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Modern Accounts Receivable Platforms Move Cash Management to the Front Line of Business

April 2023

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The Digital Transformation of AR

The accounts receivable (AR) process is one of the most critical — and perhaps most complex — processes within an organization. With the increasing pace and complexity of business, AR is quickly becoming an area of focus.

AR managers, as a result, must be more strategic. They must be able to look at AR data and find strategic trends and glean insights that will impact key performance indicators such as days sales outstanding (DSO), average days delinquent (ADD), and accounts receivable turnover (ART) ratio. Enterprise AR managers manage a larger group of customer accounts, with a larger variance in size, importance, and risk profile. To that end, enterprise-level software must focus on technology and tools to help them cope with their evolving roles. AR users want technology solutions with the following characteristics:
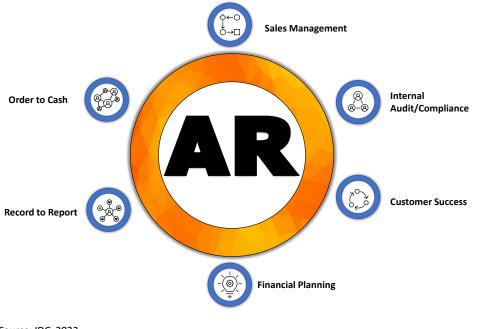
» **Greater receivable analytics.** Enterprise organizations are typically more complex AR environments, with collections accounts spread over multiple business units, countries, and account profiles. As a result, their analytical needs are more advanced. Enterprises need detailed functionality, including dashboards, predictive analytics, and robust visualization capabilities.

» **Investment in microservices.** Enterprise-level AR vendors are more likely to have made heavy investments in the microservices architecture for their software development protocol. Microservices provide vendors with the ability to create highly maintainable yet loosely coupled services that can combine and be recombined to form large applications dynamically. This provides vendors with the necessary flexibility and agility to meet the demands of a highly dynamic market landscape.

While organizations have sought out their real-time cash flow information, many have realized they simply did not have the visibility, flexibility, and agility needed to adjust to the current market dynamics. Unfortunately, a multitude of organizations have yet to fully embrace the digital transformation (DX) within AR departments. As a result, organizations

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AT A GLANCE

FOUR KEY TRENDS DRIVING CASH MANAGEMENT AUTOMATION

» Tighter collaboration between CIOs and CFOs

» Shifting financial roles from rear-facing details to forward-looking insights

» Greater emphasis on dissemination of business-critical information

» Rise of the hybrid workforce

find themselves struggling with legacy tools and antiquated processes. And because of this tipping point of demand and reality, there has been an unprecedented urgency regarding the immediate modernization of AR management tools.

Reducing Time to Insight with an Integrated Accounts Receivable Approach

Accounts receivable sits at the intersection of critical business workflows including order to cash, record to report, internal audit/compliance, and even customer success, as shown in Figure 1.

FIGURE 1: *AR at Center Stage in the Back Office*

Source: IDC, 2023

As such, the demand for an integrated experience, where data flows easily and quickly to decision makers, is increasing rapidly. In a recent IDC *SaaSPath Survey,* AR leaders revealed an overwhelming desire for an integrated platform for AR, with over 56% citing a strong preference for an integrated software suite. This emanates from a deeper desire for a single view of accounts receivable.

Users, looking for greater agility, desire a single pane of glass through which essential data can be gathered and analyzed and insights can be harvested. More importantly, the most exciting aspect of having an integrated solution for a sweeping area such as accounts receivable is the idea of shortening the distance between data flows (purchase orders, billing statements, credit ratings, etc.) and meaningful actionable insights. In a disparate, disconnected world, gathering insights can be a slow or difficult process.

This makes forecasting, budgeting, and business planning difficult, and key decisions such as resource allocation or geographical expansions must be done at a slower pace or done with incomplete data (sometimes both). As the pace of business continues to grow and complexities such as global uncertainty and supply disruption continue to proliferate, organizations must find ways to speed up their business and shorten time to insight with an integrated approach.

Benefits of Modern Accounts Receivable Solutions

In recent years, AR has suffered from a lack of DX investment. As a result, AR became inefficient, relying on legacy systems and manual processes. However, the current global uncertainty and economic pressures have brought AR back into focus for business. The benefits of a modern accounts receivable solution are powerful drivers to digital transformation within AR:

» **Increased speed.** Highly manual AR processes (e.g., cash management, credit management, deduction management) slow down the flow of business-critical information on customer trends and details to those in a position to make decisions.

