Credit Research Foundation

CRF News

www.crfonline.org

©2015

1st Qtr.

A Look at Talent Retention for Credit & A/R Professionals

CRF Survey Results and an Overview of Several Company Talent Retention Programs

By Tom Diana

Keeping Great Employees

All companies want to retain high-performing employees. Longer-term employees not only acquire specific skills needed for efficient company operations, but they are familiar with company procedures and culture. Many companies invest in employee training and education, so retaining those employees validates that investment.

CRF conducted a survey in January 2015 to determine the extent to which formal Talent Retention Programs have been implemented in survey respondents' companies. Nearly 350 respondents participated in the survey.

CRF Talent Retention Survey Results

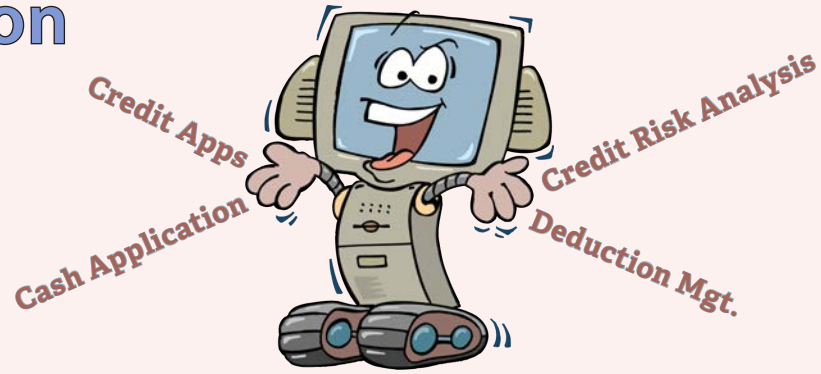
Among the survey respondents, only 15% indicated their Credit and A/R Operations had access to a formal Talent Retention Program. The vast majority of respondents (85%) indicated they did not have access to such a program.

However, of the survey respondents who didn't have a Talent Retention Program, a majority of them indicated they would either like to have one in their company or they may be open to having

Highlights of What's Inside

State of Automation in Credit & A/R Technology

by Scott Wolfe, CEO
zlien



Introduction

Utter the word "automation" in a room of credit managers or accounts receivable professionals and it'll conjure up different feelings. Companies have tangled with automation promises in the past, and with mixed experiences. It is certainly true that a credit manager who works with her accounts 40 hours per week will be reluctant to turn over her discretion to a machine.

Nevertheless, it cannot be ignored or denied that computing makes life easier and has made our society and our business organizations much more efficient. It's also undeniable that computing power is becoming more accessible and impressive.

The accounts receivable function appears to be a perfect candidate for automation-type and other technology solutions. Accounts receivable professionals must process a lot of data, make constant calculations, and do lots of repetitive processes - all of which is right in a computer's sweet spot.

This explains why so many technology products have been developed and targeted to credit and A/R professionals. The history has been a bit bumpy, however. This article explores that history, describes the current state of automation and technology enabling products, and dreams about the exciting future to come.

A Short History of Technology in Credit & A/R Space

How we got to where we are today

It wasn't that long ago when credit managers and accounts receivable professionals did everything with a pen and pad. The personal computer's introduction, and shortly thereafter the invention of the spreadsheet[1], changed everything. Building and managing databases was within the reach of virtually all organizations.

Technologists began to innovate, writing software programs to assist companies in performing workflows and managing certain types of data. Credit and A/R functionality was typically housed within a large Enterprise Resource Planning (or ERP) platform.

Some companies created their own homegrown platforms, while others leveraged growing platforms by Oracle, SAP, Epicor, Infor and others. In fact, these ERP companies became some of the globe's largest organizations by providing all-in-one big box software.

These software programs were expensive to buy, expensive to install, and expensive to maintain. The software was installed on premise (i.e. on a server that the installing company would maintain), and IT departments became a staple at every organization. Credit and A/R professionals began to rely heavily on the IT workers, who were employed to keep all computers connected to the server and all software up-to-date.

For credit and accounts receivable professionals, this was a huge improvement from the pen and pad. They had better access to their company's data, and they could manage different workflows.

There were, however, challenges.

As everyone built their companies around different systems, they began to notice that the platforms didn't talk to one another. Many tried to collaborate and rally around defined data standards to better exchange data between these systems. One such effort was to standardize invoice data with Electronic Data Interchange (EDI).[2]

However, the effort never really fully solved the problem, largely because it's very difficult to get a seemingly infinite number of systems to commit to a single standard.

Another problem with the big box and homegrown technologies is that while the products got very sophisticated, it never exactly did what companies needed. Companies needed customizations.

