Mitigating inflation, rising debt, and cashflow

Finance transformation strategies for the economic downturn

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Introduction

In today's ever-evolving economic landscape, businesses find themselves grappling with a myriad of challenges that pose risks to their financial stability. Inflation, rising debt, and cash flow constraints have become pressing concerns, prompting organizations to seek transformative finance strategies. To shed light on these critical issues, TechPros, on behalf of Taulia, have engaged with individuals who possess invaluable knowledge and experience in navigating these complex financial landscapes, including thought leaders at renowned companies such as Fiskars Group, Schneider Electric, ISS A/S, Medtronic, Service Experts Heating & Air Conditioning, Netcare Innovative Healthcare, and Playtech. Through their perspectives and strategies, we explore how organizations can transform their financial operations to counter the effects of current economic conditions.

Amidst these interviews, one key theme emerged time and again: the importance of optimizing cash flow. A variety of tactics to tackle this challenge head-on were revealed – businesses are finding creative ways to bolster their liquidity. Also highlighted was the need to balance these strategies with maintaining strong customer relationships, ensuring that financial decisions do not jeopardize customer satisfaction.

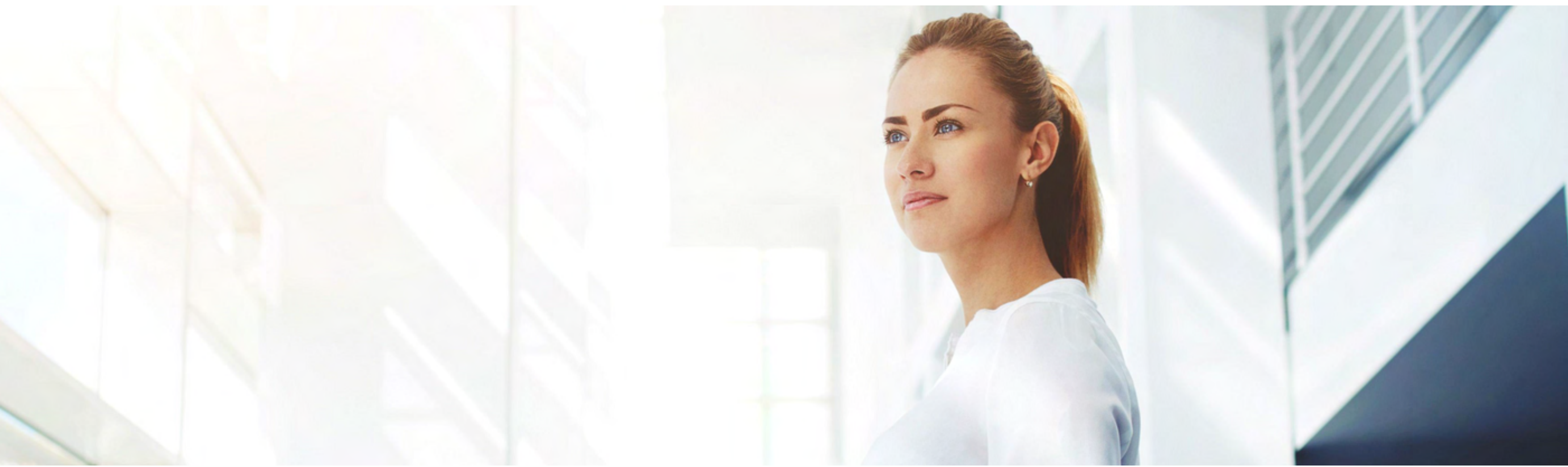
Another significant aspect of finance transformation is the integration of digital solutions, such as the power of automation and artificial intelligence (AI), to streamline financial processes. By harnessing technology, organizations can achieve greater efficiency, accuracy, and decision-making prowess. Automation liberates finance teams from mundane tasks, empowering them to focus on strategic initiatives that drive growth and prosperity.

Collaboration and cross-functional alignment emerged as vital ingredients for finance success with the importance of breaking down silos within organizations and forging deeper relationships between departments such as finance, treasury, procurement, and logistics. By fostering a collaborative mindset and exchanging insights, organizations can optimize working capital management, improve supply chain financing, and achieve financial performance that exceeds expectations.

Mitigating external risks was another critical element, and the need for supply chain resilience and diversification was emphasized, enabling businesses to minimize disruptions and protect their financial operations. Monitoring inflation and interest rate trends also played a pivotal role, allowing organizations to adapt their financing and pricing strategies in response to ever-changing economic conditions.

As businesses grapple with today’s challenges, we hope the insights shared by our interviewees shed light on effective strategies that can assist. By adopting a holistic approach to supply chain management, collaborating across departments, embracing digital transformation, and optimizing working capital, businesses can position themselves for resilience and success in the face of these challenges.

Finally, we would like to express our gratitude to each of the leaders interviewed for this report. Giving up their time to help provide insight and clarity for the readers of this report is a hugely generous thing to do, for which we are extremely appreciative.



Thoughts from Taulia

While CFOs have always had to deal with numerous challenges, the current environment is proving to be exceptionally complex. The global pandemic disrupted supply chains, led to inflationary pressures, and forced businesses to adopt new ways of operating. These challenges have been further compounded by a range of global poly-crises.

Given this complex landscape, CFOs are under intense pressure to manage a wide range of priorities. They must balance the needs of their shareholders, employees, customers, and communities while navigating a rapidly changing environment. As a result, CFOs must be agile, flexible, and responsive, constantly adapting their strategies and plans to respond to changing circumstances.

A recent survey, sponsored by Taulia, showed that inflation was the highest concern amongst CFOs, given the interest rate rises experienced during the end of 2022.

With record-high interest rates and rising costs worldwide businesses were in a precarious position going into 2023. As business expenses increased, financial decision-makers were under immense pressure to maintain existing profit margins. These findings are further reflected in the personal experience of our interviewees.

