

Cost Efficiency for Post- COVID-19 Business Optimization

Eleanor Winn



INTRODUCTION

As businesses start to think about their recovery from COVID-19, one thing has become clear: digital transformation is critical for business resilience. Businesses that were already on a journey to digitization are far better equipped to deal with the changing working environment as a result of the pandemic. Digitization isn't something that can be put off.

While we know digital transformation pays dividends in the long run, it takes investment in the short term. How will businesses fund the investment in digital technologies to survive the pandemic and thrive in post-recovery?



Think of the recovery period – however long it is – as a chance to restructure your business costs.

Now is the time for organizations to reassess their costs and create a streamlined and cost-efficient operation. Opportunities to save money are everywhere, from office leases to supplier contracts. The premise is simple: save money that is currently being wasted to reinvest in the business systems that will bring competitive advantage.

It's an opportunity to innovate and redesign your organization to be cost-efficient, resilient and flexible. Aim for two goals: identify where to cut costs in the short term and determine where to invest for the long term.

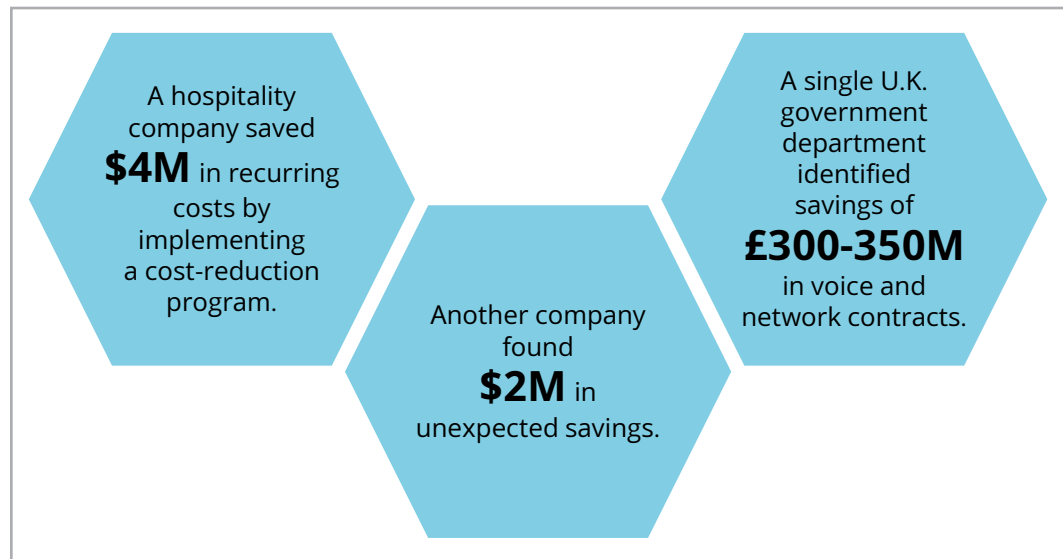


Figure 1: ISG Client Successes



Identify Where to Cut Costs

Conduct Supplier Audits

The first step toward cost efficiency is auditing your suppliers. Do this in an open and transparent way, being careful to build trust instead of break it. Well-managed, long-term relationships with suppliers can generate rewards.

Take the following steps:

1. Evaluate large and small suppliers. Gone are the days of single, billion-dollar contracts. Today, organizations are replacing single suppliers with a multitude of specialist providers. While a more complex supplier landscape can deliver higher-quality services, it also poses a higher risk for value leakage. Businesses may find overlap in services between two suppliers, for example, or a redundant service on a rolling contract. Whether you're using one large supplier or several smaller ones, pay attention to areas of spending that may go unnoticed.
2. Keep an eye on cost creep. It's easy for rolling supplier contracts to fly under the radar. Before you know it, the contract is renewed with a small hike in the fee and no time to get quotes from other suppliers. With [a third-party management platform](#), businesses can maintain tighter control of their contracts.
3. Know the market before you renegotiate. Simply bringing in a trusted advisor to renegotiate supplier contracts can spur cost savings. Suppliers usually prefer to negotiate a better deal for the business than lose the work completely.
4. Evaluate invoicing. Businesses often find themselves overwhelmed with invoices and reach a point where they are no longer able to examine them carefully. And yet most businesses have been overcharged by an invoice at least once. A phone bill or a network charge is typically to blame. [An automated system](#) can quickly scan for these kinds of discrepancies.

