

Award policies: fundamentals and practice for industrial procurement

Award policies are internal rulebooks that define how companies source requirements, involve suppliers and award contracts. They create binding standards for approvals, selection procedures and documentation and protect companies against compliance breaches. For technical buyers in the DACH region, they are the backbone of a traceable procurement organisation.

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Key facts at a glance

- 01 Award policies internally govern how procurement volumes are awarded – they must not be equated with public procurement law.
- 02 Typical components are thresholds, approval levels, supplier selection criteria and documentation obligations.
- 03 In practice, clear award policies reduce maverick buying and create comparability between procurement decisions.
- 04 Implementation is often via workflow functions in the ERP system or supplier portal.
- 05 Regular updating is required to reflect changes in compliance, sustainability and supply chain requirements.

Definition: award policies

Award policies are company-internal rulebooks that bindingly define procedures, competences and criteria for the award of contracts and framework agreements. Unlike public procurement law, which applies only to public sector clients, they can be freely designed, provided legal and internal company requirements are observed. The goal is a policy-compliant, economical and auditable procurement decision.

Distinction from public procurement law

Private companies are not subject to public procurement law such as the GWB or the VgV Ordinance.

Nevertheless, many group directives deliberately orient themselves on their principles such as competition, transparency and documentation. For suppliers this means: even with private clients, they can frequently expect structured enquiry and selection processes with comparable formalities.

Legal and normative framework conditions

Award policies must be consistent with competition law, compliance requirements, data protection and, where applicable, supply chain due diligence obligations. A case-by-case review is important, as industry-specific regulations – for example in the automotive or medical technology sectors – may impose additional requirements. These statements do not constitute legal advice.

Structure and typical content of award policies

In practice, award policies consist of a core set of procedural rules and an annex with templates and threshold tables. The structure varies depending on company size but often follows a similar pattern.

Thresholds and approval levels

Central elements are thresholds from which certain procedures apply. For example, requirements below a defined amount can be fulfilled directly from an existing framework agreement, while above this several quotations must be obtained. As volume increases, requirements for the number of quotations, documentation and approval levels rise, often up to approval by management or supervisory level.

Supplier selection and evaluation criteria

Award policies define the criteria by which suppliers are evaluated – typically price, quality, delivery reliability, capacity and compliance aspects. Evidence such as supplier self-disclosure, certificates and information on conflict minerals is also frequently required. This makes supplier selection traceable and comparable.

Documentation and audit rules

Retention periods, decision minutes and audit rights are also bindingly regulated. A contractually agreed right to audit enables procurement to verify the supplier's compliance with requirements. Framework conditions are frequently specified in a framework agreement annex.

Methods and approach for implementation

An effective award policy is not left on the shelf but is anchored in everyday processes. The path there typically follows several steps.

Process analysis and requirements management

First, the as-is process is analysed: where do approval gaps arise, how much maverick buying is there, which interfaces to requirements management and specialist departments are defined? On this basis,

procedural rules are formulated that fit real processes rather than setting purely theoretical requirements.

System-side anchoring

Modern companies map award policies in ERP system workflows or in the supplier portal: thresholds automatically trigger defined procurement steps, approvals run digitally. This reduces manual errors and documents decisions in an audit-proof manner. Reference data for material masters and suppliers plays an important role here so that automations work cleanly.

Training and change management

A policy only takes effect if buyers, specialist departments and management know and apply it. In practice, short training sessions, user guides and clear points of contact have proved effective. Exceptions – for example in single-source procurement or urgent replacement requirements – should remain permitted with defined approval routes so that the rules are not circumvented.

Key KPIs for steering award processes

Whether award policies take effect is reflected in measurable procurement KPIs. In practice, the following indicators have proved particularly valuable.

Process and compliance KPIs

Typical metrics are the proportion of orders processed in a policy-compliant manner, the number of quotations obtained per award and the proportion of emergency orders outside the standard process. Processing time from enquiry to order placement is also frequently measured, as long cycles indicate obstacles in the approval levels.

Economic KPIs

Result-oriented figures such as savings achieved compared with the first price enquiry, compliance with agreed payment terms such as 2/10 net, or the rate of framework agreement utilisation show whether the award is also economically effective. In addition, data analytics in procurement provides approaches for systematically evaluating patterns in award data.

Risks, controls and compliance

Without effective control, award policies fizzle out. Risks arise both internally and along the supply chain.

Typical risks

Common weak points are circumvention through emergency orders, thresholds defined too generously, a lack of separation between ordering and approval and incomplete documentation. Conflicts of interest in supplier selection – for example personal relationships with sales representatives – also require clear

rules and disclosure obligations.

Internal controls and audit

Effective controls combine system-enforced rules with sample-based reviews. Internal audit regularly checks whether thresholds have been observed and decisions documented. In system-based procurement, it is advisable to automatically report critical exceptions and evaluate them monthly.

