



CASE STUDY

CORPORATE-WIDE COST REDUCTION SHOULD BE THOUGHTFUL AND SYSTEMATIC

With more than a century of experience in providing financial security, the Client is a leading provider of employer-sponsored retirement savings plans backed by innovative services. The Client also provides annuity and life insurance products for individuals, families and corporate executives.

THE CHALLENGE

After a major divestiture, the Client needed to reduce 25% of costs from its corporate services area (including CFO functions, asset administration, human resources, legal, actuarial and building services) in order to right-size the group, remove unnecessary fragmentation, and maintain a competitive cost structure for the remaining businesses. The newly-formed executive team, rather than force across-the-board cuts, wanted to take a **thoughtful approach to reducing costs**. Difficult decisions had to be made if they were to re-align the cost structure while maintaining adherence to rigorous regulatory and compliance requirements. In addition, an overall knowledge gap existed in understanding the right cost allocation for each corporate function and appropriate service levels required to support the business.

THE SOLUTION

The Client chose to take a methodical approach to cost savings by evaluating short- and long-term organizational, process, automation, and non-FTE expense efficiencies. They wanted to objectively right-size Corporate Services to remain cost competitive and viable for future growth while eliminating all expenses that no longer drove value. The Client selected North Highland as a consulting partner to lead this important project and provide an independent point of view.

THE CLIENT

A large financial services company that is a leading provider of employee-sponsored savings plans and life insurance products.

THE CHALLENGE

After a major divestiture, the organization needed to take 25% of costs out of corporate service functions in an independent and thoughtful manner.

THE SOLUTION

A cost reduction initiative was launched to carefully identify and evaluate short- and long-term expenses, resources, business processes, and service levels across the entire corporate services area.

THE VALUE

Through expense and headcount reductions, over \$29M in annual savings were achieved.

UNIMAGINABLY
ACHIEVABLE

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When you engage North Highland consulting, you can rest assured that we will deliver an innovative solution to the project. We are driven in our pursuit of unique, creative answers, tailor-made to your specific needs. However, we are also diligent in making sure that any implementation is based in reality. What we propose must always be achievable and work in concert within your enterprise as a whole.

“Uniform, top-down cost cutting may appear quick and effective, but it may also hurt an organization in the long run. North Highland’s bottom-up approach matched our philosophy exactly. With their structure and change management experience, we achieved our targets and we are sustaining them.”

CLIENT CEO

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The initiative began with a detailed assessment of Corporate Services, including executive interviews, business process reviews, and internal and external benchmark data analysis to make a high-level identification of the most likely potential reductions. The assessment concluded that there were three primary areas for cost reduction opportunities:

EXPENSES

Discretionary spending reviews were conducted, with items evaluated for elimination, deferral or renegotiation. Operating expense reductions were realized in a number of areas, including: office moves and furnishings, storage costs, legal and association fees, periodicals, corporate donations, staff development, consulting services, auditor’s fees, and software charges.

RESOURCES

Workshops were held with representatives from each service area to identify how time was spent. Using predefined service levels, the teams were asked to classify all work activity as basic, value add, gold star, or unnecessary. With classification in place, the management team was then asked to prioritize all activities to be continued, modified or stopped, and then present the findings to the company-wide steering committee for final approval. As the work sessions were completed, remaining activities were associated with existing or new roles, and organizations were defined to support the revised responsibilities. Standard expectations around span of control were used to de-layer the organization and to remove the role inflation that had occurred over time.

PROCESS AND AUTOMATION CHANGES

During the work sessions, pain points were identified and high-level descriptions of root causes were captured. These pain points translated into process and automation improvement opportunities that were filtered to a list of 200+ cost reduction opportunities. These opportunities were either immediately implemented or included as high priorities for the upcoming fiscal year.

Once all opportunities had been identified, the leadership team was ready to make the immediate organizational changes designed to generate efficiencies and desired cost savings. Process improvements and new service levels were implemented in all corporate services functions according to the new business model, and a steering committee was formed to provide ongoing cross-functional oversight.

THE VALUE

Through the elimination of nonessential functions, consolidation of similar jobs, renegotiation of internal service levels, and transfer of highly-specialized activities to third parties, North Highland and the Client identified 130 immediate, short-term FTE reductions, along with an additional committed reduction of 43 FTEs over the next 12 months—still maintaining or improving overall service. The team also identified several million dollars’ worth of work that should have been charged to external parties and formalized a charge-back process for these services. Altogether, the initiative resulted in over **\$29M in annual savings**—a 9X return on investment in the first year alone—successfully meeting desired cost reduction goals in a systematic, impartial manner and positioning the organization for growth.