



THE GROWTH ENGINEER

Profitable Business Growth

30 Ideas to Improve Cash Availability In Your Business

*without firing people or
resorting to financing solutions*

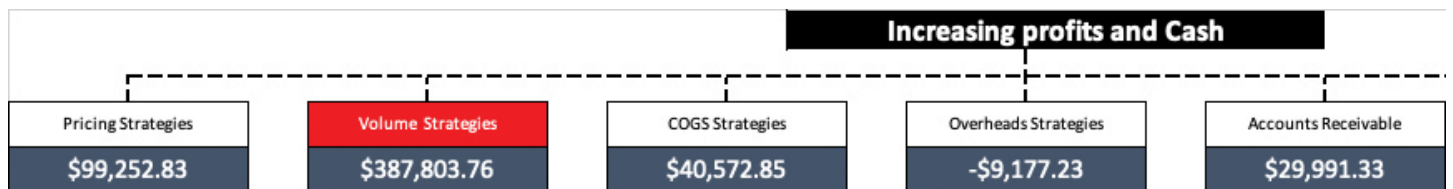




Shortage of cash in a business is a symptom of other challenges in a business. Simply ploughing cash into the business or hoping that the situation will improve by itself rarely happens. It is vital that as a business owner you adopt strategies to drive cash and profitability in your business.

However, it needs to be a whole of business approach using a structured approach and mindset.

Here are 30 ideas that you can take and implement without resorting to expensive financing or firing people.



Management Approach

1 Adopt a LEAN mindset across all areas of business

Attack all forms of waste in the office and in operations.

2 Create a Budget

Stick to it and check it for variances monthly.

3 Adopt a line item approach to your P&L and Balance sheet

Assign EVERY line to a person in your organisation. Assign a task for them to drive down the cost for that line item. They then need to report on progress monthly. Target an overall reduction of at least 5% in costs and expenses. For e.g. If your Net Profit is 10% then your target is to reduce the 90% by 4.5% i.e., 5% of 90%.

4 Consider using Zero Based Budgeting

To identify only those activities that are necessary, and no more. Cull all unnecessary non-value-adding activities.

5 Develop Charts of authority

To manage the time taken and boundaries for decision making. This will ensure people do not waste time asking for approval – they will know what they can and cannot do.

6 Look for global optimums

Sometimes the best solution in one area can cause bigger problems in other areas – look for the balance that gives the best overall results.

7 Don't forget to look for government grants.

Often State and Federal governments have grants and awards that share your costs or help you spend less of your own money.

Operations

8 Measure your DIFOT

Delivery In Full On Time to drive customer satisfaction and minimise complaints. This will drive down both costs resulting from having to do things again as well as reduce the number of complaints and potential lost business.

9 Measure and fix key attributes

Such as "Unnecessary returns to site" that are the result of upstream mistakes such as poor measuring or sales not communicating requirements to operations.

11 Don't forget the 5s approach to cleaning up a place

It is difficult to fix problems if you can't see them – the 5S approach brings them into stark relief

- SORT:** distinguish between the necessary and unnecessary. Get rid of the items you do not need.
- SET in ORDER/ STABILISE:** means to arrange essential items to provide easy access.
- SHINE:** means to keep things clean and tidy and use cleaning as a form of inspection.
- STANDARDISE:** means to establish standards and guidelines to maintain an organized office or workspace.
- SUSTAIN:** means to make 5S a habit and teach others to adhere to established standards.

10 Identify all of the 8 types of waste in your business

Use the acronym DOWNTIME.
Note this can occur in all areas from Operations to Finance and Sales.

- DEFECTS**
Errors and mistakes across all areas of business.
- OVER-PRODUCTION**
Doing too much of one thing.
- WAITING**
Unnecessary queues and piles of stuff.
- NON-UTILIZED RESOURCES/ TALENT**
The saddest form of waste. Ensure you get ideas from your staff and use their brains as well as their presence.
- TRANSPORTATION**
Moving things unnecessarily, sometimes this can be in duplicating things between both paper and systems.
- INVENTORY**
having too much stuff.
- MOTION**
Unnecessary movement needed to complete a task.
- EXCESS PROCESSING**
Usually occurs when the tolerances and standards are too tight for the requirements. Another example is trying to get too much information before making a decision and then getting caught in analysis-paralysis.

