



Cost Reduction (CR) from a CFO Perspective

Remember back in the day, the start of the fiscal year is fine, and the first few months Revenue tracked on budget, then suddenly the bottom falls out and you're immediately in crisis mode. So what do you do next? You organize a special meeting with all the functional heads to discuss cost reduction initiatives. What you already know is that without a major rebound in business volume your fiscal year is doomed. What's next, no fancy year end bonuses, you're under the

microscope from corporate/stakeholders and your placed on short-term “double secret” probation. Company wide CR is not some ad hoc exercise its an organized ongoing process that should list, report, track and be managed by the CFO.

Our recommendation is to identify CR during the annual budget process. Use a scorecard to track the progress. Post and distribute the results so the entire organization is aware of the development and is embedded to their subconsciousness. Never include the initial CR idea in the budget treat it as a directional exercise until it starts bearing fruit. Monthly meetings should be facilitated by the CFO or their designee together with the functional CR champions responsible for implementation. Ruthlessly drive the process through to fruition

Prioritize major cost drivers and a attack rigorously. Deploy the “junkyard dog” approach with suppliers, take a real hard look at long-term supplier relationships rid the organization of “sweetheart deals” Always require minimum 3 bids on everything . Be aware of the following CR ideas listed below:

Long term

1. Study all production practices & eliminate wasted steps provide proper training to maximize efficiency
2. Evaluate lean mfg. six sigma opportunities
3. Maintain debt & interest expense at as low a level as possible
4. Go inside for training initiatives
5. Perform value analysis teardown
6. Lease buyback of not only assets but employees
7. Look into interim CFO services
8. Commission your sales team
9. Outsource HR & accounting functions

Light Switch -- Immediate Benefit

1. Opt for shorter work week
2. Subscribe to blogs for business cost savings ideas
3. Disallow alcohol purchases on business trips
4. Include advertising w/ other mailings
5. Deploy university students (internship) for special projects
6. Buy recycle products
7. Install free software
8. Employ a group of core employees for critical activities but use temp. services for “peak & valley” volume fluctuations
9. Use interim CFO services
10. Clean-up mailing list by US postal service for free

Think of it this way: your customers will always seek lower prices so you need to backfill your organization with cost savings and an organized approach to CR initiatives. Furthermore, to assisting the bottom line one should also have fun with CR projects. Give an award to the individual that spearheads the best CR project, e.g. most creative idea, bottom line impact, easiest to implement...