



Claire Arnold

Processing power

Since the first wave of the recession hit, CEOs everywhere have been under intense pressure to save money. *Claire Arnold*, Co-Founder of Maxxim Consulting, explores ways of making this happen by streamlining processes

Running parallel to an expected reduction in a company's outgoings is the equal pressure on businesses to continue providing the same quality of services and products that they always have – not letting their standards drop – even if their budget has been dramatically cut. Cuts in the public sector have been debated heavily in recent weeks following the riots which took place across the UK, as people question whether the police are able to accommodate the proposed dramatic cuts to their budget without reducing numbers on the streets.

Similarly, questions are being asked as to how the NHS can cut its already stretched budget even further without sacrificing the standard of patient care. It is not just the public sector that is being stretched however, but the private sector is equally under pressure to manage and justify its costs. With simultaneous pressures to manage costs and provide quality services, it seems like businesses have to fight a losing battle, but in my opinion, it is possible to do both.

Framing the big picture

At Maxxim, we have worked with a number

of businesses who have been trying to manage their costs without reducing their services. Meggit, for example, a global aerospace manufacturing company, actually grew and entered the FTSE 100 for the first time whilst simultaneously reducing costs across the organisation by 10 percent. Similarly, another of our clients, Royal Mail, managed to save over 22 percent of management costs across the corporate centre.

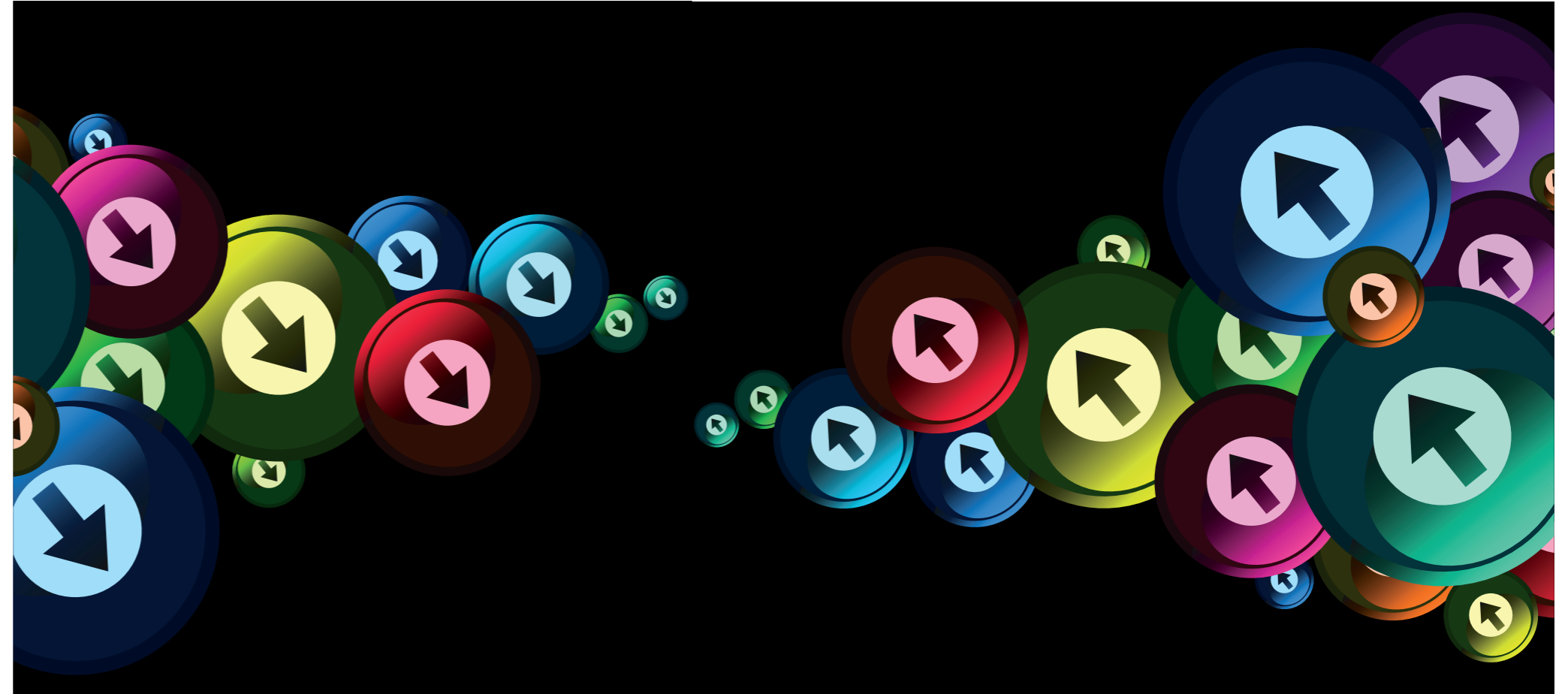
When a company asks us to help it manage its expenses, the first thing we do is calculate how much it costs to run the business as it stands. It is all too easy for businesses to grossly underestimate their daily running costs and indeed when we calculate what it actually costs to run a business, the senior staff tend to be shocked. CEOs and even finance directors can view their business in parts rather than as a whole and as a result when you pull together the true financial baseline, and all the costs across finance, HR, sales and marketing it can be quite surprising.

The second step in investigating expense management is investigating what is important to the company. It is vital to remember that money does not only come in the form of

a budget but, to use the age-old cliché, time is money. For this reason at Maxxim we run a series of workshops to find out how much time employees spend on each area. It is essential to match up how long a process takes, and how important that process is to the company's customers – ensuring that time and costs match with the value added. For example, if a company finds an employee is spending 25 percent of his time on X, and only five percent of time on Y, and you find a client is more interested in Y than in X, you have to consider whether X is really a necessary process.

A path paved with gold

Once a company has investigated its expenses and where its money goes, it can start looking at ways to save money. At Maxxim, we believe there are four golden rules of how to save money. The first rule is to work methodically. When a company is undergoing cost-cutting reviews it is all too easy to get over-excited and try to take on too much. Just like an individual shouldn't try to move house, train for a marathon and start a new job all in the same week, a company needs to be able to prioritise its cost-



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cutting, and ensure it works effectively and systematically in one area, rather than trying to do too much at once.

Secondly, when cutting costs, senior staff members need to work with their teams to put processes into practice. Cutting costs is an exercise you do with your team, not to them. When cutting costs, CEOs and financial directors must be careful not to be seen pulling rank, and ordering staff to make changes without making changes themselves; otherwise this results in frustrated, miserable employees who are not dedicated to ensuring the financial future of the company.

Although it is essential for senior staff members to work with their staff to put processes into practice, they also have to ensure staff are truly implementing the changes. Senior staff must ensure they stamp their authority and that staff are actively using the new, improved methods to create real, significant improvements.

The show must go on

The final golden rule of cost-cutting is not being afraid to change your mind as the

process progresses. In order to successfully change procedures, it is essential to be fluid and adaptable. A process may not be perfect the first time and will naturally suffer from teething problems, but you can either spend time on a process that doesn't work, or be flexible and adjust it to a process that does work. This involves listening to feedback from staff at every stage. Rather than wasting valuable time and resources on processes that don't work, you may be better off spending time looking for a new process that does.

Although it is difficult for a company to cut costs whilst simultaneously maintaining the standard of service it provides, with careful expense management and cost-cutting measures, reducing costs doesn't have to have a negative impact on performance. Although the future is unclear for the NHS and Police, cost-cutting measures can have a real and significant benefit to a company whilst maintaining its standard of service. ■

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