MAY 2024

Global analysis
CXO interviews
Embark on the journey
AI as an enabler

Net working capital management as a cross-company discipline

This is relevant if you have an ambition to limit capital tied up in business operations, accelerate cash conversion, and ultimately boost enterprise value.

Introduction

In a constantly changing environment, companies must adapt to survive. The quest for growth, resilience, and a competitive edge demands continuous innovation and optimization in the face of emerging technologies, shifting markets, and intense competition.

Yet, a powerful source of untapped potential is often overlooked by companies: effective net working capital (NWC) management.

This white paper embarks on a captivating investigative journey, delving into the world of NWC management. We do not just present theories or generic advice – we conduct a thorough investigation to uncover the often-hidden potential within this crucial cross-company discipline.

Here is why we believe a deep dive into NWC management is needed:

Release cash to grow: access to capital is essential for any company to stay in business. By optimising NWC levers, companies can free up tied-up cash, a valuable resource that fuels growth initiatives, investments and strategic manoeuvring in uncertain times.

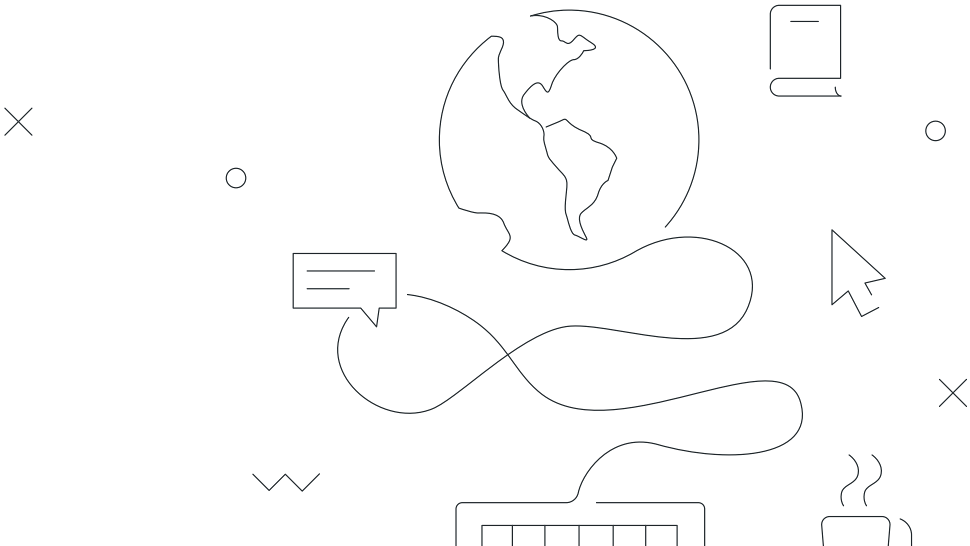
Beyond efficiency, towards transformation: NWC management is not just about squeezing more out of existing processes. It is about fostering a strategic approach that impacts all aspects of the business. We delve into how NWC optimisation can drive cross-company collaboration, improve financial and operational efficiency and ultimately lead to transformative change and competitive advantage.

Data-driven insights, actionable strategies: we do not rely on hunches or guesswork. This white paper draws on data analysis of 1,500 companies across industries. We combine this with real-world insights from interviews with CXOs to uncover proven strategies that can be implemented to maximise your NWC potential.

By delving into this white paper, you will gain knowledge, strategies and tools to unlock a hidden growth engine within your company.

Prepare to discover how NWC management can help transform your business, drive impactful change and propel you towards a future fuelled by optimised cash flow and boosted business resilience.

Enjoy!



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What this paper is, and what it reveals

This white paper offers a comprehensive exploration of NWC management. It begins with a global data analysis and then explores real-world NWC management strategies through interviews with CXOs. Readers will find practical guidance on how to align NWC management with the company's operating model, along with insights into how AI enables NWC management practices to advance.

Chapter 1

Global analysis: navigating worldwide industry NWC trends

What this chapter is …

We have analysed the NWC performance of 1,500 companies across industries, before and after COVID-19, through the lens of the cash conversion cycle (CCC) metric. Here is what we cover in this chapter:

1. **Rising rates, squeezed cash**
   How the increasing cost of capital makes effective NWC management more relevant than ever.

2. **Trade winds shift**
   Optimising NWC in an era of unpredictable global trade patterns and supply chains.

3. **Inventory in focus**
   Trends in days inventory outstanding (DIO) and how macroeconomic developments have impacted it.

4. **Industry CCC performance**
   The relevance of benchmarking and tips on how to get started on the journey.

5. **Breaking down the CCC**
   Understanding the subcomponents and trends of the CCC.

6. **The link between companies' CCC and the top and bottom line**
   How a shorter CCC cycle boosts financial performance.

Why we included this chapter …

Global economic events are shedding light on the relevance of NWC, and cash is once again back on the throne as king. Our data-driven analysis provides insights on how to strategically optimise NWC, protect and improve cash flow and enhance business resilience.

What this chapter reveals …

1. **Economic headwinds**
   Rising interest rates are making capital more expensive, increasing the urgency of optimising NWC for financial resilience.

2. **Supply chain shifts**
   Companies need to adapt to the surge in regional sourcing. Building a mix of regional and global suppliers is crucial to mitigating risks. Accurate forecasting and inventory optimisation are key to managing NWC in this new trade landscape.

3. **Inventory concerns**
   Inventory efficiency has declined across most industries. Balancing service levels with reduced inventory is vital in the current economic environment.

4. **CCC performance varies across industries**
   Industries have unique CCC characteristics. Companies need to understand how trends in their specific industry impact their CCC in order to identify improvement potential and take proactive steps to address it.

5. **Benchmarking sheds light on the differences in CCC performance within industries**
   It is not enough to understand industry-level trends in the CCC. Companies need to actively benchmark themselves against their direct competitors to uncover how to achieve the best possible CCC performance within their specific industry.

6. **Connecting the CCC with the top and bottom line**
   Companies with shorter CCCs demonstrate stronger profitability and revenue resilience. NWC management contributes directly to improved financial health.

Rising rates, squeezed cash: how the increasing cost of capital makes effective NWC management more relevant than ever

Recent years of historically low interest rates have fostered a climate of access to cheap capital for companies as well as private citizens. For companies, this fuelled growth through strategic investments, boosting both the top and bottom line. With easy access to funds, businesses often neglected NWC management as a tool to secure growth and free up tied-up capital from operations. In short, cash was not a top concern for business leaders. However, the economic landscape has shifted.

Rising inflation led central banks to raise interest rates, prompting companies to prioritise cash. Business leaders are now seeking ways to release capital from operations and secure cheaper funding. Consequently, the focus on managing working capital and its benefits for growth and resilience has returned to the agenda.

Effective NWC management is a key tool to mitigate the rising cost of capital
Effective NWC management is the coordination of inventory, receivables and payables to optimise cash flow and liquidity. In the current environment with higher cost of capital, the cost of financing capital has become significantly more expensive. Therefore, businesses need to find ways to reduce the amount of capital tied up in their operations in order to ensure funds to protect, run and grow the business.

Exhibit 1 illustrates a substantial change in global monetary policy
The ECB and the US Federal Reserve have been aggressively raising interest rates to fight inflation. This directly impacts the cost of capital for companies, as the cost of external financing increases alongside the raised interest rates. Capital structures (the mix of debt and equity) now pose a potential challenge for companies, potentially leading to covenant breaches. In addition, investment initiatives are burdened by higher financing costs, raising the bar for return requirements.

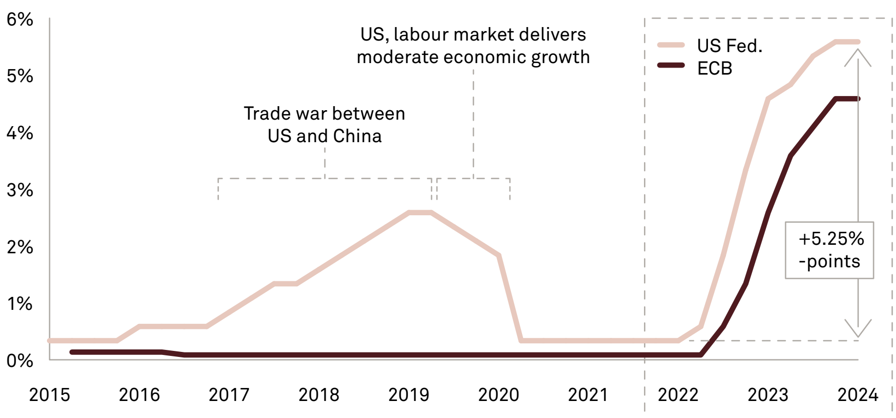
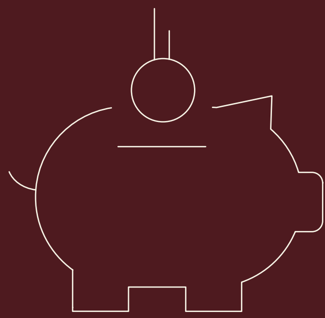


Exhibit 1: The cost of capital has skyrocketed in the past years – in fact, we see a 5.25 %-points increase since the beginning of 2022 in the US Federal Reserve interest rate level.
Source: ECB; US Federal Reserve



How rising interest rates are likely to impact the cash conversation cycle

Inventory costs skyrocket
The cost of financing inventory increases as interest rates rise. To combat this, companies should actively seek to reduce their inventory levels.

Trade receivables under pressure
As their own financing costs rise, customers may struggle with cash flow and delay payments. This extends companies' cash collection cycle resulting in "postponed" cash in-flows.

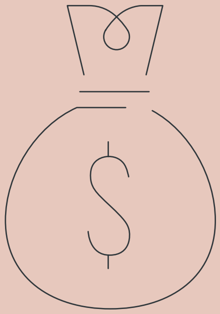
Trade payables, cash is king
To preserve cash in a high-interest environment, companies may deliberately stretch out their payments to suppliers.

Key considerations on the likelihood for impact:

Company-specific factors: Impact severity depends on industry, size, financial health and customer/ supplier relationships.

Covenant breaches: Companies with high debt may be more likely to breach loan covenants due to increased debt servicing costs.

Investment decisions: Companies may become more selective about investments, needing higher returns to "justify" the higher cost of capital.



Companies need to carefully evaluate how their NWC has changed due to global macroeconomic developments

1. There has been a significant change in the macroeconomic environment, including an increase in the complexity of supply chains.
2. Interest rates will most likely stay high and normalise at a higher level than pre-COVID, causing NWC to be more expensive in the long run.
3. Supply chains have developed to become global supply networks, which requires stronger forecasting and sales and operations planning.
4. Creating adaptable and transparent supply chains is now a prerequisite for doing business.

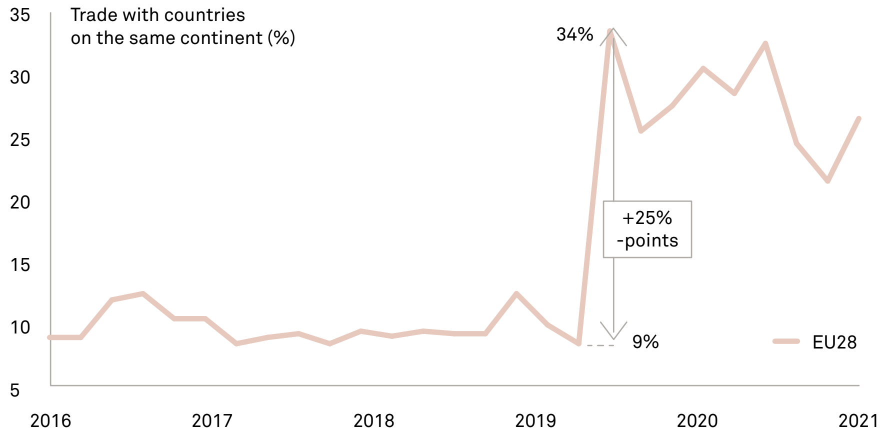


Exhibit 2: Trade within EU28 increased from 9% to 34% at the start of the COVID-19 pandemic
Source: World Economic Forum (2021)

Trade winds shift: optimising NWC in an era of unpredictable global trade patterns and supply chains

Another development in macroeconomic conditions is the development of supply chains, as they directly impact companies' NWC levels. Understanding how trade patterns evolve provides valuable insights into this challenge.

A surge in regional sourcing
A recent trend exemplifies this link: the significant increase in trade between countries within the European Union (EU28) bloc. Data from the World Economic Forum (WEF) reveals a dramatic increase in intra-EU trade volumes in 2020: from 9% in January to 34% in March. This trend is primarily driven by global supply chain disruptions, particularly those triggered by the COVID-19 pandemic.

Companies faced closed borders and logistical challenges, prompting them to seek alternative suppliers closer to home (nearshoring) to mitigate risks and maintain operational continuity.

Lasting effects and NWC implications
The continued high level of intra-EU trade, even after the initial peak of the pandemic, suggests that this trend may have lasting implications. Other geopolitical factors, such as the war in Ukraine and the red sea crisis, further reinforce the need for regional diversification. However, this shift towards shorter supply chains comes with its own set of considerations for NWC management.

Optimising NWC in a new landscape
Companies navigating these evolving trade patterns need to prioritise agility and strategic diversification in a sourcing and supply chain context. Building a mix of regional and global suppliers offers greater resilience to future disruptions. However, maintaining a diverse supplier base also adds complexity and requires a renewed focus on accurate demand forecasting and inventory optimisation. Companies that can effectively manage NWC across this new, more complex supply network will be better positioned to capitalise on the opportunities presented by a changing global trade landscape.

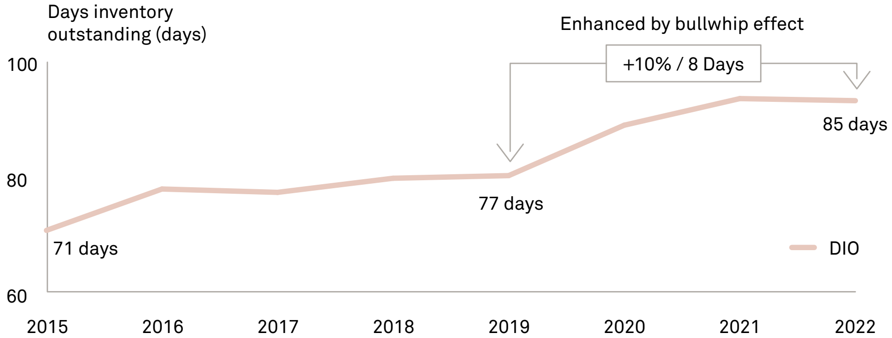


Exhibit 3: DIO has increased in 9 out of 11 industries analysed, with a cross-industry average increase of 10% (8 days) from 2019 to 2022 caused by the COVID-19 pandemic and the bullwhip effect
Source: Orbis (BvD Industries), Implement analysis

Inventory in focus: trends in days inventory outstanding (DIO) and how macroeconomic developments have impacted it

The evolving trade landscape, as outlined earlier, poses a significant challenge to inventory management. Shifting sourcing and supply chain strategies and potential disruptions highlight the need for companies to optimise their inventory management practices. Days inventory outstanding (DIO), a metric that measures the time it takes to convert inventory into cash, is part of the CCC.

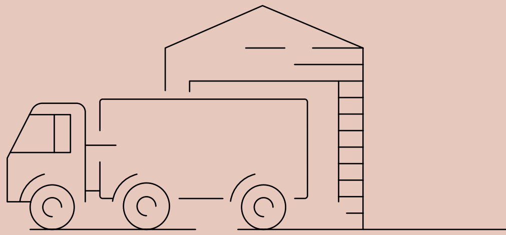
A widespread decline in inventory efficiency
An analysis of DIO trends across industries from 2015 to 2022 reveals a worrying development. The data shows a widespread increase in DIO across 9 out of of the 11 industries analysed. This suggests that companies are holding on to inventory for longer periods, potentially leading to cash-flow constraints.

