Counteracting Crises through Sustainable Cost Reduction: Turning Pressure into Performance

What if a crisis is not a catastrophe, but the best opportunity for transformation?

A crisis creates something that is otherwise difficult to manufacture: urgency. However, the paradox is that during a crisis resources are at their most constrained, there is simply no cash or capacity to drive improvement. The trap is cost cutting. But all this brings is temporary financial relief and results in a less capable organization. At FP, we have developed an approach - Sustainable Cost Reduction to address exactly the challenge of driving improvement during crises

Most companies respond to crises in the wrong way. Under pressure to stabilize the business, they fall into the trap of indiscriminate cost cutting and short-term cash protection. While these measures may provide immediate relief, they come at the expense of long-term capability and competitiveness. But there is a catch; after a crisis everything changes, and the compounded effects of reduced capability and market evolution leaves the organization critically weak and uncompetitive.

FP's experience across industries in the Kingdom of Saudi Arabia and beyond shows there is an alternative to cost cutting. Waste is the true driver of inefficiency and therefore the only sustainable lever for improvement. A crisis creates a unique window for transformation as urgency replaces resistance and forces organizations to act. Even in highly resource constrained environments, rapid and self-funded improvement is possible.

The Sustainable Cost Reduction approach developed by FP is designed to deliver exactly this. Within weeks, waste not affecting customer quality or service is removed to generate immediate financial relief and the ability to sustain further improvement. Then using Agile methods, improvements across process, people and applications are implemented directly in short implementation sprints. This iterative approach of achieving small measurable improvements "straight to digital" not only improves performance but rapidly builds capability, adapting to the market.

Unlike traditional consulting approaches, FP's combination of hands-on Operational Excellence implementation with Digital Transformation deployed through Agile delivery capabilities makes the Sustainable Cost Reduction approach possible. FP's experience across industrial and operational environments in KSA shows that sustainable improvement is only achieved when operational redesign and digital enablement are implemented together on the ground. The end result is not only an organization that has successfully weathered the crisis but one that has emerged fundamentally more competitive long term.

During a crisis, the urgency for change is there but paradoxically, few resources are available to implement any improvement.

What if a crisis is not a catastrophe, but the best opportunity for transformation?

When organizations face a crisis, the instinctive reaction is defensive: protect cash, cut costs, and wait for recovery. Yet history shows that many of the world's most successful companies were not weakened by crises, they were reborn through them. Companies such as Toyota and Porsche used severe financial distress to redesign their operations around efficiency, while Apple and Netflix leveraged crisis moments to refocus and reinvent their business models. In each case, the constraint of limited resources forced clarity, discipline, and bold change ultimately positioning these organizations far ahead of their competitors.

A crisis creates something that is otherwise difficult to manufacture: urgency. It forces organizations to confront inefficiencies, challenge entrenched practices, and accept change that would normally face resistance. In fact, many leadership frameworks emphasize that meaningful transformation begins only when there is a compelling reason to act.

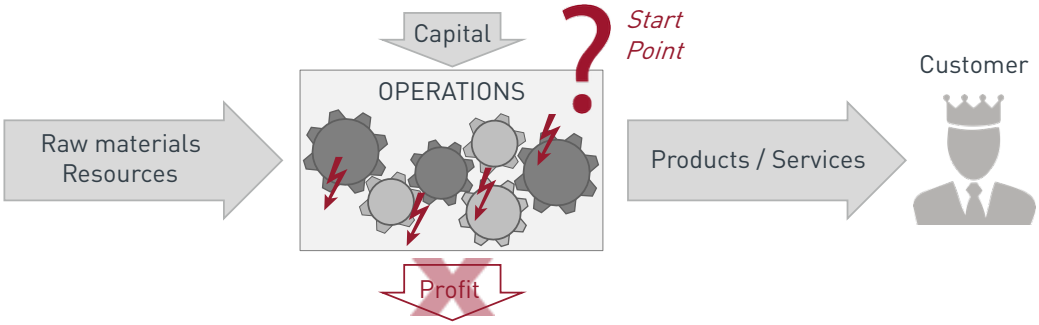

Diagram 1: Unclear start point for change in the in operations

The Paradox:

However, this opportunity comes with a fundamental paradox: At precisely the moment when change is most necessary, resources are at their most constrained. There is limited cash, stretched management attention, and little visibility into where to act the starting point for change is unclear.

