![UiPath - The Foundation of Innovation™]

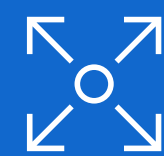# Evolving the accounts receivable value stream: what's next for financial management?

Stay ahead of the curve by implementing KPI-driven automation in your finance strategy

A guide for:

Functional leads and process owners in finance who want to improve performance within their business unit

Automation teams who want to scale automation to the accounts receivable process

Continuous improvement teams seeking organization-wide efficiency

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WHAT YOU'LL LEARN IN THIS GUIDE:

This guide is meant to be a foundational toolkit for anyone who wants to learn how they can directly influence key business metrics in accounts receivable, using modern discovery techniques, automation, and process improvement.

Why accounts receivable (AR) is important for overall business growth

Businesses today are under a lot of pressure to align their strategies with the outcomes they want in a world that's constantly changing. It's not an easy task, though. Unexpected challenges like labor shortages, skyrocketing demand, political instability, and material scarcities can come out of nowhere and wreak havoc on business goals.

The key to overcoming these obstacles lies in establishing robust and resilient processes. When processes are designed to serve the organization's goals, they help steer it through turbulent times and achieve success.

One such critical process at the heart of many enterprises is accounts receivable. While it may seem like a simple task to generate invoices and receive payments from your customers, the reality is often far more complex. Delayed payments, or inaccurate invoices can strain relationships with customers, setting off a chain reaction that disrupts the entire supply chain. Moreover, a poorly optimized accounts receivable process can hinder cash flow management and overall efficiency.

Accounts receivable is more than just invoicing. It is an extension of the order-to-cash (O2C) process involving coordinated efforts between order management and finance departments, each with their own unique responsibilities and objectives. Research by American Productivity & Quality Center (APQC) suggests that just a quarter of organizations currently manage O2C and accounts receivable as a comprehensive process across the business. By managing this end-to-end process, organizations can give customers a seamless ordering experience, while optimizing the cash flow needs of the business.

To uncover areas of potential value, it's beneficial to take a comprehensive look at the entire process. Organizations can gain significant advantages by treating accounts receivable and O2C as a unified, end-to-end process. By harnessing the power of discovery techniques, artificial intelligence (AI), and automation, businesses can effectively align accounts receivable with their overarching strategic goals and key performance indicators (KPIs). Let's dive in and explore how to use this approach.

Key concepts and complexities of AR

Many enterprises bear the cost of inefficiencies across the accounts receivable process, including rework, and late payments from customers. But few can pinpoint root causes, and even fewer can swiftly act to improve them. Limited information about the process means it's hard to get a complete and transparent view of how effectively you are generating invoices and receiving cash. Additionally, managing accounts receivable in a fragmented way, makes it difficult for departments to collaborate and drive better outcomes.

The end-to-end accounts AR process

Put simply, the goal of accounts receivable is to ensure timely invoicing and receiving payment from customers. It's an extension of the order-to-cash (O2C) process. Key performance indicators (KPIs) for accounts receivable include days sales outstanding (DSO), average collection period (ACP), and late payments.

Depending on the sector, product, or service, company size, and customer requirements, accounts receivable can take different forms and mandate a cluster of business KPIs as part of fulfillment requirements.

The process from a sellers perspective of creating customer orders, for filling them, and receiving payment.

Order to shipping

Create sales order

Manage credit

Fullfill sales order

Ship order

Accounts receivable

Invoice

Receive payment

Opportunities for AR transformation

Common mishaps in accounts receivable

From human error, to gaps in data quality, to software integration disruptions, companies have an urgent need to get ahead of potential problems in accounts receivable. However, with process deviations and variations, stakeholder interests layering in, and changing business needs, issues can be tough to detect.

Delayed or defaulted payments, impacting cash flow and difficulties with meeting financial obligations.	Disputes or discrepancies raised by customers regarding invoices, leading to time-consuming resolution and delayed payment processing.	Challenges with collecting payments from customers, requiring manual follow-up and extra effort to ensure timely payments.	Invoicing errors such as incorrect pricing, missing information, or discrepancies, leading to payment delays or disputes.	Poor credit risk assessment and management strategy, leading to higher risk of customer nonpayment or default.

Typical AR challenges:

- According to APQC, organizations cited manual intervention and siloed data/systems as their top two roadblocks in the O2C/AR value stream.
- Only 35% of finance and operations leaders are 'very satisfied' with the alignment of objectives and KPIs between operations and finance teams.

Accounts receivable is truly a team effort involving various departments and stakeholders. Picture this: the customer service team steps in to interact with customers, making sure their needs are met. Meanwhile, the operations and logistics teams work hard to deliver goods promptly, directly influencing how accurately invoices are generated. And of course, finance takes the lead in overseeing the entire invoicing process and keeping track of customer payments.

There's a great opportunity to streamline things and make the accounts receivable process even better. By reducing fragmentation and integrating the process, you can enhance efficiency and align it with broader strategic goals. However, until now organizations have struggled to gain the foundational understanding required to drive successful accounts receivable alignment. 37% of decision-makers report delays to their digital transformation initiatives due to misunderstood processes.

