WHITE PAPER

BLACKLINE NACM National Association of Credit Management

THE STATE OF ACCOUNTS RECEIVABLE AUTOMATION 2024

NEXT-GEN CREDIT MANAGEMENT: TOOLS AND TECHNOLOGIES FOR THE FUTURE

KEY FINDINGS

- The top goal of teams managing the invoice-to-cash process remained the same from 2023: to improve payment timelines and reduce outstanding balances by strengthening customer relationships.
- Credit managers are more interested in learning how artificial intelligence can improve their processes than ever before.
- Data security and privacy are the fastest-growing concerns for B2B credit departments and a major barrier to adopting automation.
- Credit departments are slowly moving away from email toward online portals for processing new customer applications.
- The intent to automate invoice-to-cash processes is on the rise, with 21% of departments planning to implement automation in the next 1–2 years, up from 17% in 2023.

EXECUTIVE OVERVIEW

New automated tools are pivotal in attracting the next generation of credit managers, positioning B2B credit management at the forefront of technological innovation. As a data-rich profession, credit management is uniquely poised to leverage cutting-edge advancements. Embracing these tools enhances the efficiency and accuracy of current credit managers and sets a robust foundation for future professionals.

Automation streamlines processes, enabling faster and higher-quality data-driven decision-making, which is crucial under increasing pressure for swift and reliable outcomes. By integrating technology, credit managers can exceed their potential, transforming their roles and the industry in ways previously unimaginable. Integrating technology in credit management is not just about improving current practices; it's about building a solid foundation for the future and enabling AR teams to add more value to the business they work for.

THE CURRENT LANDSCAPE OF ACCOUNTS RECEIVABLE AUTOMATION

The current landscape of automation in accounts receivable remains mostly unchanged from 2023, yet the trends that have changed speak volumes about the growing demand for automation and curiosity about its benefits for the trade credit profession. These changes highlight an increasing awareness of how automation can streamline processes, enhance efficiency, and reduce manual workloads.

