



Free Cash Flow Quick Strike

Tough Situations Call for Swift, Deliberate Actions

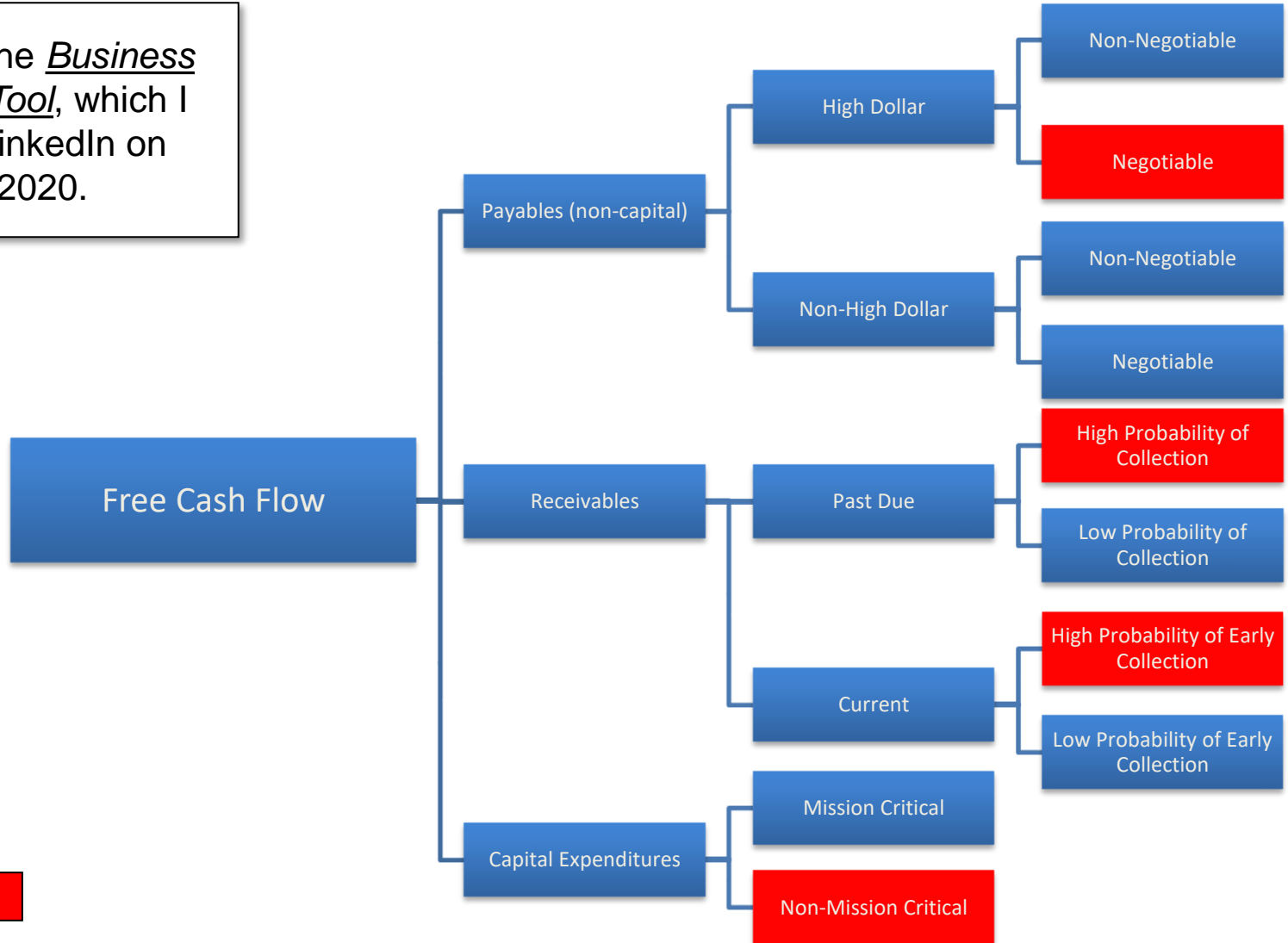
Rowland Chen

April, 2020

3. Deliberate and Swift Cash Flow Management

An Essential Factor to Thrive

Recall from the Business Awareness Tool, which I posted to LinkedIn on 04/06/2020.



