

# IOFM's Latest Research: Building and Maintaining A Top-Performing AR Team

Presented by:



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# Building a Top-Tier AR Team

## **Step One: Identify Your Strengths and Weaknesses**

- Measure Your Performance
- Benchmark Against Your Peers to Identify Good vs. Bad Results
- Drill Down To Individual Staff Level to Capture & Share 'Better' Practices

## **Step Two: Recruit and Retain the Best People**

- Take Advantage of Today's "Job Huggers"
- Make Your Team Attractive to New Hires
- Continually Work to Retain Your Best People

# Why Measuring Isn't Enough

Measuring doesn't provide context as to whether the performance is **good** or **bad**.

Measuring simply provides the baseline to compare yourself to your peers.

The goal of benchmarking is to ask:

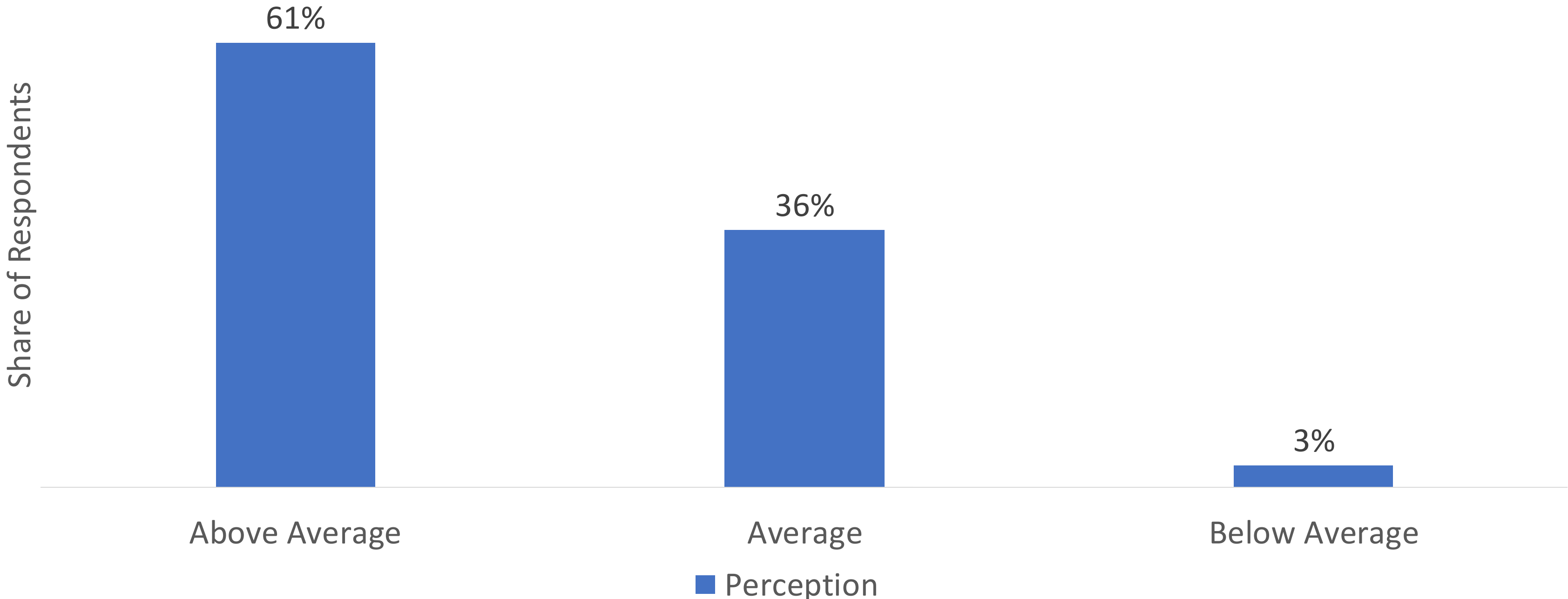
1. Where can we improve?
2. How much improvement is realistic?

*“You Can’t Manage What You  
Don’t Measure.”*

—Peter Drucker

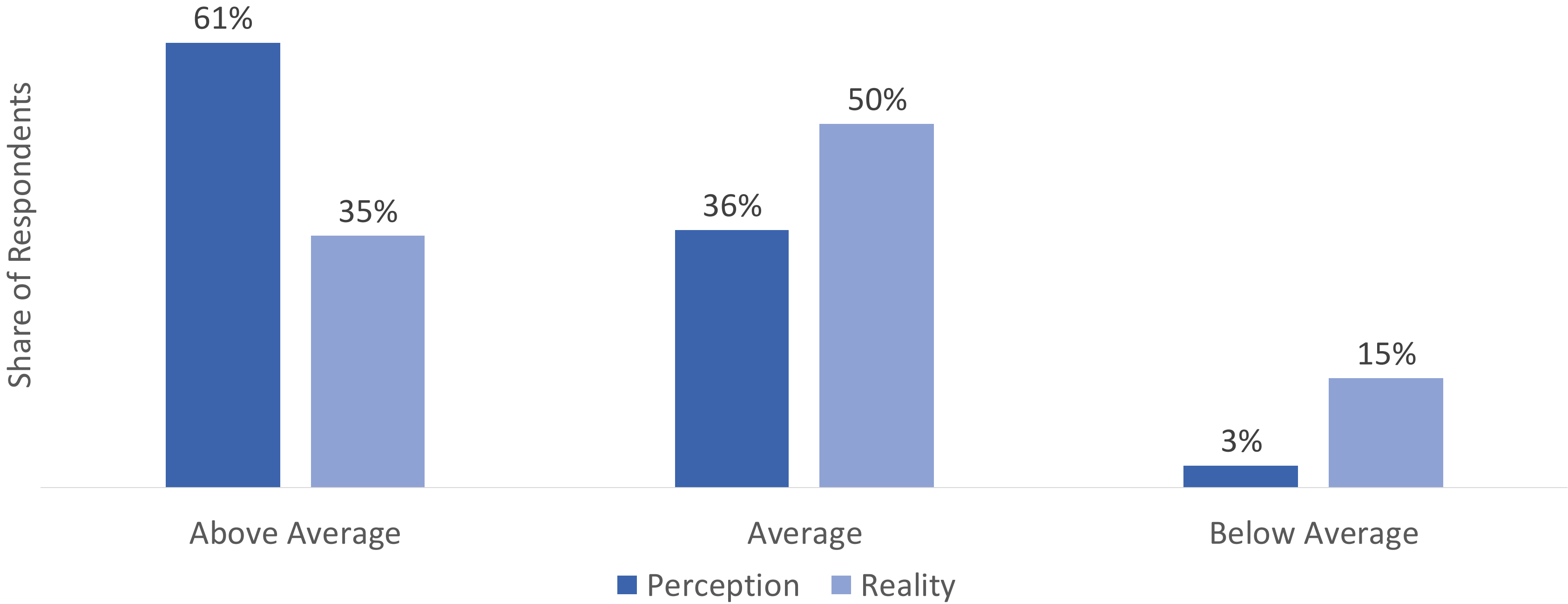
*“You ~~Can’t~~ Shouldn’t Manage  
What You Don’t Measure ...  
And Benchmark.”*

