

## **COST CUTTING STRATEGY & ITS IMPACT ON EMPLOYEE'S PERFORMANCE**

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### **Abstract**

Increasing competition from various nations like Indonesia and Philippines has forced many Indian MNCs to reduce the benefits to their employees as a part of their cost cutting strategy. One such move is withdrawal of a basic or hygiene factor like transport facility. This has led to various adverse consequences on the performance of their employees like reduced motivation level, disturbed work life balance and their quality of work life. Many employees encountered increase in distress, a negative stress and even faced a situation of facing disciplinary actions due to frequently getting delayed in reporting to their work. Due to this they have encountered a negative impact on their career advancement, incentives, and salary hike and job security. Many employees found it impossible to relocate their residence to close proximity of their work place in spite of facing huge trouble due to unreliable and unsafe public transport. Many employees preferred to have a car pool facility over individual or personal vehicle or even public transport. This study was carried out on few employees of certain select corporate houses in Hyderabad, India, whose transport facility (pick up and drop facility) was removed and the negative impact which it had on the productivity of employees and its adverse effect on the motivation and morale of these employees as a consequence due to reduction of shuttle and home drop facilities especially during day shifts, as a part of their cost cutting strategies.

*Keywords: Car Pool, Cost Reduction, Monetary Compensation, Stress, Transport Facility, Work Life Balance.*

### **Introduction**

This study was carried out on few employees of certain select corporate houses such as GE, Google, Bank of America, Cognizant technologies etc, whose transport facility (pick up and drop facility) was removed and the negative impact which it had on the productivity of employees and its adverse effect on the motivation and morale of these employees as a consequence due to reduction of shuttle and home drop facilities especially during day shifts, as a part of their cost cutting strategies. Due to excessive competition from other low cost regions like Indonesia, Philippines, etc, many Indian MNC's especially BPO's, IT/ITES, organizations are facing excessive heat to cut short non monetary employee benefits. One such non monetary benefit is free pickup and drop transport facility. It has to be noted that since few months many corporate houses in India have started reducing many fringe benefits, non monetary compensation to their employees as a part of their cost cutting strategy so as to become more competitive and productive. However, it had certain unanticipated negative impact on employee's health and acted unfavorably towards their personal and professional life. Added to that, the TA (transport allowance) of employees has not been increased. The undeniable fact that the traffic in many metropolitan areas in India is very heavy during peak rush hours; it is also bundled with poor public transport if the employee prefers to travel by state transport vehicles or metro or local trains.

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