

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.

Training 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

Audience

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

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.

The expert trainer

Ralph is, unusually, dual-qualified as both an engineer and a chartered accountant. Having worked initially as an engineer, he qualified as an accountant and was a manager in one of the big international accountancy firms before setting up his own accountancy and consultancy practice. His clients include many international businesses from the banking, power, telecom, oil, manufacturing, engineering, construction and retail sectors.

The author of a number of books, including *Finance and Accounting Desktop Guide*, *Practical Investment Appraisal* and *The Complete Guide to International Financial Reporting Standards*, Ralph is in great demand as a lecturer and trainer. He presents technical update courses on behalf of professional organisations such as the Institute of Chartered Accountants of Scotland and the Institution of Chemical Engineers as well as public training programmes on behalf of commercial organisations in the UK and internationally on finance for non-accountants, cost reduction and other subjects.

Ralph's unusual combination of depth of technical expertise with breadth of approach and excellent training skills makes him a very popular trainer with audiences from all backgrounds and at all levels. See what people have said about his training:

'A very good presentation'

'Was eloquent and seemed to genuinely enjoy talking about subject matter'

'Quizzes helped me to think more about fraud'

'Good mix of teaching and group work'

'Energetic trainer'

'Raised my overall awareness of fraud and its different aspects'

'An entertaining review of a potentially dry subject'

Course 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

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**TO DISCUSS YOUR TRAINING REQUIREMENTS
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