# 'Gut-Check' Benchmarking Inaccurate Vast Majority of the Time



Source: IOFM AR Benchmarking Study, Fall 2025

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# Identifying Your Peer Group

Consider Your Industry Category

## Product Organizations:

Communications	Manufacturing
Consumer Packaged Goods	Retail/Wholesale
Energy	Technology
	Telecommunications
	Utilities

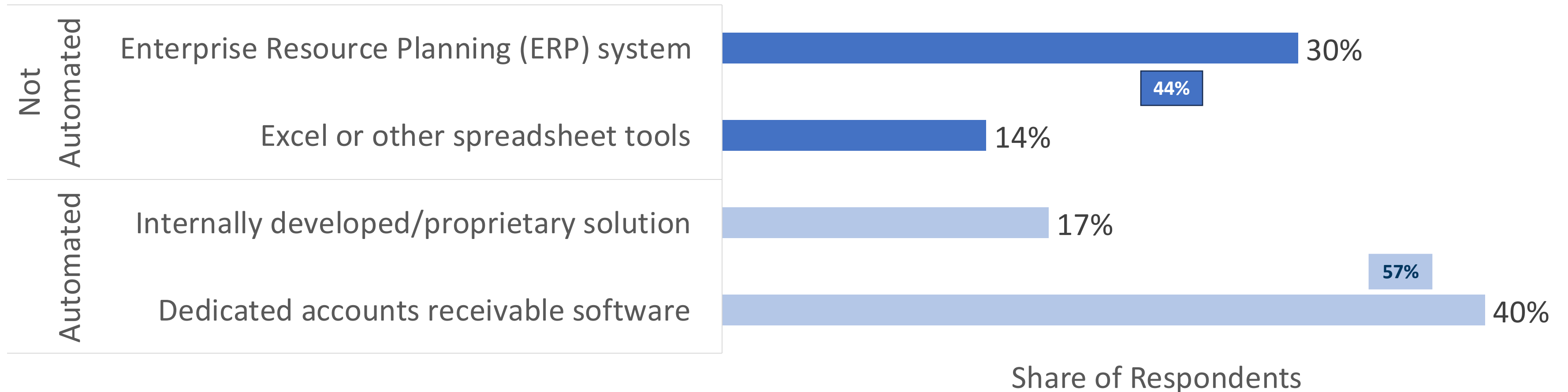
## Service Organizations:

Construction	Hospitality
Education	Legal Services
Engineering	Logistics
Entertainment	Non-profit
Financial Services	Professional Services
Healthcare	Public Sector
	Transportation

# Identifying Your Peer Group

## Consider Your Level of Automation

Which tool or software does your organization primarily use to manage its receivables?



# Striking the Balance With AR Metrics: Beyond DSO

## Efficiency

Credit Approval Time  
Collection Efficiency Index  
AR FTE Productivity  
Share of Electronic Invoicing  
Best Possible DSO



## Effectiveness

Share of AR >90 Days Past Due  
Bad Debt Share of Sales  
Cash Forecast Variance  
Share of Invoices Disputed  
Collection Effectiveness Index

