AUTOMATING RISK MANAGEMENT IN CREDIT-TO-CASH

Five Areas with the Greatest Potential Benefits

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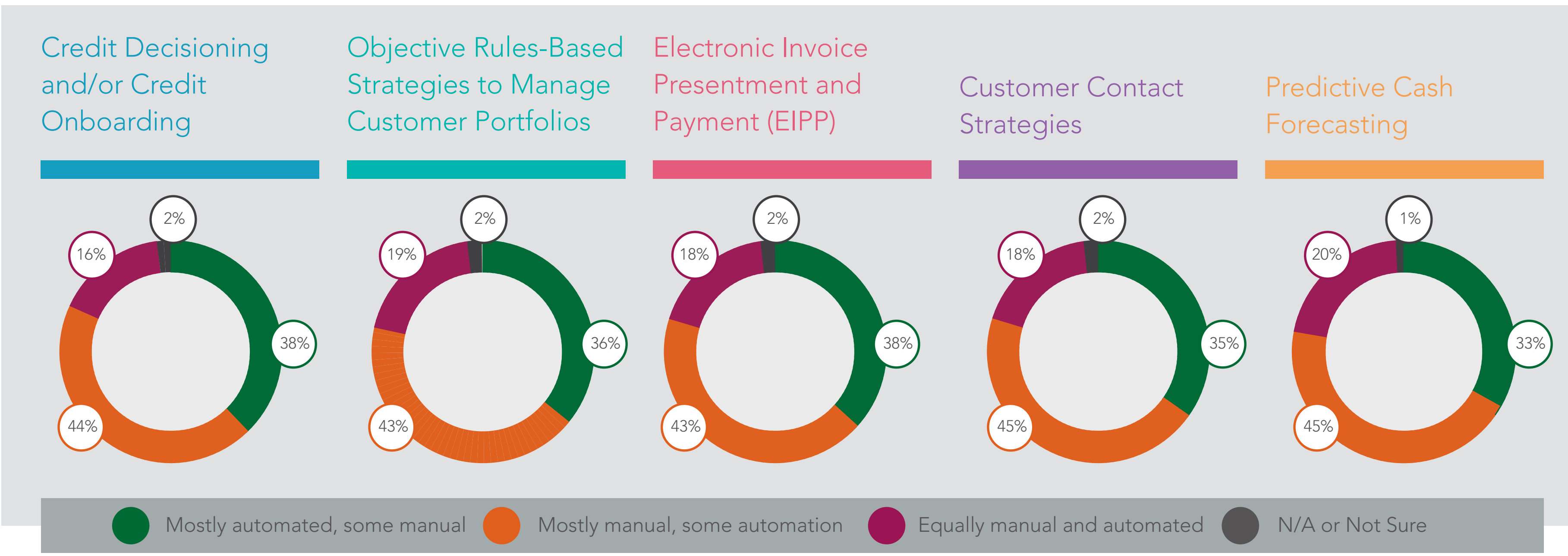
Introduction

In the wake of the COVID-19 pandemic, CFOs and finance leaders are reevaluating many aspects of finance operations in an effort to improve cash flow, increase efficiency, and promote enterprise growth. They are seeking a higher level of preparedness that will sustain their companies — now and in the future.

Recently, a global Dun & Bradstreet survey of CFOs and finance leaders revealed that pandemic-related economic disruption had prompted well over a third of respondents — 36% — to expand automation of tasks within their finance operations.

This suggests that survey respondents see value in ongoing digital transformation and better tools to help them manage in the current business climate — protecting the company's cash flow and planning for its future with better agility.

The survey also found that, in the view of the respondents, there are still opportunities to increase levels of automation for credit-to-cash processes. Here's how they responded when we asked about the degree of automation in five specific processes:



In this eBook, we'll explore the advantages that finance teams can realize by expanding automation of risk management processes required for successful credit-to-cash operations.

