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AP Benchmarking Study

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How Do You Compare to the Best?

Efficiency Metrics

- Pay on Time Rate: >90%
- Processed invoices
- At an inter \$1.77/per invoice

Effectiveness Metrics

- Match : 90%
- Requiring
- Frequency of Duplicate Payment: <1%

How Close Are You?

Benchmarking: Why It's Important

“...I knew I was good at my job!”



Two Common Benchmarking Traps

1. Benchmarking Against the Wrong Peers
2. Measuring Yourself Against the Wrong KPIs

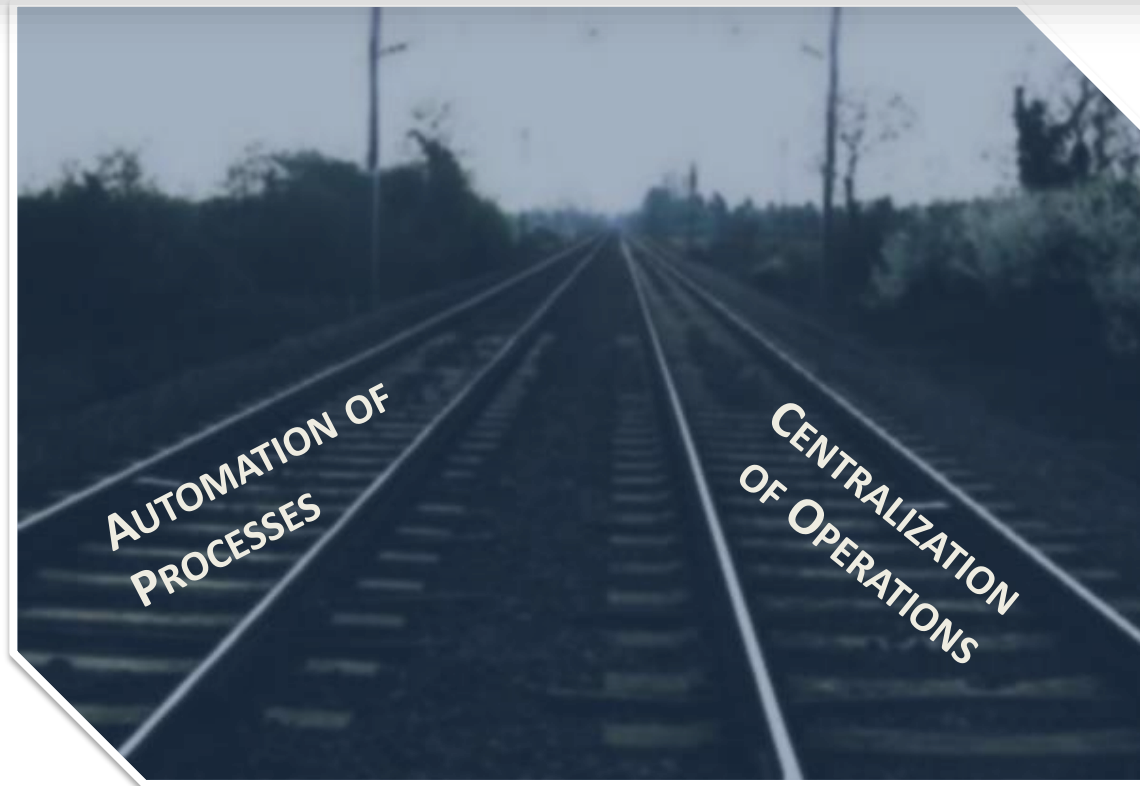


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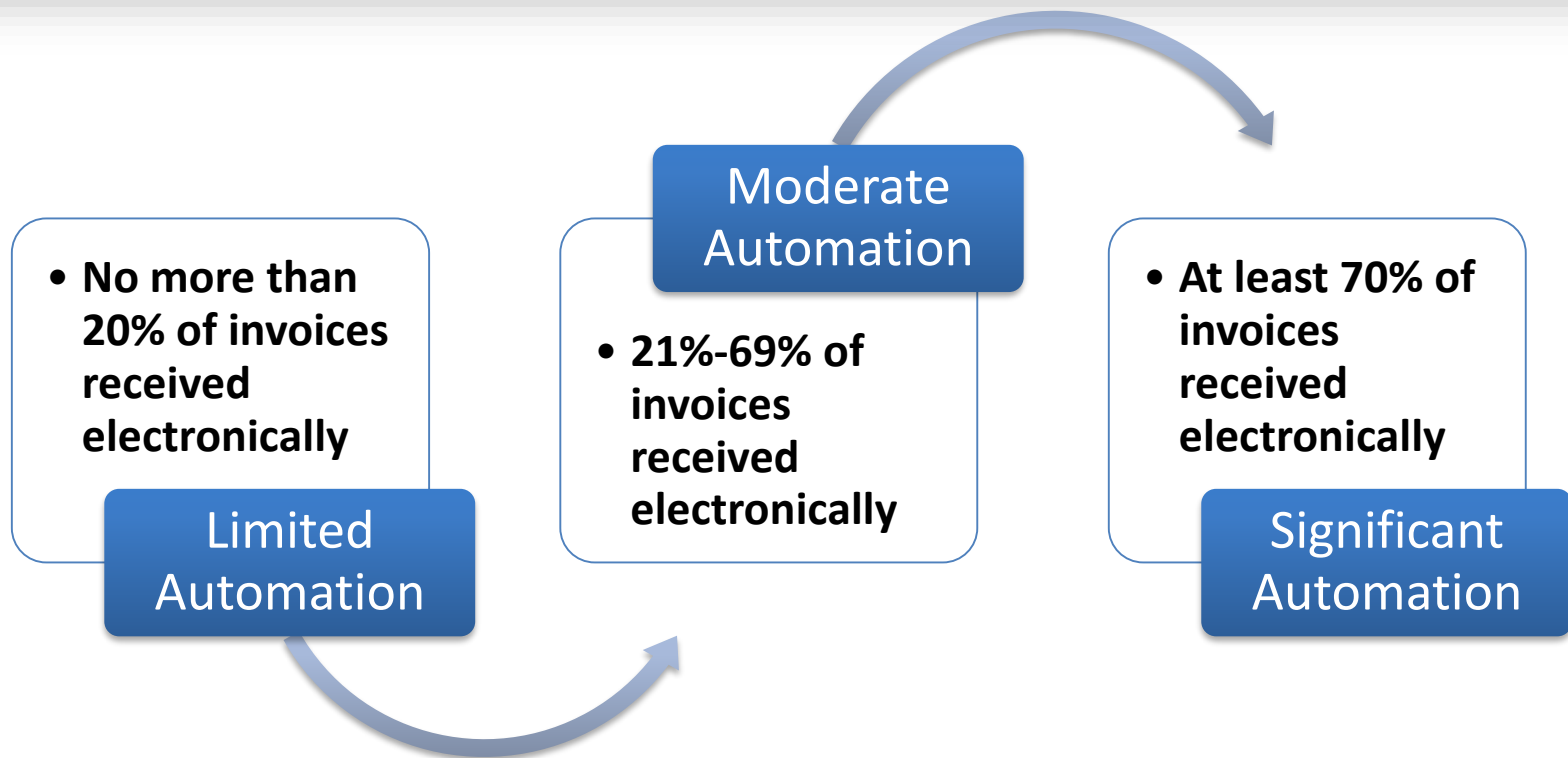
 **IOFM**

Who Are Your Peers?

