

WORKING CAPITAL MANAGEMENT FOUNDATIONS



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WHAT

Discuss key principles of working capital management as well as critical measurements of efficiency and use of capital and their impact.



WHEN

Tuesday, April 26, 2022
11:00 AM – 12:00 PM EDT



WHERE

Live online presentation
Replays at StrategicTreasurer.com



FP&A

Certified Corporate
Financial Planning &
Analysis Professional



This presentation is provided by Strategic Treasurer and Corcentric.

ABOUT THE SPEAKERS

GET TO KNOW TODAY'S SUBJECT MATTER EXPERTS



BRENT KINMAN

Brent Kinman is a dynamic business leader with an established track record of building and leading high-performance teams that successfully achieve key company objectives. Prior to joining Corcentric in April 2021, Brent spent 18 years at SAP, advising companies on how to best source, procure, pay, and get paid across a global business network.

As part of the Corcentric team, Brent joins a rapidly growing organization with a mission to provide customers with leading software, advisory services, and payments that empower them to reduce costs and improve working capital.



CRAIG JEFFERY

Craig Jeffery formed Strategic Treasurer in 2004 to provide corporate, educational and government entities direct access to comprehensive and current assistance with their treasury and financial process needs.

His 30+ years of financial and treasury experience as a practitioner and as a consultant have uniquely qualified him to help organizations craft realistic goals and achieve significant benefits quickly.

TOPICS OF DISCUSSION

KEY AREAS OF FOCUS &
ANALYSIS



WORKING CAPITAL TERMS

DEFINITIONS



OPTIMIZING WORKING CAPITAL

A DYNAMIC PROCESS



ALIGNMENT

AVOIDING COMPETING KPIs



EFFICIENCY

HOW TO OPTIMIZE



KEY TAKEAWAYS

AND FINAL THOUGHTS

DEFINING THE TERMS

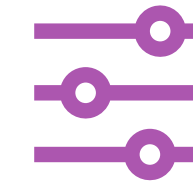
IMPORTANT DISTINCTIVES



WORKING CAPITAL (WC)

Current Assets (Includes cash)
- **Current Liabilities**

WC



NET ADJUSTED WORKING CAPITAL (NAWC)

AR
+ Inventory } (Doesn't include cash)
- AP

NAWC

Accounting/Banks

Treasury/WCM



CASH

WORKING CAPITAL COUNCIL

PURSUING EFFECTIVENESS AND EFFICIENCY

Build or Consult a Working Capital Council



Aim:

- To promote mutually beneficial working capital initiatives and eliminate competing KPIs across different departments.