Interestingly, supply chain disruption emerged as the second biggest concern for CFOs, with three in ten senior financial decision-makers citing a lack of inventory / supply chain disruption as their biggest challenge for 2023. This marks a notable shift from 2022 when supply chain disruption was the fourth biggest concern. It overtook COVID-19 and the implementation of ESG programs in the minds of financial decision-makers. This shift highlights the importance of businesses focusing on their supply chains to ensure operational resilience.

In response to these challenges, many CFOs are taking steps to manage the unexpected better. They are building resilience by developing effective working capital plans that enable them to weather the storm of inflation and supply chain disruptions while continuing to drive growth.

This involves optimizing cash flow, managing inventory levels, and developing strong relationships with suppliers and customers.

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Market views

Aki Kotakorpi

VP, Sales & Channel Finance at Fiskars Group

Wendy Palacios

VP, IBP Finance Program Leader

Sylvain Frachet

Commercial Finance Director at Schneider Electric

Kristian Skovfoged

VP, Head of Group Treasury at ISS A/S

Brian Rosh, CFA

Director of Treasury at Service Experts

Miguel Coelho

Senior Director Finance at Medtronic

Prue Matlhola

Financial Director

Sumir Mullick

Group Treasurer at Playtech

Aki Kotakorpi

VP Sales and Channel Finance

How can businesses navigate uncertainty?

During times of uncertainty, whether it’s a global pandemic or the rapid rising of costs that we are currently experiencing, cash flow is the key to any positive business. If you operate a business that sells physical goods, there are a number of tactics you can use to help maximize your cash flow. The first is to think about the way your customers pay for goods. Reducing payment terms to minimize the gap between goods dispatch and payment being received is a good place to start, but can be a source of frustration to some customers.

Another way to solve this problem is to incentivize customers to pay in advance for their goods by offering a small discount in return for early payment. This provides benefits for both parties and is a more positive way of framing the conversation with your customers. Finally, make sure to continually review your inventory. If you have slow moving, excess or obsolete products in your inventory, finding a release valve for them is a tremendous help for your cash flow.

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How did the global pandemic impact supply businesses and what does the future look like for them?

The global pandemic presented challenges for everybody, but the impact on global logistics was particularly severe. Almost overnight it became very tricky to move things around the world and some trade routes saw a cost increase of three times the normal price. For businesses that handle inventory themselves, the challenge was effectively doubled because not only did they have to make sure they received suitable levels of stock, but they also had to ensure that orders reached their customers in reasonable timeframes.

As we continue to emerge from the global pandemic, the pressure has not eased on inventory based businesses. They now face new challenges in the form of demand and cost inflation. With many customers becoming increasingly careful about where they spend money, demand has increased for everyday essential items but stalled somewhat on higher value purchases. To find success in this period of uncertainty, inventory businesses will need to work very closely with their key customers to understand what their demand is likely to look like over the next year. By planning ahead collaboratively, inventory businesses will be able to create flexibility in their supply chain to continue serving their key customers.

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What is the secret to a great supplier-buyer relationship?

Maintaining successful relationships with B2C customers is more involved than ever before. The traditional relationship of simply providing a numbers-focused report on progress and results is changing to more of a trusted advisor relationship. Alongside the numbers, suppliers are providing insights and analysis that empower their customers to make reliable decisions. To do this successfully, suppliers need to have a deep, holistic understanding of the businesses that their customers run.

If you are a supplier that is looking to strengthen your relationship with customers, the best area to start offering insight on is profitability. Showing your customers that you understand which products sell best in different markets is the first step. But to really add value, show your customers where they are losing money and what they can do to turn the situation around. Helping your customers show where they need to invest and where they might need to make some hard decisions progresses from the relationship simply being transactional and ultimately will help you to retain them as a customer for longer.

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Wendy Palacios

VP, IBP Finance Program Leader

What are the biggest challenges facing businesses in 2023?

There will be a few large challenges for businesses this year. Inventory will continue to be a challenge due to inflation. Even though inflation is slowing, it will take a while to balance out yet. Geopolitical issues will also drive inventory challenges. The war between Russia and Ukraine has created large fluctuations in the price of oil, and as a result the cost of transport has not only risen, but also become harder to predict.

Covid restrictions in China have also forced many businesses to reassess their manufacturing footprint. Expect to see some businesses start manufacturing in more accessible locations and even bringing manufacturing back to their native markets in some cases! The companies that succeed in 2023 will be those who look at their entire supply chain and find efficiencies across their whole process, with a focus on inventory to mitigate external risk.

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How can businesses improve working capital?

Companies need to go back to the basics and understand that free cash flow management is a crucial part of any business. Properly managed cash flow not only funds business growth, but is a key lever to be used in times of crisis. Managing your receivables and inventory correctly is the key to achieving a successful cash flow. This process starts by understanding the metrics that matter most, such as DIO, DSO and DPO. Ensure that your whole finance team understands the importance of these metrics and their role in keeping them healthy.

This is not to say that responsibility for a positive cash flow sits solely with the finance team though. A robust credit control process should be understood and embraced across the business. Start from the top down - ensure your leaders are educated on the importance of working capital, and cascade down from there to individual responsibility. As an example, sales representatives can be clear with customers about payment terms and where appropriate, have some portion of their commission payments made when the customer has paid. This is not to say that sales representatives should lead with payment terms when talking to customers, they should just keep in mind that it's no good selling a product if you don't get paid for it! As another example, product managers, particularly in wholesale, also hold some responsibility. If they create or source the wrong products, then stock just sitting on shelves will have a huge impact on cash flow.

Ensure that your whole finance team understands the importance of these metrics and their role in keeping them healthy.

Are businesses taking digital transformation seriously enough?

