Enterprise working capital management. Unlock liquidity and strengthen your supply chain. *Ready when you are.*

How to deploy a successful enterprise working capital management strategy.

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Make the most of your working capital

Efficient working capital management (WCM) isn't merely advantageous; it's an essential priority – and never more so than in today's challenging business landscape.

Dealing with higher funding costs, soaring inflation, and supply chain disruption isn't easy. But with the right working capital management strategy in place, your company will be ready to release cash and foster sustainable growth. You'll also be better prepared for any unforeseen events the future may have in store.

But first, you need the right building blocks in place. An enterprise-wide WCM strategy supported by a cross-functional team. A flexible, supplier-friendly, multi-funder platform that connects to a substantial worldwide network. And, of course, the right partner at your side.

The $630 billion opportunity.

The case for working capital optimization

Working capital management is vital for companies everywhere, particularly in today's turbulent global environment. Faced with higher financing costs and inflation, companies have even more reason to minimize their need for external funding and boost the resilience of their supply chains.

Late payments are on the rise

Suppliers, likewise, are struggling to keep their own operations running smoothly. According to Taulia's latest Supplier Survey, 51% of suppliers are being paid late by their customers on average, up from 36% in 2021. This places enormous pressure on suppliers' cash management, particularly in an inflationary environment – and this, in turn, puts buyers at greater risk of supply chain disruption.

Realizing untapped potential

Thankfully, solutions are available to address these issues. Working capital optimization can help companies navigate difficult markets and unlock cash, which can then be deployed to fund business growth. Companies can also use working capital management solutions to support their suppliers with early payments. With tools such as dynamic discounting, they can support suppliers while improving yield on their own excess cash.

Over $630 billion* of potential liquidity is currently trapped in working capital for S&P1500 companies and could be released through working capital optimization programs.

*Source: J.P. Morgan, Strategies for Resiliency: Working Capital Index Report 2023

> "When you look at the current environment, my biggest challenge is the management of our group-wide liquidity. An active working capital strategy can help us optimize the availability of financial means for SAP. And this, in turn, ensures that we can invest in our company's growth."

Steffen Diel,
SVP and Head of Global Treasury, SAP

Seizing the working capital opportunity

> " With supply chain funding, it was important for us to create one treasury-driven SCF process and have one strategic approach for the business."
>
> **Airbus**

Effective working capital management is the outcome of multiple activities across the organization. Achieving an enterprise-level view of working capital can be challenging: with multiple data inputs across multiple programs and teams, a manual consolidation process is likely to be impractical.

Technology is frequently the solution to these modern problems. However, getting the right solution in place can be a complicated process in itself, from identifying the problem and finding a solution to having a fully scaled and adopted program. Only when a solution is implemented correctly can you expect to achieve enterprise-level improvements.

Breaking down barriers

The three components of working capital management – accounts receivable, accounts payable, and inventory – can be challenging in large, complex organizations.

Departments like treasury, procurement, and finance have different KPIs, which sometimes conflict. Disjointed processes can also result in forecasting challenges, inefficiencies, and a lack of visibility over your cash position.

How can technology help?

To address these challenges and tackle WCM at the enterprise level, you need a cross-functional team spanning multiple departments within the organization.

You also need the right tools at your fingertips. A dedicated WCM platform can help you eliminate inefficiencies and errors from your processes while gaining access to richer insights and more valuable reporting. Many providers only tackle one of the levers of working capital – but a provider that offers solutions across the full suite of working capital activities is more likely to help you achieve enterprise level WCM.

And if you're adopting a supplier-facing solution like dynamic discounting or supply chain finance, a platform that offers simple onboarding and a user-friendly interface can help you maximize participation in your program.

Traits of an effective WCM partner

You've decided to undertake a WCM project – so the next step is to look outside the business for a trusted advisor and partner – one with a breadth of international experience across AP, AR, and inventory.

Why the right partner matters

Choosing the right partner is essential. Your WCM partner must be adept at communication and collaboration and strategically aligned with your organization's goals. They should be a partner rather than a provider. Moreover, they should have an excellent track record when onboarding trading partners, whether suppliers, customers, or other supply chain partners, onto working capital programs.

What defines a strong WCM partner?