A common hypothesis is that low interest rates can lead to higher DIO, as companies become less concerned about the cost of holding inventory.

DIO had the largest jump between 2019-2022 due to global supply chain issues
The COVID-19 pandemic triggered a sharp 10% increase in DIO between 2019 and 2022, fuelled by supply chain disruptions and the "bullwhip effect", leading to stockpiling.

However, the persistent rise in DIO across industries from 2015 to 2022 indicates underlying structural problems beyond the impact of the pandemic. These issues could include inefficient forecasting practices, outdated inventory management systems or a lack of cross-functional collaboration within companies.

Finding the balance between service levels and reducing NWC is critical
Inventory management is not a zero-sum game. Success lies in finding the sweet spot between high service levels and reduced/optimised NWC, resulting in commercial, operational and financial performance and resilience. Our white paper delves into this topic, featuring insights from interviews with CXOs and a dedicated chapter on "Embarking on the journey" that outlines actionable steps. Key areas to examine include misaligned KPIs driving conflicting behaviour, inaccurate forecasting causing overstocking or shortages and inefficient inventory deployment across the network.



Companies should enhance their inventory management as a strategic initiative to improve DIO

The current economic landscape requires a proactive approach to inventory management. Companies should strategically address the root causes of rising DIO ...

Strategic levers

Inventory optimisation
Conduct a thorough analysis to identify the reasons behind increasing DIO. This includes increasing inventory transparency, optimising order quantities and reducing obsolete stock.

Demand forecasting accuracy
Implement robust demand forecasting practices to ensure that inventory levels align with actual customer needs to avoid unnecessary stockpiling. Use AI to not only enhance your practices but to advance them.

Supply chain resilience
Prioritise building a more resilient supply chain. Diversify suppliers, optimise buffer inventory and develop contingency plans. Learn from the past and prepare for the future.

Three tips for effective NWC benchmarking

How to get started with benchmarking – and "making it stick"

CCC breakdown: detailed component analysis
Break down the CCC into its individual components (DIO, DSO and DPO) for a more comprehensive understanding of the dynamics of NWC. This approach allows for identification of specific areas and levers that can be used to identify improvement potential as well as pains/issues.

Consider structural and operational factors
When doing external benchmarking, choose companies of similar size, in the same industry and with comparable business models. This ensures that the comparisons are relevant. Use industry averages and best-in-class performance metrics as an indicative objective for a target state of CCC performance.

Not a stop-and-go exercise: focus on continuous improvement
View benchmarking as an ongoing process rather than a one-time exercise (one-time fix). Continuous internal monitoring and comparison against industry standards on performance levels will help maintain a competitive edge in NWC efficiency. The same applies to internal benchmarking.

Industry CCC performance: the relevance of benchmarking and tips on how to get started on the journey

As previously discussed, DIO is a critical factor of NWC efficiency. As part of the CCC, DIO measures how quickly a company converts inventory into cash.

The CCC also includes days payable outstanding (DPO – the time it takes to pay suppliers) and days sales outstanding (DSO – the time it takes to collect payment from customers).

Companies strive for a shorter CCC, as this indicates that they are managing resources such as inventory, supplier payments and customer receivables efficiently. A shorter CCC improves cash flow, frees up capital for investment and boosts a company's financial health.

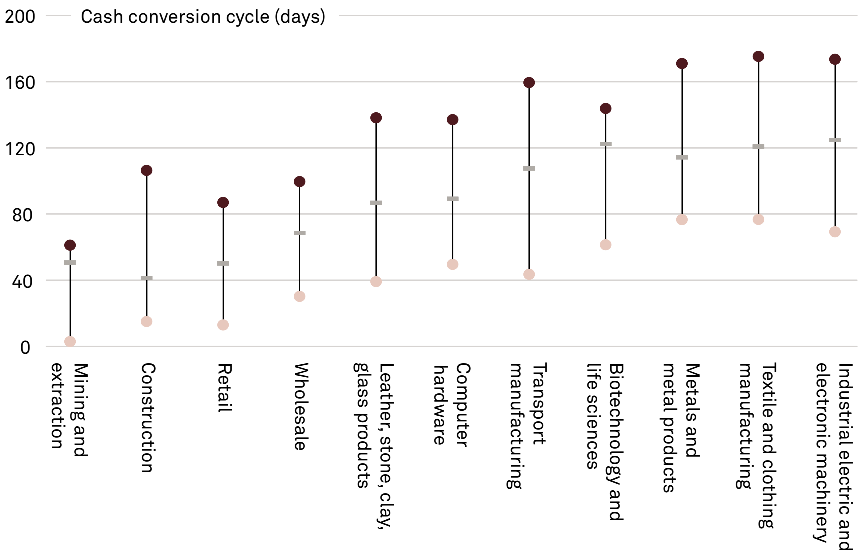


Exhibit 4: Industry CCC quartiles indicate a large difference across industries and spread within industries
Source: Orbis (BvD Industries), Implement analysis

Benchmarking on the CCC allows companies to identify NWC improvement potential
Exhibit 4 highlights the CCC performance of various industries in 2022. We looked at the top, bottom and median CCCs of 11 industries and identified large gaps between top and bottom performers.

For example, a retail company moving from the bottom quartile to the median quartile could reduce its CCC by 37 days – a 43% improvement.

Comparing industry benchmarks is the first step in realising the full potential of the NWC optimisation journey
While each industry and company has its own unique NWC dynamics, one of the most important parts of the NWC journey is identifying improvement areas and comparing them to peers. Benchmarking should be used to identify best practice when breaking down the CCC to diagnose inefficiencies, set realistic targets and stay competitive. Benchmarking can be done with an external peer perspective as well as an internal cross-company perspective.

Breaking down the CCC: understanding the subcomponents and trends of the CCC

An industry's CCC is not static. Macroeconomic conditions, competitive pressure and technological disruptions can all cause significant fluctuations. Factors such as longer payment terms, supply chain bottlenecks or shifts in consumer demand can lengthen a company's CCC, squeeze cash flow and hinder investment.

Conversely, process improvements, favourable supplier terms or faster customer payments shorten the CCC, freeing up trapped capital for growth initiatives.

The importance of continuous benchmarking

Companies cannot afford to take a passive approach to NWC management. Continuous benchmarking against industry leaders is crucial to identify gaps and opportunities for improvement.

Internal monitoring through KPI dashboards linked to NWC levers through the lens of the CCC provides early warning signs of performance fluctuations.

Proactive companies that understand their industry's CCC trends and actively benchmark their performance are better positioned to navigate economic challenges and gain a competitive advantage, especially in volatile market conditions.

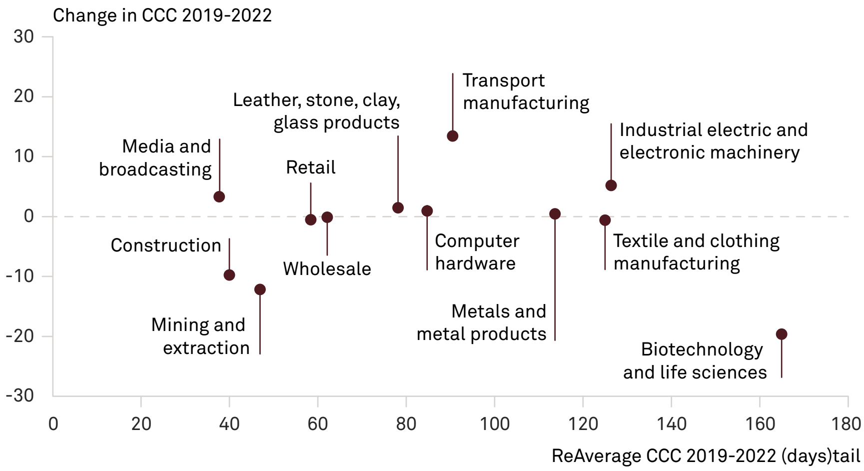


Exhibit 5: Industries have developed differently in the past 4 years
Source: Orbis (BvD Industries), Implement analysis

Exhibit 5 shows that the average CCC levels as well as the development/change in CCCs over time varies across industries

For example, construction and mining and extraction, industries with historically short CCCs, have further shortened their CCCs over the past four years. This trend suggests a strategic response to slowing global economic growth and reduced demand.

The biotechnology and life sciences industry has also improved its CCC, likely due to the post-COVID-19 surge in global healthcare product demand, although it still has a long median CCC, cf. exhibit 4.

Conversely, the transport manufacturing industry, including car and aircraft production, has experienced a longer CCC. This is likely due to slowing global demand for vehicles and new aircraft orders as travel recovers. The ongoing chip shortage has further exacerbated the situation for car manufacturers, potentially leading to production delays and inventory build-up, all contributing to longer CCCs.

However, these are examples. Companies need individual assessments to pinpoint issues and root causes, as the macroeconomic impact varies across industries and businesses.

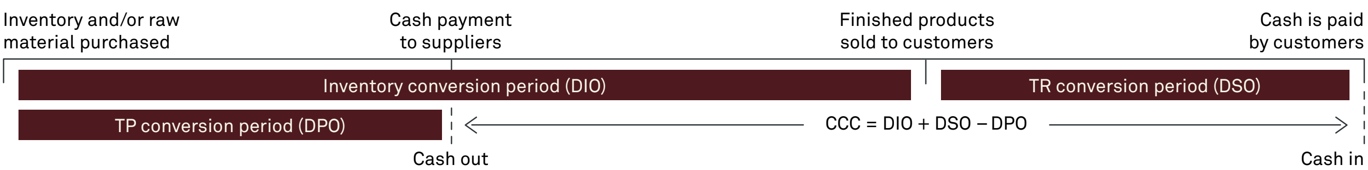


Illustration: Cash conversion cycle

1TP: Trade payables are the payments a business owes for goods and services when buying on credit.
2TR: Trade receivables are the outstanding payments a company's customers owe for goods or services.

Industries need to bring DIO back into focus to improve their inventory levels and reduce their NWC.

As mentioned in part II, the widespread increase in DIO across the various industries analysed signals a potential decline in overall NWC efficiency.

This trend highlights the importance of effective inventory management, especially considering the global supply chain volatility witnessed in recent years.

Take industrial electric and electronic (E&E) machinery as an industry example, with its DIO increasing significantly during this period.

Companies in this industry are likely to face challenges related to component sourcing, lead times and inventory carrying costs. This highlights the need for proactive strategies to optimise inventory levels and potentially explore alternative sourcing models.

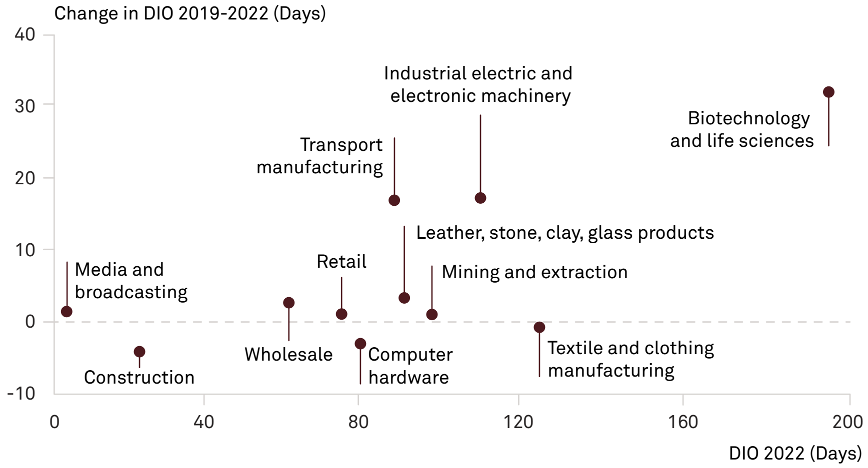


Exhibit 6 a: Development of DIO over the last 4 years
Source: Orbis (BvD Industries), Implement analysis

Monitoring DSO is important to identify a potentially broken Order-to-Cash process

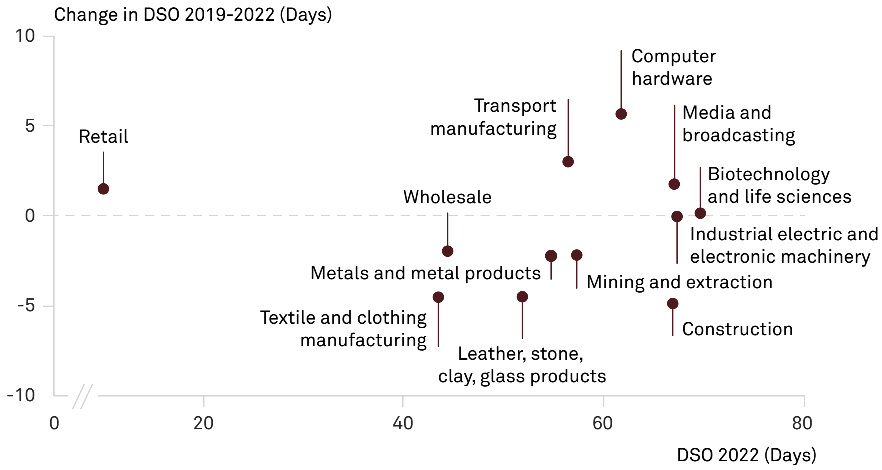


Exhibit 6 b: Development of DSO over the last 4 years
Source: Orbis (BvD Industries), Implement analysis

Days sales outstanding (DSO) measures a company's efficiency in collecting customer payments. Companies with more efficient processes and policies in place are better and spend less time collecting payments (cash). Retail, for example, stands out in our analysis, with a low DSO (approximately 9 days), which reflects swift customer payments due to the nature of its immediate/near-immediate transaction model.

Finance and sales departments need to be aligned on the correct cash collection process, as no conflicting incentive structures should occur. Strategies for improving DSO:

- Shortening customer credit/payment terms: negotiating a shorter payment timeline/credit period.
- Uniform terms: applying consistent standards to similar customers, see e.g. credit risk profile.
- Optimised invoicing: ensuring accuracy and speed to avoid delays in invoicing issuing.
- Effective dunning: automating reminders and escalation processes for overdue accounts.
- Trade receivables (TR) factoring: sell your TRs to a company for immediate cash at a discount/premium.

For DPO, extend payment terms as much as possible without damaging supplier relationships

Typical pitfalls within DPO include paying "too early", not taking advantage of negotiated payment terms or lacking a strategic approach to managing supplier relationships, e.g. through supply chain financing contracts with vendors to extend credit periods.

Effectively extending DPO requires a balance between maintaining healthy supplier relationships and optimising cash flow.

EU companies will have their DSO and DPO affected by the 2023 revision of the Late Payments Directive[1], which will impose 30-day payment terms on most B2B transactions to protect SMEs from unfair trade terms.

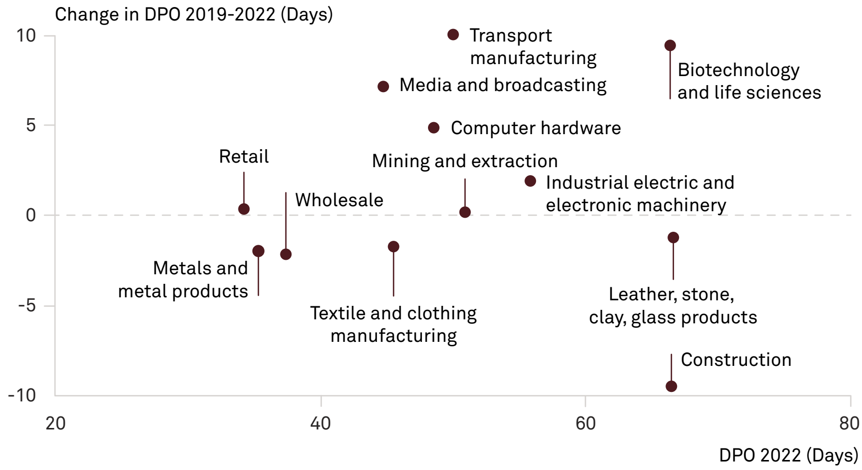


Exhibit 6 c: Development of DPO over the last 4 years
Source: Orbis (BvD Industries), Implement analysis

The link between companies' CCC and the top and bottom line: how a shorter CCC cycle boosts financial performance

Our analysis reveals a relationship between shorter CCCs and profitability and revenue performance.

