GROwiser

AVOIDING THE PITFALLS OF GROWING BROKE



GROWING BROKE TOOLKIT

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Implementation Use Notice

This framework is designed to support structured execution and decision-making. It provides **directional management insight**, not precise financial outputs or forecasts.

All results depend on the **accuracy of data, consistency of use, and quality of execution**. Incorrect inputs or incomplete application may lead to misleading conclusions.

Users are responsible for reviewing outputs for reasonableness and validating results before taking action.

Use of this framework does not guarantee improved financial performance, cash flow, or business outcomes. Results depend on execution and external factors.

Avoiding the Growing Broke Trap

Growing Broke: When Success Becomes Your Enemy

Part of the BusinessWiser™ Cash Flow Mastery Series

Note: *This booklet explains the concepts and logic behind GROWwiser™. The included GROWwiser™ Excel workbook performs the calculations and analysis, guiding users through the Growing Broke assessment first. If Quarterly Marginal Cash Flow is negative, the workbook focuses on improving the cash economics of growth before enabling the growth-rate calculations.The Growth Paradox*

Here's a scenario I've watched play out more times than I can count. A business lands a major new contract — the kind that looks like a breakthrough. Sales climb. The P&L forecast looks great. Then the cash crisis hits. The owner is left asking a question nobody ever warned them about: how did success lead to this?

The answer is the Growth Paradox. Business growth often consumes more cash than it generates, at least in the short run. Your P&L shows increasing revenue and profits. Your balance sheet shows growing assets. Only direct cash flow analysis reveals the problem hiding beneath the surface.

The mechanics are straightforward. Cash goes out fast — inventory, payroll, suppliers. Cash comes in slow — customers pay on their own timeline, often 30, 60, or 90 days after you've already spent to fulfill the order. During growth, this timing mismatch intensifies. You invest heavily upfront while collections lag behind. The faster you grow, the wider that gap becomes.

A former manufacturing client ran the numbers on their own business. For every $100,000 in new sales, they needed $23,000 tied up in accounts receivable, $31,000 in inventory, offset by $11,000 in accounts payable — a net $43,000 in working capital. Their gross margin was 37%, meaning each $100,000 in sales generated $37,000 in gross profit. The gap: every new dollar of sales consumed $0.06 in cash. Growth was draining their reserves while their P&L showed improvement.

> *I never realized that success could bankrupt us. We thought we were building momentum, but the analysis showed we were digging a deeper cash hole with each new sale.*
>
> **— Manufacturing company owner, former client**

What many owners discover is that the initial cash impact of growth is only the beginning of the problem.

The example above illustrates the first warning sign. Growth was already consuming cash because working capital requirements exceeded the cash generated by gross margin. But in many businesses, the situation becomes even more challenging once additional growth requirements are considered — including capital expenditures, staffing expansion, sales and marketing investments, overhead increases, taxes, owner distributions, and other funding demands.

In other words, negative Marginal Cash Flow is often only the tip of the iceberg.

This is the problem the GROWwiser™ toolkit is built to solve. The first step is determining whether growth is helping or hurting your cash position. If growth is consuming cash, management attention should focus on improving the underlying economics of the business. Only after growth becomes cash-positive does it make sense to determine how fast the business can safely grow.

The two integrated calculators — the Growing Broke Calculator and the Sustainable Growth Calculator — are designed to guide that process. The rest of this guide walks you through how they work.

Six Warning Signs You're Growing Broke

After working with over 170 SMBs across manufacturing, wholesale, and distribution, I've found that growing broke rarely appears all at once. It announces itself through a consistent set of warning signs — usually months before the cash crisis becomes undeniable. Most owners see them and rationalize them away. Don't.

Warning Sign	**What It Means**
Over-reliance on debt financing	Using your credit line for routine operations — payroll, supplier bills — rather than strategic investment. Draws become larger, more frequent, and eventually permanent.
Inventory outpacing sales growth	Cash gets trapped in your warehouse. Businesses over-order during growth to avoid stockouts, but the cumulative cash impact is often invisible until it's severe.
Slowing collections cycles	A nine-day increase in average collection time across a $6M revenue base locks up over $150,000 in cash. Sales teams chasing new deals stop enforcing payment terms on existing ones.
Stretching vendor payments	Using suppliers as unwilling bankers. Net-30 terms become net-60 or net-90 through consistently late payment. The short-term cash relief damages relationships and credit standing.
Consistent budget overruns	Growth costs more than modeled. If you're exceeding budget most months, the growth model itself is flawed — not just execution.
Margin compression during growth	Each additional dollar of revenue generates less profit than the one before. Larger orders, more complexity, more rework. Cost structure doesn't scale the way the forecast assumed.

Any one of these is worth investigating. Two or more at the same time means you're almost certainly growing broke. The good news: there's a formula that tells you definitively — and points directly at where to fix it.

