Beyond Cost Cutting: The C-to-S5 Governance Framework for Sustainable Efficiency and Long-Term Organisational Value

Abstract

Organisations face continuing pressure to improve financial performance without weakening service quality, operational resilience, employee capability, innovation or long-term growth and sustainability. Existing research provides valuable insights into strategic cost management, benefits realisation, performance measurement, benchmarking and contractual governance. Still, these streams do not offer a single integrated pathway from opportunity identification to validated and sustained efficiency value. Building on this research foundation and structured practitioner experience, this conceptual paper addresses the gap by developing the 'C-to-S5 Sustainable Efficiency Governance Framework'. Using a model-building design, it integrates these perspectives with the resource-based view and dynamic capabilities to define sustainable efficiency as the disciplined use of resources to deliver required outcomes at the lowest sustainable and risk-adjusted cost.

The framework moves an initiative from C (Concept) through six formal maturity stages, with "S" denoting Stage: S0 (Strategic Relevance and Initial Screening), S1 (Ownership and Stakeholder Alignment), S2 (Business Case, Baseline and Operational Acceptance), S3 (Approved Efficiency Charter), S4 (Execution and Operational Handover) and S5 (Validated Value). Operational acceptance at S2 confirms the feasibility of the proposed initiative and the protection of required outcomes before formal commitment, while S4 confirms completed execution and handover. The framework separates execution evidence from value-realisation evidence. The latter comprises Financial KPIs for realised efficiency and cost avoidance and Organisational Outcome KPIs for productivity, capacity, service, risk and strategic value. Evidence-based baselines, maker-checker review, comparable benchmarking and defined decision rights govern progression.

Where material sustainability risk remains, a Post-S5 Sustainability Review tests whether value has endured without unacceptable cost transfer, performance deterioration or capability loss. The model therefore shifts management attention from visible cost reduction to structural change,

credible evidence, protected outcomes and sustained enterprise-wide value. The paper offers an adaptable governance architecture and seven propositions for future empirical testing.

Keywords

Organisational efficiency; strategic cost management; benefits realisation; realised efficiency; cost avoidance; efficiency charter; C-to-S5 maturity model; execution KPIs; Value Realisation KPIs; organisational outcome KPIs; contractual governance; benchmarking; sustainability.

Scope of the Article

This article focuses primarily on large, capital-intensive organisations managing substantial operating budgets, complex contracts and significant investment programs. The C-to-S5 framework is not universally prescriptive: its evidence thresholds, approval rights and review intensity should be proportionate to sector, scale, operating model, regulation, strategic priorities and governance maturity. The article focuses on the identification, maturity-based classification, governance, validation and sustainability of efficiency initiatives. It presents a structured yet adaptable framework that can be applied across different organisational contexts without weakening its core governance logic.

1. Introduction

Cost pressure is no longer confined to economic downturns. Inflation, supply-chain volatility, regulatory requirements, technological change, environmental expectations, tight margins and ever-evolving customer expectations require organisations to use resources more intelligently while continuing to invest in people, resilience, service improvement and future growth.

The immediate response to financial pressure may include broad budget reductions, recruitment controls, contract renegotiation or deferred investment. Such actions may be necessary and can provide short-term financial relief, but they do not, by themselves, establish genuine efficiency. A reduction may create future liabilities, weaken critical capabilities or transfer costs and workloads elsewhere. The management challenge is therefore not simply to remove expenditure, but to reshape the underlying demand, activity, commitment or resource configuration while protecting the outcomes the organisation is expected to deliver.

The proposed C-to-S5 Sustainable Efficiency Governance Framework addresses this challenge through a single pathway from opportunity identification to validated and sustained value. It combines an Efficiency Charter, alignment, evidence-based stage decisions, maker-checker review and distinct execution and value-realisation evidence. By treating efficiency as a continuing management discipline rather than an emergency response, the framework aims to improve opportunity quality, strengthen accountability and reduce reliance on disruptive cost-cutting.

The article adopts a comprehensive perspective because sustainable efficiency requires integrating financial, operational, contractual, and governance dimensions across the full initiative lifecycle.

2. Research Aim and Questions

The research aims to develop and conceptually position an integrated governance framework that guides efficiency initiatives to graduate from C concept through S0 strategic screening to S5 validated value, and, where necessary, a post-S5 sustainability review. It examines how initiative rationale, credible levers, evidence-based baselines, comparable benchmarking, benefit classification, accountable ownership, cross-functional alignment/validation and stage-based decisions can improve the quality and credibility of the efficiency pipeline.

The central research question is:

"How can organisations identify credible efficiency opportunities and convert them into verified and sustainable organisational value while protecting the outcomes they are expected to deliver?"

The paper addresses five supporting questions:

1. What does organisational efficiency mean in practical terms?
2. How should realised efficiency, cost avoidance and broader organisational outcomes be classified?
3. How can execution progress, financial outcomes, cost avoidance, and organisational outcomes be monitored through distinct Execution KPIs and Value Realisation KPIs without treating them as equivalent?
4. How can the Efficiency Charter, maker-checker governance and C-to-S5 maturity model improve confidence in the efficiency pipeline?

5. How can cost-driver analysis, economies of scale, benchmarking and contractual revision identify credible opportunities without weakening required outcomes?

3. Theoretical Foundation and Research Gap

Sustainable efficiency is inherently multidimensional and cannot be understood through a single theoretical perspective. It requires integrating the principal factors shaping cost and organisational outcomes, including cost drivers and cost behaviour, strategic resource allocation, efficiency rationales and levers, organisational capability, benefits realisation, performance measurement, and contractual governance. The framework brings these perspectives together to address a central governance challenge: how organisations can redesign resource commitments, convert credible efficiency opportunities into independently validated and sustainable value, and preserve the capabilities and outcomes essential to future performance.

3.1. Strategic Cost Management

Strategic cost management links cost structures to strategy, value chains, demand patterns and competitive position rather than treating expenditure reduction as an isolated budgeting exercise (Berisha, 2017; Porter M.E., 1985; Rounaghi et al., 2021). Research on cost stickiness further shows that costs may not decline proportionately when activity falls because resource commitments, contracts and organisational structures adjust slowly. Sustainable efficiency, therefore, requires attention to the driver and commitment behind a cost, the value it enables and the consequences of changing it. Strategy, demand and required outcomes should precede the choice of a cost lever.

3.2. Resource-Based View

The resource-based view explains why indiscriminate reductions can damage performance. Experienced employees, organisational knowledge, resilient infrastructure, trusted supplier relationships and effective controls may be costly but also valuable, difficult to replace and central to continuity or competitive advantage (Barney & Clark, 2007). Efficiency governance must therefore distinguish waste, duplication and underutilisation from resources that protect strategic

capability. The purpose is not to preserve every existing cost; it is to avoid removing capabilities whose long-term value exceeds their visible short-term expense.

3.3. Dynamic Capabilities

Dynamic capabilities emphasise the organisation's ability to sense change, seize opportunities and reconfigure resources as markets, technology and regulation evolve (Eisenhardt & Martin, 2000; Teece, 2007). This perspective supports a continuous rather than episodic approach to efficiency, enabling organisations to identify emerging opportunities, adapt resource commitments and sustain performance as operating conditions or business dynamics change.

3.4. Research Gap and Contribution

Benefits-realisation research shows that project completion does not automatically create organisational value, and that governance, baselines, benchmarking, business-case quality, and accountable ownership influence whether intended benefits are achieved (Breese, 2012; Martins Serra & Kunc, 2015; Musawir et al., 2017; Jerónimo et al., 2021). Performance-measurement research similarly stresses the need to connect operational drivers with organisational outcomes without conflating them (Neely et al., 2005; Franco-Santos et al., 2012). Stage-based decision research provides a further basis for evidence-led progression and termination decisions (Cooper, 1990). Benchmarking, whole-life cost and contractual-governance research contribute methods for testing comparative and commercial value.

These streams provide strong foundations but are commonly applied separately. Less attention has been given to an integrated pathway that connects opportunity identification, commitment, execution, independent value validation and post-realisation sustainability.

This paper makes three connected contributions. Conceptually, it separates maturity from benefit classification, preventing confidence in an initiative from being conflated with its expected value. From a governance perspective, it integrates the Efficiency Charter, maker-checker review and C-to-S5 decision stages into a single accountability pathway. From a measurement perspective, it distinguishes execution evidence from financial and outcome evidence and extends benefits governance beyond S5 through a risk-based Post-S5 Sustainability Review.

4. Methodological Approach and Practitioner Positioning

Following guidance for model-based conceptual research (Jaakkola, 2020), this paper develops an integrative framework rather than testing a causal model statistically. It combines a thematic synthesis of established management literature with structured reflection on the author's 25 years of professional experience spanning enterprise-wide efficiency drive programs, technology strategy, financial planning, budgeting, program governance, operational excellence, enterprise service delivery, vendor management, investment prioritisation and large-scale organisational transformation.

The literature was examined across complementary themes: strategic cost management and cost behaviour; organisational resources and dynamic capabilities; benefits realisation and project governance; performance measurement; whole-life cost, benchmarking and scale; contractual governance; and organisational change. Practitioner observations were reviewed for recurring problems, including weak baselines, weak benchmarking practices, premature benefit reporting, fragmented ownership, incomplete execution, and failure to verify value after implementation.

Framework development followed three steps. **First**, recurring practice problems were translated into explicit governance requirements. **Second**, those requirements were mapped to the literature to distinguish established solutions from unresolved integration needs. **Third**, the resulting principles were assembled into the C-to-S5 model and tested for conceptual coherence, practical operability and transferability across sectors. The model remains practice-informed and interpretive; it does not claim the reproducibility of a systematic review or empirical validation.

To protect confidentiality, the framework is presented at a generalised level, without disclosing organisation-specific identifiers, supplier information, or commercially sensitive data. It is presented transparently so that its assumptions, stages, and propositions can be tested through case studies, surveys, and longitudinal research.

The literature was selected because it offered concepts, explanations or governance principles that directly helped shape the framework. The purpose was not to review every available study or determine how widely particular practices are used. Practitioner observations were included only when similar issues appeared repeatedly across different roles or organisational settings and could

be linked to established theory. These observations helped define and organise the management challenges addressed by the framework; they were not treated as evidence of how frequently those challenges occur, what causes them or whether they apply universally (Weiner, 2009).

Table 1. Theoretical foundations and C-to-S5 design responses.

