



Transform Your Organization  
With Effective Cost Engineering

# 7 Steps to Elevate Your Cost Engineering





**Cost engineering helps companies save money by analyzing and optimizing costs throughout the whole product lifecycle. Setting up a cost engineering department can help your organization reduce costs and operate more efficiently.**

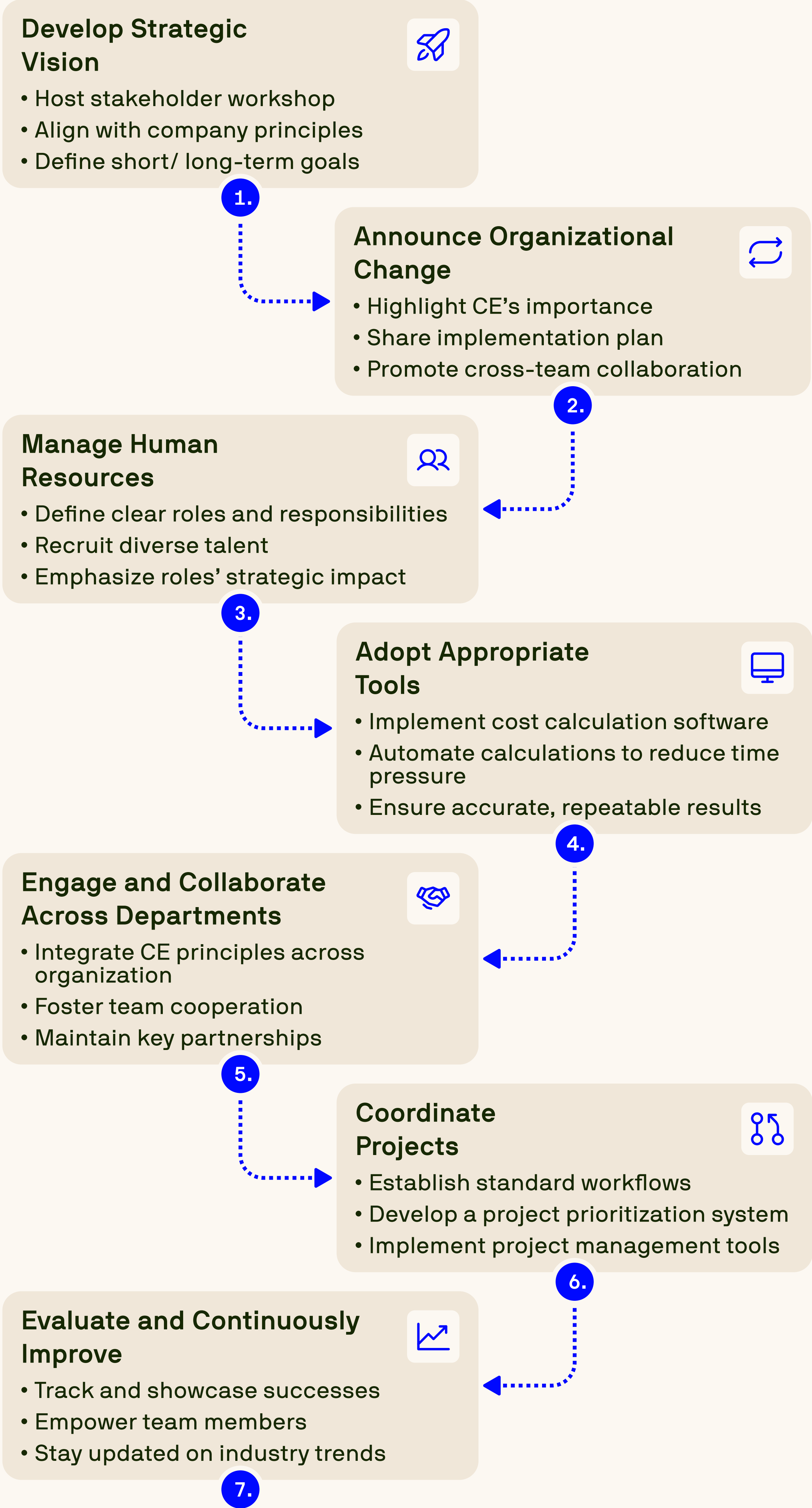
**What is the role of a cost engineering department in 2025?**

**A cost engineering (CE) department consists of experienced experts who assess, control, and reduce costs across various stages of the product development lifecycle. Their responsibilities include meeting target costs, reducing engineering change orders, accelerating time to market, and conducting should-cost analyses.**

In 2025, the need for a robust CE department is more critical than ever. With global economic uncertainties, supply chain disruptions, and increasing pressure for sustainable practices, businesses must have a clear understanding of their cost structures. A dedicated cost engineering team provides the strategic advantage needed to navigate these challenges, enabling companies to make data-driven decisions, improve financial performance, and enhance competitiveness in an increasingly complex market.