8 WASTES OF LEAN MANUFACTURING



DEFECTS



OVERPRODUCTION



WAITING



NON-UTILIZED TALENT



TRANSPORTATION



INVENTORY



MOTION



EXTRA-PROCESSING



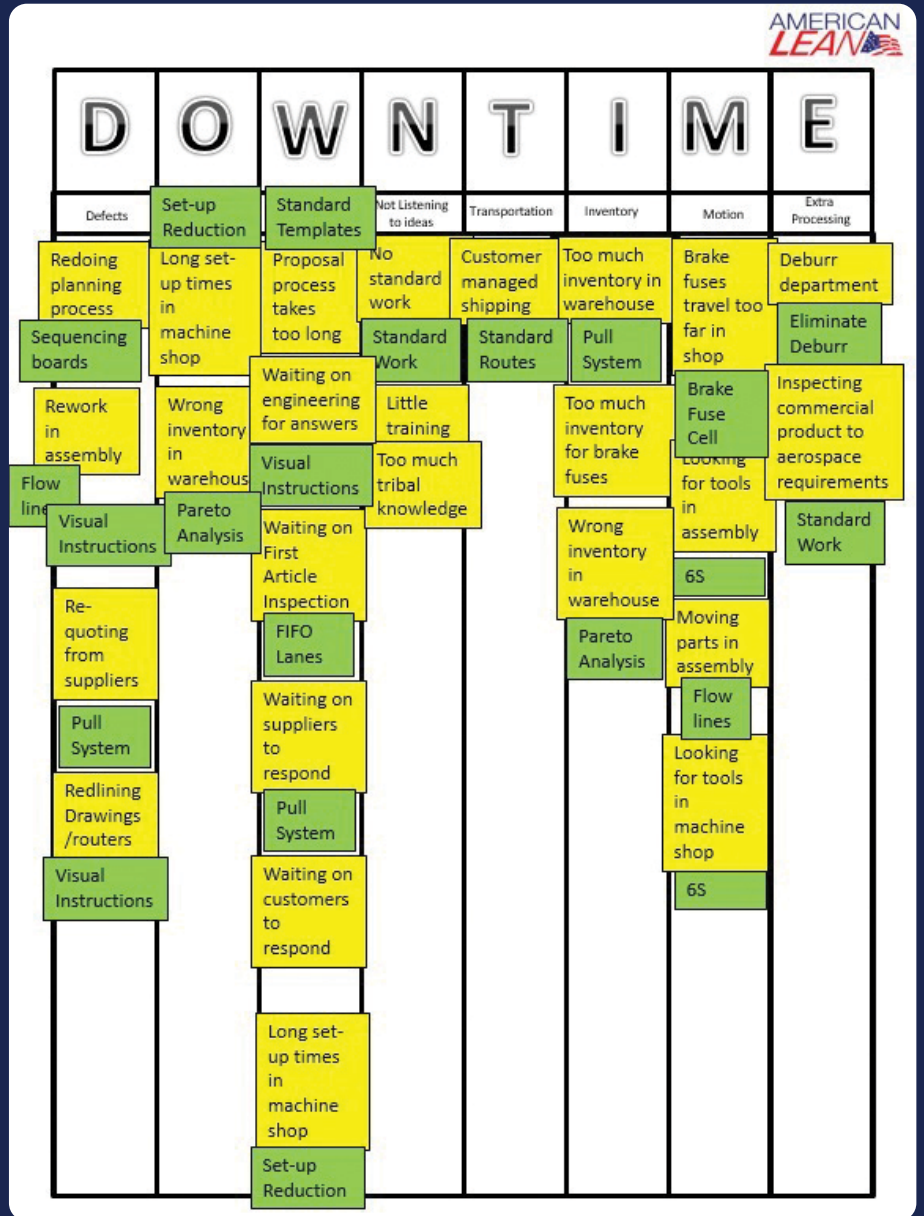


12 Take before and after videos

Of any improvements so you don't slip backwards.

