# Purchase Order Process Optimisation: Making Procurement Faster, Cheaper and Error-Free

Purchase order process optimisation refers to the systematic improvement of all steps from demand identification through to goods receipt and invoice verification. The aim is to reduce cycle times, lower process costs and improve data quality along the purchase-to-pay chain. In industrial practice, it encompasses organisational structures, workflow rules (P2P), master data quality and the automation of recurring ordering processes.

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### Key facts at a glance

01 In practice, the purchase order process is one of the most process-cost-intensive routine activities in procurement.

02 Key levers are catalogue and framework agreements, automated approvals and clean master data.

03 Typical targets are a buy-save rate above 95% and processing times of just a few minutes per purchase order.

04 Maverick buying can be significantly reduced through clear sourcing policies and simple self-service routes.

05 Workflow rules in the P2P process control approvals, tolerances and exceptions automatically.

06 Optimisation interlocks with strategy elements such as consolidation levers, supplier strategy and spend analysis.

## Definition: purchase order process optimisation

Purchase order process optimisation is the methodical analysis and improvement of the operational ordering process, from the purchase requisition via the purchase order to goods receipt, invoice verification and payment. It belongs to operational procurement and has a direct impact on process

costs, cycle times and compliance. The focus is on standardisation, automation and reducing manual intervention.

### Distinction from strategy work

Optimisation of the purchase order process must be distinguished from strategic procurement: while the supplier strategy addresses issues such as consolidation levers, dual-source management or technology assessment in procurement, purchase order process optimisation targets the efficiency of day-to-day business. However, the two levels are interdependent: without clean framework agreements there is no basis for automated ordering processes, and without stable processes, negotiation successes evaporate operationally.

### Typical problem areas

In practice, recurring weaknesses become apparent: high manual effort for purchase requisitions, incomplete order texts, lack of catalogue binding, clear approval rules and long processing times. Added to this is maverick buying, i.e. purchases outside agreed contracts and policies, which wipe out discounts and carry compliance risks.

## Methods and approach in purchase order process optimisation

A structured approach begins with the status quo analysis of the entire purchase-to-pay process and does not end with the introduction of instruments, but with their continuous monitoring. A combination of process documentation, KPI measurement and step-by-step automation has proven effective.

### Status quo analysis and spend analysis

The starting point is establishing transparency: how many purchase orders run through each channel, what proportion are free-text orders, how often is purchasing done outside contracts? A spend analysis groups procurement volume by material group and supplier and shows where framework agreements or catalogue solutions offer the greatest leverage. In addition, analysis of the number of purchase orders per order line indicates consolidation potential.

### Standardisation and channel strategy

Based on the analysis, procurement channels are defined: catalogues for C parts, framework orders and call-offs for A and B parts, free text only with strict approval. Sourcing policies govern which demand is handled through which channel and with which approval. The master data process ensures that material numbers, vendor master records and prices are current and unambiguous, so that automation can actually work.

### Automation of the workflows

Workflow rules (P2P) define which order values must be approved by whom and where tolerances between purchase order, goods receipt and invoice are automatically accepted. In three-way matching, purchase order, goods receipt and invoice are compared automatically; deviations run through a

defined exception workflow, including price exception approval by the responsible role. Consumption-driven replenishment also significantly reduces the manual ordering effort for C items.

## Key KPIs for measuring purchase order process optimisation

Without reliable KPIs, no evidence of improvement can be demonstrated. A manageable set of process-related indicators, reviewed regularly and compared against defined targets, has proven effective.

### Process costs and cycle time

The cost per order in manually dominated environments is typically in the range of around €30 to €80, and often considerably lower in highly automated processes. The cycle time from purchase requisition to order transmission to the supplier should, in the target picture, not exceed a few hours for transactions that are not maintenance-dependent. Both values depend heavily on industry, item structure and system landscape.

### Buy-save rate and maverick buying

The buy-save rate describes the share of volume procured via agreed contracts and channels; in practice, values above 95% are a common target. The counterpart is the maverick buying rate, which is systematically determined as the difference between total volume and contract volume. An annual spend analysis shows whether contracts are actually used or merely exist.

### Data quality and touchless rate

The touchless rate measures the share of purchase orders handled fully automatically without manual intervention; in practice, leading organisations achieve values above 80%. Added to this are error rates in order master data and the number of subsequent changes. Clean KPIs require a disciplined master data process, as otherwise every automation fails on faulty master data.

## Risks and controls in the optimised purchase order process

Accelerated processes carry the risk of weakening controls. Good purchase order process optimisation therefore builds compliance into the workflows from the outset rather than enforcing it retrospectively.

### Compliance and maverick buying

Key risks are circumvention of sourcing policies, insufficient approvals and a lack of traceability of price changes. An effective procurement compliance concept embeds segregation of duties, value-threshold approvals and documented authorisations directly in the system. The price exception workflow ensures that price deviations from the purchase order are not silently accepted but approved in accordance with the authority rules.

### Supplier-side stability

Optimised processes only work with reliable supplier relationships: a supplier capacity assessment before framework agreements prevents call-off processes from failing due to insufficient capacity. In the event of bottlenecks, escalation levels apply, supplemented by instruments from supplier launch management for new parts and transfer of work for relocations. With price adjustments, for example via a raw material escalation clause, adjustment mechanisms must be mapped automatically in the purchase order process to avoid renegotiations.

