Approval Workflow: Controlled Process for Purchase Orders and Documents in Procurement

The approval workflow is a defined process in which purchase orders, contracts or technical documents are reviewed and approved in sequence by the responsible parties before becoming legally effective. In industrial procurement, it ensures that expenditure, terms and supplier commitments only take effect with the appropriate authorisation. It is therefore a central control instrument for compliance, cost control and traceability across the entire procurement process.

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Key facts at a glance

01 An approval workflow defines who reviews and approves which documents or purchase orders in what order.

02 It ensures segregation of duties between the requesting, reviewing and approving parties.

03 Approval levels are typically based on order value, risk class and contract type.

04 Digital workflows often shorten turnaround times to a few hours or a few days.

05 Key KPIs are turnaround time, share of on-time approvals and rework rate.

06 The workflow is a building block of procurement compliance and internal control in the purchasing process.

Definition: approval workflow

An approval workflow is a formalised authorisation process that defines which review steps a document, purchase requisition or contract goes through before it becomes legally binding. It combines functional review, budgetary control and legal safeguarding in a traceable process.

Distinction from the procurement process

The approval workflow is not a standalone process but a control segment within the procurement process. While the procurement process maps the entire path from demand identification through the award decision to goods receipt, the workflow focuses on the approval steps in between. It typically applies at two points: the approval of the purchase requisition and the approval of the purchase order or draft contract.

Typical approval subjects

In practice, in addition to standard purchase orders, contracts such as a Master Service Agreement (MSA), framework agreements, price changes, bonus arrangements and technical approvals such as a Certificate of Conformity are managed via workflows. Changes to master data, such as maintenance of planning parameters or new supplier records, also frequently belong in an approval process. The more critical the subject matter, the more review levels are sensible.

Structure and stages of an approval workflow

An effective approval workflow follows a clear step logic: requisition, functional review, budgetary review, legal review where required and final approval. Each step has defined responsible parties, deadlines and escalation paths.

Approval levels by value and risk

Thresholds are frequently used: small orders up to a low four-figure sum are approved by one manager, medium amounts require two levels, and high amounts or contract signings go through executive or supervisory board level. In addition to value, risk plays a role: critical supplied parts, supplier monopoly positions or single-sourcing situations justify additional review steps, for example by quality assurance or technology departments.

Segregation of duties

A central principle is the segregation of the requesting, procuring and approving functions. Whoever raises the demand should not simultaneously place the order with the supplier and approve the invoice. This segregation closes weak points that can arise, for example, in the event of compliance violations or lack of independence in the award decision.

Manual, semi-automated or digital

Small companies often start with paper-based or email-based processes. Mid-sized companies and corporations increasingly rely on workflow modules in ERP or procurement systems that automatically route approvals to the right place, monitor deadlines and generate logs. Digital workflows also create the foundation for supply chain visibility, as approval statuses are traceably documented.

Methods and approach for introducing an approval workflow

The introduction of an approval workflow begins with the analysis of existing procurement processes and ends with training, monitoring and continuous improvement. Striking a balance between control and speed is crucial.

As-is analysis and process design

First, all procurement transactions are recorded and classified by value, risk and repeat character. From this, approval matrices are derived that define which transactions pass through which levels. In the spirit of a structured procurement strategy, the workflow should also reflect strategic questions: for example, whether the result of an outsourcing potential analysis or a transfer of work to new suppliers requires separate approval.

Escalation and delegation

It is practical to regulate deputies during holidays or illness as well as clear escalation paths when deadlines are exceeded. If an approval is not granted, the system can automatically forward it to the next level. Without such rules, processes stall, and buyers look for informal shortcuts that undermine control.

Interfaces to other processes

The approval workflow should be interlinked with adjacent processes: with the S&OP cycle for demand-side approvals, with procurement controlling for budget and value checks, and with contract review, for example for non-solicitation clause arrangements or advance payment agreements in framework agreements. Only then does a consistent, contradiction-free process emerge.

Key KPIs for evaluating the approval workflow

An approval workflow is measured on speed, quality and compliance. The metrics feed into procurement controlling and show whether the workflow provides control or is more of a brake.

Turnaround and response times

The average turnaround time from request to approval is the key metric. In digitalised environments it is typically hours to a few days, in paper-based processes often considerably more. The share of on-time approvals is also important, as it reveals bottlenecks with particular reviewers or levels.

Rework and rejection rates

How many transactions have to be corrected or withdrawn after approval? A high rate indicates unclear requirements, missing information or incorrect reviewer assignments. In addition, the rate of rejected approvals shows how good the upstream review quality is.

Compliance and completeness metrics

The share of transactions that run completely and seamlessly through the prescribed workflow measures process discipline. Deviations, such as orders placed outside the system, are early warning signs of deliberate rule circumvention and should be actively pursued as part of procurement compliance.

Risks, controls and legal aspects

An approval workflow is primarily a control instrument. It mitigates risks such as unauthorised expenditure, manipulation, inadequate documentation and breaches of internal or external requirements. The prerequisite is that the rules are designed to be practical and consistently observed.

