



# OIL & GAS: WORKING CAPITAL (DSO)



### Overview:

Multi billion dollar multinational oilfield services company

- 30+% growth in global revenue
- 200+% growth in 10+ Regions around the world
- Strong Gross Margins %
- Cash flow pressures amidst this growth are the challenge

## 27.6% IMPROVEMENT IN WORKING CAPITAL (\$95MM)

**Overview:** A global oil and gas client was feeling the pressure of strong revenue growth and strong margin growth, but poor cash flow to its shareholders and constituents.

The Business Case established was to utilize *Lean* as a methodology to improve working capital (i.e. cash flow) while simultaneously supporting the Revenue growth strategies around the world.

A working capital project was mobilized to focus on the opportunities associated with Invoicing, Accounts Receivable, Collections and delayed payments. The project encompassed an initial focus group of 8 districts across the world.

### Baseline data:

- Company Wide *Days of Sales Outstanding* (DSO): 72.6 days
- Total of 32 districts worldwide
- Global Accounts Receivable: \$900+mm
- 8 districts targeted across US, Europe, Middle East, Asia, Africa & Russia
- Target districts accounted for \$288mm in Accounts Receivable (A/R)

**Project overview:** Utilized JKA's proprietary approach to *Lean in Business Processes* to dissect the process, understand the

metrics and understand the *right wastes* to address to impact the metric of A/R. Value Stream Mapping for Information flow (VSMi<sup>®</sup>) played a critical role in (1) understanding the upstream and downstream information needs and (2) defining the upstream information *outputs* for each step in the process.

Implementation a deployment within each district involved information flows to/from: Country offices (headquarters for each legal entity), warehouse operations, service centers, field sales, rig operations, field technicians and fluids engineers.

### Results:

- 8 districts reduced Days of Sales Outstanding (DSO) by 33%
- 8 districts accounted for \$95+mm in A/R reduction (Cash)
- Remaining 24 districts improved DSO by 1.5% (using traditional methods)
- Bad Debt % for 8 districts <2%; Company wide = 6.1%
- **3 year results: 8 districts maintained 27.6% improvement, balance of company had -8% (DSO)**

JKA approach was subsequently mobilized in the parent company where an additional \$73mm in Working Capital reduction was realized in Brazil, Malaysia, Indonesia, Congo, Angola, South Africa, Kazakhstan, United Kingdom.

