

OPTIMIZING COST CONTROL IN THE INDUSTRIAL SECTOR:

A KEY ENABLER FOR STRONG FINANCIAL
PERFORMANCE, A SOLID COST CULTURE AND
FACT-BASED DECISION-MAKING

1 The Need for Cost Control Transparency and Efficiency in Industrial Companies

In the volatile commodities market, industrial, mining and metals businesses face significant price pressures driven by the cyclicity of metal prices and global trade policies, such as the recent U.S. tariffs on steel and aluminum imports, as shown in Figure 1. These fluctuations challenge financial stability, requiring companies to adopt robust cost management strategies.

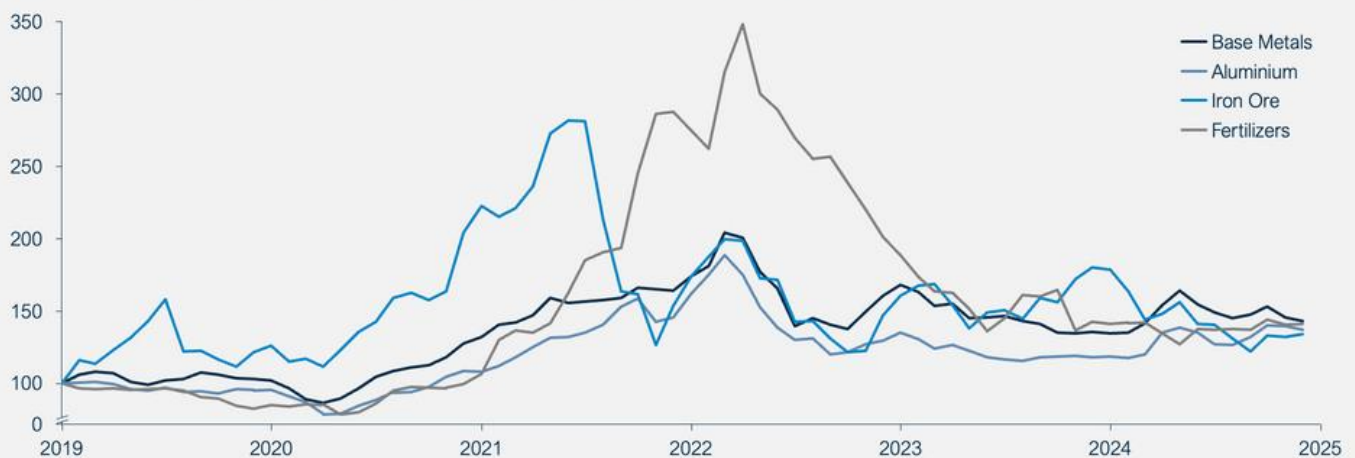
Improving cost management systems helps businesses handle commodity price volatility, identify savings, and use resources more efficiently. Companies with strong cost management practices often have real-time cost visibility across all levels, enabling quick decisions and fast responses to market changes. When employees are financially aware and accountable, they contribute valuable cost-saving ideas. This fosters a cost-conscious culture, which is essential for staying competitive and maintaining financial stability over the long term.

Commodity prices have been trending downwards in recent years, caused by a gap in global supply and demand

Commodity Price Index

Monthly indices based on nominal US dollars where January 2019=100;

Base Metals: Aluminum, Copper, Lead, Nickel, Tin, Zinc; Fertilizers: Natural Phosphate Rock, Phosphate, Potassium, Urea



Source: World Bank - Commodity Markets <<https://www.worldbank.org/en/research/commodity-markets#1>>

Figure 1: Commodity prices and indices over the last six years



2 The Cost Management Process

An effective cost management process, depicted in Figure 2, is a structured, firm-wide approach which begins with creating standardized, bottom-up budgets and forecasts to ensure accurate planning. It then focuses on capturing real-time cost data and conducting regular cost reviews of actual versus budgeted costs.

