

3 QUICK STEPS

TO INJECT A SUSTAINABLE CASH FLOW MANAGEMENT
CULTURE WITHIN YOUR ORGANIZATION



TABLE OF CONTENTS

Introduction.....	3
What is cash culture?	4
Why set up a cash culture?	5
3 quick steps for cash culture success.....	6
Conclusion	13
How Esker can help	14
About Esker	15

INTRODUCTION

Today's business leaders have a large variety of priorities, from increasing profit to reducing employee turnover to promoting well-being at work. But among the different priorities and approaches to maintain a company's sustainability and competitiveness, few are more important than optimizing cash flow and working capital. One way to ensure long-term success is to make it an ongoing goal throughout the organization by implementing a true cash culture (also known as cash flow management culture, not to be confused with the culture of cash).

Especially in times of uncertainty, getting everyone to maintain sustainability and cash flow is essential. In this eBook, we guide you through the three key steps to successfully set up a cash flow management culture and provide you with professional tips to get you up and running in no time.

To encourage adoption, it's imperative to establish, communicate and implement standard policies across the organization. Cash management policies should focus on budgeting, forecasting and financing and indicate how to handle day-to-day activities such as collections, procurement/ordering and payment.

Keep in mind, too, that cash flow management is not just a finance issue; it's an operational issue. All departments – from sales and marketing, procurement and production to finance and treasury – must coordinate for optimal results. To drive this point, many leading companies actually link staff compensation to achieving specific cash flow targets.





WHAT IS CASH CULTURE?

Cash culture can be defined as a collective state of mind towards cash flow improvement at every level of a company. Every employee is, at some point, involved in cash flow management (although they are not all are always aware of it).

Based on that, organizations will have to widely implement and promote this culture as a continuous improvement process, as well as tools and indicators to maintain and monitor the cash flow situation. A challenging task will be to encourage collaborators to consistently keep in mind the impact of cash flow during their daily tasks. This process is not a one-off action, but a continuous improvement process at every level of the company.

WHY SET UP A CASH CULTURE?



BECAUSE IT'S VITAL

Cash is at the heart of every company, and implementing a cash flow management culture will help them get paid faster and reduce costs, while contributing to optimized working capital. In the long run, these improvements will benefit the general health of a business: secured revenue by reducing losses and bad debts, more investments and, in turn, increased profits.



BECAUSE WE'RE STRONGER TOGETHER

Like any sports team, each team member must collaborate on behalf of a larger objective or it doesn't work. Nothing can be achieved alone. It has to be from top to bottom and bottom to top. Every stakeholder helps one another accomplish their goals. Working together will allow AR leaders to better manage cash flow. Make allies!



BECAUSE EVERYONE BENEFITS

Although one may think that cash culture only affects financial departments, it's not the case. While they may reap the main benefit — getting paid faster and therefore achieve their department goals — cash culture also impacts other departments. Engage sales, procurement and operations more meaningfully in the cash management process. If cash is received faster, it can be reallocated quicker within the organization, instead of having to borrow from the bank. Having a good cash position is a true competitive advantage. Not only will it benefit the purchasing departments (more cash available to pay suppliers and benefit from early payment discounts), it also benefits the R&D department as more cash is injected into research. And employees benefit as well — a growing company is able to distribute more cash via profit sharing and incentive plans.



3 QUICK STEPS FOR CASH CULTURE SUCCESS

Now that you know why a cash flow management culture is a must-have, how can you successfully implement this structure into your company? We have outlined three key steps to help you start injecting this state of mind within your organization.

01

QUICK STEP #1

SHARE YOUR STRATEGY & OBJECTIVES

The first and crucial step is for AR leaders and executive management to set up a cash flow policy (i.e., determine the precise cash flow needs). It is imperative to have a clear view of the company's figures (e.g., annual accounts, estimated budget and financial plan), and the necessary amount of cash flow according to the situation.

