

# HOW TO OVERCOME BARRIERS TO CASH FLOW VISIBILITY BY OVERHAULING OLD WAYS OF WORKING

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# HOW TO OVERCOME BARRIERS TO CASH FLOW VISIBILITY BY OVERHAULING OLD WAYS OF WORKING

If your organization is struggling to accurately forecast its cash, you are not alone.

Forecasting cash is harder in times like these:

- Many organizations rely on manual or semi-automated financial processes.
- Some organizations lack the internal talent or bandwidth to forecast cash flow.
- Fragmented systems make it difficult for many organizations to forecast cash.
- Other organizations are bogged down by manual payment processes or have inconsistent processes for managing inbound and outbound payments.

As every finance exec can attest, the ability to accurately forecast cash flow is critical to the financial health of an organization. With the best accounting software, you are still at the whim of customers for cash inflow. Ensuring you have enough cash to meet liabilities and operating expenses—and have enough left over to invest for growth—is a weight on every financial exec's shoulders.

Overcoming barriers to cash flow visibility requires organizations to overhaul old ways of working.

Siloed processes and incomplete digital transformation initiatives are holding you back. To become an insights-driven organization, finance departments must have real-time, holistic cash forecasting.

## The cash forecasting imperative

In a volatile business environment, there's no substitute for cash. Enhancing the quality of analytics is a finance function's No. 1 mandate these days. It's also the top priority of CFOs<sup>1</sup>. Finance leaders need to know what is likely to happen next so they can allocate capital and course correct.

Most finance execs are confident in their organization's ability to manage cash and liquidity<sup>2</sup>.

But they can't risk a false sense of security in today's turbulent economy. One major slipup in how an organization

manages its cash and liquidity could lead to decisions that set the business back.

The typical company already has a lot of cash unnecessarily tied up in working capital. That's money that cannot be used to invest in new products and markets, pay down debt, or fund strategic initiatives. Ineffective cash flow management creates big issues for organizations of all sizes:

- Inability to fund strategic investments
- Excessive interest payments
- Higher capital costs due to high-risk balance sheets



If Global 1000 companies were to adopt the cash management best practices employed by top performers, they could free up nearly \$800 billion in cash flow, or \$800 million per firm<sup>3</sup>.

That's why it's imperative that finance execs develop long-term sustainable strategies for managing their cash. In many cases, they are turning to cash forecasting to help attain their liquidity objectives.

Holistic cash forecasting can provide finance execs with better visibility into cash flows.

But getting better visibility into the financials is easier said than done for many organizations. Few organizations have the real-time cash flow visibility they need to optimize cash flows.



Fifty-four percent of finance execs say cash forecasting was among their top challenges with liquidity and cash management during the pandemic<sup>4</sup>.

The cash flow disruption caused by the pandemic exposed shortcomings in cash management. It highlighted the need for enhanced capabilities in working capital management and cash forecasting. Many organizations were unable to understand the impact of liquidity decisions on their business.

<sup>1</sup> The Hackett Group

<sup>2</sup> Deloitte

<sup>3</sup> The Hackett Group

<sup>4</sup> Deloitte

## Automated cash forecasting

There are some general principles that most top-performing cash management companies employ<sup>5</sup>:

- Commitment from top executives for strong cash flow
- Use of rigorous cash flow metrics to provide a baseline for and track performance
- Strategic segmentation of customers, suppliers, and inventory

But one of the biggest drivers of cash flow optimization is real-time, holistic visibility into cash.



Automation builds good cash flow management directly into routine transactions<sup>6</sup>.

Without a real-time, holistic view of cash inflows and outflows, organizations may experience:

- Increased risk of fraud
- Limited ability to uncover funding to support key initiatives
- Inability to pivot quickly to disruption
- Inability to identify and address inefficiencies
- Greater need to borrow cash

In many finance departments, siloed processes and incomplete digital transformation initiatives are holding organizations back from achieving the visibility they need into their cash and liquidity.

But it doesn't have to be this way. By digitally connecting accounts payable (AP) and accounts receivable (AR), holistic cash forecasting solutions provide the real-time data finance execs need.

A holistic cash forecasting solution captures data on outgoing cash payment obligations in approved accounts payable invoices and on incoming cash receipts based on customer approval of submitted invoices. Ongoing data analysis equips the solution with predictive powers.

<sup>5</sup> The Hackett Group

<sup>6</sup> The Hackett Group

<sup>7</sup> Forrester, *The Future Of Finance: 360-Degree Cash Flow Visibility And Control*, a commissioned study conducted by Forrester Consulting on behalf of Corcentric, December 2021

For example, artificial intelligence can help forecast spending patterns and supplier performance based on historical data.



**Sixty-one percent of finance execs say that improving their use of data insights in business decision-making is their organization's top priority over the next 12 months.**

AP and AR invoice automation systems are the best sources of this comprehensive data.

AP and AR have tended to operate as separate domains in the finance organization, focusing on their own processes and systems<sup>7</sup>. As a result, 70 percent of finance execs say their AP and AR solutions provide only partial insight into their organization's cash position. If AR and AP platforms remain disjointed, these functions must provide data flows which can be integrated to provide the insight needed for holistic cash flow visibility and control.

