



FUELLING UP WITH CASH FLOWS

Abstract

Amy Pearson, Global Payables COE Manager at a global oil and gas corporation, needed to address the lack of consistencies in its payments system for a network of more than 1500 suppliers. With the non-harmonised payments structure depleting the company's cash flows and working capital levels, Amy turned to Infosys BPM for a business transformation solution. This case details how Infosys BPM strategically negotiated new payment terms with the vendors, helping Amy save ~\$140k in cost of capital and also improve cash flows by over \$80 Mn.



Running on an empty tank

Global Payables COE Manager at a global oil and gas corporation, Amy Pearson oversees its payment processes across a vast portfolio of 1500+ suppliers. She is also responsible for managing the Fortune 500 giant's vendor relationships while working to optimise its overall working capital and cash flows.

Amy's team manages an average annual spend of \$1.4 Bn across the company's expansive vendor network. However, segregation between global, local, and micro, small and medium enterprises (MSME) suppliers was unclear. As a result, while they followed designated payment policies for the different categories,

at times, even the same commodity would end up with different payments terms across countries, causing process inconsistencies. The non-harmonised structure made it difficult to manage the liquid cash effectively, directly impacting the cash flows. When Amy stepped in to resolve the issue, she realised that she lacked analytical tools and resources for properly tracking or finding improvement areas in the system. So, the team continued with the inconsistent payment terms, leading them to alarmingly low days payable outstanding (DPO) levels that depleted the cash reserves.

Needing an effective solution for standardising the processes and protecting operating profitability, Amy sent out a global RFP with a detailed list of requirements in a bid to find an expert business transformation partner. After a close review of the multiple responses she received, the company entered into a strategic partnership with Infosys BPM to enhance the vendor payments ecosystem. Amy was soon explaining her challenges to Varun Dua, the Infosys BPM team lead, and mandating him to implement a comprehensive solution that would improve the company's cash flows and working capital.

Making things work smoother

Noting down Amy's requirements, Varun and his team of digital transformation experts began analysing the payment processes. To start with, the team analysed the company's historical spend figures, along with the vendor and customer master data for identifying process vulnerabilities. They then shared data cleansing and restructuring best practices

with Amy's team, helping them better organise the supplier data.

Next, Varun discussed with Amy to swiftly convert a large number of low-value vendor agreements to extended 60-day payment terms. Upon Amy's nod, he appointed an experienced team of Infosys analysts for the task. As a first step, the

team collaborated with the company's procurement department to prepare the necessary documents required for changing the payment terms. Then, before moving ahead, the documents and stationery to be used in the process were taken to multiple departments within the company, including security, risks, controls, and legal, among others.

Approach summary

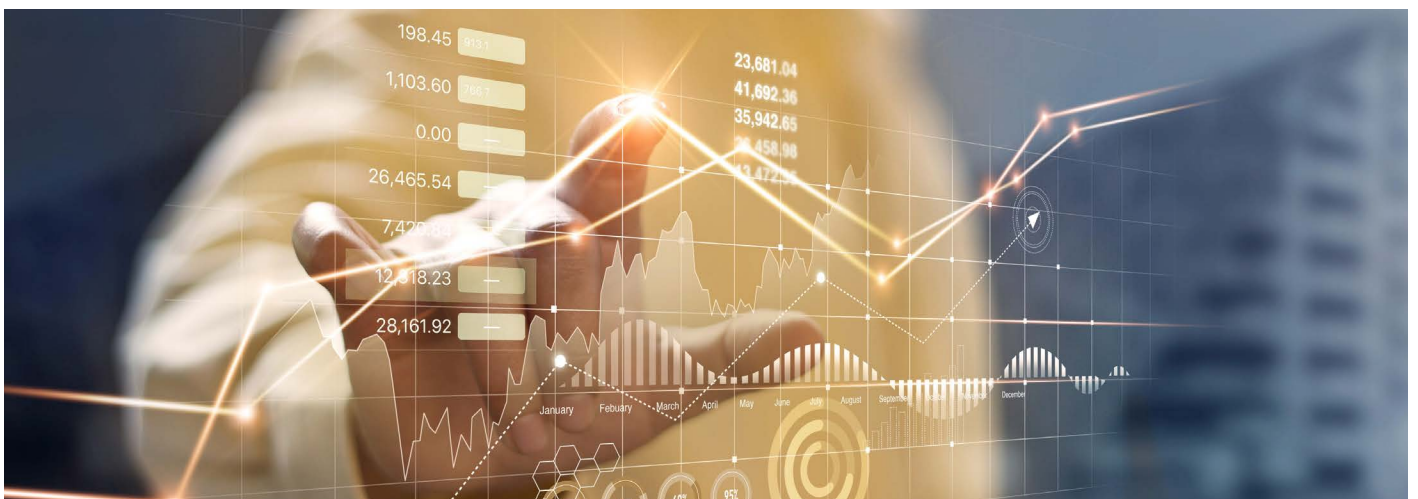


With their collective support for the operation, the Amy and Varun started with the payment terms extension project. They segmented the low-value suppliers into groups based on spending categories, and sent out notifications informing them about the extension. However, as Varun knew, this change would not come easy. Several vendors raised concerns about the extended payment terms, noting that the 60-day-period was way over the fuel and lubes industry standards, and that they had their own suppliers to pay within a shorter period.

Taking quick action on the situation, Varun established a four-level escalation matrix to address the vendor concerns. In the first two levels, the team delivered on-call support to the vendors using pre-defined templates, while Amy's team managed the higher levels. Varun also worked with third parties to offer supplier financing and early payment options to make it attractive for the vendors to accept the changed terms. Then, he had his team evaluate the spend and effort involved in changing each payment term, while flagging certain cases

for the company's Acquisition team to conclude negotiations.

For centralised management, the company appointed a dedicated SAP team for tracking all changes to payment terms. Also, to oversee the progress of the change program, Amy and Varun set up a robust governance structure to ensure optimal outcomes. Lastly, he had the team develop a dashboard to provide transaction-level visibility into the payment processes, assisting Amy in tracking and enhancing the business metrics.



Refuelled and ready to go

Spanning a 90-day period, Amy and Varun's payment extension and standardisation project significantly helped eliminate the

inconsistencies in the vendor payments ecosystem. The transformative solution did wonders in protecting the company's cash

flows and improving the working capital.

Key benefits



To Amy's delight, 96% of suppliers were successfully converted to the 60-day payment terms, improving the company's cash flows by over \$80 Mn. The payment terms extension program increased the DPO by six days from the earlier 51 days to

57 days – significantly easing its impact on liquid cash. The solution also resulted in major enhancement in the working capital, leading to hard savings worth ~\$140k.

In the end, with Varun and his team's robust support, Amy was not only able

to improve her overall cash management activities, but was able to do so without harming the company's strong and critical relationships with its vendor network.

**Names have been altered to preserve the identities of the people involved.*

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