Hackett Study:
Building a Top-Performing Customer-to-Cash Process

This ebook outlines a strategy for finance leaders to move ahead from the covid crisis recovery and build the perfect process strategy. Achieve process and cash excellence through technology innovation and talent management by following the guidelines mentioned here.

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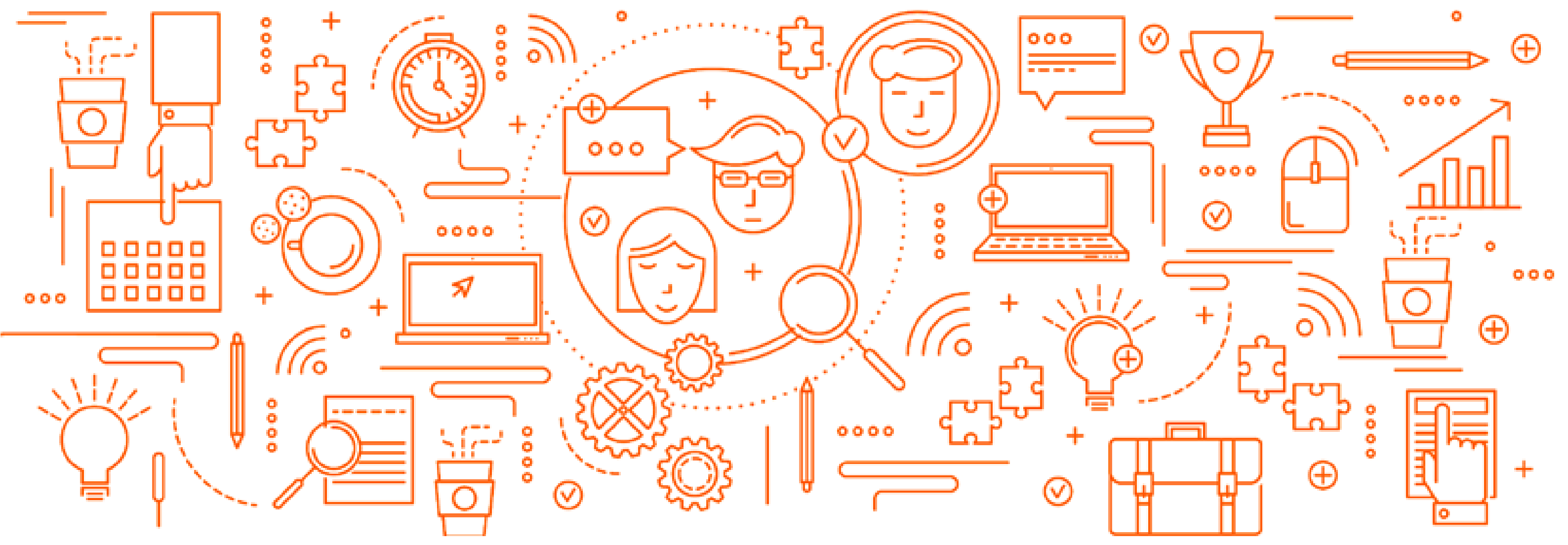

CHAPTER 01

Introduction

The COVID-19 crisis brought many challenges and changes that added to the existing pressures of the order to cash process. Reduced demand, collapsing supply chain, delayed payments, and tighter budgets had a grave impact on businesses. As a result of a highly volatile economic and operating environment, organizations started relying more on finance to provide guidance and make strategic decisions to adjust with the new normal and emerge resilient for future disruptions.

The Finance heads and order to cash leaders became responsible for putting their best efforts and ensuring:

- **High-performance and productivity for teams working remotely**
- **Risk mitigation by realigning and relooking their credit policies**
- **Creating a collection and dunning strategy for low impact on receivables recovery due to delayed payments and increasing credit**
- **Digitally enabling buyers to exchange invoices, make payments and share remittance information in the 'new normal'**

Amidst these disruptions, the two 'C's that stood out and gained prominence for many organizations was, ***CFO & Cash***.

CHAPTER 02

The CFO Dependency - From Crisis management to Cash Excellence

In the COVID war zone, while cash remained the true king, CFOs became the knights for keeping the lights on and ensuring operational success. According to a **Mckinsey report**, "When the COVID-19 crisis began to affect companies worldwide, the preliminary response of CEOs and CFOs was all about survival: freeing up cash and resources to keep the lights on and the doors open. The liquidity crisis triggered by the sharp disruption in economic activities prompted organizations to rush toward cash and liquidity to keep operations going."

