



Strategic Cost Reduction

Jan. 1, 2011

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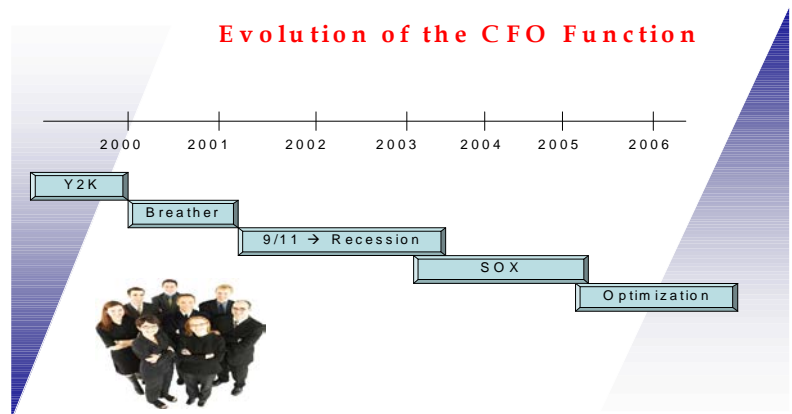
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Strategic Cost Reduction

Today's chief executives have faced significant corporate demands in the last few years. Beginning with the rapid implementation of IT and ERP systems prior to Y2k in the late 1990's, then 9/11 followed by a recession. Then by 2003, Sarbanes-Oxley compliance became a significant undertaking and now followed by a major recession. Consequently, 2008 and 2009 have become the opportunity for optimization and strategic cost reduction.



Process for Identifying Cost Reduction Opportunities

CFO's and CEO's must find time to review the most important elements of their business and craft strategic plans to enhance their business while also increasing profits. This takes an objective approach to analyze the company and reassess all the "well we've always done it this way" factors. The first step is to develop some understanding of the corporate history and culture. What made the company successful and what attracts/retains their customers as well as employees. The next step is an initial diagnostic that should be conducted in a couple of days. Through a series of data gathering and benchmarks, we work with the CFO to determine where potential cash and profitability drains are.



During this diagnostic, we can focus on any of the following areas:

- Order-to-Cash
- Purchase-to-Payment
- Close, Consolidation & Reporting
- Customer and Product Profitability
- Performance Management
- Information Technology
- Systems, Services, Processes, and Infrastructure



Through the diagnostic process for each of these areas, you can begin to uncover ‘disconnects’ in the corporate business processes as well as ineffective use of management information systems. These ‘disconnects’ occur for many reasons:

- Turnover of Personnel
- Lack of Training on IT Systems
- Not Using IT Systems Properly
- Key Processes have never been Objectively Analyzed or Challenged
 - “We’ve Always Done it this Way”

It is also not uncommon to find that CFO’s cannot provide key analytic that is key to benchmarking their company. Furthermore, we often find many ‘shadow systems’ using redundant, un-audited data that are being relied upon for significant management decisions.

What also makes this diagnostic process successful is to take an approach that results in ‘quick hits’ prior to doing any long term business process redesign, thus providing traction and acceptance within the organization.

		RELATIVE VALUE	
		LOW	HIGH
ABC KNOWLEDGE REQUIRED	HIGH	<ul style="list-style-type: none"> ■ BU Unit/ Function Transaction Processing GOAL: Increase Value or Simplify 	<ul style="list-style-type: none"> ■ BU Analysis/Reporting GOAL: Maximize Effectiveness Expand Activities
	LOW	<ul style="list-style-type: none"> ■ Corporate Transaction Processing GOAL: Maximize Efficiency/Reduce Cost 	<ul style="list-style-type: none"> ■ Corporate Finance Functions GOAL: Maximize Value/ Reduce Management Involvement

The value in finance has shifted from transactional level to an enterprise level. Leading companies are transforming their Finance and Internal Audit functions to become a Value-added Business Partner.



Methods for Growing Profits

Besides watching cash, do you really know how your business is currently doing? Improved management reporting **effectiveness** is driven by the need for more relevant information...

- Customers
- Product Analysis
- Vendors

The desire to improve management reporting **efficiency** is driven by several factors:

- Timing
- Frequency
- Technology



All too often we find entrepreneurial companies that are 'running as fast as they can to keep up'. But rarely do they analyze who, why, when and what. This may not mean that you need to invest in new information systems, but rather doing a better job of analyzing what data you have from your current information systems. Closely linked to this topic, is the issue of data quality. Unless your transaction level data is clean and reliable, graphical analytics are very misleading. Numerous studies have proven the top performing companies are taking the actions we recommend above. This makes them leaner companies for the present economic situation and better positioned to be at the forefront of the recovery.

Additional Information and Assistance

For more information contact **Business & Technology Consulting Group, LLC**

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For further details, please visit our site:

http://www.BTCGllc.com/Cost_Reduction_Service.html