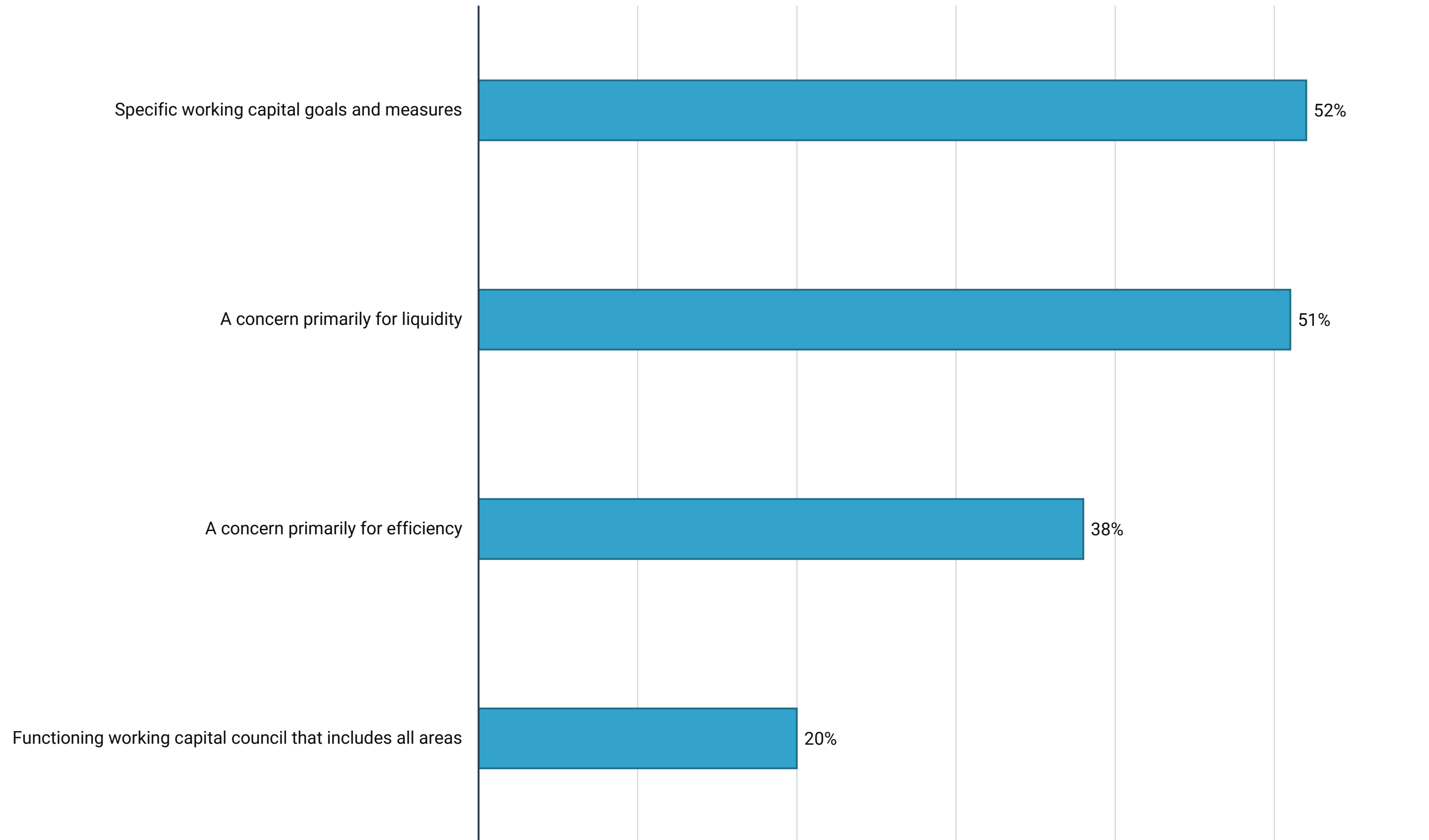


Participants:

- Treasury (usually leads the council)
- Accounting
- AP
- AR
- Procurement
- Legal
- Tax

