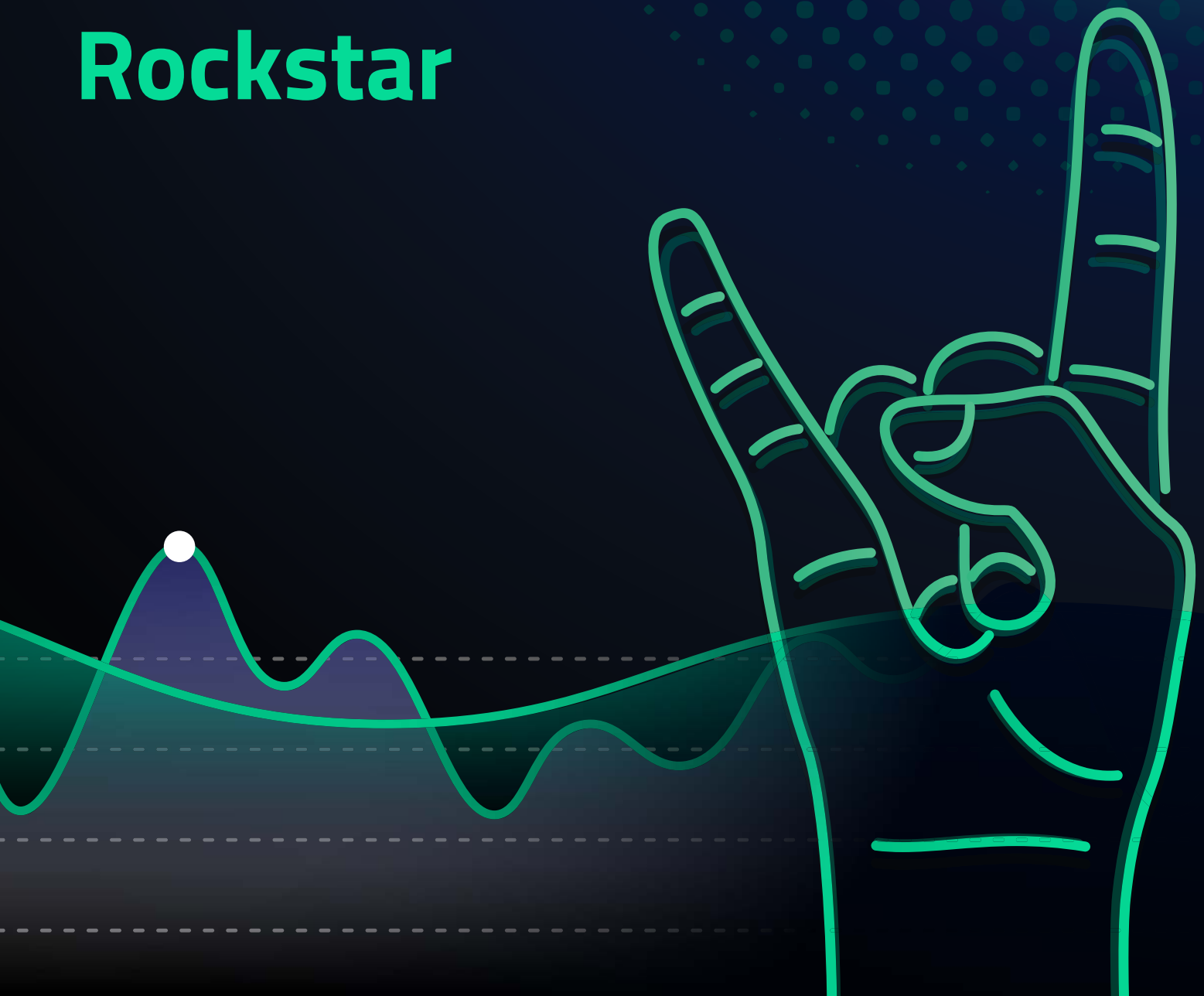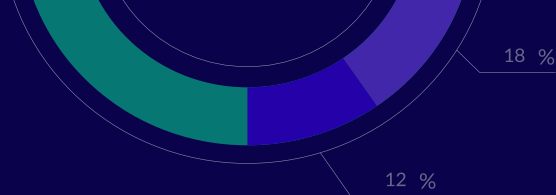# The **CFO Guide**:
How to Build and Scale Collections Team Like a **Rockstar**

The struggle of building and scaling a collections team is real. Across recruiting, hiring, and training new workers in the accounts receivable (A/R) processes driving your business, managers have a lot on their plates. It's quite common to hear of A/R teams juggling multiple tasks at once to keep processes running smoothly:

Monitoring outstanding invoices

Reminding clients of payments

Setting up Dunning strategies

Tracking payments

Generating reports

These are just a few of the tasks collections employees have to deal with on a daily basis. And when you pile on the challenges of acquiring new staff, it's clear why so many companies struggle with A/R time management.