# Summary of AR Effectiveness Measures

Over the last 12 months what is your...	Formula	Product Organizations		Service Organizations	
		Manual Processes	Automated Processes	Manual Processes	Automated Processes
Days Sales Outstanding (DSO)	$(\text{Accounts Receivable} \div \text{Total Credit Sales}) \times \text{Number of Days}$	Excellent: $\leq 40$ Good: 41–50 Fair/Poor: $> 50$	Excellent: $\leq 35$ Good: 36–45 Fair/Poor: $> 45$	Excellent: $\leq 45$ Good: 46–55 Fair/Poor: $> 55$	Excellent: $\leq 40$ Good: 41–50 Fair/Poor: $> 50$
Share of AR >90 Days Past Due	$(\text{AR Over 90 Days} \div \text{Total AR}) \times 100$	Excellent: $\leq 5\%$ Good: 6%–10% Fair/Poor: $> 10\%$	Excellent: $\leq 3\%$ Good: 4%–6% Fair/Poor: $> 6\%$	Excellent: $\leq 7\%$ Good: 8%–12% Fair/Poor: $> 12\%$	Excellent: $\leq 5\%$ Good: 6%–8% Fair/Poor: $> 8\%$
Bad Debt Share of Sales	$(\text{Bad Debt Write-Offs} \div \text{Total Sales}) \times 100$	Excellent: $\leq 0.25\%$ Good: 0.26%–0.50% Fair/Poor: $> 0.50\%$	Excellent: $\leq 0.15\%$ Good: 0.16%–0.30% Fair/Poor: $> 0.30\%$	Excellent: $\leq 0.50\%$ Good: 0.51%–0.75% Fair/Poor: $> 0.75\%$	Excellent: $\leq 0.25\%$ Good: 0.26%–0.50% Fair/Poor: $> 0.50\%$
Cash Forecast Variance	$((\text{Forecasted Cash} - \text{Actual Cash Collected}) \div \text{Forecasted Cash}) \times 100$	Excellent: $\leq 5\%$ Good: 6%–10% Fair/Poor: $> 10\%$	Excellent: $\leq 3\%$ Good: 4%–6% Fair/Poor: $> 6\%$	Excellent: $\leq 7\%$ Good: 8%–12% Fair/Poor: $> 12\%$	Excellent: $\leq 5\%$ Good: 6%–8% Fair/Poor: $> 8\%$
Share of Invoices Disputed	$(\text{Number of Disputed Invoices} \div \text{Total Invoices Issued}) \times 100$	Excellent: $\leq 3\%$ Good: 4%–6% Fair/Poor: $> 6\%$	Excellent: $\leq 2\%$ Good: 3%–4% Fair/Poor: $> 4\%$	Excellent: $\leq 2\%$ Good: 3%–5% Fair/Poor: $> 5\%$	Excellent: $\leq 1\%$ Good: 2%–3% Fair/Poor: $> 3\%$
Collection Effectiveness Index	$((\text{Beginning AR} + \text{Credit Sales} - \text{Ending AR}) \div (\text{Beginning AR} + \text{Credit Sales} - \text{Ending Current AR})) \times 100$	Excellent: $\geq 95\%$ Good: 90–94% Fair/Poor: $< 90\%$	Excellent: $\geq 98\%$ Good: 95%–97% Fair/Poor: $< 95\%$	Excellent: $\geq 93\%$ Good: 88%–92% Fair/Poor: $< 88\%$	Excellent: $\geq 96\%$ Good: 92%–95% Fair/Poor: $< 92\%$

# Summary of AR Efficiency Measures

Over the last 12 months what is your...	Formula	Product Organizations		Service Organizations	
		Manual Processes	Automated Processes	Manual Processes	Automated Processes
Credit Approval Time (days)	Total Time for All Credit Decisions ÷ Number of Credit Applications	Excellent: ≤3 Good: 4–5 Fair/Poor: >5	Excellent: ≤1 Good: 2–3 Fair/Poor: > 3	Excellent: ≤4 Good: 5–6 Fair/Poor: >6	Excellent: ≤2 Good: 3–4 Fair/Poor: >4
Collection Efficiency Index	$((\text{Beginning AR} + \text{Monthly Credit Sales} - \text{Ending AR}) \div (\text{Beginning AR} + \text{Monthly Credit Sales} - \text{Ending Current AR})) \times 100$	Excellent: ≥90% Good: 80%-89% Fair/Poor: <80%	Excellent: ≥95% Good: 90–94% Fair/Poor: <90%	Excellent: ≥88% Good: 78%-87% Fair/Poor: <78%	Excellent: ≥93% Good: 85%-92% Fair/Poor: <92%
AR FTE Productivity (\$/FTE/month)	Total Collected in Month ÷ Number of AR FTEs	Excellent: ≥\$2M Good: \$1M– \$1.99M Fair/Poor: < \$1M	Excellent: ≥\$4M Good: \$2.5M–\$3.99M Fair/Poor: <\$2.5M	Excellent: ≥\$1.5M Good: \$800K–\$1.49M Fair/Poor: <\$800K	Excellent: ≥\$3M Good: \$1.8M–\$2.99M Fair/Poor: <\$1.8M
Share Electronic Invoicing	$(\text{Number of E-Invoices} \div \text{Total Invoices}) \times 100$	Excellent: ≥60% Good: 40%–59% Fair/Poor: <40%	Excellent: ≥90% Good: 75%–89% Fair/Poor: <75%	Excellent: ≥50% Good: 30%–49% Fair/Poor: <30%	Excellent: ≥80% Good: 60%–79% Fair/Poor: <60%
Best Possible DSO	$(\text{Current receivables within credit terms} \div \text{Total Credit Sales}) \times \text{Number of Days}$	Excellent: ≤45 Good: 46–60 Fair/Poor: >60	Excellent: ≤35 Good: 36–45 Fair/Poor: >45	Excellent: ≤50 Good: 51-70 Fair/Poor: >70	Excellent: ≤40 Good: 41–55 Fair/Poor: >55

