

The Order-to-Cash Cycle

Integrating Business Processes to Improve Operational Performance

March 2008

Executive Summary

Cash is king. It is also the lifeblood of any company and it flows through the order-to-cash cycle. Because multiple functional departments play a role during the cycle, Best-in-Class companies take full advantage of enterprise applications and supporting technologies to standardize, integrate, and automate processes from initial quotation management to delivery and cash collection. This report is a roadmap for companies seeking to improve these processes.

Best-in-Class Performance

Aberdeen used four Key Performance Indicators (KPIs) to distinguish Best-in-Class companies. These companies achieved significantly better results in the following metrics:

- 31% reduction in order-to-fulfill cycle time
- 97% complete and on-time delivery
- 34 Days Sales Outstanding (DSO)
- 2.6 days from completion of work to invoicing

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics:

- Best-in-Class are more than **13-times** more likely than Laggards to automate major process steps to the extent that only minimal manual intervention is required in the case of exceptions
- Best-in-Class are 150% more likely than Laggards to have manufacturing and / or service organizations well integrated and coordinated with customer service and / or logistics
- Best-in-Class are twice as likely to measure order-to-cash KPIs as transactions occur

Required Actions

While Chapter Three outlines specific recommendations necessary to achieve Best-in-Class performance, in summary companies must:

- Improve visibility to real-time status of order, delivery, and billing information
- Standardize procedures for quotation, order management, order fulfillment and delivery, credit management, billing and cash collection
- Employ workflow automation to initiate major process steps

Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

"All segments of the [order-to-cash] cycle present opportunities for improvement. For us the production planning and execution cycle presents the most opportunity for improvement. This is because the market dynamics are rapidly changing in our business, and this requires constant alignment of market forecasting and advance planning. In our operations, we make-to-order our products and this makes forecasting demand a challenge."

~ Shankara Rajan, CIO,
Ballarpur Industries Limited

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Chapter One: Benchmarking the Best-in-Class

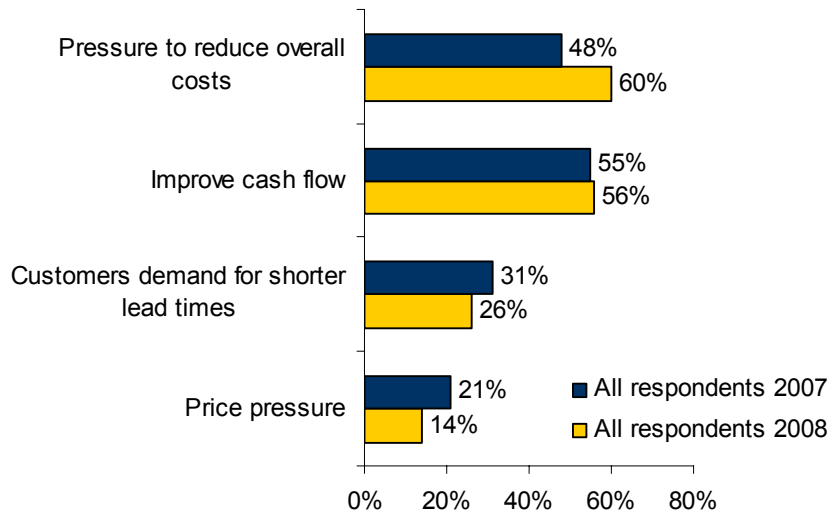
Business Context

Cash is king. It is also the lifeblood of any company and it flows through the order-to-cash cycle. In order to preserve the health of the company it must flow freely and unobstructed. Aberdeen's April 2007 report, [Benchmarking the Order-to-Cash Cycle](#), found the need to improve cash flow to be the key driver behind 55% of companies' focus on this important aspect of the business (Figure 1). Almost one year later we find a similar level of focus on improving cash flow (56%), but pressures to reduce overall costs have increased by 25%. The rising costs of energy, fuel and transportation impact any type of business, whether transporting raw materials, components, finished goods or people. These factors, combined with increased global competition and predictions of a downturn in the economy all serve to increase the need to contain or reduce costs in order to preserve margins and profitability.

Fast Facts

- ✓ The Best-in-Class are able to invoice in **42%** of the time it takes Laggards
- ✓ Days Sales Outstanding (DSO) of Best-in-Class is **41%** lower than DSO of Laggards
- ✓ Order-to-Cash initiatives of Best-in-Class achieved more than **3-times** the improvement in order-to-cash cycle times of Laggards

Figure 1: Business Drivers to Improve Order-to-Cash



Source: Aberdeen Group, March 2008

Because multiple functional departments play a role during the cycle, Best-in-Class companies take full advantage of Enterprise Resource Planning (ERP) to standardize, integrate, and automate processes from initial quotation management to delivery and cash collection. Yet many companies also turn to complementary applications, often plugged into ERP, to streamline interoperability and coordinate the movement of materials, services, and funds. The best of the best further enable the process by applying technologies, such as workflow automation and event management to manage by exception, trigger alerts, and streamline processes.