Poor collections practices create big cash flow problems to companies that don't have a handle on A/R time management. But building a new team to stay on top of tasks isn't easy. Typically, companies will encounter two types of situations when trying to scale their A/R teams:

1. You don't have a collections team and decide to build one.

In this situation, the company in question enters unknown territory. There usually aren't any experts who can help design the team, leading to challenges where employers don't know what skills to look for -- or even how to find them.

2. You have a collections team, but it needs to be scaled up.

Here, the primary challenge isn't expertise, but recruiting. Companies will still need a way to locate the appropriate A/R staff and onboard them without undue time spent hiring and training. This is easier than assembling a whole new team from scratch, but it remains challenging nonetheless. 47% of recruiters expect to lose a tenth of their workforce in any given year, and 71% believe it takes a new starter up to three months to produce the same level of work as a fully-trained employee.

In either situation, companies face the challenge of scaling their collection teams in a sustainable way. As we'll review, this is a common business challenge that technology solutions -- such as automated A/R collections platforms -- are uniquely designed to handle.

Challenges of Scaling Collections Teams

You want your business to grow, but the more growth you experience, the more A/R collections you'll need to process. If your team isn't set up to handle the amount of work, it hurts your cash flow and cripples your business.

Whether you're building a collections team from scratch or trying to scale with growing demand, there are three primary challenges you'll need to overcome to ensure your collections team can support the increased workload.

01

Employee Turnover (Churn Rate)

Employee turnover (or employee churn rate) is the rate at which employees leave their jobs—either voluntarily or involuntarily—and need to be replaced. It's most common in high-stress, entry-level positions like receivables collections. Informal research shows that many collections departments lose up to half of their team members every year.

Constantly needing to fill employment gaps is a huge burden on your team. Every time you hire a new employee, they need to be trained. And who's going to train them? Your existing team! That means your current employees will need to take time out of their busy schedules to train the new hires, leading to even more costly challenges.

Time Spent on Training

You aren't only paying the new employee to go through training; you also need to pay an existing employee(s) to train them. That's at least two people getting paid without working on A/R collections projects that make the company money. Training is always a loss, so the less of it you have to do, the better.

Limit Existing Team's Capacity

In addition to the money lost on training, you're also limiting your existing team's capacity. When current employees take time to train new hires, they can't do their regular jobs and contribute to the team's workload. Not only will this mean less money collected in a day, but it also puts an additional strain on employees, leading to higher stress and, potentially, more employee turnover. It's a vicious cycle.

The Cost of Employee Turnover

Between the time spent in training and the loss of productivity, studies have shown that replacing an entry-level employee costs around 16% of their annual salary. For collections positions that average around $45,000-50,000 per year, that's almost $8,000 per employee!

Reducing your employee turnover can save you some serious money and allow you to maintain an experienced team to scale with your growing business.

