Sales Are Up. So Where Is the Cash?

A busy business is not necessarily a healthy business. Revenue can be growing while margins shrink, receivables pile up, or cash in the bank becomes harder to predict.

In Simply Scale, a contractor wins the largest contract in his company's history. It should be cause for celebration—and it is. But the new client's payment cycle means the contractor pays for labor and materials long before cash arrives.

> **He discovers a hard truth: you cannot buy groceries with sales. A profitable opportunity can still create a cash crisis.**

Three Shifts That Put You in Control

1. Read the whole scoreboard. Review the profit-and-loss statement, balance sheet, and cash flow statement. Revenue, profit, and cash are not the same thing.

2. Protect your margins. Review prices regularly and know the cost of discounting. At a 30% gross margin, a 10% price discount requires 50% more units to maintain the same gross profit.

3. Manage cash before it becomes a crisis. Make payment terms clear, invoice on time, monitor receivables and payables, and plan for the cash demands of growth.

The book also makes the case for consistent systems and controls that protect cash, reputation, and profit.

You don't have to be a financial expert to lead your business well—that's why you have an accountant. You do need to know your numbers, understand the activities that drive results, and make decisions before a cash problem becomes a crisis.

TRY THIS WEEK

Look at the cash you expect to collect and the bills you expect to pay over the next 30–60 days. Identify one pricing, invoicing, or collection decision that could improve that picture.

Conversation starter: Are you managing to grow sales, improve profit, or strengthen cash flow?