How to reduce business costs

Save money & invest in the right solutions

LEADING BUSINESS IMPROVEMENT

What is covered in this course?

Introduction

Introduction

- What is covered in this course?
- What is the purpose of this course?
- How the course will run.
- Scenario.

Steps to follow

- Step 1: Prework questions.
- Step 2: Review your profit & loss statements.
- Step 3: Conduct your first analysis.
- Step 4: Make a plan.

What is covered in this course?

Introduction

Compensation

- Review of the findings.
- Potential options for cost reduction.

Office

- Review of the findings.
- Potential options for cost reduction.

Marketing & advertising

- Review of the findings.
- Potential options for cost reduction.

Expenses

- Review of the findings.
- Potential options for cost reduction.

Systems & subscriptions

- Review of the findings.
- Potential options for cost reduction.

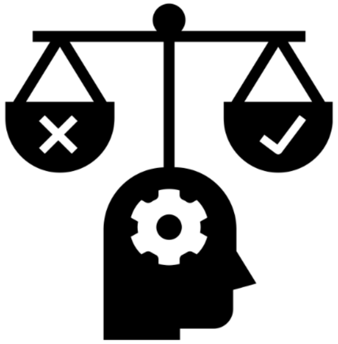
3rd parties

- Review of the findings.
- Potential options for cost reduction.

Equipment

- Review of the findings.
- Potential options for cost reduction.

What is covered in this course?
Introduction



Considerations

- Risk.
- Communication.
- Timeframe.
- Resourcing.
- Need to invest.
- ROI.
- Market trends.
- Long term planning.
- Process improvement.
- Time for YOUR plan.

Close out

- Honest feedback & final thoughts.
- Review of key learnings.
- Thank you.

Introduction

- What is covered in this course?
- What is the purpose of this course?
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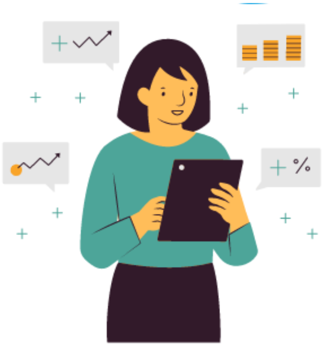
What is the purpose of this course?

Introduction

- The purpose of this course is simple. I want to show you, following many years, in many businesses of all sizes, industries, sectors and locations, the best approach you can possibly take in order to reduce how much your business is spending.
- Reducing, cutting, squeezing, eliminating spending – however you want to say it, this course is going to show you how.
- The approach we follow is based on years of experience of doing just this – going into organisations, assessing teams, performance and financials, and making recommendations on how best they can reduce waste in their business – including costs.
- I have seen first hand many businesses spending more and more, either as they grow or as they mature, and often this can squeeze profit margins, reduce how much they can invest in their people or systems or impact their market performance.
- This course is going to detail the approach you should take prior to starting this work (as planning is, as ever, key), breakdown the different costs you may be facing to understand how to approach these and potential solutions you could look to deploy to reduce these costs and give you ALL considerations you will need to think of prior, during and after this work.
- The purpose of this course is to give you options – as many as possible so you can make informed decisions on what options would work best for you.






How the course will run

Introduction

Introduction

- What is covered in this course?
- What is the purpose of this course?
- How the course will run.
- Scenario.

How the course will run

Introduction

1) **We will be focusing on <u>cost reduction</u> only.**

2) **This will be as interactive as you make it.**

3) **We are giving you options, not a template to lift and repeat.**

4) **We will run through the process and then item by expense (largest to smallest).**

5) **We will be diving right in.**

6) **Focus is on expenditure and how to get it down, not the plan.**

7) **The conversation will, at time, be *very* honest about what I have seen.**

8) **There is a checklist with this course for all potential cost cutting options.**

9) **Won't use the scenario for all examples, some will be real life examples.**

10) **You won't use ALL of these and they won't all be appliable. Pick and choose.**

Introduction

- What is covered in this course?
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Scenario

Introduction

- The company in question is C&E Consultants (Chapman and Eastwood Consultants).
- The company has 50 full time employees and is based out of offices in Louisville, Kentucky.
- It is a global company, with associates and employees based globally (40 in Louisville, 10 outside of US plus a range of associates and contractors).
- The company has a turnover of $10million and expenses totalling $3.75million.

- The company has ambitious growth plans and before embarking on this growth wants to ensure value for money and an efficient operation in the current set up.
- It also wants to bank some of the savings and use these for investment in the new employees, office space and equipment that will be needed.
- They are conducting process reviews, manual effort reduction, waste removal etc. exercises. Reducing spending is one of their key requirements in this.

Step 1:

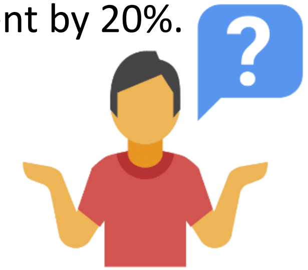
Prework questions

Prework questions

Step 1

Why are you looking to reduce costs?

- To be able to budget a one off investment in a new finance system (around $100,000).
- To reduce cost of Procurement department by 20%.
- …
- …
- …



Do you have an amount in mind?

- $100,000 of savings.
- 20% reduction in Procurement spending.
- …
- …
- …
- …

Do you have a timeframe in mind?

- Savings to be realised in next FY budget.
- Changes to be made over 6 month period.
- …
- …
- …
- …

Have you considered the risks?

- Employees become concerned about the work being conducted and obstruct efforts.
- Investment funding will have to be cut from other department budgets (not waste).
- …
- …

Step 2:

Review your profit & loss statement

Review your profit & loss statement

Step 2

P&L

C&E Consultants
FY 2030

Financial Statements in U.S. Dollars

Revenue			
Gross Sales		$10,000,000	
Less: Sales Returns and Allowances		$500,000	
Net Sales			$9,500,000
Cost of Goods Sold			
Beginning Inventory		$1,500,000	
Add: Purchases		$100,000	
Freight-in		$50,000	
Direct Labor		$500,000	
Indirect Expenses		$100,000	
Inventory Available		$2,250,000	
Less: Ending Inventory		$250,000	
Cost of Goods Sold			$2,000,000
Gross Profit (Loss)			$7,500,000
Expenses	**Forecast**	**Actual**	
Compensation	***$2,750,000***	**$3,075,000**	
Wages (FTE)	*$2,000,000*	$2,000,000	
Wages (Contractors)	*$200,000*	$500,000	
Benefits	*$75,000*	$75,000	
Bonuses	*$250,000*	$200,000	
Overtime	*$25,000*	$100,000	
Payroll taxes	*$200,000*	$200,000	
Office	***$179,000***	**$186,000**	
Rent	*$100,000*	$100,000	
Services (Facilities Management)	*$37,000*	$35,000	
Supplies (Equipment)	*$25,000*	$30,000	
Utilities	*$17,000*	$21,000	
Equipment	***$7,000***	**$13,000**	
Laptops	*$2,500*	$5,000	
Tech accessories (mice, cables etc.)	*$500*	$1,000	
Mobile phones	*$2,000*	$4,000	
Maintenance	*$2,000*	$3,000	
Systems & Subscriptions	***$102,000***	**$104,000**	
HR system	*$35,000*	$35,000	
Case ticketing system	*$30,000*	$30,000	
Payroll system	*$25,000*	$25,000	
Microsoft Suites	*$5,000*	$5,000	
Internal training software	*$5,000*	$5,000	
User accounts	*$2,000*	$4,000	
3rd parties	***$155,000***	**$145,000**	
Accountants	*$125,000*	$125,000	
Solicitors	*$30,000*	$20,000	
Marketing & advertising	***$75,000***	**$102,000**	
Ad campaigns	*$40,000*	$70,000	
Social media campaigns	*$10,000*	$7,000	
Marketing system	*$25,000*	$25,000	
Expenses	***$67,000***	**$117,000**	
Professional memberships	*$1,000*	$1,000	
Training requests	*$20,000*	$15,000	
Travel	*$30,000*	$80,000	
Entertainment	*$5,000*	$5,000	
Dining out	*$10,000*	$15,000	
Other	*$1,000*	$1,000	
Total Expenses	$3,335,000		$3,742,000
Overspend	*$407,000*		
Net Operating Income			$3,758,000
Other Income			
Gain (Loss) on Sale of Assets		0	
Interest Income		0	
Total Other Income			$0
Net Income (Loss)			$3,758,000

- The second step is to review your profit and loss statements and your budgets.
- With your P&L, you want to understand exactly what you have coming in (to identify where you can grow your revenue.
- You also want to use it to see where you are spending your money.
- You will want to ask the following key questions:
• What are our biggest expense pots?
• Of these, which are our biggest individual expenses?
• When comparing forecast vs. actual, are we overspending or underspending?

- You can of course filter to show the largest expense to the smallest, and work through these. The bigger the expense, the more opportunity there may be to find savings.
- Equally, you may find a range of smaller expenses that are no longer required and can be scrapped altogether.

- You can colour coordinate to highlight biggest to smallest, or those areas you want to target and do not want to target.
- You can highlight which costs are fixed and which are variable.

Step 3:

Conduct your first analysis

Conduct your first analysis

Step 3

- The next step, once you have looked over and reviewed your financial information, is to record and analyse further your findings.
- This process enables you to understand the figures, the situation and the reasons for the spending as much as possible.
- The main tenements of this analysis will be as follow:

Initial findings

- What have you found out in step 2?
- Bullet point or highlight some of the key items to flag.
- For example: “The overtime spend is substantially higher than anticipated” OR “Replacement laptop costs appear elevated”.

Further required actions

- Identify what actions have come out of your initial analysis.
- For example: “Request salary breakdown from HR” OR “Request stationary purchases from Facilities Management” OR “Request broken / damaged IT equipment requests from the Service Desk”.

Forecast vs. Actual – Under & overspend

- Have you seen substantial under or over spend in your budgets?
- If so, explore why. You may not have the answer right away…
- For example: “We have seen $20,000 more spending on IT equipment than anticipated. Upon further investigation we discovered an increase in global travel which led to more laptops being lost in transit.”

Analysis of deep dive

- Analyse any further information given to you regarding the budgets.
- Record this information here – highlighting significant findings.
- For example: “Salary breakdown highlights 5 roles paying above $200,000 and 5 additional roles between $150,000 - $200,000.
- “6 laptops and 5 phones were lost / damaged this financial year”.

Priorities

- Highlight those spending areas which you are going to prioritise as part of the first tranche of works.
- For example: “Overtime, Contractor and IT equipment replacement are the 3 focus areas for the first part of this work.
- “We will then look at facilities management costs once a further breakdown is provided for this financial year as a second priority”.

Item	Ranking
Compensation	1
Office	2
Equipment	3
Systems & subscriptions	2
3rd parties	3
Marketing & advertising	3
Expenses	2

Step 4:

Make a plan

Make a plan

Step 4

- How you build and format your plan very much depends on the way in which you want to reduce costs in your budgets.
- You may want to tackle the expenses one at a time. You may want to tackle them in groups, all at once or have individual teams tackle them when they are ready and able to do so.
- Even with this, the central tenements of an effective plan are as follow:

Initiative brief

- Highlight the purpose of this work and a high level aim.
- For example: The business is looking to expand over the coming 3 – 5 year period. We therefore want to find savings from our current spending to help fund this growth. To do so, all departments will be reviewed and assessed for efficiency and financial savings.

Objectives

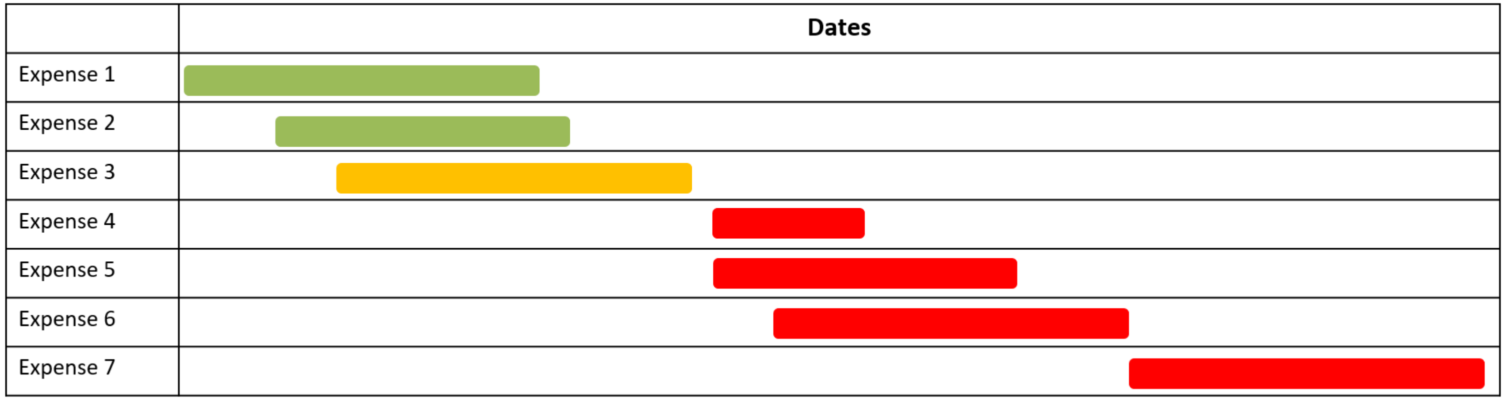
- To reduce spending from its current rate of $3.74million this financial year to closer to $3million in the coming financial year.
- This equates to a reduction in costs of 16% over the year.
- To ensure all spending commitments are maintained within the forecasted budget for the year ahead (no overspend).

Scope

- For this initiative, all spending lines are to be included.
- These include Compensation, Office, Equipment, Systems & Subscriptions, 3rd parties, Marketing & Advertising and Expenses.

Additional items

- Stakeholders.
- Communication plan.
- Business case.
- Approach (further detail).



Review of the findings

Compensation

Compensation

- Review of the findings.
- Potential options for cost reduction.

Review of the findings

Compensation

Expenses	Forecast	Actual
Compensation	***$2,750,000***	**$3,075,000**
Wages (FTE)	*$2,000,000*	$2,000,000
Wages (Contractors)	*$200,000*	$500,000
Benefits	*$75,000*	$75,000
Bonuses	*$250,000*	$200,000
Overtime	*$25,000*	$100,000
Payroll taxes	*$200,000*	$200,000

- For our scenario example, we have the above outcome. If we analyse these findings, we can confirm the following:
• We are spending $3,075,000 a year on compensation.
• This spending is $325,000 more a year than budgeted for in the previous financial year.
• The biggest reasons for this overspend are contractors and overtime.
• We do see a $50,000 underspend when it comes to bonuses. We can equate this to some highly paid individuals leaving the business before they became eligible for the next round of bonuses.
• If we are looking for a 16% reduction in spending across the board, this would equate to a reduction in compensation of $492,000 – a very tall ask.

- Given this reason, we can deduce that we have a problem correctly staffing our operations, as we are having to last minute hire contractors in at an elevated rate AND give overtime to our full time staff.
- We know that the company plans to expand over the coming years, so getting the staffing issue under control is extremely important as we could see similar problems happening in the new operations.
- Knowing this helps us to begin to formulate our approach to the costings.

Potential options for cost reduction

Compensation

Compensation

- Review of the findings.
- Potential options for cost reduction.

Potential option

Review current vacancies

Potential options for cost reduction

Compensation

Review current vacancies

- When faced with a staffing issue (too many of the wrong staff, too many contractors etc.) reviewing what vacancies you are currently hiring for is absolutely the first step.
- In almost every instance where I have reviewed a company’s compensation situation, I have either cancelled some hires, frozen some or on one occasion, frozen them all!
- To do this, you need to look across the department within which the role is being hired and seek to understand if that role is <u>truly</u> needed.
- In my experience, people within the team (often the leads) will say, unequivocally that the role is required. Some of these have ambitions to grow their empire within the business, other team members want to alleviate their workload.

- Let’s look at the idea of freezing and cancelling these vacancies separately to help you to decide what to do.

Potential options for cost reduction

Compensation

Review current vacancies: Freeze some or all roles

- The best thing about freezing current vacancies is that it gives you time.
- This could be time to think, time to analyse the requirements for the role and, if frozen for long enough, time to save additional money.
- In terms of the last benefit, you can always freeze vacancies for a specific period of time to save a specific amount of money. For example, the role is paying $100,000 and you have budgeted that for the next financial year. By delaying this hire for 6 months, you have just saved yourself $50,000 in that financial year.
- A temporary freeze on all roles can sometimes happen, just to give the business breathing space to really work out what is needed.
- If a role is truly needed, then you will see this need grow and grow when the vacancies are frozen, indicating that the hire is required. The same is true if a role is not really needed, there will be no pressure.

Benefits

- Gives you time.
- Enables you to see where demand is really coming from.
- Could lead to big savings in coming financial year.

Drawbacks

- If the role is truly needed, could lead to a backlog of work.
- Could impact growth or performance if the role is tied to this.

Review current vacancies: Cancel vacancy

- To understand if a vacancy should be filled, you need to analyse the need, the requirements and the ask.
- Often, before a role is advertised, there will be a business case for this role. Read through and understand this need.
- Speak with the Hiring Manager to understand this further and have a detailed conversation about it.
- During this conversation, seek to understand if there are alternatives to hiring for the role – such as sharing the workload with other team members or reviewing the processes to reduce the manual nature of the role.
- This option will require some upfront work, and if you have a number of roles, it could take some time.
- As well as the Business Case, you need to analyse the team's current workload, projected future workload, working practices (are they being effective enough?) to ensure the role won't just be created for the benefit of the team and not the wider business.

Cost of new role: $7 00

Benefits

- Ensures no new potential areas of waste are created within the compensation area.
- Can lead to the overall productivity boost of the wider team.
- Could lead to big savings in coming financial year.

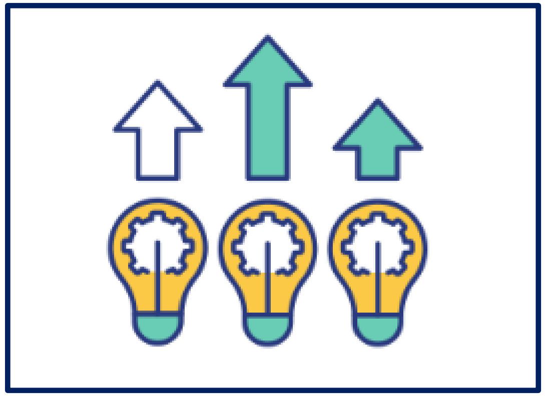
Drawbacks

- This approach can demand some upfront analysis work which can take some time.

Potential options for cost reduction

Compensation

Review current vacancies: Example



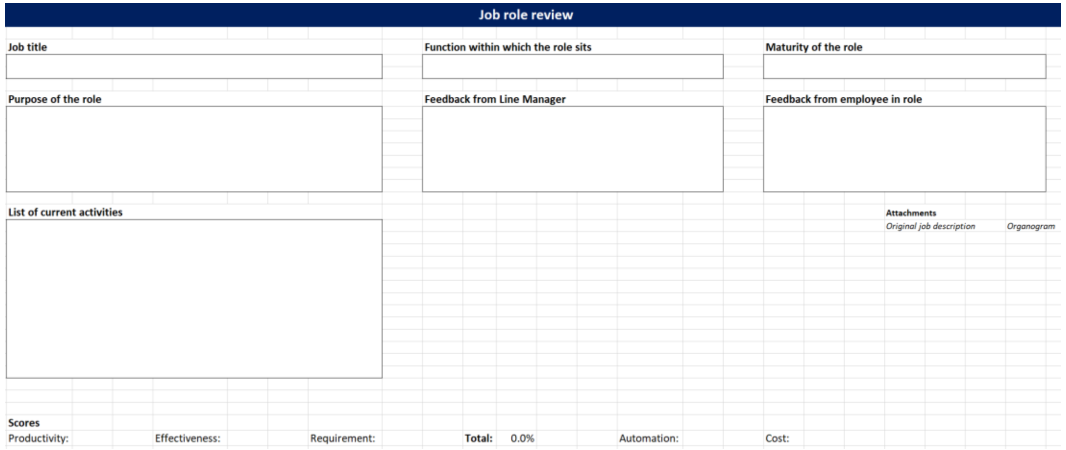
Potential option

Review all job roles

Potential options for cost reduction
Compensation

Review all current job roles

- As well as assessing what roles are coming into the business, you should also look at what roles currently exist within the business.
- Just because the roles are LIVE, this does not mean that they are required, still necessary (times have changed) or effective.
- Companies have a habit of, over time, bringing in new roles, changes processes and practices without actually looking at the jobs already active within these functions.
- Because people say “it is not my role” or “this was not in my job description” does not mean you cannot make appropriate changes to the roles people are doing if needed.
- Therefore, one key activity you must seek to do is to review all roles. Let’s explore how to do this.



Job role review

Job title

Function within which the role sits

Maturity of the role

Purpose of the role

Feedback from Line Manager

Feedback from employee in role

List of current activities

Attachments

Original job description *Organogram*

Scores

Productivity: Effectiveness: Requirement: **Total:** 0.0% Automation: Cost:

Potential options for cost reduction

Compensation

Review all current job roles

- You need to follow this process for all of the roles you want to assess.
- The aim of this is to have a series of reviews, a series of scores and solid information that you can use to make informed decisions.
- That is the power of this approach – its ability to deliver insight and information, unbiased and considering all risk.
- Once you have all of your information collected, you need to conduct an analysis of all information, engage with your Managers and Leaders and make a plan.
- Can we reduce the number of roles we currently have? Have we seen a need for each role but scope to not hire future roles if we improve productivity? What is the scope for automation – do we need a longer term investment plan?

Benefits

- The analysis can be used for a range of purposes such as process reviews, hiring decisions, a template for new teams being set up.
- Potential to save a lot of money over the longer term.
- Can lead to an increase in productivity, efficiency and performance.

Drawbacks

- Conducting this review can raise suspicions among the team around the security of their roles.

Potential options for cost reduction
Compensation

Review all current job roles: Example

- HR Department has 8 full time employees.
- The total compensation cost for these is $400,000.
- Our analysis has found scope to reduce by 1 role – a HR Generalist. This saves $35,000.
- Our analysis has also found scope to improve productivity within the team by 20%. This removes the requirement to hire 1 new scheduled role in the following financial year – a HR Analyst. This saves $50,000 of projected future spend.
- We have also identified that we could automate a number of tasks across all roles, thus further reducing the need to hire longer term. This would require an investment in the following Financial Year (or the one after that).