Look for a partner that can offer you:

- **The right technology:** Your chosen partner should provide a platform that offers rich functionality, sophisticated reporting, and flexible tools while integrating seamlessly with your existing systems.
- **A user-friendly onboarding process:** You want your trading partners to sign up for the program – so the onboarding process should be fast, simple, and painless.
- **Knowledge and expertise:** Find a partner that can help you learn more about the opportunities available.
- **Value and ROI:** When you're building a business case, don't just look at costs – you should also consider the value the partner brings and the expected return on investment (ROI).

> "Our suppliers were very keen that the Taulia solution we were implementing didn't require an enormous effort on their part. We were providing them with something that felt a bit like an extra tool they could stick in their briefcase – something suppliers could use if they want."

Andrew Wilson,
former Working Capital Lead, AstraZeneca

What to consider when choosing a partner

Technical integration
How well does the proposed system integrate with your Enterprise Resource Planning (ERP) and other systems?

Supplier segmentation
Is your supplier able to help you segment suppliers into different categories so that different groups can be targeted with different offers?

Funding option
Some providers are tied to a single source of funding. Providers that include multiple funding sources may be better able to mitigate concentration risk and future-proof your program.

Program management
Will the potential partner work closely with your business to overcome any obstacles and ensure the program's success?

Reach
Can your partner offer a platform that extends to your whole supply chain, not simply the top 20% of large trading partners with the highest transaction volumes?

Footprint
Does your provider operate globally, with the ability to cover your entire supply chain and comply with various regulations in different countries?

> "One of our criteria for choosing a platform was that it just works without disrupting the life of accounts payable."
>
> **Airbus**

Bridgestone and Taulia: driving success

As one of the world's largest tire manufacturers, Bridgestone was focused on building a sustainable supply chain with the goal of using 100% sustainable materials by 2050.

To support this journey, Bridgestone needed better visibility over its supply chain, and incentives to encourage suppliers to adopt and maintain their own sustainability programs.

Harnessing the power of collaboration

Bridgestone worked with Taulia, EcoVadis, and J.P. Morgan to adopt an innovative SCF program that would encourage partner companies to prioritize sustainability by offering preferential discounts to suppliers with high ESG ratings.

The resulting Bridgestone Sustainable Supply Chain Financing (SSCF) program has been implemented in Europe and North America, as well as in key emerging markets such as India and South Africa.

Rewarding sustainable suppliers

Powered by Taulia, the platform allows Bridgestone to use a proven and reliable third-party rating methodology from EcoVadis. Socially responsible suppliers can now access preferential financial terms based on their ESG ratings. As such, Bridgestone incentivizes its suppliers to continue driving progress.

"Our award-winning Sustainable Supply Chain Financing initiative is a tangible demonstration of how the Finance function can play its part in driving sustainability. We are grateful to the Taulia financial technology solution that helps make this possible."

Julle Pedersen,
Treasury Director for Bridgestone Europe, Middle East, India, Africa (EMIA)

SAP and Taulia: Optimizing group-wide liquidity

SAP aims to harness its financial resources as effectively as possible to drive growth – a goal that requires an active working capital strategy.

To support this, the company needed a flexible solution that would help the company manage its group-wide liquidity, optimize its cash flows and put excess liquidity to work for additional yield, all while increasing the resilience of its supply chain.

Finding a balance

By implementing Taulia's unique platform, SAP has been able to achieve its cost and cash targets in a scalable and automated way. This includes striking a balance between price and payment terms, providing stability for suppliers, and tapping into liquidity that can be invested in growth opportunities.

With Taulia's multi-funder model, SAP is able to ramp up volumes whenever needed, which supports the company's active WCM strategy. The flexibility of the program means that SAP can switch between different financing options in order to optimize cash flow, and use dynamic discounting to improve yield on excess liquidity.

"On the treasury side, Taulia provides a flexible working capital platform where we can use different financing options. You can put your own liquidity to work in certain countries with a dynamic discounting program – or you can help your suppliers with supply chain finance."

Steffen Diel,
SVP and Head of Global Treasury, SAP

Implementing a solution and user adoption

Selecting a partner is just the first step. When it comes to adopting a new WCM system or partnership, it's essential to make the transition as smooth as possible – and that means managing change effectively, making sure that users make full use of the new solution, and maximizing the value of your partnership.