By analyzing past performance and setting new objectives and processes, the financial direction will be able to set a cash flow management policy within the company. Once the objectives have been set up, they need to be shared with all stakeholders. The communication needs to be precise, clear and detailed so that everybody can fully understand and feel implicated.

A long-term support plan will need to follow to adjust processes and communications for each profile. As the entire company will have in mind methods and initiatives leading to cash flow generation, the sustainability of the organization will be all the stronger. And, because communicating a financial policy within a company can be challenging regarding confidentially issues, it should be customized and flexible to adapt to each stakeholder in the cash flow management process.



PRO TIP

You don't have to write a book or prepare a 200-slide presentation to explain what you want to achieve. As an AR professional, you can simply highlight the key figures, actions and strategies you want to put in place using the 80/20 rule: minimum effort for maximum results.

- Make it a mandatory virtual event where you explain the objectives and strategy to the entire organization (get the CEO to introduce your presentation if it can help boost participation!).
- Get straight to the point and keep it simple. One step at the time. You'll have time to expand on it later with KPIs or expected results.
- Use concrete examples to prove that cash flow management culture is everyone's responsibility (e.g., timeline of the customer's relationship from the first contact to invoice payment and cash allocation to the customer account).
- When negotiating with customers or suppliers, make sure to discuss payment terms, potential discounts on prepayment and late fees, credit worthiness, stock rotary or production timeframe, delivery, billing and invoice delivery, as all of these actions are linked to cash flow into the company.

02

QUICK STEP #2 EDUCATE & ONBOARD EMPLOYEES

Share your company's cash flow management policy, explain the objectives and goals, and share dashboards and other related information.

Once key points and the general axis of the policy have been set up by management, the real issue is now to make sure everyone within the organization applies these guidelines. If leaders want their colleagues to be implicated, they need to educate them on the new culture. The financial knowledge and issues related to cash flow management need to be shared with employees so that they feel involved and aware of what may impact cash flow and its effect on the company.

It is recommended to assign this communication task to a project leader. Financial management will be in charge of sharing information with the project leader, who will communicate more widely within the organization.

What information should be shared? All necessary information that can help employees understand cash flow management, including the company's financial policy, the current financial situation, the top 10 customers, KPIs related to cash flow, etc.

To help increase policy onboarding, get employees involved with interactive games and challenges. Beyond just educating everyone within the company, you need to get them implicated and interested in applying cash flow management to their jobs.

An international glass production company created internal videos to communicate its credit policy. In collaboration with the communications and HR departments, they produced and broadcast entertaining videos to raise policy awareness. One of the videos, entitled "The life of an invoice," chronicled the cycle of an invoice within the organization to demonstrate how significant each actor is in the process. It explained the importance of quickly transmitting goods receipt information for fast supplier payment. The end result? Increased employee buy-in and collaboration.



PRO TIP

FOCUS ON THE MOST IMPACTFUL TEAMS

If you don't have time to educate every team with the company, focus on teams that matter the most in term of cash within your organization. For example:

- Purchasing department can negotiate with suppliers for longer payment deadlines to keep cash in the company longer
- Sales teams are the entry point on the customer side and they are connected to all departments within the company, so their education is key. Here are some key actions they can implement to enhance the cash flow situation:
 - Negotiate invoicing terms and conditions with customers according to your credit policy
 - Check prospects' credit worthiness
 - Provide relevant customer information to credit management (e.g., M&A, business going badly, etc.)
 - Help collectors solve potential issues during the recovery process (e.g., disputes)
 - Help AR department contact customers in case of payment default

03

QUICK STEP #3

MONITOR & SHARE IMPROVEMENTS

Once the cash flow management policy has been shared within the company, a follow-up process needs to be put in place to maintain employee motivation. Sharing information and results in real time highlights their effectiveness and is a good way to encourage teams and keep them inspired.

