# Resetting Cost Structures and Operational Efficiency

This article captures the highlights of the discussion from Paul Goydan presentation to members of CNEXT's Generate Program. Please see the accompanying slide deck for more details from the presentation.

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**Paul Goydan:**

Paul Goydan is the global leader of BCG's Accelerated Cost Advantage program, an end-to-end approach to resetting cost structures and operational efficiency.

Paul has over 20 years of experience working closely with senior executives on large-scale functional transformations.

Some of his recent work with clients includes using a merger integration as a catalyst for change. Be sure to ask him about the applications of artificial intelligence or the impact of creating a startup within a larger company.

Prior to leading the Accelerated Cost Advantage program, Paul helped form BCG's global Climate & Sustainability practice and led the North American Energy practice.

**This year, two-thirds of senior executives are prioritizing cost and operational efficiency—an increase from prior years. The main driver behind this shift is the uncertainty surrounding 2025.**

Executives' top challenges include:

- Geopolitical tensions affecting supply chains and manufacturing
- Disruption from AI and technological advancements
- Volatile energy and raw material costs

Additionally, there is less funding available to enhance technology capabilities, requiring leaders to achieve greater operational efficiency to finance these initiatives.

Efficiency transformation strategies are expensive, often causing employee fatigue and diverting focus from customer needs. Yet, recent research shows fewer than 50% of cost-reduction programs meet their targets.

To mitigate risks, cost transformation should be managed with the same rigor in alignment, funding, planning, and execution as other major business transformations.

## 1. Factors for Success

### Take a holistic approach to cost structures

The traditional P&L structure is not designed to drive transformative cost improvements. Set specific efficiency goals that are tracked alongside the standard budget.

Provide senior leadership or a dedicated transformation team with clear visibility into financial patterns and their links to other business units. Their role is to evaluate the entire cost structure end-to-end and remove barriers. A piecemeal approach will not capture the full potential of cost transformations.

A CONVERSATION **BETWEEN**:

Chris Barry
President, Microsoft Canada

Jonathan Craig
MD, Head of Investor Services & Marketing, Charles Schwab

Rachel DeLaurentis
Former Global Chief Marketing and Digital Officer, Theory

Tara Frenkl
SVP, Head of Global Medical Strategy and Integrated Evidence Generation, Bayer

Guillaume Gerardin
Former SVP & General Manager, Printing Supplies, HP

Krishna Prasad
Chief Strategy Officer and CIO, UST Global

Ann Tracy
Chief Sustainability Officer, Colgate-Palmolive

Maggie Wilderotter
Chairperson, DocuSign, former CEO, Frontier Communications

## Address cultural barriers

For cost transformation to succeed, employees must treat the company's finances as their own. Assess what workforce capabilities need to evolve to sustain leaner, more effective operations.

Engage lower-level pivotal leaders early in the process to embed changes across the organization. Track frontline experiences through the transformation to identify barriers. Allow 12 to 18 months for employees to develop new habits and cement these changes.

## Align senior leadership

Clearly communicate how the cost transformation supports long-term strategy and benefits each senior leader. For the duration of the transformation, tie executive compensation to achieving the cost targets.

Governance and accountability become easier when everyone understands the shared goal and takes ownership of their role in achieving it.

## Resource the journey

Assign high-performing employees to the cost transformation program, ensuring they are not drawn back into routine business tasks. Resource allocation is one of the strongest signals of leadership priorities.

## 2. Artificial Intelligence

Currently, the largest P&L impact of AI comes from boosting revenue. Successful examples include higher sales and better customer retention through improvements to product design, better customer segmentation, and more personalized service.

The cost benefits of AI are less common but are advancing rapidly.

## 3. M&A Synergies

Many companies fail to capture the full potential of cost synergies from acquisitions.

Bring the right people onto the deal team. Do not let investment banks set the synergy targets alone. Involve operations experts to set aggressive but achievable synergy goals.

When launching the integration management office (IMO), benchmark performance using external data to push these targets throughout the integration process.

Maintain the IMO structure for 12 to 18 months after the legal close to track synergies. Transferring responsibility to line management too soon often results in lost value.

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