

# Working Capital Management



## Challenges of managing Working Capital

**Cross Functional:** multiple functions and stakeholders involved

**Complex:** improvements require structural changes

**Driven by people:** needs a hands-on-approach to change behaviour

Whilst working capital is often assumed to fall under the remit of finance, the stakeholders involved throughout the Procure-to-Pay, Forecast-to-Fulfil and the Order-to-Cash processes results in every part of the business having an impact on working capital performance. Due to the cross functional nature and complexity of these processes, addressing operational issues which are negatively impacting working capital needs a hands-on-approach and cultural change across the business; alongside a strategic and tactical approach to avoid business disruption. Successful working capital improvement projects deliver sustainable improvements on cash, cost and service levels.

## What you need to optimise the working capital performance, facilitate change and achieve sustainable results:



Working Capital dedicated resources



A comprehensive and realistic road map



Hands-on mentality and approach



Full visibility over current performance



Planning and preparation to implement change

# Understanding the main drivers and key success factors to optimise working capital

We understand the main drivers affecting working capital performance. Our team has vast experience and we understand what are the key success factors to unlock cash and achieve substantial benefits:



**Proven analytical tools** to help us **quickly analyse large amount** of data to measure performance and **calculate potential benefits**



**Best Practice catalogue** that will allow us to **benchmark your processes** against best practice, identify gaps and identify areas of opportunity



We will **define tailored solutions** together with your team to **achieve sustainable benefits** and accelerate the benefit realisation



Our joint approach will **enable knowledge transfer** and will prepare your team for future challenges and **ensure sustainability**

## Where are the potential working capital opportunities?



### Governance

- Limited visibility over working capital performance at a strategic and operational level
- The right KPIs are not in place and targets are not based on current constraints
- Poor accountability over working capital management and limited resource to manage performance
- Working Capital Management strategy is not aligned with the overall company strategy and has conflicting targets
- Systems and tools are not in place to support daily operations



### Account Payables

- Process inefficiencies are leading to early/late payments affecting working capital performance and supplier relationships
- Proliferation of payment terms and misalignment of standard terms based on industries and geographical locations



### Account Receivables

- Limited understanding on the impact customer contracts have on working capital and no trade-off assessment between cost and cash
- Inefficient billing processes leading to delayed/incorrect invoices
- Limited focus on pro-active cash collection



### Inventories

- Supply chain is focused on cost efficiency leading to misalignment of supply and demand
- Limited visibility and alignment of future demand across the company
- Replenishment parameters are not maintained



# Our experience and results in different industries



We have experience in identifying opportunities and delivering working capital benefits across a series of industries. Our consultants work together with the local teams to deliver sustainable benefits. Our projects normally identify and deliver benefits ranging from 10% to 30% of the net working capital value.

## Example of previous engagements in selected industries



### Food & Beverages

#### Unlocking Cash through working capital improvements: 24%-37% Net Working Capital Benefit

- Conducted a deep dive analysis across all areas for a national brewery and beverage producer. The analysis across three entities
- Identified gaps to best practices in the order to cash processes affecting overdue debt and time to collect
- Discovered opportunities to improve maverick spend and payment channels to increase payables balance



### Energy Retailer

#### Stopping revenue leakage and improving DSO by up to 10%

- Energy retailer had revenue leakage and increased costs due to increase in amount of unknown customers and outstanding unknown customer debt
- Definition of strategies and initiatives to identify, convert or eliminate unknown customer
- Monitoring of implementation activities and feedback to upper management



### Agribusiness

#### Improving working capital by up to 26% through operational excellence

- Conducted a working capital analysis for an international trading business to identify process inefficiencies affecting working capital
- Reducing supply chain costs and improving inventory ageing through demand focus replenishment
- Defined processes and metrics to identify customer payment behavior and target collection initiatives



### Life Sciences

#### Defining the road map to reduce working capital: total Benefit 6%-25% of Net Working Capital

- Conducted a working capital analysis for an international trading business to identify process inefficiencies affecting working capital
- Reducing supply chain costs and improving inventory ageing through demand focus replenishment
- Improve risk management processes and increase focus on pro-active cash collection



### Telco

#### Identifying Opportunities to improve Working Capital: Benefit range 15%-27%

- Conducted a total working capital deep dive analysis for the retail division of an Australian Telecommunications company
- Improve inventory levels through an enhanced product lifecycle management process
- Identified opportunities to improve terms and use finance solutions to improve DPO performance



### Professional Services

#### Implementing receivables management solution

- Legal services firm specialising in “No Win, No Fee” matters had a complex billing process and no way to track receivables once raised leading to increased DSO & affecting cashflow
- Create National Receivables dashboard as well as categorise over 6,000 legal matters into appropriate collection workflows. Targets achieved (and exceeded by \$1m) for the first time in six months.



### Retail

#### Defining best practice blueprints to reduce inventory levels by 45%

- Performed an inventory assessment for an Australian hardware retailer and prepared blueprints to optimise stock levels while increasing customer service levels
- Conducted an inventory segmentation to identify crucial items and defined tailored strategies.
- Defined a process to manage slow moving stock focused on prevention and elimination of SLOBs

# How can PwC help?

PwC has a dedicated working capital team we help out clients to identify main drivers affecting working capital. Together with the companies we develop and implement tailored strategies to release cash tied up in working capital and generate sustainable benefits. We can assist in any stage of the project:



## High Level Scoping and Deep Dive Analysis

- Perform a high level assessment of working capital performance and benchmark performance against other companies in the industry
- Detail assessment of the end-to-end processes and the maturity level of the organisation
- Transactional data analysis to understand the impact of the drivers and quantify the potential benefit
- Stakeholder interviews and workshops to understand the main constraints and business implications
- Socialisation of results, validation of potential benefit and definition of next steps



## Global Roll-Out and Implementation

- Assist with the global roll-out of activities to improve working capital
- Ensure compliance of reporting activities and root cause analysis at strategic and operational level
- Establishment of global PMO to drive change through the organisation



## Definition of Strategies and Blueprints

- Define tailored strategies to achieve sustainable benefits in a timely matter
- Together with the client create implementation blueprints for each area of opportunity including a detailed business case if necessary
- Triggering quick wins and achieving benefits
- Develop key metrics at strategic and operational level to measure the success of the program
- Initiate with working capital best practice training for designated champions



## Sustainability

- Embed the changes through a programme of training, coaching and communications to enable continuous improvement
- Monitor progress and contribute to ongoing steering group meetings
- Facilitate the face-out and take over of working capital related activities to the local team of champions



## Our specialist Capabilities

- Dedicated working capital expert team
- Industry related experience
- Tailored best practice methodology
- Proven change management capabilities
- Hands on mentality and collaborative mindset
- Focus on knowledge transfer

## PwC Contacts



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Jonas is a Director and leader of PwC Australia's specialist Working Capital Management Team. He has more than 15 years experience identifying improvement opportunities and leading working capital management engagements.

Jonas' track record includes clients from industries such as Food & Beverage, Utilities, Electronics, Defence & Aviation, Industrials & Engineering, Machinery, Automotive, Retail and Distribution