Cost Cutting Strategies Of Organizations Across Different Sectors

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INTRODUCTION

There are challenges on the multiple fronts, which are putting pressure on the corporate industry to reduce their overall costs. The economic crisis engulfed the world and it is time to single-mindedly focus on how to make the organization profitable and grow the business. Organizations are looking at innovative ways to improve efficiencies. The new corporate mantra that has come out is about cost optimization. Cost consciousness on the part of organizations denotes doing more with less. The economic downturn is impacting every organization irrespective of the size. The smarter organizations are looking at cost-cutting and optimization in a strategic and tactical way as cost cutting is the answer to sustainability and profitability. Organizations across different sectors are resorting to lay-offs and production and overhead cuts to protect their bottom lines. Thus, in the present challenging scenario, organizations are looking at costs very keenly and are arriving at their own decisions as regards to cost cutting.

In today's difficult economic environment, it is prudent and responsible on the part of companies to reduce costs wherever possible. Most noticeably, companies brought hiring to a halt, dramatically reduced salary hikes and promotions and turned their attention on poor performers.

On the ground, companies were toning down on freebies like beverages and snacks and trimming travel budgets. Already, some companies have experienced success with these measures. For instance, TCS reduced employee costs by ₹ 1210 million with travel expenses down by 17 percent quarter-on-quarters and selling expenses down by 20.75 percent. In an attempt to trim costs, Infosys had cut back on sales and marketing expenditures. The company also increased by 2 weeks, the training period for fresh hires. In reaction to the economic downturn, Indian IT had been making use of multiple levers in an attempt to stem fast eroding profits and margins. FMCG companies were also moving into Himachal Pradesh, Sikkim and Uttaranchal as these are tax free zones. They are also taking the demonstration method, i.e., giving directly to the consumers, instead of spending on advertising and publicity. Some companies like Wipro gave their IT services recruits the chance to work in the firm's BPO arm.

The firm intends to provide a single package to customers and this action will present employees with the opportunity to acquire a wider range of skills. Believing that job cuts and production cuts may not be sufficient to push sales and keep them in the profit zone, automakers and ancillary units have decided on overall cuts on costs, whether it is perks, travel or fun. In an effort to contain costs, automobile companies are adopting different types of cost cutting measures like lights being switched off daily for at least 30 minutes in each department or switching off air conditioners and lights during lunch hours or extra varieties of lunch or snack packets being stopped for shop floor workers.

Mahindra & Mahindra has also been able to slash fixed costs by 10 percent with measures like curbing air travel, shifting excess officers from one plant to another and decrease inventory levels to 5 year lows. Opportunities of outsourcing are also being looked at by other automakers as well. Two leading companies, the Future Group and Aditya Birla Retail were also taking cost cutting measures in response to the slowdown. Aditya Birla also planned to restructure its businesses and cut costs on rentals, warehouses, administration and others. Reliance Industries had launched *'Mission Kurukshetra'*, in order to combat the challenging times. The initiative meant to implement cost cutting across its entire major industrial operations, from refineries to petrochemicals, oil exploration to retail, thereby optimizing costs and operations across the value chain. Tata Consultancy Services Ltd., Infosys and Wipro Technologies cut back on costs through measures such as reducing power consumption, cutting travel and postponing capital expenditure.

According to a leading analyst, firms would be able to save about 2 percent of average sales and 20 percent of general expenses through such measures. Companies from pharma industry had cut R & D costs. The employees at Philips had been notified of reduced or strongly cut budgets for organizing events and semi-annual outbounds. Routine

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stationery was also being accounted for and employees had to fill out a form or use their ID cards to get peripherals like paper and pens in an Indian MNC. At other large organizations, employees had to pay for food and beverages. There were fewer options available and a check was maintained to ensure freebies were not being misused. According to Aditya Birla Group, companies were anyway cost conscious due to over competitiveness, but during such turbulent times, they have cut costs from levels which are already cost-competitive.

