

Do You Need a Cost Czar?

Deloitte Debates



Many leading companies are assigning an executive to oversee cost improvement activities across the entire enterprise. Should you?

Cost reduction remains a top priority for most businesses. In fact, our recent survey¹ of 139 Fortune 1000 companies shows that 80 percent are continuing to pursue cost improvements and that 17 percent have gone so far as to establish a 'cost czar' to oversee and coordinate all cost-related improvement activities throughout the enterprise. Does your company need a cost czar?

Here's the debate:

Point

A cost czar can improve results.

Our survey shows that a growing number of businesses (37 percent) are failing to meet their cost reduction targets. Clearly, something isn't working. A cost czar can help get things get back on track.

A cost czar provides a focal point that cuts across organizational boundaries.

Many of the biggest cost improvement opportunities involve multiple parts of the business. Without visibility and influence across silos, it's hard to drive fundamental change.

A cost czar can help others succeed.

Assigning a cost czar doesn't let other leaders off the hook; it provides executive-level support and a fresh perspective that can help them cut costs more effectively. It also helps determine if the company's overall reduction targets are being achieved and that nothing falls through the cracks.

Counter-Point

A cost czar isn't a silver bullet.

Assigning a cost czar won't make costs magically disappear. To achieve sustainable improvements, companies should address the fundamental problems that drive costs.

Business leaders should be responsible for their own costs.

If you assign a cost czar, other executives and managers may abdicate responsibility for cutting costs.

Cost discipline should be embedded in the fabric of the organization.

Managing costs aggressively is everyone's responsibility – from front-line employees all the way up to the CEO and Board. No one can do it alone.



Omar Aguilar

Principal

Deloitte Consulting LLP

The need for a cost czar varies from one company to the next. For a distressed business that is struggling to transform its cost structure and achieve the required reductions, the need is clear and immediate. In fact, without a cost czar to oversee all cost-related improvement activities and drive enterprise-wide change, the business may not survive.

At the other end of the spectrum, a cost czar may be less essential – but could be just as valuable (even for the strongest companies). For the foreseeable future, businesses are likely to face relentless cost pressure and uneven market growth as consumers and entire nations wrestle with crippling debt loads and deficits. In this challenging environment – which many view as the ‘new normal’ – cost management is not expected to be an isolated, one-time event; it is anticipated to be an ongoing activity that touches every part of the business and will require discipline, focus and responsibility that transcends organizational boundaries. In other words, it will require a cost czar. Further, given the current adoption rate of Cost Czars at 17 percent of the companies surveyed¹, we anticipate the trend to continue. Look for more Cost Czars being appointed in the near future.

Some cost czars are assigned by the CFO; others are assigned by the CEO or COO. Some are viewed as permanent, full-time positions; others are seen as part-time or temporary positions that will go away once the company’s financial condition improves. The right answer depends on the situation. But in all cases, it’s essential for the cost czar to have sufficient visibility and clout to align cost improvement activities across organizational boundaries. That’s the key to achieving cost savings that are significant and sustainable.

¹ What’s next? Deloitte’s second biennial cost survey cost-improvement practices and trends in the Fortune 1000

Related Content

Library: [Deloitte Debates](#)

Services: [Consulting](#)

Overview: [Strategy & Operations, Enterprise Cost Management](#)

Related links:

[Riding out the storm – How to make enterprise cost management sustainable](#)

Join us on January 18 for the Dbriefs webcast.

[Roadmap for the “new normal”](#)

A four-step approach for managing costs in a challenging business environment.

[What’s next? Deloitte’s second biennial cost survey](#)

Cost-improvement practices and trends in the Fortune 1000.

[Addressing general and administrative \(G&A\) complexity](#)

The next frontier in cost-cutting.

This publication contains general information only and is based on the experiences and research of Deloitte practitioners. Deloitte is not, by means of this publication, rendering business, financial, investment, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.