When it comes to credit and receivables, large and small companies alike face the prospect of reduced cash flow and decelerating growth if they fail to address the main risk factors lurking within their finance processes.

Most CFOs and finance leaders are well aware of the elevated risk factors that must now be considered in the credit-to-cash process. Current circumstances have exacerbated the need for several key commodities needed to deal with these challenges: control, consistency, and time.

CFOs are under unprecedented pressure to get dispersed finance teams working with better speed, coordination and accuracy. They face expectations from the C-suite to acquire and then get paid by customers; therefore they need better capability for rules-based decisioning that enables faster responses to customers and sales teams — producing a more competitive business where precious manual resources are reserved for handling exceptions, not routine matters.

Expanding automation of credit-to-cash risk management can create a range of sizeable benefits that will help finance leaders make faster credit decisions, acquire higher-quality customers, better manage portfolios and payments, and ultimately strengthen the company's financial health.

Let's look at the potential benefits of automating the five key components of credit-to-cash named in the survey.

Credit Decisioning and/or Credit Onboarding

Many legacy finance systems are designed as if we're still living in 1990 — as if there's all the time in the world to review, extend, and collect on credit.

But now, business is conducted at digital, not analog speed. And especially at this point in time, when business stability is so dependent on protecting and maintaining cash flow, finance teams need to cut down the time it takes to respond to prospects and the sales team about credit decisions. Get the new applications decisioned, get the new customers on board, and start getting cash into the business.

Most of the time, credit decisions are fairly routine and straightforward, lending themselves to standardization and faster, more consistent adjudication. Automation software, underpinned by comprehensive, high-quality data, can streamline the tedious and labor-intensive process of performing risk assessments.

Leveraging quality intelligence and software to make rules-based determinations enables finance leaders to make credit decisions with dramatically improved speed, consistency and accuracy. And in addition to making the sales team happy, it also gets customer relationships off on the right foot and helps minimize the risk that a good customer will turn to a competitor due to slow approval processes.

Automation can make it possible for credit reviews to happen in minutes instead of hours or days. It can also help establish rules for handling potential customers that can mitigate risk further into the future of the business relationship.

Objective Rules-Based Strategies to Manage Customer Portfolios

Automation also helps with portfolio management and monitoring, addressing the risk factors that accompany changes in the status of your existing customers. What if one of your customers starts teetering on the edge of bankruptcy? What if the company is sold? What if a natural disaster impacts your customer's own client base and impairs their ability to pay you on time?

These are just examples of events that could prompt you to adjust the rules you had put in place for handling that customer's account. Automated systems can monitor for credit profile changes — both positive and negative — and then perform actions, such as real-time alerts or new policy recommendations, based on strategies you create for virtually infinite account management or payment pursuit measures.

By implementing automation to take the place of manual activities such as regular credit reviews or compiling trend reports, finance leaders can redirect resources to focus on adding strategic value through proactive risk analysis and assessment. They can do more with fewer resources, if necessary. They can achieve greater consistency in setting rules and applying policies. And they can help their teams collaborate more effectively when they aren't able to share information face to face.

Automated solutions help finance teams maintain trust in their customer portfolio management systems, ensuring that potential issues are identified and appropriate actions for protecting cash flow are recommended even when finance teams are dispersed.

