IMPROVING ORDER-TO-CASH CYCLE.

WHITE PAPER

Wipro BPO Ltd.

Abstract

Order to Cash cycle—The sequential steps from acquisition of a customer’s order up to the customer’s money reaching the operator’s bank account represents the financial lifeblood of any communications company. Order-to-Cash cycle also does a lot more – series of milestones or activities go a long way to determine the customer experience and perception of the communication provider.
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**Introduction**

Key business pains included:

The order to cash cycle is the financial lifeblood of any organization. Not only does it determine how quickly an order from a customer is translated into cash in the bank, it also determines the customer experience and perception of the service provider. This is further compounded by challenges such as price pressures, cost pressures, increasing stakeholder value that are often seem contradictory in nature. All these aspects make it imperative for an organization to focus on having a best-in-class Order-to-Cash Cycle.

To be a best-in-class process, entire “Order to Cash” cycle for an organization needs to be optimized. True optimization of the order-to-cash cycle requires end-to-end view of the entire process, and achieving this involves far more than fine-tuning some systems and processes. Moving an end-to-end process will involve changing the culture significantly, with substantial support and inputs from management.

Our approach towards the end-to-end optimization has been elaborated further in this paper.

**A typical Order-to-Cash cycle**

As mentioned earlier, the true optimization of the order-to-cash cycle requires the organization to adopt end-to-end view of the entire process as opposed to resolving issues in organization silos. A typical Order-to-Cash cycle is as represented in the figure.

**Constituents of a successful Order-to-Cash cycle**

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<th>People/Organization</th>
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<td>Skill sets</td>
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Current challenges in Order to Cash for telecom industry

Increasing pressures on service provider to
- Reduce time to market the product and services,
- Improve their margins
- Retain existing customers & attract new ones
- Price pressures with reducing tariffs/costs,
- High cost of business processes
- Multiple non-integrated legacy systems
- Varied statutory and compliance requirements across different countries/regions
- Varied supplier/vendor performance and agreements across different regions

Challenges faced by Wipro in providing order management services

The Client, post process re-engineering & application transformation, now has a single SAP Wipro BPO provides near end-to-end order management services for a large telecom company for their high-end international MPLS products. The challenges faced in the process reflect the overall challenges faced by telecom companies across the world. These challenges are further compounded by multiple third party service providers who do not have full control over the entire cycle.

Some of the challenges are listed below:
- High number of orders with incomplete information (Our experience shows that typically > 30% of orders received are either incomplete or carry incorrect information)
- High lead time to receive from customer order sign to order entry in Order Management system (OMS) (> 15 business days)
- High percentage of non-standard orders leading to disparity among what the system and processes were designed to do vis-à-vis what now needs to be achieved
- High level of rework in the process which are typically as a result of:
  - Non-standardized orders getting stalled in the OMS workflow
  - Capacity management issues leading to faults
- High level of dependency on various internal functions and suppliers to drive the orders to completion
- System inability to easily adapt to in-flight changes from the customers
- Absence of performance based reward/penalty scheme with various network vendors across the world
- Ease of tracking progress of orders through various stages in the O2C lifecycle

These challenges lead to the following issues:
- Increase in number of orders getting into backlog as result of non-delivery on time
- Increase in the overall order cycle time
- As a result, lower ability to deliver an order to the customer on the committed date

To tackle the above mentioned issues, we focused our solution efforts on couple of key areas to start with:
- Reduction in percentage of backlog orders
- Reduction in the overall cycle time of orders
SOLUTION

Reduction in backlog orders

A series of initiatives were taken to reduce the orders getting into backlog. Some of the areas addressed and improvement done were as follows:

• Creation of business reporting to track the progress of orders. Exception reports by various categories viz. country, order types, teams, suppliers—helped focus on specific areas and concentrate efforts on problem solving
• Workload balancing of order processing teams according to incoming order load gave desired attention to each set of orders
• Creation of escalation matrix with the client and diligent adherence to the same, helped in clearing backlog
• Regular joint reviews with clients and their suppliers helped in quicker resolutions of issues and quick movement of orders through the cycle

Our process improvement initiatives

On the journey to enhance the overall customer experience for our client, Wipro BPO team proposed the process improvement ideas to the client. These ideas were aligned with the client’s strategic objectives and reviewed on a regular basis. The schematic representation of the process improvement breakdown has been demonstrated in the attached figure.

