

**With so many moving parts,
it can be challenging to get G&A functions in synch**

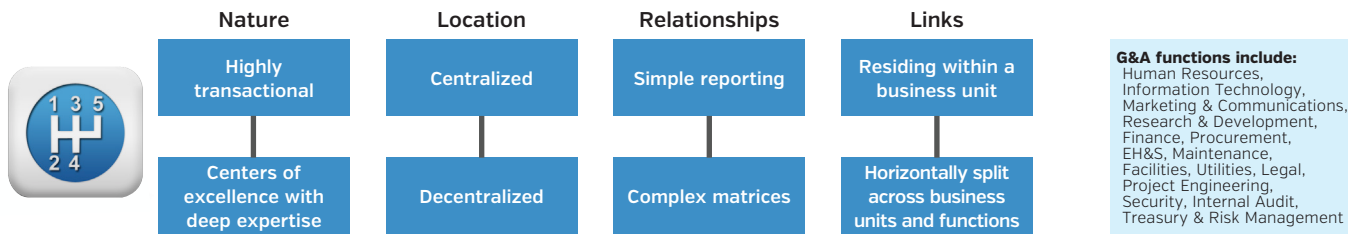
**G&A as
profit enablers**

Indirect costs – those not directly linked to operations – are not normally addressed with the same discipline and rigor as direct costs. We've found this type of mindset to cause unnecessary process complexity, inefficiencies and high levels of non-value added activities. It is also responsible for unnecessary rework and organizational silos characterized by high levels of process fragmentation and hand-offs.

Viewing G&A functions as profit enablers instead of cost centers and expecting similar value creation performance will drive hidden efficiencies while generating approximately 25-40% in cost savings.

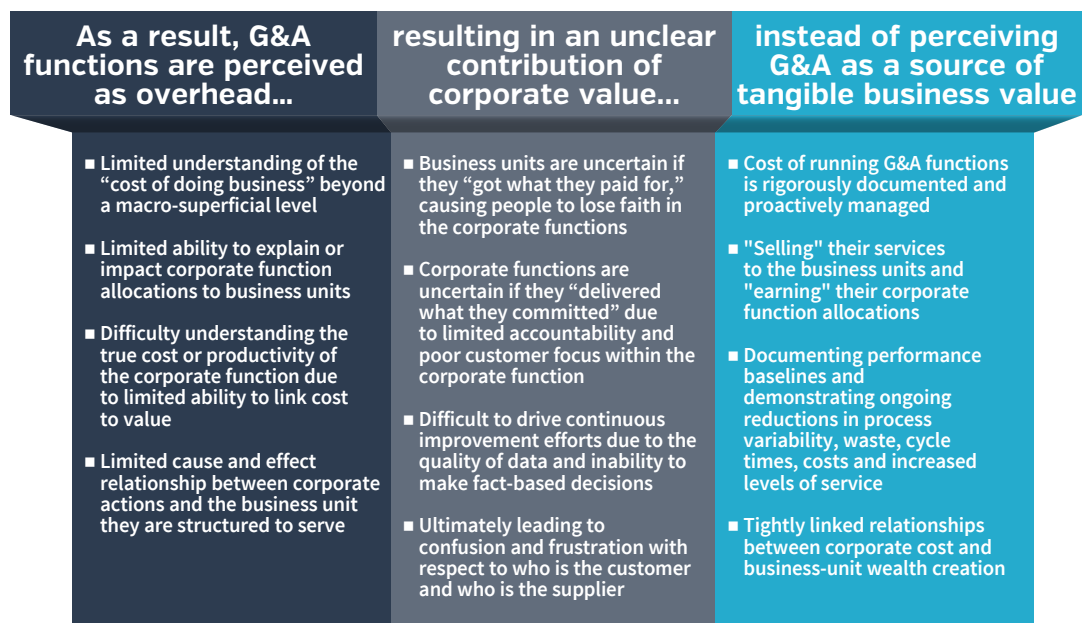
The different gears of G&A

The complexity of addressing G&A improvements lies in the disparate assembly of functions, skills and their interdependences within the organization and across multiple profit centers.



