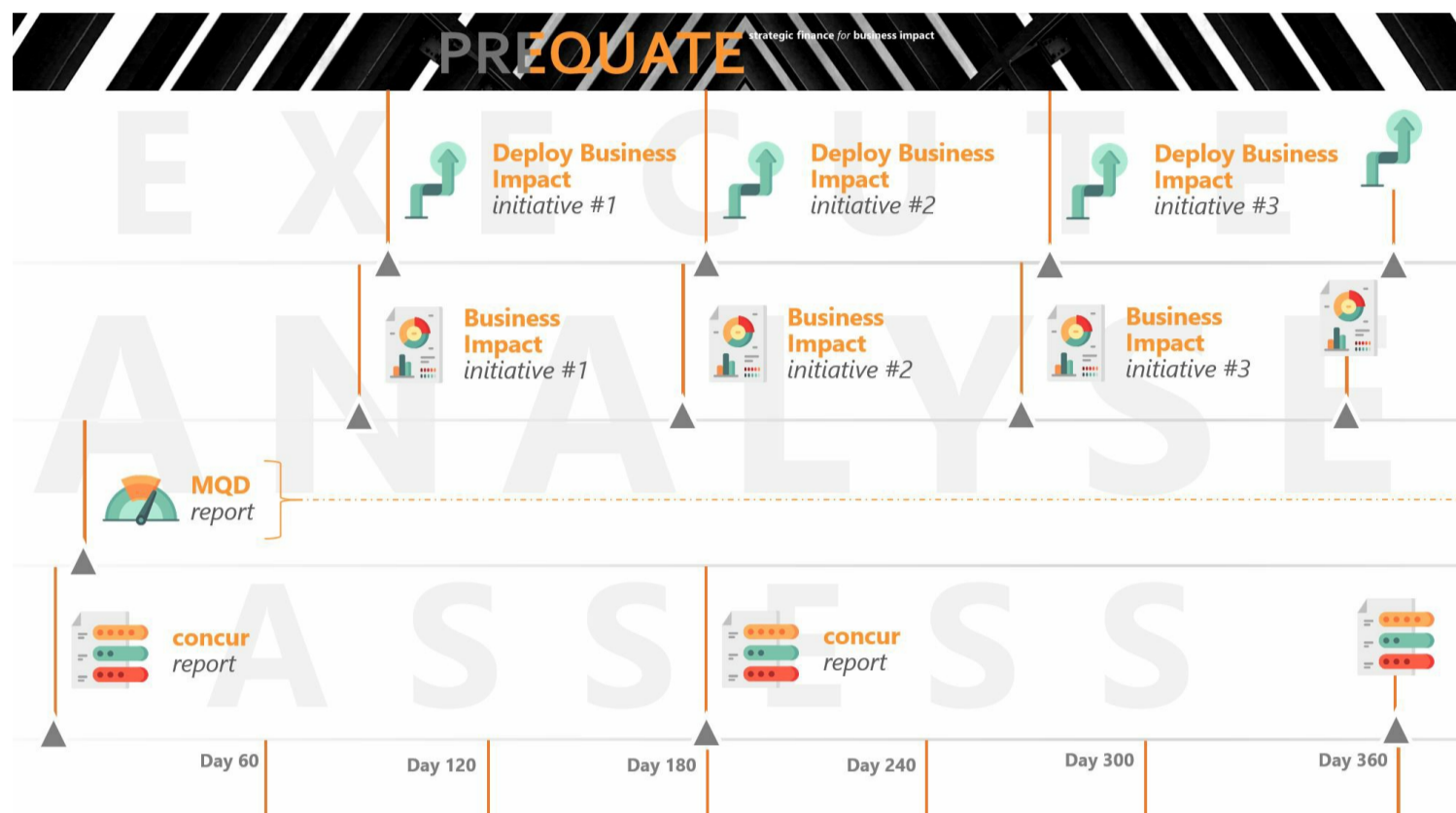


# Can an SFO add 5% to your bottom-line by rethinking your receivables?

## Overview

Marquee while growing YoY had been suffering from a common problem - growing working capital outages despite being profitably run. As a company in the growth stages, the cash flow challenges tend to become a hindrance to service more accounts and take key resourcing decisions. While the Income statements looked sound, dealing with cash flow shortages were a bi-monthly affair. **Prequate's** approach of merging management practices to finance and solving problems in a manner that is sensitive and understanding of the business and what makes them unique made the difference.

