CASE STUDY: $41 Million of Cash Flow Released in One Year by Reducing Past Due Invoices by 50%

GENPACT

FINANCE & ACCOUNTING CASE STUDY

With three different ERP systems, manual, non-standard AR processes, and inefficient collections and dispute management, this engineering automation major had built up a significant AR backlog, with a high number and value of disputes. Genpact's solution redesigned the entire collections process, automated much of the workflow, and established clear dispute management and an escalation matrix of issues for tighter control and greater insight into the overall process, producing 50% reduction in the number of Past Due invoices and releasing $41MM in cash flow in just one year.

THE CLIENT
Engineering automation major

INDUSTRY
Automation

BUSINESS NEED
To streamline workflow and immediately reduce an extremely high percentage of Past Due invoices

GENPACT SOLUTION
Analyzed client's existing processes, identified the root causes of the process disconnect, and implemented changes that created end-to-end business process improvements

BUSINESS IMPACT
- Reduced monthly average Past Due from 13% to 7% (from $6MM to $3.4MM)
- $41MM of cash flow released
- $3.2MM in interest savings
- Significant decrease in Past Due by buckets
- Increased visibility and reporting

THE BUSINESS CHALLENGE

The company had built up a significant AR backlog due to lack of workflow tools or a single AR platform capable of handling its industry-specific complexities, leading to a high number and value of disputes. At the time Genpact began operations with this client, the monthly average Past Due was 13% of total Receivables. The three ERPs in place were increasing the segmentation caused by the lack of any collection tool or disputes tracking, no clear escalation matrix for dispute resolution, and no consolidated reporting capability.

THE GENPACT SOLUTION

Genpact began with a root cause analysis to understand the reasons for the client's high AR backlog. In partnership with the client, an end-to-end strategy was crafted and implemented, encompassing:

- Implementation of GenPower; Genpact's Proprietary AR Management system, to standardize and automate workflow
- Creating new, common collections strategies
- Partnering with the client to reengineer the dispute management process to cut wait times and provide clearer resolution paths
- Creating a means for higher visibility toward the business via better reporting tools

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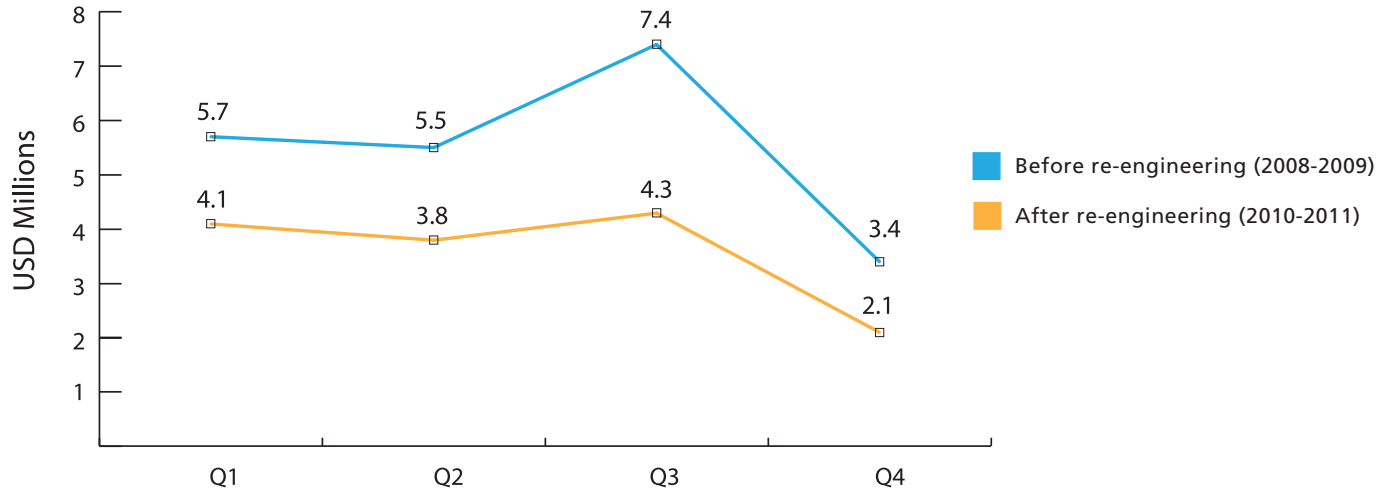
COLLECTIONS OVERDUE TREND



Genpact conducted extensive analysis of the client's collections and dispute processes. It revealed reactive strategies for collections based on Past Dues at the customer level, which Genpact changed to proactive strategies based on 7-day prior to Due Date triggers at the open item level. We implemented a clear escalation matrix for disputes resolution, created a standard reporting framework, and established prioritization strategies based on historic collection rates for faster payment.

Our approach was three-pronged:

Process Standardization

- Implemented common collection strategy and workflow:
  - Implemented prioritization logic with focus on top accounts, payment terms enforcement and customer payment history
  - Established proactive contacting of customers to ensure timely payments
  - Established a credit hold procedure for delinquent accounts

Dispute Management

- Partnered with our client to avoid wait time for disputes resolution:
  - Established a clear escalation matrix of issues
  - Set up disputes tracking by reason coding and action owners
  - Introduced root cause data analysis and reviews

Reporting and Automation

- Implemented Genpact's proprietary, integrated collections and reporting AR platform
- Established strong in-process controls and visual management in order to support decision-making

Genpact delivered this solution throughout the client's European operational footprint, in five languages. Among its other benefits, our solution created better portfolio prioritization based on workflow strategies and auto-generated To Dos for the collectors, enhanced reporting capabilities and visibility regarding the collectors' performance, and provided better back-up planning within the collections team.

BUSINESS IMPACT

Genpact strives to provide the highest possible return to our clients from all sources. Our focus is therefore on overall business impact, which is the cumulative effect derived from lowering costs, improving the customer or vendor relationship, and boosting revenue.

For this client, the business impact came from:

- $41MM of cash flow released
- Decreased the average monthly Past Due by ~50% from $6MM to $3.4MM
- $3.2MM in interest savings
- Significant decrease in Past Due by buckets
- Increased visibility and reporting

Genpact's focus on the overall business outcome provides a higher overall rate of return. The permanent process improvements and cultural change achieved consistently result in ongoing savings and enhanced revenue.

FOR MORE INFORMATION, CONTACT:

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Genpact is the leader in Business Process Management, offering a broad portfolio of fundamental business and industry specific services that focus on process effectiveness and business outcomes.

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