



# The leadership advantage in cash flow

Turning cash management into a strategic asset

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# Analysts notice when working capital falters

A robust working capital management strategy is vital for maintaining a company's financial health and operational efficiency. Having one is the difference between financial resilience and vulnerability, distinguishing companies that can navigate market uncertainties, seize growth opportunities, boost stakeholder confidence, and provide a competitive edge from those that struggle with liquidity issues, operational inefficiencies, and missed opportunities. Ultimately, it separates thriving businesses from those facing stagnation or decline.

Analysts use return on invested capital (ROIC) and working capital metrics during earnings calls to gain a more nuanced understanding of a company's performance. These metrics help assess how effectively a company is balancing growth, liquidity, and profitability, providing a comprehensive view of its operational health and financial resilience. These

key performance indicators (KPIs) signal the company's ability to meet short-term financial commitments, fund daily operations, and avoid liquidity issues.

Over the past five years, the market has shown a trend where, as net working capital days increase, discussions about working capital during earnings calls also rise. This shift underscores the growing importance analysts and investors place on working capital management for financial stability, liquidity, operational efficiency, and shareholder value.

By aligning metrics, responsibility, and controls—and streamlining supply chains, tightening inventory control, focusing on payment terms, and maintaining efficient accounts receivable and accounts payable operations—companies can optimize working capital utilization and pre-empt analyst concerns about financial health.

## Key considerations



Strong leadership and transparent metrics align teams around working capital goals, fostering accountability and optimizing cash flow while promoting overall financial health.



Proactively managing cash and liquidity enhances investor confidence, reduces reliance on external financing, and ensures sustainable financial performance through targeted efficiency improvements.



Effective working capital management is a critical KPI for financial health and operational efficiency—it enables companies to demonstrate resilience, meet liquidity needs, and gain a competitive edge.

# Laying the foundation for enterprise cash management

Improving working capital management starts with establishing transparency and accountability. Silos often limit these efforts, with teams focused only on their specific functions. For instance, a manager overseeing bill payments might lack insight into upstream processes affecting vendor payment terms.

A dedicated leader, typically within the chief financial officer's (CFO) organization, can bridge these gaps. This leader can align teams to

optimize working capital, leveraging key metrics to inform policy and process improvements. They also frame the company's public narrative around working capital and prepare the CFO to handle analyst questions effectively.

Linking rewards to working capital-related KPIs can help align teams, such as sales and procurement, to the organization's cash flow and liquidity objectives. Identifying and closely monitoring the right KPIs are crucial

steps toward achieving working capital improvement goals, which necessitate the use of real-time data and in-depth analysis. Additionally, by increasing leadership accountability and promoting transparent metrics, companies can make operational adjustments that boost cash flow and optimize working capital. This comprehensive approach ensures teams are guided and motivated by clear, measurable targets, leading to better financial health and operational efficiency.



## Improving working capital, turning the narrative

Proactively establishing an enterprise cash management office can shift the public narrative from concern to confidence for all organizations. Addressing process inefficiencies, fostering a cash culture to increase accountability and ownership, and setting key metrics are crucial for optimizing working capital and reducing the need for external financing. Transforming working capital management proactively spares leadership from explaining underperformance in public forums, such as analyst or investor calls.

## How KPMG can help

In today's dynamic and unpredictable markets, with increasing demands for corporate transparency, managing liquidity and cash flows effectively is more crucial than ever. Our dedicated team of cash and working capital professionals assists leaders in predicting, tracking, and maximizing cash, enabling better capital deployment decisions. Leveraging top-tier methodologies and technology, we help clients ensure success and risk mitigation.

We deliver value through our global organization of cash professionals with extensive experience identifying and implementing operational improvements to release trapped cash, providing incremental liquidity to fund strategic transformations. Our guidance helps organizations cultivate a cash-focused culture and avoid immediate liquidity challenges. We also support clients in acquisition and disposal endeavors, increasing value and identifying cash risks and opportunities.

Our cash flow improvement initiatives offer sustainable value by boosting cash reserves and embedding efficient cash management processes into daily operations. This includes productivity enhancements, reducing transaction and operational costs, and minimizing bad debt and inventory obsolescence.

Adopting cash management leading practices fosters collaborative, cross-functional work environments and improves service quality. Utilizing advanced analytical techniques, AI technology, and interactive digital visualizations, we quickly identify opportunities and help clients unlock value.

No matter where your business operates, our specialized cash practice professionals are ready to provide the targeted assistance you need to thrive.

Visit our [Cash and Working Capital website for more information.](#)

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