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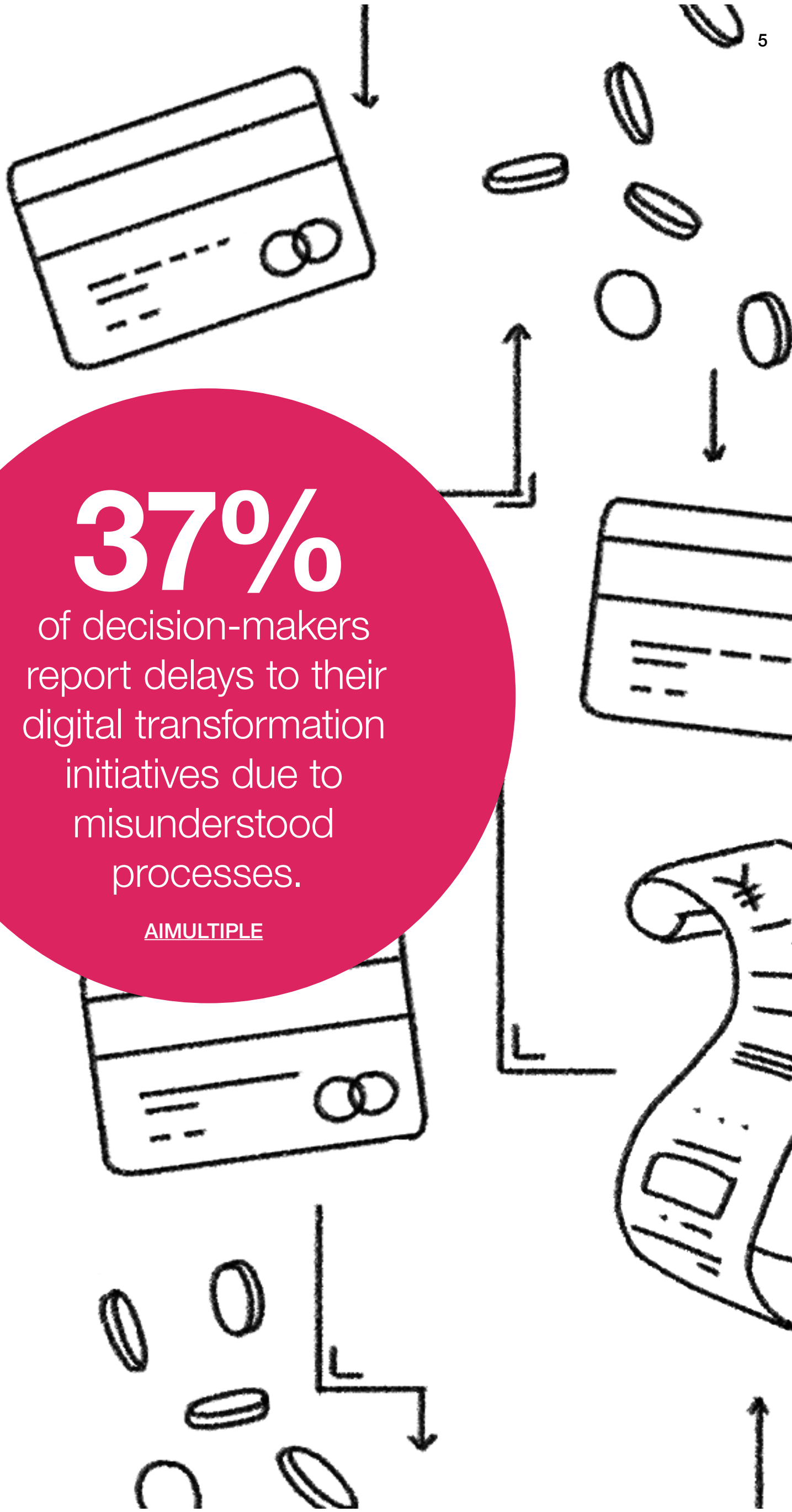
Why existing solutions fall short

1.

Old process optimization methods are becoming obsolete

Industry-standard methods of process optimization are manual and subjective-and expensive as a result. Example techniques included hiring consultants, asking people to explain processes, working in spreadsheets, and troubleshooting issues after problems have surfaced. These time-consuming and costly projects typically scratch the surface of hidden potential.

With a manual approach, digital transformation programs are likely to fall short. The study or analysis phase of process optimization takes so much time that results can become outdated before implementation. And you're often uncovering a part of a process, not the entire process. With this draft-along effect, there's the potential for initiatives to run out of resources before completion.

2.

Tactical automation doesn't address the root cause of issues

To tackle inefficiencies, many organizations are using artificial intelligence (AI) and automation to uncover new productivity gains. Results are remarkable, especially regarding removing manual and repetitive steps from a business system. But sometimes, organizations will hit barriers regarding expanding automation programs across departments and teams. That's because every process is unique, with beneath-the-surface nuances. Full process context and understanding of how automation impacts your business outcomes is how organizations can make automation initiatives transformational rather than tactical.

