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Cost-Cutting Ideas for Now That Won't Impair Clients Later

Thriftiness is in, and CPA firms can help clients save. But not just any savings: You want to bring ideas to your clients that can help them reduce costs now while preserving value, measures that will not come back to haunt clients when the recovery begins.

These suggestions avoid the surface, across-the-board cuts that so many may leap to implement in the current economic environment. Instead, these are the cost cuts that will help your clients get through the rest of the recession and move into the recovery without struggles from shortages of experienced workers and managers, aggravated customers, and inefficient infrastructures that so often result from "easy" cuts. Rash cost cutting may continue to harm your clients long after the current recession is a distant memory.

The roundup of cost-cutting ideas shared below will be most valuable to the controllers and CFOs at your clients' firms and can help them save big—perhaps so they can invest in other initiatives with your firm.

The suggestions are four cost-reduction approaches: quick hits, improved customer relationships, more disciplined capital expenditures, and spending reallocation. Most notable: These ideas do not begin with layoffs, which are not only unpleasant and damaging to morale, but often weaken a company's competitive position.

Indeed, a rule of thumb among management consultants is that two-thirds of companies that use layoffs as a first line of defense in a downturn take five years to return to their levels of pre-layoff profitability. It is wise to consider not just severance costs but rehiring costs once the economy improves.

Take a quick-hit approach to cost savings.

From Meridian Consulting (www.meridianconsulting.com):

- **A quick-hit program can have an immediate impact on spend rates, simply by identifying and eliminating the practices and procedures that waste money. Sometimes the cost-saving actions are obvious—eliminate the report that no one reads, get rid of checks and balances that add no assurance, and put a halt to momentum spending—i.e., outlays that continue long after their rationale has vanished. In fact, most quick-hit savings result from simply stopping activities that make no sense.**
- **How do you find quick-hit savings? Three proven approaches:**
 - Bureaucracy busters: Hold bimonthly meetings of cross-functional managers that focus on finding unnecessary procedures, forms, and layers of oversight in all operating functions.**
 - Work-out sessions: These are “facilitated” meetings that last several days and enable frontline personnel to 1) identify improvements in productivity, efficiency, and effectiveness; 2) develop action plans; and 3) gain senior-level commitment to improvement on the spot. For example: One manufacturer used work-out sessions to reduce the number of signatures needed for an authorization request from 12 to six, halving the time and cost of the authorization process.**
 - Delta taskforces: Senior managers typically initiate these projects, which use cross-functional teams to review and streamline procedures used to introduce new technology.**
- **Quick-hit programs give employees the opportunity to help cut costs, not heads. The resulting boost to morale makes quick hits a smart choice for the current economically-challenged environment.**

Translate customer relationships into cost savings.

From Bain & Company (www.bain.com):

- **How do loyal relationships translate into cost savings? Consider the cost of serving a long-standing customer versus the cost of courting a new one. In financial services, for example, a 5 percent**