Diagram 2: The negative results of cost cutting

In this environment, many companies fall into a familiar trap: reactive cost cutting through reducing headcount, cutting discretionary spending, discounting sales, and delaying investments

While stabilizing short-term finances, these actions typically lead to temporary relief rather than structural improvement, loss of key capabilities, erosion of pricing power, deferred improvements, and reduced competitiveness.

After a crisis, the market, competitors, and operating environment will have fundamentally changed.

But here is the rub: markets do not simply "return to normal" after a crisis, they reset. Customer expectations shift, competitive dynamics change, and organizations that have weakened themselves through indiscriminate cost cutting find it difficult to recover.

Organizations that respond with unfocused cost cutting risk long-term decline, while those that act with clarity can use urgency to drive meaningful transformation.

Sustainable Cost Reduction is built on the belief that even in the most resource-constrained environments, it is possible not only to survive, but to emerge stronger.

During a crisis, some facts are inescapable: Markets set prices, in a crisis these come down. Cost is the only real lever to increase profitability, Waste drives unnecessary cost.

What happens during a crisis?

In a crisis, management teams are under intense pressure to protect profitability. Prices are often dictated by the market, and in downturns, they tend to fall. This leaves organizations with a stark reality:

Cost is the only true lever available to improve profitability.

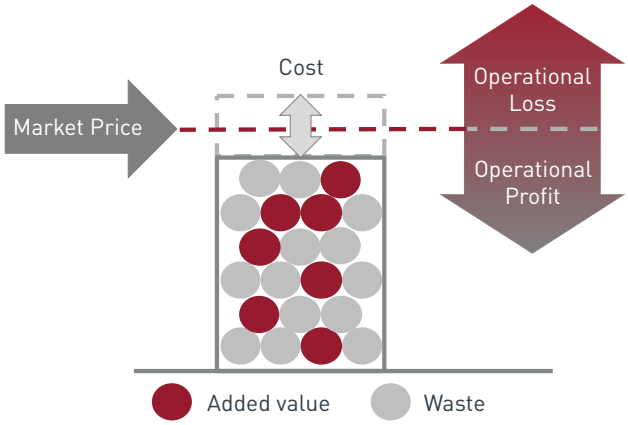

Diagram 3: Removing waste as a lever to reducing cost

Yet, despite this apparent clarity, most organizations struggle to act effectively not due to a lack of intent but because of limited operational transparency and control reflected in poor visibility into true cost drivers, difficulty quantifying inefficiencies, an unclear starting point for improvement, and uncertainty around the speed of implementation.

At the same time, operations are often burdened by systemic issues: poor planning, inaccurate costing, long lead times, fragmented systems, and manual processes.

These issues are not isolated but interconnected, creating operational instability where teams spend more time reacting than managing, leading to low margins despite strong demand, inconsistent product quality, limited control over operations and costs, continuous firefighting, and declining customer trust due to unreliable delivery.

At the core of these challenges lies a fundamental concept: Waste drives unnecessary cost.

Waste takes many forms such as inefficiencies, excess inventory, rework, and idle time, and while it may go unnoticed in stable environments, it becomes highly visible and damaging during crises.

At the same time, it is often embedded within processes, spread across functions, and hidden by poor data, which leads organizations to underestimate both its scale and the opportunity for improvement.

This creates a critical constraint: while Cost Reduction is urgently needed, the root causes of cost are not clearly understood.

In response to this challenge, Sustainable Cost Reduction shifts the focus from cost to waste elimination, enabling organizations to regain control through structured, fact-based improvements that deliver both immediate results and long-term resilience.

During a crisis the need to reduce cost is clear. That waste drives unnecessary cost is also logical. The challenge is how. This is not straightforward and during a crisis less so.

How to reduce cost during crisis but also make results sustainable long term

In a crisis, speed is essential, but so is precision. What makes the Sustainable Cost Reduction (SCR) approach distinctive is its ability to deliver fast, tangible results early on, without damaging the very capabilities the business depends on.

This is achieved through a structured transformation model that prioritizes impact in the right sequence.

Critically, in the second phase, Cost Reduction, SCR focuses on eliminating unnecessary waste, meaning activities, resources, and costs that do not add customer value and can be removed without affecting quality or delivery.