- From this analysis, we can say a saving of $35,000 can be made within this financial year (pro rata).
- Then, we can see an $85,000 saving by the end of the next financial year due to this role going and the HR Analyst role not being hired. We will of course need to account for inflation and pay rises for the team that remains.

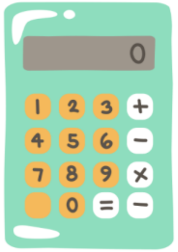
Potential option

FTE calculations

Potential options for cost reduction

Compensation

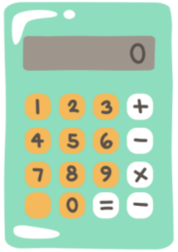
FTE calculations



- Related to the previous lecture regarding review job roles, one of the great tools you can use to help determine how and where to save money is the FTE calculator.
- This calculator is a way for you to work out how much FTE you are currently using for a certain activity, role or process OR indeed what FTE you will require for a new process or role.
- To complete this calculator, you need to add in all of the tasks and activities that either the individual conducts as part of their role, or that are done by the team.
- So, for example, if you have a team of 5 people and your FTE calculations for the current workload is coming up as 4, you may have scope to reduce 1 role.
- Equally, if you add in projected future workloads and end up with 7 FTE in the calculator, you know you need to hire 2 more staff.
- Let’s explore an FTE calculator in more detail:

Potential options for cost reduction

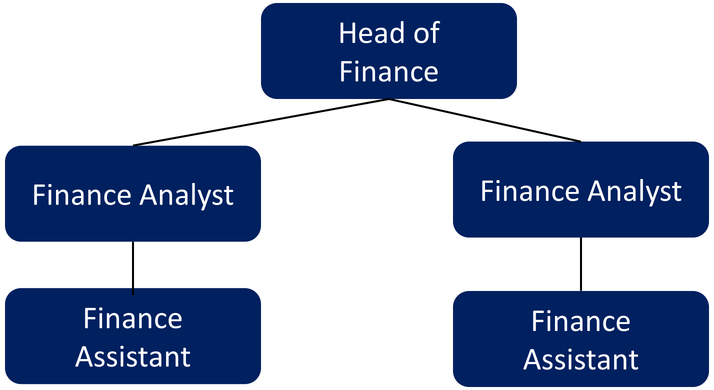
Compensation



FTE calculations

		Reconcilliation process	Billing process	Invoicing process	Budgeting process	Credit control process	Reporting & analytics	Totals/Avgs
Volume vs. FTE	Annual Case Volume (total)**	2	12	4	1	6	52	
	Average Single Case Handle Time (minutes)	12,500	10,000	5,000	50,000	11,000	180	
	Total Handle Time for All Cases (minutes)	25,000	120,000	20,000	50,000	66,000	9,360	**290,360**
	Average Annual Time Availability per FTE (minutes)**	111,360	111,360	111,360	111,360	111,360	111,360	111,360
	Estimated Annual FTE Requirement	**0.22**	**1.08**	**0.18**	**0.45**	**0.59**	**0.08**	**2.61**
	Total FTE Requirement							**2.61**

- If we look at our scenario example, we have the following structure.

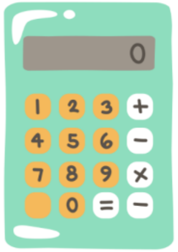


- Right away we can see we have a requirement for 2.61 FTE but have 4 FTE in Finance.
- The Head of role will be much less hands on and will be focused more on strategy and leading the team, so we can reduce the full time equivalent here.
- However, I would question the structure of this team in the following ways:

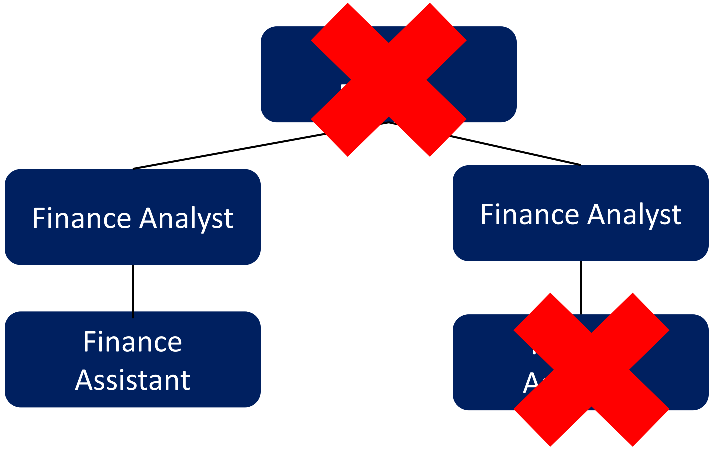
1) For a team of 4, why do we have a hierarchy of 3 levels?
2) For a small team and small operation, do we require a "Head of" role at this time?
3) Is there anything about the processes currently being run that could be automated? (My hunch, absolutely!)

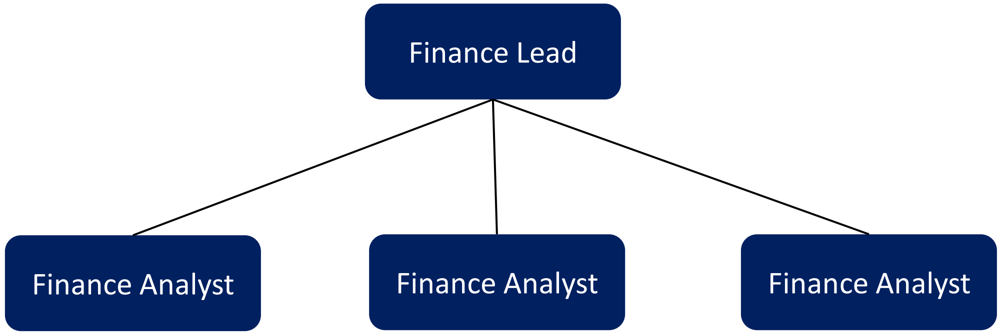
Potential options for cost reduction

Compensation



FTE calculations





Recommendations:
Convert the “Head of” role to a “Lead” role as this can pay less and can be more hands on.
Remove one “Finance Assistant” Role.
Upgrade the other “Finance Assistant” role to “Analyst”.
Flatten the organisation from 3 levels to 2.
Reduced team size still big enough for holidays / absences and to absorb new work.
Automation opportunities should be explored with the saving.

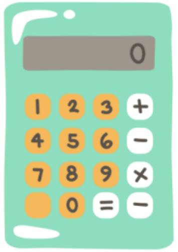
Downgrade the role from Head of Finance to Finance Lead
Saving: $150,000 compensation now $80,000 compensation. $70,000 saving (once severance package completed).
Remove one Finance Assistant role
Saving: $40,000 (once severance package completed).
Promote one Finance Assistant role to Analyst
Costing: $20,000

Total saving: $90,000

Potential options for cost reduction

Compensation

FTE calculations



Benefits

- Gives you insight into the team workload that Managers may not be forthcoming with (i.e. spare capacity).
- Could lead to substantial financial savings.
- Enables you to plan better for *future* teams that are being built, to avoid any additional or wasted spending.

Drawbacks

- You may have to amend your calculator several times to accommodate different shift / contract patterns.
- Doesn't consider growing workloads, unexpected events or changes / issues that have occurred in the teams.

Potential option

Offshoring

Offshoring

- If you are an organisation based in a high cost territory (US, UK, Aus, parts of the EU etc.) you may want to look into the options of offshoring.
- I have worked in and led on projects which have led to dozens of roles either being offshored from higher cost countries to lower cost countries OR brand new roles/teams being established offshore.
- It is an option often explored by organisations because you can find substantial savings by running the same, similar or new operations from an offshore location.
- It can also be a good way of finding talent globally, especially if your home job market is very tight and the right skills are hard to come by.
- This option is a longer term option, and will involve a great deal of upfront work (finding the people, understanding the offshore locations employment laws, managing remotely, finding real estate etc.)
- The way you do this and the considerations you need to make are as follow:

Benefits

- Big savings are possible with offshoring.
- Gives you greater scope for bigger numbers of team members.
- More resource can mean better quality of output.
- Improves time zone coverage.

Drawbacks

- Time taken to hire, understand the market, legalities etc.
- Completely remote management until fully established.
- Risk of siloed team with processes going back and forth.

Potential options for cost reduction

Compensation

Offshoring: How to do it

1) **Understand your motivations.** Why do you want to offshore? Is it about just money? A strategic growth decision?
2) **Understand what is going.** If you are looking to move work from on to offshore, identify what this is. Spend some time working out, process by process, what will go overseas.
3) **Understand what is new.** Is there anything additional you want the new offshore teams to be doing? Scope this out.
4) **Understand what happens onshore.** Post the work moving, are you looking to decrease the workforce? Are you going to stop any further hiring into these teams?
5) **Understand the longer term vision.** Is this part of a wider change or a one off? Are you going to need to retain some knowledge onshore for a certain period of time?
6) **Make a Business Case.** Given the nature of this work, a business case to be signed off by management will be required. This will need to give a high level plan, timeframe and considerations of risk AND, most importantly, costings & savings involved.
7) **Make a plan.** You need to plan out the above (what) but also when this will happen, how (stages, one off) the method (lift & shift, reform and drop) who is going to own this work, who will do the training etc.
8) **Map it all out.** Every process, every activity, every action. Ensure you have all processes mapped, training materials produced and up to date and clear, coherent SOPs (standard operating procedures) ready.

Offshoring: Considerations

1) **The legalities.** You will need to take some time to understand the range of legal considerations involved. These will include understanding employment law, supply chain regulations, regulatory set up for doing business in that jurisdiction etc.
2) **Data security and confidentiality.** Do the laws in the offshore country match up with those within yours? For example, operating within the EU would guarantee this. Are there issues with transferring data across digital borders?
3) **Who will hire?** As this is a new market, are you going to simply put a job description out there, or will you use a local recruiter? They will know the market, where to look, type of language to use in the job description etc. a lot better.
4) **HR.** Is your HR ready to onboard people from an offshore location? Are they aware of the cultural considerations they will need to take into account?
5) **Remote management**. Have you thought through how you will manage the team remotely? Do you need to find a really strong team manager? How will you manage poor performance or breaches of company policy?
6) **Time zone.** There is a big chance that the offshore location will be in a different time zone, and maybe a *very* different time zone. How do you plan to manage this? Will you flex hours or the team's hours to accommodate this?
7) **Office.** Are you going to have a completely digital office, allowing the team to work from home? Do you require some office space? How will you locate and secure this real estate?

There will be a range of other considerations and, if you decide to go down this route, I would advise exploring these further.

Potential options for cost reduction

Compensation

Offshoring: Example

Aims

- Want to establish a global payroll team.
- Reduce the manual nature of processes.
- Streamline processes.
- Automate processes.
- Move the majority of non-value adding tasks offshore (those which cannot be automated).
- Save money to bank & reinvest back in.

Hints and tips

- Identify someone (or several) to travel to the new offshore location to set up, conduct the training etc.
- Adequately timeline the key steps in the process.
- Budget for additional costs.
- Have a strong offshore lead.
- Decide early whether you are going to do a lift and shift approach OR reform and shift approach.

Costings

Current Compensation: $3million
Remove 10 heads onshore: $600,000
Annual cost 10 heads offshore: $100,000
Saving: $500,000
Upfront Automation costings: $200,000
Annual automation costs: $25,000
Additional heads to reduce from automation: 5
Potential future saving: $300,000

Year 1 saving: $275,000
Year 2 saving: $475,000
Year 3 saving: $775,000 (5 heads removed onshore)

Often comes out of year 1 costs OR is budgeted for

Additional costs to consider

Travel to and from new location	Technology set up
Transition of work disruption	Office set up
Hiring	Training
Severance packages	Sign on bonuses

Potential option

Automation

Potential options for cost reduction

Compensation

Automation

- In recent times, one of the key ways in which companies are addressing their compensation costs is with automation.
- This is the act of shifting some or all of a process to an automated solution – where humans no longer conduct actions in that process outside of pressing go.
- Whilst it is no silver bullet, automation offers up some great opportunities to save money, time and improve quality.
- One thing to flag right away is that even though automation can reduce the need for certain roles, you do not simply bank the salary of the role that has been automated. There will be:
  - Upfront cost of building the automated solution.
  - The annual running of the automated solution (hosting costs, licence costs).
  - Technical support.
  - Severance package of role holder.
- That is why with automation, you often have to think about the medium and longer term benefits from a cost perspective.
- Usually these will be realised in year 2 and beyond.

Benefits

- Big savings are possible with automation.
- Enables your teams to do more for less.
- Increases the amount of value adding work being done by humans and reduces non-value adding work.
- Time zone constraints less of an issue.

Drawbacks

- Savings cannot necessarily be banked this financial year.
- There is a risk costs can match the savings, depending on how much is being automated and by whom (3rd party).
- Can create unease.

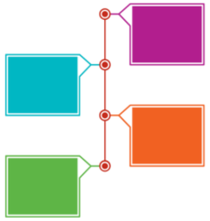
Potential options for cost reduction

Compensation

Automation

Purposes & benefits of automation

- To reduce the cost of delivering a product or service.
- To make a process less manual in nature.
- To improve the quality of output of a process.
- To save time to be redeployed elsewhere.
- To reduce errors or issues arising.
- To reduce risk within your operations.
- To reduce people involved in a process (hand offs).
- To improve checking and reviewing of a process.
- To increase output rate.



Examples of automation

- Checking data integrity.
- Checking for errors or mistakes in work.
- Processing of Payroll processes.
- Processing of Finance processes.
- Automatic uploads of files, data and posts.
- Comparison of data / information.
- Phone systems uploading data from calls.
- Work allocation process.
- Notifications.

Considerations

- What is motivating you to look into automation?
- Cost pressures? Errors? Quality of product? Need to check? Changing customer needs and expectations? Etc.
- How much money do you have to potentially invest?
- Which processes are most in need?
- Do you have appropriate labour to see this through?
- Does this automation fit in with the wider plan and vision for the business?
- What are your competitors doing?
- Will this help accommodate future growth?
- Is there a long term cost to this?
- Could offshoring be cheaper?

Potential options for cost reduction

Compensation

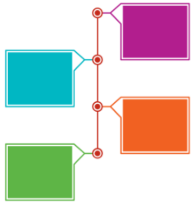
Automation: Case study example

Initial situation (problems)

Hundreds of errors appearing each month
Colleagues being paid incorrectly
Significant time being taken up fixing this
A process taking up too much time

Processes

Global payroll comparing
Global payroll data checking
Global payroll data validation
Global payroll file uploading



Cost of department

Team of 10 Analysts
Average cost per Analyst = **$50,000**
Total cost of department = **$500,000**
Time taken to complete processes = **320 hours**

Initial situation (metrics)

Average of 300 errors a month
$25 cost per error (clawback & fines etc.)
$7,500 total cost
Average of 250 colleagues paid incorrectly a month
$10,000 lost per month due to overpayments of leavers
600 hours lost per month fixing, dealing with complains & checking

Solution

Automate all of the Global payroll compare process
Build a bot to conduct data checking and validation
Automatic upload triggers to be built into systems

Potential options for cost reduction

Compensation

Automation: Case study example

Deployment

The process to complete this work took 4 months. We had to:

- Build a business case to secure the project and funding
- Build out business requirements for process
- Work with developers to build out the solution
- Test, deploy and check the solution

Realised situation

All processes deploying the service they are expected to, with significantly less errors and in quicker time

A more value adding face of the process with the human element removed

Substantial amount of time saved and absorbed by the team

All aims of the initiative realised

Realised metrics

Average of 20 errors a month

Average of 15 colleagues paid incorrectly a month

25 hours lost per month fixing, dealing with complains & checking

2 roles removed from team saving = **$100,000 (annual)**

Cost of errors reduced from $90,000 (annual) to $6,000 (annual), saving the business **$84,000 (annual)**

Cost of overpayments reduced from $120,000 (annual) to $12,000 (annual), saving the business **$108,000 (annual)**

Item	Before automation	After automation
No. of team members	10	8
Hours to complete	360	4
Total annual costs	**$710,000**	**$418,000**

TOTAL SAVING: $292,000 annually

Potential option

Restructuring

Potential options for cost reduction

Compensation

Restructuring

- By restructuring, we are not referring to a wholesale change in the entire business model. Instead, we are talking about changing the shape and structure of individual departments.
- Done in all departments, you have a business wide change, but that is not the central aim.
- This approach asks you to look at the individual needs of job roles, functions, departments, internal and external stakeholders etc. to understand what is needed today and tomorrow, and ensure the business structure is meeting that need.
- Doing this can lead to substantial financial savings, improved productivity and performance.
- But it can also lead to concerns around the direction of the business, security of jobs and a potential increase in turnover.
- Restructuring can give you the ability to move roles, move responsibilities, downsize, upsize, reform processes etc. It can be a catalyst for more wider scale change.

Benefits

- Instant reductions in costs can be secured.
- It can be done over a short or longer period of time.
- It can be done through natural attrition of workers.
- Productivity can be boosted.
- Can lead to greater agility and performance in the marketplace.

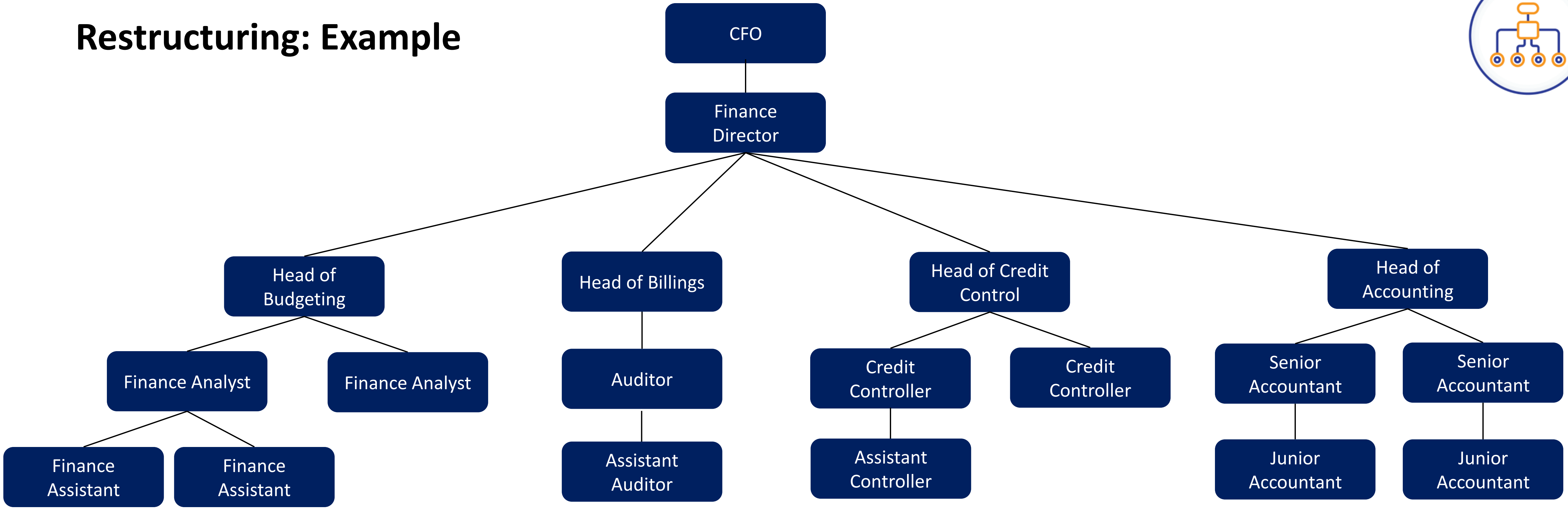
Drawbacks

- Can take some time to embed the structure, re-train etc.
- Can lead to nervousness in the team regarding their roles.
- Can lead to disagreements in the immediate team (managers).
- Can involve up front costs (e.g. severance packages).

