

Excellence in AR Automation

Q&A for more Risk Control,
Growth, and Working Capital

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01 Introduction

Today digital transformation and process automation are at the top of almost every finance organization's agenda. Several phenomena are currently coming together and playing into this, creating a number of new challenges and opportunities for AR professionals.

Firstly, there is the continuous exponential growth of data and the question of how to process and make sense of it. Secondly, is the migration of information from legacy systems to new platforms, such as SAP S/4HANA. Thirdly, is the re-shaping of finance processes with technologies like AI and ML. These technologies are no longer reserved for future ventures but are major components of present-day or very near-future projects. And finally, the fourth challenge is the changing nature of work, roles, and responsibilities due to remote and hybrid working. Remote work depends on automation and digital infrastructure and affects almost everyone in finance.

To provide you with some orientation and help you achieve excellence within your AR Automation and confront the current challenges you might face, this whitepaper offers a discussion on how to control risk, facilitate sustainable growth, and improve working capital through technology in a Q&A format.



02 Does AR Automation lead to more operational efficiency?

Achieving more efficiency is one of the main drivers for automating Accounts Receivable (AR) processes. Looking at cash application, for instance, automation is a real game changer, due to the mostly repetitive and rule-based nature of payment reconciliation. By automating AR, you can achieve higher application and matching rates in a shorter amount of time and easily support customers using various payment methods. Smart solutions can process bank statements, remittance advices, lockbox, and settlement files automatically, so you can eliminate unallocated cash, prevent delays and update customer accounts first thing in the morning. Manual workloads and exception handling tasks are reduced as is the need to ask clients for extra remittance information. Detecting discounts and deductions automatically improves operational efficiency, resulting in better follow-up.

Credit managers also benefit from automation, by being able to take more data into account in their risk analysis. They can reach more accurate risk determination with intelligent scoring models that can automatically translate customer performances into valuable, measurable and comparable risk statistics through variable scoring criteria. At the same time, automating data sourcing and approval procedures speeds up their decision-making process and supports greater operational efficiency and a more reliable sales cycle.

The same holds true for debt collection. With the right solution you can automate all kinds of collection measures, from in-house collections activities, such as collection calls, promises to pay, due date extensions and payment plans to outsourcing collections activities and follow-up processes, such as escalations or write-offs. The probability of collections success is determined based on historic data, such as payment behavior, applied collection strategies and their success, and other factors. This information helps debt collectors decide where to focus and which measures to apply.

Automation can also help to address lack of visibility across the entire AR process cycle, as AR teams are able to monitor important KPIs and gain full transparency of the process. Finally, fragmented and decentralized processes can be overcome by building a standardized and reliable, central AR system.

03 How can organizations improve their working capital?

On average, one-third of an organization's working capital is tied up in their accounts receivables. By automating AR processes, you can leverage internal funding sources, identify and access hidden cash, and improve your working capital. You can speed up your cash application by ensuring your customer payments are matched to open posts right away. Efficient cash application is crucial if you want to reduce the final steps of DSO, free up cash, and access your funds as soon as possible. How? By running an automated and high-speed customer payment capture and matching machine that combines human-defined rules with intelligent automation. This creates a cash application process that can reach matching rates of near 100 % and provides real-time AR information to increase the accuracy of your forecasting.

To improve working capital, you should also aim for a targeted collections management process to get cash in quickly and reduce DSO. Make sure you have everything you need to succeed - after all collections is a complex and demanding undertaking that needs a nuanced approach for every individual customer. Implementing best practice collection strategies and templates with intelligent automation, will provide you with

the tools you need to address your individual customers in the most effective way.

Don't forget to build a powerful credit controlling process to protect your business from customer-related default risks. After all, high-risk clients can result in excessive DSO and even write-offs. An effective and automated credit risk determination and limit approval processes will ensure sales continuity while also containing risk. At the same time, a customer-oriented and professional dispute management process will ensure continued customer satisfaction. You can achieve this, by creating a single source of truth for data and documents and standardized and fast procedures for quick response and conflict resolution.

04 Can AR Automation support growth?

Automating AR processes can help create business opportunities by providing customer representatives with better data, faster. Real-time receivables monitoring and an automated data input, classification, extraction, posting, and exception handling process will ensure you know where your cash is and how much you have to work with.

Real-time data also helps you improve the management of counterparty risk. Bringing internal data, such as payment history, payment behavior and experience together with external data from credit rating agencies and combining it with other data such as financial analysis, credit insurance, credit securities, collateral management, and compliance checks. This gives you a true 360-degree view of your customer and risk portfolio, empowering you to identify the best opportunities for profitable growth.

