WHITEPAPER

AR in 2024: Expectations, Technology, Opportunities

2023 SURVEY REPORT

BLACKLINE

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Introduction

In partnership with BlackLine, Ernie Humphrey, CEO at 360 Thought Leadership, conducted the original survey: **AR in 2024: Expectations, Technology, Opportunities**. The objectives of this study are to assess the strategic role that Accounts Receivable (AR) is currently playing and why, benchmark top AR priorities and challenges in 2024, and evaluate the role that technology will play in delivering AR success in 2024 and beyond.

The cross-industry survey launched in September 2023 and focused on companies headquartered in the United States. The survey had 265 respondents whose roles range from AR Specialist/Analyst, AR Manager, Finance Manager, Director of Finance, Controller, and VP of Finance to CFO. The following industries are represented: Manufacturing, Software/Technology, Healthcare, Construction, Retail, Education, and Insurance.

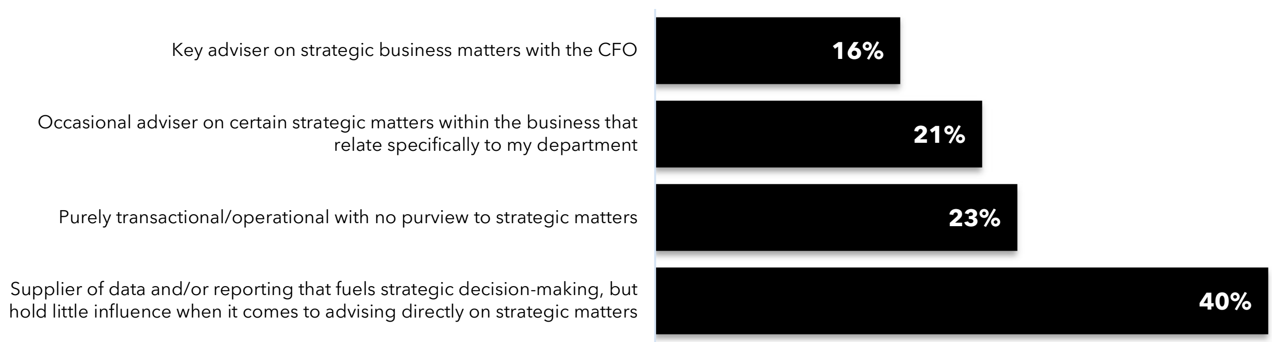
The following white paper discusses key survey results and the implications of the survey findings and offers recommendations on ways companies can empower AR success in 2024 and beyond.

The Strategic Role of Accounts Receivable

In the midst of the global pandemic, changing supply-chain dynamics, and geopolitical uncertainty, Accounts Receivable (AR) has transformed over the past four years to be a more strategic role. What is the extent of this transformation and will it continue in 2024? Our research aims to answer this question.

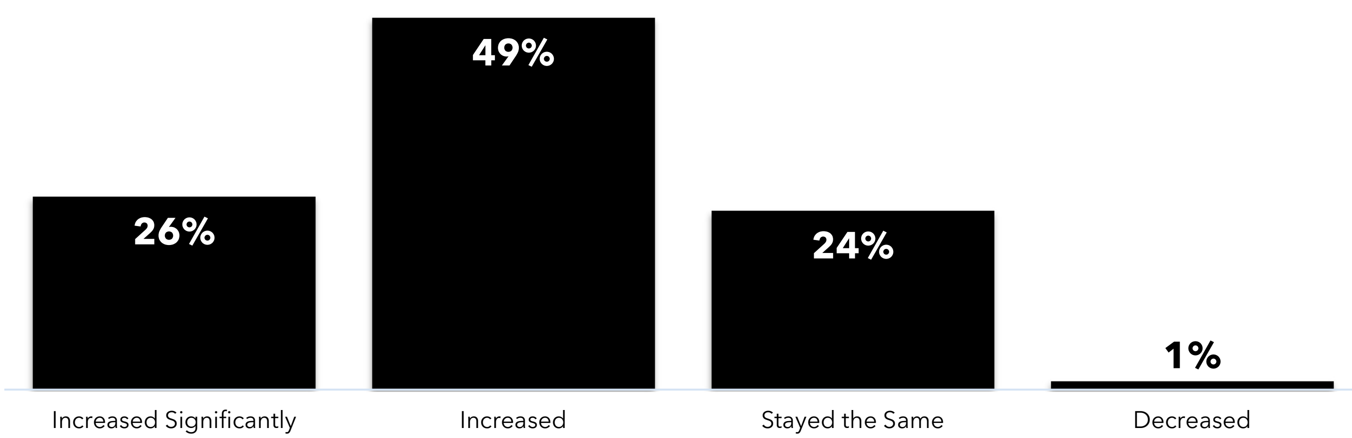
Our analysis begins with an assessment of the current strategic role of AR. Only sixteen percent (16%) of survey respondents (Figure 1) indicated that AR serves as an advisor to the CFO on strategic business matters. However, less than one-fourth (23%) reported that their AR teams play a solely transactional role. This would imply that over three-fourths (77%) of AR teams at the companies surveyed have the attention of the CFO. With the right resources (people and technology), these AR teams have an opportunity to showcase their value and firmly claim their seat at the strategic table.

