

## 'Laser Focus'

By MICHAEL VOLPE - 7/20/2009

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Orange County companies are changing the way they save money—from cutting people to cutting parking spots.

Some management consultants say they've seen a peak in big layoffs with many businesses now turning to cutting day-to-day costs as a way to shore up profits.

"It's kind of similar to how any household looks at their costs and trims back on cable and eating out," said Kenneth Jones, executive managing director of Newport Beach-based Lyndon Group LLC.

With declining revenue and profits, or even losses, many companies have become critical of any budget item.

"It's sort of become this laser focus at looking at every single line item that you have," said Les Sussman, managing director and practice leader for restructuring and bankruptcy services at Irvine-based Resources Connection Inc.

Companies long have relied on management consultants to come in and help streamline operations, overhaul software and optimize workflow. Now they're being asked to seek out wastefulness.

"The significant issue is just im-proving cash flow and liquidity for most companies," Sussman said. "These companies are looking to cut costs to conserve cash and try to preserve revenue where they can."

Companies are looking at the basics from current contracts, phone lines and other items, which often are overlooked during the first rounds of cost cutting, according to most management companies.

### Brought in Earlier

That brings a change in how management consultants do their jobs.

Most companies are pulling in consultants for planning sessions to break down line items.

"What we are finding is that people are very willing to speak to us in this type of economy," said Bill Carpou, executive vice president of Irvine-based Profit Recovery Partners LLC.

In most cases, companies are comparing their spending to their competitors on every single line item on their budgets, which is where management consultants come in to give a broader perspective.

"A typical way to approach is to look at a company and say how their costs benchmark against other companies," Sussman said.

In most cases, companies are going for easiest and cheapest solutions to trimming the budgets down further.

"They are looking at things all the way down to reserved parking and plant service," said Lisa Ashworth, managing director at Re-sources' Orange County practice. "Cuts are across the board. It's really hard to say we're seeing one or two areas because every business has different pieces to it that can be impacted."

### Old Contracts

Some of the biggest work these days has been re-evaluating past contracts and vendor agreements.

"We're seeing heavy negotiations from a vendor standpoint with all of our clients," Ashworth said.

Jones said that many companies are looking for quick fixes, leaving longer-term problems on hold. So management companies are auditing every aspect of company spending.



Ashworth: companies are looking at reserved parking, plant service

"I've had clients who have spent millions on overnight shipping where it wasn't necessary," Carpou said. "We've come in and set up systems to prevent that money from being lost."

In some cases, cost cutting projects have been well overdue for companies.

"Two years ago you had companies making \$400 million and they didn't see the need to save another \$10 million in savings," said to John Hill, director of finance operations at Milwaukee-based Jefferson Wells International Inc.'s Irvine office. "They just weren't focused on that and to put another cost saving project on the plate was more of an added burden."

Some of the cost savings have come from companies trimming their budgets to reflect the current size of the company after a series of layoffs.

"Many companies have their cost structure out of line because they had too many (resources) for the fewer people that they have," Sussman said.

Some management companies are recommending looking at these smaller items as way to cut costs before laying off people.

"You don't want to get into the position where you are crippling your organization in the longer term," Sussman said. "Most companies are optimistic enough to believe that at some point things are going to turn around and you don't just want to destroy your company to survive."

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