Digital transformation is empowering businesses to make smarter decisions. Being able to create a single-point, holistic view that brings together supply chain, finance and commercial data is essential for any business that wants to perform integrated business planning. Making sure that data access is real time where possible will help to drive efficiencies and create more accurate forecasting. I've helped build dashboards that allow my colleagues to create hypothetical scenarios, which can then be interfaced with operational data to give operations teams the right signals.

From here, the next data brought into the dashboard is external market intelligence, so that the demand forecast is as accurate as possible. I've found that layering in data one source at a time makes the process manageable and avoids the common problem of drowning in data. Digital transformation is an exciting opportunity that businesses should be taking advantage of.

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Wendy is a leading financial executive, with experience at Vice-President and Director level from industries including medical devices, industrial manufacturing, travel, and technology solutions. Her broad experience gives her a unique and trusted insight into the opportunities and challenges that businesses face over the coming years.

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Sylvain Frachet

VP Sales and Channel Finance

How can businesses improve their cash flow?

First and foremost, optimise your accounts receivable. Because without cash coming in, your business is not viable of course. The more you can reduce your Days Sales Outstanding (the time waiting for payments), the better your financial situation will be. Try to negotiate a down payment when starting a project and be very clear with your customers about payment terms and key milestones at which cash should be received, and make sure they understand the consequences of what will happen if they don't pay on time. For example, if our customers take longer than agreed to make a payment, our contract gives us the right to put on hold their projects or, in the worst case, to stop it. We'll always try to negotiate and understand their position first though, as you never know what is happening in their business.

Alongside this, you need to be smart with the stock you hold and manage your inventory efficiently. When finance teams work hand-in-hand with commercial teams, it becomes easier to prioritise the high-stock items and make sure that these are sold first. Prioritising high-stock items will also help to maximise your turnover.

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What can businesses do to reduce external risk factors?

There will always be some level of economic uncertainty in the world, and if you want your business to be successful then you have to minimise the risk from external sources. The first area of focus when aiming to minimise risk should be within your supply chain. Any external stress, no matter how big or small, on your suppliers can impact the price you pay for raw materials. This is why you should always have alternative suppliers ready to go, otherwise you are bound to the success or failure of your suppliers. Make sure that your alternative suppliers are of a similar size to your current ones, because if your main supplier suddenly fails unexpectedly, you will need them to pick up a lot of work in a short amount of time! Similarly, you should try to carefully manage your exposure to high-volatility currencies across your supplier base.

It's also important to make sure that your customer base is diversified, both in terms of market segments/industry and geographic locations of your customers. In the same way you shouldn't rely on a single supplier, you should also not rely on a too concentrated customer base. No matter how good your relationship with them is, you'll never really know what's going on in their world. If they find themselves in a period of uncertainty, from external or internal factors, then there is a risk of bad debt occurring that can put your business in danger.

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Should finance teams embrace digitalisation?

Digitalisation is happening across all areas of business, and finance is no exception. Digital transformation can bring lots of exciting opportunities for finance teams and although the change can seem daunting at first, the benefits are well worth it. The most exciting thing is that the benefit of digital transformation is not a one-time occurrence, it is an ongoing process that brings more benefits as you go.

The efficiency gained through digital transformation allows you to make smarter decisions, and in particular allows you to automate many of your smaller tasks. As your learning increases, you will be able to automate more and more smaller tasks to continually improve your efficiency. With the elimination of low-value manual tasks, your focus can be shifted onto high-value tasks and advisory work where your expertise and experience are more useful to the business.

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Kristian Skovfoged

VP, Head of Group Treasury

What impact will digital transformation have on finance?

The aim of digital transformation within finance is to streamline data, making it more accessible and transparent. The process of digital transformation is particularly important if you operate in lots of different countries or have multiple companies that form part of a larger group. If different countries and companies are allowed to manage and report on data using different structures, then it becomes nearly impossible to create an overview of the whole business finances.

Digital transformation when done correctly allows businesses to create cash flow forecasts on a group level, instead of having to rely on each country or company within the group to provide their own forecasts. The time saved in creating forecasts and the reduction of miscommunication risks are just two of the key benefits for any large business that undertakes digital transformation.

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How can businesses improve their cash performance?

Achieving strong cash performance requires two things. The first is collaboration between treasury, commercial and finance departments. Optimizing cash performance starts with having clear policies on payment terms when it comes to suppliers and customers, which can only be achieved by the different departments working together. The second is complete visibility of data. In particular, AR, AP, customer data and supply data. When businesses build data warehouses that contain all of these sources, it becomes far easier to assess cash performance. With just a few clicks, businesses can quickly see which invoices are outstanding and which customers are frequently not paying on time.

Once businesses have data transparency and visibility on a detailed level, it empowers ongoing collaboration between treasury, commercial and financial teams. On a regular basis they can review the data together, understand the context of what is happening because the commercial team are in the meeting, and then agree relevant action plans together. This quick, data-led decision making is crucial for achieving strong cash performance.

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Who is responsible for creating a cash-first culture?

At the end of the day, profit and healthy margins are meaningless if they can't be converted into cash. Having a cash-first attitude comes from the top down. If a business is serious about improving their cash flow, then the CFO needs to be setting the standard and have a laser focus on cash.

One of my preferred ways to improve cash performance is through factoring, where businesses can secure immediate working capital based on future income from accounts receivable or an invoice. It is not uncommon for businesses to have multiple factoring providers to help diversify their debt and prevent over-reliance on one bank.

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ISS is a leading workplace experience and facility management company, who provides placemaking solutions that contribute to better business performance and makes life easier, more productive and enjoyable.

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Brian Rosh, CFA

Director of Treasury

How can treasury teams combat rising interest rates and inflation?

A successful treasury department is one that realizes that they cannot work in silo. To find financial efficiencies, they have to work in collaboration with other departments such as operations, sales and the wider finance team. A working example of this is securing funding for inventory, which is a key treasury responsibility. With higher interest rates, inventory financing costs are starting to have a material impact to the P&L.

