



Issue

The Company's domestic delinquent Accounts Receivable greater than 30 days overdue has averaged \$7 MUSD per month for the last financial year. Approximately 65% of these overdues result from commercial issues or administrative type problems. At current commercial interest rates, this represents a \$325,000 annual expense

Breakthrough Strategy

- Measure** Primary and secondary metrics were developed to track progress on the Project; Monthly Delinquent Accounts Receivable Dollars > 30 Days overdue (Baseline \$7 MUSD) and; Monthly Delinquent Accounts Receivable Dollars / Total Month End Accounts (Baseline 15% Defective [Delinquent]). Process Maps and Interviews were conducted with all functional areas. A new measuring system was installed to assign category and causes to receivable disputes, together with a two level Pareto analysis of 12 months prior disputes. Four Issues were identified as contributing to 80% of the commercial disputes, which contribute to 65% of all delinquent accounts.
- Analyze** Additional Order Data (Salesperson, district, region, order type, etc) was obtained. Hypothesis tests showed *no* significant difference between each group. A Cause and Effect Matrix, together with an FMEA. A list of five key factors (X's) were found to be driving the four issues contributing to the commercial disputes. All of these five factors (X's) resulted in the sales order information being inconsistent with the purchase order / contract information.
- Improve** A Designed Experiment was conducted at the point of ordering to validate these five key factors. A New Corporate Policy, MIS procedures and Training Programme was initiated
- Control** Both a time series and X-Bar R Chart were established for monitoring purposes
- Results** Improvements to cash flow and Financing Charges
- Savings** Up to \$325,000 USD