***Figure 1** – The Strategic Role of AR in 2023*



We asked respondents to share the momentum of the shift to a more strategic accounts receivable role over the past 12-24 months. Significantly, three-fourths (75%) of respondents reported that AR has become a more strategic role at their companies over the past two years. This suggests that the role of AR will continue to rise into 2024 and beyond.

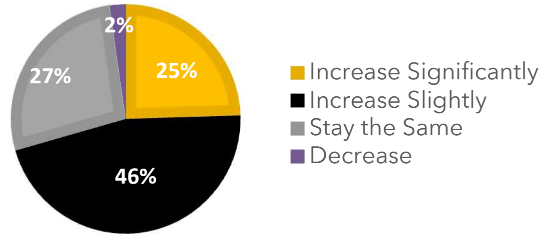
***Figure 2** – The Strategic Role of AR Over the Past 12-24 Months*



Expectations for Accounts Receivable in 2024

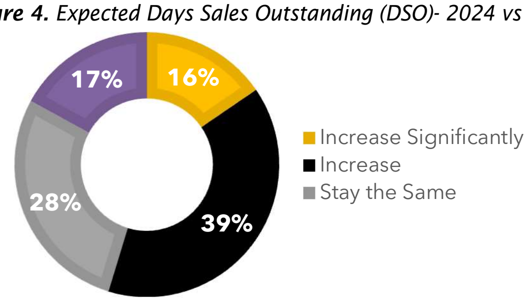
One objective of this survey was to benchmark the expectations for accounts receivable teams in 2024. This area of inquiry revealed that seventy-one percent (71%) of companies surveyed are planning to increase the responsibilities of AR teams in 2024 (Figure 3). This continues a trend where at least two-thirds of companies surveyed the previous two years from similar Treasury Webinars surveys reported the responsibilities of AR teams would increase in the coming year. It is clear that the expectations for AR departments are continuing to trend upwards.

Figure 3- Responsibilities of the AR Team in 2024 vs. 2023



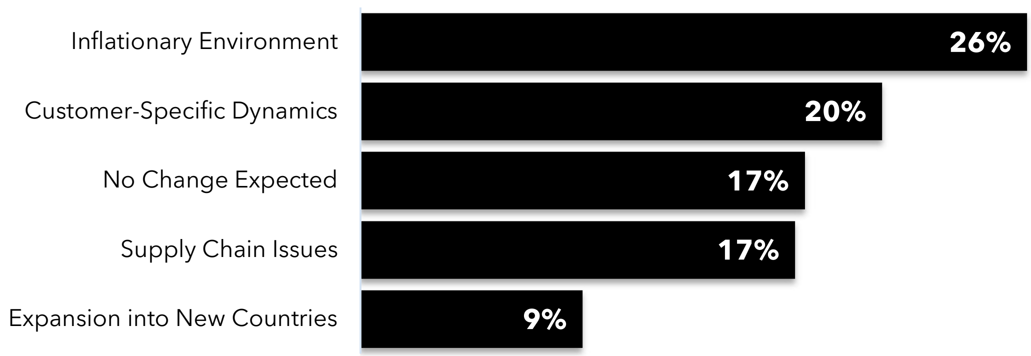
A key performance metric for AR success is days sales outstanding (DSO). Survey respondents were asked how they expected their DSO to trend in 2024 relative to 2023 (Figure 4). Fifty-five percent (55%) of respondents expect their company's DSO to increase (39%) or significantly increase (16%). Year-end headwinds relative to DSO going into 2023 were also existent. Previous research from Treasury Webinars reported that fifty- two percent (52%) of companies surveyed faced headwinds relative to DSO. These headwinds also existed at companies surveyed by Treasury Webinars going into 2022, with fifty-six percent (56%) of companies indicating that DSO would increase (34%) or increase significantly (22%) year over year.

***Figure 4.** Expected Days Sales Outstanding (DSO)- 2024 vs 2023*



There are many factors that can impact a company's DSO. An objective of the survey was to offer insight into what companies view as the biggest headwind related to getting paid in 2024. The inflationary environment was identified as the main driver of expected DSO headwinds (26%), followed by customer-specific dynamics (20%), and supply-chain issues (17%) (Figure 5), compared to twenty-five percent (25%), sixteen percent (16%), and seventeen (17%), respectively, in the previous year.

***Figure 5** –Main Driver of Expected DSO Changes in 2024*



Accounts Receivable Dynamics: Relationships

It's clear that the expectations of accounts receivable teams are on the rise for 2024. What inherent headwinds will companies face in 2024 and how will they invest in people and technology to overcome headwinds to meet increasing expectations? The order-to-cash (O2C) process involves many parties within an AR team, the Office of the CFO, and customers. Therefore, communication and collaboration, or lack thereof, between all parties can impact the efficiency of AR operations and when and if customers make payments. Our analysis of AR-related communications at the companies surveyed began with assessing the existence and dynamics of silos within their AR teams. Only twenty-seven percent (27%) of companies surveyed disagreed that a silo or multiple silos exist within AR teams (Figure 6). It is important that companies at which AR silos exist understand why they exist and invest in breaking down barriers to collaboration.