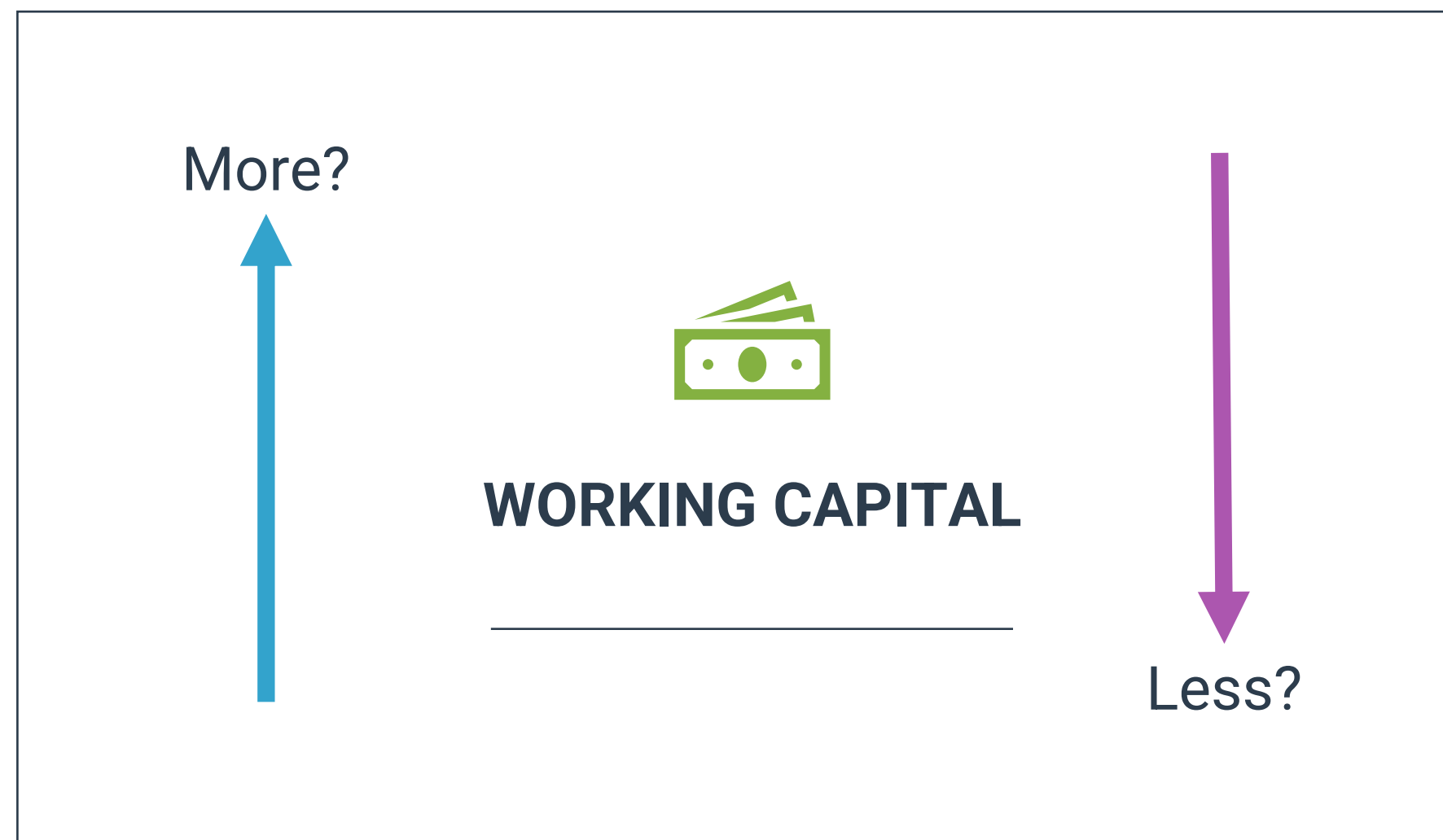
POLL QUESTION

We have the following in place:



WHAT IS PREFERABLE?

A FALSE DILEMMA



Optimize, not maximize or minimize.

WORKING CAPITAL

A PRACTICAL EXAMPLE



Minimize inventory



Sales go down



Minimize AR





- Uncompetitive
- Loss of profit and sales

Metrics are not enough to inspire.

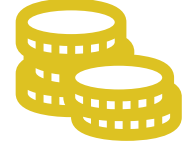

COMPETING KPIS

PREVENTING ALIGNMENT



 Procurement
 Price

Margin

Vs.

