

Reducing your overhead

If you've been reviewing your business's financial position and are seeking ways to improve your cash flow, reducing overhead expenses is a smart place to start. Overhead, which includes fixed costs like rent, utilities, salaries, and insurance, can often account for a significant portion of your monthly expenses.

Using a strategic approach, you can free up valuable resources to reinvest in your business or bolster your profit margins without compromising the quality, delivery, or service your customers expect.

Here are some tips on how to streamline operations, so you can generate long-term financial health for your business.

Track what is happening

Record your actual costs and compare them with the amount allocated in your budget. Look for discrepancies between what you planned to spend and what you've actually spent. The larger the cost overrun, the more scope there should be for savings.

Periodically review what you're doing and try to benchmark your business costs against other similar businesses to check if you're higher or lower than the industry average.

Good debtor control will also improve your cash flow, so invoice promptly and collect debts on time.

Reducing expenses

Although there's no getting around paying for things like phones, internet, power, office equipment and rent, there are ways to keep these costs to a minimum.

You can lower these costs by:

- › Carefully checking supplier invoices for overcharging. Common examples are double billing, incorrect charges and missing discounts.
- › Investigating costs of production in case you or a staff member are over-specifying, e.g. paying higher subscription rates for internet or software, or using gold plated components when silver will do.
- › Taking advantage of the fierce competition in the communications industry. Try to negotiate a better deal for phone and internet use, especially if your current contract of service has expired. Talk to your current supplier about a new deal and search online for comparative services.
- › Identifying if you can save on energy costs. Some of these are obvious, such as switching off everything when you can, green energy options or bulk deals.
- › Considering alternatives to rent, such as offering employees the option to work from home.

- › Reviewing your systems and processes to find out where your business can cut back. If you can work faster, use less materials and become more efficient, the savings will drop to the bottom line.

It's worth joining industry associations relevant to your business if they organize discounts for members.

Outsourcing

This approach frees you up to spend more time completing activities that grow your business, especially when it comes to those tedious admin tasks. Look at outsourcing:

- › Payroll, which can be time consuming.
- › IT systems to avoid paying for a full-time employee.
- › Marketing and social media content such as blogs, videos, whitepapers or other content that promotes and sells your goods or services.

Delegating specialized or time-consuming tasks to external experts will help you focus your energy on driving growth and achieving your core business goals.

Other ways to save

Some of the most effective methods you could try for keeping costs down include:

- › Paying less tax. Talk to your business tax specialist about ways you can legally save on your taxes, such as claiming an area of your home as an office expense.
- › Importing materials if they're cheaper to buy from an overseas supplier than the one you've been using locally. Or consider supplementing what you order locally with cheaper external products.
- › Moving your accounts to a cloud-based system, reducing manual paperwork processes.
- › Communicating with your customers over Skype, Zoom, Teams instead of visiting face-to-face will help reduce costs.

Reducing your overhead

Implementing these cost-saving measures can streamline your operations and improve your bottom line without sacrificing the quality or efficiency of your business.

Organizational efficiencies

Put the right measures in place for your staff to be more organized at work. You might find it useful to plan first your week, then your day such as:

- › Identifying which tasks will help you achieve your goals and allocate time accordingly.
- › Get small, urgent tasks out of the way first.
- › Delegate work if other people can do it as well, or more quickly, cheaply or effectively.
- › Make sure other people know what they need to achieve each day.
- › Divide the principal tasks for the day into achievable blocks of work.

Establish written procedures for dealing with common events so you can delegate routine tasks wherever possible. For example, develop clear systems others can follow for handling sales queries, logging customer contacts, answering queries, processing sales and invoicing.

Next steps

- › Conduct regular reviews of your business expenses to identify areas where you can cut costs without impacting quality or operations. Compare your spending against your budget and industry benchmarks to uncover opportunities for savings.
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- › Renegotiate contracts with suppliers, utility providers, and service vendors to secure better deals.
- › Delegate time-consuming or specialized tasks—such as payroll, IT, or marketing—to external experts.

If you're facing a crisis, you may need more drastic cost-cutting measures, such as reducing your employee numbers and selling or closing certain parts of the business that are unprofitable.

Talk to your staff as they might have ideas on how to save costs. It's important to make sure that they're doing what they can on a regular basis to keep costs down. Also meet with your business advisers to see if they have any fresh ideas for reducing your overhead.

Note

This is a guide only and should neither replace competent advice, nor be taken or relied upon as financial or professional advice. Seek professional advice before making any decision that could affect your business.