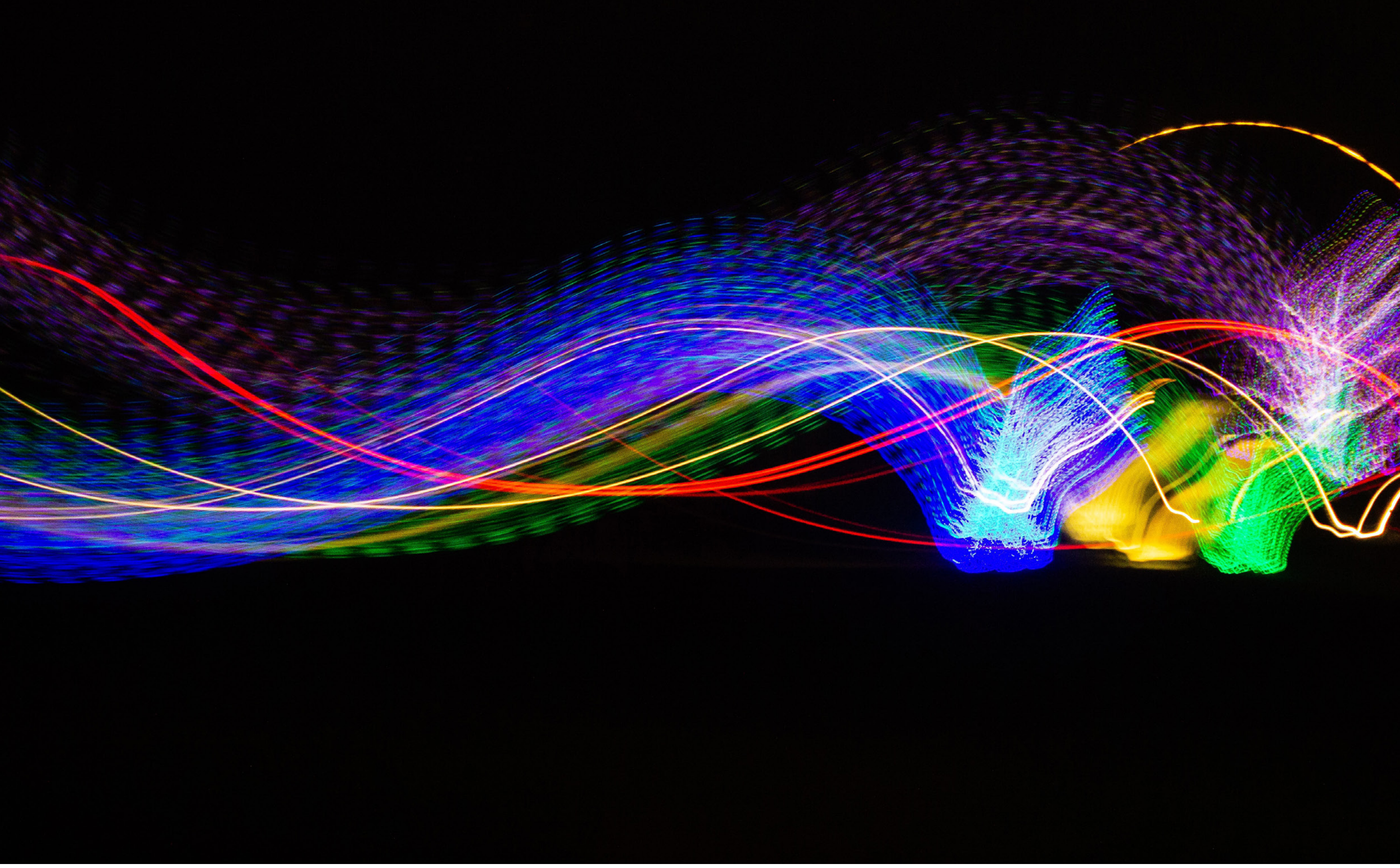
taulia



# Effective cash flow control in an uncertain global market:

how to unlock working capital efficiencies as inflation compounds supply chain disruption

Produced by:

TechPros.

