Accounts Payable I
Case Study Introduction
Learning Objectives

At the end of this module, you will be able to:

- Recognize how case studies can be used to practice applying concepts
- Apply lean thinking and analysis tools to an office process
- Sketch a future state value stream map
- Recall the impact that variability has on process performance
Rockwell Collins Background

- Leading provider of commercial and military avionics systems and information technology
- History of Rockwell Collins
- Founded in 1933 as Collins Radio Company
  - Acquired by Rockwell International in 1973
  - Spun-off in 2001 as an independent publicly traded company
- Today, more than 20,000 employ at over 60 locations in 27 countries
- 1998 - “Lean Electronics” launched by CEO Clay Jones as RC’s operating philosophy

Courtesy of Rockwell Collins. Used with permission.
Accounts Payable Overview

- Switched to invoice-less “Pay From Receipt” or PFR system in 1993
- Implemented in SAP corporate database system in 1999
  - Purchasing Department issues Purchase Order (PO) into SAP
  - Receiving Department enters data into SAP upon receipt of shipment
  - Vendor payment triggered when PO and receipt reconciled
  - Vendor charges shipping to RC account
  - RC pays taxes
  - No invoice needed from vendor
- 80% of suppliers currently on PFR
- Processing the remaining invoices is a problem
## Quarterly AP Metric Summary

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<th>1st Q</th>
<th>2nd Q</th>
<th>3rd Q</th>
<th>4th Q</th>
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<tbody>
<tr>
<td>Non PFR Invoice Volume</td>
<td>13,700</td>
<td>14,500</td>
<td>15,200</td>
<td>15,600</td>
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<td>(nearest 100)</td>
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<td>Average Cycle Time</td>
<td>5.8</td>
<td>6.1</td>
<td>6.3</td>
<td>6.4</td>
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<td>(weeks)</td>
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<td>Percent Past Due</td>
<td>8%</td>
<td>10%</td>
<td>11%</td>
<td>12%</td>
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**Increasing Volume**

**Lengthening Cycle Time**

**Growing Number of Past Due Payments to Suppliers**
Process Improvement Flow

- AP has developed a VSM for their process
  - It is in your folders
- Value stream analysis (VSA) needs to be done to prepare for an upcoming AP Rapid Process Improvement (RPI) event
  - You will do this tonight and discuss tomorrow.
- RPI event will identify improvement strategies and develop a future state VSM
  - We will do this in class tomorrow
- An implementation plan for the new VSM will be worked out during Lean Implementation module
Rapid Process Improvement

- RPI is a specific instance of a general continuous improvement approach called Kaizen
  - Event is a day to a week in duration
  - Focused on a specific improvement opportunity
  - Chartered by a sponsor who gives improvement goals and organizational constraints
  - Involves all important stakeholders
  - Experts and facilitators provided as needed
  - Data driven process
  - Ends with implementation plan
  - Outcomes measured after plan implemented
Homework

- Read the case study in your folder
- Verify that the provided Value Stream Map accurately reflects the data in the case study
- Work out the answers to Questions 1-4
- Come to class prepared to discuss the case study and perform further analysis.