Budget Cuts

Idea In Short

With the pressures of COVID-19, along with other economic and demographic changes, many businesses are looking to streamline their operations. In plain text, they are cutting their operating budgets. Across industries, the Leadership is asking their employees to do more with less. The Senior Management is is tasked with saving 5%, 10%, or even more from their budget. Many have also frozen hiring new employees or filling up existing open positions. Even in those organizations that not making cuts, there is an atmosphere that discourages additional budget – a culture of austerity. As a consultant, what is your approach when you are face such budget cuts?

Consultants are not always comfortable standing on their own soap boxes or evangelizing a recent win. However, we should! After all, we are responsible for tangible results for our work. Unless that work is quantified and the business impact communicated, there will always be a high risk of budget cuts, especially those of consulting teams. Budget cuts are a necessary evil in the business world. Hence, it's better to react with a modicum of grace and an unwavering determination to do more with less.

Focus on performance

As a consultant, you were engaged to deliver a specific business outcome. You will always have key performance indicators to measure the impact your engagement is having on the overall business performance. You should have a crystal-clear understanding how your engagement enables the business to deliver its goals. It may be that by disinvesting in your team's work, your client will be disinvesting in the very things they need to do to succeed. If budget cuts are absolutely necessary, then you will have provided clarity as to their impact. Similarly, highlight the costs and compromises that might potentially arise, if you did not have that budget.

Proactively evaluate your cost drivers

You should proactively evaluate your engagement cost drivers and eliminate any unnecessary expenses. Your client may not expect you to undertake this endeavor. But, doing so signals that you're committed to the client's long-term success.

> For example, travel is a huge cost item on most consulting engagements. If your client is facing budget cuts, limit travel expenses for your team. Instead, engage personnel who are based near your client location to handle the activities that require physical presence.

Consider what cuts are possible and be transparent about the budget required to see you through the end of your engagement. Conversely, an increase in budget in your area could deliver an overall benefit to the business in some way, if that is what is required. In short, budget cuts are not one-way streets and may not necessarily signal the end of an engagement.

Compare and contrast

Conduct competitive benchmarking with your client's industry peers. Competitive benchmarking is the practice of comparing your department's processes and performance metrics to those of similar companies. Look at other businesses like your client's and share insights on initiatives than are delivering better business results than cost savings through budget cuts. If possible, benchmark your client among their industry peers. Investigate how the other comparable companies are investing and spending their budgets. Then, use these insights to advise your client where they are over- or under-spending their budgets. This information can be integral in defending your engagement fees or asking for an increase in certain areas.

> For example, you could look at the public financial statements of listed companies to compare their cost structures against your client's. Look at their latest press releases and share insights on major product launches, transformation programs or corporate initiatives they have launched.

If you are aware of cuts made elsewhere in the industry, try to find out the implications of those cost cutting initiatives. Use these as case studies to direct the client to the right

initiatives to launch. Sharing such information can add impact to your engagement and authority to the case you make to continue the engagement.

Help your engagement sponsor shine

As a consultant, another common challenge that you may run into during such situations as layoffs and budget cuts is getting traction on the client side. Your client stakeholders may be spending an extraordinary amount of time in meetings, defending their budgets, evaluating the organizational policies or playing politics. Whatever it is that you are struggling to get done, never go above your engagement sponsor to their superior, even if it is the CEO of your client organization. Not only does this come across as bad manners, it makes your project sponsor look bad to their superiors. One of your roles as a consultant is to make your engagement sponsor look good; not the opposite. If required, take the blame, but do so diplomatically, without burning the bridges.

Think long term and articulate risks

Some strategies for cutting budgets and costs carry more risk. Ensure that your area of the business is on the risk register. Highlight how risks might increase with budget cuts. The business may still decide to make the cuts. But, as a consultant, it is your responsibility to highlight what the risks are. It is also your duty to provide creative solutions and outline how those risks might be mitigated. If you see heightened risk in some areas of business, proactively alert those responsible for the impacted areas of business. Don't wait until your next Management update. Likewise, outline how budget cuts will impact your team's work, not only this year, but also in the upcoming years. You might be willing to bear / absorb a reduction in your client's engagement fees this year. However, the combined impact might be significant, if the client budget continues to remain at the reduced level for the foreseeable future. Help your client understand the ramifications and how the risks play out and impact their business over time. Do your best to predict and articulate this as clearly as you can.

Collaborate with other business units

Consultants should not work in silos, especially on client engagements. We need to understand how budget cuts in one area will affect the other parts of the business. Discuss the implications with your client leadership, engagement sponsor, and other senior

managers. Explore what cuts they are considering. You will observe that all too often, there is an element of competition between leaders to protect their budgets with discussions undertaken on a 1:1 basis, rather than in teams. Collaborating with other business unit leaders, departmental heads, etc. will ensure that those making the final budgetary decisions understand how a cut might have wider implications than they might immediately expect. This also helps demonstrate your value as a consultant and that your focus is on the overall business's performance; not just that of your team / scope of work.

Over-communicate

As consultants, a large and difficult part of our jobs is to manage people's attitudes and behaviors, especially during challenging times as massive lay-offs or budget cuts. Once your client stakeholders start hearing about budget cuts, their sentiments may suddenly turn negative. They may start worrying about their own jobs, projects, clients and about their friends in the company. Their morale and motivation may decrease, and confusions increase. Some of your client stakeholders may even assume that you advocated for budget cuts and assume a hostile posture to you and the engagement. As a result, your engagement just got more difficult because many of your client stakeholders will be either, unhappy or disagree with you. With this backdrop, communication solves some of the problems and misunderstandings. If you can't solve these issues through communication and documentation, you can almost always prevent any future misunderstandings through (over-)communication. In my experience, care generally comes as a result of regular communication and getting close to a client. Hopefully, your client stakeholders will eventually understand that you really want them to do well. Show them that their success means more to you than just the current engagement. Eventually, your client stakeholders will come around and appreciate your candor. You'll enjoy your job as a consultant a lot more, if you genuinely care about the success of your client's business as much as your client does.

Leverage your interns or outsource

As an engagement team, you can reduce your cost footprint through adequate leverage. This, however, depends on the type of the engagement. For a vast majority of engagements, an elegant way to accomplish more with your budget is to leverage i.e. assign more tasks to junior staff, in-house interns or 3rd party contractors. This will free up the capacity of your engagement team to focus on activities that are complex or add more client

value. So, delegate tasks to an energetic, eager individual who wants to gain valuable experience. This comes at little or no cost to the company. By the same token, outsource repetitive, cumbersome work.

Summary

It is your job as an engagement leader to ensure that both, your client and engagement team understands what resources you need, why you need them and what impact you will deliver with those resources. If you are facing budget cuts, it is your job to show how a reduction in budget might increase risk, reduce performance or hinder progress, not just this year but in future years. Ultimately the cuts may still be required. But, you will have delivered your leadership responsibilities if your client and colleagues understand the full impact of those cuts.