Figure 6 *– The AR Team Works in Silo(s)*

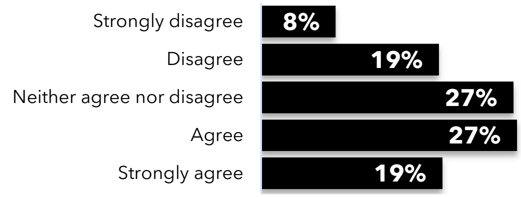
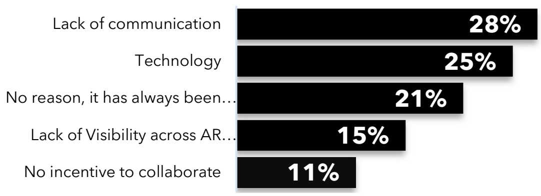


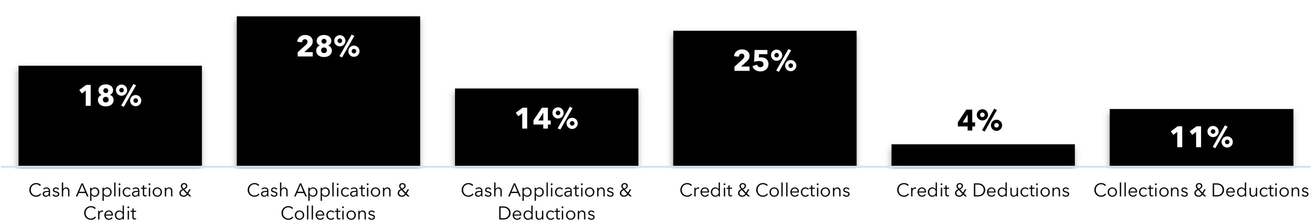
Figure 7*- Biggest Reason for AR Silo(s)*



Survey respondents were asked to share the biggest reason AR silos exist at their company (Figure 7). Thirty-two percent (32%) of companies do not see AR silos as a problem that needs to be addressed as 21% report there is no reason for the existence of silos and another 11% report that there is no incentive for AR teams to collaborate. Sixty-eight percent (68%) of companies would mitigate the main cause of AR silos by investing in the right technology that empowers visibility across AR operations and facilitates collaboration.

The analysis of AR silos included an assessment of the type of AR silo that has the biggest negative impact on AR performance (Figure 8). Silos that include cash application as a counterparty account for sixty percent (60%) of the silos that have the largest negative impact on AR performance (cash application and collections (28%), cash application and credit (18%), and cash application and deductions (14%)). Credit as a counterparty accounts for almost thirty percent (30%) of the most damaging AR silos (credit and collections (25%) and credit and deductions (14%)). Any AR silo can have a meaningful impact on a company's bottom line.

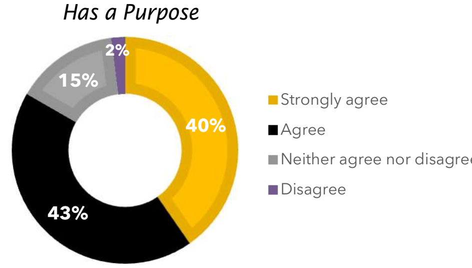
Figure 8*- Silo with the Biggest Negative Impact on AR Success*



AR silos cause damage to customer relationships and a company's bottom line. Companies should realize why silos exist, determine why they exist, and take actions to mitigate them.

AR communications with customers represent another dimension of communication from an AR team that can impact AR performance and have a significant impact on the bottom line. To understand the efficiency of AR communications with customers, we asked respondents to share if each communication with customers from an AR team member has a purpose. Over eighty percent (83%) of companies report that each communication with a customer from AR matters (has a purpose). At the same time, AR teams must balance the number of communications sent to customers to avoid creating friction that results in lost revenue. For these reasons, it is important to classify each communication with a specific purpose. However, only fifty-two percent (52%) of companies classify each AR communication with each customer (Figure 10). Without this information, AR teams can't prioritize the amount of time spent

Figure 9*- Each Communication with Customers from AR Has a Purpose*



managing customer relationships. For the organization, this can result in decreased AR team productivity, unhappy customers, and lost revenue. With almost seventy percent (69%) of respondents reporting that their AR teams manage the number of communications with customers, this visibility is critical for AR team effectiveness.

