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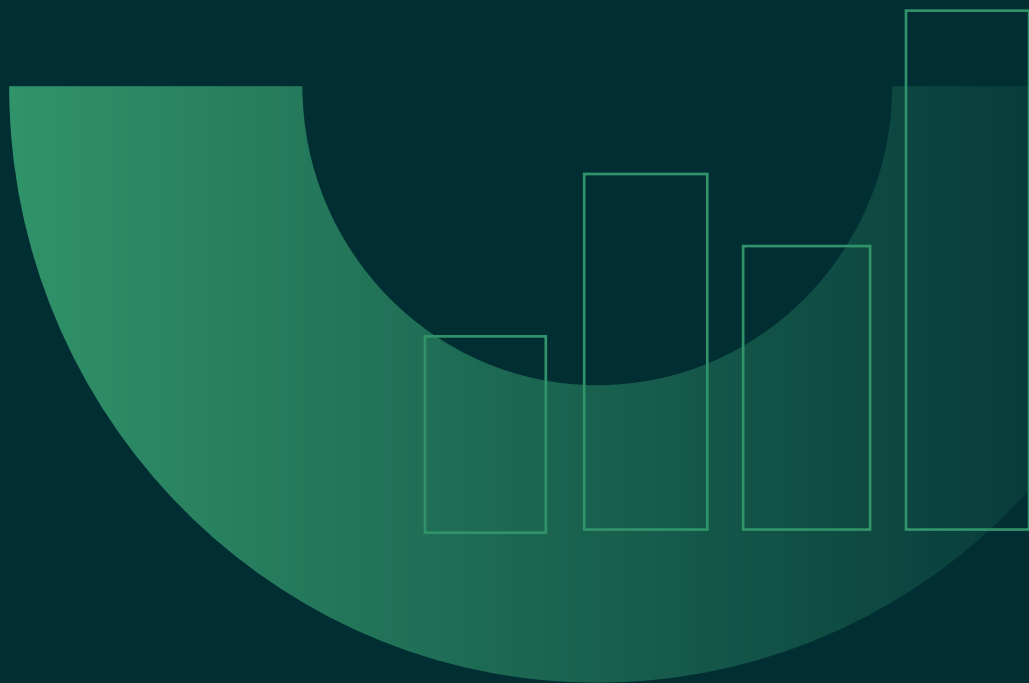# The 4 KPIs Your Accounts Payable Team Should Be Tracking Immediately

Featuring:

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To ensure business stability, sustainability, and growth, finance leaders must monitor and understand various aspects of their financial processes. In fact, there are certain high-level Key Performance Indicators (KPIs) that finance managers should be tracking if they want to stay on top of their game. This observation should be done regularly to avoid situations where organizations are prioritizing one KPI over the other. For instance, if proper monitoring is not done, managers may be prioritizing a low cost KPI to the detriment of another KPI like high productivity.

Our team at Procurify is proud to chat with Rachele Collins, our partner responsible for financial management research at APQC, and we were able to pick useful tips from her wealth of knowledge in years of research in financial management. In this whitepaper, we will be sharing 4 core KPIs that your AP team should start tracking immediately so they can optimize in their financial management.

The tips provided are practical and can be easily implemented to create a balance between different sets of KPIs used for AP process. According to Rachele, APQC's recommendation is that organizations should ensure a balance of certain KPIs for the AP process to be viable. She recommends that for financial balance to be achieved, finance managers must track 4 main sets of KPIs in their AP process. These are: cost, productivity, efficiency, and cycle time.

The Four Main Types of KPIs

Cost KPIs

The cost KPIs measure the cost of a process standardized by factors like revenue or invoices. All things being equal, a lower number is generally better for cost KPIs.

Productivity KPIs

These KPIs are meant to measure the output produced per input. In this instance, a higher number is better (again, all things being equal).

Efficiency KPIs

These KPIs are used in measuring how efficient your resources are in work performance. This measure is also standardized, and is usually expressed as a percentage.

Cycle Time KPIs

These KPIs are used for measuring duration. Here, the lower or faster the results, the better for the process.

When finance managers monitor a balanced set of KPIs, they help ensure that one KPI is not given too much attention at the expense of another.

Hence, APQC recommends the immediate tracking of the following four high-level KPIs by an organization's AP team. The models below will provide useful insights for managers and their team.

The 4 KPIs Your AP Team Should Be Tracking Immediately

1. Total cost to perform the AP process per invoice processed

Once you capture all the costs that happen for AP or another finance process, regardless of where it is being performed, you may notice redundancies and opportunities to streamline, and that your process is much less cost effective and efficient than you think.
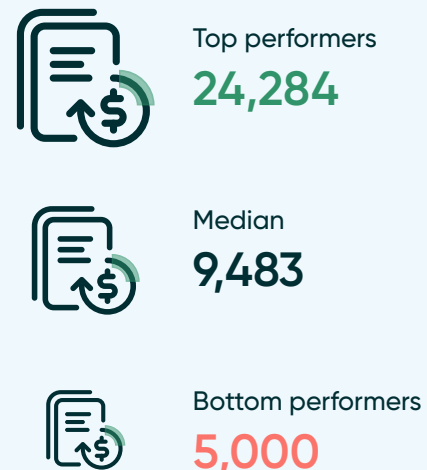
Top performers
$2.05

Median
$5.78

Bottom performers
$10.00

Total Cost to Perform the Process "Process Accounts Payable" per Invoice Processed

2. Number of invoices processed per AP Full-Time Equivalent

There is a significant difference between top performers and bottom performers for this KPI. Many factors can affect this KPI, including automation, looking at bottlenecks within your organization, and shifting away from manual and traditional processes.