A continuous pipeline of cost-saving ideas is generated through these reviews, while employees are regularly trained to build the necessary skills for effective cost management.

An effective cost management process contains four core phases



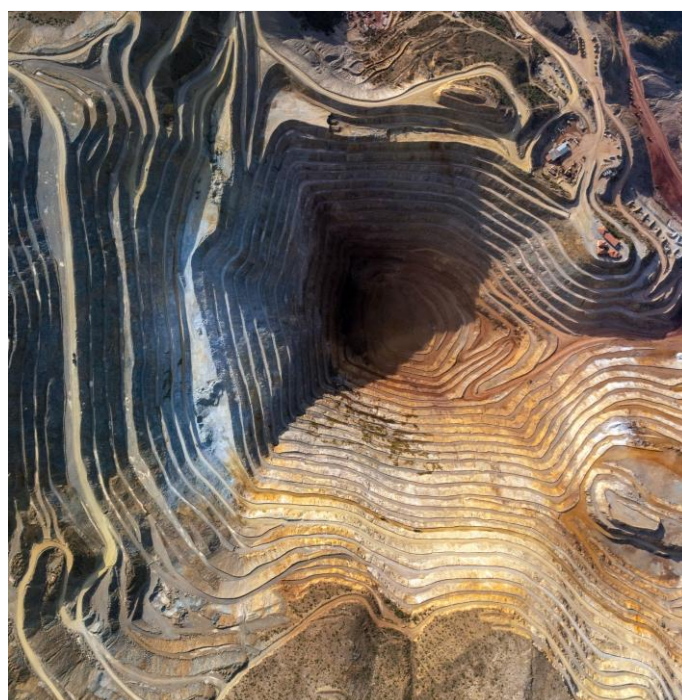
Figure 2: Overview of the cost management process

3 Challenges in Planning: Budgeting Issues That Weaken Cost Control

In A&M's experience, industrial companies often face budgeting challenges that undermine cost control and financial performance:

- **Top-down Budgeting Approaches:**
Budgets are often set by applying an inflation factor to last year's figures or rolling forward current actuals, leading to overestimated budgets that lack operational precision.
- **No Single Source of Truth:**
Different budget versions exist across teams, leading to conflicting cost performance insights and misaligned decision-making.
- **Misaligned Cost Structures:**
Organizational and accounting frameworks often fail to reflect real cost-generating activities, preventing accurate cost attribution and accountability.

Based on our experience and industry best practices, implementing activity-based budgeting is an effective solution to address these challenges.





4 Best Practice Approach: Activity-Based Budgeting

Budgeting challenges – lack of a single source of truth and misaligned cost structures – often stem from an over-reliance on traditional, top-down approaches. Activity-Based Budgeting effectively addresses these challenges by directly linking budgets to the activities required for efficient operations. Instead of relying on historical costs or broad estimates, Activity-Based Budgeting sets target costs by defining the specific activities, frequencies and resources needed to achieve operational goals. This structured, bottom-up approach creates a single source of truth, strengthening cost control and enabling more precise financial decision-making.

As such, Activity-Based Budgeting enhances the entire cost management process. Forecasting becomes a straightforward update – teams confirm and adjust upcoming activities based on operational needs, ensuring forecasts remain dynamic and realistic. Cost reviews become more data-driven, as Activity-Based Budgeting enables both high-level performance tracking and granular analysis of overspending at the activity level. With full visibility into cost drivers, teams can proactively generate cost-saving ideas, supporting a culture of continuous improvement.

By embedding Activity-Based Budgeting into the cost management cycle, organizations enhance financial discipline, drive accountability and enable fact-based decision-making at every level.

