

## How Growth<sup>®</sup> improves Liquidity

In the global financial crisis companies are not only experiencing a significant reduction in sales but are also facing huge problems in raising capital in a currently dysfunctional banking system. This can mean that even a company with a healthy P&L can be driven to insolvency due to a lack of cash to pay salaries and suppliers. Growth<sup>®</sup> can solve this problem by unleashing cash tied up in the company.

There are three areas where an application of lean principles will produce significant results:

1. Receivables
2. Payables
3. Inventory

### 1. Receivables Management – Time to Cash:

Value Stream Mapping (VSM) of the invoicing process from delivery of the goods or service to money credited will quickly show potential to reduce working capital requirements. Typical deficits are.

- Delays in the issue of invoices caused by complex procedures
- Focus on price instead of price and payment terms
- Bad overdue management
- Lack of visual management
- Sales force incentives based on sales instead of paid invoices

### 2. Payables Management:

VSM of the process goods reception to money debited will again quickly show potential to reduce working capital requirements. Typical deficits are:

- Early payment
- Payment of incorrect invoices
- Payment for defective goods and material
- Focus on price instead of price and payment terms

### 3. Inventory:

VSM of material ordering process and analysis of the replenishment algorithms will reveal potential to reduce working capital tied up in raw material and components.

Typical parameters are:

- Lot sizes
- Safety stock levels
- Delivery times

VSM of the production process and scheduling process will identify potential to reduce WIP. Typical issues are:

- Multi-point scheduling leading to an unsynchronized production flow and high WIP levels
- No one-piece flow
- No pull systems

VSM of the process to create production orders will show potential to reduce finished goods inventory. Depending on the production strategy (“make to order” or “make to stock” or derivatives) typical deficits are:

- High safety stock required to guarantee very high service levels – are they really necessary in these troubled times?
- High standard lot sizes caused by high change-over times.
- Production earlier than the customer requires.
- Over production