# How To You Retain Your World-Class Team

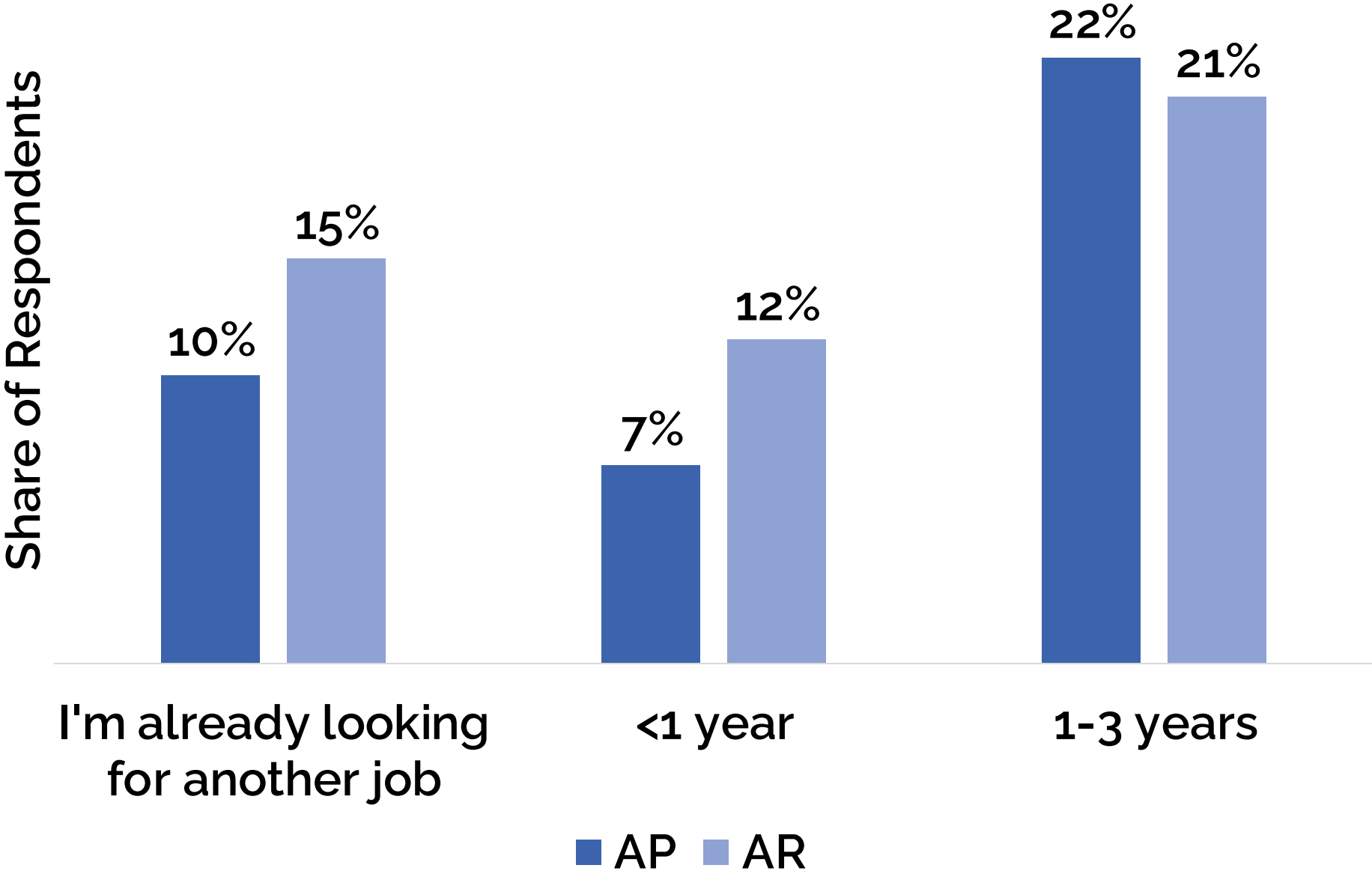


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# AR Teams Are Most Vulnerable to Staff Defections

