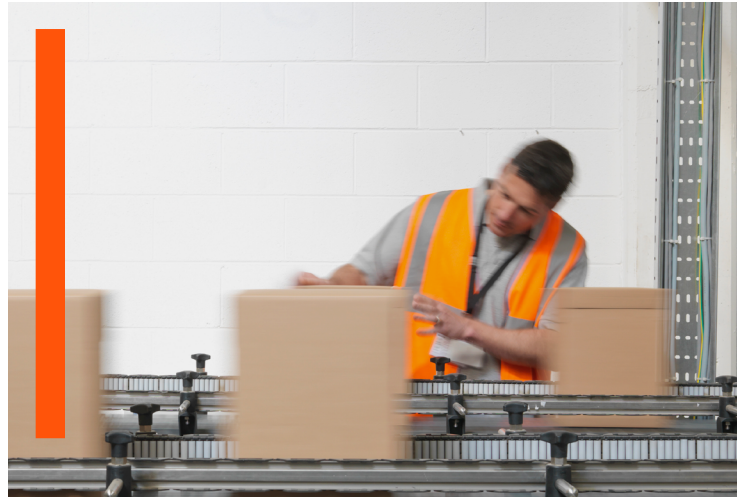


Gartner for Supply Chain

Supply Chain Cost Management Checklist



When faced with disruption, organizations often stop discretionary spending, lay off staff, reduce training and cut capital investments. Winning enterprises, however, establish an ongoing cost management discipline, practice cost optimization and forecast for the upturn.

Establish your cost management approach

Cost cutting

- Reactionary
- Short-term
- Immediate reductions

Cut expenditure



Eliminate



Radical



Straight line

Ongoing
process

Cost optimization

- Strategic
- Programmatic
- Structured improvements

Structured optimization



Reduce
costs



Improve
efficiency



Increase
productivity



Invest
strategically

Source: Gartner

More mature organizations will prepare for disruption by having three budgets prepared — best case, worst case and most likely case. They will know ahead of time the moves they need to make when and if the environment changes.

Less mature organizations do not spend much time thinking about cost moves until they are told by their CFO to cut their budget. At that point, many revert to cost cutting, just as winners are doubling down on investment for growth and innovation.

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To position the organization for long-term success, supply chain leaders must protect innovation funding, even as the cost hammer drops. The best supply chain leaders assign accountability and authority to “growth guardians” on their teams to protect these critical initiatives.

Supply chain leaders and their business partners should also align on cost performance trade-offs upfront so that a clear cost architecture is established. For example, the enterprise may decide to prioritize payback over ROI in order to recycle funds and get many smaller initiatives done. Or, it may temporarily use a governance process for investment decisions in order to promote agility.



Take the five actions on this checklist to improve supply chain cost management, moving from supply chain cost cutting to supply chain cost optimization:

- Embed efficiency in organization values and management practices, and invest in operating capabilities that deliver competitive advantage by cost optimization of supply chain strategy.
- Develop a cost optimization roadmap that incorporates long-term value and more immediate spend efficiency.
- Assign a resource to lead and report progress against key milestones and targets needed to achieve the desired cost-related results.
- Cut down organizational red tape, such as chargeback schemes, extended business case reviews and unnecessary business process standardization.
- Kill projects that are no longer at the top of the priority list.

Optimizing Supply Chain Costs: How We Help

Supply chain cost management models remain short-term and functionally focused. To optimize supply chain costs, it's important to align business value with efficient supply chain operating outcomes.

Partner with Gartner to create a supply chain cost management vision that drives tangible performance improvements while also increasing your leadership effectiveness, scope of business influence and strategic relevance.

Visit gartner.com to learn more about how Gartner helps supply chain leaders optimize their costs.

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