Activity-Based Budgeting enables accurate and strategic cost management

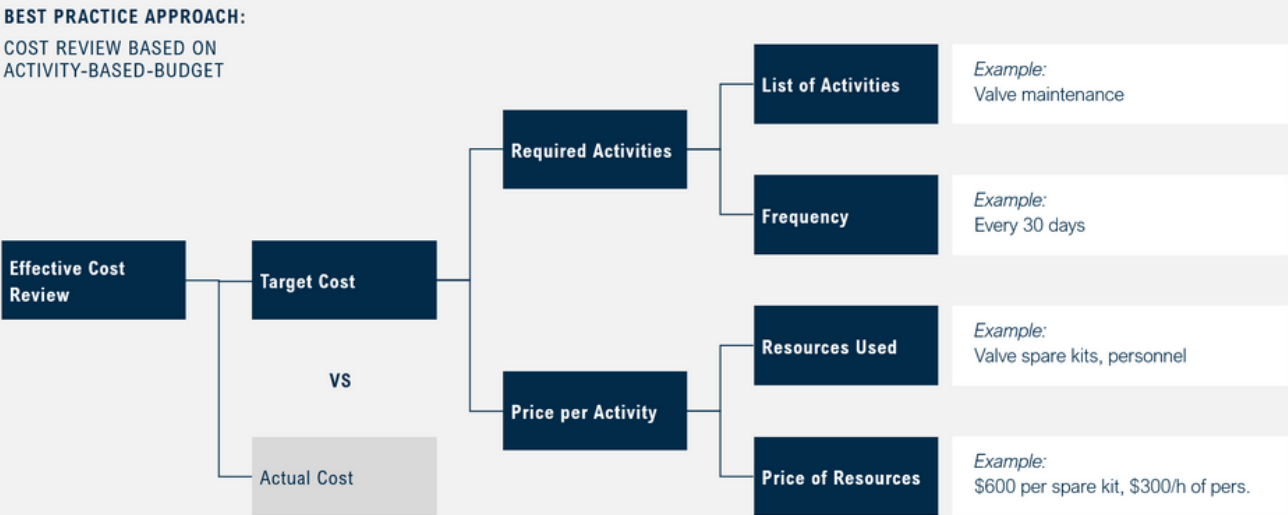


Figure 3: Activity-Based Budgeting as an enabler for effective cost reviews

How Activity-Based Budgeting fits into the cost management process



Figure 4: Visualization of Activity-Based Budgeting through the cost management process

5 Challenges in Cost Reviews

In A&M’s experience, industrial companies typically face several key cost control challenges:

- Lack of Standardized Cost Reviews:** No unified process for cost reviews leads to inconsistent and inefficient practices, ultimately contributing to poor engagement from middle management, who are directly accountable for the performance of the cost centers.
- Data Transparency Issues:** Inconsistent, poorly formatted reports make it hard to track costs, identify savings, and allocate resources effectively.
- Delayed Reporting:** Multiple disconnected data sources and slow financial adjustments cause reporting delays, hindering timely decisions.
- Limited Cost Ownership:** Poor engagement across teams results in inaccurate data and weak accountability.
- Low Financial Awareness:** Teams often lack the knowledge and easy-to-use tools to support cost management or suggest savings opportunities.

Based on our experience and industry best practices, implementing robust cost control tools, standardized processes and structured training programs are effective solutions to address these gaps in cost control.



6 Implementing Effective Cost Review Measures

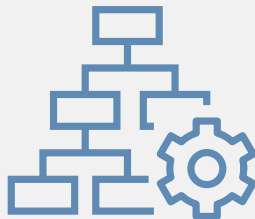
To enhance cost control, organizations can implement proven solutions that ultimately lead to better cost analysis, improved decision-making, and stronger financial outcomes. One of the key measures is to deploy a real-time, user-friendly cost reporting dashboard to consolidate data, increase transparency, and support informed decision-making. Second, establishing a structured cost review meeting framework ensures systematic communication, accountability, and prompt resolution of cost issues. Finally, extensive training programs are essential to build financial awareness and empower employees to contribute to cost-saving initiatives.