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CFOs can use today's short-term crisis in cash preservation as an opportunity to focus on sustainable cash excellence, supported by a strong cash culture from top to bottom.

Source: McKinsey

While organizations looked up to CFOs, recognizing revenue and ensuring liquidity in an increasingly disruptive environment became their primary goal. A Deloitte paper - **COVID-19: Managing supply chain risk and disruption**, provided 25 recommendations for companies to mitigate damages to their business during this volatile event. One of these recommendations is to focus on cash flow. Hence, the post-pandemic priorities for the CFOs lie in moving from crisis management to concentrating on cash excellence. And this requires building a resilient and robust order to cash process. From automating to improving business processes, CFOs need to immediately rethink and redesign their order to cash process to successfully manage the disruptions.

CHAPTER 03

The Post Pandemic Priority - Building Order To Cash Process Excellence Through Technology And Talent

Innovation and skills emerged as two crucial parameters for organizations to grow in the post-pandemic era. Increased investment in technology adoption, rethinking data strategies, redesigning, and upskilling teams became the priorities for organizations to be lean and competitive in the future.

CFOs viewed the chaos of 2020 as the justification to make long-term technology investments on which they had previously been procrastinating. Those companies that finally made the investment in 2020 will reap the rewards in 2021 and beyond. Building upon this momentum in 2021 is a key priority for finance chiefs. And those who did not make the investment in 2020 nevertheless realize how important a digital strategy is to the health of their organization and are planning to do so in 2021.

Source: Forbes

As a strategic enabler, CFOs started ensuring faster technology implementation and cross-functional alignment of different teams to achieve their business goals. And this is mainly reflected in the order to cash process, which has started looking at innovations through technologies like Artificial Intelligence (AI) and rethinking talent management to fit the new normal. A **Capgemini report** on the future of Order to Cash mentions that 2021 will be about removing friction from O2C processes by looking for better digital strategies and being brave when it comes to innovative technology solutions and team design.

CHAPTER 04

Best Practices for Building a Top-Performing Order to Cash Process

A cash-focused culture with an innovative mindset for people, structure, and processes has become necessary to achieve cash excellence. A 2020 **Hackett Group Finance Benchmark study** shows that making improvements in critical areas such as Billing distribution and Collection Management can be significant and help overcome the revenue crunch. It also highlights that even amidst tight budgets and other pressures, some finance organizations could spend less in order to cash processes yet offer a better user experience. They could achieve this by:

Automation of processes:

Organizations with higher levels of order to cash process automation showed capabilities to outperform their peers. The Hackett benchmark research illustrates just how significant is the gap in automation levels between world-class and peer-group organizations. World-class finance functions:

- **Automate the processing of 71% of orders received, compared to 25% for peers. As a result, world-class organizations can process nearly twice as many orders per FTE. They automate 75% of credit modeling and scoring, compared to just 16% for peers. Thus, they can complete credit reviews 50% faster, leading to an improved customer experience.**
- **Generate and distribute 58% of customer invoices electronically, compared to 50% for peers. Consequently, it takes them 50% less time to bill customers, leading to faster payment.**
- **The benchmark research also found that average days delinquent in organizations with a high degree of invoice automation (i.e., over 75%) is half that of companies with low levels of invoice automation (i.e., 25% or less).**

Effective use of data and analytics:

This year, the finance function's top priority is supporting enterprise information/analytics needs, points out the Hackett study. The research shows that finance's adoption of advanced analytics tools – big data analytics, AI, and machine learning (ML) – will grow substantially during the next two to three years. More than 80% of finance executives surveyed expect to use advanced analytics tools on either a mainstream (i.e., used broadly across the enterprise) or limited basis within that time frame. Intelligent insights gathered from data analytics enable senior management in faster and smarter decisions to gain cash excellence:

- **Improving the credit-evaluation process by combining internal customer payment history with external data such as industry performance and credit ratings.**
- **Enabling finance to refine customer segmentation to apply credit and collection policies.**

- Integrating data from different source systems and identifying patterns such as increases in delinquent payments or decreases in the timeliness of billing can proactively address the issue.

Establishing end-to-end process ownership:

End-to-end ownership offers many advantages by streamlining the processes and offering a unified view across functions and regions. It also enables effective resource allocation along with enhanced, on-time customer service. The Hackett research found that process performance is correlated to process ownership. It noted:

- Finance organizations with formal, end-to-end order to cash process ownership showed a 55% lower process cost (labor plus outsourcing) than the peer group.
- Customer billing cost was 75% lower than the average, dispute management was 64% lower, and collections were 58% lower.
- Finance organizations with a high degree of end-to-end process ownership are 25% more likely to collect credit sales on time than those with a low degree of process ownership.
- It allowed 78% fewer invoices that required corrections
- The streamlined processes freed up the executives' time spent by 27%.

