

Procurement Engineering

A Series of Articles that pertain to the Cost Reduction and
Implementation of E-Procurement

PROCUREMENT ENGINEERING

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Why e-Procurement

Purchasing is a simple idea; negotiate the best price with a supplier and present the contracted items to your constituents for purchasing.

In government, public and private sectors, this simple idea is achieved in different ways and most commonly involves a paper based sourcing process on the front end and a paper based purchasing process on the backend. In many cases, these manual processes were established 20+ years ago and have changed very little over time.

Due to human nature, there is little thought of changing the processes to take advantage of the tools available in today's market, even though the return on the investment can be accomplished within a relatively short period of time.

These are not complex tools to deploy, but they are, nonetheless applications that require some organizational change management to take place. In most cases, this involves re-evaluating current business processes, practices and policies that may have been developed years earlier and determine if they are still viable in today's climate.

Once the new policies and processes are in place, they will allow the tool to perform at maximum efficiency to promote a better [Contract to PO process](#). In addition, the cost of doing business with your suppliers will decrease over time as you can now point to historical PO data to drive down future supply costs.

How to reduce costs in a business using e-Procurement

Cost reduction is usually at the top of every business, especially in today's economic climate. Many companies are looking in various areas of their business and asking their management teams to come up with ideas on how to reduce costs within their respective areas.

One area that can definitely provide a relative quick return on investment is [e-procurement](#). Operational budgets are focused procurement activities for direct spend that supports the cost of doing business. Usually, purchasing activities consist of a manual paper based process put in place years earlier that is probably costing the dearly in lost productivity and maverick spend.

Purchasing processes exist today are very similar in every business regardless of size, industry or geographic location. Moving paper requisitions through a manual approval process can cost the organization in excess of \$100.00 per purchase order they generate. If a business produces thousands of Purchase orders per year, this can add up to a great deal of money.

If you are looking at cost reduction across the board, it is feasible to think that any manual based process that permeates the organization is well worth investigating.

Some of the areas below may be opportunities for cost reduction:

- Reducing your cost per purchase order using electronic approval processes
- Reducing the time it takes a purchase requisition to be approved and released to a supplier.
- The time spent changing purchase orders
- The man hours spent returning and re-ordering goods due to incomplete or incorrect pricing information.
- Increasing contract compliance and reducing Maverick spend
- Removing costs for 4 part forms across the enterprise
- Increasing audit compliance

Track and account for all purchased items through a more structured receiving process

In summary, every organization that is in a cost reduction mode should consider every aspect of their business including traditional processes. If you are one of the department managers being asked on how to reduce costs in the business, a migration to an [e-procurement platform](#) could be something to pursue.

Top 10 Hidden Costs of a Traditional Operations Based Procurement Cycle

Operations procurement is direct spend associated with supporting the cost of doing business and usually comes from the operating budget. Usually, the purchasing cycles put in place 10 or 20 years ago are still being used, and could be costing your company dearly.

Purchasing procedures that exist today are very similar regardless of size, industry and location. The idea of pushing a paper requisition through a signature process before being sent to a supplier is a traditional model exercised millions of times a day across the globe. With a great deal of focus on reducing operational costs and increasing productivity, one area that many business executives fail to look at is purchasing process. This is mostly due to the same management team being in place for years and having the “if it isn’t broke, don’t fix it” attitude.

Another reason for this process being so well entrenched within companies is that many purchasing managers grew up with paper and similar based systems in place and are wary of trying to institute something new across the enterprise.

If you are looking cost reduction areas, it is well worth your time to look into your organizational model for procurement and assessing the costs you are incurring with the old paper based process. Some of the overhead are directly measurable costs, where others are indirect and are more difficult to measure due to redundant and outdated tasks buried within departmental procedures.

