

What would you like to change? Strategic cost management



What makes us different?

By making change personal to those it affects, starting with asking them “What would you like to change?”, the change we support happens more quickly, and sticks.

What can you expect of our people?

High quality advice with actionable results. An insight into and understanding of your business. A working practice that involves integration with your people, a strong relationship balance, independence and challenge. A focus on delivering sustainable results.

How we will work with you to make change stick?

There is no one-size-fits-all for change. We begin by understanding what makes change stick in your organisation and base our change strategy on it. We don't tell you the answers, but listen, challenge and advise based on your starting point; and we encourage you to adopt the same approach with your staff. We put benefits at the heart of our work, explicitly linking all project activity to specific benefits and identifying how and when they'll be delivered. And we don't view the project in isolation; we hardwire it to other initiatives and to the HR and business processes that sustain it beyond the half-life of the project.

Strategic cost management

In today's competitive environment smart companies view all of their spend (direct and in-direct) as an investment; they make smart investment decisions based on strategic vision and their internal capability to deliver value from that investment. They see cost or expense through a new lens; one that takes a holistic view of the organisation and is more aligned to addressing the reality of external pressures and longer-term goals of the business.

There are new and greater cost pressures. Traditionally companies have been under pressure to cut cost in the short-term without really thinking about sustainable change, impact on the people and integration with the overall business strategy. In the current business environment of increased global competition, new markets, increasing regulation and changing demographics, successful companies are changing their approach to cost structuring and control. The pace of change demands that organisations develop a multi-faceted and renewable cost competence.

The old way of viewing all spend as simply a cost is not effective today. Yesterday's tactical solutions, despite consuming considerable resources, have failed in many organisations to deliver the planned reductions to the cost base and have not contributed to the creation of true competitive advantage in the long-term.

In many cases the cost savings achieved in the short term have leaked away and the cost base has returned to previous high levels, but with the result of considerable damage to corporate structure, image, culture and the morale of the people..

It's time to adopt some new thinking

Cost is a strategic issue. It needs to be continuously optimised in the context of the entire business model of the organisation. Often, the very business model itself may need to change to ensure the organisation remains competitive.

Execution of any chosen strategy has to be carefully managed to ensure the appropriate balance between revenue growth and cost. Management needs quality information on a timely basis to understand and appreciate true customer profitability, customer acquisition costs and to drive out costs so that the change is sustained and delivers a competitive advantage.

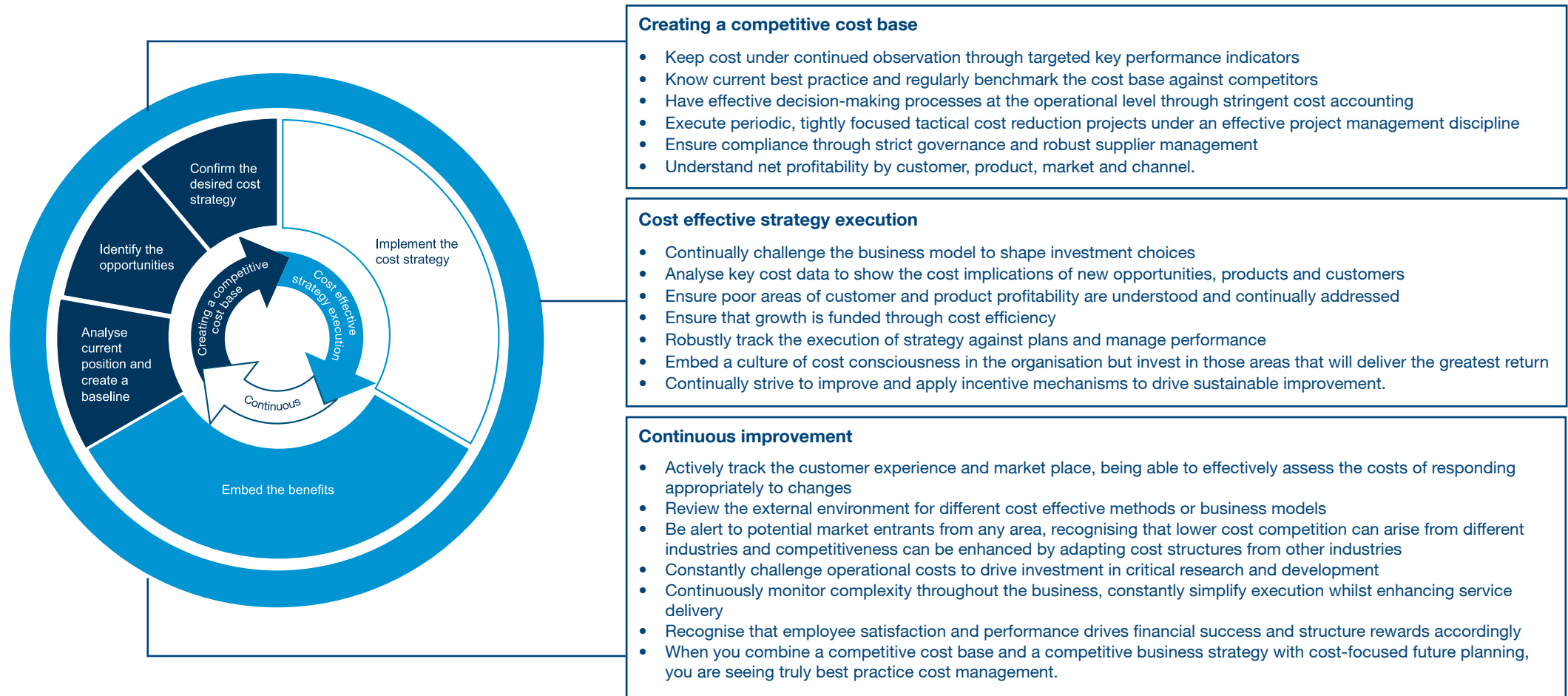
In addition, the impact of cost cutting measures on the people who have to live with them needs to be considered. Arbitrary cost reduction activities can breed uncertainty, anger and resistance, which over time will eat away at the success of such programmes. Cost management not only has to be treated as a strategic issue, but as a change which needs resources and support from the top, along with an inclusive and collaborative approach.

