

White Paper:

Embedding Working Capital Acceleration In S2P

PRGX[®]

Embedding Working Capital Acceleration In S2P

Every business needs to maximize working capital and have as much money on hand as possible.

But how do you go from aspiration to realization? Even in normal times, persistent challenges in finance and procurement have a habit of getting in the way: competing objectives, budget limitations, and the need to secure buy-in across departments can all be obstacles.

By putting a self-funding audit program in place, businesses can cut through those complexities and leverage data to mitigate risk and reduce costs, returning more value to the bottom line.

This white paper will provide a roadmap around the challenges and help you achieve working capital acceleration (WCA) across the source-to-pay (S2P) continuum.

The Fast Track to More Cash

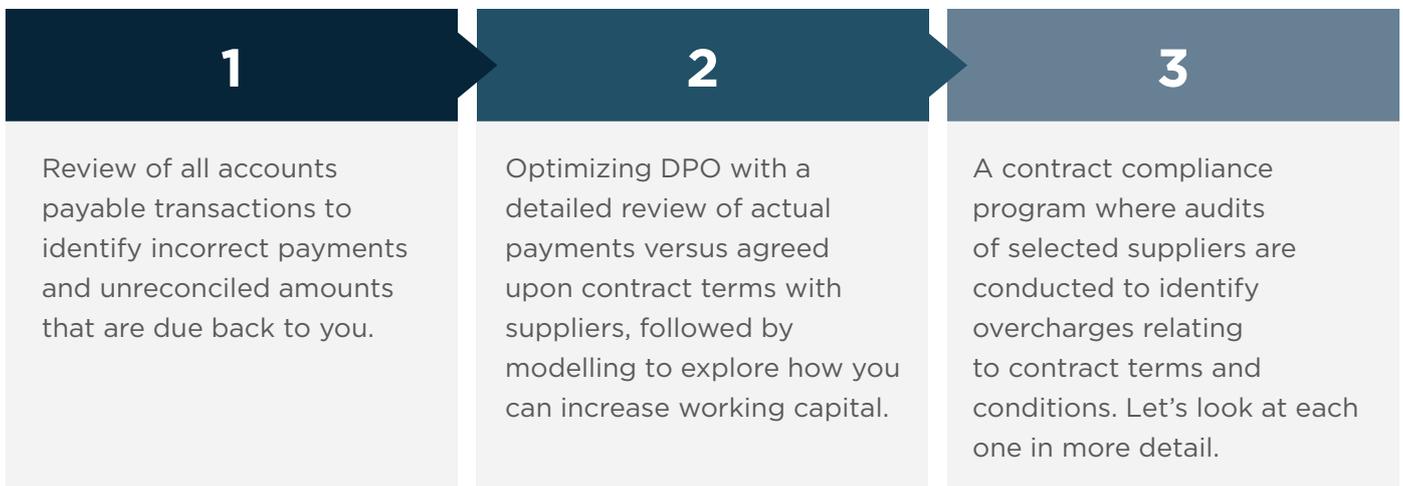
“Many companies are **unknowingly** sitting on synergies that can **add greater value** in a shorter timeframe.”

Improving short-term liquidity and minimizing long-term risks across S2P have always been on the finance agenda, but the arrival of COVID-19 added urgency to both.

To succeed in a disrupted environment, finance teams need to consider all of their untapped potential sources of value and look at new ways of operating so they can adapt and thrive in a highly changeable environment.

Many companies are unknowingly sitting on synergies that can add greater value in a shorter timeframe. By taking a 3-pillar approach, it's possible to accelerate working capital by focusing on accounts payable, days payable outstanding (DPO) and contractual relationships with suppliers.

The Three Pillars of WCA in S2P



1

Review Accounts Payable Transactions

Through a detailed review of paid transactions and supplier outreach and statement reconciliation, finance teams are able to **identify corrections and claims that bring cash back to the business.**

That means a short-term but significant uplift to the bottom line, however, the review itself will also uncover insights that highlight where processes can be improved. The hidden value of recovery audits lies in the data and analytics.

2

Optimize DPO

All the data aggregated in the accounts payable review will enable you to see when you are actually paying your suppliers versus the terms agreed upon in your contracts.

This can enable you to do two things: identify unrealized discounts that you should have applied, and use modelling to optimize terms and improve working capital for groups of suppliers or across the whole supplier base.

Often, suppliers are being paid too early, essentially lending them interest-free money, in some cases for half a month. Managing the days payable can **help businesses recapture working capital.**

3

Implement Contract Compliance Program

The data delivered by the accounts payable review will provide the intelligence to decide which suppliers and contracts should be prioritized for review.