# Contents


Introduction 03

**Chapter one**
What makes a healthy supply chain? 04

**Chapter two**
Weathering global turbulence: optimizing cash-flow 06

**Chapter three**
Leveraging digital tools for smarter cash-flow management 07

**Chapter four**
Additional considerations 09

Further thoughts 10

How Taulia can help 12

About Taulia 13

Acknowledgements 14

Sources 15

About TechPros.io 16

# Introduction

## When change is everywhere, control what you can

Working capital is essential to the health of every business, but managing it effectively is a delicate balancing act – never more so than now. Companies need to have enough cash available to cover both planned and unexpected costs, and be able to make the best use of the funds available. This requires the effective management of payables, receivables, inventory, and cash.

In recent years, trends such as Just-In-Time have provided a means to reduce exposure to fluctuations in product demand or product obsolescence, enabling distributors and retailers to be more agile and tie up less of their working capital in stock. The downside of this lean approach became apparent during the COVID-19 pandemic, when lockdowns around the world closed factories and ports, preventing the flow of a wide variety of goods, from medicines to computer chips, creating international shortages.

Since then, organizations have further recognized the risk of relying on too few sources in distant places, even if diversifying their supply chains, holding more stock, and/or paying a bit more for goods could affect their price competitiveness. One way to offset this impact is to see the value inherent in strong working capital management and to maximizing cash flow.

There are other important reasons to hone this capability. When working capital is poorly managed, companies find themselves on the back foot. Paying suppliers may become an issue; eroding goodwill, and undermining corporate commitments to being an ethical company. When Taulia conducted a major global survey during the peak of the pandemic, of the more than 9000 businesses across their network, close to half of respondents (43 per cent) said they had seen an increase in late payments.

Where large companies tend to have more leverage with banks, smaller businesses are typically more vulnerable to delays in payment. This could lead to them not being able to pay their employees, or worse - having to cease trading.

And now, developed economies are facing their biggest shock in more than a decade as inflation soars, putting pressure not only on consumers but on companies of all sizes. That's as they buy and sell, and seek to manage working capital, across a timescale during which the value of money could change dramatically. Waiting 90 days, or expecting suppliers to wait 90 days; to be paid will have an even greater impact: goods could end up costing more, or be worth less.

In order to retain or even improve agility while staying profitable, without over-exposing the business (or its suppliers, customers, or employees) to undue risk, organizations need to pull on all the levers they can.

So as to develop a deeper understanding of the situation, we interviewed a cross-section of businesses about their evolving concerns and approaches linked to working capital management. These conversations took place at the intersection of three major events in the global market: the gradual re-emergence from the COVID-19 pandemic; the deepening crisis in Ukraine; and new turbulence in the global economy characterized by soaring inflation - at a level not seen for more than a decade.

The following ebook summarizes the key points raised, and explores the wider potential for companies to become more effective in their working capital management.

# Chapter one
## What makes a healthy supply chain?

Most of the organizations we spoke to highlighted the importance of identifying and building trusted relationships with key suppliers as a means of maximizing goodwill and flexibility, as well as shoring up long-term sourcing, and mitigating risks. During the pandemic, these long-term relationships as well as on-the-ground proximity to the suppliers helped contain the immediate impact of disruption.

Says Johanna Bröll, Head of Procurement Financial Contribution at a multinational science and technology company, “When masks were not available to buy here, we were able to access these as we had people in the sourcing teams in Asia who were close to the suppliers. If we’d been trying to solve the issue from Europe, that wouldn’t have been so easy."

When masks were not available to buy here, we were able to access these as we had people in the sourcing teams in Asia who were close to the suppliers. If we’d been trying to solve the issue from Europe, that wouldn’t have been so easy.

**Johanna Bröll**

**Head of Procurement Financial Contribution** | a multinational science and technology company

For Andy Boadu, Manager of Supply Chain Continuous Improvement at the world’s largest gold mining company, Newmont Corporation, a healthy supply chain depends on recognizing the value of all sizes of supplier, and proactively supports them whatever possible.