Indian outsourcing firms managed to save a significant amount by cutting down on frills and got cost bench marks on everything - from power consumption to employee pickup services to the optimum size of work area. Genpact Ltd, the Gurgaon based business process and technology services provider made a decision to lower certain discretionary expenditure. The company planned to cut back on its selling, general and administrative costs, decrease the proportion of supervisors and slash discretionary travel and training budgets.

Gujarat Co-operative Milk Marketing Federation (GCMMF) had launched Amul ice-creams in two litre packs priced at ₹ 99. Traditionally, the ice-creams came in one litre packs and were priced at ₹ 70. GCMMF resorted to a major cost-cutting drive and rationalized dealer margins along with bringing down transportation costs to be able to sell double the volume costing merely ₹ 29 more. Thus, GCMMF went in for cutting costs at supplier level, dealer level and distributor levels to pass on the benefits to consumers. In attempt to tame the economic crisis, Arecelor Mittal continued with its measures like production and job cuts, the trimming of salaries, all aimed at saving $ 2 billion in its cost-cutting drive for 2009.Thus, all these measures may seem small cuts but they all add up in reducing the overall costs of the organizations.

COST CUTTING STRATEGIES IN RESPONSE TO GLOBAL ECONOMIC DOWNTURN

As the corporate sector was in the grip of recession, these are the times of rigorous and essential cost cutting. Practically, every sector ranging from auto industry, the consumer durable, IT etc, had been hit. As industries struggled to find ways to cut costs, some trimmed workforce, while others downed their shutters completely. More emphasis was given on layoffs, salary cuts, production cuts and loss of perks for the employees. Employees had been directly laid off in some organizations, while others fired casual labour. Companies also cut down on fresh recruitments. Companies also went for cutting advertising, telephone, travel and stationery costs. These appeared to be small measures on the part of a company, but they added up in the drive to reduce overall costs. In some cases, such measures helped to reduce costs by one third. Companies are exploring a variety of ways of reducing costs. The cost cutting strategies of organizations in response to global economic downturn can be put as under:

(1) Job Cuts: Many organizations had initiated cost-cutting measures like trimming workforce through job cuts. Ever since the global economic slowdown surfaced, cutting costs had become a company's first priority. On its struggle to combat the growing financial woes, Yahoo India laid off 3 percent of their staff as a part of a global downsizing. US credit card and banking giant, American Express confirmed job cuts in India. Approximately, 7000 jobs were eliminated company wide, which translated to about 10 percent of the global workforce. Citigroup announced a cut of 52000 jobs world wide. JP Morgan, Credit Suisse and Goldman Sach also planned to lay off high level staff in India. HSBC also decided to cut 193 jobs in its Indian consumer assets business segment. Similarly, US mobile phone maker, Motorola Inc. also planned to implement job cuts across its India operations as a part of the plan to shed 3000 jobs or about 5 percent of the global workforce. Sify also planned job cuts and about 60 employees were asked to leave. Reliance and its associate companies had asked about 5000 employees to give resignation. Some of the companies involved were Reliance Retail, Reliance Logistics, Reliance Info Systems and Reliance Corporate Park. Employees as well as employers were battling in the challenging times. Employees struggled to find jobs in a market where only a few companies wanted to hire and employers were making efforts to carry out lay offs as gently and painlessly as possible and failing miserably. Infosys had zero tolerance for poor performers in the present economic environment. The company identified around 2100 people for *'out placing'*, i.e., terminating an employee's services and helping him find a new job. The non-performers were sent on performance improvement programme or just asked to leave. Some temporary workers had been laid off. American Airlines also planned to cut up to 1600 positions. British Airways had cut around 2500 jobs since 2008. It also laid off 500 senior managers in December 2008. The world's largest personal computer maker, Hewlett Packard Co. (HP) had frozen fresh recruitments.

