

## Cutting costs to help cash flow

> Layoffs aren't the only way to save. Explore travel reductions, video conferencing, and more.

While most firms look at their staffs as the quickest way to cut large chunks of costs, there are other ways that can be equally effective, and less damaging to the long-term future of the company. Finding ways to cut costs at your firm is perhaps the most effective way to lead to a turnaround, particularly in a recession.

Lee Salin, chief operating officer at **HMC Architects** (Ontario, CA), a 475-person architecture and interior design firm, says the company has been able to cut more than \$1 million from its expenses with a couple of changes to how it does business. The firm had layoffs of about 2% to 3% of its staff in November, but has since found more areas that could be cut rather than again eliminating employees.

Rather than hand out the more typical 4.5% to 5% raises during the firm's annual performance reviews, HMC this year gave staff up to 3% boosts in their paychecks, Salin says. Senior managers had their salaries frozen this year, while executives were asked to take a 5% pay reduction, he says.

HMC has also eliminated a sizeable chunk of overhead by limiting travel

among the firm's offices and relying more heavily on video conferencing for internal meetings. The firm will cut its business development conference registration, travel, and attendance costs by 20% and reduce its professional development training expenses, while relying more on internal training this year, Salin says. Because the **American Institute of Architects (AIA)** (Washington, DC) brings its national conference to San Francisco this year, though, HMC still plans to send a contingent, he says.

The firm will also reduce the number of electronic devices its employees use and have the company pay for, Salin says, and has asked employees to supply their own lunches for the internal training sessions rather than expecting them to be provided by HMC.

The company will eliminate the gas card benefit utilized by many employees and will instead enact a mileage reimbursement that aligns with the federal recommendations. Corporate staff will get half of the recommended amount for mileage because they already get car allowances, Salin says.

### Same goal, many approaches

Skip Cimino, president and chief administrative officer at **CMX Inc.** (Manalapan, NJ), a 750-person engineering and construction firm, sees several ways that firms can trim the fat from their organizations.

"Look at your ratio of technical employees to non-technical employees," he says. "Our companies must be able to bill time as we do not make and sell inventory. Closely monitoring utilization is also a key measurement. This would be an appropriate time to weed out the marginal employees, thereby protecting your stars. Closely monitoring chargeable time can assist you in maintaining utilization. In a company that sells time, utilization is extremely important. Finally, managing overhead expenses is equally important. Employing strategies to reduce your overhead allows the firm to continue to manage but also allows it to sustain its profit."

### What will it mean?

Finding ways to cut costs, Salin says, "is not unlike a value engineering exercise." He compares a recession to a drought, calling it "an ongoing period of challenge" and adding it's different than a thunderstorm because "you don't have a sense of how long it's going to last so you don't know how long you need to be prepared to deal with it."

Cimino suggests firm leaders ask themselves what is most important to keeping employees happy in their jobs and trying to adopt that philosophy whenever possible. When times call for cost cutting, weigh the benefits to the employees as well as to the bottom line.

"Review of current benefits can provide substantial savings when you're looking to turn a company around," he says. "Employees would much rather retain 401(k) contributions, health benefits, etc., instead of the next social event on the corporate calendar."—

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