Supply chain and sustainability

Award policies are increasingly being extended with sustainability requirements: supplier self-disclosure, audit rights, requirements on conflict minerals and obligations from supply chain due diligence flow into selection and contract design. The details should be legally reviewed on a case-by-case basis, as regulations here are continuously evolving.

Current developments: digitalisation and supply chain topics

Award policies face dual pressure to adapt: digitalisation automates procedures, while sustainability and supply chain regulation bring new review obligations.

Automation and data foundation

Digital award platforms and AI-supported enquiry tools significantly shorten award lead times and enforce structured data. Prerequisites are maintained reference data, clear requirement specifications and clean supplier lifecycle management (SLM) so that new suppliers go through creditor onboarding in a structured manner and rapid awards remain possible.

Strategic embedding

Award policies increasingly reach beyond the individual order: they define when framework agreements, supplier development workshops or should-costing analyses are mandatory. Price arrangements such as volume rebates, raw material escalation clauses or preference calculation are also anchored in award and contract standards. This brings the policy closer to strategic topics such as outsourcing decisions and supplier development.

Typical metrics

Metric	Typical value
Proportion of policy-compliant awarded orders	typically > 95% <i>Shows how far the policy takes effect in day-to-day operations.</i>
Quotations per award	commonly 2–5 depending on threshold tier <i>Minimum number should be defined in the policy.</i>

Emergency orders outside the standard procedure

ideally < 5%
Higher rates indicate practicality gaps in the rules.

Processing time from enquiry to order placement

typically a few days to two weeks per tier
Long cycles indicate overloaded approval levels.

Practical example

A medium-sized mechanical engineering company with around 400 employees found that a considerable proportion of purchasing volumes was awarded without a defined procedure: specialist departments ordered directly, quotations were compared irregularly and evidence was missing at audits. The company introduced a tiered award policy and embedded the thresholds directly in the ERP workflows.

- Three threshold tiers: direct ordering for small volumes, quotation comparison for medium volumes, formal award procedure with minutes from high volumes onwards.
- Mandatory supplier self-disclosure and compliance evidence before the first order, integrated into creditor onboarding.
- Digital approval levels in the ERP with an exception process for emergencies, quarterly evaluation of exceptions by the Head of Procurement.
- Adjustment of existing framework agreements with a framework agreement annex including audit rights and sustainability clauses.

Conclusion

Award policies are the central steering instrument for making procurement decisions policy-compliant, comparable and economical. They only take effect if thresholds are realistic, approval processes are practical and exceptions are regulated. Anchoring in ERP workflows and supplier portals makes compliance verifiable and reduces manual effort. At the same time, the rulebooks must be continuously adapted to compliance, sustainability and supply chain requirements. Anyone who takes award policies seriously creates not only audit security but also a better negotiating position towards suppliers.

Frequently asked questions

? What are award policies, explained simply?

Award policies are internal rules of a company that define how purchasing volumes are awarded: which thresholds apply, how many quotations must be obtained, who approves and what is documented. Private companies are free to design them, in contrast to public procurement law. The goal is traceable, economical and auditable procurement decisions.

? What belongs in an award policy?

Typical components are scope of application, thresholds with associated procedures, the number of quotations to be obtained, evaluation criteria, approval and responsibility rules, documentation and retention obligations as well as exception processes. These are often supplemented by template forms, requirements for supplier self-disclosure and provisions on compliance and audit rights.

? Do award policies also apply to private companies?

Yes, but on a voluntary basis. Public procurement law such as the German GWB (Act Against Restraints of Competition) and the VgV Ordinance binds only public sector clients. Private companies design their own policies, but in practice often orient themselves on its principles such as competition, transparency and documentation, particularly when group parents or customers demand corresponding standards.

? How high should thresholds in award policies be?

There is no universally correct value; in practice, tiered amounts are common, where lower tiers allow direct orders, middle tiers require quotation comparisons and high tiers trigger formal award procedures. The tiers should match the company's volume and risk profile and be reviewed regularly, as thresholds set too high encourage circumvention.

? How do award policies differ from procurement policies?

The terms are often used synonymously. Procurement policies are usually the broader framework, also covering principles on ethics, sustainability and supplier relationships. Award policies more narrowly govern the procedure for awarding contracts: procedure types, thresholds, selection and documentation. In many companies, the award policy is a chapter of the overarching procurement policy.

? How can award policies be implemented digitally?

In practice, thresholds and approval levels are mapped as workflows in the ERP system or in the supplier portal. The requirement automatically triggers the prescribed procedure, approvals run electronically and decisions are logged in an audit-proof manner. Maintained master data, clear requirement specifications and regular evaluation of exceptions are important.

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