7 Reasons

AR Is Important to the Office of the Controller

From ensuring balance sheet integrity to balance sheet optimization, the Controller is no longer solely focused on making sure the numbers stack up. That is a given, and their role has now evolved into a forward-looking chief value extractor, driving technological change, good governance, and a bias for action on future revenue streams and investment returns.

Accounts receivable and the underlying processes impact a number of the company's key financial statements: balance sheet—debtors number, statement of cashflows, and income statement (profit and loss account).

Therefore, with the current focus on working capital optimization, the management of debtors has never been more in focus than today.

BlackLine is the indispensable platform for the controller. This white paper covers the seven reasons why AR automation is high on the agenda for controllers today, and how to drive value in these key areas.

1. Too Much Cash Is Being Held Hostage in Debtors

Cash is and has always been critical to the wellbeing of any business. Too many organizations have cash held hostage in the balance sheet with too much working capital tied up in debtors that should be free cash and available in the bank.

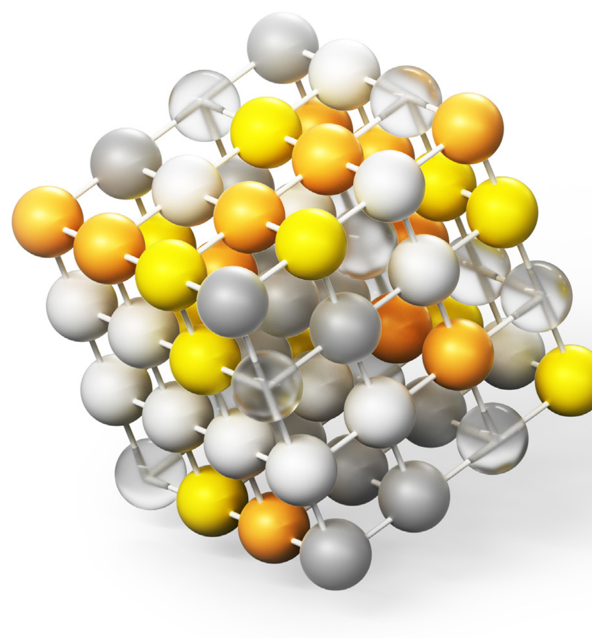
In a report from 2019, PWC calculated that $1.5 trillion dollars was hostage on balance sheets.[1] When cash becomes more difficult to obtain from customers or when the cost of borrowing increases, we find new focus on the importance of cash.

By optimizing cash collections from customer sales and reduced debtors, cash availability provides the CFO with opportunities for how the money can be utilized in the business and drives further value, rather than looking for working capital from other sources which comes with a cost.

AR automation allows people to focus on the tasks and activities that will drive more cash into the business.

Wesco operates in a multi-currency industry and initially, we assumed BlackLine Cash Application would not meet our high expectations. However, the team at BlackLine discussed our requirements in depth and re-configured the software to create a solution that was customised to us. We now enjoy an 85-95% multicurrency match rate, which allows the accounts receivable team to focus on debt collection using a clean, accurate, and up-to-date sales ledger.

CAROL POLLARD
EU CREDIT MANAGER



Days Sales Outstanding (DSO) is the measurement used to calculate how quickly cash is being collected from customers. Or put another way, how quickly debtors on the balance sheet is being turned into cash.

A report by IOFM in February 2021 found that 59% of business said their average DSO is higher than it was a year ago.[2]

How much is one DSO day worth to your organization? Rather than seeing a decline in cash collections, now is the time to explore how AR automation enables increased cash in your business.

[1] Working Capital Report 2019/20, PWC
[2] IOFM's 2021 Maximizing Your Automation ROI Report

2. Cashflow: Knowing When You're Being Paid

Getting paid is critical. AR automation is not about replacing key stroke depression and reducing costs. Instead, it's about transforming the accounts receivable processes that drive efficiency and increase the productivity of the AR team, who can then focus on the value-added tasks that will drive results to achieve our business outcomes—like more money in the bank.

