

Consultancy advice for Kadgee Clothing

Suggested answers

Solutions for short-term cost-cutting measures:

1. An immediate wage cut of 5% for all operational staff working within Kadgee's factories.
2. Changes to the contracts of employment for operational staff working within the factories, which include a reduction of paid leave and other entitlements
3. Immediate closure of one factory with compulsory redundancies of 54 employees.
4. Closer scrutiny of sick leave, which Birgit Zeim considers to be very high. She has stated that she would not hesitate to terminate the employment contract of any employee who she considers to be exploiting the company's generosity.
5. Birgit Zeim is fully aware that employee morale is already low, and that these measures would have a detrimental effect. To counter this, she wants all employees to have a share of up to 20% of the total profits achieved each year. However, the profit related pay would only be paid if all departments achieved agreed targets. She plans to introduce a range of financial and nonfinancial performance related targets during 2017.

