Cashing in on order-to-cash
Accelerating the deal’s revenue growth potential
In pursuit of growth
The value from most mergers centers on leveraging the combined scale and capabilities of two companies to sell products to new markets and customers. Successfully achieving this growth-driven outcome, however, is hardly guaranteed. In a recent survey of 800 executives, 30 percent said their integrations had failed to meet growth targets. Furthermore, studies have shown that even when growth is the primary driver of an M&A deal, the growth that is envisioned often fails to materialize. Our experience suggests that this is partly because companies often miss the mark on execution. Specifically, integration teams do not make order-to-cash integration a key priority as part of planning. This can have severe consequences on the growth prospects anticipated from the merger.

Revenue leakage
Lack of access to order management systems and ability to sell products of the combined company can create angst among the sales and commercial organization, often resulting in loss of key talent. This not only creates lost opportunities to cross-sell but also risks exacerbating retention challenges.

Negative customer experiences
Operating with different customer relationship management (CRM) systems, supply chains, and customer fulfillment models, if not carefully managed, can cause confusion for third-party distributors and end customers around product delivery, support, and logistics. Such negative customer experiences can harm existing customer relationships and hinder acquiring new customers.

Inefficient cost structure
Order-to-cash integration forces leaders to think through key functions, processes, and systems across both acquirer and target and often leads to a rationalization effort. Keeping disparate systems, processes, and distribution models may lead to an ineffective cost structure impacting cost synergy targets from the deal.

The order-to-cash process and key questions leaders should answer

1. Order is received by sales team; price is logged and credit extended as appropriate.

How will you sell products and manage orders on a common platform?

2. Product is picked and packed; replenishment occurs.

How will you fulfill orders from different distribution models and avoid customer confusion?

3. Order is shipped and tracked.

4. Invoice is sent.

5. Payment is tracked and collected. Revenue is billed.

6. Receipts processed, returns managed, as necessary, and sales reporting is updated.

How will you ensure that cash is collected in a timely manner and financial reporting is accurate?

---

**Confronting the challenges of order-to-cash integration**
Despite the importance of order-to-cash and its impact on a deal’s revenue growth potential, acquirers too frequently put it on the back burner due to the complexity and challenges involved. In our experience, we have seen three major challenges that integration leaders struggle with most. Identifying them is necessary; planning to surmount them is critical.

**Challenge #1: Picking the right order-to-cash integration approach.** Oftentimes, it’s not clear what the right order-to-cash integration strategy should be. Merging companies can have vastly different order-to-cash structures. Do you focus on all business processes involved in order-to-cash or just a select few to enable product ordering? Should order-to-cash business processes be integrated right after Day One or do you wait for rest of the supply chain integration and IT infrastructure to come together first? What are the trade-offs to prioritize up front? These are the types of factors that increase the complexity of order-to-cash integration.

**Challenge #2: Varying objectives across functions.** Order-to-cash integration in a merger environment requires having leaders across key functions such as sales, operations, and IT aligned on the end-state vision. Time and resources will be needed from the IT and operations functions to change processes, update ERP systems, and conduct trainings across distribution facilities. Depending on the size and scope of change across geographies, implementation can be distracting. Leaders such as CIOs and CDOs may push back entirely or end up compromising their functional integration priorities.

**Challenge #3: Limited information to plan effectively.** Planning for and executing on an order-to-cash integration strategy can be daunting. To plan rapidly and execute accurately, a deep understanding of the target’s current state is required even before legal Day One. This can be a great challenge for integration leaders when working in a pre-close regulatory environment where both sides are wary of sharing information, thereby contributing to loss of momentum which is rarely regained post Day One.

At the root of these challenges lies a common theme: The cross-functional nature of order-to-cash management makes it especially difficult to successfully integrate. Leaders from the commercial, financial, and operations functions should work in tandem to ensure an effective integration, a task made difficult by functional priorities. If order-to-cash is de-prioritized, loss of momentum from the merger could lead to missed operational efficiencies and cost-reduction opportunities from integrating order-to-cash processes. Furthermore, the new company’s approach to market could suffer, and the lost potential of new or broader sales could result in missed synergy targets.

**Five focus areas for successful order-to-cash execution**
By focusing on five key areas, organizations can surmount the challenges associated with order-to-cash integration and position the new company for sustained growth.

**Manage the ordering process and customer experience:** It is critical to understand key differences in how products are accessed by sales organizations and distributors in the combined company and plan for bridging gaps. Ensuring that CRM system information can be shared and customer service organizations are prepared to support a broader product offering can accelerate cross-selling.

**Forecast demand and ensure product availability:** Begin product planning before Day One and take into account additional forecasts given the new company’s product or service offering by building mechanisms for collaboration among the commercial, finance, and operations organizations.

**Prepare for distribution model implications:** Leverage existing distribution and logistics channels where possible to fulfill cross-selling orders instead of waiting for fully integrated distribution models. Sales forces should be apprised of new distribution models and given guidance on how to communicate to customers regarding product delivery.

**Align back-office functions:** Engage back-office teams (finance, IT, HR) in order-to-cash planning and execution to understand the impact on their operations and systems. This can minimize disruption to business-as-usual activities.