The Growing Broke Formula

The Growing Broke Calculator is built on one core equation. It tells you whether each additional dollar of sales generates or consumes cash — and by exactly how much.

MARGINAL CASH FLOW

Marginal Cash Flow = Gross Margin % − Working Capital per Dollar of Sales

Gross Margin % is the percentage of each sales dollar remaining after direct costs. If you sell for $100 and it costs $60 to produce, your gross margin is 40%.

Working Capital per Dollar of Sales measures how much cash is tied up supporting each dollar of revenue:

WORKING CAPITAL PER DOLLAR

(Accounts Receivable + Inventory − Accounts Payable) ÷ Revenue

When Marginal Cash Flow is positive, growth strengthens your cash position. When it's negative, every new sale makes the cash problem worse.

Here's what it looks like across three business types:

Business Type	Gross Margin	Working Capital / $	Marginal Cash Flow
Manufacturing (38 employees, $7.2M)	46%	43%	+3% — cash-positive, thin margin for error
Distribution (26 employees, $5.8M)	28%	37%	−9% — every $1M in growth burns $90,000 in cash
Professional Services (22 employees, $4.1M)	62%	21%	+41% — growth engine is highly cash-generative

The distribution business is the cautionary tale. Low margins plus high working capital requirements created a negative cash spiral that went undetected until the bank flagged deteriorating liquidity. The professional services firm, by contrast, had intentionally structured their billing and collections to maximize cash generation from growth. The difference wasn't luck — it was understanding the formula.

> *This formula finally explained why we kept running into cash problems despite growing profitability. We improved gross margin by 2 points and reduced working capital requirements by 3 points. That flipped our Marginal Cash Flow from negative to positive — and we've been funding expansion from operations ever since.*
>
> **— CEO, former distributor advisory circle participant**

Marginal Cash Flow Is Only the Tip of the Iceberg

Marginal Cash Flow is intentionally simple. It serves as an early warning indicator of whether growth is helping or hurting your cash position.

But owners should understand something important: when Marginal Cash Flow becomes negative, the actual cash impact of growth is often significantly larger than the formula alone suggests.

The calculation compares Gross Margin against Working Capital requirements. It does not yet reflect many of the additional cash demands growth can create, including capital expenditures, staffing expansion, sales and marketing investments, overhead increases, financing requirements, taxes, and owner distributions.

In other words, a negative Marginal Cash Flow result is often not the problem itself — it is the first warning sign of a larger funding gap beneath the surface.

For this reason, GROWwiser™ uses Quarterly Marginal Cash Flow as its primary decision point. If Quarterly Marginal Cash Flow is negative, the workbook temporarily disables the Sustainable Growth calculations. The objective is simple: determine whether growth is creating cash or consuming cash before evaluating how fast the business can safely grow.

If your Marginal Cash Flow is negative, the path forward is clear: improve gross margin, reduce working capital, or both. The calculator models the impact of specific changes — so you can see exactly which levers move the needle before you pull them.

Sustainable Growth Planning

Once you know whether your business generates or burns cash when it grows, the next step is determining whether sustainable growth analysis is appropriate.

This is an important distinction.

If Quarterly Marginal Cash Flow is negative, GROWwiser™ assumes growth is currently consuming cash. In these situations, the growth-rate calculations are temporarily disabled because the business has not yet demonstrated cash-positive growth economics.

The objective is not to determine how fast the business can grow. The objective is to first correct the conditions causing growth to consume cash.

Only after Quarterly Marginal Cash Flow becomes positive does it make sense to evaluate growth capacity using the three growth guardrails discussed in this section.

For businesses with positive Quarterly Marginal Cash Flow, these three growth rates provide a practical framework for understanding how fast the business can grow and where the funding for that growth will come from.

Your Three Growth Guardrails

Think of these three rates as a speedometer with three marked zones. Each one tells you something different about your capacity to grow without creating a cash emergency.

Growth Rate	What It Tells You	Denominator Used
Internal Growth Rate	Maximum growth using only retained earnings — no external financing of any kind	ROA × Retention Ratio (accounting-based — working capital not used)
Self-Sustainable Growth Rate	Maximum growth using operating cash flow — all growth costs included	Total Cash per $1 of Growth (working capital + capex + staffing + marketing + overhead)
Maximum Growth Rate	Your absolute growth ceiling using every resource available	Total Cash per $1 of Growth (same as above, but numerator adds available cash & credit)

⚠ IMPORTANT — Growth Rate Calculations and Key Assumptions

The three growth rates discussed in this section are planning tools, not guarantees of future performance.

Each calculation answers a different question:

• **Internal Growth Rate** estimates growth supported by retained earnings
• **Self-Sustainable Growth Rate** estimates growth supported by operating cash flow
• **Maximum Growth Rate** estimates growth supported by operating cash flow, available cash, and borrowing capacity

However, all three calculations have important limitations and assumptions.

The **Internal Growth Rate** is an accounting-based calculation, not a cash-based calculation.

