

Cost Cutting

Look at these 10 items first:

Cost cutting is never easy, but it is even harder when you are doing it reactively. An organization with solid cost control discipline usually won't find itself in a reactive mode, but even if it does these tips still apply. One of the biggest mistakes I see organizations make when it comes to cost cutting is that they have no or bad data. If you don't make data driven decisions you run the risk of making bad decisions and management will lose credibility with their employees.

- 1. Workforce:** Before you start slashing payroll (a typical move of most organizations) first check and see if you even have the right people in the organization. Perform a quick skills assessment and match that to the organizations strategic direction. Employees who don't have the skills to contribute where the organization is going should be either retrained or removed. Even if you have been managing your workforce effectively there is always room to cut 5-10% out of your payroll. Organizations that haven't been managing their payroll effectively may see even greater opportunities. Also, check into whether your pay rates are overly-competitive, which can be the case in fast growth companies. Another option here is to be creative and have all employees take Friday off, without pay, this allows employees to keep their jobs and creates very strong loyalty to the company.
- 2. Vendor Management:** If you don't have somebody managing your contracts on a full time basis you should review all contracts with all vendors, and see if there is any possibility to consolidate vendors or renegotiate contracts. You may find retainers that you are paying but not using the services, or rates that were reasonable 3-5 years ago but no longer make sense. Also, look for any subscription services and decide whether you are still using them or could live without. Typically, a lot of money will leak out the door in this area so look at it closely.
- 3. Finance:** If you have debt make sure it is structured as low as possible. This area is of course market driven but even in a market with seemingly high interest rates you should still look at what you currently paying and see if you can drive that down. If you have a good relationship with your bank work with them to see if they can help, or it might be time to take your business to other bank if they can be more competitive.
- 4. Travel:** Most organizations don't manage their travel very effectively. Typically, travel is managed at a staff level and things seem reasonable when only viewed from that perspective. However, when you roll up all those



expenses it can add up quickly. Cut back, or cut out, staff off sites and group travel. Scrutinize whether more than one person needs to attend an industry conference, or can one go and report back to everyone. Put policies in place explaining what the company considers acceptable and what expenses will and will not the company reimburse employees for.

- 5. Non-essential Projects:** This is something that each department should look at and if there is a company wide POR then all projects that are not keeping the company running or generating revenue (now, not three years from now) should stop.
- 6. IT:** IT is often an easy target because it is a big number on the books and executives frequently don't understand what business value they get for that amount of money (that is a different topic that we have lots of experience with). If you manage IT then you should be aligning all dollars spent with a business purpose that an EVP is fully and directly supporting. If you are doing this then chances are when the executive leaders look at what to cut they may be less likely to hack the IT dollars without knowing what type of effect it may have. Even so, there is typically room for quick dollar savings in IT with telecommunication negotiations to cut rates or software vendor renegotiations. This is really part of #2 above but the dollar amounts are likely to be large so it will stand out.
- 7. Vacation:** Make sure employees are taking vacation time. If you don't already have one, implement a policy around vacation accrual caps for employees. Holding vacation time on the company books is a large liability.
- 8. Employee Perks:** Be careful with this one, unless your organization has some really over the top employee perks taking away employee perks usually will create more resentment among employees than it may be worth. However, don't discount this area, add up what you are spending on all the perks and make an informed data driven decision. Don't forget to look at executive perks in this area as well.
- 9. Energy:** You probably do this at home but most businesses don't. Turn off computers when not in use or at night. Turn off lights when a room or area is not in use. You may also want to check into more energy efficient lighting. Depending on the work environment you may also want to adjust the thermostat a degree or two.
- 10. Listen:** Involve your employees for cost cutting ideas. A lot of employees see the waste but for a variety of reasons say nothing. If employees feel that they have a legitimate way to raise a cost cutting idea/solution you might be surprised how many ideas may surface.



Call us if you need help with this process or want to discuss various strategies that may be better suited for your environment.