

5 KPIs

ACCOUNTS PAYABLE

WORTH TRACKING

[how to use metrics to maximize productivity and profitability]



ESKER

BEFORE WE BEGIN.

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KEY TERMS TO REMEMBER

AI: Artificial Intelligence

AP: Accounts Payable

EDI: Electronic Data Interchange

ERP: Enterprise Resource Planning

FTE: Full-Time Employee

KPI: Key Performance Indicator

P2P: Purchase to Pay

PO: Purchase Order

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. With **56% of all enterprises believing that deeper, more agile analytics and reporting are necessary for AP's success¹**, these metric-tracking tools are proving their importance as we look toward the future.

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 just that.

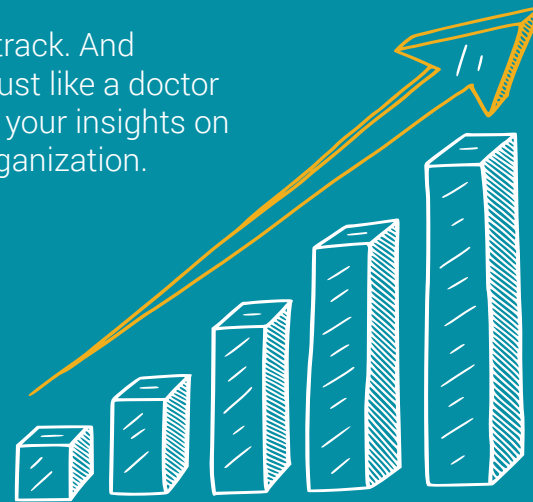


¹ The State of ePayables 2018: The Future of AP is Now, June 2018. Ardent Partners.

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

Accounts payable 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 2018 PayStream Advisors study, **the average cost to process an invoice with little automation is \$15.00.**² Yikes — that's a big hit to the bottom line! Those that have developed a more **mature level of automation are processing invoices at only \$2.36 on average.**

BEST PRACTICES

Take [Culligan France](#) for example: By automating their manual AP operation, the company can now process 90% of invoices in one click, without any intervention..



² Guide to Payables Automation: Going Paperless, Gaining Maximum Returns from Payments, and Ensuring the Success of AP Automation, 2018. 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

According to the previously mentioned 2018 PayStream Advisors study, the **average time to process an invoice with little automation is 45 days³**, while those with **mature levels of automation process invoices in five days** on average.

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 Guide to Payables Automation: Going Paperless, Gaining Maximum Returns from Payments, and Ensuring the Success of AP Automation, 2018. PayStream Advisors.



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.

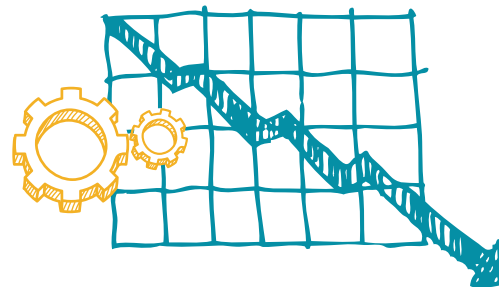
Note: There's not a definitive market average for this KPI due to all the factors that play into the calculation.

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, [Parts Town](#) was able to **increase productivity 60%, going from 57 invoices per day per user to 92.**



PERCENTAGE OF INVOICES LINKED TO A PO



If it impacts processing time and cost, you better believe it's worth tracking. Smart AP departments use this KPI to gauge how seamless their process really 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' 2018 study, the market average for the **percentage of invoices linked to a PO is 60.5%**. On the other hand, those dubbed as “best-in-class” have an average of **73.3%**.⁴

BEST PRACTICES

Top performers go beyond workflow automation to connect vital AP functions with other processes. For example, using a [purchasing solution](#) 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 The State of ePayables 2018: The Future of AP is Now, June 2018. Ardent Partners.



INVOICE EXCEPTION RATE

On average, AP staff spends 24% of their day managing and correcting invoice exceptions.⁵ 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 of 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 in 23.9%, compared to 10.7% for those in "best-in-class" standing.**⁵

BEST PRACTICES

The secret to lowering exception rates is really no secret at all — standardize your process as much as possible. Accounts payable automation solutions often allow for 3-way match verification so issues are handled quickly and correctly. Take the case of [European Motor Distributors](#), a company that was able to drastically improve their supplier relationships as invoices are never lost and always paid on time.



⁵ The State of ePayables 2018: The Future of AP is Now, June 2018. 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.