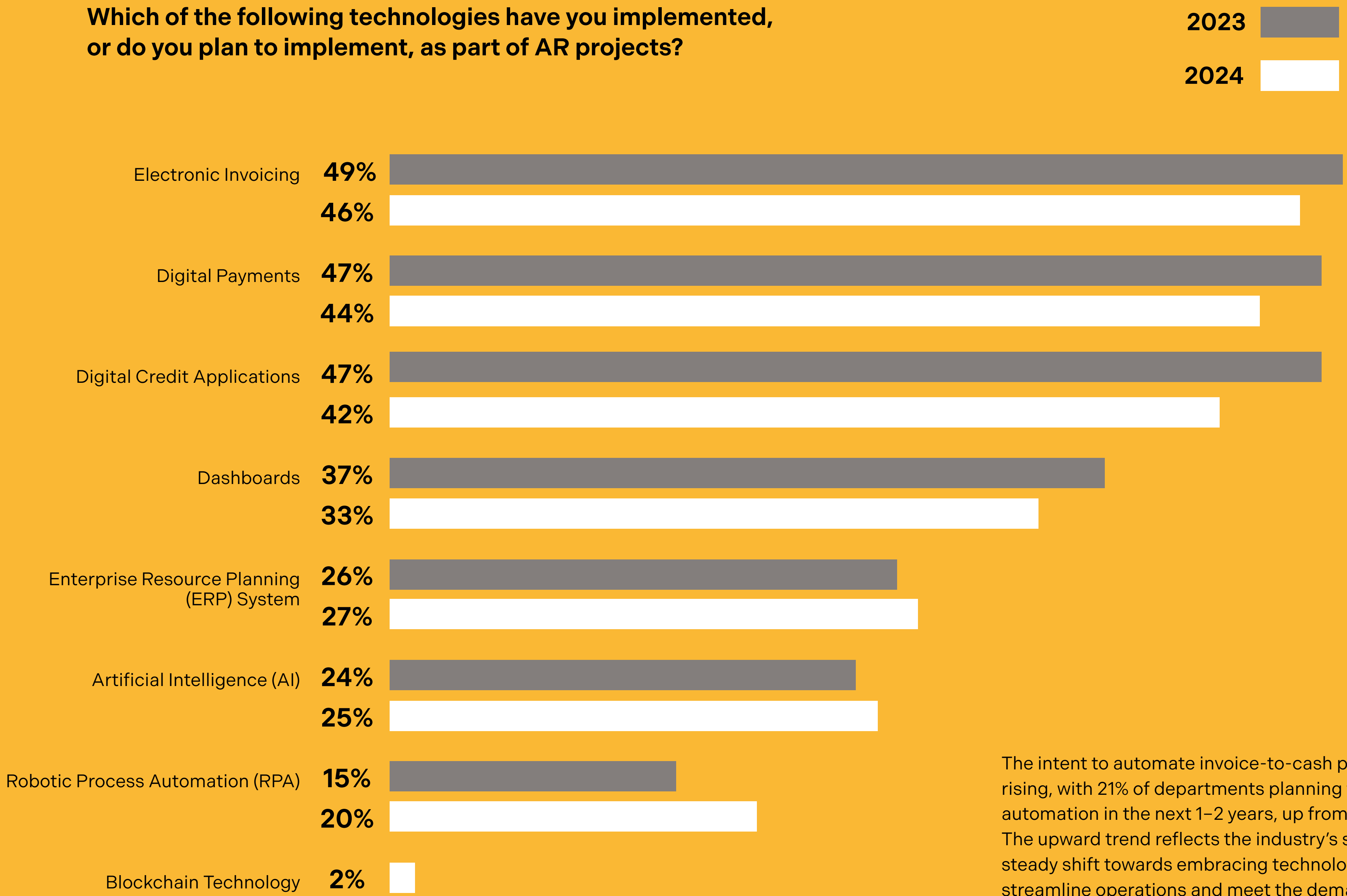
Credit managers face significant challenges in their accounts receivable (AR) processes, with 43% citing time spent reworking errors as the most significant issue, 38% pointing to the lack of quality data and slow processing times, 36% struggling with processing payment volumes, and 21% highlighting a lack of visibility in the process. These inefficiencies hinder productivity and impact overall financial health and customer satisfaction.

AR departments remain committed to the same top three goals in 2024 as in 2023:

1. To develop a stronger focus on customer relationship management to improve payment timelines and reduce outstanding balances.
2. To implement new accounts receivable software to streamline processes and improve efficiency.
3. To strengthen internal controls to minimize the risk of fraud or errors in accounts receivable management.

What are some of the biggest challenges you face with your current accounts receivable process?

Which of the following technologies have you implemented, or do you plan to implement, as part of AR projects?

