

RISK ADVISORY SERVICES

COST REDUCTION

Maximizing Efficiency to Increase Profitability

FOR MANY ORGANIZATIONS, CONTROLLING COSTS IS KEY TO MAXIMIZING PROFITABILITY. HOWEVER, COST CONTROL REQUIRES EXPERTISE REMOVED FROM THE PROCESS TO ANALYZE THE BUSINESS AND TO IDENTIFY OPPORTUNITIES FOR EFFICIENCIES. ONGOING COST REDUCTION MEASURES ARE CRUCIAL TO ENSURE THAT PROFITABILITY IS OPTIMIZED DURING BOTH PEAKS AND TROUGHS IN BUSINESS CYCLES.

What is Cost Reduction?

Cost reduction is the process of analyzing the various business processes in the organization and looking for ways to improve these processes such that the company can achieve their objectives more efficiently. During a cost reduction exercise, particular focus is put on maximizing throughput of products and services, minimizing redundancies, optimizing the use of resources, and utilizing Information Technology.

Cost reduction is an important periodic process regardless of whether an organization is thriving or struggling. Profitability can always be improved in either situation, and periodic assessments can help prepare an organization for slowdowns in demand.

Would Cost Reduction Help your Organization?

Cost reduction is a systematic approach to analyzing the way your organization is run. Whether it is a manufacturing process, product or service delivery, supply chain management, or overhead related supply processes such as marketing, finance or HR, there is always potential for cost reduction. Here are some factors to consider in deciding whether to undergo a cost reduction exercise:

- Are you capturing or utilizing redundant information?
- Have you noticed that your increases in revenue are outpaced by increases in costs?

- Have you looked for opportunities to further integrate IT into your business over the past three years?
- Are you having trouble developing products or offering services while maintaining profitability?
- Is your industry facing increased competition and downward pressures on pricing?

How Can BDO Help?

The BDO Risk Advisory Services group understands the complexities of organizations and the knowledge required to successfully analyze and improve process. We apply expertise and knowledge gained by working with numerous organizations in various industries and of various sizes. Additionally, knowledge of industry benchmarks, best practices, and standards is applied to find efficiencies for your organization. We focus on changes and improvements that maximize cost/benefit for organization.

Cost Reduction: BDO Methodology

We employ a comprehensive Cost Reduction approach and methodology that has been proven to work by our firm internationally. Consistent with our fundamental values, we recognize that there is never a 'one size fits all' approach. Therefore, the approach and methodology shown on the following page is tailored further for your organization prior to commencing any work. However, our basic methodology is shown here.



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	ACTIVITY	DETAILS
COST REDUCTION	Cost Reduction	Assist the company in designing and Implementing Cost Reduction Solutions
OPTION ANALYSIS	Option Analysis	<p>Validation and Identification of Preliminary Solutions</p> <p>Identity preliminary risk reduction strategies and tactics, quick wins and associated recommendations</p>
ISSUE IDENTIFICATION	Benchmarking Exercises	<p>Benchmarking against best practice</p> <p>Review policy, procedures and guidelines Review operational effectiveness. Deliverables in form of a report or workshop</p>
	Initiation	<p>Data Gathering</p> <p>Gain understanding of business and environment Identity objectives, style and timing of deliverables</p>