Companies with a shorter CCC demonstrate an edge in EBITDA growth and top-line stability. To explore the financial improvement potential, we compared companies with longer (bottom quartile) and average (median) CCCs between 2019 and 2022.

Boosting profitability with strong CCC performance

Exhibit 7 highlights that companies with a median CCC saw a 35% jump in EBITDA growth compared to those in the bottom quartile. This advantage is likely due to NWC management freeing up cash. By minimising cash tied up in NWC, companies have more resources for strategic investments and operational improvements. This can translate into increased efficiency, improved margins and, ultimately, stronger EBITDA performance.

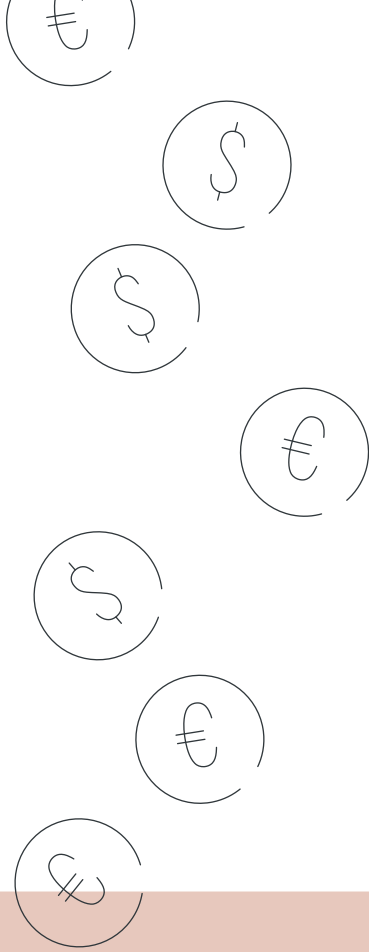
Protecting revenue during downturns

Exhibit 8 highlights revenue over the same period (2019-2022), revealing a contrast in performance during economic downturns. Notably, in 2020, companies with longer CCCs reported a 10% decline in revenue compared to the median. This suggests that companies with better NWC management experienced less impact on their top line, showcasing its potential role in safeguarding revenue streams during market volatility.

Effective management of the CCC can potentially enhance financial performance

These findings emphasise the important role of the CCC in driving financial performance. By prioritising strategies to optimise the CCC, companies can unlock a combination of improved profitability and enhanced revenue resilience, which positions them for long-term success in any market environment.

Source: [1]European Commission



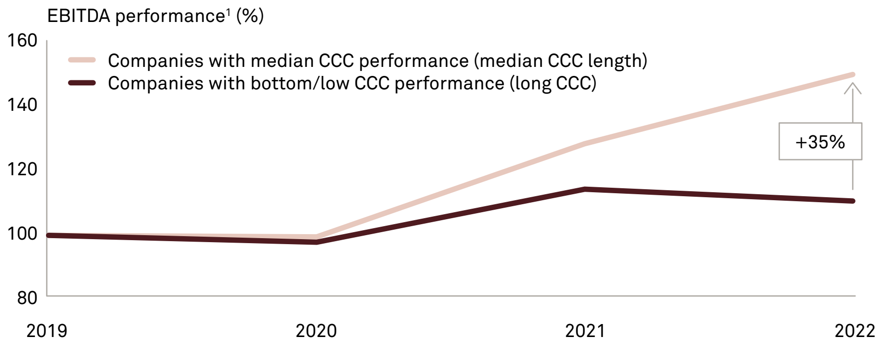


Exhibit 7: Companies with shorter CCCs had 35% higher EBITDA development from 2019-2022
Implement Analysis; Orbis; 1 EBITDA is indexed

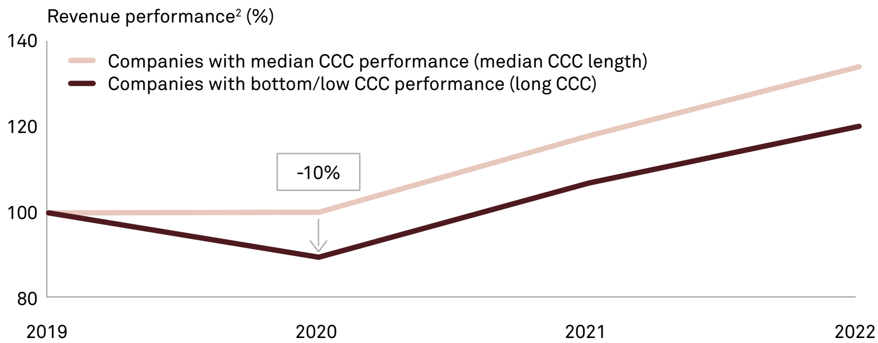
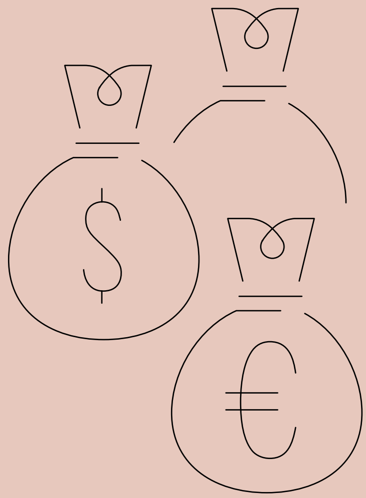


Exhibit 8: Companies with longer CCCs experienced 10% lower revenue performance compared to companies with median CCC length in 2020
Implement Analysis; Orbis; 2 Revenue is indexed



Cash is king – especially on hand: the benefits of effective NWC management and improved NWC performance

Financial resilience and performance

Enhanced liquidity: ensures cash on hand, ensuring the ability to meet immediate obligations and seize opportunities.

Reduced financial risk: less reliance on short-term debt lowers vulnerability to interest rate fluctuations and economic downturns.

Improved profitability: freed-up cash can generate additional income through investments or a reduction of interest expenses.

Operational excellence

Streamlined processes: reduces inefficiencies in OTC and PTP processes and inventory management.

Better decision-making: provides greater visibility of cash flows, improving forecasting, planning and resource allocation.

Improved supplier and customer relationships: strengthened relationships and potential for better terms on the supplier and customer side.

Strategic advantages

Fuelling growth: frees up capital to be reinvested, e.g. in expansion, acquisitions, research and development or other strategic growth initiatives.

Increased competitiveness: improves the ability to react to market shifts and seize opportunities.

Enhanced shareholder value: improved profitability and financial positions can increase investor confidence, leading to boosted enterprise valuation.

Chapter 2

CXO interviews: exploring NWC management practices

What this chapter is …

We have conducted three interviews with CXOs to explore real-life stories and gain a practical perspective on NWC in three different functions. Here are the stories we uncover in this chapter:

1. **BioMar**
   How real change happens in the local markets – not in the headquarters.

2. **Hager Group**
   How S&OP serves as a cross-company playing field for NWC management.

3. **KK Wind Solutions**
   How effective NWC management boosts enterprise value.

At the end of the chapter, we conclude on six core hypotheses attached to NWC management that we aimed to test during our interviews.

Why we included this chapter …

This chapter aims to shift the perception of NWC from a purely financial concern to a strategic business imperative. By showcasing real-world examples and expert advice, we offer readers a roadmap for transforming their NWC management. The aim is to help companies unlock greater financial stability, operational efficiency and long-term value creation.

What this chapter reveals …

1. **NWC management is not a one-time fix**
   Companies need to shift from quick solutions to continuous improvement of NWC for long-term benefits.

2. **Buy-in and commitment pave the way**
   Support from the board and C-level is essential to prioritise and drive NWC management across the organisation.

3. **Set the tone and direction from the top**
   Top-level leadership is crucial to setting NWC expectations and goals and aligning stakeholders on the strategy.

4. **Real change happens in the local organisation**
   Empowering local teams and anchoring ownership at the operational level is where strategies are implemented and results are achieved.

5. **NWC is a cross-company discipline**
   Successful NWC management requires breaking down silos and aligning objectives across sales, operations and finance.

6. **KPIs as a common language for performance**
   Common NWC-related KPIs (such as DSO, DIO, DPO) enable clear targets, tracking and a common understanding of improvements.

7. **Enterprise value impact**
   Effective NWC management boosts a company's financial health and attractiveness to investors.

Introduction to CXO interviews

Introduction: unlocking practical insights into the NWC management discipline

In today's volatile business environment, optimising NWC is vital for companies seeking financial stability, operational efficiency and the ability to navigate unexpected challenges. While traditionally viewed as a finance-centric responsibility, successful NWC management requires a strategic, cross-functional approach.

This section offers actionable insights into NWC practices through interviews with C-level executives. Their diverse perspectives shed light on their companies' NWC management discipline, including strategic initiatives, cross-company collaboration models as well as long-term impact achieved through effective NWC management.

Testing interview hypotheses in a practical context

We conducted semi-structured interviews with three highly experienced senior leaders who are actively working with NWC and the NWC management discipline within their respective companies. This format enabled us to gather real and practical examples while testing core hypotheses linked to our initial knowledge and insights about NWC and NWC management (outlined below).

Our aim is to provide you with practical takeaways and inspiration to improve your own NWC management.

We hope you find as much pleasure in reading these CXO interviews as we did in conducting them.

Enjoy!

Our interviewees represent a diverse cross-company perspective on the NWC management discipline in practice

Wasiem Husain

BioMar
Vice President of Strategy, Business Development, and M&A

Jacob Schambye

Hager Group
Senior Vice President and Chief Commercial Officer (CCO)

Bjørn Reinhard Mogensen

KK Wind Solutions
Group Chief Financial Officer (CFO)

Core interview hypotheses

1. **NWC management is not a one-time fix** NWC management is an ongoing process, not a one-time fix. To achieve lasting results, it must be integrated into daily operations.

2. **Buy-in and commitment pave the way** Strategic buy-in from the board and the C-level is crucial to working with/prioritising NWC management long term across the company.

3. **Set the tone and direction from the top** NWC management is a top-down exercise, and alignment with stakeholders is most effective if HQ and senior leaders set the tone and direction from the top.

4. **Real change happens in the local organisation** Real change happens down/out in the organisation, where anchoring of ownership and responsibility is key to ensuring long-term impact.

5. **NWC is a cross-company discipline** Misaligned incentives in leadership and across the organisation's functional areas lead to ineffective NWC management practices.

6. **KPIs as a common language for performance and change** In order to monitor performance and drive improvement initiatives that lead to impact, leaders need access to KPI analysis.

BioMar: real change happens in the local markets – not in the headquarters

> To grow your business, you need funds. Effective NWC management results in freeing up cash from operations that you can use to fuel growth initiatives."

In today's global business environment, NWC management is becoming increasingly important. Globally operating companies continue to face shifting interest rates, high inflation and supply chain disruptions that pose significant operational challenges on an international scale. To stay ahead, these companies need to unlock the benefits associated with effective NWC management. However, a crucial question remains: how can headquarters ensure that the group strategy translates into local ownership of the NWC improvement agenda on an ongoing basis, ensuring that it is not just a stop-and-go exercise?

BioMar has embarked on this journey by transforming its approach to NWC management globally. Recognising the significant shifts in the macro-environment, the company has embarked onto its new strategy by emphasising that real change in NWC management is anchored locally – where the change happens. To understand BioMar's journey and delve into how the NWC agenda can be anchored locally in the local markets, we interviewed Wasiem Husain.

A new strategic agenda: the shifting focus towards NWC management

For BioMar and many other companies, NWC management has not always been at the top of the strategic agenda for various reasons – including the fact that top-line growth and profit generation have "stolen" the focus for many. Nevertheless, the changing macroeconomic landscape has brought a renewed focus.

With a presence in 90 different countries, BioMar started to face the challenges of unpredictable shifts in volumes and increasing credit risks. In addition, large customers, who have been affected in a similar way, began to renegotiate payment terms, leading to further pressure on cash availability.

With these emerging challenges developing on a global scale, BioMar needed to act quickly. Specifically, the company needed the revisit its global strategy to enhance investment decisions and ensure that growth was well balanced against cash availability. NWC management soon became a high priority for BioMar's headquarters, and Wasiem Husain and his team decided to take the lead – driving the new NWC management initiative from group to local ownership and anchoring.

Embarking on the journey: business cases, data and market performance

Recognising that NWC management must be moved higher up on the strategic agenda, BioMar's headquarters was faced with the issue of where and how to start. Drawing on experience, Wasiem Husain and his team decided that the first initiative

About Wasiem Husain

Wasiem Husain, Vice President of Strategy, Business Development and M&A at BioMar, analyses the role of NWC in business development, highlighting its influence on investment choices. He views NWC not just as a financial measure but as a key factor in improving cash flows and ROIC from a business and investment standpoint.

About BioMar

BioMar, headquartered in Aarhus, Denmark, is a global leader in sustainable aquaculture feed. With 1,700 employees and 17 production sites worldwide, it boasts a 2-million-ton capacity, serving 45 species across 90 countries. BioMar's impressive growth is evident in its 2023 revenue of DKK 17.9 billion, marking a 54% increase from 2020.

was to focus on data and local market performance, which could be used for local business/investment cases.

Once BioMar had built the data foundation, the team was able to analyse local market differences and benchmark market performance based on ROIC, cash flows and NWC metrics. These analyses were constructed by the team to establish business cases, contributing to the evaluation of investment potential in local markets for long-term plans. The purpose was to ensure that growth in local markets was balanced against NWC, where investment opportunities would depend on NWC performance and local credit terms.

Through business (investment) case analysis, the team soon discovered that the local markets had been affected differently by the shifting business environment. For example, some markets were characterised by inefficient inventory turnover, extensive payment terms and high credit risks. These evaluations served as an eye-opener for where and how BioMar could improve its NWC performance globally.

By focusing on NWC as an integrated part of BioMar's operational development, the company could not only improve its financial performance but also improve its investment potential across local markets. The next step for BioMar was to ensure local ownership of the NWC agenda, thereby translating group strategy into local anchoring and execution.

