

Vistage Best Practices:

90 Ideas to Cut Costs and Increase Cash Flow

Excerpted from the book *All About Earnings: 100 Ways to Profit in Any Economy* by Barry Schimel and Gary Kravitz

When cash gets tight and you need to cut costs or find ways to increase cash flow always remember that your fellow Vistage group members offer a wealth of good ideas to get your company back on track. Here's a list of other ideas to supplement what your group might recommend:

Cost Cutting Measures

1. Eliminate excess and/or duplicate association dues and publication subscriptions.
2. Sub-lease unused office space.
3. Renegotiate your lease by asking for downward rental adjustments.
4. Cut down on entertainment expenses. For example, have meetings in the office rather than at a restaurant.
5. Take advantage of local seminars to reduce travel expenses.
6. Examine your telecom bill for billing errors.
7. Negotiate special terms and prices with suppliers to accommodate your cash flow requirements.
8. Sell idle assets.
9. If you do not receive significant price reductions for bulk purchases, order inventory on an as-needed basis.
10. Send digital info instead using a messenger or delivery service.
11. Turn off lights when not in use.
12. Set back air conditioning and heating at night.
13. Use two-sided copies instead of single-sided copies.
14. Pay bills when due, not before.

Taxes

15. If you paid income taxes in prior years, remember that current year losses can be carried back three years to generate tax refunds.
16. If your income has decreased significantly from last year, check with your CPA to avoid over-paying estimated corporate taxes.
17. Meet with your CPA before your fiscal year end to consider tax planning opportunities.

Track and Measure

18. Develop key ratios and key performance indicators for your business. Monitor them on a periodic basis. (Gross profit percent.; GP/SALES; inventory turnover, SALES/AVG INV; accounts receivable turnover, SALES/AVG AR; average collection period, AR/AVG DAILY CREDIT SALES; collection effectiveness rate, CR/BEG AR.)
19. Develop flash reports of critical financial items and monitor them weekly.
20. Identify profit centers by analyzing monthly financial statements; consider closing down unprofitable areas.
21. Set up and/or monitor departmental budgets.
22. For at least several months, sign all checks for expenses and eliminate unnecessary items.

Collections

23. Closely monitor individual customer accounts' receivable balances. Contact customers immediately when their average collection period increases.
24. Save significant collection fees by using a dunning service before sending bad debts to a collection agency.
25. Use a collection agency or hire a collection manager to accelerate collections.

Insurance and Benefits

26. Consult your life insurance agent for ways to reduce costs of life, disability and health insurance.
27. Consult your casualty insurance agent to reduce costs of all other insurance.
28. Consider using non-cash bonuses such as stock options, ESOPs, etc, as employee compensation.
29. Make use of tax advantaged "cash or deferred" fringes (cafeteria plan) to reduce payroll costs.

Credit and Billing Management

30. Tighten credit policies for all customers.
31. Take advantage of purchase discounts, even if borrowing is necessary. For example, "2 percent/10" terms will save you 36 percent over 360 days.
32. Check references before extending credit to a new customer.
33. Be certain that customers understand your credit terms.
34. Request customers to pay by invoice rather than by statement.
35. Consider sending out semi-monthly statements.
36. Charge customers interest on delinquent accounts.
37. Settle customer billing disputes promptly.

Banking

38. Prepare monthly cash flow analysis to determine cash needs before borrowed funds are required.
39. Secure two lines of credit at different banks, before you need the funds. Be sure to shop for rate and pay back arrangements.
40. Set up an alternative financing arrangement.
41. Don't surprise your bankers -- keep them informed in good times and bad. Send them copies of your interim financial statements.
42. If no other sources of financing are available, borrow against the cash-surrender values of life insurance policies.
43. Consider the use of outside investors to raise needed capital.
44. Consolidate loans to obtain a lower interest rate.
45. Look for ways to secure your personal assets. Do not sign for business debts personally, and never permit your spouse to sign on the obligation.
46. Shop banks for the best credit card processing fees and interest rates.
47. Make deposits daily to accelerate cash inflow.
48. Use extra cash to reduce debt.
49. Draw on your line of credit and place proceeds in a savings account at another bank. Otherwise, the bank may cancel your line of credit if you don't use it.
50. Consider using a lockbox system at your bank to accelerate cash inflow. Caution: instruct the bank to contact you before depositing any checks marked "Payment in Full."
51. Keep investments liquid to accommodate short-term cash needs.

Equipment and Vehicles

52. When it's necessary to purchase equipment, use trade industry surveys that rate the equipment's performance.
53. Cancel insurance on vehicles and equipment that are not in use. Remember: some states require surrendering license plates when insurance is cancelled on automobiles.

54. Consider leasing equipment and real estate rather than purchasing.
55. Negotiate equipment lease terms to be paid during peak business cycles.
56. Discourage personal use of company autos.

Vendors

57. Prepare comparative analysis of competitors' pricing.
58. Comparative-shop for supply prices.
59. Get bids on all any major expenditures.

Human Resource

60. Set up an employee incentive program to generate cost-reduction ideas.
61. Eliminate employee theft by implementing adequate internal controls.
62. Reduce your compensation to the level necessary to cover your living expenses. This shows your sincerity in tackling cash-flow problems.
63. Decide if bonuses are justified. (Bonuses should be determined by profit or performance, and not time of year.)
64. Limit expense authorization to upper management.
65. Put a freeze on hiring and salary increases.
66. Use independent contractors instead of employees when possible.
67. Consider using part-time employees. This reduces the amount of benefit payments.
68. Utilize an administrative or part-time employee instead of a messenger service.
69. Eliminate all overtime hours unless prior approval has been obtained.
70. Ask managers for written plans on eliminating unnecessary expenses in their departments and other departments.
71. Discuss economic issues with staff to help motivate them to do a better job for your clients, customers and business.
72. Set up a committee to create new cost-cutting measures and enforce existing measures.
73. Consider reducing employees' hours rather than eliminating positions. For example, go to a six-hour day rather than an eight-hour day.
74. Prepare a procedures manual to scale down training costs and make job transitions less costly.
75. Reduce unnecessary meetings; use an agenda to make meetings more efficient; table non-agenda items; set a time limit on meetings.
76. Cross-train staff to perform multiple functions, and combine job duties where possible.
77. Look closely at employees to determine their productivity. Non-productive employees should be terminated and replaced with productive personnel.
78. Be alert to the increased number of job-seekers. Be selective and choose the best employees now.
79. Send one person to a particular course (i.e. software training course) and make that person a resource to others on that subject.
80. Consider using an automated payroll service to reduce in-house costs.

Marketing Resources

81. Understand and promote what separates you from your competition. Let staff and customers know what you do best!
82. Evaluate the pricing of your goods and services and analyze for sensitivity to increases or decreases in prices.
83. Consider adjusting hours of operation to meet customer demand.
84. Investigate related products and services to identify emerging markets.
85. Monitor the competition and related fields for their responses to the economy.
86. Have company owners and upper management call on customers personally to identify their needs (products, services, or economic).
87. Bundle products or services and offer them at attractive prices to stimulate sales.