

## Case Study Improving Cash Flow

A \$20M mechanical contractor saw its cash on hand shrinking and its A/R aging creep up as the economy slowed down. A/R was averaging 75 days with a larger percentage falling in the over 90 category. To compound the issue, vendors were cutting lines of credit and starting collections sooner. OPxcel business performance consultants were already on site leading a service delivery change initiative when the president of the company decided it was time to focus on improving cash.

### **Approach**

OPxcel developed and facilitated a cross functional team of subject matter experts to analyze the problem. The team consisted of members from accounting, field service delivery, management and operations. The team developed a baseline process flow for how a work order was created, delivered and invoiced in the company. Using the visualized process map, the team was able to identify roadblocks and rework loops that exist in the company.

### **Solution**

When the process baseline exercise was completed, the team realized the problem was much worse than originally thought. The company had been tracking its aging from the time that the invoice was created through the time that it was collected. By tracking a work order from the time that the customer called in a request through delivery of services, invoicing and collections, the team realized that true measurement of effective cash flow was closer to 120 days. The team discovered that the average cycle time from the time that a customer called in a request to the time that an invoice was created was 45 days, with some work orders exceeding 180 days. Also discovered was an increased difficulty in collecting invoices that were created more than 45 days from the time services were completed. OPxcel led the team through a value stream mapping exercise designed to reduce cycle time in the process and eliminate waste and roadblocks. The cross functional team members had never looked at how the work order flowed through the company, nor did they realize the impact that their departments had on the other parts of the company and customer satisfaction. The cross functional team developed and implemented a future state process that dramatically streamlined the flow. The future state process required some team members to change the way they did their job and utilized existing technological capabilities.

### **Results**

By implementing the future state process, the team reduced the work order creation to invoicing cycle from 45 days to 5 days. The number of tickets that were over 180 days old was totally wiped out. A streamlined collections policy was also implemented that included contacting customers within 3 days of the invoice being sent out to verify that it was received and to make sure there were no questions. The effective measurement of cash flow outstanding was reduced from 120 days to 55 days, with aging now averaging 50 days.