



BUSINESS COST REDUCTION & SAVINGS

Cost Savings: Focus on Short – term Goals without compromising Long – term Objectives

Companies are facing a challenging time with their activities at a standstill due to lockdown. It is vital for any organization to think out of the box to survive, stay ahead of the curve and flourish in the future. Companies should be vigilant to take advantage of opportunities, constantly review their operations as well as financial activities to keep pace with the dynamic situation. Organizations which can adapt to the change in environment due to the unprecedented crisis will have the best chances of survival.

While it may be necessary to cut discretionary costs in the short term for an organization to sustain in the current circumstances, it is a good time for organizations to also reflect on long term strategic cost reduction and optimize costs which will result in a better return on investments.

SHORT – TERM TACTICAL DECISIONS

LONG – TERM STRATEGIC DECISIONS

Operational Decisions & Business Strategy

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| <ul style="list-style-type: none"> • Identify and prioritize core activities – discontinue activities which are not vital during this period • Group restructuring exercise to maximize cash flows, profits, tax efficiencies etc. • Focus on execution of cash generating contracts/ opportunities | <ul style="list-style-type: none"> • Realign business strategy and rejig product mix • Explore potential disposal of non-core assets to optimize carrying costs |
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Human Resources

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| <ul style="list-style-type: none"> • Realign hiring plans – emphasize on internal transfers than on external recruitments • Providing remote trainings to improve soft skills for better efficiency • Discourage layoffs to the extent possible to keep the morale high – consider options such as flexible working hours, voluntary unpaid vacation, paycuts etc. • Stall new hires and revoke offers, if required | <ul style="list-style-type: none"> • Introduce schemes viz., ESOPs etc. to ensure employee loyalty and align cash outflows to efforts • Conduct regular employee trainings to inculcate the culture of savings • Introduce schemes to incentivize employees linked to saving costs |
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Process Improvements & Other Costs

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| <ul style="list-style-type: none"> • Digitalize operations to reduce costs • Negotiate the cost & payment terms of inputs (raw materials, labor, etc.) and other fixed costs (rent, salaries etc.) • Encourage meetings through AV mediums | <ul style="list-style-type: none"> • Encourage need based short-term contracts over long duration retainer services • Focus on technological advancements which may eventually result in lower fixed costs: a) Payments processing; b) Remote working; c) Other business functions like finance & accounts • Process reengineering to improve input efficiency |
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Other Areas

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| <ul style="list-style-type: none"> • Consider & evaluate barter arrangements with vendors • Benchmark costs with peers to get a sense on abnormal trends/ variations and make efforts to reduce costs in those areas • Create a detailed MIS monthly dashboard on fixed & variable costs and control variations | <ul style="list-style-type: none"> • Consider M&A activities to sell non-core businesses, backward integration for a steady supply chain etc. • Set - up cost review committee to monitor costs to a) Eliminate dispensable costs; b) Evaluate and decide non – critical processes; c) Re-evaluate discretionary spending • Seek support from cost and process improvement experts |
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