Process Optimisation in Procurement: Increasing Efficiency, Reducing Costs, Controlling Risks

Process optimisation in procurement refers to the systematic analysis and improvement of all workflows along the procurement process – from demand planning via awarding to invoice verification. The aim is to shorten lead times, reduce transaction costs, secure the quality of supply and make supply chains more resilient. In practice, the spectrum ranges from eliminating individual media breaks to redesigning the entire ordering process. The term is closely interlinked with neighbouring fields such as process cost accounting in product costing and the digitalisation of the procurement system.

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Key facts at a glance

01 Process optimisation in procurement aims at shorter lead times, lower transaction costs and higher process efficiency.

02 Typical starting points are order processing, approval processes, framework agreements in procurement and the consolidation of suppliers.

03 Metrics such as processing time per order, share of direct purchases and process costs are key control variables.

04 Digitalisation and standardisation are the most effective levers, often accompanied by organisational and role adjustments.

05 The benefit typically shows in falling transaction costs per order and fewer ad-hoc purchases.

Definition: Process Optimisation in Procurement

Process optimisation in procurement comprises the systematic improvement of all procurement processes – from demand identification via enquiry and order to goods receipt, invoice verification and supplier evaluation. It targets efficiency (cost, time), effectiveness (right products, right suppliers) and

robustness (resilience of supply).

Distinction from strategy and restructuring

Optimising processes is not the same as realigning the procurement strategy. While the strategy determines which procurement fields are addressed and how supply markets are approached, process optimisation ensures that these decisions are implemented efficiently in operations. Separating the two in practice is important: an excellently negotiated framework agreement remains ineffective if order processes bypass the contract.

Relevance for B2B industrial procurement

In manufacturing companies, the procurement process typically incurs fixed transaction costs per transaction – often a multiple of the pure order fee when all steps from enquiry to invoice verification are counted. Since many companies process thousands of orders annually, small improvements per transaction have a financial impact. In addition, process quality directly influences supply capability, inventory levels and the robustness of material substitution (ESG) in the sense of sustainable procurement.

Methods and approach for process optimisation in procurement

A structured cycle has proven effective: make processes transparent, quantify weaknesses, derive measures, implement them and monitor them via KPIs. Methodically, procurement managers frequently draw on established approaches from lean and process methodology.

As-is analysis and assessment of weaknesses

The starting point is a documented as-is assessment: who triggers which step in which system landscape, how long does it take, where do media breaks or duplicate review loops occur? Common findings are manual orders without framework coverage, multi-stage approvals for small amounts, missing demand planning as a contractual basis and insufficient catalogue compliance in supplier catalogues. Prioritisation by effort and leverage prevents optimisation efforts from getting lost in detail.

Standardisation and routing decision

A central step is defining procurement routings: for standard materials and low value-added goods, the catalogue or self-service process with simplified approval is typically recommended. For strategic parts with tender character, structured processes up to Best and Final Offer (BAFO) in negotiations remain. Framework agreements in procurement with agreed prices, delivery times and Incoterms DAP or Incoterms CPT considerably relieve day-to-day operational ordering.

Digitalisation and automation

Digital tools significantly accelerate enquiry, comparison and ordering: electronic enquiry processes automate supplier sourcing and the comparison of offers, invoice import reduces manual verification effort, and automatic blocks prevent unauthorised orders. It is important that automation is based on

cleansed master data: incorrect material numbers or unclear units produce rework that eats up every process improvement.

Key KPIs for measuring process optimisation in procurement

Without metrics, neither the initial state can be assessed nor the success of measures proven. The choice of KPIs should be oriented towards the target system: efficiency, quality and compliance.

Efficiency metrics

Key metrics are processing time per purchase order, the share of orders with touchless processing, the number of suppliers per procurement volume and the first-pass yield rate for invoice and order processes. The investment rate of procurement capacity – how much time strategic buyers invest in supply-critical topics instead of transactional work – is also a practically proven indicator.

Quality and compliance metrics

Supplier evaluations, on-time-in-full rates and complaint rates show whether efficiency gains come at the expense of supply quality. Compliance metrics such as the share of orders outside framework agreements or the error rate in IBAN checks before outgoing payments reveal control gaps. A procurement budget should be regularly linked to process metrics in order to detect budget deviations early.

Comparing metrics over time

Absolute values must always be read in the industry and company context: a small supplier with a high order change rate will accept different lead times than a series manufacturer. Trend analyses and before-and-after comparisons of optimisation measures are more meaningful than individual data points. Overambitious targets without a realistic basis often lead to pseudo-optimisation.

Risks and controls in procurement process optimisation

Optimisation only delivers its benefit if it does not bypass control mechanisms. Those who cut approvals and checks too aggressively trade efficiency for compliance and quality risks.

Compliance and control risks

Reduced approval levels and automated order processes require compensating controls: four-eyes principle for sensitive amounts, regular sampling for direct purchases, clear client separation and blocks for outdated supplier master data. Legal topics such as assignment prohibitions in contracts or impermissible automatic contract renewal also require clear review loops in the course of standardisation. Legal statements must always be examined on a case-by-case basis – for example by the legal or tax department.