For example, rather than the AR team chasing a remittance to apply the payment received, time and focus can be used on collections calls that will influence payment from customers.

> BlackLine Cash Application is a brilliant product. I'd question anyone not wanting it. You can absolutely reduce your costs by at least 75%. The cost vs. benefit is a no-brainer. The solution has so much functionality and flexibility to set up processes exactly the way you need.

TRACEY BENTLEY
CREDIT MANAGER AND HEAD OF DELIVERY

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For today's organizations, it is no longer just about being paid, but understanding when payment is going to be received. This is important from managing payments in and out, but also for pooling cash for organizations with multiple divisions or businesses with different bank accounts being used within the group of companies.

BlackLine's AR Intelligence solution brings data alive in real time so finance, AR, and credit teams can use a wealth of data not typically easily obtained or presented on customer behaviors across the whole sales ledger(s). For example, you can report on how customers pay against payment terms, understand how predictable customers are to make a payment over, and sales revenue trends, as a business unit, division, or depot and by an individual account.

By having this data available easily and quickly, we can let the accounts receivable, sales, and commercial teams know what actions are required to drive the outcomes needed to improve cashflow. The Controller can also use this data to understand the revenue stream of the business as well as the working capital position.

All of this is a radical change from credit, treasury, and sales teams working in silos. By having the right data available to all stakeholders, the business can make more informed decisions, including how much cash is being collected and when.

3. Cash Provides Shareholders with Confidence

In recent years, shareholders and investors have placed far greater emphasis on the financial health of a business as well as trading results. As a result, measures such as liquidity and gearing are now critical key performance indicators of the financial wellbeing of a business.

After the financial crash of 2008/9 and subsequent years, businesses invested in solutions in the procure-to-pay process, such as three-way matching and purchase invoices received electronically to reduce costs, drive synergies across the supplier base, and have greater process control between the procurement and accounts payable departments.

AR automation is now front and center in finance initiatives to drive debtor performance with many Controllers initiating digital transformation in their finance function.

There has never been a more critical time to demonstrate the well-being of the business than by reducing debtors, increasing cash and working capital, and improving liquidity measures. Further evidence of this is in the increased focus by shareholders on debtors and the ability to be paid on time, the Return on Capital Employed (ROCE), Liquidity, and EBITDA.

At a time when trading performance for business is far from certain, AR automation is an enabler for the Office of the Controller.

4. Data-Driven Decisions That Drive Actions & Produce Results

Reporting is a critical part of the Controller's role, and it's no longer about reporting historical data, but forecasting future trading and financial results. This can only be done with the right data.

Analytics and business intelligence is high on the list of improvement priorities for the Office of the Controller. We all want the right data available to make the most informed decisions. However, this is often difficult to obtain from our ERP operating systems, and when the data can be mined, it takes time to make it presentable for stakeholders to use and review.

BlackLine AR Automation provides two different reporting suites:

Operational Reporting:

a. Determine how effective the automation is in your solutions

b. How effective and efficient is your AR team?

c. Measure the productivity of the team(s) and its members

d. Measure the effectiveness of the process

e. Measure business objectives and key performance indicators

Business Decision Intelligence:

a. Measure the impact of extended payment terms to cash flow

b. Measure customer payment performance and against payment terms

c. Payment predictability—understand how this will impact cash flow forecasting

d. Customer behaviours—what are the trends for sales?

By having data available quickly, accurately, and at their fingertips, the controller can now have a far greater understanding of what is occurring from both customers and debtor perspectives. They also gain insight into how their performance is impacting the key critical financial statements for which the controller is responsible. This informs data-driven decisions based on facts that can drive the actions that will impact the business outcomes of the organization.

5. Getting the Most for Your Money

All businesses pay attention to the operational costs of the organization—the Selling, General, and Administrative expenses (SGA) in particular. Finance leaders and especially the CFO will want to 'set the example' of reducing costs, but this cannot come at the expense of being effective.

