

WHITE PAPER

**Driving Excellence in
Accounts Payable:
A Comprehensive Guide to KPI
Utilization and Automation**



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INTRODUCTION:

Accounts Payable (AP) is a critical function in any organization. Among other tasks, it involves processing invoices, managing supplier relationships, and executing payments. It ensures that these processes are accurate, timely, and in compliance with all relevant regulations. However, managing AP effectively can be a challenging task, particularly for large organizations with a high turnover. This is where Key Performance Indicators (KPIs) come into play, helping organizations track and measure the effectiveness of their AP processes and improve their cash position. In this whitepaper, we'll explore some of the most relevant KPIs in accounts payable and explain how AP automation solutions can help organizations better track and enhance these metrics.



WHY IS IT IMPORTANT FOR COMPANIES TO WORK WITH ACCOUNTS PAYABLE KPIs?

Working with accounts payable (AP) key performance indicators (KPIs) is essential for any company that wants to achieve financial stability and success. Here are some of the reasons why setting KPIs is important:

Stay in control by measuring and monitoring AP performance:

Organizations can identify areas of weakness and implement improvements to enhance their AP processes. A KPI framework helps monitor whether the AP department is meeting key objectives, such as timely payment of invoices and accuracy of payments.

Identify opportunities to reduce costs and improve efficiency:

By tracking metrics such as cost per invoice and invoice processing time, organizations can identify areas where process improvements can be implemented to drive greater efficiency and reduce costs. By reducing the cost of processing invoices and capturing available discounts, companies can improve their profitability and compete more effectively in their respective markets.

Better Supplier Relationships:

Maintaining positive payment behavior with suppliers helps build trust and goodwill. This can lead to improved payment terms, better pricing, and stronger partnerships, all of which are crucial for a business's success. KPIs such as payment timeliness and discount capture rate, help organizations achieve such outcomes.

In conclusion, by tracking and monitoring key metrics, organizations can identify opportunities for optimization and implement changes that drive value for the business. Now, the question is, **what are the most relevant accounts payable KPIs for large enterprises today?**

KEY ACCOUNTS PAYABLE KPIs ORGANIZATIONS NEED TO WORK ON NOWADAYS:

Invoice Processing Time

Invoice processing time is the amount of time it takes for an invoice to be received, reviewed, approved, and paid. This KPI is important because the longer it takes for an invoice to be processed, the longer it takes for suppliers to receive the payment. Delayed payments can harm supplier relationships and potentially result in late payment fees.

AP managers should closely monitor invoice processing time, as it can serve as an early indicator of low productivity.

AP automation solutions can significantly reduce invoice processing time by automating manual tasks involved in the process. For example, these solutions can automatically capture invoice data, match and code invoices and route them to the appropriate approvers. Additionally, automation can reduce the risk of errors, which can further delay the payment process. As you reduce invoice processing time more invoices can be processed. Last but not least, AP automation solutions can enhance the approval process by rerouting invoices to the correct approvers during holidays. They can also escalate invoices to managers if they are not approved on time.

Daily invoice processing volume by agent

Daily invoice processing volume by agent measures the number of invoices processed by an AP agent daily. This KPI is important for tracking productivity of the AP team members, establishing performance targets, measuring progress, and identifying areas for improvement in invoice processing steps and procedures.

AP automation solutions can help you measure and boost daily invoice processing volume by agent among other productivity KPIs.

Below we have listed some ways in which AP automation tools achieve so:



Process invoices in a timely manner

By automating manual tasks, AP agents can increase their daily invoice processing capacity or allocate more time to valuable tasks like data analytics.



Real-time monitoring

By showing how many invoices per day (or other time ranges) each AP agent has processed, managers can follow the progress of invoice processing in real-time, identify bottlenecks and areas for improvement. With such information, AP managers can take corrective actions to support AP agents in their tasks. Resolving frustrations and challenges on time, such as a lack of training or dealing with long and time-consuming invoices, will increase overall productivity.



Better AP team management and resource allocation

By providing insights to AP managers and leaders, they will ensure there are sufficient staff and resources to meet processing targets.

For example, users of the Cevinio Analytics Suite can monitor the volume of invoices processed by AP agents among other variables. By evaluating workload and efficiency, you will gain insights into the invoice processing flow and reveal how AP agents utilize the system.

Cost per invoice

Cost per invoice is the average cost of processing a single invoice. This KPI is important because high processing costs can reduce the overall profitability of an organization.

The cost per invoice is an important KPI in accounts payable, as it measures the cost associated with processing each invoice. This includes direct costs like labor and indirect costs like overhead. High costs per invoice can

impact the overall viability of an organization, particularly if the volume of invoices is high.