Potential options for cost reduction

Compensation

Restructuring: Example

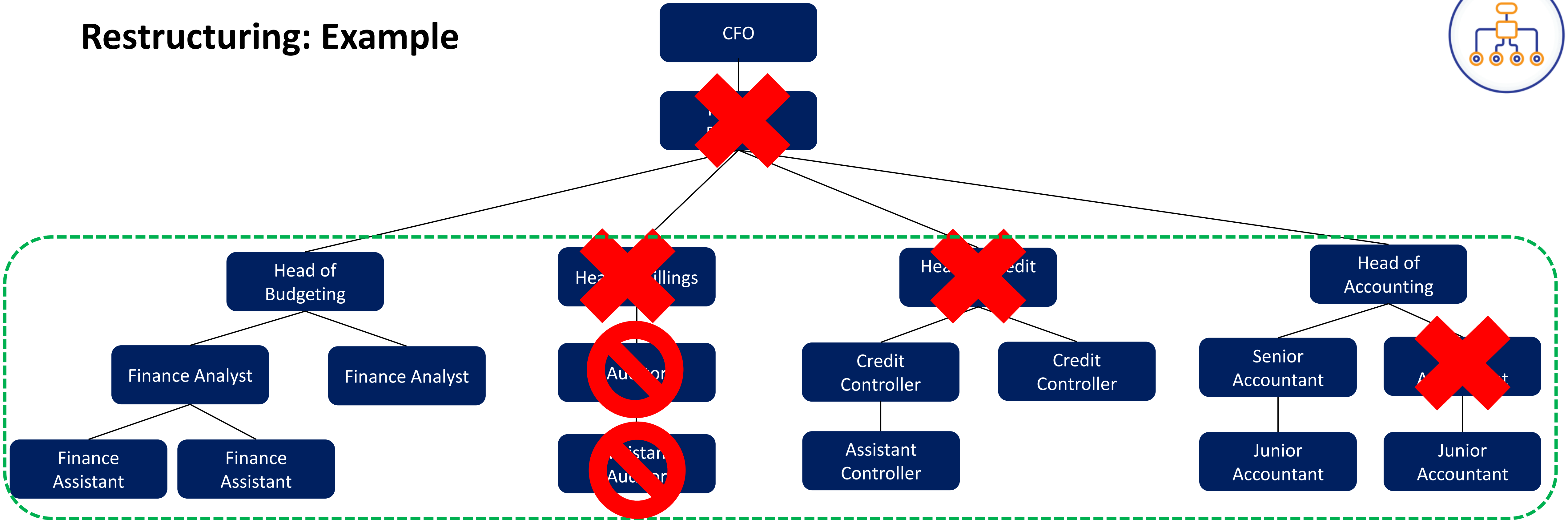


- We have 5 lines of reporting.
- The departments are siloed off into more specialist areas.
- I would question the role of the Finance Director and the Head of roles…

Potential options for cost reduction

Compensation

Restructuring: Example

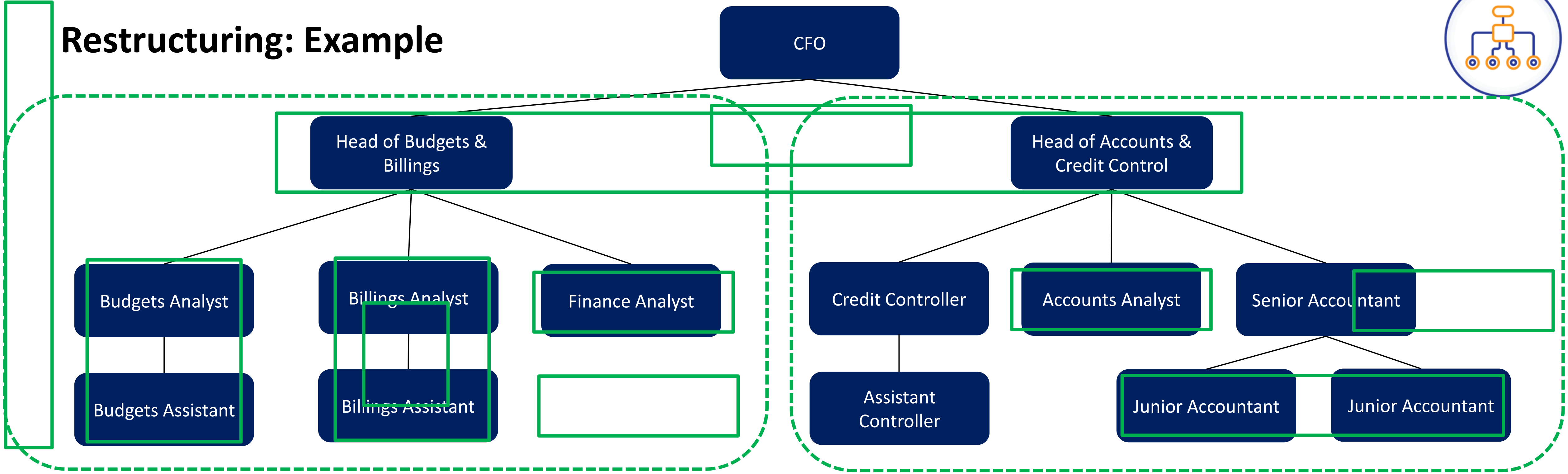


- Remove Finance Director role – saving **$160,000.**
- Remove Head of Billings and Head of Credit Control roles – saving $100,000 per role (**$200,000** total).
- Remove Auditor and Assistant Auditor roles (probably outsourced) – saving **$115,000** (collectively).
- Remove one Senior Accountant - **$80,000.**
- Also need to consider that we have 4 departments and could there be scope here to reduce this number…

Potential options for cost reduction

Compensation

Restructuring: Example



- The Finance Director role is eliminated.
- 4 head of roles reduced to 2.
- 4 departments merged into 2.
- 5 reporting lines reduced to 4.
- Budgets & Billing roles clearly defined.
- Reporting lines split.
- A general "Finance" and "Accounts" Analyst role created for each team.

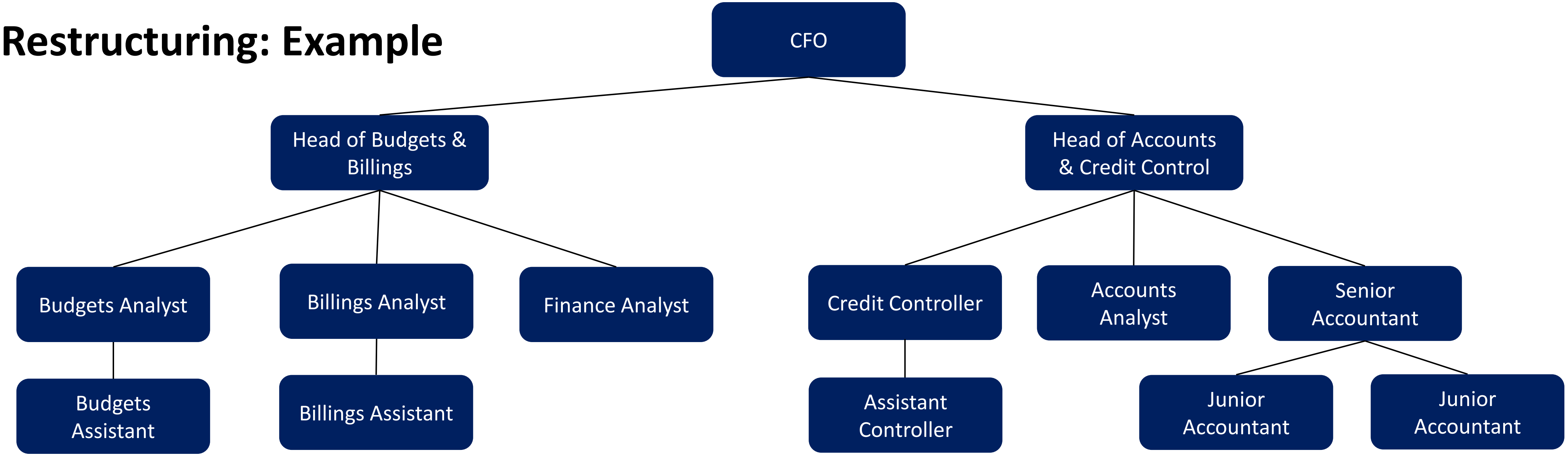
- Auditing responsibilities outsourced to 3rd party.
- One Senior Accountant removed.
- Junior Accountants training fast tracked to upskill.

- To secure this, there was a lot of job, knowledge and responsibility sharing. There were also automated solutions deployed to ease the processes already in place (as well as those which were improved).

Potential options for cost reduction

Compensation

Restructuring: Example



Savings from changes
Finance Director: $160,000
Head of Billings: $100,000
Head of Credit Control: $100,000
Senior Accountant: $80,000
Auditor: $75,000
Assistant Auditor: $40,000
Total: $555,000

Cost from changes
Retraining: $40,000
Hiring for new roles: $10,000
Severance packages: $100,000
Pay rises: $50,000
Auditing outsourced: $25,000
Automate activities: $55,000
Total: $280,000 (first year)

New recurring costs
Pay rises: **$50,000**
Auditing outsourced: **$25,000**
Automation costs: **$15,000**

Total savings: $465,000

Potential option

Junior employee opportunities

Potential options for cost reduction

Compensation

Junior employee opportunities

- One of the key things that can plague a business as it grows and matures is the amount of spending it has on senior managers and those people who have been in the business a very long time.
- If you have someone who has been in the business for 30, 40 years and have received pay rises, year on year for doing the same or similar jobs, this soon adds up in cost.
- To make matters worse, you can have this situation with dozens of your staff, with you paying way above the amount you should be for that type of role in the current year & climate.
- Not only is a money an issue here, but also promotion and retention of junior staff. If the majority of senior roles are taken and are blocked, it makes it very difficult for you to promote your juniors.
- This can lead to either your juniors, who you have spent much money and time on, leaving the business with all of that knowledge and training OR having to create new roles at management level, further exacerbating the problem.
- The approach we are looking at here is tied to restructuring, where we look to reduce senior or management roles and expand our junior roles.

Benefits

- Reduces the risk of job roles costing more and more longer term.
- Reduces the risk of job blocking by those in the business for years.
- Reduces the cost of doing business.
- Improve promotion potential for juniors, helping improve productivity and retain the best talent.

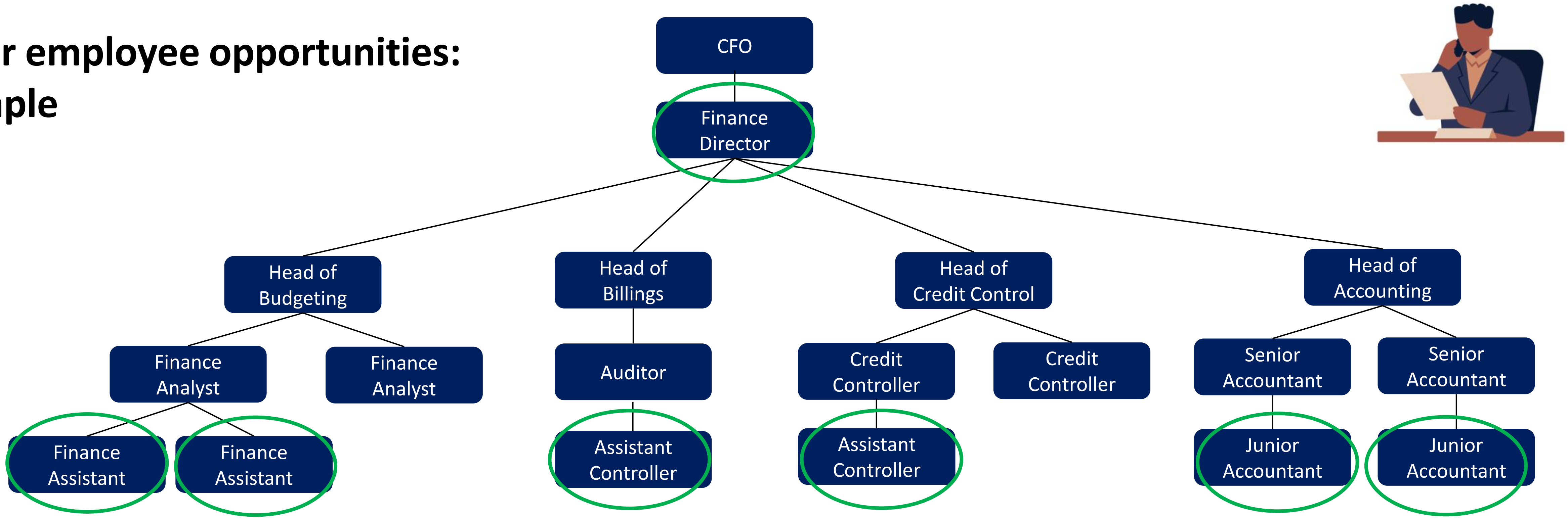
Drawbacks

- There is a risk some of the juniors may not be ready for the senior roles.
- Loss of potentially decades of knowledge.
- Potential for big severance packages.

Potential options for cost reduction

Compensation

Junior employee opportunities: Example

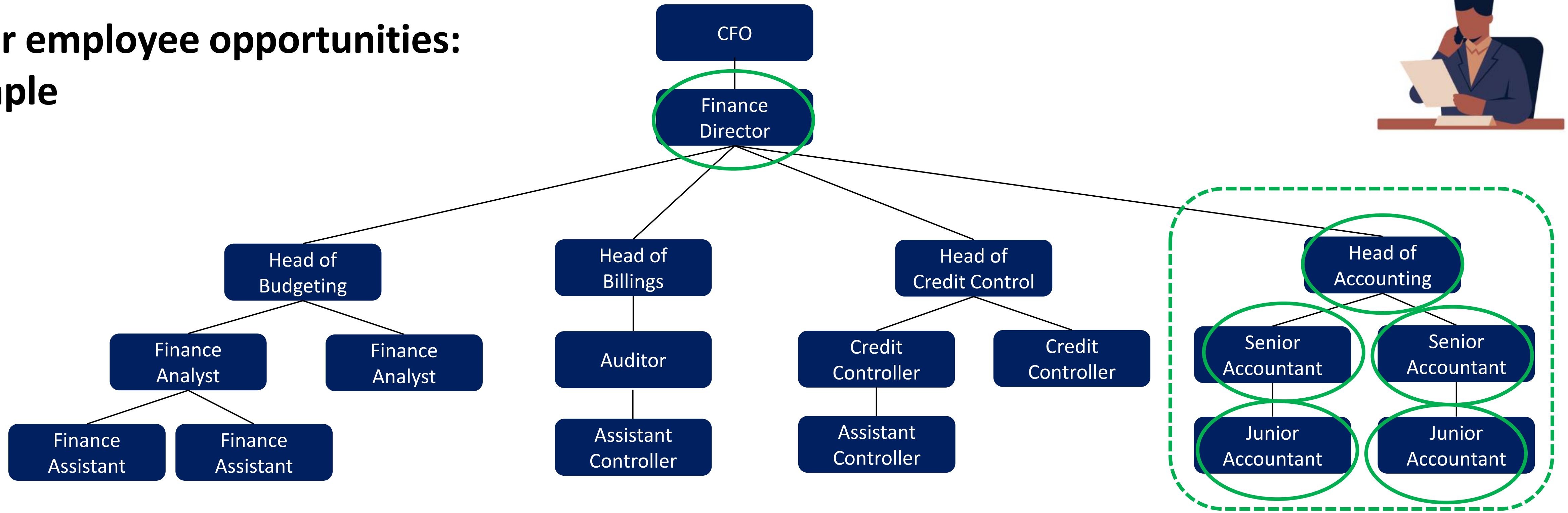


Removal of Finance Director roles saves **$160,000.**
From this, the six current junior roles can be given $25,000 pay rises instantly.
This means that more responsibility, more tasks and more development for those roles.
Bottom up approach across the business for a pull of work down not a push down.

Potential options for cost reduction

Compensation

Junior employee opportunities: Example



Removal of Finance Director roles saves **$160,000.**

Head of Accounting – Pay rise of $50,000.

Senior Accountants – Pay rises of $25,000 each.

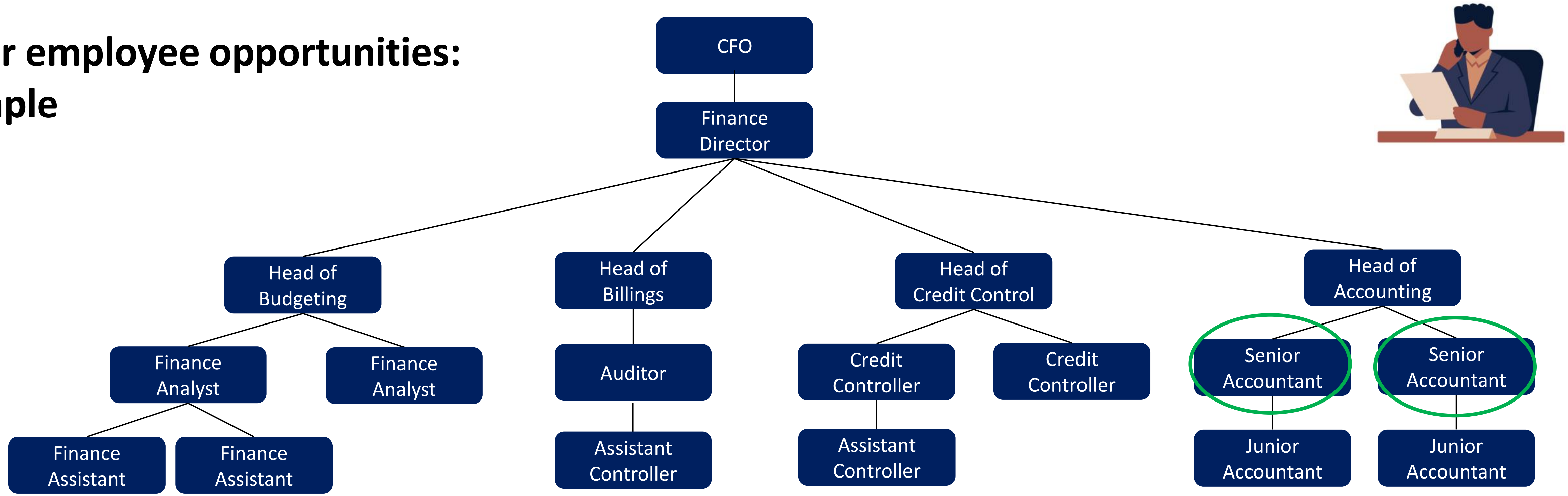
Junior Accountants – Pay rises of $10,000 each (with scope for additional $5 – 10,000) once training and development completed.

Top down approach across the department – pushing responsibilities and accountabilities down whilst taking on new ones higher up.

Potential options for cost reduction

Compensation

Junior employee opportunities: Example

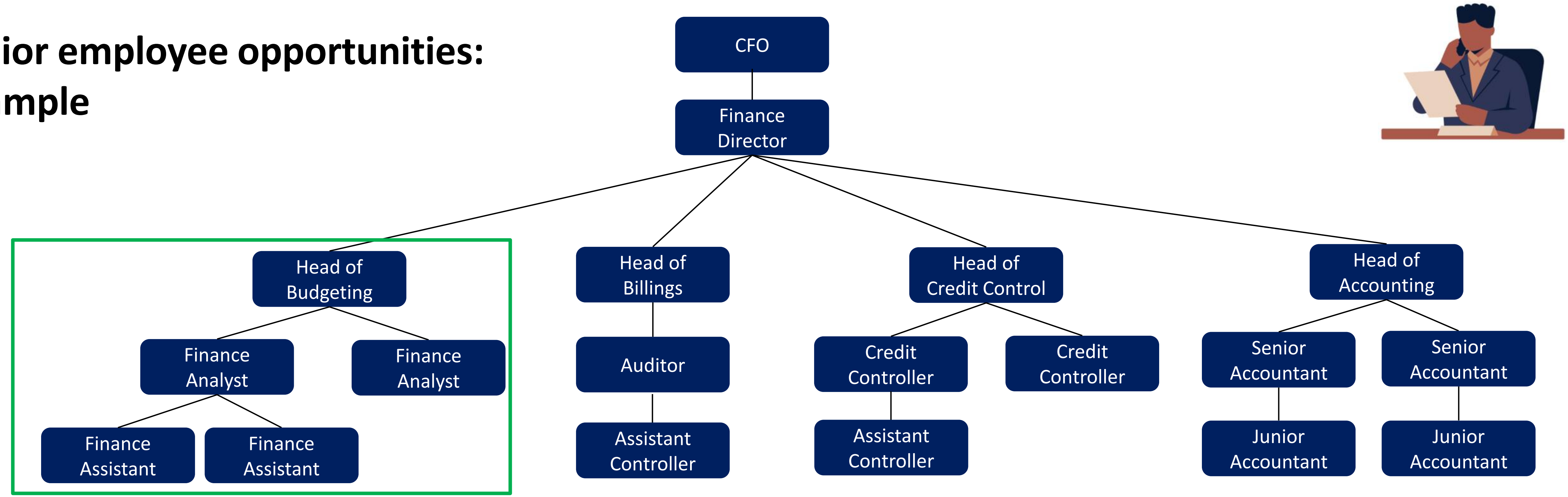


The joint salaries for 2 Senior Accountants is around $160,000.
The join salaries for 2 Junior Accountants is around $80,000.
By removing one Senior, you can hire 2 more Juniors for that salary OR hire 1 and bank the other **$40,000.**

Potential options for cost reduction

Compensation

Junior employee opportunities: Example



Rather than have "Analyst" roles, you could have generalist roles.
These are less specified and sometimes require less qualifications.
This flattens the org chart still further, but means you can pay more for your generalists or bank the savings.
Finance Analyst Salary: $75,000.
Finance Generalist Salary: $50,000.
Finance Assistant Salary: $40,000.

Removing the Analysts and replacing them with Generalists saves **$50,000.**
Upgrading the Assistants to Generalists sees the savings fall to **$30,000.**

Potential option

Reduce the use of contractors

Potential options for cost reduction

Compensation

Reduce the use of contractors

- Sometimes, the need for external knowledge, talent and expertise is undeniable.
- There may be some specialism or skillset you need within your business very quickly and you do not have the time to hire someone brand new OR train current staff.
- In this instance, use of a contractor makes sense.
- However, I would caveat you and many companies when it comes to the use of contractors.
- I have been told time and time again that “we need that Project Manager” for the next 6 months or “we must get that Analyst support in as soon as we can”.
- I can think of many examples of where I have heard this, and seen the complete opposite.
- Often, there is such expertise within the business, you just need to find it.
- Equally, there could be team members with the capacity to take this work on, learn on the job, upskill etc.
- Before going down the road of saying you need a contractor, really question this and understand why and if there is already capacity within the business to take on this workload.
- It could be the case that you bring someone in for a shorter period to train up and support the team.

Benefits

- Will reduce the amount spent on contractors substantially.
- Leaves money to be reinvested back into staff development.
- Reduces the need for onboarding, introduction meetings, getting people “up to scratch” on company culture, the programme etc.

Drawbacks

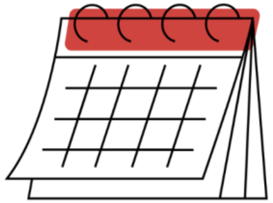
- You could lose vital knowledge and expertise.
- The project may take longer to complete because of training and upskilling others into the role.
- Vital lessons learned and knowledge sharing missed.

Potential options for cost reduction

Compensation

Reduce the use of contractors: Example

ME! Hired into a 6 month contract as a Senior Process Improvement Consultant



3 months in:

- *Haven't started my main project.*
- *Working less than 10 hours a week.*

End of the 6 month contract:

- *Contract gets extended 6 months.*
- *Project & Change Managers brought in.*
- *My role reduces down to around 10 hours a week of work.*

Over the coming 3 months:

- *I project & change manage the project.*
- *Project progresses as planned.*

Potential options for cost reduction

Compensation

Reduce the use of contractors: Example

Senior Process Improvement Consultant: $600p/d = $156,000p/y +$30,000 Taxes & benefits
Project Manager: $600p/d = $156,000p/y +$30,000 Taxes & benefits
Change Manager: $600p/d = $156,000p/y +$30,000 Taxes & benefits

$372,000 spent on contractors that was NOT required.

Moral of the story here?

Question every request and every decision made when it comes to hiring contractors.

Potential option

Reduce / eliminate overtime

Potential options for cost reduction

Compensation

Set the scene

- A global Payroll Team, based out of Chicago, US.
- The team of 10, had over recent years, racked up a lot of overtime hours and cost.

Year 1	Year 2	Year 3	Year 4	Projected*
$20,000	$50,000	$60,000	$80,000	$100,000

Budgeted

Year 1	Year 2	Year 3	Year 4	Projected*
$50,000	$100,000	$125,000	$175,000	$200,000

Actual

- Every year, the team were budgeting for the inevitable rise in overtime spending.
- The overtime spending issue had been discussed over the years, but nothing was ever done to address it.
- When it was lightly questioned, a range of reasons and excuses would be put forward.

