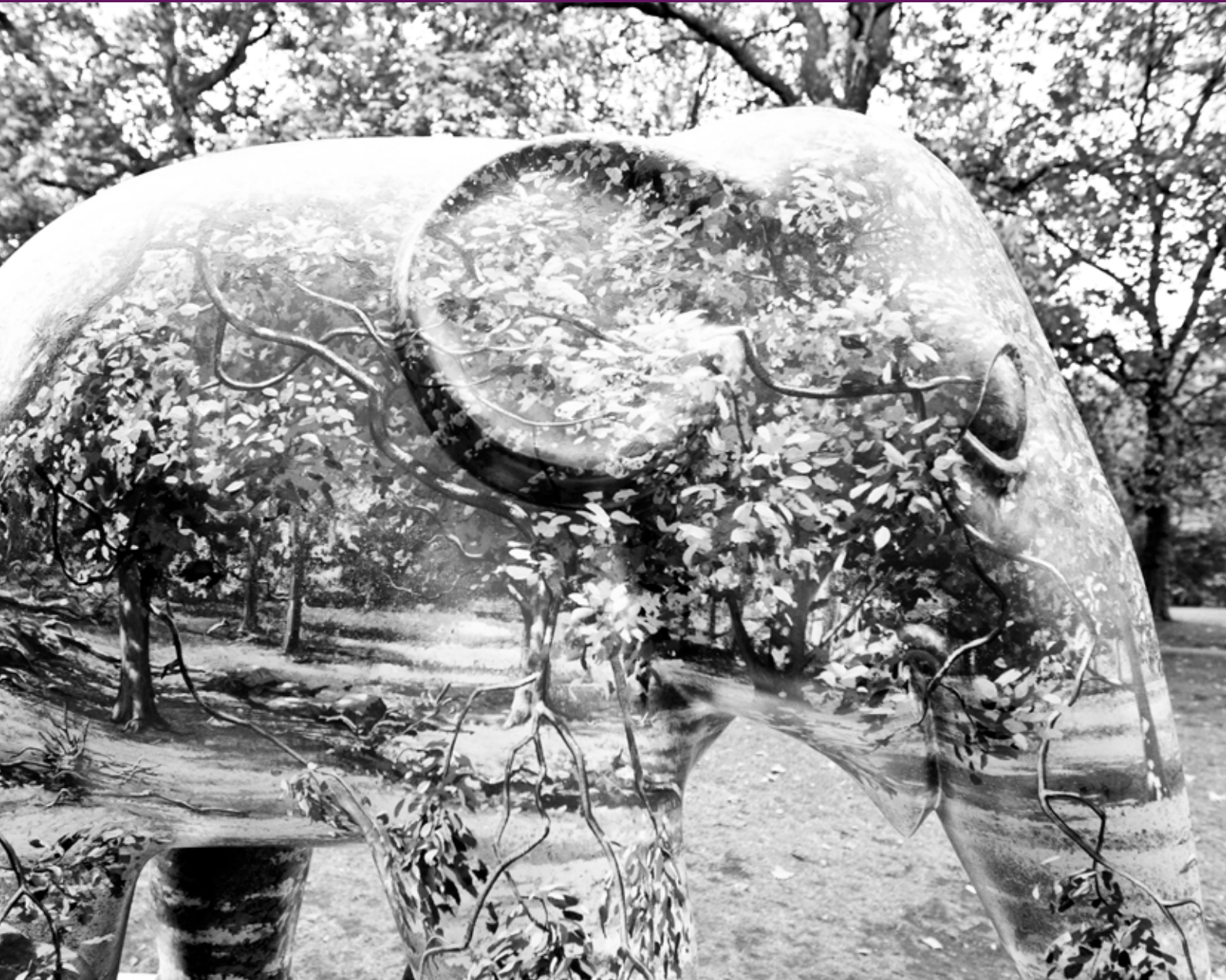


Moorhouse
Anything together

**Independent, intelligent
thinking** to see the wood
and the trees.

Delivering successful cost reduction.



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Abstract.

For many organisations, and virtually all in the public sector, cost reduction is the fundamental goal at this time. To implement significant reductions and maximise long term value, requires an approach that reduces costs in a strategic, disciplined, and sustainable manner - delivered at pace. Cutting costs is a challenging, high risk activity that, if executed badly can at the very least fail to deliver and, at worst, significantly undermine an organisation's business goals, service integrity and ultimately existence.



Fundamentally, there are only three options available to an organisation to reduce costs.

- 1 - Do the same for less (Efficiency);**
- 2 – Stop doing things (De-scope) or**
- 3 – Reduce performance (Effectiveness).**

Whilst the specific details for each type of programme will differ, we see a number of universal principles, including:

- Alignment with an updated organisational **strategy**;
- Swift, data driven, evidence based, **decision making** and communication;
- Genuine **programmatic approach and discipline**, including a clear stage-based methodology;
- **Balanced mix** of initiative types, timescales and risk;
- Full **commitment** of senior management throughout the entire lifecycle;
- **Innovative, creative** thinking at the heart of the programme;
- Genuine reconsideration of what are **core and non-core capabilities**, organisational scope and service level;
- Establishment of a dedicated **Cost Programme Office**, with an assurance and audit remit; and
- Perhaps the most vital characteristic of a major cost reduction programme is simply **persistence**.

Introduction.

In the current economic climate, with the impact of the 2010 Emergency Budget and subsequent Comprehensive Spending Review, all public sector organisations must rapidly adapt to a prolonged period of extreme funding restrictions, with a significant collateral impact on the private sector. Such pressures require an approach that reduces costs at pace, but always in a strategic, disciplined, and sustainable manner.

Serious cost reduction is far more than a loose, piecemeal aggregation of individual, local activities. It is also more than a finance task, an operational task or a localised process mapping task. In our experience, to have any chance of serious cost reduction, an organisation must adopt a genuine integrated programme approach, managed and resourced as such, and designed in full alignment with the organisational strategy.

Cost reduction is typically very challenging in every possible way, as it requires fundamental change, fights against many basic human instincts (denial, optimism, power and politics), involves difficult compromises and decisions, and will be inherently cross-functional and cross-divisional in nature.

Direct experience, and survey after survey, demonstrates that organisations are generally poor at the delivery of projects and at controlling costs. Therefore, it should be no surprise that most organisations, public or private, are poor at delivering, significant, real, sustainable cost reduction programmes.

In the following sections we outline the Moorhouse approach to delivering successful cost reduction programmes. First we identify a number of common pitfalls before examining the key strategic approaches necessary for success. This is followed by a detailed description of our eight stage methodology and, finally, we cover the key characteristics of an organisation that is inherently open to cost reduction.

Moorhouse Consulting is a programme and project management (PPM) advisory specialist that helps organisations to deliver their complex programmes in order to realise organisational benefits and thereby achieve strategic goals. Moorhouse is committed to sharing its knowledge and improving the quality of Programme and Project Management in the UK. As part of this commitment, Moorhouse has produced several publications and articles which can be found in our Knowledge Centre at:

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