The foundation of a best-in-class AR process

Best-in-class accounts receivable operations build on data-driven foundations—particularly the data that processes leave behind. The idea is to approach transformation with a KPI-focus and automation-driven tools and technologies. There's a need for integrated process discovery capabilities to assess your organization's current process maturity, identify areas for improvement, and apply those changes quickly. Often, this foundational starting point is provided by process mining.
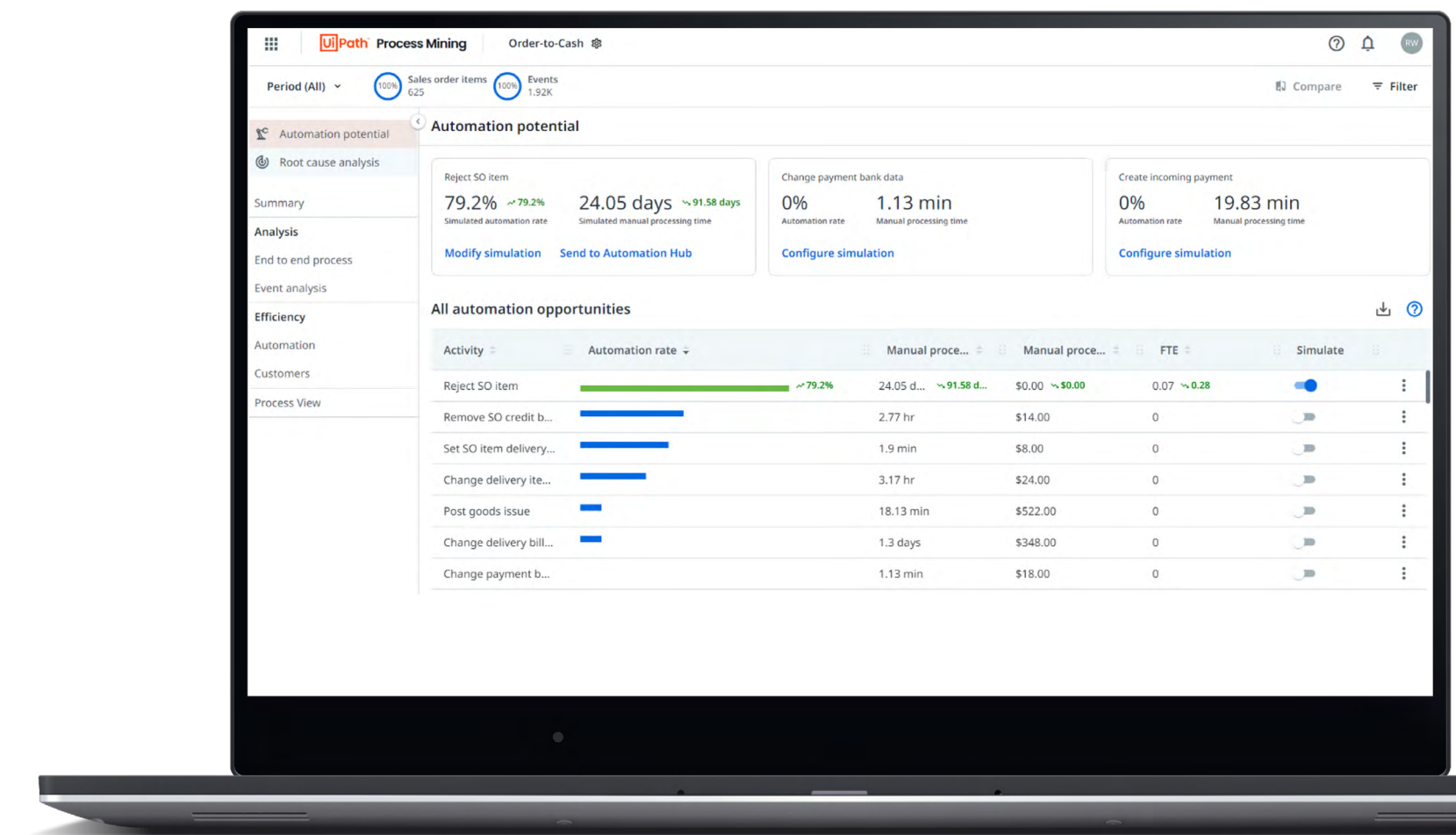
What's process mining?

Process mining connects directly to the systems and applications in which your processes are executed. For accounts receivable, think SAP or Oracle. It works by extracting raw data in these systems and applications, and turns the raw data into an event log. An event log has three characteristics—a case ID (i.e. an invoice item number), a time stamp (i.e. 09:25, 10/02/2023), and an activity name (i.e. receive payment). It's these three key pieces of information

that make process mining possible. The result is in-depth visualizations and dashboards that provide you with unmatched understanding of your end-to-end processes.

Process mining connects to the source system, so it's a continuous, and real-time view into how processes are run, and, most importantly, how they can be improved.

Transparency is just the beginning

Process mining provides transparency into end-to-end processes like AR, but a large proportion of work happens on people's desktops. While process mining looks at source systems for opportunities, task mining analyzes at what people do on their desktops. AI-powered task analysis helps to find everyday repetitive tasks ripe for automation and improvement. This combination gives organizations complete understanding across processes and tasks, but for true transformation, it's what happens after that matters most.

