Increasingly, companies are recognizing the value of creating a procure-to-pay (P2P) system that streamlines all purchasing and payment activities into one integrated, end-to-end process. A full alignment between procurement and AP is essential for achieving straight-through processing, according to Amy Fong, P2P Advisory Program Leader at The Hackett Group.

“In my work with procurement and AP organizations, the biggest challenge with P2P is a lack of alignment between the two functional areas,” Fong explains. “For example, let’s assume the organization’s objective is to push out longer payment terms. In a system in which Procurement and AP are working in silos, this can go very wrong. Procurement technically is supposed to negotiate the terms in the contract with the supplier. And AP is technically supposed to implement the right payment terms in the contract to be able to pay to those terms.”

“If the two departments are not talking to each other, the two sides aren't properly coordinated,” she says. “AP can be tasked with extending DPO, but procurement isn't able to negotiate those terms with the supplier. Or procurement negotiates the terms, but AP is not able to pay according to the terms on the contract.”

According to Fong, these steps will help build a stronger alignment between AP and procurement:

**Create Consistency.** Having consistent processes and controls in place helps ensure that AP tasks can be performed more quickly and efficiently. “For example, we work to find common ground on the way we should format information on invoices for utilities so there are no questions that need to be sorted that will hold up payments,” Hinten explains.

**Dig into the details.** “If you’re in AP and you aren’t detail-oriented, you should probably choose another career path,” she says. “Detail is our lifeblood.”

**Lean on lists.** “If you’re struggling with organization or details, use lists liberally—they really do help,” Hinten advises. “I maintain a daily ‘note to self’ on my desk. This helps keep me on track and focused.”

**Keep a calendar.** “I rely on my calendar to help me stay on top of the meetings I need to attend,” Hinten says. “We use Outlook to set up meetings, so I can see at a glance what ‘attendees’ are available at any given time. That saves me a lot of time. I also set up reminders in my calendar.”

**Plan and prioritize.** “I turn to my boss when I have so much to do that I’m starting to feel overwhelmed or stressed. I sit down with her and ask her to help me define what task she feels is the most important for me to complete at that given time,” Hinten says.

**Show self-motivation.** “It’s important for every AP professional to find out what motivates them and utilize it when needed.”

**Take stress in stride.** There’s no denying that AP work can be stressful—but you can’t be at the top of your game if you allow stress to get to you. That’s why stress management is so important for AP professionals.

Hinten advises her colleagues to “take a break when you can. Get up, walk away from your desk, and go outside if possible. Ignore your electronic devices for a few minutes. Make sure that lunch is for lunch, not shop talk about work,” she says.

“At home, I de-program from work by painting, drawing, or reading. This helps me relax from my busy day in the AP department and rebuild my energy to tackle the responsibilities of the next day,” Hinten adds.

**The bottom line:** “In AP, it can feel like all we do is run around from the start of our shift to the end,” Hinten acknowledges. “We need to use every tool at our disposal to stay organized and get our work done in a timely manner.”
1. Look outside each other’s portion of the process. “For example, AP managers should know what the sourcing team and chief procurement officer are trying to accomplish so they can ensure that AP supports procurement’s goals and objectives,” Fong advises. Likewise, procurement needs to understand AP’s responsibilities and how procurement impacts payment processing.

2. Implement shared metrics and goals that drive business performance. “Misalignment of metrics is one of the main process gaps between AP and procurement. Metrics for the payment process and spend visibility should be aligned with metrics for requisitioner compliance in the buying part of the process,” says Fong. “Three-way matches require cooperation from procurement, so procurement should be measured on accuracy of POs, which will enhance efficiency metrics in AP. There should be a joint scorecard for procurement and AP, with both groups working on the same goals.”

3. Benchmark outside the company. “AP managers should conduct research to find out what P2P practices others are using that might be important to apply to their own organization. It makes sense to gather ideas about P2P channel strategy, payment strategy, and technology that AP and procurement can collaborate on,” she suggests. “Don’t be afraid to bring these kinds of ideas to your counterpart in procurement.”

“When you approach procurement, say something like, ‘I’d really like to sit down with you and look at some of these ideas, and discuss how we might implement them.’

4. Setup effective payment terms and controls. Good payment strategy is a cornerstone of an effective P2P process. “AP and procurement need to be on the same page when it comes to how to pay suppliers,” Fong stresses. “The two departments need to agree upon whether to pay early, extend DPO, use payment discounting, or use other tools.”

5. Design an end-to-end P2P channel strategy. “AP should take an objective look at the characteristics of each spend category and determine how to control payments based on real risks,” Fong continues. “You don’t want to overcontrol payment processes. Look at where you want to use three-way match and where you can use two-way match. Consider different options for payment approvals. Some companies are too complex or impose too much control on the way they buy and pay. From the AP side, this means understanding risks by category, understanding ideal payment controls, and working with procurement to establish how requisitioners will buy. Having a good end-to-end channel strategy is about making it as streamlined as possible to buy and pay for things. Look at where technology can help making purchasing easy and increase internal requisitioners’ compliance with the contracts whose terms have been negotiated,” Fong says.

6. Enable P2P with technology. “Use technology to build spending thresholds in your procurement system so AP can’t pay an invoice until it has gotten the proper level of approval,” says Fong. “AP and procurement should collaborate to build delegation of authority and spend approval policies. The company controller would need to agree on limits and help determine the approval policies.”

7. Build teamwork and collaboration between AP and procurement on all levels. “It’s critical for AP managers to collaborate with procurement managers, but there is also a strong benefit from going beyond that and having the entire AP and procurement teams collaborate,” Fong points out. “At one company, procurement and AP worked in the same building but had never actually met! The two groups had a meeting, got everyone together, and began to view themselves as one big team. They gained an understanding of one another’s needs and began to see how the work each group did was closely connected.”

8. Promote cross-functional teamwork. “Offer AP staffers opportunities to work on cross-functional teams with procurement to solve problems or implement improvements that will yield tangible results for the organization,” Fong advises. “Choose higher-potential AP team members for these opportunities—employees with outstanding performance who can see the big picture and are eager to learn and grow in the job.”

9. Educate AP staff. “Make sure the AP team has opportunities to be exposed to outside best-practice information about P2P,” says Fong. “For example, have them participate in webinars that contain case studies so they can learn more about what others are doing to make their P2P processes successful.”

The bottom line: “A lot of the gaps between AP and procurement tend to arise from lack of awareness, lack of collaboration, or too narrow a focus,” Fong explains. “When people in AP and procurement stop focusing solely on their particular areas, they will recognize the broader impact that they can have on the organization when they become aligned in a cohesive P2P process.”

Editor’s Note: Amy Fong been managing The Hackett Group’s P2P advisory program for six years. Before joining The Hackett Group, Fong worked at several large companies and held key management roles in manufacturing, supply chain, and P2P.