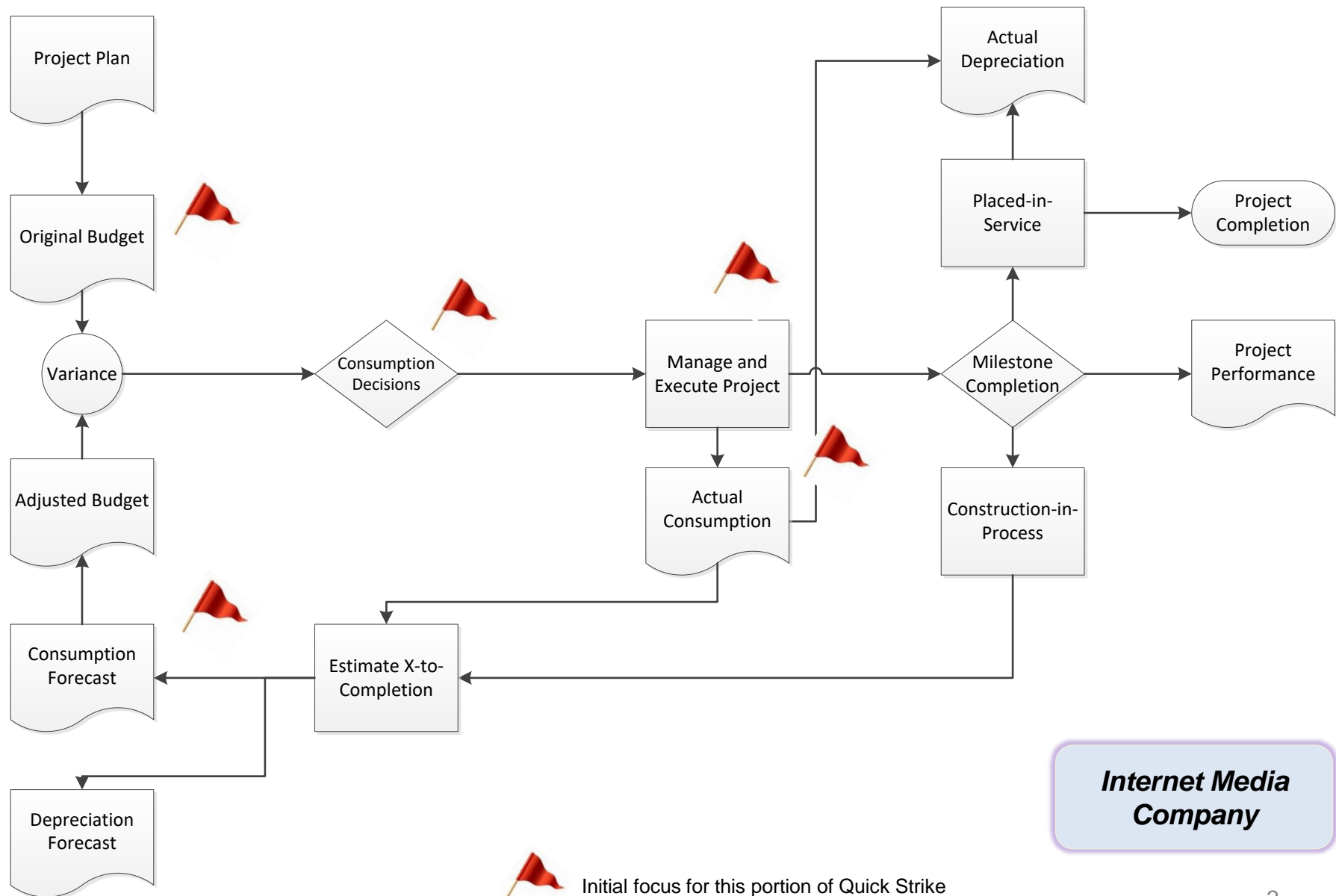
Higher Priority

Illustrative

The Cash Flow Situation at a Previous Client

- Global Internet media firm constructing multiple major data centers (**capital projects**)
- **Budgeted \$400 million** annual capital expenditure (Capex)
- **Over spent by \$300 million** (\$700 million total) – bleeding cash
- **No one knew why** there was a 75% variance
- What was done:
 - Executed project to implement **Capex control process and system**
 - Executed **“Free Cash Flow Quick Strike”** to reduce actual Capex (cash outflow)

