

PATHWAYS TO PROFIT

Cost cutting in good times and bad

You shouldn't wait for bad times to hit before implementing cost-cutting measures. While a slow period, a seasonal business or loss of key customer will heighten the need, a review of your expenses should be done regularly and ideally should be a part of your day-to-day corporate culture. You and your employees should always be looking for ways to improve the bottom line.

Start with your employees. They are on the frontline and can provide valuable insight into your operations. They may see areas of waste that you cannot see or ideas for efficiencies you may never have come up with on your own. An added bonus is that you can reduce resistance to change by including your employees in the process and getting their buy-in on the cost-saving initiatives.

The cost-saving mindset must come from the top. What could be perceived as wasteful spending on your part can send a message that minimizing costs is not a priority.

Communication is also key. Include your employees in budgeting, understanding cash flow (even at a very basic level) and share the rewards of increased profitability. This may come in the form of profit sharing, bonuses, celebrations or awards recognizing great ideas.

There are many opportunities for saving money on major purchases.

Negotiate for the best interest rate on your loan by talking to more than one potential financial institution. Suppliers may offer extended credit terms or reduced interest rates as an incentive to close the deal.

You should also look at buying used

equipment, especially for technology that changes slowly and is built to last. Consider leasing, especially for technology that changes quickly or that you may potentially need to upgrade in a short period of time.

Outsourcing departments such as marketing, accounting, payroll, human resources and information technology can result in significant cost efficiencies. Successful outsourcing relationships enable business owners and CEOs to focus on their own core competencies, eliminating the daily tactical to-do lists that keep them from spending time on the big picture and strategic initiatives.

It also allows them to pay only for the services when they need them and gives them access to a level of expertise they may not be able to afford or utilize full-time.

Bartering also has its payoffs. In a barter agreement, which should be in writing if it is an exchange of considerable value, no money is involved. Instead, products or services are exchanged.

This is a good way to keep expenses and cash outlay down, and move excess inventory. Take a look at what you have to offer and what you need: Is there someone out there that would make a good bartering candidate?

There are Web sites that connect people who are interested in bartering. And opportunities often unveil themselves at networking events and in casual conversations. Keep in mind that the IRS considers the bartered products or services as income, so it is still

taxable.

Tracking cash flow is one of the best tools for identifying and deterring wasteful spending. Rather than looking back at a year and trying to determine why your expenses are out of line, correct your spending in real-time.

Your accounting department can set up a report that you can review on a regular basis and even set it to red flag any expenses that exceed set budgets or are historically high. Reviewing cash flow will not keep you from making poor decisions on expenditures, but it does give you the information you need to plan for your expenses to avoid a cash crunch and to stop the bleeding in areas where you identify a problem.

Without access to this information, you will find it difficult to build a lean and efficient business. Don't wait for sales to slow or profit margins to erode before taking proactive measures. Start now and make it an integrated part of your organization's culture.

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