WHITE PAPER

Be the disruptor, not the disrupted

Innovating CFO success

How the next generation of corporate financial leaders can leverage new technology to drive positive change and success.

Contents

Introduction: Disruptor versus disrupted

The term *business disruption* can be a very broad brush.

"Disruptive innovation can hurt, if you are not the one doing the disrupting."

Clayton M. Christensen, author of *The Innovator's Dilemma*

It can refer to widespread, seismic-level changes across industries or (as seen during the pandemic) the entire global marketplace, affecting literally billions of people.

Or disruption can happen on a smaller scale: Within a specific area of business practice, organization or team. It can even be *purposeful* disruption, the result of innovation or changes in business philosophy imposed by forward-looking leaders.

The **increasing digitization of B2B payments** is one such example of disruption that's affecting organizations worldwide. It's also an example of how disruption can be *instigated as a positive change* on one side of the business ecosystem (in this case, B2B customers and their accounts payable staff) yet can seem like *a negative disruption or imposition* to others: the suppliers (and their accounts receivable teams) who must now adapt to this change.

Within companies that operate on the supply side of the B2B equation, however, there's **a new generation of chief financial officers on the rise** who are better equipped by experience and attitude to contend with this change. They will even take advantage of it to drive greater business success by modernizing their accounts receivable (AR) operations, because they've grown up with the notion that it's always better to be the disruptor than the disrupted.

By innovating around new AR technologies and approaches, they'll create the kind of *positive disruption* within their organizations that will allow them to better satisfy and retain their customers and drive growth. Their success, meanwhile, will come **at the expense of competitors** who have neglected to embrace the huge potential that exists in evolving their own AR practices.

CFOs: No longer the "numbers guy"

The CFO of the future needs to be embracing of change and innovation as means of defending company stability – not as threats to it.

The CFO of the future won't be the "numbers guy" locked away in his office.

In many cases, fortunately, the CFO won't be a "guy," either. This next generation of CFOs doesn't adhere to the traditional model of being a conservative defender of the *status quo,* leery of changes that might negatively impact the bottom line.

In a global marketplace where external disruption and fluidity seem to be becoming the rule, not the exception, the CFO must become more strategic and less operational. They need to be embracing change and innovation as means of **defending** company stability – not as threats to it.

Recent extensive research into "the DNA of Future CFOs" by Billtrust and Paradoxes, Inc., found that the **key challenges** cited by corporate financial leaders are more varied than those faced by "traditional" CFOs:[1]

- Cash flow
- Hiring amidst remote operations
- Re-evaluating leases, real estate and fixed cost assumptions
- Operational challenges including supporting remote work scenarios, security issues, and extracting and managing company data across departments
- Supply chain/materials issues
- Labor shortages

A bigger role in driving company success

These are issues that impact the entire organization, of course. Because of this, the CFO is now taking on a more expansive role in driving a company's success:

- As never before, they're being asked to be **directly involved in organizational strategy** due to their access to key data and insight into internal operations and the external business context.
- They're **more collaborative and communicative** with other disciplines and areas across the organization, increasingly acting as a business facilitator.
- They believe in the power of **analytics and data mining** to assist in making decisions and want teams that are comfortable with these tools, too.
- They have **strong input into technology decisions** that will impact company (and finance department) performance.

This evolution hasn't occurred overnight, however. It's been contemplated by many organizations and finance leaders for some time. As one CFO put it in a *Harvard Business Review* white paper as early as 2011:

> *I think many CFOs a decade ago were probably great 'stewards' but saw the business more through an accounting lens versus a strategy and value-creation lens.*[2]

Keeping pace with digital transformation

The role of financial teams and the CFO have **forcibly evolved** within many organizations in response to the digital transformation that's occurred across industries and businesses of all types.

