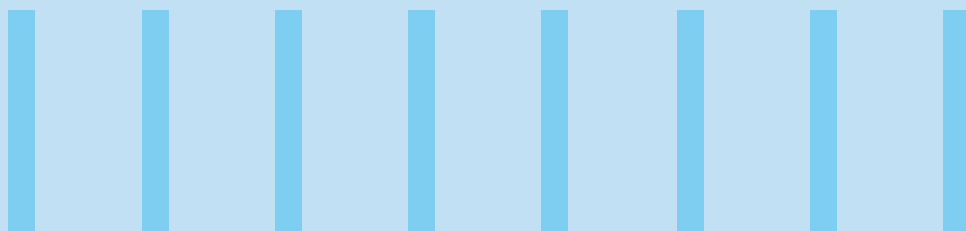




FUNDING THE FUTURE: HOW WORKING CAPITAL OPTIMIZATION FINANCES AI TRANSFORMATION

UNLOCKING INTERNAL CASH TO POWER ENTERPRISE
AI INVESTMENT JUNE 2026



A man with short brown hair and a light beard, wearing a light blue button-down shirt, is seated at a desk. He is looking down at a laptop in front of him. On the desk, there are several sheets of paper and a tablet. The background is slightly blurred, showing what appears to be an office environment with a window. The overall lighting is warm and professional.

1. Introduction: The AI Funding Dilemma

Artificial intelligence is no longer a speculative technology on the horizon - it is a present-day competitive imperative. From intelligent automation and predictive analytics to generative AI tools that accelerate decision-making across every function, organizations that move quickly and invest decisively in AI transformation are pulling ahead. Those that hesitate risk ceding ground that may be very difficult to reclaim.

Yet for many finance leaders, the pressing question is not whether to invest in AI - it is how to fund it. Enterprise AI transformation carries significant costs: technology infrastructure, data readiness, talent acquisition, change management, and ongoing model governance. In an environment of tightening budgets and elevated capital costs, finding room in the P&L or balance sheet for large-scale AI investment is a genuine challenge.

The answer, for many organizations, lies not in new borrowing or equity issuance, but in the cash already trapped within the business. Working capital optimization, the strategic management of receivables, inventory, and payables, offers a powerful and often underexploited mechanism for liberating that cash. For companies willing to engage seriously with their working capital cycle, the freed liquidity can be substantial: enough to fund meaningful AI programs without adding to the cost of capital or diluting shareholder value.

This paper makes the case that working capital optimization and AI transformation are not separate financial conversations. They are two sides of the same strategic equation. By unlocking cash through operational efficiency, organizations can self-fund the very technologies that will drive the next wave of productivity gains and, in doing so, create a virtuous cycle of improvement that compounds over time.

2. The Cash Hidden in Your Working Capital

Working capital - defined as current assets minus current liabilities - represents the operational liquidity engine of any business. The cash conversion cycle (CCC) measures how efficiently that engine runs:

$$CCC = DSO + DIO - DPO$$

A shorter CCC means the business converts sales into cash faster, reducing the need for external financing. Each day shaved off the cycle is cash returned to the organization - cash that can be redeployed toward strategic priorities, including AI investment.

2.1 The Scale of the Opportunity

The opportunity is larger than most executives realize. According to The Hackett Group's 2022 Working Capital Survey of the 1,000 largest public U.S. companies, approximately \$1.7 trillion was tied up in excess working capital in 2021 alone - spread across \$627 billion in inventory, \$533 billion in receivables, and \$498 billion in payables. Even at the individual company level, modest improvements across the three levers of the CCC can translate into tens or hundreds of millions of dollars in freed cash flow; capital that carries no interest cost, no dilution, and no new debt covenants.

For a mid-market company with \$500 million in revenue, reducing DSO by just five days and DIO by three days could realistically generate \$15 - 25 million in one-time cash release, with ongoing annual benefit thereafter. For a large enterprise, the numbers scale dramatically. These are not theoretical savings. It is real cash that, with the right program governance, can be earmarked directly for AI transformation investment.

