bottom line, keeping a close eye on cash flow can mean the difference between profit and loss. As keepers of the books, finance managers are in prime position to evaluate expenditures, find ways to save the business money, and stand out as a valuable asset to the organization. If done carefully and judiciously, cost cutting can help maximize efficiency without causing any negative repercussions. Wouldn't it be nice to squeeze more profit from the existing revenue base just by managing expenses more closely and wisely?

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The key to taking control of business expenses involves paying more attention to your company spending data. By using a magnifying glass to view company spending habits, you will not only be able to identify necessary and optional costs, but you may also discover spending patterns that reveal potential areas of waste for spending cuts.

So how do you:

- Identify areas of waste?
- Decide which costs are optional or necessary and determine how the latter will affect the operations of the business?

Identify Areas of Waste:

- By the same token, are you outsourcing business services that could be administered more easily and cost effectively in-house? For example, some companies that previously outsourced most or all of their technology responsibilities have decided to bring some of those back in-house.
- Get disciplined about the cost basis for your business. It takes less time to analyze and optimize the cost basis for a company than to bring in new business.
- If you take the time to build a budget, it is important to understand variances on a monthly basis. The end result should be a document that reflects your company culture and can be changed as needed to better fit your business demands.
- Look at employee spending patterns and align them with new or changed policies going forward.

Necessary vs. Optional Costs

Just as most of us do in our personal lives *(necessary – rent, optional – Cable TV packages)* when it comes to hard decisions on "nice to haves" and "need to haves," it is essential that companies separate line items in their budget into necessary costs and optional costs. Next, see which of the optional costs are driving growth and sales. Optional costs that are not adding to the business are prime candidates for budget reduction. As far as the necessary costs, look for different options that can achieve the same result for a lower price, such as a less expensive telecom/Internet access package.

Finance managers should also consider long term cost cutting measures involving the revamping of company procedures, general accounting and purchase order processing. These are three of the top 10 places companies can reduce costs, as opposed to short term solutions that may have unexpected consequences. With some evaluation, research, and creative thinking, a surprising amount can be trimmed from the budget.

When it comes to the age-old cliché about being penny wise and pound foolish,

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