How to stay in control of costs
By NewsReach (Inside Edge Contributors), September 2013

Keeping in control of costs is vital for businesses and directly leads to savings through better working practices.

With limited financial resources, keeping control of expenditures is important. Here are a few pointers to consider when planning a cost control strategy.

**Suppliers are an important part of the equation**

Businesses that have strong and strategic relationships with their suppliers will find themselves in a solid position of productivity. They will be better protected against the vicissitudes of the economic environment, while also being in a position to grow.

To control costs in this area, executives need to ensure that they have strong relationships with their suppliers. What should be done from the outset, or when a contract is up for renegotiation, is to identify which suppliers not only represent good value for money, but also the best working arrangement.

“Companies are not isolated entities that simply purchase goods and services from individuals who happen to be able to supply them at that particular time,” Epic Technologies, a procurement software developer, states on its website.

“Companies typically make larger purchases. Successful companies recognize the need to build bridges between their organization and the vendors that they work with by establishing strong buyer/seller relationships.”

In addition to that, executives can control costs through assessing every aspect of the supply chain and put in place ordered practices. If, for example, businesses approach spending on an ad hoc basis – when supplies are running low – they are letting spending get out of control.

Every purchase comes with transaction costs. By centralizing all payments into a database, through the adoption of a corporate card, businesses can identify any positive or negative spending patterns and rethink their whole spending approach.

This then puts them in a more informed position, which increases their negotiation capabilities with suppliers. By informing a supplier that a new strategy has been established, they open up opportunity for dialogue – how can we both go forward in a way that is mutually beneficial?

**Rethinking the way you do meetings**

Hosting regular meetings and attending important conferences remains important to businesses, even in an age of cost control.

Internally, it is an effective way of keeping staff up-to-date and is an effective way of generating new ideas. Externally, they help executives and employers alike keep in the loop with developments and provide ample opportunities to network.

However, they can be costly affairs, and organizations need to rethink the way they approach them.

“Every company wants to maximize productivity and cut down on unnecessary meetings,” creative director Ken Segall commented in his 2012 book Insanely Simple: The Obsession That Drive’s Apple’s Success, “how they go about it, though, can vary widely.”
Within the workplace, meetings should be much more focused. They should be time-efficient, detailed and only be attended by people who directly contribute and benefit from them.

“The small-group principle is deeply woven into the religion of simplicity,” Mr Segall, who worked with Steve Jobs at Apple, explained in his book.

“It's key to Apple's ongoing success and key to any organization that wants to nurture quality thinking. The idea is pretty basic: Everyone in the room should be there for a reason... It's nothing personal, just business.”

As for external meetings, executives are of the opinion that they are as essential as ever. Consequently, they remain an expense that is unavoidable. Making every trip count is one way corporations can keep in control of costs.

Corporate cards can help in this respect. For certain individuals within a company who are frequently on the road, a corporate card delivers savings through spending. By acquiring points with every purchase, be it a plane ticket, a hotel booking or meals, businesses can reap significant rewards.

**Make corporate cards part of the organization as a whole**

While corporate cards offer brilliant savings in terms of business travel, they can benefit an organization in a much more comprehensive way. They represent an enhanced way to manage costs through tighter control mechanisms and visibility. Corporate cards help to advance working capital management by delivering greater visibility with cash flow, improving the efficiency of processing payments – through e-payment technologies – and enhancing compliance. Additionally, there are very specific ways that businesses can put in place considerable cost control mechanisms though the deployment of corporate cards. This involves putting in place restrictions on what can be spent, streamlining payments with repayment schedules and working out better practice through detailed reports.

However, while corporate cards are a proven way to control costs, effective change can only be achieved through wider changes from the top down, according to Aberdeen Group's July 2013 report, Purchasing Cards: Redefining Identity in the Evolving Payments Landscape. The report shows lack of management support is one of the top challenges in the adoption of a P-Card program, cited by 30 percent of respondents.

“Adoption of P-Cards eventually comes down to understanding and conveying the utility of a card over a manual, paper-based process. Therefore, management needs to champion and follow through on P-Card initiatives to facilitate greater adoption,” says author Ankita Tyagi.