Budgeted	Actual	Overspend
$310,000	**$650,000**	***$340,000***

Potential options for cost reduction

Compensation

The investigation

- The figures were presented to the team and to management. The reasons for the big variations included:
- A lot of project work that fell outside of the remit of the team.
- A lot of additional project work that had not been foreseen.
- System changes over the period had led to increased disruption and time training.
- Team changes (having to onboard and train new people), especially during periods of higher turnover.
- A change in structure which saw less managers and more work devolved down to the wider team.

- These points were to name but a few, and although very valid there was definitely work to be done on these.

The approach

- A consultant (me) was sent to base themselves in the Chicago Payroll Team.
- A whole range of conversations were had (including ones to gather the above insight).
- I sat and observed the team, the daily interactions and behaviours. I sat and walked through all of the key processes the team ran, held workshops to understand absolutely everything.
- I mapped the biggest processes, identified where issues and problems were arising, identified where opportunities for automation and reform could be found.
- I had individual conversations and frank discussions with team members to understand this from their perspective.
- It really was all about getting absolutely every piece of insight and leaving no stone unturned.

Potential options for cost reduction

Compensation

The conclusions

- After all of the conversing, mapping and investigating, I concluded the following:

1) A culture of overtime had grown within the team. This culture stemmed from the top down. As a response to any issue, any project or any change, overtime was the go to.
2) Management did not push back on requests. It was found to be highly unlikely if requests for overtime were ever declined, and indeed managers would push for them to go for overtime.
3) Projects and unforeseen events were never planned for. This included staff leaving, new systems coming in, changes to working practices, high absences, project support work etc.
4) Productivity was low. Indeed, there was never a drive to improve productivity or push for efficiencies. The status quo was very much kept in place.
5) Processes were full of waste and room for error. Over the years, rework loops, workarounds and bottlenecks had become embeded into many of the processes, taking up significant amounts of time.
6) The team was not deploying best practice. Even after recent global best practice work, sharing insight and knowledge into how to better use systems, automate tasks and improve performance, none had been done.

Potential options for cost reduction

Compensation

Delivered change

1) A culture of overtime had grown within the team. This culture stemmed from the top down. As a response to any issue, any project or any change, overtime was the go to.
2) Management did not push back on requests. It was found to be highly unlikely if requests for overtime were ever declined, and indeed managers would push for them to go for overtime.
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6) The team was not deploying best practice. Even after recent global best practice work, sharing insight and knowledge into how to better use systems, automate tasks and improve performance, none had been done.

1) The culture was changed dramatically. It was mandated that overtime was only ever to be a last resort, that there was a clamp down on requests globally (therefore do the work within work hours) and that requests would start to be questioned more.

2) A new approval process was delivered, with an additional request approval added in central office (over a certain $$ amount). Any requests that were not clear enough would be questioned.

3) A session to conduct forward year planning for projects was added to the annual diary of all team members, with managers mandated to get the planning right. Also, only the right SMEs were to be offered up for project work, not the whole team or generalists.

4) Each team member was given the instruction to improve their daily productivity by 20%. For example, they usually handle 20 cases a day, now it must be 24. That’s an additional 40 a day across the team.

5) All key process maps were analysed, with all rework loops, bottlenecks and waste identified and removed over a 4 month period.

6) The team was tasked with their manager to implement ALL best practice recommendations, with a review in 2 months to ensure such changes had been implemented in full and were now in training materials.

Potential options for cost reduction

Compensation

Outcome

Budgeted

Year 1	Year 2	Year 3	Year 4	Projected*
$20,000	$50,000	$60,000	$80,000	$100,000

Actual

Year 1	Year 2	Year 3	Year 4	Projected*
$50,000	$100,000	$125,000	$175,000	$200,000

Budgeted	Actual	Overspend
$310,000	**$650,000**	***$340,000***

Budgeted	Actual	Underspend	Reduction
$50,000	$20,000	$30,000	$180,000 / 90%

Potential option

Move to performance related pay

Potential options for cost reduction

Compensation

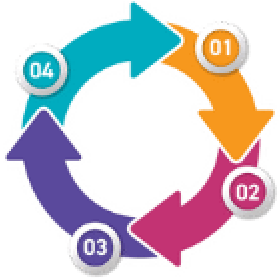
Move to performance related pay

- One of the approaches many businesses take to pay is to offer group mentality pay rises.
- This means giving all staff members under a certain salary X pay rise, in the next band they get X pay rise, and they all receive the same rises dependent on the band – or it could be department.
- Other approaches link pay with the performance of the business and the wider market. In times of a downturn, pay can be frozen or cut.
- This approach does not take into account how much effort individuals have put in, the lack of effort others have put in and the ROI you are getting from your staff members.
- To recognise this, you could move to performance related pay to ensure the following:

Retain the best staff

Under performers to either improve, or leave

Productivity to improve



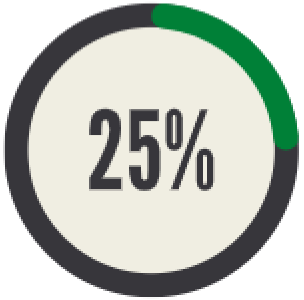
Processes to improve

Potential options for cost reduction

Compensation

Move to performance related pay

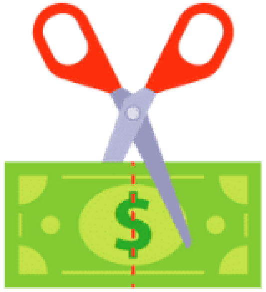
- You can also do the same thing with bonuses and incorporate performance into the bonus structure.
- This can be done:



Directly link performance

Expand eligibility

Reward cost reduction



Embed cost cutting

Benefits
- By recognising performance, your teams have something to aspire to.
- This helps performance, productivity, identification of cost savings, staff morale, employee retention, company reputation etc.
- It also helps spread bonus costs, higher for some, lower for others, which means there shouldn't be additional cost to this change.

Drawbacks
- You have to clearly state what constitutes great performance to ensure no one complains of unfairness in the system.
- You could end up losing staff in the middle of the performance spectrum, those that are getting better with company support.

Potential option

Additional options

Potential options for cost reduction

Compensation

Additional options: Pay rise freeze, delay or cut

- Depending on your motivations and IF you are facing a tough situation which is forcing the cost cutting, you could opt to reduce, delay or even cancel pay rises altogether.
- In our scenario example, we were opting for a 5% rise across all roles for this coming financial year. This was scheduled to cost **$100,000** as our salary budget is already $2million.
- If we:
  - Halved the offer to 2.5%, we would save **$50,000** in budgeted costs.
  - Froze pay for 1 year, we would save the full **$100,000** in budgeted costs.
  - Delayed the rise by 6 months, we would save **$50,000** in this financial year in budgeted costs.

- Equally, you could seek to cut pay, especially for some of the highest paying roles, but this comes with significant risk that employees will choose to leave the firm rather than take a cut.

Benefits

- Can help you confidently know how much your budgeted costs will be less by in the coming financial year.
- Delaying can give you some breathing room for bigger increases later.

Drawbacks

- Could lead to a drop in morale and productivity of staff.
- Could lead to an increase in staff turnover.
- The above 2 could cancel out altogether the savings you make.

Potential options for cost reduction

Compensation

Additional options: Bonus rise freeze, delay or cut

- Depending on your motivations and IF you are facing a tough situation which is forcing the cost cutting, you could opt to reduce, delay or even cancel bonus rises altogether.
- In our scenario example, we were opting for a 10% rise across all roles for this coming financial year. This was scheduled to cost **$20,000** as our bonus budget is already $200,000.
- If we:
  - Halved the offer to 5%, we would save **$10,000** in budgeted costs.
  - Froze it for 1 year, we would save the full **$20,000** in budgeted costs.
  - Delayed the rise by 6 months, we would save **$0** in this financial year in budgeted costs.

- Equally, you could seek to cut bonuses. In our scenario example, if we cut bonuses by 20% in this financial year, we could save around **$40,000.**

Benefits

- Can help you confidently know how much your budgeted costs will be less by in the coming financial year.
- Delaying can give you some breathing room for bigger increases later.

Drawbacks

- Could lead to a drop in morale and productivity of staff.
- Could lead to an increase in staff turnover.
- The above 2 could cancel out altogether the savings you make.

Potential options for cost reduction

Compensation

Additional options: Change the eligibility for bonuses

- With this approach, you could seek to change who in the business is actually eligible for a bonus in the first place. This could be impacted by someone's grade from a HR perspective, job title, department, fee earning vs. non fee earning etc.
- In our scenario example, we were opting for a 10% rise across all roles for this coming financial year. This was scheduled to cost $20,000 as our bonus budget is already $200,000.
- If we:

• Removed 20% of grades currently included, we could save up to $40,000 (depending on current salary).
• Removed 50% of grades currently included, we could save up to $100,000 (depending on current salary).
• Tie bonus amount to both grade and performance, we could see those who *really* deserve the rewards doing so.

- By reducing the number of people eligible using which ever criteria your business chooses, you can find good savings in the next financial year. It may be the case you do this for new hires now on to avoid turnover of disgruntled staff.

Benefits

- Can help you confidentially know how much your budgeted costs will be less by in the coming financial year.
- Enables you to more confidently stick within your new, reduced budgeted amount.
- Gives you more room to reward the best staff, increasing productivity.

Drawbacks

- Could lead to a drop in morale and productivity of staff.
- Could lead to an increase in staff turnover.
- May make your company look less attractive from a total compensation perspective.

Potential options for cost reduction

Compensation

Additional options: Embed improvements into goals

- Improving performance, practices and processes can ultimately lead to cost savings in a variety of ways (as well as increases in profit and sales performance).
- One of the things I would highly recommend is when it comes to setting goals and conducting performance reviews with staff, embed into their goals for the coming year certain improvement metrics.

- For example: In our scenario, we know we want to grow the business over the coming years and currently, that means more staff. However, if you ask your contact centre workers (of which there are 5) for example, to increase their output by 20% (which means handling 20% more cases per week) you have just reduced the need for a new role to take on increased workload.
- You could also ask them to improve the process followed to deal with callers. If the average call handling time is currently 5 minutes, see if you can get it down to 4 minutes by reforming the process. All of those saved minutes will soon add up.

- Improving performance and saving money shouldn't be the task of just one person, directing from high, but all within the company.

Benefits

- A cost effective way to save money, increase output and improve processes and performance.
- A less evasive and disruptive way to do the above.
- Puts the power in the hands of those running the processes, with empowering them a key motivator and turnover reducer.

Drawbacks

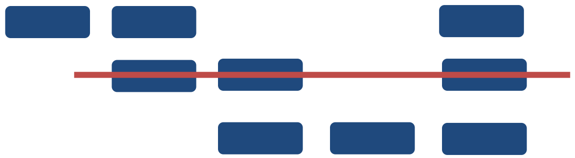
- Does not lead, necessarily, to big up front savings you can tangibly see.
- With requests for higher output and higher performance often comes the demand for higher pay.

Potential options for cost reduction

Compensation

Additional options: Eliminate coordinator type roles

- Although potentially controversial, I have recommended this suggestion in several businesses before, to great success.
- In organisations of all sizes, we often see coordinator roles. HR Coordinator, Project Coordinator, Sales Coordinator etc.
- The purpose of these roles is often to act as a middle person between two departments or individuals.
- The problem with this is often it can:
  - Disrupt a process.
  - Increase the time taken to complete a process.
  - Lead to loss, uncertainty or a misunderstanding.
  - Build in additional steps to a process that just are not needed.



- You should review what the coordinator role entails (or will if new) and see where 1) you can automate some of those tasks, 2) the manager or lead can take them on to better effect and 3) change the process to not require these tasks or responsibilities.
- Of course you don't want to risk the chance of success of the process, so conduct a risk assessment and full review first.

Benefits

- Can save cost, time and improve processes all at once.
- Removes the risk of ambiguity, uncertainty and misunderstanding.
- Reduces overall staff numbers, saving costs for automation or more value adding roles.
- Better accountability and responsibility and less time spent managing.

Drawbacks

- Some staff members will not want to take on the additional responsibilities.
- In times of increased pressure or workload, processes which have not been reformed to accommodate the changes could buckle.

Final comments…

Compensation

Potential options for cost reduction

Compensation

What you could do next:

1) Review your P&L for opportunities in this part of budget, based on what you have learned.
2) Look back at the budgets over recent years (3 – 5) to see if there are any trends, departments with out of control spending or room for immediate savings.

-----

1) Review all current job roles, job vacancies, FTE calculations etc. over the coming months. As a fairly non-invasive activity, this will give you a fuller picture in terms of the true needs of the business.
2) Set immediate targets around the use of contractors and the spend on overtime. This could come into effect over the coming months, but it sets a strong tone and a precedent right away, so you can reap the rewards later.
3) Begin to build out the requirements for potential automation opportunities, both short and longer term. This could involve some process mapping to identify where the opportunities lie, or a survey out to the business to ask teams where they feel automation could play a key role (you'll be surprised at the responses you could get here).

Expenses

- Review of the findings.
- Potential options for cost reduction.

Review of the findings

Expenses

Expenses	Forecast	Actual
Expenses	***$67,000***	**$117,000**
Travel	*$30,000*	$80,000
Dining out	*$10,000*	$15,000
Training requests	*$20,000*	$15,000
Entertainment	*$5,000*	$5,000
Professional memberships	*$1,000*	$1,000
Other	*$1,000*	$1,000

- For our scenario example, we have the above outcome. If we analyse these findings, we can confirm the following:
- We are spending $117,000 a year on expenses.
- This spending is $50,000 more a year than budgeted for in the previous financial year.
- The biggest reasons for this overspend is by far travel.
- We do see a $5,000 underspend when it comes to training requests. We can equate this to concern at the rising cost of expenses throughout the financial year and a freeze on approving any further training requests.
- If we are looking for a 16% reduction in spending across the board, this would equate to a reduction in expenses related spending of $18,720.

- Given the need for this reduction and the huge overspend we have seen in the travel expenses category, we know this is the main area we will need to tackle.
- To do so, we will deploy a range of approaches to cut this spending whilst at the same time, keeping other spending categories under control.
- Knowing this helps us to begin to formulate our approach to the costings.

Potential option

Meet remotely

Potential options for cost reduction

Expenses

Meet remotely

- As we can see from the financials, the vast majority of expenses comes from travel and travel related activities.
- When we deep dived into these, we understood that the vast majority of this travel was meeting clients (current and potential), working on projects and having team events.
- The thinking behind this was to ensure the teams could maintain face to face contact with clients and colleagues for the benefit of the wider business.
- The way in which you can therefore, shift down the amount spent on expenses is to agree that all or the majority of such business will be done remotely via video conferencing.

Expenses	Forecast	Actual
Expenses	***$67,000***	**$117,000**
~~Travel~~	*$30,000*	$80,000
~~Dining out~~	*$10,000*	$15,000
Training requests	*$20,000*	$15,000
~~Entertainment~~	*$5,000*	$5,000
Professional memberships	*$1,000*	$1,000
Other	*$1,000*	$1,000

Potential saving $93,000

Potential options for cost reduction

Expenses

Meet remotely

- To embed this into the culture, you can put certain rules in place:

1) For dining out and entertainment, you could state that if the event would be local (involves no travel costs) then it can go ahead.
2) Ban all rail, road and air travel for project work, support and meetings. Any project initiatives to be done fully remote.
3) Add a ROI to travel. IF the travel is going to guarantee a ROI of a certain amount, then it can go ahead.
4) Embed an approval process into signing off any requests.
5) Reduce the average number of days travel is conducted. For example, if on average each trip requires 5 nights of hotel costs, agree that this must be reduced to a maximum average of 3 – reducing hotel costs by 40%.
6) Host team events in the physical or virtual office, saving on drink, food and other entertainment costs.

Benefits

- Guaranteed way to save costs. You don't travel, you don't spend.
- These costs are hard to budget for, as entertainment, hotel and flight costs will all fluctuate year on year, location on location.

Drawbacks

- Hard to calculate the impact of not meeting teams or clients / potential clients face to face.
- Competitor organisations may have better expense policies that will entice staff to them.
- There may be "remote working" fatigue.

Potential option

Change policies

Potential options for cost reduction

Expenses

Change policies

- Another, less drastic option over banning all travel you could take is to change the policies that sit around expenses.
- Policies will exist when it comes to expenses to help govern who can claim them, how much they can claim, what the limits are around travel, food, hotels etc.
- This can help enforce more of a cultural change around expenses, with people understanding that the company is taking a harder line on expenses, and therefore the once frivolous wracking up of expenses can now no longer happen.
- You can either change all policies, adapt all, change some or scrap some.
- Those policies covering the biggest expense culprits should of course be in the firing line.

Policies could include:

Level of seniority in the business impacts level of expense that can be claimed for (and what)
What can be claimed as an expense
Maximum amount that can be claimed per item
First class rail travel options
Business class air travel options (duration of journey)
Credit card availability
Expense approval process
Client meeting claim process
Team day claims process

Potential options for cost reduction

Expenses

Change policies

Policy	Current policy	Proposed policy
Level of seniority in the business	All members of staff can claim any expense	Only those Grade 4 or above can claim
What can be claimed	All members of staff can claim any expense	A list of potential claims will be created
Maximum amount that can be claimed	Current list sets $ limits on each item / claim	Reduce all current limits by 20%
First class rail travel options	First class can be claimed above 2 hours	No first class travel can be claimed
Business class air travel options	Business class for flights over 4 hours	Business class for flights over 8 hours
Credit card availability	Automatically given to all Grade 4 and above	Given to those with proven business need
Client meeting claim process	Any expense from client meetings approved	Client related expenses approval process created
Team day claims process	Team day expense limit of $1000	Team day expenses limit of $500
Expense approval process	Current process has 1 approval	New process to have 2 approvals for certain limits

- When setting these new policies, you can quantify targets alongside them. For example, reducing all current limits by 20%. This will help you to more confidently predict by how much the new policy will save you.
- Be sure to write up the new policies and communicate out effectively to the wider business and new starters to ensure the new policy approach is fully understood.

Potential options for cost reduction

Expenses

Benefits

- A relatively low impact approach, with minimal disruption.
- More of a guarantee of savings, as big expenses will be rejected.
- Can be done across all policies in one approach.

Drawbacks

- There can sometimes be difficulties educating people on the policies, especially if they have been in the business a long time.
- Can feel quite top down and not as engaging as other processes deployed to save money.

Potential option

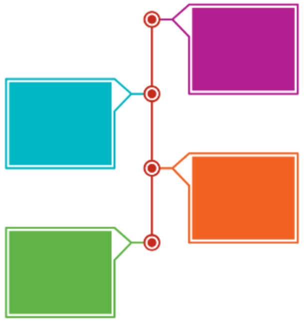
Change approach to training requests

Potential options for cost reduction

Expenses

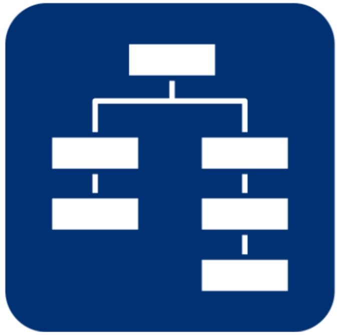
Change approach to training requests

- The way in which you seek, handle and approve training requests is also an area where you can look to make savings.
- Training costs can often spiral, whether that be the cost of the request itself, the volume of requests, the limits which are placed on the types of requests that can be given.
- Let's look at some of the approaches you could take:



Reform the approvals process

Cap / limit the amount in terms of cost



Cap / limit the amount in terms of seniority

Cap / limit the amount of requests per team

Potential options for cost reduction

Expenses

Change approach to training requests

Freeze or reduce the training budget

Shift to in-house training more frequently

Find cheaper alternatives (research)

Conduct on the job training (shadowing)

Benefits

- Can be a common sense approach i.e. why go external to find a trainer when that expertise already exists in the business.
- Caps in terms of cost of request, amount per person etc. are commonplace in many businesses.
- Training can be delayed to save costs in current financial year.

Drawbacks

- Good training benefits can be a draw for some employees. Reducing this perk could increase turnover / reduce hiring pool.
- In-house training could reduce the amount of “exposure” to other industries the trainer has had.

Potential option

Additional options

Potential options for cost reduction

Expenses

Additional options

Choose different airlines

Find alternative accommodation options
Use specific chains

Choose different rail provider

Choose cheaper restaurants

Find cheaper training providers

Find cheaper alternatives

Expenses	Forecast	Actual
Expenses	***$67,000***	**$117,000**
Travel	*$30,000*	$80,000
Dining out	*$10,000*	$15,000
Training requests	*$20,000*	$15,000
Entertainment	*$5,000*	$5,000
Professional memberships	*$1,000*	$1,000
Other	*$1,000*	$1,000

Conduct more in-house dining

Conduct more in-house training

Sign up to group membership

Benefits

- You can involve the wider business in this effort – a competition to find ways to reduce expense costs.
- Almost guaranteed way of reducing expense costs.
- Can lead to a cultural shift within the wider business – a cost conscious one.

Drawbacks

- Can lead to some seeing the business as stingy and cheap.
- Good expenses can be seen as a benefit for some people, so reductions in things like business class travel and spending limits could be off-putting.
- Could jeopardise client relationships if dining at a cheap location.

Final comments…

Expenses

Potential options for cost reduction

Expenses

What you could do next:

1) Review your P&L for opportunities in this part of budget, based on what you have learned.
2) Look back at the budgets over recent years (3 – 5) to see if there are any trends, departments with out of control spending or room for immediate savings.

-----

1) Monitor the impact of meeting remotely, in instances where it has been done so far, and is being done today. Measure its impact vs. the in person meeting – and speak with those involved to garner their feedback on the experience.
2) Ask HR (or whomever it concerns) for all policies regarding expenses. Review the current policies and see if there is scope to implement any changes, including those we discussed in this module.
3) Complete a skills matrix of the business to identify where there are hidden pockets of qualifications and skills which could be shared more widely across the business, reducing the need for external training requests.

Review of the findings

Office

Office

- Review of the findings.
- Potential options for cost reduction.

Review of the findings

Office

Expenses	Forecast	Actual
Office	***$179,000***	**$186,000**
Rent	*$100,000*	$100,000
Services (Facilities Management)	*$37,000*	$35,000
Supplies (Equipment)	*$25,000*	$30,000
Utilities	*$17,000*	$21,000

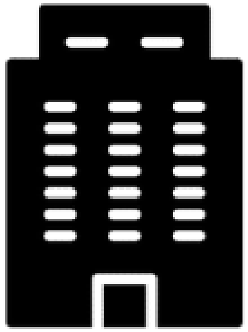
- For our scenario example, we have the above outcome. If we analyse these findings, we can confirm the following:
  - We are spending $186,000 a year on the office.
  - This spending is $7,000 more a year than budgeted for in the previous financial year.
  - The biggest reasons for this overspend are supplies (equipment) and utilities.
  - We do see a $2,000 underspend when it comes to facilities management. We can equate this to reduced demand for their services outside of contracted costs.
  - If we are looking for a 16% reduction in spending across the board, this would equate to a reduction in office related spending of $29,760.