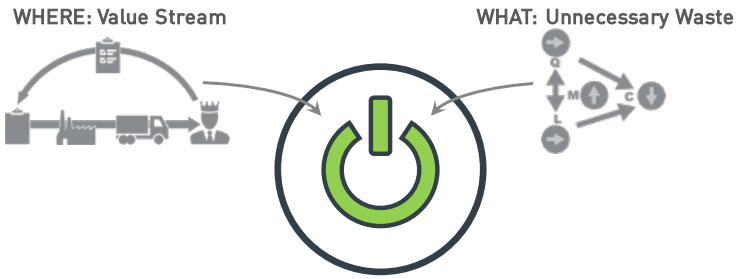

Diagram 4: The start point is removing unnecessary from the Value Stream

Their removal generates immediate financial gains while preserving operations. These early improvements are self-financing and serve as proof of concept, building momentum and internal support for deeper transformation.

By demonstrating success quickly, organizations build the internal willingness needed to sustain and scale further improvements.

How is the SCR Approach structured?

The SCR approach is structured across four phases, each designed to address a different dimension of the challenge:

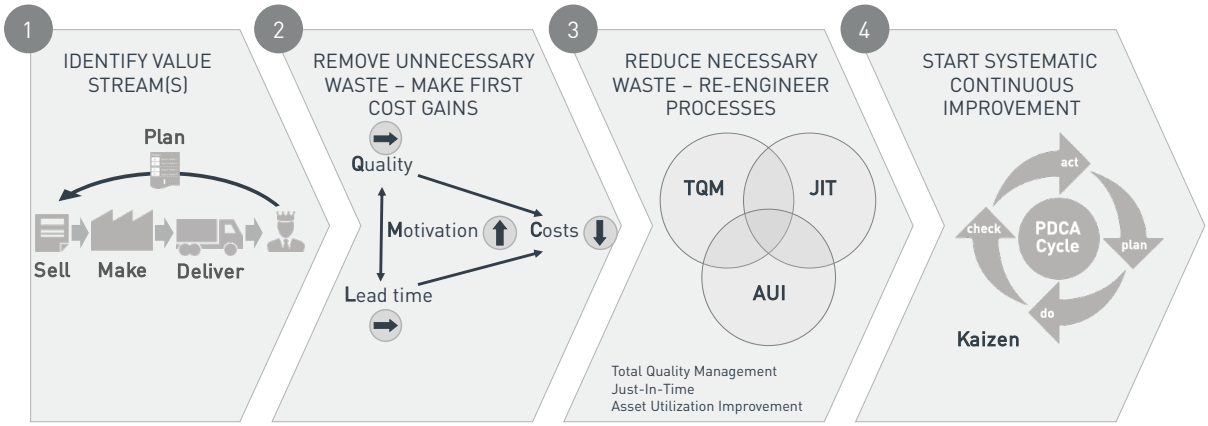

Diagram 5: The implementation phases of Sustainable Cost Reduction

1. **Assessment: Follow the flow of Value across the Organization**
   Using the Value Stream Analysis method, the organization is quickly refocused on what is important: the value, thereby making waste clear. As opposed to a theoretical exercise or an abstract benchmarking, the Value Stream views end-to end, enabling quick and targeted cost analysis, relating activities to impact.

   From this a prioritized, practical roadmap is created.

2. **Cost Reduction: What can be removed immediately?**
   The focus here is on rapid implementation of improvements targeting unnecessary waste. These may not be biggest or most strategic elements, however that is not the point. They are low-barrier changes that can be implemented immediately in product process and organization that have no negative effect on Quality or Delivery.

   This phase generates the liquidity and confidence needed to fund and sustain the next stages.

3. **Process Re-engineering: How can cost performance be structurally improved?**
   Maintaining momentum, the focus needs to shift to the more challenging inefficiencies; the ones that require re-design, investment and implementation effort. Re-engineering of processes and systems is done end-to-end based on a clear process vision.

A key evolution in leading implementations is the adoption of a "straight to digital" approach. Rather than first redesigning, then implementing what can be done manually and then selecting systems to suit, the solutions are designed and implemented directly digitally, chopping the implementation up using an Agile approach. Straight to digital becomes straight to value.

This is where FP's fast, comprehensive "narrow and deep" approach stands out. Combining Operational Excellence and Digital capabilities are combined, in each iteration enabling operational redesign, people performance improvement, system integration, workflow automation to happen simultaneously rather than sequentially

4. **Continuous Improvement: How is performance sustained?**
The final phase embeds a self-sustaining improvement capability within the organization. It includes the installation of all of the methods and capabilities needed for the organization, to assess, design and manage change continuously. Ultimately mastering not just the current crisis but crises in years to come.