It does not measure:

• working capital intensity
• inventory expansion
• receivables growth
• operating cash flow strain
• capital expenditures
• staffing expansion
• sales and marketing investment
• overhead increases
• or the total cash required to support growth

As a result, a business can show a healthy Internal Growth Rate while simultaneously experiencing significant cash flow pressure.

The **Self-Sustainable Growth Rate and Maximum Growth Rate** provide a more realistic view because they incorporate the cash requirements associated with growth. However, they also assume:

• the existing business continues generating operating cash flow at approximately current levels
• current margins, working capital characteristics, and operating performance remain reasonably consistent
• the cash required per $1 of incremental revenue remains reasonably consistent with current assumptions
• no significant deterioration occurs in customer payment behavior, inventory performance, supplier terms, profitability, or operating efficiency

In addition, the Maximum Growth Rate assumes:

• existing cash balances remain available for business use
• existing borrowing capacity remains available
• lender support and financing relationships remain unchanged
• the business remains within acceptable lending and leverage parameters

These assumptions matter.

If Gross Margin per $100 of Revenue is less than Total Working Capital required per $100 of Revenue, the business is Growing Broke.

When that happens:

• growth consumes cash faster than the business generates it
• operating pressure increases
• borrowing requirements rise
• liquidity weakens
• and the company can eventually hit a financial wall even while profits appear healthy

For this reason, **GROWwiser™ uses Quarterly Marginal Cash Flow as its primary screening test.**

If Quarterly Marginal Cash Flow is negative, all growth-rate calculations are temporarily disabled.

The logic is straightforward:

First determine whether growth is creating cash or consuming cash.

Then determine how fast the business can safely grow.

Bottom line:

👉 Profit does not fund growth. Cash does.

Rate 1: Internal Growth Rate — Your Retained Earnings Floor

The Internal Growth Rate is your most conservative guardrail. It tells you the maximum rate at which your business can grow using only the profits it retains — with no external financing, no credit line, no owner contributions. It's the baseline answer to: how much can we grow purely on what we keep?

This rate matters because it anchors the other two. If your target growth is below your Internal Growth Rate, you're in the most favorable position possible — retained earnings alone can fund your expansion. If your target is above it (which is common and fine), you know you'll need to tap operating cash flow or available credit.

The Formula — Plain-English Walkthrough

> **INTERNAL GROWTH RATE**
> Internal Growth Rate = (ROA × Retention Ratio) ÷ (1 − ROA × Retention Ratio)

Two inputs drive this formula:

Return on Assets (ROA) = Net Income ÷ Total Assets. This measures how efficiently your business converts its asset base into profit. A higher ROA means more profit per dollar of assets deployed.

Retention Ratio = (Net Income − Owner Distributions) ÷ Net Income. This measures what percentage of your profit stays in the business. If you earned $200,000 and distributed $80,000 to yourself, you retained $120,000 — a Retention Ratio of 60%.

The formula itself has a logical structure. The numerator (ROA × Retention Ratio) represents the additional return you're plowing back into assets. The denominator (1 minus that product) adjusts for the compounding effect — the fact that retained earnings become part of your asset base and generate further returns.

In plain English: the more profitable you are and the more profit you keep, the faster you can grow using only what you earn.

XYZ Distribution: Internal Growth Rate in Practice

XYZ Distribution Company is a business we'll use throughout this section. Here are their numbers:

Financial Item	Amount
Annual Revenue	$3,500,000
Net Income	$280,000
Total Assets	$2,100,000
Total Equity	$1,200,000
Operating Cash Flow	$450,000
Available Cash & Credit	$200,000
Owner Distributions	$140,000

Step 1: Calculate the inputs.

ROA = $280,000 ÷ $2,100,000 = 13.3%
Retained Earnings = $280,000 − $140,000 = $140,000
Retention Ratio = $140,000 ÷ $280,000 = 50%

Step 2: Run the formula.

ROA × Retention Ratio = 13.3% × 50% = 6.65%
1 − 6.65% = 93.35%
Internal Growth Rate = 6.65% ÷ 93.35% = **7.1%**
In dollars: $3,500,000 × 7.1% = $248,500 in additional revenue

XYZ can grow at 7.1% per year using only retained earnings. In dollar terms, that's $3,500,000 × 7.1% = $248,500 in additional revenue without needing a dollar from outside the business.

That's a useful baseline — but most growing businesses need to move faster than their retained earnings allow. That's where the Self-Sustainable Growth Rate comes in.

Reminder: Internal Growth Rate is only relevant when Quarterly Marginal Cash Flow is positive. If Quarterly Marginal Cash Flow is negative, growth is already consuming cash and GROWwiser™ disables all growth-rate calculations until the underlying cash economics improve.

