

## The race to revitalize your working capital program strategy

Fast-track a winning strategy to accelerate cash flow, rally your balance sheet, and throttle inflation

The pandemic put the brakes on liquidity in all industries, but most began to normalize within a few quarters—until inflation drove onto the scene. With prices at historical highs, here are some ways to get your working capital program over the finish line.



### Getting liquidity back on track

#### All industries

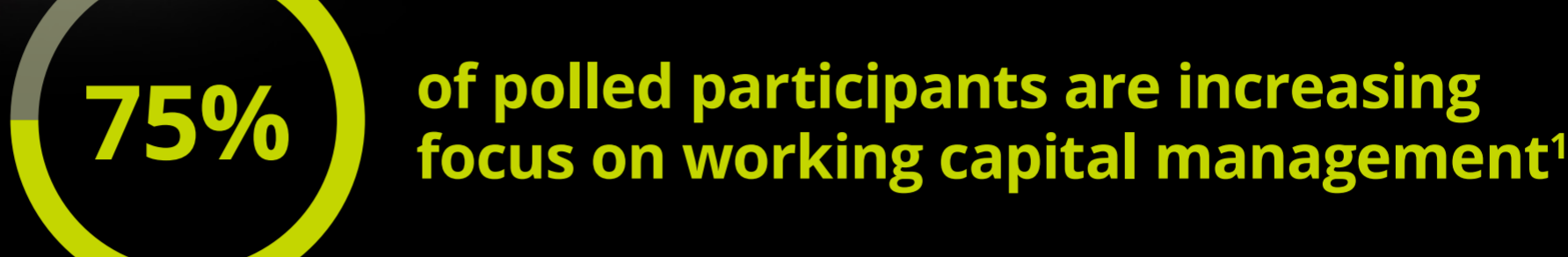
- Days Payment Outstanding (DPO) is up
- Companies are taking longer to pay their bills

#### Consumer companies

- Deteriorating Days Sales Outstanding (DSO), but improving DPO
- Customers are taking longer to pay companies

#### Biggest industry changes

- Retail, Wholesale, and Distribution
- Transportation, Hospitality, and Services



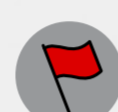
### Inflation's winners and losers

Understanding demand so you can provide adequate supply is key to pulling ahead



#### Moderate inflation

- Enables economic growth
- Allows adjustment of real wages
- Allows adjustment of prices



#### High inflation can lead to

- Uncertainty and lower investment
- Lower growth and less stability
- Less competitiveness internationally
- Recession if reduced incorrectly
- Savings losing value
- Lower real wages



*"Every dollar that's sitting tied up with a customer or vendor is a dollar we can't put to use."*

William Portera,  
Former Staff Director, Corporate Finance, FedEx

### Working capital cycles turn by turn

How inflation throttles cash flow and chokes your balance sheet

#### Impact on customers

##### The order-to-cash cycle

From onboarding a customer, setting credit risk, and processing the orders to receiving payments and managing disputes.

- Sales rapidly accelerate to capture value
- Credit worthiness decreases
- Payment terms require renegotiation
- Dispute resolution requires proactive management
- Prices simultaneously increase
- Orders and invoicing complexity increase
- Collection strategies change
- Cash application timeliness becomes critical