***Figure 10**– AR Classifies Each Communication with Customers*

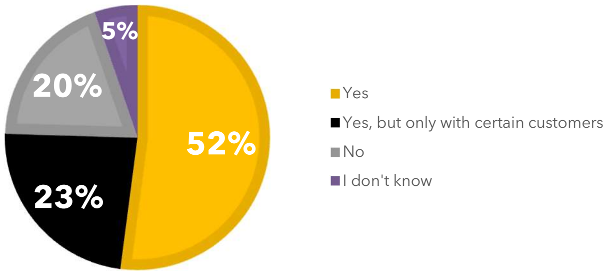
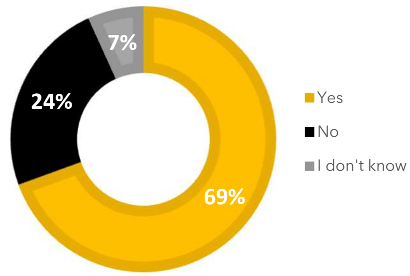


***Figure 11**– AR Manages the Number of Customer Communications*



Misalignment between AR and sales teams in managing customer relationships can impact the bottom line and create an inherent barrier to effectively managing counterparty risk exposures. Almost thirty percent (29%) of companies did not agree that their AR and sales teams collaborate effectively in managing customer relationships, and only twenty-five percent (25%) strongly agree that these teams collaborate effectively. A major impact of this misalignment can be seen in Figure 13.

***Figure 12-** AR & Sales Teams Collaborate Effectively in Managing Customer Relationships*

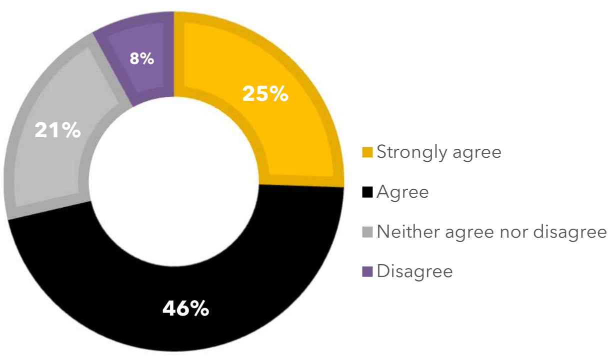
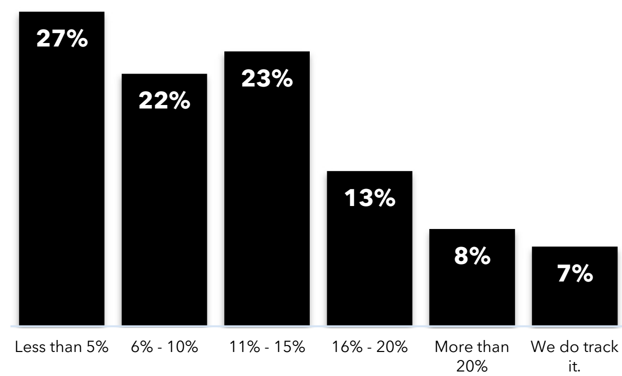
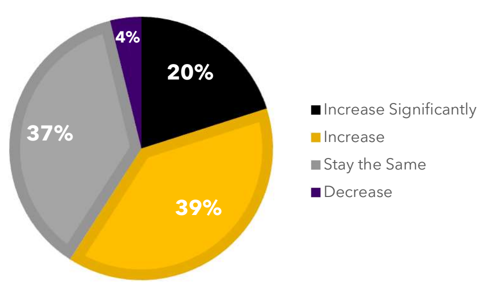


***Figure 13-** Percentage of Orders that Fall Outside Credit Policy and/or Standard Payment Terms*



Over seventy percent (73%) of companies have at least six percent (6%) of orders that fall outside of a company's credit policy and/or standard payment terms. Twenty eight percent (28%) of companies have at least sixteen percent (16%) of orders that fall outside of these policies. This is important as these policies are used to manage counterparty risks and maximize the probability that payments are made and made on time with open AR balances that represent risk exposures that align with the company's risk tolerance to various aspects of counterparty risks (company, country, industry, currency).

***Figure 14-** Time Spent by AR Team Collaboration w/Sales 2024 vs. 2023*



Misalignment between AR and sales teams exists at the companies surveyed, but do they recognize the misalignment exists and needs to be addressed? Almost sixty percent (59%) report that the time spent by their AR teams collaborating with sales in managing customer relationships in 2024 will increase with twenty percent (20%) of them indicating that the time spent collaborating would increase significantly. Those companies, especially, should focus on breaking down collaboration barriers and enabling better alignment between their AR and sales teams to make a positive impact on their bottom line.

Accounts Receivable Dynamics: Technology

Technology can enable AR teams to deliver more strategic value, or they can be an inherent barrier to AR performance. Companies were asked to share the impact of the current technology they leverage to help manage AR performance. The results were mostly positive, but there is clear room for improvement. Seventy percent (70%) of companies reported that the technology they use has a positive impact (44%) or very positive impact (26%) on AR performance (Figure 15). We also asked respondents to share the main tool they use to measure and manage AR performance. Business intelligence tools (30%) and spreadsheets (27%) are the two most common tools identified by survey respondents (Figure 16). Is there a correlation between the main tool used by the survey respondents to help manage AR performance and the perceived impact on the value delivered by AR at the companies surveyed?

