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**Selling, General & Administration
(SG&A) Cost Reduction Focus**

Implement a Change Leadership
and Communications Effort

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For most companies, establishing a sustainable and scalable SG&A structure requires a fundamental transformation in how SG&A works. A transformation of this magnitude cannot be imposed from executives. To fully take hold throughout the company, it must be accompanied by a change management program that focuses on both organisational change management and personal change leadership. The “hard” tangible variables of the organisation, process and technology change must be addressed alongside the “softer” intangible variables: leadership, people, communications and culture.

The mission: Change the way the work is being done, develop employees so they can operate in a new environment and free them to think in new ways. Successful change management programs proactively use a variety of frameworks and tools to manage risk and guide the organisation through the transition:

- Communications
- Guiding coalitions and decision structures
- Cases for change
- Commitment mechanisms
- Stakeholder assessment
- Change impact assessment
- Performance goals and monitoring
- Education and training

During organisational restructuring or enterprise-wide cost reduction programs, many companies are reluctant to communicate to employees until the details of restructuring actions are known. Our experience indicates that companies that openly and aggressively manage communications efforts during transformation are the ones that may be better positioned to maximise benefits from transformation.

What’s important during this time is to inspire confidence that a process is in place, that communications of key decisions will be made at appropriate times and that senior management has oversight over the whole transformation program. More significantly, the strategic rationale for transformation must be communicated to align employees throughout the company toward a common vision. Also, don’t forget that change happens at a personal level. This requires management to identify and support change leaders. Change leaders ultimately focus on encouraging employees to see the world differently and to re-evaluate old assumptions – for instance, how a customer will respond if an action is taken. Effective change leadership enables employees to free themselves of ingrained assumptions, and if thought processes change, behaviours change.



A Call to Action

Building a competitive SG&A cost structure puts a company on a solid path to strengthening its commitment to improving the way it does business. The following key questions can help you assess the current state of your SG&A cost and organisational structure:



Cost reduction is only part of driving value through SG&A improvement. Other vital steps include matching a service-delivery solution to the business model, determining how work adds value and centralising low-cost defined services, eliminating work and re-engineering processes, and aggressively attacking controllable expenses. All told, a lean, flexible SG&A structure will carry companies through changing business conditions, giving them a crucial competitive advantage in a volatile environment.

Contact us



Daryl Elliott
Strategy & Innovation |
Enterprise Cost Reduction Leader
Tel: +27731955829
Email: delliottd@deloitte.co.za
Deloitte South Africa



Louis Kruger
Strategy & Innovation Director |
Leader Monitor Deloitte
Tel: +27112096165
Email: lokruger@deloitte.co.za
Deloitte South Africa



Arun Babu
Strategy & Innovation Director |
Business Model Transformation
Leader
Tel: +27115174114
Email: arbabu@deloitte.co.za
Deloitte South Africa



Andrew Grobicki
Strategy & Innovation |
Cost Transformation Specialist
Tel: +27115174514
Email: agrobicki@deloitte.co.za
Deloitte South Africa