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Reducing Overhead -- There are things YOU can do to save your firm money!

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In order to reduce your firm's overhead, you must know how you're spending your overhead dollars. Items that are not directly billed to a client are generally considered overhead.

Take a look at your general ledger (or whatever report your firm might use to break down costs on a regular basis). Get the most detailed report available and look at the expenditure categories. The key overhead items for most A/E/C firms are: employee benefits, administrative (non-billable) labor, equipment expenses, rent, utilities (including energy costs, telephone, etc.), mail delivery (express, couriers, postal service), insurance, charitable/political contributions, employee welfare, etc. Do an analysis of your current costs/vendors and consider the following:

RENT -- How much office space do you occupy? How much are you paying per square foot? Compare what current real estate in your market is going for -- is your rate competitive? Divide your total space by the number of employees. How much space is allocated per employee? Is this amount of space realistic or can it be reduced? Can you use your space more efficiently and reduce your space or maybe renegotiate your lease terms? Could you share some of your space with a JV partner or sub working on a project and charge accordingly?

FURNITURE - Rent, own or lease? Does your current space plan work for the best efficiency of your staff? Perhaps more layout room or more privacy would help increase productivity? Consider other options for your space. Refurbished or discontinued office furniture may help increase your team's productivity and save you some money. Your unused furniture can be sold or traded for items you may need.

PROFESSIONAL INSURANCE - Check with local SDA chapter members to see what insurance they are using. Professional societies such as ACEC offer firms discounted rates. Review annually.

EMPLOYEE BENEFIT PACKAGES - Is your benefit package competitive? Have you shopped around lately? Medical insurance plan options, companies and types of coverage change often. Check with your brokers to see if you may be able to get better rates. The amount the company pays for benefits varies widely between companies. National benefit administration firms such as CBIZ offer a wide variety of services that may provide discounts for services you are currently receiving separately.

EQUIPMENT EXPENSES - Do you lease or own your equipment? Computers, copiers, plotters, telephone system, postage machines and any other technology-based equipment have a limited life. If you currently purchase this equipment, consider the costs of leasing instead. At



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the end of the lease, the equipment is returned and replaced with newer technology often at a reduced cost. This enables your firm to stay up-to-date with the current technology that your clients may expect.

ARCHIVES – Are your archived project files retained on-site? You may be wasting money. There are many records storage firms that deal specifically with archives for a reduced square footage rate. They will retrieve new archives and deliver those you may need for a small transportation fee. They also keep your records confidential and are usually climate controlled. Of course, you'll need to look at your retention policy to assure that you're not paying to keep items no longer required by law.

MAIL DELIVERY/COURIER - The market is very competitive with local courier services. You should get quotes on an annual basis to ensure that you are getting the best price. Most couriers will charge based on distance. If most of your deliveries are in a particular area, ask for an additional discount for that area. Consolidating your employees' options is important. Make sure that everyone in your office is using the same provider to ensure the best cost savings. It may be easier to have a central person handle all outgoing packages/mail.

Federal Express and other express mail/shipping services will offer a corporate discount. Call them all to see where you get the best prices. Also, make sure that you aren't paying for services you don't receive. Most of the time, these invoices will show the date/time packages are delivered. If the service guarantee isn't met, immediately request a billing adjustment. Depending on the carrier, you may be able to do this online and deduct it from the current invoice.

TELEPHONE SERVICE - Deregulation has created a competitive telephone industry. Local, long distance, data lines, and DSL can be obtained from separate carriers or combined for a potential savings. Call several carriers and ask them to provide you with a quote of their best service package for you.

PRINTING/PLOTTING - Shop around for your outsourced printing/plotting needs. Depending on the volume your office generates, you may save money by switching to an in-house reproduction facility managed by an outside reprographics firm. Outsourcing your printing to a firm with a national affiliation will allow you to print your jobs in other cities if you do work that's not local.

CATERING - If you often cater lunches for in-house meetings, ask your favorite caterer for a discounted rate or free delivery if it's not already offered. Choose a local chain with a variety menu and discuss options with the manager to get your best rate.

OFFICE SUPPLIES – Do your employees hoard pens, pads, binders, at their desks that could save you from ordering new ones? Have a “clean out your desk day” and ask employees to recycle unused items. Place a recycle box in your supply closet for those items and reuse what you can. File folders, particularly the file jackets, and binders can be easily reused and save on your supply bill. You'll also be helping to “green” your office. Shopping around for your supply vendor is also a good idea. Sometimes a local vendor may offer volume discounts if you ask. Corporate accounts can also be obtained through national vendors on the web.



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Most important of all, pay your invoices on time. Incurring late fees is an overhead expense everyone can avoid. A simple system for Accounts Payable begins with a schedule. On the established “payables” day of the week, review all invoices to ensure accuracy and question anything that may not be a valid charge. Also verify that any past due balance has been paid. When you have verified that the invoices can be paid with any noted modifications, pay all the invoices that day. If your firm uses another person to authorize payment, get the invoices to that person as quickly as possible. Stress the importance of paying invoices on time to avoid late fees.

All of these items should be considered on a regular basis to ensure that you’re not spending excess overhead dollars that may be avoided. By checking on these items and making a cost-savings recommendation, you can save your firm money for the bottom line and also get recognition as a valuable, conscientious part of the team.

Diane Klug has been with PB, formerly Booker Associates, for over fifteen years beginning as the secretary to the chairman and CEO. Currently, Diane serves as the St. Louis office manager and is presently developing a global training program for Microsoft Office Specialist certifications, which are a requirement of PB’s admin certification program. Diane has written several articles for PB publications including the Computer Tutor and a featured article called “Greening Your Office” in PAN 63’s newsletter, SustainAbility. Diane has organized a number of local community service projects and is the 2005 chair for CANSTRUCTION St. Louis.