2.2 The Three Levers

Accounts Receivable (DSO): Slow collections inflate receivables balances and delay cash inflows. Companies that tighten credit policies, automate invoicing, deploy AI-driven collections prioritization, and offer dynamic discounting to prompt-paying customers can materially reduce DSO. The irony is that some of the best tools for accelerating AR collections are themselves AI-powered - meaning that an initial working capital release can fund the very technologies that will further accelerate future collections.

Inventory Management (DIO): Excess inventory is one of the most visible and costly forms of trapped capital. Demand forecasting errors, supplier lead time variability, and poor SKU rationalization routinely cause companies to carry far more inventory than necessary. AI-driven demand sensing and supply chain optimization tools have proven highly effective at reducing inventory levels while maintaining or improving service levels; again creating a powerful feedback loop between working capital release and AI investment.

Accounts Payable (DPO): Strategically extending payment terms, within the bounds of supplier agreements and relationship health, allows businesses to retain cash longer at no cost. Supply chain financing programs can extend DPO while simultaneously giving suppliers access to early payment at favorable rates, making DPO extension a win-win rather than a zero-sum negotiation. The cash retained through DPO optimization is immediately available for redeployment toward AI programs.

Taken together, these three levers represent a structured framework for identifying where cash is trapped and how quickly it can be released. Organizations increasingly use purpose-built diagnostic tools, such as Infosys' Working Capital Opportunity Analyzer, to ingest current DSO, DIO, and DPO data and surface improvement opportunities ranked by magnitude and feasibility, to compress the analysis phase from months to weeks and build the business case with greater precision.