As Designed, Capital Expenditure Management Process

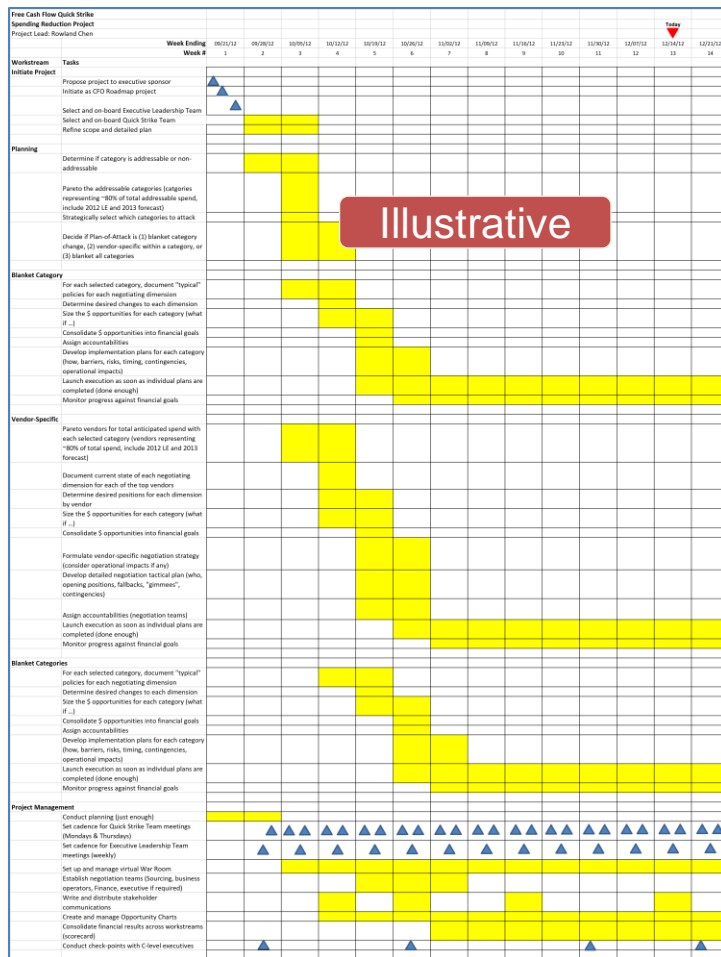


Free Cash Flow Quick Strike Project

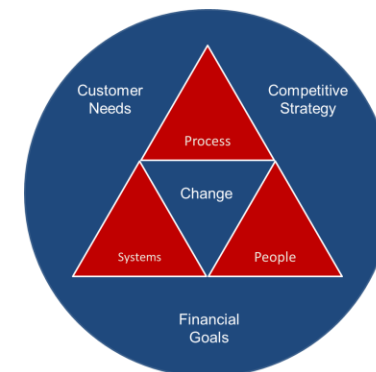
- **14-weeks** in duration
- **CFO** sponsorship
- **Led by Finance**, not Procurement
- Two-prong attack:
 1. **Top 5 vendors**
 2. **Top 5 categories** of spending
- Managed as a self-contained **project with specific targets** (versus an open-ended activity)
- A series of **renegotiations** with vendors
- A major effort to **re-budget** capital projects