The Maturity Class Framework

Aberdeen used four Key Performance Indicators (KPIs) to distinguish the Best-in-Class from Industry Average and Laggard organizations (Table I).

Table I: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 31% improvement in order-to-fulfill cycle time ▪ 97% complete and on-time shipments ▪ 34 DSO ▪ 2.6 days from completion of production or work to invoicing
Industry Average: Middle 50% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 15% improvement in order-to-fulfill cycle time ▪ 88% complete and on-time shipments ▪ 48 DSO ▪ 3.9 days from completion of production or work to invoicing
Laggard: Bottom 30% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 9% improvement in order-to-fulfill cycle time ▪ 83% complete and on-time shipments ▪ 58 DSO ▪ 6.1 days from completion of production or work to invoicing

Source: Aberdeen Group, March 2008

These KPIs serve to measure the three elements of the order-to-cash cycle essential to any company:

- Quotation and order management
- Order fulfillment and delivery
- Billing, payments, and collection

In manufacturing companies, a fourth major component, production planning and execution, must be integrated. In a pure make-to-stock environment this may be managed separately from the order-to-cash cycle, but as more manufacturers adopt pull-based "to-order" Lean methodologies in their efforts to streamline operations and eliminate process and material waste, it becomes a critical step in the overall process flow.

While the absolute cycle time from order acceptance to fulfillment can vary significantly based on industry and product, the consistent drive to optimize this cycle time is a characteristic of Best-in-Class organizations. The percentage of complete and on-time shipments achieved is a quantifiable key indicator of consistent and predictable processes.

Top performing companies have better control over cash, invoicing for their products and services within an average of 2.6 days from fulfillment of an order, within 42% of the time it takes Laggards. Aberdeen's Best-in-Class

are able to collect accounts receivable 41% faster, resulting in dramatically lower DSO.

The Best-in-Class PACE Model

Best-in-Class use of ERP (including integrated order entry, procurement, production or fulfillment, and financial management) contributes to all four of the key performance metrics cited earlier, each of which has a direct impact on the enterprise’s goal to reduce cost and improve profits and cash flow. Combining ERP with complementary tools and technologies to achieve that goal requires a combination of strategic actions, process and organizational capabilities, and enabling technology, summarized in Table 2.

Table 2: The Best-in-Class PACE Framework

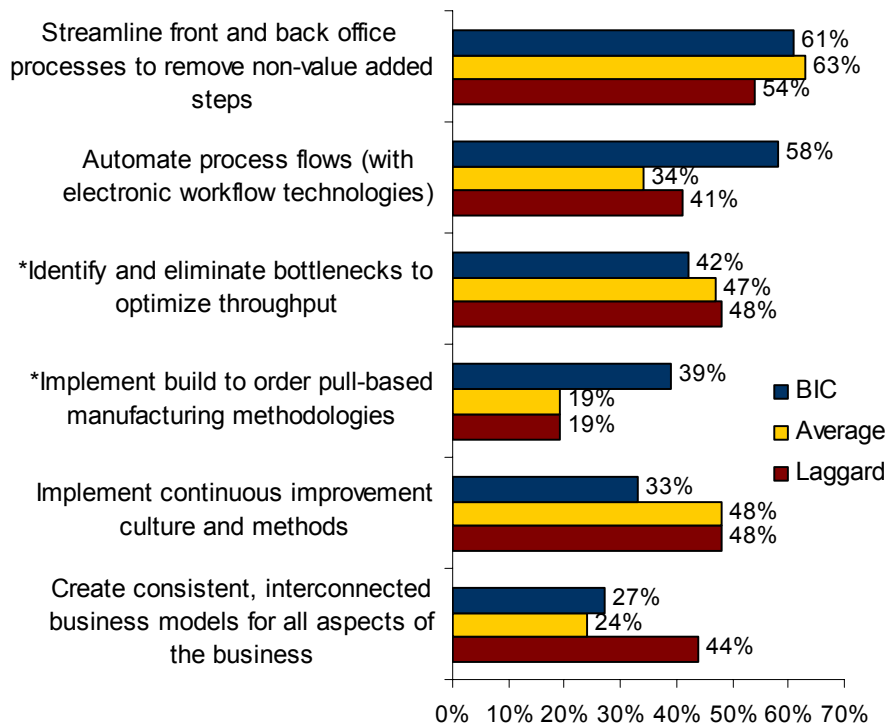
Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> ▪ Reduce overall costs 	<ul style="list-style-type: none"> ▪ Streamline front and back office administrative processes to remove non-value added steps ▪ Automate process flows (with electronic workflow technologies) 	<ul style="list-style-type: none"> ▪ Standardized enterprise-wide procedures throughout quotation to order, order to delivery, and credit and cash collection ▪ Access to up-to-date order, delivery, and billing information is available in real time, on demand ▪ Manufacturing and / or service operations are integrated and coordinated with customer service, logistics, and delivery organizations ▪ Real-time measurement of on-time delivery, inventory, DSO, profitability and cash position 	<ul style="list-style-type: none"> ▪ ERP: integrated order entry, procurement, production / resource planning and execution, and financial management ▪ Workflow automation ▪ Event management (triggers and alerts) ▪ Electronic interfaces to banks and customers ▪ Web-based and electronic sales order management application ▪ Credit management solution ▪ Electronic Invoice Presentment and Payment (EIPP) solution ▪ ERP features or extensions: Available to Promise (ATP) and Advanced Planning and Scheduling (APS)