But if treasury teams work in collaboration with operations teams, there is an opportunity to minimize this impact. If the departments can work together to identify opportunities where inventory can be reduced, such as by adopting a just-in-time model, then the financing of that inventory will reduce accordingly, helping to mitigate the higher interest rates and inflation.

To find financial efficiencies, they have to work in collaboration with other departments such as operations, sales and the wider finance team.

What opportunities does digital transformation present to treasury teams?

Digital transformation is an exciting opportunity for treasury teams, even if they are not the drivers of the transformation. A successful digital transformation improves the quality of data across a business and empowers every department that utilizes the data. For treasury teams in particular, the cleaner and more reliable data makes financial reporting a lot easier and more accurate.

Alongside this, the opportunity to improve securitization financing is huge. The more reliable data and accurate reports are invaluable for maximizing the debt funding that treasury teams are able to capture through securitization. As credit and collections improve through the more efficient use of data, the securitization programme becomes sustainable through any challenge such as inflation or recession.

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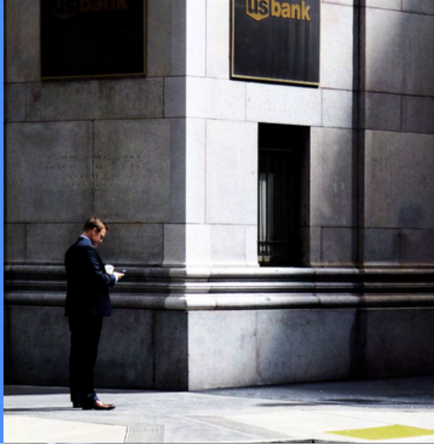

Should businesses continue to follow a one main supplier approach?

There's no escaping the fact that inflation is making everything more expensive right now. Vendors are seeking to pass on their cost increases where possible which can be seen as a prudent decision. But of course, that results in a higher inventory cost to the customer.

Because of this, having a diverse range of suppliers is now more important than ever. Consolidating your buying power with one supplier may give you some leverage, but the risk of being reliant on one supplier is not one that businesses can afford to take right now. At the end of the day, it may be frustrating to pay more for inventory, but that's nothing compared to the frustration of losing a sale due to a supply chain issue!

A successful digital transformation improves the quality of data across a business and empowers every department that utilizes the data.

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Miguel Coelho

Senior Director Finance - CANADA

What will be the main challenge in supply chain management for the next few years?

Supplier volatility is likely to be an ongoing challenge over the next few years. Sudden issues with availability or dramatic price increases have the potential to put a business under serious pressure. After the supply chain issues that many businesses faced during the global pandemic, some companies overshot on production to prevent low inventory occuring again. Alongside this, significant increases in inflation and interest rates have made manufacturing products significantly more expensive, so it’s no surprise that companies are reviewing their entire supply chain to find cost savings and efficiencies wherever they can.

But the current geopolitical landscape makes this a very challenging exercise. Relying solely on one country for manufacturing may have been the cheapest option previously, but now presents risk and volatility to the supply chain. Businesses will need to find a happy medium between the best option for the balance sheet and the option that presents less risk overall.

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How can businesses improve receivables from customers?

For new customers, offering finance from an external provider is a much more reliable way to protect your receivables instead of more traditional methods of financing like through your own balance sheets. This also makes it easier to apply interest rates to the financing and protect your company from inflation. An exception to this may be if you want to incentivise shorter payment terms. Financing over 12 months with a lower interest rate applied can prove to be attractive for a potential customer.

Within existing customers, one way to improve your cash receivables is to analyse the financial statements of your customers or obtain as much market intel about them as possible. This will allow you to see how much cash they are collecting from their customers and in what timeframe too. If you find that your customers are collecting cash faster than you are collecting cash from them, this insight can then help you to negotiate more preferable receivable terms. Alongside this, understanding when cash flows into your customer’s accounts means you can time your payment requests accordingly - reducing the opportunity for them to spend money elsewhere before paying you!

Financing over 12 months with a lower interest rate applied can prove to be attractive for a potential customer.

What do new digital technologies mean for finance teams?

Automation and AI are changing the way that every business operates, whether they know it or not. AI can spot patterns far quicker than humans can, creating valuable insights at a much earlier stage than before. Within finance, these tools and insights will help accounts departments to become more proactive, rather than reactive.

Better analytics and visualisations allow businesses to understand the cash flow cycle of their customers, allowing them to have more meaningful conversations at the right time and ultimately reduce the amount of late or missed payments.

Better analytics and visualisations allow businesses to understand the cash flow cycle of their customers.

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Prue Matlhola

Financial Director

What can businesses do to avoid wasted cash spend?

The number one thing to remember with working capital is that cash is king. To improve working capital, the first thing a business should do is to find out where there are opportunities in their supply chain to restructure and protect cash. Sometimes a strategy change or unexpected circumstances may change the level of service you need from a supplier, despite being in a contract with them.

In these cases, it may be that with existing suppliers and manufacturers, they offer other services or products which are of use to your company. By bundling these offers into existing contracts, it helps to avoid paying penalty clauses and preserves the cash flow of the business. The supplier gets to keep the contract in place and as a business, you know that you have minimized cash wastage.

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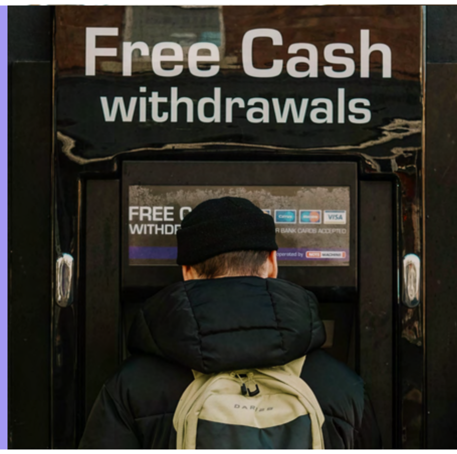

How important is accounts receivable in the current economic climate?

