New Priorities: How Businesses Are Reimagining Cost Structures

The pandemic has forced rapid changes across industries, and the shifts will change how many do business going forward.

October 23, 2020 5 min read

Opinions expressed by *Entrepreneur* contributors are their own.

As much as we'd like to, as professionals, we simply cannot put resources and time into everything. Instead, we have to prioritize what to improve or pursue carefully based on our own morals, risk tolerance, and outside support. This challenge has never been bigger than in the context of the Covid-19 crisis. This unprecedented situation is forcing people in every industry to reevaluate what to focus and spend money on, and these four points are emerging as key concerns.

Related: 3 Ways Great Leaders Have Evolved in the Wake of Covid-19

1. Real estate

Prior to Covid-19, business leaders generally weren't afraid to sign commercial real estate leases. The assumption was that, even as more workers eventually became capable of working from home, the traditional office was necessary to keep productivity up and allow managers to maintain control of the workforce.

But now, the length of time employees have already spent doing

their jobs away from their regular buildings is making companies question how much office space they actually need. And this directly ties to personnel, as well. Who *really* has to be physically present? Maybe the executives do, but the people who work under them don't need to be. And what about specific projects? One goal might need more or less people than another. So how can we find innovative ways to increase or shift responsibilities in logical ways without adding more people?

For these reasons, long-term lease obligations will potentially be renegotiated or evaluated more critically in the future. Leaders are recognizing that greater flexibility with employee proximity can help businesses streamline and reduce the cost for both personnel and space. And since many workers are in situations where work flexibility is extraordinarily helpful in managing other areas of their life, rethinking leases can be beneficial beyond just the bottom line.

2. Renegotiating budgets

Previous budgets might have been set up assuming long-term leases or specific approaches to work. Now, the reality is different. People might not have considered that half their workforce would be remote, for instance, or they might realize that certain projects will need different tools or accommodations to remain viable (e.g. Zoom, increased cybersecurity, etc.). Workers might also see that they can speak up about ideas differently than they might have before during a busy in-person meeting.

Some companies are even having a more existential response to the pandemic, asking themselves if they're really giving society what matters most. So, they're using the enormous upheaval in operations to pivot, rebrand, and take new paths. For some, financial losses mean that slashing costs and

working differently (e.g., moving online) is the only way to keep their doors open.

Leaders likely will need to go back and revisit what they'd set up financially and see what should change, both out of necessity and in recognition of opportunity.

3. Treatment of vendors

No one wants to let go of people, whether it's someone on your workforce or a partner who has always had your back. But as companies try to accommodate everything that's currently happening, they might need to think about whether they should temporarily put some of their partnerships on hold as well as how their vendor relationships influence their internal teams. Leaders are going to need to more consciously cost out agility and understand how much they're willing to pay to innovate. Innovation for innovation's sake will come under stricter scrutiny, and the innovation that does happen will occur under the guise of driving business growth while providing the ability to move more quickly and easily. Innovation occurring right now must be executed flawlessly and have a real, necessary purpose. More now than ever, ensuring ROI will be absolutely critical.

Related: 5 Easy Ways to Increase Your Profit Without Bringing in a Sale

4. Employer vs. employee control

Before Covid-19, workers had an increasing amount of control with their career journeys in that they could easily go to another company if they felt their current employer was not promoting them fast enough or failed to give them a good environment and compensation. Now, though, the economic fallout from the pandemic is shifting more power back to the companies. Because workers don't necessarily want to leave or

feel like they can’t, the discussion around areas like salary, bonuses, or even retirement benefits likely will be very different. People might find that they don’t get the perks they expected, or that managers actively train them to cover new responsibilities in case of additional furloughs or layoffs. This doesn’t mean that leaders should or will consciously try to take harsh advantage of employees or ignore what they’re going through. Rather, it just means that there might be greater tensions as both sides try to find balance within new limitations.

The current pandemic situation is forcing leaders to reimagine cost structures and throw out previous assumptions related to what has to take place. Rather than see this negatively, let’s instead view this as a wonderful opportunity to dig deep into what you want and to become the lean, more competitive organization you’ve always aimed to be. By taking a second look at what’s really necessary, you can manage well through the pandemic and reshape for an even brighter future.

https://www.entrepreneur.com/article/358026