Theoretical stream	Principal insight	C-to-S5 design response	Proposition
Strategic cost management and cost behaviour	Costs reflect underlying drivers, commitments and strategic outcomes.	C opportunity definition; S0 strategic screening; S2 baseline, counterfactual and whole-life business case.	P1
Resource-based view	Efficiency should not destroy valuable or difficult-to-rebuild capability.	Protected-outcome criteria, enterprise-wide assessment and post-S5 review.	P6
Dynamic capabilities	Organisations sustain efficiency by continually sensing emerging opportunities and risks, seizing viable opportunities through disciplined decisions, and reconfiguring resources and operating arrangements as conditions change.	Continuous opportunity pipeline, evidence-led progression through C-to-S5, periodic reassessment and learning feedback that informs subsequent efficiency initiatives.	P7
Benefits realisation and stage-based governance	Completion does not prove value; benefits require ownership and decision gates.	Efficiency Charter, C-to-S5 maturity positions and independent validation.	P3
Performance measurement	Activities, outputs and outcomes require distinct measures.	Execution KPIs, Value Realisation KPIs and Organisational Outcome KPIs.	P2
Benchmarking	Comparative gaps require contextual interpretation and normalisation.	Comparator-fit tests and four-part benchmark-gap decomposition.	P4

Contractual governance	Formal terms, incentives and relational governance jointly shape outcomes.	Integrated SOW, SLA and KPI revision supported by binding change control.	P5

Proposition 7 extends the dynamic-capabilities perspective by treating sustainable efficiency as an adaptive organisational process rather than a sequence of isolated initiatives. The C-to-S5 framework therefore uses learning from implementation, value validation and sustainability review to refine future opportunity identification and decision-making. In this way, efficiency experience is converted into an evolving organisational capability that can respond to changing strategic, operational and market conditions.

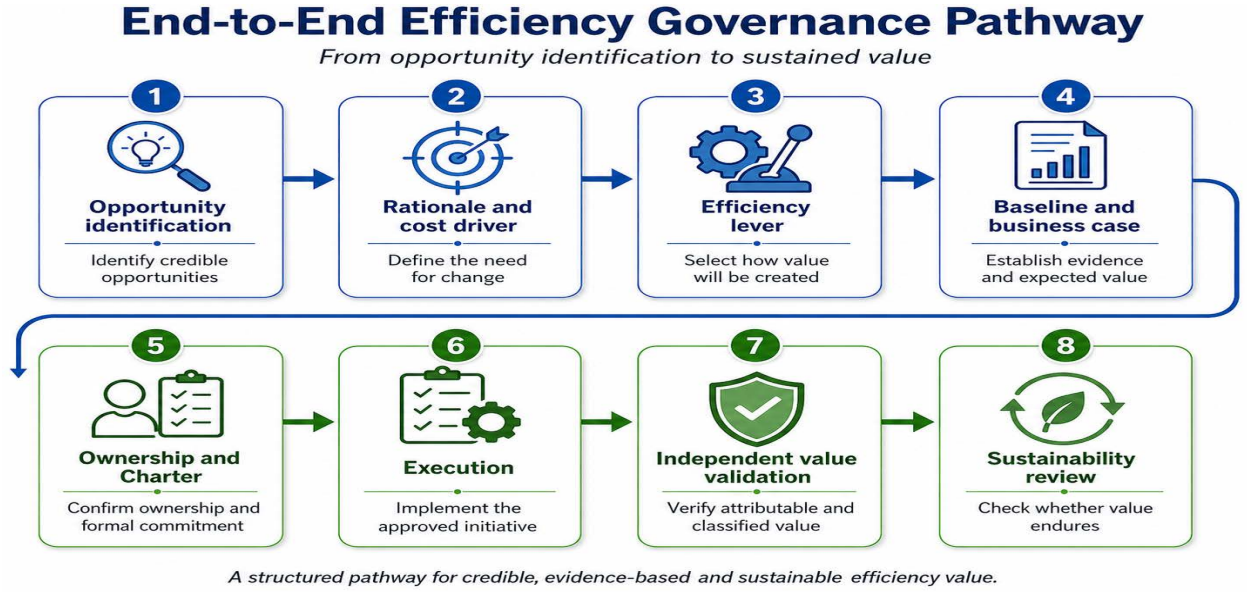

Figure 1. End-to-end Efficiency Governance Pathway.

5. Conceptual Propositions

The following propositions translate the conceptual synthesis into relationships suitable for future empirical testing. Propositions 1–3 draw primarily on cost behaviour, benefits realisation and performance measurement; Propositions 4–5 on benchmarking and contractual governance; and Propositions 6–7 on capability protection and continuous adaptation. They are conceptual expectations rather than confirmed causal findings (Wirtz & Zeithaml, 2015).

Proposition 1: Efficiency initiatives whose targets are derived from validated financial and operational baselines and explicit counterfactuals will exhibit a smaller gap between approved and validated value than initiatives based on uniform or unsupported reduction targets.

Proposition 2: Efficiency portfolios that report execution maturity separately from value realisation will exhibit lower levels of premature benefit recognition and greater reporting credibility than portfolios that combine the two.

Proposition 3: Efficiency initiatives governed through an approved Efficiency Charter and evidence-based C-to-S5 progression will be less likely to overstate expected benefits and more likely to reach independently validated value than initiatives without equivalent stage-based governance.

Proposition 4: Benchmark-derived efficiency targets will be more reliable when material differences in scale, scope, geography, technology, service level and operating conditions are either matched or transparently normalised.

Proposition 5: Contractual efficiency will be more sustainable when SOW, SLA and KPI revisions are jointly aligned with current demand and business criticality than when savings are pursued through unit-price reduction alone.

Proposition 6: Efficiency initiatives subject to explicit outcome-protection criteria and a risk-based Post-S5 Sustainability Review will retain a higher proportion of validated value over time than initiatives closed at initial realisation.

Proposition 7: Organisations that continuously identify and govern cost-optimisation and value-creation opportunities will rely less frequently on broad, reactive cost-cutting during periods of financial pressure.

6. Defining Efficiency

Efficiency is the disciplined and purposeful use of organisational resources, including financial resources, people, time, technology, information, physical assets, supplier capacity, and managerial attention, to achieve required outcomes at the lowest sustainable and risk-adjusted cost

while protecting performance, quality, resilience, and long-term capability. An organisation becomes more efficient when it delivers the same outcome at a lower sustainable cost, achieves a better outcome with the same resources, improves resource utilisation, removes avoidable waste, or prevents credible future expenditure (Jerónimo et al., 2021).

This definition excludes reductions that merely shift expenditure, defer an unavoidable requirement or weaken the wider system on which delivery depends. Efficiency should be evaluated against both the value created and the outcome protected. Governance intensity should be proportionate to materiality, risk, complexity and operational impact. At the portfolio level, oversight should identify overlapping scope, shared dependencies, cumulative workforce or operational effects, double-counting risk and opportunities to combine initiatives where this strengthens delivery or enterprise-wide value.

6.1. Efficiency, Effectiveness and Productivity

Efficiency, effectiveness and productivity are related but distinct. Efficiency concerns the relationship between resources used and outcomes delivered; effectiveness asks whether the intended result was achieved; and productivity measures the useful output produced from a given input. A process can become more productive while becoming less effective if essential controls or quality requirements are removed. Conversely, a higher-cost option may be more efficient over time when it materially improves reliability, capacity or whole-life value (Wirtz & Zeithaml, 2018).

Every material initiative should identify the outcome to be protected, such as service availability, safety, compliance, production yield, teaching quality, public access to essential services, customer satisfaction or program impact. Financial value may take the form of realised efficiency or cost avoidance, for example, reducing existing expenditure, preventing additional recruitment, avoiding unnecessary capacity expansion, limiting a planned price increase or preventing avoidable future investment. Organisational benefits may include productivity improvements, capacity release or creation, service improvements, risk reduction, resilience, and broader strategic value. These benefits should be measured and reported separately from financial value unless they subsequently produce a validated financial effect. Where material, the protected outcome should

also have an agreed acceptance threshold and evidence source so that the initiative can be assessed against both resource improvement and outcome protection.

6.2. A Whole-Life View of Cost

A whole-life perspective assesses the full economic impact of a decision rather than only its purchase price, first-year cost, or short-term impact. Total-cost-of-ownership research recognises that acquisition cost represents only one part of a product or service commitment. Implementation, integration, operation, maintenance, energy, training, support, renewal, transition, exit and disposal costs may materially alter the preferred option.

The same principle applies to organisational change. Reducing internal capability may increase dependence on external support; deferring maintenance may accelerate asset deterioration; and delaying renewal may increase technical debt and operational risk. The business case should therefore distinguish gross from net benefit after accounting for implementation, transition, stranded and offsetting costs, and assess value over a period appropriate to the initiative. Value for money comes from acquiring resources economically, using them efficiently and directing them towards effective outcomes, not merely choosing the lowest visible price.

The assessment period should reflect the decision's economic life and risk profile. Relevant scenarios, demand assumptions, residual values, and material uncertainties should be explicitly stated. Sensitivity analysis is particularly useful where the value depends on growth, utilisation, supplier pricing, implementation timing or future maintenance requirements.

6.3. Role of Rationales and Levers in Efficiency Initiatives

The initiative's rationale explains why the initiative should exist. It identifies the problem or opportunity, its relationship to organisational priorities, the expected financial, operational or strategic value, the consequences of inaction and why the proposed direction is appropriate. Typical rationales include rising costs, low utilisation, duplicated activities, excessive complexity, outdated contractual scope, service levels above current needs, overly stringent KPIs, weak productivity, supplier dependency, capacity constraints or the need to strengthen resilience, compliance or customer outcomes.

A credible rationale is supported by evidence such as demand and utilisation data, financial and operational baselines, contractual information, SLA and KPI performance, benchmarking, operational results and risk assessments. “Reduce cost” is not a sufficient rationale unless the underlying need for change, the relevant cost driver and the outcome to be protected are clear.

Levers are the actions through which the rationale is converted into value. They may include process simplification, demand optimisation, scope revision, SLA right-sizing, KPI redesign, commercial negotiation, standardisation, automation, licence or portfolio rationalisation, improved asset utilisation, economies of scale, workforce productivity, selective insourcing or vertical integration. The selected lever should address the relevant cost driver, be feasible within organisational constraints and preserve required performance and capability. These elements are documented in the Efficiency Charter and tested through the business case as the initiative progresses from C to S5.

The rationale explains why action is required, the cost driver identifies what creates or sustains the expenditure, and the lever defines how that driver will be changed to create value. Together, they form a connected sequence: **“Rationale → Cost driver → Lever → Expected value”**

6.4. Benefit Attribution, Additionality and Double-Counting Control

Benefit attribution establishes whether the reported outcome resulted from the approved initiative. Benefits-realisation research cautions against treating outputs or completed activities as proof of organisational value (Breese, 2012; Martins Serra & Kunc, 2015). Expenditure may decline due to lower business activity, delayed investment, market-price movements, accounting changes, or an unrelated action, rather than the initiative under review.

