From reaction to anticipation: how AI is rewriting the playbook for working capital management

The mindset shift driving transformation in accounts payable and accounts receivable

LIQUIDITY LAB

Introduction

Working capital management is at an inflection point.

Every year, European businesses spend 73 days – over a quarter of the working year – chasing payments, at a cost of €275 billion to the economy.[1] Despite the availability of better-suited software, almost half of all finance professionals are still forced to use Excel for debtor management.[2]

After years of artificial intelligence (AI) investment in product development and customer-facing teams, the back-office financial operations teams of accounts payable (AP) and accounts receivable (AR) are ripe for innovation.

> European businesses spend **73 days** – over a *quarter* of the working year – **chasing payments**.

As you will learn, automated working capital management has the potential to drive significant benefits including:

- 60-80% savings on invoice processing costs[3]
- A 20% drop in day sales outstanding (DSO)[4]
- The ability to safely offer payment terms on 80% of orders
- A reduction of 27% in manual data entry errors[5]

Read on to learn how AI is rewriting the playbook for working capital management – and what *you* stand to gain from automating your AP and AR workflows.

1 European companies spend 73 days chasing debt in 2024, Intrum
2 Almost half of financial professionals are still using Excel for debtor management, Onguard
3 How much are you spending on each invoice manually processed?, AccountingWEB
4 The Business Value of Billtrust, IDC
5 80+ AI Productivity Statistics That Show How It's Changing Work, Zebracat

The make or break moment for working capital management

Working capital management teams continue to suffer from the same problems they have faced for many years, but in 2026 they are at a breaking point.

Manual processes, partial automation and an overwhelming amount of data make it incredibly challenging for AP and AR teams to streamline and scale operations. Meanwhile, increased transaction volumes combined with tighter liquidity and greater market volatility mean that these professionals are consistently asked to do more with less.

Let's take a closer look at the challenges faced by working capital management teams, split by accounts payable and accounts receivable.

Accounts payable challenges

Manual processes: high volumes of paper invoices, manual data entry and three-way matching create bottlenecks and errors. 60% of AP professionals must manually key invoices into accounting software.[6]

Fraud and security: increasingly sophisticated payment fraud poses significant risks. Around 65% of organisations report payment fraud, collectively losing around 5% of revenue.[7]

Dispute management: approximately 33% of supplier statements contain errors or discrepancies, which often remain undetected until after payment has been made.[8]

Visibility and control: lack of real-time information makes it hard to track spend, manage liabilities and control payments.

Late outgoing payments: processing delays lead to missed discounts and strained supplier relationships.

Data inconsistencies: errors and duplicate invoices disrupt records and increase costs. 20% of invoices contain incomplete or missing data.[9]

[6] *Accounts Payable Automation Trends 2024*, Institute of Financial Operations & Leadership
[7] *Accounts Payable Statistics*, Gitnux
[8] *The Cost of Errors in Statement Reconciliation: What AP Teams Must Know*, Fiscal Technologies
[9] *Overcoming common accounts payable (AP) challenges with automation*, Pegasus

Accounts receivable challenges

Late and non-payments: difficulty collecting from customers leads to cash flow issues. Around 40% of B2B invoices in the UK and 47.5% in France are paid late.[10, 11]

Manual processes: inefficient invoicing, payment tracking and reconciliation waste time and resources. 70% of companies report inefficient AR processes.[12]

Customer disputes: resolving discrepancies with customers slows down payment collection. 75% of SMBs handle payment disputes manually.[13]

Credit management: setting appropriate credit limits and accurately monitoring customer solvency. More than 10% of invoices are never paid and must be written off as bad debt.[14]

Poor trade credit offering: manual processes and lack of real-time data make it difficult to grant payment terms. As a result, businesses miss out on the opportunity to convert one-time, low value orders into large, loyal accounts.

[10] *New data reveals the UK's worst-paying business sectors*, Business Money
[11] *Payments Practices Barometer*, Atradius
[12] *Accounts Receivable Statistics*, Zipdo
[13] *From Friction to Flow: AR Automation in 2025*, PYMNTS & American Express
[14] *Late Invoice Statistics: Important Facts and Figures*, InvoPilot

Ultimately, the challenges facing AP and AR have two distinct causes.

The first is a severe underinvestment in technology – just 14% of business leaders say their accounting and finance departments will be using AI agents in the next 12 months.[15] Yet simultaneously there is a growing expectation from CEOs and investors for automation to deliver significant business-wide cost savings. For many businesses, the front-office is on the right path to deliver AI-enabled savings – but how are back-office working capital management teams expected to compare with little to no tech investment?

