

# The Value Alignment Approach for Cost Transformation

## Cost Transformation using the Value Alignment Approach

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.

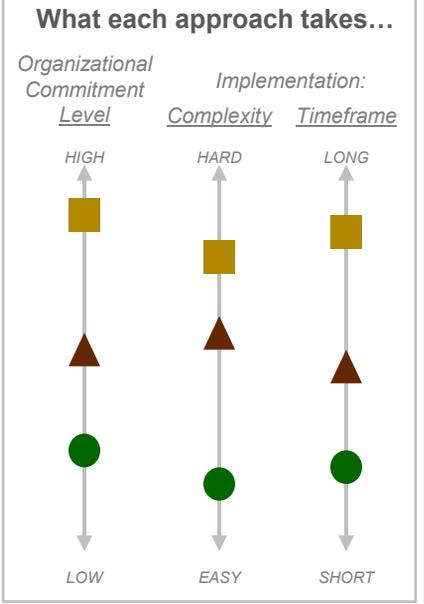
A key challenge is identifying where to focus efforts and how to create a cost reduction program that delivers lasting results while protecting the long-term profitability of the business.

### Today's Finance Organization Leadership must:

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

### Three Approaches to Cost Transformation

<p><b>Enterprise View</b></p> <p><i>Reexamining how you do business</i></p>	<ul style="list-style-type: none"> <li>▪ Full engagement of the organization</li> <li>▪ Broad scope with multi-directional focus</li> <li>▪ Everything is “on the table”</li> </ul>
<p><b>Portfolio Management</b></p> <p><i>Examining SBU, product &amp; geographic portfolios</i></p>	<ul style="list-style-type: none"> <li>▪ Focused on LOBs, Geographies and product lines</li> <li>▪ Demands heavy strategic analysis</li> <li>▪ Requires negotiation and agreement</li> </ul>
<p><b>Value Alignment</b></p> <p><i>Ensuring costs fit the value being generated</i></p>	<ul style="list-style-type: none"> <li>▪ Prioritized approach with focus on value outcomes</li> <li>▪ Identifying “low hanging fruit”</li> <li>▪ Well-defined purpose and expectation for each initiative</li> </ul>



### 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.

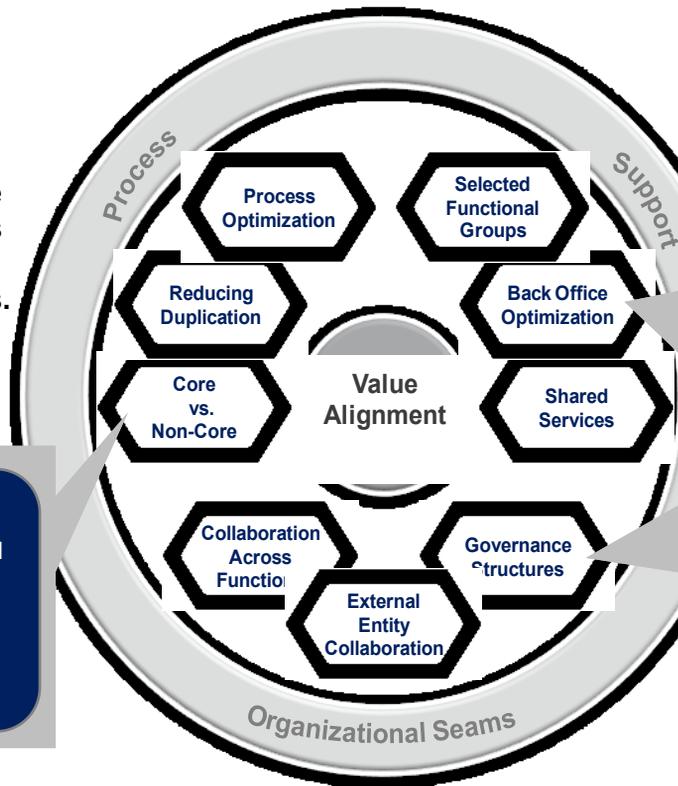
### Value Alignment incorporates:

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

# The Value Alignment Approach for Cost Transformation

## Value Alignment Initiatives

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



Examples:

### Back Office Optimization

- Identify common paths for support functions
- Confirm & adjust service levels provided to operations

### Core vs. Non-Core

- Identification of essential process tasks
- Modification or elimination of non-essential or low-value tasks

### Governance Structures

- Zero Based Budgeting
- Capital Investment Processes
- Initiative Implementation

## Achieving True Transformation

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

<b>Making cost-cutting part of your DNA</b>	Create an environment and culture that embeds a cost-focus in the company DNA and helps enable sustainability.
<b>Increasing Accountability</b> – 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.
<b>Deploy Technology</b>	Use selected technology to provide data and analysis in managing cost transformation progress and ongoing results.
<b>Build Intelligence</b>	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

# The Value Alignment Approach for Cost Transformation

## 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

#### 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

#### 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 1<sup>st</sup> year, \$68M over 3 years)
- Communicate and socialize the new processes and achieve cost management momentum

#### 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 1<sup>st</sup> year and \$66M over 3-years