Additionality asks whether the benefit would have occurred, or would have occurred to the same extent, in the absence of the intervention. The approved baseline and counterfactual position provide the reference for this judgement. The initiative owner, maker-checker mechanism, and Finance should be able to demonstrate:

- The specific action that created the benefit and the evidence connecting the action to the outcome;

- The approved baseline and credible counterfactual without intervention;
- The effect of external factors and changes in volume, scope, price, inflation, foreign exchange or timing;
- The treatment of implementation, transition and offsetting costs; and
- That the value has one primary owner, one approved calculation method and has not been claimed elsewhere.

Attribution requirements strengthen as the initiative matures: S2 defines the method and assumptions, S3 confirms ownership and controls, and S5 verifies that value is attributable, additional, correctly classified and not double-counted. This evidence chain protects both the initiative and the credibility of the wider portfolio.

7. Three Approaches to Organisational Cost Management

Organisations generally manage the cost base through three approaches: cost optimisation, value creation and cost-cutting. Cost avoidance is treated as a benefit type rather than a separate management approach because it prevents, reduces or defers a credible future expenditure. Distinguishing the three approaches clarifies their purpose, timing and potential effect on performance (Wirtz & Zeithaml, 2018).

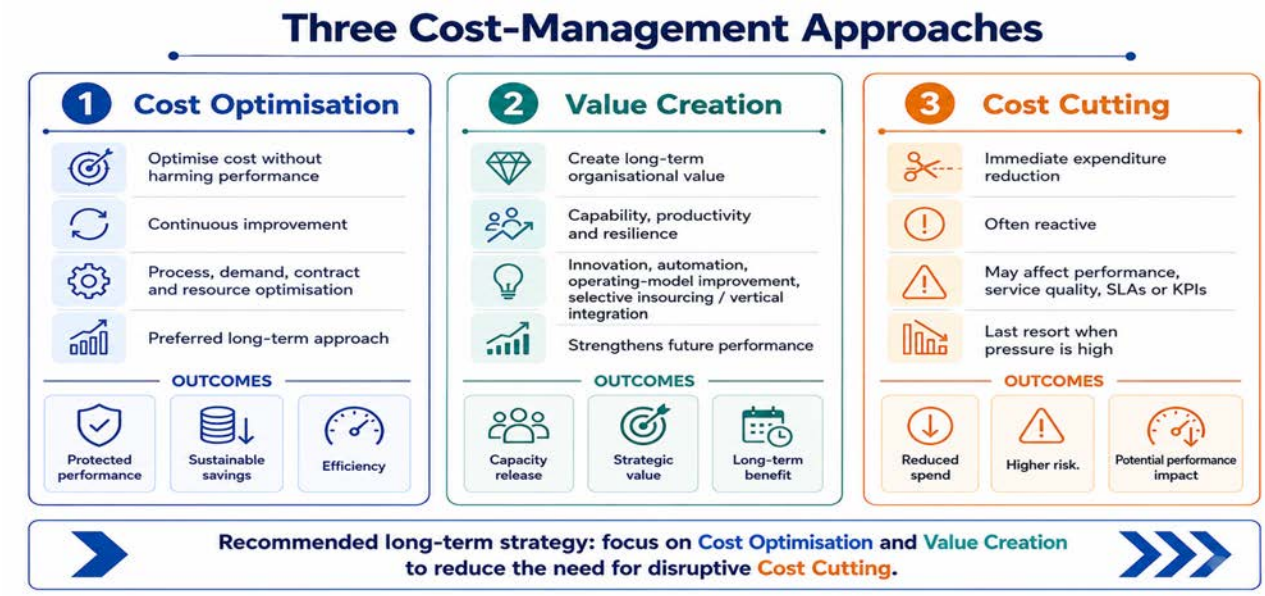

Figure 2. Three Cost-Management Approaches.

7.1. Cost Optimisation

Cost optimisation improves how organisational resources are planned, procured, deployed, and utilised to deliver required outcomes at the lowest sustainable, risk-adjusted cost. It addresses the underlying drivers of expenditure, including demand, process design, scope, utilisation, specifications, contractual terms, and operating model choices rather than relying on uniform or unsupported reduction targets. Its success is determined by the net enterprise-wide value achieved while protecting required performance, quality, resilience and long-term capability.

7.2. Value Creation

Value creation strengthens future financial, operational, or strategic performance by improving capability, productivity, resilience, service quality, innovation, or growth. It may arise from redesign, shared services, selective insourcing, preventive maintenance, scalable platforms, capability development, technology renewal or better use of information. The value may not appear as an immediate expenditure reduction, but it can increase capacity, reduce future requirements or improve the organisation's ability to respond and grow (Teece, 2007).

7.3. Cost-Cutting

Cost-cutting is the direct and often rapid reduction of expenditure through measures such as broad budget reductions, recruitment controls, workforce reductions, scope reduction, deferred maintenance or postponed investment. It may be necessary during periods of severe financial or liquidity pressure, but its speed and breadth can weaken service quality, employee capacity, customer experience, resilience and future growth. It should therefore be treated as a controlled response to urgent pressure rather than as the organisation's primary efficiency strategy.

Where cost-cutting is unavoidable, the organisation should define its duration, the minimum outcomes to be protected, the risks to be accepted, and the review point. Temporary controls should not become permanent operating assumptions unless evidence demonstrates that they can be sustained without unacceptable consequences.

7.4. Workforce Reduction and Organisational Capability

Workforce expenditure is highly visible and is often viewed as an easy area for cost reduction, but headcount reduction does not automatically constitute an efficiency measure. Employees carry experience, technical knowledge, customer relationships, operational continuity and future leadership capability. Decisions made without reliable evidence on workload, productivity, critical skills, succession and future demand may remove capabilities that appear expensive when viewed only through short-term payroll cost but are difficult and time-consuming to rebuild, forcing the organisation to recreate knowledge, capacity and continuity over time.

A whole-life assessment should include recruitment, onboarding, training, knowledge transfer and productivity recovery if roles must later be restored. Before reducing workforce capacity, the organisation should first test whether work can be eliminated, processes simplified, roles redesigned, employees reskilled or redeployed, external resources reduced or existing capacity better utilised. Where reductions remain necessary, objective criteria and transparent assessment of impacts on service, resilience, and organisational capability are essential.

7.5. A Long-Term Cost-Management Perspective

A prudent organisational approach is to manage structural cost drivers continuously rather than wait for financial pressure to intensify. Early optimisation and selective investment preserve strategic choices, whereas delayed action may leave only rapid and disruptive measures. Continuous cost management is therefore both a financial discipline and a means of protecting long-term organisational capability.

8. Benefit Types and Financial Classification

Efficiency initiatives can generate financial, operational, and strategic outcomes, but these should not be aggregated or reported as though they carry the same level of certainty or financial meaning. The framework therefore distinguishes three benefit categories: realised efficiency, cost avoidance and organisational benefits.

Each initiative, therefore, carries two independent labels: its **C-to-S5 maturity stage** and its **benefit category**. An initiative may reach an advanced maturity stage while producing a non-

financial organisational benefit, whereas an attractive financial estimate may remain at an early stage. Reporting maturity and benefit type separately prevents certainty, classification and value from being combined into a single misleading figure.

8.1. Realised Efficiency

Realised efficiency is an evidence-based reduction in actual, contracted, committed or approved forecast expenditure resulting directly from an implemented initiative. It is visible in the organisation's financial position and supported by evidence such as a revised contract or purchase order, an invoice, an approved forecast reduction or a validated change in unit cost or consumption.

The recognised value is measured against the approved baseline and stated net of material implementation, transition, stranded and offsetting costs. Recurring benefits should be embedded in future budgets, forecasts and demand plans so that the cost is not reintroduced or claimed again. Within C-to-S5, S5 is reached only after implementation and independent financial validation; completion of an activity or temporary underspend is not sufficient.

8.2. Cost Avoidance

Cost avoidance occurs when an initiative prevents, reduces, or defers a credible future expenditure that the organisation would otherwise incur. Examples include avoiding recruitment through productivity, preventing unnecessary capacity expansion, extending asset life, limiting planned price increases or avoiding duplicate investment.

The value must be supported by an approved future baseline and credible counterfactual, net of intervention and offsetting costs, and reported separately from immediate savings. It is recognised only when the future requirement is evidenced, attributable to the initiative and not transferred to another function, project or financial period.

8.3. Organisational Benefits

Initiatives may also improve productivity, release or create capacity, reduce risk, enhance service, strengthen resilience, support future revenue or margin improvement, or create strategic value.

These outcomes should be measured through appropriate evidence and reported separately from validated financial benefits.

Figure 3. Realised Efficiency, Cost Avoidance and Organisational Benefits.

9. Identifying Sustainable Efficiency Opportunities

Sustainable efficiency opportunities should be identified by examining the underlying causes of resource consumption, cost and operational complexity rather than by applying broad reduction targets. A credible assessment should determine what is driving the costs, whether the requirement remains necessary, how value can be released, and whether any apparent savings may create residual costs, leakage, or unintended consequences elsewhere. Five analytical perspectives support this assessment: rationale and cost-driver assessment, complexity reduction, decommissioning and stranded-cost management, benefit-leakage prevention and enterprise-wide net-value assessment.

9.1. Rationale and Cost-Driver Assessment

Rationale and cost-driver assessment examines whether the proposed initiative addresses a genuine organisational need and the underlying conditions that create, increase, or sustain expenditure.

Because resources and contractual commitments may adjust slowly as activity declines, the assessment should distinguish between structural change and a temporary budgetary shift (Anderson et al., 2003).

The assessment should determine whether the cost is fixed, variable, semi-variable, mandatory or avoidable; how the proposed levers will change the underlying driver; and whether the expected outcome represents realised efficiency, cost avoidance, an organisational benefit or merely an accounting adjustment.

Evidence should be triangulated across financial records, operational volumes, contractual commitments and resource behaviour. A lower invoice without a corresponding change in demand or commitment may reflect timing rather than efficiency, whereas stable expenditure accompanied by materially higher output may demonstrate a genuine unit-cost improvement.

9.2. Complexity-Cost Reduction

Complexity accumulates through product and service variants, approval layers, customised specifications, fragmented suppliers, duplicated activities, multiple systems and exceptions to standard processes. Its cost often appears indirectly through additional workload, support effort, training, coordination, errors, delays and management overhead.

Opportunities include simplifying decision-making, standardising specifications, consolidating reports and governance forums, removing duplication, rationalising systems and suppliers, and realising synergies through shared activities, capabilities and resources. The objective is not uniformity, but the removal of complexity whose resource demand exceeds its contribution to customer, operational or strategic outcomes.

