



CASE STUDY: CASH FLOW IMPROVEMENT

WHOLESALE DISTRIBUTOR SOLVES CASH FLOW PROBLEMS IN **6 MONTHS**

Asking the Hard Questions

A regional distributor needed help evaluating their financial results. They were showing solid profits, but cash flow was tight, and the owner could not take cash out of the business. How could they improve their cash position while continuing to focus on generating revenues?

Giving Honest Answers

EKS&H confirmed that the performance metrics in place to operate and manage the business were focused exclusively on revenue and profitability. Business unit managers were being rewarded solely on the basis of their departments' profitability, and were not being held accountable for performance measures related to the balance sheet or cash flow. As a result, mismanagement of inventory and capital equipment expenditures was eating up cash.

We educated the management team about the drivers of cash flow and expanded the focus of their key performance indicators beyond the income statement. We worked with them to develop action plans to reduce and monitor inventory levels as well as modify the executive compensation plan to be tied to balance sheet condition as well as income statement performance.

Providing Actionable Solutions

With a new understanding of measuring financial performance, the management team remedied their cash flow problems in six months. By focusing on the balance sheet and cash flows in addition to profitability, the company is now generating more cash, and the owner is taking cash out of the business to diversify his personal wealth.

EKS&H

Talk to an EKS&H Business Consultant today: **303.740.9400**

DENVER • FORT COLLINS • BOULDER