

CHAPTER 19

What now? - Financials - Cash Flow Management and Working Capital Efficiency

What	Build a Real-Time Cash Flow Intelligence System
Why	This step creates the visibility required to prevent cash surprises—the #1 killer of scaling companies.
Background	Scaling companies die not from lack of profit, but from lack of cash. The first move is to eliminate lag, opacity, and manual reporting.
How	<p>Implement a 13-week rolling cash flow forecast updated weekly.</p> <p>Build dashboards that show daily cash position, cash conversion cycle, and working capital drivers (DSO, DPO, inventory days).</p> <p>Require every department to link their operational decisions to cash impact (e.g., sales terms, procurement cycles, hiring timing).</p> <p>Replace monthly financial reviews with weekly liquidity reviews tied to Leading Indicators.</p>

What	Aggressively Compress the Cash Conversion Cycle
Why	This step frees trapped capital and converts operational efficiency into financial firepower.
Background	Working capital efficiency is the fastest, cheapest source of capital during hypergrowth. The goal is to shorten the time between cash out and cash in.
How	<p>Reduce DSO by tightening payment terms, enforcing upfront deposits, and automating invoicing + collections.</p> <p>Extend DPO strategically by renegotiating supplier terms without damaging relationships.</p> <p>Implement just-in-time inventory or demand-driven replenishment to reduce cash trapped in stock.</p> <p>Tie sales compensation to cash collected, not just revenue booked.</p>

What	Create a Cash-First Operating Model That Governs Every Decision
Why	This step ensures cash becomes a strategic weapon, not an afterthought.
Background	Cash flow must become the organisation's primary operating constraint—not revenue, not margin, not headcount.
How	<p>Require all major initiatives to include a cash impact analysis before approval.</p> <p>Introduce a Cash Gate in the Execution Rhythm: no project moves forward without a clear cash plan.</p> <p>Link WIGs to cash outcomes (e.g., “Reduce DSO by 15 days,” “Increase prepaid revenue by 20%”).</p> <p>Train leaders to think in terms of cash velocity, not budget compliance.</p>



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What	Build Structural Liquidity Resilience
Why	This step ensures the company can absorb shocks without slowing execution.
Background	Hypergrowth amplifies shocks. Liquidity buffers and working capital discipline protect Velocity when the unexpected hits.
How	<p>Maintain a minimum 90-day liquidity buffer (aligned with Chapter 16's resilience architecture).</p> <p>Build a Working Capital Playbook that defines immediate levers to pull in a downturn (collections sprints, expense freezes, vendor renegotiations).</p> <p>Stress-test cash flow quarterly using scenario planning ("What if revenue drops 30% for 90 days?").</p> <p>Diversify revenue timing through prepaid contracts, subscriptions, or multi-year agreements.</p>

What	Integrate Cash Flow Into the Execution Architecture
Why	This step makes cash flow a living part of the operating system—not a finance department artifact.
Background	Cash flow discipline must be embedded into the same rhythms that drive strategy, culture, and velocity.
How	<p>Add cash flow KPIs to Daily Huddles (e.g., collections status, critical payments).</p> <p>Review working capital metrics in Weekly Reviews and tie blockers to SOP updates.</p> <p>Include cash flow scenarios in Quarterly Planning and align capital deployment with ROE (Return on Execution).</p> <p>Present cash flow health and working capital efficiency as core metrics in Board Meetings to reinforce governance discipline.</p>

Closing Thought This plan turns into a financial engine that supports: Velocity, Resilience, Systemic Gain, and Freedom Earned.