02
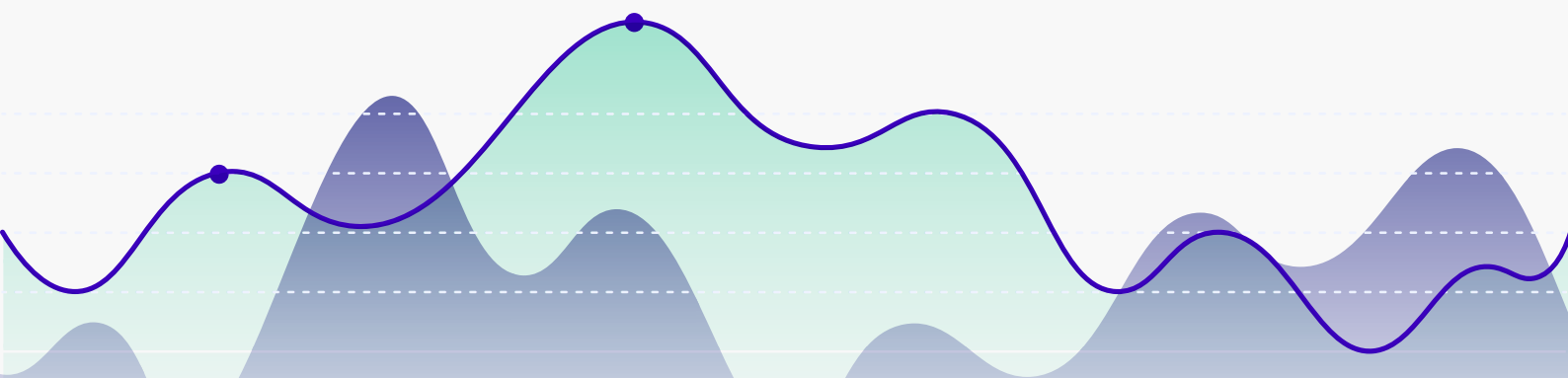
Recruiting/Hiring

No matter what you do to decrease employee turnover, you're never going to eliminate it completely. It's just a part of business. So, if you want your collections team to scale with your company's needs, you need to perfect your recruiting methods. Unfortunately, that's easier said than done.

Collections is considered a difficult position to fill. As an entry-level position, there are often a limited number of qualified candidates that match the exact job description. It's also considered as a high-stress position, which means that if you do find a qualified employee, it's hard to get them to stick around for a long period of time.

To cut down on time (money) spent recruiting, it's important to address and overcome these recruiting challenges:

Tons of Competition

With online job boards like Indeed and Monster, applicants have access to more jobs than ever. That means as an employer, you have to compete with hundreds if not thousands of other employers for attention.

These entry-level positions, like collections, might have more candidates available than upper-level positions, but there's also more demand. Even if you post the perfect job description, applicants can be picky and might still choose to work for a competitor.

Difficult to Test Qualifications

And while though collections is considered an entry-level position, it still requires a certain degree of skill. The right candidate needs to be personable and friendly, yet tough enough to stand their ground and do what's best for the company. That's a difficult line to walk and nearly impossible to determine if a candidate is qualified based on a resume alone.

You could hire employees that seem great based on their application but, in reality, lack the fundamentals to do the job well—or don't fit in with your company culture. In that case, you're back to square one and out another $8,000 to hire and train the next person in line.

Lack of Time

Time is the enemy of all businesses. You don't have time to create job postings and vet candidates whenever someone leaves. Every time you need to hire a new employee, it takes time out of your busy schedule. There just never seems to be enough time in the day.

Many companies opt to work with a recruiting firm for their staffing needs. While this might help save some time, it's also an additional expense to consider.

03 Measuring Performance

How can you tell if your team is scaling effectively with your business? How you measure your collections team's performance will indicate whether things are okay or if you should hire more team members. You can't just wait for your current employees to start complaining about their workload. The moment that happens, it's already too late.

You need to identify trackable metrics to measure your team's performance and how it handles current and future workloads. The challenge is that performance is an extremely difficult metric to measure, monitor, and control.

Traditional collections performance tracking requires complicated Excel sheets and too many metrics to count. Maintaining all this information is a lengthy process that requires a lot of time and dedication that most businesses don't have.

Okay, so you want to take it on yourself. Head over to Google and find the best metrics to track, right? Unfortunately, every collections team is different, and how one group might measure performance might not work for another. There's hardly any consistency when it comes to tracking collections teams' performance.

You'll need to develop metrics that work for your team and take the time to track them. Without an accurate way to measure performance, you'll never be able to build a scalable collections team.

How Does Gaviti Solve These Challenges?

Most of the challenges associated with scaling your collections team have to do with a lack of labor. Maintaining and managing your workforce is costly and time-consuming, but what if the answer to scalability wasn't access to fast labor?

If you could simplify the A/R collections and automate many of the processes, a smaller team would be able to handle a larger workload without the stress. Less stress means less employee turnover and a more efficient, scalable collections team.

Gaviti is one such solution, offering a user-friendly platform for managing multiple tasks related to receivable collections. While some A/R collections solutions offer only basic reporting and management tools, Gaviti's platform acts as an all-in-one knowledge base for data collection, automation, and reporting.

Specifically, automated A/R platforms like Gaviti help optimize your collections process in several ways:

- Better manage receivables collections
- Support employee onboarding and training
- Track performance
- Share collections data
- Maintain the collections team you've built

Let's review each of these benefits in more detail.

Managing the Collections Process

Managing collections isn't an easy task. With so many variables and moving parts, it can be difficult for even the largest of teams to manage the process properly.