Source: Aberdeen Group, March 2008

Best-in-Class Strategies

While Best-in-Class and Industry Average companies have a similar approach to improving order-to-cash by streamlining front and back office administrative processes to eliminate waste by removing non-value added steps, top performers distinguish themselves by being 61% more likely to automate processes with electronic workflow technologies (Figure 2).

Figure 2: The Strategic Actions of Best-in-Class Companies



* Strategic Actions which are most applicable to manufacturers

Source: Aberdeen Group, March 2008

Figure 2 represents a blend of manufacturers, distributors, and service providers, yet the identification and elimination of bottlenecks to optimize throughput (42% of Best-in-Class) and the implementation of build-to-order, pull-based methodologies (39%) are actions most applicable to manufacturing companies. These percentages increase to 63% and 58% when we examine Best-in-Class manufacturers. Often these types of actions are necessary first steps in programs such as Lean Manufacturing or Six Sigma (applicable to all companies), and therefore it comes as no surprise that the implementation of continuous improvement methodologies is another very prominent strategic action. Such activities are not successful over the long term unless a culture of continuous improvement is instilled throughout the organization. Industry Average and Laggard companies are 45% more likely to view this as a top strategic action, highlighting the need for more improvement.

"We examined the business processes end to end and found different steps occurring in different locations. In some cases this was just because it was how we had always done things. For example, the sales team was entering invoices; another team was responsible for credit control. We re-engineered the processes so that the most logical team would be responsible. Today we have one team entering the sales order, another for the supply chain part – checking stock, etc. and we increased the headcount in credit control so they also create the invoice.

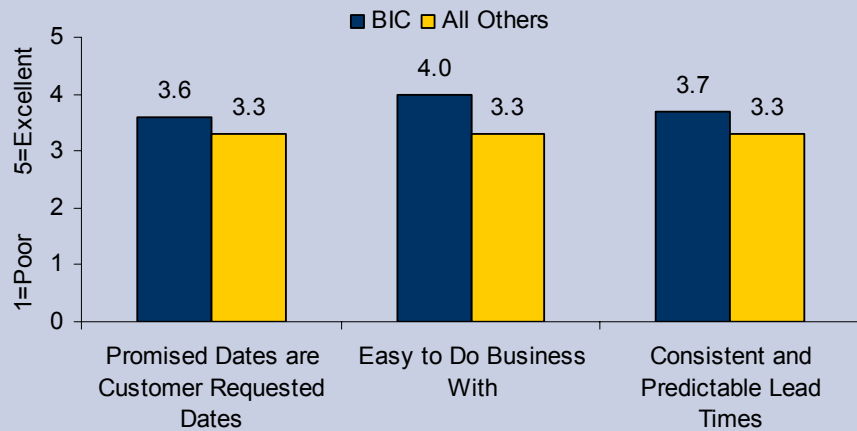
"Our approach was to first define the process as it should work and then look at the software. Once the sales order team was established we worked with our ERP vendor to determine how best to model the process in the software."

~ Bob Wilde,
Head of Systems,
Costa Coffee

Aberdeen Insights — Strategy

Top performers stress the importance of consistency in dealing with customers. As a result, their customers have accurate and predictable expectations. To paint a more complete picture of performance, Aberdeen also captured metrics beyond those used for determining Best-in-Class including performance in terms of ability to commit to customer requested dates, being easy to do business with, and having consistent and predictable lead times (Figure 3). Because this was purely a self-assessment on a scale of one (poor) to five (excellent), these were not used in determining Best-in-Class, yet our top performers rated themselves 10% to 20% higher in these categories. Companies that are easy to do business with have standard ordering and delivery practices. They provide a consistent level of expectations with acceptable and predictable lead times that meet customer requirements and expectations.

Figure 3: Self Assessment of Customer-facing Metrics



Source: Aberdeen Group, March 2008

“We are looking at our business processes first. We will simplify the processes, and then automate. The combination will result in process improvement. Having an owner of the Order-to-Cash process is difficult because the process spans so many different functions within the organization. Today our visibility to the state of the order is poor. We need to improve our ability to monitor KPIs in real time. While Business Intelligence is a big initiative, ERP is our prime focus in reducing the order-to-cash cycle. We have also purchased a Business Process Management solution but we will not even open the box until we have evaluated our business processes.”

~ Business Process Improvement Manager, Major Consumer Electronics Company

In the next chapter, we will see what the top performers are doing to achieve these gains.

Chapter Two: Benchmarking Requirements for Success

ERP and complementary enterprise applications integrated with workflow automation and event management play a crucial role in streamlining the business processes supporting the entire cycle from order to cash.

