Heidrick & Struggles

Turning cost-out into fuel for growth

Most companies are almost permanently in cost mode. The list of reasons to "go again on cost" keeps getting longer, not shorter. Yet for all the effort, many cost programs feel eerily similar: a flurry of initiatives, a lot of pain, some short-term savings, and then three years later, you're back in the same room talking about the next cycle.

The problem is not leaders lacking discipline or making the wrong cost decisions—that's actually the easy bit. The hard thing is getting people to take the cost out when it means losing people, sacrificing projects, and embracing change.

Most fail to do that because they still think about cost and growth as sequential and separate: you "go into cost mode," get through the unpleasant bit, and only then paint a brighter future. That approach almost guarantees that morale tanks just as you need people at their most imaginative and productive—and that you take out too little cost to fuel the transformation you actually need.

Organizations that are winning are doing something different. Their leaders recognize cost transformation requires people understanding the future that cost-out makes possible and totally committing to getting there. It means making cost and growth a single story from day one, treating cost not as a cull, but as fuel for the future. And it means unlocking culture—how people think, decide, and behave every day—as the lever that makes that story a tangible reality for every team.

WHAT MOST LEADERS GET WRONG ABOUT COST

Even vastly experienced CEOs and CHROs fall under the same misconceptions when they launch cost programs, especially under pressure.

"Most leaders still think about cost and growth as sequential and separate . . . this way of doing things almost guarantees morale tanks just as you need people at their most imaginative and productive."

Misconception 1: Cost is a one-off event, separate from growth.

Cost programs are too often framed as temporary cleanups before the business focuses on growth again. The reality is in today's world you need to be in cost, growth, and learning modes simultaneously. Designing cost as a finite event almost guarantees you will be back in the same conversation in a few years, leaving people stuck in a constant déjà vu of cuts with neither purpose nor end.

Misconception 2: Do the painful cost work, then talk about growth.

Many leadership teams still follow the "pain now, promise later" model. The logic feels honest but in practice leaves people without a means to embrace the change. By the time you talk about the future, people are exhausted and cynical. You have spent a year taking energy out of the system, then ask the same people to deliver the uplift.

Misconception 3: Cost discipline means saying no more often.

Cost can be made to feel synonymous with constraint: more approvals, more hurdles. That mindset kills initiative, motivation, and vitality. The real shift should not be from "yes" to "no," but from "activity" to "return." When leaders and teams start to think that way, cost-out becomes an entrepreneurial act—empowering your people to back the few things that really move the needle.

Across the best examples we've seen, the turning point is when cost and growth become part of one unified story. Only then will people commit to executing the transformation. Tesco and InterContinental Hotels Group both made that shift—and saw cost-out, growth, and engagement all move up together in the same period.

WHAT IT LOOKS LIKE WHEN CULTURE TURNS COST INTO FUEL

Tesco: Save to Invest—cost as a growth engine

When we worked with their executive team to define their first group-wide strategy, Tesco understood the risk that cost would become a separate, painful agenda—something done to people in the name of "efficiency" while the growth story lived elsewhere.

Instead, the leadership team chose to make growth and cost literally one narrative. They started with purpose—the impact they wanted Tesco to have for customers, colleagues and communities. Under that sat four strategic drivers. The first three were all about winning loyalty and market share. Alongside those, they defined a driver that spoke to the cost component of the growth narrative: Save to Invest.

Save to Invest was not a euphemism but a promise: every pound taken out of waste and low-return activity was there to fund the things people were most excited about: sharper value, better convenience, and a more sustainable business. Cost and growth became two sides of delivering the same purpose.

Crucially, this was not just a set of slides.
The strategy rollout made the link between the purpose and Save to Invest tangible for hundreds of thousands of colleagues. Leaders were clear about what needed to change and why. Communication was adult-to-adult: honest about the scale of the challenge and the fact it "wasn't going to be fun or pretty" in every part of the business, but also precise about the future Tesco was building and how cost would fund it.

The results speak for themselves. **Tesco set a target to remove £1 billion from its cost base over three years and achieved it in two.** At the same time, operating profit and share price stepped up, supported by improved market share, stronger online performance and rising customer metrics. Internally, engagement indicators told a similar story: colleagues reported record levels of engagement in the new strategy and a strong belief in Save to Invest as a vital lever for delivering it.

Tesco got cost-out right because it refused to separate "the tough stuff" from the exciting future. Cost became the fuel for the strategy, not the thing that killed it.

IHG: Think Return—from busy to value-obsessed

After years of strong performance, InterContinental Hotels Group's growth had flattened in a sector where competitors were moving faster and with more edge. **Inside the business, people were incredibly busy, but the results didn't match the effort.**

The cultural diagnosis was straightforward: this was a "busy, not productive" organization. There was a lot of activity, but not enough focus on outcomes and return. A classic response would have been to launch a sweeping cost program. Instead, IHG decided to change how thousands of people thought about their day-to-day decisions.

As part of their broader strategy, the leadership team introduced a simple, memorable behavior: Think Return. Every person, in every function, was asked to look at each process, project, and expense through the lens of return for the business. **"What are we getting for this?" became a favorite question across every function in the business.**

Think Return was not just a slogan. It was embedded into formal mechanisms—investment cases, planning cycles, performance reviews—and informal norms: how leaders prioritized, the stories they told, what they recognized as exceptional.

That cultural shift turned cost from constraint into entrepreneurial challenge. **People were rewarded for stopping low-value work and redirecting effort into work that drove growth.** The results were striking: IHG delivered record industry growth while taking around 15% out of its cost base, alongside improved engagement scores.

Cost-out, growth, and morale moved together, because the program gave people agency and a clear way to judge their own decisions.

"The real shift should not be from 'yes' to 'no', but from 'activity' to 'return'—when leaders and teams start to think that way, cost transformation becomes an entrepreneurial act."

FOUR WAYS TO MAKE COST AND GROWTH ONE STORY IN YOUR BUSINESS

1 Start with purpose, not percentages.

Begin with clarity on what you are trying to become as a business and the impact you want to have—for customers, colleagues, and investors. Then define the three or four strategic drivers and a small set of behaviors that will deliver that impact over the next few years. Only once that is clear do you work out how much cost needs to come out to fund it. People will accept hard trade-offs if they can see what the pain is for.

2 End the "cost now, growth later" story.

From day one, talk about cost, growth and learning as a single narrative. Commit—out loud—that your aim is to see all three move in the same financial year, and design your program to make that possible. In practice, that means linking cost initiatives directly to growth and innovation bets, not running them on separate tracks. It's the only way to commit teams to the change required.

3 Hardwire behaviors that change everyday decisions.

Choose simple, memorable behaviors (like Think Return) that shape how your people make cost and investment decisions. Build them into governance (how decisions are signed off), talent processes (how leaders are selected and developed), and recognition (what gets praised). That is how you turn a cost program into a shift in how the organization thinks.

4 Tell the truth, early, like adults.

Your workforce already knows when a cost program is coming. Pretending otherwise erodes trust.
Be open about the scale of change and connect it directly to the future you are trying to build. Adult-to-adult honesty is the fastest way to earn the effort you need. People are far more willing to drive change when they feel informed and respected, rather than treated like bystanders.

In the best cost transformations we have been part of, cost-out, growth, and engagement all move up together. That does not happen by accident. It happens when leaders frontload the human problems that cost raises, stop treating it as something that's done to people, and start treating culture as the way tens of thousands of people make better choices about where time and money go every day.