Automated technology can reduce the administrative workload and create consistency across your operation for more efficient A/R collections with a smaller team.

Cut Down on Manual Work

Administrative work takes up the most time in the collections process. Between maintaining spreadsheets, making collections calls, and sending notices, it can easily reach thousands of hours of work by the end of the process.

Automation reduces the need for manual work and streamlines nearly every aspect of A/R collections management. Backed by an A/R collections platform, your team will spend less time on logistic work like data entry and report generation, leaving them free to focus on more value-driving tasks – such as analyzing reports, or doing deep dives into your A/R data for better decision-making.

This provides obvious benefits from a cost and productivity standpoint, as the average cost of manual processing runs between $16 to $22 per invoice. Automation streamlines this process by subverting the need for teams to manage manual processes by hand:

- Data entry
- Payment recording
- Issuing invoice reminders
- Dunning management
- Customer outreach

Automating these processes saves A/R collections teams thousands of hours in labor. We all remember the days where these tasks had to be done by hand, but these days, companies can get the same work done in a fraction of the time.

Aside from the obvious cost-saving benefits of these solutions, automation also increases reporting accuracy throughout your enterprise. This is a big issue that most companies have to deal with at one point or another.

Humans make mistakes – there's no getting around it. According to one study, 27.5% of accounting professionals reported that they had encountered incorrect data that had been manually input into enterprise systems at their firms.

Any data errors that go unnoticed can throw off workflows and create inaccurate reports, which produces even bigger problems down the line. By reducing the need for manual data entry, automation decreases the risk of these errors and creates a more accurate system across the board.

Case Study: Wochit

For example, a cloud-based video creation platform company called Wochit struggled to keep up with cumbersome manual collections tasks. Their A/R administrator was overwhelmed with customer communications, sending invoices, and getting clients to pay. She was just trying to stay afloat and didn't have time to work on other projects like looking at analytics or perfecting logistics to grow the company.

To relieve some of the administrative burdens, Wochit turned to Gaviti to automate many of the collections tasks that were taking up so much time and energy. The Gaviti platform eliminated many of the manual tasks that took up so much of the A/R administrator's time. She could then focus her time on outstanding invoices and other proactive projects to help the company grow.

Wochit's A/R process went from unmanageable to extremely efficient within weeks without any labor adjustment. They were collecting more outstanding payments and reducing their Days Sales Outstanding (DSO) using the same small team. When the small administrative tasks are gone, your team can work more efficiently and keep up with growing demand.

Reduce Workflow and Reporting Errors

A/R collections teams are rarely made up of one person. For most businesses, it's an entire team of collections professionals working in a single department. Of course, the more people who work on a project, the more opportunity for human error and inconsistency.

In collections, there's no room for errors or inconsistencies. Your team needs to work like a single, unified, well-oiled machine to keep the cash flow moving and reduce DSO.

When you automate A/R collections processes and remove the human element, you guarantee consistency across teams, departments, and companies. You can be confident knowing that the process will be consistent whether it's managed by a senior administrator or a new hire.

Case Study: A Closer Look

When the company A Closer Look grew to over 500 customers, their collections team struggled to keep up. More and more team members were hired to manage the increased workload, which only created more errors and inconsistencies across departments. They needed a way to maintain consistency with their A/R processes and streamline the workflow for greater efficiency. They turned to Gaviti for the answer.

After a seamless integration and thorough team training, their collections processes were forever transformed. Without the inconsistencies, the collections team could now scale with the growing demand without errors or inconsistencies. Gaviti even helped them manage the same workload with limited staff due to the COVID-19 pandemic.

When your collections processes are handled by automated software, there's never any inconsistencies or errors, no matter how large or diverse the team. The process is handled the same way every time, just like it's supposed to be.

Efficient A/R Collections with a Smaller Team

With the reduction in administrative work and fewer inconsistencies and errors, Gaviti's A/R automation software lets you handle increased workloads with a smaller team. You'll save money on labor and recruiting costs, and your team will enjoy the less-stressful workloads. Your team can focus on being proactive and improving processes instead of simply keeping up.

Gaviti can help you bypass many of the labor challenges, putting you firmly on the road to scalability.

Training and Onboarding

While automating processes will allow you to manage collections with a smaller team, it won't eliminate the need to hire new team members. Employee turnover is just a fact of business life. Luckily, Gaviti can help train and onboard new employees to simplify the process and reduce hiring costs.