“Approaches [to maintaining a healthy supply chain] must involve an intentional effort to support businesses, both small and large,” he says. “Newmont’s suppliers range from huge international players to very small local suppliers, and we intentionally invest in these companies - whether through training and development, or being flexible when conditions require it. Before COVID-19, all our small companies were paid on a 30-day payment term. But during the challenges of the pandemic we moved to 10-day terms, to ensure they’re getting their money back earlier.”

Andy, based in the Greater Toronto area of Canada, is responsible for driving innovation across the supply chain. His remit covers inventory, materials management, warehouse governance, sourcing and procurement, and logistics. He recognizes that being smarter about working capital management is key to ensuring supply chains are fit for the future. Having end-to-end visibility plays an important role.

"

The goal is to optimize our Request to Pay process, we want to make sure that we have one streamlined activity where everyone from our vendors to our warehouse team are all connected across the process.

**Andy Boadu**

**Manager of Supply Chain Continuous Improvement** | Newmont Corporation

"

"A healthy supply chain is an efficient one where the end-to-end process is clearly defined," Andy notes. "Everyone knows the role they have to play within the process and when. When payment is made by the AP team, everyone across the chain should know the role they have to play. If there's a delay at any point, it will affect the rest of the process. So it's important to be aware of any bottlenecks and be able to manage them."

Newmont's approach here includes building strategic relationships not just with suppliers, but also with the requesters/ end users of its products - and improving systems to improve interconnections and the line of sight from one end to the other. "The goal is to optimize our Request to Pay process," Andy explains. "We want to make sure that we have one streamlined activity where everyone from our vendors to our warehouse team are all connected across the process."

# Chapter two

## Weathering global turbulence: optimizing cash-flow

All interviewees are keeping particularly close tabs on working capital management at the moment, mindful of the potential for loss of control as inflation rises sharply.

Zijian Zheng is Global Planning Manager at Gates Corporation, in Denver, Colorado in the US. The company makes power transmission belts and fluid power products, which are used in diverse industrial and automotive applications, as well as bicycles. With so many moving parts, both literally and in the global economy currently, having central control is crucial.

"There will always be something we cannot anticipate, so an agile supply chain is really important – and ideally one that is centrally organized," Zijian says. "While some big corporations have segmented supply chains, where certain people manage scheduling, others manage material planning, and others again look after demand planning, this could create risk if those people don't talk to each other. In a centralized model, people sit around a table and talk to each other/share information, so they can react in a really short time. It helps with planning, and protecting the future - especially right now when there's so much uncertainty."

Johanna shares she operates at the interface between procurement and finance, reporting on financial KPIs and helping senior management to understand the financial impact of procurement. Getting this across in a meaningful way is particularly critical at the moment, because of the direct bearing on cash flow and its role to position the organization well for changes in the market.

"Cash flow is super critical today, and much of this is on the back of COVID-19," she says. "On the one hand it created challenges in supply chain, as we know. But in some industries in particular, including life sciences, the pandemic also created a lot of opportunities in terms of new growth potential, which we need to be able to respond to. That could be by increasing production capacity, for instance."

"So now comes the challenge in dollar terms," she continues. "You might say, 'right, everyone, let's just pull together and reduce inventory and free up as much capital as possible', but that's a really bad idea at the moment as now more than ever companies need back-up stock."

"It's a complex picture, and probably the biggest challenge is to keep the balance, maximizing cash/working capital while doing no harm on the supply chain or on the production side. In my experience, working capital is really difficult to explain to the business, too: it can seem so abstract. And it can take multiple people joining forces to improve it."

There will always be something we cannot anticipate, so an agile supply chain is really important – and ideally one that is centrally organized.

**Zijian Zheng**

**Global Planning Manager** | Gates Corporation

It's a complex picture, and probably the biggest challenge is to keep the balance, maximizing cash/working capital while doing no harm on the supply chain or on the production side.

