PARTNERING ACROSS YOUR ORGANIZATION:

WHY EFFECTIVE WORKING CAPITAL MANAGEMENT TAKES A VILLAGE

FIFTH THIRD BANK
The curious bank.

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Treasury professionals understand the importance of accomplishing working capital management goals, and the careful planning, thoughtful analysis and thorough preparation required to achieve them. However, for these efforts to truly bear fruit, every facet of an organization must be integrally involved. In fact, as businesses grow and expand, it is far more likely that their working capital management plans will require technology solutions which will invariably impact other aspects of the organization. For this reason, treasury must lead the charge in developing partnerships with key stakeholders in the organization in order to achieve buy-in for long-term working capital strategies.

To paraphrase an African proverb, effective working capital management takes a village. It is important to engage the entire organization, educating them on what working capital means and how non-treasury areas can actively participate and partner in efforts that will impact the bottom line. As the role of treasury has become increasingly recognized and valued over the past several years, there is an opportunity for treasury professionals to invite the collaboration of other stakeholders and develop real support for vital long term plans. As other parts of the organization take ownership of their role in the working capital management process, it becomes possible to achieve highly sought after results.

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KNOW YOUR VILLAGE: THE IMPORTANCE OF ENGAGING YOUR PARTNERS

In order to maximize your working capital plan, treasury should secure solid stakeholder support, both internally and externally. In working with internal business partners, treasury can educate them about working capital goals and objectives, while at the same time gaining valuable insights into areas of the business you might not typically interact with on a day-to-day basis. For example, treasury might learn that a retail store manager faces challenges in placing time sensitive inventory orders and balancing cash deposits for courier pickup, while at the same time dealing with disgruntled customers.

When treasury becomes fully aware of cash flow challenges down to the store level, such as in this example, you can begin to analyze how working capital management solutions can be implemented to positively impact the store manager.

By examining how deposits are generated and managed at individual stores, and then how they are moved to depository institutions, treasury can modify its existing plans to more effectively handle this process. Technology solutions, such as Fifth Third Bank's Currency Processing Solutions, which collect cash in-store and provisionally credit the company's receivables account, can reduce the frequency of courier pickups, which in turn reduces the strain on store managers to constantly generate deposit sheets. By removing this one critical responsibility from the manager's plate, he has more time to focus on the customer experience without being stretched too thin, and causing potential errors in deposit accounting.

This is a prime example of how technology can be used to improve a process that worked, but didn't work well. Treasury shouldn't hesitate to fix a process, even though it might not be completely broken, because the outcome can dramatically improve overall functionality and help achieve working capital management objectives.

It is also important to look outside the organization at external partners. Treasury should identify key supply chain partners, then work to help them understand your drivers. Consider developing a scorecard that outlines critical steps that optimize your business and how the partner impacts those processes. Both parties can evaluate their performance against these steps and determine where disconnects exist. By formalizing your working relationship with partners, it becomes possible to make improvements that will dramatically improve your processes.

This is also an ideal opportunity to work with your banking partner to identify issues, and explore ways to improve existing processes. Serving as a trusted advisor, Fifth Third Bank is committed to bringing a critical, objective perspective to your treasury processes, helping you implement best practices that will enable your organization to realize its working capital goals.

COLLABORATION ACROSS THE ENTERPRISE CAN YIELD CRITICAL RESULTS

Collaboration between treasury and other key stakeholders in your organization can reveal vital information that will deliver important results. When other departments share their forecasts with treasury, it becomes possible to gain a better understanding of overall cash flow needs. For instance, when treasury is aware that a major piece of equipment is going to be purchased in several months time, they can plan accordingly, having the proper amount of cash or credit on hand. Sharing departmental forecasts with treasury will enable the organization to anticipate needs that will increase or decrease cash flow, eliminating the typical disconnect that creates challenges down the road and keeps operations moving smoothly.

Turning to your banking partner can be invaluable in helping to map out treasury solutions that meet departmental forecast needs. Fifth Third Bank has the expertise to assist with credit, deposit, treasury management, and capital market requirements.

COMMUNICATION: THE KEY TO KEEPING THE VILLAGE IN SYNC

The key to effective collaboration is good communication. In order to keep all stakeholders in sync, treasury and other stakeholders need to share plans. It is also important that treasury discuss the benefits of collaboration in terms that will be meaningful to stakeholders. For example, in discussing a transition to commercial cards for purchasing, treasury might explain how a portion of the purchase price is rebated to the company, creating an in-flow for the organization. To further reinforce the value of a solution, the head of procurement for a school district gained support for the use of commercial cards by explaining the rebate checks would be the equivalent of a teacher's salary. This in turn encouraged greater use of the cards because it clearly resonated with stakeholders.

Discussing pain points in your treasury processes, such as cumbersome purchase order procedures, can lead to solutions that are more effective and far easier to use for stakeholders. In the case of complex purchase order processes, stakeholders may be tempted to over order as means of avoiding having to submit multiple forms. This can lead to a situation where, for example, five boxes of printer toner are purchased at a single time for expediency sake. But when that printer is unexpectedly replaced, the company is left with three unused boxes of toner that can't be utilized. This is where a commercial card can help. Such a solution can streamline the purchasing process, making it far easier for employees to order only what is needed, ultimately saving the company in the long run.

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By understanding what drives your stakeholders, and communicating how treasury can work with them to solve their problems, it becomes possible to keep working capital management strategies up-to-date and highly effective.

Communication across all levels of your organization is key to keeping stakeholders engaged. Encouraging communication is the best way to uncover speed bumps in your processes, so you can more effectively adjust and tweak your plans. In this way, treasury can ensure their working capital plans will yield the greatest results for the organization.

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