



**MANAGING COSTS AND IMPROVING
EFFICIENCY IN A COST-CONSTRAINED
ENVIRONMENT**

RON ORSINI

MAY 18, 2017



EXAMPLE RED FLAGS

Focus Area	Opportunity Area	Typical Red Flags
Revenue Growth & Margin Management	Pricing / Margins	<ul style="list-style-type: none"> • Margins in decline / lower than plan • No discounting discipline
	Salesforce effectiveness	<ul style="list-style-type: none"> • Unclear sales priorities and coverage • Incentive comp not aligned to margins
	Product portfolio	<ul style="list-style-type: none"> • Significant proportion of products with negative gross margins • Poor product profitability tracking
Operations Management	Labor	<ul style="list-style-type: none"> • Excess overtime • Labor expense / productivity below benchmarks
	Equipment	<ul style="list-style-type: none"> • Low utilization • Weak asset management
	Supply Chain	<ul style="list-style-type: none"> • Little / no strategic sourcing efforts and/or vendor management
	Warehouse / Logistics	<ul style="list-style-type: none"> • Low warehouse utilization • No freight management strategy
	Sales & Operations Planning	<ul style="list-style-type: none"> • Excess backlog or shortages • Excessive late / expedited shipping
G&A Management	Organizational support	<ul style="list-style-type: none"> • Service levels not aligned to business needs • Low average spans of control
	G&A processes	<ul style="list-style-type: none"> • Limited / no expenditure and T&E controls / approvals
	Compensation	<ul style="list-style-type: none"> • Compensation plan not aligned to market or performance

FIRST WAVE OF COST MANAGEMENT

- 1. Actions focused primarily on adjusting the current cost structure to the realities of the competitive landscape**
- 2. Drive cost reductions across all functions, with differentiated impact targets**
- 3. Reduce indirect and discretionary spend**
- 4. Increase organizational spans and reduce layers**
- 5. Improve operational process efficiency at HQ and in the field**
- 6. Curtail G&A hiring and close the “open” positions**
- 7. Don't forget fixed assets and working capital - address underutilized facilities / real estate and equipment, inventory, A/R and A/P**

HOW WE APPROACH ENTERPRISE COST TRANSFORMATION

- 1. Brutal candor**
- 2. Deliberately provocative perspectives**
- 3. Appreciation of your strategic priorities and customer value proposition**
- 4. Benchmarks as a compass**
- 5. An operator mindset**
- 6. Tailored cost improvement targets by function by business unit**
- 7. Organization structure that creates cost leverage, increases organizational agility and builds capabilities**
- 8. Perspectives on sales and margin improvement opportunities**
- 9. A holistic, highly pragmatic, integrated roadmap of initiatives**
- 10. Accountability for results and a bias for action**

TOP 10 PRACTICES IN EFFICIENCY AND EFFECTIVENESS IMPROVEMENT

- 1. Speed to benefit**
- 2. Focus on what matters most**
- 3. Anchor the effort in strategy**
- 4. Challenge everything not impacting the customer**
- 5. Lead by example**
- 6. Hold your team accountable**
- 7. Do not allow technology to be an excuse**
- 8. Engage the “field organization”**
- 9. Executive leadership must engage**
- 10. Be decisive**