The assessment should establish a baseline for key variants, systems, suppliers, reports, approvals and exceptions and, where relevant, use comparable benchmarking to identify areas of excessive complexity. Removal should be prioritised where complexity lacks clear ownership, customer value, regulatory need or strategic purpose, while deliberate differentiation should remain where it supports a material outcome.

9.3. Decommissioning and Stranded-Cost Management

A new system, process, supplier or operating model does not release value if the previous arrangement remains in parallel. Decommissioning should therefore be built into the initiative. The charter should identify what will stop, who is accountable, when the associated commitment will end, the risks and mitigations, and the evidence required for closure.

Stranded costs are expenses that remain after an activity has been reduced, transferred, automated, outsourced, insourced or discontinued. They may include retained support teams, minimum contractual commitments, unused space, legacy technology, shared overhead or continuing maintenance. The business case should separate the gross opportunity from the net realisable value after transition and stranded costs. Implementation creates the change; decommissioning releases the cost.

9.4. Benefit-Leakage Prevention

Benefit leakage occurs when the value initially achieved at S5 is later offset, recovered or reintroduced. Common causes include renewed scope growth, replacement spending, supplier price escalation, delayed decommissioning, parallel operations, additional recruitment or outsourcing, contractual terms that recover a price reduction elsewhere, and failure to update budgets, forecasts, contracts or purchase orders. Free-of-charge items should also be carefully assessed when they defer rather than reduce the underlying financial commitment.

Leakage control begins in the business case and Efficiency Charter. The owner should identify the principal leakage risks and the actions needed to protect the benefit, such as revising financial baselines, closing or reducing purchase orders, amending contractual commitments, monitoring demand and unit cost, preventing duplicate replacement expenditure and periodically reconciling charter value with actual results. For commercial initiatives, the assessment should consider the complete economic arrangement rather than an isolated line-item reduction.

Controls should specify not only what will be monitored but also the trigger for intervention. Examples include a defined rise in unit cost, a renewed purchase-order commitment, growth in

support headcount, the reactivation of a licence, or deterioration in a protected service measure. Clear triggers allow management to respond before the original benefit is materially eroded.

9.5. Local Versus Enterprise-Wide Efficiency

An initiative may improve one function's budget while increasing costs, workloads or risks elsewhere. The assessment should therefore extend beyond the initiating cost centre and consider the net impact at an enterprise-wide level. Cross-functional review and alignment should examine implementation and transition costs, transferred workload, service and customer effects, compliance and operational risks, future investment requirements and costs shifted to suppliers, other projects or later periods.

Only the net enterprise-wide value should be recognised in the relevant benefit category. This principle does not prevent local initiatives; it ensures that local optimisation does not weaken overall performance or conceal a larger future liability.

The extent of cross-functional review should be proportionate to materiality and risk. A small local process change may require limited validation. In contrast, a workforce, outsourcing, technology or major contract initiative may require formal input from Finance, Operations, Human Resources, Procurement, Legal, Risk and affected business units.

10. Economies of Scale

Economies of scale arise when average cost per unit declines as the volume of a product, service or activity increases, allowing fixed and semi-fixed resources to support more transactions, customers, locations or units of output. Scale opportunities may emerge through shared services, common platforms, procurement consolidation, standard specifications, centralised support, improved asset utilisation and automation of high-volume activities.

Total expenditure alone can therefore be misleading. An organisation may spend more as demand grows while becoming more efficient, as unit costs decline. The assessment should examine volume, total cost, unit cost, utilisation and protected service outcomes together.

A scale business case should separate fixed, semi-fixed and variable components and identify the utilisation range over which the average cost is expected to fall. It should also distinguish existing spare capacity from new investment required to support additional volume, because the economics may change materially at each capacity threshold.

10.1. Sources of Economies of Scale

Scale may be technical, managerial, commercial, or workforce and operational. Technical scale spreads infrastructure and platform costs across more users; managerial scale allows specialist capabilities to support multiple functions; commercial scale strengthens negotiating power through aggregated demand, standardised requirements, and coordinated procurement; and workforce and operational scale enable existing resources to support greater volume or a wider range of activities through improved utilisation, standardisation and shared expertise.

Synergy extends beyond volume discounts. It may result from common design, shared governance, reduced duplication, fewer interfaces, standardised training, pooled expertise or shared inventory. The business case should identify how scale will reduce costs, release capacity, or improve utilisation, rather than assume that higher volume will automatically create value.

10.2. Limits of Scale

Scale does not improve efficiency indefinitely. Costs may rise once activity exceeds a defined capacity threshold and additional facilities, systems, shifts, suppliers, or management layers become necessary. Excessive consolidation may also slow decision-making, increase integration costs, reduce local responsiveness and create concentration risk or dependence on common platforms.

The key question is the scale at which an activity achieves the lowest sustainable unit cost while preserving quality, resilience, flexibility and control. The organisation should identify the minimum efficient scale and the point at which diseconomies emerge, then compare centralised, decentralised, and hybrid configurations on unit cost, responsiveness, resilience, concentration risk, and transition complexity.

11. Benchmarking

Benchmarking can reveal possible gaps in cost, productivity, utilisation or service performance, but an observed difference is a prompt for investigation rather than proof of inefficiency. Benchmarking is a process of comparison, interpretation and learning, not the mechanical transfer of a headline figure from one organisation to another (Moriarty & Smallman, 2009).

Credible comparators should be sufficiently similar in scale, service scope, operating model, organisational complexity, working conditions, demand volume, geography, regulatory and security obligations, technology maturity, asset condition, sourcing model, labour market, utilisation, service criticality, service expectations, resilience requirements and risk profile. The relevance of each factor will vary by context. Ignoring material differences may yield unrealistic targets or lead to reductions that undermine the outcomes the benchmark is intended to improve.

Internal benchmarking can be as valuable as external comparison when business units perform similar work under different cost or service conditions. Time-series comparison can also reveal whether unit cost and productivity are improving within the same operation. These approaches reduce some comparability problems, although differences in demand, maturity and accounting treatment still require examination.

11.1. Benchmark Normalisation and Governance

When no exact comparator exists, normalisation adjusts for material differences among organisations, operating units or activities. Adjustments may cover scale, workforce, customer or transaction volume, locations, asset base, operating hours, labour cost, inflation, currency, outsourcing, service quality, technology maturity and capacity utilisation (Chatburn & Ford, 2006).

The denominator should reflect the principal output and cost driver. Cost per employee may suit some support functions but may mislead in highly automated settings; alternatives include cost per transaction, customer, location, asset, service request, production unit, delivery, patient or unit of capacity. More than one measure may be needed where a single denominator cannot capture complexity or service quality.

Before a benchmark informs a charter or target, the maker, checker, and relevant stakeholders should confirm the source's credibility and period, the consistency of financial treatment, the comparability of operating conditions, the appropriateness of normalisation, and the practical feasibility of the outcome differences.

Data definitions must also be consistent. Apparent gaps may arise when one organisation includes overhead, depreciation, supplier-management or support costs while another excludes them, or when outcomes are measured over different periods. A benchmark is credible only when its numerator, denominator, scope and period are aligned, or any differences are transparent. The methodology, assumptions and adjustments should be documented and approved for independent review, future reference or audit trails.

11.2. Translating Benchmark Gaps into Realistic Efficiency Targets

A benchmark gap should not be adopted directly as an efficiency target. It should first be analysed through a practical four-part assessment that distinguishes:

- Structural or contextual differences that cannot reasonably be changed within the planning period;
- Commercial-value differences created by the wider package of price, support, warranty, terms, capacity or flexibility;
- Addressable performance differences that management can influence through demand, process, utilisation, specification or commercial action; and
- Achievable improvement: the portion of the addressable gap that can realistically be delivered within the charter period after investment, considering dependencies, risks, and organisational capacity.

The final target should therefore reflect evidence, feasibility, total economic value and management judgement rather than the observed cost gap alone. Cost should also be considered alongside quality, speed, capacity, resilience, any adjustments, risk, and stakeholder outcomes. The business case should record the gap decomposition, normalisation, evidence and judgement supporting the approved target, creating a transparent basis for later validation.

Where uncertainty remains, management may approve a target range or phased commitment rather than a single precise figure. Sensitivity analysis should show how the opportunity changes under different demand, price, timing or performance assumptions. This preserves ambition while preventing false precision and gives the charter a defensible basis for later revision.

12. Contractual Efficiency Through SOW, SLA and KPI Revision

A significant share of organisational expenditure is committed through multi-year contracts. During their term, demand, technology, processes, and priorities may change, while scope, service levels, and performance measures may remain fixed. Organisations may therefore continue paying for capacity, activities or standards that no longer reflect current requirements, or for overlapping services across separate arrangements.

Formal terms and relational governance are complementary, underscoring the importance of constructive supplier engagement alongside contractual clarity (Poppo & Zenger, 2002). Periodic reviews can identify opportunities for simplification, consolidation, innovation and shared value. Performance-based arrangements should reflect the operating context, responsibilities, measures, incentives and risk allocation rather than rely on generic templates (Selviaridis & Wynstra, 2015).

Contract reviews should align with business planning, demand forecasts, and technology or operating model changes. They may also be triggered by persistent SLA over- or underperformance, material volume changes, repeated change requests, supplier consolidation, regulatory change, asset renewal or evidence that the original pricing basis no longer reflects current conditions.

12.1. Statement of Work Optimisation

The Statement of Work (SOW) defines the services, responsibilities, deliverables and expected outcomes of a supplier or service partner. Over time, it may contain obsolete, duplicated, underused or insufficiently defined activities, while new requirements may be covered elsewhere without removing the original commitment (Institute of Project Management, 2026).

SOW optimisation examines current demand, activity volumes, utilisation, contracted resources, service outcomes and the division of responsibilities between internal and external teams. It

identifies what remains essential, what has declined or become duplicated, and what can be simplified, standardised, automated, consolidated, right-sized or removed. The revised SOW should establish clear accountability and measurable outcomes without becoming so prescriptive as to restrict innovation or productivity improvement.

A periodic review should map each material activity to its business owner, demand source, deliverable, service level, cost basis and performance evidence. This can reveal paid but underused scope, duplication across contracts or internal teams and unclear responsibilities, while distinguishing genuine removal from the transfer of work or cost elsewhere.

Transition requirements, dependencies, decommissioning actions and risk controls should form part of the approved change. A reduction in actual or committed expenditure may qualify as realised efficiency, while the absorption of credible future growth without additional expenditure may qualify as cost avoidance. Penalties and service credits compensate for underperformance and should not be classified as efficiency, whereas well-designed rewards or gain-sharing mechanisms may support innovation and independently validated value creation.

The SOW may also define a progressive unit-rate reduction mechanism reflecting expected efficiencies from increasing organisational, process, technology and delivery maturity. Adjustments should follow agreed review periods and objective factors such as automation, standardisation, scale, improved utilisation, or lower delivery effort, without weakening the required scope, service quality, or risk controls. The baseline, calculation method, exclusions, effective dates and approval process should be contractually defined.