Manage change effectively

Changing behaviors and adopting new processes can be challenging, particularly when the company is globally dispersed or decentralized. A trusted partner can help bridge the gaps and reduce the risk of miscommunication between stakeholders.

Ensure user adoption

It's essential to have an effective communication process, particularly when your program includes bringing your supplier base onto an early payment program. Take the time to understand the reasons why suppliers might be interested in taking early payments, from filling a cash flow gap to meeting seasonal cash targets.

Maximize value

Your chosen partner should work with you collaboratively to overcome any obstacles and ensure that your WCM program is a success.

Measuring success and sustaining growth

For any WCM optimization project, defining and measuring success is essential. First and foremost, that means paying close attention to standard working capital metrics, such as Days Payable Outstanding (DPO), Days Sales Outstanding (DSO), Days Inventory Outstanding (DIO), and the Cash Conversion Cycle (CCC).

Beyond these, you can look at payment metrics such as the average time taken to approve invoices, the cost of processing a single invoice, and the number of invoices processed each day per full-time equivalent (FTE).

It's also advisable to measure the success of the implementation itself. Suitable metrics could include the time taken to go-live, the number of suppliers enrolled in the program, and the number of suppliers taking early payment.

Making success 'stick'

Implementing a WCM program is just the beginning. Once the program is up and running, there will still be new suppliers to enroll and new people joining the procurement team.

To maintain the effectiveness of the program over time, you'll need to take steps to prevent backsliding, such as continuous monitoring and education of internal and external users. You should also put measures in place to maintain and enhance the WCM partnership over time.

Realize your WCM potential

It's time to unlock the full potential of your company's working capital. Are you ready to free up the funds you need to drive growth and navigate a fast-changing business environment? Can you do this while strengthening relationships with suppliers that are key to your business' success?

An enterprise-wide WCM transformation can help you achieve all this and more. Whether you're looking to fund growth, get better returns on your liquidity, or incentivize your suppliers to adopt more sustainable practices, the right WCM program can unify working capital across your business while giving you access to the richer insights you need to make autonomous decisions.

All that remains is to choose a partner who will help you seize growth opportunities when they arise, respond to unforeseen events, and secure your firm's long-term financial health.

Selecting a WCM partner: a checklist

- Supplier-friendly onboarding process
- Rich functionality, sophisticated reporting and flexible tools
- Industry knowledge and expertise
- Proven track record of implementing WCM solutions
- Excellence in communication and collaboration
- Strategic alignment with your company's goals

Glossary of WCM terms

- **Accounts payable:** the amount a company owes to its creditors and suppliers.
- **Accounts receivable:** money owed to a business by its customers for purchases made on credit.
- **Cash conversion cycle (CCC).** Calculated as DSO + DIO – DPO, the CCC indicates the number of days taken to convert the cash a company spends on inventory back into cash by selling its product.
- **Days inventory outstanding (DIO).** The average time taken for inventory to be sold.
- **Days payable outstanding (DPO).** The average time it takes for the company to pay its supplier invoices.
- **Days sales outstanding (DSO).** The average time it takes for the company to collect payment from customers.
- **Dynamic discounting:** a solution that gives suppliers the option of receiving early payment in exchange for a discount on their invoice.
- **Inventory:** the raw materials and goods held by a business for the purposes of resale or production.
- **Supplier segmentation:** the strategic process of categorizing suppliers based on specific criteria.
- **Supply chain:** the entire process of producing and distributing goods or services, from procuring raw materials to delivering finished goods to customers.
- **Supply chain finance:** a financing solution initiated by the buyer whereby suppliers can receive early payment on their invoices.
- **Working capital:** current assets minus current liabilities.
- **Working capital management:** a business process that helps companies make effective use of their current assets and optimize cash flow.

About Taulia

Part of the SAP family, Taulia is a fintech provider of working capital management solutions headquartered in San Francisco, California. Our solutions help companies access value tied up in their payables, receivables, and inventory.

Taulia's platform and network of more than 3 million businesses enables customers to execute their working capital strategies, support their suppliers with early payment, and contribute to building sustainable supply chains.

Taulia processes more than $500 billion each year and is trusted by the world's largest companies, including Airbus, AstraZeneca, and Nissan.

For more information, visit Taulia.com

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