Why Benchmark Your AP Performance?

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You Can't Manage What You Don't Measure

- *Peter Drucker*

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You Shouldn't Manage What You Don't Measure And Benchmark

Those With Limited Knowledge Overestimate Their Proficiency

Scientific Research

Dunning-Kruger Effect (1999)

- People with **low ability** in a domain systematically overestimate their own competence
- They lack the **metacognitive skill** to recognize their own deficiencies
- Those who know the **least** are the most confident; those who know the **most** tend to underestimate themselves
- Without **external benchmarks**, people default to self-assessment — which is unreliable

THE IOFM DATA

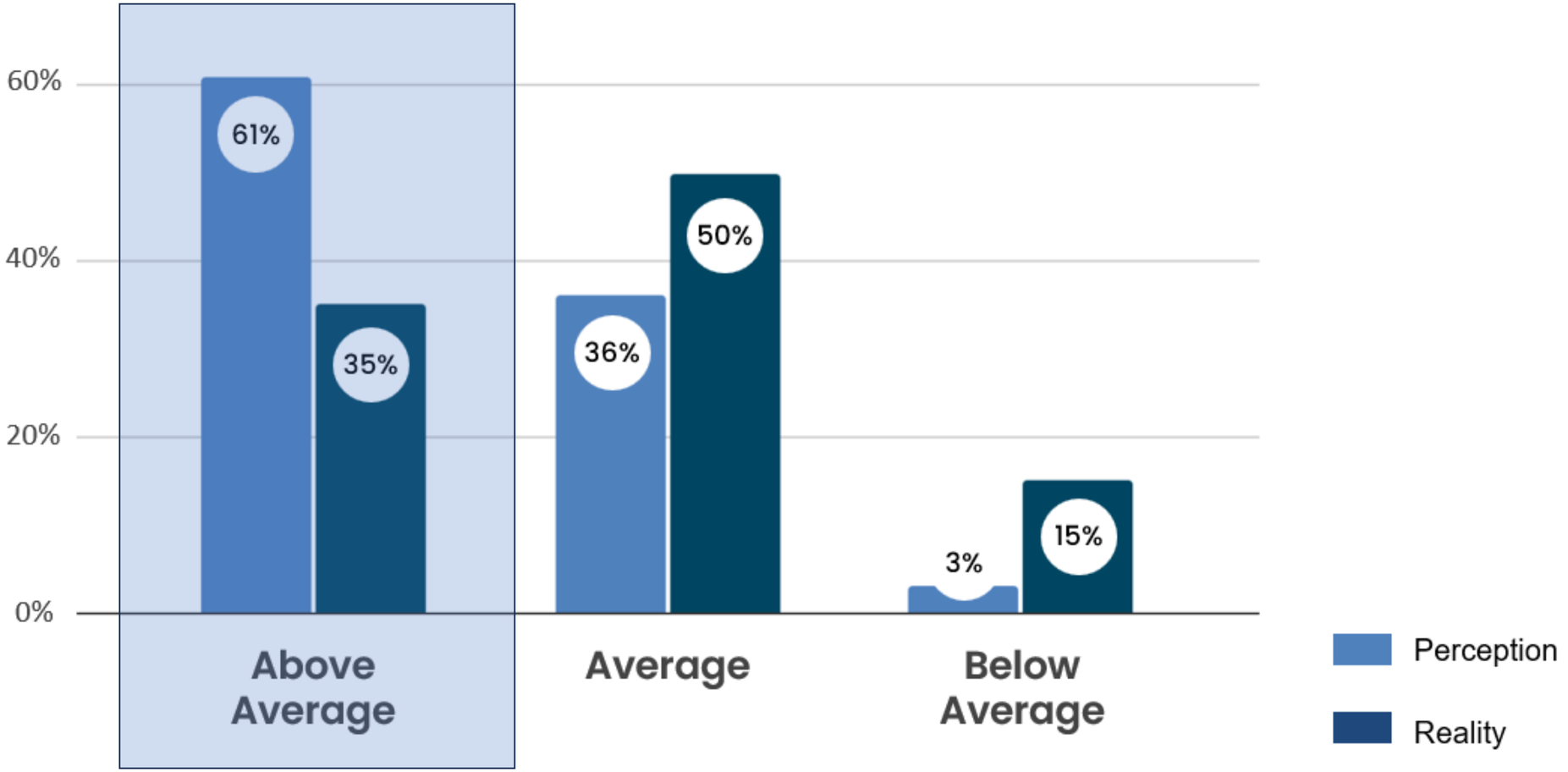
AP Benchmark Findings (2026)

- **70% of AP leaders** believe their department performs above average — but benchmark data says otherwise
- Leaders with the **fewest metrics** report the highest confidence in their performance
- Without **peer-validated benchmarks**, AP teams rely on gut instinct — which consistently overestimates
- The **cure is the same**: external, objective measurement that calibrates self-perception

70%

of AP leaders' 'gut check' benchmark assumptions are wrong.

