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Accelerating Cost Efficiency Now to Build a Competitive Edge and Prepare for Growth in the Chemical Process Industry

The Problem:

In today's margin-pressured environment, most companies recognize the need to improve productivity and reduce costs. However, many respond solely with reactive, fragmented, and unsustainable cost-cutting initiatives that can impair growth. Rather than settling for superficial savings, companies must structurally reshape their cost base to unlock long-term enterprise value. This means pursuing cost optimization in tandem with value creation.

A smarter cost takeout approach is strategic, meaning it is aligned with long-term business goals and growth plans. It is also data-driven, as it is built on proprietary benchmarks, activity-based cost models, and operational diagnostics. Furthermore, it is sustainable, because it is embedded into ways of working rather than being limited to adjustments in budget lines. The true opportunity lies not in superficial savings, but in structurally reshaping the cost base to unlock long-term enterprise value.

The Opportunity:

Companies that routinely analyze and optimize cost structures and establish new operational strategies and programs to drive performance improvement, position themselves for growth.

They achieve quick wins such as immediate cost reductions and operational improvements. In addition, they enable longer-term benefits through transformed processes, systems, and footprints that ensure ongoing value-add and cost containment.

Most importantly, they achieve cost savings of up to 20–25% of operating expenditure (OpEx) spending, which boosts the bottom line and puts them at a competitive advantage.

Specific savings typically include:

20–40%
Procurement and material cost reductions of 20–40%

20–25%
Plant logistics and supply-chain cost reductions of 20–25%

20–40%
Operational cost reductions of 20–40%

20-40%
Working capital reductions of 20–40%

15–20%
Inventory management and material cost reductions of 15–20%

15–20%
Maintenance, including contractor spend reductions of 15–20%

Examples of Impact

$50M

A global specialty chemicals company redesigned its operating model across 10 sites, achieving a $50M reduction annually in EBITDA.

$40M

An intermediate chemical company implemented best practice work processes and improved operational efficiency resulting a $40M OpEx savings annually.

$100M

A Petrochemical company applied lean workflows saving $100M while boosting asset uptime.

Cost optimization should be viewed not merely as a response to pressure but rather as a catalyst for transformation. Companies across many industries are achieving short- and long-term savings beyond what they previously thought possible.

The Solution:

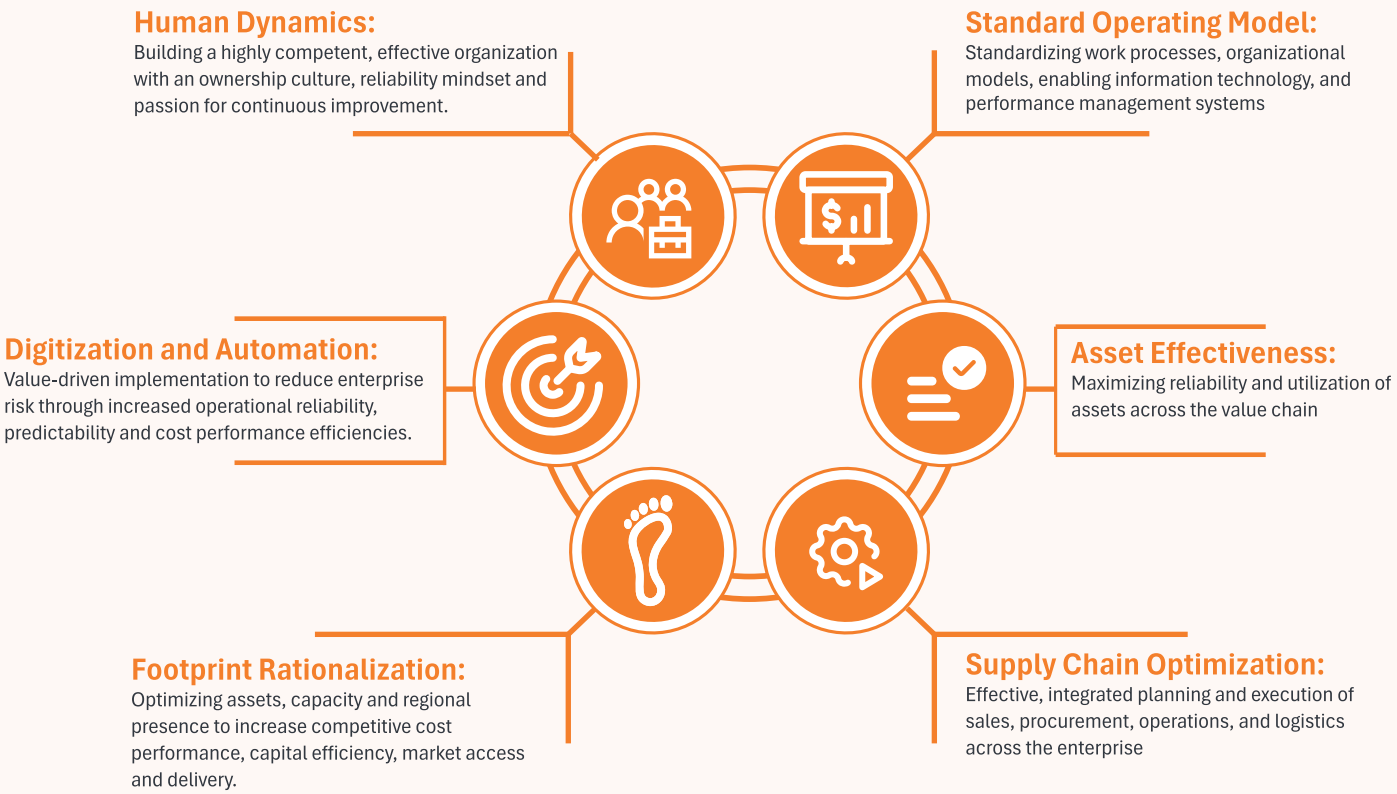
To achieve this, companies are leveraging a set of corporate capabilities that rigorously address both short-term cost-savings opportunities and long-term strategic growth.

