



## Staff Layoffs To Cut Costs

While I was writing *Reading Your Own Watch*, someone asked me if an organisational "cost-cutting exercise" (staff layoffs) would qualify as a project.

The short answer is yes, because there would be a collection of changes that would be intended to achieve some objective. The long answer is yes, but ...

It's important to realise that cost-cutting by means of layoffs is a proposed solution to an unspecified problem. Someone has jumped to a conclusion without fully defining what really needs to be solved and why.

There are several disadvantages to cost-cutting by means of layoffs:

- This presumes that there are inefficiencies (or "fat") and that:
  - these have been correctly identified;
  - these can be trimmed without harming operations;
  - the cuts will be sufficient to solve the problem.
- Cuts are a *one-time only* option. Once staff have been "extra-laterally redeployed"(!), that cost can't be cut again.
- Cost-cutting as an approach does nothing to *improve* the productivity, the quality or customer service.
- The organisation will be attempting to accomplish as much as it did before with less staff. The risk is that cost-cutting will adversely affect the quality of service the customers receive, which in turn will not help the organisation to maintain, let alone increase sales.
- If upper management want staff to leave sooner, they will need to offer more attractive redundancy packages which will increase the cost of this cost-cutting exercise!?! And if the staff decide to fight the layoffs and bring in the union and Human Resources, then the dismissals can end up taking forever and costing much more than upper management imagined.
- When staff leave, their experience and skills are lost to the organisation and they become available to competitors. If additional staff are required at a later date, then less experienced staff will need to be found, hired and trained, which costs money and takes time.
- If poorly planned and executed, a cost-cutting exercise will be harmful because:
  - some essential staff will be lost;
  - remaining staff will become anxious and defensive, thereby reducing innovation; and
  - morale will suffer.

Whoever is considering this cost-cutting exercise would need answers to questions such as the following:

- What is the real problem that needs to be rectified?
- What is the logic that justifies cost-cutting by reducing the number of staff as the correct solution?

- How much would *need* to be cut to accomplish what is required?
- How much *could* be cut without compromising the effectiveness of the organisation?
- How do the required cuts compare with what *could* be cut?
- Will the remaining staff, suppliers, customers, *etc.* think this is a reasonable course of action? If not, then they won't cooperate or they may take their business elsewhere.
- Where do you cut so that you maintain the level of functionality that you presently have despite the reduced staff levels?
  - Who are the critical staff that need to be protected?
  - What functions within the organisation need to be protected?
  - Who and/or what isn't essential to the organisation's effectiveness?
- How quickly must the cost-cutting take place?
- When staff are cut, who will take over the work that they were doing? (It's not a good idea to overload the remaining staff!)
- How will you maintain morale among the staff who remain? Layoffs always create an atmosphere of anxiety and depression.
- If this cost-cutting exercise *doesn't* accomplish its objectives, how can the organisation recover from the "self-inflicted wounds"?

A friend of mine told me that where he worked there was a part-time clerical employee who had been there a long time and knew the centralised filing system by heart, which was why this person could do the job part-time. This clerical person was laid-off during a cost-cutting exercise. After this person was gone, management discovered that they needed to hire *three full-time* people to do the work this one part-time person had been doing. Oops! That wasn't a cost-saving!