



At the intersection of law, government and business.

[www.genovaburns.com](http://www.genovaburns.com)  
Genova Burns LLC | Attorneys-At-Law

NEWARK  
NEW YORK  
CAMDEN  
RED BANK  
PHILADELPHIA  
JERSEY CITY  
WASHINGTON, D.C.



## The causes of high AR balances and how technology can help

By Andrew Baxter, senior manager, Ralph Loggia, senior manager and Alisha Jernack, senior accountant; at WeiserMazars.,  
January 14, 2016 at 10:54 AM



Alisha Jernack of WeiserMazars. - (WEISERMAZARS)

Few things slow cash flow like a high accounts receivable balance. It consumes working capital that could pay down lines of credit, streamline operations or support growth initiatives.

What causes high AR balances, how do you get them under control, and how are top-performing AR teams leveraging technology to deliver superior results?

## Recognizing the problem

The source of most high AR balances is not slow-paying customers. The key driver is an underperforming AR function. Symptoms of AR underperformance include:

- High overall Days Sales Outstanding
- High cost per invoice processed (approximately \$1.50/invoice for top performers; \$7-\$10 for median performers; and \$40-\$50 for bottom performers)
- High rates of invoice processing errors
- Ineffective reporting and status updates
- Customer dissatisfaction

The most common cause of these and other AR underperformance issues is heavy reliance on manual business processes.

## How manual businesses processes contribute to AR underperformance

The business processes of most AR teams are supported by a cobbled-together collection of Excel sheets, printouts, and Outlook reminders. These are technology “plugs” that hold



Andrew Baxter.

together what is basically a manual process. Such manual — or perhaps “manumated” — systems aren’t always bad, but more often than not they create inefficiencies, obscure accountability and generally go hand-in-hand with operational underperformance. The end result is high AR balances that choke the business’s lifeblood — predictable and timely cashflow.

Businesses relying heavily on manual processes experience inefficiencies in the three key areas of the AR value chain:

- Invoice Delivery
  - Paper dominates: In addition to the costs incurred from postage, paper, ink, and envelopes, companies shoulder the expense of someone organizing the documents, stuffing the envelopes, applying postage, and on and on!
  - Limited tracking ability.
  - High rates of human error and rework.
  - Inability to accommodate customer preference for e-delivery.
- Collections
  - Many companies do not send account statements or payment reminders. Of those that do, most send paper reminders through the mail, which is costly and inefficient.
  - Spending too much time preparing and prioritizing who to call before actually making calls.
  - No way to efficiently manage flexible payment plans for customers.
  - Customer Expectations
    - Not meeting customer expectations by failing to offer online payment and other self-service tools such as retrieving invoices, applying credits and submitting questions

## What to do about It

Realizing that underperforming internal processes are the true source of their high AR balances, finance leaders and business owners have two choices: address the process issues but keep the current manual system or address the process issues and move to an automated solution.

Maintaining, but improving, the manual system could result in a reduction in AR balances, but it is not the best long-term choice.

The best performing companies make smart investments in technology solutions that automate critical functions like AR. If your company is experiencing high AR balances as a result of underperforming manual

processes in AR, it is worth learning about the features and benefits of software tools that automate AR.

## What is AR automation?



Ralph Loggia.

The automation of AR business processes using dedicated AR software tools can transform the entire invoice management process, from submission to payment. These tools allow users to search and view electronic copies of invoices, manage payment accounts, set up event-driven notifications, view past payments and manage multiple levels of sub-accounts under one master account. They also enable electronic linking of underlying documentation such as purchase orders, proofs of delivery or shipping information to an invoice.

## Benefits of automation

AR automation software has something to love for everyone in the AR organization:

- CFOs and finance directors will like the speed and accuracy of revenue recognition.
- Controllers and accounting managers will appreciate the lower operating cost and enhanced reporting.

- IT personnel will like the financial/ERP system integration.
- Accounts receivable practitioners will appreciate the reduction in exceptions, easier dispute resolution and streamlined workflow.

Overall benefits include the potential to:

- Reduce invoice processing costs by automating the delivery and archiving of electronic and paper invoices, also reducing process errors that create rework.
- Lower days sales outstanding by producing and delivering invoices more quickly.
- Increase customer satisfaction by enhancing invoice visibility and traceability, and allowing customers to capture more early-payment discounts.
- Increase productivity by reducing the amount of time spent handling documents, streamlining the management of invoice disputes, and reducing the number of phone calls regarding invoice and payment status.
- Create a clear audit trail through complete process visibility and traceability

## Action steps:

- **Assess your current system:** First and most importantly, identify sources of underperformance in the existing AR processes by conducting a thorough process assessment. If you cannot accomplish this with in-house resources, seek assistance from external advisory consultants, those with experience in process analysis of financial operations. Automating a bad process only helps that process work faster — and do more damage.
- **Find the right system:** Find a solution that will integrate smoothly with the existing financial or ERP system. Additionally, the system must be capable of sending out timely, accurate invoices, and should offer ways to streamline collections and payment processing.
- **Think both globally and locally:** Businesses in other parts of the world increasingly rely upon electronic payments and e-invoicing. That means if your business crosses national borders your e-invoice solution should support other currencies and languages.

