# Business Conditioning: Smart Debt Builds Muscle

Athletes know the vital difference between "good pain" and "bad pain." When your legs burn as you cycle up an insanely steep hill, or when you can hardly lift your arms to wash your hair after a good workout, you know that your muscles are growing stronger.

When pain occurs in a joint rather than in a muscle, or when the pain shoots from one area to another, this indicates possible injury. Understanding when to work through pain and when to address it is critical.

Likewise, the successful business owner understands the difference between good debt and bad debt.

**Good Debt**

- Leaves cash available to grow the business in other ways
- Allows the business to upgrade technology to increase productivity and security
- Is cheaper than financing through equity
- Can decrease corporate income taxes
- Pays for itself

Ellen Rohr, business makeover expert, explains, "If you need a piece of equipment or other asset that will generate revenue, using credit can be a smart way to keep cash available for other needs."

For example, suppose ABC Business incurs debt to invest in new technology that automates core processes and tracks inventory with greater efficiency. That investment can quickly pay for itself in savings and productivity.

"Cutting excessive inventory -- and thereby the cost to maintain it -- is one of the easiest changes a company can make to immediately affect its bottom line," says business intelligence expert Dwight deVera of Arcplan.

Debt becomes bad when you scramble to make payments, or when heavy repayment obligations shackle your flexibility to adjust to emergencies or invest for growth. Bad debt will shorten the life of a business. However, no debt or too little debt comes with its own negative business consequences.

## Opportunity Cost of Zero Debt

- Insufficient cash reduces your ability to take advantage of new opportunities.
- Outdated technology creates security risks and becomes unstable and inefficient.
- Potential backers hesitate to invest in a company with an extremely low debt ratio.

## Grow the Business with a Technology Investment

Using smart debt to invest in technology can boost productivity and security, increasing the capabilities needed to achieve key business goals.

For instance, a well-configured business intelligence system can provide the analytics that will help executives discover patterns in customer behaviors and make more informed decisions on where to focus efforts.

In addition, leasing network and computer equipment can be a great way to stretch your budget dollars to take advantage of the latest technology and [ensure the security of vital customer and company data](). The Initial cash outlay is reduced, and the equipment will never become obsolete.

According to Carl Mazzanti, CEO of eMazzanti Technologies, "Successful companies understand the power of technology in gaining a competitive edge, reaching customers more effectively and creating robust, long-term growth."

While you need to carefully balance the opportunity costs with the credit risk as you determine the investments that make the most sense, embrace smart debt as a useful tool to build business muscle. Of course, check with your financial advisor before incurring new debt obligations.