



# Decision making

Focus: Cost/Resource Reduction

# Business Skill Basics

- A successful business will keep in mind the balance between income and costs
- When the going gets tough the natural instinct for a business owner is to cut costs
- This is a necessary consideration and the ability to rationally analyse the implications of a cut in costs is a key business skill
- There may however be options...



# A Definition of Cost

- Net outgoing on goods or services after consideration has been taken as to the benefits and risks to the business of making or not making this expenditure



# Key Questions - Issues

- What is the total expenditure?
- What is the income directly attributable to this spend?
- What is the indirect or opportunity income?
- What are the associated resource implications?
- What impact might cutting expenditure have on brand and customer service?
- What opportunities might be missed?
- What other issues do you need to consider?



# Considerations - Insights

- How does the saving of this cost relate to the income from say one additional sale or improvement of x% in company efficiency?
- Might the resource to be cut be made more efficient or productive? If so how?
- Is the cost structure as it stands the only option?
- Might there be intangible effects following on from cutting this cost that might impact the performance of the business (lower morale)?



# Reality Check

- Factors that are not strictly based in business logic do come into play in decision making. This needs to be recognised and taken into account
- A decision may change what the business stands for, the meaning and enjoyment you get from it
- How you feel about this may impact your performance in the short or longer term
- Your being able to accept what needs to be done needs to link to how important is it that you achieve the vision that brought you into the business



# Reality Check - Questions

- What will happen when you do make this cut?
- What will happen if you do not make this cut?
- What won't happen when you do make this cut?
- What won't happen if you don't make this cut?



# Choices

- List two or three choices and the implications
- Make the cut
- Don't make the cut
- Find another way (increase sales)
- (timings, funding, resource, risk, etc.)



# Decision - Commitment

- Then make the choice
- Plan the changes that are necessary
- Make someone responsible



# Actions & Accountability

- Communicate it
- Make the changes that are necessary
- Measure the result
- Review the decision