This whitepaper outlines the seven essential steps for enhancing your existing CE department or establishing a new one.

# Executive Summary



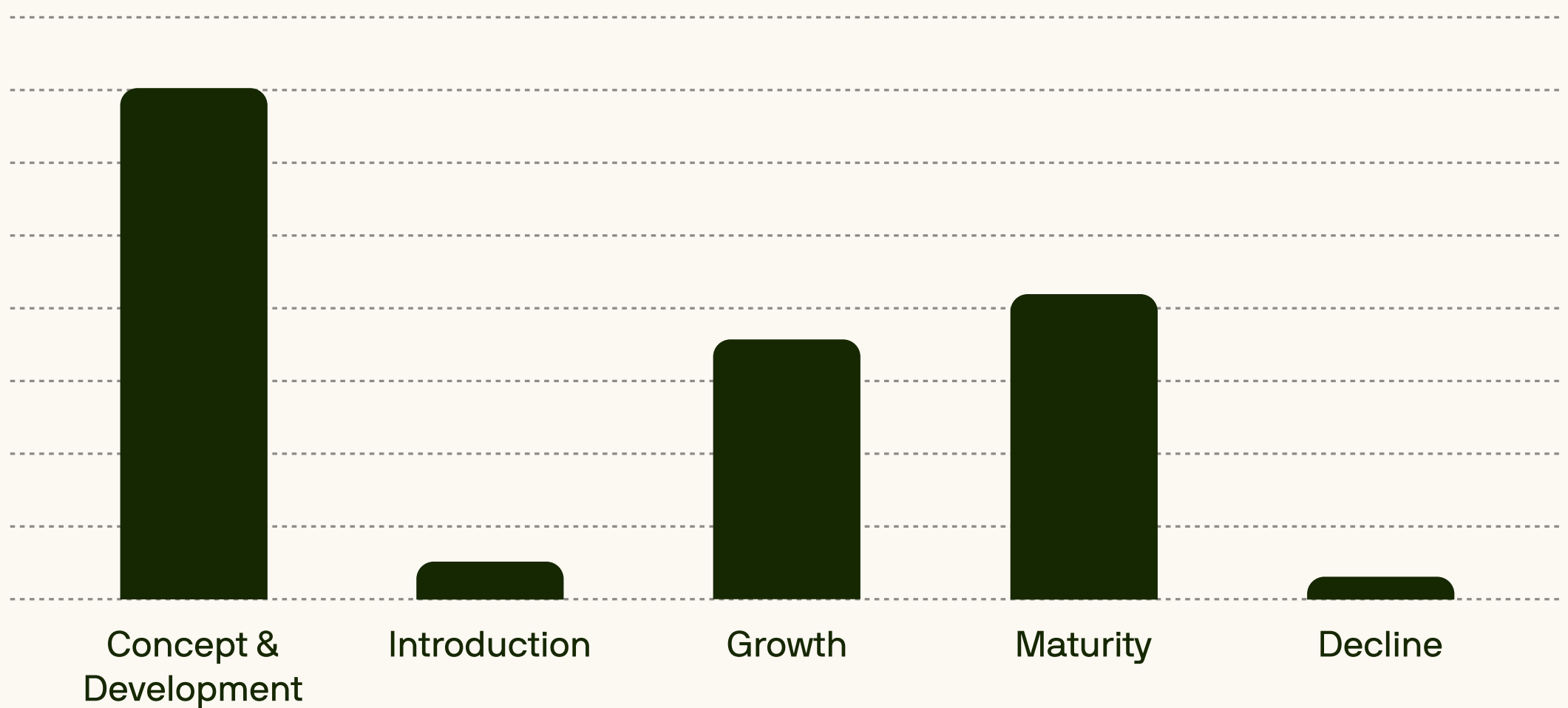
# 01 Develop a Strategic Vision

The first crucial step in building your CE department is developing a strategic vision aligned with your company's principles.

