# Twitter Thread by Travis

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**It's endlessly fascinating how economic datapoints get interpreted.**

**When I was in charge of a P&L, the guy who ran Finance for us and I had what we called the 'shelf plan.'**

**There were maybe 3-4 of us who knew it existed.**

**What's a shelf plan?**
**1/**

Well it's a plan you keep on the shelf (full FP&A model), that you hope you never have to use.

It reduces forward hires, cuts back various line items (typically ad spend, travel, that sort of thing).

Oh, it also has a big fat RIF in there.

That's why we don't talk about it.
2/

Why have a plan instead of winging it?

Because this is where companies (particularly young companies) sometimes err. They do little cuts - 2-3% here and there, preserving as much headcount as they can, that sort of thing.

This is incorrect.
3/

If you're at the point where you need to make material changes to your forward P&L, at 2-3% RIF will be followed by another.

And another.

And this series of progressive cuts will cripple morale, incrementally reducing the productivity of the staff you retain to survive.
4/

And so the shelf plan cuts deep.

Your goal is to go from being a peacetime machine to a wartime machine, so you gotta lean out quick. Can't do that without a plan, hence the need to have one.

~30% cut is what you need.

And then you need to tell everyone left they're safe.
5/

So what's the best way to do that?

Well you turn around to the staff that remains and you reallocate some of that capital to them (boost their comp) and tell them their jobs are safe but you need them bolted in for battle.

You give them raises.
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