Examine Facility Charges

The pandemic will have long-term consequences for the way people work. Some businesses are completely re-thinking the way they structure their offices and working environment as they realize that previously office-bound employees can work from home efficiently and effectively.



Non-office-based parts of the **business have had to keep paying for unused facilities** or find ways to repurpose space to meet increased need. This is the case for retailers who have suddenly found a boom in the need for online fulfilment at the same time as their stores are standing empty – leading to a change of use as **stores are used as a base to hold and distribute stock**. Analyze facility usage and determine if the business can save money by reducing office space or associated services and move to a more cost-effective option.

Eliminate Unnecessary Products and Services

Many businesses have made major changes during COVID-19. Some have made what would typically be five-year transformations in as little as five weeks. Many of these organizations now have products and services that no longer serve their requirements. What projects should be stopped? What discretionary spending can be halted? Were there one-off vanity projects that you really don't need? Take time to determine where unnecessary costs can be eliminated.

Identify Where to Invest Now for Long-term Savings

As we move into the recovery period, businesses must focus on how they can build resilience. Few of us predicted a world in which nearly every employee would be sent home to work, overnight. That has meant taking responsibility for employees' connectivity, technology, security and home-office environment. It has meant rethinking paper-based processes and digitizing where possible as strategic moves across the business.

By using **automated systems to support employees and processes**, organizations can create efficiencies and free their teams to build creative solutions and help customers. Evaluate existing processes – which ones will be easiest to automate? Which will have the greatest effect on meeting business goals? Digitization and automation help businesses cultivate a healthy, happy and productive workforce. These are vital ways to not only build resilience but to save costs and ensure long-term growth.



Build Effective Leadership and Culture

All this takes strong leadership and, for many, a shift in culture. The root cause of cost inefficiency is often apathy. Many business cultures are stuck in a “we’ve always done it this way” mindset or lack co-ordination across business silos. This ensures that productivity and high-quality work are at the core of the business.

An important step is building accountability. What are the goals of the organization? What role do individual departments, teams, individuals and systems play in achieving those goals? Are there barriers to change, and have they been addressed?

For some organizations, such as those in the public sector, change can be slower in cases in which there is little accountability or motivation to reduce costs. In the private sector, some businesses have been reluctant to allow employees to work from home, sometimes spending more on office space than they needed to. For business culture to realign with a focus on cost-efficiency, business leaders should place it at the heart of their strategy. Leaders must clearly communicate why cost management is needed and why various processes and procedures need to change, so people across the business will buy in to the approach.

Conclusion

To **implement rapid cost-efficiency measures**, companies should evaluate the business for possible cost savings in the short-term and consider investments that will deliver value in the long-term. An initial assessment allows leaders to understand where the business stands and what the goals need to be. Coordinate efforts to avoid situations in which departments unwittingly duplicate each other’s work.



By creating a culture that values cost efficiency as a core business strategy, every business unit has the imperative to review its costs and work together to create a healthy business.



Ask where you can immediately reduce usage and expenses. **Conduct a benchmark to find out which areas exceed benchmark spend.** Review supplier contracts and determine if there any that you can renegotiate right away. Look for possible contract leakage or overcharges and assess where you can start to automate. Stop unnecessary projects and expenses or reduce them to minimal levels. Determine expenses related to energy, travel or entertainment that can be reduced. Make sure you know what necessary new expenditures the business has as a result of COVID-19. Cultivate a culture of efficiency and communicate your strategy in a way that makes people understand the reasoning behind the changes to the business. The business and its employees have to practice cost-efficiency every day to sustain savings in the long-term.

The global pandemic has shown us what businesses are capable of when under pressure. Digitization can be accelerated, and change can happen. As we enter a period of recovery, it's the perfect time to determine how to save money and invest it in recovery – into systems and processes that will create strong, resilient and efficient businesses of the future.

ABOUT THE AUTHOR

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ELEANOR WINN

Eleanor is a director with responsibility for digital sourcing in ISG across EMEA. She is responsible for shaping the sourcing offering and proposition across EMEA; ensuring that we understand our customers' evolving needs and continue to address them with best-in-class capabilities. In the past she has led a number of successful European advisory organizations, including Quantum Plus, Source, Alsbridge and SIG. Eleanor has led teams to success in the Global Sourcing Association awards for innovation and achievements in sourcing. She is an advocate for adoption of emerging technologies and ways of working and has extensive knowledge of RPA, AI, IoT and Blockchain.



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