Process improvement methodology like six sigma and lean is used in areas of improving Cycle time (CT) and Right First Time (RFT). In our opinion, this will reduce not only the overall O2C cycle time but improve the predictability. This, in turn, will help improve the overall customer experience.
Process improvement initiatives that have been already completed are listed here:

- **Order entry**
  - Reducing the number of incomplete orders from 35% to 25%
  - Completing order entry of clean orders (those with full information) within the same day

- **Resource management**
  - Reduction in errors and delay in allocating resources from 83% to 22%

- **Supplier management**
  - Fixing SLA’s with the suppliers for delivery to the customer. This was done along with client support

- **Testing and configuration**
  - Reduction in failure during testing from 60% to 30%

- **Improve upstream data quality to reduce downstream impacts (clean v/s unclean orders)**

- **Improve individual agent productivity**

- **Stage wise throughput improvement**
Benefits

In our Order-to-Cash cycle management case study, at the start, some of the problem areas were prioritized and issues related to them were addressed. These initiatives yield results with the order backlog coming down from 45% levels to sub 5% level as shown below.

This also resulted in Cycle time reduction from 70+ days to mid 20’s.

Reduction cycle time from 70 days to 30 days has resulted in net billing benefit to the client to the tune of USD 26.9 MM. This is as a result of client being able to start the billing to its customer earlier due to reduction in cycle time.

Additional solutions are being identified. In the view of framing an overall solution approach for our client, Wipro BPO has developed a following solutions roadmap.
This road map spans across four broad phases:

- Standardize
- Consolidate
- Optimize
- Automate

Note: These phases are not necessarily sequential. Some of the actions within the phases may run in parallel.
Conclusion/Summary

The key to order management is the ability to fulfill orders in time as this has a direct bearing on the revenue/cash flow (and hence the bottom line) of any organization. The need to improve cash flow is one the key drivers to any improvement in the order management cycle.

Three key elements to improve in the Order to Cash cycle are:

- Customer experience—providing flexible, and predictable service/lead times
- Revenue/cash flow
- Fulfilling the order in a predictable cost base—Improving on operational efficiency by eliminating NVA and bottlenecks

Customer experience is perceived through 4 key requirements that a product/service company needs to deliver on. They are— a. choice, b. predictability, c. flexibility, d. cost.

We envisage the future state of the O2C process that could be quantified by an internal scored card that is based on the 3 principles mentioned above.

This scorecard is the vision that may help us measure the efficiency and effectiveness of Order to Cash cycle of a telecom organization.
APPENDICES

References
Communications Review Vol. 11, No. 3 by PriceWaterhouseCoopers
Communications Newsletter (2006) by IBM.
About Wipro Technologies

Wipro is the first PCMM Level 5 and SEI CMMi Level 5 certified IT Services company globally. Wipro provides comprehensive IT solutions and services (including systems integration, IS outsourcing, package implementation, software application development and maintenance) and Research & Development services (hardware and software design, development and implementation) to corporations globally.

Wipro’s unique value proposition is further delivered through our pioneering Offshore Outsourcing Model and stringent Quality Processes of SEI and Six Sigma.

Wipro in Energy and Utilities

We have worked with over 75 top Energy and Utility companies across North America and Europe in regulated as well as deregulated markets providing solutions in areas such as customer care, billing and settlement, work and asset management and grid operations. The cumulative experience of over 5,500 person years spans IT consulting, systems integration, business process outsourcing and application development and management services. Wipro Technologies provides solutions for Regional Transmission Operators and Independent System Operators that cover transmission billing, price transparency portals, RTO interoperability, market trials and integration. For investor owned utility companies Wipro provides solutions that cover customer care and billing, call centre solutions, retail choice and business intelligence solutions and field force automation solutions. Some of our well known customers are Thames Water, Pinnacle West and National Grid Transco.

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