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Pragmatic Advisors

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**Performance Management- A Profound
Contributor to Sustainable Cost Reduction**



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As the sharp global contraction affects economic growth, companies have no choice but to swim against the tide, and follow a disciplined approach to cost reduction and control. The financial crisis has clearly relayed an untoward message disseminating solid long-term implications on the global economy. Therefore, a limited scope for companies' revenue growth in the short to medium term remains inevitable. The only response to this futile scope is through a clear focus on a sustainable cost management approach that promotes value and defeat the going concern.

But what is sustainable cost management and how to adopt it, is a question most executives are likely to ask today. The answer is easier said than done. It is about leading a long-term, holistic and constructive cost cutting program that covers an enterprise-wide scope and not a particular function, while maintaining focus on three areas:

- Aligning cost with this year forecasted revenues to maintain previously attained margins. While some are inclined to polarize this tactic and try to match best year margins, the outcome could be drastic and the recommended approach is not to stretch beyond what is pragmatic.
- Consistently investing in cost control tactics to promote eventually a culture of continuous improvement that extends beyond the temporary cost cutting program. This culture should be institutionalized and continuously measured.

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- Adopting a nice and fancy executive dashboard with adequate key performance indicators (KPIs) that align with the possible margins above, to track results on a monthly basis. This dashboard is available in EPM (Enterprise Performance Management) tools, which give top management heads up on the overall effectiveness of the executed cost control tactics.

While some executives confuse the term cost management with delaying a basket of planned investment projects until the sun shines again, there is indeed more to promoting sustainable cost reduction. The latter requires the materialization of the above three focuses to evade going up a blind alley.

