

Sustainable Cost Out in *Chemicals*

Rethinking How Work Is Done

A Growing Imperative for *Chemical Executives*

Chemical companies are under increasing pressure to deliver cost improvements that are both credible and durable. Margin volatility driven by economic and geopolitical uncertainty, energy and feedstock price fluctuations, tightening labor markets, and rising regulatory demands has elevated cost performance to a board-level priority.

Yet despite this urgency, many organizations continue to rely on traditional cost-cutting approaches.

These typically generate short-term benefits but fail to hold over time, resulting in recurring cycles of cost reduction initiatives that ultimately erode operational flexibility, weaken customer performance, and limit the ability to respond to market recovery.

At EFESO, we observe this pattern across the global chemicals industry. Sustainable cost improvement requires a fundamentally different mindset.



Why *Traditional Cost Reduction Approaches* Fall Short

Conventional cost programs often focus on:

- Headcount reductions
- Cuts in discretionary spending
- Deferral of critical expenditures

While these levers may improve short-term financial performance, they rarely address the structural drivers of cost inefficiency.

In practice, this leads to:

- Cost rebound within 12–18 months
- Increased risks in safety, reliability, and compliance
- Loss of critical skills and organizational knowledge
- Reduced workforce engagement and productivity

Organizations frequently underestimate the impact of cost actions on work design, decision rights, and organizational structure. As a result, performance deteriorates: production stability declines, maintenance backlogs increase, and support functions compensate inefficiently for operational gaps.

This is why leading executives are increasingly asking a critical question:

Will our cost reductions truly lower cost-to-serve and will they still be there next year?

From Cost Reduction to *Cost Transformation*

Sustainable Cost Out requires a shift from temporary cost actions to **transforming how work is performed** across the organization.

Leading chemical companies focus on:

- Deploying best-practice work processes
- Designing effective and streamlined organizations
- Clarifying roles and decision rights
- Embedding robust high-performance management systems

This approach enables organizations to **structurally and systematically remove cost**, ensuring that savings are measurable, repeatable, and protected over time, while improving operational performance.



The EFESO Approach: Removing Cost at the Source

EFESO's Sustainable Cost Out methodology is grounded in **end-to-end operations process transformation**, spanning:

Operations

Maintenance and reliability

Quality

Logistics

Supporting and corporate functions

Our approach focuses on redesigning how work is executed to eliminate inefficiencies at their root.

Key pillars of the methodology



1. Anchor savings to operational reality

Align cost ambitions with financial commitments, margin pressures, and site-level constraints to ensure targets are both ambitious and achievable.



2. Identify structural cost drivers

Differentiate value-adding from non-value-adding activities across the value chain, including operations, maintenance, logistics, and support functions.



3. Analyze and benchmark work processes

Assess current end-to-end processes against best practices to quantify inefficiencies and improvement potential.



4. Redesign how work is performed

Deploy proven chemical industry best practices, co-developed with frontline teams, to structurally eliminate waste and standardize execution.



5. Optimize organizational models

Streamline structures, redefine roles, and ensure clear accountability to enable efficient and effective execution.



6. Embed performance management

Implement KPIs, governance, and management routines that sustain performance and prevent cost creep.



7. Secure savings realization

Track operational and financial impact rigorously to ensure savings are fully delivered and sustained.



8. Future-proof the organization

Deploy change management and continuous improvement capabilities to build long-term agility and resilience.

Proven impact: From Cost Reduction to Cost Certainty

Organizations that adopt a structured, transformation-led approach can achieve significant and lasting results.

Recent EFESO engagements include:

- A global specialty chemicals company achieving **\$60M in cost reduction**, while improving reliability and product quality through a standardized operating model
- A major petrochemical complex delivering **~\$20M in annual fixed cost savings**, including:
 - › ~30% reduction in maintenance workforce, while nearly doubling productivity
 - › ~15% reduction in operations headcount through standardization and workload optimization
 - › Elimination of duplicate activities without compromising performance

These examples demonstrate that **cost reduction and performance improvement are not trade-offs, but can be achieved simultaneously when addressing root causes.**



Building Lasting Competitive Advantage

In an increasingly volatile environment, short-term cost actions are no longer sufficient. Chemical companies must build cost structures that are resilient, efficient, and sustainable.

Sustainable Cost Out enables organizations to move beyond temporary savings and establish **cost certainty** ensuring that improvements are visible in financial performance and maintained over time.

Ultimately, lasting impact is achieved not by reducing cost once, but by **fundamentally changing how work gets done.**

Authors:



David Sedge
Partner & Head of Chemicals



Fernando Cruzado
Partner & Head of Chemicals



Michael Matlock
Senior Advisor



Charles Deise
Senior Partner

Real Results, Together
www.efeso.com