

CFO Vision

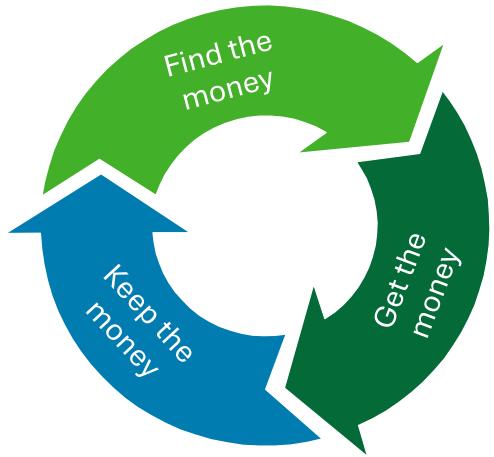
Peer circle discussion – Driving strategic cost transformation

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Peer circle: Driving strategic cost transformation

By weaving cost management into the fabric of an organisation's operations and strategic decision making, organisations can build sustainable resilience. Instead of viewing cost reduction as a periodic exercise, organisations must embed cost consciousness into their DNA.

Cost transformation has three distinct phases: 'find the money', 'get the money' and 'keep the money'.



- 1. Find the money:** Unlock visibility of spend and identify areas of opportunities across value levers.
- 2. Get the money:** Translate quantified opportunities into initiatives with supporting plans and owners to drive execution.
- 3. Keep the money:** Embed savings into budgets and track the value.

Considerations:

- 1. Operating Model Realignment for bottom-line impact:** To move beyond mere cost-cutting and achieve measurable productivity gains, effective transformation demands a deliberate redesign of operating models and human processes. This enables efficiencies, especially from AI investments, to directly translate into clear financial outcomes and tangible bottom-line impact.
- 2. Strategic Levers, Smart Choices:** Strategic cost transformation demands consideration of diverse cost levers beyond traditional headcount reductions, such as optimising third-party spend and challenging traditional "sacred cow" indirect costs. Finance can provide a crucial external viewpoint and reality check, ensuring decisions balance cost reduction with prudent risk management. However, business ownership of cost transformation is critical to successful delivery of value and sustaining cost consciousness in the long term.
- 3. Cultivating a Culture of Cost Consciousness:** Sustained success hinges on a pervasive, business-led culture of cost consciousness, empowering teams with ownership and incentives to drive cost-conscious behaviour at all levels. Transparently communicating success stories reinforces this culture and motivates further engagement. Like Amazon's principle to "accomplish more with less" the aim is to embed frugality as a core organisational value, prioritising resourcefulness and innovation over budget growth.
- 4. Data & Digital Foundations:** Leveraging data and digital capabilities is fundamental to building a resilient, future-proof cost structure. This requires a clear data strategy, prioritising process standardisation, and focusing AI initiatives on delivering competitive advantage, all while designing for longevity and continuous improvement. There is a key role of Finance to ensure data integrity and the financial viability of digital investments.
- 5. Benchmarking has Contextual Value, but Granular Limits:** While benchmarking is valuable for fostering awareness of company profitability and competitiveness, it can be deceptive for granular cost optimisation. Relying on static benchmarks ignores dynamic markets, continuous improvement by top performers, and an organisation's unique cost profile.
- 6. Sustaining the cost position ("Keep the money"):** This often-overlooked phase is vital for cementing delivered savings and continuously challenging the organisation to find the next wave of efficiencies. To foster ongoing leanness, organisations are empowering departments to fund their own growth and rewards from efficiencies and integrating specific cost-related KPIs into performance reviews and incentive structures. This ensures a truly self-sustaining and resilient cost position.

Organisations looking for **quick wins** through **tactical cost saving initiatives** can find savings of 3 – 5%, whereas those who adopt a **longer-term transformational approach** can find significant savings of 15 – 20%.



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