

Spend it as if it was your own money – the culture of cost management

We have all said it. When asked for guidance as to whether spending this amount on this 'thing' was ok (as the bank of Dad I find a straight no is generally best response – but that has never worked yet!).

How many businesses have the official policy of 'spend it as if it was your own money'?

And what does that really mean anyway – some of us are spenders and some savers. We have days when we are feeling bullish and days when things aren't going so well. That is why we have exhaustive policies and processes in-place, to have spend 'signed-off'.

But is that the best way – leave the decision making on cost management to the few, wrapped in an ever increasing administrative process of requests, escalations, approvals and paperwork? Complexity being added all the time as more people are involved in the actual use of the cost and therefore want a voice (according to Gartner, almost 40% of IT spend is outside the IT budget).

I fully understand some readers reaction will be 'of course it's the right way', otherwise there would be no control over anything, no process or visibility – things managers, budget holders, finance teams strive for. Without this anarchy will rule, risks will be too great, businesses will collapse.

But is that really true?

Let's look at this another way. What are the most important things in any business.....customers. Be those internal or external. We don't instruct our employees not to talk to customers without having sign-off first. It would be very difficult and laborious to do business this way.

So, we allow our employees to engage with our most precious assets, where harming these relationships really could bring down a business. Granted, we train them, guide them, reward them and have a company culture they want to perform and grow within.

Then why can't we apply the same process to managing the costs of the business? What is your businesses cost culture, and how do your employees engage with it, feel empowered to perform and grow within it?



Having worked in and with hundreds of businesses over the past 25 years, helping them manage and reduce costs, I have seen very few who have a defined cost management culture. The majority fit into one or more of these styles;

1. Centrally managed – no authority or autonomy outside the few, autocratic with little staff engagement
2. Predictable – no matter what has happened so far, quarter 4 brings a travel ban and crackdown on ‘non-critical’ spend
3. Spend it or lose it – linked to the predictable, spend that budget before Q4 arrives
4. Silo – care only about their own priorities rather than the business
5. No focus – leaders are rewarded for other objectives (service delivery, revenues etc.) and efficiencies are not widely recognized and/or rewarded

How then, could business change? How can you define, implement and lead a cost culture for your business?

Firstly, this has to be a business decision. The senior executives have to care, to see the benefit. Then they need to lead a culture change.

A senior executive (CxO) should sponsor and a direct report appointed to lead a cross-functional team that is empowered and accountable for optimising business costs. This team works in in the context of end-to-end business processes – using a framework to define the objectives and priorities of the program,

I have highlighted below four key initiatives I believe will drive this change, but it does need the change-management ‘wrap’ around it to ensure the success;

- Empower all employees and make them responsible for managing costs – give them the tools, the visibility, train them, guide them and reward them for good behaviour
- Enact policies and evangelise best practices
- Build working groups - peer pressure to manage and improve
- Link cost management to unit prices – everyone can see the impact on your business

Forcing this culture of cost management, will automatically drive a continuous improvement culture, as your teams look to ‘break’ the traditional approaches and drive new, more efficient, processes into your business.

Without a broader culture change, here are 5 things any business or department leader can implement now to start the process of better cost management;



- Basic cost visibility for all – give stakeholders (and/or users) dashboards and alerts into relevant spending
- Allocate costs between departments – define a taxonomy and start allocating ‘central’ costs to departments, budget holders, even end-users
- Optimise – what assets do I currently have, am I using them, transfer them before buying more
- Save money on what you use – am I on the best contract for my usage, can I switch things off?
- Link spending to your business metric – determine your top-line metric (what the CxO cares about) and determine how to apportion your costs to this metric. Then measure it

Above all, start a cost management group. Even if it isn’t across the wider business under a CxO sponsored initiative, start one looking at the costs under your control. Do something, your business and your employees will be all the better for it.

