STERLING
DEVELOPMENT
vision . strategy . structure . culture

Cost Reduction

Our client was experiencing an industry down cycle and desperately needed to cut costs. Global IT spend represented a multi-billion US dollar annual spend. Urgent intervention

was required to reduce costs without harming the business. Focus therefore turned to the elimination of waste. Reductions of 20% were achieved after one year primarily influenced by the Executive Committee's willingness to endure pain.

Spend was categorised as investment versus operational run. This was maintained with reduction targets set for each based primarily on benchmark experience.

Key waste elimination techniques were zero based budgeting, confining IT services to a limited set of standard offerings instead of open ended user choice, consumption-based charge out for those service bundles where user can make consumption choices, elimination of low use systems and infrastructure, review of supplier arrangements including reductions to volumes, service levels and rates, insourcing and in some cases, outsourcing depending on the market.