Most Leaders Think Their Performance is ‘Above Average.’ It’s Not.



Source: IOFM Winter 2025/2026 Benchmarking survey

Why AP Leaders Overestimate Performance

AP leaders track inputs, not outcomes

Volume processed. Headcount ratios. Speed. These are effort metrics — not performance signals.

They benchmark against themselves

Year-over-year improvement feels like progress. It isn't if the whole field moved faster.

Exceptions are invisible

Touchless rate looks great. But what's the exception rate? What are exceptions costing in rework, relationships, and cycle time?

What Good Benchmarking Should Measure

Activity Measures

- Invoice volume per FTE
- Cost per invoice
- Cycle time (end-to-end)
- Touchless processing rate
- Headcount ratios

Tells you how efficiently the machine runs.

Outcome & Performance Measures

- Exception & error rates
- First-pass match rate
- DPO vs. peer benchmarks
- Discount capture rate
- Fraud exposure indicators
- Cash forecast accuracy

Tells you what the machine is actually producing.

Why Benchmark?

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AP Benchmark Findings (2026)

To Determine If Your Performance Numbers Are Good or Bad

A Familiar Pattern: The Dunning-Kruger Effect in AP

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Standard AP Metrics

Over the last 12 months what is your....	Formula	Product Organizations		Service Organizations	
		Manual Processes	Automated Processes	Manual Processes	Automated Processes
Days Payable Outstanding (DPO)	(Accounts Payable ÷ Cost of Goods Sold) x Number of Days	Excellent: 30-45 Good: 25-29 or 46-55 Fair/Poor: <25 or >55	Excellent: 30-45 Good: 25-29 or 46-55 Fair/Poor: <25 or >55	Excellent: 35-50 Good: 28-34 or 51-60 Fair/Poor: <28 or >60	Excellent: 35-50 Good: 28-34 or 51-60 Fair/Poor: <28 or >60
Invoice Processing Cost	Total AP Processing Costs ÷ Number of Invoices Processed	Excellent: <=$5 Good: $5.01-$10 Fair/Poor: >$10	Excellent: <=$2 Good: $2.01-$4 Fair/Poor: >$4	Excellent: <=$6 Good: $6.01-$12 Fair/Poor: >$12	Excellent: <=$3 Good: $3.01-$5 Fair/Poor: >$5
Early Payment Discount Capture Rate	(Discounts Captured ÷ Total Discounts Available) x 100	Excellent: >=90% Good: 80%-89% Fair/Poor: <80%	Excellent: >=95% Good: 90%-94% Fair/Poor: <90%	Excellent: >=85% Good: 75%-84% Fair/Poor: <75%	Excellent: >=92% Good: 85%-91% Fair/Poor: <85%
Invoice Exception Rate	(Number of Invoices with Exceptions ÷ Total Invoices Processed) x 100	Excellent: <=5% Good: 6%-10% Fair/Poor: >10%	Excellent: <=2% Good: 3%-5% Fair/Poor: >5%	Excellent: <=7% Good: 8%-12% Fair/Poor: >12%	Excellent: <=3% Good: 4%-6% Fair/Poor: >6%
Duplicate Payment Rate	(Number of Duplicate Payments ÷ Total Payments Made) x 100	Excellent: <=0.5% Good: 0.51%-1.0% Fair/Poor: >1.0%	Excellent: <=0.1% Good: 0.11%-0.3% Fair/Poor: >0.3%	Excellent: <=0.5% Good: 0.51%-1.0% Fair/Poor: >1.0%	Excellent: <=0.2% Good: 0.21%-0.5% Fair/Poor: >0.5%
Straight-Through Processing Rate	(Invoices Processed Without Manual Intervention ÷ Total Invoices) x 100	Excellent: >=40% Good: 25%-39% Fair/Poor: <25%	Excellent: >=85% Good: 70%-84% Fair/Poor: <70%	Excellent: >=35% Good: 20%-34% Fair/Poor: <20%	Excellent: >=80% Good: 65%-79% Fair/Poor: <65%

