Working capital and inventory control

Releasing €700,000 from inventory buildup.

A three-month working-capital programme returned inventory to its pre-buildup level and strengthened the purchasing, planning and SAP controls behind it.

€700,000 of cash released | **3 months**

Armes: diagnostic, value map, action plan

Inventory is cash, planning data and management discipline made visible.

Industry
Electronic components

Size
€14m revenue, single site

Duration
3 months, 2023

Armes role
Diagnostic, value map, action plan

Client team
3 people, 2 hours a week each



€700k
inventory reduction and working capital released

€610k
of excess stock sold rather than written off

64 to 52
cash conversion cycle in days

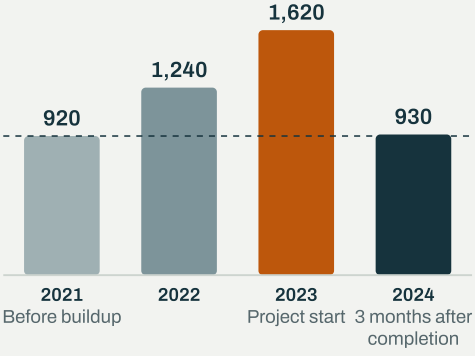
The situation

A buildup that constrained growth and flexibility.

Inventory rose from about EUR 920,000 to EUR 1.62 million, an increase of around EUR 700,000 or 76%. Cash was tied up in material that was no longer needed, had been purchased without a confirmed demand basis, or was not reflected correctly in the planning logic.

The challenge was not a single stock category. It was the accumulated result of weak purchasing discipline, missing excess and obsolete inventory management, insufficient planning of supply-model changes and unreliable material master data in SAP.

Inventory value
€ thousand; dashed line marks the pre-buildup level



Root cause

Four gaps created one working-capital problem.

Purchase

Buying without a demand basis

Raw materials were bought without confirmed sales orders or a documented reason.

E&O

No excess and obsolete process

Slow-moving stock had no owner and no decision to use, sell, return or write off.

Project

Supply-model change without inventory planning

The move to contractor-produced contacts left copper stocks in place after the operating model changed.

Data

Unreliable material master data

Sales orders did not translate correctly into planned orders and purchasing in SAP.

The approach

Build a repeatable system, not a one-off reduction.

Armes ran a diagnostic, delivered a value map and interviewed the managers, then set the actions below.

1

Control purchase and E&O decisions

Buy only against confirmed demand or an explicit strategic rationale. Give every excess item a defined action.

2

Strengthen planning and master data

Assess supply-model changes end to end and reconnect sales orders, planned orders and purchasing.

3

Implement SAP Available-to-Promise

Roll out ATP across all products to tie customer commitments to real inventory and supply.

What stayed: policies introduced in 2023 and still in force today, each with a named owner.

- No purchase without a sales order
  Buyer
- Risk policy for implementation projects
  Head of quality
- Excess and obsolete inventory policy
  Head of supply chain
- Materials management workflow and ERP policy
  Head of supply chain

The result

Cash released, controls standardised.

Inventory returned to its pre-buildup level and turned 8.2 times a year, up from 5.8. Raw materials were sold at 80% of purchase cost; copper sold 12% above it, as prices had risen.



- **€610k** sold
- **€50k** used in production
- **€40k** written off

In the client's words

"Correct processes and procedures are all I ask for. We needed an external eye to reinforce them."

Head of Quality

Facing a similar question in your business?

Igor Prosenik info@armes.si armes.si