What was the situation?

A private equity portfolio mid tier IT professional services corporation, had traditional working capital performance indicators in the upper quartile. For example, percent current was at 80% which is good performance for companies in that industry, as traditional metrics go. The problem was that even with good performance the company had trouble meeting its banking obligations.

The problem was that even with good performance the company had trouble meeting its banking obligations

What was done?

A detailed, transaction level analysis was carried out, as a part of a comprehensive diagnostics exercise, that uncovered opportunities for improvement in the order to cash value chain. Traditional metrics, that were employed at the time by the company, couldn't uncover delays in accounts receivable collections. In addition the company resources were focused on low or no value added areas. Furthermore, accurate performance forecasting capability, daily performance tracking relative to goals, and dispute management functionality were lacking.

Additional $30 million were liberated from AR portfolio over a very short period of time (a month and a half)

New performance forecasting methodology, daily tracking of progress to targets and a dispute management process were deployed over a period of two weeks. All functions within the order to cash value chain of the portfolio company were included in the new process. The experience was rewarding for all parties involved because it proved that even a well run company could be elevated to a truly exceptional performance. Additional $30 million were liberated from AR portfolio over a very short period of time (a month and a half), and bank covenants were met. The organization was receptive to change and institutionalized the new processes and metrics.