Anchoring the NWC management discipline across the company and in local markets

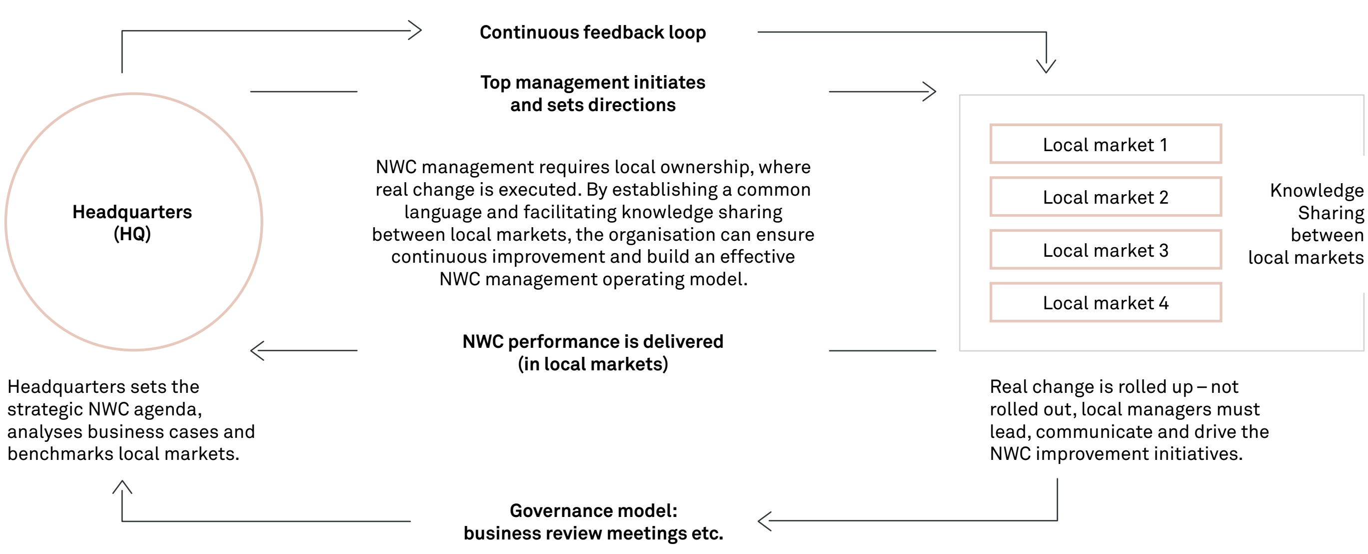
While real change happens locally, aligning a global organisation on cross-company initiatives presents challenges – and BioMar was no exception. Initially, some markets were hesitant to adopt the new group-led NWC strategy, particularly those facing macroeconomic pressures. Existing customer relationships with long payment terms and planned facility expansions posed obstacles, leading to the perception of NWC management as a constraint on commercial growth.

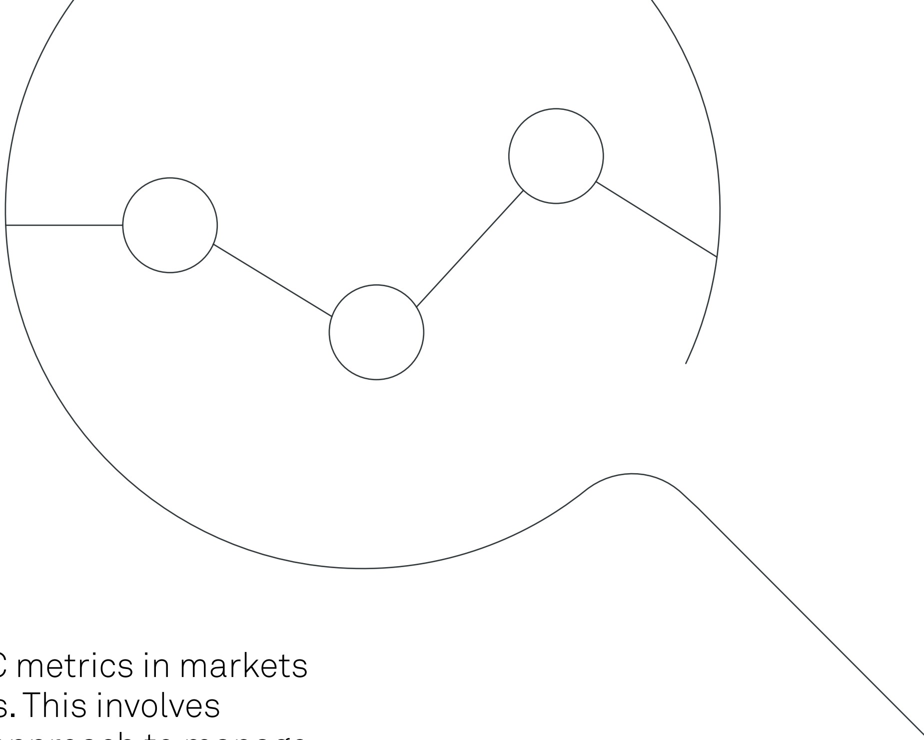
To address this, BioMar prioritised transparency, sharing performance data across the organisation, among others to promote knowledge sharing across the different local markets. They also aligned local incentives with the group-level strategy.

Crucially, BioMar established a common language for NWC discussions as well as anchoring ownership in the local markets. NWC became the cornerstone of monthly business reviews, where leadership and local managers analysed trends and highlighted areas for improvement. These meetings also showcased how each local market approached NWC differently, facilitating cross-company knowledge sharing and collaboration.

These initiatives fostered local buy-in for NWC management among local market/business managers. In addition, markets/business managers began to see the value behind the group-level focus and were motivated to work together to drive tangible change in their markets.

BioMar's NWC management operating model focuses on continuous improvement and anchoring of improvement initiatives in local markets





> “We focus on enhancing NWC metrics in markets with large inventory volumes. This involves implementing a structured approach to manage NWC and tackle operational challenges.”

Scaling NWC success through continuous improvement enabled by a continuous focus

BioMar’s story reminds us that managing NWC is a journey, not a destination. Its initial wins are a great start, but Wasiem Husain sees even more potential for improvement – and it all hinges on data.

Think of it this way: better data is like outfitting BioMar with a more powerful map of its journey. It will be able to predict what is around the corner – a sudden need for cash, a surplus of inventory, maybe a customer who is taking too long to pay the bills. And not just a map, but a dashboard – a real-time look at where it stands, identifying bottlenecks and deciding at a glance if its course needs adjusting.

All these insights translate into sharper decisions every day. Better terms with suppliers, smarter inventory management, less risk of disruption. In a world where everything changes fast, this kind of data is BioMar’s superpower, letting them react faster and smarter than the competition.

But even superpowers need the right people to wield them. That is why BioMar is smart to give local teams ownership and make data the language they all speak. This way, change does not just come from the top down, it is bubbling up from day-to-day work, ensuring that those improvements stick.

Four tips from Wasiem Husain on how to get started with effectively managing NWC

1. Establish a common language in the C-suite and among local business managers to ensure that everybody is aligned on the ambition as well as the basics of NWC management.

2. Build a robust data and analytics infrastructure to support NWC forecasting and investment decisions, enabling discussions with stakeholders in local markets as well as at HQ.

3. Engage stakeholders at all levels, from corporate to local markets, to ensure that the initiatives set sail where they have an impact (in local markets).

4. Make it stick and avoid a one-time fix: NWC management is an ongoing journey. Set up clear governance where data and analytics are used in the right forums, with the right people in the right sequence to ensure day-to-day improvement focus in local markets.

Hager Group: S&OP as a cross-company playing field for NWC management

> "NWC management is a team sport. Therefore, the entire C-suite should work together to align commercial, operational and financial objectives towards a shared strategy."

NWC management is not just about finance – it is a cross-company discipline involving multiple stakeholders across the whole organisation. However, companies often have misaligned objectives that hinders the overall success of NWC management. At the corporate level, each functional area can have its own strategic agenda – and if not aligned, the focus on NWC management can quickly get stuck in the finance function.

Of course, it starts with the C-suite, where the tone must be set from the top to drive real change in the company. This includes the Chief Commercial Officer (CCO), whose involvement plays a crucial role in sales and operations planning (S&OP). This leads to an often overlooked but important question that companies face today: how can the CCO proactively collaborate with the C-suite to drive strategic alignment and optimise NWC performance across the organisation?

Hager Group started this journey by taking an end-to-end approach to NWC management. Acknowledging the importance of involving the CCO, the company is embarking on its new strategic initiative by highlighting the crucial role of S&OP as a driver of NWC performance – aligning the C-suite and facilitating change at a cross-company level.

To delve into Hager Group's approach to the NWC management discipline and the S&OP process as an integral part of it, we interviewed Jacob Schambye, Senior Vice President and CCO of Hager Group.

Hager Group's realisation: the starting point for a new NWC journey

Hager Group's strategic initiative into NWC management started with a change in the executive team, who, despite success in both the top and bottom line, wanted to get a better understanding of the company's inventory management performance. Consequently, a strategic cost analysis was conducted, and Hager Group was benchmarked against its competitors.

When going through the results of the cost analysis, Jacob Schambye – and the rest of the C-suite – realised that inventory cost had shifted, highlighting the need for optimising the company's inventory management as a lever among others attached to NWC performance. This realisation created a common interest among the Chief Financial Officer (CFO), Chief Commercial Officer (CCO) and Chief Operational Officer (COO) to work with NWC management in a more structured manner.

However, to do so, commercial, operational and financial objectives must be set and aligned across the C-suite to represent different functional areas with different incentives and objectives within the company.

About Jacob Schambye
Jacob Schambye is Senior Vice President and Chief Commercial Officer at Hager Group. Jacob has a background in strategy consulting and executive commercial roles in global industrial and high-tech companies. At Hager Group, Jacob Schambye and his colleagues are currently exploring the potential of NWC management through the lens of S&OP.

About Hager Group
Headquartered in Blieskastel, Germany, the family-owned Hager Group is a leader in electrical installation products for residential, commercial and industrial buildings. With 22 production facilities and 13,000 employees worldwide, the company has experienced impressive growth, generating EUR 3.1 bn in revenue in 2023 – a 42% increase since 2020.

The role of the CCO: elevating NWC management using S&OP as a cross-company playing field

NWC management is a "team sport" – and should not only be a concern for the CFO. Too often, however, misaligned incentives between the CCO, COO and CFO can hinder the potential to structurally improve NWC performance and harvest short-term bang for the buck as well as ensure long-term financial, operational and commercial success.

At Hager Group, these challenges were accommodated by aligning commercial, operational and financial objectives into a common strategy – to improve NWC management with a cross-company focus leading to cross-company impact.

Jacob Schambye and his C-suite colleagues decided to collaborate on the strategy to ensure that NWC management became a cross-company exercise.

By acknowledging the fact that the CCO plays a crucial role in S&OP processes – and thus in improving NWC performance – Hager Group has effectively turned a challenge into an opportunity by breaking down the traditional silo-based approach to NWC management.

For NWC management, S&OP is critical to balancing supply and demand to ensure that capital is not tied up for too long. Here, the CCO is central to demand forecasting, customer delivery and market trends. Without the CCO's involvement, inventory turnover can quickly become inefficient due to the reliance on demand forecasting, which in turn harms the company's NWC performance.

More importantly, S&OP is also in the interest of a large part of the C-suite. For example, the CCO prioritises S&OP because it drives high customer performance and prevents overstocking. At the same time, the COO needs to maximise inventory turnover, while the CFO is interested in freeing up capital. Ultimately, Hager Group was able to align the missions of the CCO, COO and CFO by using the S&OP process (meetings etc.) as a playing field to prioritise NWC matters, including sharing discussions and solution ideation.

Using S&OP as a playing field for NWC management proved to be a success for Hager Group. Today, NWC and S&OP are an integral part of Hager Group's corporate agenda. In addition, Jacob Schambye and his peers are now measured on both NWC and S&OP performance. Through their discussions, they have also realised that working with S&OP – and by extension NWC management – is not a copy-paste exercise but depends on the sector, industry and customer. As a result, Hager Group has introduced a differentiated supply chain model, aiming to optimise its inventory turnover and reduce days inventory outstanding (DIO).

Hager Group's improved NWC management discipline throughout the S&OP process has delivered strong improvements in financial performance.

However, Jacob Schambye believes that there are still untapped benefits to be gained from further refining the NWC management discipline. He truly sees the NWC management discipline and the work on concrete improvements as an ongoing journey.

> "S&OP processes drive NWC performance and should be central in the initiative of aligning interests among the CCO, CFO and COO."

Aligning the C-suite: moving from silo-based dialogue to a cross-company exercise

Drawing on his experience, Jacob Schambye outlines how companies can successfully transform NWC management into a collaborative effort. He emphasises the importance of taking key steps to break down silos and establish shared priorities.

First, the C-suite must develop a holistic understanding of the company's business model. This includes defining the company's purpose and target customers and how it delivers value. Aligning on this foundation will ensure that NWC initiatives support the company's strategic goals.

Next, customer delivery should be aligned and prioritised, with the company's entire operating model built to support this goal. Importantly, NWC management is not just about cost-cutting – it is also an important component of streamlining operations and ensuring excellent customer delivery. By integrating NWC into the components of the operating model, particularly business processes such as S&OP, the company can create a company-wide understanding of its impact on customer delivery and satisfaction.

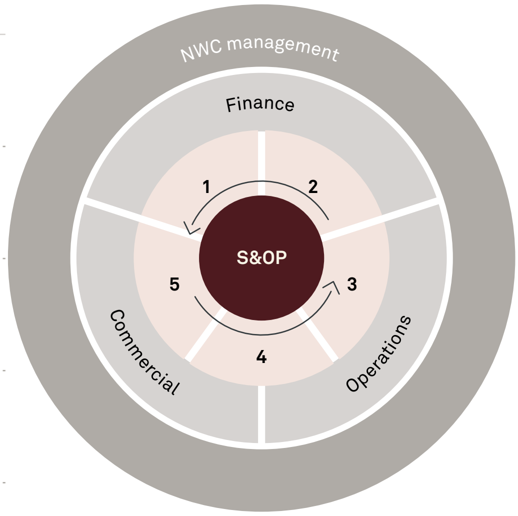
Finally, companies should use S&OP as the playing field and driver of NWC success. S&OP provides a framework for aligning commercial, operational and financial targets. This process fosters C-suite collaboration and has a direct impact on NWC by improving forecasting accuracy and optimising inventory management, which has a positive impact on the bottom line.

Hager Group's experience demonstrates the importance of CCO leadership in successful NWC management. By taking a collaborative approach, prioritising customer experience and using S&OP strategically, companies can unlock significant value in their NWC management.

S&OP serves as a cross-company playing field for NWC management and C-suite alignment

Functional area and its involvement in the S&OP process, outlining the focus on NWC management and performance

Step	Commercial	Operations	Finance
1. Data collection	Provides customer insights impacting receivables and payment patterns.	Offers data on inventory levels, lead times and supplier reliability.	Shares NWC trends and identifies areas for improvement.
2. Demand planning	Forecasts sales, considering the impact of promotions and strategies on NWC.	Ensures that production and inventory plans align with forecasts.	Assesses financial impact and potential cash flow constraints.
3. Supply planning	Highlights risk of stockouts or service issues due to lean inventory.	Develops production plans, balancing customer needs with inventory goals.	Evaluates cost of implications of production changes.
4. Pre-S&OP meeting	Analyses scenarios focusing on the NWC impact of: • Changes in customer or supplier payment terms. • Adjustments to inventory management strategies. • Trade-offs between growth plans and cash flow.		
5. Executive S&OP meeting	Advocates for sales strategies while considering NWC goals.	Ensures that production and inventory targets are feasible and support overall NWC health.	Presents the financial implications of plans on NWC.



Four tips from Jacob Schambye on involving the CCO in NWC management and aligning on the C-level

1. NWC is a team sport: break down silos between the CCO, CFO, and COO etc. to collaborate on NWC goals. This ensures that all functional areas work towards improving cash flow and liquidity.

2. Prioritise the customer experience: the CCO helps ensure that NWC decisions support positive customer experiences, which leads to loyalty, stronger sales and increased cash flow.

3. Embrace S&OP as a driver of NWC performance: the CCO provides market insights to S&OP for better demand forecasting for optimised inventory levels and reduced costs to improve NWC, among other things.

4. Foster a holistic business understanding: the C-suite aligns on the company direction – with the CCO emphasising the customer's voice – to ensure that NWC decisions support the overall business strategy and customer needs.

KK Wind Solutions: effective NWC management boosts enterprise value

"The finance function drives change by demonstrating the technicalities on how NWC boosts enterprise value."

Today, investors analyse company valuations closely, making effective NWC management essential as a tool for optimising (increasing) cash flows and boosting enterprise value ultimately.