- Knowing the challenge and knowing we have only 4 specific areas where we can target for this (rent, facilities management, equipment, utilities) we have to tackle biggest to smallest.
- Often with offices, reducing costs can be difficult as it is a fixed cost, as will be the utilities cost to run the building.
- Knowing this helps us to begin to formulate our approach to the costings.

Potential options for cost reduction

Office

Office



- Review of the findings.
- Potential options for cost reduction.

Potential option

Go completely remote

Potential options for cost reduction
Office

Go completely remote

- To kick start the office section, we are going to go bold. That is to say – your company makes the decision to go 100% remote and remove the need for an office altogether.
- Controversial and completely unthinkable just a few years back, but with the rise in home working, remote working and technologies that make these possible – the idea is now more of a reality for some businesses.
- This approach would see the workforce of the organisation agreeing to be remote 100% (or nearly 100%) of the time.
- They would work from home or a place of their choosing to conduct all work.
- There may be some occasions where people come together at hired venues for team days or significant meetings.

Expenses	Forecast	Actual
Office	***$179,000***	**$186,000**
~~Rent~~	~~*$100,000*~~	~~$100,000~~
~~Services (Facilities Management)~~	~~*$37,000*~~	~~$35,000~~
Supplies (Equipment)	*$25,000*	$30,000
~~Utilities~~	~~*$17,000*~~	~~$21,000~~

Potential saving
$170,000

Benefits
- Reduces costs as soon as the policy kicks in.
- Reduces costs for the longer term and adds in more certainty.
- Increases the geographic pool of talent from which you can hire.
- Reduces the time taken to manage contracts, negotiate new ones, handle issues with equipment, facilities, the space etc.

Drawbacks
- Not every individual who works with you will want to be 100% remote.
- The above comment may then lead to increased turnover and cost.
- Could potentially lead to a more siloed operation (if not anticipated).
- Could reduce collaboration, team building and trust across the teams.

Potential options for cost reduction

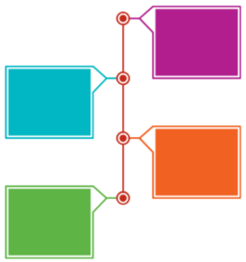
Office

Go completely remote: Considerations

Will productivity be hit?

Do you shift culture?

Are you contracted?



Will processes change?

Will clients be affected?

Cost of “meeting up”

Impact on future growth

Potential option

Adopt a hybrid approach

Potential options for cost reduction

Office

Adopt a hybrid approach

- A less big bang option than going completely remote is one that a lot of businesses now do – hybrid working.
- But often businesses that go hybrid retain the same office and the same amount of space they had before going hybrid.
- You need to ensure your office environment matches that of your business needs and requirements.
- Adopting a hybrid approach should mean you look again at your current office set up. You can:

Reduce office space

- You can either renegotiate now or wait for your current contract to end.
- Inform your current office provider of your intentions and reduce desk space.
- Work out how much less space you'll need, which days you may require more etc.

Move to a new office

- You could find a completely new space which meets your new needs.
- This gives you the opportunity to make savings and choose a space that works for your team and the new way of working.
- You of course have to then think about the upheaval of the move and cost involved.

Shift to a coworking space

- You could also move to a coworking situation on a desk by desk basis.
- This way you can either pay a flat fee or explore paying for what you use.
- You can flex who goes in when, can block out certain days and still see clients face to face.

Benefits

- You get the dual benefit of remote and face to face working.
- You are guaranteed to reduce costs, by how much is up to you.
- You can tailor the office space around your needs, not the other way round.
- You can still meet clients face to face in a consistent location.

Drawbacks

- Some of the approaches will require some upheaval and change.
- You'll need to work ahead of time to ensure the right people are in at the right time attending the right meetings.
- You still have fixed costs to pay.

Potential options for cost reduction

Office

Adopt a hybrid approach: Costings

Reduce office space

- You can either renegotiate now or wait for your current contract to end.
- Inform your current office provider of your intentions and reduce desk space.
- Work out how much less space you'll need, which days you may require more etc.

Expense	Current	Potential
Rent	$100,000	$80,000
Services – FM	$35,000	$30,000
Supplies	$30,000	$25,000
Utilities	$21,000	$16,000

Saving: $35,000

Shift to a coworking space

- You could also move to a coworking situation on a desk by desk basis.
- This way you can either pay a flat fee or explore paying for what you use.
- You can flex who goes in when, can block out certain days and still see clients face to face.

Expense	Current	Potential
Rent	$100,000	$65,000
Services – FM	$35,000	$20,000
Supplies	$30,000	$10,000
Utilities	$21,000	$14,000

Saving: $77,000

Move to a new office

- You could find a completely new space which meets your new needs.
- This gives you the opportunity to make savings and choose a space that works for your team and the new way of working.
- You of course have to then think about the upheaval of the move and cost involved.

Expense	Current	Potential
Rent	$100,000	$85,000
Services – FM	$35,000	$32,000
Supplies	$30,000	$27,000
Utilities	$21,000	$20,000

Saving: $22,000

Expenses	Forecast	Actual
Office	***$179,000***	**$186,000**
Rent	*$100,000*	$100,000
Services (Facilities Management)	*$37,000*	$35,000
Supplies (Equipment)	*$25,000*	$30,000
Utilities	*$17,000*	$21,000

Potential option

Reform facilities management approach

Reform facilities management approach

- Another cost we face when based in an office or physical working environment is the cost of running the building.
- When we refer to facilities management we mean the team that handles the waste, the cleaning, the decorating etc. of the building – everything it needs to keep running efficiently and effectively.
- These are often provided by independent FM companies that are separate from the building itself – so the contract you have with the owners of the building and those providing the facilities management will be different.
- As your relationship with the office / working space evolves, you will also want to review the services that are delivered by your facilities management provider.
- Depending on your approach (hybrid working, smaller office space etc.) you will also want to see not just what services are to be deployed, but also when, how and how frequently.

Benefits
- You can embed long term stability with the budget and costings.
- You can pick and choose the best approach, the type of service you want and the activities that make up that service.
- You can renegotiate contractual agreements to suit the needs of the business and the new office set up.

Drawbacks
- It can take some time to renegotiate, and some companies may be unwilling to negotiate down on cost too much.
- You don’t want to compromise on quality, and your staff will expect no change in service quality.

Potential options for cost reduction
Office

Reform facilities management approach

List of services provided as part of "facilities management"

- Grounds maintenance
- Landscaping
- Decorating
- Catering services
- Cleaning services
- Pest control
- Gas, plumbing and heating
- HVAC systems
- Lighting, electrical and mechanical
- Fire safety systems
- Building maintenance work

Approach

- Identify the cost of your facilities management.
- Breakdown these costs to see how much each service is costing you.
- Go into negotiations with your provider.
- In these, ask them how they can find savings of a certain % over a certain time period.
- Add certain stipulations to these changes.
- In future contracts negotiations, have certain improvements / changes to be found regularly as part of the new contract.
- Work out which services you want delivered, how frequently etc.
- Negotiate by speaking with several providers, offering several perks (such as a reward based contract) and ensuring you are only paying for the services you are receiving.

For our scenario example, we are spending $35,000 a year on facilities management. Any changes would lead to small reductions (maybe $5,000 or so) but you can extrapolate this over a longer period of time.

Potential option

Reform supplies approach

Potential options for cost reduction

Office

Reform supplies approach

Expenses	Forecast	Actual
Office	***$179,000***	**$186,000**
Rent	*$100,000*	$100,000
Services (Facilities Management)	*$37,000*	$35,000
Supplies (Equipment)	*$25,000*	$30,000
Utilities	*$17,000*	$21,000

- A final cost to discuss would be supplies – office supplies, pen, paper, ink, booklets, merchandise etc.
- Of course, this expense would naturally decrease with some of the other approaches we discussed with rent – going fully remote, going hybrid, going coworking etc. because the demand just wouldn't be there as much.
- However, there would still be savings to be had with this expense in different ways.

Saving: $5,000

Saving: $5,000

Saving: $9,000

Saving: $15,000

Saving: $25,000

Benefits

- It would guarantee cost savings (even though they are small).
- It helps with environmental credentials by reducing waste.

Drawbacks

- Some people would feel uncomfortable not having access to such supplies as that is how they work best.
- Each option would involve some up front time which may not be worth the small savings made.

Final comments…

Office

Potential options for cost reduction

Office

What you could do next:

1) Review your P&L for opportunities in this part of budget, based on what you have learned.
2) Look back at the budgets over recent years (3 – 5) to see if there are any trends, departments with out of control spending or room for immediate savings.

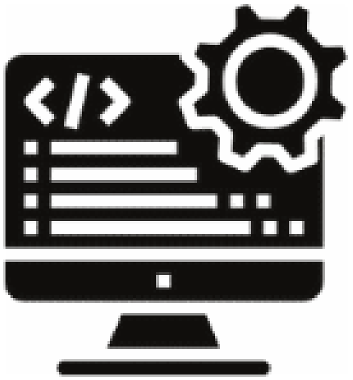
-----

1) Start a conversation with teams across the business about working practices and what works for them. This could be a survey, a town hall or individual conversations with colleagues to understand how they want to see such practices evolve.
2) Scope out the current facilities management offering, what is provided, by who, how long for etc. Alongside this, you can understand if there are alternatives available at potentially, cheaper rates.
3) On supplies, an immediate directive you could take is to launch a campaign to reduce supply use. This could include encouraging people to reduce their use of supplies, the reusing of supplies or providing their own.

Review of the findings

Systems & subscriptions

Systems & subscriptions

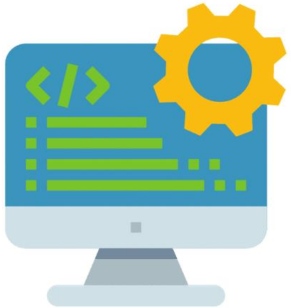


- Review of the findings.
- Potential options for cost reduction.

Review of the findings

Systems & subscriptions

Expenses	Forecast	Actual
Systems and subscriptions	**$102,000**	**$104,000**
HR system	*$35,000*	$35,000
Case ticketing system	*$30,000*	$30,000
Payroll system	*$25,000*	$25,000
Microsoft Suites	*$5,000*	$5,000
Internal training software	*$5,000*	$5,000
User accounts	*$2,000*	$4,000



- For our scenario example, we have the above outcome. If we analyse these findings, we can confirm the following:
- We are spending $104,000 a year on systems and subscriptions.
- This spending is $2,000 more a year than budgeted for in the previous financial year.
- There is no real reason for any spending increases or rises, as the vast majority of this spending is fixed and contracted in.
- We do see a $2,000 overspend when it comes to user accounts. These can often be hard to predict as staff leave, new staff join, the business expands etc. so it depends on such changes.
- If we are looking for a 16% reduction in spending across the board, this would equate to a reduction in systems & subscriptions related spending of $16,640.

- Knowing that the vast majority of these costs are fixed and that we do not have a problem of vastly spending over budget, the approach here will be to see where we can get these fixed costs down over the longer term.
- Knowing this helps us to begin to formulate our approach to the costings.

Potential option

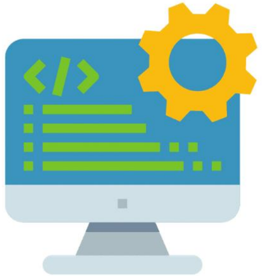
Find alternative providers

Potential options for cost reduction

Systems and subscriptions

Find alternative providers

Expenses	Forecast	Actual
Systems and subscriptions	**$102,000**	**$104,000**
HR system	*$35,000*	$35,000
Case ticketing system	*$30,000*	$30,000
Payroll system	*$25,000*	$25,000
Microsoft Suites	*$5,000*	$5,000
Internal training software	*$5,000*	$5,000
User accounts	*$2,000*	$4,000



- In today's more system and technology led workplace, we come across a LOT of systems within our companies.
- Training, Payroll, Benefits, HR, Onboarding, requesting holiday, interacting with others etc. all require a system of some sort.
- Given that, it is imperative that you know you are getting the best value for money when it comes to your systems.
- One of the benefits of this type of expense is that it is pretty fixed, and therefore you can always reliability budget for the year but also, if you identify new providers with new, lower costs, can confidently plan your savings.
- For the services listed and the many more you will need, there will be a range of providers out there. Some you will know of really well, others will be new to the market but brilliant just the same.
- When looking for alternative providers, 2 key questions will be at the forefront of your decision making process:

1) Are we getting the best value for money from this provider?
2) Will this switch compromise the quality of output we receive from this service?

- Just because something costs less, doesn't mean it is always the best option to take.

Benefits

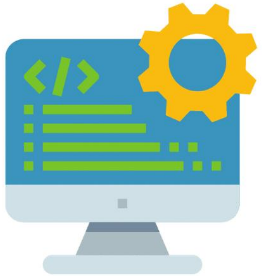
- You can guarantee what the savings will be over the new contracted period timeframe.
- You can change the type of service you receive, adding on new modules and functions to improve the end users experience.
- Can enable you to build out new relationships with new providers.

Drawbacks

- You could be compromising on quality without knowing it.
- There is a transition period to take into consideration.
- There is a negotiation period to take into consideration.

Potential options for cost reduction

Systems and subscriptions



Find alternative providers: How?

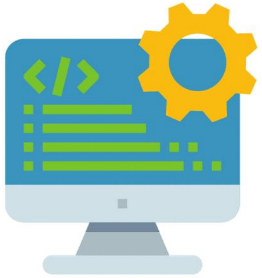
- Let's take our HR System, currently costing us $35,000 a year. The system is called Titan HR Solutions.
- We want to reduce spending on this system by around $5,000 a year.
- Although a small saving, we know a new system would be in place for the long term (as we don't change systems every couple of years).
- We can therefore see a saving of around $50,000 from moving to a new system.
- Now there are many reasons to switch outside of cost (to improve quality, build a better relationship with a provider who is more ethically in line with your company, to add on additional services etc.)

- At this stage, you should do the following:

1) **Look at the market.** What are your competitors, clients and other non-affiliated companies doing? Who are they using?
2) **Ask around.** With those clients or 3rd party suppliers who you have great relationships with, ask them who they are using.
3) **Ask colleagues.** Speak with those in the business who may have joined in recent years to see who their previous employer was using.
4) **Query cost.** As you are driven by cost, seek to understand the best for value offering in the market (online, conversations etc.)
5) **Get some demos.** Once you have a list in mind, get some demos in the diary. They can talk you through their system offering.

Potential options for cost reduction

Systems and subscriptions



Find alternative providers: What?

- Before you conduct these steps, you want to be clear on the following: WHAT are YOUR requirements?
- Asking this question up front, early and honest, will save you a significant amount of time further down the line.

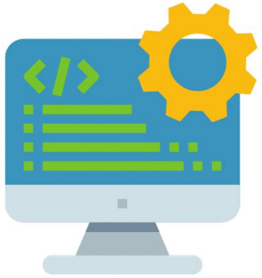
Requirements to think of

Functional requirements	Non-functional requirements
User account	Loading within 3 seconds
Holiday selection	Single sign on
Amend pre-booked leave	Security screening
Access to policy database	Company branding
Reporting	Integration with other systems
Access team absence calendar	Alerts & notifications
Employee profile	

SRD  *System requirements document*

Potential options for cost reduction

Systems and subscriptions



Find alternative providers: The results

Expenses	Forecast	Actual
Systems and subscriptions	**$102,000**	**$104,000**
HR system	*$35,000*	~~$35,000~~
Case ticketing system	*$30,000*	~~$30,000~~
Payroll system	*$25,000*	~~$25,000~~
Microsoft Suites	*$5,000*	$5,000
Internal training software	*$5,000*	$5,000
User accounts	*$2,000*	$4,000

Found solutions costing **$5,000** less each per year
Saving **$15,000** annually
Saving **$150,000** over the next decade

- ***Don't compromise on quality***
- ***Be clear on requirements***
- ***Negotiate pricing***
- ***Think long term***
- ***Leverage buying bulk from one***
- ***Explore alternative contract types***

Potential option

Merge systems

Potential options for cost reduction

Systems and subscriptions

Merge systems

Expenses	Forecast	Actual
Systems and subscriptions	**$102,000**	**$104,000**
HR system	*$35,000*	$35,000
Case ticketing system	*$30,000*	$30,000
Payroll system	*$25,000*	$25,000
Microsoft Suites	*$5,000*	$5,000
Internal training software	*$5,000*	$5,000
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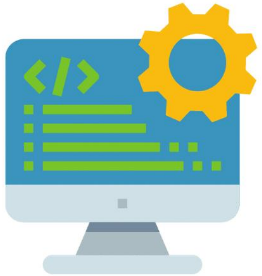


- An additional step you could take is to reduce the number of systems you have and merge where possible.
- This could be done by going to market to see where you have providers who can provide a range of services in one system.
- This can often happen with HR systems which can also provide onboarding and recruitment provisions.
- For our example, we could seek to merge our 3 main systems: HR, case ticketing and Payroll. There are providers out there who can offer such systems.

Current spending

HR system: $35,000
Case ticketing system: $30,000
Payroll system: $25,000
TOTAL: $90,000

Potential spending

All systems: $75,000
SAVING: $15,000

Commentary

- To secure bigger savings, you would have to think about this over the longer term – so $150,000 to reinvest back over 10 years.
- This change also streamlines processes, merges operations and enables teams to share responsibilities a lot easier.

Benefits

- One system that can do it all means less processes, less hand offs and more streamlined delivery of service.
- Teams can more easily share workloads and responsibilities, and you can seek to merge operations more effectively.
- Sees you only working with one provider as opposed to multiple.

Drawbacks

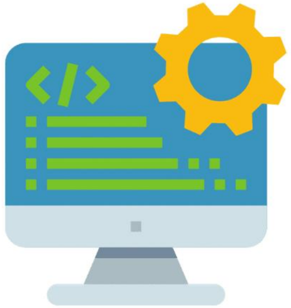
- Having several suppliers can sometimes drive competition, as they want to deliver well to secure more work from your company.
- Less flexible as if one system fails, all systems fail (as there is just one).

Final comments…

Systems & subscriptions

Potential options for cost reduction

Systems & subscriptions



What you could do next:

1) Review your P&L for opportunities in this part of budget, based on what you have learned.
2) Look back at the budgets over recent years (3 – 5) to see if there are any trends, departments with out of control spending or room for immediate savings.

-----

1) Begin the dialogue with your Procurement Department. This does not mean initiate the RFI process, but have your Procurement Department look out at the market at changes, new opportunities and new players.
2) Ensure the requirements you have for current and future systems is either up to date, is being built or is at least on the radar of the business. This enables you to get ahead when the time comes to go to market.
3) Review your current contractual standing for your systems and subscriptions to see if any are coming up for renewal in the coming year or so. If so, actioning off the previous 2 steps just went up your list of priorities.

Review of the findings

Marketing & advertising

Marketing & advertising

- Review of the findings.
- Potential options for cost reduction.

Review of the findings

Marketing & advertising

Expenses	Forecast	Actual
Marketing & Advertising	**$75,000**	**$102,000**
Ad campaigns	*$40,000*	$70,000
Social media campaigns	*$10,000*	$7,000
Marketing system	*$25,000*	$25,000

- For our scenario example, we have the above outcome. If we analyse these findings, we can confirm the following:
  - We are spending $102,000 a year on marketing and advertising.
  - This spending is $27,000 more a year than budgeted for in the previous financial year.
  - The biggest reasons for this overspend is the cost of running ad campaigns.
  - We do see a $3,000 underspend when it comes social media campaigns. We have deduced that this is because the costs of these campaigns came in lower than expected and the focus was more on ad campaigns.
  - If we are looking for a 16% reduction in spending across the board, this would equate to a reduction in marketing & advertising related spending of $16,320.

- Knowing the challenge and knowing we have only 4 specific areas where we can target for this (rent, facilities management, equipment, utilities) we have to tackle biggest to smallest.
- Often with offices, reducing costs can be difficult as it is a fixed cost, as will be the utilities cost to run the building.
- Knowing this helps us to begin to formulate our approach to the costings.

Potential option

Review performance

Potential options for cost reduction

Marketing & advertising

Review performance

- A marketing department is only as effective and as worthwhile as the performance it can help generate for the company.
- Those departments that can deliver effective campaigns, generating great interest in and the purchasing of products and services deliver great ROI for the work they do, and how they do it (and of course, the cost).
- One of the first things you will want to do is to review the performance of your marketing activities. By reviewing, we are referring to the effectiveness of the delivery vehicle, the impact on sales and performance and the scope for savings.
- There are 3 areas you will want to look:

Performance of ads

Questions to investigate:

- How have the ads performed over a period of time?
- Can we correlate a new ad with an increase in sales?
- What has been the ROI of ad spend over X period?
- Have certain ad campaigns had a greater impact? (If so, which ones and what is unique to those?)
- Is some ad content repeatable due to its success?
- Which ads have had the greatest conversion rates?

Conversion rates

~~0.5%~~
1.1%
2.2%
~~0.4%~~
5.6%
3.4%
~~0.2%~~
4.5%

ROI

~~$1 made for every $3 spent~~
$7 made for every $3 spent
~~$3 made for every $3 spent~~
$15 made for every $3 spent

Total ad campaign spend: $70,000
Value add ad spend identified: $40,000
Break-even ad spend: $10,000
Loss leading ad spend: **$10,000**
Therefore, you have a potential saving here of **$10,000**

Potential options for cost reduction

Marketing & advertising

Performance of sales

Areas to investigate:

- Sales performance vs. the ads run for the products.
- Impact of new ads launched for certain products.
- Segmentation of product type vs. ads run.
- Performance of ads by product (conversion rates, ROI).
- Trend analysis of sales performance over time.
- Impact of changing ads on product performance.