13 Conduct regular "Waste Walks" through your operation

Choose a function or process (Gemba Walk) and do a waste walk looking for the 8-wastes and/or areas to apply 5S. Do this in the office as well as in the factory.



14 Identify Bottlenecks and fix them

But remember a local optimum may not be the best overall solution. Always look at the big picture.

Purchasing

One of the key factors in growing a business is how it finances that growth. Most people don't realise that one of the most important factors in determining the rate at which a business can self-finance growth (SFG) is its COGs. Negotiating and working on your cost of goods is an essential part of growing a business.

15 Use a supplier-prices-register

For tracking actual costs vs budgeted costs to ensure you stay on top of changes in your input costs.

							Variance against Budget	\$958.33
Date	Raw Material	UNITS	Budget price per unit	Current price per Unit	Differential	# Units where this applies	Extended Differential	
15/9/98	Pet Blown Bottles	1000's	\$275.25	\$275.00	\$0.25	20,000	\$5,000.00	
15/9/98	Sugar	Ton	\$160.00	\$180.00	-\$20.00	1,500	-\$30,000.00	
15/9/98	375 Cans	1000s	\$123.75	\$123.70	\$0.05	65,000	\$3,250.00	
15/9/98	Trays - Cans	Each	\$0.152	\$0.153	-\$0.001	2,708,333	-\$2,708.33	
15/9/98	Pads - PET Bottles	Each	\$0.075	\$0.079	-\$0.004	833,333	-\$3,333.33	
15/9/98	400ml Preform	1000's	\$90.00	\$89.50	\$0.50	20,000	\$10,000.00	
27/10/98	400ml Preform	1000's	\$90.00	\$89.75	\$0.25	75,000	\$18,750.00	

16 Evaluate your suppliers SIFOT

Supplier-In-Full-On-Time. Are your suppliers delivering everything on time, with the required quantities and agreed quality. Every time you need to query a delivery it sucks time and resources that could be used elsewhere. In addition, a documented track of supplier delivery issues can be extremely useful in negotiating prices and/or driving improved performance by your supplier.

17 Don't forget the 3-quote policy for your purchases

Implementing a simple 3 quotes policy is known to save money.

SUPPLIER TENDER NOTICE - 3 QUOTE POLICY	
Name of supplier	
Date	
Items that we would like to order	
Volume in units (this order)	
Likely future volume	
SPECIAL SPECIFICATIONS	
DELIVERY REQUIRED	
Our address and contact details	

It is the policy of our company to obtain three quotes on any significant company supplies.

SUPPLIER QUOTE

Your price (Ex GST)	
Your price (Inc GST)	
Date valid until	
PAYMENT TERMS	
EARLY PAYMENT DISCOUNT	
DATE QUOTE VALID	

I am authorised to supply the following quotation on behalf of the company.

Name	
Phone	
Fax	
Email	

Supplier signature

18 Use cost unbundling

It can sometimes be appropriate to break down the costs of an item and negotiate each part separately, for e.g., if a company offers a delivered price, see if you can reduce costs by negotiating an ex-factory cost and negotiating freight costs separately. Just be sure that you know what INCO terms you are working with and what risks you assume when you follow an unbundling strategy.

19 In the exact opposite sense, it can be extremely useful to ask for delivered prices

If the supplier is offering ex-factory prices.

20 Don't forget that it can make sense to use a bundling strategy

To combine purchasing across different products. Often using a bigger purchasing quantity across multiple items lowers the overall costs for both items.

21 Don't forget to enquire about early payment discounts

These may be worth your while to negotiate.

22 See if you can pay by credit card for COD items

This may give you up to 45 days interest free. See if you can negotiate this without extra fees.



