

## ACROSS-THE-BOARD CUTS

Gregg Stocker, The Praecedo Group

One of the most commonly used practices by business leaders during a downturn is across-the-board budget cuts. Within the last year, a large number of public and private organizations announced comprehensive cuts in an effort to demonstrate action to address the drop in revenues. As a business tactic, however, across-the-board cuts demonstrate nothing more than an absence of imagination, a lack of control over the business, and an unwillingness to take the time to dig in and make the difficult decisions.

Implementing consistent budget cuts in every area of the company assumes the organization is running perfectly consistent across all departments, which as we all know, is never the case. Forcing cuts across all areas punishes and demoralizes those in departments that are running well. If one team has put a lot of hard work and effort into continually improving the quality and productivity of its processes while another has historically run inefficiently, both should not be treated equally in a downturn. The leader of the inefficient area should be forced to reduce his or her budget by a larger amount and implement immediate improvements. Plus, a manager or supervisor who has resisted efforts to continually improve processes in his or her area of responsibility should be included at the top of any list of headcount reductions.

Another problem with across-the-board cuts is that there are certain products or services that, for strategic reasons, may require additional funding, thereby necessitating a budget increase. An across-the-board reduction not only consumes the attention of those leading the strategically important areas to reduce spending, but it also misses an important opportunity for the company to pull itself out of the crisis in a way that actually strengthens the organization.

### **What's the Alternative?**

Instead of implementing across-the-board cuts, the organization's leadership team really needs to conduct a strategic planning session to establish a consistent, in-depth understanding of its current situation and develop a limited set (two or three, at the most) of critical initiatives to pull the company out of the downturn.

The entire company needs to become focused on productivity improvements - without sacrificing quality - to assure any spending that does not add value is reduced (which actually should be done whether the organization is facing a downturn or not). Some areas of the organization will undoubtedly face cuts and leaders will need to identify ways to reduce spending immediately in a way that does not negatively affect the company's overall health. As mentioned above though, some departments, locations, or projects will need to receive additional focus and investment to speed up developments or increase capacity.

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### **Avoid the Easy Solution**

It is not difficult for an organization to be profitable during the good times. The true test of leadership occurs, however, when the economy contracts and the market for a company's products or services shrinks. When a crisis does occur, leaders must mobilize their teams to analyze the situation and determine the actions necessary to pull out of the downturn as quickly as possible. Responsible leadership dictates that the plan consider the need to survive along with the need to strengthen the organization for the future. This means avoiding the temptation to implement easy solutions, including across-the-board cuts.