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## Client Article

### ***Get in the game and drive enterprise agility and cost optimization through raising your maturity level***

*Enterprises need to develop more maturity before they can effectively improve performance and optimise business costs, beyond cost cutting.*

Effective managers need to move beyond the “shock and awe” of the global economic crisis and toward dealing with the “new norm.” What is the new norm? The answer depends on several macroeconomic forces that will unfold over the next few years and are beyond the control of a single enterprise: gross domestic product (GDP) growth rates, inflation, interest rates, regulatory reforms and tax policies. In other words, no one really knows. But what we do know is that the new norm will be challenging and volatile, the actions we take in response to this new environment can be grouped into two broad categories:

- Hunker down and brace for the worst
- Get in the game and drive enterprise agility and cost optimization.

The actions taken by most organizations will be a little of both. However, the second category can achieve extraordinary results helping the enterprise become more agile with less cost.

The approach we advise is consistent with the actions that management teams have used to respond to other crises in the past. During times of crisis, management teams want to lower risk and uncertainty to ensure the long-term viability of the enterprise. The motivation to lower risk and uncertainty often yields improvements in management practices, improvements that senior executives did not have the time for during periods of rapid economic growth.

Recent client interactions show that the good business practices have moved up the priority list of senior executives, and leadership teams should take advantage of these practices to help their enterprise optimize business costs.

During periods of rapid economic decline, management teams have historically responded with cost cutting, followed by cost optimization

Cost cutting is done within a business function or cost center based on activities that fall under the control of the manager of that function. Cost cutting can be done quickly, and it is the appropriate initial response, but cost cutting cannot be pursued indefinitely. Cost optimization reduces costs by considering the interactions and interdependencies that exist among business functions in an organization.

Most enterprises have developed some level of maturity in the areas of business process management and performance management, but our research shows that the average level of maturity is not adequate to perform true cost optimization. This is a primary reason for good management practices becoming a priority for senior managers.

Senior managers recognize that cost cutting, function by function, is a siloed approach that can only be pursued for a short time before diminishing returns prevail.

What senior management needs is a way to implement these neglected good management practices quickly and raise the level of business process and performance management maturity so that cost optimization can be approached more rationally with less risk and uncertainty.

Cost optimization requires a number of good management practices that have recently become priorities among senior executives. The first is knowledge of how business processes are performed and how the costs of those processes are affected by changes in volume and service levels. This knowledge requires establishing a set of cross-functional performance metrics to measure the effects of the changes in volume and service levels on the costs of these processes.

***Deshel can help provide the interim support that a company requires in developing Maturity and Cost Optimisation  
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