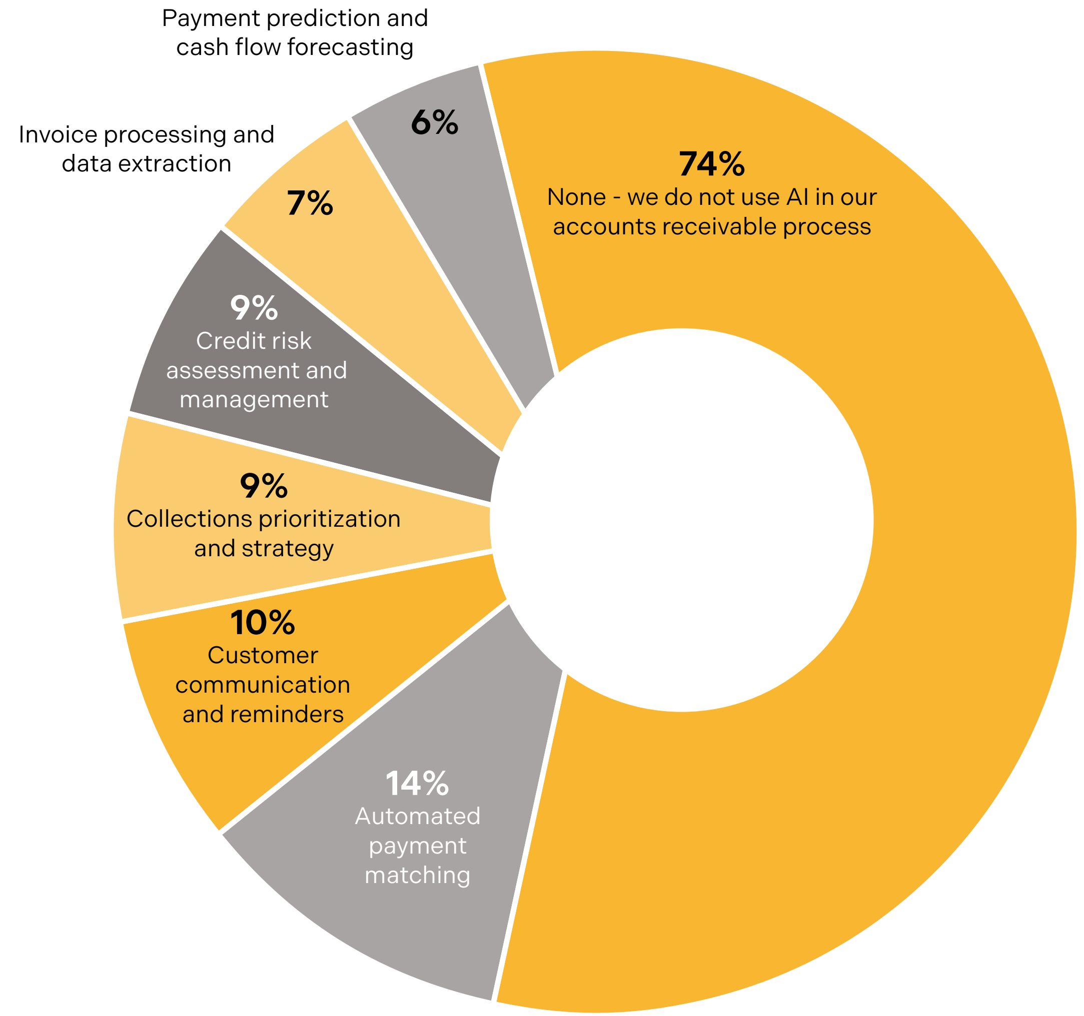


The intent to automate invoice-to-cash processes is rising, with 21% of departments planning to implement automation in the next 1–2 years, up from 17% in 2023. The upward trend reflects the industry's slow yet steady shift towards embracing technology to streamline operations and meet the demands of a fast-paced, data-driven business environment as needs increase and awareness and accessibility to new technologies emerge.

From Manual Processes to AI-Driven Solutions

As different forms of AI gain popularity in the finance sector, credit professionals must become more knowledgeable on how artificial intelligence (AI) can support their role effectively and simplify workflows. Trade credit professionals increasingly turn to AI to enhance their job performance, moving past initial fears about job displacement. AI's ability to analyze vast amounts of data quickly and accurately allows credit professionals to make more informed decisions, predict trends, and mitigate risks more effectively.

