

Transitioning Ourselves into Order to Cash Professionals



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My Observations...

- The primary goal of any for-profit business is to **generate cash**.
- We are **uniquely positioned** to help our employers focus on cash.
- We are **too often narrowly focused**, resulting in:
 - perceptions that we are “**transactional**”, **not strategic**, **do not see the “big picture”**, **or add limited value**;
 - **missed opportunities** to help on processes impacting cash generation;
 - **we do not get a “seat at the senior leadership table”**.
- As a result, **we do not get the recognition, respect, and rewards** that a broadened scope would bring.
- We need to be perceived **trusted business advisors** to our employers.
- **We should reposition ourselves as order-to-cash subject matter experts (SMEs) versus credit and collection professionals.**

What is Order to Cash?

- The scope of order to cash can be **defined in a multitude of ways**. My definition:
 - Credit Analysis
 - Contract Negotiation
 - Accrued Revenue (aka Unbilled Revenue)
 - Invoicing
 - Customer Service
 - Payment Collection
 - Cash Application
 - Reporting
- Not suggesting we own the entire order-to-cash process. I suggest we **own part of the process and influence the rest**.
- My goal: share ideas on what an order-to-cash SME can focus on to **change perceptions and demonstrate how we can add value**. **We must get a seat at the table!**

Credit Analysis

- Credit requires **science** (tangible) and **art** (intangible) skill sets. **Many do not have an appreciation for the art** skills required, making way for an opportunity.
- Create value by **developing your art skill sets**.
- Do extensive research and **share your findings with management**.
- Connect issues and data points, **create options, and develop risk mitigations**.
- Demonstrate you can **find ways to get deals done** by being creative—yet responsible—while also taking appropriate risks.
- **Assist sales** in prospecting for new customers and negotiating with existing customers.
- Think in terms of a **portfolio management credit risk** approach and not just a customer-by-customer approach. Generate reports illuminating this approach.
- **Gain the reputation for going the extra mile to generate business**.

Contract Negotiations

- Language should **set expectations and eliminate ambiguity.**
- Resolved disputes due within the latter of **the original invoice's due date or seven calendar days from receipt of revised invoices.**
- Subject late payments to late fees and **revoke any rebates or discounts.**
- Earn any rebates or discounts retroactively and **tied to timely payments.**
- Increase pricing as compensation for increased credit risk and longer payment terms. **Final pricing should be the last item negotiated.**
- **Diligently review** contracts for language that delays payment and contains financial risk.
- Institute a stakeholder contract review process. If already in place, find ways to add value and **get a seat at that table.**

Accrued Revenue (aka Unbilled Revenue)

- Accrued revenue occurs when you have performed work or delivered but have not met the contractual criteria to create an invoice.
- **Eliminate internal roadblocks** to creating invoices as soon as possible.
- **Shorten contractual timeframe** from work performed until invoice creation (weekly vs. monthly).
- **Integrate customer's processing and payables technologies** with your unbilled and invoicing technologies.
- Document unbilled process problems to **make prioritized, targeted changes.**

Invoicing

- Focus on **invoice accuracy first** and speed second.
- Work with your invoicing and sales teams to **resist customer efforts to require additional information on invoices** outside of contractual requirements.
- **Immediately** upon invoice creation **deliver invoices electronically** along with any required backup to the proper client contact.
- Ensure that **each invoice** contains the name and contact information of the person assigned to collect the invoice.
- Document invoicing process problems to **make prioritized, targeted changes**.

Customer Service

- **Create and maintain relationships** with your customer's finance and AP groups.
- On large dollar invoices, **contact customers before invoices are due** to find disputes faster and ensure invoices are set up for payment.
- Create a dispute management process to resolve cash trapped in AR that will:
 - **Create transparency** into nature of disputes and who within your company owns the resolution.
 - Follow up with your resolution owners **consistently** and report their progress.
 - **Escalate problems** as appropriate within your company.
 - Use historical dispute data to **make prioritized, targeted changes**.
 - Publish disputed invoice reports will **demonstrate to financial and executive management your focus on all aspects of cash flow**.
- There are many more ways to add value via customer service. Find what are most needed most and **become visible** in resolving them.

Payment Collection

- Collection efforts should be customer-service oriented, **proactive, and consistent**.
- Use the dispute management process to **escalate issues** internally and historical information to **make prioritized, targeted changes**.
- Provide **informative, actionable reporting** to create transparency.
- Develop **dependable cash forecasting** based on collection efforts.
- **Become the go to person** for all thing collections, including collection strategies, laws, liens, bankruptcy, etc.
- **Engage all levels of management** and various stakeholders to enlist their assistance.
- **Visit customers with executive management and sales.**
- **Lead the effort. Be visible.**

Cash Application

- Important but **often overlooked** part of the process as slow cash application delays collection efforts.
- Set up **automatic cash posting capabilities**, freeing personnel for resolving short payments and researching unidentified cash.
- **Offer cash posting assistance** where you can.
- Ensure customers provide **timely remittance advices**.
- Ensure short payments and deductions are included in the dispute management process.
- Create **real-time** reporting of unapplied cash.
- Set a **cash posting allowance** to clear small balance items that are uneconomical to pursue from the customer.

Reporting

- Reporting is essential as **what is measured and rewarded is what gets done.**
- Create reports on **all aspects** of the order to cash process.
- Reports should be **consistent, timely, and relative to those receiving them.**
- Provide reports with **both current and historical context.**
- Reports should **drive transparency and facilitate action.**
- **Regularly meet** with internal stakeholders to review reports.
- Leverage reports to drive your involvement in the order-to-cash processes, then **use your influence** to help optimize the process.
- **Demonstrate your successes**, making it easier for management to view you as an important asset in the order-to-cash process.

Other Actions to Consider

- Expand your role.
- Volunteer for everything.
- Learn new skills.
- Network extensively.
- Projects management driven by continuous improvement.
- Supplier risk management.
- Mergers and acquisitions work.
- Special assignments.

Questions?