Rate 2: Self-Sustainable Growth Rate — Your Operational Engine

IMPORTANT
The Self-Sustainable Growth Rate should only be evaluated after Quarterly Marginal Cash Flow is positive.
A positive Self-Sustainable Growth Rate does not override a negative Marginal Cash Flow result.
If Quarterly Marginal Cash Flow is negative, growth is already consuming cash. In these situations, the Sustainable Growth Calculator is temporarily disabled because the business must first correct the underlying cash economics of growth before growth capacity can be evaluated reliably.
This sequencing is intentional.
First determine whether growth creates cash or consumes cash.
Then determine how fast the business can safely grow.

The Self-Sustainable Growth Rate tells you how fast you can grow using the cash your operations actually generate — your operating cash flow. This is typically the most useful number for most SMB owners, because it captures the real engine of your business, not just accounting profits.

Here's an important distinction: net income and operating cash flow are not the same thing. Net income is an accounting figure that includes non-cash items like depreciation. Operating cash flow is actual cash generated from running your business day to day. It's what you can spend.

But here's the piece most business owners miss entirely: growth doesn't just consume working capital. When your business grows, you also need cash for capital expenditures, additional staffing, increased sales and marketing, and higher overhead. If you only account for working capital and ignore those other costs, you'll dramatically overestimate how fast you can safely grow.

That's why the Self-Sustainable Growth Rate uses Total Cash per $1 of Growth — not just Working Capital per $1.

Calculating Total Cash per $1 of Growth

Start with your Working Capital per $1 from the Growing Broke Calculator, then add the other cash requirements that come with growth:

Cash Requirement	**Per $1 of New Revenue**
Working Capital (AR + Inventory − AP)	$0.35
Capital Expenditures	$0.08
Incremental Staff Costs	$0.11
Additional Sales & Marketing	$0.05
Other Overhead Increases	$0.03
TOTAL CASH REQUIRED PER $1 OF GROWTH	$0.62

Working capital alone was $0.35 per dollar of growth. Once you add the real cost of growth — equipment, people, marketing, overhead — the true requirement jumps to $0.62. That's 77% higher than working capital alone. This is why so many businesses hit cash ceilings they didn't see coming.

SELF-SUSTAINABLE GROWTH RATE

Self-Sustainable Growth Rate = Operating Cash Flow ÷ (Total Cash per $1 × Current Revenue)

The denominator tells you the total cash your current revenue base requires to support growth. Dividing your operating cash flow by that number gives you the growth rate your cash generation can actually support.

XYZ Distribution: Self-Sustainable Growth Rate

Total Cash Required per $1 of Growth = $0.62

Total Cash Requirement = $0.62 × $3,500,000 = $2,170,000

Self-Sustainable Growth Rate = $450,000 ÷ $2,170,000 = **20.7%**

In dollars: $3,500,000 × 20.7% = $724,500 in additional revenue

XYZ's operating cash flow can support up to 20.7% growth — and only because the full cost of growth is accounted for. Had we used working capital alone ($0.35), the calculator would have shown a misleadingly optimistic 36.7%. That extra $0.27 per dollar of growth — staff, equipment, marketing, overhead — is real money that has to come from somewhere.

But 20.7% is not XYZ's absolute ceiling. That's what the Maximum Growth Rate reveals.

Note that this analysis assumes Quarterly Marginal Cash Flow is already positive.

If Marginal Cash Flow is negative, growth is consuming cash at the operating level regardless of what the Self-Sustainable Growth Rate calculation may suggest. For that reason, GROWwiser™ requires a positive Quarterly Marginal Cash Flow result before making these calculations available.

Reminder: Self-Sustainable Growth Rate is only available when Quarterly Marginal Cash Flow is positive. If growth is already consuming cash, improving Marginal Cash Flow takes priority over calculating growth capacity.

Rate 3: Maximum Growth Rate — Your Absolute Ceiling

The Maximum Growth Rate is your absolute growth ceiling. It tells you how fast you can grow when you deploy every resource available — your operating cash flow plus all available cash and credit. Beyond this rate, you will run out of money to fund growth, full stop.

This is the number that prevents you from overcommitting. When a major opportunity arrives — a large contract, a market expansion, an acquisition — this is the rate that tells you whether you can actually afford to say yes. And like the Self-Sustainable Rate, it uses Total Cash per $1 of

Growth in the denominator, because the full cost of growth doesn't change just because you're tapping credit.

MAXIMUM GROWTH RATE

Maximum Growth Rate = (Operating Cash Flow + Available Cash & Credit) ÷ (Total Cash per $1 × Current Revenue)

XYZ Distribution: Maximum Growth Rate

Total Available Resources = $450,000 + $200,000 = $650,000

Total Cash Requirement = $0.62 × $3,500,000 = $2,170,000

Maximum Growth Rate = $650,000 ÷ $2,170,000 = **29.9%**

In dollars: $3,500,000 × 29.9% = $1,047,000 in additional revenue

At 29.9%, XYZ would be deploying every dollar of operating cash flow, available cash, and accessible credit to fund growth. That's their hard ceiling. Push past it, and they're in a cash crisis regardless of how profitable the growth looks on paper.