(2) Production Cuts And Production Cost Cuts: Prudent trimmings of production and production costs can also be witnessed in the corporate sector. The automobile industry was one of the worst hit by economic downturn. Various companies had trimmed production or cut outputs. Hyundai India had gone for cutting by 25 percent, GM India by 10 percent, Maruti Suzuki by 6.3 percent, Toyota India by 30 percent. Companies like Mahindra & Mahindra, Tata Motors and Bajaj Auto had also cut back capacity as the economic slump had reduced the demand for exports for the country and domestic consumers put off car purchases. Daewoo India worked for 4 days a week. Force Motors, Kirloskar Oil Engines, Bharat Forge, ThyssenKrupp Industries and Kirloskar Brothers (Dewas Plant) all put into practice a five-day week. Bosch India, which is an original equipment supplier to the auto industry had suspended select operations in all of its 3 plants, besides that, Bosch had suspended manufacturing of starters and generators and related activities at the Naganathapura plant on various dates in January last year and suspended some manufacturing operations at the Bangalore plant for 3 days.

Auto component manufacturers had decreased the number of working days to three to five days a week depending upon the production schedule of their customers. Maintenance holidays had been reintroduced to augment productivity. The Hinduja Group flagship company, commercial vehicle maker, Ashok Leyland and Hinduja Foundries had also announced a three working day week to take care of subdued demand of customers. Banco Products had also slashed working days to cut production. The manufacturing plants of the M&M automotive sector decided to work partially during the month and most of the plants planned to shut down for around 3 to 6 days depending on the market demand of the products manufactured. Madras Aluminum Co. had cut production by 60 percent, even as some organizations had shut plants or mills completely. ACC, the country's largest cement maker shut its Himachal Pradesh plant for 15 days and Reliance Industries had shut down its Orissa polyester unit. JSW Steel slashed production by 20 percent. Kesoram Industries Limited had to close its production facilities, in particular catering to the OEM segment in Birla Tyres, a unit of the company at Balasore in Orissa.

Naresh Goyal led Jet Airways had slashed 30 percent of its flights and leased out planes like all other airlines to tackle the global economic downturn that had severely hit the Indian airline industry. American Airlines also planned to reduce capacity by 7.5 percent. Cathay Pacific also reduced passenger and cargo capacity by 6 percent and 11 percent respectively. In fact, all airlines had been pursuing cost cutting measures in order to survive the tough times as the slowdown had led to drop in air traffic. US mobile phone maker, Motorola also closed down various plants for 3 to 6 days, a move which seems to have impacted ancillary units also.

To reduce production costs, several process improvements were initiated by Tata Motors to increase productivity. Vendor involvement was also made at early stage for better design and total cost reduction. In order to reduce production costs, Bharat Forge resorted to rationalization of production facilities within the plant as well as across locations. Reductions in outsourcing of processes were also affected by the firm. Mahindra & Mahindra was also trying to reduce costs primarily by economizing on future production processes and postponing some of the capex plans.

The organization planned to outsource some operations and also planned to shift excess officers from one plant to another. At Ashok Leyland Group, workstations at new production lines have been designed in a way to improve employee efficiency and also, there is use of techniques like Effort and Ergonomic Index (EEI). The group also speeded up clearance of ideas of employees in value-engineering concepts like redesign, judiciously substituting forgings with castings and sheet steel with plastics. Similar cost saving ideas from more than 1,00,000 employees helped Maruti Suzuki, the country's largest passenger car manufacturer to save ₹ 500 million so far in 2008-09. The company had an internal target of bringing down the production costs 5 percent per year and it attained the target that year. The company had adopted a *'one gram-one component'* philosophy from its Japanese partner, Suzuki, whereby shop floor employees attempt to decrease the size of each component of the car with no compromise on its functionality.