Effective cost control solutions

REAL-TIME COST VISIBILITY PLATFORM



ENTERPRISE-WIDE COST GOVERNANCE FRAMEWORK



COST CAPABILITY- BUILDING PROGRAM



Figure 5: Overview of effective cost control solutions



Developing a real-time cost visualization platform

To implement a successful cost reporting solution, the focus should be on creating a single, accurate, and user-friendly source of truth and achieve its widespread use in the organization. This can be done by developing a cost-management platform, such as a dashboard, to integrate multiple cost databases into intuitive, real-time visualizations. Collaboration with key stakeholders during the development ensures the dashboard reflects relevant data, such as costs, budgets, and forecasts, while offering a

streamlined and customized view for efficient analysis. Moreover, regular user feedback refines accuracy and usability, supported by periodic checkpoints with representatives across organizational levels. To ensure sustainability, appointing dashboard superusers early, conducting training sessions, and providing a detailed manual empower users to fully utilize and maintain the dashboard, ensuring long-term efficiency and transparency.



To implement a successful cost reporting solution, the focus should be on creating a single, accurate, and user-friendly source of truth and achieve its widespread use in the organization.

The cost visibility platform should offer a streamlined and customized view across the organization for efficient analysis and decision-making

BEST PRACTICE COST VISIBILITY PLATFORM STRUCTURE



Figure 6: Summary of best practice cost visibility platform structure



Enterprise-wide cost review meetings

One of the key tools to ensure transparency and facilitate cost-related decision-making are standardized cost-review meetings. To improve them, organizations should establish a structured meeting cascade with clear data flows, agendas and templates. This begins with assessing the current meeting structure, including frequency, participants, and reporting materials, to identify gaps and areas for improvement. A pilot meeting cascade

can then be launched, supported by a dedicated team for facilitation. One of the results of the meetings are cost-saving ideas, extracted through root-cause analysis from the cost reporting data. Regular assessments and personalized coaching ensure continuous improvement, while a meeting effectiveness tracker helps maintain accountability and address capability gaps.