Finally, AR automation supports more accurate collection of outstanding invoices. For instance, collection measures can be triggered automatically and intelligently executed depending on the customer behavior, thresholds, timelines, escalation workflows and other parameters. Using your own parameters, drawn from your customer portfolio, you can then decide on how to effectively collect on debt and develop customer relations at the same time, so you can support future sales and growth.

05 Is AR Automation able to support the overall corporate digital transformation agenda?

Yes! As a core process in finance, accounts receivable needs to be ready for the digital future and the time to invest in technology transformation is now. Deloitte's 2021 Digital Transformation Executive Survey indicates that companies that are digitally more mature are more resilient and better equipped to master rapid change and disruption. Clearly, previous investments in intelligent technology and forward-thinking business process design results in better adaptability and resilience. Organizations that have made these investments are able to master multiple crises. This resilience was demonstrated during the pandemic and previous crises and is sure to hold true in the future whether the AR Automation processes reside on-premise, in the cloud, or in a hybrid environment.

For instance, migrating to SAP S/4HANA is a transformation project every SAP-based finance department is facing right now. While many finance professionals want to maintain their existing processes, they also want to ensure they are further developed geared towards tomorrow, by moving them to S/4HANA. Luckily, best-practice solutions that are also SAP-certified can migrate with you without any problems. You can therefore build on your established AR solution without re-building it from square one, creating additional work for you, your IT, and your procurement team. Digital transformation should always be about core modernization as well. Therefore, carefully evaluate what

previous investments you can keep and develop and what you need to improve. This strategy for evaluating new approaches in AR applies whether you are thinking about migrating to S/4HANA, moving to the cloud, or implementing new technologies, such as AI and ML.

06 How will technology impact the future of work in AR?

The way we work has changed dramatically in recent years, most notably with work from home being the new norm in many finance organizations. In many ways, remote work has been an overwhelming success that has surprised many. Finance teams in the future will have a lot more flexibility, with some staff members wanting to return to offices, others abandoning office spaces completely, and some making a conscious decision to combine both. AR Automation and digital infrastructure are key components in supporting all of these scenarios. Solutions that are digital and centralized provide remote workers with access to relevant data from anywhere, so they can easily handle remote portfolio management, risk control, and working capital optimization.

Beyond the question of where we work, however, will be changes in how we work. New questions about the roles and relationships between humans and technology will inevitably arise. Finance organizations need to integrate new technological capabilities with human expertise, experience and judgement. The digital enterprise will require new habits, practices and behaviors and existing processes, functions, and roles will need to be reinvented. What we are seeing in the finance space is not so much technology replacing humans, but humans and technology working in collaboration to increase value for the organization. In this setting, expert knowledge is more valuable than ever.

Take an AR analyst for instance. Instead of manually capturing payment information from remittance advices, lockboxes or checks and looking for the corresponding open post in the accounting system to reconcile the payment, that entire process will be automated. This will open up time for the AR analyst to focus on handling any mismatch or exceptions, and to analyze the underlying problem – be it a dispute, deduction, customer complaint or something else. Tedious, manual processes can be automated in the credit and collections space as well – credit data sourcing or writing collection letters, for example. This would free the same analyst to handle exceptions within credit and collections management, thus creating positions with cross-functional expertise. Furthermore, automated processes will generate data intelligence that organizations can use to build predictive business strategies. Using historical credit and collections data, solutions with artificial intelligence can develop scenarios and use cases that take every stakeholder into consideration. Finally, AR and finance organizations can extract additional insights by harnessing data from distributed ecosystems and devices, including mobile, cloud, platforms, and IoT, to gain a broader insights into customer behavior, desires, and engagement methods.

About Serrala

Serrala is a global financial automation and B2B payments software company creating more secure payment capabilities worldwide for enterprises of all sizes. We are a leading fintech pushing the boundaries of finance software by integrating finance and treasury into one central ecosystem for corporate payments.

Offering truly differentiated on-premise, cloud and SaaS solutions, Serrala enables the Digital Office of the CFO where all financial processes and payments are automated and optimized. Our customers save costs, minimize risks and gain real-time insights into their world of payments.

Today, Serrala is a fast-growing company with offices in North America, Europe, Asia and the Middle East and over 700 employees. Serrala drives innovation for more than 2,800 customers including more than 100 of the S&P500 companies.



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