It is important to remember that Maximum Growth Rate is a funding capacity calculation, not a substitute for positive growth economics. Access to cash and credit can help fund growth, but neither can permanently overcome a business model where growth consistently consumes cash.

Reminder: Maximum Growth Rate is only available when Quarterly Marginal Cash Flow is positive. Access to cash and credit cannot permanently overcome a business model where growth consumes cash.

Putting All Three Together: XYZ's Complete Picture

Before interpreting the three growth rates, verify that Quarterly Marginal Cash Flow is positive.

If Quarterly Marginal Cash Flow is negative, GROWwiser™ will not calculate Internal Growth Rate, Self-Sustainable Growth Rate, or Maximum Growth Rate. The workbook assumes growth is currently consuming cash and directs management attention toward improving gross margin and working capital performance first.

Only after Quarterly Marginal Cash Flow becomes positive should the three growth rates be used for planning and decision-making.

Here's what XYZ Distribution's full growth picture looks like, with a target growth rate of 20%:

Growth Rate	Percentage	Dollar Value
Internal Growth Rate	7.1%	$248,500
Self-Sustainable Growth Rate	20.7%	$724,500
Maximum Growth Rate	29.9%	$1,047,000
Target Growth Rate	20%	$700,000

XYZ's 20% target falls between their Internal Growth Rate (7.1%) and their Self-Sustainable Growth Rate (20.7%). That sounds comfortable — but look at how close it actually is to the Self-Sustainable ceiling. Here's what that means in practice:

- Growth above 7.1% requires using operating cash flow beyond retained earnings — that's expected and fine.
- Growth up to 20.7% can be funded by operating cash flow without touching available credit.
- At 20%, XYZ is operating at 97% of their Self-Sustainable capacity. There is very little room for error.

Let's verify with a cash impact analysis:

Additional Revenue at 20% Growth = $3,500,000 × 20% = $700,000
Total Cash Required = $700,000 × $0.62 = $434,000
Operating Cash Flow Available = $450,000
Cash Surplus = $450,000 − $434,000 = $16,000

XYZ's 20% growth target is technically achievable on operating cash flow — but it leaves only $16,000 as a buffer. That is not comfortable. Any margin softness, any collections delay, any unexpected expense, and they're tapping their credit line. This is exactly the kind of insight that should prompt a serious conversation: do we have the discipline and monitoring in place to execute at 97% of capacity? Or should we target 15% growth, build the buffer, and use the headroom to strengthen our cash drivers before pushing harder?

That's the conversation these numbers are designed to create.

Important Reminder: The target growth analysis assumes Quarterly Marginal Cash Flow is positive. If Quarterly Marginal Cash Flow is negative, the growth-rate calculations are disabled because growth is already consuming cash. In those situations, management should focus first on improving gross margin, reducing working capital requirements, or both before evaluating growth targets.

How to Read Your Three Numbers — Practical Guidance

Before interpreting your growth rates, confirm that Quarterly Marginal Cash Flow is positive.

If Quarterly Marginal Cash Flow is negative, the growth-rate calculations are intentionally disabled within GROWwiser™. This is not a limitation of the workbook. It is a deliberate management safeguard.

A negative Quarterly Marginal Cash Flow result indicates that growth is currently consuming cash. In these situations, management should focus on improving gross margin, reducing working capital requirements, or both before evaluating growth capacity.

Only after Quarterly Marginal Cash Flow becomes positive should the growth-rate calculations be used to establish growth boundaries and funding requirements.

Once you've calculated your three growth rates, here's how to interpret what you're seeing:

When Your Target Falls Below Your Internal Growth Rate

You're in the most favorable position. Retained earnings alone can fund your growth. This is rare — and if you're here, you should consider whether you're being too conservative with your growth targets. You have more capacity than you're using.

When Your Target Falls Between Internal and Self-Sustainable Rates

This is the sweet spot for most healthy SMBs. You need operating cash flow beyond retained earnings — but that's sustainable and doesn't require touching your credit reserves. Focus on maintaining strong operating performance and you can grow with confidence.

When Your Target Falls Between Self-Sustainable and Maximum Rates

Proceed carefully. You're tapping into your cash reserves and credit lines to fund growth. This is manageable for a defined period — but you need to monitor it monthly. If your operating cash flow dips even slightly, your cushion disappears fast. Build in a buffer and stress-test your assumptions.

When Your Target Exceeds Your Maximum Growth Rate

Stop. Your target growth rate exceeds what your business can fund with all available resources. Pursuing it without securing additional external capital first is a path to cash crisis — regardless of how profitable the growth looks on paper. Either scale back your target, secure financing before committing, or both.

When Your Self-Sustainable Rate is Very Low

This is a warning flag. Your business isn't generating enough operating cash flow to fund meaningful growth on its own. Before pursuing any growth, fix your cash drivers: improve margins, speed up collections, reduce inventory, renegotiate payables. Growth right now will only make the cash problem worse.

