



plate of sandwiches, or a trip to a four-star restaurant?"

Equally, it's important to involve and incentivise people, rather than swoop down from on high to lecture them.

"Make people aware of the cost targets that the business is aiming for, how staff can help make this happen and what this will ultimately mean to them," urges John Judge, of Judge 3D, a commercial management specialist working with a number financial directors and teams within FTSE-listed companies and government bodies.

"If you work for a large company, you have no real incentive to save the company money, so businesses should really think about giving employees incentives to provide the company with ideas to both save – and make – money.

"A 'cost aware' culture isn't just about scaling back spending – it's about creating opportunities for the company to innovate and grow."

Any suggestions?

Indeed, as Slobhan Riggott, a senior research analyst at working capital consultancy REL notes, research among the world's top 1000 companies by revenue repeatedly shows those that offer incentives to employees – and companies that solicit their help through suggestion schemes and improvement initiatives – tend to perform better at cash and cost management.

And don't forget to tailor the message to the audience. Malcolm Follos, managing director of the UK arm of leadership consultancy Sensei, warns that FDs can sometimes struggle to articulate 'big picture' objectives in simple, clear terms.

A favourite story he relates concerns a potato crisp factory seeking to cut costs by minimising waste.

Shop floor employees couldn't really identify with waste levels expressed in terms of percentages – but got the message when those percentages were converted into bags of crisps. "Just by expressing the measure in a different way, the waste figure halved," he notes.

Likewise, make the motivation clear.

At Salford Royal NHS Foundation Trust, for instance, finance director and deputy chief executive Tony Whitfield is careful to link achieved savings to the organisation's frontline deliverables. "I say to people: 'I want you to save money – not for the sake of saving money, but to create the means for us to deliver better patient services,'" he stresses. "You really have to place the objective in context."

And what of the FD's interaction with the functions and departments within the business, as opposed to individual employees?

Here, say the experts, it's time to be realistic about the perception of an FD within the business – and involve the CEO, early on.

"The FD is the co-pilot, with the CEO as pilot," is how Sensei's Follos puts it.

"The FD has a role to play, but the chief executive has a bigger role," agrees Ian Mackinnon, chief executive of AIM-listed cosmetics, personal care and household goods contract manufacturer, Swallowfield.

"The FD keeps the scorecard, and prods and pokes the function heads but, if the operational managers aren't on-message, it becomes like pushing water uphill."

Which isn't to say that operational managers – and their departments – necessarily have the skills to run a 'cost aware' function. Willingness is one thing; skills in budgeting and procurement quite another.

"Be prepared to have finance people go out into the organisation, and demonstrate to people the right budgetary control skills, and where they can find the information and resources that they need," says Baker Tilly's Peter Lunio. "Finance has an education and support role to play, helping people to do a better job of budgetary control."

And finally, don't forget to praise – and reward – that better job.

"Use positive praise, and communicate great examples of cost saving," urges Arabella Ellis, director of consultancy The Thinking Partnership. "Build relationships by setting expectations – not by telling people what to do." ■

In the same boat

MALCOLM WHEATLEY EXAMINES HOW THE FD CAN LEVERAGE A NEW COMPANY-WIDE COST AWARENESS TO CREATE A LONG-TERM CULTURE

A running joke in the *Daily Telegraph's* 'Alex' cartoon strip is the amount of money the two protagonists, Clive and Alex, charge to expenses – a joke given fresh impetus in the banking crisis as the two seek to circumvent the various strictures placed on them by senior management.

But the corporate austerity heralded by the 'bash the bankers' climate contains uncomfortable echoes of the collapse of the dotcom boom a decade ago.

Then, as now, it was easy to lampoon what was widely seen as a culture of excess. Boo.com, for example – which became the first high-profile dotcom implosion – famously ploughed its way through £125m in expenditure in just six months. Staff and contractors were recruited in large numbers, with one contractor alone reputed to be earning over £100 an hour. Employees were encouraged to delay taking holidays by inducements that included 5-star hotels and first-class flights.

To excess

It's easy to dismiss such excesses as, well, excessive. They aren't typical and most businesses have policies and procedures in place to guard against the wilder enthusiasms of employees with a corporate expense account. In the real world, the charge-it-to-expenses mindset of the Alex cartoon has few parallels.

But employees can influence your business's cost base in many more ways than simply charging too much to

expenses. A whole series of choices – ranging from the selection of suppliers to the preferred brands of stationery and office equipment – have considerable cost consequences. Even simple decisions about turning off lights or air conditioning, or how much water to boil for coffee, eventually influence the bottom line.

For FDs, who are the custodians of the bottom line, the challenge is simply-stated. Taking away the power to make such decisions from others is impractical and probably impossible. So, how can you set in place a corporate culture in which employees throughout the business – at all levels – become more aware of the cost consequences of the decisions that they take? And how can they extend this awareness to whole departments and functions – many of which jealously guard their budgets and enshrined practices?

Setting an example

One rule is immediately clear: lead by example. "Credibility is an issue," says Peter Lunio, Bristol-based associate director at Baker Tilly Management Consultancy.

"It's difficult for an FD to bang the drum about cost control when the finance function – and its leadership – is itself seen as lacking in that respect."

FDs "set the standard", adds Claire Arnold, partner in London-based Maxim Consulting.

"Good FDs don't just merely count the cost of the existing status quo. They lead from the front in terms of setting expectations: is lunch a