Understanding this link, KK Wind Solutions has prioritised NWC optimisation, gained board-level support and created a company-wide focus on NWC performance.

Clear governance structures and KPI tracking drive improvement across all levels, directly contributing to its goal of increasing enterprise value.

We interviewed Bjørn Reinhard Mogensen, Group CFO, to gain a deeper insight into how KK Wind Solutions prirotise NWC management as a way to boost value of the company (enterprise value).

The power of enterprise value: tapping into effective NWC management

Upon joining KK Wind Solutions, Bjørn Reinhard Mogensen observed an industry-wide focus on the P&L statement, with the balance sheet often overlooked. While recognising the importance of the P&L, he saw the potential for cash flow optimisation and increased enterprise value through NWC management. His experience showed that investors and analysts pay close attention to these balance sheet metrics, recognising their impact on a company's financial health and future prospects.

Recognising the need for top-level support, Bjørn Reinhard Mogensen framed the discussion around enterprise value. He presented a compelling case:

Cash and cash flow: emphasised the direct link between NWC optimisation and increased free cash flow – a key driver of enterprise value.

Resilience and ratios: demonstrated how NWC excellence improves a company's balance sheet strength and key financial ratios, signalling stability and growth potential.

Investor appeal: emphasised that these positive changes translate directly into a more attractive proposition for investors, boosting enterprise value.

This strategic focus on enterprise value highlighted the tangible financial benefits of NWC excellence and ensured full buy-in from the board and fellow executives.

Utilising governance structures: how clear mandates and decision-making responsibilities are essential for effective NWC management

Having established support from the board and C-level, KK Wind Solutions needed a governance structure that would enable the company to roll out its NWC strategy.

About KK Wind Solutions

Headquartered in Ikast, Denmark, KK Wind Solutions is a leading green tech provider specialising in electrical systems and wind turbines. Fully owned by A.P. Moller Holding, the company operates in nine countries across Europe, America and Asia with a global workforce of 2,500 employees. Its growth continued in 2023, with expected revenue of DKK 5.5bn – a significant 53% increase from 2020.

About Bjørn Reinhard Mogensen

Bjørn Reinhard Mogensen, Group CFO of KK Wind Solutions, brings extensive accounting and finance experience from PwC, Novo Nordisk and Lundbeck. He uses this expertise to analyse NWC, focusing on its impact on enterprise value and the company's cash flows.

This governance structure became centred around the CFO (Bjørn Reinhard Mogensen), with the ultimate decision mandate anchored with the CEO (Mauricio Quintana).

The structure was designed to reflect the importance of the corporate strategy and technical understanding of NWC. By combining these elements, KK Wind Solutions ensured that every major NWC decision was thoroughly evaluated against strategic and financial considerations at a group level. Furthermore, to ensure the right technical support, each decision was accompanied by KK Wind Solution's Investment Director and Legal Director. Together, these experts collaborated to develop solid business cases and value assessments for each NWC initiative under consideration. This approach ensured that all relevant aspects were carefully considered before final decisions were made.

Having embarked on its NWC journey, KK Wind Solutions constructed a governance model to ensure that all important decisions balanced strategic priorities with technical NWC considerations. The next step in the journey was to establish robust monitoring and oversight practices.

NWC cockpit: using data for informed decision-making and monitoring of NWC performance

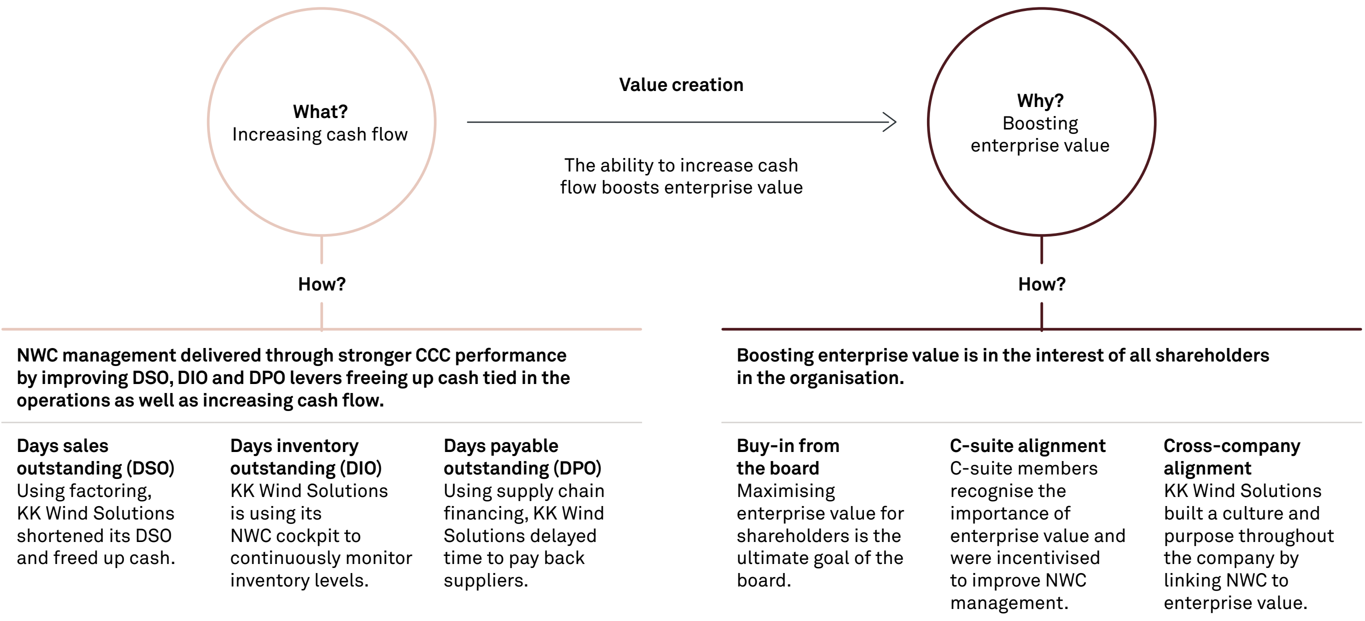
Establishing a governance model around NWC management is not enough – companies should establish a high-quality cockpit for monitoring and steering actions. Given KK Wind Solutions' ambition, this meant building an NWC KPI cockpit focusing on enterprise value creation, where NWC performance is one of the ultimate levers. Through a comprehensive breakdown of the NWC components – including KPIs linked to days sales outstanding (DSO), days inventory outstanding (DIO) and days payable outstanding (DSO) – Bjørn Reinhard Mogensen and his C-suite colleagues were able to identify the areas that would have the greatest impact on NWC and, in turn, enterprise valuation.

KK Wind Solutions successfully deployed an NWC KPI cockpit that provided transparency into metrics and levers for performance. This transparency enabled data-driven discussions on NWC improvement initiatives, ultimately leading to increased cash flow. Key initiatives included negotiating favourable contracts, factoring receivables and using supply chain financing to extend payables. These initiatives shortened the CCC and freed up capital resulting in improved cash flow.

KK Wind Solutions is still in the early stages of its NWC journey, but they have established a foundation based on high-quality cockpits and technical decision-making.

However, real change happens in the organisation where practical decisions are made. As such, the company has also begun to focus on the organisational culture for long-term NWC success.

KK Wind Solutions is leveraging NWC management to boost enterprise value and ensure organisational alignment

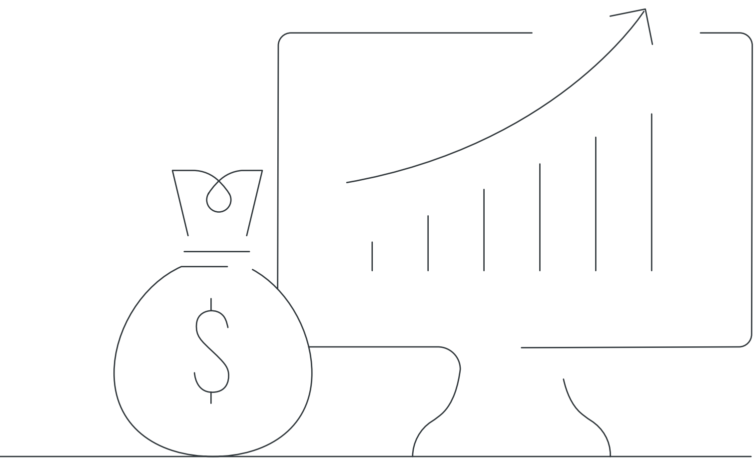


The pursuit of change: establishing an NWC culture through finance business partners

Recognising the need for local decision-making, KK Wind Solutions started to prioritise a culture focused on NWC management to ensure that impact was driven bottom-up. The company is building this culture with the support of dedicated finance business partners.

Bjørn Reinhard Mogensen and his colleagues understood that to make lasting changes to NWC performance, they needed to clearly communicate the value drivers of NWC management to local managers across the functional areas of the company. He believed that the best way to do this was to emphasise the direct link between enterprise value and NWC management, moving attention away from P&L statements alone.

To achieve this, KK Wind Solutions put its finance business partners to work. Today, the finance business partners collaborate with the cross-company operational teams at HQ and locally to ensure that the financial focus is directed towards NWC improvement (and thereby also boosting enterprise value) through strategic discussions and support.



Five tips from Bjørn Reinhard Mogensen on how to boost enterprise value through effective NWC management

1. Use NWC as a key lever to boost enterprise value: companies should leverage NWC as a driver of enterprise value, as it improves cash flow and fosters growth potential.

2. Set the direction and top-down focus: set the direction in the management team and secure executive sponsorship to emphasise the importance of NWC and mandate to break down silos.

3. Establish clear governance: establish clear ownership of NWC metrics, decision-making processes and investment approvals for streamlined improvement initiatives, including the required technical perspectives.

4. Steer from the cockpit: build an NWC KPI cockpit with a dashboard of key NWC metrics to monitor performance, identify improvement areas and quantify the financial impact of optimisation.

5. Teamwork is key – as always: foster teamwork between finance, sales, procurement and operations (especially production) for holistic NWC solutions that address the root causes of inefficiencies.

The CXO interviews provided a practical context to validate our hypotheses ...

1.

NWC management is not a one-time fix

Companies need to shift from quick solutions to continuous improvement of NWC for long-term, lasting impact.

NWC management should be embedded as an ongoing process within the organisation's operational as well as strategic and tactical practices. This means regular monitoring, adjustment and a focus on sustainable improvements rather than short-term fixes.

2.

Buy-in and commitment pave the way

Support from the board and C-level is essential to prioritise and drive NWC management across the organisation.

Without top-level commitment, NWC initiatives may struggle to gain traction and risk being deprioritised over time. C-level support ensures dedicated resources, reinforces accountability and signals the importance of NWC to the entire company.

3.

Set the tone and direction from the top

Top-level leadership is crucial to setting NWC expectations and goals and aligning stakeholders on the strategy.

Headquarters plays a vital role in defining NWC goals, creating a comprehensive strategy and communicating it throughout the organisation. This top-down guidance prevents conflicting priorities and ensures that everyone is working towards the same NWC goals.

4.

Real change happens in the local organisation

Empowering local teams and anchoring ownership at the operational level is where strategies are implemented and results are achieved.

While strategy starts at the top, success depends on execution at the local level. Local teams need the flexibility to tailor NWC initiatives to their specific markets and circumstances, fostering a sense of ownership that leads to lasting results.

5.

NWC is a cross-company discipline

Successful NWC management requires breaking down silos and aligning objectives across sales, operations and finance.

NWC optimisation cannot be the sole responsibility of finance. It requires collaboration across the company to ensure that decisions in one area do not negatively impact NWC in another.

6.

KPIs as a common language for performance and change

Common NWC-related KPIs enable clear targets, tracking and a common understanding of improvements.

Clearly defined KPIs create a standardised way of measuring NWC success across the company. This enables effective benchmarking, identifying areas for improvement and celebrating progress. Having a common language makes NWC performance tangible for everyone involved.

Chapter 3

Embark on the journey: a proven approach to effective NWC management

What this chapter is ...

We outline a proven approach to NWC management based on years of consulting and industry experience. In this context, we share some of our Implement tools and frameworks that, when applied correctly, have consistently proven to be effective for the companies we help. Here is what we cover in this chapter:

1. **The importance of NWC management**
   Impacts cash flow and business resilience.

2. **Aligning the operating model for successful NWC management**
   Using the operating model framework to guide holistic company alignment.

3. **The role of sales and operations planning (S&OP)**
   A platform for breaking down silos and integrating financial planning with supply/demand balancing.

4. **NWC as a continuous improvement journey**
   Focus on fixing root causes for sustainable NWC optimisation.

5. **Strategic levers and initiatives to unlock NWC potential**
   Targeting key areas in the CCC.

Why we included this chapter ...

This chapter is included in the white paper to highlight the essential link between a company's operating model and its ability to manage NWC effectively. It emphasises that NWC is not an isolated financial metric but rather a result of how the entire organisation works. By offering a structured approach and the importance of cross-functional collaboration (e.g. through S&OP), this chapter guides readers towards sustainable NWC optimisation.

What this chapter reveals ...

1. **NWC management improvement is linked to the operating model**
   Improving NWC management practice is not possible in isolation. It requires the alignment of relevant aspects of company's operating model. Leaders, processes, technology, culture and governance must all work together to drive NWC improvement.

2. **Cross-functional collaboration is key**
   S&OP stands out as a central theme. Breaking down silos between sales, operations and finance is critical to making informed decisions that balance NWC goals with overall business objectives. S&OP provides the structure for this collaboration.

3. **Real impact is a result of addressing root causes**
   Do not just tackle the symptoms of poor NWC performance. Dig deep to find the underlying causes of problems. Only by addressing the root causes (e.g., inefficient processes, misaligned incentives or inaccurate forecasting) can you achieve lasting NWC improvements.

4. **Targeting strategic levers maximises impact**
   Focus on the specific areas within the CCC that offer the greatest potential to unlock cash. This includes a deep-dive analysis and breakdown of the DIO, DSO and DPO levers. Well-designed initiatives linked to these areas will have the most significant impact.

5. **Continuous improvement mindset drives long-term success**
   Optimising NWC performance is not a one-time fix: it is about fostering a culture where everyone seeks to identify and eliminate inefficiencies. Continuous analysis, refinement and collaboration are essential to drive long-term NWC performance.

NWC management excellence: start with the operating model

Effectively managing NWC is critical for companies of all sizes, as it has a direct impact on cash flow and overall business resilience. Optimising NWC requires a continuous, company-wide commitment to improvement. The first step is to identify the specific elements of your company's operating model that need to be aligned to create a strong organisational and operational foundation for effective NWC management.

This transformation requires strategic direction from the top. Senior leaders must set clear NWC ambitions, targets and KPIs and fully integrate them into the company's overall strategy. At the same time, these goals need to resonate throughout the entire organisation, fostering ownership and accountability where change is needed.

We recommend using a framework such as Implement's operating model framework to ensure that you set your company up for success with NWC management. The operating model framework emphasises a holistic approach to designing and implementing the blueprint of your company's functions and operations across six key dimensions (elements) that are interconnected and support each other.

Each operating model dimension has unique aspects that need to be considered when aligning the operating model to improve ways of working/ operations around NWC management.

People and leadership

Empower your workforce with the skills to influence NWC. Leaders should understand how daily operations impact the CCC, set clear NWC goals and reward teams that demonstrate improved NWC performance.