The second cause is that the typical employee is asked to perform a highly contradictory workload. They must be able to maintain accuracy while conducting simple, repetitive tasks, yet also have the confidence and empathy to make complex, high-stakes decisions on edge cases.

Context switching to this extent is bad for business. AP and AR workers could lose up to 20% of cognitive capacity each time they switch tasks, take over 20 minutes to refocus and potentially reduce their overall productivity by 40%.[16]

Context switching in AP and AR is costing businesses:

20%	20	40%
cognitive capacity lost	minutes to refocus	productivity reduction

[15] *The Future of Professional Services*, CB Insights
[16] *Context Switching: Why It Kills Productivity & How to Fix*, Reclaim.ai

The mindset shift

Traditionally, working capital management teams are reactionary in nature.

They take action on individual cases after a problem has already arisen, basing their decisions on static credit information and periodically reviewed risk exposure.

But AI brings a mindset shift. With individual cases largely handled by agents, your AP and AR team are forced to elevate their perspective to processes and protocols. They are no longer reacting to problems but proactively preventing them.

Traditional working capital management		Agentic working capital management
A focus on resolving individual cases	→	A focus on improving AI processes and protocols
Taking action after things have gone wrong	→	Identifying the root cause of issues and preventing them from reoccurring
Basing decisions on static, sometimes outdated or unreliable credit information	→	Real-time information makes credit decisions faster, safer and more accurate
Dunning triggered after delinquency	→	Monitoring a broader range of signals (e.g., cancellation of a direct debit mandate) to take action earlier
Risk exposure reviewed periodically	→	Continuous risk monitoring for better visibility into exposure
Teams spend time trawling through information *finding* issues, not resolving them	→	Teams spend their time making decisions and taking actions
Invoices sit in queues waiting for human review	→	Automatic invoice triage and exception resolution, reducing backlog
Manually reviewing for duplicate and fraudulent invoices	→	Detecting anomalies in real time to prevent losses and double payments
Inflexible payment schedules leading to missed discounts and suboptimal cash usage	→	Executing payments at the optimal time, balancing early payment discounts with liquidity needs

The practical applications of agentic AI in working capital management

As we see it, the practical application of agentic AI in working capital management falls into two main buckets:

1	Enhancing judgement and decision-making
2	Absorbing high volume tasks and flagging edge cases

Enhancing judgement and decision making

In 2026, we have already moved beyond the need to rely solely on traditional static credit scores.

For the past several years, forward-thinking digital trade credit providers have built algorithms that gather information about payment behaviour, recent transactions and disputes from multiple data sources to help credit teams make better judgement calls.

But it's not enough. Late payments cost the UK economy an estimated £11 billion per year, while £26 billion is owed in late payments at any given point.[17] Meanwhile, chasing late payments costs European businesses approximately €275 billion annually.[18]

AI takes monitoring sophistication to the next level. Analysing news sources, social media profiles, employee sentiment and review platforms like Trustpilot, agents empower AP and AR teams to build a more holistic picture of debtor health.

What's more, this monitoring occurs continuously. Your team no longer has to wait for a month-end cycle to find out all too late that your biggest customer lost their most lucrative contract over 3 weeks ago.

Instead, real-time insights enable your team to read the signals and intervene before non-payment can occur. Not only does this protect your business against previously invisible risks, but also makes it possible for you to offer credit to a much larger number of your SME customers.

The result? Fewer nasty surprises, real-time responses to market shifts and better working capital control. In other words, more predictable liquidity and improved risk management.

> "Chasing **late payments costs** European businesses approximately **€275 billion** annually."

[17] *DBT research shows that late payments incur significant costs…*, Department for Business & Trade
[18] *Chasing late payments costs European businesses €275bn a year*, Intrum

Absorbing high volume tasks and flagging edge cases

Agentic AI is exceptionally well suited to absorbing high volume tasks and flagging edge cases to human overseers.

Research suggests that employees using AI for high volume data entry tasks like invoice matching and cash application see a 27% reduction in errors.[19]

With these tasks taken off their hands, human teams have more time to focus on edge cases, strategic initiatives and managing the procedures that agents follow.