Taking action, whether that's through automation, general process improvement, or reengineering processes, is how teams can realize true transformation and return on investment (ROI). Process mining is there to ensure that you are focusing on the right things first, and know what to prioritize next. And once you've implemented changes, you can monitor the impact.

And most crucially, it enables organizations to embed a cycle of continuous process improvement into their operations. With continuous insight into their processes, they're always on the front foot. They understand what's working and what's not, and have the infrastructure in place to automate and improve rapidly.

The role of automation

Gartner estimates that almost 69% of routine work done by managers will be completely automated by 2024. Automation is undoubtedly the future of work, and what can be automated, should be automated. However, as you're discovering automation opportunities, you'll also uncover other ways to improve processes.

That's why UiPath believes organizations should take a holistic approach to automation. Technologies like process mining give you the broader view to understand where automation delivers ROI, vs. other ways to optimize processes.

Aligning process mining to finance outcomes

Like many technologies have done before, process mining is undergoing a revolution of sorts. Until now, process mining dashboards and metrics have been relatively generic and less optimized for business users to interpret. It's evolved to enable business leaders and users to truly understand how their processes run. With process-specific dashboards and KPIs for AR, UiPath Process Mining is customized to suit the desired business outcomes that each enterprise invariably has. We'll dive deeper into the relevant KPIs and business outcomes in the next chapter.

69%
estimated amount of routine work done by managers that will be completely automated by 2024.
GARTNER

Process Mining offers app templates to help you get started with mining processes like AR quickly. Benefits include:

Time to value
Quickly build your Process Mining apps using templates for specific processes and source systems.

Customizable
Create better apps for business users with easy customization of KPIs and dashboards.

Flexible
Reconfigure your KPIs and dashboards as priorities and business outcomes change.

Scalable
Re-use dashboards across different processes to scale process improvement efforts across the business.

The path to best-in-class AR

Establishing a cutting-edge invoicing operation

At a minimum, successful companies recognize the importance of measuring, improving, and understanding the performance of their core competencies, relative to competitors. Quality is built into their processes and while there may be room for improvement, they continuously strive to get better. The table below shares what distinguishes good from great and best-in-class organizations.

Good	Great	Best-in-Class
A few accounts receivable activities automated	Accounts receivable process pipeline created	All data processed automatically to increase speed and granularity of decision making
Additional repetitive tasks within accounts receivable teams identified and automated	Accounts receivable process fully documented	Continuous analysis of accounts receivable KPIs to identify further improvement and automation potential in the process
Finance department better able to cope with peak workload	Redundant and unnecessary activities retired	Automation meets performance goals and KPIs for process improvement and ROI
Quality and timeliness of finance data improved	Some automations within accounts receivable	Proactive alerts configured to send undesired process behavior or exception handling to process participants
Limited automation of key tasks within the process	Traditional automation KPIs and measurements identified and implemented	Intelligent automation and AI learn from employees to work as 'digital assistants' to intelligently complete activities

The optimal AR metrics

KPIs can help leaders deepen their focus and attention to detail. High performing accounts receivable processes will ultimately be focused on and commonly work with a cluster of KPIs.

Successful accounts receivable improvement strategies are KPI-driven. As organizations seek to improve the efficiency of their processes, there's a need to examine what activities to automate.

With many layers, steps, systems, and people, the process can be complex. We've identified a cluster of KPIs, grouped by five areas of functional impact. These are areas that leaders can focus on optimizing.

Efficiency	Performance	Timing	Customers	Risk & Compliance
- Revenue percentage - % Collections received on time - % of current accounts receivable - Hit rates	- Operational cost per collection - Dollar value of past-due invoices - Accounts receivable turnover ratio (ART) - Revenue percentage (growth) - # of accounts per FTE - # of credit approvals per FTE - # of receipts/remittances processed for FTE - # of invoices per FTE	- Volume of past-due invoices - On time receivables - Days sales outstanding (DSO) - Average days delinquent (ADD)	- Declined customer to approved customer cycle time - Receivables lost from declined customers - Receivables lost from canceled orders	- % increase of write-offs

AR roles and key interests

AR is an enterprise process chain with touchpoints across departments. Overcoming complexities—and meeting strategic outcomes—means improving collaboration, eliminating silos, and enabling each stakeholder to align based on data.

With the prevalence of AI, automation, and discovery technologies like process mining, organizations now have the means to quickly and more accurately identify and resolve process blockers, understand how to remove them, and ultimately transform how they operate.

Role	Key interests	Relevant KPIs
Chief financial officer (CFO)	The CFO is responsible for the planning, implementation, managing, and running of all the finance activities in the organization.	- DSO: days sales outstanding - DIO: days inventory outstanding - DPO: days receivable outstanding - P2P cycle times - Liquidity ratios - EBITDA & EBITDA growth - Net profit margin - Return on capital expense
Financial controller (FC)	The Financial Controller has direct responsibility for the reporting of the accounts receivable and payable function in the P2P process.	- Forecast variance/strain - Planning and budgeting lead time - Forecast variance - Forecasting lead time - Cost accounting response time - % touchless processing
Chief accounting officer (CAO)	CAOs oversee the organization's ledger and financial accounts, cost control, and other financial reporting and auditing functions. They work closely with the chief financial officer (CFO).	- Regulatory compliance expense - Regulatory report creation - Financial statement accuracy - Financial non-compliance cost - Average re-work cost - Maverick and non-compliant spend

Identifying high automation potential in AR

Successful AR transformation features automation programs based on KPIs. As organizations seek to improve the efficiency of their processes, there's a need to look at specific KPIs, and examine specific steps where automation fits in. These steps include—but aren't limited to—reducing invoice generation time, improving the rate of invoices approved on time, reducing credit check approval times, and more.