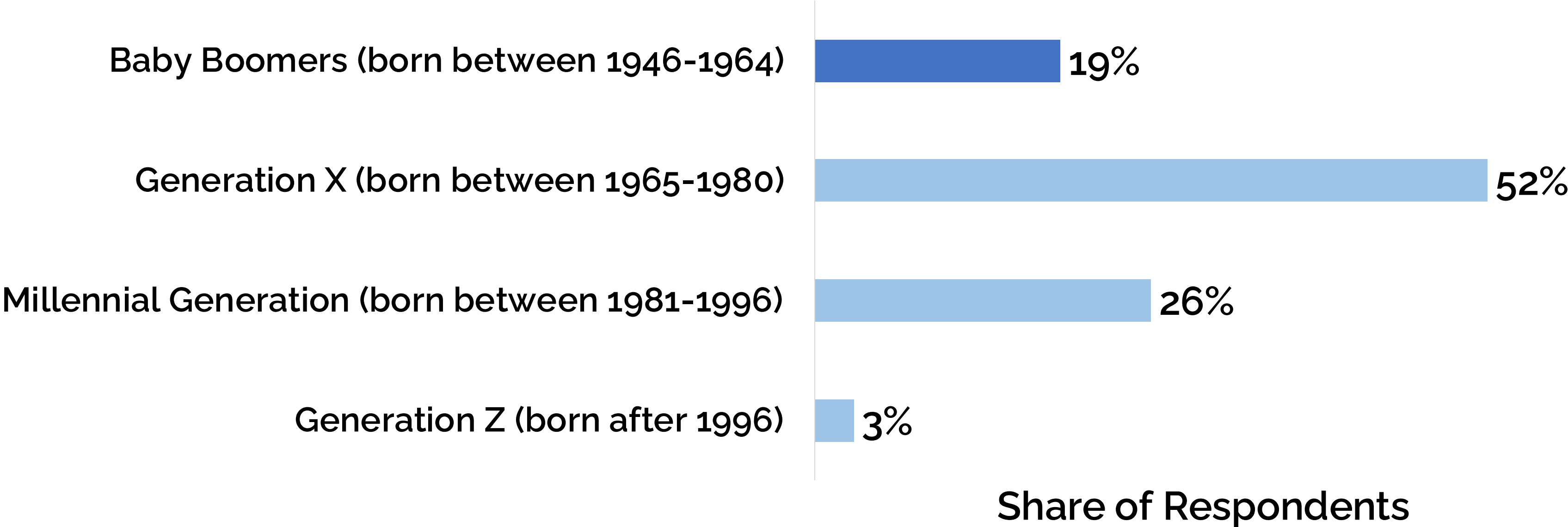
1:4 AR Staff Will Be Gone Within A Year

Nearly Half Will Defect Within Three Years



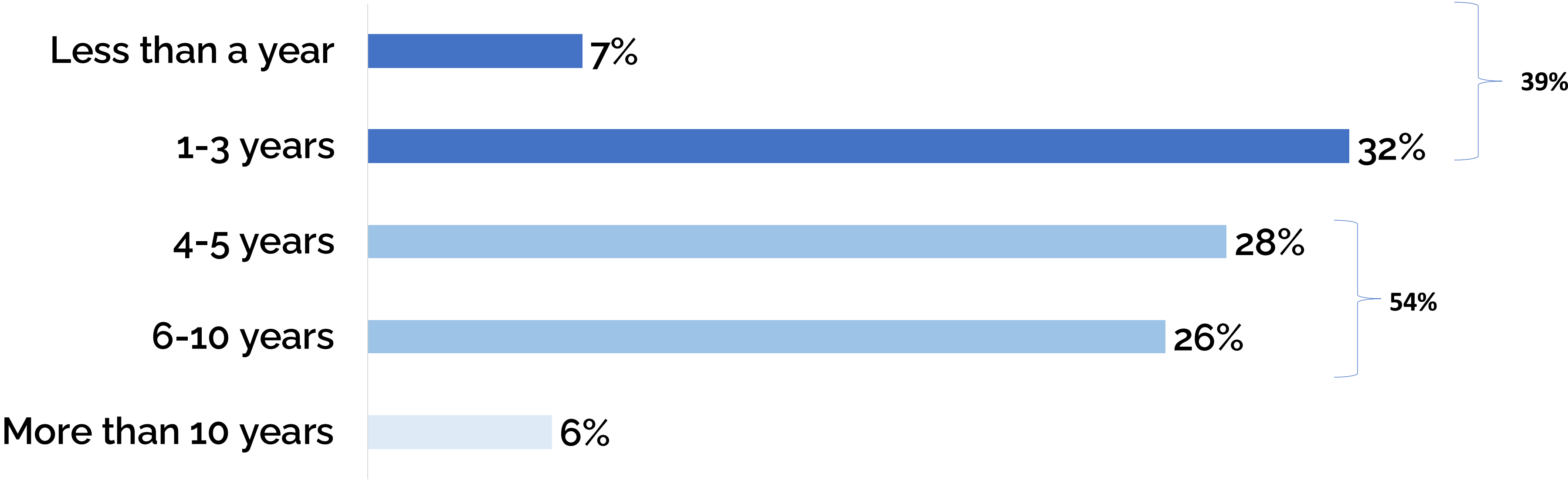
Source: IOFM's Best Teams to Work For Survey