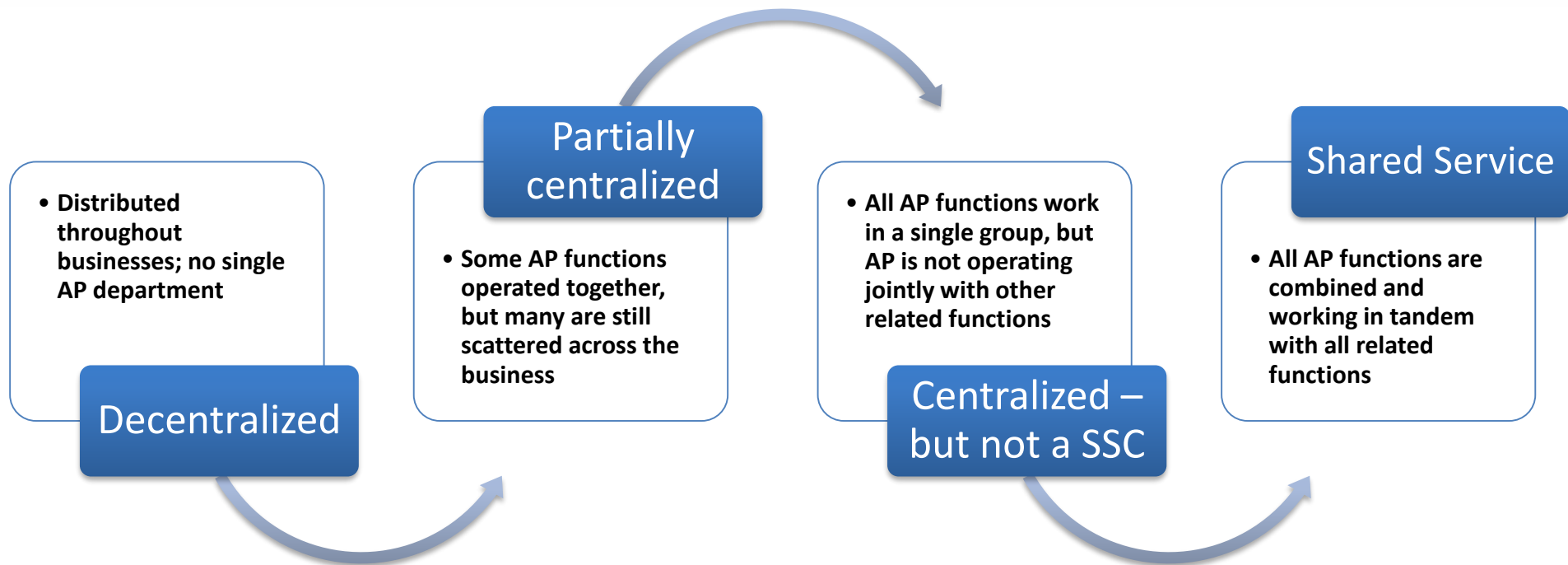
Make Sure You're Benchmarking Against Your Peers



