

By Candido Segarra

candido@mckenzieconsulting.com

# ARE LINE-ITEM COST REDUCTIONS ENOUGH?

**T**hroughout my years as a turnaround and process redesign consultant, and prior to each engagement, I constantly hear the senior managers of client companies express the same concern: “We have reviewed the budget and cut every expense line item to the bare bone; we can’t make any more cuts without affecting the operation”. If you find yourself in the same position, you are not alone.

In order to radically improve the profit and corporate performance, executives must re-think their traditional operational models and radically change the way in which they think about, and visualize their current operations and business processes. Costs can’t be dramatically reduced using traditional business models. A complete paradigm shift on how traditional business processes work is essential in order to replace them with creative, out-of-the-box and cost-effective ones.

As many companies have discovered, focusing only on lineitem budget reductions, while keeping the old processes intact is not the way to stay profitable and competitive, as there is so much “cutting” that can be done through the line-item method. By constantly redesigning internal procedures and rearranging them in consolidated, trimmed, more effi-


Line-Item Cost Reductions Alone is Not Sufficient to Stay Profitable and Competitive. It’s Time to Try a Radically Different Approach.

cient, automated ways, there are no limits to what a company can save, or how extreme their efficiencies can become.

The processes and methodologies we used before the convergence of the personal computer were dramatically different than the ones we use today. Equally, as more businesses adapt their procedures and practices to take advantage of newer technologies, we must redesign our processes again and again, in order to adjust them to an entirely different and more efficient way of running our operations, through the clever use of the latest technologies.

Technology has revolutionized, transformed and drastically changed the way we do business. In the current competitive and highly technological business environment in which we operate, everything is changing at an incredible fast pace.

With the advent of Internet technologies, integrated enterprise software applications, wireless technologies and supply chains, business leaders must understand and learn to quickly react to all the changes these technologies are bringing, in order to be able to develop strategies to stay competitive, survive and thrive.



*A complete paradigm shift on how traditional business processes work is essential in order to replace them with creative, out-of-the-box and cost-effective ones.*

We must constantly re-think and develop new and more efficient and innovative ways to trim down and improve processes, which will radically reduce operating costs, save time and make best and maximum use of the human resources within the organization.

Processes redesign demands an extraordinary degree of teamwork, process expertise, business knowledge and technology savvy, shifting the process redesign responsibilities, from management to the front lines. An organizational renaissance is achieved when cost reductions become a function of front line business operations (through process redesign), rather than an accounting function (through line-item cost reduction methods).

A successful profit improvement program through process redesign requires wide-ranging organizational changes, which forces cooperation between all team members throughout the organization, as, what one department does impacts all other departments throughout the enterprise.

Processes redesign is not a one-time program or a trendy fad. It is an on-going company philosophy,

a culture, which brings major long-term impact. It is a state of constant creative thinking and open mind-ness by all team members within the organization, in order to effect radical efficiencies. It is an empowerment exercise in which every team member is a change-agent and a creative thinker for the company.

Processes redesign can transform an organization in the areas of customer service, faster delivery of products and services and reduced operating costs, as well as effect dramatic changes in financial performance (as much as 50% improvement in some cases). It also yields enormous benefits and added value to shareholders, for those companies and its executives who dare to be innovative. Are you ready to try a radically different approach? ■

---

Candido Segarra is President of McKenzie Consulting in Miami, FL, which offers conferences and one-on-one coaching services in process redesign, process management and efficiency improvement for senior executives of medium size companies.