

New Questions to Gain New Intelligence in Accounts Receivable



How Do We Change Results?

When we make decisions, the outcomes and results that we want to achieve are usually apparent. The data available to us will largely determine what actions we take, which drives our results.

It's essential to have access to the right data and understand what the data means to keep improving our decision-making, and take actions that will produce the desired outcomes. In the same way our operational processes and tasks need to evolve, so do our actions to deliver the desired results.

One way of challenging the decisions we're making is to ask different questions, such as:

- How can I improve my operational processes?
What data do I have available?
- What does "good" look like?
- How can I improve tomorrow's results today?
- If I work backward from my outcomes, what do I need to provide a new perspective and inspire new ideas for areas of improvement?

Sometimes we make assumptions because of the lack of available data or make decisions without all the data. Despite this, we can still make good decisions—but how much better could our decision-making be with more intelligence into the factors that contribute to the results we're trying to achieve?

How can we measure the process if we have too many variables that we don't understand? How can we improve decisions without critical data that is impacting the results we are trying to impact?

We want to look at some questions that will provide several benefits, including challenging our assumptions and clarifying what is happening both within a process and the changes occurring within the customer base. These will provide new intelligence on how we can improve our outcomes, objectives, and critical results.

The Most Expensive 7 Words

“We’ve always done it this way” is a phrase that suggests a lack of innovation and an unwillingness to change or pursue being better tomorrow than today. But many accounting and finance teams say this about their current processes and tasks.

Here are some questions to ask to help your teams move past this:

1. How can we improve the reporting and measurements deployed to measure performance?
2. What have we implemented recently, and why?
3. Has good been accepted because that’s what the reports tell us?

For example, many organizations believe their Days Sales Outstanding (DSO) is optimum because some improvements have been made. But what could be achieved if viewed from a different perspective?

Conversely, is your organization setting unachievable targets and goals? For example, if the sales and commercial teams have to increase payment terms for customers to win business, has there been a corresponding shift in the collection targets and DSO expectations?

Just because we’ve always measured it this way doesn’t mean it’s the best possible way to do things today.

Lost Time Can Never Be Found Again

We all know how scarce time is. In our fast-paced, ever-changing business landscape, very few seem to have the time they need to complete all the tasks on their to-do lists. So, either some responsibilities are overlooked, or we work more hours to get as much done as possible.

Organizations are looking for productivity from their teams and people and prioritizing top-line performance. But to change the outcomes for our people and processes, something must change.

How we use time is critical. But how much time is spent on rework because of error-prone, manual processes? Rework is the enemy of productivity, but how many tasks and processes do we accept and allow to continue that impact the morale of our team members?

For example, unapplied cash and misallocated cash require a significant amount of rework. Chasing down remittances to process payments is time that should be used to chase customers for updates on payment and understand their current trading position.

If payments received are applied to sales invoices quickly and accurately—for example, 95% of electronic payments processed within minutes of starting the working day—the collection and risk teams can more confidently perform their tasks without having to check for any payments yet to be processed. Importantly, it also ensures that credit lines for customers are always at an optimum.

With data at our fingertips, we don't need to worry about valuable time being absorbed. Rather, we have more time to spend on analysis and reporting, instead of creating and producing the reports. And having more time to review the data can significantly impact performance.



How to Effectively Make Decisions

We make decisions daily from the available data, which doesn't mean we have all the necessary data to inform our decisions.

Part of a data-driven decision-making process is accessing the right data, which requires asking the right questions. We need new questions to review our decisions, which will drive the actions we take. In turn, the result of those actions will drive our outcomes.

So, what are some of the questions you can consider asking in Accounts Receivable and Credit Management? Focus on the questions that can help your teams transform how they manage the AR process.

New Questions for Cash Application

Solutions like [BlackLine Cash Application](#) were built and designed by AR professionals who wanted to solve the process challenges facing fellow AR professionals.

For example, most processes and solutions require remittances to achieve automation success. Using BlackLine Cash Application, this is not a dependency, but an exception, with less than 20% of remittances required to achieve more than 80% automation. It is driving change in the cash application process and improving the experience for users and customers.



Here are some new questions you can start asking about your cash application process:

- How quickly do you achieve your cash application matching?
Measure the number and value of customer payments by each working hour.
- Can you measure timing by bank account and/or business unit?
- Can you measure the automation rate by business unit and/or division?
- Do you see a move away from check payments to electronic payments?



