

DO BUSINESS FASTER™

**Jim's Profit Accelerator 86:  
A Banker's Fitbit**

Since good bankers invest in businesses, why not borrow their chief weapon? A loan is an investment, after all, and bankers, like investors, laser focus on the health of their businesses. Translation: The banker wants a reliable way to see how a business is really doing, and where it could be improved.

**SPEED BUMP:** Look at your business the way a banker does, and you'll see opportunity.

**Secret Weapon:** Fitbit and its clones offer a way to see into how your body is doing, in multiple dimensions. The banker's Fitbit is your balance sheet—yes, the shadow part of the financials that get little attention, except when times are tough or the business is for sale. More than a snapshot of a business's condition, the balance sheet, like a good fortune teller, will tell you ahead of time about these essentials:

1. **Cash:** Are you gaining or losing?
2. **Credit terms:** Are you offering the right terms to your customers?
3. **Operations:** Are you on top of it, ahead of it, or sliding toward the ditch?

*Expert banker Matt Mylet, VP at Beneficial Bank, explained to me how bankers rely on the balance sheet to get a quick x-ray of business health. His comments added to my experience in making balance sheets a powerful management tool.*

Cash, like heart rate, is an instant measure of how you're doing. Cash flow forecasts are notoriously inaccurate, because of the assumptions they require. Augment them by selective looks at your balance sheet, like these:

1. **Accounts Payable:** Are you paying vendors within their terms? If not, cash is leaking, and you may be sliding toward cash trouble. (Of course, paying within payment discounts is the other measure of cash health).

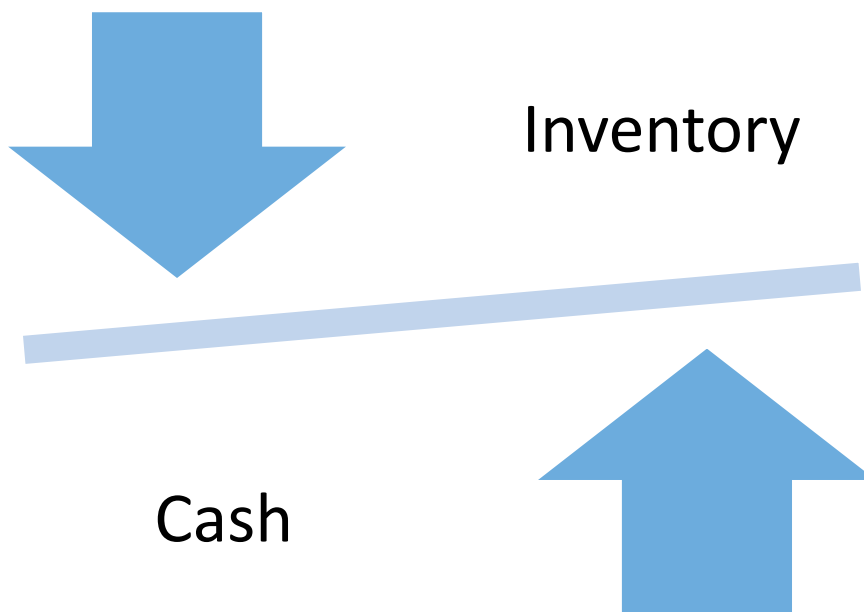
**SPEED BUMP:** Take vendor discounts to target spots to improve your business.

2. **Accounts Receivable:** Are your collections and your credit terms in balance? Balancing collections and your credit terms can be a powerful marketing tool. It's your best continuing way to "touch" your customers, if you'll connect with your buyer, not just their payables clerk. Within limits, credit terms can be more important than price to your customer.

**SPEED BUMP:** Use your credit terms to enable higher prices.

3. **Inventory:** Both finished goods and WIP (Work-in-process) inventories eat cash. Inventory is like a cow: You must decide whether it's for meat or milk. It can't be both. For milk you feed just enough to produce the daily milk output. For meat you fatten and then kill the cow.

**SPEED BUMP:** Is your inventory for quick shipment or security?



**SPEED BUMP:** Inventory is a trailing indicator, pointing to operations opportunities.

Tips to make your balance sheet a lively contributor:

1. **Note Changes.** While there are few absolute values that are right, trends (three quarters in a row, comparison versus last quarter or last year) prompt questions that can deliver high-value actions.
2. **Ask Why.** Your financial leader should be able to explain the immediate source of a significant change, and then help you decide whether to ignore or act. The numbers by themselves mean little; interpretation is everything.
3. **Cues, Not Answers.** These balance sheet items are cues to what's going on inside your business. Their value is in prompting you to dig, just as a heart rate that's too high can prompt further examination.

**SPEED BUMP:** The fewer numbers you look at, the better you'll do.

Reviewing numbers is a drug. It induces sleep and changes little, unless you insist on finding action cues in those numbers. In one company where I was president, I watched the monthly financial reporting ritual put my excellent management team to sleep. The CFO, bless him, was thorough to a fault, covering every number (and even journal entries behind them) that someone might wonder

about. Finally in frustration, I said: *Starting next month, please choose six numbers to discuss in the meeting. Mark them and explain why they matter. Help us decide whether to act, and, if so, where to go to work.*

Our relief translated into better meetings and a remarkable burst of profit!

**ACCELERANT:** How will use your Fitbit to boost your business?

For more information on how you can accelerate revenues and profits in your business, please call or email 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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