**Deciding on an order-to-cash integration model**
To address the challenges and capitalize on the opportunities of order-to-cash integration, organizations should make a choice about what type of order-to-cash integration model they will pursue. This decision will not only have great bearing on the way in which the new company positions itself for future growth but also on how it begins to execute on its new value proposition. There are three main types of order-to-cash integration models and they all make trade-offs between speed and level of integration. Leadership must therefore consider, within the context of overarching goals, whether the focus of integration is speed or depth.
## Three types of order-to-cash integration models

<table>
<thead>
<tr>
<th></th>
<th>Integrated back office model</th>
<th>Fully integrated model</th>
<th>Quick wins model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Approach</strong></td>
<td>• Integrates only back office supporting order-to-cash processes, including revenue recognition, sales reporting, and accounts payable capabilities</td>
<td>• Aggressively integrates the other company’s order management, demand planning, and finance activities into the chosen model</td>
<td>• Manual processes used to link disparate order-to-cash processes in the short term</td>
</tr>
<tr>
<td></td>
<td>• Keeps customer facing order-to-cash activities (e.g. pricing approvals, order) and supply chain of the two merging companies separate</td>
<td>• Uses existing order-to-cash process from one of the merging companies</td>
<td>• Requires significant planning prior to Day One; additional integration will be needed in the longer term</td>
</tr>
<tr>
<td><strong>Considerations</strong></td>
<td>• Least complex to plan and implement</td>
<td>• Moderately complex and longest to implement</td>
<td>• Most complex and requires planning prior to Day One</td>
</tr>
<tr>
<td><strong>Model best used when</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integration priority is:</td>
<td>Business visibility and financial reporting</td>
<td>Operational excellence and cost take-out</td>
<td>Quick revenue uplift through joint go-to-market participation</td>
</tr>
<tr>
<td>Customer and channel overlap is:</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
</tbody>
</table>

### Prepping for growth with order-to-cash

Leadership should decide how order-to-cash priorities will align with the broader integration effort. Order-to-cash can be a powerful enabler of cross-selling, yet if the sales organizations are working toward other distinct goals, leaders may prefer to begin integration elsewhere. The order-to-cash lifecycle is varied and complex. Defining which areas to focus on, from order management to payments and returns, should take into account customer needs and how the new company wants to position itself in the market.

Planning should also be used to evaluate objectives that may be difficult to achieve simultaneously. Will the new company focus on short-term growth to meet immediate targets or will it plan to take advantage of trends it sees emerging a few years in the future? How can it plan to do both? The new company will also need to address how to balance its local initiatives against its global objectives.

### Case study: Realizing revenue upside on Day One through order-to-cash

A US-based medical device company entered into a merger with another manufacturer of specialty medical devices to create a high-growth market leader. Due to overlapping sales territories and significant channel conflict, management was focused on optimizing revenue and minimizing any revenue dis-synergies. Since the merger was predicated on revenue growth prospects, the company leadership made a conscience choice and launched a focused order-to-cash integration program across its commercial, supply chain, and back-office functions in advance of Day One.

The order-to-cash team adopted a similar model to the quick wins model with small-scale integration of order management systems with high-touch customer service support to coordinate product delivery to end customers. Since launching this right after Day One was critical in maintaining the merger momentum, integration of supply chain and other back-office processes was not addressed as part of order-to-cash integration. Taking a “speed to revenue capture” approach allowed the commercial organization of the two companies to rapidly deploy sales reps in open territories and accounts where there was opportunity to cross-sell products. Shortly after Day One, the merged entities went to market together and stabilized their salesforce accelerating the deal’s revenue growth potential.

Acquirers driven by revenue synergies may have to make similar choices and be clear about the trade-offs as accelerated order-to-cash integration can be resources intensive and tasking on organizations already going through significant change in a merger environment.
Finally, before integration begins, leadership must establish who will be involved in the process. Given the cross-functional nature of order-to-cash, it is important to clearly delineate roles and areas of responsibility. Order-to-cash integration leaders, perhaps more so than in other areas, must be willing to collaborate, compromise, and motivate colleagues across the organization.

Cashing in on order-to-cash
While inherently cross-functional in nature, order-to-cash management is most closely linked to the commercial arm of an organization and can be an engine for sustained long term growth. How, then, can an acquirer cash in on order to cash and accelerate a deal's revenue growth potential?

Closely tie deal objective to order-to-cash effort: The first step is to recognize how order-to-cash fits in with the broader integration and deal objective. Different order-to-cash models are better suited for specific deals and their tradeoffs should be well understood as we outlined earlier; for example, while the quick wins model can help drive growth, the fully integrated model will best support a cost-minimization-focused integration.

Pick the right leader to navigate the organization dynamics: As the organization decides on the right model, a centralized leadership team needs to be created to own order-to-cash integration with the right leader driving the agenda. The leader will ideally have deep operational background, credibility within the organization, and full sponsorship from the C-suite. Having this governance defined early is a must.

Relentlessly focus on what matters: In addition to the five focused areas discussed, the success of an order-to-cash integration program will likely be determined by the ability to manage widespread change. Customers will require frequent and clear communication while employees will need to be trained on new ways of working. In times of uncertainty, made more complex by broader integration challenges, a carefully planned for and managed order-to-cash integration can be a steadying force that drives long-term revenue growth.

Contacts
For more information, please contact:
Varun Budhiraja
Principal
Deloitte Consulting LLP
vbudhiraja@deloitte.com

Kurt Schmid
Principal
Deloitte Consulting LLP
kschmid@deloitte.com

Saadat Khan
Senior Manager
Deloitte Consulting LLP
saadakhan@deloitte.com

The authors would also like to acknowledge the contributions of Kanu Shree and Ryan Lowe, both with Deloitte Consulting LLP.

About Deloitte
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the “Deloitte” name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms or their related entities (collectively, the “Deloitte Network”), is, by means of this communication, rendering professional advice or services. Before making any decisions or taking any action that may affect your finances, or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

Copyright © 2017 Deloitte Development LLC. All rights reserved.