Procurement Approval Workflow: Structuring Approval Processes in Procurement

The procurement approval workflow refers to the structured approval process that is completed between a requisition and the approval of a purchase order or contract in procurement. It specifies who may review and approve which amounts, suppliers or contract terms, and in what order. A cleanly documented approval workflow creates transparency, reduces maverick buying and is a central pillar of compliance in procurement.

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Key facts at a glance

01 An approval workflow defines thresholds, approval levels and responsibilities between requisitioner, procurement department and management.

02 In practice, two to four approval levels are typical, depending on order value, cost centre and contract type.

03 Digital workflows in source-to-pay systems often shorten approval times from several days to a few hours.

04 The workflow is an important control instrument against maverick buying and unauthorised procurement.

05 The four-eyes principle and documented approvals are prerequisites for audit and compliance requirements.

06 KPIs such as processing time per approval level and pass-through rate without returns make bottlenecks visible.

Definition: Procurement approval workflow

An approval workflow in procurement is the systematically defined sequence of review and approval of a purchase requisition before it is converted into a binding purchase order, a framework agreement or a purchase order approval. It connects requisitioners, buyers, budget owners and, where applicable,

specialist departments such as quality or legal within a rules-based process.

Distinction from pure purchase order approval

Purchase order approval is only one of the possible approval levels. A complete approval workflow typically includes review of the requisition, checking against budget and contracts, determination of the procurement route and final approval of the order documents. In many organisations, framework call-offs, price list changes and contract renewals are also included in the workflow.

Thresholds and approval matrix

The core of the workflow is an approval matrix with value-based thresholds. In practice, the first approval level is often in the low four-figure range and the top level in the high five-figure to six-figure euro range, depending on company size and industry. In addition to the amount, criteria such as item category, new supplier, contract term or strategic relevance determine which approval level applies.

Manual or system-supported

Small companies often map workflows via email and paper forms, which is time-consuming and difficult to audit. Modern source-to-pay (S2P) systems and ERP modules map the approval matrix automatically, route requests to the responsible approver and document every step with timestamp and comment. This typically significantly reduces processing time and creates auditability.

Methods and approach for introducing an approval workflow

An approval workflow only works if it is clearly regulated, integrated into the process environment and accepted by those involved. Implementation usually follows a multi-stage approach from process analysis through rule design to system implementation and training.

Process analysis and rule design

First, all procurement routes are captured: standard orders, framework call-offs, services, investments and non-catalogue requisitions. For each route, approval levels, thresholds and exceptions are defined. It is important to involve controlling, invoice verification and internal audit so that the workflow aligns with control and audit requirements.

Delegation and substitution rules

A common practical problem is blocked approvals during holiday or sickness absences. Robust workflows therefore define delegation rules with fixed delegation periods and optional automatic forwarding after deadlines expire, commonly after two to three working days in practice. This keeps the supply of requirements to departments stable even when approvers are absent.

Integration into the procurement process

The approval workflow must not be viewed in isolation. It is closely interlinked with requisitioning and requirement maturity, supplier selection and invoice verification. When several requisitions are bundled

into a requirement package, requirement bundling handles the preliminary stage before approval is granted for the overall order. Stock-critical requirements, such as material for production, can also be given higher priority and shortened approval deadlines.

Key KPIs for approval workflows

The effectiveness of an approval workflow can be measured. Meaningful KPIs not only demonstrate efficiency but also help identify bottlenecks with particular approvers or item categories and to adjust the approval matrix on a data-driven basis.

Processing times per approval level

The average dwell time of a request per approver and level shows where the process stalls. Values of a few hours per level are considered normal in digitised environments; several days indicate overload, unclear responsibilities or missing delegation rules.

Approval rate without returns

The proportion of requests that pass through all levels without being returned to the requisitioner is a quality indicator. A high return rate shows that requisitioners provide incomplete information, thresholds are set incorrectly or policies have not been communicated.

Maverick buying rate

The proportion of purchases that bypass the approved process is a key control metric. If this rate falls after the workflow is introduced, it confirms acceptance and compliance impact. Conversely, high return rates or excessive approval levels increase the tendency to circumvent the process.

Risks and controls in the approval process

Without clear controls, workflows create a false sense of security. Typical risks are unreviewed exceptions, repeated approvals without substantive review and a lack of traceability during audits. Countermeasures require, in addition to system implementation, active control mechanisms.

Exceptions and emergency orders

Every workflow needs a defined emergency route for urgent requirements, for example in the event of a production stoppage or spare part needs. What is crucial is that emergency orders are also subsequently recorded and evaluated in the system. If the emergency route remains unlimited, in practice it frequently becomes the rule and undermines the entire control.