# 1:5 Team Members Are Age 60+



Source: IOFM's Best Teams to Work For Survey

# Nearly 40% of Baby Boomers Plan to Retire Within 3 Years

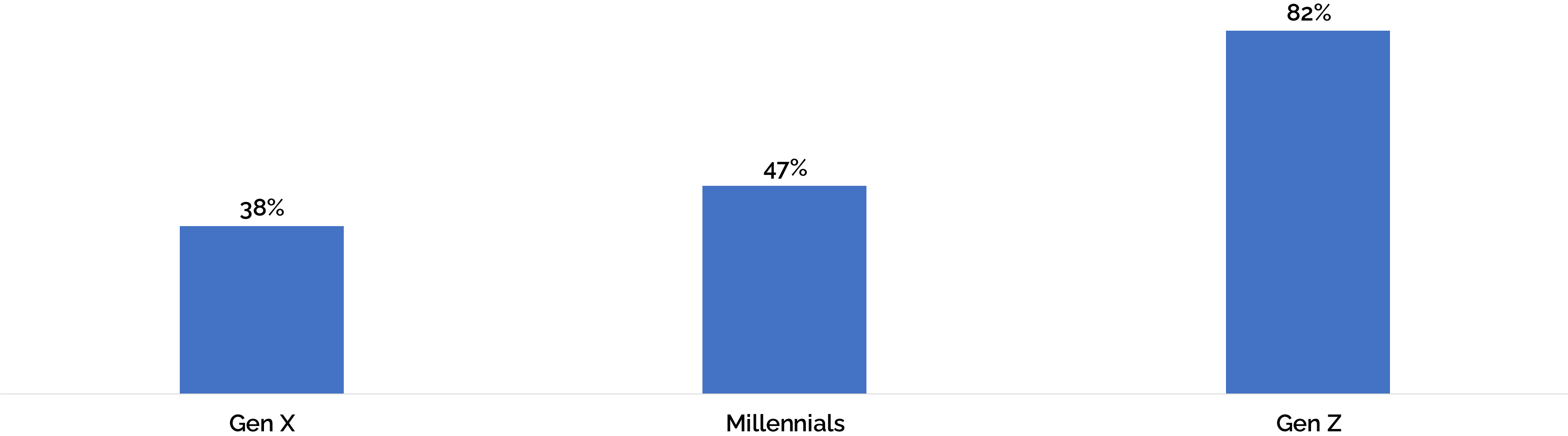


Share of Baby Boomer Respondents

Source: IOFM's Best Teams to Work For Survey

# Simultaneously, Younger Hires Are Leaving Too

Share of Respondents Planning on Leaving Within Three Years



Source: IOFM's Best Teams to Work For Survey

# 10 Ideas to Retain/Attract Staff

## Direct Investment

1. Salary
2. Training
3. Career Path

## Work/Life Balance

4. Work From Home
5. Hours Worked
6. Burnout

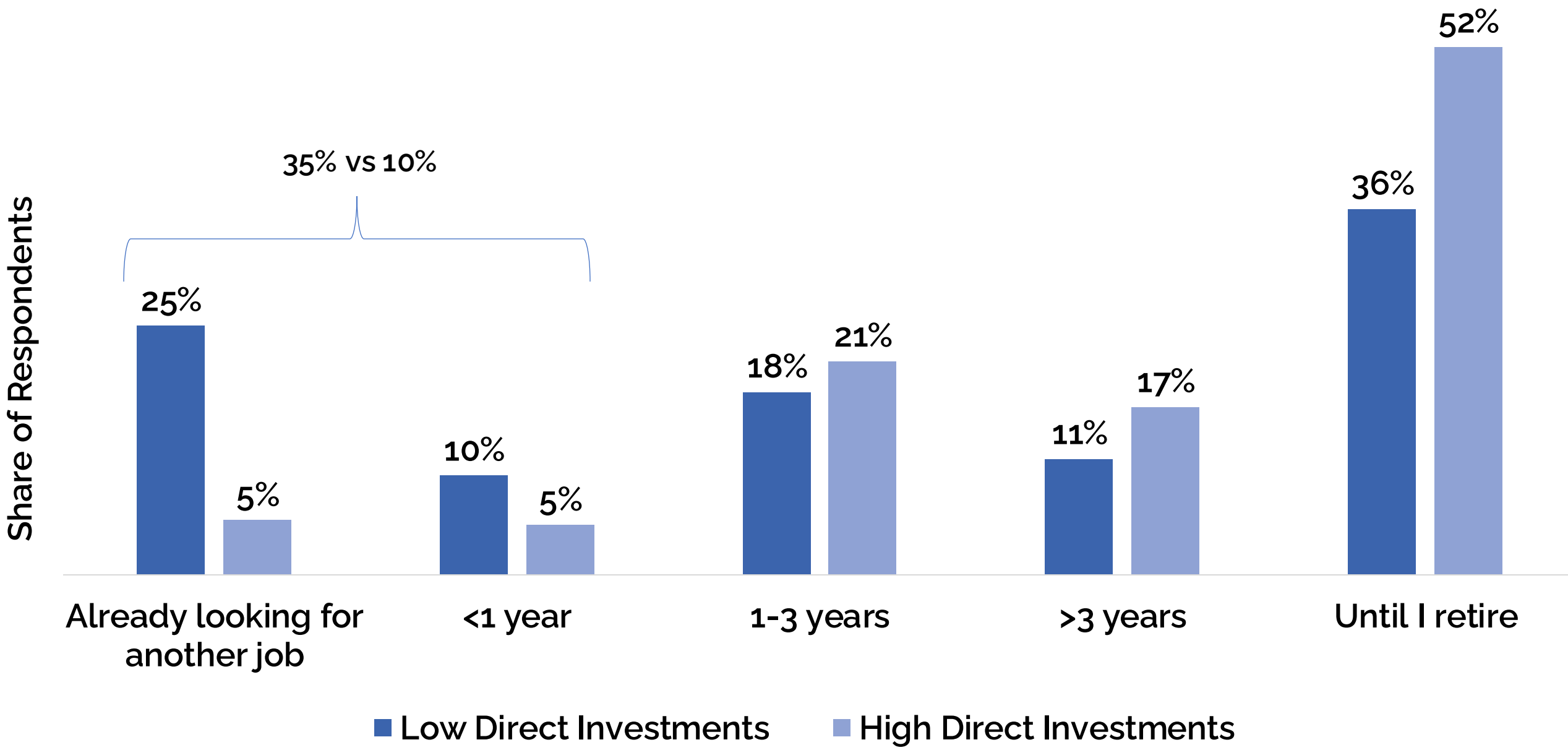
## Feeling Heard

7. Trust
8. Opinions Heard
9. Impact on Team
10. Impact on Organization

Source: IOFM's Best Teams to Work For Survey

# Retain/Attract Staff With Direct Investments

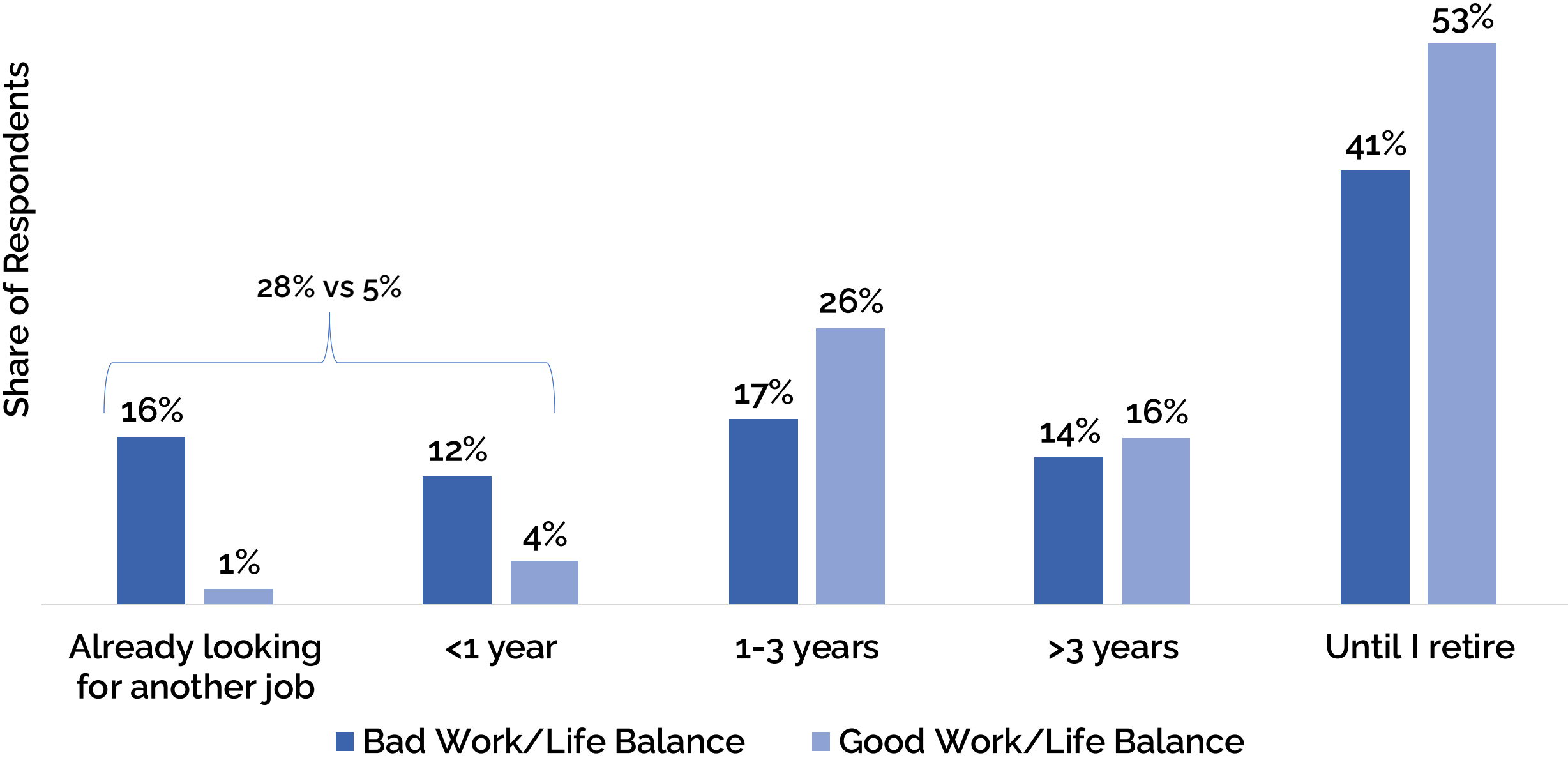
- Key Components
- 1. Salary
  - 2. Training
  - 3. Career Path



