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

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- 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.

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