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Home > How to Help Your Employees Help You Save Money

Cost-Cutting Within the Office

How to Help Your Employees Help You Save Money

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When Mark Wilbur took over as president and CEO of a Los Angeles-based human resources consultancy two years ago, the 112-year-old outfit was firmly set in its ways. Employers Group's staff of 175 was used to a traditional top-down approach (rank-and-file staffers would not dare point out inefficiencies in the organization), resulting in a ton of hidden waste, Wilbur says.

So he set out to change what he describes was a "quite stagnant" culture by commencing an in-depth analysis of all levels of the company, instituting an open-door policy and – most importantly – empowering employees on the front lines by soliciting their ideas in earnest.

"Is there anything that our people have talked about in the lunchroom for years, but which hasn't been addressed?" Wilbur recalls asking his fellow senior managers. "We've had some great ideas come from the front lines."

"Is there anything that our people have talked about in the lunchroom for years, but which hasn't been addressed?" – Mark Wilbur, Employers Group

Wilbur and other enlightened executives are beginning to realize that a culture of transparency and receptivity to employees' cost-cutting suggestions, often with the lure of incentives, pays dividends in both greater efficiency and higher morale. But to achieve this level of employee buy-in, experts say, executives must be willing to face some humbling truths and correct their own wasteful ways.

After Wilbur made it okay for employees to voice their concerns and suggestions, Employers Group converted to electronic billing (saving paper, printing and mailing costs); eliminated costly vendor and service agreements that had outlived their benefit to the company; and replaced $6,000 in monthly color printing service costs by purchasing its own top-of-the-line color printer, at a roughly $6,000 one-time cost, instead.

Fixing these inefficiencies greatly benefited the company's bottom line, he says, but they would not have been identified from a top-down alignment.

Opening the Kimono

Any effort to directly tie employees to the fiscal goals of a company should begin with a process that includes an open forum among all staff members, says Los Angeles-based consultant Billie Blair. Everyone needs to look at the company's future prospects and data outlining its expenditures, with the goal of open and frank discussion. "It is not the CEO standing in front of his or her group of employees and telling them what has to happen," she says.

Particularly in small businesses, executives often have to force themselves to "take time off work" and engage employees in the process, says Blair, president and CEO of Change Strategists Inc. and a member of the small business council of the U.S. Chamber of Commerce.

Managers should speak openly about the impact of the economic recession on the organization and what the short-term and long-term plans are for getting through it, most sources say. Blair also recommends that each employee, or at least each department, conduct a cost-efficiency audit.

But with transparency comes vulnerability. In other words, executives who are not living up to the principles they espouse must be willing to hear about it.

In the wake of high-profile bank failures, where the captains of finance continue to state their case for tens of millions of dollars in bonuses while instituting layoffs, employees are cynical of their own leaders, says San Diego-based HR consultant Holly Green.

"You have to change your behavior as a leader," says Green, CEO of The Human Factor Inc. "What you do speaks so loudly that [your employees] can't hear what you say."

"What you do speaks so loudly that [your employees] can't hear what you say." – Holly Green, The Human Factor Inc.

In one example, a company's rank-and-file employees anonymously suggested selling the two corporate jets used exclusively by the top brass. Once they put the planes up for sale, exponentially more suggestions poured in, says business consultant Jim Smith, who worked with the company.

"All that happened is the employees saw that the bosses were just as serious about this as they expected the employees to be," says Smith, CEO of Enterprise Management Group, based in Sammamish, Wash.

Cultivating a Safe & Empowering Space

Workers are more fearful about their own job security than at any time in recent memory, but a tendency to not rock the boat might translate to lost opportunities for cost savings. The CEO of one of Smith's client companies instituted a hiring freeze, making it clear that a request for a new position could be a career-killer. Smith, who helped the company tap its employees for feedback and suggestions, relayed one employee's concerns about this rule to the vice president.

"He said even our process [of engaging employees] wouldn't change this policy," Smith says. "What if it's a stupid rule? Somebody ought to bring it up."
As it turned out, the fraud investigation unit of this particular client was generating a disproportionately large amount of revenue, but losing about $1 million per year due to

understaffing. The threat of losing one's job for recommending a new hire, even if it would have resulted in a net revenue gain, prevented the kinds of changes that needed to be made.

This concept is central to Smith's work helping clients locate and fix organizational inefficiencies, for which he is paid a percentage of the savings. Essentially, Smith acts as the intermediary between the employees and management, encouraging employees to submit candid and actionable recommendations. Smith puts the good ideas, those that not only make sense but also have validated the cost savings and risk, onto a list of things to do. Then he takes that list to the appropriate managers for their approval and implementation.

"Nobody knows your business like your employees," Smith says. "So you can hire consultants until you're blue in the face, but you'll never know" the extent of the company's waste until you create a safe place for them to make these suggestions.

"Nobody knows your business like your employees." – Jim Smith, Enterprise Management Group

Creating Incentives

The ultimate incentive for helping one's employer save money should be fiscal health and, as a result, better job security. But employees at many organizations are often led to believe that they "just work there," an attitude that some say can be augmented with prizes and other incentives.

New York consultancy The Delve Group Inc. was hired by a large, Fortune 50 corporation to help it save $100 million over three years – which is just a fraction of total revenue for a company that pulls in $91 billion annually, but still significant. The company originally asked employees to cut costs and only use preferred suppliers for orders by sending out "boring emails that would make employees' eyes glaze over," says Brenna Garratt, CEO of The Delve Group.

Along with one of the company's executive vice presidents, Garratt's team set out to create a multi-channel campaign that would generate intrigue and also provide some tangible incentives. So they drafted a ransom note, complete with letters made to look as if they were cut out of magazines, essentially asking employees to help find the wasted money. The image was reproduced on posters, memos, emails and throughout the corporate intranet.

The clincher was a game card to which each employee could add pieces for meeting a money-saving objective, with prizes consisting mostly of weekend getaways and vacations. She says it was a hit and helped the company exceed its $100 million savings goal.

"It created a peer-pressure dynamic, where if someone walked in with a Staples bag, someone else might say, 'Hold on, we're trying to save money here, so we need to stick with certain suppliers.' Everyone had seven or eight things they needed to do in order to get tokens," Garratt says.

Toronto-based company I Love Rewards creates incentive-based employee cost-savings programs for its clients through a Web browser. Employees of participating clients receive points every time they negotiate a better price or otherwise cut company costs, provided it corresponds with a list of company objectives, which they can redeem for prizes. Employees earn 10% of the savings as points – so $100 in savings equals $10 worth of points.

Razor Suleman, CEO of I Love Rewards, says one of his own employees who saved the company $1,200 with a single phone call was able to redeem his points for an iPod digital music player worth $120.

“Our CFO absolutely loves this, because it costs us $120 in points, but we got a 10-times return on that investment in savings,” says Suleman, who explains how the customizable list of objectives can prevent counter-productive cuts. “For example, the water does not affect top line growth at all. But cutting ad costs is a budget cut and may [hurt top line growth]. So we really communicate that and it’s engrained in our culture.”

But whichever approach is deemed the most effective, the most important idea to remember is that your employees cannot help executives who don’t show genuine interest in their ideas. Executives ultimately make the final decisions, but an empowered organization stands a better chance of surviving the recession – not to mention improved odds of keeping top producers when the economy improves.

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