AP automation solutions can help reduce the cost per invoice by automating many of the manual tasks involved in the invoice-to-pay process. By eliminating manual data entry and reducing the need for paper-based processes, these solutions can significantly reduce the administrative costs associated with AP.



Invoice Accuracy

Invoice accuracy measures the number of invoices processed without errors. It is another critical KPI in accounts payable, as errors can delay payments, increase administrative costs, damage supplier relationships, and cause legal disputes.

AP automation solutions use various technologies to capture invoice data, minimizing the risk of data entry errors and significantly improving accuracy rates. Cevinio's multi-OCR approach and proprietary algorithms allow our tool to achieve a high accuracy rate.

To reach the desired accuracy rate, it is critical for companies to provide AP invoice automation

software with accurate data. While multinational corporations may have access to advanced AP invoice automation software capable of automating a large percentage of their invoice volume, the effectiveness of the automation tool can be compromised if the quality of the data is poor. Quality of data is a shared responsibility between a company and its suppliers. It is key to have the proper master data in place and to include the right purchase orders in the invoices.

Advanced AP Analytics Suites can provide organizations with insights into the efficiency of the automation mechanisms. You will be able to identify problems and the root causes, so you can define improvement strategies to increase the automation level of your invoice processing.



Invoice exception rate or % of invoices with deviations

The invoice exception rate measures the percentage of invoices that do not follow a smooth process due to discrepancies or errors. Such invoices are blocked for payment and require manual intervention or correction, which lengthens the invoice processing time, increases expenses, and affects other important KPIs, such as the percentage of late payments. Invoices with discrepancies consume time from the accounts payable department and other departments involved in the approval process.

By tracking this KPI, organizations can identify trends and patterns in the types of errors that occur, pinpoint areas for improvement in the invoice processing flow, and take corrective actions to reduce the number of exceptions, thereby enhancing overall invoice processing efficiency.

Advanced accounts payable invoice automation solutions can identify invoices with discrepancies and the suppliers responsible for them. Consequently, organizations can take appropriate actions to address these issues. Some examples of corrective initiatives include contacting vendors and/or the relevant departments and modifying or updating current processes that may no longer be efficient.

Payment timeliness or % of invoices paid on time

Payment timeliness tracks the percentage of invoices that are paid within the agreed-upon payment terms. As payment is one of the key responsibilities of the AP department, this KPI is an important measure of the efficiency and effectiveness of the accounts payable function.

The payment of invoices to the suppliers is the final step in the invoice-to-pay process. Thanks to paying invoices on time, suppliers provide the services and goods ordered. A good payment behavior avoids late payment fees, blocked accounts and improves supplier relationship allowing you to negotiate better agreements.

AP automation solutions can help improve payment timeliness by automating steps and reducing invoice processing time.

CONCLUSION

Overall, working with accounts payable KPIs is important for organizations that want to get control, improve the efficiency and effectiveness of their AP function, reduce costs, and maintain positive relationships with their suppliers. By monitoring KPIs, organizations can ensure their AP team operates in a way that supports the business' broader goals.

Modern AP automation solutions such as Cevinio can help enterprises measure and achieve better outcomes across a range of key performance indicators.

Discover how we can assist you in positively impacting these and other metrics. 



DISCOVER CEVINIO ANALYTICS SUITE

Cevinio's Analytics Suite is a powerful tool designed to optimize Accounts Payable (AP) performance through advanced analytics solutions. By harnessing the power of data insights, Cevinio enables businesses to enhance the effectiveness of their AP processes, make informed decisions, and continuously improve their accounts payable productivity and efficiency.

Key features of Cevinio's advanced accounts payable data analytics include:

1. Integration with AP Automation: Cevinio's analytics solution seamlessly integrates with its accounts payable automation software, providing a comprehensive platform for data-driven insights.

2. Data Monitoring and Process Improvement: The analytical tools offer valuable and easy-to-understand data for monitoring AP processes. These insights are not only beneficial for the AP team but also for other departments within the organization.

3. Enhanced Control and Visibility: Users can gain better control and visibility into their

invoice-to-pay process, allowing them to identify issues such as fraud or bottlenecks. This leads to improved efficiency and increased productivity.

4. Supplier Management: Cevinio's Analytics Suite helps in monitoring supplier performance, proactively resolving issues, and avoiding disputes. This ultimately saves processing time and costs while strengthening vendor relationships.

5. Informed Decision-Making: Real-time and valuable data collected and presented by Cevinio enable organizations to make informed decisions. This includes optimizing costs and advancing overall processing efficiency.

Cevinio's Accounts Payable Data Analytics offers various insights:

- Productivity
- Accuracy
- Approval Workflow
- Workload and Aging
- Supplier Efficiency
- Audit trail
- Volume
- Splitting (Step 2)



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AP invoice process transformation



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