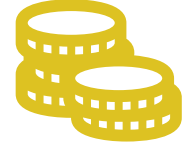

 Treasury
 Total Working Capital

Liquidity

 Accounts Receivable
 DSO

End of month

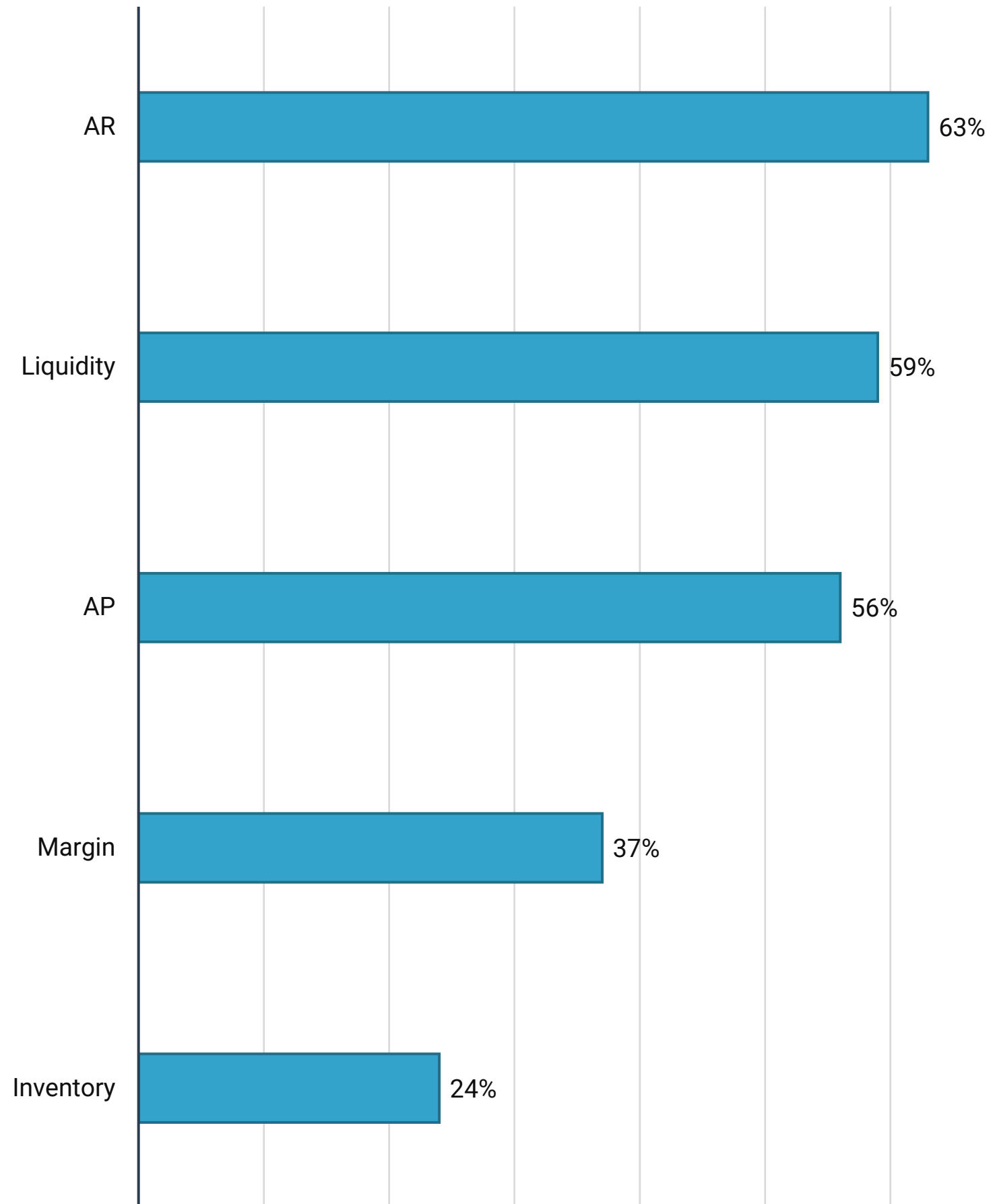
Vs.

