

PROCESS FLOW ACCELERATION MECHANISM WITH A DIRECT IMPACT IN THE COMPANY'S WORKING CAPITAL

Maria Georgiana PONEA¹, Marilena ENE²,
Ioana Antoaneta PONEA (DINU)³, Ionel DINU⁴

Abstract. *In a rapidly changing business environment, one of the challenges that a multinational company faces is the investment decision in working capital, as it does not directly earn profits. Therefore, one of the areas that the Finance Manager is concerned with is reviewing the accounting strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities, to ensure the most efficient operation of the company. Looking at the current assets structure, it is important to analyze the way in which the company manages the “best level” of accounts receivables, as the higher they are, the more cost is incurred, both in terms of the interest cost and in terms of the greater risk of losses through bad debts. A strategic process flow to help the cash collections by using the right acceleration mechanisms will have a critical impact in the company's working capital. Successful completion of each business process step depends on the successful completion of the previous steps. A common understanding and execution of accurate and critical information being captured throughout the end-to-end process is critical in ensuring a quality invoice being generated and on due time collection. Internalize the key drivers for success for each major business process and think about its implications to an accurate and timely invoice and consequently our cash collection. At each point of performing a physical activity, critical information will need to be captured and communicated to key stakeholders in the invoicing process. As Key Performance Indicators are the measurable values that demonstrate how a company is achieving the key business objectives, from a billing and collection process standpoint we are using the following two drivers: Days to Invoice (DTI) and Days Sales Outstanding (DSO). For years, the firms have relied on basic desktop publishing and spreadsheet programs to keep track of their data with basic spreadsheets, but now dedicated Business Intelligence platforms are affordable and many times more powerful than a spreadsheet for analyzing and understanding business data needed to make key decisions. There are several reasons that business intelligence, or BI, is an indispensable asset to a modern organization. One of them being that BI improves the visibility of core business components and makes it easier to see each component part of a business, including those that are often overlooked. Consequently, we can more easily identify components that need improvement and to make changes with the goal of optimizing working capital.*

¹PhD Stud, IOSUD-SDSEU, Valahia university of Targoviste, Targoviste, Romania (georgia_ponea@yahoo.com).

² PhD Stud, IOSUD-SDSEU, Valahia university of Targoviste, Targoviste, Romania (e-mail: marilena.enne@gmail.com).

³PhD Stud, IOSUD-SDSEU, Valahia university of Targoviste, Targoviste, Romania (radoo_oana@yahoo.com).

⁴PhD Stud, IOSUD-SDSEU, Valahia university of Targoviste, Targoviste, Romania (ionel.dinu@unipet.ro).