12.2. SLA Right-Sizing

Service-Level Agreements translate business requirements into commitments such as availability, response time, restoration time, delivery accuracy, and service quality. Strong SLAs are essential where failure has material consequences for customers, operations, safety, finance or regulation (Wirtz & Zeithaml, 2018). Requirements above the actual need can nevertheless create avoidable cost through staffing, inventory, redundancy, tools, facilities and standby capacity.

Right-sizing means aligning service levels with business-criticality, customer expectations, operating hours, incident patterns, continuity needs, and risk. It is not an automatic reduction in quality. Critical services may require stronger commitments, while lower-risk services may use differentiated tiers. Any revision should preserve clearly defined minimum outcomes, escalation and continuity requirements, compliance obligations and acceptable limits on customer or operational impact (Kurinna Alina, 2025).

The commercial case should connect each proposed service tier to the cost-to-serve and the consequence of failure. This allows management to understand what is gained or risked by changing a target and avoids uniform service levels that are administratively simple but economically inefficient. Periodic demand and incident data should support the chosen tier.

12.3. KPI Revision and Outcome-Based Performance

Contractual KPIs should demonstrate whether the organisation is receiving the agreed performance, quality and value for which it pays. Input measures such as hours worked, personnel deployed, reports produced, response time, reporting time, or tickets closed may support operational oversight, but, by themselves, they do not confirm productivity, service quality, or the achievement of the intended outcome. The KPI framework should therefore place primary emphasis on output and outcome-based measures, with input measures retained only where necessary for compliance, safety, capacity management, or operational control (Kushariyadi et al., 2025; Jackson Ted, 2026).

Periodic review should remove obsolete, duplicative or low-value indicators and retain a focused set aligned with operational, customer, quality, risk and financial objectives. Relevant measures may include service availability, first-time resolution, turnaround time, reduction of recurring failures, delivery accuracy, automation, customer satisfaction, and adherence to agreed completion dates.

Performance targets should be recalibrated or evolve in response to changing business requirements, technological capabilities, process maturity, and credible market evidence. As technology, automation and supplier capability improve, previously demanding KPIs may become routine and lose their ability to drive further performance improvement. Contracts should therefore

provide for periodic revisions of targets. They may include progressive productivity commitments, continuous-improvement obligations, automation targets, or gain-sharing mechanisms, supported by clear baselines, attribution methods, and calculation rules. Supplier capability may influence the transition period and implementation schedule for revised targets, but should not justify lowering the organisation's required performance standards.

KPI design should also consider the behaviours it may encourage. Narrow measures may improve the reported indicator while weakening the wider outcome, for example, rapid ticket closure accompanied by increased repeat incidents. A balanced KPI set should therefore combine timeliness, quality, reliability, customer impact and efficiency. The objective is not to maximise the number of indicators, but to establish a coherent set that encourages appropriate behaviour, exposes performance weaknesses and supports sustained value delivery.

The KPI model should prevent strong performance against one measure from concealing weakness in another. MTTR and MTBF are KPIs used to assess recovery speed and service reliability, while their agreed targets form part of the SLA. For example, a service may fail five times within 30 days and still meet the 2-hour MTTR target each time. Although the supplier appears SLA-compliant, the low MTBF indicates poor reliability and unresolved root causes. Combining MTTR with MTBF, repeat-fault rate, and root-cause closure creates a more balanced KPI set and ensures that SLA compliance reflects the overall service outcome.

12.4. Safeguards for Sustainable Contractual Efficiency

Contractual efficiency should redesign the overall commercial and operational arrangement rather than focus on an isolated price reduction. A saving in one line item may weaken service delivery, blur accountability, increase dependency, transfer costs or create future claims elsewhere in the contract. The assessment should therefore consider the net effect across scope, responsibilities, performance, risk and total contractual value.

Agreed changes to price, scope, service level, responsibility, volume, KPI, or commercial terms should be incorporated into an approved and executed contract amendment, change order, purchase order revision, or equivalent binding document. The accountable business owner and relevant Commercial, Procurement, Legal, Finance and operational stakeholders should confirm

that the revised arrangement is enforceable, commercially viable, operationally achievable and aligned with the approved business case. Closure should occur only when the documentation clearly records the effective date, revised obligations, financial impact, measurement basis and consequences of non-performance.

Implementation should also update the operational and financial systems that govern the contract. Revised obligations, purchase-order values, accruals, invoices, performance reports and ownership records should become effective from the same approved date. Misalignment between legal documentation and financial or operational records can delay realisation and create disputes about the value achieved.

13. Why Efficiency Programs Often Underperform

Efficiency programs often underperform not because opportunities are absent, but because the pathway from idea to validated value is weak. Common failure points include unclear baselines, unsuitable or inadequately normalised benchmarks, cost drivers, rationales, levers, incomplete understanding of underlying cost drivers and whole-life implications, weak ownership, limited stakeholder alignment, unclear accountability and insufficient benefit validation. These weaknesses can arise at any stage of the lifecycle and explain why apparently attractive initiatives may fail to produce credible, realised and sustainable outcomes.

These failure modes are interdependent. A weak rationale can lead to an inappropriate baseline, which in turn distorts targets and expected value; unclear ownership and limited stakeholder alignment delay execution, while incomplete implementation prevents reliable benefit validation. The framework therefore seeks not to add isolated controls, but to preserve a coherent chain of evidence, accountability and decision-making from problem definition to validated and sustainable outcomes.

The following failure points represent common risks across the efficiency lifecycle and are not intended to be exhaustive. Their relevance and severity may vary depending on organisational size, sector, operating model, maturity, governance context, and external environment.

13.1. Poorly Defined Rationales and Levers

An initiative is fragile when the problem is unclear, the rationale lacks evidence, or the selected lever does not address the relevant cost driver. Proposals also fail when feasibility, contractual constraints, implementation investment, dependencies, service obligations or organisational capacity are ignored. The result is an attractive estimate that cannot survive technical, commercial or operational review.

13.2. Unsupported Baselines and Unsuitable Benchmarks

Potential value may become unreliable when measured against a list price, speculative demand, an unapproved quotation, an unspent budget, an inflated forecast, or an option that was never credible. Similar distortion arises when materially different operating conditions are treated as comparable without appropriate normalisation. Weak baselines and unsuitable benchmarks compromise target setting, return analysis and subsequent S5 validation.

13.3. Weak Ownership, Governance and Program Management

Programs lose momentum when accountability is shared ambiguously, decision rights are unclear, stakeholders are engaged late or unresolved risks remain outside the governance forum. The operational or technical owner should remain accountable for demand, scope, and delivery, while Finance validates assumptions, classifications, and values. Treating Finance as the sole owner can turn efficiency into an imposed budget exercise rather than a shared responsibility for better performance.

13.4. Premature Recognition and Confusion Between Execution and Realisation

Early opportunities are sometimes reported as committed savings and completed activities as realised value. This inflates the pipeline and weakens management confidence. Each initiative should carry two distinct labels: maturity stage and benefit type. S4 confirms that the agreed intervention has been executed; S5 requires evidence that the intended financial or organisational outcome has occurred. Released capacity that is redeployed remains an organisational benefit unless it reduces or avoids expenditure.

13.5. Incomplete Decommissioning, Weak Attribution and Double Counting

Value remains unconfirmed when legacy systems, licences, contracts, support arrangements or processes continue after implementation. Even where expenditure changes, the result may reflect demand, timing, foreign exchange, budget restriction or another initiative rather than the approved action. Benefits should therefore be traceable to one approved baseline, owner, calculation and evidence source, with shared contributions acknowledged but the value counted once.

13.6. Enterprise-Wide Consequences and Sustainability Are Overlooked

A function can report a saving while transferring workload, cost, or risk elsewhere, excluding transition and stranded costs, or by creating a larger future requirement. Benefits may also erode after S5 due to renewed demand, replacement spending, service deterioration, or unplanned support. Net enterprise-wide assessment and risk-based post-S5 review are therefore necessary where material transfer or leakage risk remains.

13.7. Organisational Culture and Incentives Undermine Efficiency

Budgeting and performance practices may unintentionally reward protecting headcount, cost baselines, portfolio size, or customised solutions. Employees may hesitate to report efficiency opportunities if they fear being viewed negatively, losing resources, facing workforce reductions or having the identified value converted into recurring budget targets. Such perceptions can discourage transparency and allow inefficient practices or weak assumptions to continue.

A constructive culture should frame efficiency as responsible stewardship and recognise employees who simplify processes, improve utilisation, strengthen service, reduce risk or enable collaboration. Reported opportunities should be assessed on their own merits rather than automatically becoming future reduction commitments. Incentives should reinforce transparency and shared value while discouraging cost transfer, deferred essential expenditure, quality deterioration and unsupported claims (Weiner, 2009).

14. The Efficiency Charter

The Efficiency Charter is the central governance record for each material initiative. It helps to convert a general idea into a defined, accountable proposition and provides a single source of truth for rationale, scope, potential value, ownership, evidence, milestones, risks, and approvals. The level of detail should be proportionate: a small initiative may require a concise charter, while a complex transformation may need a full business case and implementation plan.

The charter should remain a live governance instrument rather than a document prepared only for initial approval. It should show the current approved position, preserve earlier assumptions and record material decisions so that reviewers can understand how the initiative evolved. Version control, named evidence sources and dated approvals are therefore important to its credibility.

14.1. Charter Ownership and Review Rhythm

One clearly identified owner should remain accountable for the initiative, even where several functions contribute. Milestone owners, execution teams, sponsors and specialist reviewers can share delivery responsibilities, but distributed participation should not dilute overall accountability. The owner coordinates the business case, stakeholder alignment, approvals, milestones, dependencies, risks and evidence of implementation and value. Finance or another designated checker validates the baseline/benchmarking, classification and reported outcome without assuming delivery ownership.

Review frequency should reflect value, risk, criticality and implementation timing. The purpose is to support decisions, remove obstacles, and test continued achievability, not to create reporting for its own sake. Changes in scope, timing, baseline or expected value should be documented, independently reviewed and formally approved. A transparent revision is more credible than retaining a target that evidence no longer supports.

14.2. Core Charter Content

The standard charter should be tailored to organisational requirements, but should normally record:

- Initiative identification, scope, rationale, strategic alignment and selected lever;

- Accountable owner, executive sponsor, participating functions and decision rights;
- Approved financial and operational baseline, counterfactual and potential benefit classification;
- Business-case assumptions, alternatives, implementation and transition costs;
- Milestones, milestone owners, target dates, dependencies and required approvals;
- Risks, outcome-protection measures, leakage and double-counting controls;
- Relevant expenditure references such as contracts, purchase orders, assets, licences, cost centres or budget lines; and
- Evidence required for each maturity decision and, where applicable, post-S5 review criteria.