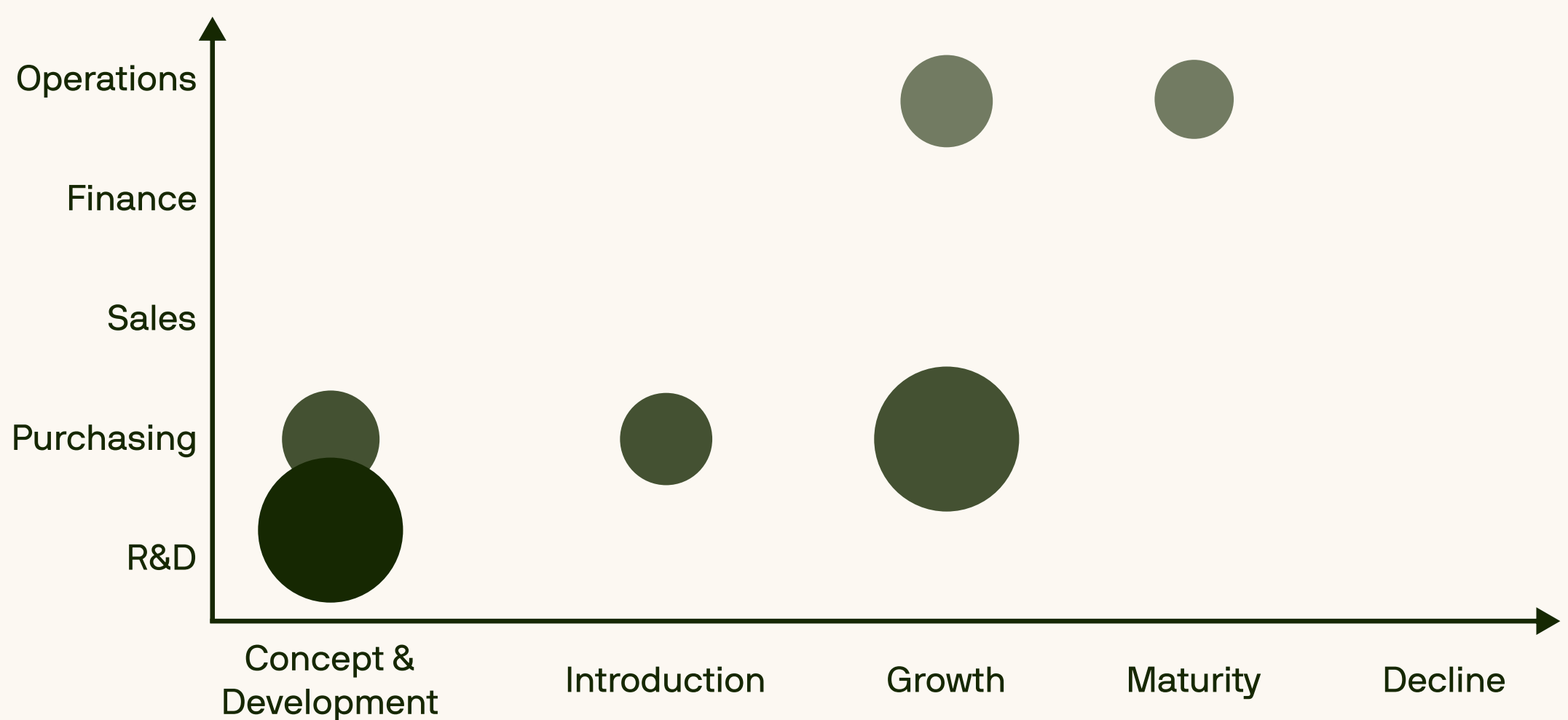
Consider starting this process with a workshop involving board members and key stakeholders who influence the company's decision-making. The workshop's primary objective is to align the department's goals with the overall company strategy and identify key focus areas.

By the end of this alignment, you should be able to:

- **Determine key areas of concentration for the CE department**
- **Identify and prioritize the most important phases for cost engineering activities**
- **Establish essential disciplines for effective cross-departmental collaboration**
- **Define short-term and long-term objectives for the cost engineering function**



Rating of most important Phase for CE Activities



Rating of most important interphase per Phase for successful CE - Activities

By crafting a clear and comprehensive strategic vision, your CE department will have a solid foundation for its operations and a roadmap for future growth.



## 02 Announce the Organizational Change

Once you have established this foundation, prepare a comprehensive announcement for the entire company. Your announcement should include:

- **A clear explanation of cost engineering and its importance to the company**
- **Introduction of the department leader and their commitment to upholding company values**
- **The department's reporting structure and how it integrates with existing teams**
- **Effective date of the change and the roadmap for implementation**
- **A call for collaboration from all departments, emphasizing the collective benefit of cost optimization for the whole organization.**

Use internal broadcast channels to share this information widely. Remember, the success of your CE department relies heavily on cross-functional cooperation and a shared understanding of its value.