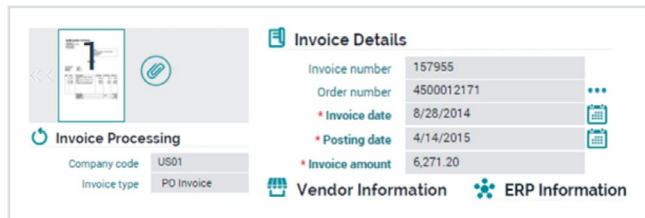
AP CLERK	AP MANAGER	FINANCE MANAGER	CONTROLLER	CFO
<ul style="list-style-type: none"> ▪ Prioritize daily workload & act on real-time metrics 	<ul style="list-style-type: none"> ▪ Gain full visibility over spend 	<ul style="list-style-type: none"> ▪ Take advantage of negotiated discounts 	<ul style="list-style-type: none"> ▪ Access approval process history 	<ul style="list-style-type: none"> ▪ Monitor budgets & spend overview
<ul style="list-style-type: none"> ▪ Have automatic reminders sent to approvers 	<ul style="list-style-type: none"> ▪ Run accrual reports 	<ul style="list-style-type: none"> ▪ Spot potential issues early with large suppliers 	<ul style="list-style-type: none"> ▪ Easily retrieve any invoice via online invoice archiving 	<ul style="list-style-type: none"> ▪ Follow FTE versus number of invoices processed KPI
<ul style="list-style-type: none"> ▪ Never miss a supplier discount with identification of early payment invoices 	<ul style="list-style-type: none"> ▪ Monitor team efficiency & allocate resources based on real-time numbers 	<ul style="list-style-type: none"> ▪ See what suppliers make up a majority of invoices 	<ul style="list-style-type: none"> ▪ Monitor spend budgets by cost center 	<ul style="list-style-type: none"> ▪ Keep an eye on automation rate
	<ul style="list-style-type: none"> ▪ Follow AP trends from dashboard home page 	<ul style="list-style-type: none"> ▪ Access/approve invoices from anywhere 	<ul style="list-style-type: none"> ▪ Give auditors self-access to invoices & supporting documents 	<ul style="list-style-type: none"> ▪ Get peace of mind regarding fraud prevention
	<ul style="list-style-type: none"> ▪ 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.

ARTIFICIAL INTELLIGENCE

Built on a set of technologies designed to mimic human intelligence, Esker's AI Engine combines machine learning and deep learning to manage and analyze necessary data for improving speed, accuracy, productivity and predictive analytics.



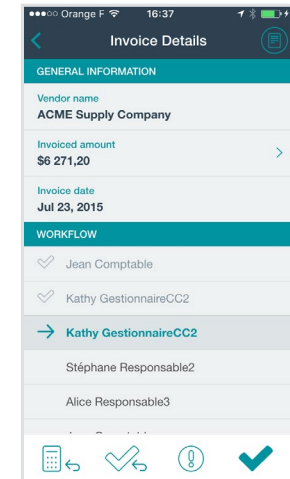
The screenshot displays the 'Invoice Details' section of the Esker dashboard. It includes fields for 'Invoice number' (157955), 'Order number' (4500012171), 'Invoice date' (8/28/2014), 'Posting date' (4/14/2015), and 'Invoice amount' (6,271.20). Below this, there are sections for 'Invoice Processing' (Company code: US01, Invoice type: PO Invoice) and 'Vendor Information' and 'ERP Information' links.

MULTI-ERP INTEGRATION

Esker's technology works seamlessly with any existing system, simplifying setup and go-live. Esker also has certified integration for SAP® software applications, including SAP S/4HANA, and Microsoft Dynamics™ NAV systems.

MOBILE INVOICE APPROVAL

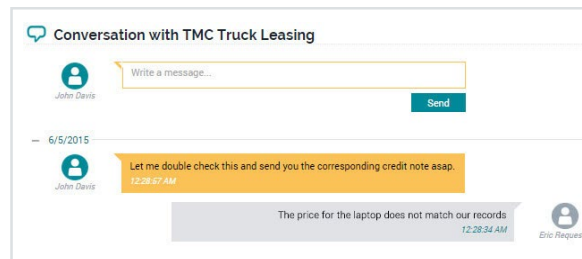
Esker's mobile invoice approval app, Esker Anywhere™, is available 24/7 from Apple® or Android™ devices, giving on-the-go users the freedom to track KPIs as well as access, review and approve any invoice at any moment — regardless of time or location.



The screenshot shows the 'Invoice Details' screen of the Esker Anywhere mobile app. It displays 'GENERAL INFORMATION' including 'Vendor name' (ACME Supply Company), 'Invoiced amount' (\$6,271.20), and 'Invoice date' (Jul 23, 2015). Below this is a 'WORKFLOW' section showing a list of users: Jean Comptable, Kathy GestionnaireCC2, Stéphane Responsable2, and Alice Responsable3. The app interface includes a status bar at the top and navigation icons at the bottom.

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 displays a 'Conversation with TMC Truck Leasing' in the Esker Supplier Portal. It shows a chat interface with a 'Write a message...' input field and a 'Send' button. A message from 'John Davis' dated 6/5/2015 at 12:38:57 AM says, 'Let me double check this and send you the corresponding credit note asap.' A response from 'Eric Requester' dated 12:28:34 AM says, 'The price for the laptop does not match our records.' The interface includes user avatars and a timestamp for the last message.

EDI SERVICES

Esker EDI Services is built on a worldwide network of essential standards, formats and service provider connections. It enables users to automate business processes with EDI and easily connect with customers and suppliers.

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.



We're here to help

ABOUT ESKER

Esker is proud to offer a best-in-class P2P automation solution specifically designed to help companies improve their strategic supplier relationships and transform the way they purchase, book and pay. As a global leader in AI-driven process automation software, Esker's expertise also goes beyond P2P processes. Over 11,000 companies around the world use Esker solutions to automate other business processes, including: order management, accounts receivable and more.

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. In 2018, Esker generated 86.9 million euros in total sales revenue.

LEARN MORE

Website: www.esker.com

Blog: blog.esker.com

Twitter: twitter.com/eskerinc



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RESOURCES

Here are some helpful resources we referenced throughout the eBook:

Culligan France Case Study

Improving Supplier Invoice Processing with Accounts Payable Automation

[Instant download >](#)

Parts Town Case Study

Generating \$30K+ in Added Savings per Month Thanks to Accounts Payable Automation

[Instant download >](#)

European Motor Distributors Case Study

Driving AP Performance with Cloud-Based Accounts Payable Automation

[Instant download >](#)