Technology and processes

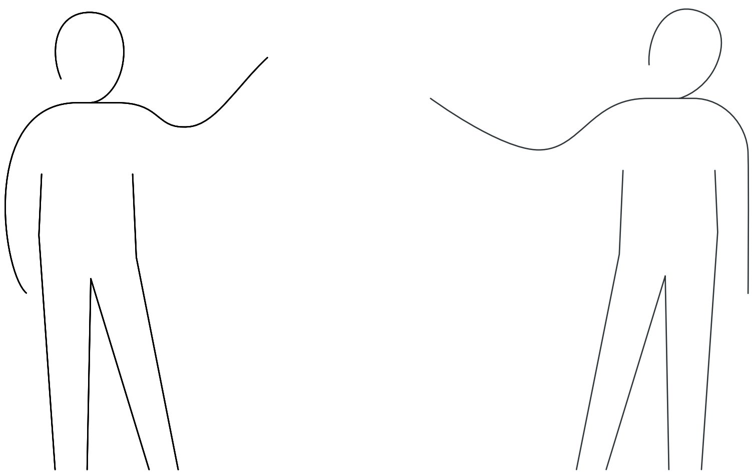
Leverage technology to automate tasks within the CCC to reduce errors and accelerate NWC insights. Implement efficient inventory systems, advanced forecasting tools (supported by AI) and an NWC cockpit built on financial metrics linked to NWC KPIs for up-to-date cockpits that enable transparency. This ensures that leaders can take timely and effective action to impact NWC.

Culture and performance management

Foster a culture of continuous improvement where NWC optimisation is a priority and a must-win battle, not only for senior leaders but also for managers. Regularly assess processes and behaviours to refine and integrate NWC metrics into performance reviews. Encourage cross-company collaboration to reduce activities that harm NWC.

Organisation and governance

Define clear roles and responsibilities for streamlined decision-making. Empower local teams to run NWC performance initiatives, giving them the flexibility to address market-specific challenges. Hold teams accountable by regularly tracking their NWC initiatives through a defined reporting model. Successful NWC management requires a coordinated, organisation-wide effort, with leadership setting the direction and the entire team driving continuous improvement.



Implement's operating model framework

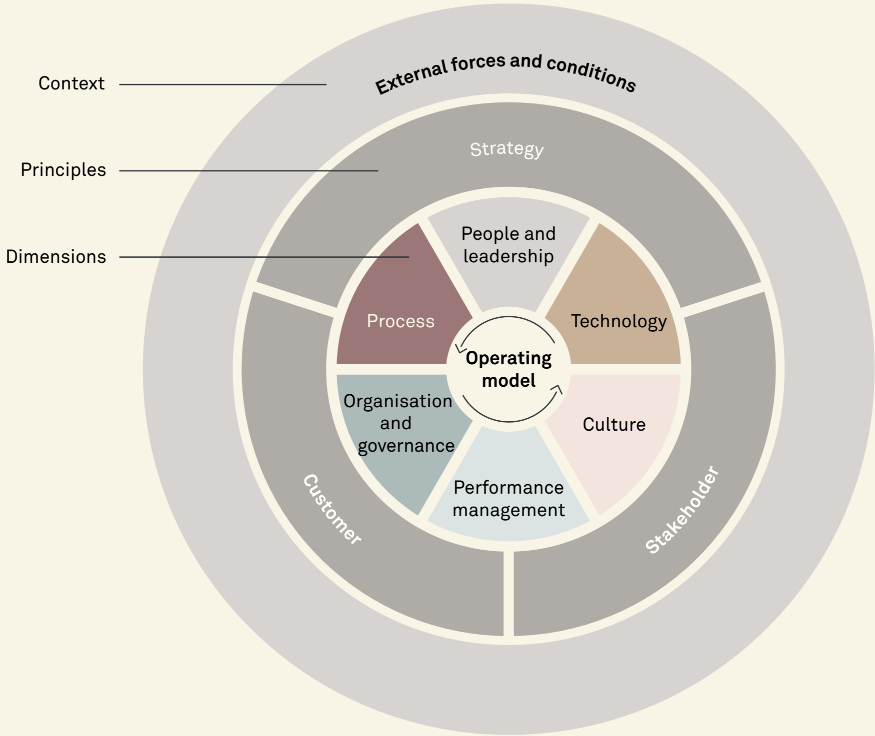
What it is ...

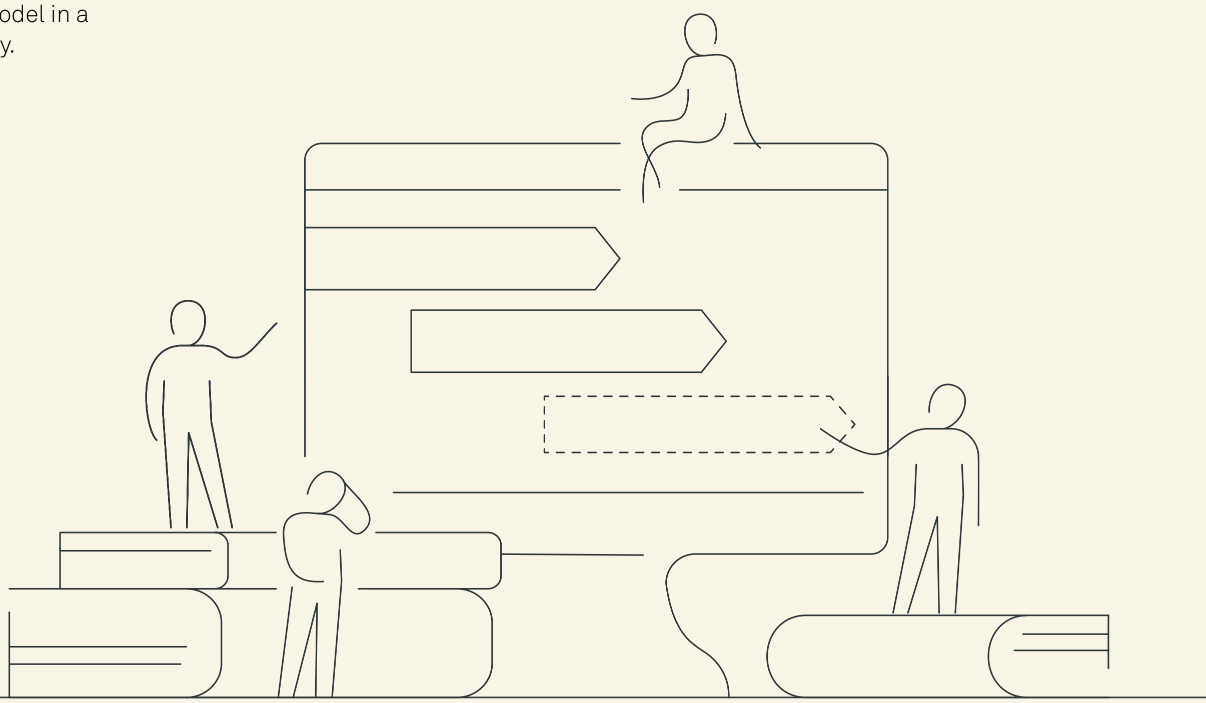
An operating model bridges strategy and operations by describing how to realise the strategic choices made by the organisation.

Why use it ...

The operating model governs how to run and improve operations – and thus determines how an organisation can respond to its environment.
All dimensions of the organisation must be broughttogether and aligned to design and balance the optimal operating model that fits the business, ambitions and future initiatives.

Implement's operating model framework aims to cover the full spectrum of complexity needed to lay out the "blueprint" for how an organisation should operate. The approach is designed to support a specific problem or address the full design of an operating model in a holistic and balanced way.





Sales and operations planning (S&OP) facilitates cross-company collaboration in NWC management

Optimising NWC is not just about efficiency in one function or line of business; it is about maximising the effectiveness of your entire business model. Companies running NWC management initiatives should take a coordinated, cross-company approach. This is where sales and operations planning (S&OP) serves as a playing field to foster cross-company collaboration in the context of NWC management.

S&OP enables a decision-making process that integrates financial planning with balancing supply and demand

The power of S&OP lies in its ability to break down the silos that often exist between different business functions and balance priorities between:

- **Operations:** supply forecasting and minimising excess inventory streamlines production schedules and reduces the time cash is tied up in the factory and warehouse.

- **Sales:** sales forecasting and aligning the customer delivery model with NWC goals, sales strategies and customer terms to encourage timely payment.

- **Finance:** financial planning of NWC goals based on the business model, aligned leadership ambitions and cross-company alignment of the NWC agenda.

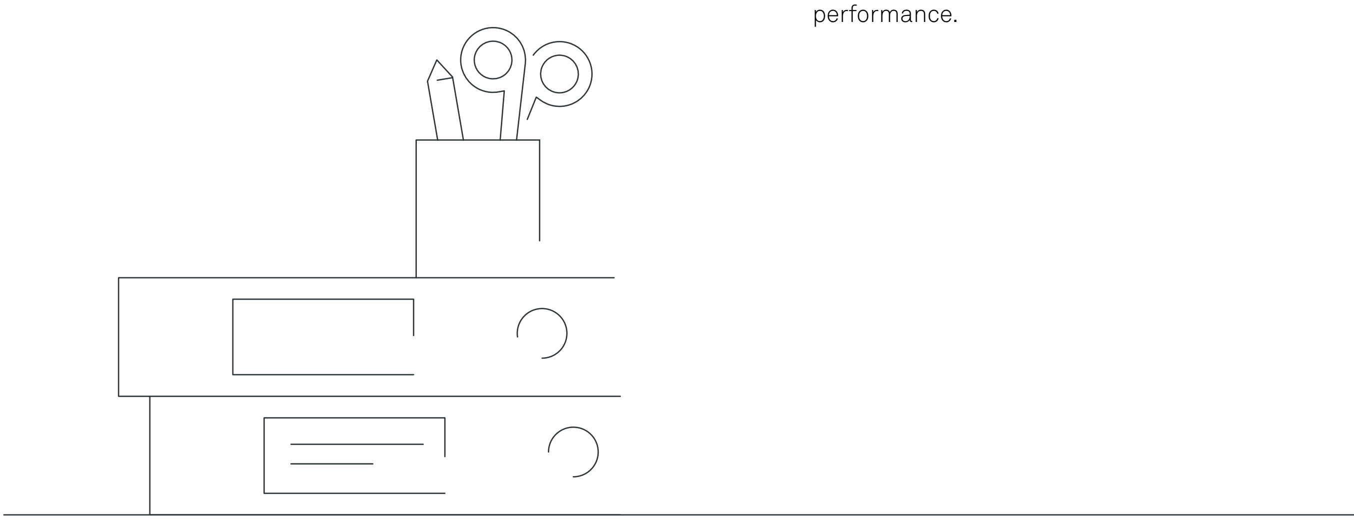
While S&OP is essential to improve the CCC, companies should adopt a continuous improvement mindset when improving NWC

NWC management is not a one-time fix. Companies should adopt a proactive mindset, relentlessly targeting inefficiencies to optimise NWC. S&OP enables and empowers this mindset by providing a cross-company forum to ensure clarity on how each function's actions impact the NWC levers (e.g. the CCC and its subcomponents).

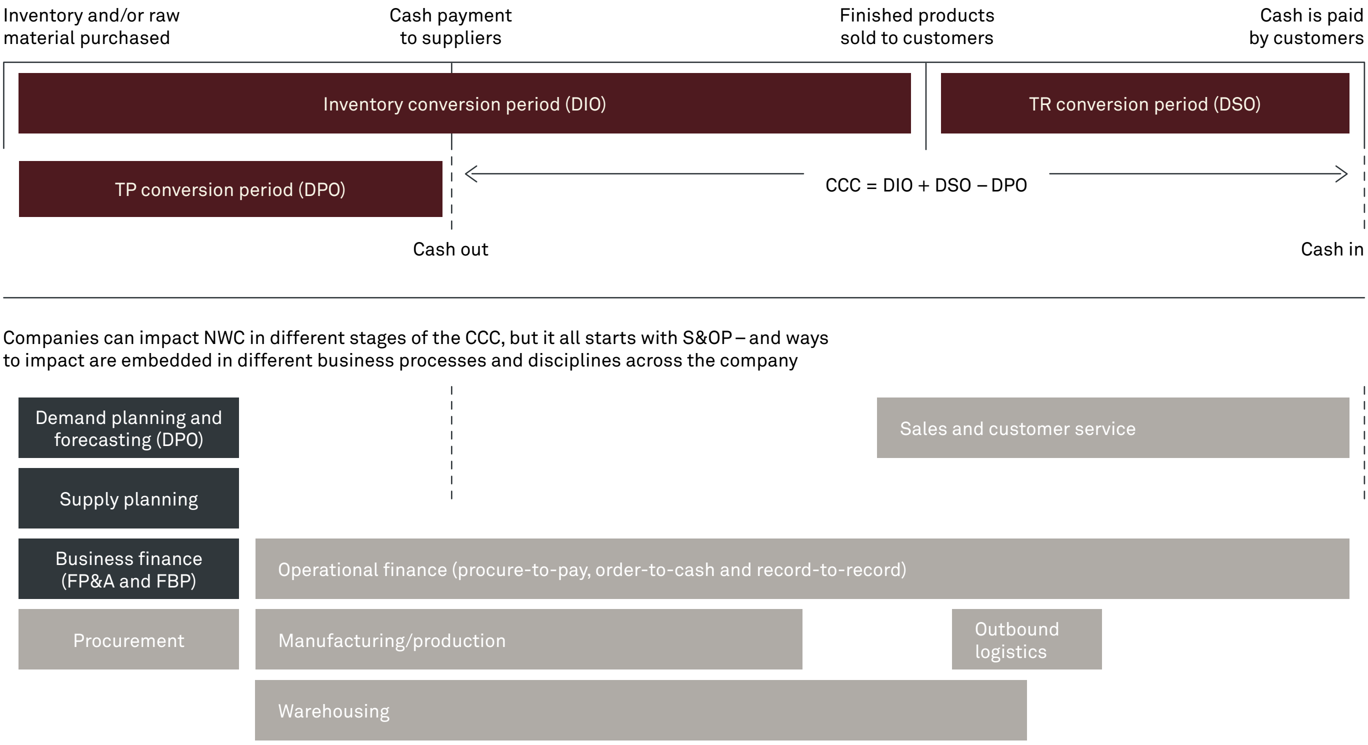
When looking for areas to enhance NWC, companies need to fix the root causes rather than the symptoms

Avoid the trap of treating NWC symptoms rather than root causes. A thorough root-cause analysis is the key to long-term NWC performance improvements. As an example, slow-moving stock or bloated inventory can often be traced back to inaccurate forecasting, unreliable suppliers, long lead times or production inefficiencies. Addressing the root cause leads to sustainable, long-term impact.

Companies that foster a common understanding of NWC (covering management practices, levers and performance) and cross-company collaboration (facilitated by existing processes such as S&OP) streamline NWC management without necessarily adding additional decision forums and meetings. By leveraging existing processes and decision forums (such as S&OP), this proactive approach becomes an important step in ensuring that the right people are discussing the right issues – including NWC management practices and performance.



