

Category

Strategy

Cost Leadership & Operational Efficiency Strategy Playbook

A zero-based method for finding, sequencing, and locking in structural cost reductions without cutting the capabilities that drive competitive advantage.

- Practitioner
- Intermediate
- Template Included

- Mithun A. Sridharan
- 19 December 2021
- 8 minute(s)

Overview

A zero-based cost playbook for benchmarking spend, separating structural savings from one-time cuts, and building a governed roadmap that protects the capabilities competitors can't easily copy.

How is this different from a standard budget cut exercise?

A budget cut exercise typically applies a target percentage to last year's budget and asks each department to find it. This playbook instead builds a benchmark-based dollar target per category, forces every cost line to be re-justified from zero, and explicitly separates savings that protect competitive advantage from those that don't — producing a smaller number of larger, more durable savings rather than a broad shallow cut.

How do we avoid cutting into the capabilities that differentiate us?

Name your must-have categories explicitly during the zero-based workshop, with the competitive rationale documented, before target-setting begins. That documentation becomes the evidence you use to defend those categories when budget pressure inevitably pushes the cost council to look at them again later.

What's a realistic savings target from this kind of program?

Programs that combine structural and quick-win levers typically find 8-15% of the addressable cost base in durable, sustained savings, with roughly a third capturable within 90 days and the rest over 6-12 months as structural changes land. The exact figure depends

heavily on how much structural fat exists versus how lean the organization already is.

Should procurement or operations lead this effort?

Neither alone — it needs a cross-functional cost council because the largest, most durable savings usually come from operations and org design levers, while procurement executes a meaningful but smaller share through vendor and category management. A procurement-only effort tends to find only the easiest 20-30% of the opportunity.

How do we keep savings from eroding after the program ends?

Assign a permanent owner to every cost category with accountability for holding the new baseline, and keep the monthly run-rate tracker running as a standing finance process rather than a project artifact that gets archived once the initial target is hit. Savings erosion almost always traces back to a tracker that stopped being reviewed.

```
{ "@context": "https://schema.org", "@type": "FAQPage", "mainEntity": [ { "@type": "Question", "name": "How is this different from a standard budget cut exercise?", "acceptedAnswer": { "@type": "Answer", "text": "A budget cut exercise typically applies a target percentage to last year's budget and asks each department to find it. This playbook instead builds a benchmark-based dollar target per category, forces every cost line to be re-justified from zero, and explicitly separates savings that protect competitive advantage from those that don't — producing a smaller number of larger, more durable savings rather than a broad shallow cut." } }, { "@type": "Question", "name": "How do we avoid cutting into the capabilities that differentiate us?", "acceptedAnswer": { "@type": "Answer", "text": "Name your must-have categories explicitly during the zero-based workshop, with the competitive rationale documented, before target-setting begins. That documentation becomes the evidence you use to defend those categories when budget pressure inevitably pushes the cost council to look at them again later." } }, { "@type": "Question", "name": "What's a realistic savings target from this kind of program?", "acceptedAnswer": { "@type":
```

"Answer", "text": "Programs that combine structural and quick-win levers typically find 8-15% of the addressable cost base in durable, sustained savings, with roughly a third capturable within 90 days and the rest over 6-12 months as structural changes land. The exact figure depends heavily on how much structural fat exists versus how lean the organization already is." } }, { "@type": "Question", "name": "Should procurement or operations lead this effort?", "acceptedAnswer": { "@type": "Answer", "text": "Neither alone — it needs a cross-functional cost council because the largest, most durable savings usually come from operations and org design levers, while procurement executes a meaningful but smaller share through vendor and category management. A procurement-only effort tends to find only the easiest 20-30% of the opportunity." } }, { "@type": "Question", "name": "How do we keep savings from eroding after the program ends?", "acceptedAnswer": { "@type": "Answer", "text": "Assign a permanent owner to every cost category with accountability for holding the new baseline, and keep the monthly run-rate tracker running as a standing finance process rather than a project artifact that gets archived once the initial target is hit. Savings erosion almost always traces back to a tracker that stopped being reviewed." } }] }

Subscriber access

Unlock this playbook

This playbook — including every framework, template, and step-by-step section — is available free to Think Insights subscribers. Enter your email to unlock it instantly and get our weekly insights newsletter. No account needed, and access is remembered on this device.

First Name

Last Name

Email

Country

I agree to data processing in accordance with GDPR

Leave this field blank

References

Related playbooks

Strategy

Strategy for Talent Scarcity & Skills Market Competition Playbook

A framework for competing effectively in genuinely scarce talent markets by building structural advantages — role design, career pathways, flexible sourcing — r

- Executive
- Intermediate
- Template Included

[Read playbook](#)

Strategy

Strategy for Subscription, Usage-Based & Recurring Revenue Models Playbook

A framework for the strategic and operating model changes a shift to subscription or usage-based revenue actually requires — beyond pricing, into customer succe

- Executive
- Intermediate
- Template Included

[Read playbook](#)

Strategy

Strategy for Regionalization, Friend-Shoring & Supply Chain Restructuring Playbook

A framework for evaluating supply chain regionalization and friend-shoring decisions against a genuine cost-resilience trade-off, rather than reflexive restruct

- Executive
- Advanced
- Template Included

[Read playbook](#)

[Talk to our strategy team](#)

Author

Mithun A. Sridharan

I'm Mithun A. Sridharan, Founder of this website - Think Insights - on Strategy, Management Consulting, Leadership, Digital Transformation, and Data Literacy. Follow me on social media or connect with me on LinkedIn for updates.