Some of the areas that may be negatively impacting your business might include:

1. Cost of supporting paper purchase orders - Industry benchmarks measure the overall cost @ \$75.00 -100.00 per paper purchase order which may be significantly higher in public sector or age old institutions.
2. Lost productivity in trying to get an order released to a supplier. This can typically range from between 5 to 7 business days
3. The hours spent modifying orders due to incorrect pricing
4. The man hours spent returning and re-ordering goods due to incomplete or incorrect purchase information.
5. Lost productivity searching for unapproved orders
6. Maverick spend and the additional budgets spent purchasing off non-contract
7. The cost of procuring, storing and distributing 4 part forms across multiple departments and locations
8. The cost of storing paper purchase orders for auditing purposes
9. Inability to account for lost items during the receiving process
10. Increase risk of exposure of triggering a procurement audit

In summary, every organization that resists moving to a solid e-procurement platform could be costing themselves thousands of dollars per year in hidden costs and lost productivity. Operations based procurement should be a strategic program every CEO should pursue.

<http://gravitygarden.com/procurement-engineering/>

How to improve the Customer Procurement Process

Customer procurement processes are very similar regardless of size, industry and geographical location. Because of this, most businesses still conduct paper based purchasing procedures to procure goods and services. This is mostly due to the same purchasing director being in place for 20 years and having the mentality “if it isn’t broke, don’t fix it”

Another reason for this process being so well entrenched within industry is that many purchasing managers coming in from other companies had a similar form based system and were reluctant to rock the boat.

If you are looking to upgrade your company procurement process, there are several reasons that justify the expense making e-procurement a good return on the investment.

It is imperative to document the costs an old paper based form process before you can to help support the business case to replace it with an internet based purchasing solution. Some of these costs are direct costs, where others are indirect and can only be measured based on current organizational procedures.

Industry benchmarks measure the overall cost @ \$75.00 -100.00 per paper purchase order. *This number can be significantly higher in public sector institutions and older based companies.

- The time from Purchase requisition to “Order Release” is typically 5 -7 business days
- The time spent adjusting purchase orders due to incorrect pricing
- The time spent on returning and re-ordering items due to incomplete or incorrect purchase instructions.
- The time spent on searching for lost or unapproved orders
- The cost associated with non-contract spending
- The cost of purchasing, storing and distributing 4 part forms across the enterprise
- The cost of storing paper purchase orders for 3-5 years

In summary, to adequately justify the costs associated with implementing an e-procurement platform require an internal assessment of your current processes. Measuring the direct and indirect costs with industry benchmarks will help support the business case for instituting a tool to streamline and greatly improve the *customer procurement cycle*.

Use a Procurement Engineer to Design and Build your Solution

If you are considering dumping the tired old paper based purchasing process and jumping into the 21st century, you need to find a company with competent project manager to **design and build your procurement solution.**

Delivering a viable alternative to the 4 part form requires a solid understanding of the process and impacts of business decisions to configure the tool appropriately. During a standard implementation, the customer needs to make decisions based on the functionality and features within the solution and having the right procurement engineer can make all the difference.

Of course, using out of the box functionality is always encouraged to ensure deliverables can meet expected timelines, but there are times when the tools do not align perfectly with customer requirements. It is important for the engineer to understand the requirements and help develop a custom project plan to deliver new functionality when the customer requires it.

The goal of the engineer is to help the customer re-evaluate their business processes rather than trying to “Pave the Cowpath”; a term used when the customer is trying to make the technology fit the broken process rather than change the procedures to leverage functionality of the tool.

Many clients have been taken from kickoff to becoming transactional within 6-8 weeks because the client is willing to change the business processes, allowing the project to flow smoothly.

To be able to do this the engineer has to exhibit the following:

- Advanced project disciplines
- Strong communication skills
- Ability to manage expectations
- Highly developed industry knowledge

In summary, to *adequately design and build your procurement solution*, you need an expert who knows the business and the competence to guide the client to functionality that already exists within the tool. If the client can adapt and modify their processes, the tool can support the new procurement process very effectively and be delivered in a relatively short period of time. It does not matter whether you are in City/State or County Government, we can deliver a successful procurement solution regardless of size and geography.