Case Study — RTC

RTC specializes in retail marketing systems, providing services and products ranging from planning and design to retail technology and store-ready solutions. The company serves clients large and small, including Annheuser-Busch, Hasbro, Gillette, Nike, Columbia, Safeway, and Target, as well as smaller "mom and pop" shops. In the summer of 2006 the company launched an effort to significantly reduce the cycle time from order to cash. "When a truckload of product left RTC's shipping dock, an unwieldy process began," said Scott Coffman, the company's IT director of information services. "We found that it was taking far too long for shipping information to hit accounting and subsequently reach our customers."

The problem lay in the number of paper documents and the need to collect signatures and match the paperwork to the bills of lading and invoices created by RTC's ERP system. A full-truckload delivery required the company to create a bill of lading document that needed the driver's signature, the truck number and related details. In October 2006, RTC began an ERP conversion, and also implemented an enterprise document presentment solution to better automate its handling of purchase orders, invoices, and related shipping documents. The document management solution came with pre-packaged integration to its ERP solution. Next RTC connected it to a homegrown application it had developed to capture the truck driver's signature.

With the new and improved automation, today the driver signs a document that states what the bill of lading will contain. Then RTC creates a separate document (the official bill of lading) and stores it electronically in the document management solution. The next day, the billing staff queries that system and creates the invoicing documentation and supporting information in one step. RTC still mails the majority of its invoices, simply because, "That's what the customers want. We have the ability to generate 810's [Electronic Data Interchange (EDI) invoice documents] but whether we do or not is purely gated by the customer. When we ship to Safeway's distribution center, we communicate through EDI, but we also ship to little guys."

RTC has eliminated 20 hours of manual preparation and four reams of paper weekly and is able to invoice the next day after the shipment occurred. This has allowed them to reduce this segment of the order-to-cash cycle from shipment to invoicing by 50%.

Fast Facts

- ✓ **70%** of Best-in-Class have standardized procedures for quotation and order management and are **90%** more likely to than Laggards
- ✓ Best-in-Class are more than **13-times** more likely than Laggards to automate major process steps to the extent that only minimal manual intervention is required in the case of exceptions
- ✓ Best-in-Class are twice as likely to measure order-to-cash KPIs as transactions occur

"Now the entire process is digital; the manual processes and paper are eliminated until the final invoice is mailed to the customer."

~ Scott Coffman, IT Director of Information Services, RTC

Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (standardized enterprise-wide procedures); (2) **organization** (cross-department collaboration); (3) **knowledge management** (visibility to order, delivery, and billing information); (4) **technology** (the selection of appropriate tools and effective deployment of those tools to streamline and integrate processes and minimize manual intervention); and (5) **performance management** (the ability of the organization to measure results to improve business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

Table 3: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Standardized enterprise-wide procedures for quotation and order management		
	70%	50%	37%
	Standardized enterprise-wide procedures for order fulfillment and delivery		
Organization	58%	44%	39%
	Credit checks are accurately and consistently executed throughout the order-to-cash cycle		
	58%	47%	41%
Knowledge	Manufacturing and / or service operations are integrated and coordinated with customer service and logistics		
	48%	34%	19%
	Access to up-to-date order, delivery and billing information is available in real time, on demand		
Technology	55%	30%	26%
	Customers have visibility to order status via the web		
	36%	21%	19%
Performance	Enterprise applications are integrated end-to-end		
	63%	57%	33%
	Credit checks require no manual intervention except in the case of exceptions		
	52%	35%	20%
	Major process steps are automated and only require minimal manual intervention in case of exceptions		
	55%	30%	4%
Performance	Process and performance exceptions can trigger an alert as they occur		
	33%	23%	22%
	On-time delivery, inventory, DSO, profitability and cash position are measured as transactions occur		
	42%	29%	20%

Source: Aberdeen Group, March 2008

Capabilities and Enablers

Based on the findings of the Competitive Framework and interviews with end users, Aberdeen's analysis of the Best-in-Class demonstrates all elements of the order-to-cash cycle contribute to speeding the end result, cash in the bank. Cash is harder to collect if the expectations of the customer have not been met. Expectations are not met unless milestones or products have been delivered on the date specified by the customer. Without proper coordination of people, parts, and processes, complete and on-time delivery is at risk. And along the way, the credit risk of the customer must also be managed.

Process

The top two strategic actions of Best-in-Class companies are to streamline front and back-office processes to remove non-value added steps (61%) and to automate process flows (58%). The standardization of procedures is prerequisite to making these actions effective. The Best-in-Class are most likely to standardize procedures for quotation and order management (70%). These are the processes that set the tone and expectations for the customer's experience and evaluate the credit risk of accepting the order. Yet standard procedures for credit checking throughout the order-to-cash cycle are equally important to minimize the risk of delayed payment.