 Treasury
 Liquidity

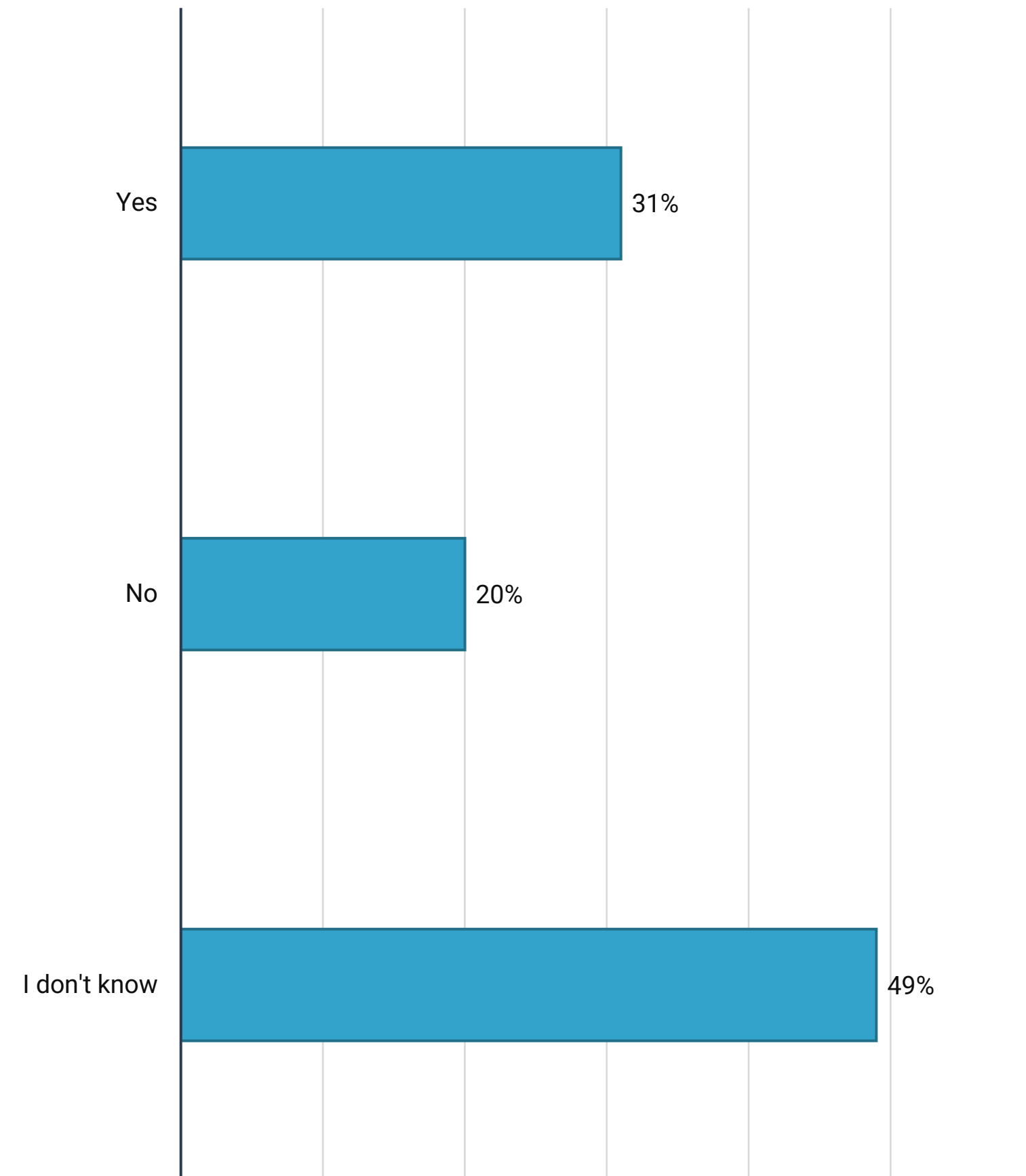
Daily

POLL QUESTION

We have organization-wide KPIs on:



Our procurement organization is incented on making or preserving working capital:



ALIGNMENT

BETWEEN AREAS



Metrics

- What do we use?



Understanding

- How can we ensure understanding?



