



# Accounts Payable I Case Study Introduction

# Learning Objectives

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

- **Use a case study 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

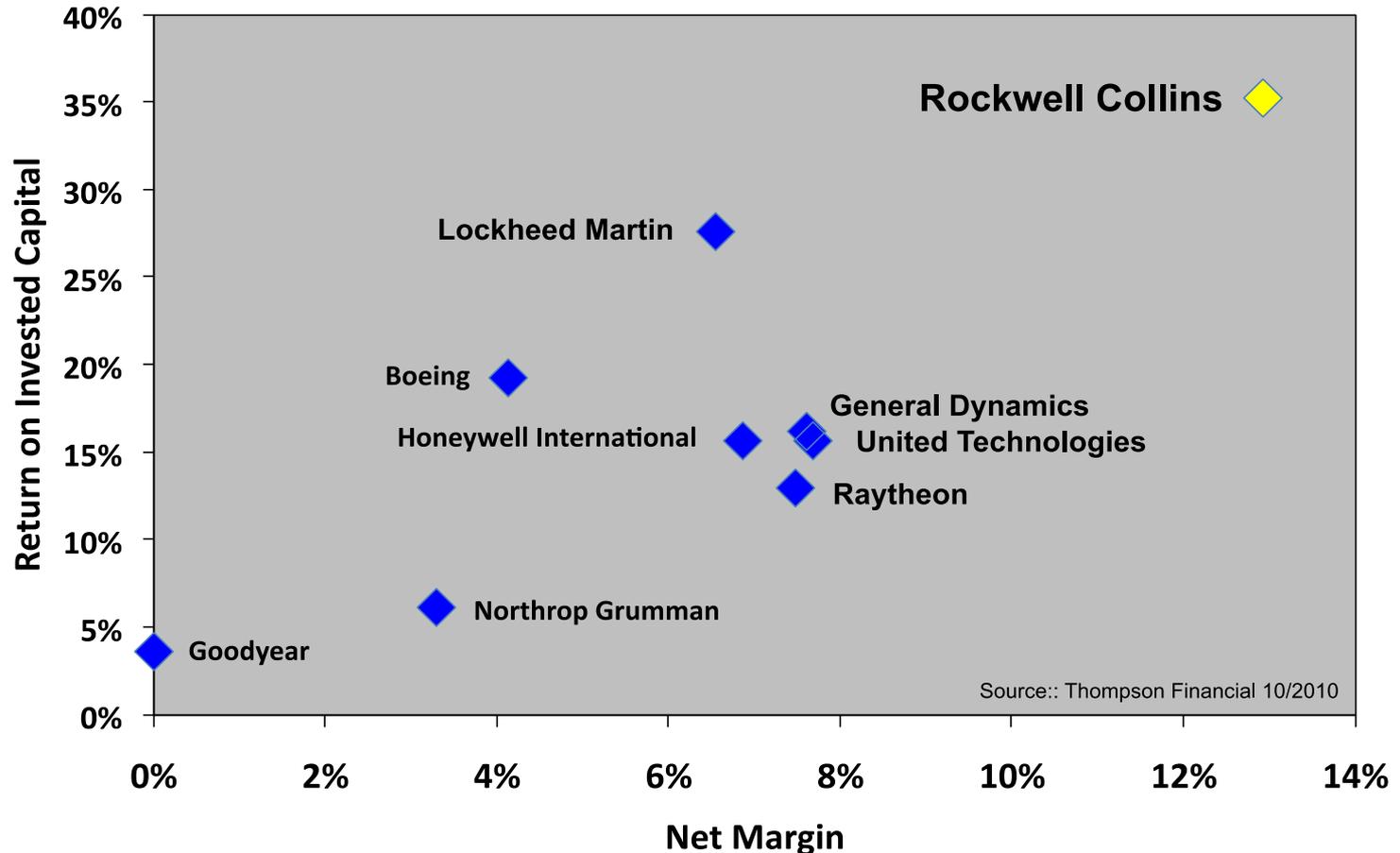
- Leading provider of commercial and military avionics systems and information technology
- Founded in 1933 as Collins Radio Company
  - Acquired by Rockwell International in 1973
  - Spun-off in 2001 as an independent, publicly traded company
- Today, more than 20,000 employees at over 60 locations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



Courtesy of Rockwell Collins. Used with permission.

# Rockwell Financial Performance

Financial Performance of Selected Aerospace Companies: 2005 to 2009



- Notes (1) Additional factors beyond Lean Electronics contribute to Rockwell Collins superior sector performance
- (2) Financial performance for firms can include non-aerospace business units

# Accounts Payable Overview

## Organizational Structure



- Switched to invoice-less “Pay From Receipt” or PFR system in 1993
- Implemented in SAP corporate data base 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
- About 80% of transactions currently on PFR
- Processing the remaining invoices is a problem

# Quarterly AP Metric Summary

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

**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 Workshop (RPIW)

- Focused on a specific improvement opportunity
- Chartered by a sponsor who gives improvement goals and organizational constraints, and provides resources
- Lean coaches & facilitators provided
- Event is up to a week in duration
- One to three months preplanning
- Involves all important stakeholders
- Data driven process
- Ends with implementation plan
- Implemented outcomes measured

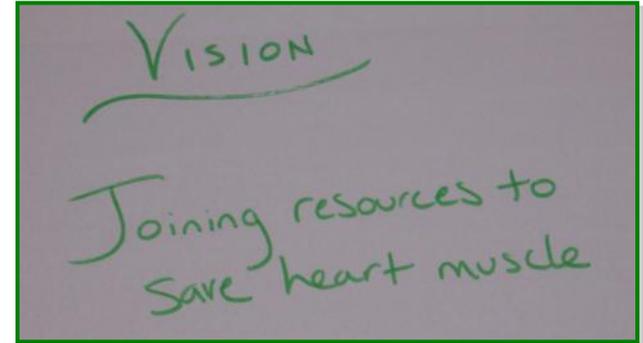


Photo by Earll Murman

JHC AMI RPIW – Apr 2009

**Doing in 1 week what otherwise takes months or years**

- **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.**

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