

Cut Costs Without Cutting Your Future

Are you struggling to meet revenue and growth targets? Learn how “Laurie”—a CFO we worked with—was able to reduce her company’s current costs by \$100M at the same time she increased her company’s long-term value by \$300M.

Three-Step Buy Up / Buy Down Investment Decision Process

1

Create Proposals

Rather than applying an across-the-board cost reduction, Laurie wanted to take a fresh look at where her company was really investing. Following her suspicion that the company was funding low-return investments at the expense of higher return opportunities, she challenged the regional general managers to develop proposals for spending significantly more and significantly less across all aspects of the business.

Example Proposals

- Go direct or through distributor
- Delay product introduction
- Offer more or fewer discounts
- Keep or close buildings/offices/warehouses
- Move to a different selling model
- Consolidate/simplify brand
- Shut down second brand
- Keep or lay off people
- EOL products
- Close plants
- Contract production
- Sell or lease assets
- Outsource or insource
- Change contract terms
- Expand geographies



“The peanut butter approach where we cut costs across the company by 5 or 10% was not working.

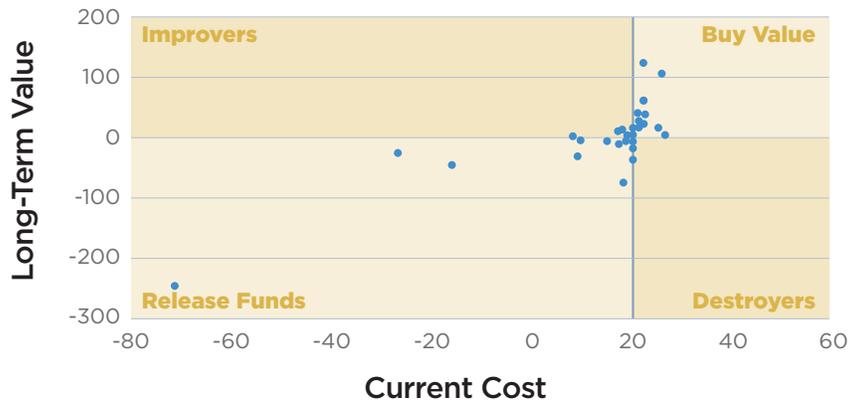
The buy up / buy down approach drove the strategic conversations we needed to have.”

2

Evaluate Short-Term Cost and Long-Term Value of Proposals

Laurie's staff used SmartOrg software to create templates to evaluate each proposal on a credible and comparable basis in terms of current savings or investment and impact on net present value. She

showed that some proposals, while destructive to the business, released significant funds that could be redirected into proposals with better returns.

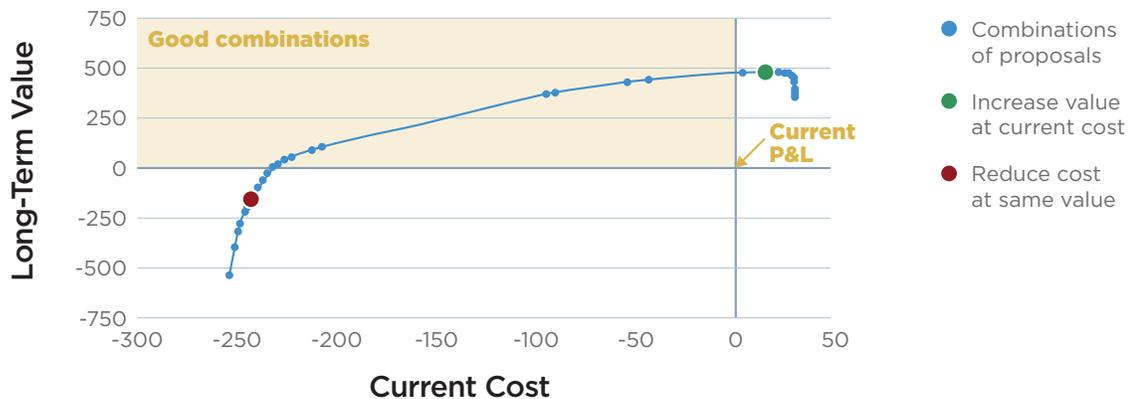


3

Evaluate Tradeoffs and Make Decisions

Laurie was able to prioritize all proposals based on return on investment. By quickly running scenarios for different combinations of proposals, Laurie demonstrated that the firm could do better than

its current plan. Leveraging SmartOrg, she led the executive team to select a combination that met their current cost-cutting targets while also increasing long-term value.



SMARTORG®

855 Oak Grove Avenue, Suite 202
Menlo Park, CA 94025

T: +1.650.470.0120 | F: +1.650.328.1612
info@smartorg.com | www.smartorg.com

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