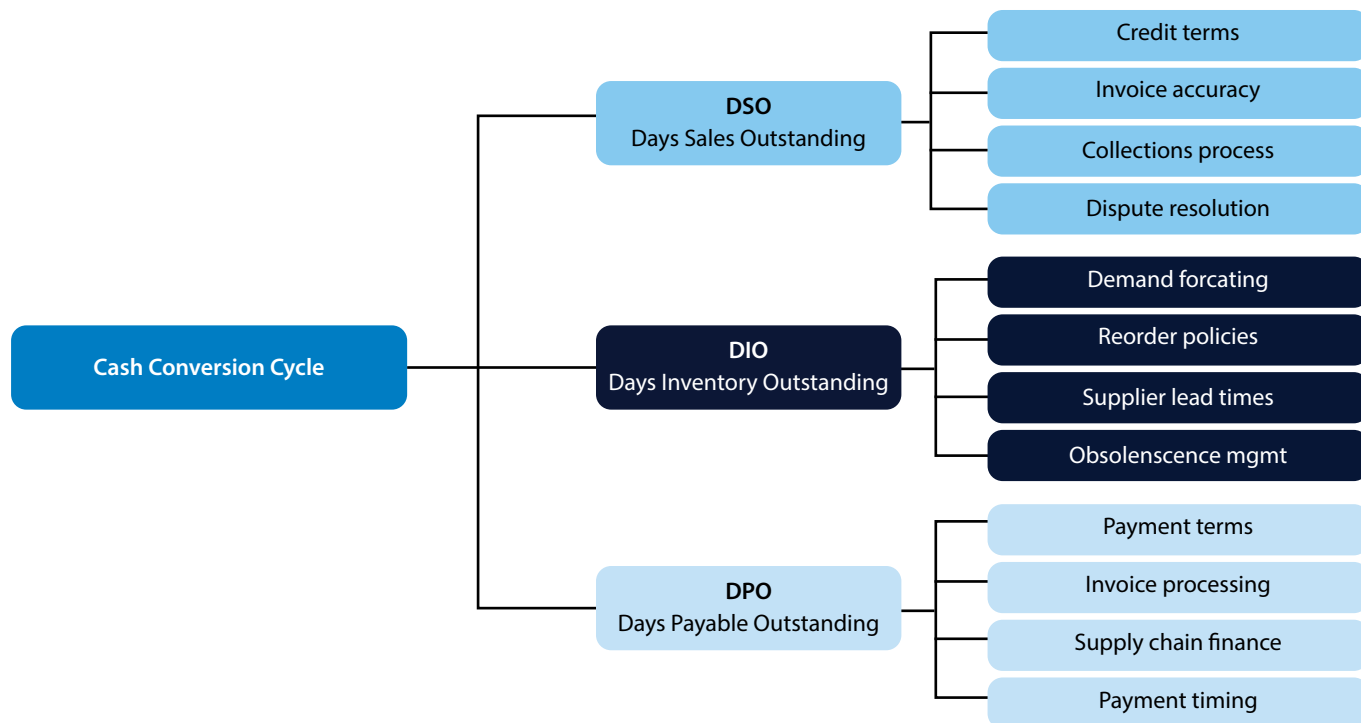


Figure 1 – Typical working capital improvement value levers

The Cash Hidden in Your Working Capital

3.1 Quantifying the AI Funding Gap—and Closing It

The cost of enterprise AI transformation varies widely by scope and ambition, but a credible multi-year program for a mid-to-large organization typically ranges from \$20 million to well over \$100 million when infrastructure, talent, data, and change management are fully accounted for. For many companies, this investment is difficult to justify through traditional capital allocation processes, especially when competing against near-term revenue investments with more predictable ROI profiles.

Working capital optimization changes the calculus. When the CFO can demonstrate that disciplined receivables and inventory management will generate, say, \$30 million in cash release over 18 months, the AI funding conversation shifts fundamentally. Rather than asking the board to approve new spending, the finance team is presenting a self-funding strategy: operational efficiency generates the cash; that cash funds the transformation; the transformation generates further efficiency gains. This narrative is far more compelling—and far more likely to secure organizational alignment—than a traditional capex request.

3.2 AI and Working Capital: A Virtuous Cycle

Perhaps the most compelling argument for connecting these two agendas is the virtuous cycle they create. AI is increasingly the most powerful tool available for working capital optimization itself. Machine learning models outperform traditional statistical methods in demand forecasting, reducing inventory buffers. Natural language processing accelerates invoice processing and dispute resolution, compressing DSO. Intelligent payment optimization tools identify opportunities to capture early payment discounts or extend terms without damaging supplier relationships.

In other words, the AI investment funded by working capital release will, in turn, generate further working capital improvements, which will fund additional AI capabilities. Organizations that recognize and deliberately architect this cycle gain a compounding advantage over competitors who treat working capital and AI as separate initiatives with separate sponsors and separate budgets.

3.3 Making the Case to the Board

For finance leaders seeking to frame this opportunity for board-level audiences, the argument has three components. First, quantify the working capital opportunity with specificity: benchmark current DSO, DIO, and DPO performance against peers to surface specific improvement opportunities (a process that purpose-built diagnostic tools can accelerate significantly), model the cash release from realistic improvement targets, and build a credible 12-to-24-month cash flow projection. Second, map that cash release directly to a phased AI investment roadmap, with

each tranche of released working capital unlocking the next phase of AI deployment. Third, project the return: AI investments in process automation, forecasting, and analytics typically generate measurable ROI within 12–24 months, and those returns should be explicitly linked back to the working capital program that funded them.