*Ralph Loggia, senior manager at WeiserMazars, has more than 15 years of experience in public accounting. He specializes in reviewing federal, state and local business entities, including multi-state returns, foreign entities, individuals, trusts and not-for-profit organizations for compliance and tax planning opportunities.*

*Alisha Jernack, senior accountant at WeiserMazars, has more than 6 years of experience in public accounting servicing entrepreneurs and small businesses. She specializes in manufacturing and distribution accounting and tax services with a concentration in the transportation and logistics sector.*

*Andrew Baxter, senior manager at WeiserMazars, has 5 years of experience in the areas of the technical integration of financial software, business process analysis and requirements gathering, financial model development, and project planning and communication. He complements business analysis skills with advanced data modeling and manipulation capabilities, as well as a strong grasp of US GAAP and statutory insurance accounting.*

## More Industry Insights

- Effective communication to employees about benefits is more important than ever
- A window of opportunity for enhanced computer science education
- Your year end review of legal issues

Share This Story On:



Write to the Editorial Department at [editorial@njbiz.com](mailto:editorial@njbiz.com)

---

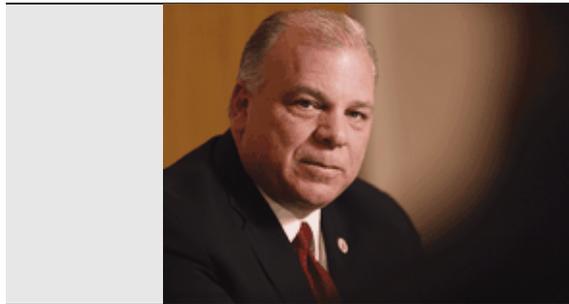
 Leave a Comment

---

0 Comments

---

Also on NJBIZ.com

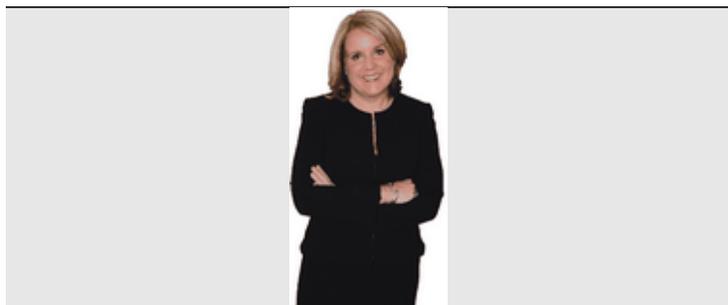


Grapevine: Did casino deal limit buyers?



Alan Scharfstein

Triple Play: Alan Scharfstein



Close Up: Eileen Yuen of Arthur J. Gallagher & Co. Inc.

Advanced search



**LENNAR** PRESENTS THE AVENUE COLLECTION

THE HIGHLY-ANTICIPATED NEW ADDITION AT 1200 AVENUE AT PORT IMPERIAL IS NOW AVAILABLE

Luxury 1-3 bedroom condominiums on the Hudson River waterfront in Weehawken featuring hotel-like amenities and services starting at \$759K

TOUR 1200 AVENUE NOW

Most Popular

Commented

- 1 NJBIA's Siekerka addresses outward migration affecting N.J.
- 2 **Industry Insights:** The causes of high AR balances and how technology can help
- 3 Update: Newark Beth Israel CEO Brennan leaving; COO promoted to interim job
- 4 Barnabas Health makes executive changes, including promoting Sperling, Velez
- 5 **Industry Insights:** Effective communication to employees about benefits is more important than ever



Someone You  
L♥VE Deserves...

**Superior Rehabilitative Care**

877.99.CARE1

*CareOne*  
— —  
A Senior Care Company  
[care-one.com](http://care-one.com)

## Featured News

Boomers', millennials' health needs are shaping the health care landscape, providers say



Finding a way to fix the logjam at the 3-D printer



🔑 Open space: Virtua hopes new setup will change relationship with its patients



Princeton students driving innovation in the classroom



Rutgers student helps bring sustainable solutions to companies



Colorcon acquires Paulaur Corp.'s pharma sugar spheres business



A promotional banner for NAI Fennelly. The top part features the logo "NAI Fennelly™" in a bold, sans-serif font, with "Commercial Real Estate Services, Worldwide." underneath. Below the text is a photograph of four people (three men and one woman) in professional attire walking through a modern office lobby with large windows. On the right side of the banner, there is a vertical blue bar with the email address "fennelly@fennelly.com" written vertically. At the bottom of the banner, there is a blue bar with the website "www.fennelly.com" and the phone number "609.520.0061".

## NJBIZ.COM

[Latest News](#)

[NJBIZ in Print](#)

[Subscribe to Print](#)

[Subscribe to Email Newsletters](#)

[Special Editions](#)

[Lists](#)

[Events](#)

[Blogs](#)

## ADVERTISING WITH NJBIZ

[Media Kit](#)

[Advertise in Print](#)

[Advertise Online](#)

[Event Sponsorships](#)

[Production Info](#)

## CUSTOMER SERVICE

[Contact NJBIZ](#)

[Help & FAQ](#)

[About NJBIZ](#)

[NJBIZ Staff](#)

[Directions](#)

[Terms and Conditions](#)

[Privacy Policy](#)

## RESOURCES

---

[Archive Search](#)

[Business Lists](#)

## SERVICES

---

[Employee Engagement Surveys](#)

[Web Design and Development](#)

[Video Production](#)



© 2016 Journal Multimedia. All information on this site is copyrighted by Journal Multimedia. All images are the sole property of Journal Multimedia and no rights are granted for any use without the express written consent of Journal Multimedia.