

- Similar benefits can be obtained by reducing OVERHEADS such as rent and office expenses.
 - The business must be careful that cutting these costs does not damage sales.
- If the finance department is intending to pursue a strategy of cost minimisation, it must liaise closely with other functional areas of a company.
 - Cost savings will directly affect the functional area which is targeted to achieve their cost saving.
 - There may also be indirect consequences for a functional area arising from cost cutting in a different part of a company.
- A reduction in marketing expenditure may not help the company if it is not dealt with in a coordinated way.
- Any strategy of cost minimisation must be agreed at strategic management level, as implementation of such a strategy will often have a broader impact than might have been recognised at the functional (departmental) level.
 - There is a danger that cost minimisation will appear by succeeding at the departmental level but leading to failure at corporate level.

Allocating capital expenditure

- Decisions on allocating capital expenditure fit into two categories:
 - Decisions on whether to introduce capital equipment to replace labour.
 - Investment decisions on whether it is financially viable to put money into a capital project.
- As with any decision involving expenditure of limited financial resources, it is vital that the finance department liaises with the other functional areas to ensure that they have an impact in these decisions.
 - The strategy itself may make good financial sense, but its broader impact may be negative.

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