CONCISION GLOBAL
COMPLEX PROBLEMS, SOLVED SIMPLY

AP CASH FLOW OPTIMIZATION

$227M SHORT-TERM PAYMENT REDUCTION

PROBLEM

Over a 4 month period, $4.8B (~$1.2B per month) was paid under immediate or short payment terms resulting in decreased working capital and negative impact to cash flow. Out of this amount, $1.2B (~$0.3B per month) was in scope for targeted improvement.

OBJECTIVE

Identify and eliminate root causes and quantify benefit of optimizing cash-flow for the organization. Reduce immediate and short payment term spend by $100M, from $1.2B to $1.1B per month.

ROOT CAUSE

After creating a reliable measurement system and auditing payment exceptions, the team determined the organization had not kept up with evolving internal audit and systems needs or the specific needs of smaller vendors. The root-causes were a lack of strategic imperative to measure progress, lack of appropriately trained key resources after turnover, and lack of a compliance process to insure quality work.

SOLUTION

Implemented a new exception process with required documentation, a refresh of current payment policies, and scorecard metrics for the accounts payable functions. Also, implemented standard work for payments within and outside of a vendor portal.

RESULT

During the 6-month control phase the monthly short payment 3-month average was $973M against target of $1.1B (~230% of goal).