The purpose of each review is to ensure compliance with agreed upon terms and make sure that **you are getting full value from the operation of every contract.** It involves a deep dive into whether suppliers are charging, rebating, and discounting in compliance with the terms procurement teams likely devoted significant time to negotiate.

Any exercise in contract compliance can require the involvement of both procurement and finance, so having executive buy-in is a critical success factor.

Benefits of the Three-Pillar Approach

The link across all pillars is the foundational data collected at the start, during the accounts payable review. With that data in hand, businesses can identify new opportunities to recoup losses, reduce costs and operate more efficiently.

Key benefits include:

- + Generating more working capital and money on hand in the shortest possible timeframe
- + Assessing the diligence of the current payment process and evaluating vendor compliance with contract terms
- + Establishing a sustainable recovery audit program
- + Mitigating risk and reducing leakage in the payment processes with optimized supplier contracts
- + Leveraging auditor expertise and knowledge of best practice to create a world-class compliance program

Success Stories

Consumer Products

This fast-moving consumer goods (FMCG) client engaged PRGX to help it realize an immediate need to generate cash flow.

Following a successful first phase, PRGX expanded the scope of the audit geographically to deliver a global review. Auditor teams visited most of the client's large country hubs to ensure that local stakeholders understood the process and were comfortable that PRGX would be good custodians of their supplier relationships.

PRGX delivered a root cause analysis as part of the project, and made process improvement recommendations, with particular focus on an issue relating to the calculation and collection of large rebates. We also helped the client optimize DPO and advised on how closely contract terms were being adhered to.

Results:

PRGX has recovered the equivalent of over USD **\$70M** for the client to date.



Aerospace

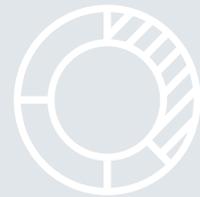
PRGX has been working with this aerospace manufacturing client for over a decade. With a large store of foundational data on hand, we were able to provide them with a data cleanse of their master vendor file, eliminating duplicate vendors and fixing incorrect contact details.

We also advised them on ways to improve handling large foreign

currency Value Added Tax (VAT) transactions and address issues with their Evaluated Receipt Settlement (ERS) self-billing system. The client has invested extensively in automation and related IT in recent years. PRGX is providing valuable ongoing counsel to help ensure that processes are optimized while a broader digital transformation is underway.

Results:

PRGX has delivered savings of the equivalent of USD \$26M back to the client.



Pharmaceuticals

This client, a large healthcare and pharmaceutical company, asked PRGX to conduct a global audit providing a range of services from audit to analytics under the three-pillar approach.

Throughout the engagement, we identified issues with technology

platforms that interfaced with the company ERP system. Working with their off-shore Business Process Outsourcing (BPO) provider, we performed ad-hoc analytics projects which included a response to a third-party query relating to payment practices.

Results:

The sole provider agreement has delivered over USD \$22M in cash back to the business through contract compliance, along with recommendations to optimize current contracts. In total, across all three pillars, PRGX has delivered over USD \$84M in cash back to the business.



It's Time to Act

There are notable success factors for improving access to working capital. Vendor relationships can be critical to the business, and all have to be managed with care, so stakeholder alignment is crucial.

Data availability is also vital, but don't rely on automated systems alone. The insight and experience skilled consultants provide - coupled with data - is the essential combination.

You must have a provider with extensive experience in launching large complex programs where results are required quickly, without disrupting critical business activities.

At PRGX, we have more than five decades of experience and expertise to draw from. That allows us to reach wider, dig deeper, and act faster for our clients.

By using synergies across the source-to-pay cycle, we help businesses find the fastest path to value while also looking ahead to mid-term cost savings.

Almost every Fortune 500 company relies on recovery audits as standard practice. Integrate them into your monthly or quarterly financial processes, and let PRGX help you maximize working capital and cash on hand throughout the financial year.

About PRGX

PRGX helps companies spot value in their source-to-pay processes that other sophisticated solutions didn't get to before. Having identified more than 300 common points of leakage, we help companies reach wider, dig deeper, and act faster to get more value out of their source-to-pay data.

We pioneered this industry 50 years ago, and today we help clients in more than 30 countries take back \$1.2 billion USD in annual cash flow.

It's why 75% of top global retailers and a third of the largest companies in the Fortune 500 rely on us.

For additional information on PRGX, please visit:
www.prgx.com