

A hand holding a silver pen is positioned over a document. The document features a checklist with the word 'Approved' repeated multiple times. Some of the 'Approved' words are preceded by a blue checkmark inside a square box, while others are not. The background is a light, neutral color.

Purchase Approval OptimizerTM

5 mistakes to avoid in your purchase approval process

Our Story

- What we do?

We help small to medium-sized companies automate their purchasing and invoicing process so that they get better cash flow visibility.

- Purchase Approval Optimizer

The Purchase Approval Optimizer will help you with simplifying the purchase order approval process so that you can get instant cost control **without** spending hours on approving purchase order requests.

- What to expect?

The end result

Avoid these common mistakes in purchase order approval process and reduce the cycle time by half.



Mistake 1: Senior
management needs to
approve all purchase



A COMMON MISTAKE WE SEE IS THAT COMPANIES SET UP THE APPROVAL PROCESS SUCH THAT ALL REQUESTS COME TO THE **SENIOR MANAGEMENT FOR APPROVAL**.

The result of that is that there is a bottleneck in the whole process as everything needs to be reviewed by you.

Though it is highly desirable by management that they review all the cash going out of the door. However, it is not practical.

HOW TO **REMEDiate** THIS?

Set up an approval process based on the amount of the requisition.

Do a quick analysis of the past 12 months and set up a threshold such that 80% of spend is approved at the senior management level. Keep in mind, we said 80% spend, not 80% of the transactions.

Focus on the high ticket items to create maximum value for the company.

Mistake 2: You have an
email-based approval
process.



WHEN YOU ARE STARTING UP, IT IS EASY TO HAVE PURCHASE APPROVALS DONE THROUGH **EMAILS**.

Send me an email and I will approve that purchase request is not uncommon to hear.

In the beginning, it is not a problem because the volume is low and you are keeping an eye on your mailbox. Then the number of emails increases, you get busy, and then all of a sudden it takes days to get anything approved.

HOW TO **REMEDiate** THIS?

Setup an automated purchase order system that supports the way people like to approve, we call this omni channel approval!

For example, you may prefer to approve via an app on your phone and someone else would like to review a Slack notification for approval.

It is important that the approvals are omni channel so that approvers can use the method which works best for them.

Mistake 3: Not using
budgets in the approval
cycle



LACK OF BUDGET CONTROLS LEADS TO OVER FOCUS ON PURCHASE APPROVALS

It is tempting to review each and every purchase which is happening in the system. For example, We want to know what people are spending money on office supplies or what employees are purchasing from Amazon.com

Though it make sense, it doesn't add a lot of value from a cost control standpoint because the dollar amounts are generally small. Besides, you are not going to control the pricing on Amazon, it is what it is.

HOW TO **REMEDiate** THIS?

Since the amount spent is generally small, use budgets and let the purchasing system automatically enforce control so that the users don't go over the setup budget.

For example, If Marketing can only spend \$200,000 on advertising on a monthly basis, then set that up as budget and let the system do the rest.

Use catalogs for frequent purchases to ensure that employees are purchasing from preferred vendors.

Mistake 4: Not setting up a
purchasing review
process.



PROCUREMENT MANAGEMENT

PURCHASING REVIEW TO GET THE BEST VALUE

Are you always getting the best deal on the product and services you purchase to run your business?

Most of our customers feel confident that they are getting the best deal possible. But, they are surprised when they see how much they can save if they received multiple bids from Suppliers.

If you don't have a purchase review process i.e. requesting multiple bids from different suppliers, you are probably leaving **2-3% of your annual spend** on the table.

HOW TO REMEDIATE THIS?

If you are a small company, it might not be feasible to have a dedicated purchasing person who is doing these reviews but you must find someone who can do this activity.

All you have to do is to identify areas where you want to get a bid. Before you make the purchase request a quote from 3 vendors and pick the vendor who offers best value.

Mistake 5: Not measuring
the efficiency of the
purchase order approval
process

MEASURE CYCLE TIME FOR **PURCHASE REQUEST APPROVAL**

“If you can’t measure it, you can’t manage it” - Peter Drucker

Many companies make this common mistake of setup and forget it. As the company grows the purchasing process must scale to support the growth.

Let’s say the approval process requires CEO approval for anything over \$10,000. At the time you set it up, the process was efficient. 6 months down the line, 90% of your purchases are over \$10,000 and now CEO is inundated with 100’s of the approval requests.

If you are measuring the process effectiveness, you could proactively correct the thresholds before it becomes a process bottleneck.

HOW TO **REMEDIATE** THIS?

There are only two metrics you need to track to measure the effectiveness of the process

1. **Cycle time** - the time it takes to approve a purchase order.
2. **The number of requests approved at each level.**





**WHAT'S
NEXT?**

Next Steps

Start implementing these steps and see the immediate impact it has on your purchase order approval process. If you could implement only one strategy - go for #2, setup an automated purchasing process.

We have built in the same strategies in ProcureDesk to help you speed up the process without spending hours on figuring it out on your own.

Sign for a demo and see for yourself.

[Schedule a Demo](#)