Still, as late as 2021, one study showed finance professionals are **still finding it difficult** to prepare, reconcile accurately, and access high volumes of data, though being able to do so is becoming mission-critical for many businesses.[3]

Realizing the need for a change in this area is one reason why a new generation of CFOs and financial leaders in waiting are bringing a fresh level of technological innovation into play within their departments, creating internal (and beneficial, if executed properly) disruption. As tech-savvy members of the Millennial and Gen Z age groups, they're unafraid of applying new platforms and solutions to solving problems and pain points.

Only 33%
of future and aspiring CFOs say their firm's current infrastructure is "very" modern.

Moving beyond outmoded processes

The new generation of corporate finance leaders have **significantly divergent perspectives** on their company's existing processes and practices.

In our "DNA of the Future CFO" study, 46% of current CFOs felt that their finance infrastructure is "very" modernized, meaning the majority of processes and systems are automated, integrated and digital. But future and aspiring CFOs **voiced a less positive view** of their firm's current infrastructure, with only 33% labeling it "very" modern.

What contributes to the latter's frustration?

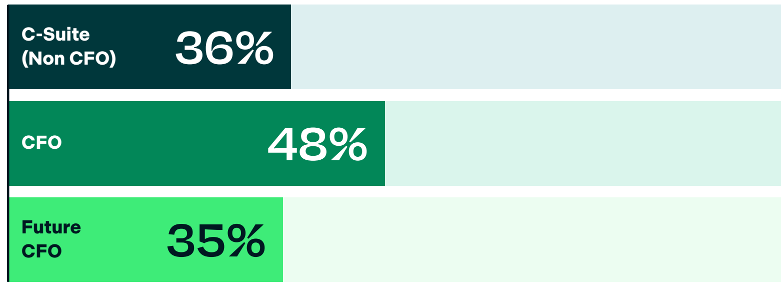
- AR processes are often **challenged by legacy IT architectures** that are not as integrated and current as these systems could be.
- AR managers and supervisors often realize they're "stuck" in outmoded processes and systems, but **are unaware of modernization options** (such as digital payments networks) that can eradicate legacy costs and bottlenecks and improve customer experience.
- At the same time, **finance departments are under pressure** from the C-suite to "do more with less," but traditional processes and tech don't enable greater efficiency.

This younger group is more comfortable with data and analytics tools than current CFOs – another contributor to their disappointment with current finance department solutions and approaches.

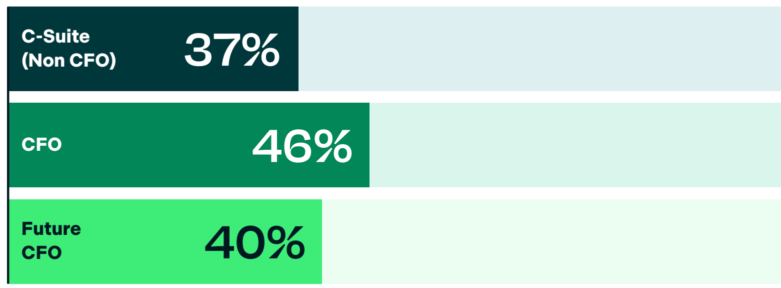
Current CFOs *also* show frustration with the failings of current data and analytics capabilities, but this may be due to A) their own lack of training in these areas, and B) poor technical and analytical infrastructures, which may be (in some cases) attributed to unfamiliarity with new technologies or past unwillingness to modernize.

Frustrations of non-CFO C-Suite, current CFOs and future CFOs

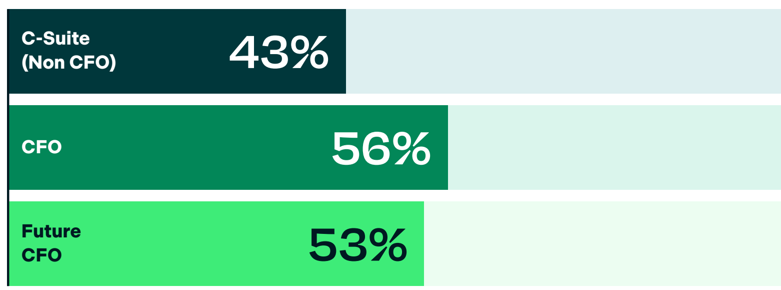
"I struggle to best utilize forecasting and analytics tools due to data management and data quality issues."