Working Capital Council

- Formal / Informal

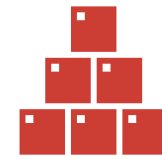
EFFICIENCY

METRICS FOR ALIGNMENT

————— One method of alignment —————



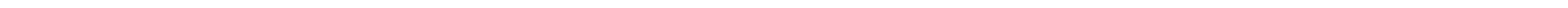
AR - DSO



INVENTORY - DIO

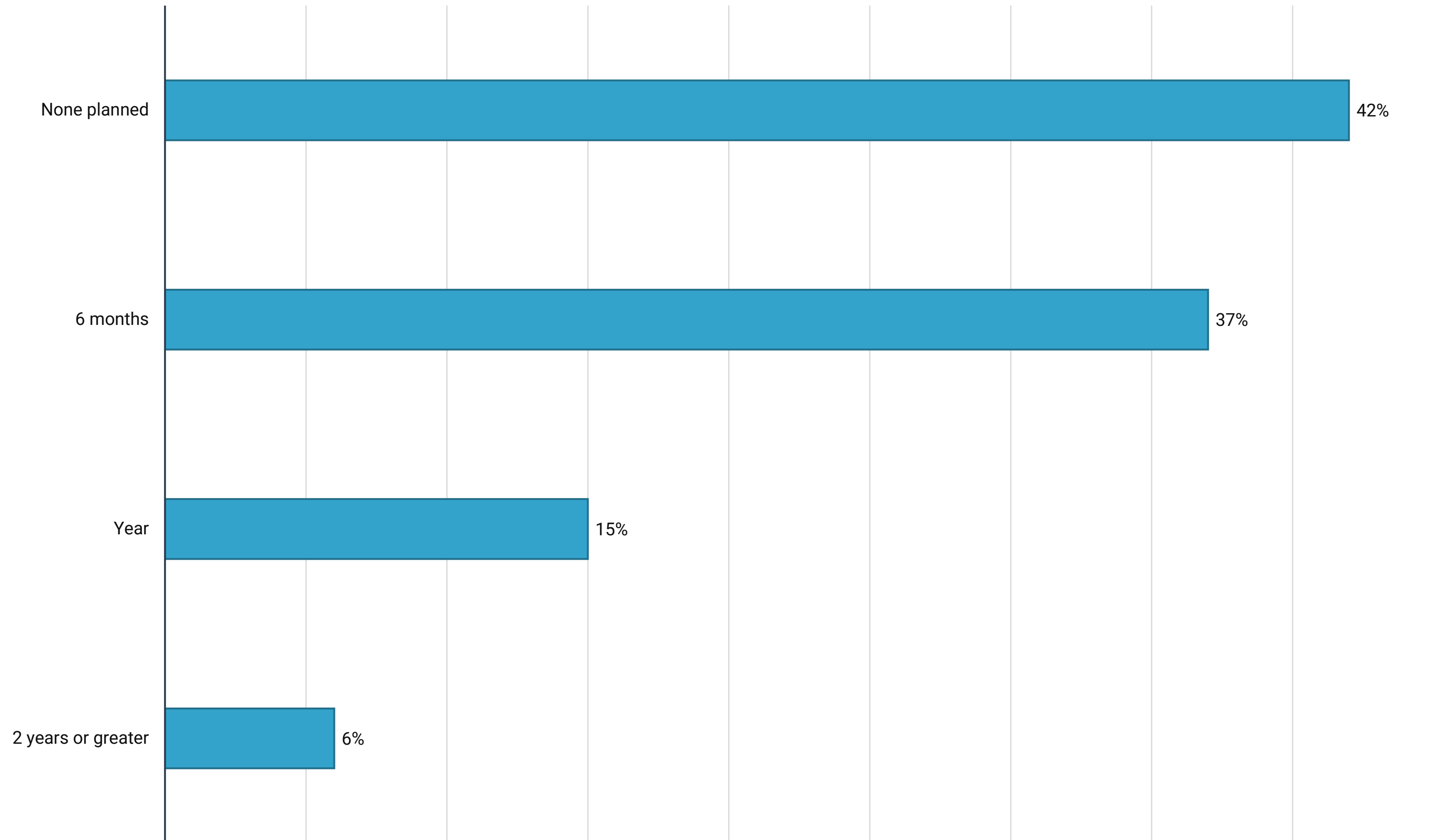


AP - DPO