### Contractual and legal aspects

Delivery terms such as Incoterms DAP should be clearly recorded in order documents so that delivery, transfer of risk and transaction costs do not become the subject of disputes. Audit rights such as a right to audit and defined exception rules belong in framework agreements. Tax questions, such as the VAT treatment of cross-border orders, must be examined on a case-by-case basis with tax or legal advisers.

## Current developments: automation and integration

The purchase order process is being transformed by digitalisation, supplier integration and data-driven replenishment. The trend is moving away from isolated solutions towards end-to-end, semi-autonomous procurement processes.

### AI and intelligent automation

Artificial intelligence increasingly supports the classification of free-text items, the enrichment of master data and the suggestion of suitable suppliers. Assistants can automatically map purchase requisitions to material numbers and prepare approval proposals. The benefits depend significantly on data quality, which once again underlines the importance of the master data process.

### Dynamic replenishment and planning integration

Consumption-driven replenishment and vendor-managed inventory approaches reduce the transactional effort for recurring demand. Integration with sales and operations planning ensures that order quantities are based on reliable sales and production plans rather than static replenishment parameters. In supply chains with price volatility, hedging instruments such as forwards & swaps complement the process where there is raw material dependency.

### Sustainability and multi-sourcing

Sustainability requirements also affect the purchase order process: supplier information on SBTi targets or certifications can be incorporated as selection criteria in catalogues and quota logics. Dual-source management, by contrast, requires clear allocation rules in the ordering process so that split quotas are consistently met. Energy-related requirements, such as a supplier energy audit for energy-intensive goods, are increasingly verified before suppliers are activated in the purchase order process.

## Typical metrics

| Metric | Typical value |
|---|---|
| **Buy-Save-Rate** | > 95%<br>*Share of volume transacted via contracts and defined channels; industry-dependent* |
| **Cost per Order** | €30–80 manual, considerably lower when automated<br>*typical benchmark, strongly dependent on degree of automation* |
| **Touchless Rate** | > 80%<br>*Share of purchase orders without manual intervention; target value of leading organisations* |
| **Processing time per purchase order** | a few minutes to hours<br>*from requisition to order transmission, dependent on approval levels* |

## Practical example

A mid-sized mechanical engineering company with around 350 employees had a high proportion of free-text purchase orders and a labour-intensive invoice verification process. Following a spend analysis, the top 20 material groups were assessed for catalogue and framework agreement suitability, workflow rules (P2P) with multi-level approvals were introduced, and the master data process was cleansed over three months. Consumption-driven replenishment was set up for C parts.

- In practice, the buy-save rate rose from around 70% to over 95% within one year.
- Processing time per purchase order was significantly reduced through touchless three-way matching.
- Maverick buying was largely eliminated through self-service catalogues and clear sourcing policies.
- Days Payable Outstanding (DPO) were stabilised through scheduled, plannable payment cycles.

## Conclusion

Purchase order process optimisation is not an implementation project but a continuous improvement process that thinks about organisational rules, master data and automation together. The biggest levers lie in bundling demand, a consistent channel strategy and the automation of approvals and matching. At the same time, compliance, exception management and supplier stability must be considered from the very beginning. Those who systematically monitor KPIs such as the buy-save rate, touchless rate and cost per order can demonstrate and sustain improvements. This turns the purchase order process from a cost block into a reliable foundation of efficient procurement.

## Frequently asked questions

### ? What does purchase order process optimisation mean?

Purchase order process optimisation refers to the systematic improvement of all steps from the purchase requisition through to invoice processing. The focus is on standardisation, automation via workflow rules (P2P) and reducing manual intervention. The goals are lower process costs, shorter cycle times and greater compliance.

### ? How can the cost per order be reduced?

The key levers are catalogue solutions and framework agreements, automated approvals based on value thresholds, and touchless three-way matching of purchase order, goods receipt and invoice. In addition, consumption-driven replenishment reduces manual effort for C items. A spend analysis shows where these measures will have the greatest impact on volume.

### ? How can maverick buying be prevented?

Decisive factors are simple, attractive self-service channels, clear sourcing policies and consistent approval rules. In addition, contract volume should be regularly reconciled with total order volume to make maverick buying visible. Target values for the buy-save rate in practice are typically above 95%.

### ? Which KPIs are relevant for the purchase order process?

Key KPIs are cost per order, cycle time from requisition to purchase order, buy-save rate, maverick buying rate and touchless rate. In addition, error rates in master data and the number of subsequent purchase order changes provide indications of process quality. All values should be monitored against defined targets and through regular reviews.

### ? What role does data quality play in the purchase order process?

Without unique material numbers, up-to-date vendor master records and correct prices, any automation fails, because matching and approvals are built on faulty data. The master data process is therefore the foundation of purchase order process optimisation. Missing prices or unclear assignments inevitably end up in the exception workflow and increase the workload.

### ? What belongs to an optimised purchase order process besides software?

Technology alone does not solve process problems: clear governance, defined roles and approvals, qualified master data and adherence to framework agreements are required. Supplier-side prerequisites such as capacities and delivery terms, e.g. Incoterms DAP, must also be right. Only the interplay of organisation, data and systems delivers the expected efficiency.

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