

# WHITE PAPER BEST PRACTICES SERIES

## LEVERAGING THE ORDER-TO-CASH PROCESS FOR SHAREHOLDER VALUE

JULY 2018

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### Improve the Order-To-Cash Process to Increase Shareholder Value

The Order-To-Cash (O2C) process is an area that remains largely untapped by many businesses. However, smart and effective management of the O2C process could help to improve business performance and the bottom line. It is no surprise that more and more corporations are beginning to prioritise this strategy for future business success.

Order-To-Cash is complex, thanks to the many cross-functional activities involved in the process. Activities include credit analysis and approval, order management, invoice, billing and collection, cash application and deduction and dispute resolution, as well as analysis and reporting. All of these activities will take place across the organization. However, many companies do not integrate and manage all of these activities as a single O2C process.

Many companies focus on the health of the organization using accounts receivable metrics (DSO, delayed payments, disputes, and deductions), and it is here where poor O2C management is reflected. By prioritising and making O2C a focus, companies can measure management as well as customer satisfaction.

#### The Challenge of O2C

The interconnectedness of the O2C processes can pose quite a challenge; however, by harnessing it as a core strategy, it can be rewarding for organizations. The problems with O2C include;

- Costs of a broken processes – for example, reverse logistics can cost almost five times as much as the original order shipping cost.
- OTC is viewed as Non-core – Despite O2C being critical, companies usually prioritise and invest in optimizing other areas first.
- Complexity – numerous interactions create a complicated process to manage.
- Customer/Business disparity – Customers (for example retailers, tend to treat O2C as a seamless and integrated process whereas vendors will have separated functions causing a disparity in the approach to a problem.
- Technology – While automation can help with activities, rarely is ERP technology intelligent or integrated enough to manage the whole process seamlessly. Large volume customers (say a Wal-Mart) will be highly integrated as the logistics value chain is viewed as a core driver of their business. For manufacturers, rarely is this the case.
- Integrate with Customers – Holistic integration with customers is at this point an idea for the future, but there is *plenty* that can be done even today including, as an example, robotic processes to access the vendor portion of customer systems, logistics providers, etc. Longer term, **blockchain** offers very interesting possibilities for eliminating most of the vendor-customer back and forth required at the present time, as well as automating payment.

Many companies do not have an end-to-end O2C process, which can cause customer dissatisfaction when issues are not handled effectively and efficiently. Customers become disappointed at the speed of action and problem resolution. Ultimately, an absence of O2C integration can lead to dissatisfied customers and adverse impacts to the shareholder. After all, poor O2C management will result in higher costs, reduced cash flow and unhappy customers. Many large customers evaluate vendors by their order “compliance” metrics.

When the O2C process is decentralised, or systems not integrated, it will make the process more vulnerable to errors, inefficiencies and expenses. In turn, businesses will receive poor data about the process which can deliver an unreliable result of business performance which can then cause an impact on overall profitability and shareholder value.

### O2C Managed Services

In order to prevent this situation from happening and to create a robust O2C process, many organizations look for managed service providers (MSPs) to improve the process. Managed service providers can help in a variety of ways such as automated notifications, root cause analysis of problems, policy creation, implementing key performance indicators and dispute resolution technology.

Well run, automation-enabled MSPs have proven to deliver a significant return on investment for many companies with a lower cost-to-serve than in-house cost. Managed services can then help to provide organizations with a sustainable management plan that links all activities to achieve your business objectives.

One issue of concern is that many MSPs, including those with thousands of offshore employees, often lack good systems. Many, believe it or not, lack the most fundamental automation, still using spreadsheets for basic receivables functions. “Labor arbitrage” savings is not a long-term solution.



Make sure your savings derive from technology, not just cheaper labor, for both immediate and sustainable cost improvement.

## The Value of O2C

Whatever size or style of the organization, all businesses can benefit from improving their O2C process. In fact, effective management of the O2C processes could be one of the most cost-effective and quickest ways to improve an organization and, therefore, enhance shareholder value.

While activities in the O2C process may be simple, the task of integration and sustainable management is a challenge. Yet, it is a worthwhile challenge that delivers sustainable and lasting results and offers continuous improvement opportunities for ongoing success.

Improvements can be significant for organizations. Even small improvements that deliver a single day reduction in Day Sales Outstanding (DSO) can potentially yield millions in savings. For example, with just a *three-day* reduction in DSO, a corporation with a \$10 billion revenue could achieve a sustainable increase of more than \$83 million cash, and several millions of dollars of interest earned (or cost reduced).

## Unlocking O2C Value with A Managed Services Provider or Automation

With an MSP, or with automation that accomplishes the same result, businesses can achieve significant success with core business objectives, increased cash flow, enhanced customer experience, thanks to their implementation of tried and tested best practices. Acquiring state-of-the-art automation has a very fast ROI, and can create a continuous process which delivers a sustainable management plan on which you can continue to improve and work towards unlocking more benefits and value.

When companies compartmentalize activities in the O2C process, it dramatically affects decision-making ability as well as visibility and control. Managing the process as a whole, whether in-house or outsourced, can help to create a critical structure to form the basis of management metrics and business KPIs.

Analysing the need for an improved O2C process can be evident from determining how well you can assess the economic health of your company through its accounts receivable figures by comparing your performance vs. others in your industry. This is a great way to measure whether your O2C process is effective and areas where improvements can be made.

As O2C is a whole business approach, your organization must consider all aspects of people, processes and technology to achieve a remarked return on investment. It is essential to consider O2C as not just a quick-win to cut costs, but a fundamental business strategy that will help growth, customer satisfaction and shareholder value.

## About Smyyth

Smyyth MSP and its Carixa SaaS systems support the revenue cycle. Carixa offers unmatched automation levels, including robotic processes. It is a peerless SaaS platform that transforms credit-to-cash operations, slashes costs, increases collections and cash flow, and improves deduction resolution. It is a high-performance solution for large and midmarket businesses, deployable either end-to-end or by specific function, and scalable



to any size organization. With its Global AR Management features, Carixa can consolidate multiple Credit and Accounts Receivable systems around the world in a snap. Six Sigma principles and SAS 70. Carixa will enable you to improve your company's working capital and maximize financial performance. [www.smyyth.com](http://www.smyyth.com)