Emphasize how this new department will contribute to the company's overall success while respecting and reinforcing your organizational principles. Encourage support from all team members and create an open dialogue to address any concerns about this strategic initiative.



# 03 Manage Human Resources Effectively

Getting the right people on board is key to the successful formation of a CE department. The knowledge and expertise you bring to the team from the very start will lay the foundation for a strong launch and future growth.

When recruiting for your CE department, consider these key approaches:

- **Define roles:**  
Clearly outline responsibilities, skills, and expectations for each position. Create comprehensive job descriptions and develop career growth plans to ensure role clarity and provide a roadmap for professional development.
- **Prioritize internal talent:**  
First, look for candidates within your organization. Internal hires often possess a deep understanding of company processes and interdepartmental relationships, which is crucial for a cross-functional cost engineering role.
- **Seek external expertise:**  
When necessary, supplement your

team with external hires who bring fresh perspectives and specialized skills.

- **Emphasize strategic importance:**  
Ensure all new hires, internal or external, understand the significant impact cost engineering has on the company's success. This helps attract and retain talent eager to contribute to projects with meaningful outcomes.

# 04 Adopt Appropriate Tools

In today's complex industrial landscape, manual calculations and spreadsheets are no longer sufficient. When building a modern CE department, it's crucial to invest in purpose-built cost calculation software. These advanced tools offer significant advantages over traditional methods, including time savings and enhanced accuracy and repeatability of results.

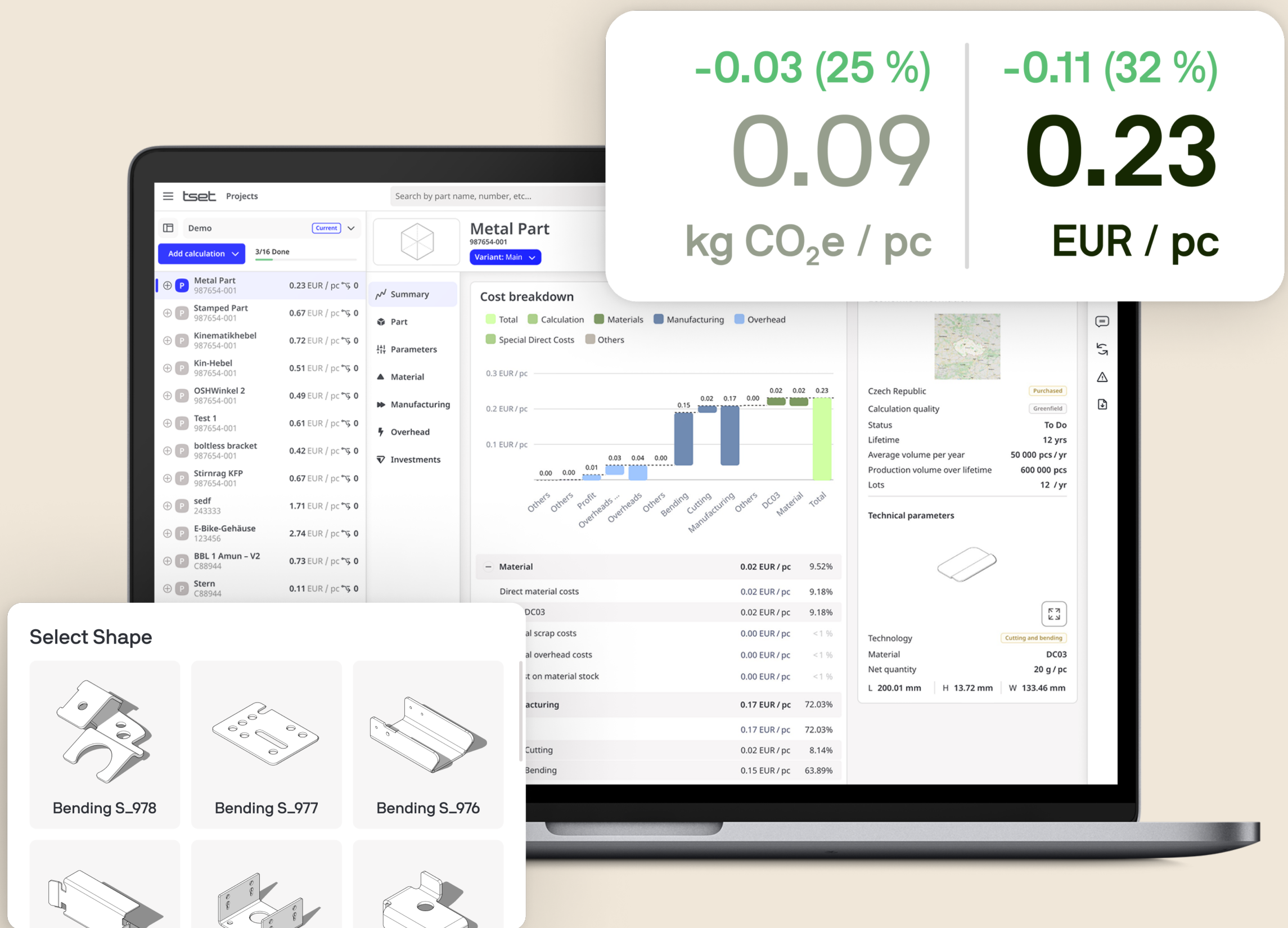
By adopting cost and carbon calculation tools like Tset, your CE department will be well-equipped to deliver precise calculations, optimize costs, and drive sustainable product development.

