THE IN-HOUSE TRAINING COMPANY

Successful cost reduction

Overview

Businesses that don't control their costs don't stay in business. How well are you doing? Is everyone in your organisation sufficiently aware of costs, managing them effectively and maximising opportunities to reduce them? If there is scope for improvement, this course will help get you back on track. It will demonstrate that cost reduction is so much more than cost control and cost cutting. True cost management is about being *aware* of costs, seeking to *reduce* them through good design and efficient operating practices whilst taking continuing *action* on overspending.

Learning objectives

This course will develop the participants' skills in:

- Being aware of costs at all times
- Seeking cost reduction from the start (including life-cycle costing)
- Appraising projects / production to identify and take out risk
- Understanding real budgeting
- Using techniques such as ZBB and ABC where appropriate
- Ensuring cost reports lead to action
- Managing a cost reduction process that delivers

Benefits to the organisation will include:

- Identification of cost reduction and business improvement opportunities
- Better reporting and ownership of costs
- Greater awareness and control of everyday costs

Who should attend?

All executives, managers, accountants, engineers and other staff whose activities impinge on cost who need to:

- Review or learn the concepts and measures used to be aware of costs, reduce them and control operations
- Develop their company and personal process of cost reduction and control
- Focus themselves and other members of the team on continuing cost awareness and reduction throughout the organisation

Course format

A thoroughly practical two-day course involving exercises, formal tutorials and trainer-facilitated discussions.

Special features

For maximum benefit, this programme can be tailored to reflect your organisation's internal budgeting and control systems. The examples can also be adapted for specific business sectors. The cost reduction action plans that participants will prepare in the final session of the programme guarantee that this course will pay for itself very swiftly indeed.

Workshop outline

1 Introduction – the cost management process

- The risks of poor cost control
- Capital and revenue costs
- The importance of cost awareness
- The importance of cost reduction
- Cost management – the key aspects
- How to build a cost management and control process checklist for your areas of responsibility

2 Cost removal – taking out costs

- Cost awareness
- Costs of poor design / poor processes
- Value engineering
- Removing redundant costs

3 The need for commercial, technical and financial appraisals

- Understand the problems before cash is committed and costs incurred
- Making the effort to identify commercial and technical risk
- The time value of money – DCF techniques for long term projects
- Cost models for production processes and projects
- Costing models – project appraisals
- The use of spreadsheets to identify sensitivity and risk
- How to focus on risk management

4 Budgeting – proper budgeting challenges costs

- The philosophy of the business – are costs an issue?
- The importance of having the right culture
- The need for detailed business objectives
- Budgetary control measures
- Designing budget reports – *for action*

5 Zero-based budgeting (ZBB) – the principles

- Much more than starting with a clean sheet of paper
- What ZBB can achieve

- The concept of decision packages – to challenge business methods and costs
- Only necessary costs should be incurred
- A review of an operating budget – demonstrating what ZBB challenges and the costs it may lead to being taken out

6 Awareness of overheads and other costs

- Definitions of cost – direct and indirect
- Dealing with overheads – what is meant by allocation, absorption or apportionment?
- The apparent and real problems with overheads
- Different ways of dealing with overheads
- Review of overhead allocation methods and accounting and reporting issues

7 Overheads and product costing

- Activity-based costing (ABC) – the principles
- Where and how the ABC approach may be helpful
- Know the 'true' cost of a product or a project
- Should you be in business? Will you stay in business?
- Identifying weaknesses in a traditional overhead allocation
- How ABC will help improve product or service costing
- Identifying which products and activities should be developed and which abandoned

8 Cost reduction culture

- The need for cost reports
- What measures can be used to identify over-spends as early as possible
- Cost control performance measures and ratios

9 Design of cost control reports

- Reports should lead to *action* and deliver
- Selecting cost control measures which can be acted upon
- Practice in designing action reports

10 Course summary – developing your own cost action plan

- Group and individual action plans will be prepared with a view to participants identifying their cost risks areas and the techniques which can be immediately applied to improve costing and reduce costs

Any questions?

Please just give us a call on 01582 463463 – we're here to help!
Or visit www.theinhousetrainingcompany.com