Gaviti's platform stores all data points and actions related to your clients. This information can be used as a training alternative to generic PowerPoints and slideshows by showing new hires real-life collections processes and data. When they're trained based on actual reports and data, employees are ready to get to work faster.

Faster Turnover Processes

One of the main challenges of creating a scalable team is the time it takes to train new employees. When you hire a new collections team member, the new employee needs to take time to train, and a current employee needs to take time out of their busy schedule to train them.

With Gaviti, you can reduce training times to get back to work faster. New employees can learn about your unique processes and customers from real-life data. When Gaviti handles most of the training, your current team members can continue working on collections, and the new team members will be able to jump right in without missing a beat.

With traditional employment training, there's an additional step that needs to be overcome. Even when the new employee is ready to work, they still need to learn what their predecessor was working on and where they need to pick up the process. This adds even more time to the hiring and training process and leaves room for errors and duplicated work.

With Gaviti, you don't have to start training new employees from scratch. All the work records from your previous employees are still stored in Gaviti's platform. Once they're finished with training, new employees can simply log in and pick up exactly where the previous employees left off for a seamless transition without confusion, backtracking, or downtime.

Gaviti's A/R collections software can speed up the hiring and training process to get your team back to work faster.

Reduce Hiring Costs

By automating many of the time-consuming administrative processes, you can handle more collections with a smaller team. A smaller team means fewer employees on payroll, saving you money on labor costs. Automation is simply a cheaper way to handle A/R collections.

In addition to maintaining a smaller team, Gaviti can also help you save money on training. Time is money, so when you reduce the time it takes to train new employees, your business will save money in labor costs—both for the new hire and their trainer(s). You'll also benefit from less downtime since new employees will be able to begin working with the team in less time.

Easy Hiring Promotes Scalability

No matter how simplified your collections processes become, you can't eliminate the need to hire. Luckily, Gaviti's A/R collections platform helps you save time and money on hiring. When you're not worried about training or breaking your budget, you're free to hire new employees as needed, making it easier to scale your collections team on demand.

Track Performance and Share Data

Tracking key performance indicators (KPIs) is a necessary evil of A/R collections. It requires lots of spreadsheets, calculations, and detective work—all things that collections teams don't have time for. If you don't keep track of your collections team's performance, you won't know how they're handling their current workload, killing your chances of creating a scalable team.

With Gaviti, all your collections data is managed through a single interface. When all the data points are together, performance tracking becomes easy. Intuitive dashboards can show you the exact information you need to calculate important KPIs and track your team's performance over time:

- DSO
- Average Days Delinquent
- Accounts Receivable Turnover Ratio (ART)
- Collector Effective Index (CEI)
- Right Party Contacts (RPC) Rate
- And Many More

With access to more data, you'll have a better knowledge of how your current collections team is handling the workload to make decisions designed to improve scalability. If performance is struggling, it might be time to hire more help. You'll know a problem is coming before your employees start complaining—or quitting. Be proactive when it comes to adapting to changes, not reactive. That's truly how you create a scalable collections team like a rockstar.

Your team isn't the only group of people who need to see performance metrics. With Gaviti, all your collections data can be shared across departments and throughout your company. This can foster collaboration between departments or keep stakeholders and executives in the loop. Information is power, and Gaviti's A/R collections platform can help you stay on top of your team's performance.

Maintain the Team You've Built Through Automation

Building a scalable team like a Rockstar is only the first step. You also need to maintain it like a Rockstar!

Automation is a powerful tool, not only for building a collections team but also for maintaining it. Here are several ways in which Gaviti's automated A/R collections platform can help preserve your collections team:

Greater Innovation and Creativity

With the help of automated tools, companies relieve their collections teams of draining, laborious manual tasks and allow them to focus on more innovative goals. These goals may include report analysis, data reviews, or other types of creative problem-solving to benefit the company.

It sounds simple, but having the freedom to innovative and explore creative potential can be a big benefit for workers. Research published in the International Journal of Accounting Research shows a link between creativity and workplace engagement, with workers more likely to feel engaged in their tasks when they have the freedom to explore creative solutions.

Of course, workers who are engaged in their roles will tend to be more involved and loyal to the company by nature, and data from a Harvard Business Review survey shows that 71% of executives rank employee engagement as being very important to achieving overall organizational success.

Fostering the creative potential of your teams and supporting this engagement can help on multiple fronts, whether it's supporting your team with interesting tasks that keep them engaged, or having them free to focus on creative marketing opportunities or data analysis ideas that let them shake up the monotony of receivables collection. You can – and should – have both.