Implement with Structured Procurement Project Management Methodology

We implement our e-procurement solutions in various sectors including; Public, Government, Private and Higher education. Having a solid **procurement project management methodology** helps us implement many projects successfully regardless of size and geography.

Many prospective customers do not believe our ability to deliver a solution to their paper based purchase process within 6-8 weeks. Most are used to project implementations lasting months with hundreds of FTE hours being expended, which is not the case with e-procurement.

To be able to do this requires:

- Advanced project disciplines
- Structured data integration procedures
- Strong vendor relationships
- Out of the box functionality
- Highly effective training methods

After developing a tried and true methodology, we typically see the same work breakdown structures for our projects. Some activities can be completed in parallel, allowing the project to move at an accelerated pace.

The activities below are typical during each project regardless of the sector and customer.

1. Create Production/Test environments with baseline configuration
2. Schedule and conduct system administration training with system owner
3. Load appropriate data into test and production environments
4. Assist in workflow development
5. Begin vendor enablement process
6. Enable GL Interface configuration
7. Provide onsite or remote user training
8. Provide Go Live support

In summary, using a well defined *procurement project management* philosophy enables us to be able to bring a customer up quickly with an e-procurement solution. When developing a standard project plan, most web procurement engineers will encourage “out of the box functionality” keep within the expected deployment timelines.

How to Implement Web Requisition Software - A Simple e-Procurement Project Plan

When deploying an e-procurement solution, a simple e-procurement project plan is all you need to get a customer up and running within a few weeks.

When most businesses are used to projects that last months and thousands of man-hours, they are very skeptical when we come in with an efficient methodology for delivering our e-procurement solutions. After developing a tried and true methodology we typically see the same activities in all of our implementations whether they are large or small customers which set us apart from other service organizations

In order for this to happen, a strong buy-in from the executive and client teams to utilize existing functionality and change internal processes is highly encouraged. Setting this expectation at the kickoff meeting is best to ensure that change management issues are addressed early on.

The activities below are typical during each project regardless of the customer and cover 90% of the implementations we do.

1. Create Production/Test environments with baseline configuration
2. Schedule and conduct system administration training with system owner
3. Load appropriate data into test and production environments
4. Assist in workflow development
5. Begin vendor enablement process
6. Enable GL Interface configuration
7. Deliverables:
8. Implementation Guides
9. Data Load templates
10. Access to test environment
11. Provide onsite or remote user training
12. Provide Go Live support

Although not every project is exactly the same, most have common threads that are covered in our procurement project plan. The remaining 10% that is not covered, requires proper project management practices to ensure accurate delivery and execution.

Implementing Online Purchasing Applications – Engineering a Procurement Deployment Plan with Executive Support

When engineering an online e-procurement implementation, the project can be fairly straight forward depending on the project champion's ability to drive the organization. After deploying internet based purchasing applications across the country within large and small entities, it is critical to have the sponsor keep the enterprise focused and defer or remove any barriers that could disrupt the schedule.

Most institutions are used to projects that last months and thousands of man-hours needed to bring a new application online. This is not the case with an e-procurement project. In fact, if the Executive Sponsor supports the notion that the organization look at process improvement instead of trying to the customize the application, the overall project can be completed within weeks or sooner.

An internet based system has many contributing factors to a quick implementation cycle:

No Software – Internal hardware and software is not required, which minimizes the need for IT resources during the project. They are usually supporting the project from a connection and firewall standpoint, but their role is minimal.

Departmental Approvals – The current business processes can be built easily within an effective e-procurement tool. Many departmental approval procedures consist of 2 or 3 levels before a Purchase is made. This can easily accomplished within an anline workflow engine

Catalogs with appropriate pricing can be presented on the front end to help the enterprise leverage existing contracts and vendors. Most e-procurement providers have the technology to allow the customer to pick and choose their online vendors. This helps maintain proper structure and ensure contract compliance.

