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The Business Edge[PRINT](#)**PRACTICAL MANAGEMENT****Delivering Results When There Are No More Costs to Cut**

By Theresa M. Welbourne, Ph.D.

We've all been there: Called to the executive suite with the mandate to improve performance. If you are the CFO, or in another financial role in your firm, you will be asked to deliver on this mandate by cutting costs. It's often the first answer the Board mandates, and it is likely the only answer a CEO can envision when working with a quarterly goal.

During 2004, the results of a research study that I've been conducting with over 4,000 leaders around the world demonstrate that the non-stop cost cutting many firms have been doing certainly has taken its toll. Its overall impact has not only affected employees; it has also affected the leaders in the executive suite.

The Prevailing View

I've been tracking leadership confidence since June, 2003, and it has been spiraling downward. I don't mean confidence in the economy, the president, and politics – I'm talking about confidence in the leaders themselves. The confidence scale that I use asks leaders to rate confidence in their own overall leadership. Specifically, they were asked to rate:

- Their ability to change as needed to execute on their strategy
- Their overall vision
- The members of the leadership team
- The necessary skills and people in their organization

These scores are spiraling downward.

Some quotes to explain these trends —

"I believe that most leaders are really stretched to do more with less.

Since money is tight, we now do our own work and the work of others as well."

"We are being beaten down by a variety of factors, the much-hyped turnaround in the economy and world situations are not happening -- our own customers are using us to beat one another up on prices and move jobs off-shore. The inability to compete will de-motivate leaders."

"State of the economy and its defeating morale. One must constantly worry where the next job will come from and how we can hold on to our staff to sustain business. There is a reduced ability to pay salaries; costs keep rising; and it's becoming increasingly expensive to acquire new business. It's draining."

"To defend profits, we continue to cut costs. This is a very draining process and we know that it is short-term. We are just tired!!!"

"Individuals in organizations are feeling 'battered' by all the downsizing, budget cuts and tight economic times."

Not only has leadership confidence been on the decline, but energy levels of the executives themselves are reported to be below where these individuals are most productive. Why? You can only do so much when it comes to cutting costs. And cost cutting, unless very quickly accompanied by some good news, saps the energy from the workforce, including the energy of leaders.

Charting a Hopeful Course

In November, 2004, we turned to the executives who reported low confidence and energy levels. Although these leaders report feeling "beat up," they also proved to be a resilient group that is working on new solutions for improving performance. We asked them specifically what they were doing to improve organizational performance – beyond cutting costs. The top five responses:

1. Improving current company processes
2. Focusing strategies and partnerships for increased sales
3. Training and teaching employees

4. Motivating and recognizing employees
5. Introducing new products and services to the market

Some sample quotes from the study —

“We believe that how employees feel about their work directly affects their productivity and the company's performance. Therefore, we have several initiatives to measure and respond to employee feedback and to emphasize empowerment. We also look at cutting costs a different way, such as spending wisely. It actually produces better results and has a less negative connotation.”

“We are looking ahead to our business needs; entry into China; globalization of processes; and making sure we have the strategic thinking and awareness to address our future talent needs.”

“Through technology, specifically our ERP system, we will push access to information out to decision makers.”

“Kicking over the apple cart to break established patterns and encourage new processes.”

“Develop our managers' ability to manage their own work force and hold employees accountable for their results, or lack thereof. Top to bottom roll-out/implementation of performance management has had a huge impact on the quality of hires and their performance at work/interaction with our guests.”

“Focus on very effective analysis of problems and delivery of results that enable the company to move forward to meet the objectives of our customers.”

“Boosting growth! Improving our understanding of markets and consumers.”

Using a Different Approach

Reading over the entire list of comments, you get the sense that these organizations

are trying something new. Rather than cutting costs, they are growing assets. The ROI equation is being optimized by improving return on the current knowledge in the company versus decreasing costs.

The growth-through-people-and-knowledge equation is being put in place because it's the only choice available to many organizations. When you've cut so much that even your most senior executives are experiencing high levels of burnout, you have to change course. Rather than viewing employees as a cost to be cut, innovative employers are asking their current people to help produce more out of the overall assets they have in place. They are improving efficiency; taking a hard look at process and making changes; investing in talent; and aligning employees to grow the company.

When you run out of costs to cut, the next option is looking inward to grow. And that's what successful leaders are now doing. Our hypotheses and our experience with many organizations is that leaders willing to learn from their own employees do indeed "win."

Everyone says "employees are our most important asset," but when it comes to improving returns and net profit, employees are most likely the first to go. However, employees are the only asset that can produce more with simple, low-cost interventions. The intervention easiest to implement with the lowest cost is *listening*. My own executive teaching efforts focus on developing "learning" leaders. These are leaders who listen to customers and employees, learn, and then lead based on new knowledge.

We hope to see a learning leaders' revolution in 2005. This movement should help spur business growth and success.

As we track our leaders over the next year, we will report back the findings. We will examine what the higher performing companies did in order to learn from them. If you wish to participate in the ongoing Leadership study, which is available to you at no cost, you can register at: <http://www.umbs.leadership.eepulse.com>.

About the Author

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