Agent tasks	Human tasks
Cash application	Refining the AI's procedures and protocols
Validating invoices for payment	Leading strategic supplier negotiations and relationship development
Invoice matching	Resolving "unmatchable" cases with customers
Debt collections	Resolving complex disputes and managing customer relationships
Data reconciliation	Extracting the meaning and strategic implications of the data
Flagging edge cases	Resolving edge cases flagged by agents

[19] *80+ AI Productivity Statistics That Show How It's Changing Work*, Zebracat

You don't need us to tell you that your teams and their toolboxes are changing. We don't believe agentic AI is going to replace every job in AP and AR – but it *is* forcing the profession to evolve. Here's how the future is shaping up for your team.

1 Fewer transactional roles

There will be fewer junior, transactional roles. The model of one manager to many team members has already started to shift to a new setup requiring a handful of mid to senior level individuals with specialised skills in areas like risk strategy, data interpretation and, of course, management of AI agents.

2 Working capital management becomes strategic intelligence...

Automation will elevate AP and AR from back office financial admin to cutting-edge strategic intelligence. Informed by superior real-time information and led by decisive action, these teams will be focused on edge cases and agent management. Better aligned with liquidity goals, they will ultimately become more valuable than ever to the organisations they work for.

3 ...but their purpose remains the same

Accounts payable and accounts receivable have the same purpose that they have always had – it's the way they achieve their goals which is changing. Accountability, risk ownership and relationship management become more important than ever.

1. Cost savings

Accounts payable

From an AP perspective, the most significant saving associated with agentic AI is a reduction in cost per invoice.

According to Gartner research, manual invoice processing in the UK costs anywhere from £4-£25 per invoice. With automation and AI-based extraction and routing, this can fall to just £1.50-£4 per invoice – that's a 60-80% drop in processing costs.[20]

Take a mid-sized UK company manually processing 10,000 invoices/year, for example. At a cost of £10 per invoice, that's £100,000 over the year. After automation, that might drop to just £25,000, representing an annual saving of £75,000 in pure processing costs. Businesses implementing AP automation often report ROI of 120% or more within the first year.[21]

AP automation also saves costs by strengthening financial controls and reducing overpayment. 72% of UK and European finance teams say automation reduces fraud and errors, helping prevent incorrect payments before they occur.[22] Meanwhile, automated invoice systems have been shown to deliver up to a 90% reduction in duplicate payments.[23]

72%

fraud and error reduction following automation

90%

duplicate payment reduction with automation

120%

First year ROI of AP automation

[20] *How much are you spending on each invoice manually processed?*, AccountingWEB
[21] *The Cost Benefits v Cost Savings of Accounts Payable Automation*, Documation
[22] *UK & European finance teams accelerate automation to combat fraud*, CFOtech
[23] *How to Prevent Duplicate Invoices with AP Automation*, IntelliChief

Accounts receivable

Meanwhile the accounts receivable teams of European businesses report exceptional ROI from automation, in some cases as high as 384% in the first year.[24] Automation drives direct cost savings in accounts receivable by drawing together multiple processes that are traditionally undertaken by a number of teams using a variety of solutions and external providers.

In doing so, it enables merchants to achieve a number of direct cost savings compared to the traditional approach to credit management. These saved costs fall into three broad categories:

1. The cost of buying payment and trade credit-related services:
   - Credit scoring
   - Fraud detection
   - Payment procession
   - Factoring
   - Collections agencies

2. The cost of labour
   - Credit assessments
   - Limits determination
   - Ongoing monitoring

3. Finance-related costs:
   - Credit losses
   - Fraudulent transactions
   - Working capital constraints

Additionally, AR automation reduces DSO – a direct driver of working capital – with firms often seeing reductions in the region of 10-20% and, therefore, improved liquidity.[25] For example, imagine a business making £5 million of sales per month with a DSO of 60 days. It's reasonable to estimate that automation could cut DSO to 50 days, giving the company one third of a month's worth of extra cash, which in this example equates to an extra £1.6 million of working capital.

[24] *The Business Value of Billtrust*, IDC
[25] *The Business Value of Billtrust*, IDC

Further working capital management cost savings

That's not to mention the harder to quantify but still significant cost savings associated with:

- Reduced errors and subsequent penalties
- Improved supplier and customer relationships
- Capturing early payment discounts
- Reduced audit prep time
- Lower reliance on temp / agency workers at peak times

Our estimations suggest that by implementing fully automated workflows, the average business could reduce overall working capital management costs by around 40%.