Implementing a solution like Tset provides your new team with the following benefits:

- **Increased capacity in cost engineering and broader coverage of product portfolio**
- **Reduced knowledge gaps for new and innovative technologies**
- **Enhanced supplier negotiations through detailed cost breakdown benchmarking**



- Reduced time pressure in cost engineering with automated calculations
- Improved transparency for understanding and optimizing the CO<sub>2</sub> footprint of purchased parts



# 05 Engage and Collaborate Across Departments

Integrating a new CE department into your organization's ecosystem ensures that cost engineering principles are embedded throughout the company, creating a culture of cost-consciousness and sustainability. Begin by aligning CE policies with your organization's strategic objectives. Then, establish clear guidelines for implementing cost engineering practices across departments—especially in product development, procurement, and manufacturing.

The success of the new CE department depends on effective collaboration with key departments:

- **Product Development/ R&D:**  
Collaborate on cost analysis of product designs to achieve targeted, cost-efficient product design. This involves identifying cost drivers, evaluating requirements, and exploring different concepts to optimize product costs.
- **Purchasing:**  
Work together to analyze the cost structure of purchased components,

aiming to achieve best practice pricing levels. Engage suppliers to foster innovation and create feedback loops for continuous improvement

- **Global Operations:**

Partner to optimize manufacturing costs, focusing on in-house manufacturing processes, machine production, warehousing, and parts delivery planning.

