HIGH-VOLUME

WORKSHEET 3 OF 9

Pre-Cut Sanity Check — Before Any Spending Decision

Fill this in before approving or cancelling any recurring expenditure above your threshold amount.

Complementary worksheet for

Cost Reduction Strategies

by Ibrahim Anwar

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SECTION 1

What This Is For

Most cost-cut mistakes are not made because the operator was careless. They are made because the decision moved from "I want to reduce costs" to "this line is the largest one visible" in under five minutes, with no structured middle step. The Three-Filter framework from Chapter 7 exists to prevent that. This worksheet is the paper form of those three filters, applied before any cut is approved.

Run this sheet before cancelling, reducing, or renegotiating any recurring expenditure above a threshold you set — a reasonable default is anything above $300 per month. The sheet is not a barrier to cutting. It is insurance against cutting the wrong thing. An operator who completes this form and still decides to cut has made a documented, reasoned decision. An operator who skips the form and cuts anyway has made a guess — and if the cut hits the throughput path, the recovery cost will far exceed the saving.

SECTION 2

Benefits

What you get when you actually run this worksheet on a real situation:

- Forces a three-filter check before every material cut, turning a gut reaction into a defensible decision.
- Surfaces transition costs before they become surprises — the number that gets ignored in meetings but shows up in the bank statement three months later.
- Calculates net year-one saving as a single comparable figure, so competing cut candidates can be ranked by actual value rather than nominal size.
- Identifies whether optimization (doing the same thing cheaper) is available before elimination is chosen — the option most often overlooked.
- Creates a paper trail for each cut decision, useful when a manager or co-owner asks why a particular line was changed.

SECTION 3

Framework To Use

— Three-Filter Decision Gate

Every cost candidate must pass three sequential questions before a cut is approved. Failing filter 2 does not block the cut — it requires a deeper impact analysis first.

SECTION 4

How To Use

Follow these steps in order. Each one builds on the previous.

1 Set your monthly threshold. Any recurring expenditure above that threshold requires this sheet before a change is made. Write your threshold at the top of the form.

2 Name the cost candidate in column one. Write its current monthly dollar value in column two.

3 Apply Filter 1: would this expenditure decrease or stop on its own in the next 90 days without any active decision? Variable costs tied to a declining sales trend often fall automatically. If yes, write 'Y' and stop — no action needed. Document that you checked.

4 Apply Filter 2: if this cost were eliminated or reduced, would it directly limit the number of orders you can fulfill, deliver, or produce per month? If yes, write 'Y' and estimate the monthly revenue at risk in the adjacent cell. This does not mean the cut cannot proceed — it means it requires a separate impact analysis before approval.

5 Apply Filter 3: is there a version of this cost that is cheaper but still functional? A less frequent service, a lower tier, a renegotiated rate, a shared arrangement with another operator? If yes, write the optimization option and schedule it before treating elimination as the default.

6 Calculate net year-one saving: (monthly value × 12) minus estimated transition cost. Write this figure in the last column.

7 If net year-one saving is negative, or less than six months of the cost it replaces, the cut is not financially justified at this time. Write down what would need to change to make it viable, and revisit in 90 days.

SECTION 5

Example Use

A food truck owner with three permanent staff is under revenue pressure and looking at a $420 per month commercial kitchen rental that the truck uses for prep work three days a week. Utilization feels low. She fills out the Pre-Cut Sanity Check before cancelling.

The owner sets her threshold at $200 per month. The commercial kitchen rental at $420 clears that easily. She opens the form.

Filter 1 — Will it stop on its own? The rental is on a month-to-month arrangement with 30 days' notice required. It will not stop without an active cancellation. Answer: No. Proceed.

Filter 2 — Is it in the throughput path? She pauses here. The kitchen is used for prep work: sauces, marinated proteins, baked goods. If she cancels, where does prep happen? The truck's internal workspace is too small for bulk prep. She would need to prep in shifts at the truck, which would reduce the hours available for service. Her current throughput is 85–95 covers per service day. She estimates that reduced prep would drop this to 60–70 covers. At an average check of $14 and 5 service days per week, the revenue impact is roughly (20 covers × $14) × 5 days = $1,400 per week, or $6,020 per month. Answer: Yes. The kitchen is in the throughput path.

Filter 3 — Can it be optimized before eliminating? She checks if there is a cheaper kitchen rental in the same district. She finds a shared kitchen at $280 per month with two days' guaranteed access plus waitlist for additional days. On the three days she currently uses the kitchen, two would be covered and one is uncertain. Potential monthly saving: $140 versus cancellation saving of $420.

Net year-one saving if she optimizes (switches to shared kitchen): $140 × 12 = $1,680. Transition cost: $0 (no penalty, simple month-to-month switch). Net year-one saving on optimization: $1,680. This clears the minimum bar.

Net year-one saving if she eliminates entirely: $420 × 12 = $5,040. But monthly revenue impact is $6,020. Year-one net cost: $5,040 saving minus $72,240 revenue impact = deeply negative. The cut is not financially justified.

Decision: optimize. Switch to the shared kitchen at $280. Save $140 per month. Keep the throughput path intact. If a third prep day is needed, explore using the current $280 arrangement's waitlist before adding cost.

SECTION 6

The Worksheet

Tear this out, copy it onto a fresh sheet, or fill it in directly.

Pre-Cut Sanity Check — Before Any Spending Decision

Fill this in before approving or cancelling any recurring expenditure above your threshold amount.