Free Cash Flow Quick Strike Project

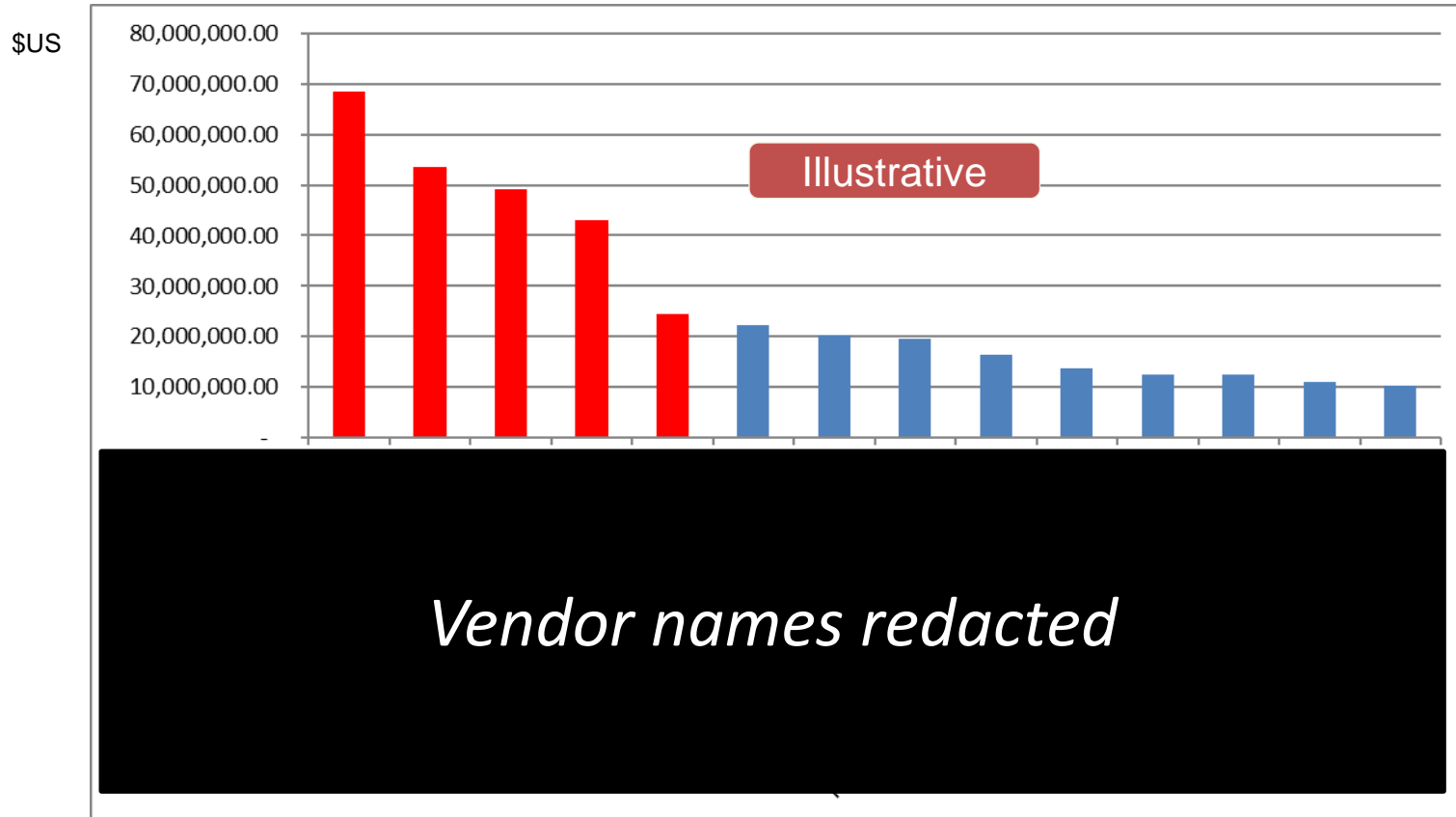
A Light-Weight, Short-Interval Project Plan