A small to mid-sized business in the UK might save £30,000-£80,000 per year with automated AP (processing costs + errors avoided + early payment discounts), while the cost savings of agentic AR (faster collections + lower bad debt + leaner team + more customers approved for trade credit) could reach £20,000-£60,000. That's a total approximate annual benefit of up to £140,000. We calculate that a larger enterprise in Europe could save in excess of £500,000 annually.

2. Improved collections performance

A fully automated working capital management function improves collections performance not by chasing more aggressively but by being more accurate, consistent, timely and predictive than human-only processes can realistically be at scale.

Removing human error

Poor collections performance is often caused by avoidable human error rather than malicious debtor intent. Common mistakes in manual accounts receivable include:

- Incorrect invoice data
- Late or missing invoices
- Misapplied or unapplied payments
- Credit notes not issued promptly
- Disputes logged but not followed up

Conversely, an automated function ensures invoices are generated accurately and immediately. When cash lands in the bank, it is applied and matched to invoices in real time. Discrepancies are flagged instantly instead of discovered weeks later. In short, AI agents remove much of the potential for error – and on the occasion they do get something wrong, processes can easily be adjusted to avoid repeated mistakes. Humans, on the other hand, find it much more challenging to change bad habits.

Relentless process discipline

Humans are good at a lot of things. Perfect consistency is not one of them. AI agents, on the other hand, are by design unable to diverge from procedure or disobey instructions.

The realities of a manual collections workflow:

- Follow-ups vary by individual
- Reminders get delayed or forgotten entirely
- Some accounts get more attention than others
- Escalation rules are applied inconsistently

But in AI-driven AR, standardised collections policies are enforced, trigger actions are based on rules instead of memory and every payment is followed up exactly as designed. The impact? No invoice gets forgotten, debtors learn that late payment always triggers action and payment behaviour improves.

Unified debtor communications

Manual collections teams are limited by time and bandwidth. There are only so many calls, emails and texts that can fit in a day's work.

Automation enables polite, persistent and professional follow-up at scale. Communications are triggered automatically, sent at optimal times and tailored to each customer. Agents can send emails and texts; access e-invoicing networks and portals; and even make phone calls without the intervention of human staff. This means debtors are reminded before payment is overdue and follow-ups happen exactly when intended – even if an individual collector is otherwise engaged.

It also means that if a debtor calls up, they can speak to an agent about their case and get answers quickly at any hour of the day or night. If they have a dispute, an immediate attempt can be made to resolve it. If they need a copy of an invoice or clarification of what's paid and what's owed, all the necessary information is available instantly.

The result?

- Better response rates
- Faster payments
- More effective dispute resolution
- Reduced average days overdue
- Improved customer outcomes
- Access to more working capital

3. Increased revenue

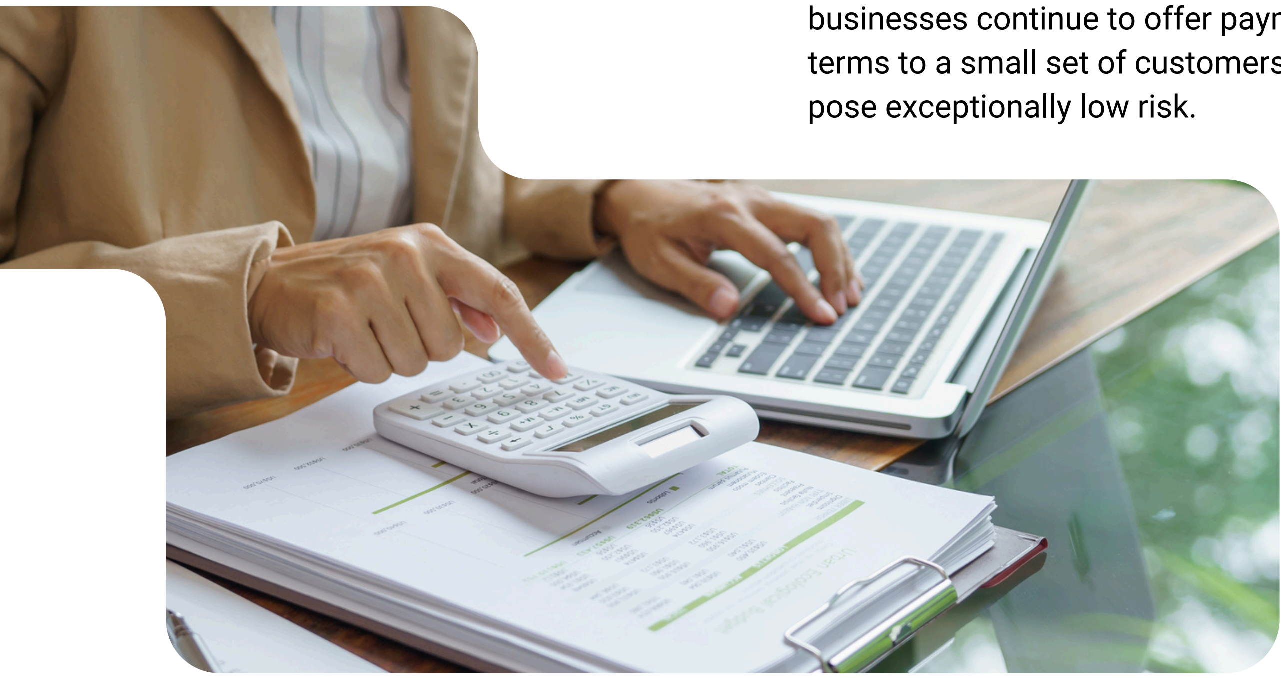
Automated working capital management also brings the opportunity for increased revenue. In our experience, merchants that implement automated credit decisions report conversion rate uplift of 40% on average. This is driven primarily by the availability of more effective credit and fraud risk algorithms.

