



## Media Room Article – Cutting the wrong employees can kill a business

Article Extracted from CIO By Bruce McCracken | Sunday, March 08 2009

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When the storm passed after the recession of 2001, some firms were in position to increase market share at the expense of those who had made unwise decisions during the downturn. In an effort to reduce costs, many companies implemented across the board cuts and wound up sacrificing their future.

Careful consideration can reveal where efficiency can be increased, costs reduced, and identify essential employees for retention. Each organisation is unique and due diligence can help prioritize a strategy to best exploit future business opportunities.

### Learning from the Past: A Look at the 2001 Recession

Diamond Management & Technology Consultants examined 415 companies worldwide with revenues exceeding US\$100 million. The qualitative analysis investigated how the companies fared from 1998 through 2003 bracketing the 2001 recession.

The report, *Don't Waste a Crisis: Lessons from the Last Recession*, produced four classifications detailed in the figure below. Stalwarts maintained high performance continuously. Opportunists progressed to improve their competitive position. Disappointed stars saw significant decline. Low idlers performed poorly throughout.

Stalwarts and opportunists improved margins by 20 percent while disappointed stars saw a ten percent decline. Among the significant factors for success was a focus upon what, and who, is core to the company and determining what processes and functions are best turned over to external providers.

### Outsourcing: Keep Your Eye on the Prize

Rather than across the board cuts, organisations should closely examine their business and make cuts selectively or outsource with an eye to the future. "It can't be a knee jerk response to the economic environment; it needs to thought out in terms of long-term planning," says Jennifer Daniell Belissent, Ph.D., a senior analyst for technology product management and marketing at Forrester.

"If you cut across the board, you run the risk of cutting capabilities that will be important coming out of the recession," adds Chris Curran, chief technology officer at Diamond Management & Technology Consultants. "Conduct a spending review across major functions with an eye towards cutting costs without cutting to the bone."

Supplementing internal resources with external expertise for improved business agility and performance reaps many benefits (strategic) including cost savings and a reduced time to benefit (tactical). Companies have many more choices and the ability to customize outsourcing solutions to address their needs today compared to 2001.

"Companies that nurture their in-house core competencies and carefully offload other functions to vendors often reduce near-terms costs," notes Phil Fersht, research director of global services and outsourcing for AMR Research. "Adding more variable costs to the design of the business gives management more freedom to respond to shifting economic conditions."

To successfully manage initiatives, retaining internal IT expertise becomes increasingly imperative. "What was happening in the first rounds of outsourcing is that the company let the outsourcer do everything," Curran points out. "Organisations were giving away the whole core of traditional IT keystone skills; project management, business analysis/requirements management, technology/architecture, quality assurance."

"Expertise needs to be within your company so that when you want to expand, that expertise is in-house," suggests Belissent. "You need to make sure that you have your eye on the long-term implications."

### **The Keys to Success: Internal Project Management Skills**

Companies need to envision where they want to be globally in the future and align their internal IT management to reaching business objectives in the most optimal way. "One of the differences with the current economic recession is that economies across the globe are so much more integrated than they used to be," Fersht notes.

Diligence needs to be applied strategically in deciding what to cut, what to outsource, and what to retain in-house "based upon understanding the business capabilities that they are trying to enable in the next two to three years and assigning them a priority," advises Curran. "They then need to score their discretionary investments against that to create a roadmap."

"You also need to make sure that you have the project management internally," Belissent advises. "You cannot just have a short-term perspective of saving money by outsourcing."

"Use this time wisely," urges Fersht. "Smart businesses are likely to emerge from this economic slump more nimble, more competitive. The right service partners can help companies grow their business globally. They must forge a partnership with a provider that will work with them to add a lot more competitive bite to their business."



Competitive advantage for an organisation in the future is very much determined by the decisions made today. A short-term adjustment to meeting the current challenges must not come at the expense of the future.

Curran warns that companies must heed the past. "The lesson learned that has not been wholly applied is the recognition that keystone IT skills atrophied because key employees were let go and companies lost their best subject matter experts and project managers."

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