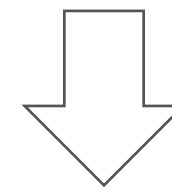
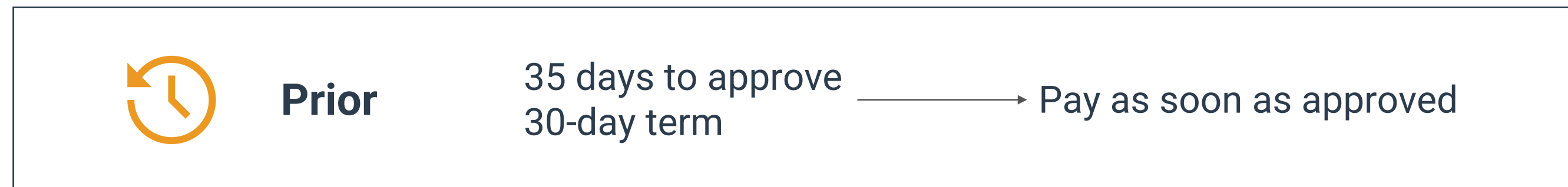
POLL QUESTION

My organization is planning a working capital initiative in the next:

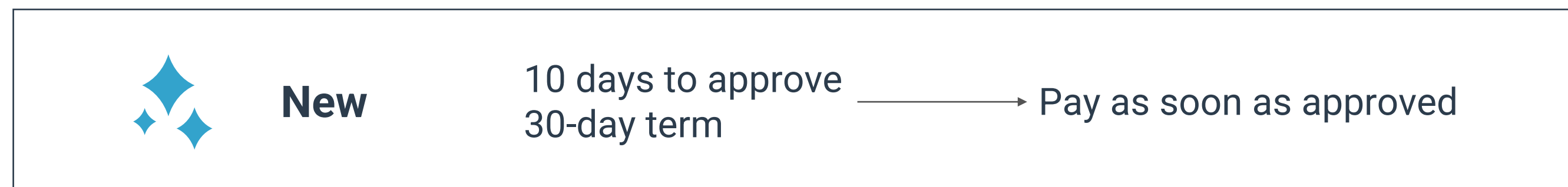
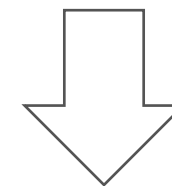


GAIN EFFICIENCY

FOR WHAT PURPOSE?