(3) Salary And Increment Cuts: The global economic downturn took toll on pay packets. Salary cuts are a better option for turn around in a shorter period. When the situation improves, the company can bounce back and may need its employees. Fat salary packages were no longer in existence during global economic downturn. Those employees who were highly paid were asked to agree to a voluntary cut like senior staff in Motorola and Mphasis. New recruits were offered small pay and increments were put on hold. Bonuses were also considerably cut. Oracle India linked payments to its 20000 employees with the number of productive hours they spend on office, which had led to 10 to 15 percent salary cuts. Many airlines had gone for cost cutting. Pilots of Singapore Airlines had agreed to one day's compulsory unpaid leave per month. In the same way, managers and administrative officers took one day a month either as unpaid leave or from their annual leave. British Airways had frozen pay. The airlines also looked for 4000 voluntary redundancies, in addition to asking employees to work for free for a month. Cathay Pacific had also asked its 17000 employees to take up to four weeks of unpaid leave. After holding back Diwali bonuses in 2008, India's largest private airline, Jet Airways reduced salaries of its top key executives by 25 percent. Kirloskar Oil Engines announced no salary for its employees for the sixth day of the week.

In February 2009, Hewlett Packard announced pay cuts for most HP workforce to offset 20 percent decrease in revenue and save 20,000 jobs in the company's product divisions. HP did not provide annual salary increases of usual 14 percent to around one-fifth of its workforce. As the company is facing tough times, Apollo Tyres also decided to do away completely with variable pay packets, which constitute a big chunk of salary at Apollo Tyres. The aim was to contain HR costs. The variable component is 7 percent of total cost to company at the junior manager level, which moves up to 30 percent at the functional head level. The company also looked forward to cutting costs based on performance. The company decided to redeploy the non-performers with some training; otherwise, the company would let them leave. Around 5 percent of its white collar employees constitute this category, on the basis of appraisal of 2008-09. Indian IT major Wipro's chief also took a cut of about 10 percent in his annual compensation. The total remuneration paid to Azim Premji dipped by $ 32414 during the fiscal year 2008-09 to $296142. He was paid a total remuneration of $328556 in the previous fiscal. TCS had put a freeze on increments. It had rationalized its human resources cost by taking a hard look at head count and relocating the workforce.

In view of the global economic circumstances in general and in the steel industry in particular, the board of directors of Arcelor Mittal decided to propose to reduce the annual remuneration for the board members for the year 2009 by 15 percent. The measure was limited to the senior level positions, i.e., vice-presidents and above. The board size of the steel giant was also trimmed down by four directors to twelve in view of the challenging scenario. Ashok Leyland, the Chennai based truck manufacturer's 12000 employees including the top management went for voluntary cut of 5 percent in the monthly fixed component of the salary. The aim was to reduce wage bill by 20 percent.

In the same way, austerity drive was witnessed at the world's largest forgings company, Bharat Forge, when the Chairman and Managing Director took a 20 percent cut in his salary. Bharat Forge made 5-20 percent reduction in salary across the board, right up to the chairman. On the contrary, Infosys also announced plans to hold back promotions and the hikes. During plant shut downs, employees of Tata Motors were given salary for 50 percent of working days and the balance adjusted as leave. In Mahindra & Mahindra, employees were not allowed to carry forward privilege leaves. Fresh recruitments were also curtailed and unfulfilled positions were also to be re-approved. In General Motors India, many senior officers were asked to go on leave, without pay for six months. The Indian unit of Agilent, the world's largest measurement and testing Software Company made mandatory for its employees two days leave every month. Those who did not have paid leave left had to take a leave without pay for those particular days every month. The company which employs 1800 people also announced a two week vacation for its Indian staff last year.

The country's largest consumer products company, HUL offered VRS to its personnel as it tried to optimize its resources in such tough times. The VRS was offered to its employees in clerical and field sales offices. The eligibility criteria were for people over 40 years of age who have spent over 15 years with the company. The companies are thinking of new ways to cut costs and thus save a bulk of the workforce from the claws of slowdown. Lay-offs, salary cuts and deferred bonuses are the norms in hard times, but many companies are looking elsewhere. They are not willing to let its best talent walk away at any time, least of all when they are needed the most. So, they are resorting to a number of cost-cutting measures in order to retain the good employees. Among the most demonstrative was the new offer by Infosys, wherein it announced a sabbatical package. An employee availing this offer could take a sabbatical from the company and work for a social cause, all this while earning, 50 percent of the original salary package. During a tough time, when companies can't help but tighten their belts, the first thing is to ensure that employees are taken into confidence and this strategy was remarkable in itself.