- **Sales:**

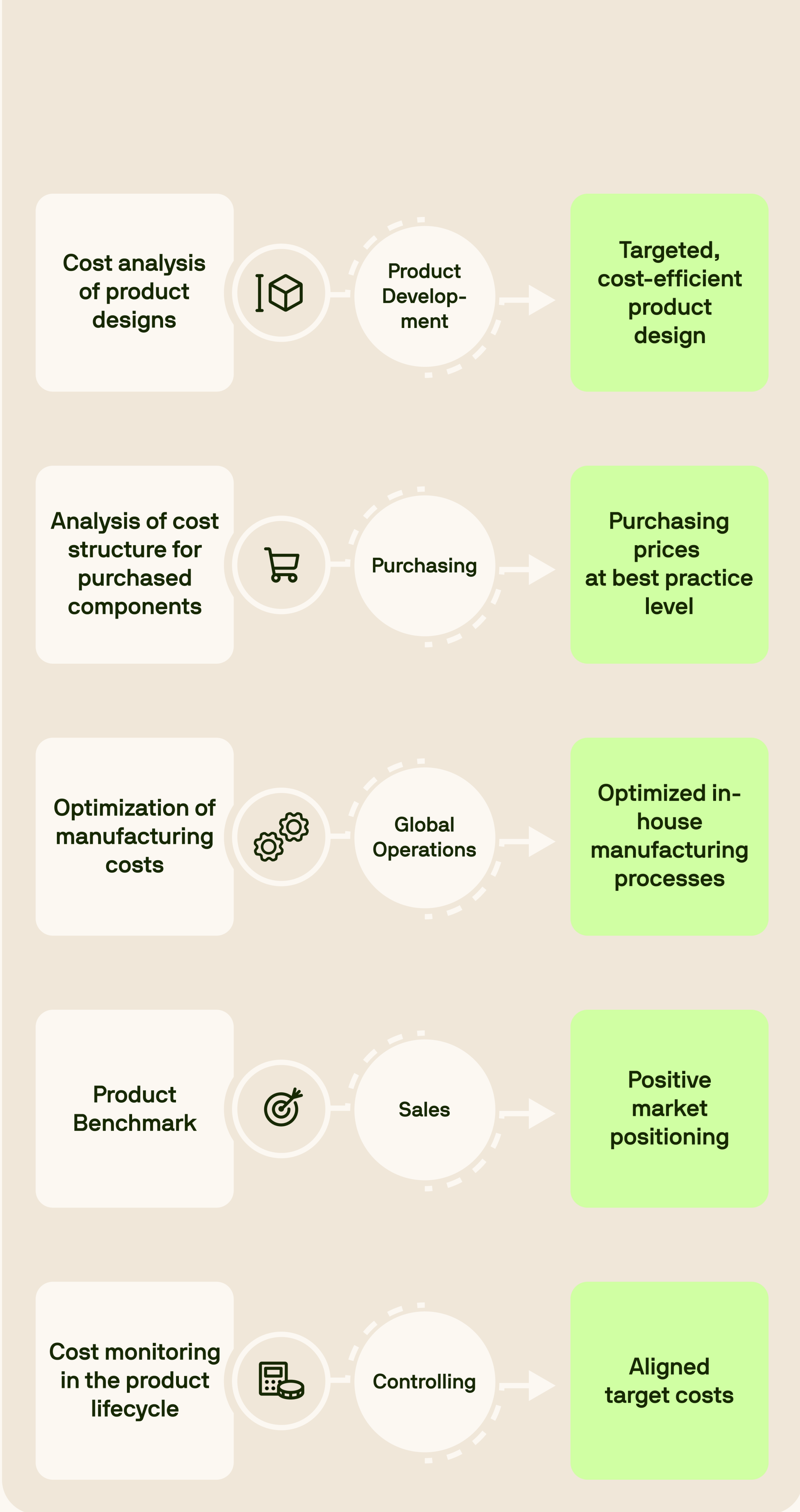
Conduct product benchmarks to ensure positive market positioning. Collaborate on product planning, market trend analysis, and translating customer expectations into quantifiable cost requirements.

- **Controlling:**

Establish aligned target costs throughout the product lifecycle. Monitor cost developments and track the progress of cost reduction measures.

By fostering strong partnerships and implementing effective collaboration models, your CE department can drive significant value across the entire organization.





# 06 Coordinate Projects Effectively

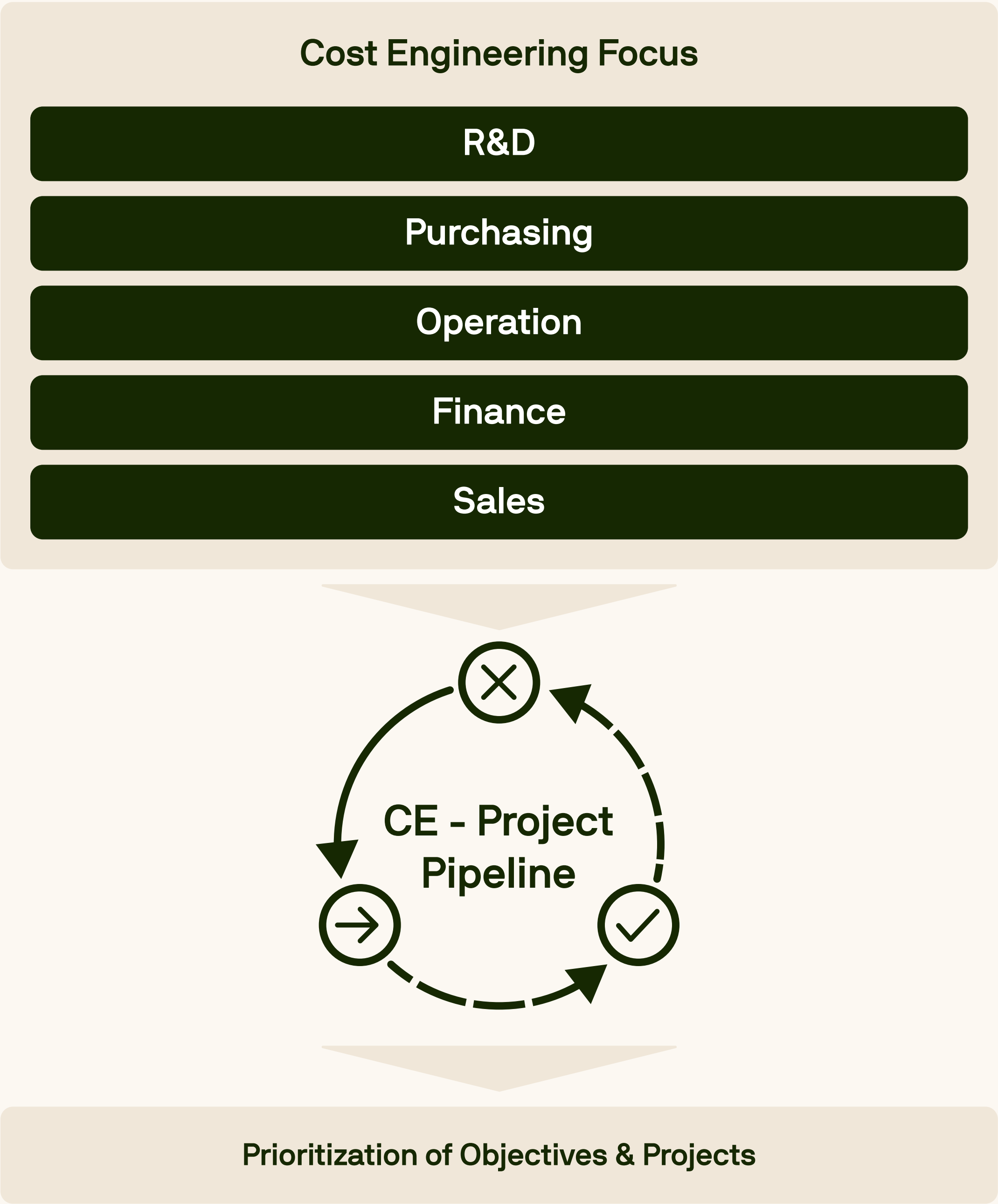
Establishing a robust project management framework and streamlined workflow is crucial for ensuring smooth operations and maximum impact on your CE department.