#### Impact on inventory

##### The forecast-to-fulfill cycle

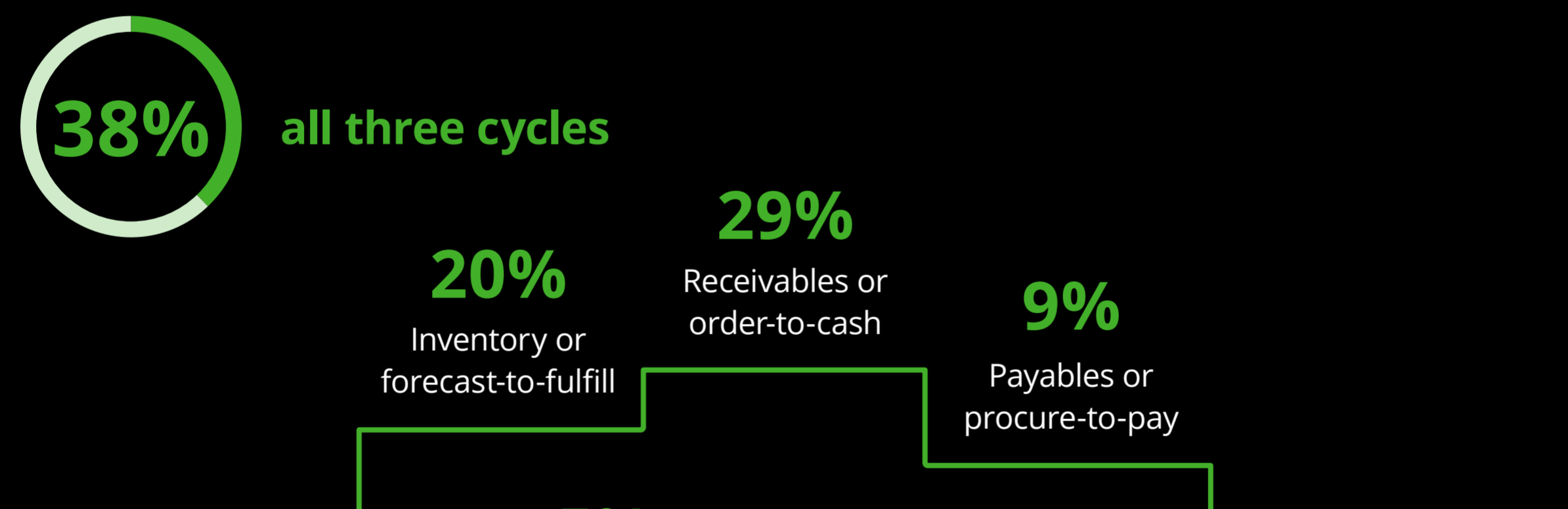
- Product cost accelerates
- Demand planning is exponentially harder
- Scarcity drives more effort and time
- Input scarcity increases
- Manufacturing planning and speed become critical
- Inventory management and sales order executions evolve with availability

#### Impact on suppliers

##### The procure-to-pay cycle

- Budgeting and forecasting become harder
- Requisitioning accelerates, flow of goods gets disrupted, payment terms shorten or become cash in advance
- Procurement strategies change with availability
- Dispute/quality management and payment execution become critical as value deteriorates
- Cost acceleration requires new sourcing and contracting

### Which working capital cycle is most concerning to leaders?³



### Winning working capital projects and programs

Leading organizations get across the finish line by maneuvering working capital efficiency plans into daily operations.



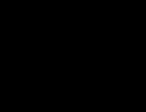
#### Assign executive sponsorship

Communicate buy-in and goals with executives and functional leaders



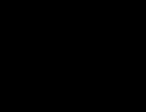
#### Develop solutions and plan for success

Build momentum with quick wins, identify opportunities, seek buy-in on decision-making



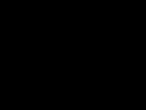
#### Establish a cross-functional team

Stakeholder alignment with AR/AP, Sales/Ops/Supply Chain, and IT



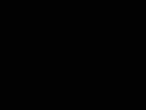
#### Execute vigorously and manage change

Instill a continuous improvement mindset



#### Conduct a robust discovery process

Use industry-standard measures of performance and monitor processes



#### Build sustainment capabilities

Establish KPIs and governance model, and measure performance regularly

### Pick up the pace on your working capital program

Contact us to learn more about the impacts of inflation on cash and liquidity and how leading companies are driving change and improvements through working capital.



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#### Endnotes

- 1 Polling results are from a live webcast conducted June 24, 2022. Votes received: 102.
- 2 Polling results are from a live webcast conducted June 24, 2022. Votes received: 114.
- 3 Polling results are from a live webcast conducted June 24, 2022. Votes received: 105.

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