In summary, if the project champion can reduce the organizational barriers, the implementation of an online purchasing application can be done relatively quickly. Overall the project can be measured in weeks instead of months if the organization buys into functionality with procurement solution to support purchase processes. When meeting with the executive team, web procurement engineers will encourage “out of the box functionality” to ensure customization is not needed, which will minimize costs and keep the deployment schedule on track.

Implementing Web Procurement – Engineering a Deployment Plan

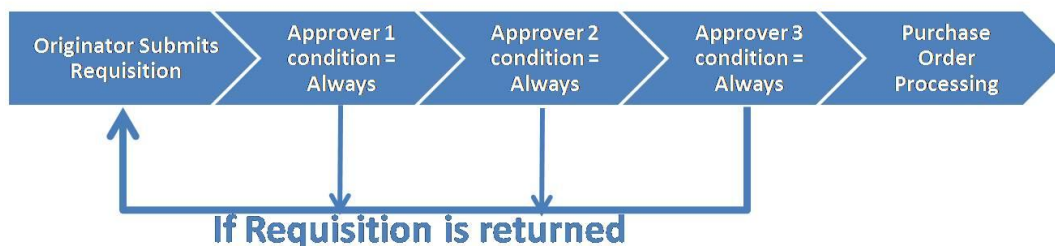
When engineering a web procurement project, the concept of rolling out a transaction based system within weeks, not months is hard to fathom for most businesses. Most companies and institutions are used to projects that last months to bring a new application live. Usually, when told that it can happen very quickly, most organizations struggle to believe that it can be done.

An internet based system has many contributing factors to a quick implementation cycle:

Since there is no software to install, the technology department rarely needs to be involved in the project. Of course, they need to be kept up to speed as to progress, but there is no software or hardware needed to get the application up and running.

Existing approval processes can be duplicated very easily. Most departmental approvals are 2 or 3 levels before a Purchase order is sent out the door. This can easily be engineered and customized based on current business rules. Once the organization is up and running, these processes can be quickly be tweaked if needed.

Standard Purchase Process Flow



Catalog contract for existing vendors can be brought online with standard load processes or punch-out connections. Usually the e-procurement provider has existing technology and relationships in place to allow the customer to pick and choose their online vendors for displaying their contracts. This helps maintain contract compliance and reduces maverick spending.

Managing an online e-procurement project can be done in a fashion where the bulk of the work is creating an environment that meets the requirements of the customers. Once the environment has been developed based on configurations, then importing their specific data elements to allow them to do business the way they want is usually the next step in getting them transactional.

In summary, because the purchasing application is internet based, the traditional software deployment project rules are thrown out the window. Most of the project activities are done through conference calls and remote based training tools, which minimizes costs and expedites implementation schedules. When developing a [standard project plan](#), most web procurement engineers will encourage “out of the box functionality” to ensure customization is not needed which will keep the deployment within scope.

How to Track Purchase Requisitions with a Click of a Button

If you are putting a business case together for a new purchase requisition system, one area to look at is many hours your stakeholders are wasting trying to track a purchase order after they have sent it down the interoffice mail system.

One of the most frustrating parts of the paper purchase order shuffle is trying to locate your purchase requisition when waiting for the approval process to run its course. Submitting paper requisitions and procurement orders through the antiquated interoffice mail system seems ridiculous since e-mail can now travel the globe within minutes.

Here is the typical scenario:

1. The clerk fills out paper procurement requisition with all the detail needed by purchasing to place the order.
2. The paper order is now stuffed into a manila envelope to be sent on its journey through the myriad of approvers.
3. The Supervisor receives the Purchase Order the next day but has an issue and sends you an e-mail looking for additional justification.
4. Two days later, it is finally signed and sent to the Department Manager 2 floors below (again through the interoffice mail).
5. After a week, the originator begins chasing down the paper order to track its progress.
6. After an hour of calls, it is finally determined that there is a missing account number and the purchase requisition was sent back to the originator for modification (again through interoffice mail).