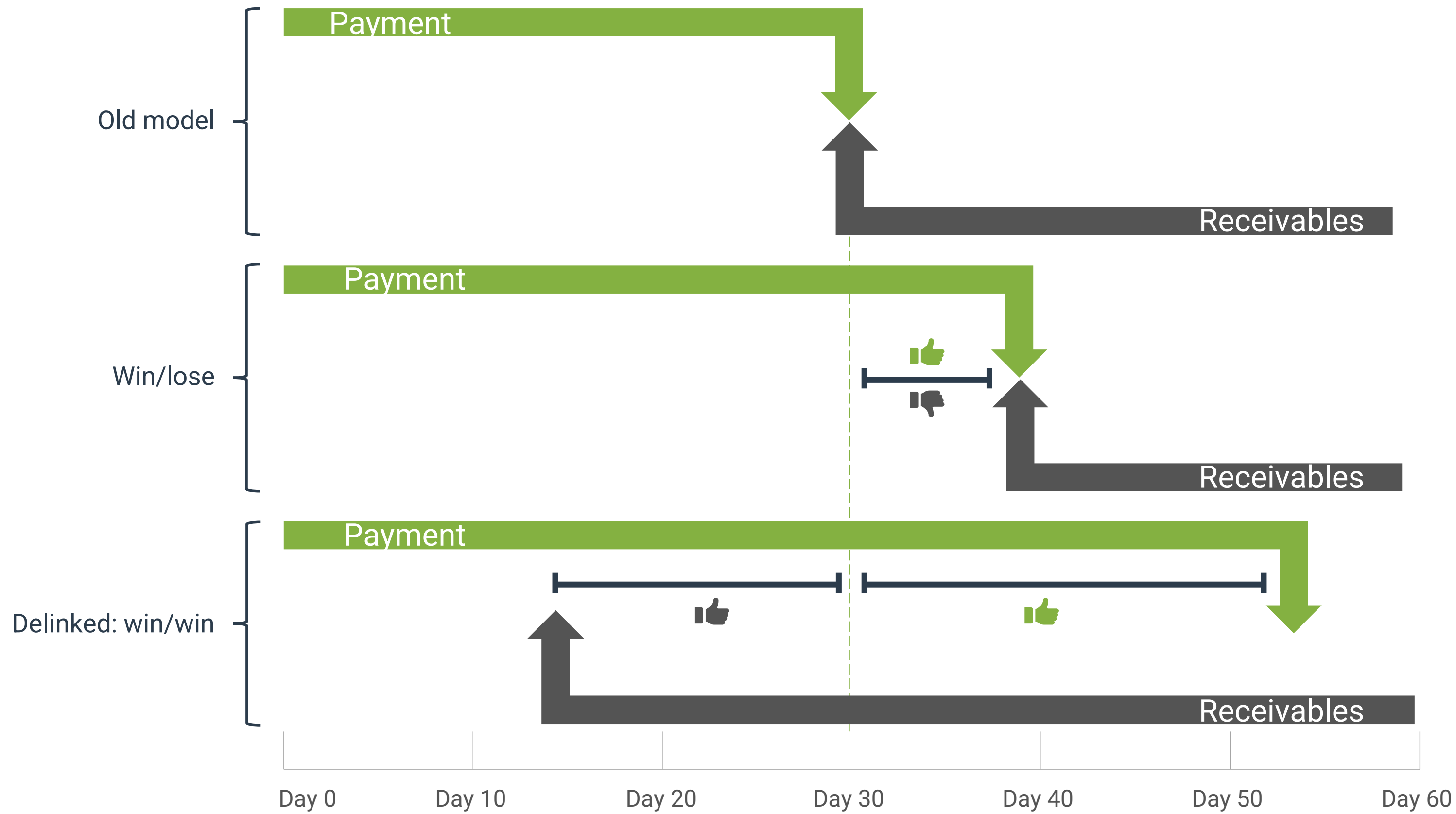
Efficiency



————— Paying too fast creates a cash crunch. —————

DELINKING




HOW TO ACHIEVE WIN/WIN



Avoiding the win/lose dilemma by transforming and creating slack in the receive/pay link.

WORKING GOALS

ONGOING

 <p>Increased efficiency</p> <ul style="list-style-type: none">• Scalability• Optionality	 <p>Optimized working capital</p> <ul style="list-style-type: none">• Liquidity• Funding requirements
 <p>Business and financial understanding</p>	

KEY TAKEAWAYS



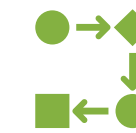
TERMS HAVE MEANING

- Equivocation
- Know your audience



UNDERSTAND THE DIFFERENCES

- Goals
- KPIs



UNDERSTAND THE PROCESS AND BUSINESS VALUE

- Process
- Capital

LET'S CONNECT

DON'T LET THE LEARNING END HERE...
CONTACT US WITH ANY FUTURE QUESTIONS

Thank you for your interest in this presentation and for allowing us to support you in your professional development. Strategic Treasurer and our partners believe in the value of continued education and are committed to providing quality resources that keep you well informed.



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Listen to Episode 198
Challenges of Working Capital Management

bit.ly/3Mr0Npl

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