

# Beating the Crisis: Reducing Personnel-Related Costs

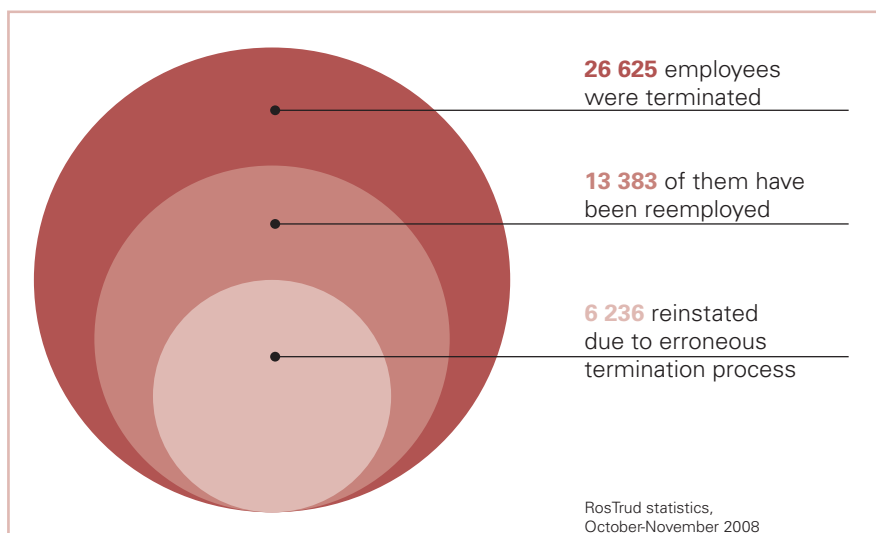
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There is no denying that our economy has taken a turn for the worse. Financial instability forces companies to urgently develop anti-crisis strategies and cut costs, including costs associated with employees. Training budgets are frozen. Companies defer expenses like mobile phones, gas and car allowances, and medical insurance. Some employers even shut down their offices and build a virtual work environment.

Traditionally, reducing headcount considered to be the fastest way to cut personnel-related costs. However, when the economy recovers, the lack of qualified personnel will still exist; therefore, such decisions must take employees into consideration, since they are a critical component of any recovery plan. If you fail to manage your human capital needs, your other recovery efforts may be futile.

How will downsizing impact the company's image among its clients and candidates? How do we maintain the necessary level of productivity and preserve critical knowledge and skills? What are all the labor law and tax requirements that we have to consider? These are the significant human resource issues that KPMG can help you address.

## How can you cut costs and improve performance?



### Realign or reduce your headcount

KPMG advisors can help you in your efforts to assess your current personnel and identify critical employees who possess key competencies and vital knowledge. These are the people who can truly add value in times of crisis. We will give recommendations on how to preserve and transfer the knowledge that may be lost in an effort to cut costs. We will also advise you on how to mitigate all the related labor law risks associated with the process and optimize tax costs.



### **Realign your Total Rewards structure**

KPMG advisors can quickly and cost-effectively assess your current Total Rewards structure and help you align it with the Company's anti-crisis approach. We can assist you in the development of a plan for restructuring Compensation, Benefits, and Incentive packages and make the necessary changes in internal documentation, including HR policies as well as labor contracts, while mitigating the associated legal risks.

### **Optimize your HR function**

Our HR advisory team can help you assess the current state of your HR operations, identify and eliminate duplicate functions, spot areas where you could improve the efficiency of the HR function, and suggest various improvements. We can also help you identify functions that can be outsourced, conduct vendor analysis, and assist in the complex and time-consuming outsourcing process.

### **Motivate your people for outstanding performance**

Before cutting benefits and redesigning compensation packages and, thus, running the risk of lowering productivity and increasing resentment, you may consider introducing a new incentive program to motivate those employees who demonstrate outstanding performance. New short-term incentive plans can be very effective; especially when your long-term stock-based incentive programs may have almost lost their value.

We can help you develop new incentive plans and assist in their implementation, as well as evaluate all the risks associated with introducing such a system.

### **Keep your employees focused on the job**

When your company is going through a rough patch or changing its current structure, procedures, or operations, it most likely will affect your critical stakeholders, such as your staff, shareholders, media, regulatory agencies, etc. In order to facilitate the change smoothly and help your employees cope with the new circumstances and keep their focus on the job, it is vital to manage their expectations and keep them informed.

Our team can help you develop and implement a Change Management strategy that will allow you to manage your critical stakeholders, deal with the "Rumor Mill," and keep employees' morale, engagement and, therefore, productivity levels as high as possible.

## Economic slowdown as an opportunity for growth

### In the first 4 to 8 months after an M&A deal is closed, productivity drops by 50%

P. Bukov, O. Stratanenko. "How to overcome employee resistance to changes and M&A processes"  
// *Mergers and Acquisitions*, 2007, No. 11.

In such turbulent times, many businesses might understandably be focused on getting through the crisis day-by-day rather than growing for the future. However, a business that is looking for long-term sustainability and has available funds needs not only to understand how to survive in the short term, but also how to turn the challenge of an economic slowdown into an opportunity. Such an opportunity may be a decision to invest in a new line of business, or to expand your current operations through an acquisition.



### Manage HR issues during M&As and other investment projects

When your company is acquiring a distressed asset or making an investment in a new line of business, it is likely to be in the process of rapidly changing its strategy, tactics and structure.

KPMG HR advisors can assist you in evaluating HR Management structure and functions, developing integration, and changing management strategy and tactics. They can help design the new HR organization, assess your staffing needs, and manage the workforce transition. We can also evaluate the current state of the labor market, use market data to forecast personnel-related costs, and help you minimize the related tax implications.



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