



SAS® for Strategic Cost Reduction



Overview

The global financial crisis has made cost management the biggest priority for most organizations. However, decisions to cut costs can be made too quickly and end up destabilizing the business in the long term, making it unable to meet strategic objectives.

The organizations that get it right are those that try to strike a balance between having a competitive cost structure, implementing an effective strategy and investing in the future.

Research on previous recessions show that the organizations that came out strongest had not hacked away at the typical targets for expense reduction such as travel, training, marketing and across-the-board, arbitrary headcount reductions.

They made sure they understood the strategic impact and sustainability of cost-optimizing actions. The result was an organization well-positioned to achieve high performance by dramatically outpacing the competition when the economy stabilized.

To achieve this balance, an organization needs an effective cost management framework that enables it to:

- Carry out a comprehensive analysis of their cost structure and what drives their costs.
- Streamline business processes.
- Understand the impact of a reduction in headcount on productivity and profitability.
- Prioritize the opportunities to cut costs.
- Understand which costs drive revenue and which don't.
- Ensure cost optimization initiatives are in line with short-, medium- and long-term strategic goals.
- Communicate new strategies and cost reduction initiatives across the organization.

A long period of sustained growth has allowed poor cost management habits to creep in, with few organizations having a clear view of what drives cost. This lack of visibility is hampering their ability to take quick, decisive action to reduce the right costs in reaction to the global financial crisis.



Cost and Profit Optimization

■ Challenges

- Understand how to strengthen your position, not just survive.
- Be confident to act decisively in troubled times.
- Be ready to take advantage of opportunities that may arise.
- Find out how to divert resources for maximum value creation.
- Understand how to do more with less.
- Ensure fast, low-risk, substantial returns.
- Create a sustainable, competitive advantage.

Cost optimization is not achieved by arbitrary cuts across the board, with little or no consideration to the potential impact on current or future performance. This method can often have negative impacts of poor productivity, a decline in customer satisfaction and reduced profitability that can lead to a death spiral.

Reduce costs without compromising profitability

SAS for strategic cost reduction enables you to optimize your resource and cost structure, ensuring that your organization is well-positioned to achieve high performance, both during and after the current financial crisis. It does this by helping you:

- Understand what causes cost and how it flows through the organization.
- Identify the cost of bottlenecks, rework and non-value-added activity.
- Understand which products, services and channels add the most, and least, value.
- Ensure optimal resource utilization.
- Simulate changes in resources, processes and outputs and quantify the impact on profitability.

Align financial and operational strategies

Without understanding the many elements and real drivers behind financial performance, organizations risk cutting from areas that create true customer value – i.e., cutting muscle instead of fat. Many organizations that have established cost-cutting initiatives have fallen short of their anticipated results, or caused other unintended effects, because the initiatives typically:

- Are implemented without communication.
- Demoralize employees and stakeholders.
- Lack sufficient clarity of the value-creating processes.

To address these issues, SAS for strategic cost reduction helps you manage your strategies, enabling you to:

- Carry out a comprehensive analysis of the business environment to identify the most sensitive leading business drivers.
- Focus on the execution of strategy against the most critical drivers.
- Define and understand the true cause-and-effect relationships.
- Align operations to the new strategy.
- Understand how divisions and people contribute to the overall strategy.
- Communicate frequently and automatically about status and other important information.

- Quickly highlight and react to problems, opportunities and further changes in the market.
- Monitor and chart the progress of the strategy and supporting initiatives.

Fast, low-risk, tangible results

Our customers have shown us that implementing SAS for strategic cost reduction gives them an incredible ROI in a very short time frame.

The considerable benefits that can be gained with SAS for strategic cost reduction are clear:

- An insurer identified \$26 million potential cost savings in its claims processing department.
- A bank generated \$2 million savings in its credit card division, a 14 percent reduction in labor costs in customer services and reduced product costs by up to 50 percent, all in one year.
- A medical insurer reduced the cost per claim by 75 percent.
- A public sector organization has saved millions of dollars through process improvements.

SAS for strategic cost reduction can be implemented very quickly, with initial results seen in as little as six weeks. This means you can quickly free up resources and budget for pro-

grams and initiatives that looked to be at risk due to the impact of the global financial crisis.

SAS is the recognized leader in cost and profitability optimization. No other company can match our customer base, customer successes, internal expertise and resourcing, and depth of experience.

Strategic financial reporting

The challenge for organizations in the current economic climate is to have the correct financial and nonfinancial information and reports available to them in a timely manner while understanding the key drivers and anticipated outcomes.

SAS can support decisions – such as where to invest, hold or reduce on aspects such as customer or line-of-business profitability – and can provide you with a deeper understanding of your organization's financial and related nonfinancial data, enabling you to:

- Evaluate your organization's current performance and sustainability based on current and future market conditions.
- Perform in-depth competitive analysis to gain an accurate valuation of your market position and situation.

- Determine if your organization is appropriately leveraged or funded, given its business model, risk exposure and market challenges.
- Analyze financial statements to assess the management of key success factors and business risks now and in the months ahead.
- Examine the benefits and disadvantages of potential mergers and acquisitions in an uncertain economy.

Solution

- Reduce costs without compromising profitability.
- Streamline departmental activities.
- Better align resources with strategies.
- Synchronize financial and operational activities.
- Quickly respond to business and market changes.
- Ensure a single view of enterprise information.

About SAS

SAS is the leader in business analytics software and services, and the largest independent vendor in the business intelligence market. Through innovative solutions delivered within an integrated framework, SAS helps customers at more than 45,000 sites improve performance and deliver value by making better decisions faster. Since 1976 SAS has been giving customers around the world THE POWER TO KNOW®.

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