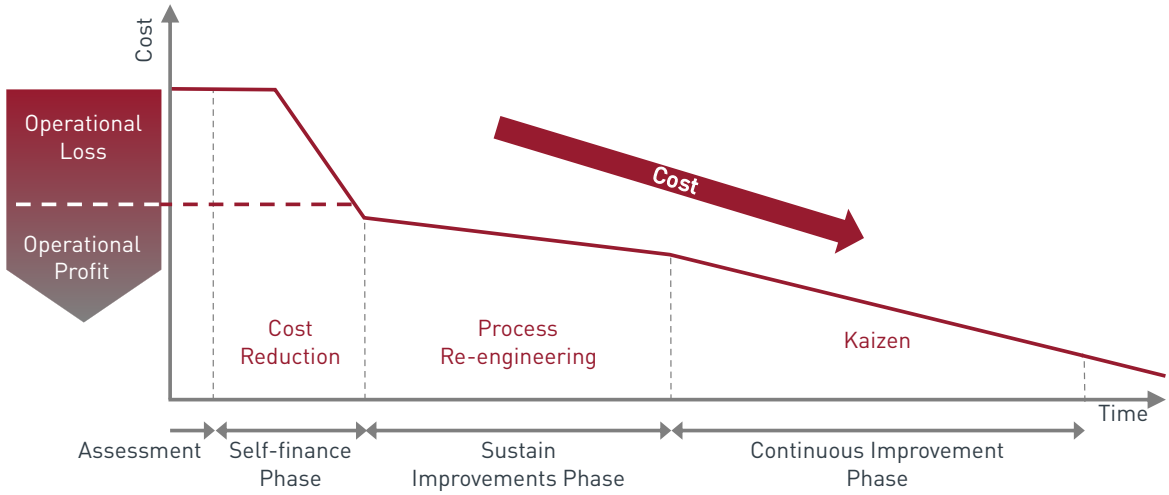

Diagram 6: The effects of Sustainable Cost Reduction implementation by phase

What does "straight to digital" mean?

One of the basics of Agile deployment is "useable software each sprint". This means that solutions or even partial solutions are deployed in quick successive sprints, right from the very first sprint. It means eliminating batching in requirements definitions and interim and/or manual steps in implementation. Recent advances in technology have widened the possibilities for speedy deployment.

How does this work in practice? Current state assessment is comprehensive, identifying system gaps, architecture gaps and requirements immediately in parallel to people & process. Processes are redesigned directly in workflow management applications and can be used immediately. Ready applications for people performance management, based on years of best practice, are deployed from the start. Simple, digital real time monitoring dashboards with efficiency & performance are established from the first sprints and added to and refined over time. In parallel, process orchestration applications create data integration layers to connect fragmented systems, enabling a single source of truth across operations.

In the application landscape a lot can be done quickly and with low investment. Starting with simple; a rapid clean-up of master data to maximize legacy systems functionality, then low code add-ons, to RPA driven directly from workflow mapping for procurement or finance. Using agentic AI, custom applications can be generated in a fraction of the time to automate legacy infrastructure, for example logistics and production. Unlike traditional IT implementations, FP Digital deploys solutions directly alongside operational transformation teams, ensuring that digital tools are fully embedded into day-to-day operational management and measurable performance improvement is achieved each agile iteration.

Digital is not separate nor another step, just interwoven in the SCR approach, deploying solutions from the first sprints, leveraging speed that the latest technologies provide

The SCR approach: Speed and Depth

The strength of the SCR approach lies in its balance:

- Speed, through immediate removal of unnecessary waste
- Depth, through structural process re-engineering, leveraging straight to digital
- Sustainability, through embedded continuous improvement

In doing so, it resolves a central challenge faced by organizations in crisis: how to act quickly without any resources while not sacrificing the future.

While it is easy to see how the SCR theory could work, and to reference famous examples of success, by examining more relevant individual case studies, the effectiveness of the SCR approach becomes clear.

So does the SCR approach work?

The approach has been proven the only tangible way: through implementation with organizations in crisis. The case study examples below, illustrate best the challenge and how each company, in their own way, was successful through following the SCR approach.

