

Payment Run: Managing payment runs efficiently and with control

A payment run refers to the bundled, scheduled process of executing payments to suppliers, typically in fixed cycles within a company's finance or procurement function. For technical buyers and suppliers, the payment run is more than an accounting routine: it determines liquidity, use of early payment discounts and payment reliability, which suppliers perceive in their prioritisation. A well-organised payment run reduces manual effort, lowers error rates and strengthens the negotiating position vis-à-vis the supplier base.

Key facts

- A payment run is the bundled release and execution of supplier payments in defined cycles.
- In practice, payment runs are frequently weekly or fortnightly; daily runs are common with high invoice volumes.
- Core elements are invoice verification, approval, due-date control, payment blocking and the execution file sent to the bank.
- Discount deadlines and supplier priorities should be systematically taken into account in the payment run.
- Four-eyes principle, segregation of duties and fraud prevention are mandatory elements of the controls.
- Invoice automation and a smooth procurement approval workflow significantly shorten cycle times.

Definition: payment run

A payment run is the consolidated, system-supported execution of multiple due payments in a defined cycle, usually against open items from received supplier invoices. The term originates in financial accounting but, through its interlocking with procurement processes, has operational relevance for the entire supply function.

Distinction from individual payments

While an individual payment is triggered ad hoc and case by case, the payment run bundles all approved invoices up to a cut-off date and executes them together. This lowers transaction costs, allows plannable liquidity management and creates uniform review loops. In practice, exceptions such as advance payments, import payments with documentary letters of credit or critical supplier priorities are processed outside the standard cycle.

Roles involved

Typically three parties work together: procurement provides the functional approval of the supplier invoice, accounts payable checks formalities and deadlines, and treasury or management releases the actual payment run. In smaller companies these roles are combined in the same people, which makes segregation of duties all the more important. A defined procurement approval workflow ensures that

amounts, accounts and payment terms are checked consistently.

Legal framework

Payment terms are governed by the agreement in the PO and the general terms and conditions of purchase; statutory provisions on payment default and default interest apply additionally. Whether an assignment prohibition in the contract restricts receivables or payment claims should be checked before special arrangements such as factoring. All tax and contractual statements apply subject to review in the individual case.

Methods and approach in the payment run

A stable payment run follows a fixed rhythm with clearly defined lead times. The process can be divided into preparation, review and execution.

Preparation: invoice receipt and reconciliation

The basis is invoices that have been fully captured, verified and approved. The three-way matching between purchase order, goods receipt and invoice prevents duplicate and erroneous payments. Companies with a mature e-procurement process transfer invoice data automatically from portals or EDI formats into the ERP, which significantly shortens preparation time in practice.

Prioritisation and scheduling

Within the run, payments are sorted by due date, discount deadline, supplier importance and, where applicable, currency. Discount deadlines deserve particular attention: if the cost of capital is below the effective interest rate of the discount, taking the discount is economically sensible. Import invoices with air freight cost components or expense items require additional checks before they enter the run.

Execution and reprocessing

Payment execution takes place via a signed payment file to the house bank or via banking platforms. After the run comes reconciliation: rejected or returned payments (e.g. due to an incorrect IBAN) are reprocessed immediately, payment confirmations are matched to the creditor and the open items are cleared. A short report keeps procurement informed about deviating payments.

Key KPIs for the payment run

Payment runs can be steered with a few precise KPIs. These metrics combine the finance and procurement perspectives and show where process maturity is lacking.

Cycle time and payment punctuality

The average cycle time from invoice receipt to payment and the proportion of invoices paid on time are the core metrics. Payment punctuality has a direct impact on supplier relationships: in tight supply markets, suppliers remember payment reliability when allocating capacity. In practice, values above 98 per cent punctual payments are considered solid.

Discount rate and capital tie-up

The discount rate shows what proportion of discount-eligible invoices is actually paid with a discount. Together with days payable outstanding, this gives a picture of whether liquidity targets and discount utilisation are in balance. In practice, well-organised departments often achieve a discount rate above

70 per cent.

Error and reprocessing rate

Rejected bank files, duplicate payments and manual corrections should be measured as a rate. High reprocessing rates indicate weaknesses in master data governance, such as outdated bank details or incomplete supplier master records. The automation rate, i.e. the proportion of invoices without manual intervention, is also a common performance indicator.

Risks and controls in the payment run

The payment run is a preferred target for fraud and process errors because large amounts are moved in a short time. Controls must therefore focus on the critical points.

Fraud prevention and the four-eyes principle

Invoice fraud, for example via fake bank detail changes, is one of the most common types of loss in payment transactions. Effective countermeasures are strict segregation of duties between capture and release, call-back verification of bank detail changes and limit rules in the procurement approval workflow. Changes to supplier master data should generally follow a controlled release process.

Master data and process quality

Without sound master data governance, duplicate payments, misallocations and lost early payment discounts accumulate. Regular reconciliation between order and payment data, clear responsibilities for master records and periodic reviews of open items are essential prerequisites. A documented contingency plan for system outages or blocked payment files is also part of the safeguarding.