Customer onboarding	Assess and manage credit	Manage quote to order	Process and fulfill order	Invoice customer	Process A/R and collections	Manage cash	Process Customer Inquires and Complaints
Create and update product master	Establish credit and risk strategy, process and policies	Identify, manage and qualify leads	Process order	Generate invoices	Process Cash applications against open invoices	Prepare and review daily cash	Develop cash mgmt. strategy, process and policies
Set up customer in system(s)	Develop and manage reports	Create and manage customer orders	Manage shipping and inventory	Invoice validation and distribution	Preprare aging and bad debt analysis	Perform balance reporting	Develop service strategy, process and policies
Manage customer masterdata	Conduct new customer credit assessment	Create initial sales quote	Process returns and exchanges	Post receivables to General Ledger	Create and manage reports	Collect bank reconciliations	Communicate resolution to customer
Create and manage reports	Perform credit checks	Create and manage reports	Create and manage reports	Create and manage reports	Manage customer collections	Create and manage reports	Process inquiries
Review and accept customer applications		Prioritize opportunities	Manage rebates and chargebacks		Develop A/R and collections strategy, process & policy		
Manage terms and conditions		Approve pricing, discounts and promotions	Create order mgmt., strategy, process and policy		Issue statements		
Negotiate pricing, terms and conditions		Negotiate and finalize sale	Manage orders				
Manage customer contracts							

Highest automation potential

Identifying improvement potential with UiPath Process Mining

The key to steering transformation forward and moving from good to best-in-class is to optimize specific components of the accounts receivable process. With a granular approach focused on individual elements–credit checks, or invoice generation cycle time-it's possible to drive automation efforts, which deliver on KPIs for key stakeholders and result in bigger-picture efficiencies.

To that end, organizations can use Process Mining to streamline accounts receivable activities before transitioning them to automated states:

- Use process mining to understand how long it takes for customers to pay invoices, and evaluate specific needs, goals, and compliance requirements to determine optimal payment terms.

- Use process mining to trigger notifications to customers about upcoming or overdue payments.

- Use the insights from process mining to review the credit check process, optimizing credit limits for different customer groups.

- Use process mining to better understand top customers and review and negotiate payment terms and lead times.

- Uncover invoice price discrepancies which could be caused by poor master data maintenance

- Understand the weak points in the process that might require clearer communication with customers and other stakeholders regarding lead times, payment terms, or prices, and immediately address any discrepancies.

UiPath Process Mining provides a fact-based understanding of the current state of processes. Organizations can use this to drive transformation and automation efforts, while delivering on the KPIs that matter to the business. It gives organizations full transparency into their business processes.

Process Mining gives you granular visibility into your processes

Process steps	Throughput time	Automation	Interactions
Identify process steps that are:	**Identify process steps or cases that:**	**Identify opportunities for higher process automation or improve existing automation(s):**	**Identify abnormal user-to-user or site-to-site interactions such as:**
• Undesired • Missing • Repeated steps • Executed in the wrong order/sequence	• Take a longer time to complete • Take shorter time to complete • Overdue dates and SLA violations • Bottlenecks	• Repetitive manual steps • Existing automation exceptions	• High case volume handoffs • Heavy workloads • Productivity gaps • Capacity scarcity

Compliance	Volume	Cost	Attributes
Compare as-is processes with:	**Identify volume variations, peaks, throughputs that are:**	**Identify unwanted additional costs or revenue loss from:**	**Gain insight into specific details such as:**
• Different areas of the company (ex. regional/offices) • How it should be or was intended • Industry benchmarks	• Abnormally high or low • Exceptions or errors	• Rework • Manual review	• Customer specific recurrences (late payments, order types, escalations, delinquents, etc…) • Manual-work triggers (free text orders, special invoices, etc…)

The benefits

UiPath Process Mining enables and enhances the overall impact and speed of process improvement. Applying UiPath Process Mining to the end-to-end accounts receivable process brings crucial benefits at all levels of the organization.

It unlocks new possibilities for process transformation, enabling organizations to transition from the status quo to a best-in-class accounts receivable operation.