**Johanna Bröll**

**Head of Procurement Financial Contribution**
| a multinational science and technology company

# Chapter three
## Leveraging digital tools for smarter cash-flow management

The need for greater collaboration, a more holistic view, and a clear line of sight right across supply chain activities and associated financials adds up to a strong case for joined-up digital capability. Ideally, this would allow stakeholders to track and tally what's been ordered/delivered/approved/paid for, via timely insights – but also leverage working capital tools in a targeted and low-risk way to maintain healthy cash flow and shield the business and its suppliers from a volatile economy.

On the one hand, this is about transitioning away from paper-based transactions so that more order, payment and fulfillment data can be captured straight into systems and settled more swiftly. This incurs less manual effort and provides more timely business insights, paving the way for smarter account management, accelerated payments for suppliers, and smaller gaps between Accounts Payable and Accounts Receivable departments, so as to optimize working capital.

It is also about harnessing this new transparency to pinpoint opportunities for targeting working capital solutions, at relatively low risk. The greater the visibility, the larger the scope to predict a supplier or customer's behavior. For instance, the better the chance will be to apply for temporary financing, or to discount pricing, based on historical performance information.

This kind of leverage is likely to prove invaluable as external conditions become more challenging. As Johanna puts it, "Inflation is spiking in so many areas, something we haven't seen for years – to the extent that the business situation has changed entirely, from a buyer's market to a seller's market within a year."

"Ultimately it means we must pay market prices. Where previously our sourcing teams looked to fix prices for a longer period, that no longer works. Now, suddenly, we're having to renegotiate quarterly. It's not only inflation itself that's the challenge then, but also the difficulty in predicting what's ahead. Currently we're seeing a huge fluctuation in price, which makes planning very hard. At the same time, we must maintain supply security – without this, everything else is immaterial."

For Newmont, of the three key levers of working capital management - inventory, receivables and payables – inventory poses the greatest challenge for the year ahead. Andy explains: "If you have a lot of items tied in inventory that are not moving, you're holding capital that could be used to do other things. But do you want the plant to shut down? Inventory management is definitely the biggest challenge we are working to solve."

Implementing the right digital tools to support this is a priority, and Newmont has already made a lot of progress in moving away from paper-based invoice management towards more streamlined electronic capture and processing. The next step is to make everything smarter and more data driven. "To achieve an efficient supply chain, with 100 percent visibility into your processes, a good system is not enough," Andy notes. "You need to have the tools to do analytics: to determine which are my top vendors; how do I improve payment processing and ensure this happens promptly; that the goods arrive on time, and so on."

At Gates Corporation, protracted lead times and time lags are currently the key issue, and one that will become more costly and risk-laden as the impact of inflation deepens. Zijian points to the bicycle market, noting that some large companies have now extended their lead time to almost two years. Multiple issues are at play: raw material shortages, labor gaps, COVID-related illness, long lockdowns and closures in China, and more.

"We keep our lead time much shorter than the industry average," he says. "Generally it's under a year. This relies on our ability to reassure our suppliers that we have a strong and bright future." Partly this is done through relationship building, by encouraging suppliers to grow with the company. "We also appreciate their needs around raw material price increases," Zijian explains. "By giving them a reasonable price, we're able to maintain a good relationship with them which in turn means they'll make our orders a priority."

Gates Corporation's ability to maintain these strong relationships along the rocky road ahead, and safeguard its own profitability, will depend on the business's ability to manage its working capital more smartly.

"The faster we can gather information from the warehouse or supplier, and from customer tenders, the faster everyone can react," Zijian notes. "This reduces the bullwhip effect. It reduces the waste, the raw material, and the transmission time, and in many cases it will improve efficiency. That has to be a goal for all companies."

Our current focus is on performing advanced analytics using AI, to make more strategic use of the magnitude of data the organization has available to it. Says Johanna, "Currently we have all of this spending information – all the invoices and supplier material data - but this is not yet connected to other data sources. Our aim now is to see how we can harness digitalization to connect those data sources and gain new insights. That could be via links to the P&L, or to the finished product; or it could be insights about sustainability factors."

