

# CONTENTS

Tables, Charts and Figures	xv
PART I: THE CREATION OF CASH, PROFITS, AND CORPORATE WEALTH	
1. Introduction: The Strategy of Cash as a Managerial Alternative	1
2. Cash and the Creation of Corporate Wealth	4
Management's wealth-creating imperative...Maximizing stockholders' wealth: the causal sequence...Maximizing Pi: the percentage increase of equity...Pi as the central organizing concept of business enterprise	
3. Maximizing Cash Productivity	9
The manager as investment manager: maximizing balance-sheet velocity...The seven SCALDER sources of corporate cash...The liquidity environment: cash velocity and synergy...Maximizing cash to maximize profits...Cash return on equity (CRE)...CRE and the cash productivity factor...Some technical pitfalls: "net income" and dividend leakage	
4. Equity Formation and the Production of Cash	23
ECA: equity created by acquisition...Liquidity ECA cash availability...ECO: equity created by public offerings...Equity formation and cash productivity	
5. Pi: The Grand Strategy of Cash Generation	33
Pi = CRE × ECO × ECA...Implementing Pi: the strategy of maximum cash productivity	

x **Contents**

**PART II: EXTERNAL CASH-PRODUCING STRATEGIES FOR MAXIMIZING PROFITS**

- 6. Generating Leverage Cash** 43  
Leverage cash and the mechanics of private placement... The nature of leverage cash... The crucial ingredients of debt capacity... Forecasting cash flow debt capacity... The constraint and hazards of debt/sales... Leverage and risk
- 7. Generating Equity Cash** 55  
The rationale of equity creation... Generating LICO cash: leverage-in, cash-out... Equity cash in private transactions
- 8. Generating Acquisition Cash** 63  
Generating Transaction ECA... Generating Liquidity ECA... From cash availability to cash productivity... Professionalizing growth-by-acquisition

**PART III: GENERATING SALES CASH**

- 9. Producing Sales Cash at the Cash Margin** 77  
Sales volume (S) and sales cash (Sc)... Sales cash analysis and breakeven volume... The profit impact of the cash margin... The cash margin chart: analyzing forecasting profits... The CRE language of sales cash
- 10. The Profit Impact of Sales Cash** 91  
Sales-cash behavior and the cash-margin factors... The impact of sales cash on breakeven volume... Generating sales cash from product mix... Summary of cash-margin strategies... Applying profit volume (PV)
- 11. Sales-Cash Decision-Making to Maximize Profits** 109  
Product portfolio decision-making (CM 1)... Product contribution to capacity costs (KC)... The cash contribution of loss products... Adding products: the cash decision factors... Sales-cash distribution as a source of profits... Unit volume decision-making (CM 2)... Pricing strategies of cash generation... Pricing a target profit

12. **Volume Budgeting and Controlling Sales Cash** 128
- The volume budget and sales-cash productivity...Volume budgeting the cost centers...Controlling sales-cash productivity...Reporting net price variances...Material and conversion variances...The sales-cash variance control

**PART IV: GENERATING COST CASH**

13. **The Costing Framework for Generating Cash** 151
- The “seven C’s” of cost control...Generating cost cash...Direct standard costing...The application of pinpoint costing...The cost control categories: location, flow, and input...Responsibility cost reporting

14. **Cash Creativity and Profits** 162
- Achieving the cash-creative environment...Motivating cash creativity...Organizing cash creativity: the CI capability...Total cash mobilization...The decisive role of first-line supervision...Maximizing cash improvement...Controlling cost-reduction projects

15. **Reducing Costs in the Cash System Environment** 174
- The business as a cash system...Time-cost imbalances: the system’s pathology...Curing systems imbalances and cost excesses...Solving cost excesses: the core strategies...BC cash availability: fixing priorities and potentials...Cash productivity from sales/expenses...The product focus of cash creativity

16. **Capacity Costs and Cash Generation** 188
- KC’s definitional visibility...Reducing fixed or cadre KC...Controlling constant overhead...Controlling payback KC...Reducing optional KC

**PART V: ASSET SOURCES OF CASH**

17. **Generating Asset Cash** 203
- Asset cash macroproductivity...The asset cash multiplier...The rationale of asset cash productivity...Asset graveyards and the P&L obsession...Asset microproductivity

**xii Contents**

- 18. Generating Reinvestment Cash** 217
- Discounting cash flow for maximum return...Evaluating investment cash return...The net cash impact of alternative projects...Capital costs and payback...Locating the cutoff rate of return...Payback and risk

**PART VI: IMPLEMENTING THE STRATEGY OF MAXIMUM CASH PRODUCTIVITY**

- 19. Planning Maximum Cash Productivity** 233
- The Cash Productivity Plan: CRE versus ECO and ECA...The cash planning sequence...Delineating our planning environment...Establishing the Pi growth rate...The Cash Productivity Guide (Pi Frame)...Organizing to construct the Cash Productivity Plan...Determining our maximum-impact direction...Preparing the functional resource plans...The financial plan...The interim and base year Plans...Visualizing and actualizing target year 5...Qualities of an achievable Plan
- 20. Organizing and Coordinating Cash Productivity** 256
- Structuring cash productivity objectives...Characteristics of cash-effective objectives...Formats for administering objectives...Interim cash productivity reviews...Organizing to achieve the Cash Productivity Plan...Charting the organizational structure...Recruiting cash-motivated people...Position guides for organizational clarity...Effective policies and procedures
- 21. Motivating Cash Productivity** 274
- The substance of motivation...The cash contribution ratio as performance gauge...Evaluating and rewarding cash productivity...Promotion as the engine of the motivational system...Cumulating promotional incentives

**PART VII: SAFEGUARDING CASH PRODUCTIVITY: CONTROLLING RESULTS AGAINST PLAN**

- 22. The Mechanics of Cash and Liquidity Control** 287
- Quantitative controls: financial versus nonfinancial...

	Nonquantitative “controls”: eyeball-to-eyeball...The three tiers of cash control: forecast, analyze, prevent...Forecasting cash variances...The functional forecast...Forecasting net cash impact and cash velocity...Projecting balance-sheet cash...The forecasted income statements and balance sheets...The CRE basis of cash forecasting	
23.	<b>Controlling the Velocity of Cash and Liquidity</b>	310
	The liquidity analysis...Reconciling working capital and the ATL sources of cash...Working capital velocity...Liquidity velocity: focus of the strategy of cash	
24.	<b>Ratio and Trend Analysis of Cash Contribution</b>	326
	Relative variances: the cash-system internal environment...Externalizing our analytical environment...Relative variances: the best-competitor external environment...The CRE focus of analysis and control...The CRE ratios...Analyzing cost cash ratios (S/C)...Analyzing asset cash ratios (S/A)...Receivables and inventory cash...Supplementary cash productivity ratios	
25.	<b>Leverage Cash: Safeguarding Current Liquidity</b>	339
	Current coverage and the balance-sheet analogy...Evaluating current coverage...Quick coverage and inventory reliance...Net coverage...The liquidity thermometers: receivables and inventory...Across-the-line (ATL) forces converging on liquidity...The summary ratios of ATL liquidity...The crucial liquidity role of fixed assets...The qualitative rationale of fixed assets/equity...Evaluating the fixed and miscellaneous ratios	
26.	<b>Leverage Cash: Safeguarding Debt Capacity</b>	359
	Analyzing debt capacity and utilization...The debt/equity chestnut: effective use and misuse...Evaluating operating debt capacity...Reinvestment ratios and cash utilization...Tier three: cash variance prevention	
	<b>Glossary</b>	369
	<b>Index</b>	385