Source: IOFM's Best Teams to Work For Survey

# Retain/Attract Staff With Work/Life Balance

- Key Components
- 4. Work From Home
  - 5. Hours Worked
  - 6. Burnout

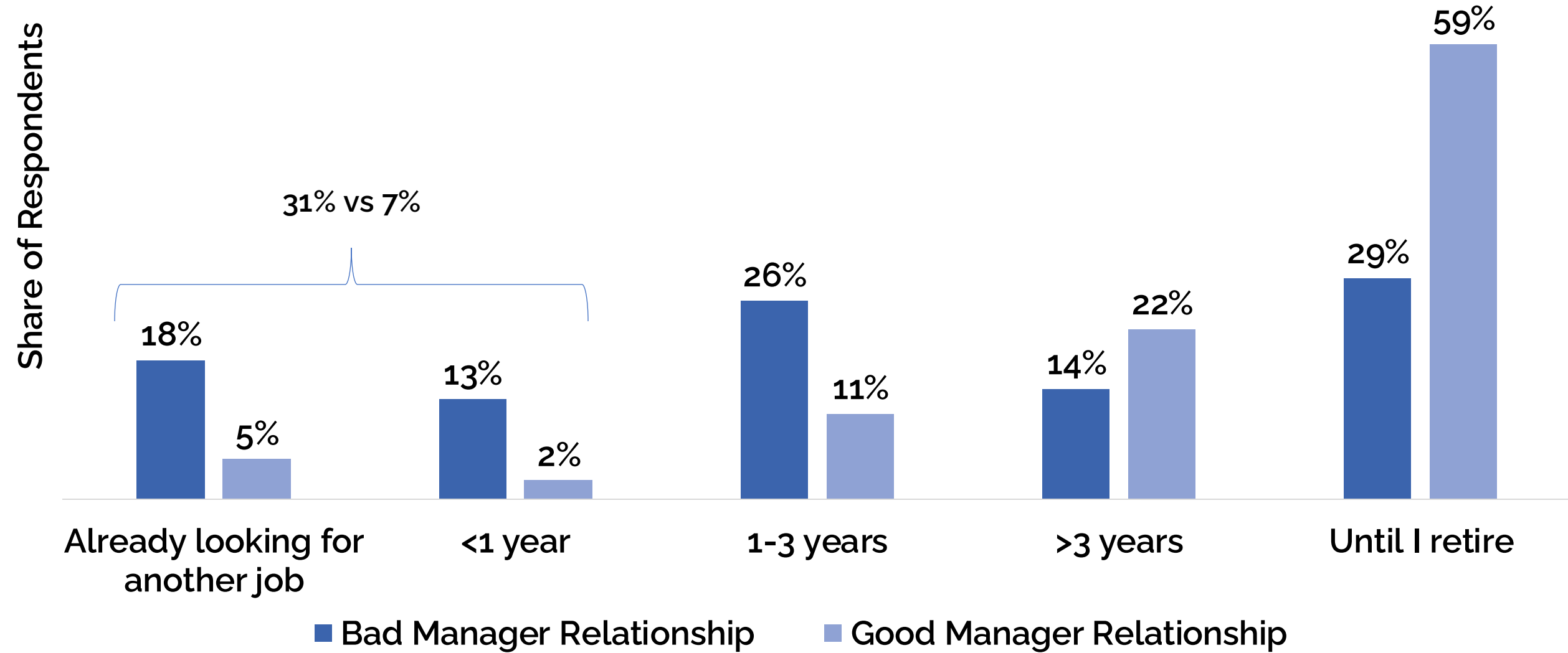


Source: IOFM's Best Teams to Work For Survey

# Retain/Attract Staff By Empowering Them to **Feel Heard**

## Key Components

- 7. Trust
- 8. Opinions Hears
- 9. Impact on Team
- 10. Impact on Org.