Key strategies recommended for effective project coordination include:

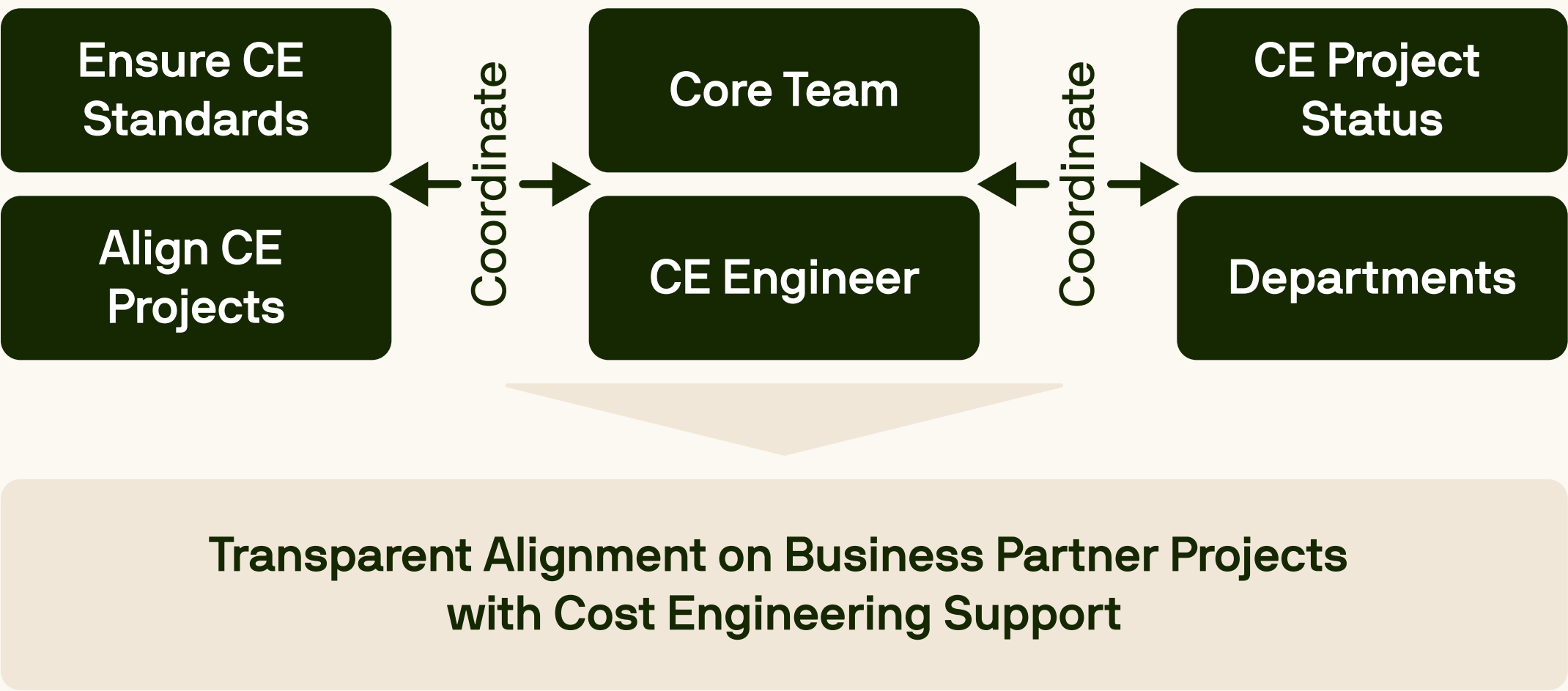
- **Establish a standardized workflow for project initiation, execution, and closure**
- **Develop a clear project prioritization system based on potential cost savings and strategic importance**
- **Implement project management tools to track progress, deadlines, and resources**
- **Conduct regular project review meetings to address challenges and share insights**

