

The Value Alignment Approach for Cost Transformation

*Prioritized and focused initiatives
producing significant performance results*

What Cost Transformation Programs achieve the best results?

Reducing costs has always been a key business priority, but for most efforts and programs, the effects do not last beyond a few years.

A key challenge is identifying where to focus efforts and how to create a cost reduction program that delivers lasting results while protecting the long-term profitability of the business.

Today's Finance Organization Leadership must:

- Streamline Processes
- Install Benchmarks
- Increase Partnering with Business Units



Why choose a Value Alignment approach?

The Enterprise View and Portfolio Management approaches to Cost Transformation often yield excellent results, but they also carry more risk, as they're typically executed over the long-term. They may actually cannibalize or delay achievable results from short-term initiatives while the organization "pauses" to structure the larger effort prior to its execution.

The Value Alignment approach can produce valuable results faster while laying a solid

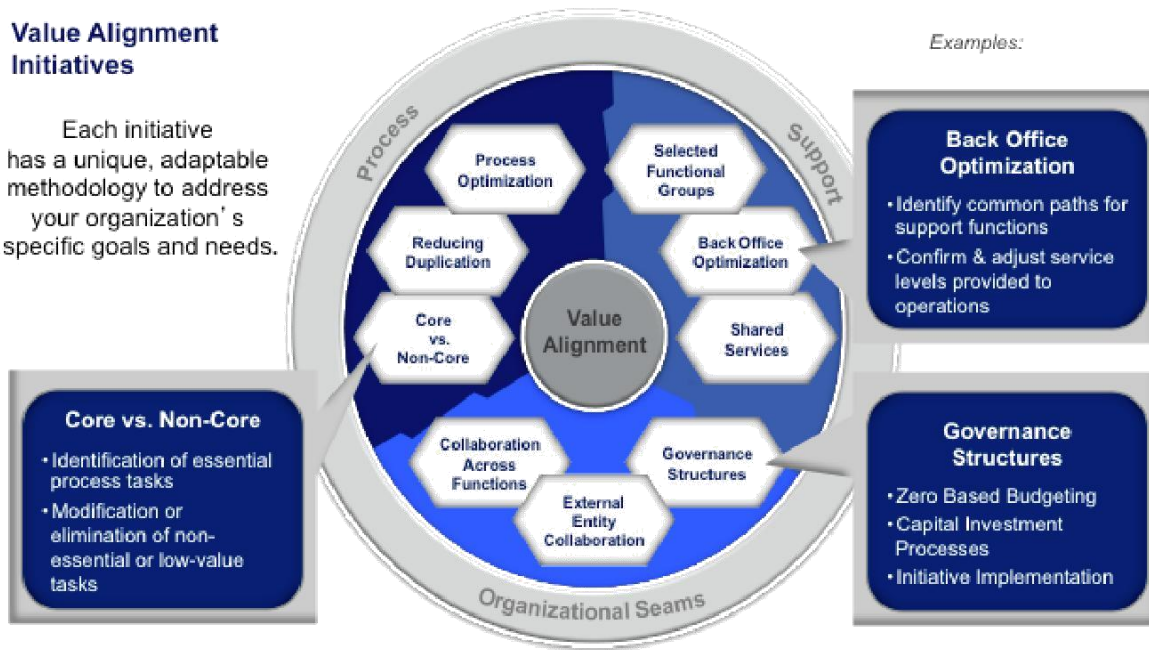
accountability foundation. A single executive (e.g. CFO) can prudently sponsor well-defined initiatives and lay a foundation for embedding cost containment organization-wide.

Value Alignment incorporates:

- Sustainability
- Push/Pull Balance
- Change Management
- Alignment with Customer/Growth Strategies

Value Alignment Initiatives

Each initiative has a unique, adaptable methodology to address your organization's specific goals and needs.



Achieving True Transformation

The challenge in achieving sustainable cost transformation is how to transform and establish the new approach within your organization:

Making cost-cutting part of your DNA	Create an environment and culture that embeds a cost-focus in the company DNA and helps enable sustainability.
Increasing Accountability – altering behavior at all levels	Encourage management and staff to adopt a business owner's view regarding costs and expenditures – challenging the status quo and sharing their ideas.
Deploy Technology	Use selected technology to provide data and analysis in managing cost transformation progress and ongoing results.
Build Intelligence	Cumulatively leverage initiative results and findings to efficiently apply to similar functions and learn from ineffective outcomes.

An Organization using Value Alignment for Cost Transformation...

- **Fuels Growth** – by integrating a cost reduction strategy with how the savings are reinvested
- **Increases Profits** – by optimizing processes for removing activities and investments that do not add value
- **Leverages CFO Insights** – by adopting a resource allocation mindset to cost management

Case Study Example

Client Acquisition transformation for a Group Benefit Services Line of Business at a global insurance company

The Challenges

- Getting a new customer group on-boarded with their benefit plans in place involved multiple departments and roles with a variety of handoffs
- Key roles were performed by individuals with varying levels of knowledge and experience, often resulting in errors and rework in establishing plan designs, contracts and system setup
- Responsibilities between groups were not well-defined, resulting in unnecessary rechecking of work and results
- Customer experience was less than satisfactory due to inconsistency and missteps in the process

Value Alignment Transformation

We worked with the client to accomplish the following:

- Obtain an understanding of their current state processes as the foundation for transforming their processes
- Create a well-defined client acquisition process – moving from a generalist to specialist approach
- Identify multiple related, but non-dependent initiatives with frameworks for execution
- Monetize the savings and positive impacts of the new processes (Up to \$22M in 1st year, \$68M over 3 years)
- Communicate and socialize the new processes and achieve cost management momentum

The Objectives

- Identify essential components of the client acquisition process
- Identify the appropriate resource, skill and experience for performing each task
- Realize cost savings through implementation of practical initiatives that the organization can ‘digest’
- Develop a change management strategy to increase success and build more ‘Cost Champions’
- Identify technology improvements and outsourcing options

The Results

- Established specialized roles (e.g. Client Acquisition Group and various roles), coordinate and execute new client on boarding and benefit plan installation
- Removed non-value activities from numerous processes
- Standardized and streamlined system and tools usage adding automation in certain areas
- Transitioned tasks to a captive offshore team
- Established central point of contact for client throughout client acquisition process with smooth transition to account management contact – significant improvement in client satisfaction
- Achieved \$19M of savings in 1st year and \$66M over 3-years