Typical weak points

Common problems are overloaded approvers with long waiting times, overly rigid thresholds that unnecessarily block routine purchases, and informal detours such as orders placed in individual employees' names. Lack of transparency about the current status of a transaction also leads to queries and delays. A regular supplier visit or audit can additionally reveal whether agreed processes are actually being followed.

Controls and auditability

Every approval should be logged in an audit-proof manner: who, when and with what comment. Spot checks by internal audit or procurement management verify compliance. For critical supply relationships, for example with suppliers in a monopoly position, additional measures such as multiple sourcing or clear service credits (SLA) provide further safeguarding, which should be taken into account in the approval process.

Legal and tax notes

Approval rules touch on employment law issues such as powers of attorney and authority to represent the company, as well as commercial law documentation obligations. Commercial or foreign trade aspects, such as correct customs tariff classification for import orders, can also be the subject of review steps. The specific design should be legally reviewed on a case-by-case basis, particularly for cross-border business or complex contract structures.

Current developments: digitalisation and automation

Approval workflows are increasingly moving into digital systems and are partly automated or supported by assistive functions. The trend is towards end-to-end, data-based control with clear responsibilities.

Workflow automation and rules

Modern systems route approvals automatically according to rules: value, product group, cost centre or risk class determine the path. Routine transactions can run through simplified catalogue processes with

reduced approval depth, while critical transactions are reviewed at multiple levels. This reduces turnaround times without losing control.

Transparency and integration

Approval statuses are increasingly made visible in real time, for example via dashboards as part of supply chain visibility. Integration with planning, inventory management and contract management reduces duplicate data entry. In the context of supply chain resilience management, the workflow also helps to systematically evaluate critical approvals such as new supplier sources or alternative suppliers.

Mobile and decentralised approvals

Mobile approvals via apps or browsers allow decisions away from the desk as well. This significantly accelerates processes but requires clear identity and authorisation concepts. In practice, it has proven effective to restrict mobile approvals to routine decisions and to tie strategic transactions to more detailed reviews.

Typical metrics

Metric	Typical value
Approval turnaround time	< 2 days (standard order) *typical benchmark for digitalised workflows*
Share of on-time approvals	> 95 % *reveals bottlenecks with reviewers*
Rework rate	< 5 % *indicator of requisition quality*
Compliance rate	> 98 % *share of transactions via the prescribed workflow*

Practical example

A medium-sized mechanical engineering company with around 400 employees suffered from long order lead times: approvals ran via email and paper, transactions remained pending for weeks, and there was no traceable history. The company introduced a three-level approval matrix and digitalised the workflow in its existing ERP system.

- Approval matrix by order value and risk class, with delegation and escalation rules
- Automatic routing with deadline monitoring and a mobile approval option for routine orders
- Monthly KPI report on turnaround time and rework rate in procurement controlling
- Special review for contracts, supplier changes and transactions with advance payments or bonus

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Conclusion

The approval workflow is more than a bureaucratic intermediate step: it safeguards control, legal certainty and traceability in one of the most cost-intensive corporate processes. Striking the right balance between depth of review and speed is crucial, supported by clear thresholds, delegation rules and measurable KPIs. Digitalised workflows significantly reduce turnaround times and at the same time deliver audit-proof data. Those who integrate the workflow closely with procurement strategy, budget control and supplier management turn a control obligation into a steering instrument.

Frequently asked questions

? What is an approval workflow?

An approval workflow is a defined authorisation process in which purchase orders, contracts or documents are reviewed and approved in sequence by the responsible parties. It determines who performs which review, in what order and with what authorisations. This ensures that commitments are only entered into with the appropriate authorisation.

? How many approval levels are common?

In practice, two to four levels have become established, depending on order value, risk and contract type. Small routine orders often go through a single manager, while high amounts and contracts pass through several levels up to executive management. It is important that thresholds and responsibilities are defined in writing and reviewed regularly.

? How long does an approval workflow typically take?

In digitalised systems, the turnaround time for standard orders is typically in the range of a few hours to a few days. Paper- or email-based processes often take considerably longer, occasionally several weeks for complex matters. Deadline monitoring and clear escalation rules are the most important levers for shortening this.

? Which metrics measure an approval workflow?

Key metrics are turnaround time, the share of approvals completed on time, the rework rate and the share of complete, compliant transactions. These figures feed into procurement controlling. They show whether the workflow provides control or itself becomes a time and cost factor.

? Which risks does an approval workflow avoid?

It reduces unauthorised or duplicate spending, manipulation of award decisions, inadequate documentation and breaches of internal requirements. The segregation of duties between requisition, procurement and approval is the central control principle here. Audit-proof logs additionally ensure auditability.

? How do you introduce an approval workflow?

A step-by-step approach is recommended: as-is analysis of procurement transactions, classification by value and risk, definition of an approval matrix, followed by digitalisation, training and KPI monitoring. A pilot area, such as a product group or cost centre, is sensible before rolling the workflow out company-wide. Regular review prevents rules from becoming outdated or being circumvented.

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