With an automation-driven approach to discovering, understanding, and taking action towards KPIs, organizations gain a renewed capability to continuously improve processes that drive the most impactful business outcomes.

| Capability comparison	Old process optimization	UiPath Process Mining
Approach	Reactive	Strategic
Style	Siloed	Connected
Effort	Manual	Automatic
Type of analysis	Subjective	Science-based
Data Collection	Interviews	System event logs
Scope	Limited by experts' bandwidth and depth of knowledge	Limited by the quantity and quality of data in the source system
Process transparency	Limited to a few steps	End-to-end across complex dimensions and variants
Implementation	Slow, long, delayed, and fragmented	Real-time and continuous connection to back-end systems
Method	Analytical, inquisitive, focused on identifying	Action oriented, and real-time insights
Focused on	The process	Business outcomes and how to use insights to impact KPIs
Reporting	Spread across multiple files, documents	Visual and centralized
Outcome	Piecemeal, inconsistent, varied	Consistent outcomes driven by KPIs and automation potential

Why it works

Taking a structured approach to process improvement and automation results in better outcomes. Process Mining connects to actual process data, is KPI-driven, and offers real time process insights. It can align overall strategy with how processes are executed, setting expectations across teams and stakeholders. What's more, Process Mining has the potential to drive value across departments, not just accounts receivable.
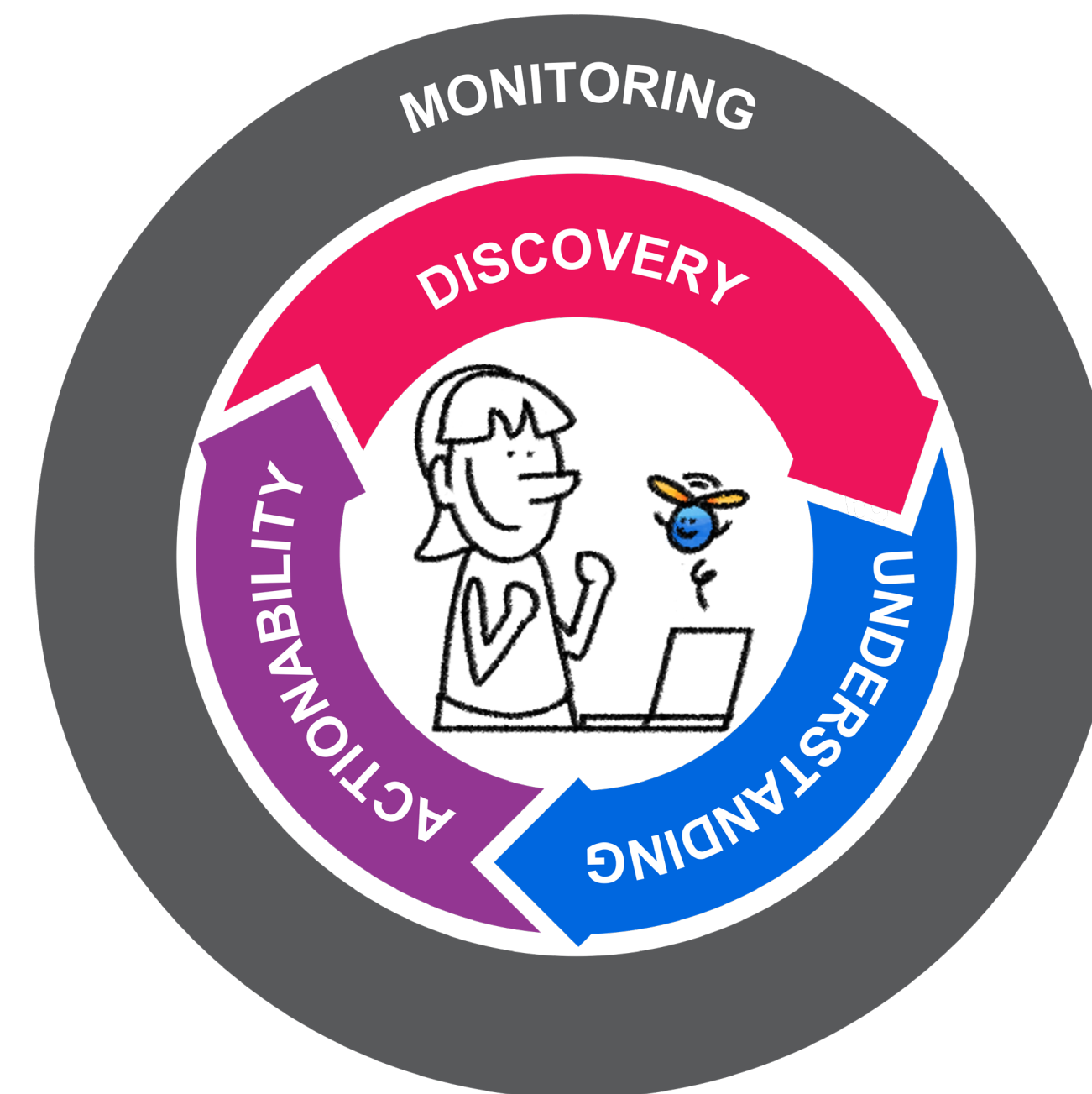
Strategy	Execution

Goal

Improve company cash flow
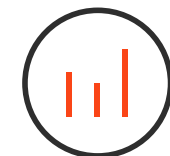
Metric

Days Sales Outstanding (DSO) – how effective a company is at collecting cash from customers that paid on credit

MONITORING
DISCOVERY
UNDERSTANDING
ACTIONABILITY

Connect to the SAP accounts receivable process to better understand the impact on days sales oustanding (DSO).

Analysis of the process reveals long throughput times from outgoing invoice to receiving payment, reflected in a high DSO. Process Mining helps to pinpoint that the root cause of high DSO is caused by the accounting team invoicing too late after goods delivery.

