



# Managing the cost reductions to get the results you intended

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### **Building organisational resilience in turbulent times**

Resilience – the ability of someone to bounce back from the effects of change – is probably one of the most important issues confronting organisations today. The credit crunch has only dramatised what we were already seeing and that is most organisations have a huge change agenda and the effects on people can be overwhelming. Clearly, the most resilient organisations and people will be the ones that prosper. [To find out what it will take read – Building organisational resilience in turbulent times](#)

### **Managing cost reductions to get the results you intended – six actions you can take!**

In our recent survey which will be published next month – *Managing change in a downturn* – it comes as little surprise that cost reduction is the biggest driver of change currently. We meet with many organisations and without exception they are all currently trying to cut costs to meet a new revenue reality.

### **Cost reduction can have unintended consequences**

However, cost reduction can sometimes feel like the old Oscar Wilde adage that “a cynic is someone who knows the cost of everything and the value of nothing”. It can have deep unintended consequences that save money in the short-term but actually costs organisations more in the long-term. For example:

- The effects on the quality of customer service can be detrimental. Customers attrite with negative impacts on future revenues and profits. In most industries the longer customers stay with you the more profitable they are. Attracting new customers is an expensive business.
- Cost-cutting, poorly handled, can leave organisations with an alienated workforce who feel they have much more loyalty to themselves than the organisation. This usually increases employee attrition and decrease productivity.
- More interestingly, some studies have shown that poorly executed cost reduction has a very short-term effect on actual organisational costs. The costs simply re-appear again after the cost reduction exercise is completed. If managers don't buy into the reasons for reducing costs they become incredibly adept at finding their way around expense challenges like headcount reductions and travel bans.

### **Six actions you can take**

Using our PCI process and the six critical success factors (CSFs) lets look

### **Public Workshop Dates**

(held at Roffey Park, Horsham, Sussex)

#### [PCI Accreditation](#)

Prepares managers to plan and implement major change initiatives  
31<sup>st</sup> March – 2<sup>nd</sup> April 2009  
5<sup>th</sup> – 7<sup>th</sup> May (USA)  
9<sup>th</sup> – 11<sup>th</sup> June  
15<sup>th</sup> – 17<sup>th</sup> September  
17<sup>th</sup> – 19<sup>th</sup> November

**“Excellent – tailored content and made relevant to each employee on the course.”**  
*Programme Manager*

For further information on our all the Public Workshops that we run, please [go to our website](#), or contact Debbie West on +44(0)1444 450777.

### **Upcoming Free Webinars**

(Click on the title for a description)

[Being more resilient during change](#) - April 15<sup>th</sup>

[PCI Online](#) - April 28<sup>th</sup>

**“Participating in the webinars helps me transform the theory into daily business.”**  
*Group IT Operations*

[Click here to register now](#)

or contact **Clare** by email on [\(clare.hayward@changefirst.com\)](mailto:clare.hayward@changefirst.com) with the Webinar name, date and time. *Each webinar runs twice on each day, for one hour, starting at 09:30 GMT & 15:00 GMT*

at a select number of actions you can take to mitigate these effects and hopefully increase people's commitment to the process:



**CSF 1: Shared Change Purpose** – you need to be clear about the imperative for change with people. Don't try and shield people from the difficulties of the current situation. It will only weaken the case for change. If people share the "pain" they will often act in a way that is aligned with the needs of the organisation.

**CSF 2: Effective Change Leadership** - high levels of visible leadership commitment are essential when changes like this are being implemented. This is no time for leaders to hide away. They need to be talking about the need for change in unambiguous terms and reminding people of the longer-term vision of the organisation.

**CSF 3: Powerful Engagement Processes** – it is visible in this recession that a number of companies are looking at more imaginative solutions to restraining costs. For example the use of across the board pay decreases of 10-20% as an alternative to headcount reductions. Maybe this is a signal that we can engage people in looking at different ways to restrain costs. It feels counter-intuitive but setting people the problem could be more successful than telling them the solution. Remember though this has to be time-bounded. Long drawn out cost reduction programmes can be like 'the death of a thousand cuts'. Seemingly never ending but endlessly painful.

**CSF 4: Committed Local Sponsors** - middle managers remain the link between executive leadership and the front-line. They have a tough job to do in executing cost reduction. They are often people who have to implement cost reduction while they are uncertain about their own futures. This can leave them resistant and cynical. Look for ways to engage them before other employees, do everything you can to get their buy-in and give them the skills to communicate and manage the change.

