CONCEPT

Cost Management and Operational Efficiency: Cost Reduction and Control

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Technical depth: Practitioner · **Practical mode:** Modelling build

Introduction

Most cost-reduction drives cut across the board, save less than promised and let costs creep back within a year, because nobody traced what actually drives the spend. Budgets roll forward, overheads are allocated arbitrarily and process waste stays invisible. This Core Concept course equips managers to understand, model and reduce operating costs with recognised costing and efficiency methods, from activity-based costing to zero-based review. Participants build working cost models on case data from several sectors and leave with a Cost Reduction and Efficiency Plan for their own function.

Course Objectives

- Build a cost baseline that separates cost behaviour and links spend to its operational drivers
- Apply activity-based costing, zero-based budgeting and cost-to-serve methods to reveal where cost is created
- Identify process waste and unit cost improvements using Lean and value stream techniques
- Validate, control and track savings so they reach the budget and do not erode
- Assess the service, capability and risk consequences of cost reduction options before committing to them
- Produce a Cost Reduction and Efficiency Plan supported by a working savings model

Target Audience

- Operations managers accountable for unit costs, throughput and departmental budgets
- Finance business partners and management accountants supporting cost decisions
- Support function managers responsible for overhead budgets in HR, IT, facilities or administration
- Process improvement and operational excellence managers leading efficiency programmes
- Procurement and category managers responsible for addressable third-party spend
- Shared service managers accountable for cost per transaction and productivity

Course Outline

Day 1: Cost Landscape and the Cost Baseline

- Cost Behaviour Analysis: Fixed, Variable, Step and Semi-Variable Costs
- Cost Baseline Build from General Ledger and Cost Centre Reports
- Cost Driver Trees Linking Spend to Volume and Activity
- Process Inventory Mapped to the APQC Process Classification Framework
- Pareto Analysis of Spend Categories and Cost Hotspots

Day 2: Costing and Efficiency Frameworks

- Time-Driven Activity-Based Costing: Capacity Cost Rates and Time Equations
- Zero-Based Budgeting Decision Packages and Service Level Options
- Lean Eight Wastes and Value-Added Activity Analysis
- Cost-to-Serve Modelling by Customer, Product and Channel
- Total Cost of Ownership Model for Assets and Contracts

Day 3: Finding and Building Efficiency Improvements

- Current-State Value Stream Mapping with Cycle Time and Cost Data
- Unit Cost and Productivity KPIs: Cost per Transaction and Capacity Utilisation
- Demand Management and Service Specification Rationalisation
- Spend Cube Analysis and Supplier Consolidation Options
- Energy Cost Review Using ISO 50001 Energy Performance Indicators

Day 4: Risks, Controls and Sustaining Savings

- Cost Reduction Risk Assessment Aligned to ISO 31000
- Savings Validation Rules: Baseline Adjustment, Run-Rate and One-Off Savings
- Flexible Budget Variance Analysis for Price, Volume and Efficiency
- Savings Tracking Dashboard and Benefits Governance Cadence
- Cost Creep Controls: Delegated Spend Approval Matrix and Budget Holder Accountability

Day 5: Modelling Build and the Cost Reduction and Efficiency Plan

- Logistics Operation Case: Time-Driven ABC Model Build and Unprofitable Service Identification
- Hospital Support Services Case: Zero-Based Review of Overheads
- Savings Pipeline and Sensitivity Model for the Participant’s Function
- Cost Reduction and Efficiency Plan Drafting
- Peer Challenge Panel and Plan Defence

Skills You Will Gain

- Cost Driver Analysis
- Activity-Based Cost Modelling
- Budget Challenge
- Process Waste Elimination
- Spend Analysis
- Savings Validation
- Variance Analysis
- Efficiency Business Case Appraisal

Why Attend This Course

- Return to work with a Cost Reduction and Efficiency Plan and a savings model built on your own function’s figures
- Show finance and leadership exactly which activities, customers and services drive cost
- Avoid cuts that damage service or capability by testing each option before it is approved
- Compare cost and efficiency practice with managers from other sectors and countries

Conclusion

Sustainable cost reduction comes from understanding what drives cost and changing the work, not from uniform cuts. This course moves from building a reliable cost baseline, through activity-based, zero-based and Lean methods, to the validation, variance control and governance that keep savings in the budget. The final day turns that analysis into a Cost Reduction and Efficiency Plan and a working savings model, giving participants a defensible case to take back to their finance and leadership teams.