



COMPETENCY: OPERATIONS
INDUSTRY: MANUFACTURING

CASE STUDY

THE CLIENT

A mid-sized ag sector company.

THE CHALLENGE

The client underwent a major self-financed expansion of its production facilities and unforeseen issues during commissioning resulted in an unscheduled 30 day shutdown of operations. Coincident to the shutdown, two unrelated catastrophic equipment failures added operating costs and lost sales, and resulted in post expansion production at less than original capacity for several months. Payment of government incentives was delayed due to the inability to meet production milestones. The net result was a drop of cash-on-hand to nearly zero, with monthly cash requirements of approximately \$4 million. The company had extended payables to suppliers well beyond terms and was on the brink of defaulting on loan covenants and payment to suppliers.

The Controller resigned in the midst of the cash flow crisis.

THE APPROACH

The Osborne Principal filled the role of Interim Operations Executive and he assumed direct control of the cash flow situation, established daily, weekly and monthly cash flow projections and set schedules for release of payables with an understanding of priorities to lenders, government agencies and suppliers. He also identified the lack of protocols to monitor receivables and therefore set protocols, utilizing status reports to get customers to pay on a timely basis. In addition, the Principal interceded with government officials to expedite payment of incentives and liaised directly with several customers to ensure invoices were paid in accordance with terms and the backlog of outstanding payments was made current. Lastly, he reviewed purchasing practices and inserted controls.

THE RESULT

Within two months the cash flow issues were completely resolved with cash-on-hand restored to comfortable working levels, even prior to receiving all government contributions; no payments were defaulted and supplier relationships were maintained.