

## Case Study

### Working Capital project for BP, Dec01 to Feb02

**Context:** BP Chemicals needed cash urgently but did not want to issue any more shares. They believed that a reduction in Net Working Capital would be the best way of releasing cash quickly, and hired us to help them identify the scope for reduction and then ensure that these savings were achieved.

**Process:** We set up two-man teams for each of the 13 business units (BUs). Six were in the US, five were in the UK, and two were in Asia Pacific. We focused on three main areas: Accounts Receivable, Finished Goods, and Feedstocks/Raw Materials (Payables had already been addressed the previous year). A large part of the project was associated with changing the focus of the client staff from profit maximisation to cash management. Historically, due to the cyclical nature of prices, many BUs bought feedstocks at times of low prices and stored it on site until required. They also tended to accumulate high levels of finished goods to eradicate the possibility of lost profits due to stockout. We also looked at forecasting methodologies, and production planning.

**Our Role:** As Project Manager, we had to coordinate all the teams, develop processes for reporting progress, ensure that any examples of best practice we found were shared quickly with other the business units, and develop a spirit of 'friendly rivalry' between the Business Unit Leaders (BULs). I was based in Naperville for the duration of the project, but travelled regularly to the UK and once to Tokyo to meet with the BULs and project teams.

**Result:** Working with the BULs, we identified over \$XXXm USD (confidential) of working capital reduction, and we were able to confirm to the client that detailed action plans for achieving these were in place and that these figures were cascaded down through BUL performance targets to individual managers in each BU. The client was delighted.