THE CASH CYCLE: CONNECTING THE DOTS END-TO-END

One can argue that the end-to-end process view of things does not come naturally to finance and accounting (F&A) people. These dedicated professionals are often focused on specific work areas or tasks in the accounting and finance functions that are geared above all to meeting statutory compliance regulations and adhering to management accounting deadlines. Then there are the missions of managing the cost structure, building and consolidating budgets, revising performance forecasts, general accounting, and all the tasks involved in commercial transaction processing, particularly accounts payable (AP) or accounts receivable (AR). Those are just the most obvious.

Discrete task areas, say, payables processing, exists within the end-to-end process called procure-to-pay (P-to-P). But it’s not all that uncommon to find that AP teams do not regularly collaborate with their counterparts on the procurement side to diagnose and address root causes of frictions or errors that cause sub-par process performance across the board.

Then again, the AP team may have minimal process-improvement collaborations with the cash management group, which tends to focus externally on cash flow forecasting, FX transactions, short-term investing/borrowing, payment systems, among other things. But one can easily imagine how continuous inefficiency in AP, or AR for the matter, can have a big impact on the work done in treasury management.

THE CORPORATE CASH CYCLE

The question is: what can leaders do to get discrete functional teams to think in terms of end-to-end process management? APQC’s Process and Performance Management research group devotes itself to the principles and practices of business process management (see APQC’s Knowledge Base).

A simple suggestion that may be helpful to F&A leaders building knowledge development agendas for entry-level F&A staffers: you’d be well-served by including in training regimens an end-to-end view of the corporate cash cycle, which starts with investing cash in capabilities needed to build and/or serve customers, AP paying for whatever has to be procured, and ends with AR collecting bills owed by customers or otherwise receiving cash infusions.

The Cash Cycle

![The Cash Cycle Diagram](image)

Figure 1
The cash received from customers cycles back around to fund new purchases of raw materials and components and services that power the continuous operation of the value chain. The cash management group, meanwhile, enables the cash cycle in parallel tracks.

It’s often very important for all groups involved—the AP people processing invoices, the AR people sending bills to customers and managing collections, and the treasury staffers actually managing the corporate bank accounts—to understand what upstream or parallel issues may cause problems in their own areas of activity.

The goal of taking a process view is to enable people to collaborate in hunting down the root causes of process bottlenecks, transaction errors, or unreliable forecasts of both balance sheet and P&L items.

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