According to global market commentators, having greater insights into and control over supply chains will be essential as companies look to navigate emerging challenges, maintain supply security, and be more responsive to customers – while maximizing their own scope for profitable growth. KPMG emphasizes the importance of data-driven decision-making, for instance, while Gartner highlights the need to boost resilience and agility.

Inflation is spiking in so many areas, something we haven't seen for years – to the extent that the business situation has changed entirely, from a buyer's market to a seller's market within a year.

**Johanna Bröll**

**Head of Procurement Financial Contribution** | a multinational science and technology company

By giving them a reasonable price, we're able to maintain a good relationship with them which in turn means they'll make our orders a priority.

**Zijian Zheng**

**Global Planning Manager** | Gates Corporation

# Chapter four
## Additional considerations

Cash is the lifeblood of any business and if companies could do more to accelerate cash conversion and release working capital, their options would multiply and their risk exposure be reduced. Leveraging digital tools should not only be about improving transparency and operational efficiency: it should also be a strategic lever for identifying and tapping into new opportunities. That could be by applying in a very targeted way for stopgap capital access to buy more raw materials or build more equipment if supply chains are disrupted and ports closed down. Or it could be hiring more people as an instrument for growth.

# Further thoughts

A healthy supply chain is an efficient supply chain. When the end to end process is clearly defined, everyone knows the role they have to play in the process, and when they have to play it.

**Andy Boadu**
**Manager of Supply Chain Continuous Improvement**
| Newmont Corporation

Unlocking working capital is about streamlining systems, being open with suppliers and building mutual relationships. All of which, in turn, helps release capital as efficiently as possible to help the cycle.

**Zijian Zheng**
**Global Planning Manager**
| Gates Corporation

Fostering mutually beneficial long-term relationships is critical to healthy supply chains. Working capital efficiencies help to mitigate issues, therefore can be correlated to building strong, sustainable and equitable supply chain relationships.

**Johanna Bröll**
**Head of Procurement Financial Contribution**
| a multinational science and technology company

The trick for us is to minimise demand variability as much as possible. Demand variability even on a weekly basis can have a significant impact in the supply chain, especially when you have scarcity of resources.

**Akis Delkis**
**Chief Financial Officer**
| Coca-Cola Hellenic Bottling Company

It's about the quality of the relationship with suppliers. It's about trust. It's about ensuring that we treat them in a fair manner and that the conditions with which we work with them are sustainable for all.

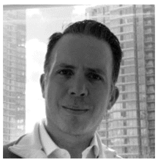
**Brice Zimmermann**
**Global Head Treasury**
| Alcon

# Further thoughts

In life the key to success is to have the right tool at the right place at the right time. Understanding the demand and the end-to-end value chain is key to ensuring a healthy supply chain. Organisations must get more proactive in looking at the entire value chain and supporting, partnering, and collaborating.

**Kellie Degarmo**
**Director Supply Chain/ Division SCM HVAC**
| Parker Hannifin

The trend of relying on ultra-low cost sourcing over long distances has squeezed supply chains too much. Many industries have recognized this is not sustainable. Companies are shifting back to a more balanced supply chain.



**Gonzalo Herrera**
**Director Finance Service Centre**
| Ledcor

I can suggest or recommend using reverse factoring or supplier finance as a tool which would satisfy both parties. Because if you use supplier finance, you, as a buyer, can extend your payment terms and have a better working capital outlook whereas, at the same time, your suppliers who are mostly SMEs have a chance to improve their working capital outlook by having access to relatively cheap funding.

**Murat Argun**
**Head of Structured Trade Finance**
| OMV AG

When I started, it was very adversarial it was 'us' customers and 'them' suppliers and after 22 years in the business it's starting to change, but it needs to change more. With bigger corporations we need to go to our critical suppliers and address what more we can we do to work together better and how can we help you identify risks in your supply chain.

