

Thought piece on measures to undertake in responding to a budget downturn essay s...

[Business](#), [Company](#)



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As a leader, one is expected to give directions to the workers even at the time of financial crisis. The decisions taken at such critical issues distinguish well from weak leaders. For this case, there are budget problems. As a manager, one is expected to offer and to engage in actions that will ensure that the organization survives throughout the budget downturn while combating revenue decline. The profitability and efficiency of the organization should be negatively impacted minimally. The relevance of the organization needs to be sustained. In this case, there is a need to communicate to the employees about the crisis, seek measures of expenditure reduction while seeking for other measures that would generate income. In essence, therefore, the critical leadership skills that need to be applied in this scenario are change management competencies.

Understanding the Root Cause of the Problem

The right cure may not be realized if the root of the problem is not known.

The way to go needs to be advised by facts and evidence. In identifying this kind of information, there is a need to identify why the revenues are declining and why the decreased budgetary allocations. In this scenario, it is critical to note that the primary cause of income seems to be taxation. The principal financier for this case is the government. This thus calls for economic analysis in which the management gathers information on what is going on and the main cause of revenue decline. From this, as a leader, one can now predict the duration for which the crisis may persist

When this information is generated, any plans and steps that come after will be sensitive in relation to time. A prediction of time will advise the group on how long and by how the budget will be affected. The director will then decide on how to communicate this with the employees, plan for expenditure reduction as well as develop mechanisms for generating more income from other sources. From an economic analysis, it can be detected whether the revenue collection will decline even further. If it is to improve, when will that improvement occur? This calls for adequate managerial skills. It is because on understanding the period that the budget will be affected, one has to relate it with the current position of the organization or the firm. Issues such as considering the buffer stock will become essential before embarking on recovery actions.

Reassuring Employees

In being a leader, a key resource is the personnel. As a leader one has an obligation to manage and communicate with the employees of the existing budgetary problem. The first thing would be to over communicate with every employee. When there is a crisis, leaders have the mandate of reassuring the employees that despite the problem at hand, the management's primary goal is to win. In worse situations, the leader may be faced by an issue of some employees willing to quit. The leader has to take care of the best people by continually consulting them in a motivating way. Lastly, a leader should shore-up the balance sheet. This means going on the offensive with a healthy balance sheet. The time may be harsh, but this calls for aggressiveness from the leader. It is not about sitting under the desk and sucking a thumb.

Managing Employees

In addition to reassuring of employees, they need a different approach of management to maintain profitability and efficiency of the firm. When challenging economic times occur, most companies struggle in staying afloat as most of the employees worry that their jobs might be lost. There is a need to ensure that the employees remain productive and loyal through motivation on the possible survival of a challenging period.

The employees will be affected at this time because the budgetary allocations for the employees is reduced. However, the manager should seek alternatives for layoffs. If the layoff is unavoidable, the leader has to discuss it with the employees before the actual laying off is conducted. An

alternative that would be considered could be reducing the time worked. For instance, if there is an employee almost getting to the retirement age, working a few hours would be acceptable to them. The employees need to be perceived as valuable assets. They are stakeholders in the organization. The workers need to engage in their daily activities while continually informing them of valuable they are to the firm. They need a constant reminder that their positivity in productivity means a lot to the organization. Congratulatory emails and verbal-thank you messages should be a regular practice at this point. In times of this budgetary decline, there are co-workers that have been laid off thus they have to endure more hard work. Management should focus on keeping the employees focused on the jobs and avoided more worry on the economy. The employees will usually worry about their futures. They need to be reminded that the leadership is doing all it can to prevent any further deterioration. At this point, the views of the employees in relation to what measure could be taken are necessary. It is essential that a leader be truthful to the employees. False statements would make them doubt the stability of the firm and would opt to seek employment elsewhere. While all these exist, the employees should be informed on how they have survived before and that they will look back one day and be amazed that they survived a budgetary crisis once again.

Reducing Expenditure

At this point, budgetary allocations for every operation are reduced. To this accord, the measures discussed below would be essential in controlling costs. The first measure could be re-budgeting, planning and monitoring. The

limited finances that are applied to the budget should be revisited, and the concerned parties accounted for them duly. There should be monthly financial results to keep a close eye on how the firm is adapting. This ensures that in case of variances in the plan and the environment, there is a quick response.

On another front, the purchasing procedures should be considered. The objective would be to identify possible areas where costs could be reduced. The authorization processes should be checked to determine that there is adherence to authorization limits. This should also include establishing adequate controls on the spending limits which is also inclusive of the people who have been authorized to conduct the purchases. The providers would need to be considered as well. By so doing, opportunities for reducing costs through consolidation of purchases would deliver additional buying power. Through consolidation of the providers, administrative expenses will be reduced because there will be decreased payments, orders and invoices. While the suppliers are still informed of the budgetary allocations due to the issue of taxation, it would be reasonable to get on the negotiating table. It may be approached in two ways; negotiate for better prices with the current suppliers or move to consider proposals presented by other suppliers with lower costs. As a leader, this approach is critical. It is because, in selecting other suppliers, the quality of the cheaper supplies would be lower thus impacting negatively on the productions and service delivery of the firm. In surviving the budgetary ordeal, a leader should adopt a participatory approach in the reduction of expenses. To this regard those to be involved would be the employees and other intergovernmental agencies. A team of

employees who have a clear understanding of the problem at hand would be selected to analyze varying expense categories which would then lead to a reduction of expenses. With their expertise, specialization and routine activities, employees have the potential often to identify items that have less expensive alternatives that would end up meeting the organizational needs. To a more positive note, the employees would identify items in the company that would be eliminated entirely without affecting the body. In this approach, the employees would be rewarded for effective measures that would help combat expenses. On other circumstances, the group would seek help on expense reduction from the outside. This being a government funded organization, consultations with other governmental organizations would be helpful. This would concern understanding how they themselves are able to respond to the budgetary challenge. For instant, experts in the state frame would be invited to shed light on how expenses would be reduced in a facility. Such information would help in surviving the current and future ordeals related to financial challenges.

The reduction of expenditure as a coping mechanism can be sufficient for survival while risks still remain that production would be affected marginally including efficiency of service delivery. A leader should employ subjective and objective analytical skills in the determination of which way to go to ensure that the relevance of the organization or firm is maintained.

Developing New Approaches of Generating Income

While engaging in activities that aim at reducing the expenditures, the organization should aim at strengthening and creating new mediums for

which they could generate income. The mediums should be creative, legally acceptable, well informed and practicable. This is a positive coping strategy that the leadership and employees at different levels should employ. Bearing in mind that this may be a governmental institution, all policies and measures in place should be followed fully to ensure that the vision and the requirements go hand in hand. As a leader, there is a need of identifying the needs of the customers and connecting this with the potential of the firm that then could end up with profitable ideas. The customers themselves already are informed about the existing revenue decline. Through the right procedures, they would be encouraged to engage in financial activities with the company that would eventually boost other means of revenue collection. The leader plays a big role in this, as he/she has to interlink the customers, the employees, the objectives and the vision of the organization in giving directions.

According to the aforementioned facts, a leader should offer direction during economic times. The solution is sought using the available evidence and data. The concerned parties develop procedures towards solving the crisis, with the guidance of a leader. An excellent leader reassures employees through communication and proper management of the workforce in any organization. In addition, management entails reduction of expenditure through cutting down budgetary allocations. At the same time, new strategies to earn more income are created. Doing the above, as a manager of an organization, one is likely experience effectiveness.

Work Cited

Pugh, Derek Salman, and David Mayle. Change management. Los Angeles: SAGE, 2009. Print.