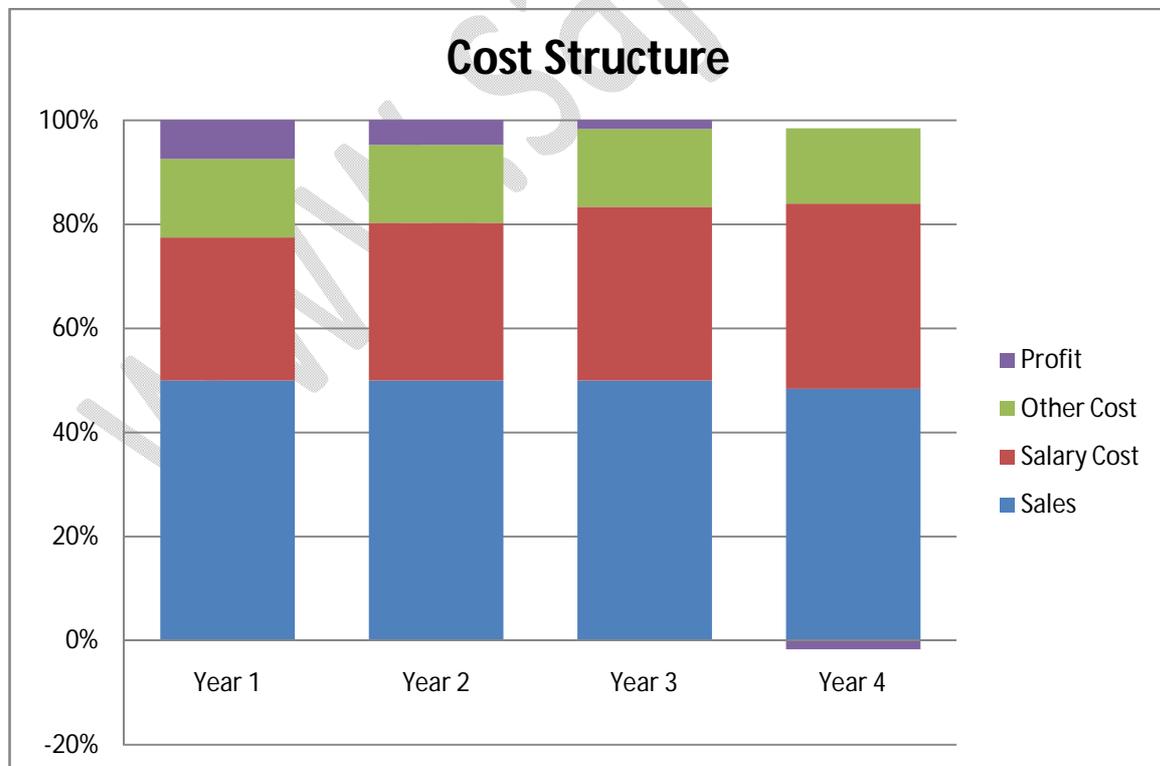


First, you should analyze why the company is having trouble? Is it because the staff is not working properly, they are overpaid, the staff is sitting idle due to lack of orders, sales staff responsible for lack of orders? If it is due to any of the reasons above, it is very easy to show the pink slip to the above staff. But the question that I have in mind is who is responsible for hiring the wrong staff or wrong prediction of expected sales? It is always the top management. The company gets into bad shape due to decisions of the top management. So, I feel it is the top management who should be shown the pink slip. Secondly, there are yearly increments given to staff (say 10%) without any corresponding increase in the selling price. So the wage cost goes up affecting the profit margin. So giving yearly increments to all the staff is a wrong decision of company. Therefore, the company becomes helpless to give increments to the employees who deserve. Therefore, such employees start leaving the organisation and the organisation has all non performing staff. Also increase given to support staff is at the cost of increase to be given to staff in operations and sales department. So my question is , is it correct to do injustice to operations and sales staff? It is my observation that support staff take increments and therefore the management cannot give good increments to sales and production staff.

To understand this, let us take an hypothetical example. Lets says sales are at 100 and there are competitive pressures such that it is not possible to increase the selling price. At the same time other costs remain constant except salary cost which are increased @ 10% p.a.

Table showing Cost Structure

	Sales	Salary Cost	Other Cost	Profit
Year 1	100	55	30	15
Year 2	100	61	30	9
Year 3	100	67	30	3
Year 4	100	73	30	-3



The above article is my personal opinion. If anyone want to contact me, feel free to write to me at info@sajeev.in or call on 9850160697