

# Case Study: Reducing Selling, General, and Administrative Expenses



A combination of favorable market factors, increased international presence, and strategic acquisitions positioned this fuel and water system manufacturer as a fast-growth player. While the company was well-versed in Lean principles from a manufacturing perspective, the SG&A functions of IT, Engineering, Sales, Marketing, Finance, Sourcing, and Legal had not yet adopted a similar improvement mindset. Costs as a percentage of sales were excessive compared to peer companies.

Fast growth—plus the cultural integration of eight other firms over five years— meant the company had several complex back-office delivery mechanisms. As a result, the Guidon team was contracted and began with a holistic approach to efficiency and effectiveness throughout the entire engagement with five areas of focus:

**Functional Improvement:** By looking at departments such as engineering, finance, and information technology and challenging basic assumptions, Guidon helped the company realize \$1.3 to 1.5 million in savings per year. Changes included renegotiating contracts, automating functions, and eliminating unnecessary software and hand-offs, among other improvements.

**Spend Reduction:** With the historical focus on acquisition and growth, the company had not yet rigorously reviewed spending and sourcing practices for budget items such as travel, trade show, and marketing expenses, among others. Careful review of spending and adoption of new spending policies, supply controls, reduction in telecommunications and facilities costs, and other efficiencies saved the company \$1 to \$2.1 million per year.

**Cross-Functional Improvement:** While improvements were suggested for individual functions, there were also opportunities for waste reduction in the way departments and functions interact and work together. By streamlining and automating these inter-sector functions, productivity was increased, errors reduced, with annual cost-savings of \$1 to 1.4 million.

**Shared Services and Service Delivery Model:** Since virtually every business has areas that can share capabilities and costs, finding opportunities to split services or integrate service delivery can offer significant savings. In the case of this company, reorganization and streamlining of business units and splitting the costs of services led to cost savings of \$2 to 3 million annually.

**Span of Control:** By expanding areas of autonomy and reducing the number of intercompany hand-offs and touch points, delays were decreased, productivity increased, with \$3 to 4.6 million to be reduced over the next year.

The areas examined ranged from the very basic to the very sophisticated. However, the result was a seamless integration of a number of lingering cultural differences from various acquired units and outdated processes into one cohesive and well-operating approach to business. The savings will likely top \$13 million annually when all of the changes are finalized and the company now has the options and road map necessary to adopt those changes on its own timetable.

**Client:** A leading international consumer and industrial manufacturer

**Industry:** Fuel and Water Systems

**Service:** SG&A Assessment and Improvement

## Challenge:

- Grew through increased market share and full/partial acquisition of several companies over the past 5 years which made delivery disjointed
- Lean was applied to manufacturing, but the Selling, General, and Administrative (SG&A) functions were inefficient with little focus on performance and process

## Solutions:

- Conducted a holistic review of expenses, organization structures, and work processes
- Reduced areas of waste generation through functional and cross-functional improvements, shared-services models, span-of-control adjustments, and process changes

## Results:

- Decreased hand-offs and organizational complexity. Improved customer experience.
- Annual savings of \$1.3 to 1.5 million thru Functional Improvement, \$1 to 4.1 million in Spend Reduction, \$1 to 1.4 million in Cross-Functional Improvement, \$2 to 3 million in Shared Services and Service Delivery, and \$3 to 4.6 million in Span of Control adjustments