SCR Case Study 1

Company A: Commodity Converter in KSA
Starting Point: The company was very inefficient in production, with complex processes often missing key deliveries. They were selling into a price competitive market, and some product families were loss-making. There was a real lack of transparency across the operation with a key symptom being a very long cash conversion cycle.

What was done in each phase:

1. Value Stream Analysis: An end-to-end Value Stream Analysis focusing on the key profit-generating product family was conducted showing the impact of inefficiencies on cost
2. Cost Reduction: A pilot program was implemented in the factory to increase productivity on that product family increasing productivity by over 50% having an immediate impact on delivery capability. In parallel, a "drain the swamp" exercise was conducted to reduce excess or non-moving inventories by over 60%, also targeting receivables which were reduced by 17% in the first 3 months.
3. Process Re-Engineering: A comprehensive rollout was conducted covering all product families. This included quality methodology improvements to reduce material usage between 3 to 6%, throughput improvements of between 30% and 90% along with daily management implementation. All of this was used to reset the master data in ERP and enable automated BOMs per job so that plan vs actual costing could be tracked. The company then went further resetting and automating its pricing matrix to become more competitive in bids. These improvements were enabled through FP's integrated Operational Excellence and Digital

Transformation approach, combining process redesign with rapid digital enablement directly inside the client's operating environment.

4. Continuous Improvement: At each stage, internal teams were trained in the initial phases, and these then took over the remainder of the rollout.

Results: The program was a great success not only in terms of Cost Reduction and price competitiveness but also in terms of building capability in the organization. All achieved within a highly resource-constrained crisis environment.

SCR Case Study 2

Company B: Construction Industry Manufacturer in KSA

Starting Point: The company had very high costs in a price competitive bidding market. They were constrained in terms of capacity with throughput too low to meet project deadlines. Their capacity was also very inflexible and unable to match customer project needs. There was very little measurement across the operation with a key symptom being very uncompetitive and losing bids.

What was done in each phase:

1. Value Stream Analysis: An end-to-end Value Stream Analysis was conducted to identify the inefficiencies and quantify their impact in terms if unit cost and project delivery capability

2. Cost Reduction: The first concern was to increase the throughput of manufacturing by 82% do that the company to meet its delivery commitment and invoice accordingly, thereby generating revenue. This was achieved without adding any resources. In parallel, an inventory reduction program was started reducing inventory by 49%.

3. Process Re-Engineering: A comprehensive program of improvements was then started across the value stream following a logical sequence. Starting with a Design for Manufacturing and Assembly analysis, costs were reduced by 32% on key products. The output was used to automate estimation and quotation greatly improving speed, accuracy and ultimately competitiveness of bids. This also enabled further increases in throughput with productivity increasing by 131%. Automation in procurement enabled further cost reduction and delivery adherence. These improvements were enabled through FP's integrated Operational Excellence and Digital Transformation approach, combining the appropriate Operational Excellence methods with re-design directly in impacted system.

4. Continuous Improvement: Transparent KPI measurement was installed in each area as part of a company-wide Daily Direction Setting system to ensure the new processes were adhered to.

Results: The program enabled the company to win more contracts and deliver them profitably increasing shareholder value. This was achieved despite the company operating under severe resource constraints.

Cost Cutting vs. Sustainable Cost Reduction.

Most cost cutting initiatives are not sustainable; all they bring is temporary financial relief. The overall result is to postpone the inevitable and make the operation or business less capable in an advancing market. The only sustainable way to reduce cost permanently is to reduce waste.

While this is logical in theory, in practice during a crisis things look quite different, the need for change is urgent but there is little or no resources available to implement any improvements.

The key difference with Sustainable Cost Reduction is the approach itself. Firstly, to make targeted improvements that do not affect quality or delivery with the specific objective of freeing resources. Then, making the structural changes necessary reduce the biggest cost drivers while making the organization more capable.

The end result is sustainable as opposed cost cutting which only results in a less capable organization

FP's unique approach makes Sustainable Cost Reduction possible. Operational Excellence and Digital Transformation capabilities combined in short Agile implementation sprints help organizations achieve rapid, measurable, and sustainable performance improvement even in highly resource-constrained environments.

A crisis is an opportunity, not a catastrophe.

There is no greater motivation to change than a crisis. Success stories such as Toyota, Porsche, Apple and Netflix were born in crises. A crisis should be viewed as a marvelous opportunity for transformation.

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