Organization

Many companies today still operate in functional or departmental silos. Wherever there is a hand-off between departments, functional areas, or even individuals, there is the potential for a ball to be dropped. While tools and technologies play an important role, it is critical to not neglect the organizational structure. People are an important part of the equation. Delivery organizations, particularly in manufacturing and distribution, are too often isolated from customer-facing employees. While more than half (52%) of Best-in-Class companies do not have manufacturing and / or service organizations well integrated and coordinated with customer service and / or logistics, they are 41% more likely to do so than Industry Average and 150% more likely than Laggards. But more importantly we see improvement in this capability since April 2007. We observed an improvement from 38% to 48% of Best-in-Class citing well-coordinated efforts.

Knowledge Management

Visibility to order, delivery, and billing information in real-time is essential to keeping the ball moving through the order-to-cash cycle. Access to this information is available in real-time at 55% of our Best-in-Class companies. This is significantly better than those not Best-in-Class (20%), yet still leaves room for improvement at almost half of the top performers. Time spent chasing down order and delivery status, as well as open items and / or balance forward of accounts receivable can add days to the cash collection process.

"By re-engineering our processes and modeling them in our ERP system we were able to reduce DSO by 40%. As our sales grew 30%, we were able to grow margins an additional 20% through reduced inventory of slow moving items. We also reduced late deliveries."

~IT Manager, Supplier to Food Service Companies

While 52% of Best-in-Class companies allow customers to place their own orders over the Internet only 36% provide this same level of self-service in terms of providing visibility to order status. Companies should view this as a service provided, not to minimize the personal interaction with the customer, but to relieve the customer service representative of unproductive administrative tasks in order to optimize these touch points to better understand and serve their customers. Companies are cautioned against turning this "high tech" approach into a "low touch" result. Combining "high tech" with "high touch" builds a relationship with the customer that both speeds payment and builds business.

Technology

Increased levels of automation correlate directly with improved performance (Figure 4). Three technology components combine to reduce the cycle time from the placement of an order or the awarding of a contract to the collection of cash:

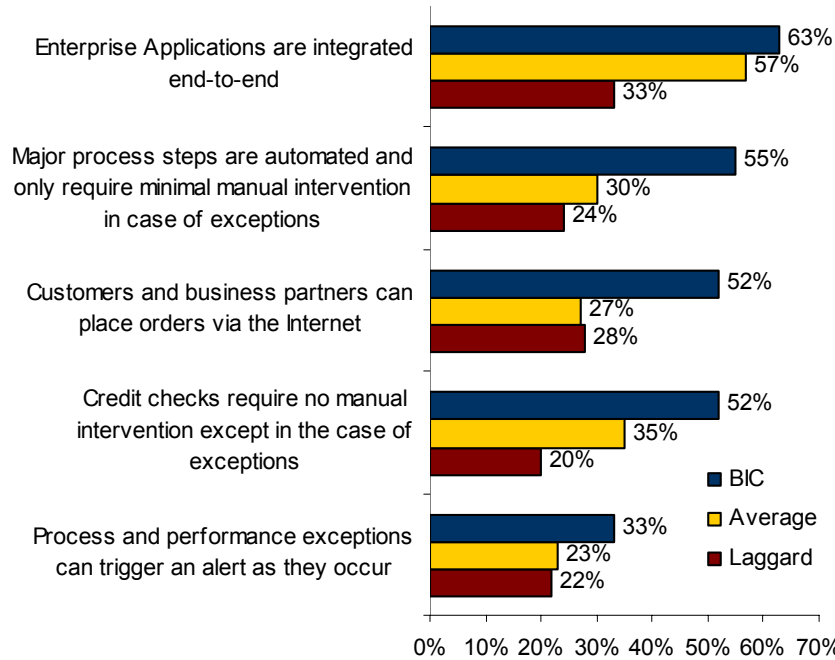
- The integration of enterprise applications including ERP as well as other complementary solutions. Laggards (33%) lag significantly behind both Industry Average (57%) and Best-in-Class (63%) in characterizing solutions as integrated end-to-end.
- Workflow automation either embedded within the enterprise applications themselves or layered on top of and integrated with any or all of the applications. Best-in-Class companies are 59% more likely than all other companies to employ workflow automation technology.
- Event management providing real-time, proactive exception management that facilitates the monitoring of and response to events as they occur or fail to occur. An event management solution allows business rules to be defined in order for exceptions to be detected and alerts to be routed to appropriate groups or individuals for remediation and resolution.

A variety of enterprise applications may come into play as processes flow from order to cash. ERP plays the leading role in standardizing, streamlining, and automating many, if not all of those functions that are directly involved in the order-to-cash process. Many of the requirements along the way can be handled by either a full-function ERP system or a complementary application.

“At this stage, our company has taken continuous improvement initiatives but a bigger program of work is kicking-off shortly to look specifically at the improvement opportunities across planning and supply chain. There are two segments of the Order-to-Cash cycle that has the most opportunity for improvement – Production planning and execution, where we have a number of gaps in our processes that we are planning to address, and order fulfillment and delivery, where we are looking for better standardization and simplicity. Furthermore, we are deploying a supply-chain visibility tool that will also provide us with event management tools.”