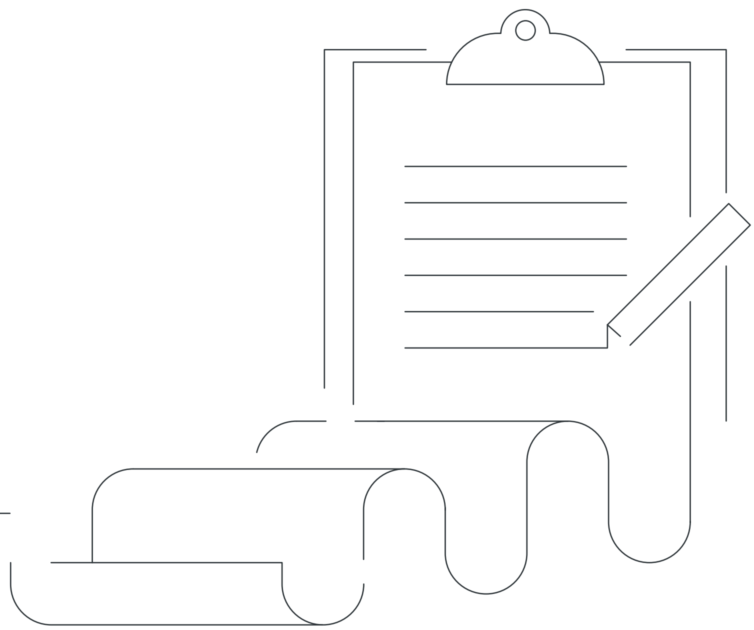
Cash conversion cycle (CCC)



Business processes and disciplines:

- Sales and operations planning (S&OP)
- Supply chain and business operations management, incl. operational finance, sales and customer service

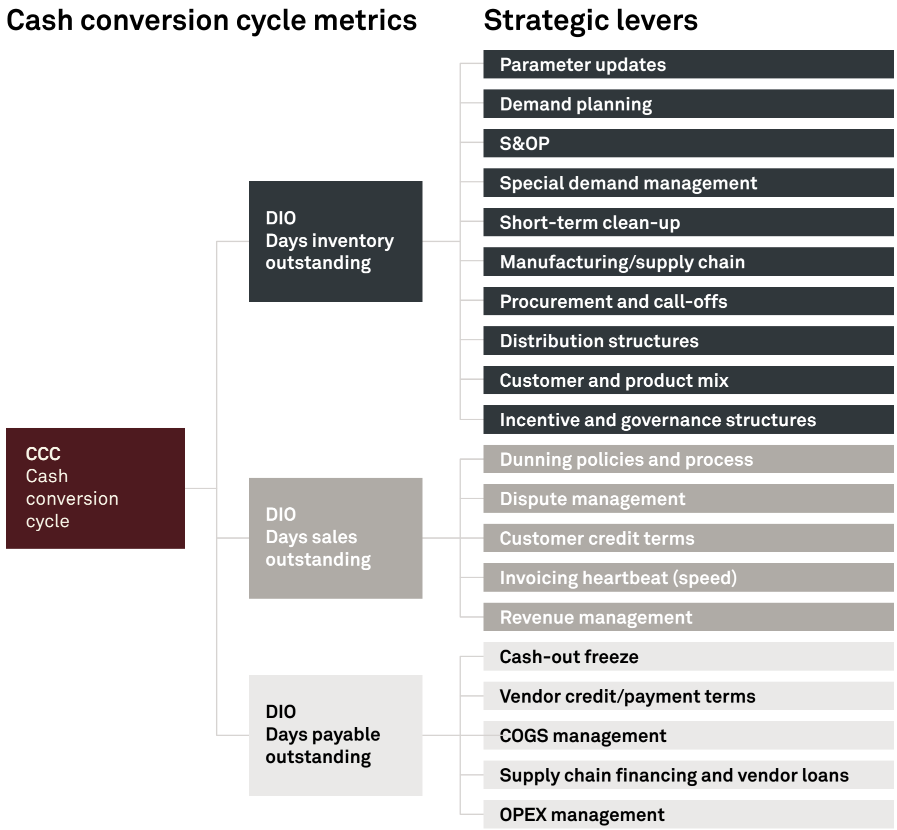
TR: Trade receivables
TP: Trade payables
FP&A: Financial planning and analysis
FBP: Finance business partnering



Companies can approach NWC management and improvement from different angles

Companies can unlock NWC potential by thoroughly analysing each CCC component to identify strategic levers that directly impact cash flow. By designing cross-company improvement initiatives specifically targeting these levers, companies foster a collaborative and focused approach to addressing pains and harvesting potential.

Example



Client reference case

Implement recently enabled a global company to release EUR 980 million in cash to grow the business ...

... by co-creating improvement initiatives linked to the above strategic levers. Through them, the company was on the journey to...

- More than doubling its return on capital employed (ROCE) from 14% to 32%.
- Reducing inventory levels by 46%, lowering trade receivables by 19% and increasing trade payables by 53%.
- Releasing EUR 980 million in cash.

By providing deep insight into the current CCC and improvement potential through benchmarking, we mobilised the company's internal capabilities to run the improvement initiatives in self-managing teams.

This led to a shortening of the CCC, which enabled the business to get access to more internal funds for investment to support business growth.

The seven-week sprint resulted in over 60 initiatives that were rolled out bottom-up to ensure local responsibility and ownership of the NWC agenda.

This roll-out was based on mobilised project teams in company-wide functions to ensure that the client could provide business and technical insight while Implement provided SME and industry experience.

We apply a 6-step approach when helping companies improve their NWC management practice, leading to optimised cash flow

Designing a project organisation to improve NWC management starts with setting the direction from the top and placing ownership of execution with the front-line business.

Implement's approach to improving NWC management practices and cash conversion emphasises the importance of collaborating across business functions and mobilising diverse capabilities to consider aspects of the end-to-end value chain in a cross-company context.

The project organisation

	What and why	How
1	**Set direction and common language for NWC to align on ambition with stakeholders. Ensure governance.**	Define vision and end-state ambition, interview selected markets, plan a roadmap and create a KPI catalogue for NWC management.
2	**Build KPI cockpit and analysis tool to provide high-level indication of improvement potential through benchmarking.**	Conduct external and internal benchmarking assessments on regions, countries and markets, identify outliers and select pilot markets.
3	**Prepare NWC playbook based on SME insights and benchmark analyses.**	Playbook development for target users with root-cause descriptions for change, drivers of NWC and action plan for harvesting improvement potential.
4	**Train local and other releant stakeholders to use the KPI cockpit and NWC playbook.**	Prepare training materials and train relevant stakeholders in how to use the KPI cockpit based on financial KPIs to run change initiatives based on the approach outlined in the NWC playbook.

Operational level – the front-line business

	What and why	How
5	**Local stakeholders outline, plan andexecute NWC improvement initiatives.**	The project organisation supports local stakeholders in a first round of outlining, planning and executing NWC improvement initiatives, using the KPI cockpit and NWC playbook.
6	**Evaluate impact to ensure impact in pilot markets/countries – and provide further adjustment and training, if needed.**	Capture lessons learnt across markets, including low-hanging fruits, and outline actions for the following month etc.

We mobilise a project team of client stakeholders combined with advisors from Implement with relevant and different subject matter expertise

A common pitfall in NWC management and improvement projects is to view it/them solely as a project in the finance and CFO domain. Implement's approach is built on acknowledging the importance of forming cross-company teams with diverse capabilities to consider the entire value chain and end-to-end processes within the company. Cross-company collaboration enables end-to-end thinking in analysis, solution design and implementation, leading to greater and more sustainable impact.

Our 6-step project approach is guided by 5 essential cornerstone principles to ensure impact

1 Focus on ambition

Establish a clear ambition for change, rooted in current pain points or a desire for significant improvement. This creates a burning platform as well as a sense of urgency that motivates people to embrace the transformation and drive meaningful results.

2 Create ownership

Cultivate local ownership of NWC performance in factories/sites. Train dedicated teams to build NWC expertise and create a self-managed community driven by the Kaizen Blitz principles of continuous improvement[1].

3 Co-creative and fact-based approach

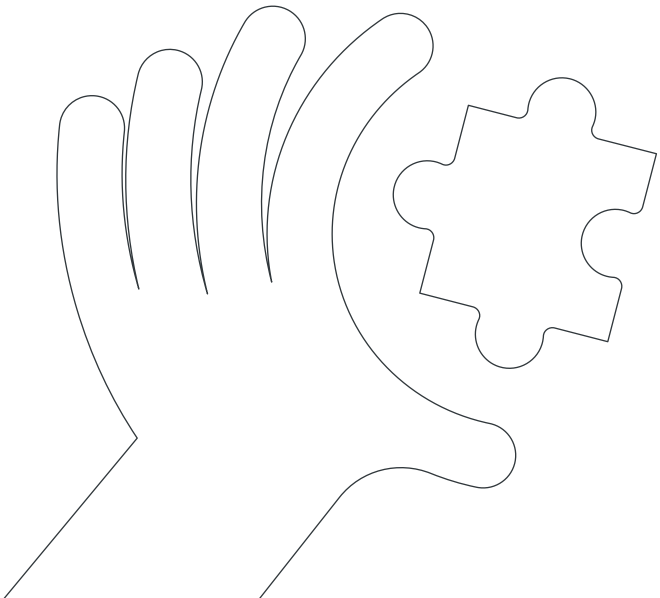
We work closely with local parts of the organisation (e.g. factory sites, legal entities) using a fact-based approach combined with hypotheses to ensure that the focus of the analysis is where the impact is greatest.

4 Hybrid ways of working

Implement is known for its facilitation skills and for bringing energy and engagement into workshops and meetings. Today, digital collaboration is an integral part of this.

5 Quick-wins

We focus on finding quick-wins early on, prioritising them and setting sail straight away. Quick-wins often end up funding a significant part of the project before we start the ramp-down and handover to the client.



1A Kaizen Blitz is a short, focused improvement event to quickly identify and implement changes in a specific area. It uses a team-based, data-driven approach and involves a cross-company team working for a few days using improvement tools to identify areas for improvement and implement changes. The goal is to achieve significant improvements in a short time frame for long-term sustainability.

Our 5 tips for setting up an effective NWC management practice designed to make it stick – and evolve

Set the tone from the top	**Strong NWC management starts at the top. Set cultural ambitions to always improve NWC to ensure that enterprise value is maximised.** NWC is not just the concern of finance and the CFO; it is central to the company's overall financial, operational and commercial health. Executive leadership needs to set goals for improving the CCC.
C-level alignment	**Ensure that the C-level is aligned and has a common NWC ambition. Make sure that incentive structures are aligned.** Inconsistency across the C-suite leads to friction. The C-suite and senior leaders should all agree on what "good" NWC looks like for the company and work together to improve it.
Steer from the NWC cockpit	**Ensure that leaders have transparency and that decisions are data-informed – create an "NWC cockpit" to monitor operational and financial KPIs linked to NWC levers.** You cannot manage what you cannot measure. A clear dashboard (your NWC cockpit) with real-time data on DSO, DIO and DPO performance levers etc. is needed for leadership to have real conversations and make informed decisions.
Local ownership	**Empower local markets to carry out the change – continuously monitor and reward strong NWC performers.** Do not just mandate NWC goals from HQ. Local and regional teams often have better insight into their customers and operational processes. Empower them to identify and implement NWC improvement initiatives relevant to their markets.
Fix the foundation	**Have the underlying technology infrastructure, including master data management control and a common language.** Master data management is critical. It is about standardising the way you refer to customers, suppliers, products etc. across systems to get accurate reporting and make apples-to-apples comparisons.

Chapter 4

AI as an enabler: from enhanced to advanced NWC management

What this chapter is ...

We are exploring the path to advanced NWC management by tapping into the AI journey. Here is what we cover in this chapter:

1. **Artificial intelligence**
   The path to advanced NWC management. Introducing the central role of AI in optimising NWC.
2. **The cash conversion cycle and the enabling role of AI**
   Explains how AI enables improvements in the CCC, including DSO, DIO and DPO.
3. **While AI supports the strategic NWC agenda, it also advances day-to-day operations for long-lasting impact**
   Emphasises the dual role of AI in strategic decision-making and day-to-day operational efficiency for NWC.
4. **With the adoption of AI tools, companies can mature their NWC management practice, going from enhanced to advanced**
   Emphasises the transformative potential of AI in NWC practices.
5. **Accelerating the AI journey**
   An Implement approach. Outlines a structured approach to implementing AI solutions in NWC management.
6. **Reference cases**
   Showcases Implement's proven track record and expertise in effectively implementing AI in NWC management.

Why we included this chapter ...

This chapter is included in the white paper to illustrate how AI is driving a vital evolution in NWC management. It highlights AI's capacity for analysis, forecasting and automation, which increases business resilience and competitive advantage. In addition, the chapter provides a framework for companies looking to embark on their AI journey in NWC management, ensuring efficiency and strategic alignment.

What this chapter reveals ...

1. **The need for a clear, pain-point-driven NWC strategy before embarking on an AI journey**
   Success hinges on aligning AI initiatives with the company's specific challenges and root causes of NWC inefficiencies.
2. **AI implementation requires a structured framework for the best results**
   Emphasises the importance of a well-defined plan, including identifying, assessing and prioritising AI use cases to ensure focused and impactful results.
3. **AI's potential to transform liquidity forecasting (use case)**
   Provides a use case that demonstrates how AI can revolutionise a core aspect of NWC management, leading to improved cash flow and financial decision-making.
4. **The value of a collaborative, tailored approach to AI implementation**
   Underlines the importance of adapting AI strategies to unique company needs, circumstances and the specific NWC components (DSO, DIO, DPO) that require the most attention.
5. **AI drives long-term success in NWC management**
   It is not just about quick-fixes. AI empowers companies to create sustainable improvements in their NWC performance over time.

Artificial intelligence: the path to advanced NWC management

AI is crucial for companies to advance their NWC practices and gain a competitive edge. Specifically, AI enables companies to quickly analyse large data sets, improve forecasting capabilities and automate complex processes. This serves as a powerful resource for maintaining and strengthening resilience and driving business growth.

The cash conversion cycle and the enabling role of AI

NWC is fundamentally measured through the CCC, which includes days sales outstanding (DSO), days inventory outstanding (DIO) and days payable outstanding (DPO). Companies track these KPIs closely to identify performance issues and opportunities for improvement.

AI is essential to advancing NWC management, as it integrates seamlessly with accounting processes. AI enhances decision-making, streamlines operations and accurately forecasts NWC performance based on strategic plans.

By implementing the right AI tools, companies gain a competitive edge through improved financial, operational and commercial performance, fuelled by data-driven insights for sound business decisions.

While AI supports the strategic NWC agenda, it also advances day-to-day operations for long-lasting impact

Implementing NWC management is an ongoing journey, not a one-off fix. While strategy must be set from the top, real change happens down in the organisation and must be executed bottom up.

The previous chapter introduced the Implement operating model framework. Here, we demonstrated how technology (and AI) is a key dimension in enabling and advancing a company's business/ operating model. By implementing the right AI tools, companies can support the company's operating model holistically as well as across the company.

Effectively, AI not only advances the strategic direction but also the decisions and efficiency of day-to-day operations. In effect, AI facilitates real change and ensures that companies create long-lasting impact.

With the adoption of AI tools, companies can mature their NWC management practice, going from enhanced to advanced

With the adoption of AI tools, companies can upgrade their NWC management from enhanced to advanced levels. In today's rapidly changing economic landscape, executive focus on AI and NWC is critical to success. Companies that strategically combine these two areas will have a significant competitive edge.

Join us in the next chapter as we provide the Implement perspective on getting started on the AI journey in NWC management.

AI is high on the executive agenda, but at the same time, most have not started tapping into the key benefits promised by the technology

85%
... of executives plan to increase AI/ generative AI investments in 2024.

10–30%
... of organisations report realising significant financial benefits from AI.

~30–40%
... expected efficiency gains driven by low costs and ease of implementation.

~22%
... of organisations are actively investigating generative AI use cases for finance.

By 2026, enterprises that have adopted AI engineering practices to build and manage adaptive AI systems will outperform their peers in the number and time it takes to operationalise AI models by at least 25%.

– Gartner (2023)

Source: BCG (2024), Infosys (2023), Implement Consulting Group (2023), Gartner (2023), McKinsey & Co. (2023)

Accelerating the AI journey: an Implement approach

Accelerating the AI journey in NWC management requires a structured approach. Implementing the right AI tools at the right time is crucial.

This exercise is challenging because it requires companies to clearly define their scope and carefully identify, assess and prioritise potential use cases where AI can significantly impact NWC management.

Before accelerating the AI journey: define the NWC strategy based on pains and root causes

Before accelerating the AI journey, companies should first define their NWC strategy based on the underlying pain points and root causes.