Some reports are suggesting an increase of 25% or more in electronic payments in North America and a reduction in checks:

- If so, how is this impacting the match rate?
- How much additional time is needed to locate and match the customer's remittance to the electronic payment?



How is the match rate achieved?

- Is this via lockbox services?
- Do you need to obtain the customer remittance?
- How do the process costs for lockbox compare to the cost of AR automation?
- How long does it take to achieve?
- What is the process for the payments received that never have a remittance sent?



Is rework happening because of a manual, error-prone process? How much time are you spending:

- On resolving unapplied cash?
- Chasing customers for remittances?
- Scanning remittances into an OCR engine?
- Correcting human error?

New Questions for AR & Credit Management

Let's look at some of the questions we are asking our customers around managing risk, collections, and cash flow.



Customer Behaviors

- Can you track variance on sales revenue over 12 months?
- Can you track payment performance for all customers in real time and highlight any variance over 12 months?
- How do you know which customers always pay on time and which ones need a trigger to influence payment?



Can you measure customers by payment terms? Can you:

- Split the sales ledger customers by payment terms?
- Measure how customers are paying against those terms?
- Measure the current outstanding debt by payment terms?



How predictable are customers on the sales ledger?

- Which customers have a predictable payment pattern?
- Which measure predictable cash flow forecast against Actual?
- Can you report if customers are paying multiple customer accounts from the same bank account?
- Can you perform Pare to Analysis to measure volume of customer versus value of debt to determine where focus is needed?

The answers to these questions provide intelligence that empowers the decision-making process while managing risk, collection strategies, and cash flow. And with AR automation, they are all at the fingertips of users, up-to-date and in real time.

Within [BlackLine's AR Intelligence](#) solution, a DSO reporting suite calculates DSO performance by business unit and tracks month-on-month performance. This equips teams with the analysis of DSO performance and so they don't have to spend time calculating the measurements.



Tomorrow Can Be Better Than Today

Look at your phone—the mini-computer we use every day. Has it changed and developed? Unless you brought your phone recently, it is already likely out of date.

As technology develops, it provides new opportunities and functionality for users to improve their experience and knowledge.

[AR automation](#) improves the experience of users in the following ways:

- Removes the repetitive, mundane, boring, thankless tasks that are vital for the rest of the process to work
- Removes the risk of human error and the subsequent rework that follows
- Allows people to perform tasks that will impact the process outcomes we want to achieve within the business
- Be more fulfilled by how their role is contributing to the well-being and success of the business as they perform actions that are driving results
- Improves the overall customer experience

Processes need to change to keep up with changing customer behaviors or new opportunities to improve, such as technology solutions or the basic need to improve results.

What was new functionality yesterday is now included in today's standard features. Again, look at mobile phones or cars as an example. How has functionality developed and become the new normal?

By asking questions and embracing change and new practices, we can quickly adopt the new normal and realize the benefits now.

Change Can Be a Catalyst

Sometimes we seek change, but it's often forced upon us. For example, working from home has been a discussion point that has splintered opinions and operating policies for many years. We now know that entire organizations can effectively work remotely, and this way of working is becoming a permanent option for many businesses around the world.

Another significant change is the move to electronic payments in the B2B space. One advantage is that money clears and is visible in the bank account quicker.

However, this creates two challenges:



Matching

It takes time to match payment with the remittance because they are sent by two different means and not received simultaneously.