The pattern I see most often with clients and advisory council participants goes like this: they calculate these three rates, see their target growth falling between Self-Sustainable and Maximum, and immediately want to accelerate. My advice is always the same — work on improving your Self-Sustainable Rate first. Every percentage point of improvement there means you can grow faster on your own cash, without depleting reserves.

Why All Three Rates Matter

The discussion below assumes Quarterly Marginal Cash Flow is positive and growth-rate calculations are available.

The three growth rates are planning tools, not diagnostic tools. Their purpose is to help determine appropriate growth boundaries after the business has demonstrated that growth is generating cash rather than consuming it.

Using all three measurements together gives you something neither one delivers alone: a complete, stratified picture of your growth capacity at every level of resource commitment. Each rate answers a different question, and the gap between them is often as revealing as the numbers themselves.

They show different financial realities simultaneously. The Internal Growth Rate reflects the health of your profitability and your discipline around owner distributions. The Self-Sustainable Rate reflects the efficiency of your operations — how effectively your business converts activity into deployable cash. The Maximum Rate reflects your financial positioning — how much runway you've built in reserves and credit access. All three can look very different from each other, and that divergence tells you something important. A business with a strong Internal Rate but a weak Self-Sustainable Rate is retaining earnings well but burning too much cash on working capital and growth costs. A business with a low Internal Rate but a high Maximum Rate has credit access that's masking weak underlying profitability. Seeing all three at once prevents you from mistaking one dimension of financial health for the whole picture.

They balance your approach to growth decisions. Without these guardrails, most owners operate with a binary mindset — either pursuing growth aggressively or pulling back when cash gets tight. The three rates replace that binary with a spectrum. Routine growth that falls within your Self-Sustainable Rate can be pursued continuously without depleting reserves or increasing debt. Opportunistic growth that falls between Self-Sustainable and Maximum can be taken selectively, with clear awareness of the credit being consumed and a defined plan to replenish it. Growth that exceeds Maximum isn't just risky — it's unfundable without external capital, and knowing that in advance changes the nature of the conversation with lenders, investors, and your own team.

They support disciplined scenario planning. Most businesses face predictable variation in their growth environment — seasonal demand shifts, market cycles, large opportunities that arrive unpredictably. Having three defined growth rates lets you build a tiered response to that variation in advance rather than improvising under pressure. A conservative scenario that holds growth within the Internal Rate requires no credit and builds reserves. A moderate scenario targeting the Self-Sustainable Rate uses operating cash efficiently without touching credit lines. An aggressive scenario reaching toward the Maximum Rate is reserved for high-confidence opportunities with strong margin profiles and defined payback timelines. Mapping those scenarios before you need them means you're making decisions from analysis, not from urgency.

They guide the right strategic conversation. Perhaps the most underrated value of these three rates is what they do to the quality of dialogue between owners, operators, finance, and sales. Growth targets set without this framework tend to produce either conflict — sales wants 30%, finance is nervous, nobody has a shared basis for the disagreement — or false consensus built on assumptions nobody has tested. When everyone can see the Internal Rate, the Self-Sustainable Rate, and the Maximum Rate on the same page, the conversation changes entirely. The question is no longer how fast do we want to grow. It becomes what do we need to improve in our margins, working capital, and cash generation to earn the right to grow faster. That shift — from desire to discipline — is where sustainable growth actually begins.

The GROWwiser™ Calculators

Everything covered in this section is built into the GROWwiser™ Excel workbook included with this booklet. Two integrated calculators, your own financial data, and under an hour — that’s all it takes to know exactly where you stand.

The Growing Broke Calculator

Before you can plan sustainable growth, you need to know where you stand today. The Growing Broke Calculator assesses your Marginal Cash Flow — the clearest indicator of whether your current growth pattern is helping or hurting your cash position.

To use it, you enter:

- Your gross margin percentage
- Your current accounts receivable balance
- Your inventory value
- Your accounts payable balance
- Your current annual revenue

> **Note:** The GROWwiser™ Excel workbook calculates Working Capital per $1 of Sales — and therefore Marginal Cash Flow — on a monthly, quarterly, annual, or trailing twelve month (TTM) basis, allowing you to analyze your cash flow dynamics across any time period.

Once entered, the calculator calculates Monthly, Quarterly, and Annual Marginal Cash Flow and immediately determines whether growth is helping or hurting your cash position.

Quarterly Marginal Cash Flow serves as the workbook's primary decision point.

If Quarterly Marginal Cash Flow is positive, the Sustainable Growth Calculator becomes available.

If Quarterly Marginal Cash Flow is negative, the Sustainable Growth Calculator is temporarily disabled and management attention should focus on improving the underlying cash economics of growth before evaluating growth capacity.

The Sustainable Growth Calculator

Once you know your Marginal Cash Flow position, the next step depends on your results.