~ Business Process Manager of
a Major Dairy Company and a
Leading Exporter Of Dairy
Products

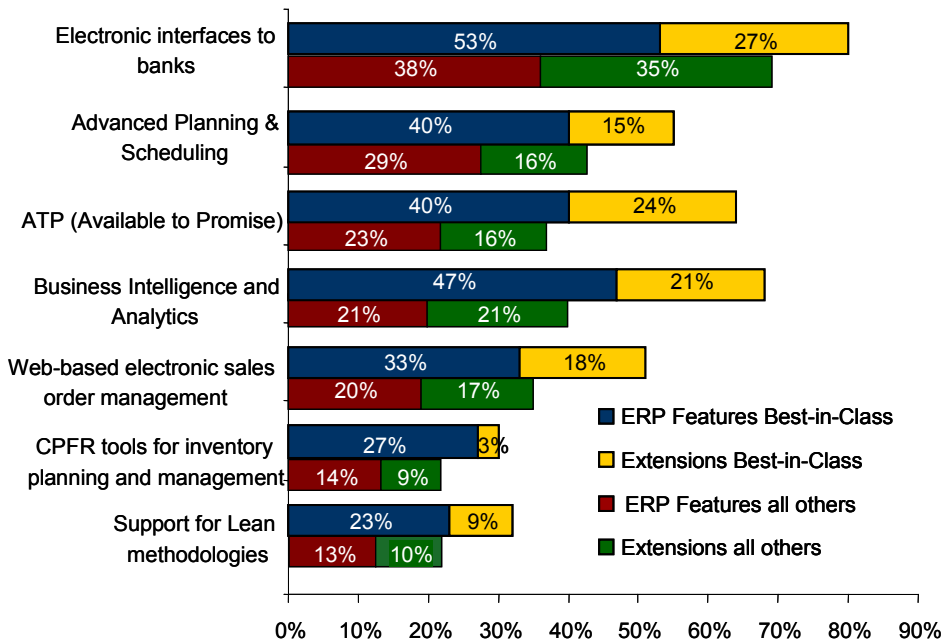
Figure 4: Automation Correlates with Improved Performance



Source: Aberdeen Group, March 2008

The features most commonly implemented to speed the order-to-cash process, along with core ERP functionality are shown in Figure 5 with Best-in-Class shown on the top bar, compared to all respondents underneath.

Figure 5: Feature / Function Adoption



Source: Aberdeen Group, March 2008

Note the relative mix between functions implemented as ERP features and those satisfied by complementary applications (extensions). Also, in comparing feature and function adoption of Best-in-Class versus the rest of our survey population (14% to 74%, respectively) we not only observe that top performers are more likely to use each of these features or functions, but Aberdeen also observed them to be significantly more likely (36% to 124%) to use embedded features and functions of ERP rather than implement separate applications. Most notable were Business Intelligence (BI) and analytics, which were embedded within ERP by 47% of Best-in-Class.

Performance Management

Best-in-Class companies are more than twice as likely as Laggards to measure performance throughout the order-to-cash cycle as transactions occur. Tools used to monitor these metrics might be embedded within ERP, developed through stand-alone tool sets or implemented as complementary applications. While Best-in-Class and Industry Average performers are almost equally as likely to have implemented dashboards (40% and 41% respectively), yet leading companies are 66% more likely to do so through embedded ERP functionality and the opposite is true for Industry Average performers (Table 4). We find similar results in terms of BI. The tight integration of these tools with ERP correlates to better performance.

Table 4: Performance Monitoring

Enablers	Best-in-Class	Average	Laggards
Dashboards Built in to ERP	25%	15%	2%
Portals or dashboards not included in ERP	15%	26%	13%
BI and analytics built into ERP	47%	19%	12%
BI and analytics not included in ERP	21%	41%	31%

Source: Aberdeen Group, March 2008

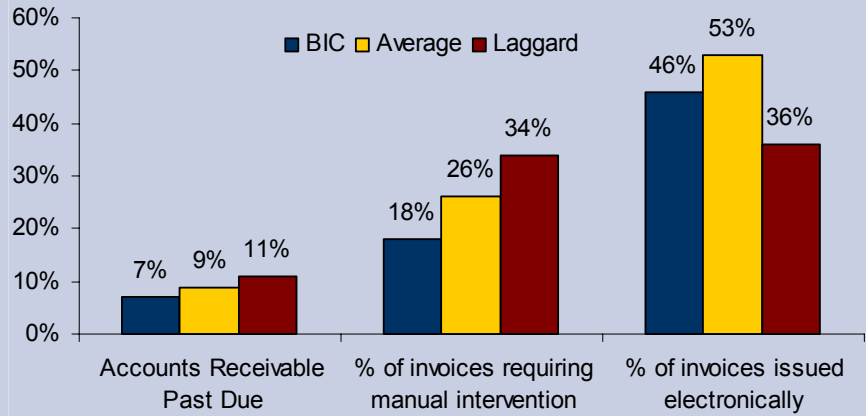
Aberdeen Insights — Technology

Management of accounts receivable is an important part of the cash collection process. In many elements of the cycle more extensive use of technology correlates with Best-in-Class performance. The Best-in-Class take advantage of process automation to reduce the manual intervention required in producing invoices. This and other best practices result in lower levels of overdue accounts receivable (Figure 5). Yet use of technology may also be influenced by external factors. The percentage of invoices issued electronically is actually lower in Best-in-Class companies than in the average company.