*\* Considering the nature of our work, few names and non-integral specifics have been changed to honor commitments of confidentiality.*



Prequate's Strategic Finance Office Model

## Marquee\*, Inc.

Industry: Information Technology  
Location: United States, Canada, India  
Size: 1,000+ employees

### Company Bio

Marquee\*, Inc. ('Marquee'), was a growing 5 year old company having 20% YoY growth while adding new accounts. The company was able to maintain an industry leading PAT margin of 20%+. They have a functioning Finance Team of 15 members with the VP of Business playing the role of a CFO as well. Marquee had its development centre in India while headquartered in California.

"[Prequate] helped us get out of the perennial cash flow cycle. At a time when we thought borrowing was the only option, they were able to demonstrate how we can get out of it once and for all".

- Andy Rodley  
President & CEO  
Marquee, Inc.

What did it mean for Marquee?	DSO reduced by	Cash released on working capital	Net savings annualized of over	RTO increased by	initiatives deployed in under
	<b>32%</b>	<b>\$320k</b>	<b>\$120k</b>	<b>47%</b>	<b>90 days</b>

## The Challenge

Over a period of time, the company had grown familiar with the age old mantra - follow-up = payment. Hence, the solution was more follow-up = faster payment. But this is easier said than done. In our experience of working with over 200 businesses, this works only in 30% of the businesses and is a short-term fix. In order to get out of the people dependent cycle, the business needed to be looked at differently - at what made it unique. The company relied on continuously utilising the banking facilities to manage cash flow needs continually.

Enter **Prequate**.

## The Approach

Marquee hired **us** under the SFO model to help them understand how this problem can be fixed. Over the next 3 months **we** observed that the company was averaging a DSO of between 50- 60 days. While this was a standard across many industries, in a services company, it can be major cash draw from the system. Project managers, when asked for the reason for long delays in their accounts, responded that they have asked Finance team to make the follow-ups more aggressive. Finance team on the other hand, countered saying that they were not getting a response on follow-ups and had not recourse but to wait. A typical problem of working with international customers, they both said. For a company of Marquee's size, any improvement in DSO could lead to an easy success if things were improved.

**Step 1 Track and trail DSO** across all clients and understand the payment terms agreed in the SoWs.

**Step 2 Compute the cost of the DSO** and the impact that improving DSO can have on the business and whether there was a problem worth solving

**Step 3 Understand the cycle** across all projects from the time revenue is earned to when it is collected and **draw up a time-casting sheet**

"A business is made of it's people. Understanding that also means that knowing carrot and stick approaches do not necessarily work. Enrolling stakeholders is a key element to any transformation and goes beyond anything number crunching can deliver".

- Pradyumna Nag  
Director

## The Solution

At this stage, **we** began to realise that the company, had a scope of improvement in:

1. Time from recognition to invoicing **+10 days**
2. Time from invoicing to confirmation for payment **+7 days**
3. Time from confirmation to first follow-up **+5 days**
4. Time from follow-up to collection **+5 days**

Easier said than done, these changes cannot be implemented without the support of the entire eco-system - project managers, heads of business and the finance team. Changes come when you become cognizant of the people element of the business.

Once the understanding stage and casting workings were prepared, we planned for a joint meeting with all these stakeholders. Before the meeting, the prep work to make changes was initiated.

- Step 4** While the best industry practices were already planned, the main task would be **enroll all stakeholders** on to a few important points:
1. DSO is an important factor for the company
  2. Each of you can influence the DSO in your own way because of the relationship you maintain with your accounts
  3. What can you do to help?

Giving people the autonomy to find a solution that works for them is a key element of an exercise like this. All 3 stakeholders came up with solutions that they felt would work. They ran them through the Prequate team who facilitated an unbiased conversation and gave them examples of most effective industry practices.

**Step 5 Create incentive structures** by adding DSO of their accounts as a key part of their OKRs and provide them with a support system to be able to bounce off challenges if they come up.

**Step 6 Celebrate small improvements**

## The Results

The company was able to carve together a whole month of cash flow from effective receivable management. Added to this, their exposure to interest rates reduced significantly and they were able to make short-term liquid investments to boost profits from the additional cash float.



## About Prequate

The Prequate approach works on the foundation that transformation is possible from the tangent between management and finance. Accordingly, Prequate's DNA is made by experience spanning assurance, accounting advisory, taxation, corporate finance & investment banking and entrepreneurship (as most of the team has had an entrepreneurial stint of their own in their career). **Strategic Finance** to create **Business Impact** through execution driven support.

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