SPECIFIC-CASE

WORKSHEET 9 OF 9

Cut That Hit the Throughput Path — Damage Assessment and Recovery Plan

Scenario: A cost was reduced or eliminated that turned out to be in the throughput path. Output has fallen, delivery times have extended, or a key process has slowed. The decision has already been made and executed. The task now is to measure the actual impact, calculate the real net cost of the decision, and build a recovery plan with a defined timeline. Fill this in for the specific cut that caused the problem.

Complementary worksheet for
Cost Reduction Strategies
by Ibrahim Anwar

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SECTION 1

What This Is For

A cost cut has already been made. Delivery times are longer than they were. Orders are slipping. The operator knows the cut caused the problem but has not yet calculated how much the problem is actually costing per month — meaning the "saving" on the P&L is offset by a revenue impact that has not been named or measured. This worksheet exists to produce that measurement, then to evaluate two recovery options before one is chosen.

The three-filter framework from Chapter 7 was supposed to prevent this. But the cut happened. The task now is not to revisit whether it should have been made — it is to calculate the real net cost to date, choose the cheaper of two recovery paths, and execute the recovery before the damage compounds further. The two paths are: restore the original cost (faster recovery, higher short-term cost), or re-engineer around the gap (slower recovery, potentially no new spending). Which is cheaper depends on the contribution margin per unit, the revenue lost per month of delay, and the time each path requires to reach full output.

SECTION 2

Benefits

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

- Calculates the real net cost of the cut decision — saving minus revenue impact — so the conversation with management or co-owners starts from a number, not a feeling.
- Compares two recovery paths on a common metric (total cost over 6 months) so the choice is based on numbers rather than on which option feels less embarrassing.
- Identifies the monthly revenue impact per unit of throughput lost, which becomes the urgency metric: every month of delay in choosing a recovery path costs that figure.
- Creates a recovery plan with a defined timeline, rather than leaving the problem in an undefined 'we are working on it' state.
- Produces documentation of the damage assessment that can be shared with a board, investor, or lender if the situation is material.

SECTION 3

Framework To Use

Damage-to-Recovery Decision Bridge

Measure the damage first. Then compare the cost of each recovery path over the same six-month horizon.

BEFORE	AFTER
{'label': 'Before cut (baseline)', 'items': ['Monthly output: N units', 'Monthly revenue fulfilled: $R', 'Monthly cost being cut: $C', 'Contribution margin per unit: $M']}	{'label': 'After cut (current state)', 'items': ['Monthly output: N minus delta units', 'Revenue fulfilled: $R minus (delta × M)', 'Monthly saving on P&L: $C', 'Net monthly impact: saving minus revenue loss']}

SECTION 4

How To Use

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

1. Write the cut that was made: the cost line eliminated or reduced, the monthly dollar saving, and the month the cut took effect.
2. Measure the output drop: what was monthly output before the cut (in units, orders fulfilled, or deliveries completed), and what is it now? Express the difference as a number and a percentage.
3. Calculate the monthly revenue impact: the output reduction × contribution margin per unit. This is the revenue the business is failing to fulfill each month because of the cut. If contribution margin per unit is not known, use gross margin percentage applied to average order value.
4. Calculate the cumulative net cost to date: months since cut × (revenue impact per month minus monthly saving). If this number is negative, the cut has already cost more than it saved.
5. Evaluate recovery path 1 — Restore: what would it cost to restore the cut cost to its original level (rehire, reinstate the contract, return the equipment)? How many months would it take to return to pre-cut output levels? Calculate: (restoration cost + months-to-recovery × revenue impact per month) as the total cost of path 1 over 6 months.
6. Evaluate recovery path 2 — Re-engineer: is there a process change, reallocation, or substitute that could recover throughput without restoring the original cost? How many months would that take to implement? Calculate the total cost of path 2 over 6 months similarly.
7. Compare the two six-month totals. Choose the path with the lower total cost. Write the decision and the reasoning in one paragraph.
8. Set a 30-day check-in date. At that date, measure output again. If it has not moved toward the recovery target, escalate the recovery timeline or reconsider the chosen path.

SECTION 5

Example Use

A small injection molding workshop cut the overtime hours of its most experienced machine operator to reduce payroll costs. Three weeks later, the production manager reports that defect rates have risen and one key customer has flagged late deliveries.

