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Selling, General & Administration (SG&A)
Cost Reduction Focus
Controllable Expenses (CE)

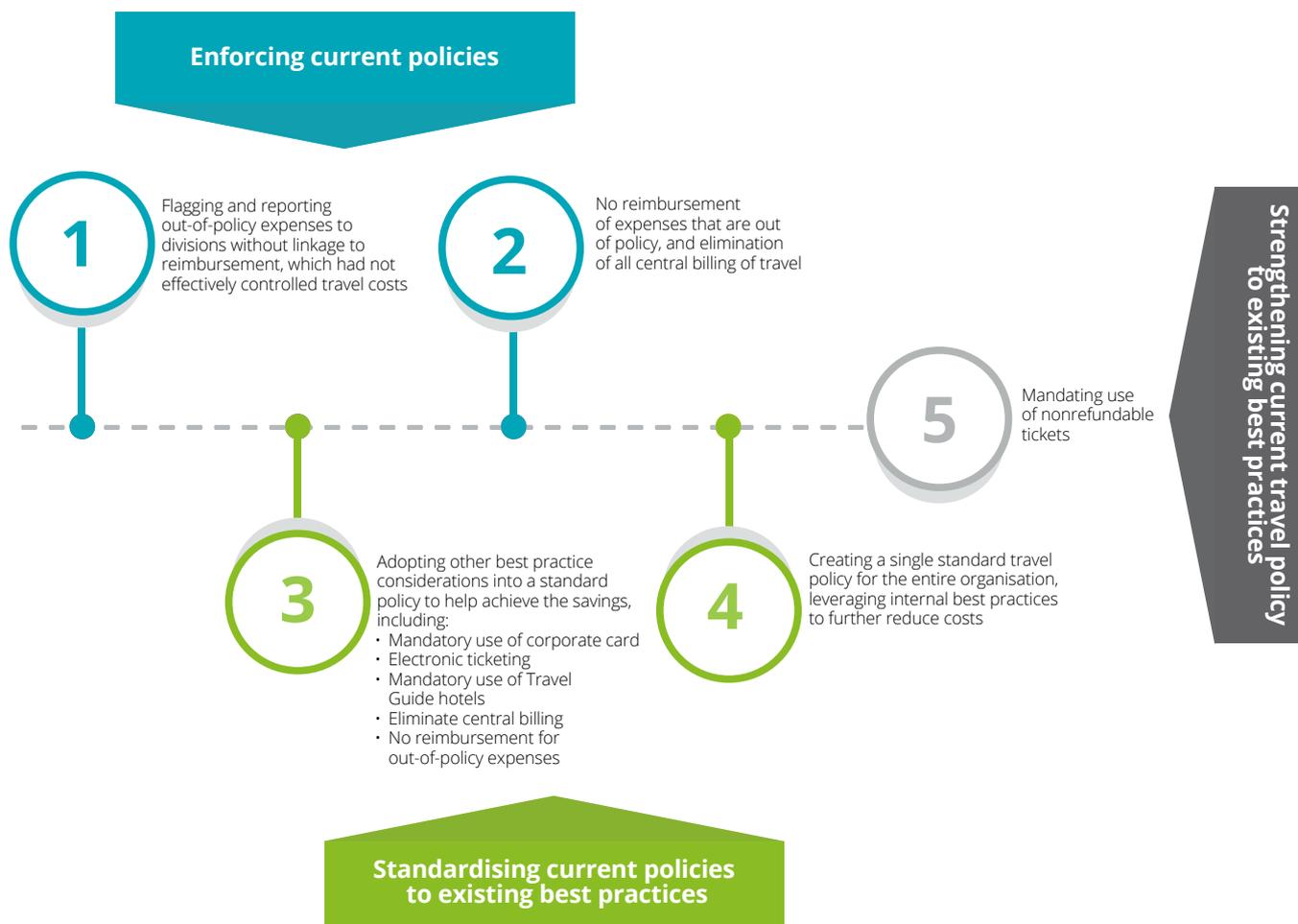
Aggressively Tackle Controllable Expenses - Often The Most Significant SG&A Cost Saving Opportunity

A surprising number of companies overlook controllable expenses (CE) – company wide non-production expenses such as employee travel and supplies in their cost reduction efforts. In fact, CE runs between 50% and 60% of non-production costs, which is typically more than staffing costs. Although controllable expenses are not directly associated with SG&A restructuring, they present a significant opportunity not only to reduce costs without compromising customer value but also to improve efficiency and effectiveness. Another upside is CE cost reductions are often relatively easy to implement, as they typically don't entail the political sensitivities and human resources impact of a restructuring.

To affect CE, the entire company needs to adopt a new mindset of change, restructuring and improved efficiency. The general approach is as follows:

- Understand the CE baseline across the entire organisation.
- Objectively review expense items compared with external and internal benchmarks.
- Review standing policies and procedures to identify specific cost reduction opportunities.
- Identify specific owners for cost reduction targets to push for immediate quick hits to kick-start savings focus and generate momentum.

Because controllable expenses offer cost reduction opportunities without reducing personnel, this is an ideal area for holding companies or companies under strategic guidance to address. A decentralised company may not be able to significantly reduce labor costs in its various semiautonomous divisions, but it may still find as many CE reductions as an integrated operating company could.



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