

The sixth cause of poor cashflow – Overheads are too high



Overheads isn't typically a place where you will find a lot of wastage. Our experience is that business owners are very careful about managing their expenses, and the smaller the business, the truer that statement is.

Having said that, as a business grows, so do the layers of hierarchy. Management control can deteriorate, and the business can become a bit flabby. The trick is to trim the fat but not the muscle when evaluating your expenses.

As an absolute minimum, every business should do a thorough review of its overheads at the same time every year, so that it becomes a natural routine.

Here are some questions to ask yourself:

1. Do appropriate managers and key staff have individual expense budgets? If so, how are these managed?
2. Have you conducted a formal review of all debt service costs and related fees?
3. What policies and cost control processes are in place for sales staff? Include all working away allowances, vehicle reimbursement expenses, entertainment, and credit card use.

4. What was your total marketing and advertising spend for the last 12 months? Have you analysed each component of spend based on effectiveness and results to the business?
5. When was the last time you renewed your IT support contract? Have you negotiated a fixed monthly fee? If so, is your current fee and contract appropriate (consider migration of services to cloud)?
6. List all subscriptions you pay monthly for SaaS cloud services. Are you using all these services and on the right plan for each? Conduct a cost-benefit analysis.
7. And finally, do you consider your accounting fees a cost or an investment? If they're a cost, you need to reduce them. If you're getting value from your annual spend with us, maybe you should invest more to get better business outcomes!

Best practice for keeping control over spending is to set budgets and monitor them monthly. Talk to us about the best way to do that. We can show you the impact reducing your overheads can have on your cashflow.