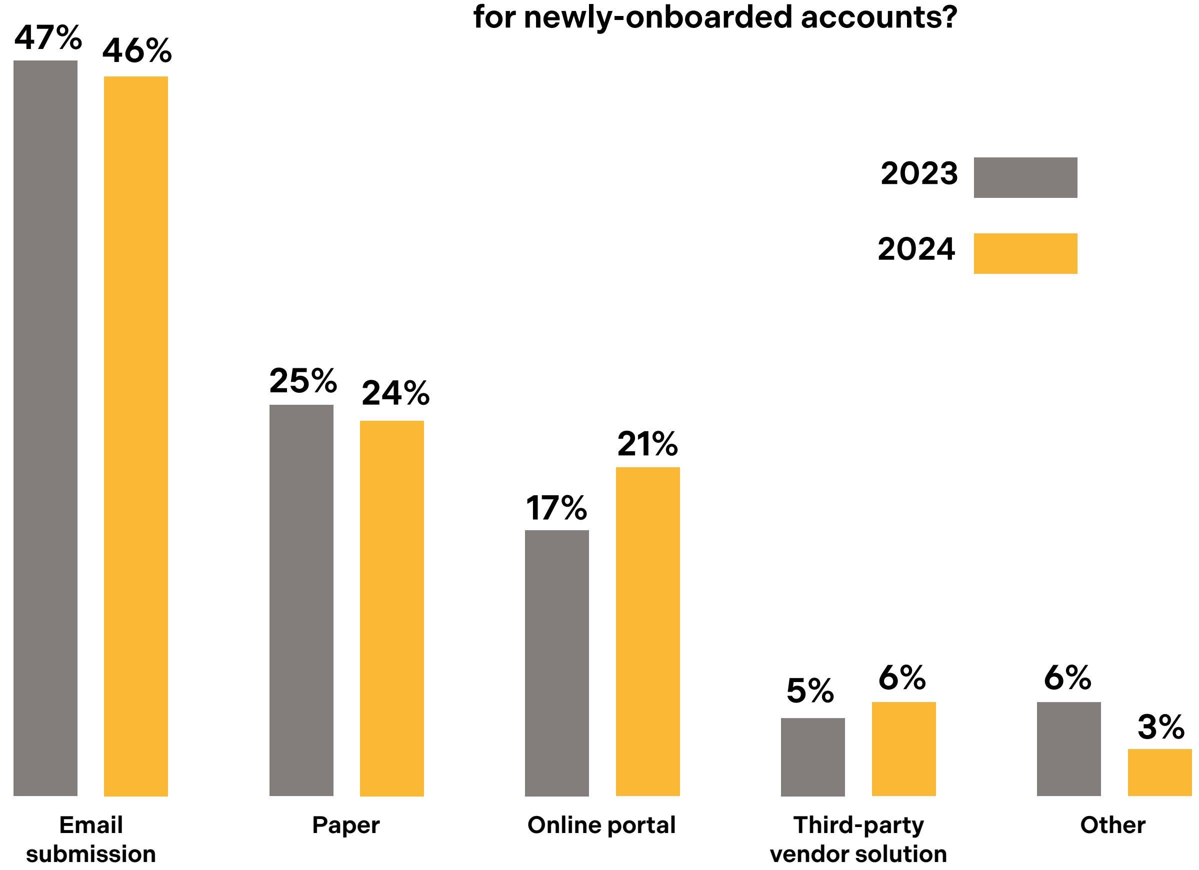
Which of the following areas within the accounts receivable process do you currently apply AI technologies to?



New Methods to Process Credit Applications

Credit managers are gradually moving away from traditional methods of processing new credit applications, such as paper forms and emails, in favor of more efficient online portals and third-party solutions. In fact, 4% more credit professionals are using portals to process new credit apps than last year. This shift is driven by the need for greater efficiency, accuracy, and streamlined workflows. Online portals offer several advantages, including faster application processing, improved data accuracy, and enhanced security. By leveraging these digital tools, credit managers can better manage their workloads, reduce manual errors, and provide a more seamless experience for applicants.

How do you process account applications for newly-onboarded accounts?

