We have all experimented (or know someone who has experimented) with creating fire using a magnifying glass. Light rays normally radiate harmlessly in all directions, bouncing off objects in the atmosphere and the earth’s surface. However, if you focus light rays onto a single point using a magnifying glass, you can generate enough energy to create fire and burn just about anything! This important discovery unfortunately eludes the attention of many organisations today; the power of focus.

The sad thing is that it seems most organisations seem to have forgotten this simple lesson. For many of us, we have become steeped in corporate cultures that excel at losing focus and dissipating energy far and wide. Most organisations have multiple business units, divisions and departments, each with their own products, strategies, initiatives, applications and systems to support them. Good portions of these activities can be redundant at best and conflicting at worst. The organisation as a whole spins off in multiple directions at once without a clear strategy. Changes in leadership, mergers, acquisitions and reorganisations amplify the chaos. In research done in conjunction with Wayne Eckerson, director of research and services at The Data Warehousing Institute, CVG have discovered that this particular problem is rife in the management of working capital and in particular Accounts Receivable.

To rectify this problem, companies need an ‘organisational magnifying glass’ - something that focuses the work of employees so everyone is going in the same direction. Strong leaders do this. However, even the voice of a charismatic CFO or Credit Control Manager is sometimes drowned out by organisational inertia. In CVG’s work with many of the Fortune 500 companies, we see time and again how the issue of generating cash out of working capital and operations is said to be an important focus area, but in reality, most companies are still managing their Accounts Receivable with spreadsheets, email and post-it notes.

Strong leaders need more than just the force of their personality and experience to focus an organisation. They need information systems that help them clearly and concisely communicate key strategies and goals to all employees on a personal basis every day. The system should focus workers on tasks and activities that best advance the organisation’s strategies and goals. It should measure performance, reward positive contributions and align efforts so that workers in every group and level of the organisation are marching together toward the same destination. The system should also provide key performance metrics to senior management underlining the importance of focusing energy on prioritising the improvement of Accounts Receivable management.

So, if you find yourself stuck in how to communicate the importance of managing cash and working capital to the rest of your organisation, try showing them the statistics in a performance dashboard. At a glance, you can illustrate all your key KPIs and exactly how many customer disputes are being raised, what the top 10 disputes are, what the ageing balance is across your portfolios, the global DSO across all your countries, how effective your collection strategies are and how much cash is collectible vs. how much is tied up in disputes. The list goes on and on.

**Key Objectives of a Performance Dashboard**

To work this magic, a performance dashboard provides three main sets of functionality and lets business people:

- Monitor critical business processes and activities using metrics of business performance that trigger alerts when potential problems arise.
- Analyse the root cause of problems by exploring relevant and timely information from multiple perspectives and at various levels of detail.
- Manage people and processes to improve decisions, optimise performance and steer the organisation in the right direction.
Accounts Receivable KPIs and Dashboards

Performance Dashboards: Agents of Organisational Change

A performance dashboard is a powerful agent of organisational change. When deployed properly, it can transform an underperforming organisation into a high flyer. Like a magnifying glass, a performance dashboard can focus an organisation on the key things it needs to do to succeed. It provides executives, managers and workers with timely and relevant information so they can measure, monitor and manage their progress toward achieving key strategic objectives.

Here are the common symptoms of less than successful solutions:

- **Too Flat.** Many organisations create performance management dashboards across working capital and AR, using Microsoft Excel, PowerPoint and advanced charting packages. Although these applications often look fancy, they generally do not provide enough data or analytical capabilities to let users explore the root cause of problems highlighted in the graphical indicators.

- **Too Manual.** In addition, some organisations rely too heavily on manual methods to update performance dashboards that contain sizable amounts of information. Highly skilled business analysts spend several days a week collecting and massaging this information instead of analysing it. The majority of performance dashboards automate the collection and delivery of information, ensuring a sustainable solution over the long term.

- **Too Isolated.** Some performance dashboards source data from a single system or appeal to a very small audience. As a result, they provide a narrow or parochial view of the business, not an enterprise view. In addition, these dashboards often contain data and metrics that do not align with the rest of the organisation, leading to confusion and chaos.

CVG recommends that whatever solution you select, get one which services your AR and working capital needs sufficiently.

CVG Value+

CVG Value+ supports a range of performance dashboards including:

- Actual balance and billing vs. target balance and billing
- Aged debt
- Aging summary vs. %age overdue target
- BPDBO vs. overdue DBO vs. target total DBO vs. forecasted DBO (all by territory, business unit, time period and model)
- BPDSO vs. overdue DSO vs. target total DSO vs. forecasted DSO (all by territory, business unit, time period and model), and collector productivity performance
- Debt coverage metrics
- Dispute amount vs. % age of AR
- Doubtful vs. bad debts
- DSO or DBO trend analysis
- Forecasted DSO
- Forecasted payment performance
- Monthly rollover
- Payment performance

CVG Value+ can also import data from third party credit scoring agencies such as Dunn & Bradstreet for use in the performance dashboards, predicting payment behaviour as well as combining those statistics with historical payment performance to get a better picture of whether customers are likely to default or not. CVG Value+ can also predict or forecast if a customer will default based on payment performance behavior of other similar customers (either by region or industry).

The list is endless. Whatever you choose to do or whichever system you wish to implement, ensure you that your IT systems give you the right information in the right format to enable you to win people over and make the waves you are committed to make within your organisation.

CVG Value+ is industry-leading Accounts Receivable and Dispute Resolution automation software. CVG Value+ users enjoy the way they can:

- Reduce their DSO through AR automation
- Improve customer service through dispute resolution automation
- Automatically process deductions
- Streamline and gain efficiency in AR and customer service