This happens thousands of times a day across the country and with the advent of technology, it is a waste of time and productivity.

With an E-procurement system each requester can simply click their way through a screen or two and find where the hold-up is. With a gentle reminder through a phone call or e-mail the electronic requisition is back on track. The system can even see when the Purchase order is signed and sent to the vendor. A huge time saver when compared to the past.

In summary, [tracking a purchase requisition](#) through the entire lifecycle is easily done with an online procurement tool. Do your company a favor and dump the paper and get a tool that will actually save money but time as well.

Are you always over Budget? Purchase Software integrated with your ERP is the Answer!

Over the years many departments struggle to stay within budget when trying to purchase products and services. Many times, the **paper purchase order process** does not provide a way to validate that there is money available within the cost center when a new purchase order is being created.

Department managers have to rely on monthly reports to determine where they stand when it comes to their departmental budgets. This step does not always yield the latest and greatest results since these reports can be a week or month old.

When selecting a purchase order system, one of the aspects to look for is the ability for the system to integrate with your ERP's general ledger. The capability of automatically checking the budget at the beginning of the process can go a long way in making the purchase process more efficient. By notifying the requester within 60 seconds if the budget they are trying to purchase against is available or not can help relieve frustration across the board.

E-procurement applications are meant to streamline the purchasing process not replace your ERP system. Integrating these systems together not only gives automatic budget checking and allocation, but can provide level of control over the budget the organization may not have had before.

Each system works together to provide a seamless process as information flows back and forth between the two. Business rules set within the GL (General Ledger) still apply and control whether or not to move the transaction forward through the approval process.

If the general ledger system has an issue with the transaction, a message is displayed directly to the purchasing software for the end user or approver to take action. Some of the rules being validated might involve budget checking, security compliance or other rules. As a result, the two applications add value to the entire process and become a systematically linked in a way to stream line your entire procure to pay process and help departments to become more fiscally responsible.

In summary, [integration to your ERP system](#) is a key component when evaluating an e-procurement solution. A tightly coupled interface between the two can increase the return on the investment in productivity and budget management.

Why an E-sourcing Tool can make the Vendor Process easier and still comply with state Bid laws?

Bid laws require that government agencies utilize a structured method of soliciting prices through a standard process that allows each vendor to participate and keep the playing field even and ensure the best price and vendor is available.

Using the traditional method of a paper based solicitation for bid is a standard practice in government and public sector entities. Even though the process is antiquated and inefficient, it does fulfill the legal requirements of many state regulatory requirements.

However, many vendors are now looking for bid opportunities using online internet based applications. The vendor process of responding to paper bids will be around for many years to come, but it is becoming more common for vendors to utilize online systems to receive and respond to these solicitations.

With the internet becoming a tool that allows a supplier to search and then respond electronically to a solicitation, the supplier can now be more selective of an opportunity. Once an entity publishes a bid electronically the vendor can easily retrieve the bid online to review the terms and conditions to determine if this opportunity should be pursued.

This in turn, allows them to become more responsive and able to focus on more bid opportunities that hit their “sweet spot”, which gives them an advantage over the others that are only working the paper based methods.

In summary, the popularity of online [bidding services and applications](#) are now reaching many vendors who respond to bid opportunities. Through online portals and other applications, the suppliers can now receive invitations and respond to them electronically.

This open migration to newer technologies can help make the more technically savvy supplier differentiate themselves from the rest. This in turn, can the vendor's bid process become more efficient and help win more business.

Why Your Contract Process should feed your Procurement Process

Many purchasing organizations have one specific role when it comes to the contract to purchase process– To provide the ability for the rest of the organization to purchase products and services at the best possible price while still maintaining fiscal controls and accountability.