23 Use the "big box" strategy

Separate the person who does the negotiation and the person who handles operations. That way you can often negotiate "harder".

24 Join a buying group to increase volume discounts

25 Look at whole of life costs

Often buying the cheaper initial solution results in higher overall running costs and/or less resale value and/or a shorter life.

Sales

26 Establish maximum discount policies for the sales team

Most people don't realise that if your Gross profit is 30% then a 5% discount means you must sell an extra 20% just to get the same Gross Profit Dollars.

Price Discount Model

ASSUMPTION

Assume Sale Value	\$1,000
Assume Gross Margin %	30%

If you discount prices by this amount

2.5%	5.0%	7.5%	10.0%	12.5%	15.0%	17.5%	20.0%	22.5%	25.0%
You need to increase your sales by this amount to achieve your original Gross Margin									
9.1%	20.0%	33.3%	50.0%	71.4%	100.0%	140.0%	200.0%	300.0%	500.0%

Sample Data

	ORIGINAL SALE VALUES	Apply a Discount of 2.5%	Apply a Discount of 5.0%	Apply a Discount of 7.5%	Apply a Discount of 10.0%	Apply a Discount of 12.5%	Apply a Discount of 15.0%	Apply a Discount of 17.5%	Apply a Discount of 20.0%	Apply a Discount of 22.5%	Apply a Discount of 25.0%
Sales	\$1,000	\$975	\$950	\$925	\$900	\$875	\$850	\$825	\$800	\$775	\$750
Cost of Sales	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700
Gross Margin	\$300	\$275	\$250	\$225	\$200	\$175	\$150	\$125	\$100	\$75	\$50
Therefore you need to increase sales to xxxx in order to achieve your original margin of \$300											
Margin Required	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300
New Cost of Sales	\$764	\$840	\$933	\$1,050	\$1,200	\$1,400	\$1,680	\$2,100	\$2,800	\$4,200	
New sales required	\$1,064	\$1,140	\$1,233	\$1,350	\$1,500	\$1,700	\$1,980	\$2,400	\$3,100	\$4,500	

27 Ensure your sales team are tracking their metrics every day

That way you can drive efficiencies and help the team focus on the best results at the lowest overall costs.

28 Each sales call needs to have a specific purpose and objective

The best way to do this is to use a pre-call planner. I have 19 questions I ask myself before every sales call – here are 4 of those 19.

Premeeting Planner	Client
One major difference between top performers and moderate performers in any field - and especially in sales - is the way they prepare to do their jobs. Pre-call Planning is not just thinking about what you will say. It is creating the qualifying questions you will ask and deciding what information you will share.	Date
you are not selling a product or service, you are selling a solution to your prospect's problem. So first you've got to discover a problem you can solve, and to do that you've got to ask some strategic questions.	
Pre-call planning lets you determine what success means before every call instead of after the call.	
How can I manage the sale?	
1. At what stage of the process am I with this prospect? (Steps 1 through xx)	
2. What new business moves can I make with this prospect today?	
3. Have I given the prospect a pre-meeting assignment?	
4. Have I completed all steps to this point? Anything need to be firm ed up?	

29 Track your cost-to-serve

Complete a customer profitability analysis with specific emphasis on your cost to serve. There is plenty of research that shows that for most organisation approximately 10 to 15% of customers provide 150% of a business' profits, and the bottom 20% cost about 50% of the profits. The other customers are break-even. This is exactly the scenario we found when doing a turn-around for a soft drink bottler in Lebanon.

30 Search for ways to increase the average value of a sale

Track this metric and look at how you can increase the value of the invoice. Using the "Do you want fries with that?" approach drives both overall sales revenue and share of wallet straight to your bottom line.



Do you need
some help to
implement these
ideas?

I can be available for a
15-minute call in the next 24
hours if you want to discuss
any of this further.

[CLICK HERE TO CHECK
MY CALENDAR NOW](#)



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GROWTH
ENGINEER**

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M; +61 448 939 202 | T: +61 2 9016 4391
charles@thegrowthengineer.com.au