

# 1. Introduction

As I write this, the world economy is in the midst of a nearly unprecedented slowdown. Some have called it the Great Recession, while others have more boldly deemed it the 21st-Century Depression. Whatever it is called, the devastation of wealth, emotional well-being, and aggregate national output has been startling. Companies once thought to be giants have failed, such as Lehman Brothers, Bear Stearns, Chrysler, and General Motors. Others such as Merrill Lynch and Wachovia Bank have been absorbed by healthier competitors. AIG, once an insurance behemoth with a trillion dollars in assets, is now operating under government conservatorship. Less well-known victims of the devastation that litter the corporate landscape are equally noteworthy: Circuit City, Extended Stay Hotels, Six Flags, and Trump Entertainment Resorts Inc.

*Lead with Cash* has been written in the hope that its message can bring better management to other companies, enabling them to avoid failure during good times and bad. The message in *Lead with Cash* — an onomatopoeic phrase, for the words give the entire meaning — is unique. This book instructs the reader on how to lead a company in a new way: by focusing entirely on cash and cash flow. Ideas presented here are, for the most part, not included in the “normal” lexicon of management tools; no one else preaches the idea that cash is the only metric, and that everything else is secondary.

I have structured the book in a counterintuitive style. There are three parts. Part I describes specific thoughts on how management

should be conducted with cash as the focal point. Part II contains chapters that explain what cash flow is, how it is calculated, and alternate definitions of cash flow. Part III contains observations and insights from a group of turnaround and restructuring professionals who have utilized various parts of the *Lead with Cash* message in their work. Short biographies of each contributor appear at the end of Part III.

Some readers may prefer to start with Part II and then proceed to Part I. I have taken the liberty of creating this unorthodox structure to get the conceptual ideas of *Lead with Cash* across to readers before the details and minutiae of cash flow chase them away. I think that the ideas in Parts I and III are most important. Readers who learn the essentials of managing with cash by reading Parts I and III but who are not comfortable with accounting aspects of cash flow calculation will gain most of the benefits.

What is important is that all readers learn the message of *Lead with Cash*, and that all companies begin to manage themselves by considering how every action and every deed affects their cash flow.