"My job is hampered by our organization's technology capabilities."



"The inability to quickly gather and disseminate data negatively impacts my ability to make business decisions."



In line with this, future CFOs express a higher emphasis on data/analytical skills and collaborative skills. Current CFOs have significantly less focus on those skills than their C-suite peers – yet CEOs and others are now, more than ever, looking to the finance department to provide data-based insights and strategy:

Expected skills of the finance department

	C-Suite (Non CFO)	CFO	Future CFO	Total
Financial/accounting skills	74%	75%	75%	74%
Leadership/management skills	80%	67%	72%	74%
Collaboration/communication skills	73%	61%	**67%**	68%
Data/quantitative or analytics skills	61%	54%	**70%**	62%
Technical skills	62%	52%	57%	58%
Creative skills	62%	48%	39%	51%

Key traits of the future CFO

What are the traits that will typify the CFO of tomorrow? These were touched on in a recent Forbes article by Justin Main, Vice President of Integrated Payments for Billtrust, drawing on the aforementioned "DNA of the Future CFO" study.[4]

"Disruption starts with committing to excellence and taking a stand for your customer."

Lewis Howes

1. They'll be more customer-centric

The next generation of CFOs will place **much more emphasis on the quality of the customer experience.** This, he notes, is due in part to their own experience with customer-centric digital channels that "deliver immediate gratification," such as Amazon:

> *Nearly half (47%) of those identifying as future CFOs referenced customer satisfaction, compared with only a third of those currently in the role. Interestingly, customer satisfaction was actually the second most popular answer among this group, ranking only behind forecasting/reporting.*

Moreover, a report from Harvard Business Review Analytic Services found that 58% of business leaders surveyed said the CFO and finance function within their organization were now **participants on their customer experience teams.**[5]

2. They'll make informed data-and-tech-driven decisions

89% of CFOs and finance leaders agree a key future measure of success will be their ability to understand how data moves and is used across their firm, according to Deloitte.[6] Both current and future CFOs pointed out the importance of having both the ability and the inclination to use data to see the "whole picture" of the organization, rather than just its financial aspects.

A **familiarity with technology** and their own tech stack is central to this; 70% believe data and analytics are paramount in adding value to their enterprise, and they define "digital success" via technology projects that extend or integrate infrastructure with customers, vendors, or partners.

3. They'll possess a horizontal management mindset

Rather than possessing a vertical mindset where they only feel responsible for their particular business function, many of these future CFOs **will see the entire organization as being within their scope of responsibility.**

The vertical mindset is, obviously, the traditional orientation of CFOs. But, as Justin Main points out, the upcoming generation of corporate financial leaders "bring with them a cross-organizational, horizontal mindset." They're disposed to collaborate directly with other business units including IT, and are willing to adopt the skills necessary to make that happen.

The dangers of delaying innovation

- Kodak
- AOL
- Nokia
- Radio Shack
- Blockbuster
- Atari
- American Motors
- Toys R Us
- DEC
- Wang
- Blackberry
- Compaq
- Braniff
- Eastern Airlines
- Pan Am
- Mapquest
- Sears
- Lord & Taylor
- Barneys NYC
- MySpace

The roll call of companies that found themselves victimized because they couldn't cope with industry disruptions is so familiar it hardly bears repeating.

But looking through this list provides us with **a visceral reminder** of how segment-dominating Goliaths fell (some fatally) due to internal inertia or an arrogant refusal to evolve. In multiple cases, they were also defeated by disruptive Davids who thrived on innovation and agility.

At first glance, it may not seem that some of the challenges facing finance departments and corporate CFOs would put the entire organization in peril. Particularly when it comes to technology and AR process modernization.