Many of these departments have to accomplish this goal with resources and solid structured processes. As these purchasing groups work to drive down prices, they need the proper tools to support the dwindling resources they have within their departments.

W-sourcing applications that streamline these manual processes to allow easier facilitation and management of contracts processes will go a long way in making these groups more efficient. Instead of using the typical paper form and faxing technique, these teams can now generate online quotes and bids that can easily be distributed out to multiple suppliers at one time.

Once these sourcing events are pushed out electronically, the buyer can manage the progress of each vendor throughout the process. This in turn, allows more events to take place and can include many more suppliers in the process to help get better pricing. With the advances in internet technology, online [bidding tools](#) are now becoming more accepted and utilized to replace the old bid in the mail process. With tools that allow bidding entities to post and review their bids online, the suppliers who subscribe to these services are now allowing a more competitive landscape with regards to bid opportunities.

Because of the amount of effort being expended in the old paper based environment, the buyer was only able to manage a few events to a minimal number of suppliers. This does not necessarily provide the greatest [price variances](#) needed to ensure the organization is being diligent enough in their goals to find the lowest cost.

If you have an online bidding application to manage your contract and sourcing process, it becomes a natural pipeline of purchasing contracts for your e-procurement processes. Once these contracts are awarded, your procurement tools now present these contracts in an online portal to make it easier for your end users to leverage these contracts in their ordering process.

In summary, purchasing managers and their respective buyers should be looking at e-sourcing applications to broaden the net when running their contract processes. With an online solution the ROI of moving the sourcing process off of paper can be measured in less than a year.

Why it is easy to find your Purchase order requisition using an E-procurement tool

Paper purchase order requisitions are difficult to fill out, modify and very cumbersome to track down once they have been submitted for approval. The overall purchasing process is inefficient and can take days or even weeks to get your order.

Migrating this archaic process to an online e-procurement tool can make a drastic difference in streamlining the overall process. In addition, your end users will benefit from being able to track their orders through the entire lifecycle. Because the online purchasing application has the ability to see the entire approval process, your users do not have to guess where their requisition is within the process.

If the purchase requisition happens to stall, the end user has the ability to contact the approver and get the supervisor to review and approve or return the transaction. Either way, the requester knows where they stand without having to spend a lot of time [tracking the order](#).

Online e-procurement applications are relatively easy to deploy since there is no software to install. You can easily get a phase I group in place within a week if the project team is focused and devoted to getting the environment up and running.

Of all the project activities, charting and potentially redefining the approval processes will most likely be the area that can take a bit longer to implement. However, if a phase I group is installed first, the project team can get some experience and confidence in the system before deploying across the enterprise.

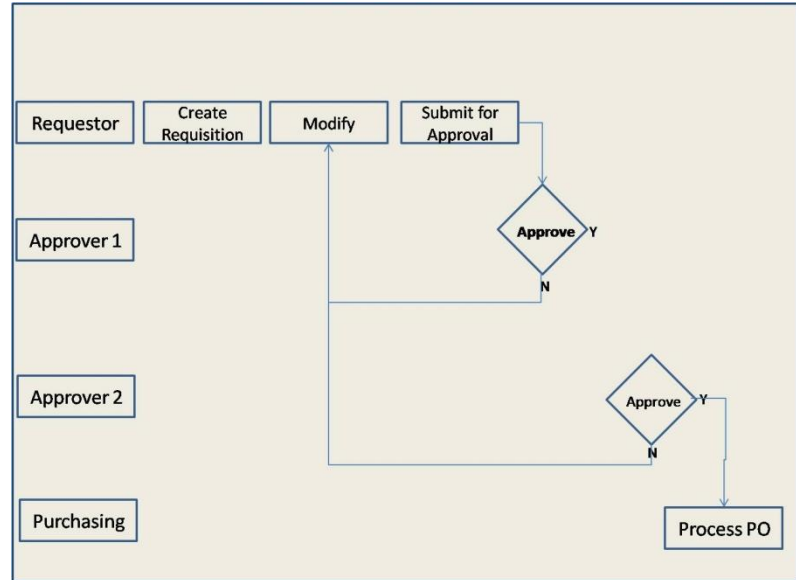
Regardless of how you plan your rollout, your end users will be grateful for getting a tool that can actually help them keep track of their purchase order requisitions. Your organization will quickly become acclimated to having access to this information and wonder how they did without it.

