

Jim's Profit Accelerator 114: Motivators That Don't Motivate

Yes, you read that right. We're surrounded by "truths" that we accept, rely on—and ignore—as we go on our way. Here are three that most of us consistently ignore:

1. **Check your work.**
2. **Listen before you speak.**
3. **Ask why.**

SPEED BUMP: Ignoring what we know is more hope than plan.

Okay, what are two powerful truths that you ignore daily that would change your life if you acted on them? How about one?

Special question for leaders: What's one truth that could change your business powerfully? Play along. I'd love for you to email me your answers: Jim@grewco.com.

SPEED BUMP: Move cash from accounting to every department.

Translation: Make cash every leader's responsibility, and include it in annual goals. Instead of thinking about cash as reducing cost, selling more, or improving receivables, look more broadly: What in your current business model (the way we do things here) is leaking cash?

SPEED BUMP: Cash improves when everyone works on it.

Here's a payoff summary from a deeply experienced CPA, John Lauseng, partner in the accounting firm AKT:

Balance Sheet – Stronger Cash Flow Will:

- Allow a company to pay down debt more quickly and reduce debt service costs.
- Provide better leverage with customers and vendors in order to negotiate terms and take advantage of early payment discounts (which can be significant).
- Leverage the balance sheet more, allowing the company to take on new / additional debt in order to finance expansion or working capital.
- Impact a bank's evaluation of the company's ability to service the debt, providing more favorable borrowing terms (debt coverage ratios).
- Allow more nimble inventory management in a manufacturing environment, reducing obsolete / aged inventories.

Income Statement – Stronger Cash Flow Will:

- The reason that a cash flow statement begins with net income is because net profit is the first way to create cash flow.
- Allow the company to deploy resources and take advantage of opportunities more quickly—and be more selective about the customers it chooses to work with and the work it does.
- Allow more strategic deployment of capital. Rather than simply being concerned with making payroll, working capital can be reinvested for expansion, R&D, investment in key hires, and so forth.
- Increase income by reducing debt service costs through lower borrowing.
- Allow the company to make decisions to focus more on core competencies, rather than taking on work to reduce idle capacity due to cash flow constraints.

That's a menu with something for just about anyone with a business.

ACCELERATOR: What will you do this week to improve cash in a lasting way?

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.

Jim Grew, the Business Defogger and Accelerator, helps leaders discover hidden opportunities within their businesses and exploit them for dramatic results. Jim has led 9 businesses, worked in 31 companies at C-level, and is an expert in strategy and executive leadership. He presents regularly to industry groups, mentors business leaders, and shares insights in his Executive Letter (above). Jim holds BA and MBA degrees from Stanford University. In his new book, *The Other Side of Succession*, he shares how to plan for the future by growing your business now.

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