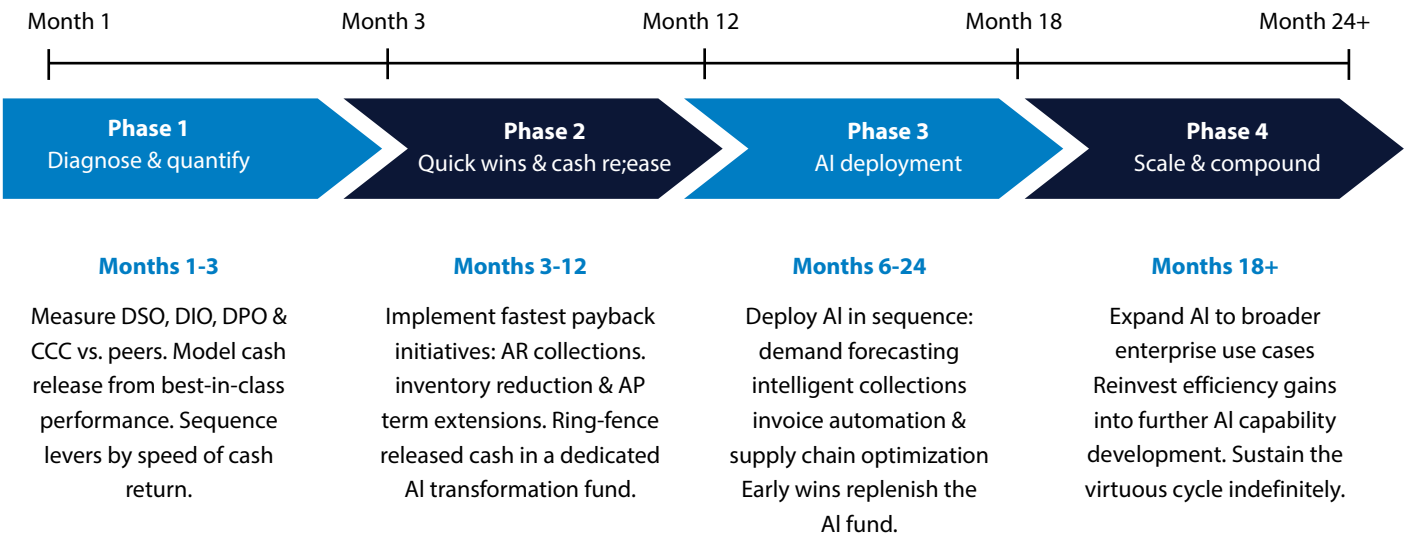
This integrated narrative - working capital funds AI; AI enhances working capital; enhanced working capital funds more AI - is a powerful strategic story. It positions the CFO as an architect of self-sustaining transformation rather than a gatekeeper of constrained resources.



4. Implementation: From Working Capital to AI Funding

4.1 A Phased Approach

Successfully converting working capital improvement into AI investment capital requires deliberate program design. The roadmap below illustrates the four sequential phases, with overlapping timelines that create a self-reinforcing cycle of cash release and AI capability deployment.



Working capital funds AI . AI improves working capital . Repeat

Figure 2 – Typical working capital to AI funding timeline

4.2 Governance: Ring-Fencing the Cash

One of the most common failure modes in this strategy is allowing working capital improvements to be absorbed into the general budget rather than directed toward transformation investment. Finance leaders must establish explicit governance mechanisms - a dedicated working capital improvement fund with clear accountability, tracked releases, and pre-committed AI investment allocations - to ensure the strategy delivers on its promise. This requires CFO-level sponsorship and board-level visibility to protect the fund from competing near-term pressures.



4.3 Conclusion

The AI transformation imperative is clear. The funding challenge is real. But for organizations willing to look inward before looking to external capital markets, the solution is already within reach. Working capital optimization is not merely a finance efficiency exercise. It is, in today's environment, the most practical and value-accretive mechanism available for self-funding enterprise AI investment.

Companies that connect these two agendas, treating working capital discipline as the financial engine of AI transformation, will move faster, invest more confidently, and ultimately build capabilities that are very difficult for less disciplined competitors to replicate. The CFO who presents this integrated strategy to the board is not just managing the balance sheet. They are architecting the path to sustainable competitive advantage in the age of artificial intelligence.



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