

1 DEFINE — 2 MEASURE — 3 ANALYZE — 4 IMPROVE — 5 CONTROL

\$180K

annual COPQ at baseline

CHARTER + IPO

AP cycle time at 19-day median; \$180K/yr Cost of Poor Quality (late fees, missed discounts, manual rework).

CHARTER Y'S

- Invoice cycle time ↓ ≤ 10 d (aim 7)
- First-pass 3-way match ↑ ≥ 90%
- Late fees avoided ↑ ≥ \$6K / mo
- SOX audit completeness ↑ ≥ 99%

PROCESS SCOPE

Invoice Receipt → Validate & Match → Approval Routing → Payment Execution → Reconcile & Archive

\$180K / yr COPQ baseline

PROBLEM DEFINED

85%

of late invoices from top 3 causes

BASELINE + PARETO

| | | |
|--------|--------|---------|
| MEDIAN | MEAN | STD DEV |
| 19 d | 22.8 d | 10 d |

90% of invoices above USL (> 10 days). Asymmetric defect side: virtually all on upper bound.

PARETO OF LATE-INVOICE CAUSES

| | |
|---------------------------------------|-----|
| Paper invoice manual processing | 35% |
| Approval bottleneck (single approver) | 28% |
| 3-way match failure | 22% |
| Missing PO reference | 11% |
| Other (duplicate, currency, etc.) | 4% |

Top 3 causes = 85% of late invoices

GAPS SIZED

5.8x

paper invoices fail 3-way match more often than EDI

ROOT CAUSES VERIFIED

THREE HYPOTHESES TESTED. ALL THREE VERIFIED.

- RC1 Paper invoice intake**
+2.8 d median vs electronic
Mann-Whitney U · p < 0.001 · n=9,612
- RC2 Single-approver bottleneck**
+3.1 d at quarter-end peak
One-way ANOVA · F=47.3 · p < 0.001
- RC3 Data-entry → match failures**
5.8x failure rate (paper vs EDI)
Pearson χ^2 · $\chi^2=312.5$ · p < 0.001

All 3 root causes statistically validated

ROOT CAUSES IDENTIFIED

19 → 7d

median cycle time after full rollout

SOLUTIONS + PILOT

THREE SOLUTIONS, MAPPED TO THE THREE ROOT CAUSES

- Vendor portal**
Top 75 strategic vendors → 60% of monthly volume electronic
- Tiered exception workflow**
L1 / L2 / L3 by \$ magnitude · SLA 24 / 48 / 72 hrs
- PO reference enforcement**
Required at goods receipt; auto-reject if missing

PILOT (8 WKS, 30% OF VOLUME)

| | BASELINE | PILOT |
|------------------------|----------|-------|
| Cycle time (median) | 19 d | 8 d |
| In-terms payment % | 65% | 86% |
| First-pass 3-way match | 75% | 94% |

Full rollout: 7-day median — charter aim achieved

PILOT PROVED

\$210K

year-1 realized savings (17% above baseline COPQ)

SUSTAIN + REALIZE

I-MR CHART, 25 WKS POST-ROLLOUT

YEAR-1 REALIZED SAVINGS

| | |
|------------------------|---------------|
| Late fees eliminated | \$72K |
| Discount capture | \$78K |
| Labor redeployment | \$60K |
| Year-1 realized | \$210K |

\$210K realized · 17% above \$180K baseline COPQ

\$210K SUSTAINED