Post-Automation AP Metrics

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After automation, what is your....	Formula	Product Organizations		Service Organizations	
		Early Stage (<1 yr)	Mature Stage (1+ yr)	Early Stage (<1 yr)	Mature Stage (1+ yr)
Touchless Invoice Processing Rate	(Invoices Requiring Zero Human Intervention ÷ Total Invoices) x 100	Excellent: >=50% Good: 35%-49% Fair/Poor: <35%	Excellent: >=80% Good: 65%-79% Fair/Poor: <65%	Excellent: >=45% Good: 30%-44% Fair/Poor: <30%	Excellent: >=75% Good: 60%-74% Fair/Poor: <60%
Invoice Cycle Time (Days)	Average Days from Invoice Receipt to Payment Approval	Excellent: <=3 Good: 4-5 Fair/Poor: >5	Excellent: <=1 Good: 2-3 Fair/Poor: >3	Excellent: <=4 Good: 5-7 Fair/Poor: >7	Excellent: <=2 Good: 3-4 Fair/Poor: >4
Three-Way Match Automation Rate	(Auto-Matched PO/Receipt/Invoice ÷ Total PO-Based Invoices) x 100	Excellent: >=70% Good: 55%-69% Fair/Poor: <55%	Excellent: >=90% Good: 80%-89% Fair/Poor: <80%	Excellent: >=60% Good: 45%-59% Fair/Poor: <45%	Excellent: >=85% Good: 75%-84% Fair/Poor: <75%
Supplier Self-Service Adoption Rate	(Suppliers Using Portal for Status/Queries ÷ Total Active Suppliers) x 100	Excellent: >=50% Good: 30%-49% Fair/Poor: <30%	Excellent: >=80% Good: 60%-79% Fair/Poor: <60%	Excellent: >=45% Good: 25%-44% Fair/Poor: <25%	Excellent: >=75% Good: 55%-74% Fair/Poor: <55%
Payment Accuracy Rate	(Payments Without Errors ÷ Total Payments Made) x 100	Excellent: >=97% Good: 94%-96% Fair/Poor: <94%	Excellent: >=99.5% Good: 98%-99.4% Fair/Poor: <98%	Excellent: >=96% Good: 93%-95% Fair/Poor: <93%	Excellent: >=99% Good: 97%-98% Fair/Poor: <97%
AP Cost as % of Revenue	(Total AP Department Costs ÷ Total Revenue) x 100	Excellent: <=0.08% Good: 0.09%-0.15% Fair/Poor: >0.15%	Excellent: <=0.04% Good: 0.05%-0.08% Fair/Poor: >0.08%	Excellent: <=0.10% Good: 0.11%-0.18% Fair/Poor: >0.18%	Excellent: <=0.05% Good: 0.06%-0.10% Fair/Poor: >0.10%

Automation Changes the Math

METRIC	WITHOUT AUTOMATION	WITH AUTOMATION	IMPACT
Invoice Accuracy	82%	96%+	**+14 pts**
Avg Cycle Time	9 days	2 to 3 days	**–67%**
Cash Forecast Accuracy	Moderate	High	**Significant gain**
Exception Rate	8%	12–18%	**↑ can rise**

Directional benchmarks. Actual results vary by platform, process maturity, and vendor data quality.

Why Do Exception Rates Worsen With Automation?

Better Detection

Automated systems catch mismatches that manual processors overlooked — you're finding more, not creating more.

Tighter Matching Rules

Strict tolerances replace human judgment on "close enough" invoices. Stricter rules mean more flags.

Volume Shift

Automation handles easy invoices; the remaining human pool is disproportionately complex, inflating the rate.

Integration Gaps

Layering automation onto legacy ERPs or inconsistent supplier data generates new system-to-system mismatches.

The Masking Effect

Lower cost-per-invoice can mask downstream quality issues that surface as exceptions elsewhere.

Don't Look at Measures in Isolation

THE PROBLEM

Cost-per-invoice rewards volume instead of value.

Lower CPI can mean:

→ More invoices pushed through with less scrutiny

→ Automation that masks exception rates

→ A leaner team that's also a fragile one

WHAT TO PAIR IT WITH

Exception rate

What share of invoices require manual touch?

First-pass match rate

How often does matching work on the first try?

Cycle time per tier

Is speed consistent or are there only efficiency gains on easy invoices?

DPO vs. discount capture

Are you optimizing cost or optimizing cash?

