



## TenStep Supplemental Paper

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### **Cost Cutting - Wise or Imprudent?**

Economic conditions prompt organizations to become conservative and compel them to implement cost cutting measures. In most corporate cases, it is an extreme measure taken to cope with the financial crunch.

Organizations ought to take the following steps for effective cost cutting:

#### **Gain operational efficiency**

- Continuously monitor the head count and expenses, and ensure that they match the actual workload demands.
- Team and department heads should track every employee's productivity and contributions, and take measures to retain their most valued employees.

#### **Avoid Staff cuts**

- People are the most important assets of any organization. Employee layoffs can result in great knowledge loss.
- Focus on projects that can bring in better and quick revenue.
- Expenditure on office infrastructure and executive travel expenses can be streamlined instead of cutting payroll expenditure.

#### **Analyze to understand the impact**

- Involve respective department heads in making decisions that affect the department.
- Educate employees on the importance of the measures and seek their input for necessary changes. This helps gain their commitment.

#### **Design an efficient strategy**

- Determine long-term and short-term advantages and disadvantages, both for employees and customers.
- Ensure that the measures do not damage the organization's core strengths.

Cost cutting is about making wise investments and taking calculated risks. Organizations that make intelligent investments during recession take less time in recouping and bouncing back.