Profit center mentality is a vital cog in the G&A engine

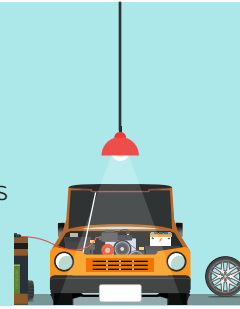
Cost allocations exist, but tend to be arbitrary based on less-than-scientific accuracy. Therefore, an expectation exists that an increased cost base can be passed on to internal "customers" without any repercussions.



A look under the hood

In our experience, a good analysis of the current nature (functional design) and state (condition) of G&A functions will likely reveal:

- Unnecessary process **complexity**
- Inefficiencies and high levels of **non-value added activities**
- Lack of a consistent focus on internal and external **customers**
- High levels of process fragmentation and **hand-offs**
- Low process quality resulting in **rework, errors** and missed opportunities
- Long process cycle times, **delays** and lack of customer responsiveness
- Lack of effective **controls** and resource allocation mechanisms



Tuning up processes

The G&A structure can be especially complex; all parts must function properly for it to be successful. A fresh perspective on this intricate network of operations often needs a **zero-based approach** – a structured process that can build a culture of cost management by facilitating cost visibility, cost governance, cost accountability and aligned incentives. It is a repeatable process that organizations can use to rigorously review every dollar, manage financial performance and build a culture of cost management. A world-class process is based on developing deep visibility into cost drivers and using it to set aggressive, yet credible, budget targets.



This is a powerful tool for any company, regardless of its association with a cost reduction campaign or growth campaign (while managing profitability and costs). Eliminating unproductive costs will redirect companies towards more productive areas. **It is not a slash-and-burn exercise that cuts costs without regard for the expense; rather, it drives significant and sustainable savings.**

An integrated zero-based approach can achieve 25-40% tangible cost benefits



High-octane benefits

Benefits are realized via tangible cash and performance savings as well as qualitative intangible benefits. Tangible cost benefits typically range from 25 – 40% depending on the magnitude of the change.

Some representative **cost-saving actions** are:

- Implementing flatter organization structures
- Consolidating transaction processing activities to leverage economies of scale
- Eliminating historic non-core or non-value added functions and activities
- Streamlining and simplifying retained processes
- Implementing best practices
- Realigning labor costs with work-related tasks
- Maximizing the use of technology solutions

The **intangible benefits** are also significant and support the long-term sustainability of the changes. Some representative actions to drive the qualitative benefits are:

- Standardizing procedures across the business
- Improving process repeatability and predictability
- Improving scalability and the creation of a strong platform for growth
- Streamlining accountability and communications
- Increasing skill development and job satisfaction

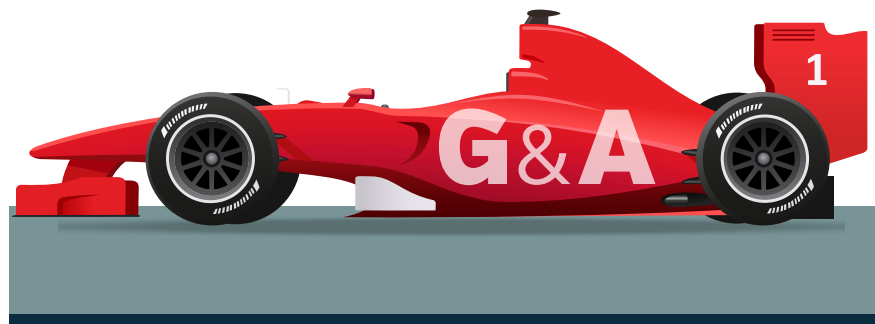
In the end, G&A functions are instilled with a new clarity of purpose that is defined by internal customers' perceptions of value, and by their own ongoing drive to improve services, lower costs and fulfill service level agreements.

Business units that previously doubted whether they “got what they paid for” from corporate functions are presented a clear account of what they will receive in return for their corporate allocations. Business unit frustrations with corporate functions will begin to diminish. Less friction equals less wasted energy and greater efficiency. All parts of the company will start to share the same focus on improving performance and maximizing profits. And, previously unattainable levels of business performance are now within reach.

How far and how quickly are your current initiatives progressing?

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