New ad performance	Ad sales performance *(6 months)*
New ad launched: Sales ↑ 4%.	Product ad: ROI x 25. ✓
New ad launched: Sales ↑ 35%.	Product ad: ROI x 13. ✓
New ad launched: Sales unchanged.	Product ad: ~~ROI is break-even.~~
New ad launched: Sales ↓ 5%.	Product ad: ~~ROI – x2.~~

Actions to pursue

Discontinue ads where sales / ROI have gone negative
Investigate the approach taken for those high ROI ads (replicate)
Bank the savings OR reinvest into high performing or new ads
Investigate discontinuing certain product ads altogether

Performance of social media posts

Things to consider:

- How much money is being spent on post videos?
- How much money is being spent on other content?
- How much time is being spent on social media LIVE?
- How much time is being spent creating content?
- How much customer engagement is there?

Things to investigate:

- What has the response been from customers?
- Which posts have been engaged with the most?
- Which posts have been engaged with the least?
- What is the typical commentary on the posts?
- Which product posts have been the most / least successful?
- What are the stats around sharing, liking, commenting, reposting etc?

Total social media spend: $7,000
Reduce video creation: **Save $1,000**
Recycle content: **Save $1,000**

Changing the approach can also save time, focusing on value add activities and engaging with customers.

Potential options for cost reduction

Marketing & advertising

Review performance

Benefits

- The data you get from this exercise enables you to deliver smarter ad and social media campaigns, not necessarily more.
- Ensures spend is directly linked to ROI – so you not only potentially save money, but you can increase revenue at the same time.
- This act can feed into wider decisions made in the business.

Drawbacks

- Targeting marketing spend could have a direct impact on sales performance, brand awareness and reputation.
- Run the risk of not allowing campaigns to fully run, demonstrating their benefits – IF they are pulled too quickly.

Potential option

Review set up

Potential options for cost reduction

Marketing & advertising

Review set up

- When you're looking at the performance of your marketing campaigns, you cannot do this without looking at the set up.
- More specifically, how you conduct the campaigns, what parameters you have put in place, which modes and avenues you have used, locations and professions targeted etc.
- Getting these factors right can impact your sales, performance and the effectiveness of your campaigns significantly.
- Whilst there are a number of factors you need to assess, there are 4 key ones I would like to explore now:

Geographical location

Customer targeted

Product type

Cost per click

Potential options for cost reduction

Marketing & advertising

Geographical location

- Assess where you are focusing your marketing campaigns.
- Are some geographical locations generating more leads / sales than others?
- If so, why is this the case? Investigate.
- Are some geographical locations having better responses to the marketing campaigns you are delivering (format, content etc.)?
- Are some geographical locations generating more revenue and ROI compared to the spend on the marketing itself?

- The benefits of investigating this is that you can make more informed and targeted decisions about where to launch.
- It also enables you to potentially reduce the spend in certain areas (as they are naturally performing so well or the marketing has now done its job, or there is simply no ROI).

Customer targeted

- Customer is very much in line with the geographical location piece.
- Assess who you are focusing your marketing campaigns on.
- Are some individuals / job types / demographic profiles generating more leads / sales than others?
- If so, why is this the case? Investigate.
- Are some individuals generating better responses to the marketing campaigns you are delivering than others (format, content etc.)?
- Are some individuals generating more revenue and ROI compared to the spend on the marketing itself?

- The benefits of investigating this is that you can make more informed and targeted decisions about who to target.
- It also enables you to potentially reduce the spend in certain areas (as they are naturally performing so well or the marketing has now done its job, or there is simply no ROI).

Potential options for cost reduction

Marketing & advertising

Product type

- Identify if some products perform better with marketing campaigns behind them than others do. If so, why?
- Can you segment product *type* and compare with performance? Are some types simply not landing? If so, why?
- Is the response giving you an indication something needs to change with the product in its current form?
- Are your social media posts being commented on by potential customers stating what they do / do not want?

- The benefits of conducting this exercise is that you can now make decisions on which products to keep advertising for or not.
- You can decide to retire some products that have not worked, giving you room for financial savings or investment opportunities.
- You can also increase revenue and sales performance by understanding what your potential customers are saying.

Cost per click

- Investigate the cost per click performance.
- This can be done via channel (the different sites where you are running your ads), by customer type, by product type etc.
- This will show you if you are paying more per click dependent on the product type, customer, location etc.
- It will also enable you to see if you need to change the words and key words you are using in your ads, the content etc.

- Cost per click is one area where you could end up spending a lot of money and having very small conversation rates.
- Therefore the benefits of investigating this could be a reduction in spending on cost per click, better allocation of funds for ad clicks and a better ROI on each campaign.
- Any money saved can ultimately be banked or reinvested into other marketing campaigns.

Potential options for cost reduction

Marketing & advertising

Review set up

Benefits

- Ensures you are targeting the right people, the right locations and the right products – reducing potential for wasteful spending.
- Enables you to maximise the impact of every dollar by ensuring the cost per click and conversion rates can be maximised.
- Gives you insight and data – ultimately that you can use elsewhere.

Drawbacks

- By changing the geographic location, person targeted or product advertised, you do run the risk of missing out on future opportunities.
- What isn't necessarily working now may work in the future as trends and behaviours shift – therefore effort is needed to constantly review.

Final comments…

Marketing & advertising

Potential options for cost reduction

Marketing & advertising

What you could do next:

1) Review your P&L for opportunities in this part of budget, based on what you have learned.
2) Look back at the budgets over recent years (3 – 5) to see if there are any trends, departments with out of control spending or room for immediate savings.

-----

1) Review your marketing and advertising performance data. Start to understand what has and has not been working, which campaigns have been the most impactful, which channels garnered the most success etc.
2) Spend some time understanding the customer journey when it comes to yours ads, your landing pages and also the purchasing of services / products. Start to understand where there could be opportunities for improvement.
3) Review product / service sales data and match this up with ad and social media campaigns. Not just to understand the link, but also to see if the demand for certain products or services needs generating or is waning for any reason.

Potential options for cost reduction

Marketing & advertising

REMEMBER:

- When it comes to marketing & advertising spending, there is a clear balance to strike.
- The job of this department and indeed this budget is to deliver a ROI on what is spent. It is the act of spending to make, investing to grow, advertising to expand (sales, awareness etc.)
- You need to tread carefully here to ensure to do not cut this budget to the bone, leaving your department without the ammunition to deliver really great marketing campaigns.
- If you find you have higher spending on some marketing activities but they are reaping huge rewards, leading to sizeable ROI, sales and brand awareness, this would be worth the spending.
- What we are saying in this module is that you can always be smarter in how you advertise, in how you segment your customers, in how you respond to your conversation rates, cost per click etc.
- The key with this department spending is clear: take a cautious approach, act based on the ROI and listen to the data.

Review of the findings

3rd parties

3rd parties

- Review of the findings.
- Potential options for cost reduction.

Review of the findings

3rd parties

Expenses	Forecast	Actual
3rd parties	***$155,000***	**$145,000**
Accountants	*$125,000*	$125,000
Solicitors	*$30,000*	$20,000

- For our scenario example, we have the above outcome. If we analyse these findings, we can confirm the following:
  - We are spending $145,000 a year on 3rd party expenses.
  - This spending is $10,000 less a year than budgeted for in the previous financial year.
  - The reason for this underspend is totally because of reduced legal fees. The agreement we have with our 3rd Party legal support is based on case and advice required, and therefore when this is lower one year, so too is the cost.
  - Our Accountants come with a fixed annual cost.
  - If we are looking for a 16% reduction in spending across the board, this would equate to a reduction in 3rd parties related spending of $23,200.

- However, given that we have a substantial underspend in this current year and (for our scenario) it reflects a year on year trend, we can also look at where we could potentially invest this additional money for the benefit of the wider business.
- Knowing this helps us to begin to formulate our approach to the costings.

Potential option

Change contract approach

Potential options for cost reduction

3rd parties

- One opportunity you can take is to adopt a new approach to the type of contracts you agree to with your partners and providers.
- There are a range of contract types out there, and you can either adopt one of them or negotiate a completely new style of contract with your provider.
- In our scenario example, we have a standard 5 year contractual agreement between the company and the accountancy firm. This is a fixed fee (with inflation adjustments) over 5 years with a price list for additional costs agreed separately.
- With this in mind, we want to approach our contract style differently, and make changes for future providers.
- Options and considerations for this could include:

Standard / fixed term

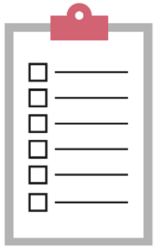
Alternative / flexible term

Reward

Standard +

Timeframe

Exclusions



List of requirements

SLAs

Potential options for cost reduction

3rd parties

Functional requirements	Non-functional requirements	Ranking
User account	Loading within 3 seconds	2
Holiday selection	Single sign on	1
Amend pre-booked leave	Security screening	1
Access to policy database	Company branding	2
Reporting	Integration with other systems	2
Access team absence calendar	Alerts & notifications	1
Employee profile		

Ranking
1 – Must have
2 – Nice to have

- Getting the requirements listed will involve speaking with all relevant parties to understand what their needs will be.
- It may also require some workshops where you rank and prioritise the requirements.
- The benefit of doing this exercise is that as you go to negotiate contracts, your potential new partners can asses your needs and deduce whether or not they can offer you the service and, if so, how flexibly or fixed this would need to be.

Benefits
- Gives you the opportunity to renegotiate current terms.
- Gives you the chance to add flexibility or certainty into your contract process, depending on the needs of your business.
- Can aid a focus on cost reduction well over the longer period.

Drawbacks
- Involves some up front work negotiating, working out what you want to include and not and engaging across all stakeholders.
- The other party may not always be willing to agree to the new terms and you could lose good partners in the process.

Potential options for cost reduction

3rd parties

Standard / fixed term

$125,000 annual cost. 5 year period.

Not accounting for inflation

Year	Cost
1	$125,000
2	$125,000
3	$125,000
4	$125,000
5	$125,000
Total	***$625,000***

- The cost of $125,000 covers the service and any additional extras that may come up over the time period.
- The term is fixed for 5 years and can only be cancelled with a sizeable break clause fine.

- With our example, you can see (bar inflation) the fixed cost remains consistent over the fixed term, with a guaranteed cost for the entire period.

Benefits

- You know exactly how much cost to budget for each year.
- You can look confidently ahead over the 5 year period, knowing exactly what service you will get and how much the cumulative total will be.

Drawbacks

- To leave the contract, for any reason, you would face big pay out costs.
- This makes it difficult if you are really unhappy with the service, want to evolve the service due to changing needs or explore new options.

Potential options for cost reduction

3rd parties

Alternative / flexible term

$125,000 annual cost. 5 year period.

Not accounting for inflation

Year	Cost
1	$125,000
2	$125,000
3	$100,000
4	$100,000
5	$0
Total	***$450,000***

- The cost of $125,000 covers the service and any additional extras that may come up over the time period.
- The term is flexible, and at the start of the agreement you were thinking it would be at least a 5 year partnership.
- As part of this unilateral agreement, if you are unhappy with the service or simply want to change the service, you can.
- This means you can cancel the contract with a short notice period at any time OR remove certain services at any time.

- In our example, we maintained the original service for the first 2 years, removed some services for the next 2 years and saved $25,000 for each of these years.
- Then, at the end of year 4, we cancelled the contract and went elsewhere for the service.

Benefits

- The flexibility gives you the ability to flex the cost, so if you are facing a hard few years you can reduce cost where needed.
- It can also be tailored to the needs of a changing business with changing needs – some services removed, others added on.

Drawbacks

- Removes the element of certainty for both you and the provider.
- Budgeting for coming years becomes trickier as you won't know if the service is going to be adding or removing services.
- Some service providers may not like the uncertainty of this approach and would say no during negotiations.

Potential options for cost reduction

3rd parties

Standard +

$125,000 annual cost. 5 year period.

Not accounting for inflation

Year	Cost
1	$125,000 + $30,000
2	$125,000 + $25,000
3	$125,000 + $15,000
4	$125,000 + $20,000
5	$125,000 + $20,000
Total	***$735,000***

- The cost of $125,000 covers the main service that has been agreed, but it does not cover a range of additional items, support, user accounts etc.
- As the contract was agreed, these additional non-essential extras were included as a separate pricing list, costed as for every 1 item purchased, an additional cost of X is added to the bill.

- In our example, we can see a 5 year service was agreed to and maintained.
- In addition to this fixed cost, we can see an additional $110,000 of spending was racked up.
- At the end of this period, we would question if many of these costs could have been included in the main cost at a much reduced rate.

Benefits

- If you see an increase in additional costs one year you can take steps to reduce this in subsequent years.
- There is still the confidence of the main service, being delivered over a set period of time, with additional flexibility for what is needed.

Drawbacks

- Makes it far more difficult to budget for as costs could fluctuate wildly.
- Leads to the risk of increased costs year on year as the company grows and requirements evolve due to client / internal needs.

Potential options for cost reduction

3rd parties

Reward

$125,000 annual cost. 5 year period.
Not accounting for inflation

Year	Cost
1	$125,000
2	$120,000
3	$110,000
4	$105,000
5	$100,000
Total	***$560,000***
6	$100,000

- The cost associated with this contract is an annual cost, and the contract has been agreed over a flexible 5 year period.
- For this contract to be seen as a reward based contract, it will be a more bilateral contract. The service provider will promise to deliver something that is worthy of reward, and the client will reward them.
- Examples could include:

If the provider can find savings within the contract of 2% a year over the period, they will be rewarded with a guaranteed 6th year.
If the provider agrees to improve SLA performance YoY by 5% over the period, they will be rewarded with an end of contract bonus.
If the provider agrees to a lower annual cost over the period, they will be rewarded with a guaranteed sign off bonus.
If the provider achieves X metrics above what has been agreed contractually over the period, they will be rewarded by additional services being purchased from the client at the end of the time period.

Benefits

- You can tailor the reward to the need. If you need upfront cost reductions, agree a bonus. If you want savings, guarantee an extension.
- It also increases the likelihood that the service will improve over time.
- If the provider expects a long term relationship, they will be more likely to provide a better service and invest more in the partnership.

Drawbacks

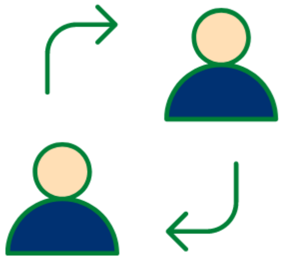
- The contract is still pretty fixed in terms of duration, as you have to give the provider time to deliver what they would be rewarded for.
- You would need to determine with the provider what would make a good reward and agree to this at the outset – with views on this potentially not aligning.

Potential option

Change provider

Potential options for cost reduction

3rd parties



Change provider

- Linked inextricably to everything we have just covered is the provider. No matter the contract, the approach, the service needed, the client etc. having the right provider that can deliver is crucial.
- Outside of getting the contract right therefore, is getting the service provider right.
- In an effort to reduce costs, one of the obvious things you can do is to change the service provider.
- This can be done either at the end of your current contract or during (break clause).

Expenses	Forecast	Actual
3rd parties	***$155,000***	**$145,000**
Accountants	*$125,000*	$125,000
Solicitors	*$30,000*	$20,000

How can we get this recurring cost down?

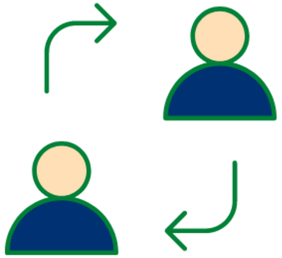
- If we look at our example, we would ask our Procurement Team to go out to the market to seek a new provider.
- When doing so, you can inform them:

1) That the aim is to save on costs.
2) Not to compromise on quality.
3) To agree additional services (if possible).
4) What the list of fixed and flexible requirements are.
5) What the current agreement states, the cost, the services provided.
6) How the current service has gone, the quality and the output.

Potential options for cost reduction

3rd parties

- The Procurement function within your business will now initiate the Procurement Process.



RFI document

- The RFI Process (request for information) kick starts the wider procurement process.
- This is where the Procurement Team send out an RFI document to a range of potential suppliers to gather more information from them on the services they offer.
- This can be done several times in order to get as much information as possible until you have removed many of the potential providers and have a small concise list.

RFI description

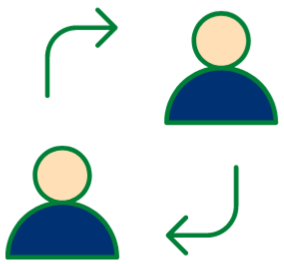
Give a high level one or two liner of what you need / your project
Ask for potential timeframes
Functional requirements (can the vendor provide these)
Ask what the creative and delivery process would look like
Ask what more they would need from you

RFI response

Potential options for cost reduction

3rd parties

Change provider



- If we think about our scenario example, we have $125,000 being spent on our Accounting service, annually.
- We can follow the process of going to market, following the RFI process and engaging with potential suppliers.

Current

Annual spending: $125,000
5 year spending: $625,000
10 year spending: $1,250,000

Potential

Annual spending: $95,000
5 year spending: $475,000
10 year spending: $950,000

SAVING: $300,000

- With this type of work, you need to be thinking longer term to secure savings on a larger scale.
- Ahead of the time, think through exactly what it is you want from the service but also, how much are you looking to save?
- Also, what are you planning to save that money for / spend it on?
- This will drive your determination to make X savings.

Benefits

- You can pretty much guarantee savings from this approach, as you set the tone at the start and know what you need.
- Being back out in the market enables you to take your time to explore all options, plus improvements in quality and service alongside cost.
- A new provider can come hand in hand with a new contract type.

Drawbacks

- You may be with a provider you are extremely happy with and do not want to compromise on for the sake of reduce costs.
- There can be some disruption with this process, during the procurement stage but also if a new provider comes in and has to settle in.

Final comments…

3rd parties

Potential options for cost reduction

3rd parties

What you could do next:

1) Review your P&L for opportunities in this part of budget, based on what you have learned.
2) Look back at the budgets over recent years (3 – 5) to see if there are any trends, departments with out of control spending or room for immediate savings.

-----

1) Review all current contracts with 3rd parties, analysing where you stand currently, what the contract types are and how long you are locked into those contracts for – and how long you have left.
2) Where possible, start to have some dialogue around the types of requirements the business has for those systems / services / partnerships which could be coming up for renewal in the coming year.
3) Review your RFI process and run a dummy scenario for your RFI document. Ensure the template is correct and the process works ahead of any future work to be conducted.

Review of the findings

Equipment

Equipment

- Review of the findings.
- Potential options for cost reduction.

Review of the findings

Equipment

Expenses	Forecast	Actual
Equipment	**$7,000**	**$13,000**
Laptops	*$2,500*	$5,000
Tech accessories (mice, cables etc.)	*$500*	$1,000
Mobile phones	*$2,000*	$4,000
Maintenance	*$2,000*	$3,000

Expenses	Actual
Equipment	**$50,000**
Laptops	$20,000
Tech accessories (mice, cables etc.)	$3,000
Mobile phones	$12,000
Maintenance	$15,000

- For our scenario example, we have the above outcome. If we analyse these findings, we can confirm the following:
- We are spending $13,000 a year on equipment.
- This spending is $6,000 more a year than budgeted for in the previous financial year.
- The biggest reason for this overspend are lost and broken equipment such as laptops and mobile phones.
- We do not see any underspend in this budget. However, in our scenario example, we have spent the past 3 years getting the original set of costs down to where they are now.
- The fall was so big that we budgeted, expecting big falls again. 3 years ago, the actual spending was $50,000. That is a 74% reduction in spending in 3 years and we are now spending just over a quarter of what we were.

- For this section, given the small figures, we are going to look back at what the scenario company did to secure such a dramatic fall percentage wise in this spending.

Potential option

Let’s explore what we did

Potential options for cost reduction

Equipment

What we did

Expenses	Actual
Equipment	**$50,000**
Laptops	$20,000
Tech accessories (mice, cables etc.)	$3,000
Mobile phones	$12,000
Maintenance	$15,000

3 years

Expenses	Forecast	Actual
Equipment	**$7,000**	**$13,000**
Laptops	*$2,500*	$5,000
Tech accessories (mice, cables etc.)	*$500*	$1,000
Mobile phones	*$2,000*	$4,000
Maintenance	*$2,000*	$3,000

- To reduce the money spent on the equipment budget, we pursued 3 options:

1) Task procurement to find cheaper alternatives for hardware and maintenance options.
2) Change loss & damage policies.
3) Explore outsourcing of maintenance.

- These 3 options combined were tasked with reducing this budget by 50%, based on the experience of others.
- However, through the approach we were able to take, we reduced the costs by **74%.**

Potential option

Task procurement to find cheaper alternatives

Task procurement to find cheaper alternatives

- Spoke with the Procurement Team and asked them to go out to the market to find alternative providers of our key equipment services to find savings.
- These services were the providing of new laptops and additional equipment and providing the maintenance of equipment across the organisation.

- Looked at the existing agreements.
- Compiled current and future requirements.
- Explored options across the supply chain network.
- Reached out to those satisfying the requirements at reduced cost.
- Scheduled demos and initial conversations with ideal providers.
- Chose the winning providers to negotiate with.
- ***Negotiated deals at 20% reduced price due to longer term, reward based contractual agreements.***

Potential options for cost reduction

Equipment

Benefits

- Puts this effort squarely in the hands of the Procurement Team.
- Procurement are the experts in this field, therefore will know where to look and who to speak with, saving a lot of time.
- Often, you will be presented with a range of options and potential providers, giving much flexibility and choice.

Drawbacks

- There involves increased risk here that procurement may focus on cost over quality given the ask of them.
- Given the BAU requirements of the team, the process could slow as they control it completely.

Potential option

Change loss & damage policies

Potential options for cost reduction

Equipment

Change loss & damage policies

- One further area that was explored was the policy around what happens when someone breaks or loses their equipment, specifically their more expensive hardware, such as their laptop.
- At the start of this process, there was no real policy.
- The policy was, if you break something, take it to IT to repair or replace. If you lose something, inform the security team and ask IT for a new laptop.
- The problem we found with this approach was that it led to a lack of care with equipment, higher than average cases of loss and damage and some individuals with several instances of having their laptops replaced.
- Given this, we decided to tighten up the policy to include:

Complicate the process

Require a reason

Investigate negligence

Recoup the cost of replacement

Potential options for cost reduction

Equipment

Benefits

- This can be done relatively quickly and communicated out so.
- Pushes the onus very much onto the individual, stressing individual responsibility over that of the company.
- Can lead to a range of outcomes the individual employee would not want, therefore forcing behavioural change.

Drawbacks

- The new policy could ruffle feathers, especially if there is a cost involved.
- If the policy is not communicated effectively, especially to new starters during orientation, they may be redundant.