Automate invoice generation and delivery to customers to reduce the number of days for credit sales to be converted into cash.

A high DSO can lead to cash flow problems. Monitor DSO continuously and trigger alerts to the accounts receivable team to intervene when DSO exceeds set limits.

Here are a few example outcomes that we've seen across our customer base at UiPath:

- Coca-Cola İçecek uses Process Mining to continuously streamline their business-critical SAP accounts receivable process. So far, they've improved cash-flow cycle time by 20%, using a strategic combination of process improvements and automation.

- A leading food processing company used Process Mining to identify a $720K savings opportunity by optimizing weight discrepancies with their supplier.

- One of Germany's largest media companies uses Process Mining to discover an opportunity to save 8,000 hours by automating two SAP order-to-cash activities–post goods issue and reject sales order.

- CBRE used Process Mining to discover an opportunity of $6 million in annual savings by automating the purchase requisition and invoicing process.

- KPN, a telecoms provider in the Netherlands, puts Process Mining at the center of their ongoing digital transformation efforts. They identified a $3 million savings opportunity in the P2P process, which enables 3–4 people to focus on strategic procurement.
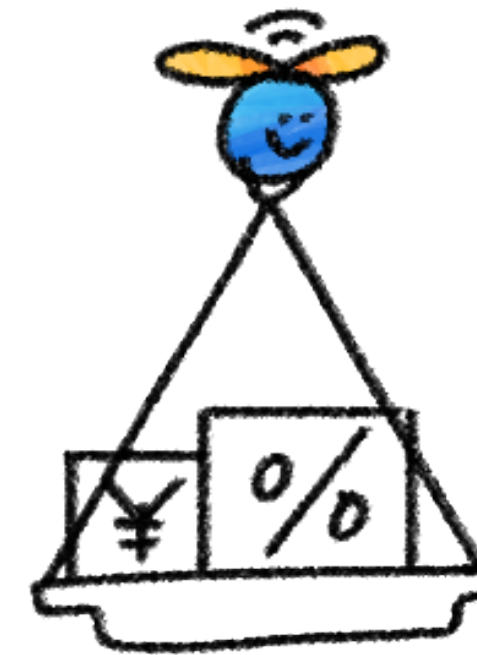
20%
improved cash-flow cycle time
COCA-COLA İÇECEK

$720K
savings opportunity by optimizing weight discrepancies with their supplier
LEADING FOOD SUPPLIER

$3M
savings opportunity identified in the P2P process
KPN

8,000
hours saved by automating two SAP order-to-cash activities
LARGE GERMAN MEDIA COMPANY

Where is Process Mining used?

Finance
- Accounts payable
- Accounts receivable
- Asset management
- Dispute case management
- Record-to-report
- Expense management

Procurement
- Purchase-to-pay
- Purchase requisitions
- Purchase scheduling agreement
- Sourcing contract
- Sourcing event

Sales
- Order-to-cash
- Account management
- Lead management
- Opportunity management
- Prospect management
- Meter-to-cash
- Make-to-order
- Quote-to-order
- Quote-to-cash

Manufacturing/production
- Plant maintenance
- Production planning
- Quality management

IT service management
- Incident management
- Customer service
- Service request management

After sales
- Case management
- Customer service
- Service request management
- Claims management

