

5 KPIs

ACCOUNTS PAYABLE

WORTH TRACKING

[and how to maximize results with
real-time analytics & dashboards]



ESKER

YOU CAN'T IMPROVE WHAT YOU CAN'T MEASURE.

Key performance indicators (KPIs) mean a lot of things to a lot of organizations. The same way pilots monitor flight instruments or coaches track statistics, business leaders must also rely on metrics to guide their decisions and measure their success — especially when it concerns accounts payable (AP).

The AP department, once viewed as a peripheral back-office function, is now one of the central drivers of business profitability. As AP's importance expands, so too has the spotlight on its people and processes. KPIs are a simple and effective way to make sure each touch point is optimized and every user is held accountable.

The problem is, AP decision-makers don't always know if they're tracking the right KPIs, and often lack the tools to do so effectively. For example, a 2015 IOFM study found that **only 15% of businesses track their metrics using technology like dashboards that display key data**¹.

This eBook is for anyone wanting their AP department to realize its full potential. As we will learn, KPIs, when used correctly, are the transformative tool to do it.



¹ Visibility into the Accounts Payable Process: Measuring and Reporting on KPIs and Metrics, 2015. The Institute of Finance & Management.

5 KPIs WORTH TRACKING

There are an infinite number of KPIs an AP department can track. And that's part of the problem ... more is not necessarily better. Just like a doctor measures only a handful of vital signs, you too should focus your insights on a select group of KPIs that have the most impact on your organization.

In our experience, you really **can't go wrong with these five**. Check them out.



COST TO PROCESS A SINGLE INVOICE

Vendors aren't suddenly going to stop wanting payments. AP departments should know what they're paying to process each invoice and have a strategy in place to mitigate costs.

FACTORS TO CONSIDER

The total cost to process one invoice can be tricky to pinpoint. To get an accurate assessment, consider every expense involved in AP processing, including:

- Costs associated with routing
- Copying and follow-up
- Staff salaries
- Managerial overhead
- IT support

WHAT THE NUMBERS SAY

According to a 2015 PayStream Advisors study, the **average all-inclusive cost to process an invoice manually is \$40.70²**. Yikes — that's a big hit to the bottom line! Remember, this is only for processes that rely on manual methods for completing AP tasks (e.g., data entry, data validation, document archival, etc.).

BEST PRACTICES

The most practical way to reduce processing costs is to **minimize the number of manual tasks**. Take [Farmland Foods](#) for example: The internationally renowned pork processing company was able to save the equivalent of three FTEs over the course of a year by automating their manual AP operation.



² 2015 Invoice Workflow Automation Report: Exploring the Efficiency and Value of Invoice Workflow Automation (IWA) Technology, 2015. PayStream Advisors.

TIME TO PROCESS A SINGLE INVOICE



There's a reason people say time is money. In order to maximize AP's profit-generating potential, companies must identify what's slowing their process down and how to fix it.

WHAT'S AT STAKE

The time it takes to process a single invoice is a good KPI for determining how much value an AP department is either wasting or adding on a regular basis. The longer the processing time, the more likely it is you're losing money on things like:

- Missed vendor discounts
- Late payment fees
- Low staff productivity
- Vendor dissatisfaction

WHAT THE NUMBERS SAY

A 2015 Ardent Partners study found that the market **average for processing a single invoice was 11.4 days**³. The same study found that "best-in-class" companies (i.e., those who leverage automated workflow tools to drive their AP process) only took an **average of 3.6 days**.

BEST PRACTICES

If your company is seeking a faster, more coordinated AP operation, electronic workflow is where it's at. An end-to-end automation solution eliminates the time-consuming manual tasks associated with AP invoicing while creating new workflow efficiencies not previously possible, such as [mobile approval](#) and more.



³ ePayables 2015: Higher Ground, June 2015. Ardent Partners.



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NUMBER OF INVOICES PROCESSED PER DAY PER AP CLERK

Measuring staff productivity is a way to optimize AP invoicing even further, as what you learn from this KPI can be used to improve multiple areas of your operation.

HOW TO CALCULATE

To determine the amount of invoices processed per day per AP clerk, follow these three simple steps:

1. Take the number of AP invoices processed per month.
2. Divide that by the number of FTEs who handle them.
3. Lastly, factor in who's responsible for what aspects.

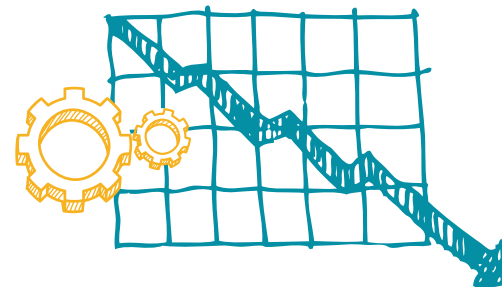
Note: There's not a definitive market average for this KPI due to all the factors that play into the calculation.