Figure 15- *Impact of Technology on AR Performance*

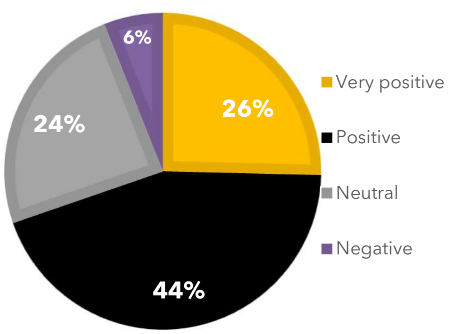
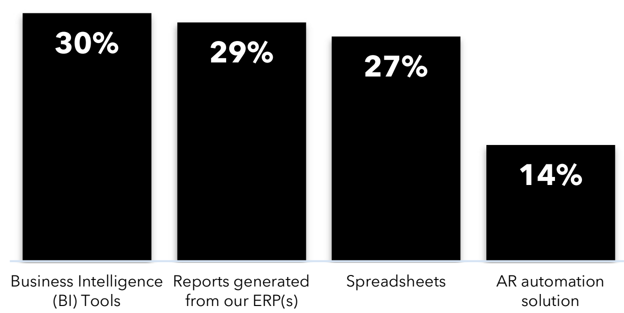
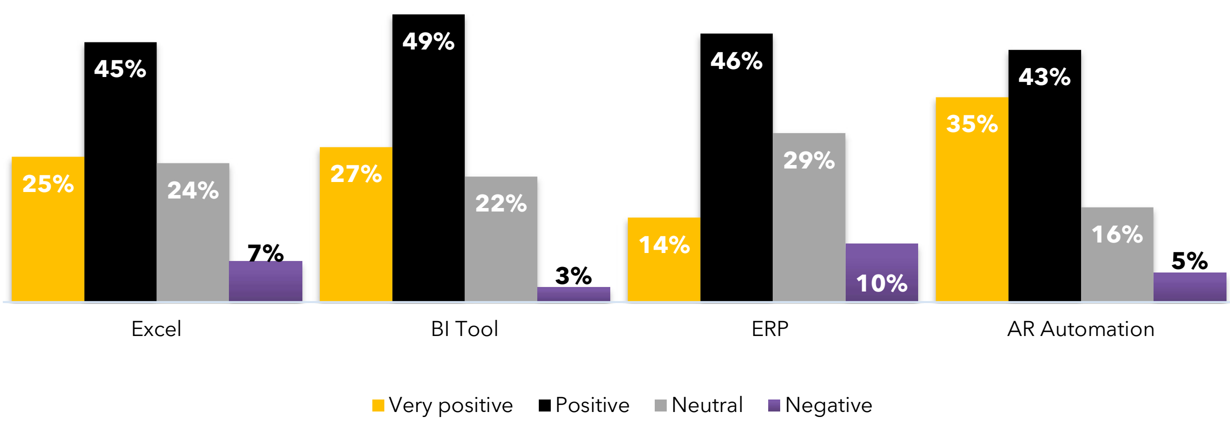


Figure 16- *Main Tool Leveraged for AR Performance Reporting*



Companies leveraging AR automation tools see the biggest impact on AR performance, and companies who leverage an ERP as the main tool to help manage AR performance see the least impact on AR performance. Ten percent (10%) reported the impact of leveraging an ERP as having a negative impact on AR performance (Figure 17).

Figure 17*- Impact of Technology on AR Performance by Technology Tool*



Technology is most valuable if it is leveraged to facilitate collaboration and to create and distribute information that informs better decision-making. Seventy percent (70%) of the companies surveyed indicated that the technology they leverage empowers AR performance. AR performance should be measured and managed at both a team and individual team member level. The impact of technology is greatest if it impacts team performance and informs better decision-making by individual team members. At least seventy percent (70%) of companies agree or strongly agree that their AR performance reports inform better AR team decisions (Figure 18) and that individual team members leverage AR reporting to improve performance (Figure 19). Companies that report that technology empowers AR performance are seeing that through data-driven decision-making by the AR team and by each member of the AR team.

***Figure 18-** AR Performance Reports Informs Better AR Team Decisions*

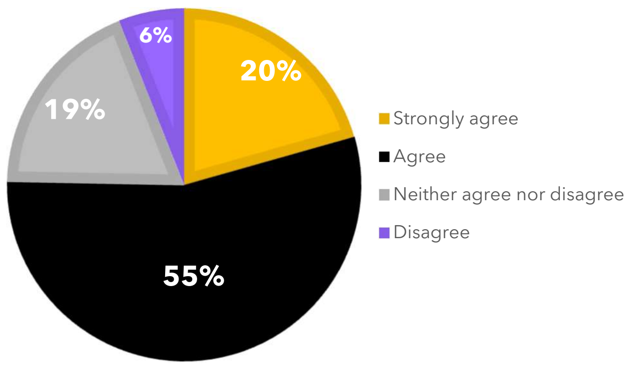
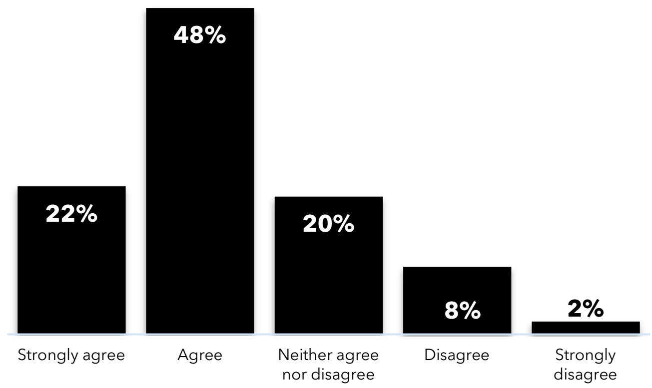