continued

Aberdeen Insights — Technology

Figure 6: Managing Accounts Receivable



Source: Aberdeen Group, March 2008

The ability to produce electronic invoices through Electronic Data Interchange (EDI) is a standard feature of most ERP systems today and the facility to generate emails from ERP is becoming more prevalent. A small percentage (16%) utilizes Electronic Invoice Presentment and Payment (EIPP) applications. However the need and opportunity to issue invoices electronically are often limited by the customers' ability to deal with electronic communication. Best-in-Class companies achieve this performance level by paying close attention to their customers' needs and preferences even if it means less automation for themselves.

"We deliver invoices by hook or by crook or by paper. We do whatever it takes to make it easy for the customer to do business with us. Many of our customers are small and prefer to receive paper from us in the mail."

~ IT Manager, Best-in-Class Supplier of Packaging Materials

Chapter Three: Recommended Actions

Whether a company is trying to improve the performance of its order-to-cash cycle from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements:

Laggard Steps to Success

- Standardize procedures for quotation and order management, order fulfillment and delivery, credit management, billing and cash collection. Laggards are 47% less likely than the Best-in-Class to standardize quotation and order management and 33% less likely to standardize order fulfillment and delivery processes. The standardization of processes is a necessary first step in streamlining and automating them.
- Use the functions listed in Figure 5 as a road map for filling functionality gaps in your solution. Determine if these features are available in the applications currently installed. If so, develop a plan to implement; if not, estimate the Return on Investment (ROI) to purchase and implement these solutions.
- Integrate applications. Laggards are 42% less likely than Industry Average companies and 48% less likely than the Best-in-Class to describe their enterprise applications as integrated end-to-end. A single integrated solution or tight integration between applications prevents the interruption of a smooth flow of processes.

Industry Average Steps to Success

- Collect the necessary data to measure performance of on-time delivery, DSO, profitability, and cash position in real-time. Only 29% of Industry Average companies measure these KPIs as transactions occur.
- Employ tools such as dashboards and BI and analytics to help monitor performance. Only 30% of companies have access to up-to-date order, delivery, and billing information. The inability to measure performance is reflected in the lack of use of BI and analytics as well as dashboards or portals. Only 41% of Industry Average companies use either BI and analytical tools or dashboards.
- Use workflow automation to initiate major process steps. Industry Average companies are almost 1.5 times more likely to manually initiate processes including credit checking, release of orders to production, schedule of shipments or work completion, release of invoices, and cash collection.

Best-in-Class Steps to Success

- Extend visibility to order, delivery, and billing information to individuals across all departments involved throughout the order-to-cash cycle in real-time. Forty-five percent (45%) of the Best-in-Class still cannot claim this business capability. Broaden and deepen the use of ERP and other complementary applications through pervasive

Fast Facts

- √ Best-in-Class organizations are **31%** more likely to have applications integrated end-to-end
- √ Industry Average companies are **144%** and Laggards are **161%** more likely to rely on manual hand-offs to initiate steps in the order-to-cash cycle
- √ Best-in-Class organizations are **29%** more likely to deploy event management for triggers and alerts to manage by exception

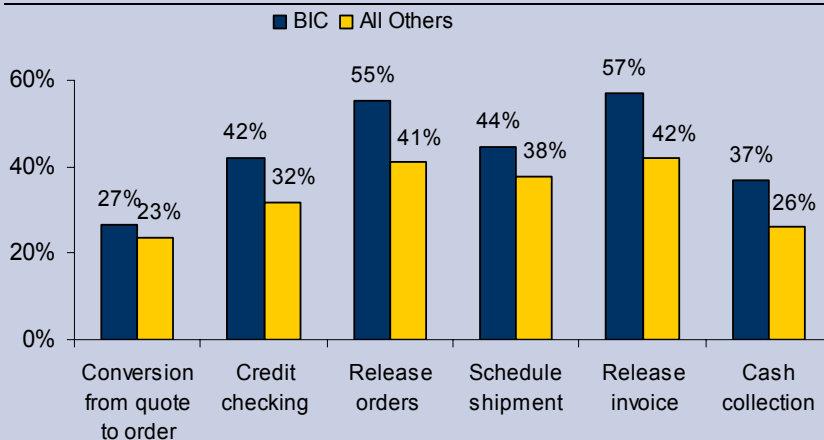
and secure access to these applications. Online, real time access should not be limited to a small number of super-users.

