

It's about spending smart

COST EFFICIENCIES

You don't want to cut for the sake of cutting

BY MARY TERESA BITTI

Darren Weeks, founder of Fast Track to Cash Flow, a financial education company, is all about spending smart. Founded in 2001, the company has grown to a group of four companies with revenue of more than \$100-million and 100 employees.

"We keep growing and the reason we keep growing is because we keep putting money into marketing," Mr. Weeks says. "We decided to increase our marketing budget, because in our opinion the last thing you want to do when times are tough is cut your marketing budget."

Instead, the company watches its pennies by being more efficient, synthesizing processes and investing in better computer systems. "We are looking deep at our costs and finding where we can be more efficient and then every penny saved we put right back into marketing," Mr. Weeks says.

For example, he and his team recently met with Canada Post to understand where the money paid to it was going and how they could ensure they weren't spending more than they had to on mailing. "We spend about \$1-million year and they showed us how we could save 25% with some of their programs we weren't aware of." It was a huge savings that did not affect the strategic objectives of the company.

"We don't want to have to hit the point of cutting for the sake of cutting," Mr. Weeks says. "So we try to operate as efficiently as possible and keep costs in check all the time, regardless of what the economy is doing. We have not had to lay off one person,



LARRY WONG / CANWEST NEWS SERVICE

Darren Weeks, founder of Fast Track to Cash Flow, credits his company's growth to spending on marketing.

It's a long-term business."

Three months ago, Mr. Weeks asked his staff for ideas on how to improve efficiencies and reduce costs. "That exercise gave me a lot of insight," he says. "We travel a lot and one suggestion was that some people could share rooms." Another suggestion resulted in a review of paperwork inefficiencies, that led to significant savings—\$400 to \$500 a week—in courier costs.

"Companies are cutting back their top salespeople be-

cause they thought they made too much money," Mr. Weeks says.

"Your top salespeople are the lifeblood of the company. If you are cutting jobs to save money in the short-term, morale is going to go and people will follow and that is a problem for the long-term," he says.

"Even though aggressive cost cutting may seem like the right thing to do now, small business owners should really take a long view before

making those cuts," says Eric Gales, president of Microsoft Canada, who has advised many small business owners in his career.

"Think through what the competition is doing and take the opportunity to do things now that will make you more competitive going forward."

Mr. Gales recommends companies take the following steps:

■ Start by looking at cost cutting through a new lens. Cost-cutting to drive efficiencies means doing the same with less as opposed to assessing how to get more from what you already have. They are quite different approaches. Just stripping out costs can have significant consequences, especially for a small business where often every process is a people process. The key is to find the right bias between cutting for the sake of cutting versus driving efficiency into a business and ultimately driving productivity. This approach requires thoughtfulness and investigation.

■ Ensure your balance sheet is strong. No business can escape from the fundamentals. The thing that kills a business is cash flow, so you have to monitor that to be able to afford solutions that will allow you to survive now and lead to future growth and productivity gains.

■ Use this time to challenge how you are doing things. When business is doing well, there is little motivation to look for a better way. The truth is, typically, there is always a better way. It's just a question of whether you pursue it or your competition pursues it.

■ Sometimes a small investment can yield much greater cost savings in the long term. You have to ask yourself what you can do today that will give you those long-term savings.

Financial Post

FP financialpost.com

For more small business strategies visit:
financialpost.com/advice