The initial methodology being deployed includes robust Data-Backed Diagnostics of financial, operational, and market data to uncover inefficiencies at a granular level, for example from procurement patterns to labor productivity. Cost drivers are mapped across functions and linked to performance benchmarks, enabling fast identification of where inefficiencies exist. This is often supported by AI capabilities, allowing interventions that quickly deliver the greatest impact.

Once the Analysis is complete, organizations can systematically target common cost areas, pull specific levers, and deploy tailored improvement methods. The most immediate and substantial improvements are typically realized in operations, maintenance, reliability, supply chain, quality and the procurement of direct and indirect materials.

Other areas, while requiring more time to execute, yield meaningful savings over the long term—such as capex optimization, and SKU rationalization.

Forward-thinking organizations are deploying the following transformational capabilities in operations and supply chain to reshape, simplify and drive a consistent business model and execution strategy globally.



When taken together, these areas represent a powerful opportunity for overall cost optimization and business improvement. Companies have achieved total savings on average of **20–25% reduction in operating expenditures**.

Key to a successful implementation is benefits sustainment and being able to track results. Every initiative undertaken should be measured by its tangible EBITDA impact, with operational KPIs clearly translated into financial terms. This requires robust financial models, performance dashboards, and incentive alignment that reinforce cost discipline and continuous improvement across functions. These also provide the capability to govern, track, and sustain value capture well into the future.

Other Considerations

The retirement of seasoned operators and crafts is leaving behind critical skill gaps to run and improve operations, and less experienced employees often lack the knowledge to spot improvement opportunities. Therefore, building a competitive workforce with support systems including knowledge and visual management enables a right-sized, engaged frontline to make real-time decisions to improve operations and control costs.

Case Study

The following example highlights how this impacts the bottom line

New Operating Standards and Organizational Model in the Chemical Process Industry: With mounting cost pressure, underperforming assets, and disjointed organizational structures and work processes across many global sites, a global chemical company had to transform operations to survive. The company developed new operating standards and an organizational model that was deployed globally to run, improve, maintain, and operate safely with highly reliable assets that predictably deliver quality products. A robust change management program was also implemented to shift the culture and drive sustainment. This transformation program accelerated productivity and cost reduction, improved quality, and gained additional capacity release, leading to a $50 million EBITDA improvement annually and a sustainable foundation to drive future growth.

Conclusion

Even during tough times when the most obvious cost areas have already been targeted, opportunities remain to deliver needed savings without inhibiting growth enablers. A smarter cost strategy is a transformation that allows companies to enter the next upcycle stronger, faster, and more focused than competitors. The emphasis should be on building a leaner, more resilient organization that is fully prepared for what comes next.

Appendix

Exhibit 1. Typical Areas for Highest Cost Savings

AREA	LEVERS	METHOD
Procurement	• Strategic sourcing (aggregation, auctions) • Should-cost modeling (clean-sheet analysis) • Supplier rationalization • Tail-spend management and compliance enforcement • Contract renegotiation with volume leverage • TCO (total cost of ownership)-based vendor selection	• Spend cube and category analytics • Benchmark pricing databases (e.g., Beroe, GEP) • PPV (purchase price variance) tracking • Supplier performance scorecards • TCO modeling by SKU/vendor
Operations and Maintenance	• Operational Excellence strategies • Production loss analysis • Asset utilization (maximum demonstrated rate) • Overall equipment effectiveness (OEE) improvement (downtime, speed, quality) • Plant productivity and layout optimization • Lean maintenance • BOM cost takeout and process engineering • Make/buy optimization • Contractor Optimization • Wrench-time and OT improvement • Direct labor efficiency via time standard	• Benchmarking work processes, cost/efficiency/utilization etc. vs. industry peers • OEE tracking and loss tree analysis • Value stream mapping (VSM) • Current process vs. best practices with gap analysis • Standard vs. actual cost variance analysis • Time and motion studies, SMED • Ops/Maintenance/Reliability/Quality Maturity Model
Supply Chain /Logistics	• Network footprint optimization (DCs, plants) • Freight re-bidding and routing efficiency • Warehouse labor and automation • Inventory optimization (safety stock, turns) • Demand planning and forecast accuracy • Supplier consolidation and inbound flow control	• Total landed cost modeling • Route and lane-level freight cost analysis • Inventory carrying cost analysis • Warehouse time-motion studies • Forecast accuracy metrics and DIO trend analysis
COPQ (Quality/Cost of Poor Quality)	• Internal failure cost reduction — scrap, rework, line stoppages, repeat work • External failure reduction — warranty claims, returns, field service • Appraisal cost reduction — over-inspection, excessive testing • Prevention cost optimization — training, process controls, error-proofing (poka-yoke) • Design for quality — reduce complexity, early-stage quality engineering	• COPQ modeling: categorize failure, appraisal, prevention costs • Pareto analysis of defect root causes • First pass yield (FPY) and defects per million opportunities (DPMO) • Warranty cost analysis (claims per unit sold) • Six Sigma DMAIC (define, measure, analyze, improve, control) problem-solving

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