The Two Questions Your CFO Is Asking

01 Are we exposed?

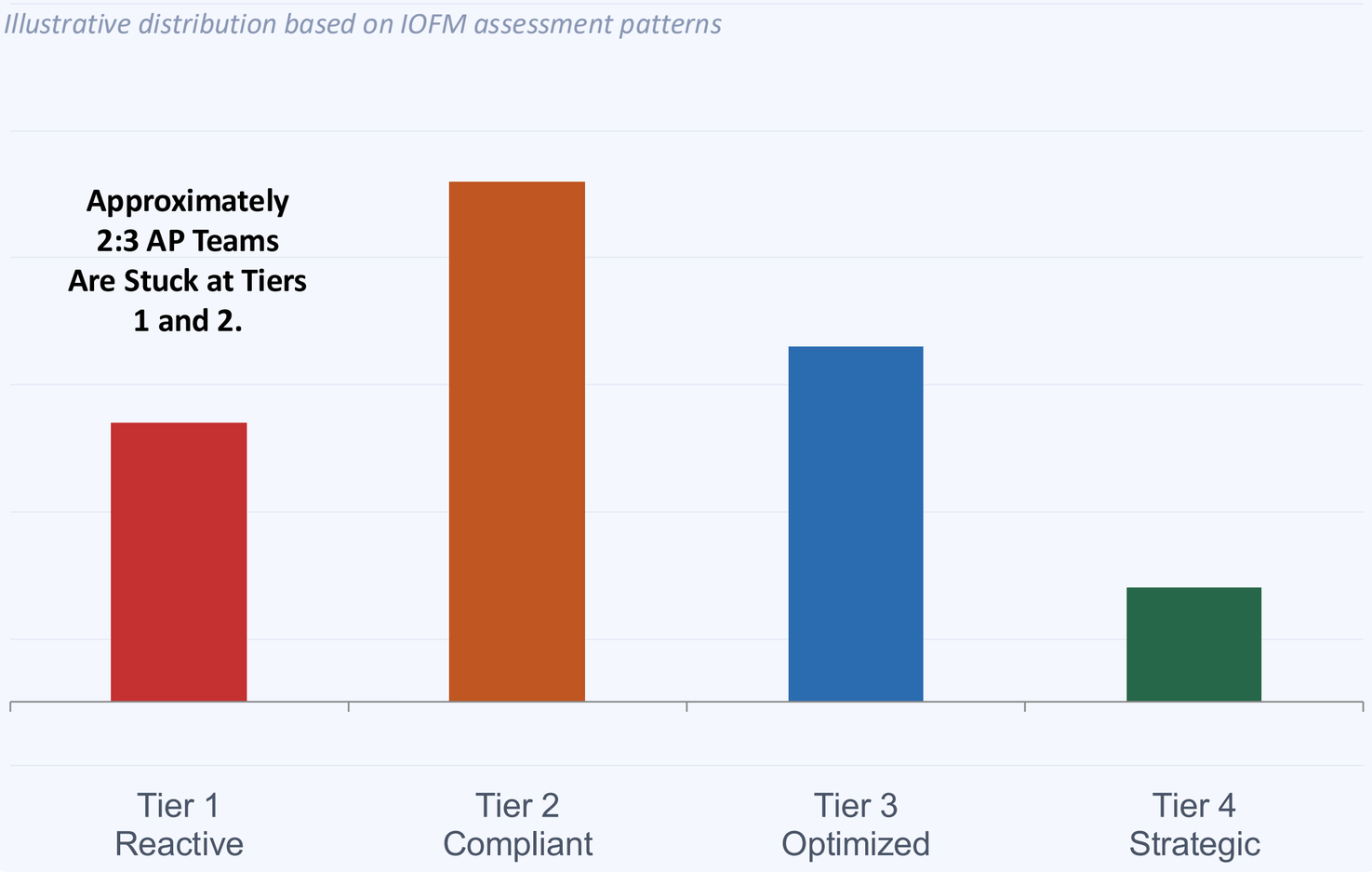
Controls. Fraud risk. Compliance posture. Vendor data integrity.
Is AP a liability we haven't priced in yet?

02 Are we contributing?

Working capital. DPO management. Discount capture. Cash forecast accuracy.
Is AP a cost center or a value engine?

The AP Performance Landscape

Illustrative distribution based on IOFM assessment patterns



Tier 1 — Reactive
Manual-heavy. High error rates. No strategic metrics.

Tier 2 — Compliant
Core controls in place. Efficiency focus. Limited strategic view.

Tier 3 — Optimized
Automation deployed. Outcome metrics tracked. Peer-aware.

