

How to Manage Cost now as A Business

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Due to less revenue turnover and general uncertainty in the global financial environment, it has become difficult for most businesses to keep their financial wheels turning during the lockdown period. Unfortunately, the impact on small businesses can be way more brutal as they have scarcer cash reserves and a smaller margin for managing sudden slumps. The ripple effect of this shutdown will have a key impact on the nation`s economy.

So, during such these times, most business will have to adapt to a new set of tactics and be mindful of the following aspects to alleviate risks and to survive the slowdown caused by the impact of COVID19.

Build a transparent process to assess requests for purchases

During times of downturn, crucial cost management starts with scrutinizing requests for purchases. Cloud expense management systems. The organisation needs to ensure employees don't need to jump through paper hoops to submit requests. Clarify the details of an order directly on the request to keep all information in one place. Allow for automated three-way matching to verify invoices before they are paid. The company needs to establish automated checks to ensure that an individual cannot approve the same request they submitted. Enable embedded and efficient alerts that provide timely responses where those in the approval process are geographically distributed or are working remotely.

Revisit your processes

If existing processes were lacking, then it is time to create a new process. If you had processes, but they were not driving efficiency, then it's time to redefine your process. Either way, a key second step is refining processes that are needed in your business. Only then can you go to automation, since automating without a process is only going result in chaos -- and won't save time or money. Similarly, automating a poor process is not going to give you the results you are looking for in terms of cost-savings. When you create a process where you had none or enhance an existing process, you will drive cost efficiency.

Tracking expenses against the revenue status

It is of utmost importance to businesses during this pandemic to perform a fair review of their fixed and variable costs as well as the actual revenues. This evaluation will offer a straightforward picture of where a business is financially placed and help entrepreneurs plan ahead in the current disconcerted marketplace. Also when the pandemic effect disappears this technique may be applied. Some tools can help you get a handle on your spend history and review it to find opportunities where you can save. For example, for common business expenses, like travel, you might be able to take advantage of rewards or

loyalty programs. There may be areas where you are using multiple vendors for a similar function and can consolidate. If you have a long-standing relationship with a vendor, you might be able to negotiate better pricing. These can be quick wins for cost savings in your business.

Assessing the feasibility of the business model

Given that the market is changing every week, it is important to rethink the business model and reassess where the company is based on your sales and expense assumptions. This is also a vital time to track current financial and cash flow metrics. Be mindful of what your runway is. Businesses need to evaluate the impact on new sales, collections, credit cycles and potential bad debts.

Maximize Productivity to Gain an Edge

Time is money in any industry, and new companies can't afford to squander much of it. Any moments wasted are missed opportunities for advancing a business, so managers need to ensure their employees are working as efficiently as possible. When staff members don't have set goals, they might not be as inclined to work as hard as they would if they had a certain milestone to reach. Organizations can designate workers to watch over the productivity of projects with a set time table to ensure they keep pace with projections or pay extra attention to the staff members to whom they assign duties. If employees' skills don't match up with what's expected of them, the efficiency of their work and, in turn, the company could suffer.

Plan policies for next months

Since it is difficult to gauge how long this epidemic will last, it is important to be prepared for all scenarios. If we consider it as a 3-month problem, an instant halt on variable expenditures like hiring, marketing, travel, etc. can help. However, if the crisis continues to a year, entrepreneurs will have to reconfigure their business strategy to reduce the variable expenses, renegotiate fixed expenses e.g. rent.

Communication to stakeholders

Consult with your investors to plan the right form of communication with stakeholders, most important customers and employees. Have an honest conversation on the situation and its impact on your business with your entire leadership team. Any negative message should be delivered with utmost empathy along with transparent reasons.

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