Ebook

Financial Transformation

How AP & AR are coming together to better manage cash

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The push for digital transformation in Finance

Did you know that today — in a time coined “The Digital Age” — most companies still have less than half of their back-office functions automated, with most of the rest having a quarter or less automated?[1]

Considering that accounts payable (AP) and accounts receivable (AR) workflows are among the most labour-intensive in a company’s Finance and Accounting departments, it would be easy to assume that modernising these functions is a top priority for CFOs.

You know what they say about making assumptions though ...

Because the truth is, that’s simply not the case. Until the pandemic hit in 2020, while many had their sights on digital transformation, many businesses saw it more as a pipe dream than a project to be spearheaded in the near future. But things are different now. With the longest economic expansion on record ended due to the pandemic, major weaknesses were exposed in Finance functions and cash management strategies, making digital transformation of cash conversion cycles a necessity.

1. Freedman, R. Pandemic exposes need to automate finance function amid limited resources. July 7, 2020. CFO Dive.

The need for hands-on CFOs

Companies that are looking to minimise costs while optimising cash and unlocking value from the supply chain are better positioned to withstand any lingering unease that remains as the global economy recovers. A drive to operate efficiently during difficult times and changing market conditions has always been a focus of Finance leaders, but until now, CFOs have been pretty hands-off when it comes to leading the charge for AP and AR automation initiatives.

As cashflow continues to become a more critical issue for both buyers and suppliers, CFOs are taking matters into their own hands. In a recent study, Chief Analyst at Kisaco Research Michael Azoff stated, "I have always found that when C-level executives are behind a technology initiative, then it is more likely to succeed. Any deep technology initiative is likely to have change rippling across the organisation, and executives can enable the change management."

Finance leaders pushing for the digital transformation of AP and AR processes can help to create synergy and efficiency throughout the entire cash conversion cycle in order to better manage cash, make smarter business decisions and build stronger bottom lines that will hold up even in times of economic uncertainty.

In this ebook, you'll get an overview of why the need for digital transformation in Finance has increased, how uniting AP and AR through automation can improve cashflow, and why Finance leaders need to act now in order to sharpen their organisation's competitive edge and ensure future success.

Efforts to optimise cashflow are ramping up ...

75%

of Finance organisations took steps to **optimise working capital practices**.[2]

79%

report that they **intend to make these changes permanent**, as continuing economic pressures force companies to bolster cashflow.[2]

2. Hackett Report: Accounts Receivable Moves to the Top of the CFO Agenda. 2020. The Hackett Group.

Accelerating the cash conversion cycle with AP & AR automation

Why end-to-end automation is necessary for improving cash management

Breaking down the silos between AP and AR departments and increasing communication and collaboration between these functions makes a business nimbler in its ability to make decisions related to cash position, which will continue to be crucial moving forward. Because cash coming in and cash going out determine cashflow (aka the lifeblood of a business), automating just one part of the cash conversion cycle makes an organisation prone to process inefficiencies that directly impede cashflow.

The shorter the cash conversion cycle, the better a business is at making sales and quickly collecting its cash, while paying suppliers fast to capitalise on early payment discounts. Tracking the cash conversion cycle over time can help a business determine how good a job it's doing in managing its working capital. Businesses also can benchmark their cash conversion cycle trends to competitors and other businesses in its industry.

The best way to shorten your cash conversion cycle and track it over time? Automating both AP and AR processes.

Automating both AP and AR workflows allows businesses to aggregate and report on data so decision-makers can develop cashflow forecasts and different cash scenarios. With real-time visibility into operational efficiency, working capital and corporate spending, Finance leaders can better identify potential liquidity gaps and changing market conditions to manage their cash proactively and avoid any shortfalls.

Here's another bonus: With the increased occurrence of growth through mergers and acquisitions (M&As), AI-driven solutions can also pull data from multiple ERP instances and help simplify complex IT environments.

AP & AR automation: benefits beyond the workflow

The last word anyone would use to describe manual AP and AR processes is “flexible.” But as demand fluctuations, supply chain disruptions and labour shortages continue sweeping the globe, agility is one of the most powerful things a company can have.

Take, for instance, the inability to manage company cash from any location. This can lead to isolated Finance departments, poor collaboration, increased expenses in recruitment and inefficient workflows — all of which can impede profitability, operational continuity and recruitment efforts. There’s already a discernible performance divide between Finance units enabled for remote work and those that are not. As the modern workforce increasingly prioritises work-life equilibrium and fulfilling job roles, job seekers now consider remote work capabilities as a norm rather than a bonus.