Senior management approval should be required at the level appropriate to the materiality and risk. Material changes should pass through defined change control and preserve an auditable history of the original and revised assumptions.

Before closure, the charter should identify any residual assumptions, ongoing controls and ownership transferred into normal operations. This prevents the initiative from disappearing from governance while unresolved decommissioning, service or sustainability obligations remain.

15. C-to-S5 Maturity Model

The C-to-S5 Maturity Model assigns each initiative a status based on two independent dimensions: **C-to-S5 maturity stage**, which reflects its readiness for management decision-making and the strength of available evidence, and its **benefit classification**, which identifies whether the expected outcome is realised efficiency, cost avoidance, or an organisational benefit. The model converts an initial efficiency concept into progressively substantiated value. It begins at **C** and advances through **S0 to S5**, with each stage requiring stronger evidence, clearer accountability and greater decision confidence before progression. Where material residual risk or benefit erosion remains possible, a post-S5 sustainability review assesses whether the validated value is being sustained.

C records the initial concept and the organisational problem, opportunity or improvement idea. **S0** confirms strategic relevance, a credible rationale, a plausible lever and sufficient initial feasibility for further development. **S1** establishes accountable ownership, preliminary scope, stakeholder

alignment and the outcomes to be protected. **S2** validates the whole-life business case, financial and operational baselines, counterfactual, benefit classification, implementation requirements, operational acceptance and material risks. **S3** represents formal commitment through an approved Efficiency Charter and defined decision rights. **S4** confirms execution completion, operational handover and required decommissioning. **S5** confirms that the approved financial or organisational value has been independently evidenced and validated.

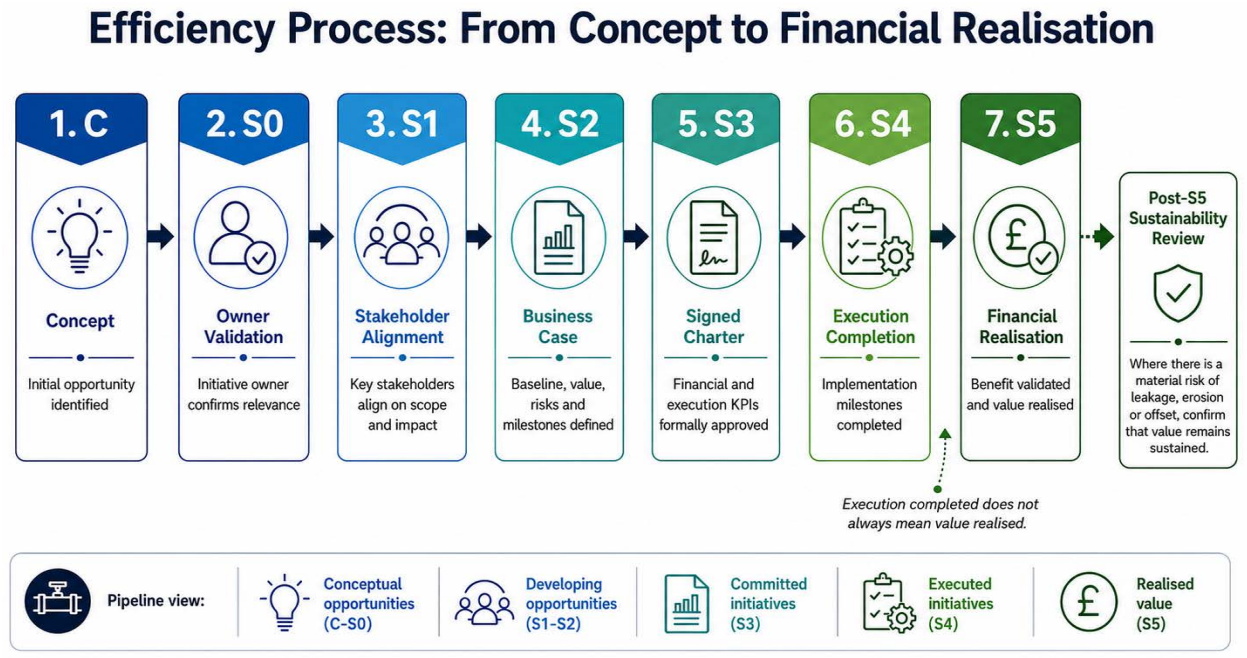

Figure 4. C-to-S5 Efficiency Maturity Process from Concept to Validated Value.

15.1. Pipeline Reporting by Maturity

Management reporting should present the pipeline by maturity rather than as one aggregated figure. **C** and **S0** form the Conceptual Pipeline: C captures the initial opportunity, while S0 confirms strategic relevance and a plausible route to value. **S1** and **S2** form the developing pipeline, in which ownership, scope, baseline, expected value, feasibility, and evidence are progressively strengthened. **S3** represents Committed Potential supported by an approved charter, decision rights and milestones. **S4** records Executed Initiatives awaiting outcome validation. **S5** records validated value, classified as realised efficiency, cost avoidance or another approved organisational benefit.

This structure allows leaders to support early ideas without presenting them as confirmed value. It also distinguishes the uncertainty of the opportunity from the nature of the expected benefit.

15.2. Confidence-Weighted Pipeline Management

Confidence weighting may support internal scenario planning, but the unweighted pipeline and maturity distribution should remain visible. Weighted values should never be presented as realised savings or used instead of evidence for progression. When probabilities are used, they should be informed by historical conversion rates and recalibrated periodically.

For execution-stage forecasting, organisations may also classify initiatives as high, medium, or low confidence and record their status as On Hold or Dropped. Tracking conversion rates, time spent at each stage and common reasons for delay or rejection enables the model to support organisational learning as well as reporting.

15.3. Graduation and Exit Decisions

Progression should be evidence-based. At each review, an initiative may graduate to the next stage, remain at its current stage, require further analysis, be placed on hold, merge with another charter or be dropped/closed. Closure is a sound governance decision where the expected value is no longer credible, evidence is unavailable, conditions have changed, or risk exceeds the acceptable level. The maturity model should reward accurate decisions, not uninterrupted progression.

15.4. Post-S5 Sustainability Review

S5 confirms that the expected outcome has been evidenced and validated, but ongoing benefits can still weaken as demand, prices, workload, supplier arrangements, or operating conditions change. A Post-S5 Sustainability Review is therefore required where material leakage, cost transfer, performance, or capability risk remains. Permanently embedded reductions with clear evidence and negligible risk of reintroduction may be exempt.

The timing should reflect the initiative. Contractual value may be reviewed after several billing cycles, whereas process, automation, or productivity initiatives may require a longer observation period. The review tests whether the benefit remains visible in expenditure, commitments, or operating results; whether recurring value has been embedded in plans and baselines; whether no material offsetting or transferred costs have emerged; and whether service, workload, risk, and long-term capability remain acceptable.

The review leads to one of three decisions:

- Confirm the benefit and close the review;
- Take corrective action where the value is at risk but can be protected or restored; or
- Reopen the charter where the benefit has materially reduced, performance has deteriorated, or high new costs have emerged.

Lessons should be fed back into future baselines, business cases, milestones, benchmarking and benefit calculations. The review turns sustainability from an assumption into an explicit management decision.

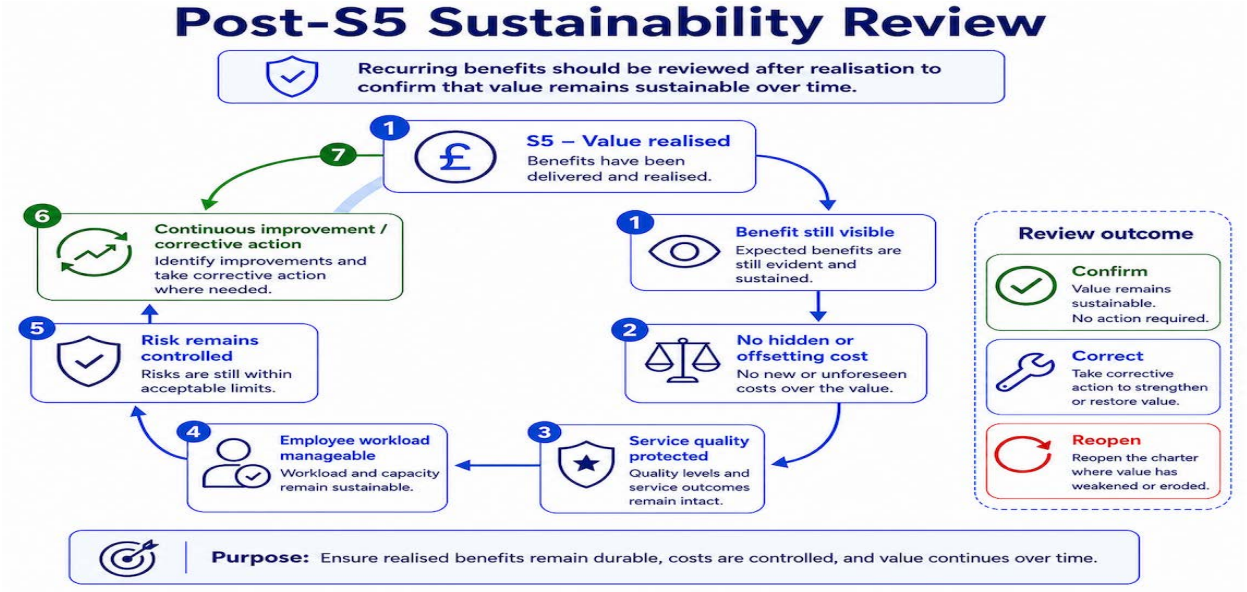

Figure 5. Post-S5 Sustainability Review.

16. Maker-Checker Governance

The maker-checker mechanism provides independent review and constructive challenge without transferring accountability from the initiative owner. The checker should be functionally separate from the preparation and execution of the initiative and have the relevant knowledge, experience, access to evidence and authority needed to fulfil the review responsibility and challenge assumptions, calculations and reported outcomes. The depth of review should be proportionate to the initiative's materiality, complexity and risk. The model applies to material changes involving

demand, scope, price, service levels, KPIs, delivery models, workforce, asset configuration or contractual obligations.

16.1. Maker Responsibilities

The maker remains accountable for preparing, aligning and delivering the initiative.

- Define the problem, rationale, scope and efficiency lever, and identify the outcomes that must be protected.
- Establish the financial, operational, and contractual baseline, benchmark, and develop the whole-life business case and alternatives.
- Estimate and classify potential value, including implementation, transition and offsetting costs.
- Secure stakeholder alignment, define milestones, dependencies, risks, approvals and decommissioning requirements.
- Support procurement negotiation (if applicable), implementation, transition, and adoption, and promptly escalate material changes.
- Provide traceable evidence that execution and the intended operational or financial outcome have occurred.