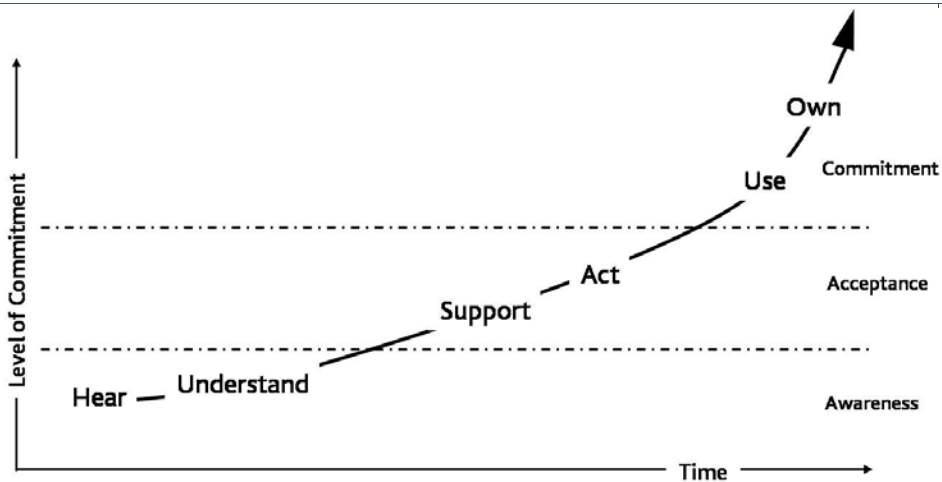
**CSF 5: Strong Personal Connection** - this is very tough stuff on cost reduction programmes. Connecting the organisational drivers to people's personal commitment levels requires tenacity. But you have to get your managers talking to people trying to maintain their commitment to the organisation and the need for change. Looking at the stages of the commitment escalator we need to at least get them to understand the change. Examples of actions could include discussing the future and their part in it or asking people to explain what change means to them and encourage people to think through how the change will affect them personally. Dialogue is critical here.

(London, UK).

**Will you be able to access the Webinar?**

Follow the link below to check. If you do not already have access to WebEx it may involve downloading some items to your computer.

[Take me to WebEx's online system check](#)



To read more about Changefirst please go to our [website](#), or to [read our articles](#) and [previous editions of our newsletters](#).

**CSF 6: Sustained Personal Performance** – how we treat people who will leave the organisation is important. They deserve to be treated with respect and how you treat them will be a signal to the rest of the organisation. But equally important is that you need a plan for the people who will stay. They are often called the survivors. They are probably uncertain, anxious and maybe feeling guilty about surviving. Build a change plan for survivors as well as leavers.

There is no easy way to manage the change that is cost reduction. But an attitude of “we’ll tell them because they have to do it!” can have both short and long-term consequences. We have seen organisations, though, that have built up incredible goodwill among staff at all levels because they were seen to try and do the right thing. Although rarely perfect plans to engage people and to manage the change often have significant economic and social pay-offs inside your organisations.



### Agents of Change

This is the third in a new series that will feature change executives sharing their experience with you.

**Simon Houghton, Organisational Change Management Practice Lead at SAIC**

#### What are the 3-5 most important pieces of advice you would give other change agents for them to be successful?

- Be inventive with the way you intend to communicate to the stakeholders – monthly emails, and A4 ‘newsletters’ pinned on noticeboards are all very well, but with a bit of thought, other methods can be used which may be far more effective. Make sure that you consider the culture of the organisation when determining the communication style, and other factors such as cost, timescales, and access to stakeholders.
- Where possible, get end-users who are involved in the project to participate in presentations to Steering Committee/Decision Review Boards. For example, when presenting the new design for approval – it is far more effective if the decision makers hear it from the end-users, especially when the passion and commitment to the design is evident. It is their design, after all.
- Keep on top of those stakeholders, and don’t assume that just because one appears positive, you don’t need to keep ‘working on them’. Regular contact is best, and always trust gut instinct when hearing specific messages from them – these hold the vital clues, after all.
- Ensure that you and the client sponsor are aligned when it comes to the definition of change management. They may believe it is something else, or cover additional responsibilities, and so it is important to have that clarity from the start so that you are able to meet/exceed expectations during the project.

#### What are the key issues you will be working on in 2009?

- As a practice lead, ensuring that organisational change management stays at the forefront when it comes to delivering solutions to our clients.

#### **The Life of Simon Houghton**

- **Current Job:** Organisational Change Management Practice Lead at SAIC
- **Status:** Married with 2 children, 3 years and a 16 month old
- **Lives:** Aberdeen, Scotland
- **University:** Kingston IS design, MSc Technology Mgmt UMIST, Masters in Sports Psychology MMU
- **First Job:** Management Consultant @ Coopers & Lybrand
- **Favourite Business Book:** Managing Transitions - William Bridges
- **Favourite Business Gadget:** Blackberry – how sad ☹