But **the bottom-line consequences of failing to modernize AR** can be significant.

The B2B payments space, for example, has experienced a significant shift in recent years, where the once dominant paper check **has given way to ACH, virtual credit card (VCC), and other B2B electronic payment methods.**

Customers are compelling change

Much of this shift was accelerated by the COVID-19 pandemic and accompanying pressures from customers. They're insisting that sellers and suppliers utilize accounts payable (AP) portals and digital payment methods such as ACH and VCC that are more convenient and efficient for the buyer:

- The total B2B payments market will **reach over $2.5 trillion by 2020.**[7]
- There were **5.3 billion ACH B2B payments in 2021,** valued at $50 trillion, a **20.4% increase from 2020** as the pandemic accelerated the switch to ACH payments. Over the past two years, ACH B2B payments have risen 33.2%.[8]
- Simultaneously, **the use of paper checks is in decline,** from $55.6 billion in 1998 to only $14.9 billion in 2020.[9]
- 25% of B2B payments are made by check, but **40% of CFOs say the use of checks has become less common** due to digitizing accounting operations
- 93% of CFOs say **they're currently digitizing** their accounting ops.[10]

> "You have to seed internal disruptors. You need sources of internal disruption. They don't guarantee your survival, but you have got to try."

Anand Mahindra, chairman of The Mahindra Group

This movement will command innovation among B2B suppliers and vendors for the simple fact that **failing to do so will alienate their customers.** Sticking with traditional payment processes will:

- **Damage customer satisfaction** if the supplier is unable or unwilling to offer digital payments options.
- **Impair cash flow** as non-compliant suppliers find their invoices relegated to slow-paced traditional AP methods, slowing down payment.

The CFOs of the future understand this dynamic and are willing to adopt the tools necessary to address it.

A key tool for positive disruption

The advantages of being a disruptor who adopts automation solutions for your AR operations can be abundant, in light of the changes taking hold across the B2B payments landscape. Yet it's important not to forget how these advantages are actually becoming essential to continued business viability, since your competitors and customers aren't going to stand pat.

One technology that enables AR teams to rapidly and effectively address the challenges of working with a multitude of customer-mandated AP portals and buyers' demands for suppliers to accept varied payment formats? **The digital business payments network.**

A best-in-class digital business payments network will offer functionality and benefits that include:

- The ability for your AR team to present invoices to literally hundreds of AP portals.
- Partnership with a large number of payments providers, including card issuers.
- An integrated digital lockbox.
- Reduced DSO and dispute minimization.
- Enhanced PCI compliance.
- Ease and speed of implementation.
- Scalability without any need for you to add headcount.
- Access to a truly global B2B payments and banking universe to assist you in future growth.

Considering the pace and pressure with which buyers are insisting that suppliers use AP portals, it's not an overstatement to say that suppliers must "adapt or die." The upside? There are three transformational benefits from modernizing your AR processes by joining a digital business payments network:

1. Accelerate your cash flow

As we've seen, traditional payment processes can impede cash flow by being not only slow but vague: When you lack visibility into invoice and remittance status, it's difficult to make clear cash flow projections, so you're operating at a disadvantage. But automating the B2B payments process can facilitate cash flow projections.

A real-world example: A major supplier moved from a 10-day turnaround using manual processes for invoicing to a 3-day turnaround once they'd adopted automation. Consider, too, that this supplier had been sending out over nine million billing and payment documents annually using traditional means; post-automation, they now submit **one million per month** — the great majority digitally.

Payment is accelerated, but it's also much more predictable. For any company, it's vital to track the status of each invoice and make accurate cash flow projections. Plus, the user is able to manage and scale AR operations with far greater efficiency.