64%

of today’s professionals say that remote work policies are common, and that by 2030, the demand for remote work will increase by 30% due to Generation Z fully entering the workforce.[3]

54%

a Gallup study stated that 54% of office workers would leave their jobs for one that offered flexible work time.[4]

3. Jackie, W. With Coronavirus in Mind, Is Your Organization Ready for Remote Work? March 3, 2020. Gartner.

4. Hickman, A., Robinson, J. Is Working Remotely Effective? Gallup Research Says Yes. January 24, 2020. Gallup.

Business leaders are getting serious about automation

30% of organisations have increased **Artificial Intelligence/Machine Learning** priority in the past year.[5]

40% report they intend to **implement automation** in their Finance processes in the next year.[5]

5. CFOs make a big play for profitability. October 5, 2023. Grant Thornton.

Accounts payable automation

Paper has been the bane of existence for AP teams for decades, and now, in a post-pandemic and increasingly digital world, paper-based processes are an even bigger problem than they were before. Manual AP processes are inherently inefficient, costly, time consuming, and they make it incredibly difficult for Finance leaders to keep a close eye on cash. The overall lack of transparency and control over company spend in manual AP departments can lead to significant amounts of cash being tied up in process inefficiencies — cash that could be bolstering bottom lines.

The role of AP has become more and more strategic to the overall financial health, performance and success of a business. The data, real-time visibility and efficiencies gained with AP automation help to unlock new value that's felt throughout the entire organisation by eliminating inefficient and high-risk manual processes. While AP is only part of the equation, it has become even more vital for creating an effective cash management strategy — and so has its need for advancement.

How AP automation benefits cash management:

Improved process efficiency

With an automated invoice approval workflow and heightened visibility, invoices are processed with greater speed and accuracy.

Strengthened supplier relationships

Electronic payments are the fastest way to pay suppliers. When suppliers are paid in a timely manner, businesses can strengthen these relationships and renegotiate better prices/terms.

Increased savings

With electronic invoicing, payments can be completed automatically, drastically speeding up processing times and allowing organisations to capitalise on early payment discounts.

Reduced risk of audits

Digital audit trails mean AP staff has immediate access to proof of when an account was paid, who authorised payment and what the payment was made for.

CFOs are taking action

75%

More than three-quarters of CFOs expect digital transformation and technologies to play a greater role in achieving their companies' Finance strategy.[6]

80%

Furthermore, 80% of CFOs expect their companies to embed more automation/digital technologies into their operations in 2024, and 81% plan to use those to free people's talents for higher-value activities.[6]

6. CFO Signals™ 4Q 2023. 2023. Deloitte.

Accounts receivable automation

Today's ever-evolving business landscape demands that executive management focuses their attention on streamlining AR functions as much as possible, placing greater emphasis on things like oversight and analytics, workflow efficiency, customer experience and retention, and collections strategies. As one of the largest assets on the balance sheet and a department that deals directly with customers, AR is a critical and strategic part of improving cash management.

According to a recent PYMNTS research study, operating costs, manual processes and process speed are the top three challenges facing AR departments, and organisations that still rely on manual processes take 67% more time to follow up on overdue payments than those that have an AR automation solution in place.[7] Right now, improving bottom lines and increasing cashflow should be a top priority for finance leaders — which means that AR digital transformation should be at the top of every CFO's agenda.

How AR automation benefits cash management:

Increased collections & cash application efficiency

Automating AR and the manually intensive cash application process drastically reduces DSO and improves speed and accuracy when capturing and reading data from remittances.

Reduced human error & risk

By eliminating manual processing and the need for human intervention, the risk of missing critical collection calls, not collecting payments from high-risk customers, and other costly consequences is significantly lowered.

Enhanced customer experience

Customers have come to expect more digital, streamlined services. By providing an online self-service portal with the ability to make payments conveniently and effortlessly, customers get the experience they desire, and businesses get paid faster.

Improved cash forecasting

With the valuable data signals and insights gained through enhanced AR visibility, Finance leaders can forecast cash collection more accurately and make smarter, more informed business decisions.