- Extend secure visibility to customers. While 52% of the Best-in-Class allow customers to place orders through the Internet, only 36% provide this same level of self-service in terms of providing visibility to order status. Best-in-Class companies can further differentiate themselves by combining "high tech" with "high touch" to build relationships with the customer that both speeds payment and builds business.
- Employ event management to provide triggers and alerts to facilitate management by exception. Develop and define business rules to define exceptions in order that they may be automatically detected and alerts routed to appropriate groups or individuals for remediation and resolution. These exceptions may be defined when events occur or fail to occur.

Aberdeen Insights — Summary

The automation of various manual hand-offs between departments and individuals is an effective means of speeding the cycle from order to cash. If it is possible to “walk” an order through the process significantly faster than it flows naturally, regard this as a symptom of a problem that can be addressed with workflow automation.

Figure 7: Processes Initiated by Automated Workflow



Source: Aberdeen Group, March 2008

Industry Average companies are 144% and Laggards are 161% more likely to rely on manual hand-offs, but this is not the only alternative to automated workflows. The Best-in-Class are also 24% to 88% more likely to initiate these steps through reports run periodically from enterprise applications. While this approach is not as seamless as full automation, the effective use of applications is a step up from manual initiation and is immediately available to any company with the basics of ERP implemented.



Appendix A: Research Methodology

Between January and February 2008, Aberdeen examined the use, the experiences, and the intentions of more than 235 enterprises using enterprise applications to manage the order-to-cash cycle in a diverse set of industries.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on order-to-cash strategies, experiences, and results.

Responding enterprises included the following:

- *Job function:* The research sample included respondents with the following job functions: supply chain and logistics (32%); manufacturing (4%); IT manager or staff (16%); sales and marketing (8%); business process management (15%), finance (14%) and other (27%).
- *Job title:* The research sample included respondents with the following job titles: C-level (17%); vice president (7%); director (21%); manager (32%); consultants (12%), staff and other (11%).
- *Industry:* The research sample included respondents from the following types of businesses: manufacturers (55%), service providers (35%), distributors (8%), and retail (2%).
- *Geography:* The majority of respondents (66%) were from the Americas, predominantly North America (62%). Remaining respondents were from the Asia-Pacific region (13%) and EMEA (21%).
- *Company size:* Thirty-seven percent (37%) of respondents were from large enterprises (annual revenues above US \$1 billion); 36% were from midsize enterprises (annual revenues between \$50 million and \$1 billion); and 27% of respondents were from small businesses (annual revenues of \$50 million or less).
- *Headcount:* Twenty-two percent (22%) of respondents were from large enterprises (headcount between 1 and 99 employees); 26% were from midsize enterprises (headcount between 100 and 999 employees); and 52% of respondents were from small businesses (headcount greater than 1,000 employees).

Solution providers recognized as sponsors were solicited after the fact and had no substantive influence on the direction of this report. Their sponsorship has made it possible for Aberdeen Group to make these findings available to readers at no charge.

Study Focus

Responding executives completed an online survey that included questions designed to determine the following:

- √ The degree to which enterprise applications are deployed to manage the order-to-cash cycle and the financial implications of these implementations
- √ Current and planned use of features and functions of ERP and complementary applications
- √ The benefits, if any, that have been derived from order-to-cash initiatives
- √ The use of automated workflows to streamline and speed the order-to-cash cycle

The study aimed to identify emerging best practices for enterprise applications and automation and to provide a framework by which readers could assess their own management capabilities.

Table 5: PACE Framework Key

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p>Pressures — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p>Actions — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p>Capabilities — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p>Enablers — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, March 2008

Table 6: Competitive Framework Key

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p>Best-in-Class (20%) — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p>Industry Average (50%) — Practices that represent the average or norm, and result in average industry performance.</p> <p>Laggards (30%) — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p>Process — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p>Organization — How is your company currently organized to manage and optimize this particular process?</p> <p>Knowledge — What visibility do you have into key data and intelligence required to manage this process?</p> <p>Technology — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p>Performance — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, March 2008

Table 7: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, March 2008

Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report include:

- [*The Order to Cash Cycle*](#) April 2007
- [*The 2007 ERP in Manufacturing Benchmark Report*](#) July 2007
- [*The 2006 ERP in Manufacturing Benchmark Report*](#) August 2006
- [*ERP in the Mid-Market*](#) September 2007
- [*ERP in SMB*](#) December 2007
- [*ERP: The Last Bastion of Resistance to Software as a Service*](#) July 2007
- [*When Replacing ERP – Size Matters*](#) July 2007
- [*Taking the ERP Plunge for the First Time*](#) July 2007
- [*The Total Cost of ERP Functionality*](#) August 2007
- [*The Total Cost of ERP Ownership in Small Companies*](#) August 2007
- [*The Total Cost of ERP Ownership in Mid-Size Companies*](#) August 2007
- [*The Total Cost of ERP Ownership in Large Companies*](#) August 2007
- [*Realize the Returns from Enterprise Management Applications: Make the ROI Calculation Speak to the Financial Value of EMAs*](#) January 2007
- [*Intelligent CPM: Aligning Day-to-Day Decisions with Corporate Goals*](#) June 2007

Information on these and any other Aberdeen publications can be found at www.Aberdeen.com.

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