Decrease Employee Turnover

High employee turnover rates are the downfall of scalability. If you want to maintain an effective A/R collections team, you need team members to stick around!

According to research, 42% of employee turnover is stress-induced. By lessening your team's workload with automation, you'll create a less stressful environment for employees that will decrease your turnover rates and help you build a solid team of collections veterans who are in it for the long haul.

Increase Productivity

Automation tools like smart dashboards, automatic report generation, and client management portals allow collections teams to stay productive without taxing them unnecessarily with administrative burdens. In fact, according to surveys, over 50% of finance and accounting professionals agree that productivity boosts were one of the top expected benefits of financial automation, with cash flow and receivables having some of the highest adoption rates of any processes.

And it's not hard to understand why, when you look at all the productivity benefits an automated A/R platform can bring. Within these tools, it's easy to set up billing reminders and customer outreach campaigns, all from a single platform. This lets A/R collections teams move forward with work that requires a hands-on touch, rather than spending time constantly calling and following up with clients. Your Dunning process is a great example. Rather than needing to contact delinquent clients time and time again, automated A/R platforms let your team set up custom triggers and messaging to contact clients at the right moment.

Such solutions can have big impacts on DSO collection rates by creating a smooth, efficient collections process that contacts customers at the right time. Naturally, this supports your other organizational goals as well and improves cash flow for other processes.

Overall, this type of solution can significantly reduce the stress and related concerns that come with chasing clients for payments – relieving those hassles while boosting internal efficiency all in one move.
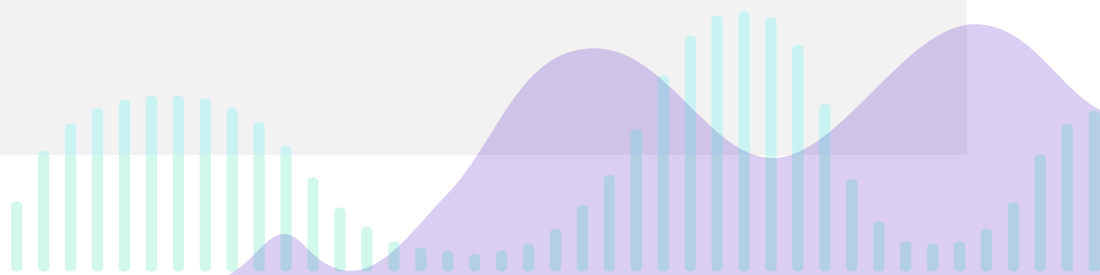
Create Transparency

A key drawback of older A/R collections processes is a lack of data transparency. If you're like most organizations without a centralized system, you likely have lots of little data points floating across paper files, invoices, Excel sheets, and more.

This obviously slows down A/R processes in its own right; it's difficult to generate reports or manage client accounts when A/R teams have to scramble for information. But it also makes some collections goals – such as forecasting changes in receivables over time – nearly impossible.

But with an automated system behind you, you'll have a single, centralized system for all data storage. Everyone on your team will have access to the same information and reports, bringing a new level of efficiency to your processes. Your automated A/R system collects all information and acts as a single source of truth for reporting and data analysis. This provides deep insight into customer management information and how to better achieve your company's collections goals.

- Review customer accounts for late payments
- Improve collection rates and reduce bad debt write-offs
- Get deeper insight into client-by-client payment periods & habits
- Learn more about which collections practices and policies produce results

This type of insight helps optimize your collections processes, but just as importantly, provides insight into how your A/R practices factor into your other business processes – such as accounts payable, liquidity, vendor management, predictive analysis, and more. The data has nearly limitless applications for process optimization.

You'll have an easier time predicting cash flow, staying on top of KPIs, and even making long-term projections about the credit-worthiness of customers both new and old. It's a better system of A/R management that allows you to be proactive in your approach and stay ahead of potential issues to ensure that people, processes, and business relationships run smoothly.

Getting Started With A/R Automation Is Easier Than You Think

Building and maintaining a collections team is a constant struggle for A/R collections businesses. But these days, automation is the answer to many of the challenges that companies will face as they attempt to scale their A/R processes. With the tips in mind, you'll be on your way to creating a rockstar collections team that's on top of receivables every step of the way.

If you're curious about upleveling your own A/R process with an automated solution, contact our team at Gaviti. We'll bring our years of experience to work for your company and help you establish a new type of A/R workflow that brings efficiency, transparency, and scalability to every aspect of your accounting department.