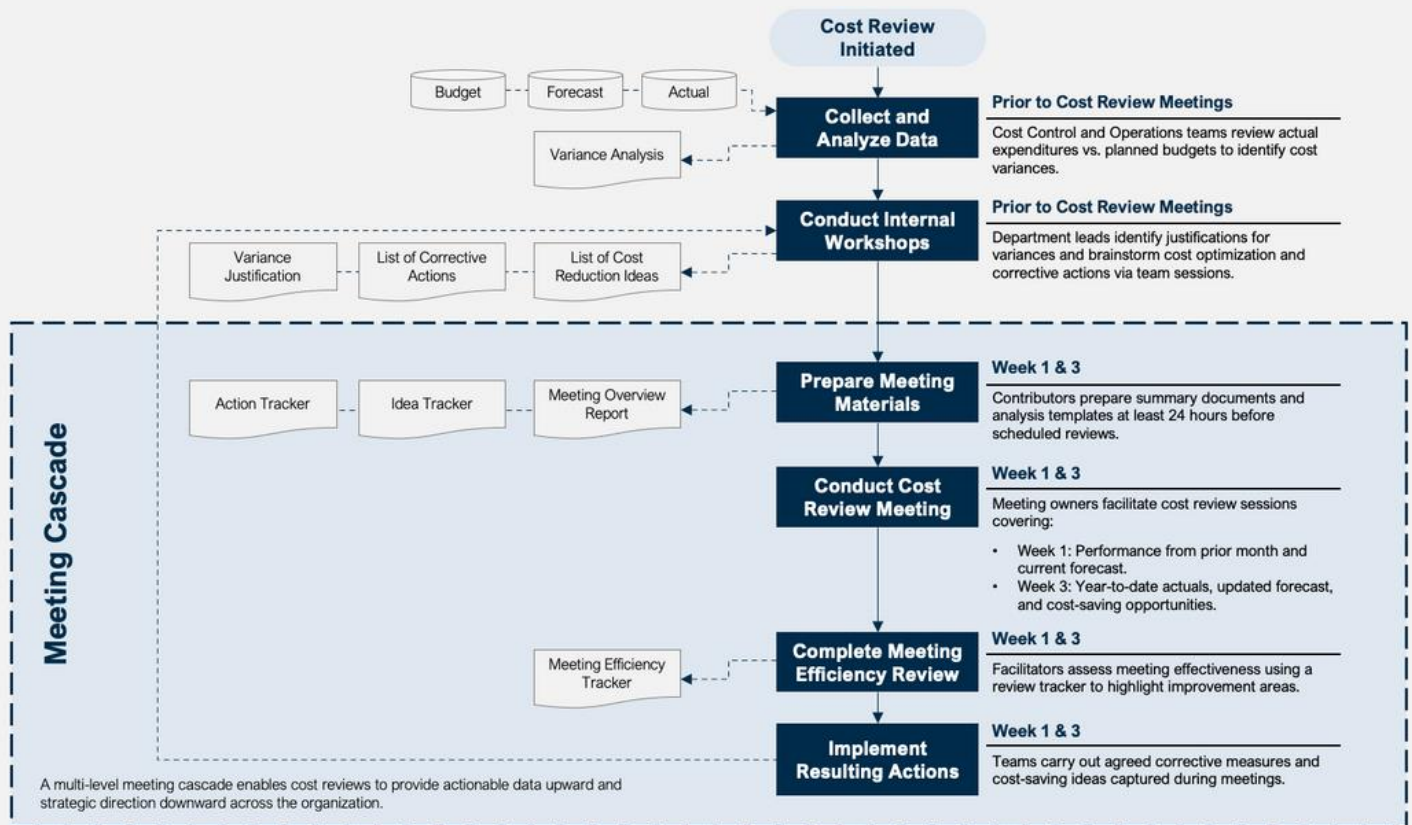


Figure 7: Example cost review meeting cascade



Cost-Capability Building program

To build robust and sustainable cost capabilities, organizations should focus on three key areas: establishing a cost competency framework, delivering targeted training and creating a standardized training plan. The competency framework identifies the skills needed for cost management at all levels, while training—both formal and on-the-job—addresses gaps in areas like cost review meetings and dashboard usage. A structured

training plan ensures consistent learning for new and existing employees, supported by a handover of materials to internal trainers and HR for long-term implementation. Additionally, an end-to-end cost control guideline should be developed to provide clear methodologies and tools for effective cost management, ensuring consistency, accountability, and transparency across all cost-related activities.





A&M's proven approach — including implementation of Activity-Based Budgeting, digitalization of cost control systems, setting enterprise-wide cost management frameworks and targeted training — **enables organizations to embrace sustainable cost control practices.**

7 Conclusion

Given the current challenges, such as volatile prices and potential tariffs, building a strong cost culture in the industrial sector is no longer optional — it is a strategic necessity. By implementing best practice Activity-Based Budgeting and cost-visibility platforms, fostering financial transparency through cost review meetings and investing in capacity building, companies can achieve significant cost savings, improve decision-making, and drive long-term financial stability.

A&M's proven approach — including implementation of Activity-Based Budgeting, digitalization of cost control systems, setting enterprise-wide cost management frameworks and targeted training — enables organizations to embrace sustainable cost control practices. As the industry evolves, those who proactively enhance their cost management capabilities will be best positioned to navigate volatility, attract investment, and achieve operational excellence.