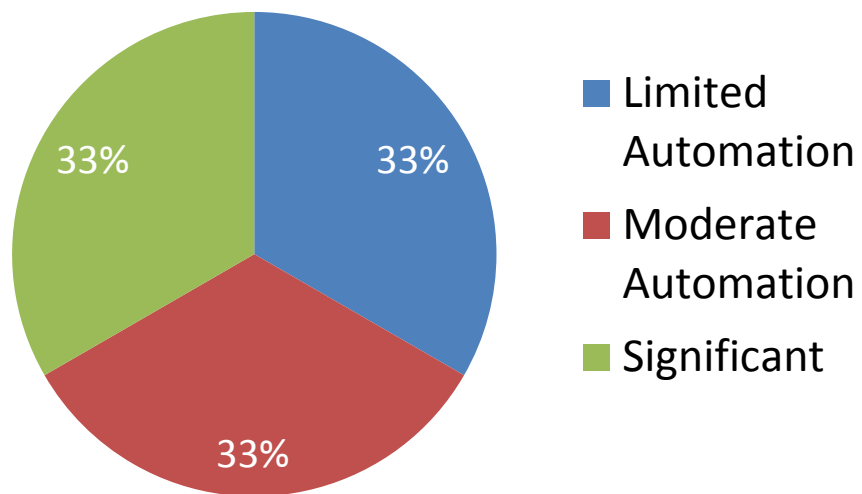
Track I: Automation of Processes



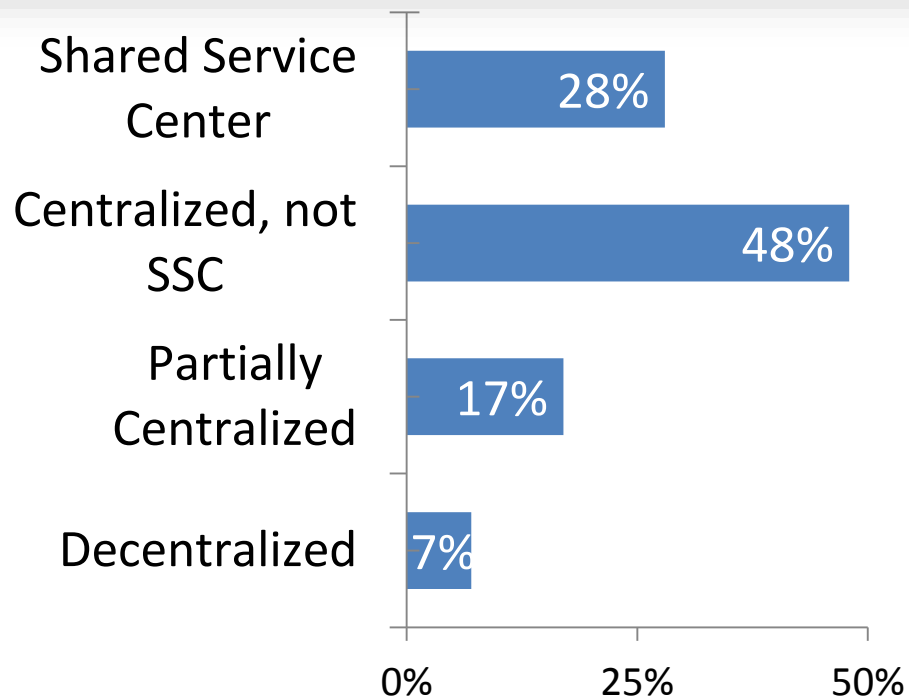
Track II: Centralization of Operations



Identifying Your Peer Group

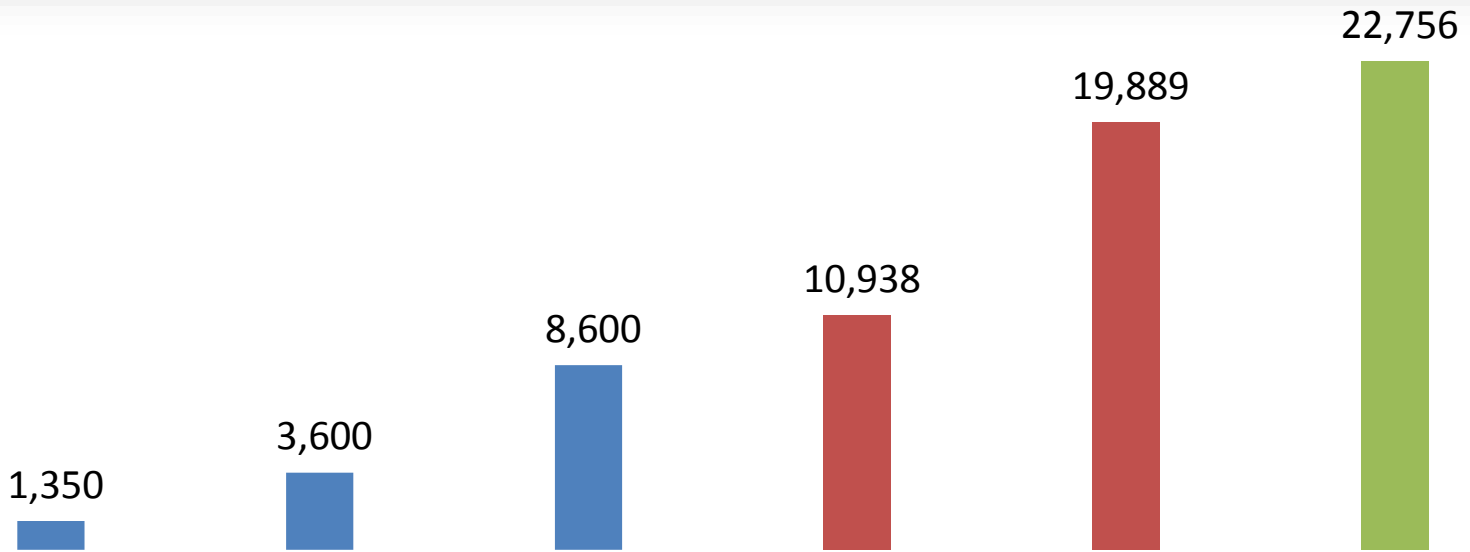


Share of Respondents



Source: IOFM's AP Benchmarking Study; N=300+

Annual Number of Invoices per FTE

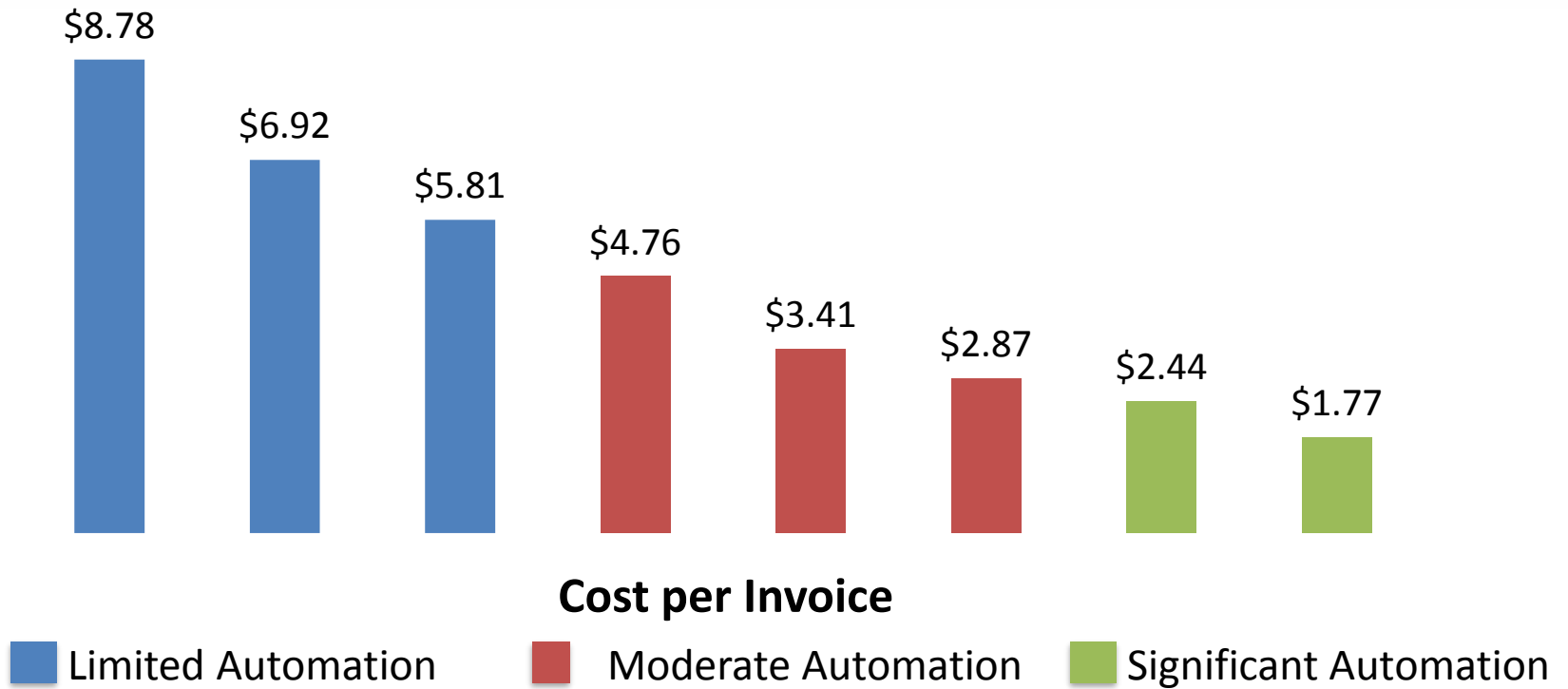


Limited Automation

Moderate Automation

Significant Automation

Annual Cost per Invoice



KPI Dashboard

KPIs	Peer's Target Range	Current Performance	Performance Gap	Notes
EFFICIENCY				
Invoices Per FTE				
Paid-on-Time				
Cost Per Invoice				
Staff Leverage Ratios				
PO First Pass Match				
% of PO Invoices Mismatch				
% Requiring Correction				
% of Duplicate Payments				

Are These the Right KPIs For You?