COST CANDIDATE	MONTHLY VALUE ($)	STOPS ON ITS OWN? (Y/N)	IN THROUGHPUT PATH? (Y/N)	TRANSITION COST ESTIMATE ($)

Reflection Prompts

After filling in the worksheet on the previous page, work through these.

1. If 'Stops on its own' is Yes: take no action. Document it and move on. If it is No: continue to the next column.

2. Net year-one saving = (monthly value × 12) minus transition cost. If the net figure is negative or covers less than six months of equivalent cost: the cut is not justified on current numbers. Write down what would need to change before it is.

SECTION 7

Tips and Traps

TIPS	TRAPS
• Set a specific dollar threshold for this form and write it at the top. Without a threshold, the form either gets applied to everything (exhausting) or nothing (useless). • For Filter 2, the question is not 'does this cost touch operations.' Everything touches operations. The question is: does removing it reduce the number of units you can ship or serve per month? Be specific. • When in doubt about Filter 3, call the vendor before filling in the form. An optimization option you do not know about does not exist in the filter — it just gets skipped. • If a cut is approved, write the date on the form. In six months, pull the form back out and check whether the net saving materialized. If it did not, the transition cost estimate was wrong and needs correcting for the next decision. • Run this form in reverse after a cut has already been made and caused problems — use the 'Cut That Hit the Throughput Path' worksheet (sc-3) to measure the damage and plan the recovery.	• Treating 'it is in the throughput path' as absolute protection. It is not. It is a flag requiring impact analysis. Throughput-path costs can still be optimized or replaced — they just need a plan before the cut, not a reflex. • Estimating transition costs as zero because 'we can handle it internally.' Internal time has a dollar cost. If someone spends 40 hours managing the transition, that is real money, even if no invoice arrives. • Applying the form only to obvious line items and skipping small recurring subscriptions below the threshold. The correct approach: flag any subscription that has auto-renewed more than twice without review, regardless of size. • Treating the form as a blocker when the real decision is already made. If management has already decided to cut something, the form should still be completed to document the transition cost estimate — not to reverse the decision but to manage the execution. • Skipping Filter 3 because optimization feels slower than elimination. For recurring costs, an optimization that saves 25% of the line costs nothing to reverse. An elimination that turns out to hit the throughput path costs months of recovery.

SECTION 8

Appendixes

Appendix A — Net Year-One Saving Formula

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Gross annual saving  = monthly value × 12
Transition costs     = termination penalty
                     + replacement search time (hours × hourly rate)
                     + onboarding or migration cost
                     + operational disruption estimate (worst-case 1 month)

Net year-one saving  = gross annual saving − transition costs

Payback period       = transition costs ÷ monthly saving
                     (acceptable: under 6 months for routine cuts;
                      under 12 months for structural decisions)

Minimum bar:
  Net year-one saving > 0          → cut is financially justified
  Payback period < 6 months        → low-risk cut
  Payback period 6–12 months       → acceptable with planning
  Payback period > 12 months       → optimize first; revisit in 90 days
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Appendix B — Throughput Path Quick Test

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A cost is IN the throughput path if removing it would:
  [ ] Reduce units produced or assembled per month
  [ ] Reduce orders that can be delivered per month
  [ ] Reduce the number of customer accounts that can be served
  [ ] Slow a process that determines when revenue is collected

A cost is NOT in the throughput path if removing it would:
  [ ] Save money without changing any of the above
  [ ] Only affect comfort, presentation, or status (not output)
  [ ] Be replaced at the same functional level by a cheaper alternative

If any throughput-path box is checked: do not cut without completing
a separate capacity impact analysis (see Chapter 7, Level 2 framework).
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WHERE THIS WORKSHEET COMES FROM

Cost Reduction Strategies

Find Where Costs Hide Before the Knife Touches Anything

by Ibrahim Anwar

This worksheet is one of nine in the *Cost Reduction Strategies* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

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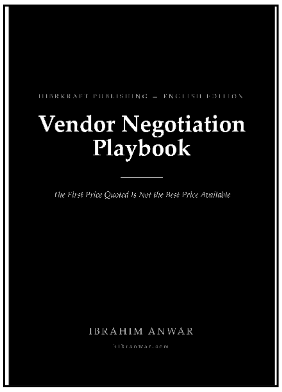

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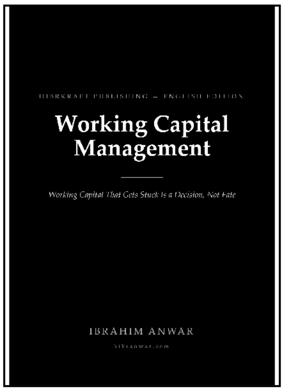

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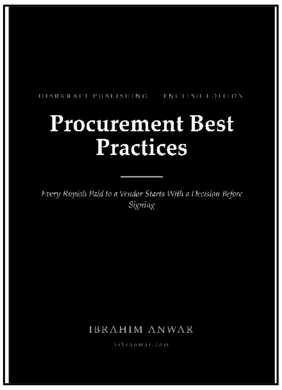

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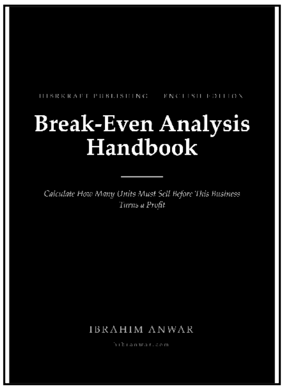

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