If cash doesn't come into a business, then it goes without saying that the business will soon become unviable. Businesses need to be aggressive at bringing cash in, especially with managing their accounts receivable. Customers cannot owe you for long periods of time in the current economy, it simple isn't sustainable

To achieve a positive working capital position, some businesses may need to redeploy their resources and focus more heavily on debt collection. A business' debt collection team should be strong and aggressive so that they never have to sit and just wait for their customers to pay.

To achieve a positive working capital position, some businesses may need to redeploy their resources and focus more heavily on debt collection.

What other levers do businesses have to improve their working capital?

If you're not selling, then you're not in the game. It really is as simple as that. Spending efficiently and recovering debt as we talked about before are hugely important, but the single largest lever that a company can control their cash flow with is revenue.

This is why understanding who your target customers are and where your money is coming from is so important. It may sound simple enough, but the size and importance of this task for growing revenue should not be underestimated.

Understanding who your target customers are and where your money is coming from is so important.

Prue is a Finance Executive and qualified Chartered Accountant with over ten years of experience.

Follow Prue on LinkedIn

Sumir Mullick

Group Treasurer at Playtech

Considering the current economic landscape, characterized by rising inflation, interest rates, and supply chain disruptions, what challenges do organizations face in managing their working capital, and how should they address these challenges?

Organizations face significant challenges due to these factors. The impact of unstable supply chains disrupts operations and increases pressure on working capital. To address these challenges, organizations should focus on improving supply chain resilience and agility. This can be achieved by diversifying suppliers, developing alternative sourcing options, and enhancing visibility across the supply chain.

It's also important to establish strong relationships with suppliers and implement risk mitigation strategies, such as supply chain financing. Additionally, organizations should closely monitor inflation and interest rate trends to assess their impact on costs and adjust their financing and pricing strategies accordingly.

> Identifying areas for cost savings without compromising customer service is crucial. This can involve renegotiating contracts, automating processes, and optimizing resource allocation. It's also important to explore diversifying funding sources.

Apart from working capital optimization, what other areas should organizations prioritize to improve their financial position?

In addition to working capital, organizations should prioritize cost control and efficiency. Identifying areas for cost savings without compromising customer service is crucial. This can involve renegotiating contracts, automating processes, and optimizing resource allocation. It's also important to explore diversifying funding sources.

Relying solely on one funding option can be risky. Organizations should consider additional lines of credit, supply chain financing options, and alternative financing methods to ensure funding diversity. Finally, managing risks associated with currency fluctuation and interest rate exposure is vital for maintaining a stable financial position.

Which aspects of the finance function do you believe are most exposed to economic turbulence, and how do you navigate those challenges?

As part of liquidity management and optimizing cash finances, I closely monitor our cash position, funding and capital structure, risk management, and compliance. These areas are most exposed to economic turbulence. Currency fluctuations and interest rate changes impact our financial position, and we navigate these challenges by closely monitoring market trends and adjusting our financing strategies accordingly.

We also work closely with compliance to ensure adherence to regulatory changes and maintain robust internal controls. Financial planning and forecasting play a crucial role, and we collaborate with various departments to understand the complete cash flow. Additionally, managing bank relationships and negotiating fees are important tasks, considering the stringent regulatory requirements in our industry.

How does inflation impact your organization's working capital position, and what strategies do you employ to mitigate its effects?

Inflation affects our organization's working capital position in several ways. First, the increasing costs of software licenses, particularly due to inflation and rising labor costs, impact our expenses. This puts pressure on our working capital and cash flow. Moreover, inflation can lead to delayed payments or defaults from customers facing financial challenges.

This extends our collection period and affects working capital. Additionally, high inflation rates result in elevated interest rates, increasing our debt costs. To mitigate these effects, we manage our financing effectively to reduce the impact on available cash for working capital. Furthermore, we work closely with the business and negotiate with suppliers to mitigate the impact on our critical supply chain.

Once you have a clear understanding of your cash needs, how do you approach exploring funding options and renegotiating with suppliers? And what impact does this have on the broader organization?

That's correct. After assessing our cash requirements, we evaluate funding options and engage in discussions with suppliers. This process has implications for the entire organization. Efficient cash management allows us to optimize our financial resources and strengthen relationships with our suppliers. By renegotiating contracts and exploring funding avenues, we can ensure that we have the necessary funds to meet our operational needs and drive growth.

How does regulatory compliance influence your strategies, and what considerations are given to securitizing receivables?

Regulatory compliance is of utmost importance to us at Playtech. It shapes our strategies and decision-making processes. While securitization of receivables is something we have explored in the past, our current focus is on streamlining the procure-to-pay process through automation. By ensuring compliance and efficiency in our operations, we create a strong foundation for future initiatives, including potential supply chain finance options.

> By renegotiating contracts and exploring funding avenues, we can ensure that we have the necessary funds to meet our operational needs and drive growth.

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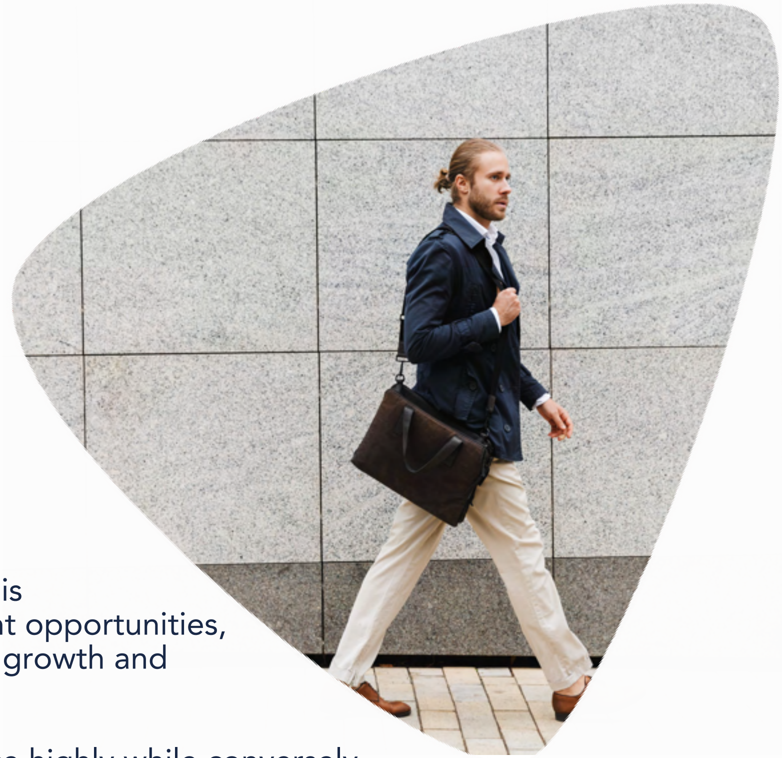
Survey results