(4) Perks And Travel Cuts: Global demand witnessed a decline due to the economic downturn, resulting in increased effort on the part of companies to go for cost cutting. Cuts in perks were very common across sectors, including travel allowance, lunch vouchers, mobile phone allowance, stock options and fringe benefits. Diwali and New Year budgets were also reduced. Organizations had asked mid-level employees to travel by trains. Senior management staff at many organizations was asked to fly on low cost airlines and only economy class. Carpooling was also encouraged and even vouchers use was being closely checked. Jet also decided to trim perks of its staff, which included hotel, fuel and entertainment allowances. The Company also decided not to pay its pilots for overtime.

Automobile companies embarked on a ruthless cost cutting drive to squeeze out efficiencies from every rupee spent in order to stay competitive. No stone was left unturned. Carpooling was being encouraged, train travel was made compulsory, air travel restricted, hiring of high end taxis was discontinued and a few also stopped giving out snack packets on the shop floor. Trainee and probationary technicians had been removed by Bharat Forge and the firm did not provide new cars for promoters and VPS. For reducing working capital, Bharat Forge laid out internal deadlines and targets. The firm also froze discretionary expenditure such as seminars, conferences, advertisements and consultants.

In General Motors, food, which used to be available for free, had to be purchased. Kirloskar Brothers had also asked its workforce not to hire luxury taxis and instead go for Tata Indicas. Mahindra & Mahindra brought down the number of trips made by senior management by 65 percent. Fixed costs were also reduced by 10 percent. Targets were given to functional heads to decrease revenue expenses by 10-20 percent by the company. The Ashok Leyland Group encouraged carpooling by senior employees, reduced discretionary expenditure by deferment of replacements/repairs, advertisements and travel. Tata Motors minimized travel costs and optimized the usage of the company's transit flats. TCS began the exercise of reducing excess costs, way back in April 2008. The austerity drive was started with the most noticeable excesses. It was found that on Saturdays and Sundays, the staff buses were running almost empty but would make the same number of trips. Moreover, when executives were going for meetings or to interview candidates, they would travel by separate cabs. Now, there were fewer bus trips during weekends and when two or more executives travel to the same place, they share the cab. The kind of cabs that can be requisitioned had also been standardized. Tata Steel had board members of Corus; participate in a meeting through video conferencing, thereby saving huge amounts. The Airport Authority of India (AAI) had also started austerity drive in a move to overcome the ongoing economic turbulence. According to the new regime, AAI officials would now not be allowed to go on more than four foreign tours a year. NDTV India had also announced a vital economization. International trips, whether it is of short or long duration, had been cut.

Business Process Outsourcing firm, WNS Global Services, which acquired UK insurer, Aviva's captive operations, Aviva Global Services (AGS), managed to improve its margins from 10 percent to 14 percent mainly through more efficient space utilization and benchmarking of employee pick-up costs. Companies targeted all overheads like travel, employee pick-up, allowances, canteens etc. WNS Global Services managed to improve its margins by way of targeting frills. Even as the average space for each seat in AGS facilities was 125-130 sq.ft., WNS reduced it to the standard 75-80 sq.ft. Hence, along with the flexibility of being able to use the empty seats for new customers, it was provided with significant cost efficiencies. In the FMCG sector also, the companies cut down on perks. As companies look hard to cut costs, travel is one of the major casualties, besides a curb in technology spends. Moreover, Nifty new solutions such as Unified Communications, which ensures seamless communication without travel or big investments in new technology, were much in demand in such turbulent times. Unified Communication (UC) enables multi-mode communication on a common platform, such as email, instant messaging, mobile phone, voicemail with IP telephony as the basic platform, that aid the companies in sending data, talk, interact, share videos without any travel. Cutting costs is the primary reason for implementing UC. Microsoft India had cut travel expenses by over 50 percent by making use of UC. Raymond was also able to save 86 percent of its travel bills by opting for UC. HCL Infosystems has also seen considerable demand for UC. There are different types of Unified Communication Solutions from vendors like Microsoft, Cisco, Nortel, Tandberg, Avaya and Lifesize Communications. UC Microsoft India had deployed its solutions to many clients like Marico, Raymond, Tata Indicom, Biocon and Laxmi Vilas Bank.

