# CALLISTO GRAND

CASE STUDY

PHARMA AND MEDICAL DEVICES INDUSTRY
SHARED SERVICE CENTRE, BUDAPEST, HUNGARY

Our client is a market-leader in various pharma and medical devices industry segments. A sizeable order-to-cash operations team manages the full accounts receivable (AR) of the company including billing, collections, dispute management and cash application.

July / August 2018

- **Collections and Dispute Handling team of 34**
- **Consultancy engagement and Improvement Roadmap**
- **O2C Certificate in Operational Excellence (digital learning)**
- **Credit Management classroom training**
- **Callisto KPI`s and Performance Measurement**
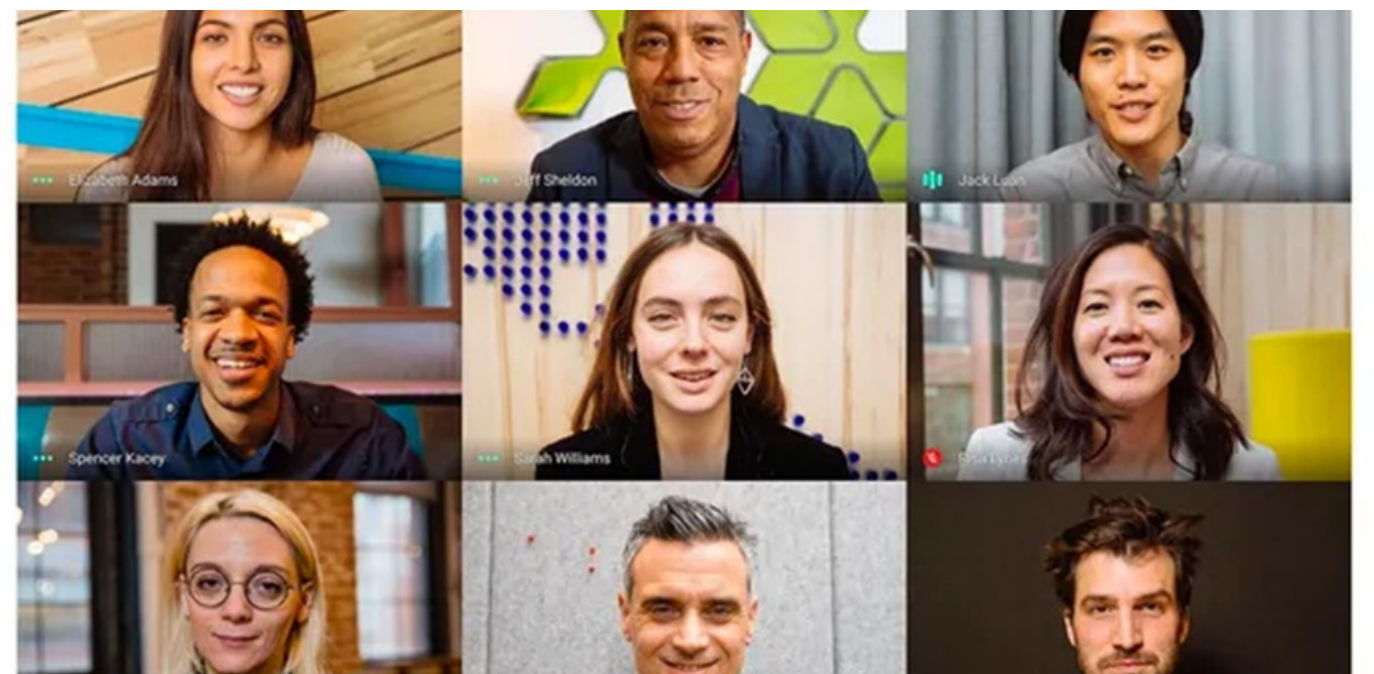
PROBLEM STATEMENT

