News Release

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**Most Executives Agree That Their Companies Spend Too Much Money On Low-Priority Initiatives And Cut Costs Indiscriminately, Says New Strategy& Survey**

***Survey of Over 500 Executives Warns Companies May be Diverting Money Away from Strategically Important Projects***

**New York (June 17, 2014) –** Executives worldwide say low-priority initiatives get too much funding, cost-cutting isn’t strategic and budgeting isn’t tightly aligned with strategic planning at their companies.

Those are among the findings of a new survey, the Fit for Growth Index Profiler, of more than 500 companies worldwide conducted by Strategy&, a member of the PwC network of firms.

“The findings are concerning. Even in relatively good economic times, companies need to be clinical about cutting back on non-priority areas so they’re able to constantly invest in critical capabilities and businesses. Investing a little bit in everything is not going to allow companies to grow; but that appears to be what many companies are doing,” said Vinay Couto, Senior Vice President at Strategy&, formerly Booz & Company, and a co-author of the research.

“In a competitive environment, if you don’t invest strategically and cut ruthlessly, you’ll lose out in time to a competitor who does,” he added.

**When It Comes to Budgeting and Costs, Companies are Distracted from Their Strategies**

According to the *Fit for Growth* Index Profiler survey…

* Less than a quarter of executives (22%) said budgeting at their company is aligned with strategic planning.
* Most – 66% – said lower-priority initiatives or areas receive more than their fair share of funding. In fact, about the same percentage (65%) said there are substantive businesses, products and/or services in their portfolios that are misaligned with the company’s overall strategy.

**Cost-Cutting Is Haphazard and Weakens the Business; It Should Strengthen It**

“Our research shows that too few companies look at cost-cutting through the right lens. They seek to share the pain or cut what’s obvious. Instead, they should determine the few things that are critical to supporting the key enterprise-wide capabilities and build excellence there. Everything else can really be just good enough,” Couto said.

Among the survey findings…

* Only a quarter of executives said their companies cut costs based on priorities that are set for the whole organization.
* Nearly half of executives (48%) said their companies cut costs due to external events or outside pressure, not due to their culture of continuous improvement.
* A quarter of executives said their companies “peanut-butter” cost cuts – i.e., they have everyone give up a fixed percentage of spending – rather than reducing spending in a more strategic way.

“Strategic cost-cutting begins with recognizing that you do not need to, and in fact, cannot excel everywhere – only in the few capabilities that truly differentiate your company,” said John Plansky, co-author of the study.

**Rethinking Budgeting and Cost-Cutting To Fuel Growth**

For leaders of most companies an action path could include:

* A rigorous review of the capabilities needed to achieve and/or keep a leading position in their industry, versus those that are secondary
* A dispassionate assessment of where they stand against these capabilities on two fronts: their level of effectiveness, and their relative levels of funding and investment
* A periodic zero-basing exercise to scale back in the less-critical areas and to redirect funds from these areas to more critical needs
* A series of targeted organizational interventions to increase speed and quality of decision making throughout the enterprise

**Methodology**

Strategy& conducted a survey of 511 executives from companies of various sizes and from around the globe and from a full range of industries. The online survey asked 25 questions on the topics of business strategy and priorities, alignment of resources with strategy and critical capabilities, and alignment and focus of the organization. The profiler can be found at <http://www.strategyand.pwc.com/global/home/what-we-think/fitforgrowth/ffg-index/ffg-index-profiler.>

**About Strategy&**

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