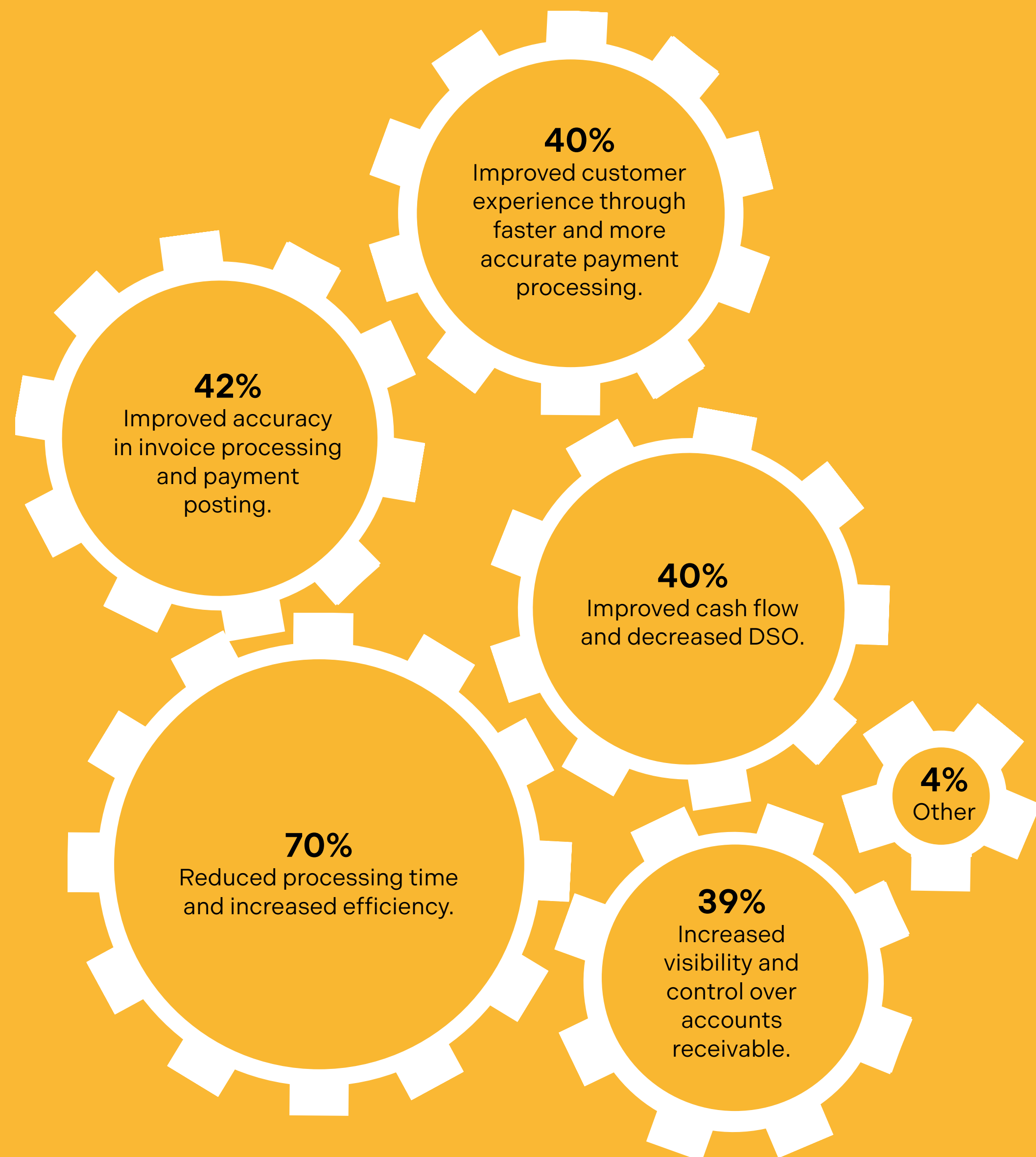


BENEFITS OF AR AUTOMATION

One of the biggest challenges credit managers face is the pressure to make quick and high-quality decisions. In a competitive business environment, delays in credit decisions can lead to missed opportunities or increased risks. Automation can help alleviate this pressure by providing real-time insights and recommendations. Machine learning algorithms, for example, can analyze historical data to predict the likelihood of late payments or defaults, enabling proactive management of credit risk. By standardizing processes and ensuring compliance, technology helps credit managers maintain the highest standards of accuracy and reliability.

The move towards automation offers promising solutions to these challenges. A substantial 70% of credit managers report that automation significantly reduces processing time and increases efficiency. Automation also helps decrease Days Sales Outstanding (DSO) and improve cash flow, as 40% of credit professionals noted. Additionally, 42% of credit managers see improved accuracy in invoice processing and payment posting, while 40% recognize enhanced customer experiences through faster and more accurate payment processing. 39% of professionals appreciate the increased visibility and control over their AR processes that automation provides.

In your opinion, what are the benefits of automating your accounts receivable process?



