

If cuts are needed for goodness sake do it right

I recently watched an excellent video interview with Cesare Mainardi - "cutting costs strategically".

This is a very topical and poorly managed issue.

I believe most organisations are led by those that cut without a true understanding of the impact of these on business effectiveness.

Mainardi convincingly argues that cuts should be made only after those that run an organisation have truly understood and agreed the three to five core capabilities that drive future success.

In my considerable experience, those that decide cuts do not do this – preferring across the board, apparently fair and consistent cuts over protection of units or functions. Typically this is accompanied by the ludicrous policy of freezing recruitment everywhere, including those parts of an organisation that it depends upon and must be left alone.

As well as this, when jobs are cut, they prefer the ridiculous abdication of 'who wants to go?' voluntary redundancy, over managed, costed, and business driven compulsory.

Such a fundamental lack of insight and inability to make informed decisions lead in turn to the best people leaving, because they feel more comfortable in better run organisations, and the insane retention of the inept and the troublesome that nobody else wants.

This has deeper implications - if true, it suggests those that run organisations lack an informed consensus around the real determinants of future success. Ask any management group to list the top four functions to protect at all costs and will they agree? Not a chance, and yet these exalted beings decide the future of the business! Is it any wonder so few organisations are run well and enjoy long term success?

Ordinary, hard working people deserve better leadership than this.

I feel that most that run organisations lack the intellectual capacity to take on the hard work of understanding the impact of cuts, preferring to closet themselves in ill informed meetings where numerical targets force the issue and not a thorough awareness of the real capabilities that unknown to them, are the real sources of future survival.

Such meetings rarely if ever disclose the rationale for cuts - usually because if there is one, it's not credible in the eyes of those that know better what makes the organisation work.

Organisations, particularly large and multi functional ones are hard to run, and senior, policy making responsibilities require considerable insight and skill. I am deeply and genuinely concerned that I see so few prepared to make important, exposed, accountable decisions that make real and positive differences to future success.

As Mainardi says: "Most who lead organisations don't know how best to cut costs without harming the business".

He is right of course, and far more polite about it than I am.