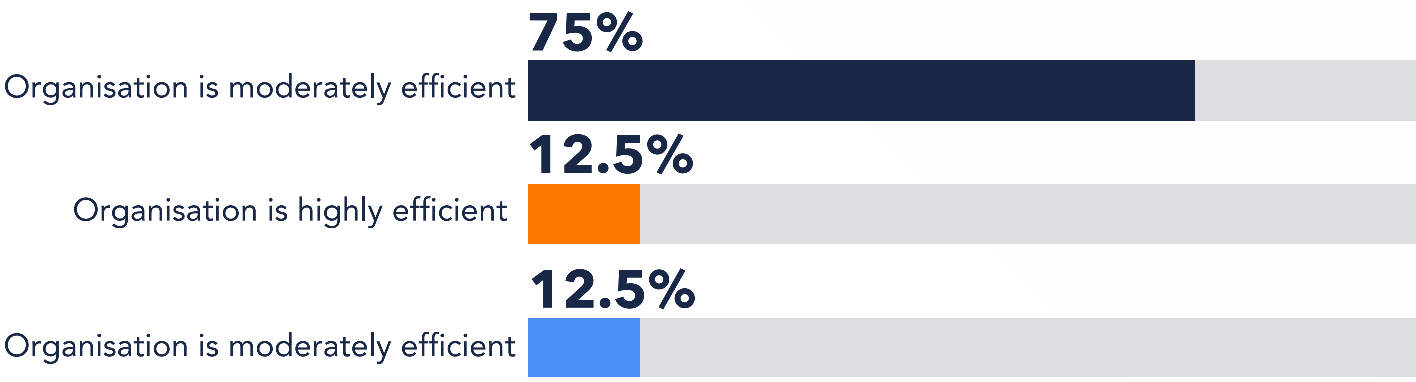


In today's competitive business landscape, organizations strive to identify working capital improvement opportunities and unlock cash within their operations. We conducted a poll to gauge industry sentiments on various themes related to working capital strategies and the utilization of receivables financing.

Efficiently identifying improvement opportunities and potential cash releases:

75% of interviewees believe their organization is moderately efficient at identifying improvement opportunities, as well as the potential to release cash to fund growth and profitability.

At the extremes, 12.5% rated their performance highly while conversely, 12.5% rated their organization much lower, indicating room for improvement in their organization's practices.



Importance of unlocking cash tied up in receivables for working capital strategies:

78%

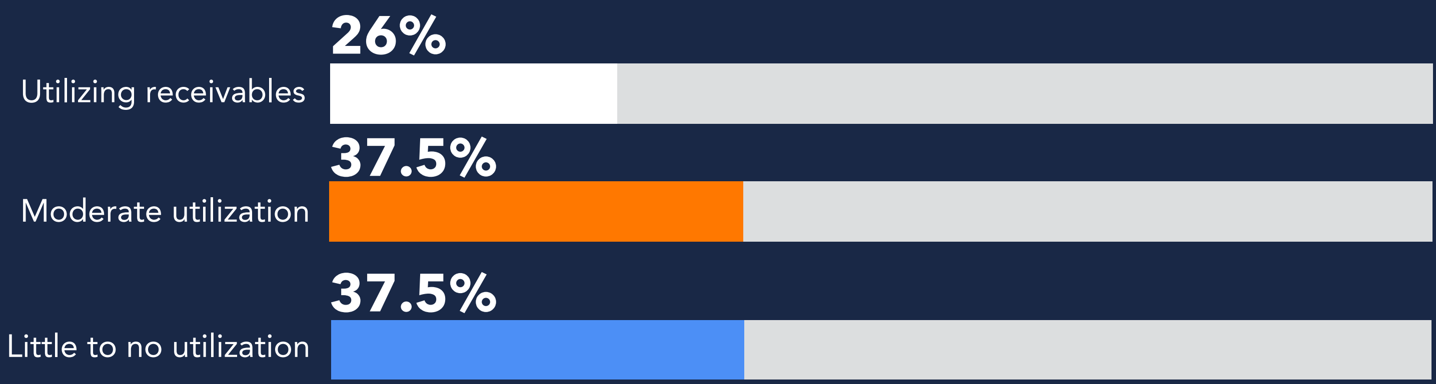
Most respondents (78%) rated their working capital strategy highly, indicating a strong emphasis on unlocking cash tied up in receivables for their working capital strategy. Overall, unlocking cash tied up in receivables is considered important.

By understanding essential metrics like Days Sales Outstanding (DSO), Days Inventory Outstanding (DIO), and Days Payable Outstanding (DPO) your organization can identify improvement opportunities to enhance cash flow and strengthen growth and profitability. Additionally, by accessing the cash tied up in receivables, your organization can enhance liquidity rapidly.

Ways in which this process can be refined include encouraging the adoption of strategies and processes that expedite receivables collection, such as providing trading partners with flexible access to new lines of finance, invoice factoring, and offering early payment incentives.

