

# NEW-WORLD ORDER

## How AI can dramatically improve Order-to-Cash performance.

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**W**HILE scientists and Governments wrestle with the COVID-19 pandemic, a more important wrestling match for businesses is also taking place – one which has the potential to boost enterprises' profitability out of all recognition. It's an opportunity for businesses to make handling cash more efficient by using an AI software-based automated Order-to-Cash (O2C) process.

The extent of the potential problem for enterprises' cash handling processes is unlike other recessions. Data produced by our Unpaid Invoice Tracker, for example, has highlighted the rate of unpaid invoices in the UK since March 11, 2020 – just before the first nationwide lockdown was announced in Great Britain – has increased by 23 percent. In France, the increase is 56 percent, Spain 52 percent and Italy 82 percent.

Our figures show that less than 10 percent of organisations have implemented an automated O2C process and are finding out the hard way the difficulty of using a mainly manual workflow process for invoice processing and payment reconciliation. The O2C process rarely gets the attention it deserves and only when a crisis looms do firms wake up to it being one of the most critical processes in its finances.

### REDUCING BAD DEBTS

Improving the working capital performance helps enterprises reduce bad debts, achieve faster cash collections, and reduce time spent on customer invoice disputes. A major challenge for organisations looking for the Nirvana of business process automation, is the lack of data visibility into their operations, a problem which means being unaware of 'pinch points' or bottlenecks in their order-to-cash handling systems.

The lack of collaboration due to siloed sales and financial teams using siloed systems (CRM, ERP, etc.) exacerbates this, particularly when staff have to work remotely because of multiple lockdowns. Automating O2C reduces siloed systems, which may run on legacy IT and potentially need extensive IT support, especially if organisations need to improve processes drastically.

Manual tasks normally slow down workflow processes resulting in slowing down the whole capital management process. Typically, multiple applications need to run sequentially by different finance teams, and so the data these teams require takes time to pull off different systems.

Automating the O2C process genuinely improves the working capital position. Our data shows the average 'day sales outstanding' drops from 52 to 40 days when automating the O2C process. That's nearly 25 percent, which is a tremendous



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difference. The COVID-19 crisis has prompted firms to put emergency measures into effect to protect cash and upgrade cash flow forecasting - it's a Band-Aid fix and long term is unsustainable, which is why I think most businesses are beginning to realise the need for an effective working capital management strategy. This can be achieved using AI and would enable enterprises to react faster not only in the current crisis, but also, for example, to recessions not related to pandemics.

As I mentioned earlier, the main reason for implementing an AI software system in the O2C process is to reduce bad debt, achieve faster cash collection, and also minimise time spent on disputes with customers. A sure-fire way to improve customer relationships is to have an automated system for resolving – and avoiding disputes.

The O2C process allows organisations to set up payment plans with difficult customers or those in financial difficulties. Such a system cuts debt resolution times, and our own data shows that currently around one in seven invoices end up being tangled up in disputes and those invoices 30 days overdue are six times less likely to be settled.

Yes – it is the case that firms can extend payment times to gain market share over rivals who are – shall we say – cash strapped. Being able to do so automatically with the whole process digitised is more efficient, especially as finance teams are constantly being asked to do more with less – i.e. improve financial performance with less staff.


The O2C process shouldn't stop after payment for goods and services has been received. The data collected by AI software can be analysed automatically to identify trends and patterns. This allows predictions about future customer behaviour which is very useful for enhancing forthcoming buyer/supplier invoice payments. O2C automation can also point out bottlenecks in the process and reveal where the process can be improved and optimised. Having your finance teams poring through Excel spreadsheets would disappear – along with the associated clunkiness and risk.

Businesses battling to stay afloat during this pandemic have a chance to improve their cash collection processes – courtesy of AI and automation. An automated O2C system also boosts cross-departmental collaboration – because all sales and finance teams have an enterprise-wide view of the cash collection process sharing one unique cash culture. Further lockdowns – and other non-pandemic recessions – can happen so making cash collection as efficient as possible can ameliorate the effect on the organisations' bottom lines.

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