Talent Management and Upskilling:

Proactively addressing the talent needs based on understanding the skills and traits has become a prerequisite in the new normal. According to the Hackett study, role changes in finance function also changes the talent profiles. It further adds that the combination of digital transformation, decreased emphasis on transaction/administrative work, and a greater focus on working closely with business partners elevates the importance of analytics, technology, and communication skills. Yet finance, which reports large gaps in several critical skill sets, is not ready for this new challenge.

Order to cash leaders are trying their best to understand the Future of Work for GBS and trying to find the best possible ways to manage the virtual workplaces and remote workforces. In this webinar, **Emerging Global Trends in Talent Management and the Future of Work for GBS**, experts from SSON point out that retaining and retraining employees to gain value add skills and introducing cognitive solutions with AI and Machine Learning to increase productivity are the top priorities for O2C in 2021.

What Order to Cash Process Excellence Looks Like

The Hackett Group's research has isolated 10 critical capabilities of a top-performing order to cash process. These represent the most important best practices for driving enhanced efficiency and effectiveness and a better experience for stakeholders. Collectively, these capabilities establish a useful target for organizations aiming to achieve world-class performance in finance (Fig. 1).

1. CREDIT POLICY	Provide framework for the end-to-end process including roles and responsibilities across the C2C process.
2. MASTER DATA	Improve master data management to ensure accurate and timely billing and create a basis for BI and analytics.
3. STANDARD PAYMENT TERMS AND CONTROLS	Define payment terms; control non-standard payments terms through approval process.
4. DYNAMIC CREDIT MANAGEMENT	Defined inputs, outputs and strategies; initiate reviews by exception.
5. ELECTRONIC INVOICING	Eliminate manual billing triggers to reduce time to invoice.
6. SEGMENTATION TO SUPPORT COLLECTION STRATEGIES	Define segmentation based on risk and value and drive collections based on segmentation.
7. PROACTIVITY	Ensure key customers are receiving routine customer service calls, so issues can be addressed early in the process.
8. TECHNOLOGY LEVERAGE	Drive digital engagement, process efficiencies, and an exceptional customer experience.
9. EFFECTIVE DISPUTE MANAGEMENT	Log disputes in a central repository, underpin workflow by resolution matrix.
10. PERFORMANCE MEASUREMENT	Align performance measurement framework with objectives and targets.

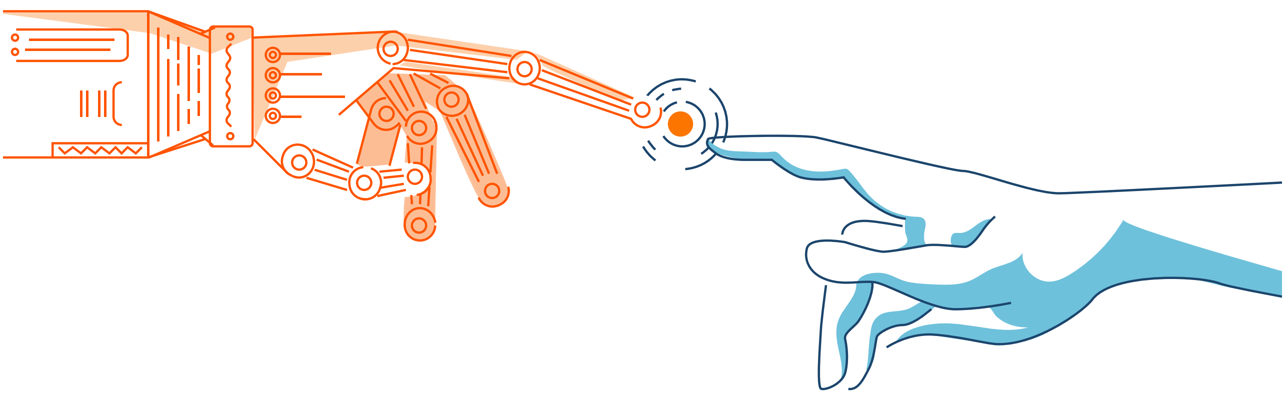
Figure 1

CHAPTER 05

Conclusion

There's no doubt that the emphasis is on order to cash processes transforming and performing in the post-pandemic age. By adopting the above-mentioned best practices, finance teams can build a top-performing and robust order to cash process.