Key actions typically taken to foster a culture of cost transparency and ownership include:

- **Implementing best practice Activity-Based Budgeting.**
- **Designing and rolling out a comprehensive dashboard for real-time cost reporting.**
- **Establishing a cascading cost review meeting structure.**
- **Conducting training programs to enhance cost-control capabilities.**



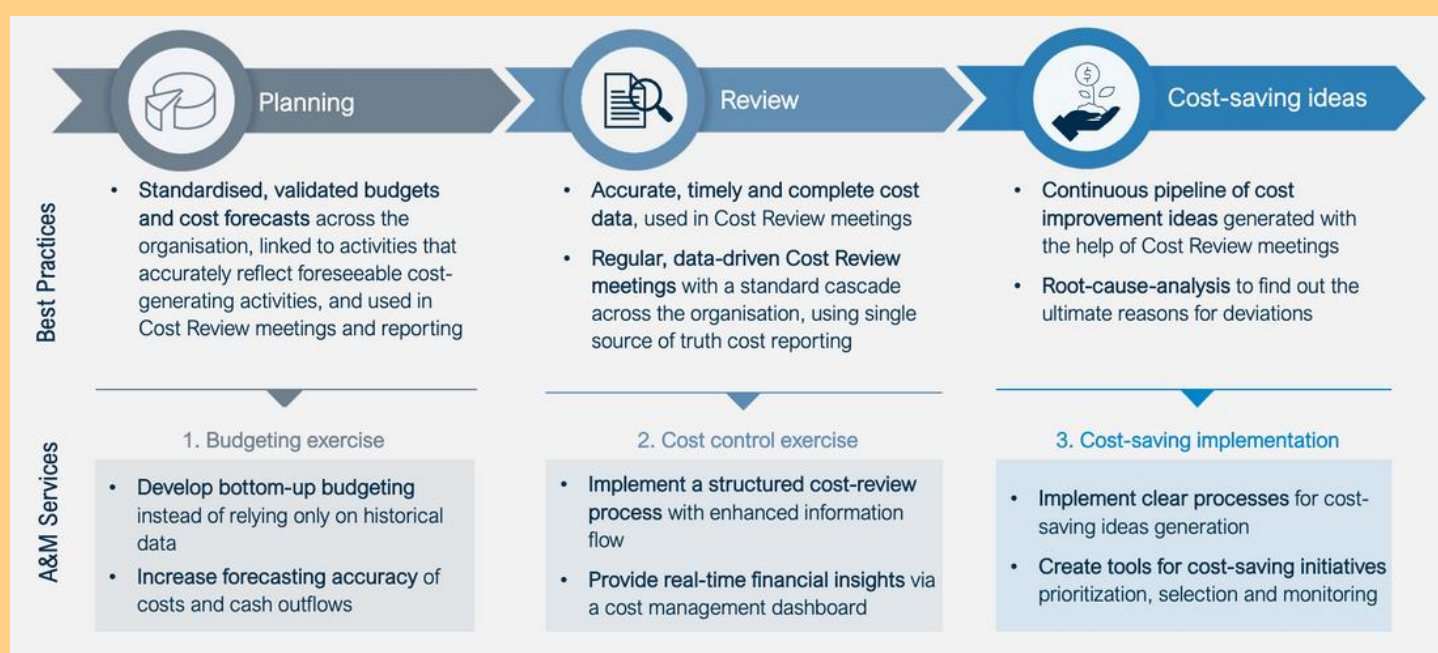
Results typically achieved:

- Increased user engagement with cost analysis and decision-making tools — in A&M's experience, adoption can grow from just 20% of management being cost-aware to over 80% actively using cost data.
- Improved financial transparency through regular cost review meetings.
- Generation of cost-saving ideas with significant potential for cost avoidance. In A&M's experience, these cost-savings can help reduce operating expenses by up to 20%.
- Long-term sustainability through training, coaching and comprehensive cost-control guidelines.

How A&M Can Help

With a regional and global footprint, the A&M INFRA team has over 20 years of combined experience in industries such as power, oil and gas, transportation, real estate and others.

Our service offering features dedicated resources on the ground, supported by a team that can quickly assess project information utilizing proprietary technology. An overview of our solutions is highlighted below:



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