Resilience and contingency planning

Lean processes can collapse faster in the event of disruption than redundant ones. A procurement emergency team with defined escalation paths, stand-in arrangements and prioritisation logic for critical materials secures the ability to act in the event of supply failures, supplier failures or logistical disruptions. Especially in just-in-time relationships, documented emergency supply with verified alternative suppliers and sample deliveries when qualifying new sources is indispensable.

Acceptance and change management

Process changes in procurement affect roles, decision-making powers and familiar habits. Resistance typically arises from insufficient involvement of the departments or unclear objectives. Successful optimisations rely on early participation of users, visible quick wins and clear communication of the expected behavioural changes – for instance, refraining from self-initiated orders outside the routing.

Current developments in procurement process optimisation

Several trends are currently changing how industrial companies design their procurement processes: higher volatility in supply chains, rising sustainability requirements and the increased use of digital tools up to AI-based assistants.

Resilience and sustainability as optimisation goals

Classic efficiency criteria are being expanded to include resilience and sustainability dimensions. Demand planning is increasingly scenario-based, supplier portfolios are being expanded with dual-sourcing options, and material substitution (ESG) is gaining importance as a planning instrument. Regulatory topics such as the PPWR (Packaging Regulation) or the CFR (Carbon Footprint Reporting, i.e. EU CSR implementation) also expand the verification obligations in procurement processes.

AI and assistive systems

AI-based tools today support the creation of enquiries, offer comparison, supplier screening and the prediction of supply bottlenecks. They shorten preparation times in project procurement and tendering, but do not replace expert review and approval. Used sensibly, they relieve buyers of research and drafting work and increase the consistency of enquiries.

Organisation and sourcing models

Increasingly, procurement processes are thought of modularly: central framework agreements with decentralised call-off orders, shared service points for transactional work, or topic-based teams for project procurement. Outsourcing transition for service handovers in procurement also requires clearly defined handover processes. Flexibility in organisational form is often more important than a single uniform model.

Typical metrics

Metric	Typical value
Processing time per purchase order	typically well under 30 minutes in the optimised stan *Benchmark for catalogue/standard orders; strategic enquiries excluded*
Share of orders via framework agreement	> 70 % *a high share indicates a functioning routing and reduces ad-hoc purchases*
Touchless rate in the order process	> 60 % *share of transactions processed automatically without manual intervention*
On-Time-in-Full (OTIF)	> 95 % *indicates supplier reliability; important in the context of process optimisation*
Invoice error rate	< 2 % *a low rate indicates clean order and master data processes*

Practical example

A medium-sized mechanical engineering company with around 250 employees had no uniform ordering logic: departments sometimes ordered directly, buyers handled enquiries manually by email, and framework agreements were hardly used. After an as-is analysis, the ordering process was redesigned from scratch.

- Introduction of framework agreements in procurement for around 70 % of repeat demand, including fixed prices and Incoterms DAP
- Establishment of a catalogue process with simplified approval for C parts and clear routing per material class
- Restructuring of approval levels: simplified approval below defined value limits, four-eyes principle above
- Introduction of an emergency procurement team with documented escalation logic for supply-critical parts

Conclusion

Process optimisation in procurement is not a one-off project but a continuous improvement cycle. Those who consistently make processes transparent, standardise routings, design approvals precisely and use metrics as control variables reduce transaction costs noticeably and create space for strategic procurement work. At the same time, it holds that efficiency must not undermine compliance and

supply security – clear controls and a functioning emergency mode are part of the concept. For industrial suppliers and manufacturing companies, it is often worthwhile to start with order processing, as the leverage between effort and impact is typically greatest there.

Frequently asked questions

? What does process optimisation in procurement mean?

Process optimisation in procurement refers to the systematic improvement of all purchasing processes, from demand planning through enquiry and order placement to invoice verification. The aim is to reduce lead times and transaction costs while strengthening quality, compliance and supply security. Typical starting points are standardisation, framework agreements and digitalisation.

? Which steps belong to process optimisation in procurement?

A proven five-step approach: as-is analysis of the processes, quantification of weaknesses and costs, prioritisation of measures, implementation in stages and continuous steering via KPIs. Involving the internal departments and clearly separating operational optimisation from strategic realignment are important. Success is reflected in measurable improvements in the key figures.

? Which metrics are measured in procurement process optimisation?

Typical KPIs are processing time per purchase order, the share of automated or touchless purchase orders, the number of suppliers per spend volume, the on-time-in-full rate and the complaint rate. Compliance metrics such as the share of purchases outside framework agreements or error rates in payment approval are also relevant. What matters is comparison over time rather than isolated snapshots.

? How much savings potential does process optimisation in procurement offer?

The potential depends on the starting level. In practice, standardisation and framework agreements achieve significant reductions in transaction costs per transaction and noticeable reductions in lead times in order processing – concrete figures depend heavily on the company and industry. In addition, indirect benefits arise from less rework, higher supply capability and freed-up procurement capacity.

? What is the difference between process optimisation and procurement strategy?

The procurement strategy determines which requirements are sourced, through which channels and with which suppliers – i.e. the what and with whom. Process optimisation ensures that these decisions are implemented efficiently in operations – i.e. the how. The two levels interact: strategy without robust processes remains ineffective on paper.

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