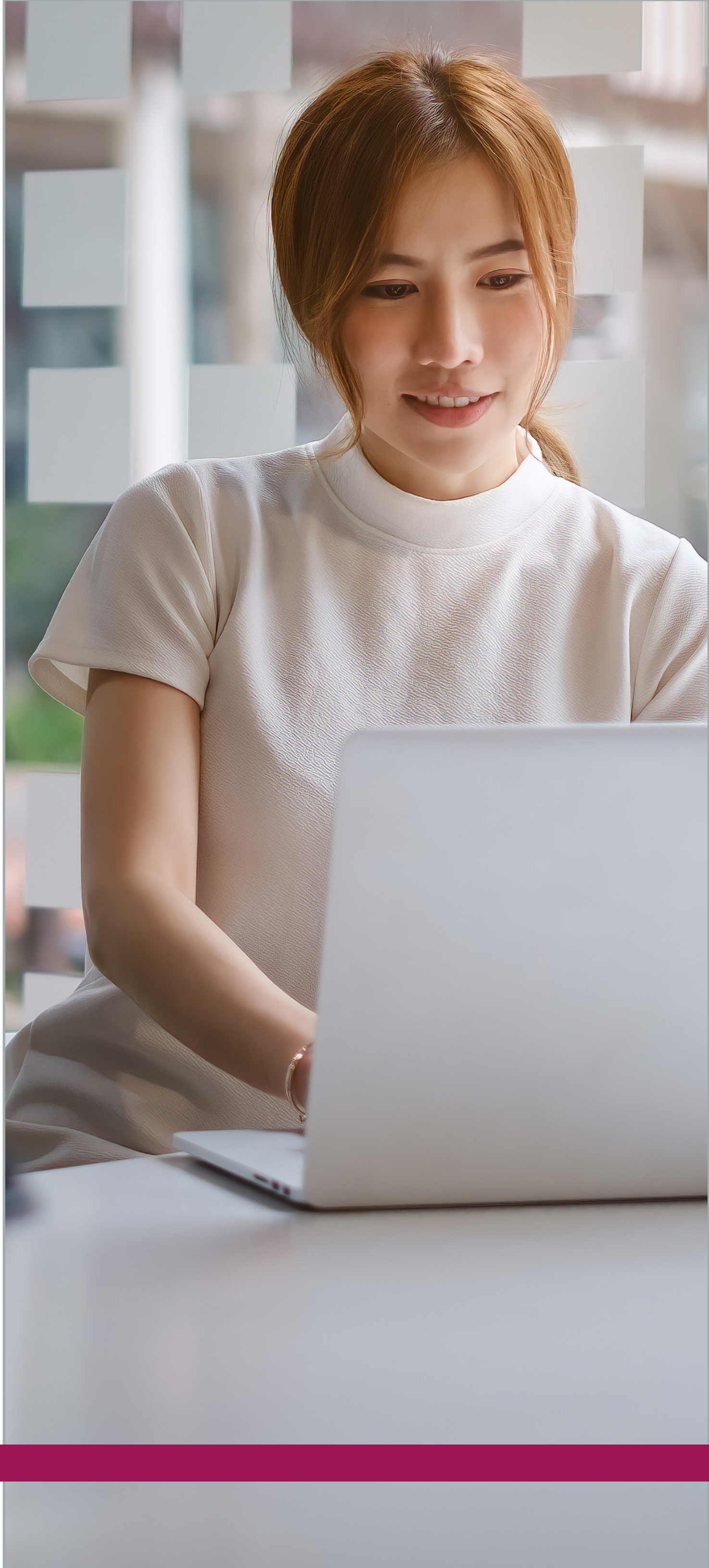
Electronic Invoice Presentment and Payment (EIPP)

When you make it more difficult for your customers to pay you, or force them to pay you in ways that they're not really comfortable with, you increase the risk that you'll get paid more slowly than you'd like — or possibly not get paid at all.

Automated systems for electronic invoicing — or e-invoicing — are a significant enhancement to credit-to-cash processes that eliminate the labor, materials, and postage costs needed with paper billing. Sending electronic invoices instead of paper ones helps get those invoices to your customers more quickly and securely, and reduces the chance of invoices not making it to your customers at all (how much confidence do you have in the postal service these days?).

Likewise, automating invoicing only gets you so far if your customers still have to mail their payments. Combining e-invoicing with the capability for customers to pay you electronically via a payment portal further reduces the risk of slow or no payment. A payment portal can be a powerful self-service platform allowing customers to pay their invoices with the click of a link in that electronic invoice they received from you.

