

# How to rethink and refresh your AR department

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It usually starts with a gut feeling—collections are slowing, disputes are rising and the once-smooth flow of cash feels more like a drip than a stream. It's not always a crisis, but it is a signal: your accounts receivable (AR) department might be due for a transformation.

**Why it matters:** Any sudden change in business environment, size or organizational structure can drastically affect how efficiently the AR department operates. With proper planning and execution, credit professionals can take charge and drive meaningful change.

## Step #1: Assess the current state of your AR department

Assessing your AR department will help you identify strengths and uncover hidden challenges, all while ensuring that changes align with long-term goals. For an overall performance review, conduct a thorough departmental audit of existing AR processes and identify pain points in all functional areas.

Taking a closer look at team structure, roles and core competencies can help you uncover areas for improvement. "Pay attention to both verbal and non-verbal cues and watch how teams interact naturally throughout the workday," Brett Wegner, director of accounts receivable operations at Summit Companies (Mendota Heights, MN), said during the Credit Congress session, *Under Construction: Tips and Strategies for Building from Scratch or Restructuring Your Credit and A/R Departments*.

**Pro tip: Talk to your team.** People are more likely to share valuable insights when they feel genuinely heard. Asking your AR team about how they're feeling and how the department is functioning can help you gain deeper insight and find effective solutions. By identifying areas for improvement, you can enhance their performance and support their professional growth.

## Step #2: Develop a plan

Once you have a baseline assessment of current AR processes and pain points, set clear, measurable goals. Start by focusing on high-impact changes and use timelines to establish clear ownership and accountability. "Build in regular checkpoints to measure progress and adjust as needed," Wegner said. "Try to avoid reinventing the wheel—instead, study and adapt proven models to accelerate progress and sidestep common pitfalls. Take advantage of existing frameworks with demonstrated results to save valuable time and resources."

**Pro tip: Leverage technology.** Use automation or artificial intelligence (AI) to enhance existing workflows and support your AR team during departmental changes. To find the most suitable technology, measure the return on investment (ROI) through time saved and error reduction. Also, build strong relationships with your internal technical resources, as it will give you more leverage in getting your technology launched.

## Step #3: Get the plan approved

Without approval from upper management, you won't be able to implement the changes you want. To earn buy-in, present leadership with a clear business case addressing key issues affecting your AR department's performance. Make sure to clearly define goals and ROI projections and outline the required resources, including a detailed cost breakdown and expected cash flow improvements.

**Pro tip: Pick your battles.** Not every challenge requires immediate action, and some initiatives succeed only when the timing and conditions are right. "Strategic leaders evaluate which issues truly demand their attention," Wegner said. "So, conserve energy for high-impact opportunities and focus on changes that deliver measurable business results."

#### **Step #4: Execute the plan**

Executing strategy demands discipline and adaptability. Tracking both small and big wins, and measuring key metrics against your starting point, helps identify opportunities for growth. Investing in training and mentoring builds the skills your team needs. Meanwhile, keep improving processes by regularly using feedback and results.

**Pro tip: Be authentic.** Authentic, transparent leadership builds trust between you and your AR team, which significantly enhances work culture. By modeling vulnerability, you create a safe environment where team members feel comfortable being themselves. "If I'm the authentic version of myself, day in and day out, I can manage a department much easier because I don't have to think about it and just be," Wegner said.

**The bottom line:** Whether your company is undergoing a merger or facing a specific challenge, rebuilding your AR department is fundamentally about enhancing roles, expanding learning opportunities and supporting career growth.