

TRANSCRIPT

OLAF SCHATTEMAN ON THE X FACTOR COMPETITIVE AGILITY

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Costs are like fingernails, they keep growing back. In our recent research **70% of CFOs felt that they weren't organized to optimize working dollars, 50% of executives felt that they lacked the insights as to what costs to optimize** in line with business outcomes desired by the organization.

Most organizations take a rear-view approach to managing costs. They look at the historical cost base to project future costs. However, they don't account for the change in cost curves. In today's environment cost curves change dramatically due to the introduction of new technologies like robotics, artificial intelligence and analytics.

Companies need to adopt a forward looking should be approach to managing costs. We call that taking a **zero-based mindset, or ZBX**, all the way from the front office through to the supply chain. For example, a chemicals company took a zero-based mindset approach to their facilities management costs of approximately \$400 million a year. They looked at digital workplace solutions, smart building and workforce management and space management solutions to actually help them to achieve a 50% cost reduction in that cost category.

In another example, a consumer goods company who was spending about 44% of their revenues on packaging, raw materials, conversion and

manufacturing, they looked at zero-base in their procurement and supply chain and their manufacturing to bring that cost back down to about 38% of their revenues.

So companies need to **eliminate activities that don't contribute to desired business outcomes**. Secondly, they need to **automate activities that don't maximize human potential** and, also, they need to **shift their talent to growth-oriented distinctive capabilities** where they are complemented with artificial intelligence.

So how do companies achieve this zero-based mindset? Firstly, they need **commitment from the CEO** and the leadership team to drive the zero-based mindset throughout the entire organization. They also need to **focus on micro cost areas**, create forensic visibility around costs, from the front office, external spend, the internal organization and the supply chain to identify non-working money and find the cash to reinvest into growth initiatives.

Lastly, they need to **hardwire this culture**, this mindset of zero-base into their entire organization by creating a governance structure and actually putting in place the checks and the double-checks around these big cost categories.

Find out more at www.accenture.com/xfactor

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