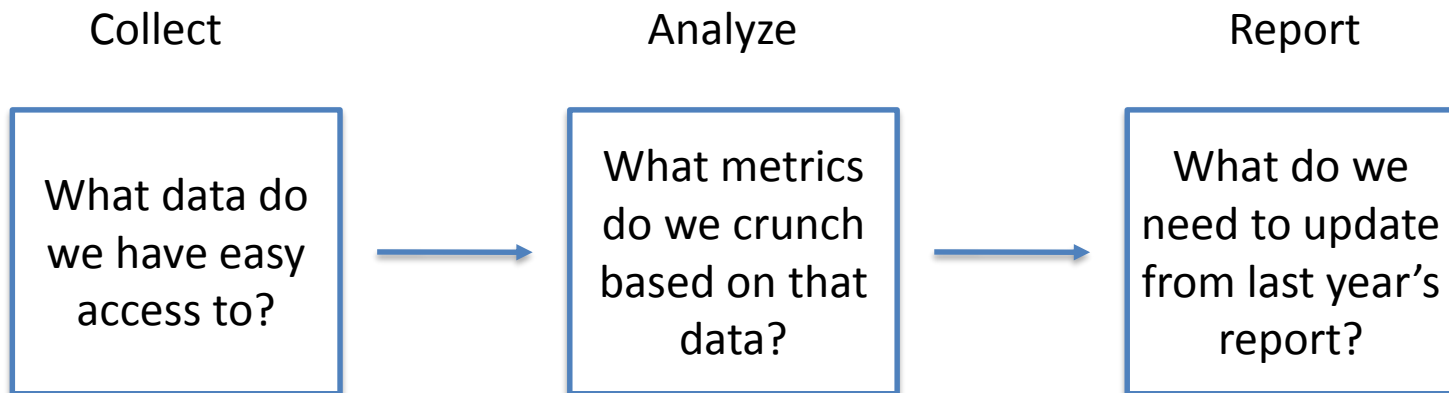


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What KPIs Should You Measure Yourself Against?

How Most Organizations Benchmark



This approach is **static** and **backwards**.

How much more value would you add if you could become **dynamic** and **forward-looking**?

Consider a Different Approach

Instead of:

Collect → Analyze → Report

Identify:

Business Need → Tasks impacting that need → Metrics that enable you to best manage those tasks

Start with the Business Need

What business need are we trying to solve?

What tasks touch that business need?

What metrics would best manage those activities?

Example:

Reduce the Cost of Processing an Invoice

Invoice Processing:

Invoice Sorting and Matching

Payment Approval

Payment Execution

Cycle Time Measures:

Time to Receive an Invoice

Time to Sort Invoices

Time to Approve Invoices

Step 1: Prioritize the Business Need

Strategy For Prioritizing Business Needs

	Cost/Savings	Frequency	Boss' Priority	TOTAL
Business Need #1	1	3	5	9
Business Need #2	1	5	3	9
Business Need #3	5	3	5	13
Business Need #4	2	5	3	10

Start with a simple scale: 1= low impact or frequency; 5 = big impact or frequency

Step 2: Identify Tasks Impacting Those Needs

Unique ID	Framework ID	Typical Process Tasks
10869	9.6.1.1	Verify AP pay file with purchase order vendor master file
10870	9.6.1.2	Maintain/Manage electronic commerce
10871	9.6.1.3	Audit invoices and key data in AP system
10872	9.6.1.4	Approve payments
10873	9.6.1.5	Process financial accruals and reversals
10874	9.6.1.6	Process payroll taxes
10875	9.6.1.7	Research/Resolve payroll exceptions
10876	9.6.1.8	Process payments

Source: APQC

Step 3: Map Tasks to the Top Business Needs

Unique ID	Framework ID	Typical Process Tasks	Business Need #1	Business Need #2	Business Need #3	Business Need #4
10869	9.6.1.1	Verify AP pay file with purchase order vendor master file				
10870	9.6.1.2	Maintain/Manage electronic commerce				
10871	9.6.1.3	Audit invoices and key data in AP system				
10872	9.6.1.4	Approve payments				
10873	9.6.1.5	Process financial accruals and reversals				
10874	9.6.1.6	Process payroll taxes				
10875	9.6.1.7	Research/Resolve payroll exceptions				
10876	9.6.1.8	Process payments				
10877	9.6.1.9	Respond to AP inquiries				
10878	9.6.1.10	Retain records				
10879	9.6.1.11	Adjust accounting records				

Step 4: Identify Measures Impacting Those Tasks

4a: Maintain a Mix of Measures

- Lagging
- In-Progress
- Leading

4b: Identify Measures That Will Monitor Unintended Consequences

Maintain a Mix of Measures

Lagging



In-Progress



Leading



Maintain a Mix of Measures: Examples

Lagging

Total cost of 'Process Accounts Payable'
Total cost of AP staff compensation as a % of AP costs

In-Progress

Cycle time measures

Leading

Share of invoices, split between PO vs non-PO

Establish Controls to Monitor Unintended Consequences



“It seemed like a good idea at the time.”



Questions

*Please e-mail me any questions we don't have time to address
We're happy to help*



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