(5) Overall HR Cost Cuts: Companies are increasingly making use of telecom policies to cut costs and increase productivity without sacking the employees. A large number of employees are opting for *'virtual workplace'* or telecommuting, with companies putting in place full-time work from home (WFH) programme. The aim is two-pronged i.e. to retain the talent pool as well as to cut costs. MphasiS had witnessed employee productivity go up by 20 percent. It had cut down upon per employee seat cost. The company, Cognizant believes, if a fifth of its employees become telecommuters, it would affect a 20 percent increase in employee productivity. Besides this, the company believes it will affect a 20 percent saving on real estate and even improvement in customer satisfaction levels. Only 3 percent attrition among employees working from home can be witnessed at Genpact. Genpact looks at telecommuting benefits in terms of employee satisfaction and thus, talent pool retention, thereby taking care of re-training costs and loss of knowledge. At present, the company has 500 employees working from home. According to white paper on *'Changing World of Work'*, by Manpower Inc., by 2016, 63 percent workers worldwide want to work flexibly and 84 percent personnel identify this as an important benefit in terms of retention. The companies want results, whether the employees come to office everyday or work from home because it is the output that matters. TCS laid down goals for its work-from-home workforce and followed their performance and achievements based on which their assessment of performance and appraisal occurs at the end of the year. IT major Cognizant is also vigorously adopting WFH and is offering option of telecommuting to personnel engaged in production support activities to keep away from commuting at odd hours. Cisco also put into action a work-from-home policy on an ad-hoc basis, which is a carry-over of its worldwide policies. WFH policy is beneficial more to the company than employees. The innovative HR practice at Canon India was *'Virtual Working'*, where the entire field force and service staffs were *'Virtual Employees'* i.e., they do not have to go to the office everyday, but they go to the customer's doorstep directly from their respective homes. The employees have a home-office set up, for which they also receive a maintenance allowance.

(6) Power Cost Cuts: The organizations are resorting to tactical cost-cutting measures to make up for the rising costs. Many organizations including Tatas began switching off power at certain hours. The employees had to use the stairs. The Royal Orchid Hotel Group, which operates 12 business hotels across the country, had also taken a number of measures to rationalize power, maintenance and vendor related costs. Electricity costs were trimmed down by introducing LED lighting instead of CFL, which has a higher initial cost but cheaper in the long run. Automobile companies are adopting different types of cutting measures like lights being switched off daily for at least 30 minutes in each department or switching off air conditioners and lights during lunch hours. General Motors in India decided to switch off air conditioners after 6 p.m.

(7) Advertising Cuts: As the global economic crisis sustained, companies continued to slash costs and ,therefore, ad budgets. Advertising was slowly being reduced by both big and small organizations. Due to the downturn, companies cut costs to keep afloat and are one of the major measures taken was shrinking ad spends. As per estimates by Zenith, advertising growth rate had slumped from 24.5 percent in 2007 to 4.51 percent in 2008. A poll conducted by market consultancy firm, R3, revealed that at least 25 percent of the 50 marketers in India who manage around 100 of Asia's top 500 brands, planned to cut their expenditure. Even festive seasons could not pull up the market as the overall Diwali ad spends in October 2008 were about 14 percent below the same time previous year. A large number of categories like cars, two-wheelers, televisions, cellular phone services, paints, life insurance firm, airlines and retail firms, which typically spend heavily during the festive season cut their budgets that year. The Royal Orchid Hotel Group, The Hotel chain slashed advertising costs by cutting down on the number of hoardings in states where it has a presence by as much as one third.