Automation to Attract New Credit Managers

Aside from improved efficiency, automation is key in attracting the next generation of credit managers. These managers are tech-savvy, accustomed to digital tools, and eager to leverage technology to enhance their professional capabilities. They seek roles that challenge them and provide them with the tools to succeed and innovate. By integrating advanced technologies into credit management practices, businesses can attract and retain top talent from this emerging workforce.

Tasks that were once time-consuming and prone to error, such as data entry, risk assessment, and report generation—can now be automated. This improves efficiency and frees up credit managers to focus on strategic activities that add more value to the business. For young professionals, the opportunity to work with cutting-edge tools and technologies is a significant draw.

The credit management industry faces a critical juncture as an aging workforce approaches retirement, threatening to leave major knowledge gaps. To address this issue, companies must get creative and innovate their approaches to appeal to younger talent. By leveraging modern technology, offering flexible work environments, and emphasizing the exciting nature of the credit management profession, businesses can inspire a new wave of professionals to join and thrive in this field.

Younger professionals are more tech-savvy because they grew up with technology, used it in school, and prefer its efficient solutions. New professionals won't want to work for a company that uses outdated and manual strategies.

Technology can magnetize young professionals to the credit profession by unveiling thrilling, cutting-edge roles that let them unleash their tech prowess. "Young professionals tend to enter the workforce tech-savvy, often showing older generations how to use innovations," said Brittany Yvon, CBA, CICP, credit manager at OMG, Inc. (Agawam, MA).

To address the impending knowledge gap in the credit management industry due to an aging workforce, businesses must innovate their recruitment strategies by leveraging technology, offering career growth opportunities, and emphasizing the dynamic nature of the profession to appeal to younger professionals. By showcasing the dynamic and impactful nature of credit management, companies can dispel the misconception that the profession is mundane or outdated and grab the attention of finance graduates.

AUTOMATE OR RISK GETTING LEFT BEHIND

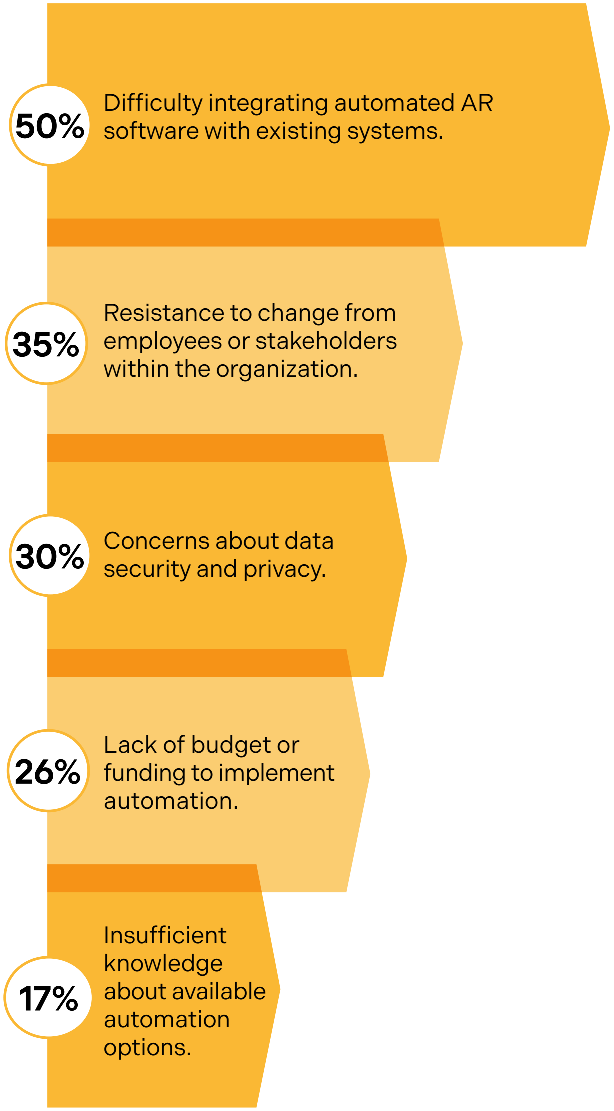
Credit professionals are witnessing a significant role transformation, driven primarily by technological advancements. Far from replacing human expertise, technology is enhancing their capabilities, enabling them to shift from administrative tasks to more strategic activities such as relationship building and decision-making.

