

Understanding The Financial Impact Of Operating Decisions

Managers make decisions every day that have an impact on the company's financial performance. Reputable companies that went bankrupt during the financial crisis between 2007 and 2009 might have escaped that fate if managers had seen problems arising soon enough to take corrective actions to preserve the firm's cash, and ultimately, its solvency.

In this course, learners will learn how common management decisions related to inventory, marketing, sales practices, procurement and others can stress company cash flows. With deeper insight into the relationship between Working Capital and Working Capital Requirements, managers will better understand the impact their decisions have on company Profit & Loss (P&L) statements.

Developed in Partnership with



Learners will:

- Analyze company Profit & Loss (P&L) statements to calculate and trend the gap between Working Capital (WC) and Working Capital Requirements (WCR)
- Recommend actions that consider cash flow management customer service, cost and risk to optimize working capital performance
- Pursue creative approaches to improve the organization's cash positions, including suppliers' terms and processes for receivables

Author



Ahmad Rahnema Alavi

Deputy Associate Dean for Faculty, Director of Financial Management Department and holder of the Fuel Freedom Chair for Energy and Social Development at IESE

Course Outline

WEEK 1

Working Capital and Working Capital Requirements

- Diagnosing the Problem at Fiction Entertainment
- Characteristics of Working Capital
- Elements Making Up Working Capital Requirement
- Managing the Gap Between WC and WCR

WEEK 2

Growth and Financial Needs

- Working Capital Requirements At Fiction Entertainment
- Exploring Sources and Uses of Funds
- The Everyday Decisions That Impact WCR

WEEK 3

Funding Seasonal Needs

- Unexpected Consequences at Toy World
- Risk Implications and the Need for Additional Information
- Reviewing the Numbers
- The Financial Consequences of Operational Decisions

WEEK 4

Unintended Financial Consequences

- Conducting Useful Financial Planning and Forecasting
- A Marketing Strategy At Ceres Gardening Drives Successful Growth
- Meeting the Covenants of Financing Agreements

WEEK 5

Management of Accounts Payable

- Introduction to Carrefour
- Excess Cash at Carrefour
- Evaluating Outside Influences