2. Reduce your costs

By automating AR processes with a solution like a digital business payments network, a CFO will find they're saving money on a host of fronts:

- **By optimizing efficiency and productivity:** Manual AR processes are inherently inefficient and slow compared to automated ones, and the labor costs involved scale dramatically as a company grows. An AR automation solution such as a digital business payments network makes it possible to have far fewer people managing much more work.
- **By accelerating payment cycles:** The more friction in a payment transaction, the slower it goes. Lagging payments complicate financial reporting, affect credit lines and need to be managed manually to ensure they're completed.
- **By improving Days Sales Outstanding (DSO):** With rising inflation, companies are paying more to carry customer debts. For a hypothetical company with a DSO of 45 days and an inflation rate of 8.6%, that's 106 basis points, more than one full percent.
- **By eliminating human error:** Payment processes requiring manual data entry and remittance matching are keystroke-intensive and prone to often costly mistakes.
- **By reconciling disputes:** Unraveling the cause of invoice disputes is time-consuming and tedious, and if the mistake is on your end? The customer can begin doubting the accuracy of your billing.

- **By cutting interchange fees:** Fees on virtual credit card payments range from 1.15% to 3.30% or more, and may be raised twice per year. A class-leading automation solution will constantly monitor your payment rates and allow you to exploit advantageous Level 2, Level 3, and Large Ticket interchange rates.
- **By avoiding customer dissatisfaction:** Businesses that haven't kept pace with customer AP systems by adopting AR automation see more disputes over invoices, slower payments that affect customer credit lines, lower net promoter scores – and customer attrition.
- **By preventing compliance penalties:** Regulators may impose fines for non-compliance with applicable standards; PCI compliance fines can range from $5,000 to $100,000 a month (approximately €4,900 to €9,800) depending on the size of the company and the duration and scope of non-compliance.

3. Engage, retain, and optimize your workforce

Outdated AR processes that are overly repetitive, manual, and paper-driven are hard on AR teams; in fact, they're **a proven formula for employee disengagement, staff burnout and high turnover.** The all-consuming nature of these outdated processes also means they postpone or prevent any professional development for your team.

By freeing your team from the drudgery of traditional processes, they can be redeployed to strategic projects that provide them with more challenging work and professional gratification, while you're able to do a better job of nurturing and developing their talents.

Case studies in automating AR

In actual implementation, AR automation delivers extraordinary results. Here are real-world examples drawn from Billtrust's work in helping companies modernize and digitize their operations:

CHALLENGES	SOLUTION	BENEFITS
Company needed to lower DSO and expedite company cash flow while providing customers with the flexibility to pay how they wanted.	– Joined a B2B digital payments network (Billtrust BPN) to automate invoicing and payments. – Implemented a customer portal so they could view and pay their invoices on their own terms. – Automated virtual card capture	✓ 49% of customers now receiving an electronic invoice. ✓ 27% of invoices are being paid digitally – an 80% increase in just three months. ✓ Average DSO is now only 27 days. ✓ Automated payments through BPN are made 3.5 days faster than other channels. ✓ Level 2 and 3 card processing data and large ticket interchange optimization saves an average of $170,000 a year in fees.
A **transportation company** needed to keep up with customers' evolving needs. Invoices were sent from their ERP, but this was error-prone, and the cash application process was highly manual. Customers were turning to third-party freight payment providers to automate invoicing.	– Partnering with Billtrust allowed them to automate invoicing and cash application processes. – With Billtrust eSolutions Team, they coordinated strategic campaigns to drive customer adoption. – Implemented Billtrust's Business Payments Network (BPN) Invoicing to connect to 170+ AP buyer portals. – Most recently delivered Billtrust's Pay on Email feature to let customers pay invoices instantly.	✓ 99% electronic invoice presentment achieved. ✓ 91% avg. match rate achieved for lockbox and electronic payments. ✓ Reduction in DSO. ✓ Higher exception handling efficiency. ✓ More timely customer invoicing.
A major **materials handling equipment dealer** relied on manual processes AR with little tracking. Struggled to support customers' diverse invoice delivery and payment needs. Experienced high turnover for collections team due to the tedious process. Unable to effectively conduct outreach to customers 30 and 90 days past due.	– First implemented Billtrust Invoicing to offer options for how customers receive invoices. – Rolled out Billtrust Cash Application to streamline applying cash and remittance information. – Launched Billtrust Collections to automate outreach and increased account coverage on past-due payments.	✓ 91% electronic invoice presentment achieved. ✓ 78% decrease in 90-day aging achieved <4 years. ✓ 75% time reduction achieved for daily cash application. ✓ Stabilized collections team headcount.
A major **building materials distributor** was inundated with virtual card payments. Had only one FTE for customer billing and payments.	– Billtrust Business Payments Network (BPN) automated virtual credit card (VCC) payments.	✓ 83% increase in revenue generated by site. ✓ 89% electronic invoice presentment. ✓ 40% increase in number of orders. ✓ 65% increase in logins. ✓ Nearly doubled customer electronic payments.

