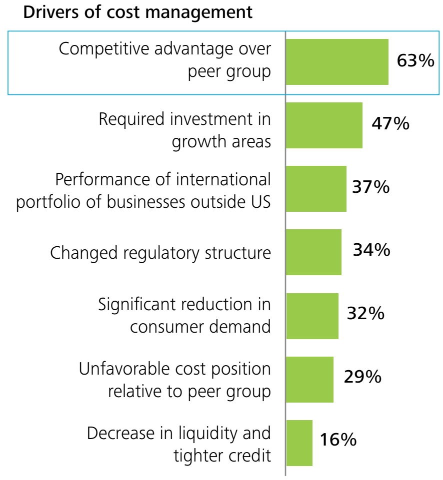


Cost management in technology, media and telecommunications

Gaining a competitive advantage over peer group is a top driver of cost management in this sector. Sales growth is the top strategic priority. Likely cost actions include reducing external spend and streamlining business processes with a focus on reducing operational costs and purchased products and services.

- Top drivers of cost management, likely cost actions and top strategic priorities are consistent with responses from other industries
- A focus on reducing purchased products and services is not frequently cited by other sectors
- Although top external risks are consistent with responses from other industries, commodity price fluctuation and digital disruption stand out as more relevant to this sector

Drivers of cost management



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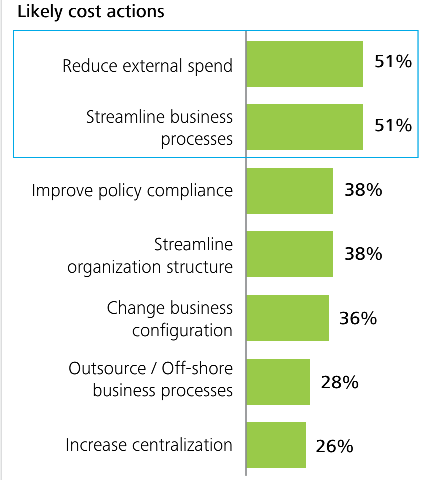
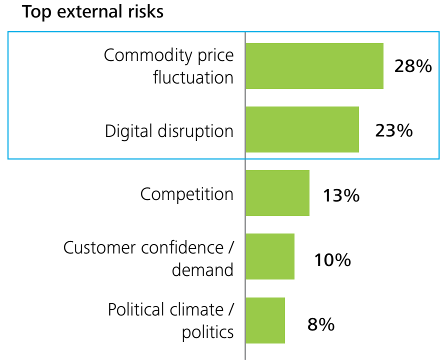


Strategic priority

Top external risks



Top areas for cost reduction