Four-eyes principle and segregation of duties

The requester, buyer and approver must not be identical. The four-eyes principle prevents a single employee from being solely responsible for the requirement, the order and the approval. For sensitive areas such as contract conclusion or payment approval, an extended control principle with an

additional review level may be sensible. Segregation of duties is also a recurring audit point in audit-relevant evidence.

Sampling and internal audit

Regular sampling, for example quarterly, checks whether approvals were substantively reviewed and whether recurring patterns occur, such as amounts just below thresholds. Such indications of splitting to avoid higher approval levels are a well-known circumvention phenomenon and are often complemented by automatic split-detection rules.

Current developments in approval workflows

Approval workflows are evolving from rigid, value-based rule sets to intelligent, risk-based processes. Digitalisation and automation are fundamentally changing how approvals are organised.

Risk-based rather than purely value-based approvals

Modern approaches assess requests not only by amount but by criteria such as supplier risk, novelty, cost relevance or critical material position, for example within an ABC-XYZ analysis. Standard catalogue orders pass through with minimal approvals or fully automatically, while unusual requirements pass through several levels. This relieves approvers and significantly shortens processing times for routine orders.

Automation and AI support

Digital workflows automatically check budget availability, contract coverage and policy compliance before a request reaches a human. AI support is increasingly used in practice to classify requests, suggest suitable contracts or signal policy violations at an early stage. The substantive decision remains with the approver, who is relieved by pre-checks.

Compliance and auditability

Audit-proofness is becoming an elevated requirement: every approval must be documented with timestamp, approver and comment. Changes to the approval matrix itself must also be traceably logged. For companies with certifications or customs privileges, for example in the AEO context, such evidence is part of the internal control system.

Typical metrics

Metric	Typical value
Processing time per approval level	typically < 8 hours *Common in digitised processes; several days indicate bottlenecks.*

Approval rate without returns	> 90 % *A high value indicates clean requisitions and appropriate thresholds.*
Maverick buying rate	< 5 % *A falling rate after workflow introduction demonstrates compliance impact.*
Pending approvals > 3 days	< 10 % *Indicator of missing delegation rules or overloaded approvers.*

Practical example

A medium-sized mechanical engineering company with around 500 employees had previously handled approvals via email and PDF forms. Approval times in practice often took several days, and the internal audit department identified unauthorised direct orders placed by departments. After introducing a digital approval matrix with three levels, fixed delegation rules and automatic budget checks, the process stabilised.

- Definition of a three-level approval matrix with thresholds up to executive management
- Automatic delegation after two working days without a response
- Risk-based special rules for new suppliers and investment requests
- Quarterly sampling by internal audit to verify the four-eyes principle

Conclusion

The procurement approval workflow is far more than a formal approval procedure: it is a control instrument for compliance, cost control and process speed all at once. Well-designed workflows relieve approvers through automated pre-checks, shorten processing times and measurably reduce the maverick buying rate. The key is the balance between control and pragmatism: too many levels create circumvention tendencies, too few open up risks. Risk-based approval rules and solid integration into source-to-pay (S2P) processes represent the current state of practice. Regular KPI analysis and sampling ensure that the workflow is genuinely lived in day-to-day operations and does not exist only on paper.

Frequently asked questions

? What is an approval workflow in procurement?

An approval workflow in procurement is the defined sequence of review and approval of a purchase requisition before the purchase order is placed. It specifies who approves which amounts or contract types and in what order. It thereby ensures compliance, budget control and transparency in the procurement process.

? How many approval levels are common in procurement?

In practice, two to four approval levels are common, depending on order value, item category and contract type. Small amounts often pass with a single approval, while high amounts or investments reach executive management. A documented approval matrix with clear thresholds is essential.

? What are the disadvantages of an overly complex approval workflow?

Excessive approval levels slow down procurement and increase the risk of circumvention, for example by splitting amounts below thresholds. Departments then develop workarounds outside the system. A risk-based approval matrix with automated pre-checks reduces this risk.

? What is maverick buying and how does the approval workflow counteract it?

Maverick buying refers to purchases made outside the approved process and framework agreements. A consistent approval workflow with system-enforced rules and documented approvals largely eliminates such workarounds. The maverick buying rate is a common KPI for measuring success.

? How do you document approvals in an audit-proof manner?

Audit-proof evidence requires timestamps, approvers, comments and immutable storage of every approval step. Changes to the approval matrix itself must also be logged. Digital workflows or ERP modules typically meet these requirements better than email or paper-based processes.

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