

October 1, 2002

Client Rep  
Vice President & Controller  
Corporation X  
Address Line 1  
Address Line 1

Dear Chris,

We enjoyed meeting with you last Thursday to discuss your plans for implementing Corporation X's new cost reduction initiative. Our Sloan team is looking forward to working with Corporation X to evaluate the new cost reduction plan and its effects on the longer-term strategy efforts that are already underway. This letter of agreement will summarize our understanding of the project, provide our sense of the challenges Corporation X is facing, summarize the roles and responsibilities, and describe our project approach.

### **Corporation X BACKGROUND**

Corporation X has had a phenomenal history of value creation which has stemmed from leveraging its strengths and growing its businesses. However, it has recently faced challenging times, with a slowing economy, rising costs, and stepped up competition – all of which contribute to slow growth. Simultaneously, Corporation X has aggressively launched longer-term systems strategies to enhance every-day operations. These economic challenges and new operating strategies all require a recalibration of the operating “rules of the game”. Despite this difficult environment, Corporation X has promised shareholders continued growth in returns and earnings per share growth as high as 13% in 2002.

Delivering these results to shareholders will require aggressive cost savings – significant levels not achieved historically – and an institution of a new cost-consciousness in the culture to sustain the savings and continue the efforts.

The timeframe is urgent, driven by the requirements to realize savings in 2002/2003 and to rapidly transition the culture to a proactive profit orientation that reflects the shareholders objectives

Corporation X has announced that its plan to improve financial performance includes:

- Reviewing national G&A budgets for cost savings opportunities, which may be reinvested in additional sales and profit building activities
- Reducing capital expenditures in markets experiencing significant economic downturns

In summary, the cost reduction initiative will be a key driver of maintaining Corporation X's public image.

### **IMPLEMENTATION CHALLENGES**

Executing the cost reduction initiative will create several implementation challenges, including:

- Capturing today's savings without undercutting the longer-term strategy efforts
- Creating a “planning” mindset within the company's traditionally improvisational culture
- Implementing the plan across functions and regions

**PROJECT OBJECTIVES**

Based on our conversations with you and our understanding of Corporation X’s current situation, we suggest the follow project objective:

*The Sloan Team will develop recommendations that will facilitate the cost reduction initiative’s success within Corporation X’s internal culture and competitive landscape.*

These recommendations will include:

- Understanding the current systems technologies that will aid the cost reduction plan’s implementation
- Uncovering and giving voice to employee concerns across functional groups
- Identifying common industry “pitfalls”

These recommendations will provide an objective and unbiased evaluation of Corporation X’s cost reduction strategy. We are confident that this analysis will aid the company in ensuring the initiative’s success.

**OUR PROPOSED PROJECT APPROACH**

Our working team will consist of seven Sloan MBA students who will work on the project full-time, as well as a part-time Sloan faculty advisor.

Gathering information for our evaluation will entail meeting with Corporation X’s senior management and operations staff to discuss the initiative, conducting service industry research, and analyzing Corporation X’s internal financial data.

To facilitate the information stage, we recommend creating a steering committee for the project made up of employees with a direct responsibility for the cost reduction initiative. Assigning a day-to-day contact/project coordinator(s) with whom we can coordinate various activities would also be very helpful. To ensure all members of the steering committee are involved, we would propose that we have regular and frequent review sessions with the team as a whole, using a combination of telephone and face-to-face meetings.

**PROJECT TIMELINE**

Activities	Project Timeline					
	Oct. 15	Oct. 31	Nov. 15	Nov. 30	Dec. 1	Dec. 15
<b>Phase 1: Information Gathering</b>						
Conduct interviews with staff	████████████████████					
Analyze financial data	████████████████					
Conduct Industry Research		████████████████				
<b>Phase 2: Recommendations</b>						
Create strategic recommendations				████████████████		
Finalize recommendations & discuss with management					████████████████	

## SCHEDULE OF KEY DELIVERABLES AND MEETINGS

<b>Deliverable / Meeting</b>	<b>Purpose</b>	<b>Date</b>	<b>Responsibility</b>
Kick-off meeting	Introduce the full Sloan Team and key staff members from Corporation X	Oct. 14, 2002	Sloan Team & Corporation X
Delivery of Financial Data	Corporation X provides Sloan Team any and all relevant data.	Oct. 15, 2002	Corporation X
Assembly & Approval of Interview Roster	Determination of who will be interviewed and their role.	Oct. 20, 2002	Sloan Team & Corporation X
Mid-Project Progress Report	Informal presentation of our progress to date discussion of any newly discovered issues.	Nov. 15, 2002	Sloan Team
Preview Presentation of Findings & Recommendations	Gives Corporation X's sponsoring stakeholders a chance to review our findings before they are presented to the larger management team	Nov. 30, 2002	Sloan Team
Presentation of Findings & Recommendations	Present findings to entire management team	Dec. 15, 2002	Sloan Team

### CONFIDENTIALITY

We appreciate that confidentiality is of the highest priority to Corporation X. To accommodate concerns about the company's confidentiality, the Sloan Team will agree to:

- Preserve the confidentiality of the information we are given and the issues we are addressing, both during and after the project has taken place
- Omit the company name as well as employee names from all presentations and reports
- Ensure that all interview discussions with employees remain anonymous

Please let us know if there are other confidentiality measures you would like us to observe.

We are very excited by the prospect of working with you on this important enabling plan and helping Corporation X obtain the savings needed to fund its new strategy of growth and enhanced earnings. Please feel free to contact Team Member 1 at (555) 555-5555 with any questions.

Sincerely,

Team Member 1  
Team Member 2  
Team Member 3  
Team Member 4  
Team Member 5  
Team Member 6

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By signing below, I agree, on behalf of the Corporation X Corporation, to provide the required access and resources to the Sloan Team for execution of the project described in the preceding paragraphs.

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Client Rep, VP

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Date