

A Disciplined Diet of Cost Excellence

All too often, companies cycle through an on-again, off-again relationship with disciplined cost management. Business leaders have periods when they're focused on other topics, often pursuing growth and new business initiatives that take precedence over costs and margins. Then things get tougher, as they inevitably do, and leaders look hard at how to rein things in, fast.

This sort of gyration can damage culture and take a toll on productivity as priorities shift from one end of the spectrum to the other. At a company I worked with many years ago, managers referred to it as the “flavor of the month.” For a time, all you hear about is cost and productivity and then a new bright and shiny object turns attention elsewhere.

As consultants, we're often called in when cost becomes that flavor of the month. And though we can address short-term challenges, we know there is even more value if we can make cost discipline a permanent feature of management focus. So we thought it would be valuable to share how leading companies can change the dynamic and make cost management part of a regular balanced diet.

A [new BCG publication](#), based on a survey of 600-plus C-suite executives, shows what makes cost excellence tricky and how leaders can avoid reactive measures and find a better way.

What Makes Cost Competitiveness So Hard?

When companies wait for a crisis to manage costs, the moves they make can be sudden and drastic: slashing budgets, closing locations, and laying people off shortsightedly. These measures might make a difference—but generally only in the short term. And then costs begin to creep back up. Why?

First, most managers have limited incentive to deliver cost performance on a regular, longer-term basis. With nothing that forces them to gauge the ROI of their spending, such as P&L accountability, they will likely spend more, even when there may be broader cost goals.

Second, if you're in the habit of addressing business challenges by adding organizational layers and new units, you'll also be adding incremental costs. And as those new layers and units seek to build out their teams, a vicious circle of increasingly complicated systems takes hold.

Third, organizations often heap resources on emerging priorities and capabilities without forcing the hard questions of how to fund these efforts by redeploying talent or reducing spending on less critical legacy efforts.

Finally, in today's world, technology investments have become a major source of challenge. Rapid adoption of ERP systems or AI, for example, may unlock productivity in secondary activities but not create step-changing critical business outcomes.

Five Core Elements of Cost Discipline

Based on our work with clients and this recent survey, we've uncovered five sets of actions that business leaders can take to tackle cost challenges. Integrate these in your organization, and you'll be more likely to achieve cost excellence, accelerating productivity and providing the resources to fund investments in innovation, growth, and deeper customer relationships.

1. **Reset your organization's design.** Every line item in the budget needs a look, with managers questioning value and resetting both the current cost base and the drivers of future cost. Employees should be accountable for P&L performance, empowered to help the company lower costs—and rewarded for doing so.
2. **Challenge overhead costs.** To reduce the organizational burden and enhance the focus on winning in the market, overhead also needs a serious review. Great cost managers continually analyze and reduce the sources of cost creep and, if needed, act to remove layers and committees, as well as competing or duplicative efforts.
3. **Revisit what you do...** Cost management leaders are constantly scanning their products or services, seeking out underperforming lines, channels, and markets. And they nurture a flexible operating model, so they can move resources, talent, and funding when

pivoting to new growth areas—rather than bringing in new people and leaving legacy cost in place.

4. **...And how you do it.** By looking deeply into processes, footprint, suppliers, and technology, companies can increase efficiency in the face of external cost pressures. Technology and supplier substitution, for instance, can reduce relative costs in the supply chain even while commodity or transport costs are increasing.
5. **Future-proof your model.** AI has the potential to be a game changer—not just for growth but for cost management and operational efficiency, too. It’s time to experiment with emerging tech to self-disrupt and stay ahead of the competition down the road—but be sure to rigorously follow up on the business case and stop underperforming projects.

If you haven’t reviewed your company’s costs lately, don’t wait for a crisis. By maintaining a healthy diet of holistically assessing your cost base—and taking bold and decisive action—you’ll win short-term gains *and* fund the journey to achieve lasting advantage.

Until next time,



Rich Lesser
Global Chair

Further Reading



A Better Way to Manage Costs

Leaders need not wait for a crisis. A playbook exists for building an always-on, disciplined approach to cost excellence.

[READ MORE](#)



Connecting Cost Management with Purpose

When organizations connect cost management initiatives to their purpose, vision, and values, their transformation efforts are more likely to be successful and sustainable.

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Resetting the Organization to Improve Cost and Enhance Effectiveness

Rethinking organization design does more than eliminate unnecessary expenses. It aligns decisions and resources with strategic goals, and promotes sustained performance.

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