WHY IT MATTERS

Not only does measuring this KPI provide a clear record of how many invoices are coming in per day and employee activity, it can also help you pinpoint what vendors are causing your staff the most problems.

BEST PRACTICES

Once again, AP automation is the clear solution. Besides accelerating processing time, it boosts job satisfaction with AP clerks and frees them up for more valuable activities. For example, [Albemarle](#) was able to **improve productivity from an average of 60 invoices per day per AP clerk to 85.**



PERCENTAGE OF INVOICES LINKED TO A PURCHASE ORDER (PO)



If it impacts processing time and cost, you better believe it's worth tracking. Smart AP departments use this KPI to gauge how truly seamless their process is.

WHY IT MATTERS

Invoice validation is a key step in the approval process, so it makes sense that delays — like those caused by information not matching the PO — would be of great concern to the AP team. In general, the lower your percentage of invoices linked to a PO, the slower, more expensive your AP process will be.

WHAT THE NUMBERS SAY

According to findings from Ardent Partners' 2015 study, the market average for **percentage of invoices linked to a PO is 58.9%**⁴. On the other hand, those dubbed as “**best-in-class**” had an average of **73.1%**.

BEST PRACTICES

Top performers go beyond workflow automation to connect vital AP functions with other processes. For example, using an [e-purchasing tool](#) along with AP automation enables all invoices to be PO-based and auto-matched with the corresponding PO and goods receipt. This speeds up processing time and allows for more cost-savings like dynamic discounting.



⁴ ePayables 2015: Higher Ground, June 2015. Ardent Partners.



INVOICE EXCEPTION RATE

More than 1 in 6 invoices processed by the average company cause exceptions⁵. To maintain process efficiency, AP departments should track and continually review this KPI.

WHAT'S AT STAKE

Considering the regularity of exceptions, it's easy to see why they pose such a problem. The amount time and resources required to resolve them is a big reason why AP departments underperform. More often than not, exceptions are caused by:

- Discrepancies in PO and invoice data
- Missing/incorrect PO
- Bottlenecks in approval workflow

WHAT THE NUMBERS SAY

Based on findings from the same Ardent Partners study cited in previous pages, the market **average for invoice exception rates is 17.2%, compared to 9.8% for those in "best-in-class" standing.**

BEST PRACTICES

The secret to lowering exception rates is really no secret at all — standardize your process as much as possible. AP automation solutions often allow for 3-way match verification so issues are handled quickly and correctly. Take the case of [Maxim Integrated](#), a company that was able to achieve a 95% on-time invoice payment rate by standardizing its manual process.



⁵ ePayables 2015: Higher Ground, June 2015. Ardent Partners.

REAL-TIME ANALYTICS & DASHBOARDS

Knowing what KPIs to measure is one thing, but it's another to have the technology in place to strategically display, sort and coordinate the data you're collecting. As we've seen, e-invoicing tools streamline AP workflow, but can they offer similar benefits in terms of KPI management?

After seeing how Esker's comprehensive dashboards work, we think you'll find that **the answer is a definitive "yes."**

HOW ESKER'S DASHBOARDS WORK

When a company automates AP with Esker's cloud-based solution, received invoices are automatically queued for processing and made 100% visible and accessible via built-in dashboards. Users can choose what KPIs are displayed on their interface, making every action smarter and more strategic.



ONE INTELLIGENT TOOL FOR ALL AP STAKEHOLDERS



The beauty of Esker's dashboards is that their functionality isn't restricted to one particular person or group within the AP process. The customizable nature of the technology means all key stakeholders can benefit, allowing the right person to instantly access the right information at the right time.

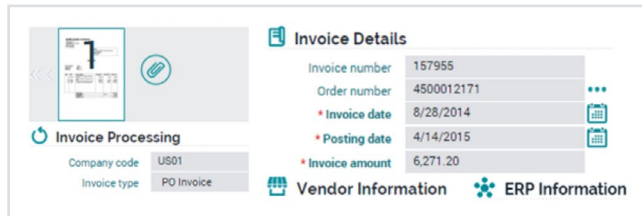
AP CLERK	AP MANAGER	FINANCE MANAGER	CONTROLLER	CFO
▪ Prioritize daily workload & act on real-time metrics	▪ Gain full visibility over spend	▪ Take advantage of negotiated discounts	▪ Access approval process history	▪ Monitor budgets & spend overview
▪ Have automatic reminders sent to approvers	▪ Run accrual reports	▪ Spot potential issues early with large suppliers	▪ Easily retrieve any invoice via online invoice archiving	▪ Follow FTE versus number of invoices processed KPI
▪ Never miss a supplier discount with identification of early payment invoices	▪ Monitor team efficiency & allocate resources based on real-time numbers	▪ See what suppliers make up a majority of invoices	▪ Monitor spend budgets by cost center	▪ Keep an eye on automation rate
	▪ Follow AP trends from dashboard home page	▪ Access/approve invoices from anywhere	▪ Give auditors self-access to invoices & supporting documents	▪ Get peace of mind regarding fraud prevention
	▪ Access invoice audit trail			

