



BEST PRACTICES

BRUCE WILSON

The author is a partner with the Wilson-Oyler Group consultancy. Visit www.wilson-oyler.com.

Load up on cost-savings in 2010

In current market conditions, where low prices dominate the landscape, contractors must look for more meaningful ways to cut costs — often just so they can profit at lower price points.

The most-common way to accomplish this involves saving labor by cutting hours. While this *can* help in many cases, how much can you cut before you jeopardize the quality of your work and lose customer trust? It all depends on what you cut and how.

You must look closely at every aspect of your organization to load up on smart cost-saving strategies in 2010. Here are four money-saving suggestions:

1. Re-examine your pay rates. Prior to the recession, labor was in short supply and some felt forced to overpay to get good people (and even then, some of their hires were not that good). Are you paying too much, given today's vast labor pool, and your likely recent loss of revenues and margins?

2. Closely weigh the cost of personal use of company vehicles. This has long been a perk in the Green Industry. But that is rapidly changing. Many employers are cutting back on this practice not only because of added fuel costs and vehicle wear-and-tear, but also because of related liability exposure. Some now limit the taking home of company vehicles to employees on-call. Others place mileage limits — a fixed number of allowable commute miles, with employees paying for excess miles driven. And some have eliminated the perk entirely.

3. Look at your "sacred cows." Most organizations employ people who have not grown with the business. Nevertheless, somehow they have long been "protected" as loyal employees. These individuals typically are overpaid, yet under perform and erode the morale of your highly productive employees. Now is a good time to conduct a systemic purge.

4. Review your administrative processes. First identify processes essential to your business, such as billing and paying invoices and payroll. Then identify and scrutinize all processes (and steps within each process) that are *not* essential. Separate the wheat from the chaff and reduce administrative staff without hurting your business. In some companies, for example, a great deal of time is spent chasing down and verifying paperwork from field employees lax in turning in accurate, timely information. If you clamp down on these field employees, you can eliminate several hours of weekly administrative work.

There are potentially endless opportunities to reduce costs in most companies. It just takes discipline and a willingness to make some difficult decisions. These are tough times that require you re-examine and tighten all aspects of your operation.

Most employees understand the need to embrace change to grow. Doing so helps firms not only survive today's turbulent business climate, but also will lead to higher profits, and added job security and career opportunities, in the better times waiting just around the corner.



Allowing personal use of company vehicles is a perk on the decline.