Typically, one of the biggest challenges faced by businesses today is that they can only offer payment terms to their largest customers. Satisfaction levels tend to be high among these accounts, which is reflected in repeat orders, higher average order value and increased loyalty. Meanwhile, a long tail of SME customers are denied access to payment terms and therefore unable to fulfill their revenue potential.

Automated credit and fraud risk decisioning improves your offer rate, enabling you to safely offer trade credit to a much larger pool of buyers and therefore drive more sales. Automation makes it possible to offer payment terms in around 80% of cases, whereas traditional approaches to risk often allow for acceptance of just 10-20% of new customers.

Furthermore, the ability to move faster increases your chances of winning accounts. Time kills deals, so being able to respond to clients more quickly – or even be armed with a tailored credit limit and payment terms in your initial conversation – can significantly improve your win rate.

Instead of increasing the number of accounts to whom credit is offered, you may choose to use this power in an alternative way. To reduce bad debt, some businesses continue to offer payment terms to a small set of customers who pose exceptionally low risk.



How CFOs can implement agentic working capital management

Our experiences and learnings from the frontlines of modern credit management all point in one direction: agentic working capital management is the next big shift in financial operations.

Already, finance leaders are getting the green light on AI budgets and taking steps towards fully automated AP and AR

Increasingly, CEOs and investors expect AI and automation to generate significant cost savings in finance teams – and while low tech investment is a barrier, the primary challenge for finance leaders is evolving their team's skills and mindset. This is something that takes a significant time investment, so the winners of tomorrow *must* take action today.

To prove the value of agentic AP and AR and start the change management process, finance leaders must design and run pilot projects with clearly defined decision boundaries and outcomes.

The success of these pilots will depend largely on data quality and the AI literacy of your team, so make sure to invest in these areas. And remember – there's only so much value in the theoretical. Your team will learn through *doing*, and even the AI skeptics will come around when their daily lives begin to improve.

73% of finance professionals believe that AI integration is difficult.[26] But it doesn't have to be.

If you would like to ensure the successful automation of your working capital management function, look no further than Liquidity Lab.

We help CFOs and Credit Managers modernise Accounts Receivable (AR) and Accounts Payable (AP) – replacing rigid, manual processes with automated workflows that improve efficiency and reduce costs.

Combining deep operational expertise with cutting-edge AI, we make it easy to discover, design and embed intelligent liquidity management workflows into day-to-day operations.

Founded by credit management experts from Allianz Trade, Oliver Wyman, Klarna, Paypal and Hokodo, Liquidity Lab helps you to increase revenue by as much as 40% through instant credit decisioning, fraud prevention and a seamless checkout experience. Meanwhile, automated invoice matching and agentic collections enable you to reduce DSO by 28% and cut costs by up to 15%.

We're not just another advisory firm. We're a hands-on transformation partner with tangible impact. We map your processes at a granular level, recommend the right AI agents for your use case and work with your teams to embed new technology into your daily operations.

We believe in a future where AR and AP evolve from back-office functions to cornerstones of strategic intelligence.

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[26] *The AR and AP Renaissance: A New Era of Financial Management, L.E.K Consulting*

Visit liquidity-lab.com to learn more or book a complimentary consultation

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