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## SUCCESSFUL COST REDUCTION – STRATEGIES AND TECHNIQUES

**Date:** 1 March 2020 - 5 March 2020

**Course ID:** ADDK004/2020

**Duration:** 5 Days

**Fee US\$ - VAT is not included:** 2950 US\$

**Venue:** Kuwait

### Introduction:

Cost is one of the important aspects to manage. Two of the key features that define project success are: managing costs to achieve efficiencies, and creating and enhancing value. To achieve this target, businesses need to put cost reduction strategies and techniques high among their priorities to achieve business goals, not only project objectives. This course shall investigate methods to reduce and optimize the cost during the project lifecycle starting from early phases, where the potential to influence cost and value are highest

### Objectives:

By the end of this course practitioners shall be able to:

- Understand the Challenge of Cost and Value in Projects during the different project phases
- Get an Overview of cost management and value management and its methodologies
- Understand the different categories and types of costs and the factors impacting each item
- Understand and apply the cost management process
- Apply cost removal techniques
- Apply value engineering techniques
- Apply activity based costing principals
- Reduce the total cost of ownership (Life-Cycle cost reduction)

### Who should attend:

- Project Managers,
- Design and Engineering Personnel,
- Financial Management and Personnel,
- Planners and cost estimators
- Functional Managers, Resource Managers
- Operational and maintenance Personnel,

### Daily Outlines:

DAY 1:

- Introduction, Course Objectives and Pre-Course Assessment
- Introduction to the Challenge of Cost and Value in Projects
  - o Importance of Cost and Value Management in Projects

- o Keys to Effective Project Cost Management
- o Essential Features of Project Value Management
  - Value influence and project costs during the life-cycle of projects
  - Needs assessment, Business case and benefit management
  - Scope Definition and Cost Management throughout the project live cycle
  - Cost awareness during Cost Estimating
- o Importance of Cost Estimation
- o Problems of Cost Estimation that may cause future increase
- o Sources and Categories of Project Costs
  - Day 1 Review and Workshop / Case Study

#### DAY 2:

- Cost Estimating
  - o Conceptual Cost Estimating Methods
  - o Detailed Cost Estimating Methods
  - o Allowances for Contingencies in Cost Estimation
- Project Budgeting:
  - o Issues in Project Budgeting
  - o Methods for Developing a Project Budget (Top-Down / Bottom-up)
    - Activity-based Costing
    - Where and how the ABC may help?
    - How ABC will help improve product or service costing
    - Developing a Project Contingency Budget
  - Cost baseline
  - Funding requirements
  - Project Budgeting workshop
- Cash Flow Management
  - Project life-cycle costing / Cost of ownership
  - Discounted Cash Flow Workshop (NPV, IRR, Break-even Analysis)

#### DAY 3:

- Value Management
  - o Definition of Value Analysis/ Management

- Information Phase
- Function Analysis Phase
  - o Function Analysis Process
  - o Function, Cost, Worth Worksheet
- Creative Phase
- Evaluation Phase
- Development Phase
- Presentation Phase
- Implementation of the value proposals
- Integrating Cost and Value in Projects
- Workshop -Presentation Phase – Office building with energy saving and alternative energy use.

DAY 4:

- Strategic Cost reduction steps:
  - o Drafting a cost reduction / improvement strategy
  - o Aligning costs to strategy
  - o Using innovative methods to reduce costs
  - o Implementing cost reduction as a business transformation program
  - o Create a culture for “preventive” cost optimization
- The impact of efficient procurement process on cost reduction
- Benchmarking with the Model of the NASPO (The national Association of State Procurement Officials):
  - o Cost Avoidance Model - Tier One
  - o Mid-Range Model - Tier Two
  - o Illinois Model - Tier Three

DAY 5:

- The need for cost reports
- What measures can be used to identify over-spends as early as possible
- Cost control performance measures and ratios
- Design of cost control reports
  - o Reports should lead to action and deliver
  - o Selecting cost control measures which can be acted upon
  - o Practice in designing action reports