Highradius can help you get started on your order to cash transformation journey. More than 700 of the world's leading companies have transformed their order to cash, treasury, and record to report processes with HighRadius cloud-based Autonomous Software for the Office of the CFO.



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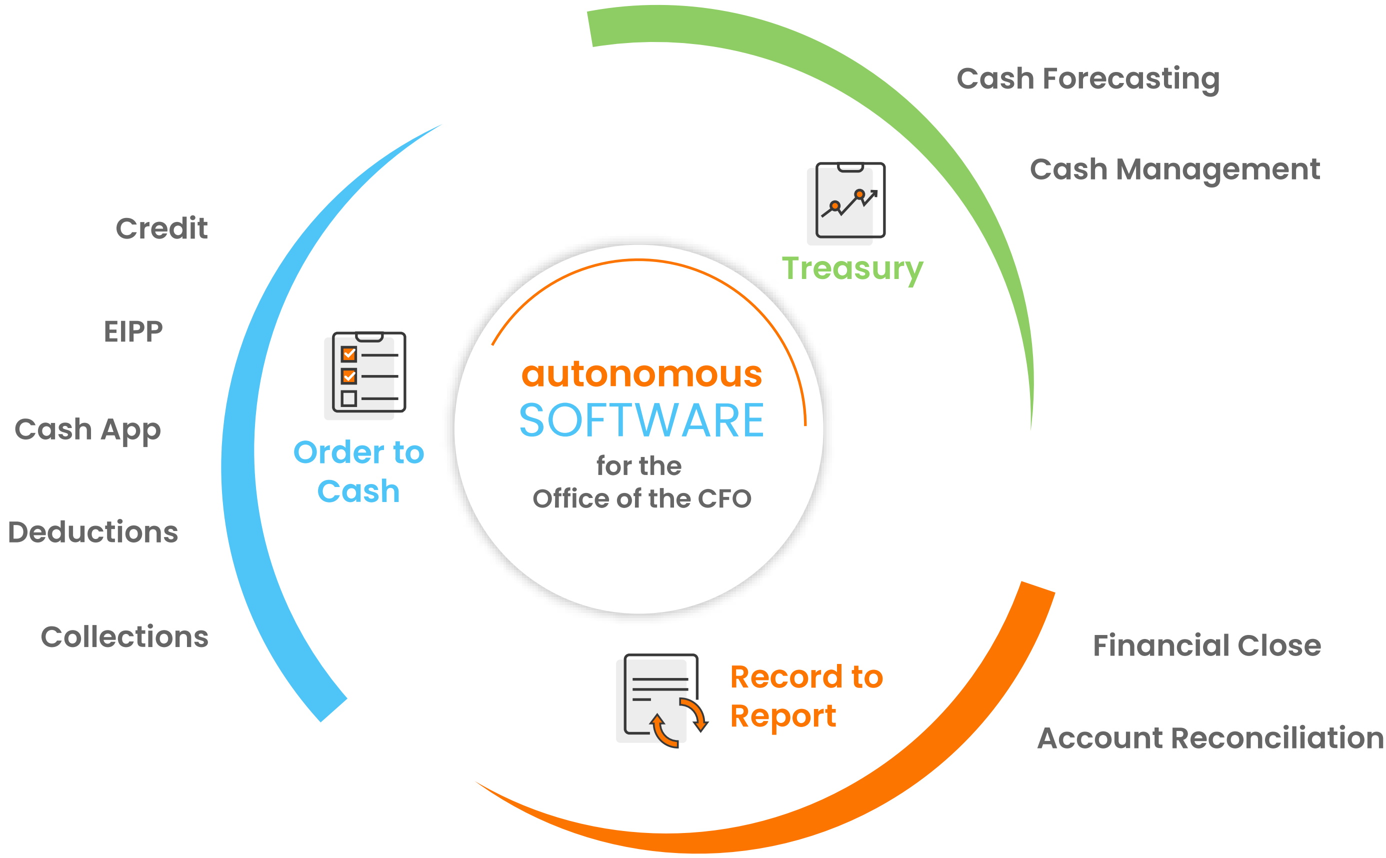

About HighRadius

HighRadius's Award-winning AI-enabled solutions powers 200+ Global 2000 companies optimizing their Order-to-Cash and Treasury Process. HighRadius™ Autonomous Systems, comprising of **Integrated Receivables™** , Cash Forecasting Cloud, **Rivana™** and **Freeda™** , uses AI-powered technology and digital assistants to improve your Receivables and Treasury processes beyond best-in-class **industry benchmarks**.

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