

## How do you make an ambitious cost reduction program successful

**A**s a business leader, you must constantly keep your cost structure competitive. It must be able to withstand intense pressure from the business environment:

- Pressure from clients to cut sales prices and improve quality
- Pressure from suppliers over rising prices
- Competition from low-cost countries over commodity products
- Pressure from the shareholder over improving company profitability

**A**lthough all companies implement cost cutting programs, these generally fail to tap every area of potential progress:

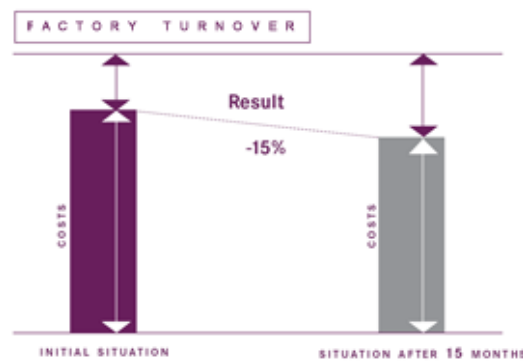
- Projects limited to attaining “achievable” goals, but which are not robust enough to tackling the situation as a whole.
- Gradual petering out of action plans.
- Unsustainable savings, sometimes not even appearing in the profit and loss statement.

**O**ur experience of cost reduction programs has revealed 7 factors that are crucial to success:

1. Setting goals that will put the company on a par with leaders in its field.
2. Forcing teams to be self-critical in order to enhance awareness of their own shortcomings and of the need to ward off complacency and set patterns of thinking.
3. Setting the pace: moving faster than competitors, quickly obtaining quantifiable results, whilst setting tension levels that the team can cope with.
4. Providing the competitiveness program with the necessary energy and resources.
5. Possessing a range of tools and methods which are common to the company as a whole in order to facilitate delegation and to draw everyone into the project.
6. Setting up a system for measuring results; without such a system it is impossible to maintain momentum for long-term progress.
7. Demonstrating the long-term resolve and full backing of the management team by, in particular, dealing with difficult issues arising out of the project rigorously and without hesitation.

## A project illustrating our “15/15” offer: a cost structure reduction of 15% in 15 months

The new head of a motor vehicle equipment manufacturer had the clearly stated goal of obtaining a 15% cost reduction within 2 years in 6 of the group’s European factories.



## Such progress was possible thanks to:

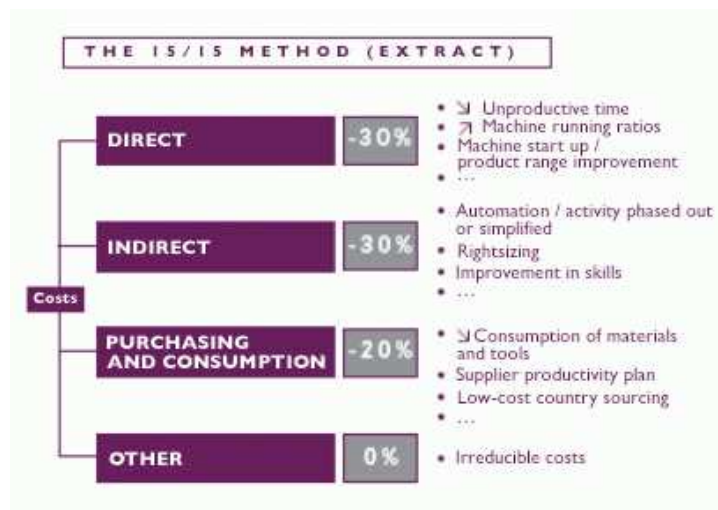
- “15/15”, an accurate, tried and tested method providing both a swift analysis of more than 100 opportunities for progress and a numerical gauge of anticipated results.
- Consultants with sound industrial experience able to fit into the client’s work environment and channel energies into opportunities offering the greatest potential.



**F**urthermore, the savings brought with them changes in staff attitudes and work patterns, which in turn consolidated improvement and guaranteed the sustainability of future results.

- 150 more clients drawn into the cost reduction drive
- Management and skills reinforced across all levels of the factory
- Production capacity freed up (OEE: +20 pts)
- Cycle time reduced
- Quality levels maintained
- Service rate improved (75% to 95%)
- Emergence of a work ethic of constant improvement

After the diagnostic phase came the plan's implementation, where we concentrated both on making savings and translating them into improvements of profits.



**O**ur added value is threefold:

- Achieving and consolidating results by running a rigorous program of 50 pragmatic and effective operations
- Fast-tracking specific savings through consultants' direct involvement in operations
- Avoiding rising costs in other areas

**A**fter 15 months of the project:

- Factory 1: (15 months) achieved savings of 15.2%
- Factory 2: (15 months) achieved savings of 13.8%
- Factory 3: (13 months) achieved savings of 12.6%
- Factory 4: (13 months) achieved savings of 10.4%