Charles Edwards, Jr., CCE, vice president of credit operations at SRS Distribution Inc. in McKinney, TX, emphasizes technology's permanence and growing importance in credit management. He notes, "Technology and automation are here to stay. They are an integral part of how credit professionals do our jobs, and this trend is only going to increase. The credit managers and departments that embrace technology will outperform those that do not."

Edwards' insights highlight a crucial reality: technology is not a threat to credit professionals but a tool that will change how they perform their jobs. By leveraging new tools, technology, and automation, credit professionals can enhance their effectiveness, leading to long, successful, and rewarding careers.

The most significant impact of technology in credit management is the shift from manual, repetitive tasks to higher-level strategic roles. Automation can handle many administrative functions, such as data entry, invoice processing, and routine communications, freeing credit managers to focus on more value-added activities. "Automation is becoming an essential part of effective AR management," Edwards added. "Tech's role in credit management is only going to continue to become more pronounced, and credit professionals who do not keep up with these trends and skills will become less and less effective."

Whether you have already automated or plan to automate your AR process, what has been, or do you anticipate will be, the biggest bottleneck(s) to change?



RESISTANCE TO CHANGE

Legacy Systems

A significant barrier to automation is integrating automated AR software with existing systems. Legacy systems often lack the flexibility and compatibility to integrate with new automation tools seamlessly. This incompatibility can lead to disruptions in workflow, data inconsistencies, and increased implementation costs.

To overcome this barrier, organizations should thoroughly assess their current systems and identify potential integration issues before selecting an automation solution. Collaborating with vendors offering robust integration support and seeking solutions with flexible APIs can also facilitate smoother integration. Additionally, phased implementation can help mitigate disruptions, allowing for incremental adjustments and testing.

Data Security and Privacy

Concerns about data security and privacy have surged in 2024, with 30% of organizations expressing this worry, compared to only 7% in 2023. As automation involves handling sensitive financial data, ensuring its security is paramount. Potential risks include data breaches, unauthorized access, and compliance with regulations such as GDPR and CCPA.

The increasing volume and sensitivity of financial data processed through automated systems drives the growing emphasis on data security and privacy. As organizations adopt more advanced technologies, they expose themselves to greater risks if proper security measures are not in place. This heightened concern reflects several high-profile data breaches, and stricter regulatory environments globally.

To address these concerns, organizations should prioritize selecting automation solutions with robust security measures. These measures include data encryption, access controls, and regular security audits. Additionally, implementing strong internal policies and providing employee training on data security best practices can help mitigate risks. Partnering with reputable vendors who comply with industry standards and regulations can further enhance data security and build trust.

Budget Restraints

Organizations can address budget constraints by exploring scalable automation solutions that allow for incremental investments. Starting with basic automation features and gradually expanding as the budget allows can help manage costs. Additionally, demonstrating automation's potential cost savings and ROI can help justify the initial investment to decision-makers. Leveraging financial incentives, such as grants or tax credits for technology adoption, can also alleviate budget pressures.

FINANCIAL RESILIENCE

The current economic environment, characterized by rising inflation, supply chain disruptions, and fluctuating market conditions, poses significant business challenges. To navigate these challenges and maintain financial stability, credit managers must adopt proactive strategies and leverage advanced technologies to help their companies become financially resilient.

Financial resilience is the ability of a company to withstand economic shocks and recover quickly from disruptions. For businesses, this means having robust financial practices, diversified revenue streams, and effective risk management strategies in place. Credit managers are at the forefront of building this resilience by managing cash flow, reducing bad debt and ensuring timely collections. Their role is more critical than ever as companies strive to maintain liquidity and operational stability in a volatile economic landscape.

Credit managers play a pivotal role in this effort, and automation is a powerful tool to help them achieve their goals. Embracing technology and automation will be key to staying ahead and ensuring long-term success.

