

Seven Ways to Cut Costs Without Cutting Your Lifeline

By Lorraine Haataia, Ph.D

When the global economy is in a recession, all companies – from Fortune 500s to small, family-owned businesses – suffer. And some of the weakest ones become casualties, leaving their employees without jobs, and losing customers to their competitors. During these tough times, owners, executives and managers often make decisions about jobs, resources and facilities they think they can do without, and then they cut. But this isn't necessarily the best answer. The truth is, excess waste accumulates in all of these areas during prosperous times. When managers don't have to worry about the pennies, the company can quickly begin to leak dollars. And it can easily go unnoticed for months and even years.

But when the economy tightens, companies must look for innovative ways to streamline – rather than cutting what might be their lifeline. Management needs to first recognize leakage within the company, and then involve employees, suppliers and even customers to find waste-trimming opportunities. Here are seven ways your company can reduce costs and improve current business practices while strengthening the core business.

1. Have your top managers, in-house optimists and experts lead discussion groups for employees.

It's common for companies to send employees to outside training programs that range from \$199 to \$1,999 per person, but this isn't necessary. Employees can meet regularly to discuss articles, books or DVDs on relevant, specialized knowledge. For example, after reading a David Allen productivity book, one executive assistant came up with an idea to set up a corporate calendar with the major events at all their sites. This calendar posted on their intranet allowed for organized planning and a reduction in their travel costs by 20 percent.

2. Give employees flexibility to meet their personal goals and you'll build loyalty and engagement.

If you've never asked, you may be surprised when you learn your employees' lifestyle desires and attitudes about money. Many of them probably want more flexible work hours and breaks, instead being held accountable to work results and deadlines. If you go this route, have faith in them to help set up new pay structures. Numerous employees may take advantage of a leave-without-pay if they had the option. Compensate in proportion to incoming orders and set up pay-for-performance with cost tied to revenue.

Review your telecommuting and flex-time policies. Providing office space for all your employees is costly and often unnecessary. Consider surveying your employees for their work preferences and then set up processes and work

schedules to allow more people to work remotely or from shared workstations. You can then update job descriptions, work instructions and measures to ensure that expected work results are clear to everyone.

3. Implement cost-saving green solutions.

If you're supplying coffee, disposable cups and other freebies to your employees, you may want to reconsider these expenses. Employees can bring in reusable mugs and utensils instead. Ask your employees, already passionate about the environment, to continually search for and implement cost-saving green solutions such as: installing thermostats with timers or motion sensor light switches to help reduce your utility bill, installing motion sensor faucets to help save water, or identifying vendors to purchase your waste products such as scrap metal or electronics, which can also cut back on your garbage. Green is in – go with it.

4. Regularly seek estimates from your suppliers and their competitors, and you may be able to tap into a gold mine.

Your current suppliers desire to keep your business, so persist in getting at least two additional bids on all your services annually. Invite them to do an analysis for new cost-saving ideas. Befriend them as potential partners and you'll win their mental power in giving you potentially priceless ideas. This can save you a fortune over time. Even if you choose to stick with the same associates, it's always a good idea to have leverage to renegotiate rates and agreements.

5. Compartmentalize and prioritize your customers and their purchases.

Any company offering multiple products or services has some that are more profitable than others. If you haven't reconsidered your less profitable ones recently, now is the time. Analyze the segments and the cash value differences among them. Once you have this data, you can restructure your pricing or sales processes to encourage customers to behave in ways that keep your costs down, or you may even choose to discontinue some of your services. If they truly want those that are less lucrative, and you choose to continue them, adjust your prices to ensure profitability.

6. Foster trust, mental chemistry and decision-making abilities in your employees by starting a Toastmasters Club.

Many employees complain about too frequent and ineffective meetings. One solution is to start a Toastmasters Club in your company and encourage everyone to participate. It's a nonprofit organization with a proven feedback system to advance communication and leadership aptitude. Members build self-confidence, overcome fears and grow relationships. Google, Starbucks, Dell, Disney, McGraw-Hill, Microsoft and many other top organizations sponsor clubs for their employees. At less than \$100 a person per year, these clubs improve participants' productivity in and out of meetings. Good

communication is the most essential competency in any company with two or more people

7. Involve employees in regularly adjusting operations to improve efficiency.

You may be surprised at the excitement when you get everyone engaged in fixing their biggest frustrations and time-wasters. If you aren't ISO 9001 certified, get a copy of this latest Quality Management System document from the International Organization for Standardization. It provides a powerful set of globally-tested principles to keep everyone focused on continually improving processes and enhancing customer satisfaction. If you don't focus on improving your work systems, they quickly become outdated, reducing efficiencies and increasing risk. Your processes drive your bottom line, day by day, toward bankruptcy or prosperity.

Employees can easily learn to recognize where time or resources are being wasted. Offer them incentives for cost-saving ideas and recognize them among their peers. Give them 10 percent back in monthly or quarterly payments, for example, against the annual savings opportunities they discover. This increases their loyalty and willingness to search for more ways to save, and the company still comes out ahead. The people you least likely expect, such as your lowest producers, might come up with the best ideas, since they're the ones who look for short cuts anyway.

Create an environment where people expect change. Once you systematize perpetual feedback from your employees, customers and suppliers, your core business will thrive regardless of economic conditions.

About the Author

Lorraine Haataia, Ph.D., is consultant, corporate trainer and professional speaker who helps businesses achieve continuous improvement and growth from the inside out. As an expert in education and business process improvement, she guides clients toward improving their customers' experiences while increasing profitability. Lorraine has more than 15 years in business leadership in various industries including construction and transportation, and she earned her Ph.D. from the University of Florida. Visit www.DrLorraine.net