16.2. Checker Responsibilities

The checker provides proportionate assurance and recommends stage decisions to the authorised forum.

- Test the baseline, counterfactual, assumptions, benchmark comparability and calculation method.
- Confirm that the rationale and lever address the relevant driver and that the proposed outcome is feasible.
- Review classification, attribution, additionality, double-counting and potential value leakage.
- Assess implementation, stranded and transferred costs and the protection of service, people, risk and capability.

- Verify milestone completion, contractual enforceability and the evidence required for S4 and S5.
- Recommend progression, revision, postponement or closure to the authorised management forum.

For contractual initiatives, Commercial, Procurement and Legal may confirm enforceability and the overall arrangement; Finance validates the financial reference point and outcome; and operational or technical functions confirm deliverability and service protection. The checker provides assurance, but the maker remains accountable for implementation and results.

17. Performance Indicators and Measurement Discipline

Efficiency governance uses two complementary levels of evidence. Execution evidence establishes whether value-enabling actions, milestones and transitions have been completed. Value-realisation evidence establishes whether the intended result has occurred. The latter comprises Financial KPIs for realised efficiency and cost avoidance, and Organisational Outcome KPIs for non-financial value. Protected-outcome thresholds operate across both levels to ensure value is not achieved by weakening required performance, resilience, people or capability (Neely et al., 2005; Franco-Santos et al., 2012).

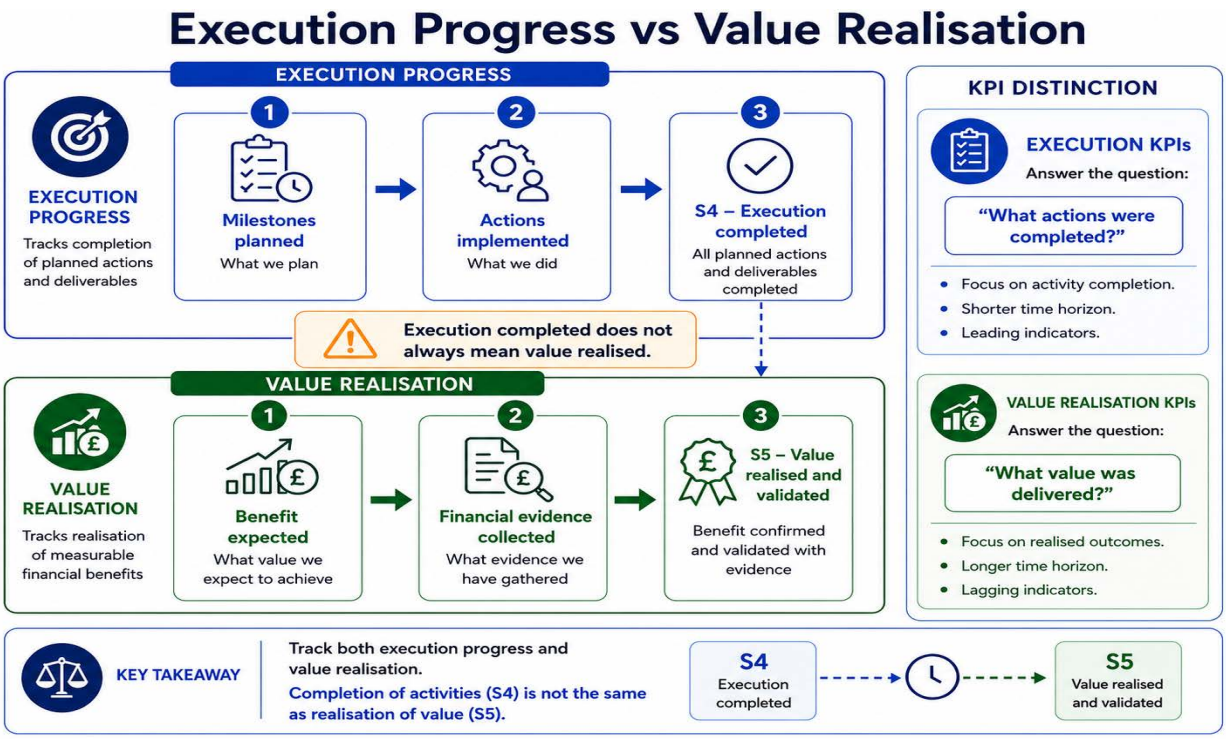

Figure 6. Execution Evidence versus Value-Realisation Evidence.

17.1. Execution KPIs

Execution KPIs track milestones such as demand analysis, technical validation, stakeholder alignment, negotiation, approval, contract amendment, automation, migration, decommissioning, operational acceptance and financial-system update. Each milestone should have a clear owner, a planned date, status, dependencies, risks, and evidence of completion.

Where practical, major milestones should identify the portion of expected value they enable. This creates a line of sight from activity to outcome and provides early warning where delayed or incomplete execution threatens the business case. Execution evidence supports movement to S4 but does not establish S5 value.

17.2. Value Realisation KPIs

Value realisation KPIs record the timing, measurement basis, evidentiary status and classification of expected and validated value. Measures may include one-time or recurring benefits, gross and net value, current-year and annualised impact, contract or forecast reduction, unit-cost improvement, return on investment and benefit-realisation percentage. Each outcome should be classified as realised efficiency, cost avoidance or an organisational benefit.

Execution KPIs are primarily leading indicators, whereas value realisation KPIs are primarily lagging indicators. Both are necessary: the first supports timely intervention, while the second prevents completed activity from being reported as realised value.

17.3. Value Measurement and Records

Reporting should distinguish between gross and net value, between current-year and annualised impact, and between one-time and recurring benefit. Gross value excludes implementation and transition costs, while net value reflects the amount remaining after these costs are deducted. When implementation occurs part-way through a year, the current-year benefit covers only the effective period, whereas the annualised value represents the expected full-year run rate after stabilisation.

In a multi-year managed-service contract, an approved efficiency may reduce the contract value or purchase-order commitment, along with the related accrual, operating-expense run rate, budget,

and forecast. The current-year benefit should be recognised only for the months in which the revised terms apply. In subsequent years, the recurring value should remain visible as an embedded efficiency against the original approved baseline. Still, it should not be claimed again or used to reduce the revised financial provision.

The governance record should retain approvals, original and revised baselines, expected and validated value, benefit type, milestones, evidence, risks, dependencies and management decisions. Recurring benefits should be embedded in future budgets, forecasts and operating plans using the revised baseline. In contrast, the original approved baseline remains visible to demonstrate the initiative's continuing value, support independent validation and auditability, and prevent the same recurring benefit from being claimed again in subsequent cycles.

17.4. Protected Outcomes and Benefit Reclassification

The outcomes that an initiative is expected to protect should be agreed at S2 and monitored through S4, S5 and any required post-S5 review. An organisational benefit should be reclassified as realised efficiency or cost avoidance only when a later financial effect is independently demonstrated—for example, where released capacity genuinely avoids an approved recruitment requirement. The original classification, assumptions and evidence should remain visible to preserve transparency and prevent retrospective rewriting.

18. Integrated Application of the C-to-S5 Framework and Implementation Roadmap

Credible opportunities can originate anywhere in the organisation, particularly among employees who understand recurring work, underused resources and avoidable complexity. The opportunity pipeline should therefore be accessible and broad, while progression from C to S5 remains disciplined. Opportunities may be grouped into: process and operating model; commercial and contractual; demand, scale, and benchmarking; technology and assets; and portfolio and sustainability initiatives.

A simple practice observed in a previous organisation illustrates how efficiency awareness can be embedded in everyday work. Workplace mirrors displayed the message "You are looking at an innovator," along with a QR code that allowed employees to submit ideas immediately. The

initiative made participation visible and accessible, reinforcing that credible opportunities can originate anywhere in the organisation.

The proposed integrated framework brings the preceding concepts together through seven maturity positions and one conditional post-S5 Sustainability Review:

1. **C – Concept:** capture the initial organisational problem, opportunity or improvement idea without presenting it as committed value.
2. **S0 – Strategic Relevance and Initial Screening:** confirm the rationale, strategic fit, plausible lever and sufficient initial feasibility to justify further development.
3. **S1 – Ownership and Stakeholder Alignment:** confirm accountable ownership, preliminary scope, affected stakeholders and protected outcomes.
4. **S2 – Business Case, Baseline and Operational Acceptance:** establish the baseline, counterfactual, classification, whole-life value, feasibility, risks, dependencies, business case, alignment and operational acceptance.
5. **S3 – Approved Efficiency Charter:** formalise the target, decision rights, milestones, evidence requirements, execution plan, and charter signoff.
6. **S4 – Execution and Operational Handover:** complete the intervention, transition, decommissioning and operational handover supported by Execution KPIs.
7. **S5 – Validated Value:** The approved realised efficiency, cost avoidance or organisational benefit is independently evidenced, attributed to the initiative and validated against the agreed baseline and classification criteria. Where material sustainability risk remains, the initiative proceeds to a Post-S5 Sustainability Review.
8. **Post-S5 Sustainability Review:** confirms whether the validated value has been maintained over time, has not been eroded by replacement spending, transferred costs, performance deterioration, or other forms of benefit leakage, and whether corrective action or reopening of the charter is required.