AR automation is much more than a cost reduction initiative. It reduces manual activity and transforms the process by removing tasks and activities no longer required. As a result, it allows more time for the existing team members, who can be far more productive without the constraints of the process and rework of correcting human error.

AR automation is about being an enabler to achieve results and key business outcomes, such as increased cash and reduction in aged debt.

Compare the costs of Finance for additional working capital against the cost of AR automation, such as the example below:

- $5,000,000 of additional working capital (how many DSO Days does that represent from an AR measurement?)
- With a 4% annual interest applied that could cost £$200,000

The benefit achieved of increasing cash and working capital, and the relative costs saved from borrowing capital from a third party, will usually far outweigh the costs of the AR automation project.

6. Capacity & Capability: Are You Ready for Growth?

Many organizations are planning for growth, either organically or via acquisitions. For finance departments this brings several challenges, including capacity, capability, and driving synergy costs as part of the acquisition plan.

Increasing headcount (FTE) into a bad process will effectively result in an increase of inefficiency. People operate processes to achieve results. Investing in automation will increase process efficiency and improve the productivity of your people. Combined, this creates additional capacity into the AR department at a lower cost than adding more headcount.

"A bad process will beat a good person every time..."

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But it is much more than capacity. AR automation delivers capabilities that were previously not available, such as:

- Automation of tasks to free up more time for your teams
- Real-time reporting available at your fingertips to improve decision making
- Elevated morale of your people, who are performing tasks and processes that are delivering results
- Greater fulfilment as your teams know they are contributing to the success of the business rather than overcoming the results of a bad process

When we first introduced the Cash Application solution some years ago, we went from 16 to 3 FTE very quickly. Since then, the business has grown considerably, and today we are at 4 FTE. Without AR automation we would require between 30-35 FTE to complete the process.”

SARAH BOLAS
CREDIT SERVICES MANAGER

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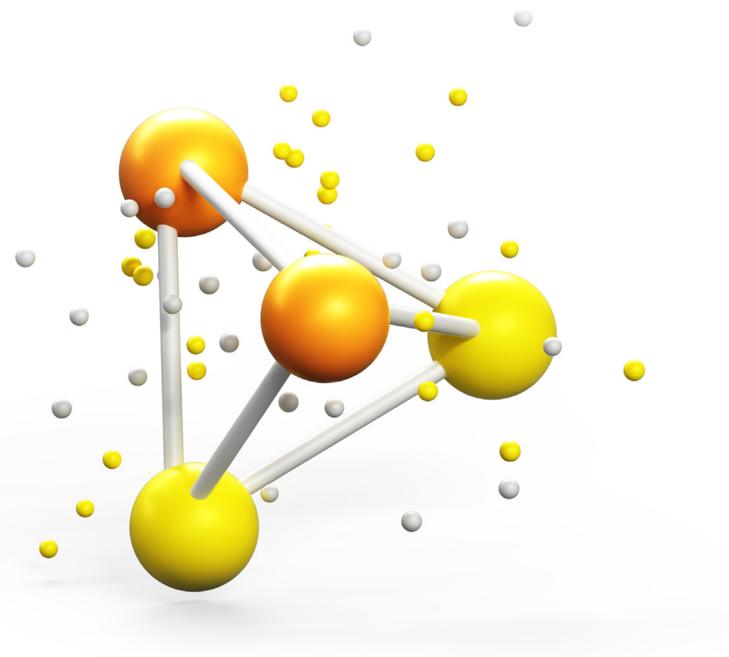

7. AR Automation Delivers Value for the Entire Business

AR automation is much more than reducing costs and headcount. While this can be a driver to justify the investment, the opportunity for success is much greater.

Its goal is to help organizations focus on achieving optimum results in the areas of debtors and cash. To invest in AR automation is to create time for actions to drive results, and improve decision making from collection strategies and risk polices.

All this drives business value in these ways:

- Increase in cash and working capital
- Cash flow predictability
- Reduction in provision of bad and doubtful debts

Discover the AR solutions that can help your organization reduce manual activity by as much as 85% and collect more cash across your order-to-cash processes.