By implementing these project coordination strategies, your CE department will be well-equipped to drive significant value across the organization.

# Aligned Objective / Project Orientation



# CE Project: Communication, Information, Exchange





# 07 Evaluate and Continuously Improve

Building a new CE department is an ongoing process that requires continuous evaluation and improvement. To ensure long-term success, focus on empowering your team and fostering a culture of continuous improvement.

- **Create visibility for project successes in board meetings and other relevant reporting channels, highlighting the department's impact on the organization's bottom line and sustainability goals**
- **Empower team members to take ownership of projects and contribute innovative ideas**
- **Provide ongoing coaching and training to keep the team's skills sharp and up-to-date**
- **Continuously assess and improve the maturity of your cost engineering processes**
- **Stay informed about industry trends and share best practices in cost engineering and sustainability**

How can you determine if the implementation of the new department has been successful? To measure the effectiveness of your CE department, consider these key indicators:

- 1. Your team operates smoothly with clear processes and effective cross-functional collaboration**
- 2. Stay informed about industry trends and share best practices in cost engineering and sustainability**

Remember, the journey does not end here - it is an ongoing process of refinement and adaptation to meet evolving business needs and environmental challenges. By consistently upholding this commitment, your CE department will become a valuable asset for the entire organization.

# Conclusion

Building a successful CE department is a strategic process that requires careful planning and execution. Here's a summary of the key steps outlined in this whitepaper:

- **Develop a strategic vision aligned with company principles and stakeholder input**
- **Manage human resources by defining roles and balancing internal and external talent**
- **Adopt appropriate tools like Tset for accurate and fast cost and carbon calculations**
- **Establish cross-departmental collaborations to maximize the department's impact**
- **Implement project coordination strategies and continuously evaluate and improve processes**



Ready to transform your organization with a powerful Cost Engineering department?

Discover how Tset's all-in-one solution can simplify your cost and carbon calculations while optimizing your processes.

**[Request a demo today](#)** and take the first step towards building a more efficient and sustainable future for your business.

Call us at **+43 676 4487761** (we offer support in DE, EN, and NL).

# About Tset

**Tset Software GmbH** - Tset for short - is a leading solution for product cost and CO<sub>2</sub> analysis and was founded in 2018



by Andreas Tsetinis and Sasan Hashemi. With its holistic cost and carbon management software, Tset enables the manufacturing

industry to maximize cost- and CO<sub>2</sub>-efficient product development, production, and procurement. As costs and CO<sub>2</sub> emissions are always calculated together, customers can showcase the benefits of their own products and CO<sub>2</sub> avoidance strategies with high precision. In contrast to standard market assessments, Tset's software provides very comprehensive and accurate analyses based on a large amount of secondary data already available, with minimal additional primary

data required. The security of data is ensured through TISAX certification, which validates information security in the automotive industry. In addition, the solution is cloud-based and offered as a SaaS product, making the system ready to use and eliminating internal IT costs for customers. Tset's customers come mainly from the automotive, medical, electrical, and aerospace industries, including well-known companies such as Brose, ZF, BMW Group, and Stabilus. The team of over 80 internationally experienced mathematicians, software developers, and manufacturing experts is growing steadily, doubling every year since its foundation.