Financial executives can share monthly KPI reports related to cash flow management (e.g., DSO, working capital, collections effectiveness index, credit limits exceeded, etc.), cash policy progress, difficulties during the process and more. Providing a global overview of the cash flow situation and how it's evolving thanks to everyone's effort is key to its improvement as it allows teams to adjust actions to be more effective. Failures should also be analysed and communicated to see the concrete impact on cash flow and how it can be improved.

Share best practices that have been initiated by other departments (e.g., glass production customer example provided earlier) or employee experiences. Conduct brainstorming sessions to come up with and test new ideas. You can even set challenges to make it fun and more competitive!

- How can we reduce DSO to under x days before the end of the year?
- How much cash does AP need to pay for a huge purchase and how can AR get that money without borrowing from the bank?



PRO TIP

SHARE CONCRETE RESULTS & REWARDS

Communicate and reward collaboration or actions that lead to improvement. Share the evolution of key results like DSO, cash flow position or whatever KPI is important to your organization and explain why or what made it change (in a good or bad way). You don't have to share too many KPIs, just select a few that make the most sense. Promote and reward initiatives and explain why they matter and how they help. All of this reinforces education and the importance to maintain motivation and involvement.

You can achieve this with a simple email each month or quarter with the same three KPIs and an account of what's happened that month — concrete stories are good to tell and hear to maintain the cash flow management culture!

"You invested in a new machine to improve productivity? That's a good way of spending cash without borrowing from the bank! Good job to all!"

"You've reduced DSO by a day! How much money does that mean exactly? And what can you do with that extra money?"

You can go even further and organize a virtual ceremony rewarding successes: 30 minutes to review and promote the best actions that led to improved cash flow, presented by people who initiated them.



CONCLUSION

Increasing working capital is the best way for a company to finance itself and the easiest and cheapest way to get cash in faster. Instituting a cash flow management culture within your organization can result in many advantages if it's set up correctly within the company. As with any cultural shift, implementing a cash culture requires management and employee buy-in.

Companies that succeed define their objectives up front, assign responsibility to people across the organization and track progress using cash flow metrics. However, it's also easier said than done, but rest assured, you don't have to be perfect from day one. You can start slow and expand! Focus your efforts on those who can produce the best results and rely on them to expand to the entire organization and get others onboard.

HOW ESKER CAN HELP

Having good cash flow is integral to the success of your business. Esker can help you set up a collaborative cash flow management culture within your organization by offering a unique platform dedicated to every step of the cash collections process and featuring real-time KPI displays.

EXPAND CASH CULTURE WITHIN YOUR COMPANY



Credit approval process automation helps you secure customer creation and credit assessment by automating credit approvals according to your credit policy so no customer is provided with unreasonable credit terms that could put your company at risk.



Internal credit requests facilitate the collaboration between sales and credit teams to check prospects before commitment.



Reporting capabilities allow you to create and automate the delivery of reports to all stakeholders to keep them up to date on your cash position or potential issues (e.g., open disputes per sales rep, list of invoices above 90 days past due, aged balance by region or business unit, top 10 riskiest customers, etc.).



Collections forecast provides you with an accurate overview of your cash position on a daily or long term basis.



Unlimited user access to solutions helps you share important information and facilitate collaboration between teams to resolve potential issues impacting your cash (e.g., disputes or deductions).



Dashboards help you easily monitor your cash situation in real time, as well as any obstacles along the way (e.g., orders blocked, invoices in error, disputes, unapplied cash, etc.).

ABOUT ESKER

Esfer is a leading global provider of AI-driven automation software with 35+ years in the business and over 6,000 customers. Companies of all sizes and industries use Esfer's solutions to drive added value within their procure-to-pay (P2P) and order-to-cash (O2C) processes. Esfer operates in North America, Latin America, Europe and Asia Pacific with global headquarters in Lyon, France, and U.S. headquarters in Madison, Wisconsin.

Founded in 1985, Esfer operates in North America, Latin America, Europe and Asia Pacific with global headquarters in Lyon, France, and U.S. headquarters in Madison, Wisconsin. In 2019, Esfer generated 104 million euros in total sales revenue.





www.esker.com