How well does Your Purchase Process Flow? Chart it out!

The manual paper based purchase order process is a dinosaur that was probably developed decades ago. These processes are full of inefficient rules and redundant approvals that probably was set up years ago based on established rules and regulations relevant at the time. Today, these processes most likely still exist today “Because it has always been done this way “as the justification to the reason the process works the way it does.

In government, public and private based businesses alike, the requisition approval process is most likely taking days, if not weeks, to go through the “black hole” before the order is placed.

This is usually the main reason why many organizations use a blanket PO process so heavily.



When implementing an e-procurement tool, one of the activities used as a best practice model is [approval process mapping](#). This exercise allows each department to validate their own business rules for requisition approvals based on today’s rules. Once the as-is process is defined and visually mapped out, the flow chart will bring those inefficiencies out very quickly because they were based on old business practices.

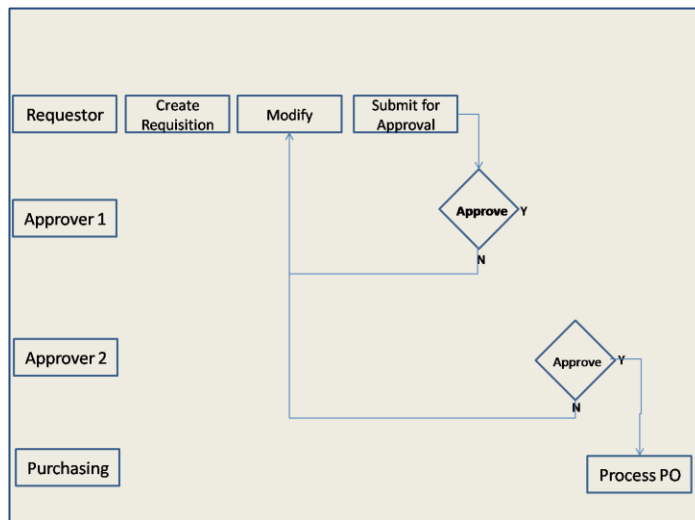
It is easy to follow a process flow and challenge everyone on the approval rules and procedures. Some of these business rules still apply, but the authorization rules may need to be changed based on how the organization operates today.

Due to human nature, there is little thought of changing the approval process unless the question; “Why are we doing this way” is asked. It is healthy to challenge the current business rules from time to time to make sure your approval process and business rules are at peak performance. To support the need for re-evaluation and possible change, a [departmental approval chart](#) can help get everyone to see the need for change if put in front of them.

Why Procurement Processes should include dollar based thresholds!

When deploying an online e-procurement application, it is critical to analyze each department's procurement process flow to determine a baseline set of business rules. Each area within the enterprise has evolved their own standards that best suits their needs, unfortunately, these standards were based on business practices established in the early 90's.

Today, many companies want to increase throughput and streamline the approval process but can't because their manual processes fall down due to the inability to handle the volume of orders. Consequently fixes like blanket purchase orders were put in place which can streamline the ordering process but diminish controls and oversight.



When implementing an online e-procurement solution, the concept of **dollar based threshold routes** can help to create a more efficient way of approving purchase orders and still maintain controls and accountability. A management policy needs to be in place before the process can be created, but this is usually not an issue if the overall goal is to manage the volume of purchases in an effective manner.

