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## How telecoms can reverse shrinking order-to-cash results

By Frank O'Dea

Communications companies are searching for ways to generate more cash, more quickly—preferably without tapping into scarce resources—to invest in new information technology systems, new products and services or corporate reorganizations. How are they to achieve this when internal and external costs have been squeezed to the limit, and their ability to expand market share is limited by current economic conditions?

To become truly high performance businesses, companies need to expand their improvement efforts beyond the traditional, discrete areas of

focus and exploit all opportunities to boost business performance. In most telecommunications companies, revenue assurance represents a major opportunity because the right actions can have a significant impact on cash flow, overall business performance and shareholder value.

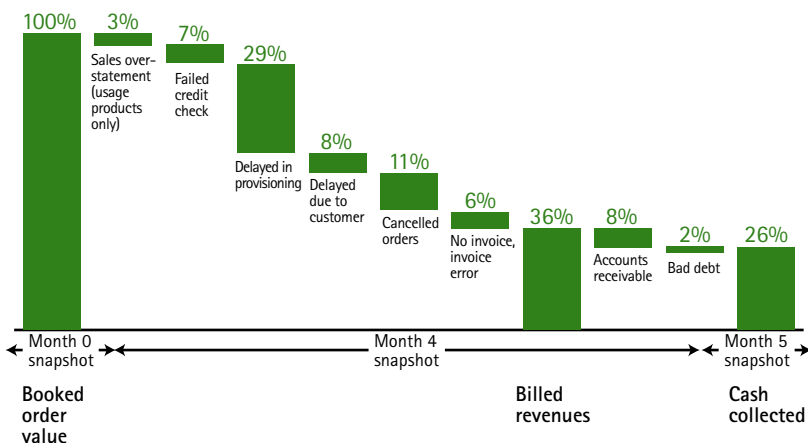
Recent work by Accenture with some of the world's leading telecommunications companies suggests that many are losing out on a ready supply of cash from orders they have already won—yet they are largely unaware of the scale of the problem.

### In search of a smooth-flowing order-to-cash process

The fact is that the pipeline linking booked orders to the collection of revenue—the order-to-cash process—is often so full of leaks and blockages that many booked sales simply are not translating into cash received. In fact, for one telecommunications company, a snapshot of fulfilled orders four months after they had been booked showed that only 26 percent of the original value of sales had been realized as collected cash.

Many of these losses are absolute such as bad debt, customer churn, unbilled usage time or loss of customer revenue for the period of the delay. Yet, even losses that are not cash generative (e.g., sales overstatement and failed credit checks)

Figure 1. Booked voice order revenue erosion for sample wireline telecom company



The multiple causes of a dramatic nearly 75 percent drop between the value of booked orders and the cash collected five months later are illustrated in this example based on the results of an Accenture Revenue Assurance Diagnostic.

Source: Accenture

involve costs such as sales commissions and wasted resources spent provisioning orders that are not sufficiently creditworthy.

## Understanding how the losses occur

The overall loss can accumulate at all stages of the order-to-cash process (see Figure 1). Typically the biggest losses occur at the hand-off points between different departments. However, since no single information system or person typically has visibility of the order-to-cash process from start to finish, it can be difficult to detect those losses through existing management processes or financial systems.

Oftentimes, problems that occur early in the sales process only manifest themselves farther down the line in the order-to-cash process. Poor credit control by sales teams can lead to orders being rejected at any point or ultimately appearing as bad debts. Poorly designed order forms can lead to inaccurate or insufficient data, which leads to orders being rejected and passed back and forth between departments.

Lead times are further extended by the need to move data—sometimes manually—between information technology systems as the order progresses from department to department. The lack of a unique order identifier across information systems means that the true lead time for an order is seldom known. A situation further complicated by the fact that there can be a long list of potential root causes.

## Diagnosing the scale of the problem

In response to this vexing revenue erosion problem, Accenture has developed an innovative diagnostic program, the Accenture Revenue Assurance Diagnostic, that can provide rapid feedback about the order-to-cash process, indicating the scale of the losses and where urgent action needs to be taken.

The first priorities are to rapidly map the order-to-cash process at the summary level across major products, look for lead times for each process stage and the detail behind their definitions, and create key points in the process where progress can be measured. Next, a sample of orders (signed in a prior given time period, to allow for current provisioning times and usage ramp up) are identified and manually tracked through the entire order-to-cash process, from end-to-end, to determine current status. Targeted analysis of these orders highlights the underlying causes for delay and erosion.

Within four to eight weeks this diagnostic program identifies the root causes of the delays and erosion, which then forms the basis for recommendations on both immediate and longer-term actions. Quick wins can be identified and acted upon for immediate benefit while medium- and longer-term programs can be set in place with a clear view of their potential return on investment.

For instance, at one telecommunications company, Accenture helped initiate immediate remedial work that resulted in performance improvements both from stronger cash flow and reduced lead times: The percentage of order value realized increased from 26 percent to 45 percent, while "briefcase time"—the time between the close of a sale and input of the order into the provisioning system—dropped from 18 to 11 days. Moreover, these results were achieved just weeks after diagnosis.

## Prioritizing and tackling the leaks in the short and long term

Correcting the broken or malfunctioning parts of the order-to-cash process involves a variety of actions that can be taken individually or in combination with one another. These might involve streamlining the overall process or parts of the process; changing job descriptions and responsibilities; or redefining and/or realigning key performance indicators across (rather than within) functional areas.

The most successful efforts tend to be those that combine the systems and process approaches. One way to achieve this would be to outsource the order-to-cash process in its entirety to a trusted business partner. Outsourcing allows the creation of a highly visible, end-to-end order-to-cash process without the disruption, lead times or capital cost of an in-house project. It also avoids the situation where outsourcing partners responsible for only parts of the process—such as accounts receivable—are unable to meet their targets due to problems elsewhere in the process.

It is important to emphasize that there is no single action or group of actions that will be right in every circumstance. The key is to understand the many root causes and their interrelationships that together create the overall loss of value. In Accenture's experience, only an end-to-end diagnostic can identify these causes and help prioritize actions.

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As telecommunications companies look for ways to improve their financial footing, they should seriously consider evaluating their complete order-to-cash process and then plug the gaps where they are experiencing significant leakage. Simply by ensuring that more sales that have already been made get converted to cash in the bank, companies can achieve higher levels of performance and generate significant shareholder value.

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This *Outlook Point of View* is based on "Follow the Money: A Revenue Assurance Diagnostic" available on [www.accenture.com](http://www.accenture.com).

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