Credit and accounts receivable professionals are too familiar (and frustrated) with the process of making technology change requests. There are always unique functions, integrations, data queries and more that professionals need from their software products, but the big box or homegrown

1 http://www.theatlantic.com/technology/archive/2014/10/behold-the-awesome-power-of-the-spreadsheet/381604/

2 http://en.wikipedia.org/wiki/Electronic_data_interchange#Barriers_to_implementation

system simply doesn't contemplate. The list of needs is never ending, and worse yet, by the time IT gets through the complicated effort of implementing the change…the business needs have changed as well.

That brings credit and accounts receivable professionals to the present day. They can ask themselves this: What version of IE is installed on their computer? Why can't it be upgraded?

Even worse, why is it that credit and accounts receivable departments must stare at green screens (we're talking to you AS400!) and clunky enterprise software all day at work, and then go home to scan through beautiful, fast and highly functional applications like Facebook?

The World & The Technology Status Quo Has Changed

Where Credit & Accounts Receivable Technology Is Today

The world changed, and it continues to change at an enormous velocity.

Things started to change in the early 1990s when the Internet went mainstream. At that time, websites were pretty much electronic business cards, and had virtually zero impact on a credit or A/R professional's job. When the Internet dawned, in other words, it was irrelevant to the technology used in corporate credit departments.

Soon thereafter, however, the phrases "Web 2.0" and "cloud computing" surfaced. These terms refer to software products that are completely consumed by a user through a web browser. All of the company's data, therefore, resides on a server maintained by the software publisher, and an entire company can access the most up-to-date software product at all times, by all users, from anywhere in the world using only a web browser. Furthermore, the user can access the software without installing anything, implementing anything, or doing anything at all. They just sign up and go - just like a Facebook account.

These buzz words – "Web 2.0" and "cloud computing" - started to spread through technology conversations like wildfire, and billions of dollars in venture capital began to pour into technology companies who were building "software in the cloud."

In the beginning of this era, there was the promise that this could substantially impact credit and accounts receivable departments. In reality, however, most investments into Web 2.0 and cloud technologies manifested themselves around the consumer market (i.e. Facebook, Dropbox) and the sales and marketing departments (i.e. Salesforce, Marketo).

Today's technology world is far along in the "Web 2.0" and "cloud computing" era however, and these technologies are beginning to substantially impact the credit department.

Applications like Billtrust enable companies to send, receive, pay for, and completely manage the invoicing and cash application through cloud software. Accounts receivable workflows and collection workflows can be managed through cloud technology products like Funding Gates and High Radius. Accounts receivable and accounts payable departments are being connected in real-time like never before through Ariba, Tradeshift and Taulia. And the nightmare of managing sales tax is solved by products like Avalara.

These examples are all web-based software offerings that never would have seen the light of day before the Internet and "Web 2.0." They specialize in functions that big box and homegrown systems are not great at, and their focus in each area enables them to be agile and thorough in their offerings.

There's something much more interesting about cloud technologies like these, other than the fact that companies can ditch their servers and IT support. The real excitement comes in what cloud based technologies can empower credit departments to do.

Cloud based technologies place all of a company's data into the "cloud," which means that the data is accessible by other cloud based products. These products are easily integrated with one another through APIs (application programming interface(s)), and this means that credit departments who want to leverage a product to perform a certain function need not go through an IT circus to get data pumped into the product. It can just happen.

Most importantly, the cloud revolution has ushered in a software democracy. Venture capitalist Marc Andreesen summed it up most famously in a Wall Street Journal op-ed from 2011 when he observed that "software is eating the world."[3]

In the past, if you wanted to build software for a credit department, you needed to have the infrastructure of an Oracle. Today, however, there are small, agile and brilliant software engineers working on this problem within different start-ups and maturing companies.

Today, therefore, we live in a software democracy - the millennial economy.

We've been through the silicon chip, the personal computer, the Internet (Web 1.0), the Cloud (Web 2.0), and we now sit at the edge of a technological revolution that will be even more drastic than all the others. It's been called Web 3.0, or the Internet of Things…but it all boils down to this: *You*.

The Future of Credit & A/R Technology

In 2006, Time Magazine named their "Person of the Year," and that person was you.[4] This was decided because 2006 saw a lot of user-generated content businesses, such as Wikipedia, Youtube, Facebook and others, take off. These companies went on to be valued in the billions, and they built themselves entirely on people willing to log in and create interesting content for them.

3 http://www.wsj.com/articles/SB10001424052111903480904576512250915629460

4 http://en.wikipedia.org/wiki/You_(Time_Person_of_the_Year)

The Time Magazine hat-tip to "you," however, was also foreshadowing what has been termed as "Web 3.0." The next technological wave will leverage the Internet, cloud-based computing and advanced programming languages to build absolutely everything around the user….to build it around *you*.

That applies to both people and companies.

An example of technology that is being developed around you as a person is Nest, which is a cloud-based thermostat that learns the user's schedules and preferences and then governs the climate in a home-based thereupon. This technology utilizes the cloud to perform artificial intelligence functions (i.e. learning a person's schedule) and falls into the growing "Internet of Things" category.