Within your portal, customers can pay with a choice of methods, such as credit card, electronic funds transfer or ACH. Or you can add risk rules to your automated payment system based on the customer's risk profile; if his credit scores are deteriorating, you may want to specify that he must pay via ACH rather than by check or credit card.



Automated systems can enable more flexible payment solutions that are advantageous both to you and your customers, creating a better customer experience and reducing time-to-money.

Customer Contact Strategies

The process of communicating with your customers regarding account status and payments is prone to many risk factors that can be mitigated through automation strategies. Again, the overarching goal is to cut down the time-to-money and the time and manual effort needed to deal with exceptions.

But this is not just about sending communications electronically instead of putting paper correspondence in the mail. Automated customer contact systems allow you to set rules for generating and sending different types of template-based correspondence according to patterns of behavior and whether customers are meeting certain conditions. In a fully automated credit-to-cash platform, these conditions can include the scores associated with a particular account for payment performance, delinquency, and other metrics. This relieves the need for human intervention and hours spent reviewing work lists and spreadsheets to arrive at a particular contact strategy for an individual customer.

For example, you may have a customer with a combination of credit profile changes and payment performance that classifies him as high-risk within your automated system. The system's rules and policies can ensure that this customer is sent an electronic payment-coming-due notification each month, five days before he receives his e-invoice. If he fails to pay his invoice within a set time frame, the system can automatically generate follow-up emails to this customer. Only at the point where the customer's actions (or lack of action) trigger "exception" does human intervention, perhaps in the form of a collections manager, become necessary.

This is another example of how automated credit-to-cash processes can help you put "guard rails" in place for your finance team that define normal operations and reserve valuable time and manual effort for exceptions.

Automating customer contact strategies brings greater control and consistency to this process, ensuring a more timely flow of information with less manual effort and reducing time and cost typically required for payment pursuit and collections.