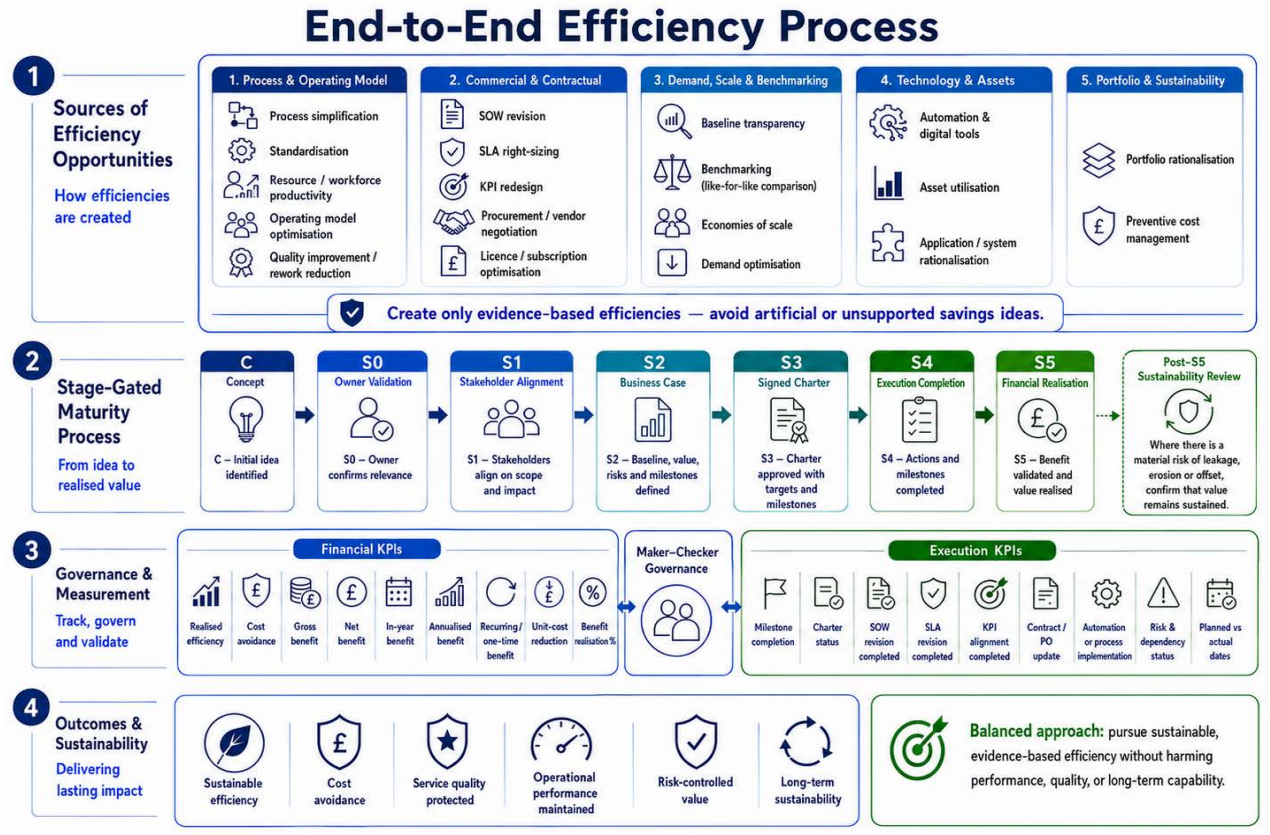

Figure 7. End-to-End Application of the C-to-S5 Sustainable Efficiency Framework.

18.1. Implementation Roadmap

This framework should first be integrated with existing budgeting, procurement, project and performance-governance processes to avoid duplicate reporting.

A focused pilot should then test the stage definitions, evidence requirements, charter, approval forums and reporting process. Owners, checkers and decision-makers should receive practical guidance on baselines, benefit classification, benchmarking, milestones and S5 validation.

After the first cycle, management should review stage progression, delays, closures, value gaps and benefit leakage, and refine the process based on experience.

18.2. Change Management, Change Control and Accountability

Each initiative should define and manage the organisational changes required for implementation, including stakeholder communication, revised responsibilities, training, transition support and operational adoption. Any material changes after Charter approval, such as changes in scope,

baseline, value, timeline, ownership, benefit classification, or protected outcomes, should be impact-assessed, formally approved, and fully traceable. The initiative owner remains accountable until the approved arrangement is implemented and embedded in routine operations.

18.3. The Five-Test Efficiency Gate

Before formal commitment, the checker should assess the initiative against the Five-Test Efficiency Gate presented in Figure 8. The assessment should confirm the validity of the baseline, the credibility of the initiative rationale and supporting evidence, the suitability of the benchmark, the protection of organisational outcomes and capabilities, and confidence in the expected value.

A material failure in any test should result in further analysis, revision, postponement or closure of the initiative. Management should approve progression only when the concern has been resolved or consciously accepted within its delegated decision authority.

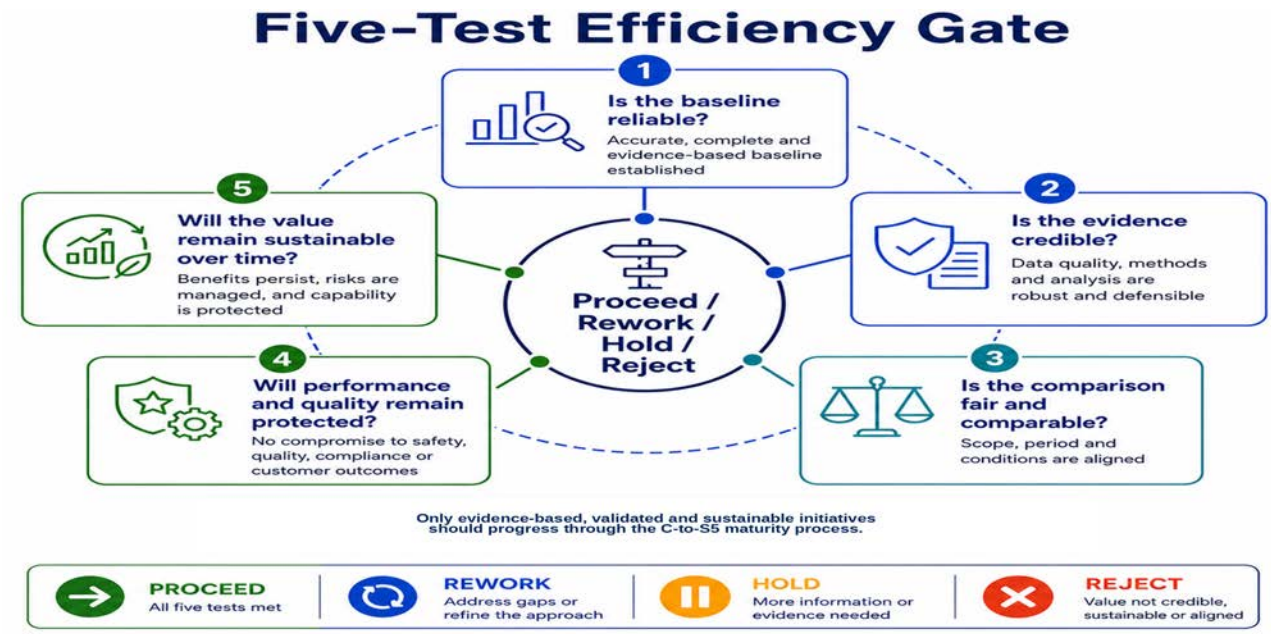

Figure 8. Five-Test Efficiency Gate.

19. Practitioner Perspective and Lessons from Practice

Experience across large operational, financial and contractual environments indicates that the most credible efficiency opportunities often emerge from employees closest to the work. They see duplicated effort, underused capacity, avoidable demand, outdated specifications and process

friction that may remain invisible in aggregated financial reports. A strong efficiency program should therefore combine broad-based idea generation with rigorous evaluation, clear ownership and disciplined governance.

Practice also demonstrates that sustainable value is more often created by addressing demand, scope, utilisation and operating-model choices than by negotiating price alone. Procurement, Finance, Commercial, technical and operational teams should assess these factors together, because a lower unit rate alone cannot compensate for unnecessary volume, duplicated scope, weak utilisation or an outdated requirement.

Cross-functional initiatives require more than process discipline. When conflicts, ownership gaps, or alignment issues arise, senior sponsors should provide focused attention to prevent credible initiatives from being delayed, diluted, or lost. Focus should be on resolving barriers between local budgets and enterprise-wide value, aligning priorities where effort and benefits sit in different functions, and supporting owners who challenge established assumptions, demand patterns or specifications. Effective sponsorship should accelerate evidence-based decisions and reinforce accountability without substituting for credible evidence.

Transparent maturity reporting is equally important. Distinguishing early concepts from approved, executed, and independently validated outcomes allows management to support ambition without overstating certainty. It also helps employees understand not only what is changing, but how the released financial, operational or human capacity will strengthen wider organisational priorities.

Credibility ultimately depends on the willingness to revise, defer or close initiatives that no longer meet the required evidence, feasibility or value thresholds. Programs that report only positive movement may preserve weak assumptions and inflate the pipeline. Treating evidence-based closure as responsible governance improves decision quality, strengthens trust and demonstrates that sustainable value matters more than headline opportunity volumes.

20. Limitations and Future Research

This paper is conceptual and practice-informed. Although it integrates established management literature with structured practitioner reflection, the C-to-S5 framework has not been empirically

tested across a broad organisational sample. Its propositions should therefore be treated as testable expectations rather than confirmed causal relationships. Practitioner interpretation may also introduce selection and judgement bias, despite the use of anonymised and generalised observations.

The framework's application may vary across sectors, organisational scale, governance maturity, regulation, operating model, technology, and strategic priorities. Commercial organisations may emphasise financial and operational value, whereas public and non-profit organisations may place greater weight on accessibility, social impact and mission delivery. Evidence strength also differs across benefit types: realised efficiency may be visible in actual or committed expenditure. At the same time, cost avoidance depends on credible future requirements and counterfactuals, and external benchmarks may require substantial normalisation.

Future research should test whether C-to-S5 progression improves the conversion of opportunities into validated value, whether maker-checker governance reduces unsupported claims and double-counting, and whether post-S5 review strengthens the durability of benefits. Longitudinal studies could examine time spent at each stage, reasons for delays, revisions, or closures, gaps between approved and validated values, and sustainability across financial periods. Comparative studies could identify which elements are broadly transferable and which require contextual adaptation, including materiality thresholds, the required degree of checker independence, confidence weighting and the timing of post-S5 review. Such evidence would help refine individual stages and thresholds while testing the robustness and wider applicability of the framework.

21. Conclusion

Sustainable efficiency should not only be measured by the amount of visible expenditure removed, but also by whether the organisation changes the underlying demand, activities, commitments, or resource configuration while protecting required outcomes. Value becomes credible only when supported by a clear rationale, reliable baselines, appropriately normalised benchmarks, well-designed efficiency levers, clear ownership, disciplined execution and independent validation. Cost optimisation and value creation should therefore remain continuous organisational priorities, while reactive cost-cutting should be treated as a controlled response to exceptional pressure.

The C-to-S5 Sustainable Efficiency Governance Framework provides an integrated pathway from opportunity identification to independently validated value and, where necessary, confirmation that the benefit is sustained. It separates early idea development from formal evaluation, establishes clear rationale, ownership, baselines, protected outcomes and expected value, and progressively strengthens the evidence required for decision-making. Maker-checker review, benefit classification, appropriate benchmarking, enterprise-wide assessment and post-S5 review collectively reduce premature recognition, cost transfer, double-counting and benefit erosion.

The framework's central contribution is to redirect management focus from the amount of cost removed to the quality and durability of the value created: **what changed structurally, what value was independently demonstrated, who remained accountable and whether the benefit endured**. When embedded within routine planning, budgeting, procurement, operational and performance governance, this discipline moves efficiency beyond a periodic financial response. It establishes it as an enduring organisational capability—one that sharpens resource allocation, strengthens resilience and sustains long-term value creation.

22. References

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