Basically a dollar based rule can be designed into the approval process that

allows all purchase requisitions beneath a certain amount to be approved by lower level management. As the purchase requisition increases in amount, higher level management is pulled into the approval process automatically. Using an e-procurement platform to assist in implementing this type of process can be very effective in directing purchase orders to the right approvers at the right time.

Implementing an e-procurement tool to help simplify your approvals is not difficult once you have those rules defined and mapped out. Redefining the approval process and following a best practice model to determine threshold amounts will need to be developed as policies first, but once in place, can increase processing throughput without increasing workload.

In summary, implementing e-procurement with dollar based threshold routes can help an organization become more efficient as their procurement process flows become more streamlined without sacrificing controls and accountability.

Map each Departmental Procurement Process Flow

When deploying an e-procurement tool to replace the old manual paper based purchase order process, it is critical to help each department map out their current procurement process approval paths and business rules. Each area within the organization has developed as standard model that best suits their needs, unfortunately, that model was probably based on business practices established a decade ago.

These approval rules and procedures full of inefficiencies and redundant [manager approvals](#) that were probably created years earlier based on old style management practices and regulations relevant at the time. Using e-procurement as a catalyst for change is an opportunity to break some of those old ways and bring them up to date.

In government institutions, public and private based companies, the requisition process most likely takes days longer than really necessary. The "black hole" of purchasing products and services is causing many organizations to re-think their approval practices and rules to remove some of those inefficiencies.

When implementing an e-procurement tool, one of the major areas of focus is redefining the approval process and following a best practice model to determine the current flows to identify major barriers. This exercise allows each department to visualize and validate their own business rules for requisition approvals based on today's rules not ones developed in the early 90's. Once the as-is process is visually mapped out, it is usually very easy to see that the current way of approving purchase orders is outdated and full of redundant loops.

Due to human nature, change management is a challenging aspect of any e-procurement implementation. Challenging the departments with a simple question like; "Why are you doing it this way?" is healthy and gets people to think through the process. More often than not, people will begin to discuss the various exceptions and clearly see areas they can improve on in order to streamline their procurement process flows.

What Does Web Based e-Procurement Cost...Not as much as you think!

If you are looking to move your organization into the 21st century by dumping that old paper based purchasing process, you may be in for a pleasant surprise when it comes to the procurement costs.

Of course there are many overpriced e-procurement providers that can charge more than the market can stand, but an **online web based solution** can be very cost effective. Because there is no software or hardware to install, it becomes much easier to implement than applications hosted within your network.

Taking steps to replace the 4 part purchase order process will allow the enterprise to become more efficient and still maintain the control points necessary for accountability purposes. Initiating a replacement to the manual paper process does require some change management, but once in place, stakeholders will wonder how they got along without it.

It is recommended that using out of the box functionality whenever possible to minimize customization costs. It is far cheaper to change your processes than try and redesign the software to mimic an antiquated system. Most e-procurement solutions have experienced procurement engineers to assist the client configuration the system and implementing best practices whenever possible.

Because the software is already up and running, the turnaround time to implement a solution is measured within weeks, not months. This one attribute of using a web based application can accelerate the return on the investment which makes it much more appealing when getting executive or board approval.

In summary, the costs of an [internet based e-procurement system](#) can be very attractive when you do not have to house the software on your network. In addition, the ability to connect contracts to the front end of the process can also reduce overall procurement costs and increase throughput. If your organization can adapt and modify your business processes to leverage the functionality, the overall costs can be very attractive.

Summary

In summary, implementing a tool to fix your contract to PO process will not be the silver bullet to fix your procurement issues unless you maximize its use and functionality. Plan to re-evaluate and implement new business processes as you step away from paper into [e-procurement](#).

Because you are implementing a tool across the enterprise, there will be change management issues that will need to be addressed through policy and procedural changes.

Executive support is key to the success of any project that deals with traditional concepts and established processes, but the overall goal to streamline the procurement cycle is well worth the initial growing pains.

[Click Here](#) to find out more about **Procure to Pay solutions** for your organization.