Potential option

Explore outsourcing of maintenance

Potential options for cost reduction
Equipment

Explore outsourcing of maintenance

- Looking across the market, speaking with our competitors and engaging with our clients, we could see a substantial majority of them had outsourced their IT departments.
- This included the maintenance of hardware, the handling of software issues, the service desk, procurement of IT equipment, provision of company wide solutions etc.
- For us, the maintenance part of the IT department was the first to explore outsourcing – the fixing of hardware and software issues and dealing with cases.
- We therefore looked out at the market for a range of providers to engage with.

- This would include:
  - Preventative IT maintenance
  - Corrective IT maintenance

Cost savings would be much bigger if the team and whole IT operation were outsourced.

- By outsourcing this, you have experts who know how to reduce costs, prevent the need for large scale maintenance on a regular basis and choose the right solutions at the right cost.
- The quality of service also improved as the company knew about the latest technologies earlier and could deploy them quicker.

Potential options for cost reduction

Equipment

- *So as you can see, the approach we took with equipment was a joint approach across all cost lines.*
- *This unified approach ensured that all costs could be reduced, the new providers and services could work well in unison and any process changes that were required were done collectively.*

Benefits

- Outsourced options do tend to be cheaper, especially if you factor in the staff cost element.
- As the outsourced company is solely working on this, the quality of the service should improve.
- The team would have more knowledge of preventative maintenance.

Drawbacks

- You lose control of the process and the team, meaning any instructions need to go through a mediator.
- Once outsourced, trying to reduce cost further becomes harder, as many of the decisions made will be within that provider itself.

Final comments…

Equipment

Potential options for cost reduction

Equipment

What you could do next:

1) Review your P&L for opportunities in this part of budget, based on what you have learned.
2) Look back at the budgets over recent years (3 – 5) to see if there are any trends, departments with out of control spending or room for immediate savings.

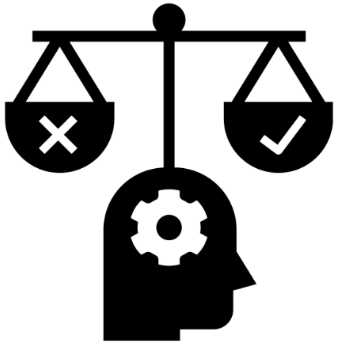
-----

1) Begin the dialogue with your Procurement Department to get them warmed up to the potential activities to come.
2) Ask HR (or whomever it concerns) for copies of the policies regarding the lost, theft or damage to company equipment and begin to review their content.
3) Size up your current IT and equipment offering to see a) how it is currently structured (some is outsourced, some isn't, for example) and b) if this would be possible.

Risk

Considerations

Considerations



- Risk.
- Communication.
- Timeframe.
- Resourcing.
- Need to invest.
- ROI.
- Market trends.
- Long term planning.
- Process improvement.
- Time for YOUR plan.

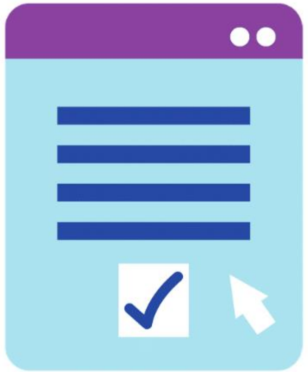
Risk
Considerations

- One of the most important things you need to think about when it comes to cutting costs, saving money, reducing spending etc. within a business is RISK.
- More specifically:

Q) What is your risk tolerance?
Q) How much risk are you willing to take on?
Q) Which reductions have greater and lesser risks?
Q) What type of risks are we talking about?

- Thinking through this will help you to avoid any risks becoming reality, and ultimately costing your business in terms of higher costs, increased staff turnover or damaged reputation.
- The main thing you should do at the time of looking to reduce costs is work out “how much risk is there in this option?”
- The risk will depend on a range of factors, and different options will have different types of risk.
- Leaders in the business will be very mindful of the risks associated with some of the changes you are proposing, so you’ll need to think about them before, during and after deployment of any changes – inc. in your business case.

Knowing this, you need to create a risk register!



Risk
Considerations

- A GOOD risk register is a great way for you to:
- Identify potential risks
- Identify potential impacts
- Give them a rating
- Identify the likelihood of that risk occurring
- Identify potential mitigations you can deploy.

Rating
1 – No impact
2 – Small impact
3 – Some impact
4 – Big impact
5 – Critical impact

Probability
1 – No chance
2 – 25% chance
3 – 50% chance
4 – 75% chance
5 – 100% chance

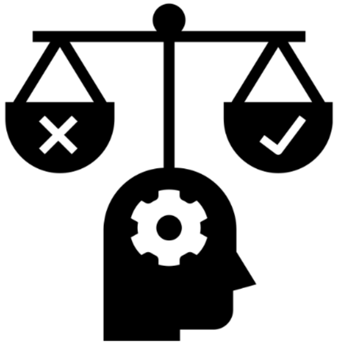
ID	Description	Category	Date	Impact	Rating	Probability	Mitigation	Status	Owner
1	Freezing pay for 6 months could lead to an increase in staff turnover.	Compensation	May - 33	Staff turnover could increase, increasing costs and reducing savings	3	3	Guarantee pay rises for 6 months ahead AND what they will be		Mark White
2	Accepting overtime budget to come in above budget each year.	Compensation	July - 33	Trends show this would cost $100,000s of additional spending over coming 5 years.	4	5	Build out a new overtime approval process, with no approvals over a certain day rate.		Pooja Singh

- You need to define what you are assessing risk for. For example, are you seeking to identify risk in *doing* something, identifying the risk of *not* doing something (inaction), risk in delivery of the project, delivery of the specific change?

Communication

Considerations

Considerations



- Risk.
- Communication.
- Timeframe.
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- ROI.
- Market trends.
- Long term planning.
- Process improvement.
- Time for YOUR plan.

Communication

Considerations

- One of the most common causes for a project, programme or initiative to fail or suffer badly at some stage is poor communication.
- If you want to successfully deliver change, you need to successfully deliver communication.
- This communication needs to come in several forms:

Before

- Ensure you inform key stakeholders before the work begins what you are planning to do and why.
- Make it clear what you hope the outcome will be to help secure buy in from those you need it from.
- Set the tone for the type and mode of messaging throughout the work.

During

- Whilst you are conducting your review, deciding on the changes and deploying your plan, you must keep stakeholders informed.
- This will be informed of plans, progress and outputs.
- This enables people to plan for the next phase adequately.

After

- Post delivery of change, many people wrap up communication, thinking all is done.
- However, this is not the case.
- Post delivery you need to be tracking progress, feeding back on the impact, the improvements and the progress.

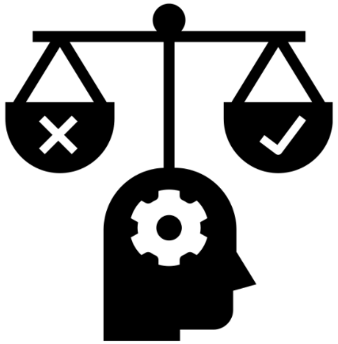
Communication

Considerations

- One of the key things you will need when thinking about communication is a communication plan.
- This plan will be where you clearly highlight all of your communication plans including:
- What, to whom, when, how, responsible and any actions that may come from this.
- One key component of communication plans I highlight is – KEEP IT SIMPLE!

What?	To whom?	When?	How?	Responsible?	Actions
Status update	Leadership Team	Weekly	PowerPoint slide via email	Project Manager	None
Huddle update	Payroll Team	Daily	Daily huddle	Payroll project support	Regularly
Regular Cadence	Technical team	Weekly	During team meetings	Technical project support	Sometimes
Project meetings	Project team	Weekly	Face to face meeting	Project Manager	Always

Considerations

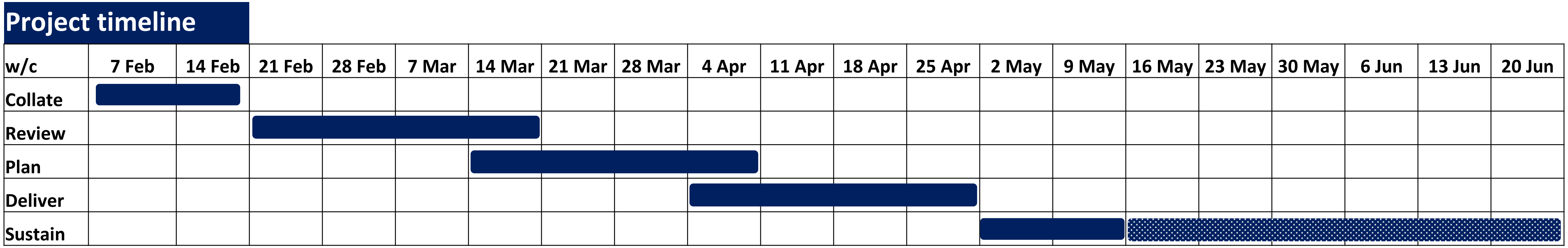


- Risk.
- Communication.
- Timeframe.
- Resourcing.
- Need to invest.
- ROI.
- Market trends.
- Long term planning.

Timeframe

Considerations

- As well as communicating out the key aspects of your initiative, graphically representing the key milestones and deliverables within it is crucial.
- This is a great way for you to keep track, show others how you are progressing and also hold yourself to account.
- When mapping out your timeline, you need to ensure you set the right expectations (don't be too optimistic or too pessimistic with your plans). You will look like a poor planner if this happens.
- Make sure the plan highlights when key deliverables will be achieved, as important stakeholders will want to know when they can expect to see some results.
- This will also help with resource management and budgeting (realising the savings).
- At a high level, you can deploy the following:



Timeframe

Considerations

At a lower level, you can deploy the following:

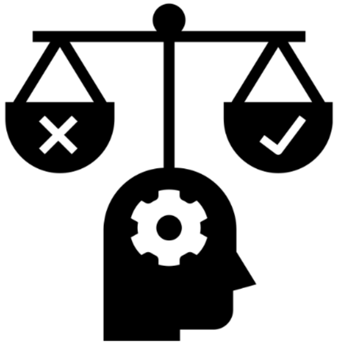
% Complete	Status	Legend	
0%	■		On schedule
			Behind schedule
			Complete
		◆	Deliverable Due

Project:

February				March				April				May					June				July				August			
1. week	2. week	3. week	4. week	1. week	2. week	3. week	4. week	1. week	2. week	3. week	4. week	1. week	2. week	3. week	4. week	5. week	1. week	2. week	3. week	4. week	1. week	2. week	3. week	4. week	1. week	2. week	3. week	4. week
7	14	21	28	7	14	21	28	4	11	18	25	2	9	16	23	30	6	13	20	27	4	11	18	25	1	8	15	22

Activity #	KEY ACTIVITIES	Responsible	Deadline	% Complete
1	Define			0%
1.01				
1.02				
1.03				
1.04				
1.05				
2	Measure			0%
2.01				
2.02				
2.03				
2.04				
2.05				
3	Analyse			0%
3.01				
3.02				
3.03				
3.04				
3.05				
4	Improve			0%
4.01				
4.02				
4.03				
4.04				
4.05				
5	Control			0%
5.01				
5.02				
5.03				
5.04				
5.05				

Considerations



- Risk.
- Communication.
- Timeframe.
- Resourcing.
- Need to invest.
- ROI.
- Market trends.
- Long term planning.

Resourcing

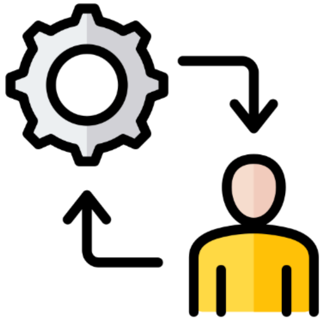
Considerations

- Tied in heavily with communication and timeframe is resourcing.
- This is where you identify clearly the resource you are going to need to conduct your initiative, who and when.
- It is vitally important you conduct this exercise to ensure:
  - You identify the right person / resource.
  - You identify the right *type* of resource (contractor, internal SME).
  - Stakeholders know when they need to be involved.
  - Stakeholders know for how long they will need to be involved (sessions, period of time).
  - Teams can adequately plan for their resources to be busy on the initiative.

- As with many of these considerations, it's a planning exercise and a respect exercise.
- The resources you need could be required for the following reasons:

Workshops

Project Manage



Change Manage

Knowledge

Analysis

Resourcing

Considerations

1

Define the resources

- Firstly, define what roles you need.
- This will include what the responsibilities and accountabilities of the roles will be.
- Here you will need to detail what kind of knowledge they will need, skills and experiences.

2

Identify resources

- Next, you need to identify who the resources are.
- If you require internal SMEs, you will speak with teams, managers and leaders.
- This will be more about identifying those who know the processes inside and out.
- For external hires, such as Project Managers, you will need to identify the right person as part of the initiative.

3

Schedule resources

- For internal SMEs, you will need to identify how much time they will need to dedicate each week to the initiative.
- For external hires, you will need to identify what they will need to prioritise and work on and when.
- The timeframe will play a key role here.

4

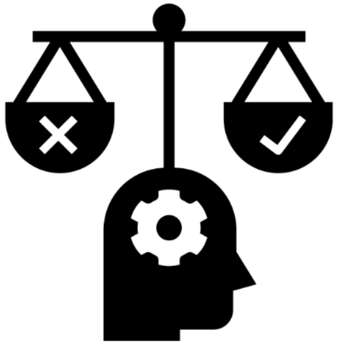
Deploy the resources

- As part of the deployment, you need to track progress.
- It can be the case that you have to change plans, request more resource, less etc.
- You need to keep an eye on progress and ensure resource is being used wisely.

Need to invest

Considerations

Considerations



- Risk.
- Communication.
- Timeframe.
- Resourcing.
- Need to invest.
- ROI.
- Market trends.
- Long term planning.

Need to invest

Considerations

- Throughout this course, we have talked about the need to find savings, efficiencies, cut budgets and spending.
- This is a vital aspect of successful budgeting for businesses, as they grow, evolve and take on increasing and diversifying expenses.
- Even so, we must not forget the vital importance of investing too. Investing to grow, investing to save, investing to evolve.
- Money for investing can be found in your increased profits as you have grown the business, launched new lines etc. It can also be found in the savings you have bagged from your cost saving initiative.
- For this course, we will consider two types of investment.

1) Investing in the business to save money.
2) Using the savings generated from the cost cutting initiative to invest in the business.

- Some of these investments may be the same, but the approach to deploying them and the purpose and reason for them may differ.

Need to invest

Considerations

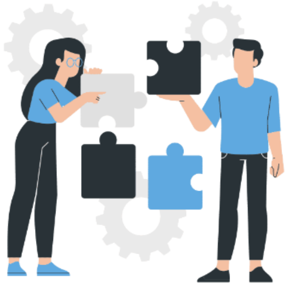
Investments to save money

- Some people see investments as a cost, more money going out of the door. This can be wrong IF you choose the right investments.
- Investments can, in the longer term, be great at securing cost reductions. Examples of these would include:

Automation

Severance

Procurement



CI Team

Training

New tools

Need to invest

Considerations

Save money to invest money

- Some people will reduce costs to save money and ultimately bank that money, adding it to the bottom line.
- While this definitely helps your business, you could also allocate some or all of that money to new investments.
- These investments will help your business grow, modernise and ultimately, make more money. They include:

New staff

Launch products

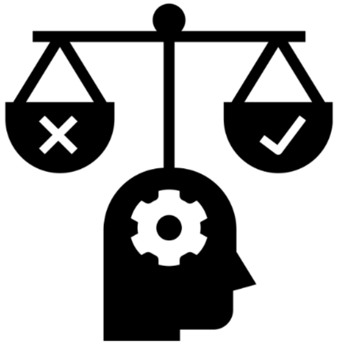
New equipment

Sales Team

New systems

Marketing

Considerations



- Risk.
- Communication.
- Timeframe.
- Resourcing.
- Need to invest.
- ROI.
- Market trends.
- Long term planning.

ROI

Considerations

- When thinking about what investments you want to make, the costs you want to reduce and the changes that are going to be deployed, at all times you need to think the following:

What is the return on investment going to be for this activity?

- The investment can be money in a new system, time deploying the changes, budget cuts that could impact the company negatively (you need to ensure the ROI is positive).
- Thinking about our scenario, let's explore a short term and long term example:

- We have a production process, generating products for the market that is defective.
- The range of issues and errors within the process are costing the business in terms of lost sales, goods lost in transit and wasted materials because of defective goods.
- You hire a contractor to come in, analyse the problem, review, launch a project and fix the issues.

Year	Lost sales	Lost goods	Wasted materials	Cost of contractor
Year 1	$250,000	$100,000	$50,000	$150,000
Year 2	$100,000	$30,000	$15,000	$0

Year 1 cost:
$550,000

Year 2 cost:
$145,000

Contractor investment:
$150,000

2nd year savings (non – contractor):
$255,000

ROI

Considerations

- Now, for our longer term example, we are looking to build out a Continuous Improvement Team.
- This team will be tasked with finding soft efficiency savings alongside hard cash savings through a range of projects and initiatives.
- We are looking at this ROI over a 5 year period.

Investment	Salary	Benefits	Other	*Totals*
CI Lead	$100,000	$10,000	$12,000	$122,000
CI Lead	$100,000	$10,000	$12,000	$122,000
CI Assistant Lead	$50,000	$6,000	$5,000	$61,000
CI Assistant Lead	$50,000	$6,000	$5,000	$61,000
Year 1	$300,000	$32,000	$34,000	$366,000
Year 2				$379,300
Year 3				$393,265
Year 4				$407,928
Year 5				$423,324
				$1,969,817

ROI
Considerations

Years	*Totals*
Year 1	**$366,000**
Year 2	**$379,300**
Year 3	**$393,265**
Year 4	**$407,928**
Year 5	**$423,324**
	$1,969,817

- To achieve an ROI for this initiative, you would need to see over $1,969,817 of savings over the 5 year period.

- To come in flat, you would need to achieve $1,969,817 of savings over the period.

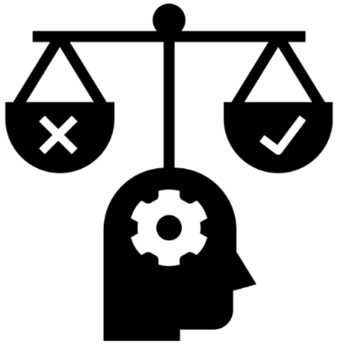
Initiative	Year	Cost	Net. saving	Cum. saving
Process reform X	Year 1	$0	$100,000	$500,000
Team reform X	Year 2	$10,000	$240,000	$960,000
New system X	Year 2	$30,000	$40,000	$160,000
Staff reduction X	Year 3	$150,000	$450,000	$1,650,000
Close vacancy X	Year 3	$0	$150,000	$450,000
Dept. review X	Year 3	$0	$30,000	$90,000
Process reform X	Year 4	$0	$50,000	$100,000
Process reform X	Year 4	$0	$65,000	$130,000
Outsource team X	Year 4	$100,000	$400,000	$800,000
Training X	Year 4	$20,000	$80,000	$180,000
Finance reform X	Year 5	£5,000	$145,000	$145,000
New contracts X	Year 5	$10,000	$140,000	$140,000
Salary change X	Year 5	$0	$250,000	$250,000
		$325,000	**$2,465,000**	**$5,555,000**

$5,555,000 – **$1,969,817** = **$3,585,183**

Market trends

Considerations

Considerations



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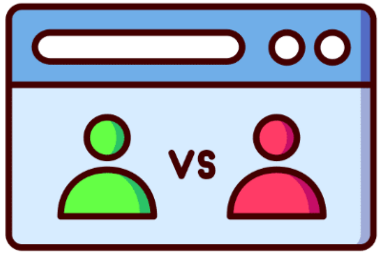
- Time for YOUR plan.

Market trends
Considerations

- One call out to make at this stage is around market trends.
- When looking to cut costs, make investments, change how your business operation works, you need to understand what the wider market is doing.
- This shouldn't be a one off exercise. You should be looking at and understand market moves previously, now and longer term each and every day.
- By having your pulse on the wider market, you will put yourself in a position to win new business, deliver new and exciting technologies ahead of others and deliver business decisions in line with or ahead of the market.
- Key reasons to do this include:

Customer needs



Competitor moves

New technologies

Economic indicators

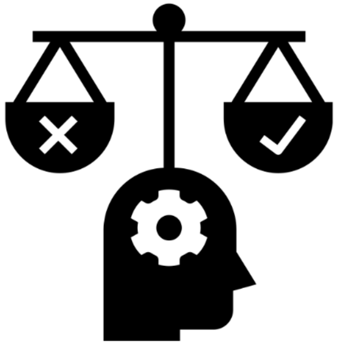
Working practices

PESTLE Analysis

Long term planning

Considerations

Considerations



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Long term planning

Considerations

- Another consideration you need to think through when working on a cost reduction exercise is thinking about the longer term.
- This is where *everything* we have considered before including trends, risk, cost, company plans etc. are all taken into consideration.
- Long term planning is something many businesses don't consider.
- When making investment decisions, when picking new software, when reforming teams, when reducing budgets, when automating roles, when launching new products, when understanding your customers, when tapping into new markets etc. when doing ALL of this, a long term plan needs to be present.
- Many of these considerations will overlap, interlink and depend on something else, therefore trying to make decisions in silo, without a plan, could prove fatal.
- For example: You decide to outsource your Payroll Operations at a time when other businesses are starting to bring such operations in house. This leads to your costs spiking as these companies need to recoup costs AND you negotiated a flexible contract. You now have to decide whether or not to bring this back in house again at great cost or soak up the increased recurring costs and, potentially, poorer service.