These consumer technologies are neat, but they are only a preview for the very exciting use of these same technologies in the corporate space.

IBM's Watson project, for example, is an artificial intelligence project that got famous when it won against champions in Jeopardy! Why is this relevant to business software? The A.I. work being done by Watson will change a lot of industries, and an example of this is in healthcare. IBM claims that if Watson looks at a patient's medical records, it can "tell you it's 95% certain that one chemotherapy is better than all other options."[5]

Consider this comment about Watson as explained by physician José Baselga in the CNN Money article, "IBM unveils plans for Watson supercomputer:"

> *Watson can do what other doctors can't: digest and remember vast amounts of data and keep up to date on the latest research. For example, Watson could analyze patients' health backgrounds well enough to warn against treatments that might have a rare but deadly side effect.*[6]

What does this have to do with credit departments? A lot. Here are a few examples of how Web 3.0 and artificial intelligence technologies promise to quickly change the credit professional's function.

Real Time Automated Conversations With Customers and Non-Payers

Currently, a credit manager or accounts receivable professional can use a technology product to keep track of who owes money and what workflows should be applied on the account. The professional goes through row after row of data, and makes call after call. Why, though, is a human responsible for this?

At first, it seems like a perfect task for a human. The human has intuition, after all, and there are strong arguments that human intuition will never be replaced by machines.[7] At the same time, however, there are machines and software products that exist today that can fool people into believing that they are interacting with another human, and not a machine.[8]

What if the follow-up and conversations about non-payment was automated with machine intelligence? This is not the standard, familiar and scary automation. This is really intelligent automation that mimics human interaction.

This is already happening in both non-credit and collection functions, and within credit and collection functions.

In the non-credit and collections space, X.ai is an example of artificial intelligence software that promises to replace assistants in the scheduling process. The software will have real-time conversations with humans over email to schedule meetings. This technology is good, getting better, and extremely well funded.

In the credit and collections space, consider a new company: True Accord. This company just raised over $5 million in Series A financing from sophisticated investors, including one of the Paypal founders. Their product uses "behavioral analytics and a humanistic approach to help enterprises…" automate, intelligently, their collection processes.[9]

While humans have the benefit of intuition, they also have the detriment of letting emotions and biases get in the way of decisions and in the way of better relationships. TrueAccord is not just automating the collections process, but they are doing it in a way that *improves* relationships between the buyer and the seller.

It's easy to see how the millions of dollars being invested into companies like True Accord, X.ai and the artificial intelligence technologies is going to yield some very interesting products for credit departments in the near future.

Data Sharing & Integrations Everywhere

Waiting on IT resources to connect the company's data to different systems and databases is a vanishing problem. More and more software platforms are built in the cloud, and the underpinnings of this technology is to be very connectable to other platforms through APIs. In the near future, credit departments will be able to access all of the data across their companies, and have the luxury of being able to adopt new solutions without kicking off a 2-year IT project.

One very current example is in the technology being built around the accounts payable function. Unlike accounts receivable technology, a lot of products and developments are being adopted in the accounts payable space, with hundreds of millions of dollars in technology investment building products like Tradeshift, Taulia, and Ariba.

At it's core, these technologies are leveraging the cloud and the ability to integrate between cloud platforms to make it easier for multiple platforms to speak to one another.

5 http://money.cnn.com/2014/01/09/technology/enterprise/ibm-watson/

6 Id.

7 http://www.theatlantic.com/technology/archive/2011/08/why-computers-will- never-replace-us/243818

8 http://www.theguardian.com/technology/2014/jun/08/super-computer- simulates-13-year-old-boy-passes-turing-test

9 https://www.crunchbase.com/organization/trueaccord

The accounts receivable space is a bit behind, but a lot of interesting work is happening in the space nevertheless, and it's only a matter of time before the credit departments are seeing more intercommunication between different platforms, internal data and systems, and platforms used by their customers.

Conclusion: Automation 2.0 Is Real, Coming Soon, and Transformative

Automation can be a scary word. The automation concept, however, is being drastically enhanced by fast computer processing speeds, machine intelligence algorithm improvements, cloud based platforms and the software democracy. Hundreds of millions of dollars are being invested into the space every year. The technology promises to be transformative, and not only is it coming soon to the world at large, but it's coming soon to credit departments as well.

Credit professionals and accounts receivable professionals can find competitive advantages for their departments if they adopt sooner, and those slow to adopt, could bear risks.

About the author:

Scott Wolfe is CEO of zlien in New Orleans, LA, a platform that reduces credit risk and default receivables for contractors and suppliers by giving them control over mechanics lien and bond claim compliance. He may be reached at: scott@zlien.com. Twitter: @scottwolfejr

Credit Research Foundation

1812 Baltimore Blvd
Suite H
Westminster, MD 21157
443-821-3000

CRF News

Copy Editor: Cheryl Weaverling
Editor, design, photos and photo illustrations: Tom Diana