Utilization of receivables to strengthen the supply chain:

Only 25% agree that their organization is utilizing receivables to strengthen their supply chain relationships between trading partners. The majority of respondents (37.5%) suggest that their organizations are somewhat using receivables for this purpose. However, 37.5% of interviewees provided much lower ratings, indicating little to no utilization of receivables for supply chain strengthening.



Accessing multiple funders via a single automated connection to fund receivables:

67% of interviewees expressed positive sentiments that access to multiple funders via a single automated connection would improve their ability to fund receivables. The results demonstrate favorability to accessing multiple funders, although a portion of participants expressed skepticism.

> Encourage your organization to explore the potential of leveraging receivables to strengthen the supply chain between trading partners. This could involve establishing partnerships or programs that offer financing options to suppliers, implementing supplier relationship management strategies, or exploring innovative approaches like supply chain finance.

> Consider exploring platforms or technologies that facilitate automated connections with multiple funders, as this can streamline funding processes and reduce delays.

Utilizing third-party funding for working capital acceleration of payments to suppliers:

64% Doesn't utilized third-party funding

25% Utilized third-party funding

Most respondents (63%) indicated that they do not make use of third-party funding for this purpose, while only 25% responded in the affirmative.

Organizations that haven't explored this option should consider the potential benefits it can offer, such as improved cash flow and the ability to meet supplier payment obligations promptly; evaluate different third-party funding options available in the market and assess their suitability based on your organization's specific needs and circumstances.

Focus on improving Days Sales Outstanding (DSO) and working capital:

100% of interviewees agree that improving 'Days Sales Outstanding' (DSO) and working capital is a major focus for their organization in 2023.

Organizations can capitalize on this alignment by implementing targeted initiatives to optimize DSO and working capital management. This may involve reviewing credit and collection policies, streamlining invoicing processes, adopting technology solutions for efficient cash flow management, and fostering collaboration between finance, sales, and operational teams to drive improvements.

Finance strategy transformation tips

By adopting the strategies and insights discussed by our industry experts, businesses can fortify their financial operations, optimize their cash flow, and position themselves for sustainable success in the face of an economic downturn.

1. Inflation: Navigating the impact on cash flow and profitability

   Inflation poses significant challenges to businesses, impacting their cash flow and profitability. As Aki Kotakorpi emphasized, understanding the effects of inflation on business operations is crucial. To mitigate inflationary pressures on cash flow, businesses can adopt strategies such as reducing payment terms and incentivizing early payments, as suggested by Aki Kotakorpi and Sylvain Frachet. This can improve cash flow by accelerating the inflow of funds. However, it is essential to strike a balance between pricing strategies and customer expectations, as highlighted by Aki Kotakorpi's caution that requiring earlier payment may lead to customer frustration. By carefully analyzing the impact of inflation and implementing appropriate strategies, businesses can navigate these challenges and maintain healthy cash flow and profitability. Incentivizing early payments by offering discounts or other incentives can also boost cash flow and improve liquidity.

   Likewise, streamlining accounts receivable processes, such as invoicing, collections, and credit control, can help accelerate cash inflow and minimize outstanding receivables. Regularly reviewing inventory levels is also important to avoid excess carrying costs while ensuring the timely availability of critical items.

2. Rising debt: Managing financial liabilities in uncertain times

   The rising levels of debt present significant challenges for businesses striving to maintain financial stability. To address these challenges, companies can implement strategies for debt management and reduction, as suggested by Sylvain Frachet and Sumir Mullick. By closely monitoring debt levels, optimizing financing strategies, and exploring options for debt reduction, businesses can alleviate the burden of rising debt and improve their financial health.

   It is crucial to balance debt reduction efforts with the need for strategic initiatives and investments to ensure long-term growth and sustainability. Strengthening relationships with lenders and diversifying funding sources can also provide greater flexibility in managing financial liabilities.

3. Cash flow constraints: Optimising liquidity in economic downturns

   Wendy Palacios highlighted the importance of effective cash flow management, which includes managing receivables and inventory properly. By fully considering key metrics such as Days Sales Outstanding (DSO), Days Inventory Outstanding (DIO), and Days Payable Outstanding (DPO), businesses can identify areas for improvement and implement strategies to optimize cash flow. Additionally, businesses must balance cash flow tactics with customer satisfaction and supplier relationships, as mentioned by Aki Kotakorpi. Carefully consider these factors and adopt proactive cash flow management techniques, and your business can enhance liquidity and navigate economic challenges effectively.

4. External risks: Building resilience in supply chains and financial operations

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5. External risks: Building resilience in supply chains and financial operations

Digital transformation has emerged as a crucial driver of finance excellence. Kristian Skovfoged and Wendy Palacios highlighted the transformative power of technology in streamlining data, improving accessibility, and enabling integrated business planning. Automation and AI, as mentioned by Brian Rosh, offer significant benefits for finance teams, enhancing data quality, and enabling smarter decision-making. By embracing digital transformation and leveraging technology effectively, businesses can gain a holistic view of their financial operations, drive efficiencies, and make informed decisions based on real-time data and accurate forecasting.

6. Collaborative approaches: Aligning departments and teams for financial success

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7. Revenue generation: Focusing on growth in challenging times

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8. Risk mitigation: Safeguarding business finances in uncertain environments

Sumir Mullick stressed the importance of supply chain resilience, supplier diversification, and risk mitigation strategies. Monitoring inflation and interest rate trends and adjusting financing and pricing strategies accordingly are essential, as mentioned by Sumir Mullick. By actively managing risks, exploring diversification in funding sources, and minimizing exposure to currency fluctuations and interest rate risks, businesses can enhance their financial resilience and weather the uncertainties of the economic downturn.

