



THE SYSTEM CFO SERIES
HINDOL DATTA

FREE ASSESSMENT

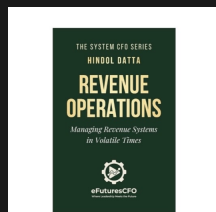
PILLAR 2: CASH & CAPITAL MANAGEMENT | TOOLKIT #12 OF 37

THE INVENTORY OPTIMIZATION DIAGNOSTIC

*Eliminating Dead Stock and Freeing
Cash from Your Supply Chain*

20-Question Diagnostic | 5-Page Assessment

Score Your Organization 1-5 Across Four Dimensions
Identify Gaps and Build Your Action Plan



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Where Leadership Meets the Future

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QUESTIONS 1-5

Section A: Inventory Visibility and Classification

Do You Know What You Have, Where It Is, and How Fast It Moves?

Inventory is cash in physical form. Every unit sitting in a warehouse represents capital that could be deployed elsewhere. Yet most organizations lack real-time visibility into inventory levels, cannot distinguish between fast-moving and obsolete stock, and carry excess inventory as insurance against demand uncertainty. The System CFO demands the same precision in inventory tracking as in cash management.

A. INVENTORY VISIBILITY AND CLASSIFICATION

| | | | | | | |
|---|---|-------------|-------------|----------|------------|-----------|
| 1 | The organization has real-time visibility into inventory levels across all locations — warehouse, in-transit, consignment, and third-party — with a single source of truth | 1 Non-Ex | 2 Ad Hoc | 3 Dev | 4 Estab | 5 Best |
| 2 | Inventory is classified using ABC analysis or equivalent — the organization knows which SKUs represent 80% of value (A items) and applies differentiated management strategies for each | 1 Non-Ex | 2 Ad Hoc | 3 Dev | 4 Estab | 5 Best |
| 3 | Slow-moving and obsolete inventory is identified monthly — with clear definitions (e.g., no movement in 90 days = slow, no movement in 180 days = obsolete) and escalation to | 1 Non-Ex | 2 Ad Hoc | 3 Dev | 4 Estab | 5 Best |
| 4 | Inventory accuracy exceeds 97% — cycle counts or perpetual inventory systems validate physical counts against system records, with discrepancies investigated and root causes | 1 Non-Ex | 2 Ad Hoc | 3 Dev | 4 Estab | 5 Best |
| 5 | The total cash investment in inventory is quantified and reported monthly — including carrying costs (warehousing, insurance, obsolescence risk, capital cost) as a percentage of | 1 Non-Ex | 2 Ad Hoc | 3 Dev | 4 Estab | 5 Best |

SECTION A SCORE: Total: _____ / 25 Average: _____ / 5

QUESTIONS 6-10

Section B: Demand Planning and Replenishment

Are You Ordering Based on Data — or Based on Gut Feel and Safety Stock Padding?

The root cause of excess inventory is almost always poor demand planning. When forecasts are inaccurate, organizations compensate with safety stock. When lead times are uncertain, they order early and order large. The System CFO builds demand-driven replenishment systems that minimize inventory investment while maintaining service levels — replacing buffers of stock with buffers of information.

B. DEMAND PLANNING AND REPLENISHMENT

| | | | | | | |
|----|---|--------|--------|-----|-------|------|
| 6 | Demand forecasting uses quantitative methods — historical sales data, seasonality patterns, and trend analysis drive replenishment decisions rather than subjective estimates from | 1 | 2 | 3 | 4 | 5 |
| | | Non-Ex | Ad Hoc | Dev | Estab | Best |
| 7 | Safety stock levels are calculated using statistical methods — based on demand variability, lead time variability, and target service level rather than arbitrary rules like 'keep 3 months | 1 | 2 | 3 | 4 | 5 |
| | | Non-Ex | Ad Hoc | Dev | Estab | Best |
| 8 | Reorder points and economic order quantities are defined for key SKUs — automated triggers initiate replenishment when inventory reaches calculated thresholds rather than periodic | 1 | 2 | 3 | 4 | 5 |
| | | Non-Ex | Ad Hoc | Dev | Estab | Best |
| 9 | Supplier lead time reliability is tracked — actual lead times are compared against quoted lead times, and variability is factored into safety stock and reorder point calculations. | 1 | 2 | 3 | 4 | 5 |
| | | Non-Ex | Ad Hoc | Dev | Estab | Best |
| 10 | Forecast accuracy is measured and improving — the organization tracks forecast error by SKU category and time horizon, with root cause analysis for significant misses feeding back into | 1 | 2 | 3 | 4 | 5 |
| | | Non-Ex | Ad Hoc | Dev | Estab | Best |

SECTION B SCORE: Total: ____ / 25 Average: ____ / 5



QUESTIONS 11-15

Section C: Inventory Turns and Cash Liberation

How Fast Is Your Inventory Converting to Revenue — and Can You Accelerate It?

Inventory turnover is the heartbeat of working capital efficiency. Higher turns mean less cash trapped in stock, lower carrying costs, and reduced obsolescence risk. The System CFO benchmarks inventory turns against industry leaders, identifies the specific product categories and locations dragging down performance, and implements targeted programs to accelerate the conversion of inventory to cash.