Master data management
- Customer master data
- Material master data
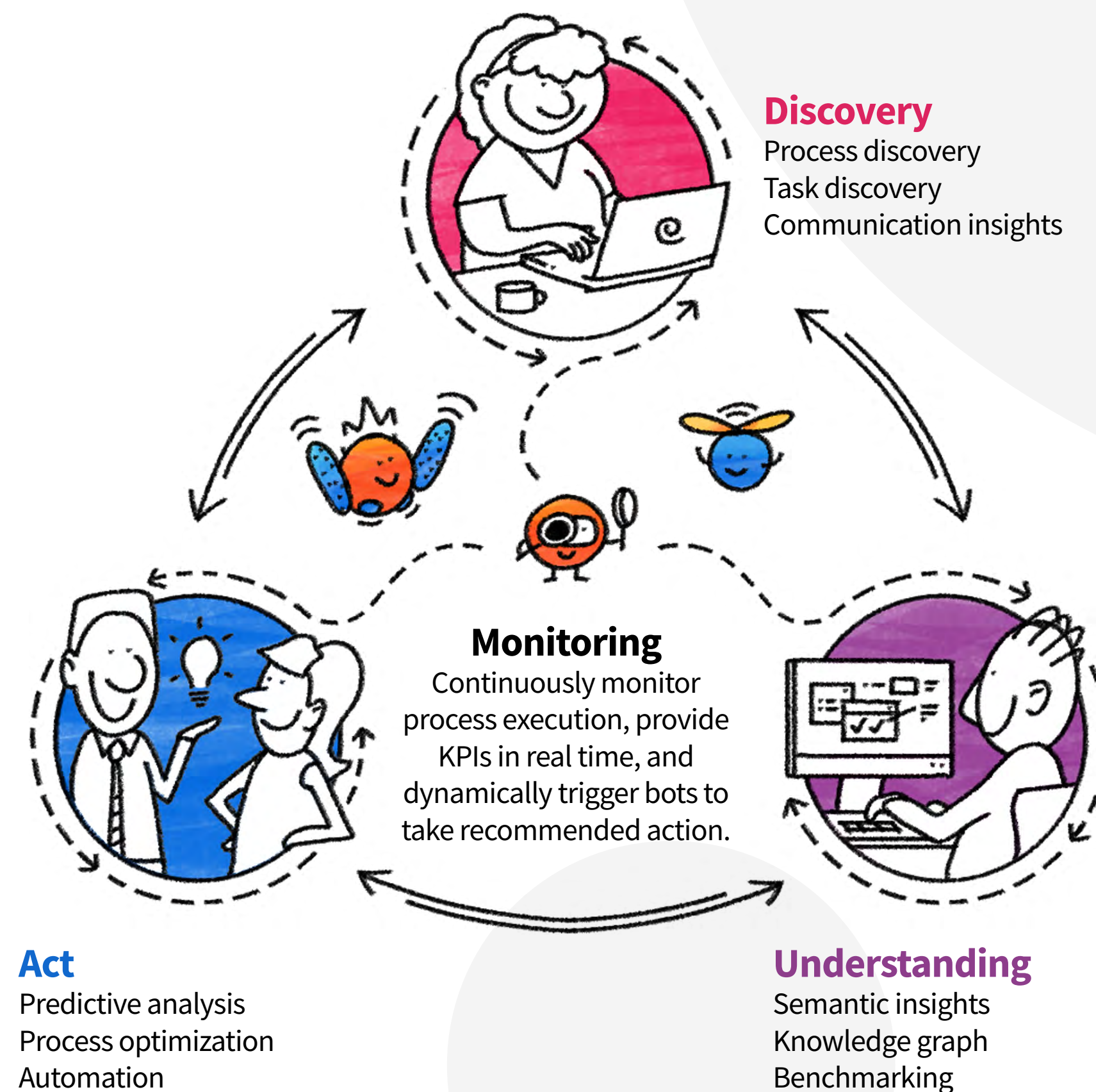- Vendor master data

HR
- Hire-to-retire

What's Continuous Discovery?

Continuous Discovery is a framework that leverages a combination of intelligent process discovery techniques to strategically apply automation and process improvements. Changes are checked after implementation, to ensure continuous alignment with KPIs.

UiPath brings together complementary discovery techniques—UiPath Process Mining, Task Mining, Communications Mining, and Automation Hub, to give organizations a holistic view of their processes that hasn't been possible before.

Our novel approach to capturing process activity at the system and desktop levels enables a complete view of process activity throughout the enterprise. While Process Mining uses data from enterprise applications, Task Mining allows you to see the activities individual employees are executing within the process. To complete the picture, Communications Mining looks at data from business conversations that take place in emails, tickets, service desks, and more. Automation Hub provides a way to list and rank automation ideas. The four tools combined provide a factual view of your processes.

Discovery
Process discovery
Task discovery
Communication insights

Monitoring
Continuously monitor process execution, provide KPIs in real time, and dynamically trigger bots to take recommended action.

Understanding
Semantic insights
Knowledge graph
Benchmarking

Act
Predictive analysis
Process optimization
Automation

The UiPath Business Automation Platform

Organizations navigating through the current digital ecosystem need the right partner to transform accounts receivable from a good, to a fully integrated, best-in-class process. The UiPath Business Automation Platform is a comprehensive, enterprise-ready platform that connects your people, processes and applications so you can implement the process change that drives true transformation, quickly.

Discover
Continuously uncover opportunities for process and task improvements helping you identify the highest ROI areas

PROCESS MINING	TASK MINING	COMMUNICATIONS MINING	IDEA CAPTURE & MANAGEMENT

Automate
Get more done with a digital workforce that seamlessly collaborates with your people and automates work via UI and API, powered with native integrated AI

LOW-CODE DEVELOPMENT	UI & API AUTOMATION	PROCESS ORCHESTRATION	INTELLIGENT DOCUMENT PROCESSING	INTEGRATED NLP & AI/ML

Operate
An enterprise-grade foundation to run and optimize a mission critical automation program at high scale

ANALYTICS	CONTINUOUS TESTING	UNIFIED MANAGEMENT & GOVERNANCE	FLEXIBLE DEPLOYMENT

Your Processes

Your Applications
Systems of record – ERP, CRM, HCM | Communications and Collaboration | Personal Productivity

Your People

What makes UiPath unique

We help you understand what's happening at the process-level, task-level, and in your communication channels. This 360-degree understanding of what's happening in your business enables you to identify where you can improve to deliver better outcomes. Whether that's for your customers, your C-Level, or your employees. Putting automation at the core of your transformation strategy frees your employees to work on more strategic accounts receivable activities.

A best-in-class finance operation that uses automation critically and expansively in key areas can transform the way organizations work, and set a higher bar for operations. UiPath can help you reach your goals quickly and effectively, with proven technology to help you continuously improve.

About UiPath

The UiPath Business Automation Platform is a leading, easy-to-use, scalable, and open platform that allows everyone to work alongside software robots and achieve better business outcomes.

Start your accounts receivable automation journey today! →

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