(8) Freight And Packaging Cost Cuts: Economic downturn had impacted nearly all sectors globally, so companies are going for cost cutting in different areas. Bajaj Auto aimed to reduce freight and packaging costs for exported goods by 20 percent by the end of 2008-09 by packing two vehicles together and using railways instead of road transport. Consumer products companies also declared a war on costs. In an attempt to ease the pressure on margins, companies resorted to some tough cost cutting measures, especially in packaging. For instance, Hindustan Unilever (HUL) had changed the packaging of its premium tea brand, Lipton Darjeeling, to reduce costs. Earlier, the tea brand, which used to come in a hard-board box with a plastic cover top had moved to a standard soft-board pack. Packaging costs form nearly 8 percent of its turnover for a company like HUL.

(9) Stationery Cuts: As the organizations are increasingly looking forward to substantial reduction in costs, JM Financial decreased the number of magazines and newspapers they subscribed to. They just managed with one or two. The firm's Internet USB data cards were also taken back. The colour printing options from the firm's computers was removed. The firm was now able to save ₹ 6.8 million per year, which was earlier, spent on colour printing.

(10) Information Technology (IT) Cuts: As businesses struggle to sustain themselves, spending on information technology (IT) has come down considerably. Virtualization and consolidation of resources appear to be a major expenditure saver for organizations, especially those in the financial services sector. For example, Mumbai based Kotak Mahindra Bank stripped down its server strength from 60 to 10. The firm has done a lot of virtualization to reduce its server cost, and this has helped it in bringing down the maintenance cost.

(11) Outsourcing Cuts: Challenging situations make one cost conscious. Tata group captain, Ratan Tata sent messages to CEOs of different Tata entities to operate cost effectively. This appears to be the reason that Prasad Menon led Tata Power started constructing the first ever 4000-mega-watt Mundra power project in Gujarat on its own instead of awarding the contract to engineering firms. The first of the five units, each of 800 mw capacity, is expected to be up by 2011 and the entire plant is expected to be commissioned by 2012-end. Similarly, in the Royal Orchid Hotel Group, activities like painting and minor maintenance, which used to be outsourced were being performed by the Group's own staff. The chain intended to shave off at least 10 percent of its costs following these measures.

(12) Capital Cost Cuts: In order to cut capital costs, some companies began to adopt the BYOC concept, i.e., *Bring Your Own Computer To Work.* The programme reduces the capital expenditure for organizations as they do not get into hardware procurement and instead offer this as service to employees. Citrix implemented this in its US and India offices. Under the programme, when employees came on board, they were given a voucher of up to $2100 to purchase personal laptops or PCs and an accompanying three-year maintenance contract. According to Citrix India, CIOs estimate that the IT hardware and software maintenance and upgradation costs are 80 to 85 percent of the IT budget. Using BYOC concepts, companies can easily witness 35 to 40 percent savings in these costs.

CONCLUSION

The overall impact of the economic downturn was certainly huge and was evident across the world. The organizations are looking for sustainability and profitability. The momentum in many sectors continues to be grim, as companies find it very difficult to maintain their growth levels amid tough economic conditions. Organizations focusing on costs were the most imminent fallout of the economic downturn. In fact, these are the times of rigorous and essential cost cutting. More emphasis was given on layoffs, salary cuts, production cuts, loss of perks for the employees and overhead cuts to protect the bottom lines. Employees were also being asked to take a vacation, factories were working few days a week and infrastructure costs were being minimized.

Companies also cut down on fresh recruitments. They also went for cutting advertising, telephone, travel and stationery costs. These appeared to be small measures on the part of organizations, but they added up in the drive to reduce overall costs. In hard times, organizations are looking at cost cutting in a big way in order to get out of the mess. By adopting different cost cutting strategies, they are making vast efforts to extricate themselves from the global economic crisis and emerge stronger.

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