

# Working Capital Management: improved financial performance and enhanced liquidity for accelerated business growth.

# Corporatetreasury solutions



How do you drive working capital improvement across complicated organizations and diverse businesses?

How can you achieve a sustainable reduction in working capital?

How does the efficiency and cost of your working capital processes compare with industry standards?

Is your working capital as effectively managed as your peers, and which areas should you be concentrating on?

How do you improve cashflow volatility and working capital forecasting?

## WCM - simple concept, difficult implementation

Working capital is a simple concept made difficult by the complexity of the business around it.

The global nature of major businesses today and the diversity of systems, processes, organisations and measures of performance have resulted in many companies holding excessive levels of working capital.

Free-cash-flow is a key influencer of shareholder value, hence companies are targeting working capital in order to unlock cash invested in the business and invest in areas of higher value added returns.

### The treasurer's role

Treasury's role, in assuming responsibility for working capital, is a natural extension of its established role of cashflow forecasting and cash management. In fact as the provider of liquidity and funding the treasurer is the ultimate provider of working capital. Hence, treasury is often best placed to measure and manage working capital usage.

However, what Treasurers and CFO's alike are realising, is that although monitoring working capital may be difficult, benchmarking, achieving and sustaining working capital improvements is the real challenge.

### Key characteristics

Top performing companies in Working Capital Management (WCM) exhibit the following key characteristics:

- A strategic focus on WCM by top management

- A clear picture of the drivers of working capital across the business and the potential improvements
- Clarity of roles and responsibilities enforced via an appropriate system of incentives
- Common, well understood targets and measures of performance
- Proactive approach to identify and resolve issues
- Continuous improvement of processes, systems and skills
- Ability to change without losing focus

However, our experience shows that many companies are suffering from the following characteristics:

- Lack of responsibility for WCM
- No internal or external benchmarks
- Low visibility on where excesses of working capital are to be found
- No understanding of the fundamental reasons for carrying excesses
- Tolerance for low performance
- Reactive approach to resolve issues
- Significant fluctuations between forecast and actual cash levels

At PricewaterhouseCoopers, we have built up extensive experience and comprehensive tools to service your working capital needs and to fine tune business performance. We help our clients to **sustainably** decrease working capital, improve liquidity and improve return on capital employed.

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## Is your capital working for you?

As a corporate officer, you are under pressure to demonstrate to the public and stakeholders evidence of the company's health. Strong cash flow and working capital management are seen as evidence that operations are sound and that management is effective.

If you are not controlling your working capital drivers and your terms of trading, you may well be financing your suppliers and customers. Often, this financing cost is not factored into commercial decisions, and real margins are depressed.

Management and staff may not be encouraged to reduce the cost of holding working capital in the business and may not be aware of the true cost of funds invested in working capital. Therefore, it is essential that key decision makers recognise the impact they can have upon working capital, not only in their own functional area, but also across the whole organisation.

As a result, effective working capital programmes must focus upon end to end commercial processes and upon driving improvement through cross functional teams and activities.

## Our approach

PwC offers a three stage process for optimizing working capital management, which has been developed and proven in the course of many projects.

## Working Capital Module of the GBP (Global Best Practices)

PwC is uniquely placed with our Global Best Practice database. This database comprises data and processes captured from over 2000 companies worldwide. With the use of standard questionnaire templates and face to

face interviews we can quickly calculate your key working capital metrics and benchmark these against your industry group to estimate your potential benefits.

The service allows participating organisations to share data and knowledge of the best practice standards applied by other organisations with a view to improving performance and driving down working capital inefficiencies.

The benchmarking service will supply you with a diagnostic report of the key performance metrics and business drivers for each process within the financial value chain.

## Analysis and Conceptual Design

Armed with a detailed knowledge of your working capital pressure points and our in-depth knowledge of best practice processes we are best placed to work with you in designing both the quick win process changes and the longer-term structural changes required to make sustainable working capital management improvements.

## Implementation and Continuous Improvement

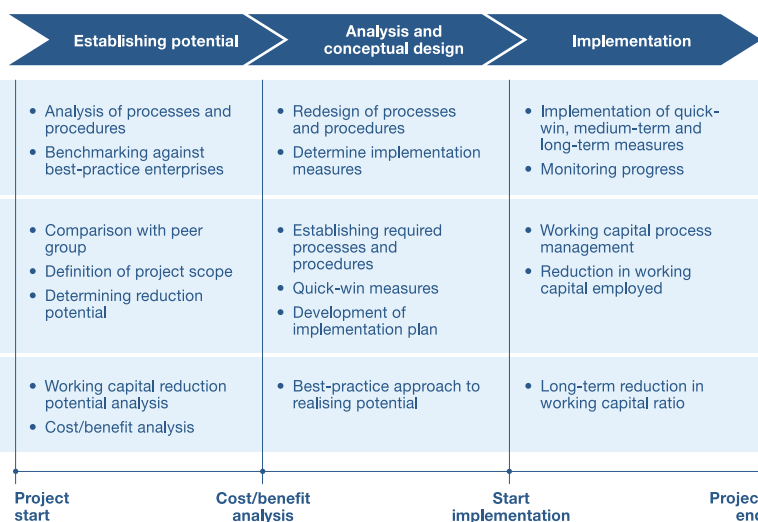
As the treasurer is the ultimate provider of working capital he/she is also in the best position to monitor its usage. Hence, as well as working with you to drive through long-term structural change we will also work with you to implement a cultural change within the business.

Cultural change will come from both top management applying a strategic focus on WCM and the setting of appropriate KPI's. These KPI's need to be linked to the incentive plans of those with a working capital responsibility. We have worked with treasurers in both the setting and monitoring of these KPI's to provide a focus on continuous improvement.

## Our experience

The European Corporate Treasury Solutions Group comprises over 200 professionals, with a broad range of complementary treasury, banking technology, taxation, accounting and program management skills. Our team has worked with many of the world leading corporations to support change in treasury practices and has an enviable track record of successful solutions-based project work.

Over the years, our team has established an extensive knowledge base of treasury standards of the leading corporations, and by combining this knowledge with the multidisciplinary skills of the team, we provide a creative and practical solutions to meet the requirements of our clients.



## Contact details

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