

Flipping the Odds of Success in a Cost Transformation

Cost pressure is rising for most companies. Factor cost inflation, tariffs, and AI investment needs are squeezing margins and investment budgets. Many leaders feel they have no choice but to cut. Yet only 20% of cost programs succeed in delivering lasting savings. The reason: organizations often choose the fastest approach rather than the most effective one.

Across-the-board cuts are tempting because they are quick and simple. But they rarely work. This approach skips the chance to realign the operating models to strategy, fails to distinguish between high- and low-value work, and disproportionately affects frontline employees, eroding their engagement. And because this move doesn't fix underlying inefficiencies, costs come back.

The good news: there is a [smarter, proven way to reduce costs](#)—one that increases the likelihood of success fourfold. This finding comes from a BCG survey of 2,080 executives and individual contributors, spanning all industries, in China, Germany, India, Japan, the UK, and the US. Five principles make the difference.

Start with the future operating model. Successful programs define how the organization creates value and which activities and capabilities are essential. They redesign the operating model, clarify accountabilities, and reshape the senior leadership team. Without changes at the top, activities and roles stay in place because they are under a particular leader's control. Companies that jump straight to cuts miss large structural opportunities.

Attack overhead directly. Overhead has a way of creeping back. Successful organizations look hard at support functions and internal-facing activities, trimming excess layers and mirrored roles. Companies that address support functions in their cost program double their likelihood of success.

Eliminate low-value work. The most successful programs start by cutting unnecessary work. They identify time-consuming processes, reports, and tasks that add little value. One energy company mapped all activities across the organization. By redesigning roles and processes around essential work (and eliminating non-essential work), the company saved 15% of addressable costs, with most of that dropping to the bottom line in the first year.

Prioritize and retain top talent. A well-implemented cost program—even one that eliminates jobs—can improve engagement, provided organizations hold on to their best people. High performers disproportionately drive business outcomes, yet many traditional cost programs inadvertently lose them. Organizations should ensure managers play a decisive role in the makeup of their future teams.

Performance management systems need to be based on objective criteria. If needed, they should reallocate high-caliber employees to roles in other departments and for new positions.

Put real change management in place. Cost programs require disciplined orchestration. Leading companies create a powerful transformation office that drives decisions, manages interdependencies, enforces standards, and keeps the organization moving in lockstep.

From that foundation, leaders explain what will change, how decisions will be made, and what teams can expect. The most effective leaders also articulate the “why,” maintain transparency, involve employees in identifying improvements, and build a culture of cost awareness.

A sixth principle cuts across the first five. Push decisions to

those closest to the work by cascading them layer by layer downward in the organization. Senior leaders set direction, but middle managers—those who know the work and their teams best—design the details. This distributed approach leads to smarter decisions and stronger retention of key talent.

The pressures to cut are real. But companies that slow down just enough to design the right approach ultimately move faster. Sustainable cost optimization is about cutting smarter.

Until next time,



Christoph Schweizer
Chief Executive Officer

Further Insights



Quadrupling Your Odds in a Cost Transformation

Achieving successful results from a cost program requires changing how the company operates, not just blunt-force cuts.

IMPROVE YOUR ODDS



The Four Biggest Organizational Cost Challenges—and How to Solve Them

Companies repeatedly launch cost reduction programs—with mixed results. To cut costs sustainably, they need to redesign the organization and change the underlying behaviors that lead to cost creep.

SOLVE COST CHALLENGES



What Empowering the Frontline Means for the Bottom Line

Companies can improve profits by up to 10%, simply by getting their frontline employees and managers focused on the right tasks.

UNLOCK THE FULL POTENTIAL