*The senior management of the client, as well as the shared service leadership stated that the collections and dispute handling teams were not working effectively, their potential performance level (entitlement) is much higher than the level where they were actually performing. The overdue AR was constant at approximately **31%** of AR, and few actions were taken in the SSC centre to increase productivity.*
*DSO skyrocketed to **131 days**. For dispute handling, there was a European process and tool implemented, but the team did not yet fully operate according to the new standard.*
As it was a sizeable team, the cost of no-improvement is high. In the previous months some level of staff turnover (attrition) hit this group, taking a toll on knowledge retention and experience.
An anecdotal saying has coloured the team`s perception: the client who often visited the SSC operations made remarks that the collections and dispute teams were hardly heard talking to customers, the European CFO used to say: "this floor is like a library…"

PROJECT OVERVIEW

The project started with a 3-week consultancy engagement whereby the Callisto Grand consultant studied and analysed the available data on invoices, billing info, customers, payer behaviour and trends, dispute root causes and credit note reasons, as well as holding interviews with team leaders, collectors and dispute-handling specialists.

As an outcome of the consultancy engagement, Callisto Grand presented the following proposal to the client European CFO and the SSC directors:

- *A detailed analysis about the AR portfolio with regards to prioritization, time management, payment behaviour, risk concentration, and segmentation and "weak links" in the cash collection process*

- *Re-branding proposal*

- *New set of KPI`s proposal*

- *Learning plan for collectors and dispute specialists with specific training content and format of delivery*

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PROJECT ROLLOUT

The client`s order-to-cash leader continued the Callisto-proposed changes into an Order-to-Cash Improvement Roadmap and with the support of leadership, implemented the following elements of the change plan:

- **Training and development**: two levels of credit management education was provided:
- Online e-learning (O2C Certificate in Operational Excellence) to EVERY collector and dispute handling personnel. Each member of the team received their learning access codes and spent two weeks completing the first two modules at their own speed of convenience.

- Callisto`s Journeyman course (nowDiploma), a 1-week classroom training with a renowned US trainers provided to the people leaders of the order-to-cash departments.

- Implemented **new collection strategy** to be in line with the new risk segments and reflect the EMEA-wide credit Management policy

- Adjusted the **KPI measurement** of dispute handling and cash collection

- **Outcome-focused metrics** instead of action-focused measurement (example: cash collected and disputes resolved to be measure instead of collections efforts made or dispute cases opened)

- Fine-tuning the quarterly variable incentive scheme of the department

- **Re-branded** the entire collections team with a strong focus on cash and credit.

- Initiated a **longer term plan** to implement a proper collection tool

PROJECT OUTCOME

As a result of the roadmap implementation, the client has seen a strong reduction in past dues (dropped from 31% PD% to under 20% in 7 months), DSO improved from 131 days to under 90 days. The credit notes, a strong indicator of internal process flaws i.e. re-work, reduced dramatically from 11% of invoices to under 4%. The dispute resolution cycle time – i.e. the average days the client`s customers receive a fix on their complaints – dropped from 32 days to 15 days within one year.

The team has seen an extreme low attrition (2 leavers in 1.5 years) thanks to investment in their training and learning and their better appreciation of efforts through the revamped quarterly **bonus scheme**.

The O2C team increased their ownership of all aspects of the O2C cycle preparing analyses, performance measures and reports that were either not done before or were actioned elsewhere.

Customer call numbers increased. All team members are now regularly communicating with sales and other internal stakeholders;

they implemented recurring operating mechanisms with them at various level of the business. Additionally there is a vibe and energy with the team sharing examples where they now recognize work related events introduced in the training.

The client is very satisfied with the strategic and tactical recommendations of Callisto Grand as well as the training provided to the O2C team and now working on implementing their ERP-based collections module.

ABOUT CALLISTO GRAND

Callisto Grand is an innovative O2C (Order to Cash) training and consultancy enterprise that leverages decades of global operational experience to help companies, achieve world class standards of excellence.

Our products and advisory services provide value to a wide range of customers and are especially relevant to multi-national shared services industries.

Our customers include some of the largest global Fortune 1000 corporations.

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