7. B2B Payments Innovation Readiness Playbook. 2020. PYMNTS.

Respondents utilising AI and Machine Learning for more than five use cases has increased year-on-year ...

76%

say the biggest use case being improving customer service.[8]

8. 2020 Enterprise Trends in Machine Learning. 2020. Algorithmia.

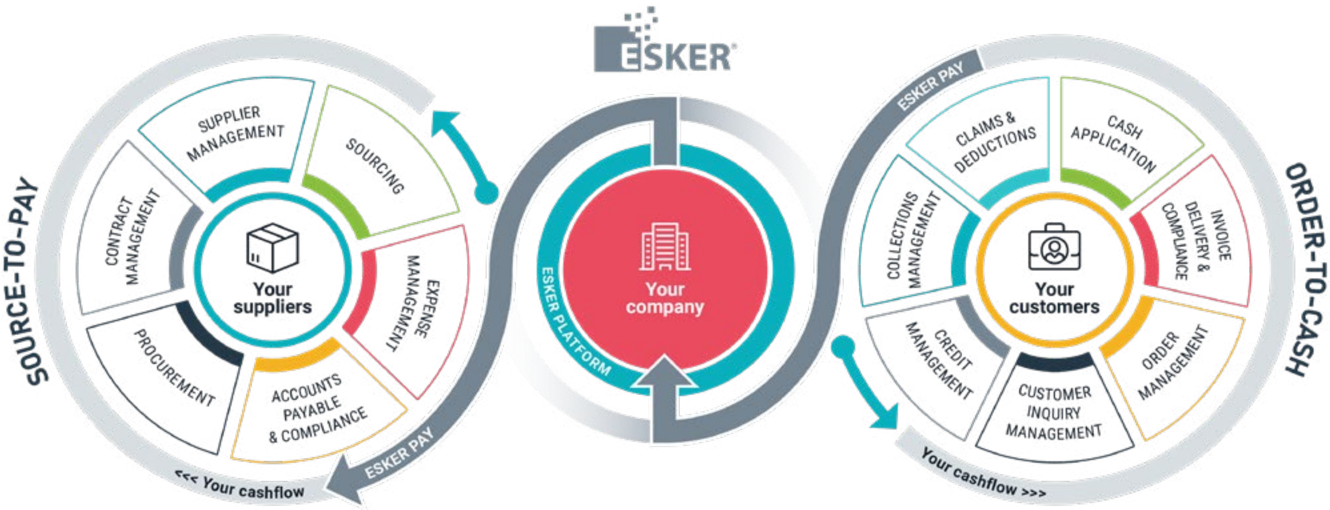
AP & AR: two sides of the same coin

How much you pay and how much you owe are equally as important to company credit and overall financial health. The best way to generate a healthier, more stable cashflow? That's easy — financial transformation, of course. Automating AP and AR not only shortens the cash conversion cycle by breaking down the inter-departmental silos, but it also facilitates a huge financial boon for companies by helping them:

- **Capture more early payment discounts**
- **Avoid unnecessary expenses (late fees, carrying costs, etc.)**
- **Remove bottlenecks that slow down cash collection and allocation**
- **Shed light onto the metrics that impact cash forecasting**
- **Reduce the risk of fraud and non-compliance**

One enterprise, one interface

If cashflow is the lifeblood of a business, it only makes sense that achieving optimal performance requires a high functioning cash conversion cycle. That's exactly what automation delivers for business leaders looking to improve cash management and overall performance throughout the entire enterprise — a cloud solution that transforms the way customers and suppliers interact within an organisation. Connecting every part of the S2P and O2C process creates a collaborative environment of end-to-end efficiency.



Hi, we're Esker

Founded in 1985, Esker is a global cloud platform built to unlock strategic value for Finance, Procurement and Customer Service leaders and strengthen collaboration between companies by automating source-to-pay (S2P) and order-to-cash (O2C) processes.

39

years of experience with 20+ years focused on cloud solutions

1,000+

employees serving 850k+ users & 2,500+ customers worldwide

15

global locations with headquarters in Lyon, France, & Madison, WI

€178.6

million in revenue in 2023, with 90+% of sales via SaaS activities

Business success is best when shared

At Esker, we believe the only way to create real, meaningful change is through positive-sum growth. This means achieving business success that doesn't come at the expense of any individual, department or company — everyone wins! That's why our AI-driven technology is designed to empower every stakeholder while promoting long-term value creation.

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