



Cost Reduction

Extract excess costs now. Manage future costs proactively.

- ◆ How does your expense ratio compare to industry averages?
- ◆ Does your organization experience a high volume of exceptions in key processes?
- ◆ Have you acquired or merged with another organization recently, resulting in multiple systems or processes that serve the same function?

Know the signs.

How do you know if your organization is spending too much? The warning signs are often right in front of us—redundant systems or functions, or a lack of standardization in key processes across the company.

Cutting redundant costs is a common objective when integrating merging organizations. But even companies that have grown organically over time have likely decentralized operations to some extent, moving away from the consistent approaches across units that can help to keep costs under control.

Assess and then act.

If you are seeking to extract costs from your organization, talk to West Monroe Partners. We apply strong analytical skills and process improvement expertise to help clients:

- ◆ Assess costs in selected functions or company-wide
- ◆ Compare current costs to industry standards
- ◆ Identify root causes of inefficiency
- ◆ Prioritize cost reduction opportunities, taking into consideration the organization's tolerance for change
- ◆ Review vendor contracts and pursue opportunities for re-negotiation or consolidation
- ◆ Plan and implement strategies to reduce costs, including training and change management programs
- ◆ Implement pilot programs or prototypes
- ◆ Shift non-value-added activities to vendors—for example, manual cash processing tasks to a bank
- ◆ Define metrics and implement measurement processes to assist in managing future costs—proactively

Apply four key cost-reduction strategies.

West Monroe Partners works with organizations to pursue four key cost-reduction strategies:

Elimination—Identifying and removing work steps that do not add value, shifting workers' efforts instead to activities that support business priorities.

Standardization—Identifying processes that support the same goal but are performed in different ways across the company. Standardizing these processes not only can reduce costs; it can enhance reporting and improve the efficiency of supporting functions; such as training.

Consolidation—Identifying and removing non-essential or redundant resources and systems; for example, consolidating analyst functions in each business unit into one shared-services approach.

Automation—Identifying manual processes and automating them; for example, replacing manual entry of customer data with a customer self-service application.

Extracting excess costs not only improves your expense ratio and your bottom line; it improves your business by:

- ◆ Re-focusing the organization on its core competencies and its employees on value-added activities
- ◆ Establishing practical metrics and methods that enable a lasting approach to sound cost management

That's business in the right direction.