CHALLENGES	SOLUTION	BENEFITS
Virtual card payments represented 3% of this **medical distributor's** credit card transactions. But AR team spent 20% of their day managing and processing virtual card payments.	– Automated their virtual credit card capture process.	✔ 28% decrease in card processing fees ✔ 67% increase in transactions over six months ✔ $110,000 in annual savings
In-house invoicing was no longer scalable for this **major foods distributor.** Outsourcing these operations to a vendor didn't meet expectations. Customers did not receive bills on time – or sometimes at all.	– Implemented electronic invoicing. – Provided customers with multiple automated invoice delivery channels. – Customized presentment and payments sites for various internal brands.	✔ 85% of invoices now sent electronically. ✔ Customer payments are made 10 times faster. ✔ Improved customer satisfaction.
A large **construction equipment dealer** needed to scale to accommodate new AP portals and uploading invoices. It was dealing with over 90 customer account portals and 300 invoices per month, and growing, but was using antiquated processes. Manually handling rejections caused delays in payments.	– Leveraged BPN Invoicing to scale invoice delivery to portals. – Assistance from Billtrust helped them set up portals for BPN Invoicing.	✔ Was able to launch on Billtrust BPN Invoicing in less than 60 days ✔ Was quickly able to deliver thousands of invoices electronically. ✔ Ability to scale without adding PTE or FTE. ✔ Can now easily add new portals to accommodate customer requests.

Conclusions and recommendations

> "He not busy being born is busy dying."
>
> Bob Dylan

Digital transformation of accounts receivable is **no longer an option** – neither in the reality of the business landscape nor in the minds of the next generation of CFOs.

That business landscape has already been disrupted by the pandemic and the pressures to "do more with less." **Customers have created disruption for suppliers** by insisting on the use of AP portals and alternative means of payment.

Meanwhile, the rising corps of corporate finance leaders have matured in a world where disruption is the rule. So they're much more willing to **promote positive disruption** by imposing new practices and technologies – like digital business payments networks – as a means of making their organizations more agile, competitive, and profitable.

So it's more requisite than ever for CFOs and financial leaders of every generation to embrace a digital payments network in order to:

- **Deliver a superior invoicing and payments experience** for customers that meets them on their own terms.
- **Build connectivity** with external and internal portals in order to accelerate the B2B payments process and expand your AR reach and efficiency, using solutions such as a digital business payments network..
- **Take greater control** of your corporate cash flow.
- **Elevate your AR team** (and organization in general) above the chaos, delays and inefficiency spawned by outmoded processes and platforms.
- **Showcase innovation and efficiency** that makes the finance department a leader among other departments and disciplines within the organization.

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ABOUT BILLTRUST

Billtrust is a leading provider of cloud-based software and integrated payment processing solutions that simplify and automate B2B commerce. Accounts receivable is broken and relies on conventional processes that are outdated, inefficient, manual and largely paper based. Billtrust is at the forefront of the digital transformation of AR, providing mission-critical solutions that span credit decisioning and monitoring, online ordering, invoice delivery, payments and remittance capture, invoicing, cash application and collections.

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