What's the result?

Companies that are taking the investment approach to managing cost are thriving in this new environment, striking a balance between a competitive cost structure, cost effective strategic execution and investment in the future. They are delivering a robust response to the cost challenge. PricewaterhouseCoopers is currently helping companies across a range of industries introduce and embed an integrated cost management approach. This is ensuring that our clients successfully address investment decisions, support their people through any change, find more opportunities to increase value and deliver savings programmes to create a significant competitive advantage for the future.

The three elements of strategic cost management

Organisations that are successful in managing their cost understand their cost base, invest in those areas that are central to the achievement of their business strategy and continuously plan, monitor and revise their cost strategy. The result is an organisation that continuously optimises spend to create strategic value.



From the model to the market – how our clients are approaching cost management across industries

Government and Public Sector (G&PS)

Many G&PS bodies are still working out how to adjust to become a more efficient Government. Managing the cost base more effectively is a primary focus. Implementing shared service structures is a growing trend, creating significant cost savings whilst increasing operational effectiveness. We help PS organisations to design and implement the right shared service structures to support their service delivery as well as manage the associated changes.

To discuss this further, please contact:

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Technology, InfoComms, Entertainment and Media (TICE)

Margins in many TICE clients are under severe pressure as traditional products in the telecoms, hardware and software industries become commoditised. Sourcing or origination from China and India is growing rapidly. In this environment, continuous and rapid cost reduction is essential for survival. We can help clients to develop the cost culture they need to ensure cost competitiveness.

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Consumer and Industrial Products (CIPS)

CIPS businesses are determined to continuously improve their direct and indirect cost base in their supply chain and procurement processes. Retail and consumer companies are looking to source products at low cost and are making structural changes to head offices to reflect new business models. Manufacturers are rationalising operations, making challenging decision on make-buy. Pharmaceutical and complex engineering sectors, such as aerospace and defence, are reviewing their R&D processes and how they bring products to market. We help organisations identify immediate opportunities to reduce costs and help them to improve their overall cost management processes to stay ahead.

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Financial Services (FS)

Government regulation protecting the consumer in the UK is increasing and price capping is becoming a common restraint on revenues for FS organisations. This, coupled with globalisation that forces territories to compete for resource and investment, means that UK organisations need to radically reduce their cost base to retain good return on investment. Taking advantage of lower cost labour opportunities and making process and back office improvements is necessary. We can help FS organisations design the right solutions that enable them to maintain the control they need.

To discuss this further, please contact:

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