***Figure 19-** Individual AR Team Members Leverage Reporting to Improve Performance*



Resources for AR Success in 2024

The responsibilities of AR teams will continue to grow in 2024 and teams are poised to earn a seat at the strategic table with their CFOs. Will companies invest in the people and technology that is necessary for AR teams to meet and exceed expectations in 2024? The right AR team means having the right people with the right skills. Any gaps in the aggregate skill set of an AR team can be filled by adding to a team in terms of headcount or investing in upgrading the existing skill sets of existing team members. Thirty-eight percent (38%) of the companies surveyed will help address skills gaps in 2024 by adding more staff and forty-six percent (46%) will do so by offering more professional development opportunities to their AR teams. Companies may well invest in doing both, and those decisions should be made based on the efficiency of mitigating skills gaps while managing the dynamics of AR team. Team dynamics are critical to companies given the prevalence of silos in AR teams.

***Figure 20** – Expected AR Staff Dynamics in 2024*

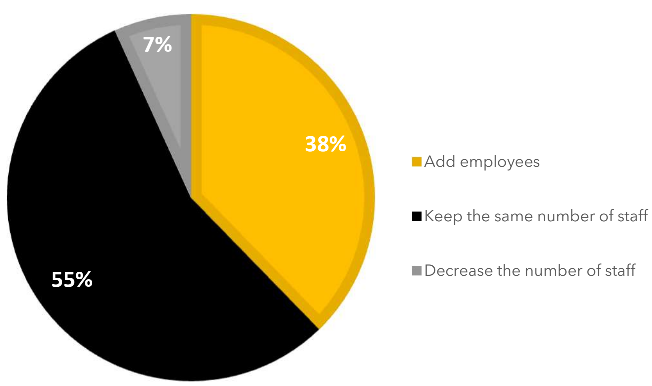
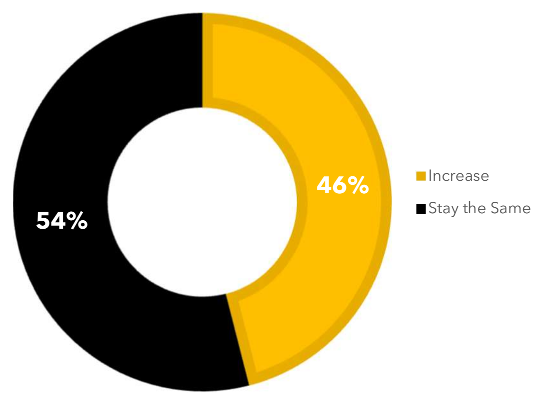


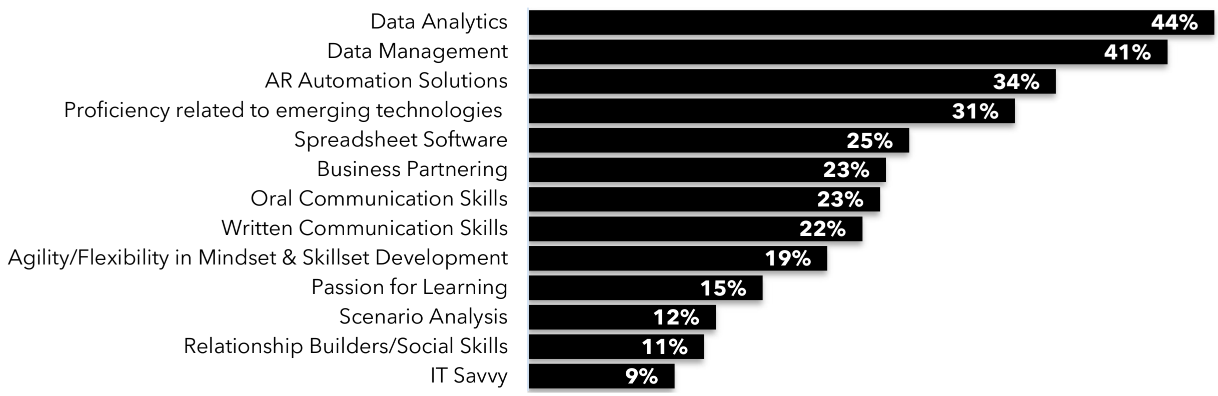
***Figure 21** – Professional Development Opportunities 2024 vs, 2023*



Our analysis of the investments by companies in AR team members in 2024 includes an assessment of the skills that companies are looking to add and/or upgrade within their AR teams. The three most frequently identified skills by survey respondents are: data analytics (44%), data management (41%), and AR automation solution acumen (34%) (Figure 22).