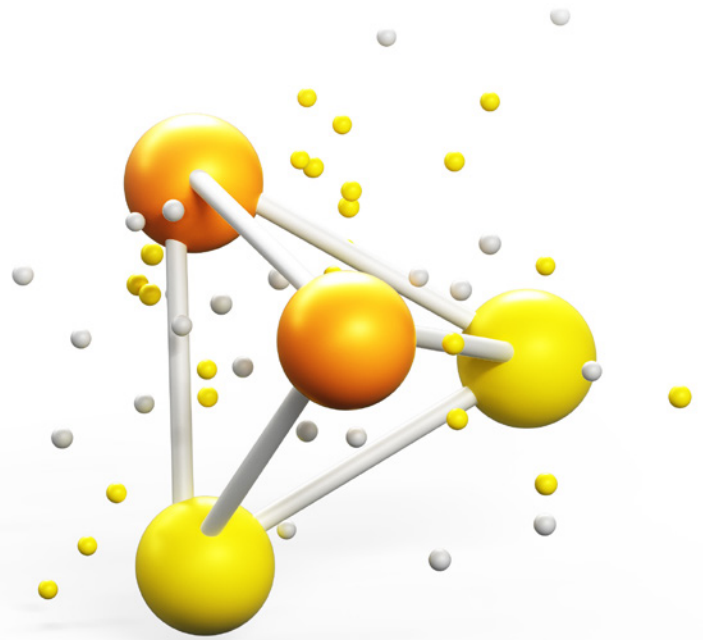
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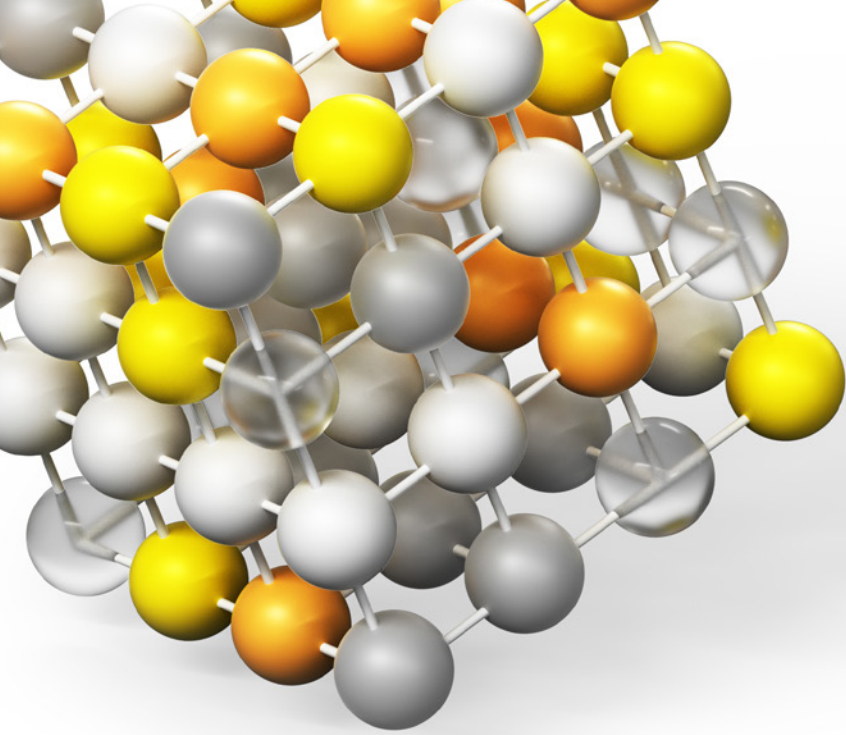
Can the cash application team absorb an extra 20% of work (plus associated rework) by the increased number of electronic payments?

With intelligent AR, automated processes are transformed to work in today's digital age, rather than performing the same tasks electronically—for example, needing remittances for every payment to be applied to an account.

The focus by shareholders, investors, and analysts on cash-related measurements to determine the well-being of an organization has increased in recent years. After the pandemic, it will only be higher on the agenda.

Doing more actions with the same resource is part of achieving accounts receivable nirvana—because more of the right activities will significantly improve results and business objectives relating to cash and debtors.





A Question That Never Changes Over Time

Who doesn't want more cash? In recent times, the importance of cash has surfaced again—and in many organizations, it's become a top priority.

Even as some economies are seeing an increase in activity, cash flow and working capital management will not stop being on the list of priorities. After all, cash is the lifeblood of every business.

Some old challenges will remain—such as the balance of risk and reward for providing credit and being paid in uncertain times—and some new ones will emerge, such as the increase in electronic payments forcing a change on the traditional cash application processes.

Therefore, the nirvana of operational excellence in the accounts receivable process is paramount.

Visit blackline.com/accounts-receivable-automation to discover how AR automation can deliver value for your entire organization.

Furthermore, numerous reports indicate that decision intelligence and analytics around managing customers, debtors, and cash are needed more than ever, as illustrated in the number of times finance leaders list it as a priority.

The intelligence that asking new questions delivers can enable finance leaders to be ahead of the game in collecting, predicting, and managing cash. Who doesn't want that?

[BlackLine's unified AR solutions](#) continue to deliver operational excellence. With a new approach for turning data into intelligence, we provide customers with the best opportunity to maximize cash collections.