FEATURES THAT GO BEYOND VISIBILITY

The last thing companies want when modernizing AP invoicing is to deal with the complexity of separate, disconnected solutions. Fortunately, Esker dashboards are just one feature of a larger, unified platform that houses all the tools and technology needed to achieve end-to-end AP efficiency.

PAPER-FREE INVOICING

Using intelligent data capture, automated workflow and electronic archiving capabilities, companies leveraging Esker can eliminate virtually all manual aspects of verification, data entry, approval and document storage.



The screenshot shows the 'Invoice Processing' section of the Esker dashboard. It includes a 'Company code' of US01 and an 'Invoice type' of PO Invoice. The 'Invoice Details' section lists the following information:

Field	Value
Invoice number	157955
Order number	4500012171
Invoice date	8/28/2014
Posting date	4/14/2015
Invoice amount	6,271.20

Below the details, there are tabs for 'Vendor Information' and 'ERP Information'.

MOBILE INVOICE APPROVAL

Esker's mobile invoice approval app is available 24/7 from Apple® or Android™ devices, giving on-the-go approvers the freedom to access, review and approve any invoice at any moment — regardless of time or location.

MULTI-ERP INTEGRATION

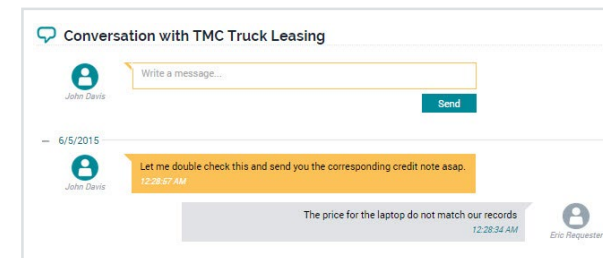
Esker's technology works seamlessly with any existing back-end system, simplifying setup and go-live. Esker also has certified integration for SAP® software applications and Microsoft Dynamics™ NAV systems.



The screenshot shows the 'ERP Information' section of the Esker dashboard. It displays the 'ERP Invoice number' as 108029.

SUPPLIER PORTAL

Timely AP invoicing is a two-way street. Esker's portal simplifies the company/supplier relationship via a collaborative workspace where self-service access to invoice data promotes rapid dispute resolution and fewer invoice status calls.



The screenshot shows a conversation in the Esker Supplier Portal with TMC Truck Leasing. The conversation includes a message from John Davis: 'Let me double check this and send you the corresponding credit note asap.' and a response from Eric Requester: 'The price for the laptop do not match our records'.

CONCLUSION

There is no magic wand or secret formula for becoming a top-performing AP department. Making the jump from average to best-in-class is as simple as this two-step process: **1) Measure** the most valuable KPIs according to your operational goals and evaluate them over time; and **2) Leverage** a solution that can optimize KPI management while improving AP invoicing as a whole.

Care to learn more about Esker and our solutions? See you on the next page.

ABOUT ESKER

Esker is a worldwide leader in cloud-based document process automation software. Organizations of all sizes use our shared platform of solutions, offered on-demand or on-premises, to automate accounts payable, order processing, accounts receivable, purchasing and more. Esker's solutions are compatible with all geographic, regulatory and technology environments, helping over 11,000 companies around the world in their efforts to Quit Paper™.

WORLDWIDE PRESENCE

Founded in 1985, Esker operates in North America, Latin America, Europe and Asia Pacific with global headquarters in Lyon, France and U.S. headquarters in Madison, Wisconsin. Last year Esker generated 46.1 million euros in total sales revenue.

DATA SECURITY & INTEGRITY

Esker has earned SSAE 16 and ISAE 3402 Type 1 and Type 2 compliance for its on-demand solutions. This means Esker's processes, procedures and controls have been formally reviewed and are documented to be in accordance with the rules outlined in the Sarbanes-Oxley Act legislation.



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RESOURCES

Here are some helpful resources we referenced throughout the eBook:

Farmland Foods Case Study

Enjoying New Levels of Business Process Efficiency with Accounts Payable Automation

[Instant download >](#)

Albemarle Case Study

Gaining Worldwide Automated AP Capability with SAP®-Certified Partner, Esker

[Instant download >](#)

Maxim Integrated Case Study

Eliminating Paper Invoices and Streamlining Workflow Approval with AP Automation

[Instant download >](#)