BEST PRACTICES FOR IMPLEMENTING AR AUTOMATION

Step 1. Assess your current process

Before selecting a new AR automation tool, conduct a thorough assessment of your existing AR process. Identify the pain points, inefficiencies, and specific areas where automation can add the most value. This will help tailor the tool to meet your needs and set clear objectives for its implementation. Without set objectives or KPIs to measure, how can you say if the project has been a success or not?

Step 2. Choose the right tool

Select an AR automation tool that aligns with your organization's requirements and integrates seamlessly with your existing systems while also easily sharing data between its own modules. Collections information is useful cash application information, so why rely on people deciding to share it when the system should do that for them?

Consider factors such as scalability, user-friendliness, customization options, and vendor support. Engage stakeholders in decision-making to ensure buy-in and address concerns early on.

Step 3. Develop a detailed plan

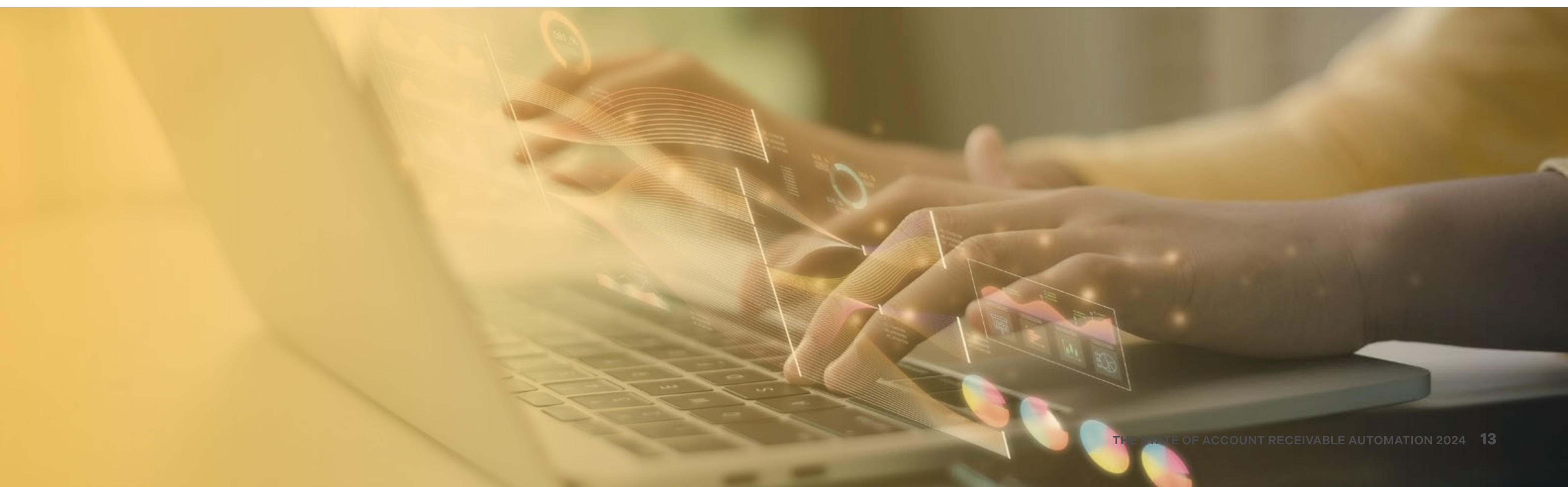
Create a comprehensive implementation plan outlining the steps, timeline, and responsibilities for each phase of the project, including preparation, implementation, user-acceptance testing, and post-go-live conversations with the IT department.

Step 4. Provide training

Equip your team with the necessary skills and knowledge to use the new AR automation tool effectively. Offer training sessions, workshops, and ongoing support to help users become proficient. Encourage a culture of continuous learning and adaptability to foster acceptance of the new technology.

Step 5. Monitor and evaluate

After implementing the tool, continuously monitor its performance and impact on your AR processes. Key performance indicators (KPIs) such as processing time, error rates, and customer satisfaction measure success. Review the data regularly to identify areas for improvement and make necessary adjustments.



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