About Taulia

Efficiently identifying improvement opportunities and potential cash releases:

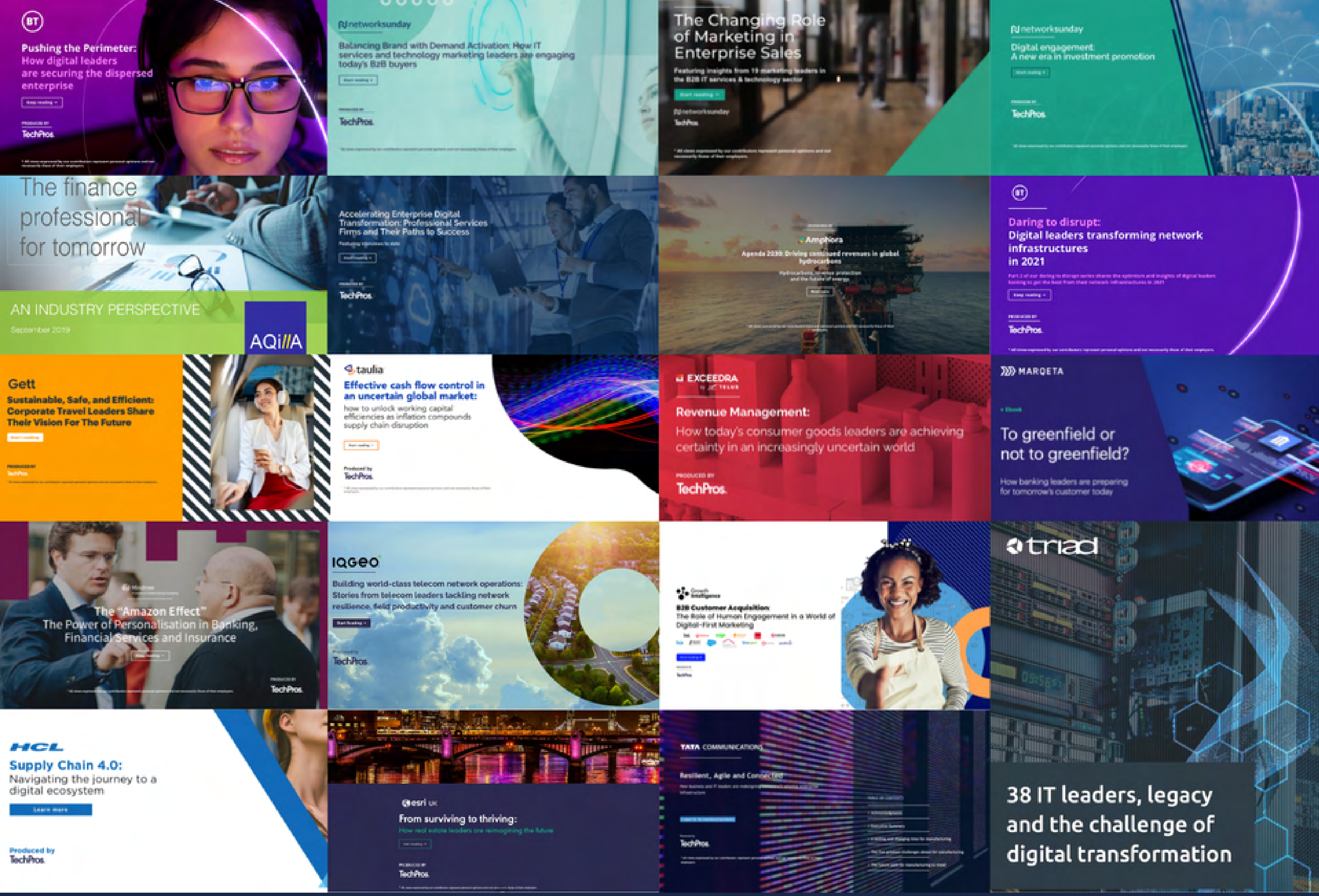
Taulia understands the importance of working capital management during challenging times. As the market fluctuates and businesses face disruptions, Taulia offers an integrated and insightful solution to optimize receivables and enhance cash flow. Taulia's approach goes beyond traditional receivables financing, providing a modern Cash Flow Acceleration Platform that encompasses all the levers available to CFOs and treasurers for effective management of net working capital (NWC).

With Taulia, companies can tackle the increasing days of sales outstanding (DSO) and unlock working capital trapped in receivables. By selling invoices to funders, businesses can accelerate cash flow and reduce the impact of longer payment terms imposed by customers. Unlike traditional receivables finance offerings, Taulia offers a streamlined approach. Rather than dealing with multiple bilateral agreements and restrictive funding options, Taulia provides a single agreement that opens up a wide market of liquidity from multiple funders. This simplifies administration, reduces errors, and offers greater flexibility for businesses.

Taulia's true sale receivables finance ensures that the program does not appear as debt on the company's balance sheet, enabling companies to maintain a favorable financial position. Taulia's true sale receivables finance ensures that the program does not appear as debt on the company's balance sheet, enabling companies to maintain a favorable financial position.

Taulia's integrated platform offers clear visibility of incoming and outgoing cash across the organization, including payables, inventory, and receivables. This holistic view allows for informed decision-making and effective control of the cash position. Additionally, Taulia's Platform facilitates treasury arbitrage by enabling liquidity raised through receivables finance to be used for Dynamic Discounting programs, reducing the cost of goods sold and positively impacting the company's bottom line.

Taulia stands out as a provider of receivables finance solutions. With their modern Cash Flow Acceleration Platform, Taulia helps companies navigate uncertain times, optimize working capital, release cash efficiently, and make informed financial decisions. Whether in challenging or stable market conditions, Taulia offers tailor-made solutions to meet businesses' financing requirements, outperforming banks on efficiency and scale while accessing deep global liquidity reserves. When it comes to optimizing receivables finance, it's time to talk to Taulia.



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Participants benefit from peer group insights and new ideas to solve problems. They often meet at follow on events e.g. roundtables, fireside chats and panel discussions.

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