» **Better data movement and management.** In many ways, AR is a data management problem. Consolidating the streams of data into one application allows for better data governance and data quality, which can impact billing and collection efficiency. One application presents leadership with the opportunity to build forecasts and budgets using accurate data.

» **Improved management and automation.** The AR process can be highly manual with dozens of points where people enter and re-enter information. This can make the AR or billing process complicated and slow, resulting in unnecessary and costly delays. Many modern AR applications offer tools to manage, or the ability to automate, aspects of the process of AR management including collection management, invoicing customer, tracking payments, and reviewing credit.

» **Enhanced customer experience.** Businesses not only must effectively collect from their customers but also must be strategic in how they go about it, as it can heavily impact customer relationships. A modern AR application allows managers to create individual collection plans for key customers or select customer groups to maintain a healthy business relationship. Also, e-invoicing is quickly becoming part of the enhanced customer experience, allowing customers to receive and pay for invoices digitally in a timely manner, regardless of where they are in the world.

» **Improved cash flow and optimized working capital.** The inherent unpredictability of AR can leave large sums of money tied up on the balance sheet, meaning a company cannot use it to fund its operations. Unlocking these funds is one of the top reasons for adopting a modern AR solution.

AR applications, when implemented properly, improve productivity, reduce layers of inefficiencies in antiquated technology and business processes, and provide additional flexibility to quickly respond to market changes.

Key Trends in Cash Management

The following trends are driving the importance of cash management:

» **Tighter collaboration between the CIO and the CFO.** There is demand for a more strategic/analytical skill set for finance teams. The ability to look at financial data — and see the opportunities and strategic insights within the data — will become an essential part of the job. Discussions with CFOs have revealed a shift away from being a gatekeeper toward a heightened focus on innovation. CFOs and CIOs will come together to support the business as digital transformation accelerates and digital-first business models emerge and proliferate. This collaboration will also impact the buying preferences for financial applications going forward. Vendors looking to thrive must have a compelling message for both the CIO (security, modern infrastructure, etc.) and the CFO (functionality, ease of use, etc.).

» **Shifting roles from rear-facing details to forward-looking insights.** In the past, much of the financial leader's role was to manage rear-facing details such as closing the period, reconciling GL transactions, invoice matching, or cash application. While those activities will always be important, the uncertainty of 2020 put more of a focus on forward-looking activities such as forecasting, budgeting, and planning. With the pace of change in overdrive since 2020, financial leaders have had to invest a large amount of time trying to anticipate the next major change in business dynamics or trying to develop a financial strategy to anticipate future shifts in market dynamics. We will see the demand for more reporting and data visualization tools in the future. This trend will continue to accelerate and will shape buying decisions for financial leaders.

» **Greater emphasis on dissemination of business-critical information.** The rapid pace of change since 2020 puts a spotlight on communication of business information. Many financial leaders were hampered by an inability to gather and disseminate that business-critical information to the necessary stakeholders at speed. This greatly impacted their ability to effectively manage and make decisions. Even prior to the pandemic, financial functions such as financial close and budgeting were areas where effective communication was important. In a remote working environment, effective communication becomes even more crucial to the business. We will see more demand for financial applications with communication tools built into the applications or deeply integrated from strategic technology partners.

» **Rise of the hybrid workforce.** The recent uncertainty within the business landscape caused many organizations to quickly shift to a hybrid workforce, encompassing onsite, home, remote, field, contract, and gig workers. The organizations that had modernized systems were able to be flexible amid this change and quickly adapt their policies and processes to a hybrid workforce. However, complex financial processes, such as a financial close, may be more difficult in a distributed hybrid environment. As a result, the focus is on software that contains within it, or integrates well into, collaboration software tools.

Considering BlackLine

BlackLine provides solutions focused on streamlining the financial close, accounts receivable, and intercompany accounting processes for large and midsize companies. Over recent years, BlackLine has expanded to include solutions for both record-to-report processes and order-to-cash processes. This Spotlight reviews how BlackLine's Accounts Receivable Automation solution allows users to better manage time to cash and orchestrate cash flow.

BlackLine is built upon the notion of streamlining the often cumbersome financial accounting process related to period close and financial reporting and empowering financial leaders to automate accounting workflows. BlackLine has evolved into a new approach called Continuous Accounting, which comprises finance transformation solutions, accounting process automation, close process management, balance sheet integrity, intercompany hub, cash application, and accounts receivable intelligence. This evolution has occurred both organically and through acquisitions of key software products in relevant adjacent markets.

