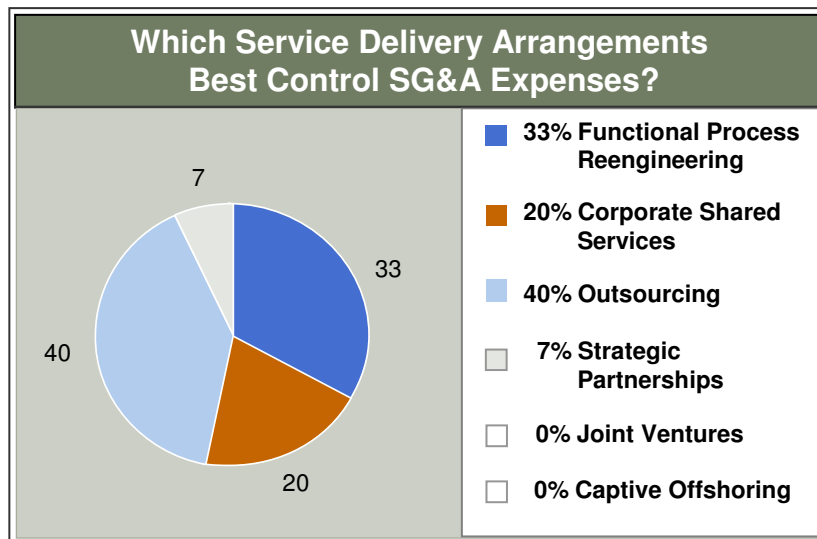




Controlling SG&A Expenses

When considering the various alternative service delivery models for gaining control over SG&A expenses and improving long-term prospects for growth, we note the polarization around internal versus external impetus for change. With just over 50 percent of the respondent electing internal initiatives of process reengineering or shared services, we find a striking similarity with the practical experience of marketplace evaluations — many clients seek first to garner the benefits from internal change programs as a matter of first course.



Conversely, initiatives of outsourcing or market ventures such as partnerships warrant almost equal emphasis. Again, this is consistent with what we've witness working with many enterprises: companies wanting to introduce and deliver substantial change declare that an external forcing function is required.

It is essential for organizations to maintain an open mind in approaching the topic of expense control and long-term improvements ... in quality and cost of SG&A functions. There are various risks and benefits of the alternatives prevalent in the market — and *facts* are essential in formulating a service delivery strategy.

Considerations that are most influential include the viability of the various alternatives, capital intensity, and leadership commitment over a time horizon that pays sufficient dividends.

We recommend an objective evaluation of the full spectrum of options — with a firm eye on the future state desired and an understanding the internal organization's fortitude.