

## INSIGHTS & IMPACT

# The Mistake of Treating A Critical Asset as an Expense

Executives sometimes look at an expense and an investment as one in the same, but they can be very different, and an organization's philosophy towards each says a lot about its ability to manage business ups and downs over the long run.

Simply stated, an expense costs you money while an investment is supposed to make you money. When the outlay of money is viewed as an expense, it's perceived as a necessity, a cost of doing business, one you want to spend as little on as possible. But when you make an investment, it's an option, a choice you make, one that will hopefully pay for itself quickly and help propel the company forward.

People who consistently look at investment opportunities with an expense mindset are likely to treat even strategic decisions with a survival mentality. Doing this makes it difficult to execute on a big-picture plan that positions the firm for growth and long-term sustainability. Knowing and appreciating the difference between an expense and an investment can really help.

When considering a non-trivial purchase, ask yourself these questions. Will it:

- Free up time for our employees to be more productive and profitable?
- Make a difference in how satisfied our clients are?
- Help differentiate our company from competitors?
- Contribute to improving the firm's image and reputation?
- Open up new market opportunities for us?



If your answer to one or more of these is “yes” and you can measure improvements in employee productivity, revenue generation, client satisfaction, etc., then the money spent should be seen as an investment in the company, rather than a cost of doing business.

Deciding where to spend limited dollars can be a real challenge for any organization. But if you can distinguish between expenses and investments, you can apply the above questions to each important purchase and add clarity to the decision-making process. In the long run, your business will be better off for the added scrutiny.



**Real Solutions to Improve Your Business**

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