

## **Jim's Profit Accelerator 12: The Three Rules of Cash Success**

The fourth truth, after drugs, sex, and rock-n-roll, is that we all want cash. (Credit cards are extended-release cash, if you must.) Accountants have made millions by making cash a mystery. It's not a mystery, and you can master it.

My 22-year-old daughter, reality exploding around her, said: "Why didn't you tell me it was so hard?" Probably didn't help to say that I did tell her but she didn't hear it until now. "Now" is when there is no outside source of money. "Hard" is having enough cash.

This is not about "living within your means," whatever that means. It's about expanding your means to move toward the life you want. Yes, this applies to your business.

The Three Rules:

1. Know what you have.
2. Learn how to get more.
3. Priorities provide cash.

The Three Myths:

1. Accounting is responsible for cash.
2. We have to cut spending to have enough cash.
3. The cycles in our business put cash beyond our control.

### **RULE 1: Know What You Have**

Take this quick test:

- I know what my cash balance was at 6 a.m. today.
- I check it every day.
- It's effortless to know it.
- Everyone in my organization (or family) knows it daily.

Unless you answered yes to all four, you have a cash problem. Most employees wrestle daily with personal cash issues, but businesses are afraid to tell their employees the cash status of the business. Leaders are apparently supposed to hide the truth (lie?), because their people can't handle the insecurity. Reality is that most employees know when cash is tight (supplier at the back door complaining about not being paid; wages frozen; mandates to "cut expenses", etc.).

Reality is never as bad as imagination. Never. There are always options, once the facts are clear. If employees knew that they'd get the truth as it happens, they'd start looking for cash everywhere. On their own.

### **RULE 2: Learn How to Get More (Cash)**

Toyota requires all employees to constantly shorten the 'time to cash.' *Time to cash is the time from receiving an order to receiving cash for it.*

Here are places to find cash now, inside your business. Consider it your CASH TREASURE MAP:

1. Invoice customers at least weekly, if not daily. Batching is waste.
2. Get information to your invoicing team sooner, so that they can invoice sooner.
3. Applaud folks who "find" cash by changing their work routine.
4. Measure the time it takes for a verbal order to become a production order. Challenge your team to cut the time an hour a week.
5. Measure the time it takes for an invoice to go out, after a shipment is ready.
6. Make electronic billing and payment (even credit card payment) available.
7. Be positive about changes that shorten a process by half a day.
8. Ask leaders in these areas what they'll do to shorten time to cash:
  - Shipping
  - Engineering
  - Maintenance
  - Product development
  - Moving work in process from one station to another
  - Receiving deposits on orders
  - Receiving on-time payments of installment payers
9. Revise your incentives for customers to pay sooner.
10. Install a cash actions review in every department's weekly meeting: What have we done to shorten time to cash?

Make certain that everyone knows and acts on your expectation that everyone should be trying to take time out of processes. This is not about speeding up; it's about making key changes to finish earlier.

### **RULE 3: Priorities Provide Cash**

People do what they think is important. Your job as a leader is to help them pick the right things to do. Winners do some of these things:

1. Ask every leader to name his top three priorities.
  - Player-Coach (Team Lead)—Today, and this week
  - Managers of Player-Coaches—This week, and this quarter
  - Managers of managers—Today, this week, this quarter
2. Ask every leader to review his or her people's priorities weekly.
3. Say NO, and encourage everyone to say NO.

A San Francisco commercial landscaping business increased profits more than 10 times in less than 10 years. How? The owner's cardinal rule was to pick a few priorities, set aside all others, and follow through. He regularly said, "I'm not working on that."

### **The Wilderness Lesson**

Shrinking your business is not going to gain you cash. It's fashionable to criticize business layoffs, but this isn't about that.

When sales slow, folks who manage by the numbers cut expenses to preserve cash.

A person lost in the woods will cut down on food and water to live. That's a great short-term plan, but ultimately it's not sustainable. Why is it obvious in the woods, but not so clear in business?

Slipping revenue is a problem of marketing and operations. It impacts cash, but it can't be fixed slower spending cannot fully fix the problem.

Consider a brief tale of two clients:

- One cut expenses to "ride out the storm," and now is slowly recovering—at half its former size.
- The other got small loans and actively sought new business and efficiencies. Now sales and earnings are at all-time highs.

To get cash, you'll have to use the secrets of winners:

- Work harder to grow than to cut.
- Find a new business profile and chase sales hard.
- Shift operations to support the business profile that's coming.
- Remove activities that have no future, and their expenses.
- Get cash when business requires it: borrow if needed.
- Tell everyone frequently: customer, employees, suppliers, owners, lenders.

According to Tom Peters, "You can't shrink your way to greatness."\*\* You can, however, follow the cash rules to greatness. It doesn't have to be as hard as my daughter thinks it is right now. Exploit the cash rules to pursue expansion and the business and life you're looking for.

Call me.

For more information, visit [www.grewco.com](http://www.grewco.com).

Jim Grew is an expert in CEO-level strategy and executive leadership whose clients refer to him as the Business Defogger and Accelerator. Jim helps leaders swiftly discover the hidden opportunities within their businesses and exploit them for dramatic results. Nearly three decades of success as a COO and CEO coupled with his experience running nine thriving businesses provide the foundation for his consulting work as president of the Grew Company. He presents regularly to industry groups, mentors business leaders, and shares insights on his blog, BizBursts.com: <http://bizbursts.com/>. He holds BA and MBA degrees from Stanford University.

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\*\*Kelley, Tom, and Jonathan Littman. *The Ten Faces of Innovation*. New York: Doubleday. 2005.