C. INVENTORY TURNS AND CASH LIBERATION

| | | | | | | |
|----|--|-------------|-------------|----------|------------|-----------|
| 11 | Inventory turnover is calculated monthly by category — not just as a blended average but segmented by product line, location, and customer channel to identify the specific areas | 1 Non-Ex | 2 Ad Hoc | 3 Dev | 4 Estab | 5 Best |
| 12 | Days Inventory Outstanding (DIO) meets or exceeds industry benchmarks — and the trend over the past four quarters shows sustained improvement driven by specific optimization | 1 Non-Ex | 2 Ad Hoc | 3 Dev | 4 Estab | 5 Best |
| 13 | Excess inventory liquidation programs exist — with defined channels (discount sales, returns to vendor, donation, scrapping) and decision criteria for when each disposition | 1 Non-Ex | 2 Ad Hoc | 3 Dev | 4 Estab | 5 Best |
| 14 | The financial impact of inventory reduction has been quantified — the organization knows exactly how much cash would be freed by reducing DIO by 5, 10, or 15 days and has | 1 Non-Ex | 2 Ad Hoc | 3 Dev | 4 Estab | 5 Best |
| 15 | Inventory carrying cost is calculated comprehensively — including warehousing, handling, insurance, taxes, shrinkage, obsolescence, and the opportunity cost of capital tied up in | 1 Non-Ex | 2 Ad Hoc | 3 Dev | 4 Estab | 5 Best |

SECTION C SCORE: Total: ____ / 25 Average: ____ / 5



QUESTIONS 16-20

Section D: Inventory Governance and Cross-Functional Alignment

Who Owns Inventory Levels — and Does the Whole Organization Share Accountability?

Inventory is a cross-functional problem that lives at the intersection of sales (demand), operations (supply), procurement (ordering), and finance (cash impact). The System CFO builds a governance framework that aligns all functions around shared inventory targets, prevents any single function from unilaterally increasing inventory investment, and ensures that inventory decisions are made with full visibility into their cash implications.

D. INVENTORY GOVERNANCE AND CROSS-FUNCTIONAL ALIGNMENT

| | | | | | | |
|----|---|-------------|-------------|----------|------------|-----------|
| 16 | Inventory has a named cross-functional owner — an S&OP or equivalent process exists where sales, operations, procurement, and finance jointly review demand forecasts and | 1 Non-Ex | 2 Ad Hoc | 3 Dev | 4 Estab | 5 Best |
| 17 | Inventory targets are set collaboratively — finance provides the cash constraint, operations provides the service level requirement, and the organization optimizes within both | 1 Non-Ex | 2 Ad Hoc | 3 Dev | 4 Estab | 5 Best |
| 18 | New product introductions include inventory risk assessment — launch quantities, initial stocking levels, and phase-out plans for replaced products are evaluated for cash impact | 1 Non-Ex | 2 Ad Hoc | 3 Dev | 4 Estab | 5 Best |
| 19 | Vendor-managed inventory or consignment arrangements are explored for high-value items — shifting inventory carrying costs and obsolescence risk to suppliers where commercially | 1 Non-Ex | 2 Ad Hoc | 3 Dev | 4 Estab | 5 Best |
| 20 | Inventory performance metrics are included in executive dashboards and board reporting — turns, DIO, obsolescence reserves, and carrying costs are tracked alongside other key | 1 Non-Ex | 2 Ad Hoc | 3 Dev | 4 Estab | 5 Best |

SECTION D SCORE: Total: ____ / 25 Average: ____ / 5

OVERALL ASSESSMENT SCORE
 Section A: ____ / 25 Section B: ____ / 25 Section C: ____ / 25 Section D: ____ / 25 TOTAL: ____ / 100 AVG: ____ / 5

GAP TO GOAL

Gap-to-Goal Action Plan

Bridging the Gap — Inventory Optimization Diagnostic

Transfer your five lowest-scoring questions. For each gap, define the target state, specific actions, owner, timeline, and success metric. Focus on highest-impact gaps first.

| GAP # | Q REF | CURRENT | TARGET | SPECIFIC ACTION TO CLOSE GAP | OWNER | DEADLINE | METRIC |
|-------|-------|---------|--------|------------------------------|-------|----------|--------|
| 1 | Q__ | ___/5 | ___/5 | _____ | _____ | _____ | _____ |
| 2 | Q__ | ___/5 | ___/5 | _____ | _____ | _____ | _____ |
| 3 | Q__ | ___/5 | ___/5 | _____ | _____ | _____ | _____ |
| 4 | Q__ | ___/5 | ___/5 | _____ | _____ | _____ | _____ |
| 5 | Q__ | ___/5 | ___/5 | _____ | _____ | _____ | _____ |

ASSESSMENT SUMMARY

Completed by: _____ Date: _____

Overall average score: ___ / 5 Items scored 1-2 (critical): ___

Items scored 3 (developing): ___ Items scored 4-5 (strong): ___

Top strength: _____

Most critical gap: _____

One action this week: _____

READY TO GO DEEPER?

This free assessment identified your gaps. The Premium System CFO Toolkits provide the frameworks, templates, and action plans to close them. Visit EfuturesCFO.com





READY TO GO DEEPER?

This Assessment Identified the Gaps. The Premium Toolkit Closes Them.

PREMIUM: The Cash Conversion Cycle Optimizer (12 Pages)

The full premium toolkit includes the complete CCC decomposition with inventory-specific analysis, ABC classification templates, safety stock calculation worksheets, inventory turn benchmarking tools, liquidation decision matrices, and the integrated S&OP governance framework connecting inventory to cash management.

Plus. Access the Super Exclusive 40 Page

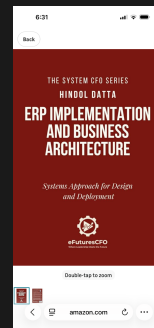
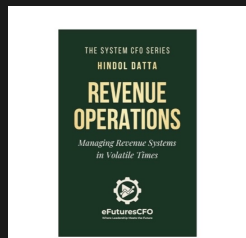
System CFO Organizational Finance Assessment Kit

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