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High performance. Delivered.

The Winning Edge in Uncertain Times Podcast Transcript

The Accenture High Performance Business Podcast Series

How do successful companies achieve high performance during times of economic turmoil?

Narrator: In this podcast, "The Winning Edge in Uncertain Times: Rapid and Sustained Cost Management", we examine how high-performance businesses not only survive but thrive in times such as these.

Today's companies face two fundamental choices: either hunker down or strengthen their strategic position. Which is the winning strategy? Accenture's ongoing research into High Performance Business and our experience working with

clients have yielded important insights into how high performers distinguish themselves.

To get a closer look at how leading companies managed their businesses during the last downturn, Accenture analyzed the financial results of 850 companies in the United States that experienced the recession of 1990-1991. Based on Return on Invested Capital, or ROIC, we separated them into three categories: winners—those that outperformed their industry for six years following the recession; losers—those that underperformed their industry; and average performers—those that ended up

in the middle.

Winners, our study reveals, took the bolder path. While attentive to current cost structure, they kept their eye on the prize, building sustainable future value for the company and its shareholders. In essence, the winners pursued an "and" strategy, not an "either/or" direction. They looked to strengthen their strategic positions. They also practiced rapid and sustained cost management, known as RSCM for short, in areas of their business where their costs were not competitive.

This podcast is divided into three sections. First, we look at what

constitutes a winner's strategy. Then we break down two core elements that together make for rapid and sustained cost management. Finally, we explain the Accenture advantage in delivering such rapid and sustained cost management to our clients.

Part 1: The Winner's Strategy.

The wisdom of the winners' strategy from 1990-1991 still holds true today. In today's uncertain economy, cost reduction and cash flow generation are front-and center issues for every global business leader. That inescapable fact makes RSCM more critical than ever during and after this economic slowdown.

True to its name, RSCM carries out cost reductions that aim to be optimal and sustainable for the company. RSCM does that by reducing costs diagnostically, not indiscriminately, through an end-to-end process-driven approach. RSCM addresses identified cost drivers, with the goal of optimizing the cost-value relationship and minimizing negative impacts to the growth of the business as a whole.

As an example, Accenture worked with a large high-tech equipment manufacturer to reduce the complexity of its sales operation for lead to order. By segmenting out past opportunities based on size and complexity, Accenture was able to develop a "deal factory" solution that reduced cycle times by more than half for small, simple deals. Making sure the right people were focused on the right tasks, Accenture helped the manufacturer eliminate a large number of administrative duties, thus giving their sales force more time to actually sell.

RSCM initiatives vary from rationalizing roles and attacking excessive consumption to reducing wage and procurement rates, working capital improvements, eliminating cross-functional redundancies and optimizing the cost-value relationship. Before implementation occurs, multiple factors are considered, such as probability of success, timing of benefits, ease of implementation and the potential for margin and cash flow improvement. They

must also make sense strategically.

Part 2: A dual focus for rapid and sustained cost management.

Using RSCM, Accenture's approach is to focus on two kinds of initiatives: those that drive operating advantage and those that drive structural advantage.

Let's first examine the initiatives that implement operating advantage. Initiatives drive operating advantage by rationalizing, simplifying and automating current operating capabilities to drive margin and cash flow improvements. Gaining operating advantage is about identifying opportunities for quick wins.

Now, let's look at the initiatives that implement structural advantage. Initiatives drive structural advantage by determining the right portfolio of businesses, capital structure, organizational structure and geographic presence that support sustained efficiency and long-term growth. Gaining structural advantage is about a systematic and analytic approach to increase the efficiency of managing the most significant assets of the business. These include capital, property, plant and equipment and people.

Operating advantage and structural advantage are inextricably linked. Together, they generate the cash flow and investor confidence needed to fund growth initiatives. Operating advantage looks at the current state of the business, reviewing what can be done better, faster and cheaper while maintaining or improving customer service. Structural advantage looks beyond the current state of the business, reviewing what is happening internally and externally and how it affects the current business model. The business's leaders ask themselves, what can our business be tomorrow? Is it structured appropriately to achieve our goals?

RSCM is a dual effort. Operating advantage and structural advantage are mutually important in building the sustained value of the company. That dual approach is part of what makes the

Accenture difference.

Part 3: The Accenture Difference.

With deep industry knowledge and functional experience, Accenture knows where to look for improvement. We hit the ground running on day one. Unlike pure strategy firms, we are experienced implementers. We don't just leave our clients with insights and instructions to implement on their own. This comprehensive approach allows us to help clients identify and execute realistic opportunities that can contribute to long-term shareholder value.

We've collaborated with 96 of the Fortune Global 100, more than three-quarters of the Fortune Global 500 and major government agencies around the world. Our consultants serve our clients' functional and organizational needs across all industries and geographies. Accenture also has more than 50 delivery centers and 625 outsourcing clients worldwide. With a focus on high performance, we leverage critical lessons gathered from hundreds of cost transformation, M & A, outsourcing and other integration engagements. And we can leverage our extensive ready-to-go proprietary tools and assets.

At Accenture, we work with you to achieve measurable results. Cost reductions for our clients across all industries can in many situations be around 10 percent – and often times more.

The economic environment is turbulent. Profit margins and cash flow are under intense pressure. RSCM helps companies navigate that turbulence, helping them gain greater value for shareholders today and tomorrow. Getting there requires a focus on high performance. RSCM is one vital way your company can achieve lasting success. In the pursuit of high performance, every angle of gain, every push forward, every advantageous idea helps sharpen the company's competitive edge. RSCM is one of those ideas.

The wisdom the winners demonstrated in the 1990-91 slowdown still holds true

today. Organizations can leverage that wisdom to drive success in the changing world to come. What will tomorrow look like? Wouldn't it be nice to know? One thing we do know: Being successful tomorrow means being optimal today. If you'd like to talk about how Accenture can help your organization improve performance through RSCM, please contact us at fpm.service.line@accenture.com or 312-737-8290.

This concludes our Accenture podcast. We thank you for listening, and hope you found these insights worthwhile and stimulating. For more information about Accenture's research and experience in helping organizations achieve high performance, visit our High Performance Business Podcast Series.