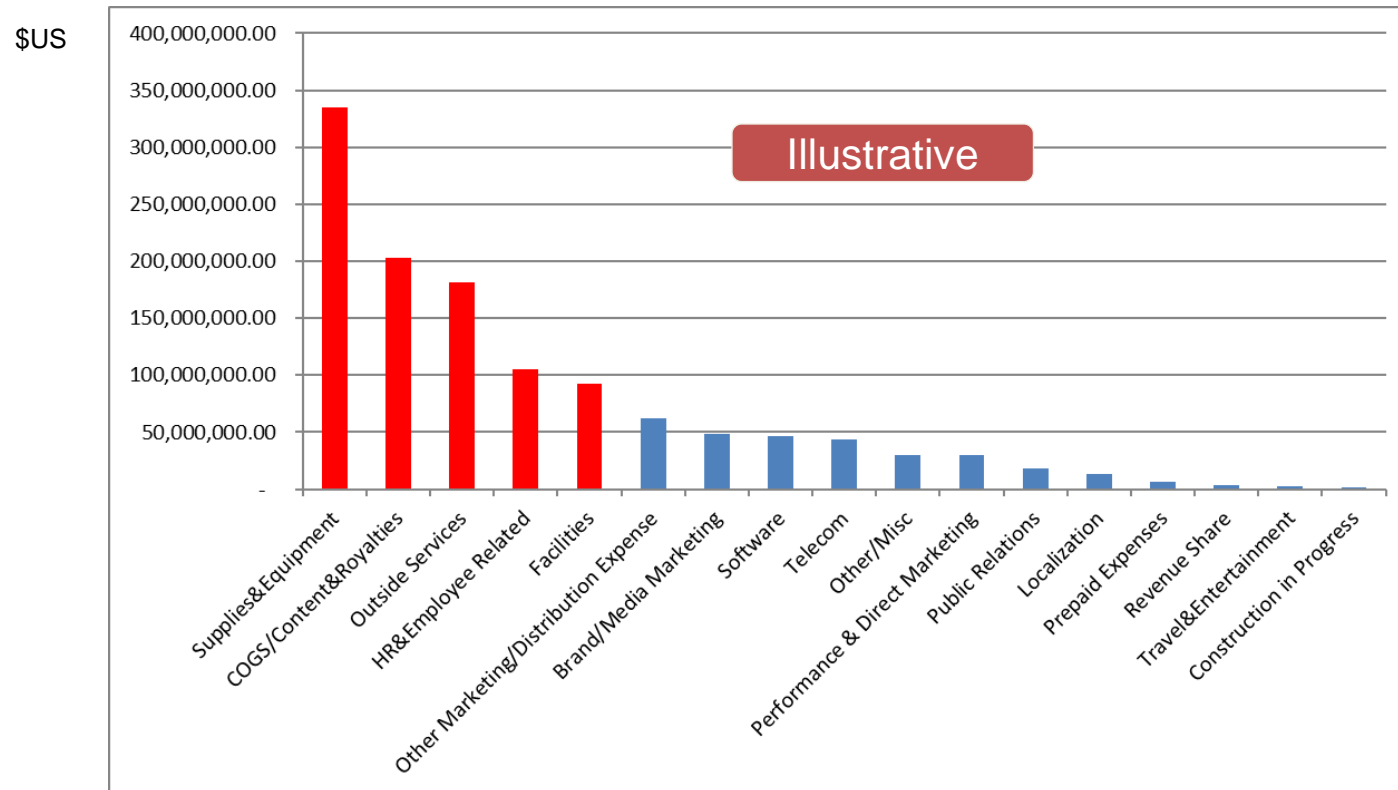
- Cross-functional FCF Quick Strike team
- Twice weekly team meetings
- Weekly updates with project sponsor (CFO)
- Target setting and dashboard
- Holistic approach



Analyze Procurement Data: *Top 5 Candidates for Renegotiation*



Analyze Procurement Data: *Top 5 Major Categories for Reduction and Tighter Control*



Results

- Budgets for individual capital projects reduced
- A **reduction in Capex actuals by 9-figures** driving a favorable budget-versus-actuals variance
- Extended standard **payment terms to net 60 days** from net 30
- Management now had **observability and controllability** of the Capex process
- **No interruption** in the execution of capital projects
- A major challenge was to get Procurement on-board with the “bad guy” role needed for vendor renegotiations (**change management** issue)

So What?

- Challenging free cash flow situations can be addressed with a **focused and results-oriented short-burst project**
- Actual capital expenditures can be **brought under control**
- With finesse, vendor pricing and terms can be **renegotiated**
- The Quick Strike approach can be applied to most **tight free cash flow situations**
- **Start yesterday**

Questions?

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Bio: Rowland Chen

Based in Silicon Valley, Rowland Chen has been a scientist, engineer, educator, consultant, advisor, and mentor in a career that spans 40 years. Commercial clients include both privately-held, private equity-owned, and publicly-traded firms ranging from Global 100 enterprises to small, early-stage companies.

Rowland launched his consulting career during the recession that began in 1987. He cut his teeth on helping firms ride the downturn. Following this recession, Rowland consulted with CEOs during a time of economic expansion. Since then, he has ridden several business cycles and enabled executives to realize several billions of dollars in financial benefits. Rowland has held partner-level roles at Gemini Consulting, Electronic Data Systems, C-Change, Viant, Hitachi Consulting, and his own consulting practice.

Rowland earned a Bachelor's degree in Bioengineering at Johns Hopkins University, a Master's degree in Biomedical Engineering at Rensselaer Polytechnic Institute, an MBA at the M.I.T. Sloan School of Management, and a California Teacher's Credential at Notre Dame de Namur University. He holds a Visiting Scientist appointment with the Carnegie Mellon University School of Computer Science and works on artificial intelligence, computational creativity, and next generation knowledge engineering.

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A sample of clients from a portfolio of 186 projects (as of April, 2020)