For example, a company may aim to free up cash to grow its business or free up cash to reduce debt. Others may want to address liquidity issues. These scenarios illustrate different pain points that would dictate the NWC strategy and shape the necessary AI initiatives based on demand.

In addition, it is crucial to identify the root causes of these pain points. A clear understanding of these causes allows companies to address issues more effectively.

For NWC management specifically, the root causes and underlying solutions often lie in one of the CCC components – DSO, DIO and DSO – which should be thoroughly analysed.

At Implement, we work with clients to co-create their NWC strategy, define the pain points and root causes and successfully launch the AI journey.

Getting started with the AI journey: a 5-step approach to planning and implementation

Once the NWC strategy has been defined, companies should start planning and implementing their AI initiatives.

In this context, Implement provides expert guidance on how to navigate the process using our 5-step approach to AI implementation.

This approach is suitable for any company and can be tailored to any AI initiative.

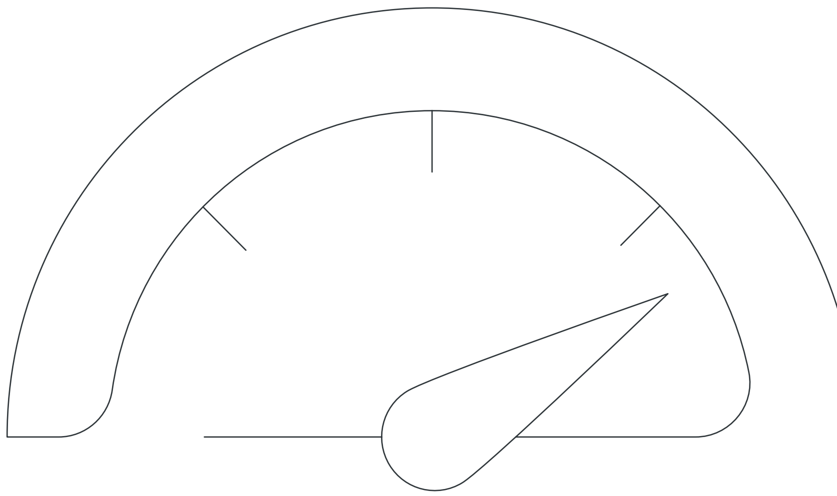
Depending on the identified pain points and root causes, our implementation strategy can be applied specifically to each of the three CCC components – DSO, DIO and DPO – where it makes the most sense for your business conditional aspects of your value chain.

Example of an AI journey: the Implement approach to liquidity forecasting

In the following, we illustrate how a company can accelerate the AI journey in liquidity forecasting.

We start with a hypothetical example of a company facing liquidity issues, where the primary root causes are linked to DSO and DPO.

The specific AI use cases, implementation roadmap and execution strategies will obviously depend on the particular challenges and needs of the company, which should be thoroughly explored through collaboration.



Getting started – or accelerating the journey

Getting started on your AI journey is now more about identifying the first (or next) use case. Depending on your scope, identifying, assessing and prioritising can be done in as little as five weeks. The approach can be based on a simple five-step process that has been tested time and time again and proven to result in high-impact use cases.

0. Preparation

Contextualise business strategy

Align the scope of AI exploration with the overall business strategy.

Understand the strategic goals and objectives that AI may be able to help achieve.

1. Ideation

Identify use cases that align with the AI vision

Outline potential solutions that are in line with the overall business strategy.

Identified solutions that are not in line with the overall vision are deselected for further description.

2. Assessment

Assess use cases by impact on ease of implementation

Evaluate the potential impact of use cases, typically cost reduction, revenue stream or customer experience.

Evaluate secondly by time or ease of implementation.

3. Prioritisation

Cluster and prioritise use cases

Group initiatives based on common themes, spin-off effects or natural development.

Prioritise based on alignment with the overall business goals.

4. Execution

Develop MVP and scale solution to realise full impact

Get started! Test an MWP (even a non-AI version may work initially).

Learn continuously in short feedback loops and improve the solution in order to prepare for a broader rollout.

The AI roadmap: example of ideation, assessment and prioritisation of use cases in NWC management

In our example, the company is experiencing liquidity issues, specifically related to DSO and DPO. Consequently, the company is exploring its NWC strategy, which is primarily aimed at optimising trade receivables and trade payables in the short term and continuously improving the CCC in the long term.

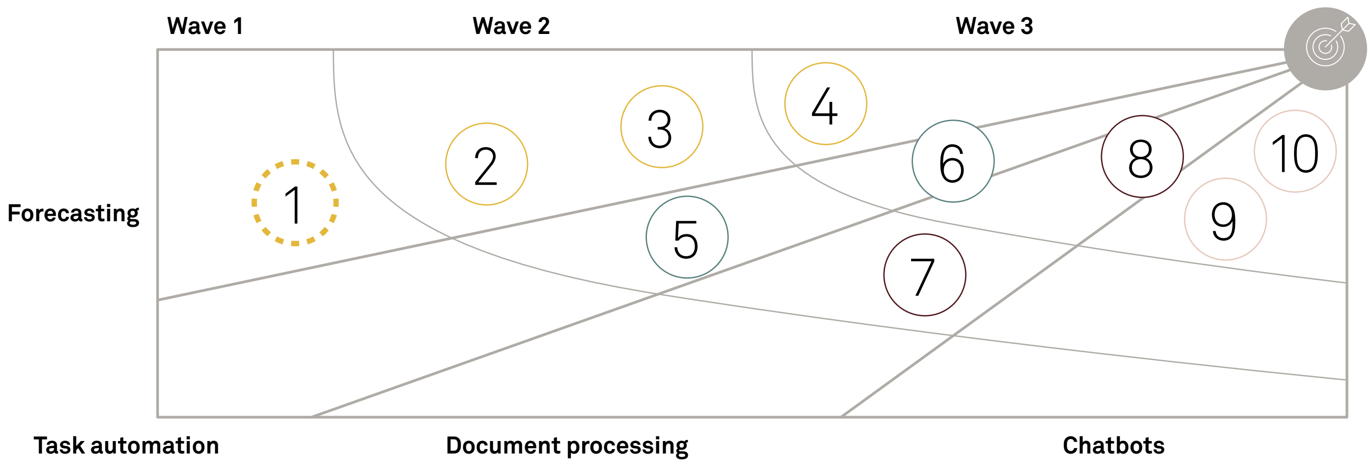
Based on this NWC strategy, ten AI use cases were identified in collaboration with relevant stakeholders. These use cases were then evaluated and prioritised in an implementation roadmap.

The ten AI use cases and the implementation roadmap are found below. It is important to note that these are only high-level illustrations and would require a more thorough discussion and assessment in a real case.

Examples of AI use cases through an ideation workshop

Forecasting	1	Liquidity forecasting based on trade receivables and trade payables	2	Demand forecasting, including use of external factors
	3	Supply forecasting, including use of external factors	4	Cash conversion forecasting based on DSO, DIO and DPO
Task automation	5	AI assistant to handle trade receivables in a timely manner	6	AI-based root-cause analysis of each component of the CCC
Document processing	7	Reviewing and screening payment terms with customers and creditors/vendors	8	Automatically draft contracts and payment terms for creditors/vendors
Chatbots	9	NWC management chatbot to help analyse performance	10	Chatbot for customers and vendors regarding payment terms

AI implementation roadmap based on assessment and prioritisation



1 AI execution strategy: example of executing liquidity forecasts to optimise NWC management

Once the implementation roadmap is established, the company should develop an execution strategy for each of the AI use cases. This requires a structured approach, starting with the first wave of the implementation roadmap.

Given the AI use cases, it is crucial to identify the primary forecasting objectives, key subcomponents and forecasting components for the AI model. This step also involves assessing the potential of AI forecasting and the modelling approach and assigning responsibilities.

Below is an illustration of what the execution strategy for liquidity forecasting might look like. Please note that this illustration is once again a high-level representation and should be adapted to reflect the specific aspects and challenges faced by any company. This adaptation requires an outside-in perspective and careful consideration and should be discussed with relevant stakeholders.

Deep dive: example of an execution strategy for liquidity forecasting

Level 1 Primary forecast objective	**Level 2** Main subcomponents	**Level 3** Forecast components	**AI forecast potential**	**Modelling approach**	**Explanation**
Liquidity	Trade payables	Quantity of RM purchased	✓	Forecast quantity sold (linear/ neural network)	• The amount sold can be forecasted using standard or more advanced methods as needed. • The individual companies are most likely to be making sales forecasts today, and we recommend relying on these.
		Price of RM purchased	✗		• The accounts receivables payment terms are set out in contracts and can be taken as given. • We assume that the payment terms for future contracts are identical to the current payment terms.
		Payment terms	✓	Estimate probability that customer will deviate from standard terms Forecast number of days paid earlier/later	• As a default, we assume that customers will use the payment terms fully (e.g. pay after 60 days if this is in the contract). • Model the probability of divergence from the above. • Multiply the probability of divergence from the above.
	Trade receivables	Deviation from standard terms	✗		• The accounts receivables payment terms are set out in contracts and can be taken as given. • We assume that the payment terms for future contracts are identical to the current payment terms.
		Payment terms	✗		• Forecasting prices on raw materials is speculative, so we recommend assuming that the future raw material price is equal to today's price.
		Amount sold	✓	Forecast purchase orders sizes	• The amount of RM (raw materials) purchased is a function of current inventory, sales forecast and inventory control parameters. • The RM purchase order pattern can be extracted from most ERP systems, and we recommend extracting from these.

Reference cases:

The AI journey through real-life cases

At Implement, we have a proven track record of helping companies improve their NWC management and related AI implementations. Whether your goal is to free up cash to grow, free up cash to reduce debt or meet other objectives, we help you successfully navigate the process.

As a trusted conversation partner, we help you define your NWC strategy, prioritise AI use cases and develop an execution plan. Here is a selection of three cases we find relevant in the context of our white paper:

Case:

Matching supply and demand – rebalancing purchase orders in a large retail network

Implement recently helped an international retailer improve its inventory turnover by balancing technical difficulties and designing an AI algorithmic approach.

The company was experiencing significant issues with its DIO that were negatively impacting the CCC. Specifically, purchases were made from Asian manufacturers six months in advance, while a large number of cancellations from customers caused inventory to be stuck in retail stores across Europe. In response, the company needed a sophisticated AI algorithmic solution to realign supply with demand and, consequently, improve inventory turnover.

With a short timeline in scope, Implement worked closely with the company and managed to:

- Implement the new concept in time for the important Christmas campaign.
- Avoid out-of-stock situations on key categories in central markets.
- Set up automated dataflows of a new allocation model, allowing the execution of the model to be repeated.

Case:

Demand forecasting for a global jewellery retailer

Implement helped a global jewellery retailer improve its demand forecasting model to increase accuracy and reduce complexity.

The previous forecasting model had several flaws that led to inventory being tied up in the CCC. In particular, the model was based on an arbitrary approach and operated in isolation within nine distinct clusters. Consequently, the company needed a new algorithmic demand forecasting solution that would streamline the company's processes.

During the project, Implement developed a new AI-driven system that enabled the company to:

- Align the organisation's data structures through the construction of a centralised setup.
- Utilise advanced AI functionalities, such as forecasting accuracy and controlling data flows.

Case:

Centralising sales forecasting to reduce food waste at a large retail bakery chain

Implement enabled a large retail bakery chain to develop an AI-based sales forecasting model from the ground up, which helped to free up cash and optimise ordering processes.

Before the project, the retail bakery chain's store managers relied on manual orders based on a simple estimation guideline. This approach resulted in inventory being overstocked and considerable daily food waste, which had a negative impact on the CCC.

By collaborating with Implement, the company established a new AI-based model to:

- Manage daily orders for more than 500 products across 100 stores while monitoring waste.
- Optimise efficiency by enabling store managers to focus on sales instead.

Accelerate your AI journey in NWC management
Implement has a long history of working with NWC management and AI implementations. Regardless of your end goal and pain points, we can help guide you through the entire process.

Explore Implement's latest thinking and more reference cases on our website.

Are you ready to transform your NWC management practices into a strategic growth engine, freeing up cash *and* boosting business resilience?

At Implement, we match business disciplines and processes with subject matter expertise when helping clients optimise their NWC and set up an effective NWC management practice

Core and upstream business disciplines and processes at a glance, including enabling capability areas directly or/and indirectly associated with effective NWC management matched with Implement's areas of expertise.

Implement's areas of expertise and passionate consultants:

The key questions that we help companies answer by helping them implement effective change initiatives leading to impact:

Operations and efficiency	How can we do what we do today smarter, faster and better tomorrow?
AI, digital and infrastructure	How can we rewire the core of our business and tap into the digital age?
Leadership and change	How can we create organisations that are fit for humans and fit for the future?
Growth and innovation	How do we create systemic growth and develop speed and entrepreneurship in all parts of our organisation?
Strategy and transformation	How can we set the strategic direction for the business and make choices that create real impact?

Contributors to our white paper from Implement across consulting practices and CXOs interviewed

Authors and research team

Frederik K. Harboe
Business Performance, Finance Strategy & NWC Excellence
fhar@implement.dk
+45 3025 3268

Christopher Lim
Business Performance,
NWC Excellence & Risk Transformation
chri@implement.dk
+45 6054 5625

Jacob Korsgaard
Business Performance, NWC Excellence, Risk Transformation
jack@implement.dk
+45 5221 6447

Gudbjörg Erla Ársælsdóttir
Business Performance
Financial Modelling, Risk Transformation
guar@implement.dk
+45 5221 6297

CXO and industry professionals interviewed (externals)

Wasiem Husain
BioMar Group,
Vice President, Strategy,
M&A & Business Development

Jacob Schambye
Hager Group,
Chief Commercial Officer (CCO)
and Senior Vice President

Bjørn Reinhard Mogensen
KK Wind Solutions,
Chief Financial Officer (CFO)

Subject matter and industry experts interviewed

Nicolai Steen Worziger
Business Performance,
E2E Transformation & EPM
nswo@implement.dk
+45 5159 3913

Christian Salling
Business Performance, E2E Transformation & Finance Strategy
chsa@implement.dk
+45 6120 4719

Tobias Søndergaard
Business Performance,
Gen AI & Data Enablement
tobs@implement.dk
+45 2618 7793

Henrik Gudiksen
Business Performance,
Finance Strategy & Transformation
heng@implement.dk
+45 3093 6952

Peter Pontoppidan
Business Performance, E2E Transformation & Finance Strategy
pepo@implement.dk
+45 3093 4768

Tue Herlevsen
Planning Excellence,
Operational Excellence
tuhe@implement.dk
+45 2085 8031

Morten Søndergaard
Commercial Transformation, Life Science Commercial Transformation
msg@implement.dk
+45 2338 0080

Henrik Nielsen
Operations Strategy,
Pharma & Life Science
heni@implement.dk
+45 6128 7221

Martin Schøller
Operations Strategy, Supply Chain Strategy & Transformation
mas@implement.dk
+45 2566 5193

Castor Valbum Rasmussen
Operations Strategy,
Digital Supply Chain
cara@implement.dk
+45 5221 6031

Michael Leck
Operations Strategy,
Industrial Operations
mle@implement.dk
+45 2338 0027

Fredrik Åberg
Operations Strategy, Supply Chain Strategy & Transformation
frab@implement.se
+46 73 078 79 63

Mark Schiller
Operations Strategy, Supply Chain Strategy & Transformation
mars@implement.se
+46 72 319 58 20

Anders Kjellberg
International Business Transformation,
Operations Strategy
akje@implement.se
+46 73 867 05 23

~~Cash~~
Change is king!

Start with people
Lead with curiosity
Connect with your inner nerd
Love to help
Own the energy
Embrace the irregular
Find your way
Live