A failure to not only understand the process, but where that process fits in the entire value chain (SIPOC) – thinking about inputs, process, and outputs from an end-to-end standpoint may point out additional opportunities for improvement, as often times processes fail at the handoffs (unclear roles, responsibilities, etc.)

Top performers
24,284

Median
9,483

Bottom performers
5,000

Number of Invoices Processed per FTE that Performs the Process "Process Accounts Payable"

3. Number of AP FTEs per $1 billion in revenue

There is a big difference once again within this KPI between top performers and bottom performers, with a discrepancy of almost 80%. With the right processes and tools to support a new workflow, organizations can improve this KPI by a significant amount.

Top performers
3.3

Median
6.8

Bottom performers
14.4

Number of FTEs that Perform the Process "Process Accounts Payable" per $1 Billion in Revenue

4. Cycle time in days from receipt of invoice until payment is transmitted

Organizations should supplement these core KPIs with additional measures such as quality/error rates and stakeholder satisfaction that pinpoint their improvement concerns.

Top performers
12 days

Median
15 days

Bottom performers
23 days

Cycle Time in Days from Receipt of Invoice until Payment is Transmitted

Implementing The KPIs

It was recommended that every organization should supplement these 4 high-level KPIs with additional measures such as quality or error rates as well as stakeholder satisfaction. By doing this, they will be able to pinpoint their improvement concerns. This will help organizations to improve and drive sustainable growth.

New systems and technology are important to the optimization of the AP process.

> Organizations interested in really improving their AP process should adopt systematic and holistic approaches when dealing with functions from structure, process, people, and technology.

> There is no quick "fix" for finance, even outsourcing parts of finance tends to involve oversight and managing that relationship and quality/service levels.

In addition, they should measure perspective andbenchmark themselves both within and outside of their industry to see different possibilities about inputs, process, and outputs.

The Future of Accounts Payable

"Organizations will focus on automating routine, recurring tasks, freeing up time for team members to focus on higher value-add activities like customer service, exceptions, analysis, process improvement, and decision support."

According to APQC, only 14% of all organizations have managed to implement accounts payable automation processes - which leaves a huge opportunity for organizations to rethink their processes and increase efficiency.

Get in Touch with Rachele

For any follow-up questions for Rachele or if you'd like to connect with her on social media:
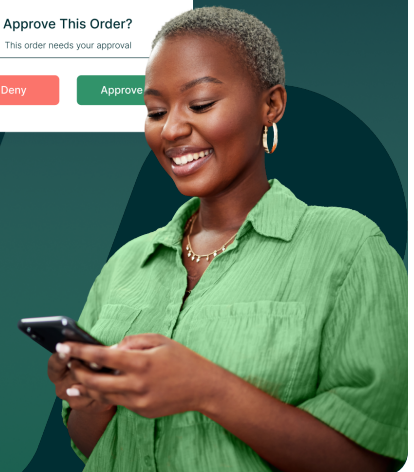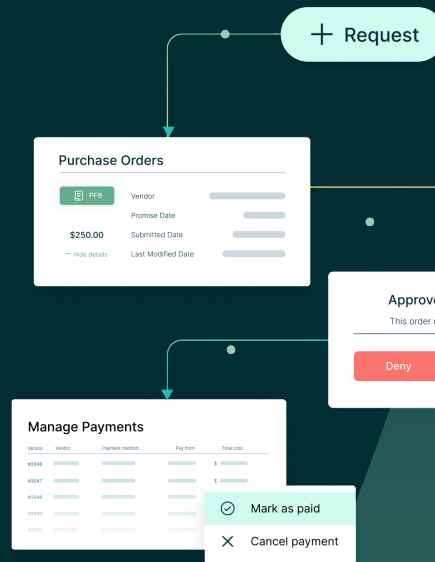
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Learn How You Can Process Invoices Faster And More Accurately With Procurify

Procurify helps automate your purchase to invoice approval workflow. Cut your cycle time by up to 80% and save hundreds of hours reconciling invoices at month end.

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Purchase Orders

PF9	Vendor
	Promise Date
$250.00	Submitted Date
− Hide details	Last Modified Date

Approve This Order?
This order needs your approval

Deny   Approve

Manage Payments

Vendor	Vendor	Payment Method	Pay from	Total cost
#3048				$
#3047				$
#3046				
#3045				
#3043				

✓ Mark as paid
✕ Cancel payment

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