Source: IOFM's Best Teams to Work For Survey

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# Alternative Experience to Consider When Hiring For AR Roles

Role	Billing	Cash App	Credit	Collections	Why It Transfers
Bookkeeper					Familiar with ledgers, balancing, and full-cycle receivables
Inside Sales Rep					Negotiates terms, handles POs, customer contact post-sale
Accounts Payable Clerk					Understands invoice flow and financial system usage
Administrative Assistant					Organized, accurate, comfortable with systems and deadlines
Customer Service Rep					Strong communicator; handles disputes, customer follow-up
Data Entry Clerk					High-volume accuracy; works well with invoice/payment data
Hotel Front Desk Clerk					Payment processing, managing guest charges, resolving disputes
Insurance Claims Processor					Attention to detail; reviews eligibility, terms, and approvals
Loan Servicing Rep					Experience with credit risk and follow-up on delinquent accounts
Restaurant Manager					Manages cash, staff, and payment discrepancies
Retail Cashier/Supervisor					Handles payments, reconciles tills, deals with payment issues
Bank Teller					Transaction-focused, understands financial documentation
Call Center Agent					Used to scripts, difficult calls, collections-style outreach
Front Desk/Receptionist					Manages scheduling, invoicing, and customer records
Order Entry Specialist					Familiar with ERP systems and invoice setup
Payroll Assistant					Accurate with financial data; used to reconciliation cycles

Highly applicable

# Alternative Interview Questions When Hiring For AR Roles

What You're Assessing	Interview Questions
Negotiation skills and influence tactics	1. Tell me about a time you had to persuade someone to take action they were resistant to. What approach did you use?
Problem-solving, empathy, and policy enforcement	2. What would you do if a customer said they couldn't pay an invoice on time?
Diplomacy and professionalism under pressure	3. How do you balance building strong customer relationships with enforcing company payment terms?
Risk tolerance and decision-making under uncertainty	4. Describe a time you had to make a difficult decision with limited information.
Conflict resolution and process management	5. Imagine a customer disputes a charge and refuses to pay until it's resolved. What steps would you take?

Note What You're **Not** Asking:

- What's Your AR/Finance Experience?
- How Fast Can You Key in Data?
- Are You Familiar with xx Software?

# Build the Business Case

## Direct Investment

Adjust salary bands to be competitive  
(Salary.com: Jr: \$50k, Mid-Level: \$75k, Sr: \$100k)  
HBR: Employees willing to take pay cut for WFH

Advancement Opportunities  
Define and invest in skills needed for advancement

Professional Development  
>\$1,000 per person

## Direct Financial Benefits

Average Turnover Cost: \$15k-\$25k per person  
(3-6 months' salary to recruit, onboard, train)

Retaining Existing Staff Improves Cash Flow  
DSO accelerates cash inflows

## Indirect Benefits

Maximizes early pay discounts & minimizes late fees  
Reduces errors and regulatory penalties  
Fosters trust with customers (leads to better terms)

Improved morale and engagement  
Fosters loyalty and job satisfaction  
Improves staff retention

# Actionable Takeaways

## WHAT WE'RE FACING?

1. **AR teams measuring without benchmarking** – and then making faulty assumptions about whether their performance is good or bad.
2. **Staff turnover woes** – the loss of Baby Boomers and younger generations will mount as the economy improves

## WHAT TO DO ABOUT IT?

1. **Utilize IOFM's benchmarks** to know where – and to what extent – there's room for improvement.
2. **Lower turnover** by addressing the core reasons your staff is considering leaving.
3. **Consider non-traditional hires** to replace those you lose through attrition.

# Questions?



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Compliance Benchmarking



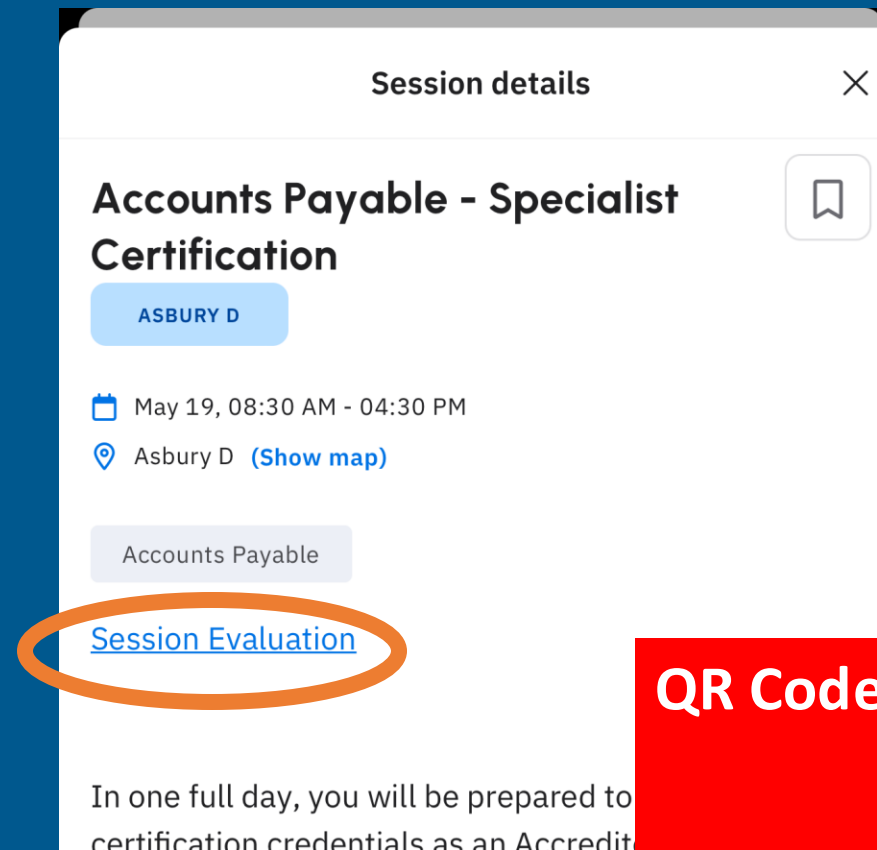
Benchmarking - Measure your AP Performance

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# QUESTIONS?



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