The cut took effect four weeks ago. Monthly saving: $1,600 in reduced overtime. The operator in question runs the primary mold for the business's highest-margin product line — a component sold to two commercial kitchen equipment manufacturers at a contribution margin of $38 per unit.

Output before cut: 620 units per month from that production line. Output this month: 490 units. Drop: 130 units, or 21%. Monthly revenue impact: 130 × $38 = $4,940. Monthly saving: $1,600. Net monthly cost of the cut: $4,940 − $1,600 = $3,340 per month.

Cumulative damage after four weeks (approximately 1 month): $3,340. The cut "saved" $1,600 and cost $4,940 in unfulfilled contribution margin — a net loss of $3,340 in month one.

Recovery path 1 — Restore overtime: the operator is still employed; they can return to their previous schedule immediately. Time to full output recovery: approximately 2 weeks to relearn the tempo that was disrupted. Restoration cost: $0 one-time (no rehire needed). Total path 1 cost over 6 months: 0.5 months at current damage + 5.5 months of recovered output. Net saving restored: approximately $19,800 in recovered contribution margin, at no additional cost beyond the original overtime.

Recovery path 2 — Re-engineer the schedule: a junior operator could be trained to run the secondary settings on the mold, freeing the senior operator's time without restoring full overtime. Estimated training time: 6 weeks. During training: reduced output continues. 6-week cost at $3,340/month damage: $5,010. After training: output potentially recovers to 570–590 units (not quite full pre-cut levels, but closer). Path 2 over 6 months: $5,010 in training-period damage + a persistent 30–50-unit-per-month shortfall at 90% recovery.

Path 1 wins clearly. The owner restores the overtime schedule this week, documents the decision, and adds the senior operator's production line to the throughput-path column on the Pre-Cut Sanity Check for every future cost decision that touches that role.

SECTION 6

The Worksheet

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

Cut That Hit the Throughput Path — Damage Assessment and Recovery Plan

Scenario: A cost was reduced or eliminated that turned out to be in the throughput path. Output has fallen, delivery times have extended, or a key process has slowed. The decision has already been made and executed. The task now is to measure the actual impact, calculate the real net cost of the decision, and build a recovery plan with a defined timeline. Fill this in for the specific cut that caused the problem.

ITEM	BEFORE CUT	AFTER CUT	DIFFERENCE

SECTION 6 (CONTINUED)

Reflection Prompts

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

1. Fill in for each affected metric: monthly units produced or delivered, revenue fulfilled per month, gross cost of the cut (monthly saving × months since cut), estimated revenue impact per month (output reduction × contribution margin per unit), and total net cost to date (revenue impact minus gross savings). If net cost is negative — meaning the cut has already cost more than it saved — write that figure clearly. It is the starting point for the recovery decision.

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2. Two recovery paths: (1) restore the cut cost — estimate time to return to pre-cut output and total transition cost to restore; (2) re-engineer around the gap — what process change or reallocation could recover throughput without restoring the original cost? Compare the total cost of both paths over six months and choose the one with the lower net cost. Write the decision and the reasoning in one paragraph.

SECTION 7

Tips and Traps

TIPS

- Calculate the net cost to date before the recovery decision meeting. Walking into the meeting with the number ($3,340 per month net damage) changes the quality of the conversation.
- If contribution margin per unit is not in the operator's head, use gross margin percentage as a proxy. An imprecise figure is more useful than no figure at all.
- Set the 30-day check-in as a non-negotiable calendar entry. Recovery plans that are decided but not measured are recovery plans that drift.
- After the recovery is complete, add the affected cost line to the throughput-path column of the Pre-Cut Sanity Check (hv-3). The same mistake should not repeat at this line.
- If the recovery requires restoring a human cost that involved a person being told their hours were reduced, communicate the restoration clearly and quickly. Uncertainty about restored work conditions affects output even after the schedule is technically restored.