To gain the full benefits of holistic cash forecasting and gain a full view of their cash inflows and outflows, organizations need to drive the process automation and the data integration across and between AP and AR. Streamlining data analytics from AR and AP information silos through one dashboard is far more empowering than using spreadsheets to analyze cash flow statements in one place. It's also much faster and comprehensive.

## The Benefits of Holistic Cash Forecasting

Collecting and aggregating the cash flow implications of invoice approvals have big benefits.

Holistic cash forecasting solutions provide finance execs with smart insights that otherwise might not have been available. For instance, cash forecasting technology can help execs identify trends and issues. The technology also can help finance execs discern the best ways to shore up their cash flow. And holistic cash forecasting solutions can reduce an organization's reliance on credit or other capital.

What's more, better knowledge of cash position across the organization enables more agile and forward-thinking use of

capital from the balance sheet. Investment for growth may be unfairly constrained by a limited view of cash flow, with finance execs erring on the side of caution.



**Sixty-one percent** of organizations are focusing on becoming more insights-driven<sup>8</sup>.

Beyond cash management, holistic cash forecasting also can contribute to:

- Smarter decision-making
- Better risk management
- Improved fraud management
- More effective financial planning
- Enhanced payment user experience
- Ability to optimize time/value of money
- Increased profitability

It's no wonder that nearly three-quarters of finance execs surveyed by Forrester agree that enabling real-time holistic cash forecasting would be valuable or extremely valuable to their organizations<sup>9</sup>.

## What to Look for in a Solution

Achieving these benefits requires organizations to take a fresh approach to managing their cash.

Today, only 13.5 percent of organizations currently use advanced technologies to forecast their cash.



**Fifty-four percent** of finance execs cite a lack of internal talent and/or bandwidth as the reason they don't use an automated cash forecasting solution<sup>10</sup>.

But most finance teams are planning to digitize and automate their payment and invoice processes to optimize

cash flows<sup>11</sup>. Doing this will enable the CFO to unlock funding to support strategic goals.



**Eighteen percent** of organizations plan to deploy automated liquidity management solutions within the next 12 months<sup>12</sup>.

There are several capabilities an organization should look for in a holistic cash forecasting solution:

- **AP and AR automation.** Adopting and implementing both AP and AR invoice automation software are key to successfully achieving holistic cash forecasting. But most organizations feel they lack the resources and the expertise to do it themselves. That's why it's critical to find a technology partner that can drive a complete transformation of both finance functions. Working with a comprehensive solution provider also streamlines transformation initiatives.
- **Industry expertise.** Cash flow and liquidity challenges can vary by industry. Find a technology partner with proven knowledge on how to overcome these challenges.
- **Flexibility.** Every organization has its own business requirements, financial processes, culture, and technology challenges. Achieving your desired end state requires a holistic cash forecasting solution with the flexibility to accommodate your organization's unique needs.
- **Track record.** There's too much riding on your cash flow to entrust it to a startup technology provider. Look for a partner with demonstrated success in holistic cash forecasting.
- **Ease of use.** Finance users increasingly expect the same quick, secure, and efficient experience that consumers have, and a holistic solution should meet these standards.



**Automation can help uncover the hidden vaults within an organization to free up cash.**

A technology partner with these attributes will help you unlock transformational benefits.

8 Forrester, The Future Of Finance: 360-Degree Cash Flow Visibility And Control, a commissioned study conducted by Forrester Consulting on behalf of Corcentric, December 2021

9 Forrester, The Future Of Finance: 360-Degree Cash Flow Visibility And Control, a commissioned study conducted by Forrester Consulting on behalf of Corcentric, December 2021

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11 Forrester, The Future Of Finance: 360-Degree Cash Flow Visibility And Control, a commissioned study conducted by Forrester Consulting on behalf of Corcentric, December 2021

12 Deloitte

## Improve your Cash Flow

Improvements in cash management can help an organization navigate economic uncertainty while unlocking the cash it needs to support strategic priorities. But many organizations manually manage their cash, trapping working capital in inefficient financial processes and making it difficult for finance execs to access the insights they need to make decisions. Digitally transforming financial processes with a holistic cash forecasting solution can help organizations of all sizes accelerate their cash flow optimization journey by introducing best practices and filling internal expertise gaps.



**Seventy-one percent of finance execs are focused on optimizing cash flows to uncover funding for their company's key priorities<sup>13</sup>.**

## About Corcentric

Corcentric is a leading global provider of payments, procurement, accounts payable, and accounts receivable solutions to enterprise and middle-market companies. Corcentric delivers software, advisory services, and payments focused on reducing costs, optimizing working capital, and unlocking revenue. To learn more, please visit [www.corcentric.com](http://www.corcentric.com).

<sup>13</sup> Forrester, The Future Of Finance: 360-Degree Cash Flow Visibility And Control, a commissioned study conducted by Forrester Consulting on behalf of Corcentric, December 2021

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