Compliance and traceability

Every payment run must be documented in an audit-proof manner: who released which invoice and triggered the run, and when? Compliance with GoBD (German accounting standards), retention periods and audit trails must be observed; specific tax assessments should be professionally reviewed. In export business, payment terms also affect export processing, for example with letters of credit or documentary collections.

Current developments: automation and connectivity

The payment run is increasingly shifting from manual lists in ERP systems to automated, integrated platforms. Three developments are shaping this transformation.

Invoice automation as a driver

Invoice automation automates the capture, verification and coding of invoices and thus provides the preliminary stage for the payment run. OCR, machine learning and workflows reduce manual intervention; the payment run itself becomes a routine execution. Companies report in practice significantly shorter cycle times and more stable discount rates.

Dynamic payment terms

Supply chain financing, dynamic discounting models and early payment programmes are changing the classic due-date logic: suppliers can be paid earlier in return for a discount, while buyers extend payment terms. Procurement and treasury must jointly decide which suppliers should benefit from such

incentive models – comparable to internal incentive models for innovation in supplier development.

Integration into digital procurement platforms

Modern procurement platforms connect order, invoice and payment in a continuous data flow, complemented by methods such as e-auctions for price determination or ABC-XYZ analysis for supplier classification. The higher the degree of integration, the more the payment run becomes a steering instrument for cash flow and supplier relationships – not just a transaction mechanism.

The payment run in interplay with procurement

Payment management is a lever in the supplier relationship. Procurement and finance should therefore agree a common rhythm and clear escalation paths.

Supplier prioritisation through payment behaviour

Payment reliability is an invisible negotiation factor: paying strategic suppliers on time and with discount secures access to capacity in shortage situations and can also be perceived as reliability in e-auction procedures or contract extensions. Procurement should therefore flag critical suppliers before every run.

Critical suppliers and dependencies

Single-sourcing suppliers, tooling suppliers or partners with long lead times deserve preferential treatment in the payment run. The results of the ABC-XYZ analysis provide an objective basis here. For critical business relationships, a non-disclosure agreement (NDA) is additionally recommended so that payment and commercial terms do not reach competitors.

Typical metrics

Payment punctuality: > 98%

Proportion of invoices paid on time; considered a sound benchmark

Early payment discount rate: > 70%

Proportion of discount periods utilised out of discount-eligible invoices

Cycle time from invoice to payment: < 10 working days

Common practical target value in automated processes

Reprocessing rate: < 2%

Proportion of corrected or rejected payments per run

Automation rate: > 80%

Proportion of invoices without manual intervention

Practical example

A mid-sized mechanical engineering company with around 4,000 supplier invoices per month had irregular payment runs, lost early payment discounts and frequent queries from suppliers. After switching to two fixed payment runs per week with a clear approval cascade and automated invoice pre-capture, the processes stabilised noticeably within one quarter.

- Introduction of a weekly payment cycle with a three-working-day lead time for approvals
- Automatic prioritisation by discount deadline, supplier criticality and currency

- Mandatory four-eyes approval for bank detail changes and payments above a defined threshold
- Monthly KPI report on discount rate, payment punctuality and reprocessing rate for procurement and management

Conclusion

The payment run is the bottleneck where procurement performance, liquidity and supplier relationships converge. A fixed rhythm, clear approval rules and clean master data turn it from a mandatory exercise into a steering instrument. Metrics such as payment punctuality and discount rate make quality measurable and create the basis for continuous improvement. Those who consistently use invoice automation and integrated workflows reduce costs while strengthening their position with strategic suppliers. What matters is collaboration between procurement and finance with shared priorities and documented controls.

Frequently asked questions

What does payment run mean?

A payment run refers to the bundled execution of multiple due payments in a defined cycle, typically at fixed intervals such as weekly. It is based on verified and approved supplier invoices. The term originates in accounts payable but is closely interwoven with procurement processes.

How often should a payment run be carried out?

In practice, weekly or fortnightly runs have proven effective; with high invoice volumes or an early-payment-discount-driven strategy, daily runs are common. What matters is a fixed, communicated rhythm with a clear lead time for approvals. Ad-hoc payments should be limited to genuine exceptions such as advance payments or critical suppliers.

Which steps are part of a payment run?

Typical steps are: invoice capture and three-way matching, functional approval by procurement, due-date control including early-payment discount checking, compilation of the payment file, release under the four-eyes principle and execution via the bank. This is followed by reconciliation, reprocessing of rejected payments and documentation.

How can the payment run be automated?

The foundation is invoice automation: invoices are captured digitally, automatically coded and approved via workflows. The ERP or treasury system then generates the payment file automatically, which only needs to be released. Prerequisites are well-maintained supplier master data and an integrated procurement approval workflow.

Why is the payment run also important for procurement?

Punctual payment and utilised early-payment discounts strengthen procurement's credibility with suppliers, especially for scarce materials or strategic partners. Payment behaviour influences the priority suppliers give to an order. Procurement should therefore actively help shape payment priorities.

How do you protect against fraud in the payment run?

Key measures include functional separation of capture and release, limit rules, verification of bank detail changes via known contact channels and audit-proof documentation. Suspicious invoices from unknown suppliers or changed payment connections must be checked before execution. A documented

contingency plan for fraud cases or system outages completes the control framework.