**James Wright**
**Sr. Manager, Global Capital Procurement - Nitrogen & Phosphate** | Nutrien

Sustainability may mean not going for the country with the lowest cost. This will also positively affect our heavy product transport, as it will be much more sustainable.

**Mark Philipp Selbach**
**Functional Head of Mechanical Procurement**
| Uniper Kraftwerke GmbH

# How Taulia can help

Taulia provides targeted digital solutions to support supply chain optimization and smarter working capital management – from Accounts Payable, to Inventory, to Accounts Receivable. We support businesses in paying their suppliers early, identify opportunities to reduce inventory exposure,convert this to cash more swiftly so that it does not lose value, and use the savings to drive profitable new growth.

> Our streamlined, user-friendly digital solutions not only help businesses identify more of these opportunities.We also connect companies with targeted, one-click access to finance through our global ecosystem of partner financial institutions. So, as low-risk opportunities to free up working capital are identified, companies can act on these without all of the protracted onboarding that might be involved if applying directly to a bank.

During 2021, our technology platform, financial ecosystem and best practice methodologies helped businesses around the world accelerate the conversion to cash of more than $25 billion, maximizing its yield and freeing up working capital to flow more usefully through the economy, while allowing smaller businesses to keep paying their employees.

From Treasury to Procurement to Accounts Payable, releasing working capital by improving the cash conversion cycle is a significant and growing priority, with clear benefits for all. The good news is that today there are some great tools out there to make all of this possible, allowing businesses to thrive, no matter which disruptive external events may be taking place or on the horizon.

Whichever the options you want to explore, let us save you the time of researching everything from scratch. **Contact our experts today** and see how we can help.

# Acknowledgements

With continued geopolitical, economic, and pandemic related instability and uncertainty, it has never been more important to maintain a healthy and agile supply chain. Our interviews reinforced the importance of proactively supporting suppliers of all sizes, connecting people and processes through digital innovation.

> I'd like to thank all the finance, planning and supply chain professionals who were interviewed for this publication, giving up valuable time to share their insights.

If you would like to take part in our thought leadership programs or share your thoughts in future articles please contact **Ceri Jones** at **ceri.jones@taulia.com**.

If releasing working capital and improving the cash conversion cycle is a significant and growing priority for your organisation, we'd love the opportunity to demonstrate our platform. Please reach out to us **here**.

During 2021, our technology platform, financial ecosystem and best practice methodologies helped businesses around the world accelerate the conversion to cash of more than $25 billion, maximizing its yield and freeing up working capital to flow more usefully through the economy, while allowing smaller businesses to keep paying their employees.

**Bob Glotfelty**
**Chief Growth Officer** | Taulia

# About Taulia

Taulia is a fintech provider of working capital management solutions headquartered in San Francisco, California. Taulia helps companies access value tied up in their payables, receivables, and inventory. A network of more than 2 million businesses use Taulia's platform to determine when they want to pay and be paid. Taulia enables its 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. In March 2022, Taulia became part of SAP. Taulia operates as an independent company with its own brand in the SAP Group. For more information, please visit **www.taulia.com**

# Sources


- COVID-19: Effects on your business: survey of 9,000+ businesses from across Taulia's network, June 2020: **https://taulia.com/resources/reports/covid-19-supplier-survey/**

- KPMG: Top 10 trends for the future of procurement, Procurement Magazine, November 2021: **https://procurementmag.com/top10/kpmg-top-10-trends-future-procurement**

- Gartner Predicts the Future of Supply Chain Technology, Gartner, April 2022: **https://www.gartner.com/smarterwithgartner/gartner-predicts-the-future-of-supply-chain-technology**

TechPros.

# About TechPros.io

TechPros.io is a platform for senior business professionals to participate in thought leadership, typically relating to technology, consumer, economic and regulatory changes affecting enterprise today. Keep abreast of the latest industry trends and business strategies. Feature in eBooks read by the professional community and join your peers in virtual roundtables and panel discussions.

**Share. Learn. Connect.**