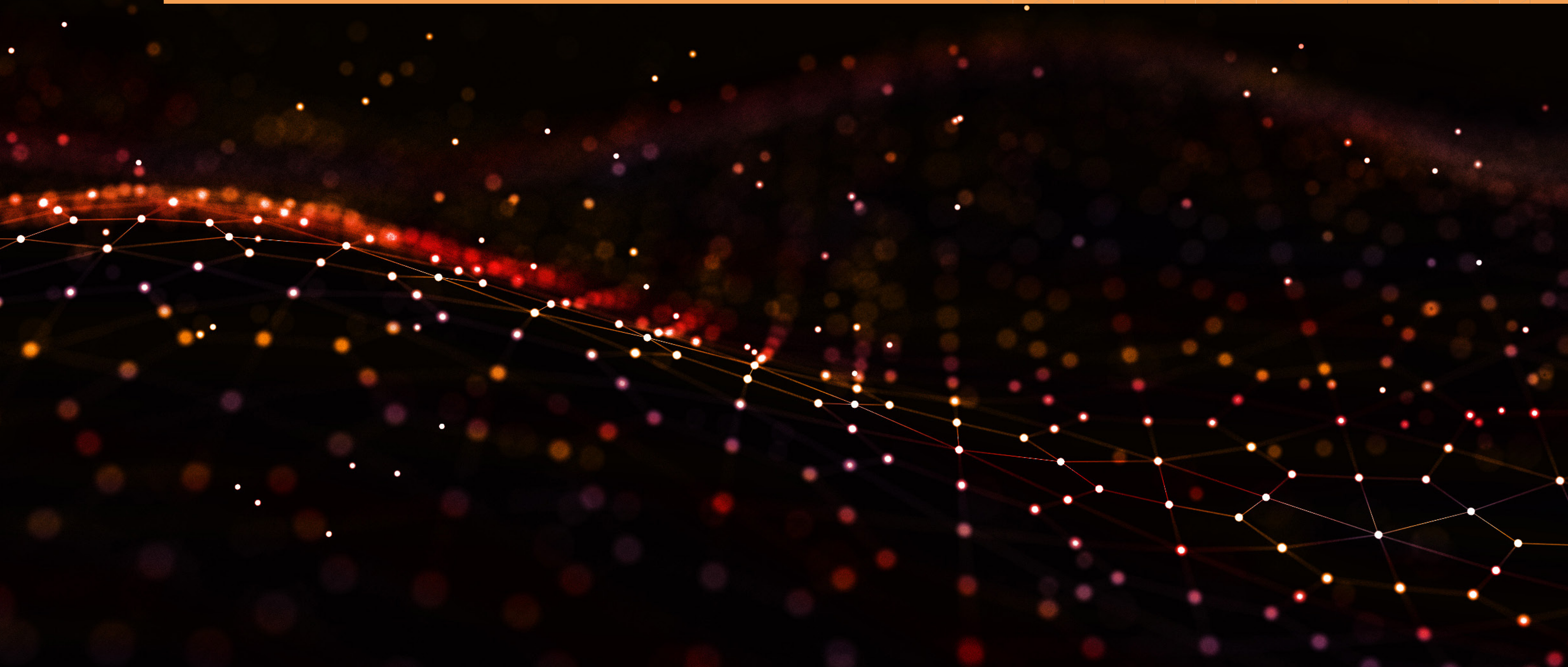
Predictive Cash Forecasting

"When will the cash be available?" That's the key question that the C-suite wants answered — especially as businesses continue to cope with the economic uncertainty inflicted by the global pandemic. Automation of this component of credit-to-cash can help improve the accuracy of these forecasts, make liquidity risk management more effective, and lead to better decisions about spending and borrowing.

Automated cash forecasting systems enable rapid collection and analysis of data and trends from receivables, which in turn creates a faster and more reliable view of the future. This helps the finance and treasury teams to know when they can safely redeploy available liquidity to reduce the company's debts or make interest payments.

With faster and more accurate cash forecasting, finance leaders can gain longer-term visibility of the company's cash levels, allowing them to identify and proactively address liquidity shortfalls before they create real problems for the business. Another benefit of cash forecasting automation is better management of cash and liquidity reporting processes that keep senior management and key stakeholders informed on critical indicators including cash flow and funding requirements.

Automating predictive cash forecasting ensures that companies can access and analyze their cash and liquidity data more quickly and easily, allowing finance teams to focus more time on high-value, analytical activities.



Questions to Ask Yourself:

- Do we understand the difference between automating processes and automating tasks?
- Have we identified our organization's biggest pain points and started envisioning how to tackle them?
- Are we looking at automation solutions that can seamlessly integrate with our ERP system?
- How will we set or revise standards for risk mitigation and productivity?
- Do we have staff who can serve as process owners for the different aspects of credit-to-cash?
- Do we have buy-in from all relevant functions, including supply chain, compliance, sales, and customer service?
- Are we prepared to dedicate the effort and resources to train our internal teams thoroughly and cross-functionally?
- Have we identified a partner with the right finance and risk automation expertise including data management and analytics?

Conclusion

Managing and minimizing risk has traditionally been part of the CFO's job, a necessary piece of the overall effort to run efficient credit, receivables and accounting operations.

But in today's digital landscape, companies that still rely on dated systems and manual processes are exacerbating their own risk factors. The inability to do more, and do it faster and more accurately with fewer resources, can cost a company many advantages — such as good customers, good cash flow, and good views of the company's ability to make good deployments of available liquidity.

Fortunately, CFOs today have the ability to address risk management as part of the digital transformation of the credit-to-cash process. Dun & Bradstreet can help, with AI-driven solutions for finance leaders who want to transform their operations, mitigate risk, and reduce cost through insight, automation, and enhanced customer experience — all from one provider.

To learn more, visit www.dnb.com/dnb-finance-analytics.

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