TRAPS

- Comparing path 1 and path 2 without adjusting for the recovery timeline. A path that recovers output in 2 weeks versus one that takes 6 weeks is not comparable at the same monthly damage rate — the 6-week path accumulates 10 more weeks of damage during the recovery period.
- Using the nominal saving on the P&L as evidence that the cut was successful. The P&L shows the saving. It does not show the revenue impact. Both figures must be on the same page before a conclusion is reached.
- Waiting for the next quarterly review to decide on the recovery path. Each month of delay at $3,340 net damage is $3,340 compounding. Urgency is proportional to the monthly net cost figure.
- Choosing path 2 (re-engineer) primarily because it feels like a more sophisticated response, rather than because the numbers favor it. 'Restore' is not an admission of failure. It is often the cheaper and faster option.
- Failing to communicate the damage assessment to whoever approved the original cut. If a cost decision is made at management level and the throughput damage is not reported back at the same level, the same decision process will produce the same mistake.

SECTION 8

Appendixes

Appendix A — Net Cost to Date Formula

```
Monthly saving from the cut:           $S
Output drop per month (units):         D
Contribution margin per unit:          $M
Monthly revenue impact:                D × M = $R_impact
Net monthly impact:                   $R_impact − $S

If (R_impact - S) > 0: cut is costing more than it saves each month.
If (R_impact - S) < 0: cut is still net positive despite throughput loss.

Cumulative damage to date:
  (R_impact − S) × months since cut = $________

Urgency metric:
  Every additional month of delay = $R_impact − S in additional net damage.
```

Appendix B — Recovery Path Comparison (6-Month Horizon)

```
PATH 1 — RESTORE (reinstate the original cost):
  One-time restoration cost:                  $________
  Weeks to full output recovery:              ________
  Revenue impact during recovery period:
    (D × M × weeks to recover ÷ 4.3)         $________
  Path 1 total cost over 6 months:           $________

PATH 2 — RE-ENGINEER (process change, no new spend):
  Weeks to implement alternative:             ________
  Output recovery achieved (% of original):   ________%
  Revenue impact during implementation:       $________
  Persistent shortfall after (if < 100%):     D_residual × M × remaining months = $________
  Path 2 total cost over 6 months:           $________

DECISION:
  Lower total: [ ] Path 1 — Restore  [ ] Path 2 — Re-engineer
  Decision rationale (one paragraph): _____________________________
  Implementation start date: _________________
  30-day check-in date:       _________________
```

Appendix C — Throughput Path Flag Card (Post-Recovery)

After recovery is confirmed, file this card with the cost line's record:

```
Cost line:           _____________________________
Cut attempted:       [month/year]
Result:              Throughput path affected — do not cut without
                     impact analysis
Affected output:     _____ units/month reduction per $1K reduction in cost
Contribution margin: $_____ per unit
Recovery required:   [ ] Restore  [ ] Re-engineer  [ ] Hybrid
Recovery completed:  [month/year]

Pre-Cut Sanity Check (hv-3) updated:  [ ] Yes
Operator informed for future decisions: [ ] Yes
```

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.

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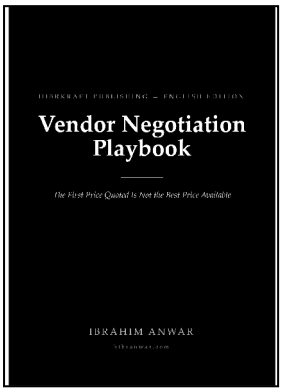

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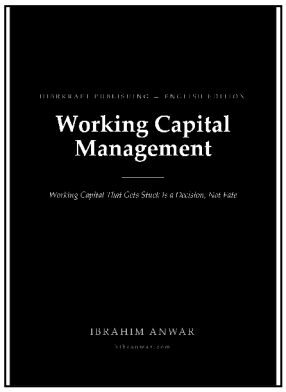

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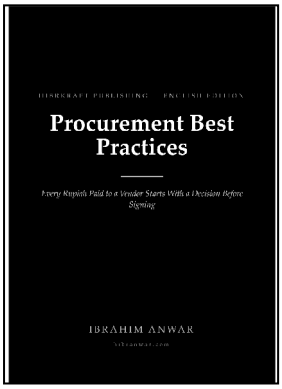

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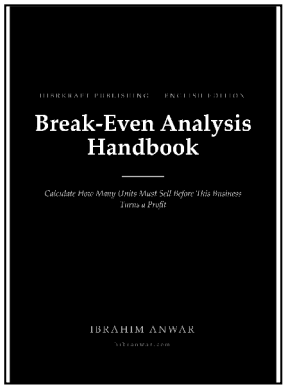

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