BlackLine has taken this approach to creating a comprehensive accounts receivable platform including Cash Application, Credit & Risk Management, Collections Management, and Dispute & Deductions Management. There is also a Team & Task Management component to help AR managers streamline performance and workloads. The main components of the software platform are connected to AR Intelligence — a receivables intelligent reporting tool.

Company Strategy

BlackLine seeks to be the foundational system for the office of the CFO. The strategy is straightforward. BlackLine combines financial close management with AR automation and intercompany accounting to provide users with deeper visibility into, and a more accurate depiction of, a company's true financial position.

The BlackLine AR platform caters to financial professionals in complex environments by providing AR automation and team and task management functionality, which address major concerns of CFOs and other financial leaders, namely control, data accuracy, and operational agility. BlackLine has positioned this product to provide AR managers, controllers, and CFOs with the much-needed ability to:

- » Increase cash flow

- » Unlock resource capacity

- » Drive strategic business outcomes

- » Improve customer relationships

These improvements are all extremely important goals amid unprecedented global complexity and a sharper focus from financial leaders on building more resiliency into their financial management profile. As the complexity shows signs of increasing, especially in the near term, modernizing financial operations such as AR with tools such as BlackLine's AR platform will become even more essential.

Challenges

BlackLine faces the following market challenges:

- » **Adjacent market entrants.** The financial accounting process has many elements and a large array of old and new competitors in traditional silos. In recent years, IDC has seen those silos dissolve, ushering in a new round of convergence among financial application vendors. This opens the door for vendors in adjacent financial application markets (e.g., accounts payable, treasury, document management) to enter and compete with BlackLine for the AR and the financial process automation spaces.

- » **Multiple layers of uncertainty.** The uncertainty the business world experienced over the past 24 months had multiple layers beyond the pandemic itself. As mentioned previously, a modern financial solution is essential to weathering the storm of uncertainty. In 2021, we saw the regulatory landscape continue to shift and become more complex with new lease accounting, e-invoicing, and payment mandates throughout the various global markets. We also saw the geopolitical landscape in constant flux. Further, we saw extremes in the global capital markets that have not been seen in more than a decade. All this uncertainty created a financial minefield that businesses of all sizes had to negotiate.

Conclusion

Organizations have millions of dollars trapped in the form of accounts receivable. In fact, it is not unusual to see 25% or more of current assets trapped as accounts receivable, even among some of the largest companies in the world. Still, many businesses have trouble with a lack of visibility into receivables. This is the central problem that modern AR platforms can help businesses address.

Amid continued global disruptions and economic uncertainty, organizations are looking to bring more resiliency to their business, and AR is increasingly gaining focus as a means to achieve that goal. As digital transformation continues, businesses will need more solutions like BlackLine's Accounts Receivable Automation platform. IDC expects that BlackLine will find a receptive market for its technology among financial leaders in all industries.

About the Analyst

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As a research director, Kevin M. Permenter provides insights and analysis across multiple fintech market segments including accounting, revenue management, corporate tax, accounts payable, accounts receivable, treasury, and enterprise payment management. Kevin leads qualitative research efforts that drive a series of technology buyer-focused documents including MarketScapes, Buyer Perspectives, PeerScapes, and end-user surveys. He also leads several quantitative research efforts within financial applications that feed key technology supplier-focused documents like Market Shares, Market Forecasts, Market Glances, and Market Analysis Perspectives.

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More About BlackLine

Companies come to BlackLine (Nasdaq: BL) because their traditional manual accounting processes are not sustainable. BlackLine's cloud-based financial operations management platform and market-leading customer service help companies move to modern accounting by unifying their data and processes, automating repetitive work, and driving accountability through visibility. BlackLine provides solutions to manage and automate financial close, accounts receivable and intercompany accounting processes, helping large enterprises and midsize companies across all industries do accounting work better, faster and with more control.

More than 4,100 customers trust BlackLine. The company is the pioneer of the cloud financial close market and recognized as the leader by customers at leading end-user review sites including G2 and TrustRadius. BlackLine is a global company with operations in major business centers around the world including Los Angeles, New York, the San Francisco Bay area, London, Paris, Frankfurt, Tokyo, Singapore and Sydney. For more information, please visit blackline.com.

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