If Quarterly Marginal Cash Flow is positive, you can proceed to the Sustainable Growth Calculator to determine your Internal Growth Rate, Self-Sustainable Growth Rate, and Maximum Growth Rate.

If Quarterly Marginal Cash Flow is negative, the Sustainable Growth Calculator is temporarily disabled. This indicates that growth is currently consuming cash and that improving Gross Margin and/or Working Capital should take priority before evaluating future growth capacity.

The Sustainable Growth Calculator computes all three of your growth rates and gives you:

- Your Internal Growth Rate (percentage and dollar value) — based on retained earnings
- Your Self-Sustainable Growth Rate (percentage and dollar value) — based on operating cash flow vs. total growth cost
- Your Maximum Growth Rate (percentage and dollar value) — based on all available resources vs. total growth cost
- A side-by-side comparison with your target growth rate
- The projected cash impact and surplus or shortfall for your planned growth rate

Note: The Sustainable Growth Rates — Internal, Self-Sustainable, and Maximum — are calculated on an annual basis only and are only available when Quarterly Marginal Cash Flow is positive.

Monthly and quarterly growth-rate calculations would produce distorted results that do not reflect the long-term growth capacity of the business. For that reason, all growth-rate calculations are annualized and are unlocked only after the business demonstrates positive Quarterly Marginal Cash Flow.

The calculator asks you to estimate four cost components beyond working capital: capital expenditures per dollar of growth, incremental staffing costs, additional sales and marketing, and other overhead increases. If you don’t have precise numbers, reasonable estimates are fine to start — even approximate inputs will reveal whether you’re in a comfortable zone or dangerously close to your ceiling.

The power of this calculator isn’t just in the math — it’s in the conversations it sparks. When your entire leadership team can see the same numbers and understand what they mean, growth planning stops being a source of conflict and starts being a source of alignment.

The 4-Phase Path to Profitable Growth

Growth should build your cash position, not destroy it. That only happens when your Marginal Cash Flow is positive and your growth plans stay within your sustainable limits. Here's the roadmap.

Phase 1 — Assess

Use the Growing Broke Calculator to determine your Monthly, Quarterly, and Annual Marginal Cash Flow. Focus primarily on Quarterly Marginal Cash Flow, which serves as the workbook's primary decision point.

Determine whether growth is currently helping or hurting your cash position before attempting to evaluate growth capacity.

Phase 2 — Stabilize

If you're in negative Marginal Cash Flow territory, pause growth temporarily. Focus on quick wins — tightening receivables, renegotiating supplier terms, and pricing adjustments — that can shift cash flow in your favor within 60–90 days.

The objective of this phase is to achieve positive Quarterly Marginal Cash Flow and unlock the Sustainable Growth Calculator.

Phase 3 — Strengthen

Systematically improve your margins and reduce your working capital requirements. This may involve cost controls, process redesign, or product mix optimization. Watch your three growth rates move as you improve each driver.

As Marginal Cash Flow improves, periodically rerun the Growing Broke Calculator. Once Quarterly Marginal Cash Flow becomes positive, the growth-rate calculations become available and can be incorporated into planning.

Phase 4 — Scale

Once Quarterly Marginal Cash Flow is positive and your growth target falls within your sustainable growth boundaries, begin growing again with confidence. Continue monitoring Marginal Cash Flow quarterly to ensure growth remains cash-positive as the business evolves.

Your Free Test Drive: Start Today

You've absorbed a lot of concepts — and now it's time to see how they apply to your actual numbers. That's why I'm giving you a free test drive of the exact two tools my clients use to master their growth strategy.

The Growing Broke Calculator

- Calculate Monthly, Quarterly, and Annual Marginal Cash Flow
- Determine whether growth is helping or hurting your cash position

• Identify whether Gross Margin or Working Capital is creating the constraint
• Understand whether growth is currently creating cash or consuming cash
• Establish whether Sustainable Growth analysis is appropriate

The Sustainable Growth Calculator

Available when Quarterly Marginal Cash Flow is positive.

• Determine your Internal Growth Rate (percentage and dollar value)
• Determine your Self-Sustainable Growth Rate (percentage and dollar value)
• Determine your Maximum Growth Rate (percentage and dollar value)
• Compare your growth targets to your funding reality
• Calculate the cash impact of different growth scenarios
• Establish realistic growth boundaries before committing resources

These are not teaser tools — they're the real thing. Both can be used in under an hour with your existing financials, and the insights they generate are often transformational.

How to Get the Most from Your Test Drive

1. Start with the Growing Broke Calculator and determine whether Quarterly Marginal Cash Flow is positive or negative.
2. If Quarterly Marginal Cash Flow is negative, focus on understanding the factors driving the result and identify opportunities to improve Gross Margin and Working Capital.
3. If Quarterly Marginal Cash Flow is positive, use the Sustainable Growth Calculator to establish your growth boundaries and funding requirements.
4. Schedule 30–60 minutes to complete the tools using your most recent financial information.
5. Share the results with your leadership team — the discussion often creates as much value as the calculations themselves.
6. Take one specific action based on what you learn.

