



MONEY MAKES THE WORLD GO AROUND

Summary

When Pat Summers, the CFO of a multinational imaging and electronic company, witnessed a significant drop in daily sales outstanding, Infosys BPM helped him in improving the collections and cash processes across its locations.



Erratic cashflow leading to bad debt

Pat was concerned about the declining cashflow and bad debts pertaining to daily sales outstanding (DSO). DSO is a critical factor and is used by companies to estimate the size of their outstanding accounts receivable (AR). While he was aware that cash is the most critical aspect of any business, he couldn't overlook the

DSO factor because the speed at which the cash collected by the company is important to its overall efficiency and profitability. Pat's mantra was the faster a company collects cash, the faster it can reinvest that cash to increase sales and generate profits. He was facing a major issue as the DSO process took nearly 48

days to complete, which indicated poor cash flow. And, a high DSO over a period of time means bad debt for the company. He wanted to reduce the DSO from 48 days to less than 27 days as well as improve cash flow, eliminate bad debts, and reduce collection follow-up efforts.

Show me the money

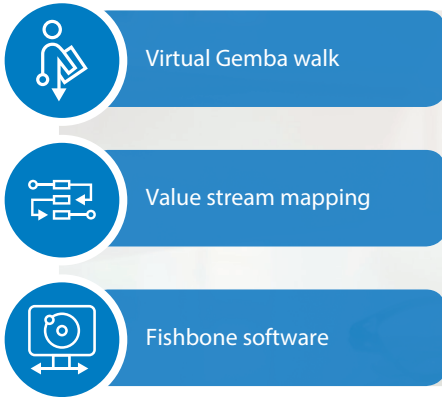
Infosys BPM has been associated with the client since 2016 and we had delivered several solutions for the client. When Pat called us, his main aim was to reduce the DSO days to 27, which is the industry benchmark. We needed to study the entire process end-to-end to derive a solution. After an intense brainstorming with Pat and his team, we suggested several measures to improve the process.

As a first step, we implemented the Virtual Gemba walk, which involves conducting a process assessment as

well as understanding processes and tasks performed by the team members. To implement it, subject matter experts (SMEs) were assigned separately for AR, and we used the Cashapp process to perform Virtual Gemba walks/buddy-ups. The purpose was to observe real-time collections and cash applications as well as to understand challenges in upstream and downstream processes. With this exercise, we triggered the value stream mapping to understand the entire process and identify non-value-add steps in the process.



Approach summary



The next step involved determining the root causes that contributed to higher DSO. We use the Fishbone software and identified 25 causes, of which 16 were controllable and 9 were uncontrollable. We then mapped the upstream and downstream process to identify wastes and handoffs in the process by collaborating with Pat's collections and cash applications team, which revealed that there were 200 minutes of processing time, a lead time of 46 days.

Our next step involved identifying wastes in the process using the TIMWOODS technique. It is a Lean technique that focuses on eliminating wasteful and non-value-added products from the process. This helped us in eliminating 40% variation, 30% waste, and 80% work overload during

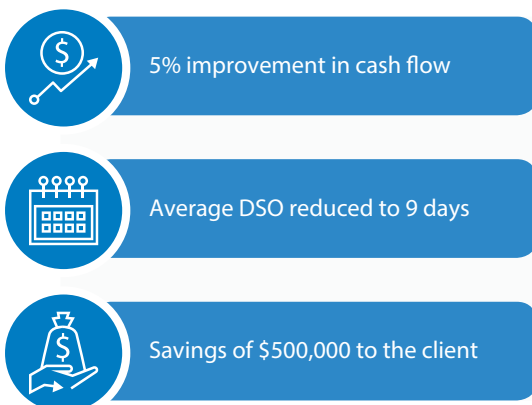
month ends. We performed data analysis using Python and machine learning to identify the concerns with outstanding receivables. We discovered that average cash collections per month was at \$20.5 million, which is 65% of the month to date AR and high cash liquidation in the >60 days bucket. With this exercise, we discovered a positive correlation between:

- Total invoice value versus overdue
- Payment habits
- Average paid days >54 days contributing to delay in collection
- 38% customers paying post due date
- Poor cash flow and increase in follow-ups

To determine the average agent-to-account ratio, as well as factoring in account-level complexity in account allocation to the agents, we analysed the agent-to account-level distribution data for 6 months and assessed the account-level complexity and agent learning curve. We also discovered that the agent-to-account ratio was not balanced for 80% of the agents.

The final frontier

Key benefits



After several months of implementation, we held a meeting with Pat to track the progress on DSO. Pat mentioned that the average DSO has been reduced to 9 days, with 5% improvement in cash flow. Additionally, Pat and his team were able to balance their workload and handle high

account coverage, as well as effectively manage portfolios. The new process and technique also resulted in \$500,000 in benefits to the client and \$40,000 savings to Infosys BPM. Pat was excited and appreciated the good work done by the IBPM team during business reviews.

During the initial phases, Pat was reluctant to include a lot of changes to the process. However, after he witnessed improvements in the process and proven results, Pat recommended the same solution to the company's onshore locations.

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

For more information, contact infosysbpm@infosys.com



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