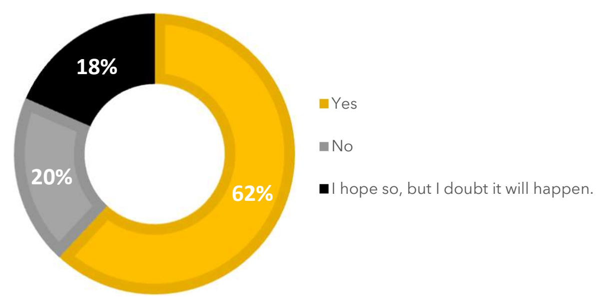
It is encouraging that at least 20% of companies realize the importance of upgrading the soft skills of their AR teams, including business partnering (23%), oral communication skills (23%), and written communication skills (22%).

Figure 22*- Most Important Skills for AR Team to Upgrade in 2024*



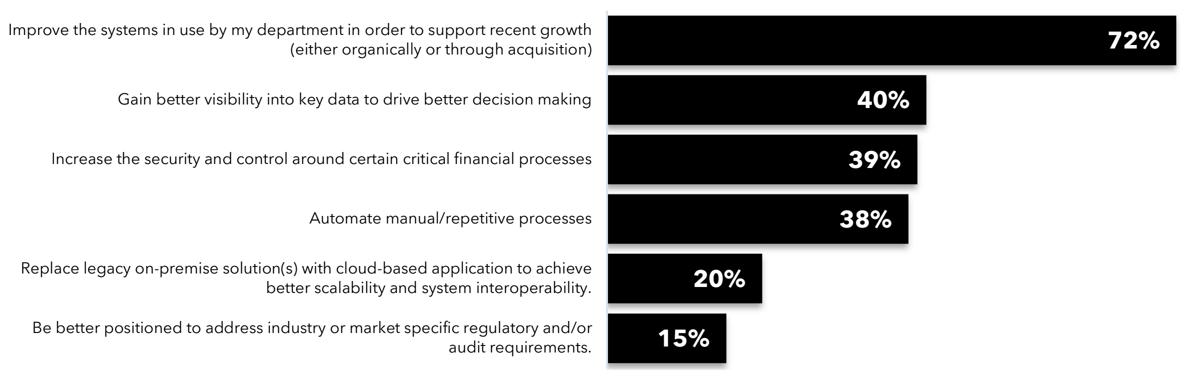
The companies surveyed are looking to upgrade the technology-related skills of their AR teams. How does that translate into AR-related technology investments in 2024? Sixty-two percent (62%) of companies surveyed plan to upgrade AR-related technology in 2024 (Figure 23). This is despite the fact that seventy-five percent (75%) report that the technology they leverage empowers AR performance. This speaks to a culture of continuous improvement and the realization that there is still more that the right technology can do to optimize AR performance.

Figure 23 *– Expect to Upgrade AR Related Technology in 2024*



Companies were asked to share the objectives of any AR-related technology investments in 2024 to offer insights into the reasons companies are planning to make technology investments. Companies will be investing to support recent company growth (72%), remove blind spots into AR processes and interactions with customers (39%), increase security and control around financial processes (39%), and automate manual processes (38%) in addition to other additional factors specified in Figure 24.

Figure 24*- Main Objectives of AR Related Technology Investment in 2024*



Companies will expect more out of AR teams in 2024. The companies surveyed will be investing in people and technology to empower AR teams to communicate more effectively within AR and with their sales colleagues and customers, and that will impact AR performance and the strategic value delivered by their AR teams in 2024 and beyond.

Top 10 Survey Inferences

Our survey encompassed many areas of inquiry so it is important to share the ten key inferences that can be made based on the analysis of the survey data:

1. The responsibilities and strategic role of AR will be on the rise in 2024.
2. AR headwinds will continue into 2024.
3. The main drivers of AR headwinds in 2024 will be exogenous factors that are macro in nature.
4. Silos within AR teams are prevalent and cash application is a counterparty in many AR silos.
5. Companies need to invest more in managing AR communications with customers.
6. Most companies have meaningful blind spots related to AR processes.
7. AR and sales teams have meaningful blind spots related to interactions with customers.
8. Companies will be investing in upgrading AR talent in terms of the number of team members and their skillsets in 2024.
9. Companies will be investing in upgrading AR-related technology in 2024.
10. Companies will invest more time in collaborating beyond AR to deliver strategic value in 2024.

Accounts Receivable Professional Opportunities

It is an exciting time to be an accounts receivable professional. Seventy percent (70%) of survey respondents reported that the strategic role of Accounts Receivable will increase in 2024 relative to 2023. Companies will be investing in the resources AR teams need to deliver on increased expectations:

1. 62% indicated that they plan to upgrade AR-related technology in 2024.
2. 38% of companies are expecting to add staff in 2024 and 7% expect to decrease AR staff.
3. 46% of companies plan to increase the professional development opportunities for AR staff relative to 2024.
4. Companies realize they need to invest in the soft skills of their AR teams as well as their technical skills.
5. 59% of companies will empower and expect AR to spend more time collaborating with sales colleagues in 2024.

Companies recognize that AR teams will face both inherent barriers and external factors that create headwinds for AR success in 2024, and they are willing to give AR teams the resources they need to earn the increased strategic role they will play in 2024.