Ready to Take the Next Step?

The Growing Broke and Sustainable Growth calculators help you evaluate the relationship between gross margin, working capital requirements, and your business's financial capacity to support expansion.

The **BusinessWiser™ Cash Flow Mastery System** provides the broader structure to help your team act on that understanding.

It brings together six integrated management frameworks, Executive Guides, Executive Tools, reporting and meeting disciplines, and forecasting and planning resources. Together, they help your team evaluate performance, establish priorities, organize action, and review progress.

The tools and guidance are developed for you. **Your management team applies them. You oversee priorities, progress, and results.**

You receive the complete digital system and implementation guidance, including an approximately 90-day Lite Implementation Roadmap to help you begin. No consulting engagement is required, and there is no recurring system fee.

Complete Cash Flow Mastery System

Limited-Time Offer: $490
Regular Price: $990 — Save $500

If this guide has helped you understand the financial requirements of growth more clearly, the complete system provides a practical way to build on that insight—with better-informed decisions, disciplined execution, and a clearer understanding of what your business can support.

Explore the Cash Flow Mastery System

Digital access is delivered by email after purchase. You will receive an order confirmation followed by a separate product access email with download and access instructions. A valid email address is required at checkout.

Cash Flow Creates Options™.

Bringing It All Together

Most business owners never get the tools, language, or clarity they need to truly master cash flow. That's why they stay reactive, confused, and stuck in cycles of stress — even as their companies grow. But you're not most business owners.

You've now seen what's possible when you step back, analyze your business objectively, and look beneath the surface of revenue and profit. The next step is putting that insight into action — with a system built specifically for businesses like yours.

That's what CASHFLOwiser™ and DRIVERwiser™ are designed to do.

CASHFLOwiser™ gives you a real-time lens into how your business generates and consumes cash — where it flows, where it stalls, and why.

DRIVERwiser™ gives you the blueprint to fix the problem at the source — across the ten drivers that control 90% of your cash flow.

Together, they form a practical, grounded transformation system — not based on theory, but built from real-world business realities. Clear. Actionable. Designed for small and mid-sized companies.

If you're ready to take the next step toward financial strength, operational control, and long-term freedom — don't just understand the problem. Solve it.

Make your business work for you, not the other way around.

Learn more at: www.robertslivingston.com

Where Insight Becomes Mastery

If this booklet did its job, something important just happened. You didn't learn a new tactic. You didn't get a checklist or a quick fix. You saw your business differently.

You saw that cash flow isn't an accounting output — it's the operating reality beneath every decision you make. You saw that growth, stress, confidence, wealth, and freedom all trace back to how well cash flow is understood, governed, and aligned.

But insight alone doesn't compound. Left on its own, even the clearest realization fades under the weight of day-to-day decisions, competing priorities, and reactive firefighting. This is where most owners stall — not because they don't understand, but because they lack a systematic way to act on what they now see.

That is why the BusinessWiser™ Cash Flow Mastery System exists.

The Six Integrated Frameworks

Framework	What It Does For You
CASHFLOwiser™	Your executive dashboard. Shows the truth — how growth decisions, margins, working capital, and cash actually interact. No noise. No distortion.
DRIVERwiser™	Ten drivers determine roughly 90% of your cash flow. This framework shows you which ones deserve attention — and which ones don't.
FORECASTwiser™	Annual, 13-week, and daily visibility replace reactive decision-making with calm, forward-looking control. Surprises stop running your business.
PLANwiser™	A one-page 60-day operating plan that connects strategy to cash reality. No binders. No shelfware. Just clarity that holds under pressure.
CULTUREwiser™	Cash flow isn't an owner problem — it's a company behavior. This framework aligns decisions, language, and accountability across the organization.
VALUEwiser™	Operational improvements don't just improve today — they increase what your business is worth. Connects execution directly to valuation and transferable wealth.

Individually, these frameworks are powerful. Together, they create something more important: a durable moat around your business. One that compounds clarity into confidence, confidence into consistency, and consistency into wealth you can see, use, and eventually transfer.

Most owners don't fail because they lack effort or intelligence. They struggle because they're making complex decisions without a unifying operating system. The Cash Flow Mastery System is how you operationalize what you now know — week after week, decision after decision.

This isn't about doing more. It's about seeing clearly, deciding deliberately, and compounding results over time.

Explore the Cash Flow Mastery System

Build clarity. Gain control. Compound value.

Implementation Note: The concepts in this booklet are designed to improve clarity and decision-making within owner-led businesses. Every company operates under unique conditions, and results will vary based on execution quality, market environment, and management discipline. Before implementing material financial or operational changes, consider consulting qualified advisors who understand your specific circumstances. Sustainable improvement comes from disciplined application over time.

www.robertslivingston.com

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