Tier 4 — Strategic
AP informs working capital decisions. CFO-level visibility.

Three Traps That Keep AP Stuck

The Automation-Efficiency Trap

Automation deployed. Touchless rate climbs. Exception rate climbs with it.

The team is fast, but fragile. Speed is mistaken for maturity.

The Compliance Blind Spot Trap

Controls are documented. Audits pass. But SOD gaps, vendor master drift, and BEC exposure accumulate between audit cycles.

Compliance does not equal maturity.

The Talent Bottleneck Trap

AP improved its tools but not its roles. Senior staff still doing exception work.

There’s no pathway from specialist to strategist. Institutional knowledge is concentrated in just a few people.

Tier 3 vs. Tier 4: What's Actually Different

Tier 3 — Optimized

- Automation deployed and stable
- Tracks CPI, cycle time, touchless rate
- Passes audits. Controls documented.
- Occasional CFO updates
- AP is measured on efficiency
- Benchmarks against last year

Tier 4 — Strategic

- Automation + exception management discipline
- Tracks DPO, discount capture, cash accuracy
- Active controls monitoring between audits
- AP is a standing CFO agenda item
- AP is measured on working capital contribution
- Benchmarks against peer cohort

What Tier 4 Leaders Do Differently

They define AP's mandate in CFO language

Not 'we process invoices accurately.' But 'we protect cash flow and reduce payment risk.'

They treat controls as continuous, not periodic

Vendor master audits monthly. SOD reviewed quarterly. BEC training embedded, not event-driven.

They know their peer cohort — and track it

Not YoY improvement. Cohort-relative positioning. They know if they're gaining or losing ground.

They connect AP data to business decisions

DPO tied to liquidity conversations. Discount capture tied to cash strategy. AP at the table, not reporting to it.

Speed Got AP to the Table. Now What?

1. Automation deployed → Touchless rate climbs → Team celebrates
2. Exception rate also climbs → Quietly absorbed by existing staff
3. Rework cost not measured → Doesn't show in CPI
4. CFO sees efficiency → AP sees a backlog → Nobody connects the two

Controls Maturity as a Performance Signal

High-performing AP teams don't treat controls as a compliance checkbox.
They treat them as an operational intelligence layer.

CONTROL AREA	TIER 3	TIER 4
Vendor Master Hygiene	Reviewed at audit	Monitored monthly. Stale records flagged automatically.
Segregation of Duties Enforcement	Documented in policy	System-enforced. Exception log reviewed by leadership.
BEC / Fraud Exposure	Training at onboarding	Ongoing awareness + callback protocols for change requests.
OFAC / Sanctions Screening	Annual vendor review	Real-time screening at payment execution.
ACH Debit Block	In place but unreviewed	Reviewed quarterly. Authorized list maintained.

Working Capital: AP's Most Underused Lever

The Levers AP Controls

DPO Management

Paying at the right time — not just on time — is a cash strategy, not an admin task.

Dynamic Discounting

Capturing early-pay discounts when liquidity allows. A 2/10 net 30 term is ~37% annualized.

Payment Timing Visibility

Knowing tomorrow's payables outflows feeds treasury's cash positioning.

The Opportunity Gap

< 20%

of AP teams actively manage DPO as a working capital strategy

Most AP teams optimize for on-time payment.
Tier 4 teams optimize for optimal-time payment.

Actionable Takeaways

1. Stop guessing at how your performance compares to your peers.

2. Stop guessing at how your performance changes after automation.

3. Understand what your better-performing peers are doing differently than you.

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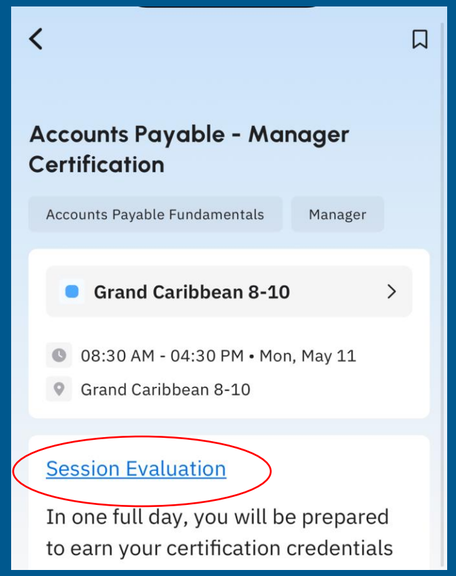

QUESTIONS?

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