Prepare for growth

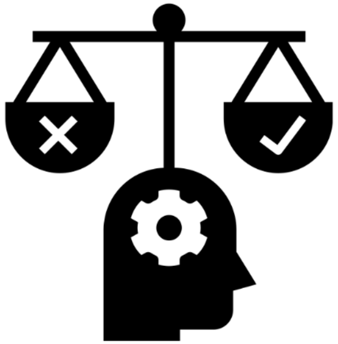
Negotiate right

Accommodate new tech

Generate savings

Control costs

Considerations



- Risk.
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- Timeframe.
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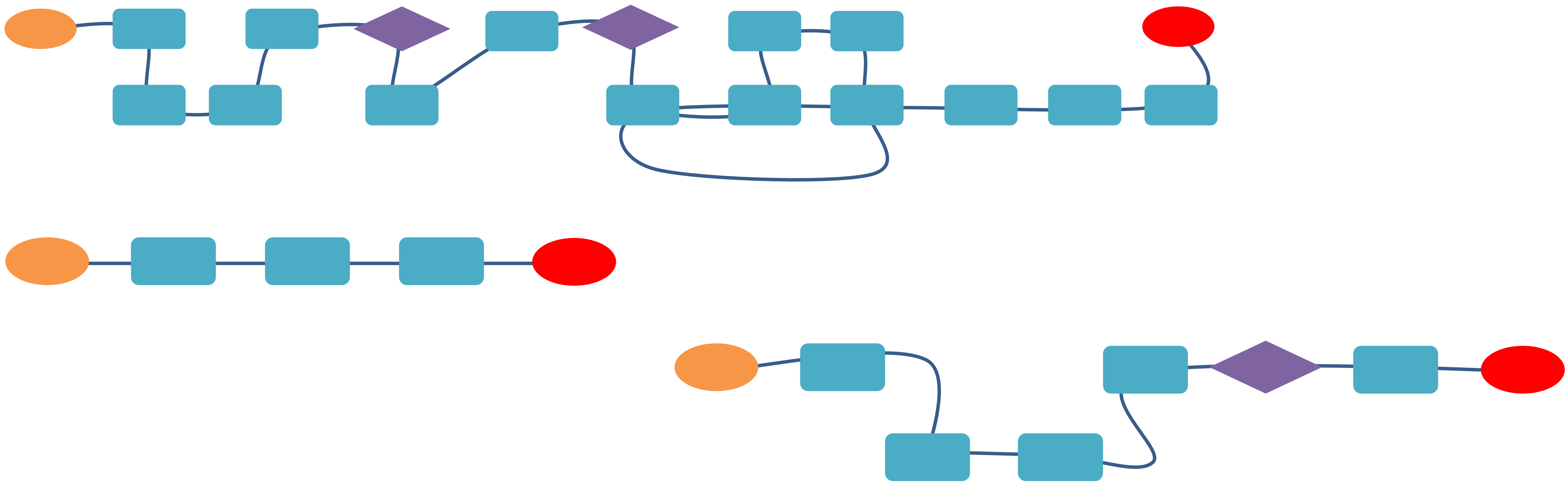
Process improvement
Considerations

- A final approach I would like you to consider at this final stage is process improvement.
- It is something we have touched upon throughout this course in one way or another.
- Asking staff to improve their processes, reduce waste, changing policies, automating work etc. all of these are examples of process improvement.
- At this stage though, I would like you to think about it in a more formalised way.
- The benefits of process improvement, if delivered correctly, can be vast, with ripple effects throughout the organisation.



Process improvement

Considerations

- As with any option, there is an approach you should follow in order to successfully deliver process improvements.
- With process improvement, there are 8 key steps that you need to follow in order to deliver successfully reformed, reengineered or redesigned processes.

Identify the process

Map the as-is process

Identify VA & NVA

Map the to-be process

Gap analysis

Map the realised process

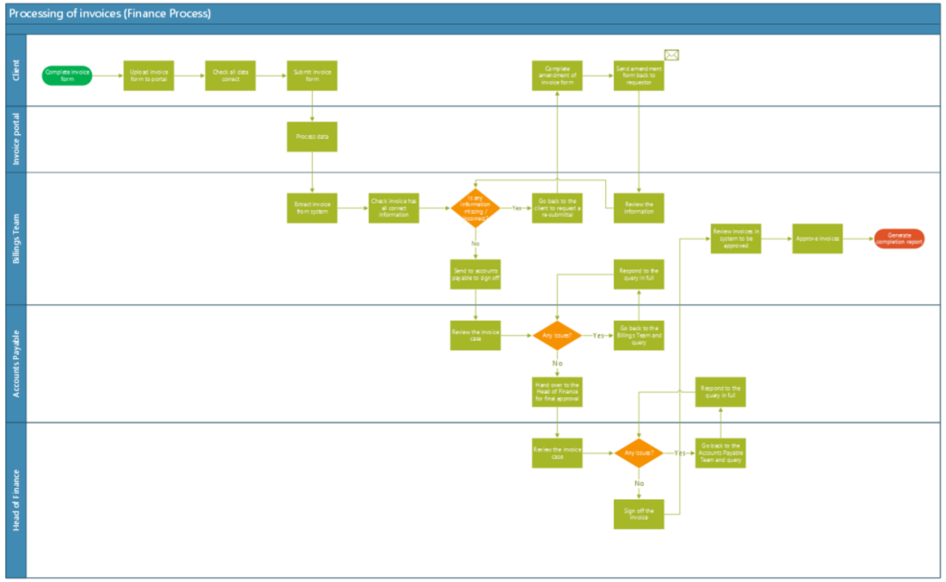
Test the new process

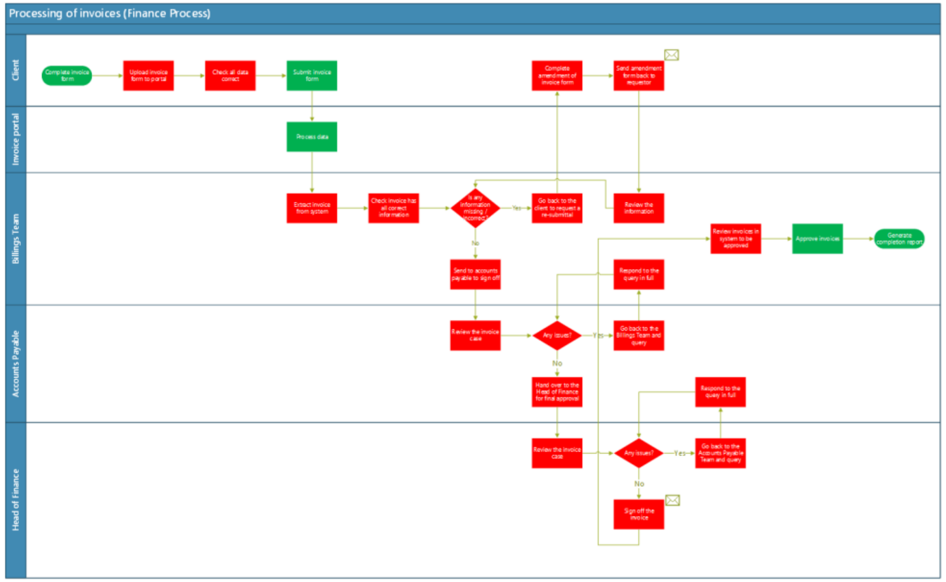
Provide wider updates

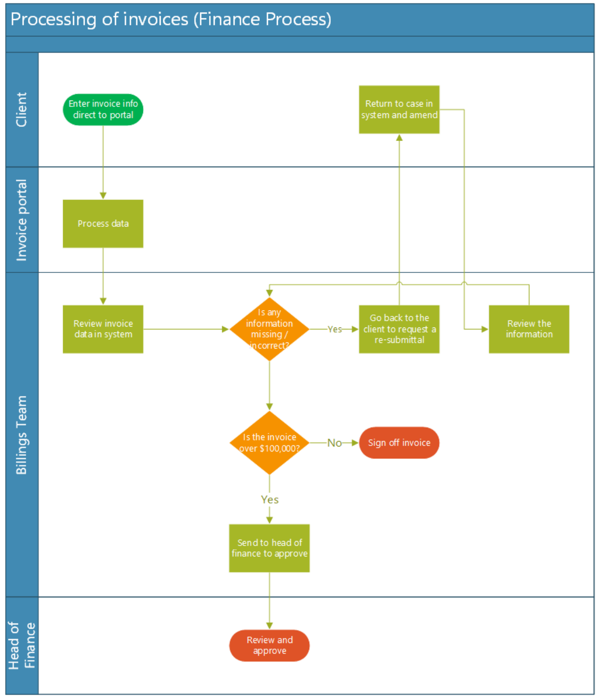
Process improvement

Considerations

- Working through this process, you will need to map extensively your process(es) in question.
- This visual aid will show you where there is waste and opportunity, will enable you to design the process without this to later test, and reveal the final delivered process.







- By going through this process, you gain one key thing – insight.
- Insight into how your processes are working, where there is waste and where there is opportunity for change and improvement.
- It enables you to make informed decisions, decide on the scale and scope of the change you want and show what is actually possible.

Process improvement

Considerations

So why discuss process improvement?

- Process improvement can lead to a range of cost reduction opportunities, even if these are not as obvious as other types of savings initiatives.
- Process improvement can aid and abet this in the following ways:

Calculate FTEs

New business

Budgeted spend

PI exercise

Follow the plan

Eliminate the waste

Bank the savings

Grow sustainably

Process Improvement

Considerations

- We have a customer contact centre which is staffed by 10 colleagues.
- They handle calls from prospective customers, current customers, handle complaints, deal with queries about products, amend contracts, make new agreements etc. All customer facing activities are handled here.

Current picture

10 staff

Average cost: $50,000

Total cost of department: $500,000

Planned picture 1 year from now

14 staff

Average cost: $50,000

Total cost of department: $700,000

Cost of department change: **$200,000**

Realised picture after PI

12 staff

Average cost: $50,000

Total cost of department: $600,000

Cost of department change: **$100,000**

Saving on budget (1 year): **£100,000**

Saving on budget (5 years): **$500,000**

Next growth round

Required additional staff: 2

Average cost: $50,000

Delivered additional staff (after continued PI): 1

Saving on budget (1 year): **$50,000**

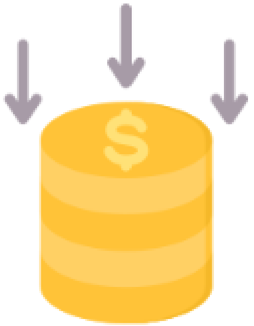
Saving on budget (5 years): **$250,000**

Process Improvement

Considerations

Additional aims of process improvement

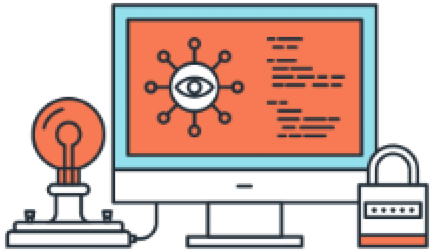
Reduce unknown future costs



Reduce planned future costs

Reduce errors and issues

Reduce loss of customers



Be match fit for new systems

Benefits

- PI can often come at no investment or upfront cost.
- As part of medium and longer term planning, PI can offer big rewards.
- The benefits can include both hard and soft savings.
- They can also include culture change, behaviour change and the accommodation of bigger changes in the future.

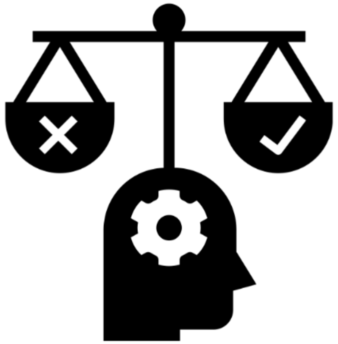
Drawbacks

- This approach can involve some upfront work over a period of time.
- The benefits of the changes may not be felt right away (especially in terms of hard cash savings).
- If done badly, there is a risk the changes will cause more damage than harm.

Time for YOUR plan

Considerations

Considerations



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Time for YOUR plan

Considerations

- Now that you have absorbed ALL of the knowledge, the techniques, the approaches, the cost saving ideas… it is time for you to plan and plan well!
- We won't go through a deep dive in how you do this as we have already done this, throughout the considerations part but also earlier on:

Why are you looking to reduce costs?

- …
- …
- …
- …
- …
- …

Do you have an amount in mind?

- …
- …
- …
- …
- …
- …

Do you have a timeframe in mind?

- …
- …
- …
- …
- …
- …

Have you considered the risks?

- …
- …
- …
- …
- …
- …

Initial findings

- What have you found out in step 2?
- Bullet point or highlight some of the key items to flag.
- For example: "The overtime spend is substantially higher than anticipated" OR "Replacement laptop costs appear elevated".

Further required actions

- Identify what actions have come out of your initial analysis.
- For example: "Request salary breakdown from HR" OR "Request stationary purchases from Facilities Management" OR "Request broken / damaged IT equipment requests from the Service Desk".

Forecast vs. Actual – Under & overspend

- Have you seen substantial under or over spend in your budgets?
- If so, explore why. You may not have the answer right away…
- For example: "We have seen $20,000 more spending on IT equipment than anticipated. Upon further investigation we discovered an increase in global travel which led to more laptops being lost in transit."

Analysis of deep dive

- Analyse any further information given to you regarding the budgets.
- Record this information here – highlighting significant findings.
- For example: "Salary breakdown highlights 5 roles paying above $200,000 and 5 additional roles between $150,000 - $200,000.
- "6 laptops and 5 phones were lost / damaged this financial year".

Priorities

- Highlight those spending areas which you are going to prioritise as part of the first tranche of works.
- For example: "Overtime, Contractor and IT equipment replacement are the 3 focus areas for the first part of this work.
- "We will then look at facilities management costs once a further breakdown is provided for this financial year as a second priority".

Item	Ranking
Compensation	1
Office	2
Equipment	3
Systems & subscriptions	2
3rd parties	3
Marketing & advertising	3
Expenses	2

Initiative brief

- Highlight the purpose of this work and a high level aim.
- For example: The business is looking to expand over the coming 3 – 5 year period. We therefore want to find savings from our current spending to help fund this growth. To do so, all departments will be reviewed and assessed for efficiency and financial savings.

Objectives

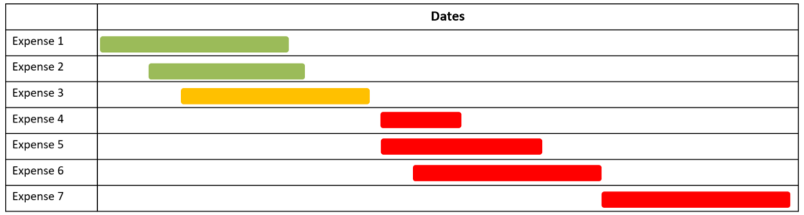
- To reduce spending from its current rate of $3.74million this financial year to closer to $3million in the coming financial year.
- This equates to a reduction in costs of 16% over the year.
- To ensure all spending commitments are maintained within the forecasted budget for the year ahead (no overspend).

Scope

- For this initiative, all spending lines are to be included.
- These include Compensation, Office, Equipment, Systems & Subscriptions, 3rd parties, Marketing & Advertising and Expenses.

Additional items

- Key stakeholders.
- Project team.
- Communication plan.
- Business case.
- Approach (further detail).



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Honest feedback & final thoughts

Close out

Close out

- Honest feedback & final thoughts.
- Review of key learnings.
- Thank you.

Honest feedback & final thoughts

Close out

Honest feedback

- Be sceptical of feedback from others when it comes to understanding their workload and role. In my experience, the majority of people will *always* over estimate how long it takes them to complete tasks and how much work they currently have on.
- Be sceptical of feedback from others on all additional items, such as the reasons why they need a vacancy filled, why overtime is so high and why certain potential solutions will not work.
- Some people by their very nature will want to block your ideas and will put obstacles in the way – this has happened across all projects I have worked on. Acknowledge it early on, and seek others over them.
- Tackle the compensation budget first. It will be unpopular, but it is better to take the unpopular decisions first rather than wait, as people will know they're coming, it is just a case of when.
- Do some digging ahead of any decisions on people. See who is underperforming, who could be a problem within the process, who could be costing the business more than others etc.
- You can often squeeze more costs out of your processes, systems and compensation budgets than first thought, so when setting your target, be conservative. If you want 30%, state the aim is 20% and over achieve.
- People will often quote the phrases "low hanging fruit" and "quick wins" – but these often refer to efficiency and time savings, not hard cash.
- You will most probably not notice the savings in the current financial year within which you are working, so seek to find the savings for the budget of the next financial year.

Honest feedback & final thoughts

Close out

Final thoughts

- If in doubt, test test test. Don't just assume a potential solution will or will not work – if you're and others are questioning it either way, test it out early.
- Identify your change champions early. Some people *love* change, embrace it and want to be involved in delivering it. These are the people who you want involved from an early stage.
- Identify your potential blockers early on – people and processes. By doing this early, you will be able to come up with a plan to reduce the impact or even stop this blocker altogether.
- State clearly what you want, at all times, with all people. Whether it be the teams involved, the suppliers you are negotiating with, your leaders or even yourself, be truly honest and clear about where you want to get to.
- If you can't achieve the previous step for yourself, there is probably doubt and uncertainty in your mind about what you are seeking to do. Find a way to address and mitigate this.
- When seeking to reduce costs, do so in a uniform way which addresses all costs. Doing an analysis on some departments in silo means you could be missing vital costs elsewhere that are impacted / depend on these.
- Data will be your friend. Data to show you how much work is being done, how much is being spent, where you have issues and problems to resolve, the impact of changes etc. Use it throughout your initiative.
- Do not neglect spending time understanding risk – the risk of doing something and the risk of not doing something… this could end up costing the initiative BIG in the long run, rendering the work useless.
- Enjoy it. Even though it may get tricky and, at times, confrontational, the work is hugely important and will set your business up for success for many years to come – so enjoy the new challenges and experiences.

Review of key learnings

Close out

Close out

- Honest feedback & final thoughts.
- Review of key learnings.
- Thank you.

Review of key learnings

Close out

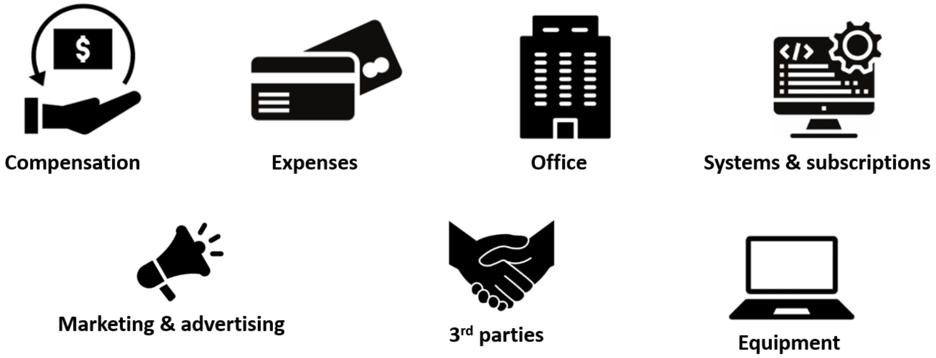
P&L

C&E Consultants
FY 2030

Financial Statements in U.S. Dollars

Revenue		
Gross Sales	$10,000,000	
Less: Sales Returns and Allowances	$500,000	
Net Sales		$9,500,000
Cost of Goods Sold		
Beginning Inventory	$1,500,000	
Add: Purchases	$100,000	
Freight-in	$50,000	
Direct Labor	$500,000	
Indirect Expenses	$100,000	
Inventory Available	$2,250,000	
Less: Ending Inventory	$250,000	
Cost of Goods Sold		$2,000,000
Gross Profit (Loss)		$7,500,000

Expenses	**Forecast**	**Actual**	
Compensation	***$2,750,000***	**$3,075,000**	
Wages (FTE)	*$2,000,000*	$2,000,000	
Wages (Contractors)	*$200,000*	$500,000	
Benefits	*$75,000*	$75,000	
Bonuses	*$250,000*	$200,000	
Overtime	*$25,000*	$100,000	
Payroll taxes	*$200,000*	$200,000	
Office	***$179,000***	**$186,000**	
Rent	*$100,000*	$100,000	
Services (Facilities Management)	*$37,000*	$35,000	
Supplies (Equipment)	*$25,000*	$30,000	
Utilities	*$17,000*	$21,000	
Equipment	***$7,000***	**$13,000**	
Laptops	*$2,500*	$5,000	
Tech accessories (mice, cables etc.)	*$500*	$1,000	
Mobile phones	*$2,000*	$4,000	
Maintenance	*$2,000*	$3,000	
Systems & Subscriptions	***$102,000***	**$104,000**	
HR system	*$35,000*	$35,000	
Case ticketing system	*$30,000*	$30,000	
Payroll system	*$25,000*	$25,000	
Microsoft Suites	*$5,000*	$5,000	
Internal training software	*$5,000*	$5,000	
User accounts	*$2,000*	$4,000	
3rd parties	***$155,000***	**$145,000**	
Accountants	*$125,000*	$125,000	
Solicitors	*$30,000*	$20,000	
Marketing & advertising	***$75,000***	**$102,000**	
Ad campaigns	*$40,000*	$70,000	
Social media campaigns	*$10,000*	$7,000	
Marketing system	*$25,000*	$25,000	
Expenses	***$67,000***	**$117,000**	
Professional memberships	*$1,000*	$1,000	
Training requests	*$20,000*	$15,000	
Travel	*$30,000*	$80,000	
Entertainment	*$5,000*	$5,000	
Dining out	*$10,000*	$15,000	
Other	*$1,000*	$1,000	
Total Expenses	$3,335,000		$3,742,000
Overspend	*$407,000*		
Net Operating Income			$3,758,000
Other Income			
Gain (Loss) on Sale of Assets		0	
Interest Income		0	
Total Other Income			$0
Net Income (Loss)			$3,758,000



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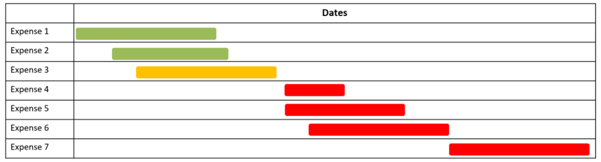

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Further required actions
- Identify what actions have come out of your initial analysis.
- For example: "Request salary breakdown from HR" OR "Request stationary purchases from Facilities Management" OR "Request broken / damaged IT equipment requests from the Service Desk".

Forecast vs. Actual – Under & overspend
- Have you seen substantial under or over spend in your budgets?
- If so, explore why. You may not have the answer right away…
- For example: "We have seen $20,000 more spending on IT equipment than anticipated. Upon further investigation we discovered an increase in global travel which led to more laptops being lost in transit."

Analysis of deep dive
- Analyse any further information given to you regarding the budgets.
- Record this information here – highlighting significant findings.
- For example: "Salary breakdown highlights 5 roles paying above $200,000 and 5 additional roles between $150,000 - $200,000.
- "6 laptops and 5 phones were lost / damaged this financial year".

Priorities
- Highlight those spending areas which you are going to prioritise as part of the first tranche of works.
- For example: "Overtime, Contractor and IT equipment replacement are the 3 focus areas for the first part of this work.
- "We will then look at facilities management costs once a further breakdown is provided for this financial year as a second priority".

Item	Ranking
Compensation	1
Office	2
Equipment	3
Systems & subscriptions	2
3rd parties	3
Marketing & advertising	3
Expenses	2

LEADING BUSINESS IMPROVEMENT