Capital is the lifeblood of every growth oriented business. As you continue your journey to market leadership, a strong grasp of what we call the Capital Agenda should inform all of your important business decisions.

Should you restructure your business? Is now the time to sell some of its assets? How can you seize the premium acquisition opportunities? Our Capital Agenda model will help you to address questions like these.

You can use the model, which is based on the four key dimensions of Preserving, Optimizing, Raising and Investing capital, you can use the model to consider the challenges facing your business and to make better decisions about your strategic use of capital.

“How you manage your capital today will define your competitive position tomorrow.”

Focusing on capital
Preserving capital

A growth oriented company needs to preserve capital. So continuously evaluate your balance sheet, strategy and markets. Look for strengths and weaknesses. Seek opportunities, but identify risks and guard against value erosion.

Your ability to access liquidity, manage and release cash, control costs and engage with key stakeholders is essential to preserving capital.

Points to consider include:

- Keep cash flowing. Sound cash flow planning is critical to business survival. A robust short-term assessment of cash needs can help to predict impending risks. Work with your value chain partners to increase liquidity.
- Debt management. With difficult credit market conditions, a ground-up debt review is invaluable. Check covenants and explore the options for renegotiation. Examine alternative sources of liquidity, such as short-term credit.
- Cut costs. Cost control is vital in a troubled economic environment. The challenge is to make quick cuts that are consistent with business strategy, without eroding value.

Optimizing capital

Capital is precious. Growth oriented companies need a tight grip on the drivers of efficient capital allocation. Greater operational efficiency can release excess cash and working capital.

More companies are taking an active approach to business asset management. Such rigor can uncover poor capital deployment, leading to better capital preservation and allocation.

Points to consider include:

- Cash first. The financial crisis is a reminder that profitability today does not guarantee sustainability tomorrow. Keep a close watch on cash flow.
- Active portfolio management. Do not leave optimal capital deployment to chance. Benchmark your asset performance, both internally and against competitors.
- Act early. Faster acquisition integration starts with better pre-transaction planning. Involve the managers who will deliver synergies in their identification, timing and valuation.
Raising capital

Growth oriented companies need to keep their capital needs under constant review. Even if your balance sheet appears strong, external shocks can delay your journey to market leadership.

Review your business through the lens of the investment and lending communities. Whether you are refinancing debt or planning for an IPO, you can reduce your cost of capital if you understand the ratios and covenants they favor.

Points to consider include:

• Be prepared. To access capital at the lowest possible cost, you need to identify future capital needs as early as possible.
• Look beyond debt and equity. Create investment opportunities that satisfy the changing demands of capital providers.
• Think local. Regional financial markets are maturing rapidly. Consider sourcing capital in your target geographies.

Investing capital

Use your capital wisely. Potential backers expect growth oriented companies to make investment decisions supported by in-depth and varied scenario analyses. Show them you have considered the alternative uses of your capital.

Communicate a compelling value proposition and focus due diligence on the drivers that matter most.

Points to consider include:

• Be agile. Successful investing requires rigorous due diligence and effective integration planning. But this takes time. To accelerate the process, hunt down opportunities – don’t wait for them to arise.
• More is not better. The increasing complexity of investment options demands better due diligence, but avoid simply doing “more of the same.” Focus on the areas that could erode value after the investment.
• Think about structure. A joint venture or partnership could deliver your investment goals without the risks associated with an acquisition.
Key questions

As you consider the implications of the Capital Agenda for your growth oriented business, keep the following questions in mind:

- How sustainable is our cost of capital?
- Have we assessed all of our financing options?
- How do we know which capital optimization measures matter?
- How well do we allocate capital across our business?
- Are our investment decisions aligned with business strategy?
- Do we focus our due diligence on the drivers that really matter?
- Are we in a good position to refinance debt, when required?
- How lean is our cost base?

"Better capital management can accelerate your journey to market leadership."

Our understanding of what makes growth oriented companies thrive tells us that the margin between success and failure is very slim: getting it right means getting your focus right.

As our Exceptional Enterprise diagnostic shows, your ability to move from growth company to market leader depends on your ability to successfully execute priority tasks in just six core business areas. Sound capital management will put you in the best position to continue your journey.
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