From the Handbook of Business, the Bible

29: Wisdom keeps your life on track

Let's talk about money…or for many business owners, the lack thereof!

A common client complaint I in my accounting days was, "*you say I made $x profit and have this big tax bill…but where's all the money?* For these business owners, 2 key issues were at play:

1. A lack of understanding of what was happening in their business
2. A lack of planning for their future, especially regarding profit, cash & tax

Too many owners then, as now, just turn up each day, work hard, buy & sell, deal with a myriad of issues, decisions to make, etc…hoping things work out for the best. But, too often they don't.

What Bible verse can we apply to this situation?

Proverbs 14:8, two versions…

MSG: "The wisdom of the wise keeps life on track; the foolishness of fools lands them in the ditch"

TLB: "The wise look ahead. The fool attempts to fool himself and won't face facts"

Two examples of wisdom leading to a negative outcome but actually saved the day:

A bloke I know with a successful operation, decided to expand to three times the floorspace. But his logic was foolish, assuming 3 x space = 3 x profit. Within weeks he found the numbers just didn't work. Wisely, he got help to prepare cash projections that showed his operation bleeding badly; it was game over within 12 weeks! He faced the facts, choosing to shut down before that happened.

…And I've been there myself! Starting a business in the GFC that was too slow to grow; cash was burning fast, so we decided to pull the pin before reserves ran out. It was a tough on our customers & staff; it meant abandoning a dream & two year's work. It was an expensive, but valuable, lesson.

What tactics can business owners adopt to keep on track?

No doubt, there are tough times ahead; the wisdom of the wise is needed more than ever!

<u>Here are three things wise business owners do to stay on track:</u>

1: Wise owners understand their numbers, the 2 main ones being…

* Gross Profit - a weekly target with monitoring of actual progress
* A cashflow forecast and the impact on cash reserves of various 'what-if' scenarios.

2: Wise owners understand their customers & products, where the best money is made…

* Intimate knowledge of sales & GP contribution of each using the 80-20 formula
* Exactly what problem they solve with a clear message-to-market promoting this.

3: Wise owners understand what a better future looks like, they see it…

* Their focus is on continuous improvement because status quo isn't good enough
* They lead with a spirit of excellence, ensuring everything they do adds value.

My counsel: Follow this wisdom & it will help you stay on track and avoid landing in a ditch!

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