Recommendations for Action

The expectations for accounts receivable teams are on the rise in 2024. AR teams need to have the resources necessary to deliver results and earn their seats at the strategic table. It is important that companies invest in the people and technology needed to empower accounts receivable best practices. Accounts receivable done right drives bottom-line success.

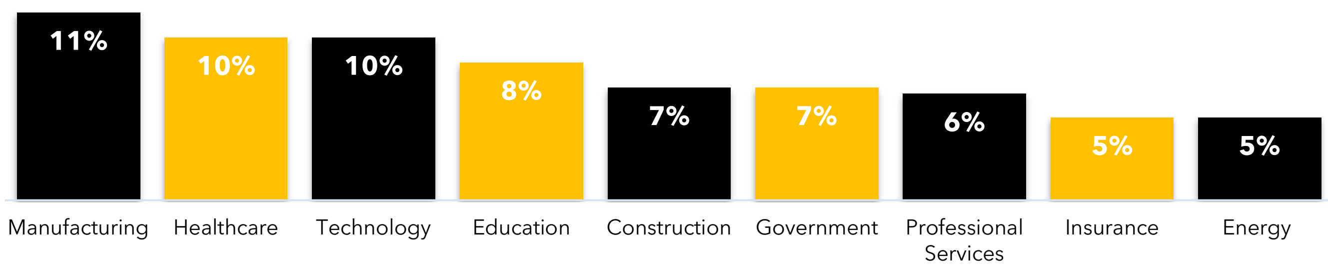
- Take a deep and honest dive into your entire AR process. AR done right takes a continuous commitment, and the existing processes you believe are doing well may benefit greatly from changes in procedures and/or technology.
- Identify and mitigate any silos that exist within you AR team.
- Invest in technology that delivers visibility across your entire O2C process and all customer interactions. This functionality empowers data-driven decision-making.
- Invest in technology that eliminates information asymmetry among AR staff, between AR staff and sales, treasury, and AP colleagues, and between AR staff and customers. This facilitates more effective collaboration within and beyond accounts receivable.
- Understand the skills that the AR team needs to deliver on increasing expectations.
- Invest in addressing any skills gaps through the right mix of adding staff and upgrading the skillsets of existing AR staff.

Survey Demographics

The State of AR: Trends, Headwinds & Opportunities included 265 participants from industries including Manufacturing, Healthcare, Technology, Education, Construction, and Government. (**Figure 25**).

Top Industries

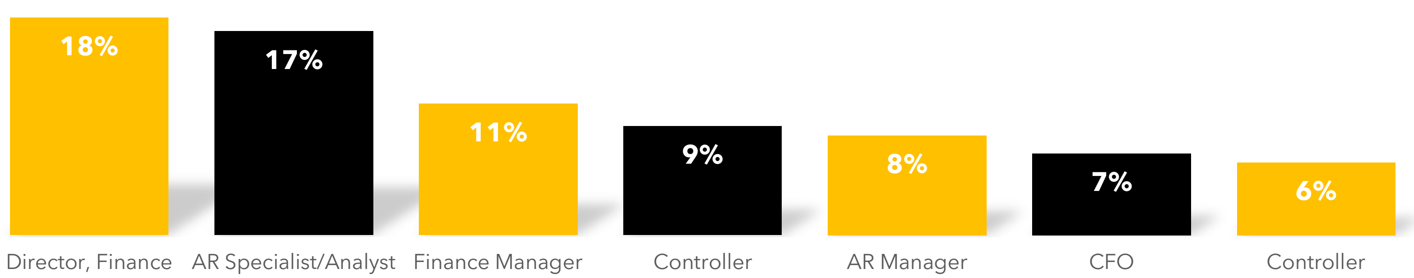
Figure 25



Respondents represent a variety of roles ranging from AR Specialist/Analyst, AR Manager, Finance Manager, Director of Finance, Controller, and VP of Finance to CFO (**Figure 26**).

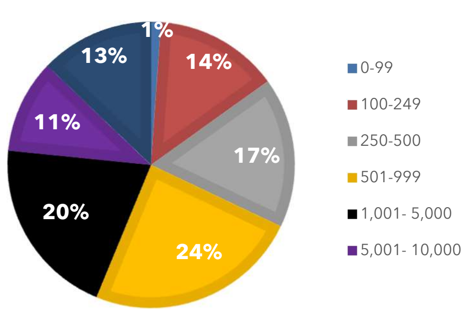
Demographics: Roles Represented

Figure 26



Demographics: Number of Employees

Figure 27



The largest share of organizations (24%) has between 501 and 999 employees and the next largest share has between 1,001 and 5,000 employees (Figure 27).

About BlackLine

Companies come to BlackLine (Nasdaq: BL) because their traditional manual accounting and finance processes are not sustainable. BlackLine's market-leading cloud platform and 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 and consolidation, accounts receivable, and intercompany accounting processes—inspiring, powering, and guiding large enterprises and midsize businesses on their digital finance transformation journeys.

More than 4,200 customers trust BlackLine to help them close faster with complete and accurate results. The company is the pioneer of the cloud financial close market and is 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 including Los Angeles, New York, the San Francisco Bay area, London, Paris, Frankfurt, Tokyo, Singapore, and Sydney.

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